



△ BTS

*Catalysts for Profitability and Growth*

**2007**

**BTS GROUP AB (PUBL)**

**ANNUAL REPORT**

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## INFORMATION FOR SHAREHOLDERS

### Annual General Meeting 2008

The shareholders in BTS Group AB (publ) are hereby invited to the Annual General Meeting (Ordinary General Meeting) on Wednesday May 7, 2008 at 10.00 at the company premises, Grevgatan 34 5tr, Stockholm, Sweden.

Shareholders who wish to attend must be registered in the share book maintained by VPC no later than Wednesday, 30 April 2008 and must notify BTS Group AB of their intention to attend no later than Monday, 5 May 2008, at 12.00.

Notification may be issued by phone, fax or e-mail, phone: +46 8 58 70 70 00, fax: + 46 8 58 70 70 01, ir@bts.com.

When issuing notification, shareholders are to state their name, personal registration or company registration number, address, telephone number and registered shareholding.

Nominee shareholders must temporarily register the shares in their own name with VPC AB to be entitled to participate in the Annual General Meeting Requests for such registration must be made in good time before Wednesday, 30 April 2008.

## DIVIDEND

The Board proposes a dividend of SEK 1.20 per share.

## REPORTS AND FINANCIAL INFORMATION 2008

### Interim reports

January-March	May 7, 2008
January-June	August 21, 2008
January-September	November 7, 2008
Year end report	February, 2009

The reports listed above are available on request from BTS Group AB, Grevgatan 34, 114 53 STOCKHOLM, SWEDEN, Phone. +46 8 587 07 000, Fax: +46 8 587 07 001, e-mail ir@bts.com

Financial information from BTS Group AB is also published on the Internet at [www.bts.com](http://www.bts.com)

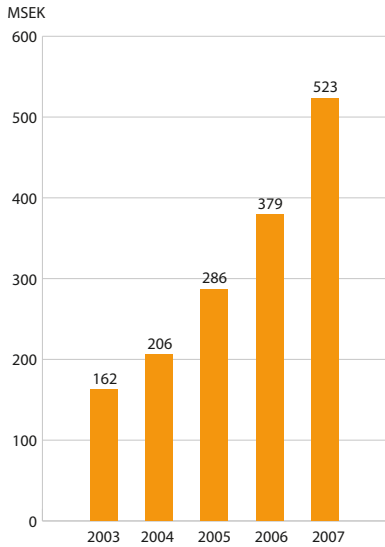
## DEFINITIONS

BTS Group AB, BTS Group AB (publ)  
BTS, the Company BTS Group AB with  
or the Group subsidiaries (unless the context implies otherwise)

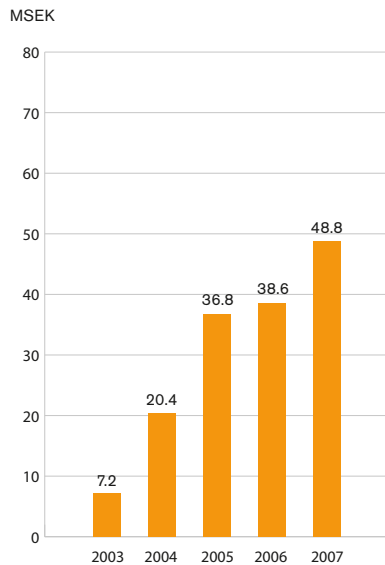


Catalysts for Profitability and Growth

**BTS' Revenues 2003-2007**



**BTS' Profit after tax 2003-2007**



**BTS in the world**

■ **Vision:** The World's No.1 Learning & Development Consultancy – innovating how companies change, learn and improve

■ **Mission:** We partner with our clients to accelerate change and improve business results

■ **Value Proposition:** We develop the mindset and capabilities that your people need to accelerate change and improve business results

BTS make sure this delivers superior results and ROI through:

- Discovery-based solutions - "Learning by doing" – the most effective way to learn and change
- In-depth customization – to what is relevant and actionable on the job
- A comprehensive process that secures and measures the results.

■ **Global corporations as our customers**

BTS currently works with more than 400 companies around the world that operate mainly in sectors of Manufacturing, Telecom, IT, Financial Services, Pharmaceuticals & Biotechnology, Retail & Distribution, FMCG and Energy. More than 25 of the world's largest corporations measured by market capitalization are BTS customers. Examples of our customers are:

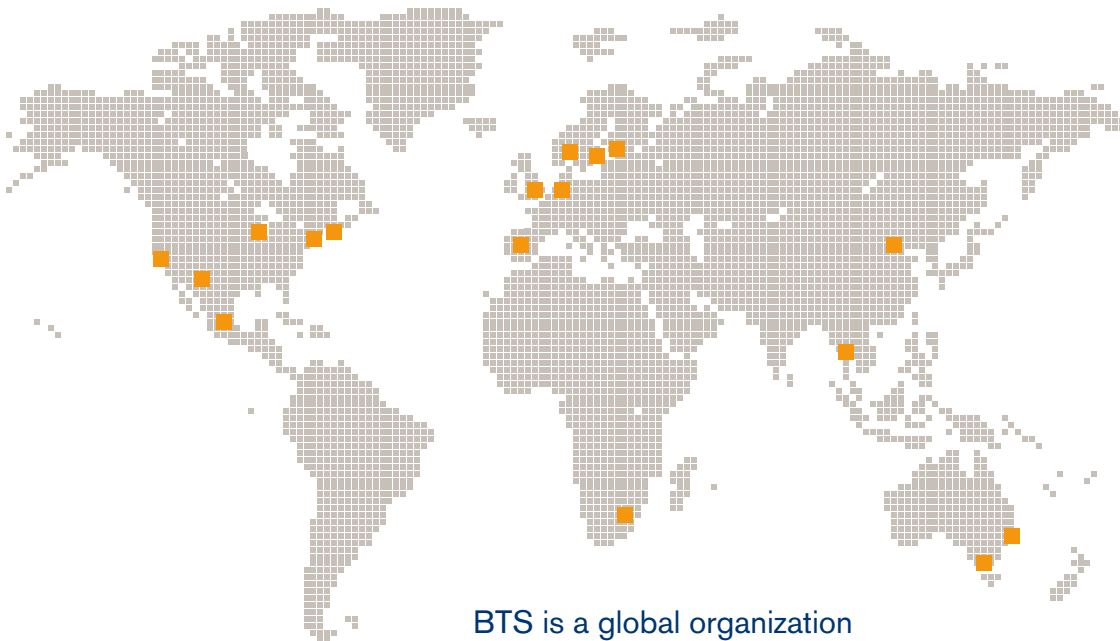
- |                  |                  |                   |
|------------------|------------------|-------------------|
| Accenture        | Ericsson         | Sanitas           |
| American Express | Maersk           | Sony              |
| AOL              | Microsoft        | Texas Instruments |
| BBVA             | Nokia            | Toyota            |
| Carlsberg        | Telefonica       | Unilever          |
| Cisco            | Procter & Gamble | Xerox             |
| Coca-Cola        | Roche            |                   |
| Energy Australia |                  |                   |



## The BTS Group is an international consulting and learning company

BTS is the world leader in customized business simulations and other discovery learning solutions that enable leading corporations to change, grow and succeed. We partner with our clients to develop the mindset and capabilities that their people need to accelerate change and to improve business results.

BTS has 230 highly talented professionals serving over 400 clients, including 40 of the US Fortune 100 companies and 25 of the Global Fortune 100 world's largest corporations.



BTS is a global organization with offices in North America, Latin America, Europe, Asia and Africa.

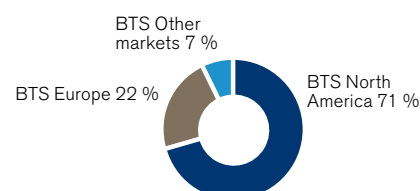


# The Year in Brief

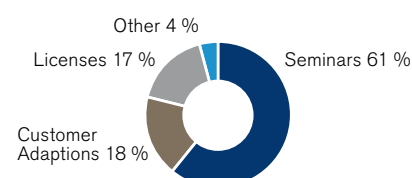
- Net turnover during the year increased by 38 percent and amounted to MSEK 523.2 (379.1). Adjusted for changes in exchange rates, growth was 47 percent. The organic growth for BTS, adjusted for changes in exchange rates, was 12 percent.
- Operating profit before amortization on intangible assets (EBITA) increased by 31 percent to MSEK 88.3 (67.6).
- Profit after tax increased by 26 percent to MSEK 48.8 (38.6).
- The market development on all of BTS' markets continued to be positive.
- Cross selling between BTS and the acquired companies APG and RLC continued to increase.
- New clients acquired during the year included ABN AMRO, Coop Norge, Es-sent, Harley-Davidson, Kimberly-Clark, Tyco Electronics, Sony BMG, Waste Management, Marsh, Time Warner Cable, Euskaltel, Teva and NetJets.
- Two new BTS offices were opened in Oslo and Singapore.

Key Ratios	2007	2006
Net turnover, MSEK	523.2	379.1
EBITA, MSEK	88.3	67.6
Operating profit, MSEK	78.2	62.4
Profit before tax, MSEK	72.8	61.1
Profit after tax, MSEK	48.8	38.6
EBITA margin, %	17	18
Operating margin, %	15	16
Profit margin, %	9	10
Operational capital, MSEK	193.9	184
Return on equity, %	26	24
Return on operational capital, %	41	53
Solidity at the end of the year, %	50	45
Cash flow from current operations, MSEK	45.2	41.1
Cash flow, MSEK	-4.5	-29.1
Liquid funds at the end of the year, MSEK	67.5	72.1
Average number of employees	211	165
Number of employees at the end of the year	230	186
Net turnover per employee, MSEK	2.5	2.3

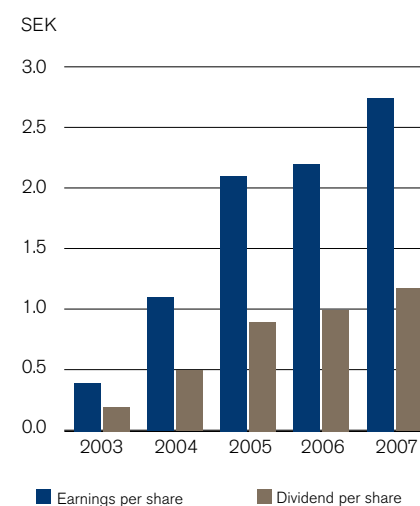
Net turnover per operational unit, 2007



Net turnover by source of revenue, 2007



Earnings and dividend per share, SEK



Years 2003-2005 earnings per share and dividend per share have been adjusted by a correction factor of 0,3333 due to the split 3:1 in May 2006.



# Words From the CEO

“We will enter new markets and continue to open new offices.”

Companies are investing more in learning and are looking for faster and more effective ways to learn. BTS has a broad and highly innovative and effective solutions portfolio meeting customer needs. This is why 2007 was yet another year of profitable growth for BTS.

## 8 x in 4 years

During the last four years, BTS revenues have grown 3.5x and operating profit has grown 8x. The organic growth has averaged 19 percent per year. 2007 was another year of profitable growth. Revenues grew by 38 percent and net profit by 26 percent. There are several drivers behind our sustainable, profitable growth:

- We are operating in a growing market.
- Our offering has strong competitive advantages.
- We carry out acquisitions well in a fragmented market.
- Our organization and people are the best in the industry.

BTS market opportunities are created by structural trends in businesses worldwide and by our leading-edge methods and technologies.

## The opportunity

Companies are investing more in learning and looking for faster and more effective ways to learn. Why?

Firstly, the drivers for improved productivity, change and growth are more forceful than ever in our globally connected market economy. Companies are investing heavily to innovate, change business models, reduce costs and capture new market opportunities.

Secondly, in order to execute rapidly and effectively, companies are investing more in learning and change initiatives – and demanding more and faster results from these investments.

The corporate learning industry is a conservative one, dominated by old classroom methods of lecturing and “Death by Power-Point” – often with limited focus on driving business results.

BTS’ innovative capabilities with a global reach bring the right approach to these learning and change initiatives of the Fortune 2000’s of the world. This is why we continue to achieve profitable growth.

## How we deliver results to our customers

Toyota, Microsoft, Accenture, Coca-Cola and Sony Ericsson are some examples of world-leading companies that work closely with BTS to achieve improved business results.

Research shows that the best results from investments in learning are achieved when adults learn by doing – through practical exercises in an environment closely connected to their job – while having a clear goal and motivation to change.

The approach and methods of BTS work in harmony with these well-researched principles of success.

Our value proposition is to develop the mindset and capabilities your people need to accelerate change and improve business results. We make sure to deliver superior outcomes and return on investments to our customers through:

- Discovery-based solutions, learning by doing – the most effective way to learn and change.
- In-depth customization – to what is relevant and actionable on the job.
- A comprehensive process that secures and measures the business impact.

All our solutions are based on “Learning by Doing” methodology. Participants learn through discovery-based solutions – via IT-based simulations, manual simulations, learning maps or engagemaps – in a classroom or online.

The solutions are customized to each customer’s business and goals. The results are secured through thorough preparation, execution and follow-up processes for each learner in co-operation with his or her manager.

## A broader base for growth

A few years ago BTS was a niche company, specialized in the field of business acumen. Many customers asked us to broaden our capabilities – and to apply our innovation to new areas. We responded.

Through our own product development and a few strategic acquisitions we have broadened our offering and solution portfolio significantly. Today, we partner with our clients in areas such as leadership, management, sales development and operational excellence.

We have a broad, attractive and highly competitive solution portfolio meeting customer needs. Going forward – our growth will focus on building market presence and gain market share.

## The DNA of our growth

1. Our existing offices have major opportunities to grow. In the USA, for example, it is estimated that BTS holds 1 percent of its target market; with sales of 50 Million USD in a target market worth 5 Billion USD. The key growth strategy is to increase the number of people who serve existing clients and win new clients. Our “talent pipeline” process is a systematic and managed way to build a talented and engaged sales force which, in turn, will generate organic growth.

“There are still large, untapped markets in developed economies where customers are looking for more effective solutions – and where BTS’ innovative approach will gain market share. Also, there are rapidly growing markets for BTS in growth economies like the BRIC countries, where there is a constant shortage of well-trained executives, managers and sales people.”

2. During the last few years we have opened one or two offices per year; last year we opened new offices in Oslo and Singapore. Our ambition is to continue to open new offices.
3. Based on strong and deep relationships with our customers – including a consistent track-record of high quality and business results – we broaden these partnerships with our whole portfolio of solutions.

Our global customers and our broad portfolio of solutions create many new opportunities for us – both in developed and in fast-growth economies.

There are still large untapped markets in developed economies, where customers are looking for more effective solutions – and where BTS’ innovative approach will gain market share. There are also rapidly growing markets for BTS in growth economies like the BRIC countries, where there is a constant shortage of well-trained executives, managers and sales people.

We will enter new markets and open new offices – both through acquisitions and organically – and continue to build on our strong track-record and experience in both these avenues of growth.

## Our Markets are still strong

During 2007 all our markets developed positively, and 2008 have started in the same way. Some industries in the US are showing weakness – such as housing, retail and some parts of construction and financial services. Fortunately, BTS has limited exposure to these sectors.

BTS was hit by the downturn of 2001-2003 with two years of flat growth. However, at that time BTS had over 80 percent of revenues from the three sectors which were hit the worse (IT, telecom and manufacturing). Today, BTS is much more diversified, and with a limited revenue stream from now weak sectors.

## Our Vision

When BTS was founded in the mid-1980s, we set as a vision to become “The World leader in business simulations”. We achieved that vision in 2004.

Our current vision is to become “The World’s No. 1 Learning & Development Consultancy – innovating how companies change, learn and improve.” This vision holds an exciting challenge for all of us. Based on our position today in terms of our client base, solution portfolio and people, we are convinced that we will achieve this vision.

## Prospects for the future

We have a long history demonstrating our capacity of sustainable organic growth, and in recent years we have also gained valuable experience from successful acquisitions. We are operating in a growing market and our market penetration is very low. We are in a stronger position than ever before to deliver value to our customers and to compete successfully in the global market place.



Based on strong market conditions for BTS, the profit before tax is expected to be in line with the previous year.

Stockholm, March 2008

Henrik Ekelund  
President & CEO of BTS Group AB

# Vision, Mission, Value Proposition, Goals and Strategies

## Our Vision

**"The World's No.1 Learning & Development Consultancy – innovating how companies change, learn and improve"**



## BTS Value Proposition

We develop the mindset and capabilities that your people need to accelerate change and improve business results.

We make sure this delivers superior results and ROI through:

- Discovery-based solutions/Learning by Doing – the most effective way to learn and change.
- In-depth customization – to what is relevant and actionable on the job.
- A comprehensive process that secures and measures the results.

## The BTS Group's Eleven Strategic Principles

### 1. Focus

BTS is a learning & development consultancy. Our world-class capability is our focus; to customize and deliver discovery-based solutions which give our clients superior business results and ROI. Every new solution/service we develop shall build on the core competencies of BTS.

### 2. Internationalization

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

### 3. Organic growth complemented by acquisitions

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

BTS enters new geographies and new areas with a customer-driven approach – revenues and customers first, cost second.

### 4. Top clients and long-term partnerships

BTS 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 & highly visible results and strong customer relations.

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





## Our Mission

**"We partner with our clients to accelerate change and improve business results!"**

### 5. Differentiation – higher value & premium position

BTS' services are differentiated through superior business results and ROI. The most common differentiation factors for BTS are:

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

### 6. Offer solutions and IP – not sell time

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

BTS capitalizes on its IP (Intellectual Property) – creating recurring revenues and license revenues striving to increase their share of total sales.

### 7. Network-oriented sales and marketing

BTS continuously increases the quantity and improves the quality of resources dedicated to client contacts and sales. These are key drivers of growth for BTS.

Our priorities:

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

## FINANCIAL GOALS

### Revised financial goals

**BTS financial goals shall over time be:**

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

### 8. Value chain – Focus on strategic assets and high value

BTS owns and sources internally:

- IP
- 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 get access to customers and combine capabilities.

### 9. 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.

We combine two approaches:

- Create a pull for communication and learning
- Provide a knowledge management system with easily accessible information, checklists and "how to".

### 10. Innovate! And develop close to the customer

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

### 11. The people and the company spirit

BTS professionals are all very visible to the client and the spirit is a main driver of client 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 is a key driver of growth.

# “Why should a company buy from BTS?”

## Customer Cases

### PaperlinX

“How can we develop a world-class sales force with a value-added culture linked to our strategic objectives?”

#### DEVELOPING A VALUE-ADDED SALES CULTURE

PaperlinX is the world's leading fine paper merchant. BTS has developed a strategic selling programme, tailored for PaperlinX and its industry, and is delivering this program to thousands of sales managers and sales force world-wide. The program has had a significant positive impact on the sales organization and the sales results.

### Ericsson

“How do we reach a common understanding for the importance of moving into a new software-focused business model?”

#### TAKING A NEW BUSINESS MODEL TO MARKET

Ericsson is a world-leading provider of telecommunications equipment and related services to mobile and fixed network operators globally. Ericsson has partnered with BTS to roll out a new model for its software business. The objective has been to create an understanding of the impacts and benefits for Ericsson and for its customers – and to drive a rapid execution. The participants receive a hands-on, simulation-based experience - custom made to this new business model - where they learn to calculate and communicate the value for the customers.

### Sanitas

“How can we get the whole organization to align with and commit to our strategy?”

#### A NEW BUSINESS STRATEGY

The New CEO of this leading health insurance company changed its market strategy and associated with BTS in order to align the whole organization with this new strategy. Senior managers across the company were given the opportunity to experience and work with the implementation of the strategy in a simulated environment – and discuss the cause and effects of the different initiatives and tactics on the business results.

### Accenture

“How do we develop our geographically spread and time constrained consultants?”

#### RUNNING THE BUSINESS ON-LINE

Accenture, a world renowned consulting company, partnered with BTS to create an innovative on-line business simulation. This highly interactive on-line simulation was customized to provide participants with a deeper understanding of what it takes to successfully run Accenture's business. Well over 1,000 participants were reached in around three months. The first group of participants have given feedback on the great learning experience and how it provides a greater appreciation for all that goes into running an Accenture business.

