

## **BTS Group AB (publ)**

**Interim Report January 1 – March 31, 2007**

# **Continued good growth in revenues and earnings**

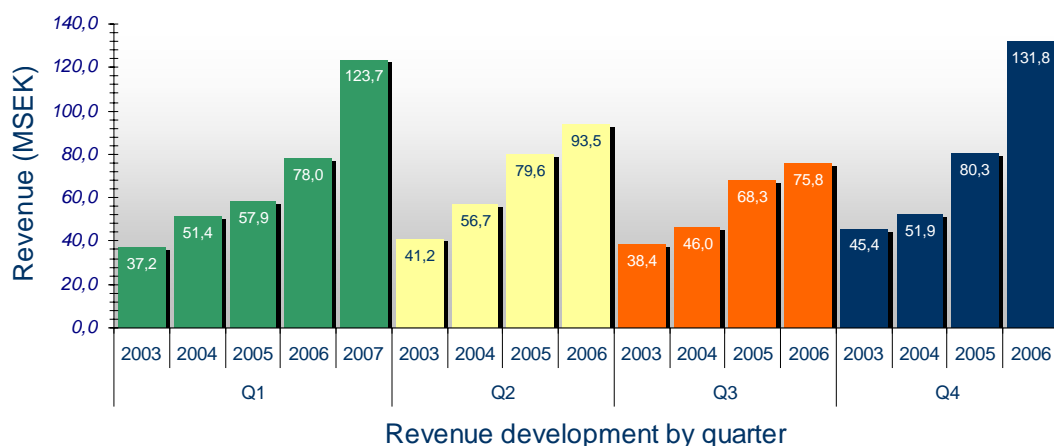
- Net turnover increased by 59 percent during the first quarter and amounted to MSEK 123.7 (78.0). Adjusted for changes in exchange rates, growth amounted to 72 percent.
- Earnings for the first quarter:
  - the operating profit increased by 24 percent to MSEK 15.5 (12.5)
  - the operating margin amounted to 13 (16) percent
  - the operating profit before amortization on intangible assets (EBITA) increased by 36 percent to MSEK 18.1 (13.3)
  - the operating margin before amortization on intangible assets (EBITA margin) amounted to 15 (17) percent
  - the profit before tax increased by 11 percent to MSEK 14.2 (12.8)
  - the profit after tax increased by 4 percent to MSEK 8.6 (8.3)
  - the earnings per share amounted to SEK 0.47 (0.47).
- New customers secured during the first quarter included Freescale, In-Bev, Kimberly-Clark, Palm Computer, Siemens and Sony BMG among others.
- The acquired units The Advantage Performance Group (APG) and The Real Learning Company (RLC) developed positively both with regard to earnings and sales synergies.

BTS Group AB is an international consultancy and training company active in the field of business acumen. BTS uses tailor-made simulation models to support company managers in implementing change and improving profitability. BTS solutions and services train the entire organization to analyze and to take decisions centered on the factors that promote growth and profitability. This generates increased emphasis on profitability and market focus, and supports day-to-day decision-making, which in turn leads to tangible, sustainable improvements in profits. BTS customers are often leading major companies.

## Turnover

BTS' net turnover increased by 59 percent during the first quarter and amounted to MSEK 123.7 (78.0). Adjusted for changes in exchange rates, growth amounted to 72 percent. Growth was primarily generated through the acquisitions of The Advantage Performance Group (APG) and The Real Learning Company (RLC) but was also generated organically.

BTS' turnover excluding acquisitions of APG and RLC and adjusted for changes in exchange rates increased by 10 percent.