### BBVA

“How can we accelerate the implementation of a new business focus?”

#### IMPLEMENTING A MANAGING FOR VALUE STRATEGY

BTS has developed an executive development program for the 300 Corporate Directors of BBVA, one of the largest European banks. The objective for the participants has been to experience the challenges of a value based objective for the business and learn, through simulation, the key driver and indicators associated with the BBVA Managing for Value concept.

### Humana

“How do we integrate the entire organization to provide a seamless consumer experience?”

#### ENHANCING THE CONSUMER EXPERIENCE

Humana, a recognized thought leader in the health benefits industry, focuses on consumer choice as the key to controlling rising costs while still improving the quality of care. Humana partnered with BTS to accelerate their transformation to a knowledge-based learning organization focused on putting the consumer at the heart of the healthcare system. In the latest of three custom programs for the top executives and midlevel managers, BTS created the Integrated Consumer Guidance Experience. The simulation challenges participants to view the consumer's healthcare experience from the “outside-in,” integrating the entire organization to provide a seamless experience for consumers.

## IMPLEMENTING A NEW LOGISTICS CHAIN

This program builds commitment to the changes in the global logistics flow and strengthens the knowledge of all the costs drivers; as well as each individual's role in the complete logistics chain. The participants get an inside experience through a realistic, computer simulated solution, which has been designed, developed, and customized to reflect Sandvik Mining and Construction's new logistics flow and work methods.

## Sandvik Mining and Construction/Logistics

“How do we get all individuals in the organization behind the new way of working our logistic chain?”

## TO GENUINELY UNDERSTAND OUR CUSTOMERS

BTS partnered with Honda, one of the leading manufacturers of automobiles and the leading manufacturer of motorcycles in the world, to deliver a unique car dealership simulation to 350 Honda sales consultants. Entitled “Walking a mile in your customer's shoes”, the simulation gives the participants an “inside experience” and a strong “AHA” awareness about what drives the success of its customers.

## Honda

“How can we give all our key people a backbone understanding of what drives the success of our customers?”

## REDEFINING THE CORE BUSINESS

In 2004 Coca-Cola was facing significant challenges to their core business due to changing consumer tastes and a flood of new competitors into the market. BTS was approached to develop a solution targeted at the top 450 leaders in the organization in order to engrain a new way of looking at the business and foster a shared vision of system value creation. Since then thousands of Coca-Cola managers and key people have experienced multiple BTS solutions. There are business results all across the board. One business unit reported segmentation improvements that led to a 20% revenue increase and a 300% operating income improvement. Another recognized \$70MM in pricing gains was achieved by optimizing core brand pricing and volume.

## Coca-Cola

“How do we execute a strategy to get back to profitable growth?”

## DEVELOPING THE NEXT GENERATION OF LEADERS

One of the world's premier engineering and large construction firms hired BTS to provide high-impact business acumen development throughout its senior leadership pipeline. The goal of the program is to deliver solid financial and strategic planning skills while preparing for the economic and organizational challenges of tomorrow.

## Fluor Corporation

“How do we transfer knowledge and experience to the next leadership generation?”

## IMPLEMENTING A NEW MEASURE OF SUCCESS

One of America's premier Consumer Goods companies partnered with BTS to teach its top 100 leaders the What, Why, and How of a new corporate metric: Total Shareholder Return. Through the simulation, leaders experienced what the metric represents, why it is crucial to the future of the company, and how the decisions they make impact results.

## Kimberly-Clark

“How do we give our leaders the direction and skills to accelerate shareholder value creation?”

## TO TRULY CHANGE A BUSINESS

The background for the changes was a decline in the volume of letters, ongoing deregulation of the postal market, internationalization and an increase in competition. Therefore, a tailored training initiative was implemented for 125 senior managers, 250 middle managers and 950 first line managers.

## Norway Post

“How do we change to a new business strategy, operation and culture?”

“We built simulations designed to prepare our managers for the change of behavior required,” says Kaare Frydenberg, former President of Norway Post.

# Customers

“Large, global customers in a broad range of industries”

The leading companies of the world work closely with BTS – more than 25 of the world's 100 largest use BTS extensively. Customer relationships are deep and long; 6 - 8 years or more.

## Valuable client base

### Largest companies in the world

BTS is the world leader in the market for tailor-made simulations centered on business acumen and strategic alignment. At present, BTS has about 400 active customers. More than 25 of the world's 100 largest companies measured by market capitalization are customers of BTS.



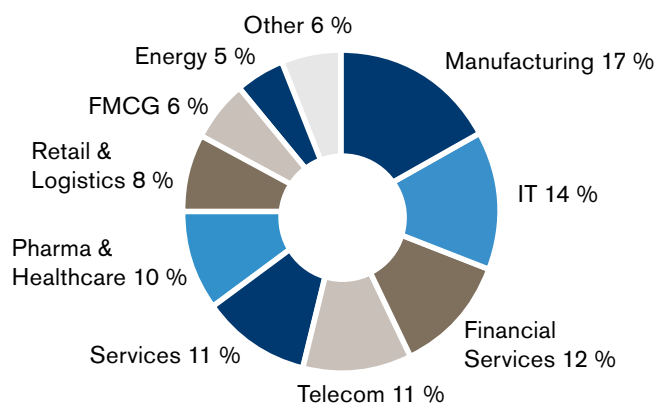
About 80 percent of annual revenues normally comes from customers with whom BTS has worked during the previous year. Typical customer relationships range from 6 to 8 years – often longer.

### Global customers in several sectors

BTS has built strong market positions within nine industries. During the 1990s, the company grew rapidly in manufacturing, telecom and information technology - with major global customers such as Philips, Ericsson and HP as BTS customers.

During the period of poor market conditions in the early 2000s, BTS expanded its positions by entering four additional industries; financial services, pharmaceuticals & healthcare, retail & logistics and energy. In the last couple of years, BTS has grown quickly in the fast moving Consumer Product and Service sectors.

### Revenue source per sector, % of total, 2007



The pie chart shows revenue distribution between different sectors in 2007. The importance of sectors such as Financial Services, Pharmaceuticals & Healthcare, Distribution and Energy has been increased through conscious investments. The “Other” category includes candidates for BTS’ new growth sectors.

### Important customer relationships

BTS sees great potential in growing with existing customers. The constant change pressure creates continuous demand for business training in almost all industries worldwide. BTS sees considerable potential in its existing client base and expects demand to remain strong in the future.

IT	Telecom	Financial Services	Pharmaceuticals & Healthcare	Retail & Distribution	Manufacturing	Energy	Other
Sun Microsystems	Ericsson	BBVA	Genentech	Federated	Honeywell	BG	Leighton
IBM	Telstra Corporation	Norway Post	Roche	Paperlinx	Sandvik	Vattenfall	AOL
Microsoft	Telefonica	Bank of America	Merck	Schneider	Toyota	Iberdrola	Stockland

Examples of BTS’ customers in different sectors.



**Some examples of  
BTS customers are:**

- Accenture
- American Express
- AOL
- Bank of America
- Carlsberg
- Cisco
- Coca-Cola
- Ericsson
- Honeywell
- Juniper
- Maersk
- Microsoft
- Nokia
- Norway Post
- Procter & Gamble
- Roche
- Sanitas
- Schlumberger
- Sony
- SonyEricsson
- Standard Bank
- Telefonica
- Telstra
- Texas Instruments
- Toyota
- Unilever
- UPS
- Vattenfall
- Vodafone
- Xerox

# Practice Areas

“Focused investments for thought leadership and innovation.”

BTS' account managers have an in-depth knowledge of our clients' businesses and their key strategic priorities. As we have grown over the years, we have considerably broadened our capability. In order to leverage our vast expertise and deliver exceptional client value, our account managers draw from three key practice areas: Strategic Alignment & Business Acumen, Leadership & Management, and Sales.

## 1 Strategic Alignment & Business Acumen

## 2 Leadership & Management

## 3 Sales

Within each of these three practice areas, we have many years of expertise, thought leadership as well as a proven track record of delivering results. BTS invests in talent, product development and innovative learning technologies in all these areas. Through our structure of practice areas we are close to the most important issues for the long-term success of our client base.

### Strategic Alignment & Business Acumen Practice

With more than two decades of experience partnering with the world's largest companies, BTS is the leader in aligning organizations with strategies and building the business acumen needed for successful execution.

From consulting to design and development to deployment, BTS creates customized, experiential learning programs that support a wide variety of strategic objectives.

### Strategic Alignment

BTS is a world leader in partnering with leading corporations to build engagement and energy around key strategic priorities. Our unparalleled experience in applying discovery-based learning technologies to enhance development has helped win the minds and hearts at all levels of our clients' organizations. We help evolve and move forward the way companies engage their people in change processes. The result is action that leads to expected business outcomes.

We have extensive experience engaging organizations in a multi-phased strategic alignment and execution process to ensure transformational change at every level of the organization. The following is how we create business impact:

**Strategy Execution Simulations** – We create realistic and engaging simulation experiences that allow learners to develop a deep understanding of their company's strategic direction and to practice its successful execution in a risk-free environment. Through our process, participants experience the benefits, trade-offs and potential obstacles to successful execution. The result is greater organizational alignment and accelerated execution of key strategic initiatives.

### Fact 1

BTS has over 20+ years of experience working with leading, global corporations like Coca Cola (Revenue Growth Management Strategy Implementation), AT&T (Merger Integration & Three-Year Plan Execution), Humana (Multi-Phased Strategy Alignment & Execution Initiative) and UPS (Rapid Alignment to Brand) to support communication and successful strategy execution.

### Fact 2

Practice Area – A group of individuals who engage in expert practice around a specific subject area with a focus on meeting customer needs.

“BTS invests in talent, product development and innovative learning technologies. Through our practice structure we are close to the most important issues for the long-term success of our client base.”



**Strategy Communication Engage Maps** – Using customized, discovery-based Engage Maps, we design and deliver compelling programs that rapidly communicate the Why, What and How of a strategy or change initiative to the entire organization. Engage Maps can help you communicate vision, values and culture, brand and customer orientation as well as business transformation goals.

**Strategic Planning Simulations** – This customized follow-on or stand-alone program provides management teams with a better understanding of their company's profitability drivers as well as a powerful process for identifying key activities that will secure fulfillment of budgets or plans. The outputs are concrete action plans with ROI goal, time plan and follow-up processes.

We recognize that all companies are at different phases of transformation. Any one of these process steps may be leveraged in combination or as stand-alone initiatives.

### **Building Business Acumen**

In 1986, BTS was founded upon the discovery that the alignment and results from the customized simulation experience far exceeded the off-the-shelf experience. BTS invented the customized business simulation and brought it to market. Since then, we have built the best customization capability in the world. Our flexible platforms allow for rapid customization in order to meet the learning objectives of multiple target audiences.

Our customization process ensures that the computer-based business simulation closely reflects our customers' key strategic and financial priorities. Our simulations are created to be competitively dynamic so that the decisions made by one team have a direct impact on the other teams' results. We reinforce programs' learning objectives by combining the simulation with instructor-led discussions and feedback. The blending of our customized simulation technology and content curriculum offers participants a risk-free opportunity to test out a range of relevant strategies to drive business results.

We leverage multiple delivery platforms to build business acumen at all levels:

**Executive Programs** – BTS is the world leader in developing and delivering executive-level programs leveraging discovery-based learning. In addition to providing best-in-class, stand-alone solutions, we actively partner with a variety of leading consulting firms, learning and development organizations and academic institutions around the globe.

**High Potential Programs** – As companies invest in assessing and developing their future leaders, they turn to BTS to develop their leadership capabilities.

**Mid-Level, First-Line & Individual Contributor Programs** – Managers and employees at all levels of an organization need to understand the big picture of a company's performance and how they can have impact. We offer a variety of best-in-class solutions targeted to various levels.

**Finance for Non-Financial Managers** – Building fundamental finance skills enables managers to better understand and impact their financial metrics.

# Practice Areas

## Leadership & Management Practice

There are multiple theories concerning leadership and its various attributes. A common thread among these theories is the idea that leadership is not an innate quality with which some people are born. It is, rather, a capability that is developed and learned. Our viewpoint is that both the art and the science of leadership must be nourished for leaders to blossom. We recognize that leaders need to think and act differently, while gaining new perspectives on the organization, to truly be successful.

We define three areas where knowledge, skills, and abilities must be developed as roles change. Each area has a series of accelerators to help future and current leaders learn important skills and how to use them most effectively. Each area is targeted by level of seniority with skills introduced and honed as needed. The following is our framework for leadership and management learning and development:

## Sales Practice

BTS Sales Practice offerings are based on real, current research with today's executive-level customers. That research points out that solution-selling is no longer enough. To add value today, salespeople must be able to accelerate the customer's business results. This requires a deep understanding of the customer's business as well as creativity and innovation. Our approach is based on the following four pillars:

### Pillar 1: Understand Your Customer

To meet customer demand for business improvement and return on investment, today's world-class sales forces first learn all they can about the customer's business, challenges, and priorities. The discussions that flow from this understanding reflect the mindset not of a salesperson, but of a businessperson who sells.

### Pillar 2: Create Impact

Value is in the eye of the beholder, or in this case, the customer. In order to more effectively create and deliver value, today's world-class sales forces discuss their capabilities in terms that are uniquely meaningful to their customers based upon the customer's specific needs and business challenges.

### Pillar 3: Communicate Value

Today's world-class sales forces recognize that they are trying to help their customers do things differently, which requires more than just implementing their products or solutions. In addition, it entails helping customers with change-management processes and decision making. It also involves the skill set of collaborative negotiation.

### Pillar 4: Manage Performance and Account Strategy

Today's selling environment presents a constantly changing set of priorities driven by customers, competition, and internal initiatives. The best salespeople and sales managers apply a systems-thinking approach in managing their sales processes and resources in order to keep the focus on their customers' needs and the value they require.

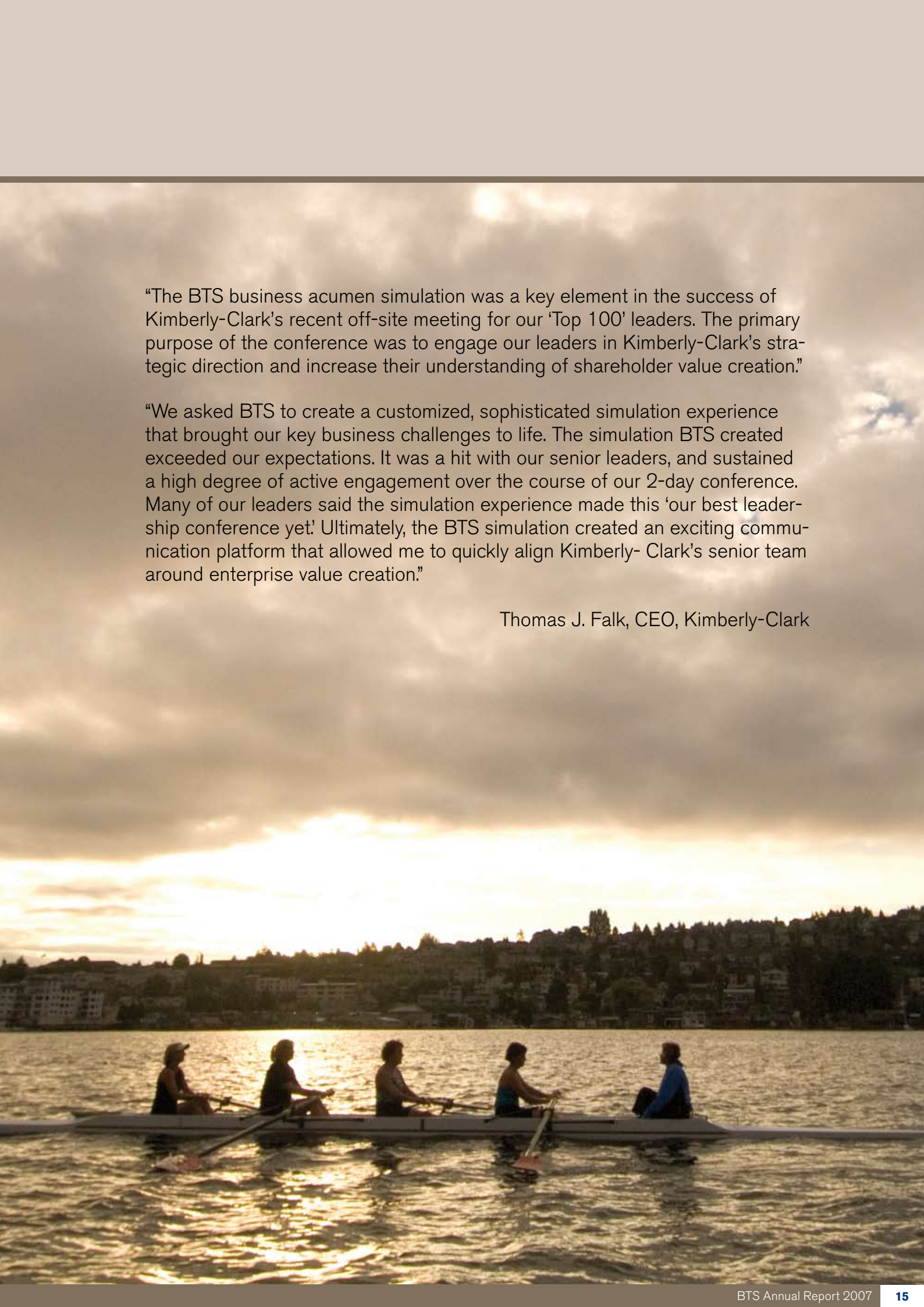
Sales Solutions Map

	UNDERSTAND YOUR CUSTOMER	CREATE IMPACT	COMMUNICATE VALUE	MANAGE PERFORMANCE	MANAGE ACCOUNT STRATEGY
BTS Solutions					
Customer Mindsets	•	•			
Customer Simulations	•				
Financial Fluency	•	•			
Building Value	•	•	•		•
Researching Your Customer	•	•			•
Aligning Value		•	•		
Return on Investment & Total Cost of Ownership (ROI/TCO)		•			
Uncovering Value		•	•		
Collaborative Negotiations Simulation			•		
Negotiating Value			•		
Communicating Value		•	•		
Driving Business Results				•	•
Sales Efficiency				•	•
Best Match				•	
Mentoring				•	
Winning Major Sales	•	•	•		•
Competitive Wargaming	•	•	•		•
Managing Value	•	•	•		•
Producing Value	•	•	•		•
Value-Based Pricing		•			•
Account Profitability		•			•
SalesTeam	•	•	•	•	•

We also offer a range of solutions in the areas of business acumen, leadership, and change management that are used by leading sales forces to accelerate their performance.

	Improve Yourself	Deliver Business Results	Lead your Organization
Senior Leaders	Maximizing leadership expertise	Developing a strategy	Aligning the Organization
Mid-Level Managers	Growing as a leader	Implementing the strategy	Leading from the middle
Front-Line Managers	Understanding myself as manager	Executing the plan	Learning to lead





“The BTS business acumen simulation was a key element in the success of Kimberly-Clark’s recent off-site meeting for our ‘Top 100’ leaders. The primary purpose of the conference was to engage our leaders in Kimberly-Clark’s strategic direction and increase their understanding of shareholder value creation.”

“We asked BTS to create a customized, sophisticated simulation experience that brought our key business challenges to life. The simulation BTS created exceeded our expectations. It was a hit with our senior leaders, and sustained a high degree of active engagement over the course of our 2-day conference. Many of our leaders said the simulation experience made this ‘our best leadership conference yet!’ Ultimately, the BTS simulation created an exciting communication platform that allowed me to quickly align Kimberly-Clark’s senior team around enterprise value creation.”

Thomas J. Falk, CEO, Kimberly-Clark

# How BTS Operates

"After 20+ years, BTS continues to lead innovation in discovery-based learning and development solutions."

We offer the globe's premier, best-in-class experiential learning and performance solutions. Our platforms incorporate innovative learning content and cutting-edge methodologies whose efficacy has been proven through successful implementation with leading organizations around the world. Our simulation tools allow companies to develop the skills and capabilities within all levels of their organization, and these competencies ultimately drive improved business results.

## Overview of Our Innovative Learning Platforms:

### Computer-Based Business Simulations

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

Fact

**In 2000, BTS launched its Mini-Master Platform that enables rapid and cost-effective development of customized business simulations.**

### Computer-Based 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, still photography and video. Participants read and observe real-world business situations in the simulation and they then have the opportunity to react to the issues presented. Upon choosing course of action, the simulation immediately presents the impacts of the participant's decisions on the ultimate goals.

Fact

**In 2006, BTS launched a version of its "Project Leadership Live" simulation, translated fully into Chinese!**

### Board Simulations

Board simulations, also known as "board games," represent a company's operations and simulate its business. During the simulation rounds, participants literally pick up and move "money" chips through the different areas of their company. This hands-on approach allows participants to visualize the cash-flow cycle in action.

Fact

**BTS offers hybrid board-computer simulations that create a dynamic competitive marketplace.**

### Learning 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 as well as immediate application back on the job.

Fact

**Learning Maps have become one of the fastest growing areas of new solutions being deployed by our clients.**

### Engage Maps

These interactive work maps create opportunities for large numbers of Executives, Managers, and Employees to understand the reasons for organizational change and to experience its implications. Through jointly developed pre-designed formats, these maps assist participants in transitioning to the organization's new environment and allow them to try out new behaviors.

Fact

**Engage Maps combined with BTS computer-based business simulations provide a powerful combination to align and implement new strategic initiatives and change at all levels of an organization.**



### eLearning Solutions

Our numerical and scenario Web-based business simulations lead participants through a modular program with specific learning objectives. In these computerized, game-style programs, the participants experience customer-specific business situations in which they must make decisions. As participants set their own pace throughout the simulator, they receive feedback on their performance and experience the impacts of their decisions.

#### Fact

**Why Finance Matters! is one of BTS' most popular eLearning Solutions and has approximately 20,000 participants login annually.**

### Virtual Tournaments

These dynamic simulations are conducted via the Internet. Various companies participate in these open or in-house tournaments, in which teams of 3 to 5 participants compete with one another. The ultimate goal for all participants is to enhance their business acumen within a dynamic and competitive environment.

#### Fact

**Virtual Tournaments give the learner an experience equivalent to a 2 or 3 day classroom simulation, but is delivered virtually using the Internet and conference calling.**

# Growth, Profitability and Acquisitions

BTS has delivered profits every year since its foundation. Growth has averaged 19 percent the last 10 years, of which 14 percent has been organic. Acquisitions have built synergies with new solutions, new markets and new talents and helped to drive growth.

## Continuous growth and profit

BTS has delivered profits every year since its foundation in 1986. The growth of BTS during the last 10 years averages 19 percent per year, of which 14 percent has been organic. During the last four years, BTS revenues have grown 3.5 times and profits 8 times of which 40 percent has been organic and 60 percent from acquisitions. The company has achieved profit every year irrespective of market conditions and despite substantial costs for acquisitions and investments in product development and market establishment around the world. To a large degree, this development is based on the dynamic business model and the entrepreneurial organization and strategy.

In the 1990's BTS successfully managed to achieve continuous profitable growth. Good market conditions, 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 industries of IT, telecom, and manufacturing, in which 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: 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 by the company during the period of consolidation between 2001 and 2003 have, in combination with focus on raising the proportion of revenues from licensing, led to a significant improvement in margins.

## Targeted acquisitions

BTS expansion strategy is primarily built on organic growth. The company's acquisition strategy has strengthened its position even further. BTS 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.

During 2002 and 2003, BTS made two targeted, smaller acquisitions in Australia and Spain. These have both contributed to BTS consistent growth and strong financial results.

## Acquisitions 2005 and 2006

BTS acquired The Strategic Management Group Learning Solutions and Business Game Factory in 2005 and The Advantage Performance Group and The Real Learning Company in 2006. These acquisitions have strengthened the company in several ways:

- By expanding in areas such as Leadership, Sales (the world's second largest training market after IT), and Operational Excellence, BTS has broadened its offerings to clients as well as made the company less sensitive to fluctuations in the business cycle.
- The new companies within the Group have added new training-related technologies and delivery methods.
- The acquisitions have significantly broadened the customer base.
- A wealth of new talent has been added.

As a result, BTS is now a more complete company with a strong foundation to reach its vision – “The World's No.1 Learning & Development Consultancy – innovating how companies change, learn and improve”. For the next few years, BTS will predominantly focus on acquisitions that open new markets.

### FIVE SUCCESSFUL ACQUISITIONS

**2002** BTS Australia founded through acquisition

**2003** BTS Spain founded through acquisition

**2005** Acquisition of SMG, Philadelphia, US

**2005** Acquisition of Business Game Factory, Helsinki, Finland

**2006** Acquisition of The Real Learning Company, Scottsdale, Arizona and The Advantage Performance Group Tiburon, California



# Business Model

“Quality focus, long-term customer relationships and network-based marketing”

The foundation of BTS' successful growth and profitability rests on quality focus, long-term customer relationships and networkbased marketing.

## Long-term customer relationships

The foundation for growth lies in BTS' ability to create long-lasting customer relationships at different levels in the customer organization.

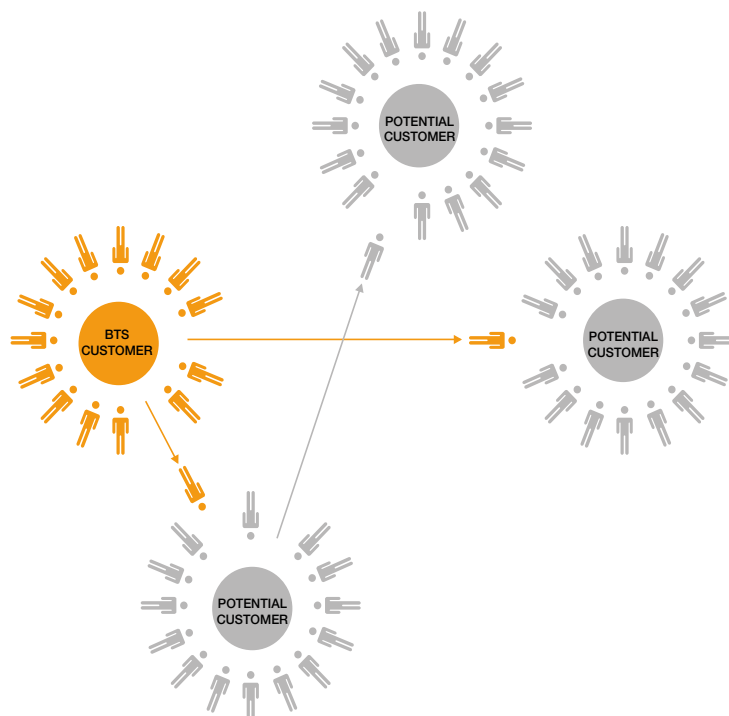
An initial BTS assignment is often designed for and implemented with the client's senior executives and managers. This customization process is carried out in close co-operation with the client.

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

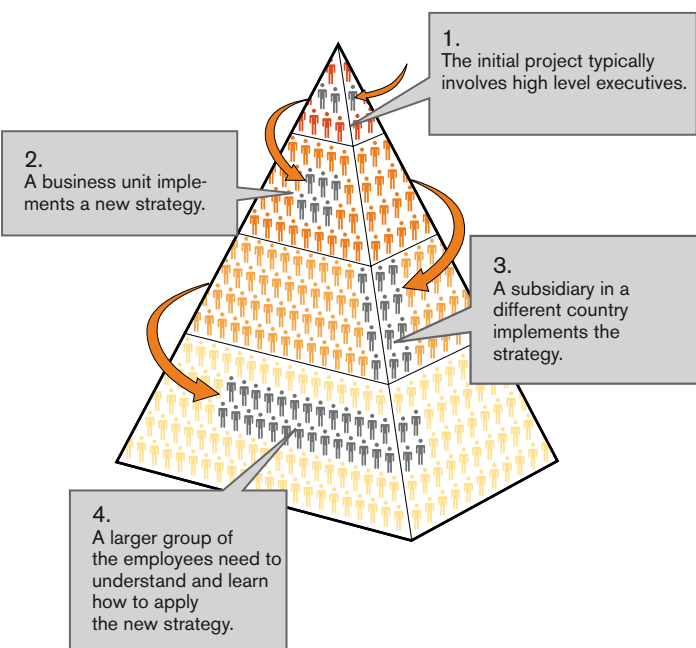
## Network-based marketing

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

The network, made up 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.



*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 position.*



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

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.

Existing customer relationships make up the base when BTS starts up operations in a new market - a fact which 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 open up a new, local office.

# “BTS’ successful growth rests on quality focus, long-term customer relationships and network-based marketing”

## Acquisition strategy

BTS’ 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’ strategy for acquisitions is built on creating a broader base for future organic growth while at the same time actively consolidating a highly-fragmented market. 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 as well as needs-focused discussions with individual clients has played an important role in this process.

## Revenue mix

### Developing the revenue mix

BTS revenues originate from three areas:

- Customizations
- Instructor-led seminars
- Licenses

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

### Efficient customizations

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

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

### Seminars – the majority of revenues

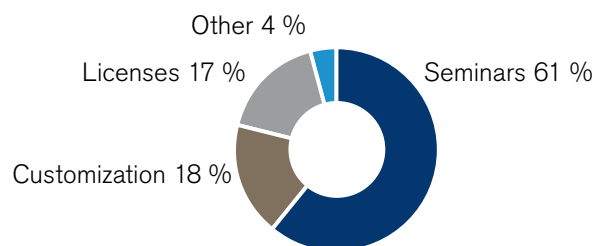
Instructor-led seminars still comprise the greatest source of revenue for BTS and are the dominant form of business delivery. The BTS consultants are very much involved throughout the whole customization process, and, during delivery, they facilitate these solutions in seminars.

### Increased licensing revenue

BTS also delivers its solutions via the Web, CD-ROM or as manual board solutions. The goal is to increase revenue streams from licenses. License-based business simulations are very efficient learning tools for customers; they make it possible to reach large groups of employees in organizations, all over the world and at all levels. At the same time, it is a profitable line for BTS.



Net turnover by source of revenue, 2007



# Market

“We see a large potential for further growth worldwide.”

There is continued strong demand for corporate learning, and the potential for further growth is, therefore, large on markets worldwide. BTS' customized, discovery-based learning and development solutions meet global corporations' needs to accelerate change and improve business results.

## Market Size & Growth Pattern

### US Still Leads the Way

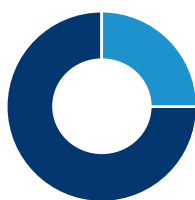
The US continues to be the world's corporate-learning leader due to the sheer size of its home market and the adaptability and strength of its worldwide business community. US companies have an advanced approach on how to optimize investments in business-related learning and development. A majority of the world's largest corporations are American, and collectively they make up the strongest force in the globalized business world.

Similarly, English remains the global business language. Also, the leading management models and business schools are American. According to the Financial Times Global MBA Rankings 2008, six of the ten top business schools in the world have their head campuses in the US.

### Corporate Learning in High Demand

The total US corporate learning market grew slightly from 2006 to 2007, increasing from USD 55.8 billion to USD 58.5 billion (including salaries and costs for companies' internal training resources). Of this, spending on products and services from external providers grew from USD 15.8 billion in 2006 to USD 16.4 billion in 2007, all according to a Bersin & Associates corporate learning industry report.<sup>1</sup> The growth in spending on corporate learning reflects the continued overall growth in the US economy, a maturing of investments in e-learning and a new focus on talent management and employee development to counter talent gaps in the global workforce.

## US Corporate Learning Market Was Worth a Total of USD 58.5 Billion in 2007



Spending on products & services from external providers was worth USD 16.4 billion in 2007.

Source: Bersin & Associates/Training Magazine, 2008

<sup>1</sup> "The 2008 Corporate Learning Factbook: Benchmark, Facts and Analysis in US Corporate Learning and Development," Bersin & Associates Industry Report, a study based on data collected by an August 2007 survey conducted in partnership with Training Magazine, 2008. Bersin & Associates is the world-leading provider of research and advisory services in enterprise learning and talent management.

## Market Drivers & Trends

### Operational Excellence Deficit

BTS' offering supports change processes and strategy execution by helping to bridge the strategy-operational implementation gap.

The majority of corporate strategies are never implemented the way they are supposed to. Many companies suffer from an operational excellence deficit.

Often, this is because most employees find the strategy too abstract and they do not really understand how it applies to their job.

As long as employees do not clearly understand which actions they need to take towards co-workers or customers to achieve the best results, the organization will have difficulties to change and excel fast enough in order to remain competitive.

This operational excellence deficit is a leadership issue – on top-, mid- and line management levels – as well as an engagement issue in the whole organization.

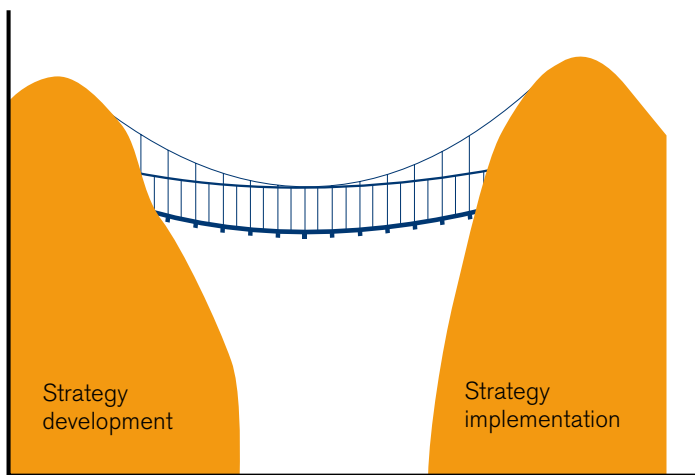
Relevant learning and development investments – to increase strategic alignment and capability to execute – are key if corporations want to be successful at managing and implementing their strategies.

This is where BTS and its learning and development solutions can play a transformational role; leaders and employees learn how to make the right decisions and take efficient actions that increase corporate performance and bottom-line results.



“BTS is currently seeing an increasing global demand for its corporate learning and development solutions, a continued positive market development in the US as well as a rapid expansion in fast-growth markets such as the BRIC countries\*.”

### Bridging the Strategy-Operational Implementation Gap



*BTS' learning and development solutions for sales, leadership and operational excellence – help minimizing the strategy-operational implementation gap by strengthening readiness for change, by building alignment to business strategy, and by developing capabilities to execute.*

### Challenges to Successful Global Management

Global corporations are facing increasing complexity and constant change pressure due to deregulation, globalization and technological advancements.

According to a 2007 report from The Economist Intelligence Unit (EIU), the greatest challenges that top executives consider most important to run a successful global company over the next three years are:<sup>2</sup>

- Understanding customers in multiple territories (45%)
- Finding high-quality people in multiple territories (35%)
- Communicating a single strategic vision (34%)
- Managing teams effectively across borders (33%)

### Training & Development as the Key Weapon

According to the 2007 EIU report cited above, a majority of top executives running global companies consider training and development programs to be the most important way to overcome challenges to global management in order to achieve operational excellence, accelerate change, and improve business results.

<sup>2</sup> “CEO Briefing: Corporate Priorities for 2007 and Beyond,” The Economist Intelligence Unit, 2007. The Economist Intelligence Unit is the world’s foremost provider of country, industry and management analysis.

\* The BRIC countries are Brazil, Russia, India and China.

Top executives rank the following areas as the most important in order to ensure that employees have the skills required to reach their companies’ strategic objectives over the next three years:

- Training and development programs (76%)
- Placing greater emphasis on performance-based compensation (63%)
- Rotation of employees through different functions and departments (38%)
- Outsourcing activities to third-party service providers (22%)

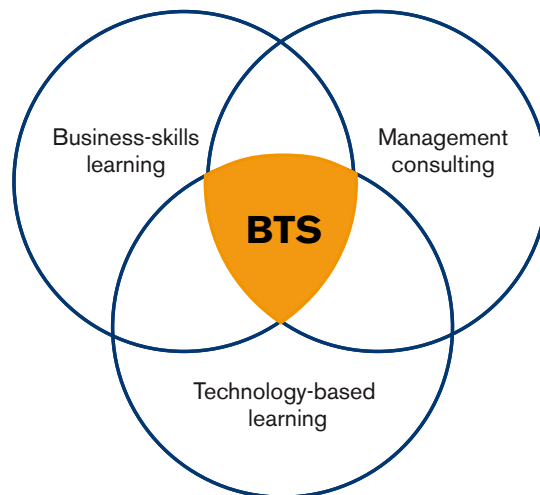
### Industry Convergence

There is a growing market demand for knowledge-intensive service companies that support global corporations’ strategy-execution efforts – such as management consultancies, business-skills training companies and technology-based training companies.

This is where BTS and its discovery-based learning and development solutions fit in. BTS’ solutions are creating a profitable niche segment where these industries converge.

Thus, as the figure below illustrates, BTS is taking advantage of this convergence by combining and developing expertise from these three areas – while making sure to become a strategic partner to its clients in the process.

### Industry Convergence



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

## Human & Organizational Capital

Accenture calculates that the value of intangible assets have increased from 20 percent of the total value of companies in 1980 to around 70 percent today.<sup>1</sup>

The best way to support this development is by capitalizing on and investing in intangible assets:

- Human capital such as, skills, training and knowledge.
- Organizational capital such as, corporate culture, leadership, an aligned business strategy and teamwork.

In addition, an Accenture/The Economist Intelligence Unit study<sup>2</sup> confirms that today's senior executives see managing intangible assets as a major issue:

- 94 percent consider the comprehensive management of intangible assets important.
- 50 percent consider it one of the top three management issues facing their company.

BTS' learning and development solutions for sales, leadership and operational excellence help global corporations maintain and increase the value of their intangible assets in the form of human and organizational capital.

## Growing Number of Knowledge Workers

As "knowledge workers" now represent a large and growing percentage of the employees of the world's biggest corporations, we will see growing needs to meet their business-training demands.

According to McKinsey, professional employees, or, knowledge workers, now constitute up to 25 percent or more of the workforce in financial services, health care, high-tech, pharmaceuticals as well as in media and entertainment. Knowledge workers are companies' most valuable employees, which makes it especially important for organizations to keep them engaged.<sup>3</sup>

## Winning the Global Battle for Talent

Demographic change, globalization and the increasing importance of knowledge workers are some of the most important external factors that force companies and other organizations to take learning and talent issues more seriously.

The key to winning the global battle for talent is to capitalize on the talent you already have, instead of a continuous hiring and firing. Companies that manage to build this critical capability through investments in learning will have a competitive advantage in the war for talent.

<sup>1</sup> Accenture's Outlook Journal, *Getting a Truer Picture of Shareholder Value*, June 2005. Accenture is a global management consulting, technology services and outsourcing company.

<sup>2</sup> Accenture's Outlook Journal, *Future Value: The 7 USD Trillion Challenge*, February 2004. Accenture is a global management consulting, technology services and outsourcing company.

<sup>3</sup> The McKinsey Quarterly, *The 21st-Century Organization*, 2005, No 3. McKinsey is a global management consulting firm advising leading companies on issues of strategy, organization, technology, and operations.

Along the same lines, in order to win the global battle for talent, organizations must transform the management of their workforces from a supporting function to a competitive capability, according to a 2007 book from Accenture.<sup>4</sup>

One of the key points made in the book is that learning and skills development is now one of the most important capabilities for the talent-powered organization. The book also concludes that it is essential to focus performance improvement efforts on those employees that add most directly to the organization's bottom line.

## Competition & BTS' Market Position

### Advantages of Simulation Learning

#### – Greater Knowledge Retention

Business training through customized, discovery-based solutions such as simulations, engage maps and learning maps are superior compared to conventional training in terms of efficiency and end results.

Research shows that learning by doing leads to greater knowledge retention than other learning methods.

#### – "Wise" Decision Makers

An organization's learning strategy must extend beyond merely building knowledge. It must be directed towards developing people who make "wise" decisions in companies. A key step in this process is to gain new experience. Customized, discovery-based solutions – such as the ones BTS offers – provide for all this.<sup>5</sup>

#### – Understanding the "Bigger" Picture

Research suggests that discovery-based learning and development such as business simulations have the ability to create "microworlds" in which participants gain a better understanding of the "bigger" picture of the whole company and its business environment.<sup>6</sup>

As a result, business simulations constitute a learning and development process that contributes to creating a more aligned and successful business-strategy execution and therefore, accelerates change and improves business results.

<sup>4</sup> "The Talent Powered Organization: Strategies for Globalization, Talent Management and High Performance," by Peter Cheese, Robert J. Thomas and Elizabeth Craig, Accenture, 2007.

<sup>5</sup> Jeremy J. Hall, *Corporate Cartooning – The Art and Science of Computerized Business Simulation*, 2001.

<sup>6</sup> Jonathan R. Anderson, *The Relationship Between Student Perceptions of Team Dynamics and Simulation Games Outcomes: An Individual-Level Analysis*, 2005.



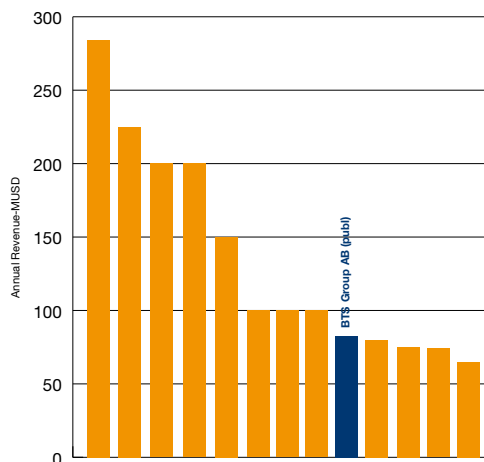
### Large Potential for Further Growth

The figures in the 2008 Bersin & Associates report show the potential for BTS's further growth on the key US market.

BTS' targeted US market segment (corporate learning services tailor-made for managers and sales staff) is worth about USD 5 billion. This means that BTS' US market share is about 1 percent at present, on a market that is expected to grow by approximately 5 percent annually over the next few years.

BTS is currently seeing an increasing global demand for its corporate learning and development solutions, a continued positive market development in the US as well as a rapid expansion in fast-growth markets such as the BRIC countries. BTS also expects that the market segment for corporate learning based on simulation solutions, where BTS is the world leader, will grow more rapidly than the corporate learning market in general.

### Relative Size of Leading Corporate Learning & Development Companies



BTS revenue has been calculated based on actual reported revenue for 2007 at an exchange rate 1 USD = 6,35 SEK.

### Multifaceted Corporate Learning Market

#### A New Type of Learning Unit – focused on business results

According to Josh Bersin, CEO of Bersin & Associates, the world-leading provider of research and advisory services in enterprise learning and talent management, we are now experiencing the emergence of a new type of learning unit in many corporations.<sup>1</sup>

With the convergence of continued business expansion and the numerous talent challenges facing corporations today, a new kind of learning unit is evolving – one that focuses on organizational capabilities driven by competencies.

This new type of learning unit, which is considered more high-impact compared to traditional in-house training units, are driven by worldwide leadership and talent gaps, skills shortages, lacking employee engagement as well as by inadequate corporate cultures.

Some characteristics of the new learning unit emerging are:

- **Focus:** Training as a business tool.
- **Technology:** Used to facilitate and bring efficiencies and scale.
- **Processes:** Highly consultative, service-centric processes.
- **Tools:** Selected for supportability and scalability.
- **Measurement:** Central to everything and highly actionable.
- **Leadership:** Chief Learning Officer (CLO) driven and accountable; aligned with HR but independent.

At the same time, we see how many corporate learning units are shifting their focus away from in-house trainers. Instead, modern learning departments are more focused on program design, e-learning, service and support activities, and outsource a growing share of the hands-on service delivery to external partners.

<sup>1</sup> "Reshaping the Learning Function to Bridge Talent Gap: Training Executives Share New Approaches," by Josh Bersin, *Training + Development Magazine*, September 2007, pages 44-46. Bersin & Associates is the world-leading provider of research and advisory services in enterprise learning and talent management.

# Core Values



## BTS Core Values

### 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 Merits

- 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' 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 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 client and BTS competencies, best practices and methods to achieve optimal results.

# Employees

"BTS invests in its employees to drive growth and profitability. BTS also achieves success in recruiting and developing the best and most engaged employees"

## Unique Corporate Culture

Our corporate culture is the foundation upon which our organization is built. It is the key reason why world-leading companies do business with us and why our employees consider BTS a great place to work. The following are the most powerful aspects of our organizational culture:



## 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’ 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 and deliver innovative solutions 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’ success is largely attributed to recruiting, developing and retaining the best and most engaged employees. The average tenure of a BTS consultant is 6-7 years with the company. We believe this is a result of investing heavily in determining a mutual fit. BTS has a clearly defined process for identifying, attracting and retaining top talent with strong potential for development.

**“Our mission and core values have fueled BTS’ tremendous growth over the past 20+ years. We have great people who are passionate about working closely with our clients to win the hearts and minds of their personnel around strategic priorities.”**

*Henrik Ekelund,  
President & CEO of BTS Group (publ)*

KEY FIGURES, EMPLOYEES	2007	2006	2005	2004	2003
Number of employees at the end of the year	230	186	150	107	100
Of whom women, %	36	33	31	23	32
Net turnover per employee, KSEK	2,479	2,298	2,001	1,980	1,672

# Organization

## BTS Group's four operational units

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

### BTS North America

BTS North America operates in the US and has offices in New York (New York), Stamford (Connecticut), San Francisco (California), Philadelphia (Conshohocken, Pennsylvania), Scottsdale (Arizona) and Chicago (Illinois). The office in Beijing, China, is also a part of BTS North America.

### BTS Europe

BTS Europe operates in Sweden, Finland, United Kingdom, Belgium and Spain and has offices in Stockholm (Sweden), Helsinki (Finland), Oslo (Norway) London (UK), Brussels (Belgium) and Madrid and Bilbao (Spain).

### Advantage Performance Group, APG

APG operates in the US Market and APG delivers performance improvement through sales and leadership training that result in meaningful business impact using its Advantage Way™ implementation process.

### BTS Other Markets

BTS Other Markets is active in South Africa, Australia and South East Asia, with offices in Johannesburg (South Africa), Sydney and Melbourne (Australia) and Singapore.

## Product-specific units

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

### BTS Interactive

BTS Interactive is responsible for Web-based and scenario-based solutions.

### BTS Board Simulations

BTS Board Simulations is responsible for manual board business simulations.

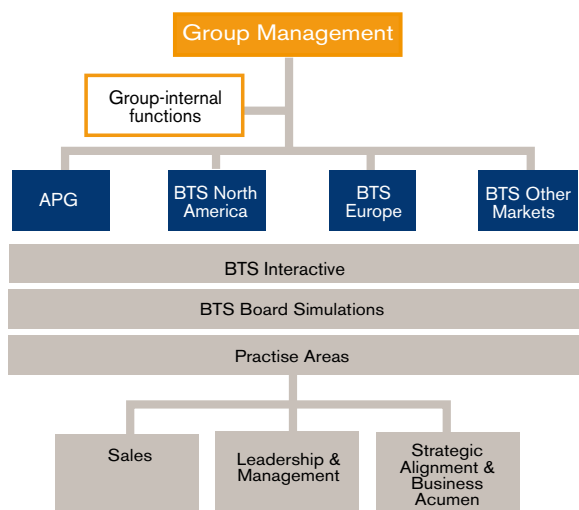
## Practice Areas

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

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

## Group-internal functions

Group-internal departments cover Group Finance, Investor Relations, Corporate Communications as well as certain IT, process and Human Resources.



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



Key Management in BTS worldwide, from left: Philios Andreou, Lars Lindgren, Joel Sigrist, Dan Parisi, Jonathan Hodge, Jan Hedström, Katrin Fagerberg, Peter Mulford, Henrik Ekelund, Robert Kuhfus, Deon Greyling, Rommin Adl, Jonas Åkerman, Steve Toomey, Taavi Thiel, Ted Fawle and Patrick Fei. (Missing are Stefan af Petersens, Stefan Hellberg, Stefan Brown and Todd Ehrlich)

# Processes

“BTS works systematically to develop and apply efficient processes that improve quality and productivity. Feedback from customers is an important driver.”

## Product Development

### Efficient Product Development

Continuous, state-of-the-art product development is crucial to BTS 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 form the foundation for creating new learning solutions. BTS solutions are based on technologies that are generally available on the market: Excel, Visual Basic and Flash, for example. Internal product development is directed towards 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 for searching and reusing existing documents.
- BTS Flash Platform 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' 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 customer's 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 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.



# The Advantage Performance Group

## The Advantage Performance Group

Advantage Performance Group is a unique consulting and training firm that specializes in helping their clients accelerate business results, increase sales and improve the way people work together. Its network of 45 fulltime franchise partners and over 100 facilitators, work with their clients to get verifiable business results.

### Network and franchise model

The APG network is based on a franchise model. The franchise partners work exclusively with pre-selected product offerings from some of the worlds leading developers of training.

APG is a unique training company-backed by thought-leading content providers (such as BTS) and state-of-the-art learning methodologies. It also applies its training-effectiveness methodology – The Advantage Way™ System – to help organizations maximize their training Return of Investment (ROI).

APG has supported hundreds of top organizations to help achieve their business objectives. The company provides leading training solutions in the areas of:

- Sales and Service Excellence
- Leadership and Management Development
- Team and Individual Performance
- Strategic Alignment and Business Acumen

Unlike other consulting and training companies that provide only one approach to development, Advantage provides a continuous stream of learning solutions to meet their clients' evolving business needs.

In addition, APG guarantees measurable business impact – not only improved job performance, but results on the bottom line through the Advantage Way process. We guarantee – that when clients implement The Advantage Way system, their organization will achieve documented business results as well as improved job performance. They will be able to measure the business impact of training – solid proof of its value to their organization.

Advantage Performance has a rich 18-year history and representatives in major U.S. cities, as well as working relationships in Canada, Mexico, Europe and Asia. Advantage is fully resourced to provide customers with just-in-time delivery and implementation support across all geographies.

### The Advantage Way™ System

The Advantage Way™ System is APG's own training-effectiveness methodology that ensures that corporate training creates measurable business impact. The system is based on more than 30 years of research and practice by Dr. Robert Brinkerhoff, and has been proven with organizations that include American Express, Motorola, Boeing, Anheuser-Busch, Hewlett-Packard, EDS, QUALCOMM and many others.

The system is a high-impact conceptual framework for building training and business impact throughout organizations. It creates a clear linkage between training interventions and business objectives.

The Advantage Way™ System also incorporates APG's proprietary Success Case Methodology, a practical way to measure and demonstrate both behavioral and bottom-line results. Also, APG clients can be certified in the system which includes licensed "rights to use" interactive programs and tools for human-resources development professionals and managers, aimed at the goal of delivering better business results from training.



**“As a franchise owner, I truly enjoy having the luxury of taking a long-term perspective with clients – to be able to push back on the client when appropriate and to be looked upon as a trusted advisor because I even have more years and experience working in the client’s organization than the client him/herself. I also enjoy the ultimate responsibility and accountability associated with being a Franchise Owner. As a Franchise Owner “The buck stops here!”**

*Kelvin Yao- Alexandria, VA, with APG since 2000*





# Five-Year Summary

## Income Statement

### Consolidated income statement, summary

MSEK	2007	2006	2005	2004	2003
Net turnover	523.2	379.1	286.1	205.9	162.2
Operating expenses	-432.7	-309.3	-233.6	-174.2	-150.1
Depreciation tangible fixed assets	-2.2	-2.1	-1.8	-1.1	-1.3
Amortization intangible fixed assets	-10.1	-5.3	-2.0	-	-0.6
<b>Operating profit</b>	<b>78.2</b>	<b>62.4</b>	<b>48.7</b>	<b>30.7</b>	<b>10.2</b>

## Balance Sheet

### Consolidated balance sheets, summary

MSEK	2007	2006	2005	2004	2003
<i>Assets</i>					
Fixed assets	187.8	203.7	58.2	7.3	6.0
Accounts receivable	116.0	88.7	64.2	36.8	31.2
Other current assets	25.2	25.6	14.5	9.7	10.7
Cash and bank balance	67.5	72.1	101.1	110.5	88.1
<b>Total assets</b>	<b>396.4</b>	<b>390.1</b>	<b>238.0</b>	<b>164.3</b>	<b>136.0</b>
<i>Shareholders' equity and liabilities</i>					
Shareholders' equity	198.6	174.7	151.5	116.6	103.4
Minority participations	-	0.5	0.4	0.2	0.1
Provisions for deferred tax	-	-	-	0.2	0.2
Interest-bearing liabilities	62.9	80.9	2.1	-	-
Non interest-bearing loans	0.1	0.4	0.2	-	0.1
Other non interest-bearing liabilities	134.8	133.6	83.9	47.3	32.2
<b>Total equity and liabilities</b>	<b>396.4</b>	<b>390.1</b>	<b>238.0</b>	<b>164.3</b>	<b>136.0</b>

## Cash Flow

### Consolidated cash flow statement

MSEK	2007	2006	2005	2004	2003
Cash flow from current operations	45.2	41.1	37.5	32.1	18.2
Cash flow from investment activities	-12.2	-140.6	-42.4	-2.9	-3.6
Cash flow from financing activities	-32.8	78.6	-12.3	-3.5	-3.1
Translation differences in liquid assets	-4.8	-8.2	7.9	-3.3	-2.4
Cash flow for the year	-4.6	-29.1	-9.3	22.4	9.1
Liquid assets, start of the year	72.1	101.1	110.5	88.1	79.0
Liquid assets, end of the year	67.5	72.1	101.1	110.5	88.1

## Key financial figures for the Group

MSEK	2007	2006	2005	2004	2003
Net turnover	523.2	379.1	286.1	205.9	162.2
Operating profit (EBIT)	78.2	62.4	48.7	30.7	10.2
Operating margin (EBIT margin), %	14.9	16.5	17.0	14.9	6.3
Operating income before amortization of intangible fixed assets (EBITA)	88.3	67.6	50.8	30.7	10.7
Operating margin before amortization of intangible fixed assets (EBITA margin), %	16.9	17.8	17.7	14.9	6.6
Profit margin, %	9.3	10.2	12.9	9.9	4.5
Earnings per share, SEK <sup>1</sup>	2.7	2.2	2.1	1.1	0.4
Return on equity, %	26.1	23.6	27.4	18.5	7.0
Return on operational capital, %	41.4	52.7	164.7	282.9	50.2
Operational capital	193.9	184.0	52.8	6.3	15.4
Shareholders' equity	198.6	174.7	151.5	116.6	103.4
Equity per share <sup>1</sup>	11.0	9.7	8.6	6.6	5.8
Equity/assets ratio, %	50.1	44.9	63.8	71.1	76.0
Dividends per share, SEK <sup>1</sup>	1.20	1.00	0.92	0.53	0.20
Cash flow	-4.6	-29.1	-9.3	22.4	9.1
Liquid assets	67.5	72.1	101.1	110.5	88.1
Number of employees at the end of the year	230	186	150	107	100
Average number of employees	211	165	143	104	97
Annual net turnover per employee	2.5	2.3	2.0	2.0	1.7

<sup>1</sup> Previous years' earnings per share, dividend per share, and equity per share have been adjusted using a correction factor of 0.3333 due to the 3:1 split in May 2006.

## Definitions

### Operating margin:

Operating profit after depreciation as a percentage of net turnover.

### Operating margin before amortization of intangible assets (EBITA margin):

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

### Profit margin:

Profit for the period as a percentage of net turnover.

### Earnings per share:

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

### Return on equity:

Net profit after tax for the whole year as a percentage of average shareholders' 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:

Shareholders' equity excluding minority interest divided by the number of shares at the end of the year.

### Equity/assets ratio:

Shareholders' equity as a percentage of the balance sheet total.

### Dividend per share:

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

### Net turnover per employee:

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

# The BTS Share

On June 6, 2001, BTS was floated on the O-list of the Stockholm Stock Exchange. In connection with this, a new stock issue was carried out, generating a capital injection of MSEK 78.1 for the company after issues expenses.

The share capital in the company is SEK 6,016,100, divided between 853,600 Class A shares and 17,194,500 Class B shares, each with a quotient value of SEK 0.33. Class A shares entitle holders to ten votes, Class B shares to one vote. All shares carry equal rights to a share of the company's assets and profits.

On December 31, 2007, there were 735 (1,052) shareholders in the Company. BTS Group AB has worked to promote the liquidity of the company's share since 2002. As a part of this strategy, a liquidity guarantor has been engaged to work to increase interest and trade in the BTS share.

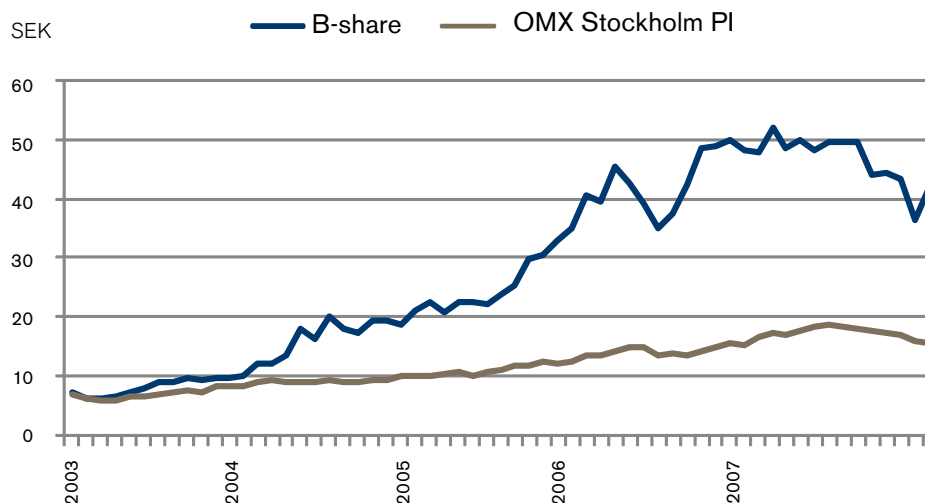
## Dividend policy

The Company's long-term ambition is to distribute between 30 and 50 percent of its profit after tax.

### SHARE DATA

Share price January 2, 2007	SEK 47.00
Share price December 31, 2007	SEK 42.00
Earnings per share, December 31, 2007	SEK 2.71
Liquid assets per share December 31, 2007	SEK 3.74
Equity per share December 31, 2007	SEK 11.0

### BTS Group



Share price BTS Group B, 2003-2007.

© OMX

## 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	Nominal share value (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	1,759,600	2,568,400	4,328,000	1.00
2001	Conversion of Class A shares to 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	69,300	5,897,300	853,800	16,838,150	17,691,900	0.33
2006	New issue	118,800	6,016,100		356,400	18,048,300	0.33

Name	Number of Class A shares	Number of Class B shares	Holding	Holding %	Votes	Votes %
HENRIK EKELUND	816,000	3,131,825	3,947,825	21.87	11,291,825	43.88
STEFAN AF PETERSENS	37,800	2,348,774	2,386,574	13.22	2,726,774	10.60
STEFAN HELLBERG	0	1,455,224	1,455,224	8.06	1,455,224	5.66
ALECTA PENSIONS FÖRSÄKRING	0	1,400,000	1,400,000	7.76	1,400,000	5.44
NORDEA BANK FINLAND ABP	0	1,024,626	1,024,626	5.68	1,024,626	3.98
JONAS ÅKERMAN	0	913,800	913,800	5.06	913,800	3.55
LÄNSFÖRSÄKRINGAR SMÅBOLAGSFOND	0	864,000	864,000	4.79	864,000	3.36
CLEARSTREAM BANKING S.A., W8IMY	0	498,329	498,329	2.76	498,329	1.94
LANNEBO SMÅBOLAG	0	490,000	490,000	2.71	490,000	1.90
NORTHERN TRUST COMPANY, THE, W9	0	396,338	396,338	2.20	396,338	1.54
HANDELSBANKENS SMÅBOLAGSFOND	0	358,200	358,200	1.98	358,200	1.39
U.S. BANK NATIONAL ASSOCIATION	0	356,400	356,400	1.97	356,400	1.39
BANCO SMÅBOLAGSFOND	0	355,000	355,000	1.97	355,000	1.38
SWEDBANK ROBUR SMÅBOLAGSFOND SVERIGE	0	312,300	312,300	1.73	312,300	1.21
Other	0	3,289,684	3,289,684	18.23	3,289,684	12.78
<b>Total</b>	<b>853,800</b>	<b>17,194,500</b>	<b>18,048,300</b>	<b>100</b>	<b>25,732,500</b>	<b>100</b>

# Risk and Sensitivity

## Market risk

### Market condition sensitivity

Training is sensitive to market conditions. Poor growth and expense-cutting programs influence corporate training budgets. In the same way, improvements in market conditions result in an increased willingness to invest in training.

### Limited dependence on individual customers

BTS' 10 largest customers accounted for 19 percent of sales in 2007. By maintaining a broad customer base, BTS limits its dependence on individual customers.

### No sector dominates

BTS customers are active within seven main sectors: Manufacturing, Telecom, IT, Financial Services, Pharmaceuticals & Biotechnology, Retail & Distribution and Energy. The global distribution of the business activities of its customers helps BTS reduce exposure to fluctuating conditions in specific markets.

### Geographical spread

Most of BTS' sales are generated in North America - 70 percent - while Europe accounts for 22 percent and other markets accounts for 8 percent. In 2006, BTS improved its presence in new markets such as those of Asia, Australia, South Africa and China, which, in the long term, will help reduce dependency on the markets of North America and Europe.

### Fragmented competitive situation

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

## Operational risks

### Quality and brands

BTS bases its marketing on network-based sales and good customer relations, which make high demands on the quality of BTS deliveries. BTS minimizes the risk of dissatisfied customers by recruiting and developing competent consultants and by ensuring that all development and all delivery follow established processes. BTS also conducts quality follow-up on all projects.

### Intellectual Property

BTS owns all the rights to all business simulations it develops for clients. BTS has the rights to reuse both general skills and intellectual property, such as software and adaptations when developing new business simulations. Regarding license based products and solutions, the client purchases a number of licenses for the business simulations for the participating employees. If the number of participants increases, more licenses must be purchased from BTS.

## Competence coverage

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

## Personal dependence

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

## Financial risks

### Currency

The currencies that have the greatest influence on BTS' profits are USD, EURO and GBP. Exposure in individual transactions is limited as income and expense are primarily in the same currency on the various markets. BTS does not normally hedge its currency exposure. The sensitivity analysis presented below shows the effects on the operating profits - based on BTS' Income Statement - of changes in the value of the American dollar, the euro and the pound Sterling in relation to the Swedish krona.

Factor	Percentage Change	Change, KSEK
SEK/USD	+/- 10 %	+/- 5,604
SEK/EURO	+/- 10 %	+/- 149
SEK/GBP	+/- 10 %	+/- 922

### Counterparty risks

BTS only accepts creditworthy counterparties in financial transactions. BTS' Accounts Receivable are distributed among a large number of companies operating in a variety of sectors. The maximum credit risk amounted to KSEK 7,270 (5,517) at the end of the year, which corresponds to the largest credit exposure to any one operating unit.

### Liquidity risk and interest rate risk

The liquidity risk is small, as liquid assets account for a limited part of the balance sheet total 17 (18) percent. The liquidity risk is managed by BTS maintaining sufficient liquid assets and an unutilized, approved overdraft facility. BTS' policy is to allow borrowing with the approval of the Board. Excess liquidity in subsidiaries is initially to be used to amortize loans. Interest rates on the Group's financial assets and liabilities are usually fixed for a short time. 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.

# Directors' 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 financial year 2007. All amounts are in SEK thousands unless otherwise specified.

## Operations

BTS Group AB is an international learning and development consultancy company. BTS uses customized simulation models to support executive management in making changes and improving profitability. BTS solutions and services train the entire organization to analyze and make decisions centered on the factors that promote growth and profitability. This enhances the market focus and profit awareness in day-to-day decision-making, which leads to tangible, sustainable improvement in profit. Most BTS clients are major corporations.

## Turnover and earnings

BTS' net turnover grew 38 percent, to MSEK 523.2 (379.1) in 2007. Adjusted for exchange rate differences, growth was 47 percent. Growth was generated by the acquisition of the Advantage Performance Group (APG) and the Real Learning Company (RLC) as well as through organic growth.

During the year, operating profit increased 25 percent, to MSEK 78.2 (62.4). Amortization of MSEK 10.1 (5.3) on intangible assets attributable to acquisitions was charged to operating profit in 2007. Operating profit before amortization of intangible assets (EBITA) rose 31 percent, to MSEK 88.3 (67.6).

The operating margin was 15 (16) percent, and the operating margin before amortization of intangible assets (EBITA margin) was 17 (18) percent. Consolidated earnings before tax for the year rose 19 percent, to MSEK 72.8 (61.0). Interest expenses for the year totaled MSEK 5.4 (1.4).

In 2007, revenues from BTS' original operations in North America increased 11 percent denominated in the local currency, while operating profit grew 15 percent in local currency. Net turnover totaled MSEK 205.8 (201.5) for the year, and operating profit MSEK 37.9 (35.6). The operating margin was 18 (18) percent. This included amortization of intangible assets totaling MSEK 1.8 (1.9).

APG and RLC reported net turnover of MSEK 162.6 (-). The estimated organic growth in APG and RLC was 11 percent in local currency. Operating profit equaled MSEK 13.9 (-). The operating margin was 9 (-) percent. This included amortization totaling MSEK 7.6 (-) on intangible assets attributable to BTS' acquisition of APG and RLC. EBITA totaled MSEK 21.5, and the EBITA margin was 13 percent.

Net turnover for Europe equaled MSEK 117.0 (113.0) in 2007. Adjusted for changes in exchange rates, earnings increased 4 percent. Operating profit also increased, to MSEK 20.4 (18.6). The operating margin was 17 (16) percent. This included amortization of intangible assets totaling MSEK 0.7 (1.1).

Net turnover for BTS' Other markets were MSEK 37.8 (20.9) in 2007. Operating profit equaled MSEK 6.0 (3.3). The operating margin was 16 (16) percent.

## Financial position

At year-end, liquid assets were MSEK 67.5 (72.1). Interest-bearing liabilities amounted to MSEK 62.8 (80.9). Shareholders' equity at year-end totaled MSEK 198.6 (175.2), with an equity/assets ratio of 50 (45) percent. BTS' cash flow from operating activities for the year was MSEK 45.2 (41.1).

## Employees

The number of employees in BTS Group AB at December 31 was 230 (186). The average number of employees during the year was 211 (165).

## Shareholders

The total number of shares outstanding is 18,048,300, consisting of 853,800 Class A and 17,194,500 Class B shares. Each Class A share entitles the holder to 10 votes per share, each Class B one vote per share. The regulations in 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, who had holdings exceeding 10 percent at year-end 2007. Some employees hold shares in the Company privately, but there is no overall employee holding through a 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 come into effect, be changed, or cease to apply if control of the Company were to change 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, and its assets mainly consist of shares in subsidiaries and liquid assets. The Company's net turnover reached MSEK 2.6 (2.4), and profit after net financial items MSEK 11.9 (12.1). Cash and cash equivalents ended at MSEK 0 (8.5).

## Outlook for 2008

Based on continued strong market conditions for BTS, the profit before tax is expected to be in line with the previous year.

## Revision of BTS' financial objectives

BTS' financial objectives over time shall be as follows:

- Organic growth of 20 percent, adjusted for exchange rate differences
- An EBITA margin of 15 percent
- An equity/assets ratio that never remains below 50 percent

BTS' previous financial objectives were the following:

- To deliver annual organic growth of at least 25 percent.
- To achieve an operating margin of at least 12 percent, before goodwill amortization and sustainable in the long run.
- To continuously have net cash corresponding to at least two months' operating expenses, and for the equity/assets ratio never to remain below 50 percent.

### The market and market trends

The companies that make up BTS' target group – major international corporations and organizations – face accelerating change, new technologies, and new competition that they must deal with, which generate a greater need to invest in business development and training. BTS has long been the leader in the training market, through its customized business simulation models, and currently has assignments from 26 of the world's 100 largest corporations.

The market survey firm Bersin & Associates estimates the total market for education in the United States at BUSD 58 (including salaries to in-house training resources at companies). External services worth roughly BUSD 16 are purchased each year. BTS' market segment-services in the training of executives and sales staff is estimated at about BUSD 5 of that total. This means that BTS currently has about a one percent market share in its segment in the United States, a market expected to grow approximately 5 percent annually.

Today BTS sees heightened global demand for its services, a continued robust market in the United States, and vigorous growth in the world's rapidly expanding economies. BTS believes that the market segment for training courses based on simulation technology is growing faster than the rest of the market.

### BTS growth

During the four years 2004–2007, BTS boosted revenues 3.5 times while boosting operating profit more than eight times, adjusted for exchange rate fluctuations. About 40 percent of revenue growth has been organic, and about 60 percent resulted from acquisitions.

Factors behind BTS' growth are

- an expanding market,
- a range of services and products that have strong competitive advantages,
- profitable acquisitions made in a fragmented market, and
- the best organization and employees in the industry.

BTS is driving this growth through

- growth at existing offices,
- geographic expansion through new offices,
- cross-selling between the ranges of original and acquired solutions, and
- ongoing development of new products and solutions.

BTS has considerably broadened its range of services and products through product development and acquisitions, so that the range now includes, in addition to the world's leading business simulation models,

leading solutions in strategically key fields such as sales and leadership development and web-based training solutions.

Today BTS has the market's most complete range of customized simulation models and, at the same time, is the only company in the world that can serve major international corporations globally. BTS' sales organization is being refined and is growing quickly. Thus BTS can satisfy existing customers' needs for additional services and solutions to an even greater degree, generating significant opportunities for growth in the short and long run.

### Research and development

The development carried out by BTS during the year centered on customer-specific product development and was therefore expensed directly. No research, by the definition in IAS 38, has been conducted.

### Financial risks

Effective and systematic assessments of financial and commercial risks are important 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 a fixed policy. For a detailed description, refer to Note 2, Accounting principles, and Note 21, Financial instruments and financial risk management.

### The work of the Board of Directors

The articles of association specify that the Board of Directors of BTS shall consist of no fewer than three and no more than eight members. During the fiscal year following the AGM, the Board consisted of five members. The Board works according to a set of procedures with instructions on the division of tasks between the Board 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 regularly 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, and the budget for the coming year at the December meeting. The BTS Board has no separate committees or subgroups; all issues are normally dealt with by the Board as a whole. Occasionally, however, certain issues are delegated to the Chairman of the Board and the CEO for joint deliberation. Every year, the Company's auditor reports in person his observations from his audit and his assessment of the internal control process. For guidelines on compensation for senior executives, see Note 8.

During the past year, a total of six meetings were held; during one of these, the directors discussed the Company's strategy in particular and in depth. Means for evaluating the work of the Board were decided in December for assessment and discussion in the beginning of 2008.



## Multiple-year overview

Performance for the past five fiscal years is presented below. The figures for 2004–2007 are presented in accordance with IFRS, while the recommendations of the Swedish Financial Accounting Standards Council have been applied to those for previous years.

SEK thousands	2007	2006	2005	2004	2003
Net turnover	523,161	379,097	286,119	205,944	162,204
Operating expenses	-432,693	-309,345	-233,582	-174,123	-150,105
Depreciation tangible fixed assets	-2,174	-2,127	-1,772	-1,098	-1,330
Amortization intangible fixed assets <sup>1</sup>	-10,107	-5,270	-2,069	-	-547
<b>Operating profit</b>	<b>78,187</b>	<b>62,355</b>	<b>48,696</b>	<b>30,723</b>	<b>10,222</b>
Operating margin, %	15	16	17	15	6
Number of employees at year-end	230	186	150	107	100
Average number of employees	211	165	143	104	97
Net turnover per employee	2,479	2,298	2,001	1,980	1,672

<sup>1</sup> Amortization of intangible fixed assets includes amortization of goodwill during 2003. If IFRS had been applied that year, goodwill would not have been amortized according to a schedule.

## 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. Accordingly none have been taken into account when preparing the balance sheets and income statement.

## Proposed disposition of profits

### Parent Company

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

SEK	
Profit carried forward	51,291,027
Profit for the year	11,879,596
<b>Total</b>	<b>63,170,623</b>

### Statement from the Board of Directors on the proposed dividend

The proposed dividend for shareholders will reduce the equity/assets ratio of the Company to 50 percent and that of the Group to 45 percent. The equity/assets ratio is considered secure, as the Company's business activities are running profitably. The Board also estimates that it will be possible to maintain the liquidity of the Company at a secure level.

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 investments required. The proposed dividend is therefore justifiable with reference to the provisions of Chapter 17, section 3, paragraphs 2–3 of the Swedish Companies Act (prudence rule).

The Board of Directors proposes that the funds be appropriated such that:

to shareholders is distributed SEK 1.20 per share, totaling	21,657,960
to be carried forward to the 2008 accounts	41,512,663
<b>Total</b>	<b>63,170,623</b>

As regards to the operations of the Group and the Parent Company in other respects, please refer to the income statements and balance sheets below, as well as to the cash flow statement and accompanying notes.

It is proposed that the dividend be paid on May 15, 2008.

# Financial Statements

<b>CONSOLIDATED INCOME STATEMENT</b>			
<b>SEK thousands</b>	<b>NOTE</b>	<b>2007</b>	<b>2006</b>
Net turnover	3, 11	523,161	379,097
<i>Operating expenses</i>			
Other external expenses	4, 5, 6, 7	-244,767	-149,400
Personnel expenses	8	-187,926	-159,945
Depreciation/Amortization of tangible and intangible fixed assets	9, 10	-12,281	-7,397
<i>Total operating expenses</i>		-444,974	-316,742
<b>OPERATING PROFIT</b>	3, 11	<b>78,187</b>	<b>62,355</b>
<i>Financial items</i>			
Financial income	12	756	927
Financial expenses		-6,177	-2,277
<i>Total profit/loss from financial items</i>		-5,421	-1,350
<b>PROFIT AFTER FINANCIAL ITEMS</b>		<b>72,766</b>	<b>61,005</b>
Tax on profit for the year	13	-23,937	-22,421
<b>PROFIT FOR THE YEAR</b>		<b>48,829</b>	<b>38,584</b>
<b>Profit for the year attributable to:</b>			
Parent Company shareholders		48,829	38,531
Minority interests in subsidiaries		0	53
<b>Earnings per share</b> (profit for the year attributable to Parent Company shareholders)			
Basic earnings per share, SEK	14	2.71	2.18
Number of shares at year-end		18,048,300	18,048,300
Diluted earnings per share, SEK		2.70	2.18
Proposed dividend per share	15	1.20	1.00

**CONSOLIDATED BALANCE SHEETS**

<b>At December 31, SEK thousands</b>	<b>NOTE</b>	<b>12-31-2007</b>	<b>12-31-2006</b>
<b>ASSETS</b>			
<b>Fixed assets</b>			
<i>Intangible fixed assets</i>			
Goodwill	9	145,093	149,873
Other intangible fixed assets	9	33,048	45,213
<i>Tangible fixed assets</i>			
Equipment	10	5,317	5,380
<i>Financial fixed assets</i>			
Deferred tax receivables	18	2,384	1,284
Other long-term receivables	21	1,959	1,968
<b>Total fixed assets</b>		<b>187,801</b>	<b>203,718</b>
<b>Current assets</b>			
<i>Current receivables</i>			
Accounts receivable	21	115,955	88,692
Other receivables	21	3,899	5,371
Prepaid expenses and accrued income	19	21,288	20,233
<i>Total current receivables</i>		141,142	114,296
Liquid assets		67,473	72,054
<b>Total current assets</b>		<b>208,615</b>	<b>186,350</b>
<b>TOTAL ASSETS</b>		<b>396,416</b>	<b>390,068</b>

**CONSOLIDATED BALANCE SHEETS**

At December 31, SEK thousands

NOTE

12-31-2007

12-31-2006

**SHAREHOLDERS' EQUITY AND LIABILITIES****Shareholders' equity**

20

Share capital		6,016	6,016
Other contributed capital		39,547	39,547
Reserves		-28,257	-20,243
Profit brought forward, including profit for the year		181,297	149,343
		198,603	174,663

Minority interest

-

508

**Total shareholders' equity****198,603****175,171****Long-term liabilities**

Other liabilities	21	368	388
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**Current liabilities**

Accounts payables	21	23,017	13,446
Tax liabilities		9,281	17,724
Other current liabilities	21, 22	96,977	124,246
Accrued expenses and prepaid income	23	68,170	59,094

**Total current liabilities****197,445****214,509****TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES****396,416****390,068****Pledged assets and contingent liabilities**

24, 25

<b>CONSOLIDATED CASH FLOW STATEMENT</b>			
<b>SEK thousands</b>	<b>NOTE</b>	<b>2007</b>	<b>2006</b>
<b>Current operations</b>			
Operating profit		78,186	62,355
Adjustments for items not included in cash flow, etc.			
Depreciation		12,312	7,419
Other items		1,262	-259
Financial income and expenses	17	-5,421	-1,350
Paid tax for the year		-23,890	-22,421
<i>Cash flow from current operations before changes in working capital</i>		62,449	45,744
<i>Cash flow from changes in working capital</i>			
Change in accounts receivable		-30,514	-6,582
Change in other operating receivables		-4,720	-5,433
Change in accounts payable and other operating liabilities		18,004	7,391
<i>Cash flow from changes in working capital</i>		-17,230	-4,624
<b>Cash flow from current operations</b>		<b>45,219</b>	<b>41,120</b>
<b>Investing activities</b>			
Acquisitions of shares, participations and operations	17	-3,394	-1,109
Acquisition of tangible fixed assets	10	-2,252	-2,482
Acquisition of intangible fixed assets	9, 17	-6,573	-136,960
<b>Cash flow from investing activities</b>		<b>-12,219</b>	<b>-140,551</b>
<b>Financing activities</b>			
New issue	17, 20	-	14,587
Changes in loans		-14,549	80,434
Changes in deposits		-205	-161
Dividends to shareholders		-18,048	-16,218
<b>Cash flow from financing activities</b>		<b>-32,802</b>	<b>78,643</b>
<b>Cash flow for the year</b>		<b>-4,581</b>	<b>-29,091</b>
<b>Liquid assets, start of the year</b>		<b>72,054</b>	<b>101,145</b>
<b>Liquid assets, end of the year</b>	17	<b>67,473</b>	<b>72,054</b>
Translation differences in liquid assets		-4,779	-8,305

<b>PARENT COMPANY'S INCOME STATEMENT</b>			
<b>SEK thousands</b>	<b>NOTE</b>	<b>2007</b>	<b>2006</b>
Net turnover	4	2,551	2,430
<i>Operating expenses</i>			
Other external expenses	4, 5, 7	-2,084	-1,659
Personnel expenses	8	-844	-761
<i>Total operating expenses</i>		-2,928	-2,420
<b>OPERATING PROFIT</b>		<b>-377</b>	<b>10</b>
<i>Financial items</i>			
Profit from other securities and receivables treated as fixed assets	12	17,719	13,888
Interest income and similar profit/loss items		84	268
Interest expenses and similar profit/loss items		-5,546	-2,065
<i>Total profit/loss on financial items</i>		12,257	12,091
<b>PROFIT AFTER FINANCIAL ITEMS</b>		<b>11,880</b>	<b>12,101</b>
Tax on profit for the year	13	-	-
<b>PROFIT FOR THE YEAR</b>		<b>11,880</b>	<b>12,101</b>

<b>PARENT COMPANY'S BALANCE SHEET</b>			
<b>At December 31, SEK thousands</b>	<b>NOTE</b>	<b>12-31-2007</b>	<b>12-31-2006</b>
<b>ASSETS</b>			
<b>Fixed assets</b>			
<i>Financial fixed assets</i>			
Participations in Group companies	16	108,816	105,422
Receivables from Group companies		66,811	85,128
<b>Total fixed assets</b>		<b>175,627</b>	<b>190,550</b>
<b>Current assets</b>			
<i>Current receivables</i>			
Receivables from Group companies		1,359	1,646
Other receivables		76	6
Prepaid expenses and accrued income	19	126	114
<i>Total current receivables</i>		1,561	1,766
Liquid assets		14	8,486
<b>Total current assets</b>		<b>1,575</b>	<b>10,252</b>
<b>TOTAL ASSETS</b>		<b>177,202</b>	<b>200,802</b>

<b>PARENT COMPANY'S BALANCE SHEETS</b>			
<b>At December 31, SEK thousands</b>	<b>NOTE</b>	<b>12-31-2007</b>	<b>12-31-2006</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>	20		
<i>Restricted shareholders' equity</i>			
Share capital		6,016	6,016
Reserve fund		40,726	40,726
<i>Total restricted equity</i>		46,742	46,742
<i>Non-restricted equity</i>			
Profits carried forward		51,291	55,204
Profit for the year		11,880	12,101
<i>Total non-restricted equity</i>		63,171	67,305
<b>Total shareholders' equity</b>		<b>109,913</b>	<b>114,047</b>
<b>Current liabilities</b>			
Accounts payable		283	128
Liabilities to Group companies		3,634	2,079
Tax liabilities		1	1,700
Other current liabilities	22	63,086	82,517
Accrued expenses and prepaid income	23	285	331
<b>Total current liabilities</b>		<b>67,289</b>	<b>86,755</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>177,202</b>	<b>200,802</b>
Pledged assets and contingent liabilities	24, 25		



<b>PARENT COMPANY'S CASH FLOW STATEMENT</b>			
<b>SEK thousands</b>	<b>NOTE</b>	<b>2007</b>	<b>2006</b>
<b>Current operations</b>			
Operating profit		-378	10
Financial income and expenses	17	202	-98
Paid tax for the year		-	-
<i>Cash flow from current operations before changes in working capital</i>		-176	-88
<i>Cash flow from changes in working capital</i>			
Change in other operating receivables		204	371
Change in accounts payable and other operating liabilities		-1,148	-1,909
<i>Cash flow from changes in working capital</i>		-944	-1,538
<b>Cash flow from current operations</b>		<b>-1,120</b>	<b>-1,627</b>
<b>Investing activities</b>			
Acquisition of shares and participations	16, 17	-3,394	-1,109
<b>Cash flow from investing activities</b>		<b>-3,394</b>	<b>-1,109</b>
<b>Financing activities</b>			
Paid shareholders' contribution		-	-26,325
New issue		-	14,587
Group contribution		2,002	1,000
Changes in loans		34	521
Dividends received from subsidiaries		12,055	12,189
Dividends to shareholders		-18,048	-16,218
<b>Cash flow from financing activities</b>		<b>-3,958</b>	<b>-14,246</b>
<b>Cash flow for the year</b>		<b>-8,472</b>	<b>-16,982</b>
<b>Liquid assets, start of the year</b>		<b>8,486</b>	<b>25,468</b>
<b>Liquid assets, end of the year</b>	17	<b>14</b>	<b>8,486</b>

## CHANGES IN GROUP SHAREHOLDERS' EQUITY

SEK thousands	NOTE 20	Share capital	Other paid-in capital	Reserves	Retained earnings	Minority interest	Total share-holders' equity
Opening balance at January 1, 2006		5,897	39,547	-5,105	111,129	405	151,873
Share-related remuneration in accordance with IFRS 2					1,434		1,434
Exchange rate differences				-15,138		48	-15,090
<i>Total transactions reported directly in shareholders' equity</i>		5,897	39,547	-20,243	112,563	453	138,217
Profit for the year					38,529	55	38,584
<i>Total income and expenses in shareholders' equity</i>		5,897	39,547	-20,243	151,092	508	176,801
New issue	20	119			14,469		14,587
Dividends to shareholders					-16,218		-16,218
<b>Closing balance at December 31, 2006</b>		<b>6,016</b>	<b>39,547</b>	<b>-20,243</b>	<b>149,343</b>	<b>508</b>	<b>175,171</b>
Opening balance at January 1, 2007		6,016	39,547	-20,243	149,343	508	175,171
Share-related remuneration in accordance with IFRS 2					1,232		1,232
Exchange rate differences				-8,073			-8,073
<i>Total transactions reported directly in shareholders' equity</i>		6,016	39,547	-28,316	150,575	508	168,330
Profit for the year					48,829		48,829
<i>Total income and expenses in shareholders' equity</i>		6,016	39,547	-28,316	199,404	508	217,159
Change in minority interest	17					-508	-508
Transfer between non-restricted and restricted equity				59	-59		0
Dividends to shareholders					-18,048		-18,048
<b>Closing balance at December 31, 2007</b>		<b>6,016</b>	<b>39,547</b>	<b>-28,257</b>	<b>181,297</b>	<b>0</b>	<b>198,603</b>

## CHANGES IN PARENT COMPANY SHAREHOLDERS' EQUITY

SEK thousands	NOTE 20	Share capital	Statutory reserve	Retained earnings	Profit for the year	Total share-holders' equity
Opening balance at January 1, 2006		5,897	40,726	42,821	13,389	102,833
Appropriation of earnings according to AGM:						
Transfer to retained earnings				13,389	-13,389	0
New issue	20	119		14,469		14,587
Dividends to shareholders				-16,218		-16,218
Group contributions				1,000		1,000
Tax effect of Group contributions				-257		-257
Profit for the year					12,101	12,101
<b>Closing balance at December 31, 2006</b>		<b>6,016</b>	<b>40,726</b>	<b>55,204</b>	<b>12,101</b>	<b>114,047</b>
Opening balance of January 1, 2007		6,016	40,726	55,204	12,101	114,047
Appropriation of earnings according to AGM:						
Transfer to retained earnings				12,101	-12,101	0
Dividends to shareholders				-18,048		-18,048
Group contributions				2,780		2,780
Tax effect of Group contributions				-746		-746
Profit for the year					11,880	11,880
<b>Closing balance at December 31, 2007</b>		<b>6,016</b>	<b>40,726</b>	<b>51,291</b>	<b>11,880</b>	<b>109,913</b>

# Notes

## Notes to the Annual Report

### NOTE 1 – General information

The Parent Company is a public limited company registered and headquartered in Stockholm, Sweden, at Grevgatan 34. The Parent Company is listed on the Stockholm Stock Exchange's list for smaller companies.

### NOTE 2 – Accounting principles

Amounts are stated in SEK thousand unless otherwise indicated. From January 1, 2005, BTS has prepared its consolidated accounts in compliance with the International Financial Reporting Standards (IFRS), as approved by the EU, and in line with the Swedish Financial Accounting Standards Council's recommendation RR30, Supplementary Accounting Regulations for Groups and in accordance with the Swedish Annual Accounts Act.

Unless otherwise stated, these principles have also been applied to the multiple-year reviews presented.

For the Parent Company, the provisions of the Swedish Annual Accounts Act and RR 32, Accounting for Legal Entities, have been applied. The Parent Company's shareholdings in subsidiaries are reported at acquisition cost and untaxed reserves are reported including tax.

### Information about IFRS and changes in and interpretations of existing standards not yet in effect

At the time the consolidated accounts of December 31, 2007, were prepared, several standards and interpretations had been published that are mandatory for the Group's accounts and apply from January 1, 2009, or later. BTS does not apply any standards or interpretations in advance. The standards that could affect the financial reports upon adoption are the following.

**IAS 1 (Change) – Presentation of Financial Statements.** This change in the standard is still undergoing approval by the EU. The changes chiefly concern modifications in the format of and designations in the financial reports. Thus the Group's future presentation of financial reports will be affected by adoption of this standard.

**IFRS 3 (Change) – Business Combinations.** This change in the standard is still undergoing approval by the EU. This change applies only to acquisitions made after the date that the change takes effect. Application of this will entail a change in how future acquisitions are reported, for example, with respect to reporting transaction costs, conditional purchase payments (if any), and multiphase acquisitions. The Group will apply the standard starting in the financial year beginning January 1, 2010. The change in the standard will not have any effect on previous acquisitions but will affect the reporting of future transactions.

**IFRIC 8 – Operating Segments.** This standard takes effect for the financial year beginning January 1, 2009, or later. The new standard specifies that segment information be presented from management's perspective, that is, in the manner used for internal reports. BTS' operations are managed and reported only by geographic market, which are also presented when reporting by segments. Thus, BTS follows the standard, and no change will occur.

A preliminary assessment of other standards and interpretations has not found any effects on accounting or any need for further information.

### Consolidated accounts

The consolidated accounts include the final accounts for all subsidiaries. A subsidiary is a company in which the Parent Company directly or indirectly holds shares that represent more than 50 percent of the votes or otherwise exercises a controlling influence. All subsidiaries are wholly owned. Subsidiaries are included in the consolidated accounts effective the date on which controlling influence is transferred to the Group.

The Group's financial statements are prepared using the purchase method, which means that the subsidiaries' equity at the time of their acquisition, defined as the difference between the fair value of assets and liabilities, is eliminated in full. Thus consolidated shareholders' equity contains only that part of subsidiaries' equity that was earned after the acquisition. The surplus equal to the difference between the acquisition cost and the fair value of the Group's share of identifiable acquired assets, liabilities, and contingent liabilities is reported as goodwill.

All intra-Group transactions and balance sheet items have been eliminated.

Subsidiaries are run with a high level of independence, and transactions with the Parent Company account for only a small part of their business. The profits, or losses, and financial positions of all Group companies that have a functional currency different from the presentation currency are translated into the Group's presentation currency as follows.

- Assets and liabilities for each of the balance sheets are translated at the closing rate.
- Income and expenses for each of the income statements are translated at the average rate.
- Exchange rate differences that result are reported as a separate component in shareholders' equity.

When a subsidiary is acquired, additional purchase payments may be made. The anticipated additional payments are set based on assessments of whether or not the conditions for payment are fulfilled.

The exchange rates for the currencies used in the Group were as follows.

	Average 2007	December 31, 2007	Average 2006	December 31, 2006
USD	6.76	6.47	7.38	6.87
GBP	13.53	12.91	13.57	13.49
EUR	9.25	9.47	9.25	9.05
ZAR	0.96	0.94	1.10	0.99
AUD	5.66	5.66	5.55	5.44
CHF	563.31	569.85	588.40	563.10

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

### Income/Ongoing commissions

Income is recognized on delivery of services to the client according to the terms of sale. Sales are recognized at net value after VAT and any resulting exchange rate differences for sales denominated in a foreign currency.

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 the balance sheet date (percentage of completion method). The degree of completion of an assignment is determined by comparing the expenses paid at the balance sheet date with the estimated total expenses. If the outcome of a service assignment cannot be calculated in a reliable manner, the income from that assignment is recognized only to the extent that it corresponds to the assignment expenses that have arisen and that are likely to be covered by the client.

Anticipated losses on assignments are recognized directly as expenses.

## Research and development

Expenses linked to customer-specific product development are expensed directly. Expenses related to development projects (attributable to the development and testing of new or improved products) are posted as intangible assets to the extent such expenses can be expected to generate future economic benefits. The Company has not carried out any research or development according to the definition in IAS 38. The development normally conducted by BTS is customer-specific product development.

## Remuneration to employees

### 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 expenses are charged to consolidated earnings as the pensions are earned.

### Share-based compensation

BTS Group AB issued employee stock options to the Group's employees in 2006. The plan enables employees to acquire stock in the company. The fair value of the allocated stock options has been reported as employee expenses with a comparable increase of shareholders' equity. The fair value is calculated at the time of allocation and distributed over the vesting period. The fair value of the allocated stock options is calculated using the Black & Scholes model and taking into consideration the conditions that applied at the time of allocation. The expenses recognized correspond to the fair value of an estimate of the number of stock options and shares expected to be vested. Social security contributions attributable to share-based compensation to employees as payment 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 used when the stock options were issued.

## Provisions

A provision is reported when the Company has a legal or informal obligation that it is deemed that the Company will be required to settle, a reliable estimate of the amount can be made, and it is likely that an outflow of resources will be required to settle the obligation. Any provision will be measured at the present value of the amount it is expected will be necessary to settle the obligation. A discount rate before tax is used that reflects a current market assessment of the time value of money and the risks associated with the provision.

## Borrowing

Borrowing expenses are charged to earnings for the period to which they refer, except in cases where funds are borrowed to acquire an asset, when borrowing expenses are included in the asset's acquisition cost. Borrowing is reported initially at the amount received less transaction costs. After the date of acquisition, the loan is measured at accrued acquisition cost in line with the effective interest method. Non-current liabilities have an anticipated duration longer than 12 months, while current liabilities have a duration shorter than 12 months.

## Income taxes

Income taxes reported 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 which most probably will be adopted. Items in the income statement are thus reported along with their associated tax effects in the income statement. The tax effects of items reported directly in shareholders' equity are reported in shareholders' 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 based on all temporary differences arising between the book values and tax values of assets and liabilities. Deferred tax assets relating to loss carryforwards or

other future tax-related deductions are reported to the extent that it is likely they can be used to offset profits in future taxation.

## Reports per segment

The Group's risks and opportunities are influenced primarily because it is active in different countries and in different geographic markets, so the operating unit is the primary segment division. As the Group's business is governed and reported only by geographic markets, no secondary segments are reported. To allocate Group-wide expenses, each subsidiary's share of the Group's total sales is used as an index for distributing overhead.

## Leasing and rental agreements

When a leasing contract enables the Company as the lessee to enjoy all financial benefits and risks attributable to the leasing asset, the asset is reported as a fixed asset in the consolidated balance sheet. The corresponding obligation to pay leasing charges in the future is reported as a liability. Assets are depreciated at a rate corresponding to their expected period of use.

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

## Tangible assets

Tangible assets are reported at acquisition cost less accumulated depreciation and impairment losses, if any. Acquisition cost includes expenses that are 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 period of use. The following depreciation periods are applied to existing assets.

- Equipment and installations, 3–6 years.

The residual value and period of use of the assets are tested annually and adjusted as necessary.

## Intangible assets

### Goodwill

Goodwill is the difference between the acquisition cost and the fair value of the Group's share of an acquired subsidiary's identifiable net assets at the time of the acquisition. The acquisition cost of a subsidiary includes conditional additional purchase payments only after it is deemed probable that the conditions will be fulfilled. Goodwill is tested annually for any indication of impairment and reported at acquisition cost less accumulated impairment losses. Gains or losses on the divestment of a unit include the residual book value of the goodwill relating to the divested unit.

### Products, technology, and software

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

### Franchise-holder contracts

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

### Customer contracts

Acquired customer contracts have a limited period of use and are reported at acquisition cost less accumulated depreciation and any impairment losses. Amortization is charged on a straight-line basis throughout the estimated period of use (2–15 years).

### Brands

Acquired brands that have an indeterminable period of use are reported at acquisition cost less accumulated impairment losses as appropriate. Impairment tests are performed annually or more frequently if there is any indication of decreased value.

Acquired brands that have a limited period of use are reported at acquisition cost less accumulated amortization and any impairment losses. Amortization is charged on a straight-line basis throughout the estimated period of use (10 years).

### Impairment

Impairment tests are performed when it is indicated that a tangible asset, an intangible asset, or a financial asset has a book value that exceeds its recoverable value. In this context, recoverable value means the higher of an asset's net sale value and value in use. If this cannot be established for an individual asset, the recoverable value of the smallest cash-generating unit to which the asset belongs is calculated.

The Group performs impairment tests for goodwill and brands every year in accordance with the following principle.

The recoverable values are based on value in use, calculated as the present value of future growth and earnings forecasts over a multiple-year period, and on extrapolated cash flows beyond the multiple-year period. Initially impairment tests are performed solely on the acquired cash-generating unit. If it transpires that the amount reported exceeds the value in use of the unit, the test is performed on the primary segments among which goodwill has been allocated.

### Important estimates and assessments

To prepare the financial statements in accordance with IFRS, executive management must make judgments, estimates, and assumptions that affect the application of the accounting principles and the reported amounts of assets, liabilities, income, and expenses. Estimates and assumptions are based on historical experience and a number of other factors that appear reasonable in the prevailing situation. The results of these estimates and assumptions are then used to judge the book values of assets and liabilities that would not be evident from other sources. The actual outcome may deviate from these estimates and judgments. Estimates and judgments are periodically reviewed. Changes in the estimates are reported in the period in which the change is made if the change affected only that period.

#### *Impairment tests for goodwill and intangible assets with indeterminable periods of use*

Every year the Group performs impairment tests for goodwill and intangible assets with indeterminable periods of use in accordance with the principle described above. The recoverable value of cash-generating units has been determined by calculating the value in use. Certain estimates must be made for these calculations; please see note 9.

#### *Establishment of additional purchase payments*

To establish anticipated additional purchase payments, the Group makes realistic evaluations of future growth and earnings forecasts for multiple years, separately for each subsidiary acquired.

### Financial instruments

Financial assets and liabilities are reported in the balance sheets whenever there is a contractual right or obligation to pay or receive cash or other financial assets to or from 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.

#### *a) Financial assets measured at fair value via the income statement.*

This refers to financial assets available for sale. Derivatives that are not hedging instruments also belong to this category. The calculated fair value is based on market prices.

#### *b) Loans and accounts receivables*

Refers to non-derivative financial assets with payments that can be established and that are not listed on an active market. These are reported at accrued acquisition cost through application of the effective interest method, less any provisions for impairment. The effective interest method distributes interest income and expense over the relevant period. The effective interest is the in-

terest rate that exactly discounts the estimated future receipts and disbursements to the financial asset's or liability's net book value. Current receivables such as accounts receivables are considered to have a reasonable approximation of 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 account receivable. Significant financial difficulties of a debtor or the probability of the debtor declaring bankruptcy or undergoing a financial reconstruction are regarded as indicators of impairment of an account receivable. The size of the provision is based on the difference between the book value of the asset and the estimated future cash flows. Provisions are made for doubtful accounts receivable after tests in each individual case.

#### *c) Financial instruments held to maturity*

Refers to non-derivative financial assets with payments that can be established and fixed durations that are held to maturity. These are reported at accrued acquisition cost using the effective interest method.

#### *d) Financial assets available for sale*

Refers to non-derivative assets intended for sale. These are measured at fair value directly in equity—excepting impairment losses—until the asset is removed from the balance sheet, when the gain or loss is reported in the income statement.

#### *e) Financial liabilities*

Financial liabilities held during the year are measured at the accrued acquisition cost using the effective interest method. Current liabilities such as trade payables are deemed a reasonable approximation of their fair value, so their present value is not calculated.

#### *f) Liquid assets*

Liquid assets 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 risk management

#### *Principles for financing and financial risk management*

The Board controls and monitors BTS' financing activities and financial risks. Financing and risk management have been gathered under the Group finance function. The aim of the Company's risk management is to optimize the consolidated cost of capital and, in a carefully thought out manner, to manage and control the consolidated financial risks. Hedging instruments may be used within given parameters. Future payments are not normally hedged. Liquid assets may be invested in interest-bearing accounts or in interest-bearing securities with low credit risk. The current maturity of the investment portfolio must not exceed nine months.

#### *Currency risks*

The Group is exposed to foreign currency risks linked to the translation of foreign subsidiaries, which influences the consolidated earnings and shareholders' equity. The currencies that have the greatest influence are USD, EUR, and GBP. Transaction exposure is limited as income and expenses are primarily in the same currency on the various markets. BTS does not normally hedge its foreign currency exposure.

#### *Credit risks*

BTS only accepts creditworthy counterparties in financial transactions. BTS' accounts receivables are spread among a large number of companies operating in various sectors.

#### *Liquidity risk and interest risk*

BTS' policy is to allow borrowing with the approval of the Board. Surplus liquidity in subsidiaries is to be used initially to amortize loans. Interest risks are limited to the fluctuating return on the liquid assets invested at variable rates.

### Transactions in foreign currencies

Items in the financial statements for Group companies are measured in the currency used where each respective subsidiary conducts its main business activities (functional currency). Swedish krona (SEK), the Parent Company's functional currency and presentation currency, is used in the consolidated accounts.

Receivables and liabilities denominated in foreign currency are valued at the exchange rate on the balance sheet date, and any exchange rate differences are booked in the income statement. Exchange rate differences on operating receivables and liabilities are reported in operating profit/loss, while exchange rate differences attributable to financial assets and liabilities are reported as financial income and expenses.

### Cash flow statement

The cash flow statement is prepared using the indirect method. The reported cash flow includes only transactions that result in payments being made or received. Cash flow from operating activities, investing activities, and financing activities are reported separately.

The category of liquid assets includes, apart from cash and bank balances, short-term financial investments that are exposed only to insignificant risk of value fluctuation and are traded in an open market at known amounts, or that have a remaining maturity less than three months from the balance sheet date.

### NOTE 3 – Distribution of net turnover and operating profit by operating units

Net turnover per operating unit, SEK thousands	2007	2006
<b>Group</b>		
North America*	368,403	245,173
Europe	116,980	113,044
Other markets	37,778	20,880
<b>Total</b>	<b>523,161</b>	<b>379,097</b>
* North America		
BTS	205,815	201,511
APG and RLC	162,588	43,662
<b>Total</b>	<b>368,403</b>	<b>245,173</b>

Operating profit by operating unit, SEK thousands	2007	2006
North America*	51,734	40,449
Europe	20,454	18,577
Other markets	5,999	3,330
<b>Total</b>	<b>78,187</b>	<b>62,355</b>

* North America		
BTS	37,805	35,589
APG and RLC	13,929	4,860
<b>Total</b>	<b>51,734</b>	<b>40,449</b>

### NOTE 4 – Transactions with related parties

#### Group

#### Purchases and sales between Group companies

Market terms and conditions apply to the supply of services between subsidiaries.

There have been no transactions with related parties.

#### Parent Company

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

### NOTE 5 – Information about auditors' fees

Fees and remuneration, SEK thousands	2007		2006	
	Group	Parent Company	Group	Parent Company
ÖhrlingsPricewaterhouseCoopers				
Audit assignments	455	418	283	198
Other assignments	-	-	-	-
Other auditors				
Audit assignments	581	335	-	-
Other assignments	40	90	-	-
<b>Total</b>	<b>1,077</b>	<b>843</b>	<b>283</b>	<b>198</b>

### NOTE 6 – Leasing and rental agreements

#### Group

The Group has no financial leases. Expenses for operating leases totaled 15,642 (12,287) for the year. Future leasing and rental fees for operating leases maturing later than one year hence are as follows.

	SEK thousands
2008	14,201
2009	12,515
2010	6,682
2011	3,725
Later	7,647
<b>Total</b>	<b>44,770</b>

### NOTE 7 – Exchange rate differences

SEK thousands	2007		2006	
	Group	Parent Company	Group	Parent Company
Effect of exchange rate differences on operating profit	-415	-1,997	-65	-53

## NOTE 8 – Average number of employees, salaries, other compensation, social security contributions, etc.

### 1) Average number of employees

Group	2007		2006	
	No. of employees	Of which men	No. of employees	Of which men
Subsidiaries				
Sweden	31	17	30	17
US	114	71	83	57
Europe	44	32	36	24
Other	22	17	16	14
Total for the Group	211	137	165	112

### Gender distribution in senior executive group

	2007		2006	
	Women	Men	Women	Men
CEO and other senior executives (excl. the Board)	0	5	0	5
Board	1	4	1	4

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

#### Parent Company

The Parent Company had no employees in 2007.

### 2) Salaries, other compensation, and social security contributions

Group	2007		2006	
	Salaries and compensation	Social security contributions of which pension expenses	Salaries and compensation	Social security contributions of which pension expenses
Subsidiaries	162,206	25,503	141,275	23,536
		9,050		5,471

Pension expenses for employees who are a president of or a member of the board of a Group company total 1,656 (1,681). All pension plans are defined-contribution plans.

#### Parent Company

No Parent Company Board member has received any compensation other than Board fees. Board fees totaling SEK 637,500 (575,000) were paid. Among Board members, the Chairman of the Board received SEK 270,000 (241,250) in fees, and the three other directors who are not employed in the Group received SEK 122,500 (111,250) each in fees. For the CEO, see the figures for compensation to senior executives below.

### 3) Salaries and other compensation by country and divided between Board members and others

Group	2007		2006	
	Board and CEO	Other employees	Board and CEO	Other employees
In Sweden				
Parent Company	638	-	575	-
Subsidiaries	3,149	20,164	1,631	16,952
Total, Sweden	3,787	20,164	2,206	16,952
Outside Sweden				
US	7,725	92,004	7,761	81,830
Europe	5,447	20,716	6,837	16,732
Other	1,234	11,130	1,284	7,672
Total, outside Sweden	14,406	123,849	15,882	106,234
Total for the Group	18,193	144,013	18,088	123,186

### Conditions for compensation and other conditions of employment for senior executives

#### Guidelines for compensation and other conditions 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. Generally accepted forms of employment and good practice shall be observed in each country of operations with regard to employment benefits.

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 percent of the fixed basic salary. When deemed appropriate, the basic salary and pension benefit can be complemented with variable compensation, other benefits, and participation in the incentive program. Only the CEO of the Parent Company is entitled to a severance package.

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

The Board intends to propose to the AGM that the principles remain unchanged in 2008.

#### Drafting and decision-making process for compensation to senior executives

- The AGM determines the fees to the Board and the Chairman.
- The terms for the CEO are determined by the Board as a whole.
- Other senior managers' compensation is determined by the CEO in consultation with the Chairman of the Board.
- Employees in the Group receive no fees for work on boards of subsidiaries.

#### Compensation and benefits

"Other senior executives" refers to the four (four in 2006) people who together with the CEO constitute the Group management team. The sum includes basic salary, other benefits, variable compensation, and pension expenses.

Other benefits refer exclusively to company cars. The sum total of remuneration paid to senior executives was KSEK 11,876 (15,112), of which pension expenses accounted for KSEK 1,441 (1,505). All pension plans are defined-contribution plans.

Salary and variable benefits totaling KSEK 2,805 (3,255) were paid to the CEO, including KSEK 638 (998) 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 amounting to 25 (25) percent of fixed salary, which is paid in the form of pension insurance with the right to a pension from the age of 65.

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

Other senior executives have been paid salaries and other benefits totaling KSEK 7,630 (10,352), of which variable remuneration accounted for KSEK 2,466 (5,076). Variable compensation is based on targets achieved by the Company and the individual. Provisions to pensions are made individually in the range of 13–30 percent of the fixed salary and paid in the form of pension insurance with entitlement to a pension from the age of 65.

#### Share-based compensation

In 2006, the BTS Group issued employee stock options to the Group's employees. The employee stock option plans comprise 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.

Each employee stock option allocated to employees in the United States gives the holder the right to acquire one Class B share in BTS at an exercise price of SEK 46.50. Each employee stock option allocated to employees in other countries, including Sweden, gives the holder the right to acquire one Class B share in BTS at an exercise price of SEK 55.00. Each employee stock option is valid for four years. The options are vested gradually, which means that a portion can be exercised each year 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 have been attained. In principle, an employee must continue to be employed by the Company to exercise his or her employee stock options.

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

	2007		2006	
	Average exercise price per share, SEK	Options (thousands)	Average exercise price per share, SEK	Options (thousands)
At January 1	50.21	784	-	-
Allocated	46.50	30	50.21	784
Forfeited	55.00	-39	-	-
At December 31	49.82	775	50.21	784

Employee stock options that have been vested can be exercised during the following periods.

- May 1, 2008 – May 30, 2008
- November 3, 2008 – November 28, 2008
- May 1, 2009 – May 29, 2009
- November 2, 2009 – November 30, 2009
- February 22, 2010 – March 19, 2010

A maximum of 24,300 employee stock options per person may be allocated to senior executives, and a maximum of 9,000 per person to other employees. However, a few senior executives in the United States may be allocated a maximum of 99,000 options per person. No individual is guaranteed allocation of employee stock options. No options shall be allocated to Board members appointed by the AGM who are not employees of the Company or any other Group company or to the CEO of the Parent Company. Allocation of employee stock options will take into account an employee's performance, position, and significance to the future development of BTS.

Expenses, primarily for social security contributions, are incurred when employee stock options are exercised by employees outside the United States. The US options are incentive stock options (ISOs), so that under current legislation they are not subject to social security expenses. The social security contributions attributable to employee stock options allocated to employees outside the United States are expensed on a running basis based on changes in the share price during the term of the options.

The value of the employee stock options was calculated using the Black & Schole's valuation model based on the share price and other market conditions at May 5, 2006, without taking into account vesting limitations. In view of the performance-related targets, and assuming an annual staff turnover of 5 percent, the accounting charge was estimated at a total of MSEK 3.4, which is expensed in annual installments over the vesting period in line with IFRS 2. Other important inputs for the model are the price paid on the allocation date (SEK 42.30), the exercise price stated above, volatility of 30 percent, the anticipated dividend of SEK 0.92 (and thereafter dividend growth of 10 percent per year), and risk-free interest rates of 3.0, 3.2, and 3.3 percent for 2, 3, and 4 year maturities, respectively.

To be able to carry out the employee stock option plans in a cost-effective and flexible manner and to cover future expenses, mainly social security contributions, the AGM of April 7, 2006, also approved a private placement of warrants with BTS Sverige AB, 556566-7127. These warrants entitle BTS Sverige 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 Company's obligations in the employee stock option plans and to cover the resulting future expenses.

Assuming that all warrants as above are exercised to subscribe for new shares, the Company's share capital will increase 314,500 resulting in dilution no more than approximately 5 percent of the share capital and no more than approximately 4 percent of the number of votes for all shares.

#### NOTE 9 – Intangible assets

SEK thousands	12-31-2007	12-31-2006
<b>Group</b>		
<i>Goodwill</i>		
Opening accumulated acquisition value	149,873	35,683
Opening impairment expenses	-	-
Purchases	2,547	116,946
Translation difference	-7,327	-2,756
Closing accumulated acquisition value	145,093	149,873
Closing book value	145,093	149,873



### Other intangible assets

SEK thousands	12-31-2007	12-31-2006
<i>Franchise-holder contracts</i>		
Opening accumulated acquisition value	8,497	-
Purchases	-	8,497
Translation difference	-501	-
Closing accumulated acquisition value	7,996	8,497
Opening accumulated amortization	153	-
Amortization for the year	533	153
Translation difference	-9	-
Closing accumulated amortization	677	153
Closing book value	7,319	8,344
<i>Products, technology, and software</i>		
Opening accumulated acquisition value	29,763	12,644
Purchases	-	18,714
Translation difference	-1,610	-1,595
Closing accumulated acquisition value	28,153	29,763
Opening accumulated amortization	5,834	2,012
Amortization for the year	8,177	4,090
Translation difference	-315	-268
Closing accumulated amortization	13,696	5,834
Closing book value	14,457	23,929
<i>Customer contracts</i>		
Opening accumulated acquisition value	4,066	1,973
Purchases	-	2,328
Translation difference	-202	-235
Closing accumulated acquisition value	3,864	4,066
Opening accumulated amortization	692	186
Amortization for the year	282	527
Translation difference	-2	-21
Closing accumulated amortization	972	692
Closing book value	2,892	3,374

SEK thousands	12-31-2007	12-31-2006
<i>Brands</i>		
Opening accumulated acquisition value	9,762	2,878
Purchases	-	7,226
Translation difference	-518	-342
Closing accumulated acquisition value	9,244	9,762
Opening accumulated amortization	196	-
Amortization for the year	680	196
Translation difference	-12	-
Closing accumulated amortization	864	196
Closing book value	8,380	9,566
Total closing book value, other intangible assets	33,048	45,213

### Impairment tests

Goodwill and other intangible assets are allocated among the cash-generating units expected to benefit from the synergies of acquisition completed. The recoverable values are based on the value in use, calculated as the present value of future growth and earnings forecasts over a four-year period, and on extrapolated cash flows beyond the four-year period. Initially impairment tests are performed solely on the acquired cash-generating unit. If it transpires that the amount reported exceeds the value in use of the unit, the test is performed on the primary segments among which goodwill has been allocated.

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 established based on previous earnings and expectations of future market development. To extrapolate cash flows beyond the budget period, a growth rate of 5 percent has been used for all cash-generating units, which is judged to be a conservative estimate. Furthermore, an average discount rate in local currency after tax was used for the calculations. Altogether the discount rate used is in the interval of 10.2–11.3 percent.

The impairment tests indicate no impairment as of December 31, 2007.

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

- If the estimated operating margin beyond the budget period was 10 percent lower than the basic assumption, the overall recoverable value would decrease 11 percent.
- If the estimated growth rate to extrapolate cash flows beyond the budget period was 10 percent lower than the basic assumption of 5 percent, the overall recoverable value would decrease 6 percent.
- If the estimated weighted cost of capital used for the discounted cash flows for the Group were 10 percent higher than the basic assumption of 10.2–11.3 percent, the overall recoverable value would decrease 16 percent.

The estimates are hypothetical and should not be seen as an indication that these factors are more or less likely to change. The sensitivity analysis should therefore be interpreted with prudence. None of the hypothetical cases above would cause impairment in an individual cash-generating unit.

## Distribution of goodwill and other intangible assets by segment

SEK thousands	12-31-2007			
Group	North America	Europe	Other markets	Total
Goodwill	123,614	19,168	2,311	145,093
Products, technology, and software	13,540	917	-	14,457
Franchise-holder contracts	7,319	-	-	7,319
Customer contracts	2,786	106	-	2,892
Brands	7,587	793	-	8,380
	154,846	20,984	2,311	178,141

SEK thousands	12-31-2006			
Group	North America	Europe	Other markets	Total
Goodwill	128,904	20,969	-	149,873
Products, technology, and software	22,097	1,832	-	23,929
Franchise-holder contracts	8,344	-	-	8,344
Customer contracts	3,200	174	-	3,374
Brands	8,705	862	-	9,566
	171,250	23,837	-	195,086

## NOTE 10 – Tangible assets

SEK thousands	12-31-2007	12-31-2006
<b>Group</b>		
<i>Equipment</i>		
Opening accumulated acquisition value	15,895	14,947
Purchases	2,567	2,482
Sales and disposals	-983	-321
Translation difference	-554	-1,213
Closing accumulated acquisition value	16,925	15,895
Opening accumulated depreciation	10,515	9,512
Sales and disposals	-673	-321
Depreciation for the year	2,146	2,030
Translation difference	-380	-705
Closing accumulated depreciation	11,608	10,515
Closing book value	5,317	5,380

## NOTE 11 – Reporting by segment

### Group

#### Primary segments

The Group's operations are governed and reported primarily by geographic market, based on the location of the relevant operating unit. The operating units develop and supply chiefly those solutions sold in their particular markets. The exceptions are web solutions developed by BTS Interactive. Billing of services between the operating units is 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	2007		2006		2007		2006		2007		2006	
	North America <sup>1)</sup>		Europe <sup>2)</sup>		Other markets <sup>3)</sup>		Eliminations & unallocated		Group			
<i>Income</i>												
External sales	368,403	245,173	116,980	113,044	37,778	20,880			523,161	379,097		
Internal sales	6,363	2,836	28,196	20,919	1,829	2,570	-36,388	-26,325	0	0		
Total income	374,766	248,008	145,176	133,963	39,607	23,450	-36,388	-26,325	523,161	379,097		
<i>Operating profit</i>	51,734	40,449	20,454	18,577	5,999	3,330			78,187	62,355		
Financial income							756	927	756	927		
Financial expenses							-6,177	-2,276	-6,177	-2,276		
Tax on profit for the year							-23,937	-22,421	-23,937	-22,421		
Profit for the year									48,829	38,584		
<i>Other information</i>												
Assets	283,969	296,868	86,890	67,492	23,903	14,329	1,654	11,379	396,416	390,068		
Liabilities	91,293	102,137	10,568	18,215	5,144	2,708	90,807	91,837	197,812	214,897		
Investments	7,788	138,265	4,148	1,986	283	300			12,219	140,551		
Depreciation on tangible assets	1,178	1,080	716	706	280	342			2,174	2,128		
Amortization intangible assets	9,369	4,127	738	1,143	-	-			10,107	5,270		

1) External sales, including BTS 205,815 (201,511), and APG & RLC 162,588 (43,662).

2) External sales, of which the Nordic region 48,591 (41,827), UK 36,037 (34,964), Spain 13,601 (12,988), BGF 12,807 (11,884), and Brussels 5,944 (11,379).

3) External sales, of which Australia 29,279 (15,189) and South Africa 8,499 (5,691).

As the Group's operations are only managed and reported per geographical market, no secondary segment is reported.

## NOTE 12 – Financial items

SEK thousands	2007	2006
<b>Group</b>		
Interest income	574	1,170
Foreign exchange gains	182	106
Foreign exchange losses	-	-347
	756	927
Interest expenses	-6,177	-2,277
Total gain/loss on financial items	-5,421	-1,350

### Parent Company

*Gains/Losses on other securities and receivables treated as fixed assets*

Dividends from subsidiaries	12,055	12,189
Interest income from subsidiaries	5,482	1,941
Foreign exchange gains	182	106
Foreign exchange losses	-	-348
	17,719	13,888
Interest revenue and similar income statement items	84	268
Interest expenses and similar income statement items	-5,546	-2,065
Total gain/loss on financial items	12,257	12,092

## NOTE 13 – Tax on profit for the year

SEK thousands	2007	2006
<b>Group</b>		
Current tax for the year	-23,901	-22,997
Deferred tax relating to temporary differences	-36	576
	-23,937	-22,421

### Parent Company

Current tax for the year	-746	-257
Tax effect of Group contributions	746	257
	-	-

### Reconciliation of effective tax

SEK thousands	2007	2006
<b>Group</b>		
Profit before tax	72,765	61,006
Tax expenses based on Swedish income tax rates	-20,374	-17,082
Effect of different tax rates	-4,370	-5,582
Non-deductible expenses	-389	-175
Non-taxable income	101	447
Tax attributable to previous years	1,095	-30
Reported effective tax	-23,937	-22,421
Effective tax rate	32.9%	36.8%

SEK thousands	2007	2006
<b>Parent Company</b>		
Profit before tax	11,880	12,101
Tax expenses based on Swedish income tax rates	-3,326	-3,388
Dividends from subsidiaries	3,375	3,390
Non-deductible expenses	-49	-2
Non-taxable income	-	-
Reported effective tax	-	-
Effective tax rate	0.0%	0.0%

## NOTE 14 – Earnings per share

### Group

#### a) Before dilution

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

	2007	2006
Profit for the year attributable to Parent Company shareholders, SEK thousands	48,829	38,531
Average number of shares before dilution (thousands)	18,048	17,812
Earnings per share, before dilution, SEK	2.71	2.18

#### b) After dilution

In calculating the diluted earnings per share, the weighted average number of common stock on issue is adjusted for the dilution effect of all potential common stock. The Parent Company has stock options as potential stock with a dilution effect. The stock options give rise to a dilution effect when the average price of common stock during the period exceeds the exercise price for the options.

	2007	2006
Profit for the year attributable to Parent Company shareholders, SEK thousands	48,829	38,531
Average number of shares after dilution (thousands)	18,075	17,829
Diluted earnings per share, SEK	2.70	2.18

## NOTE 15 – Dividend per share

Dividends paid in 2007 and 2006 totaled KSEK 18,048 (SEK 1.00 per share) and KSEK 16,218 (SEK 0.92 per share), respectively. At the AGM to be held May 7, 2008, a dividend for fiscal 2008 of SEK 1.20 per share, totaling KSEK 21,658, will be proposed. The proposed dividend has not been reported as a liability in these financial statements.

## NOTE 16 – Financial fixed assets

### Parent Company

Participations in Group companies	No. of shares	Equity, % share	Book value 12-31-2007	Book value 12-31-2006
Parent company holdings:			SEK thousands	SEK thousands
BTS Sverige AB	5,000	100	7,838	7,838
Company reg. no. 556566-7127				
Domicile: Stockholm				
BTS USA, Inc.	1,000	100	78,396	78,396
Company reg. no. 06-1356708				
Domicile: Connecticut				
BTS in London Ltd	5,000	100	6,901	6,901
Company reg. no. 577 1376 13				
Domicile: London				
Business Training Systems A/S	100	100	94	94
Company reg. no. 957 694 187				
Domicile: Oslo				
Catalysts for profitability and growth Ltd	1,000	100	1	1
Company reg. no. 1998/010779/07				
Domicile: Centurion				
BTS Finland AB	1,000	100	100	100
Company reg. no. 556583-1673				
Domicile: Stockholm				
BTS Australasia Pty Ltd	45,050	100	3,092	234
Company reg. no. 099 066 501				
Domicile: Sydney				
Business Training Solutions S.L.	1,031	100	7,979	7,443
Company reg. no. B95138160				
Domicile: Bilbao				
BTS Management SA	1,000	100	673	673
Company reg. no. 01 73.802 11				
Domicile: Geneva				
Business Game Factory Oy	90,750	100	3,154	3,154
Company reg. no. 1807788-2				
Domicile: Helsinki				
BTS Brussels NV	620,000	100	587	587
Company reg. no. 878.155.648				
Domicile: Brussels				
Total shares in subsidiaries			108,816	105,422
Opening acquisition value			105,422	79,180
Investment/Acquisition			3,394	26,242
Closing acquisition value			108,816	105,422

## NOTE 17 – Cash flow information

### Liquid assets

The definition of liquid assets is presented in the Accounting principles section above. At the balance sheet date, there was only cash in hand and bank balances.

SEK thousands	2007	2006	2007	2006
	Group		Parent Company	
<i>Net financial items</i>				
Interest income	574	1,170	5,566	2,209
Foreign exchange gains	182	106	182	106
Foreign exchange losses	-	-347	-	-348
	756	927	5,748	1,967
Interest expenses	-6,177	-2,277	-5,546	-2,065
	-5,421	-1,350	202	-98

SEK thousands	2007	2006
<i>Investing activities</i>		
Additional purchase payment, APG & RLC	-6,573	-122,372
Additional purchase payment, BTS Spain	-536	-1,109
Purchase price, acquisition of minority interest, BTS Australasia	-2,858	-
<b>Total</b>	<b>-9,967</b>	<b>-123,481</b>

### Additional purchase payments, AGP and RLC

In September 2006, BTS completed the acquisition of all business operations in the Advantage Performance Group (APG) and the Real Learning Company (RLC). The initial purchase price was paid as cash consideration and a private placement of shares with the sellers of the companies at the time of the acquisitions. Additional purchase payments were made in 2007 for reaching the 2006 profitability targets.

### Additional purchase payments, BTS Spain

Internet Simulations Consulting, S.L., now called Business Training Solutions S.L., was acquired at July 2003. The initial purchase price was paid in cash and cash equivalents, in part on acquisition and in part through a performance-based additional purchase payment in 2003. Further additional purchase payments were made in 2004, 2005, and 2006, and the final additional purchase payment was made in 2007.

### Purchase price for acquisition of minority interest

In 2002, BTS Australasia PTY Limited was acquired, and the subsidiary was 90.1-percent owned. In 2007, the remaining 9.9 percent of the company was acquired, and BTS Australasia PTY Limited is now wholly owned, as the other subsidiaries are.

## NOTE 18 – Deferred tax assets and liabilities

SEK thousands	12-31-2007	12-31-2006
<b>Group</b>		
<i>Deferred tax assets</i>		
Deferred tax assets that can be utilized within 12 months	1,541	817
Deferred tax assets that can be utilized after more than 12 months	843	467
Total deferred tax assets	2,384	1,284

No deferred tax liabilities were reported for temporary differences attributable to shares and participations in subsidiaries, because BTS can control the date of reversal of such temporary differences, and it is likely that such reversals will not occur within the foreseeable future.

#### NOTE 19 – Prepaid expenses and accrued income

SEK thousands	12-31-2007	12-31-2006
<b>Group</b>		
Accrued income	11,254	13,354
Prepaid rent	684	753
Other items	9,350	6,125
<b>Total</b>	<b>21,288</b>	<b>20,233</b>

SEK thousands	12-31-2007	12-31-2006
<b>Parent Company</b>		
Other items	126	114

#### NOTE 20 – Shareholders' equity

BTS' Annual General Meeting held on April 7, 2006, approved a share split by which three new shares would be issued for each old share (3:1 split). A private placement of shares with the sellers of the acquired companies APG and RLC was completed in the fourth quarter of 2006. Following the split and private placement, the number of shares totaled 18,048,300.

The share capital consists of 853,800 Class A shares and 17,194,500 Class B shares, totaling 18,048,300 shares with a quotient value of SEK 6,016,100. Each share has a quotient value of SEK 0.33. Each Class A share entitles the holder to 10 votes per share, each Class B one vote per share.

#### Exchange rate differences

##### Group

Closing accumulated exchange rate differences booked directly in equity amount to KSEK -29,595. Opening accumulated differences total KSEK -21,522. The change resulted from the translation of foreign subsidiaries.

##### Group

In connection with the conversion to IFRS, the presentation of shareholders' equity in the balance sheets was altered. In accordance with IAS 1, shareholders' equity shall be divided into its sub-components. The Group has chosen to specify shareholders' equity in accordance with the list below.

- Share capital
- Other contributed capital
- Reserves
- Profits carried forward

The "share capital" item comprises the registered share capital of the Parent Company.

"Other contributed capital" comprises equity generated through transactions with the shareholder base. The transactions carried out with the shareholder base up to and including December 31, 2005, comprise the issue of new shares at a premium.

"Reserves" comprise the translation differences attributable to the translation of overseas subsidiaries and other restricted reserves in the Parent Company, such as the statutory reserve.

The "Profits carried forward" item corresponds to the accumulated profits generated in the Group, that part of the premium reserve transferred by a decision of the 2005 AGM, and the paid-in surplus attributable to the acquisition of APG and RLC in 2006.

#### Parent Company

In 2005, the Swedish Annual Accounts Act was revised as a consequence of the new Swedish Companies Act. Shareholders' equity in legal entities shall be presented as previously, as restricted and non-restricted shareholders' equity. Premium reserves arising before December 31, 2005, are to be converted into statutory reserves, which the Parent Company has reported in the balance sheets since December 31, 2005.

#### NOTE 21 – Financial instruments and financial risk management

During the year, BTS' holdings of financial instruments were limited to primary instruments such as accounts receivables, accounts 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. For more information as per a)–e) below, refer to Note 2, Accounting principles.

##### a) Financial assets measured at fair value via the income statement.

BTS had no assets in this category during the year.

##### b) Loans and accounts receivables

BTS had no non-derivative financial assets during the year with payments that can be established and that were not listed on an active market. Current receivables such as accounts receivables are considered to have a reasonable approximation of their fair value, so they are not discounted to present value. Provisions are made for doubtful receivables after testing each individual case.

##### c) Financial instruments held to maturity

BTS had no assets in this category during the year.

##### d) Financial assets available for sale

BTS had no assets in this category during the year.

##### e) Financial liabilities

Financial liabilities held during the year are measured at the accrued acquisition cost using the effective interest method. Current liabilities such as accounts payable are deemed a reasonable approximation of their fair value, so their present value is not calculated.

#### Fair value of financial assets and liabilities

SEK thousands	12-31-2007	12-31-2007
<b>Group</b>	<b>Book value</b>	<b>Fair value</b>
Other non-current receivables	1,509	1,509
Accounts receivable	116,606	116,606
Provisions for doubtful accounts receivable	-651	-651
Other current receivables	11,398	11,398
<b>Total financial assets</b>	<b>128,862</b>	<b>128,862</b>
Other non-current liabilities	368	368
Accounts payable	23,016	23,016
Other current liabilities	63,086	63,086
<b>Total financial liabilities</b>	<b>86,470</b>	<b>86,470</b>

#### Currency risks

The Group is exposed to foreign currency risks linked to the translation of foreign subsidiaries, which influences the consolidated earnings and shareholders' equity. The currencies that have the greatest influence are USD, EUR, and GBP. The sensitivity analysis below shows the effects on operating profit/loss based on BTS' 2007 income statement and should only be seen as an indication of the significance of the different currencies.

Factor	Percentage change	Change, full-year 2007, SEK thousands
SEK/USD	+/-10%	+/-5,604
SEK/EUR	+/-10%	+/-149
SEK/GBP	+/-10%	+/-922

#### Credit risks

Credit risks refer to companies not receiving payment for their accounts receivable from customers. BTS only accepts creditworthy counterparties in financial transactions, and the amount is determined individually for each customer. The intention is for credit limits to reflect the solvency of each customer. BTS' sales are sufficiently spread among a large number of companies operating in a variety of sectors.

The maximum credit risk at year-end was KSEK 7,270 (5,517), which corresponds to the largest credit exposure to any one group.

#### Liquidity risk and interest rate risk

BTS manages liquidity risk by maintaining sufficient cash and cash equivalents and an unutilized 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 negatively by increasing the cost of the Company's borrowing.

BTS' policy is to allow borrowing with the approval of the Board. Excess liquidity in subsidiaries is initially to be used to amortize loans. Interest risks are limited to the fluctuating return on the cash and cash equivalents invested at variable rates.

SEK thousands	12-31-2007	12-31-2006
<b>Group</b>		
Cash and cash equivalents	67,473	72,054
Approved bank overdraft facilities	104,435	109,995
Unutilized portion of bank overdraft facilities	-41,827	-29,104
Liquidity available	130,081	152,945

#### Managing risk on capital

BTS' objective for its capital structure is to safeguard the Group's ability to continue and expand its operations, so that they continue to generate a yield 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 dividend can be raised or lowered, shares can be issued, shares can be repurchased, and assets can be sold.

One of BTS' financial objectives—and a measure of its capital risk—is that its equity/assets ratio must never remain below 50 percent. At year-end, the Company's equity/assets ratio was 50 (45) percent.

#### NOTE 22 – Bank overdraft facilities

SEK thousands	12-31-2007	12-31-2006
<b>Group</b>		
Approved credit	104,435	109,995
Unutilized portion	-41,827	-29,104
Utilized credit amount	62,608	80,891

SEK thousands	12-31-2007	12-31-2006
<b>Parent Company</b>		
Approved credit	89,584	94,841
Unutilized portion	-26,976	-13,949
Utilized credit amount	62,608	80,891

#### NOTE 23 – Accrued expenses and prepaid income

SEK thousands	12-31-2007	12-31-2006
<b>Group</b>		
Accrued salaries	31,917	37,317
Accrued social security expenses	2,658	2,386
Other items	33,596	19,391
	68,170	59,094

SEK thousands	12-31-2007	12-31-2006
<b>Parent Company</b>		
Other items	331	285

#### NOTE 24 – Pledged assets

SEK thousands	12-31-2007	12-31-2006
<b>Group</b>		
<i>Assets pledged for debts to credit institutions</i>		
Company mortgages	10,000	10,000

#### NOTE 25 – Contingent liabilities on behalf of Group companies

SEK thousands	12-31-2007	12-31-2006
<b>Parent Company</b>		
Guarantee commitments on behalf of subsidiaries	3,638	3,866

Stockholm April 11, 2008

Dag Sehlin  
Chairman of the Board

Henrik Ekelund  
Chief Executive Officer

Mariana Burenstam Linder  
Tomas Franzén  
Stefan Gardefjord

Our audit report was submitted on April 16, 2008.

Lars Berglund  
Authorized Public Accountant

# Auditor's Report

To the Annual General Meeting of  
BTS Group AB (publ)  
Corporate identity number 556566-7119

We have reviewed the annual report, consolidated financial statements, accounting records, and management by the Board of Directors and Chief Executive Officer (CEO) of BTS Group AB (publ) for 2007. (The Company's annual report and consolidated financial statements are included in the printed version of this document on pages 37-60.) The Board of Directors and the CEO are responsible for the accounting records and management of the Company, for the application of the Annual Accounts Act in preparing the annual report, and for the application of International Financial Reporting Standards (IFRS) as adopted by the EU and the Annual Accounts Act in preparing the consolidated financial statements. Our responsibility is to express an opinion on the annual report, the consolidated financial statements, and management based on our audit.

The audit was conducted in accordance with generally accepted auditing standards in Sweden. This means that we planned and performed the audit to obtain reasonable assurance that the annual report and the consolidated financial statements contain no material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounting records. An audit also includes assessing the accounting principles and their application by the Board and the CEO, evaluating the significant estimates made by the Board and CEO when preparing the annual report and consolidated financial statements, and assessing the overall presentation of information in the annual report and the consolidated financial statements. We have examined significant decisions, actions taken, and the circumstances of the Company in order to determine the liability for damages, if any, to the Company of any member of the Board or the CEO. We have also examined whether any member of the Board or the CEO has in any other way acted contrary to the Swedish Companies Act, the Annual Accounts Act, or the Company's articles of association. We believe that our audit provides us with a reasonable basis for our opinion as set forth below.

The annual report has been prepared in accordance with the Annual Accounts Act and provides a true and fair view of the Company's earnings and financial position, in accordance with generally accepted auditing standards in Sweden. The consolidated financial statements have been prepared in compliance with IFRS, as approved by the EU, and the Annual Accounts Act and provide a true and fair view of the Group's earnings and financial position. The management report is consistent with the rest of the annual report and the consolidated financial statements.

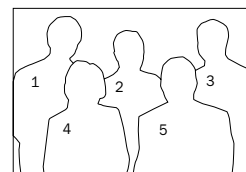
We recommend that the Annual General Meeting adopt the income statements and balance sheets of the Parent Company and the Group, appropriate the earnings in the Parent Company in accordance with the proposal in the Management Report, and discharge the members of the Board of Directors and the Chief Executive Officer from liability for the fiscal year.

Stockholm, Sweden, April 16, 2008

Öhrlings PricewaterhouseCoopers AB

Lars Berglund  
Authorized Public Accountant

# Board of Directors and Auditors



1. Henrik Ekelund
2. Stefan Gardefjord
3. Tomas Franzén
4. Mariana Burenstam Linder
5. Dag Sehlin

## Henrik Ekelund

Geneva, born 1955

Chief Executive Officer and President of BTS Group AB.

Shares and options in BTS Group AB: 816,000 Class A shares and 3,131,825 Class B shares.

Henrik Ekelund is the founder of BTS and has been President of the company since the start in 1986.

He has extensive experience as a previous Board member and owner of growth companies including Jobline AB, Image Publications AB, Strandfastigheter AB (now called Klöver AB) and Universum AB. Henrik Ekelund has an MSc from the Stockholm School of Economics.

## Stefan Gardefjord

Täby, born 1958

Member of the Board of BTS Group AB since 2003. President of Logica Sverige AB (former WM-data Sverige AB).

Other assignments: Board member, Logica Sverige AB.

Shares and options in BTS Group AB: 3,000 Class B shares.

Since 1987, Stefan Gardefjord has held a number of senior executive positions within the WM-data Group including president of various subsidiaries, business area manager and group executive for marketing, sales and information.

In 2001, he was CEO and President of M2S Sverige AB. Previous positions include Head of Consultancy for Consab Consult AB, before which he worked in the finance and IT departments of Dow Chemical AB.

## Tomas Franzén

Nacka, born 1962

Member of the Board of BTS Group AB since 2000. President and CEO of Eniro AB.

Other assignments: Member of the Board, Eniro AB, OEM International AB, Securitas Systems AB and Teligent AB.

Shares and options in BTS Group AB: 15,000 Class B shares.

Tomas Franzén has years of experience from key positions at several companies. His previous positions include CEO and President of Song Networks Holding AB, CEO of AU-System, and VP Sales for Nokia Data/ICL Data AB. Tomas Franzén has an MSc education (Industrial Economics) from Linköping Technical College.

## Mariana Burenstam Linder

Danderyd, born 1957

Member of the Board of BTS Group AB since 2004. CEO of Burenstam & Partners AB.

Other assignments: Chairman of the Board, Kontanten AB and the Sweden-America Foundation. Member of the Board, TietoEnator Oy and S&Ki AB.

Shares and options in BTS Group AB: 12,100 Class B shares.

Mariana Burenstam Linder has broad experience from senior positions with a number of Swedish companies. Her previous positions include CEO of Ainax, Executive Vice president of SEB, head of Enskilda Banken and Global responsibility for Private Banking, IT Manager for Trygg-Hansa and, subsequently, the SEB Group, CEO of ABB Financial Consulting and CEO of Nordic Management AB. Mariana Burenstam Linder has an MSc from the Stockholm School of Economics.

## Dag Sehlin

Bromma, born 1945.

Chairman of the Board of BTS Group AB since 2003.

Other assignments: Member of the Board Tredje AP-fonden and ProAct IT Group AB, and of AB Piccola (a family company) and its wholly-owned subsidiary Förvaltning Madape AB.

Shares and options in BTS Group AB: 6,000 Class B shares and 3,000 Class B shares via company.

Dag Sehlin has extensive experience from leading positions in the Swedish financial sector. He has worked as a consultant since 1997. Previous positions include CFO and Deputy CEO of Posten AB, and Vice CEO of OM-Gruppen. Prior to this, he held a range of positions in the fields of economics and finance at a number of Swedish companies. Dag Sehlin has an MSc from the Stockholm School of Economics.

AUDITOR

## Lars Berglund

Stockholm, born 1950

Authorized public accountant.

Öhrlings Pricewaterhouse- Coopers AB.

Auditor of BTS Group AB since 1999, and of the previous parent company and its Swedish subsidiaries since 1985.

The above information about shares and options refers to conditions on December 31, 2007.



# Senior Executives



## Henrik Ekelund

Chief Executive Officer and  
President of BTS Group AB.

Refer to data in the section  
Board of Directors.



## Stefan Brown

Nacka, born 1963.  
CFO and vice President of BTS Group AB.  
Employee of BTS since 1990.

Shares and options in BTS Group AB:  
16,500 Class B shares and employee  
stock options for 22,500 Class B shares.



## Jonas Åkerman

Connecticut, born 1963.  
President of BTS North America.  
Employee of BTS since 1991.

Shares and options in BTS Group AB:  
913,800 Class B shares and employee  
stock options for 75,000 Class B  
shares.

The above information about shares and options refers to conditions on December 31, 2007.

# Global Partners in BTS



## Henrik Ekelund

Chief Executive Officer and President of BTS Group AB. Refer to data in the section Board of Directors.



## Stefan af Petersen

Lidingö, born 1955.  
Acquisitions and key account contacts.  
Employee of BTS since 1986.  
Shares and options in BTS Group AB: 37,800 Class A shares and 2,348,774 Class B shares.



## Stefan Hellberg

Stockholm, born 1957.  
Head of sales and HR processes, as well as IT.  
Employee of BTS since 1986.  
Shares and options in BTS Group AB: 1,455,244 Class B shares.



## Jonas Åkerman

Connecticut, born 1963.  
President of BTS North America.  
Employee of BTS since 1991.  
Shares and options in BTS Group AB: 913,800 Class B shares and employee stock options for 75,000 Class B shares.



## Rommin Adl

Philadelphia, born 1964  
President and CEO, SMG.  
Employee of BTS since 1994.



## Peter Mulford

New York, born 1968  
Executive Vice President, Head of BTS New York and Stamford offices.  
Employee of BTS since 1997.



## Dan Parisi

San Francisco, born 1968  
Executive Vice President, Head of BTS San Francisco offices.  
Employee of BTS since 1995.



## Richard Hodge

Scottsdale, born 1947  
Executive Vice President BTS, Leadership and Management Practise.  
Employee of RLC since 1994.

## CEO Advantage Performance Group Inc.



## Annika McCrea

Born 1968  
President and CEO of the Advantage Performance Group Inc.  
Employee of BTS since 1995  
With APG since January 2008

# Addresses

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