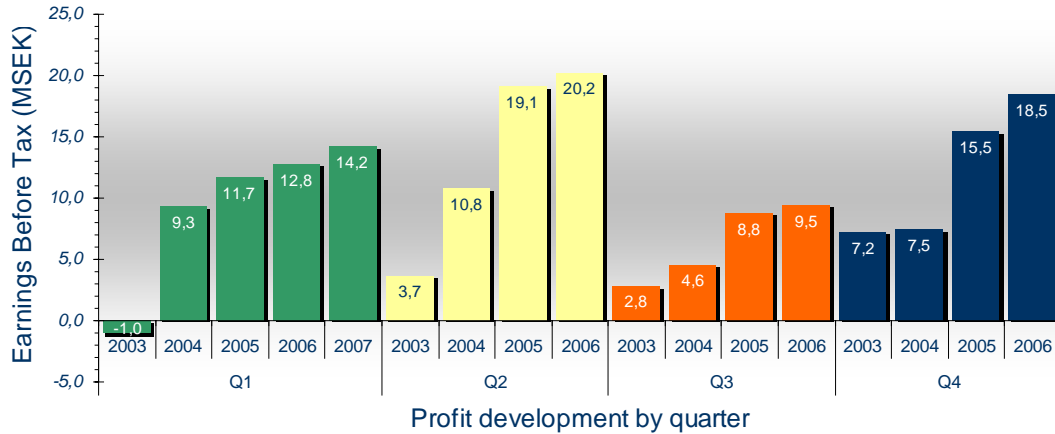
## Earnings

The operating profit increased by 24 percent to MSEK 15.5 (12.5) during the first quarter. The operating profit during the first quarter was affected by MSEK 2.6 (0.8) for amortization of intangible assets attributable to acquisitions. The operating profit before amortization on intangible assets (EBITA) increased by 36 percent and amounted to MSEK 18.1(13.3).

The improvement in earnings during the first quarter was primarily generated through the acquisitions of RLC and APG.

The operating margin was 13 (16) percent. The decrease was due to increased amortization on intangible assets as well as a margin deterioration in BTS Europe. The operating margin before amortization on intangible assets (EBITA margin) was 15 (17) percent.

The Group's profit before tax for the first quarter increased by 11 percent to MSEK 14.2 (12.8). The interest expenses during the first quarter amounted to MSEK 1.5 (0.0).



### The market and the market development

Companies in BTS' target group, large international companies and organizations, tend to have to deal with a faster rate of change, new technologies and new competition. As a result they tend to invest more in business development and training. According to IDC – the leading market survey company – the market for "corporate training in business skills" is estimated to grow by 8 percent on average per year during the period 2005 – 2009. Other surveys have forecasted growth of 5-8 percent annually.

Training solutions based on tailor-made simulations have proved to be superior to conventional training as regards both efficiency and results – which explains why clients are increasingly choosing solutions of this kind. BTS' opinion is that the market segment for training based on simulation technology will grow more rapidly than the market in general.

BTS' services and products have shown good growth during 2006 in this market. This trend is expected to continue during 2007.

For many years, BTS has been the leading player on the market for training conducted through tailor-made business simulations and currently has commissions from 26 of the 100 largest companies in the world. BTS continues to capture market shares from players such as other training and management consultants and business schools and positions itself as the most effective partner to assist companies implement strategic changes.

### BTS' growth

BTS' growth strategy is based on organic growth through the expansion of existing offices, geographic expansion through opening new offices and continuous new product development. During recent years this strategy has been complemented by growth through acquisitions.

BTS' average growth during the past ten years has amounted to 16 percent per year of which 14 percent was organic growth per year. During the past three

years, the average growth has amounted to 33 percent per year of which 19 percent was organic growth per year.

BTS' offering has increased considerably through product development and completed acquisitions and apart from world-leading business simulations also includes leading solutions within strategically important areas such as e.g. sales and management development and internet-based training solutions.

There was more development of the product range in 2006 than during any previous year, partly through extensive in-house development for client-financed projects and partly through the acquisitions of APG and RLC, which added a strong range of solutions. Over the years, and particularly during 2006, BTS has gradually created the most comprehensive offering of tailored simulation solutions on the market. This means that BTS to a greater extent, can satisfy existing clients' needs for additional solutions, which generates significant growth opportunities both in the near-term and long-term.

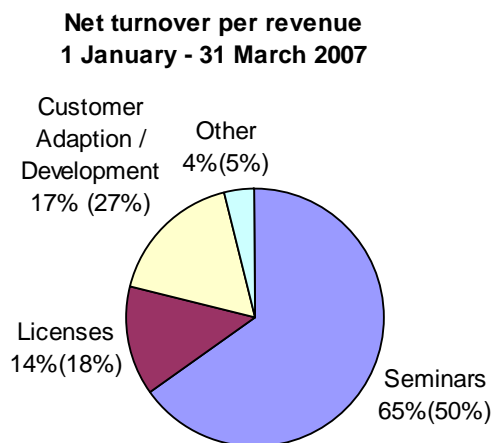
In recent years, BTS has also grown through successful acquisitions; all acquisitions have developed well at BTS. As the market is fragmented, BTS sees continued opportunities for profitable acquisitions.

### Assignments and new clients

New clients secured during the first quarter included Bank of Oklahoma, Flour, Freescale, Hay Group, InBev, Kimberly-Clark, NetJets, Palm Computer, Siemens, Sime Darby, Sony BMG, Spirit Aerospace, Teva and Time Warner Cable among others.

### Revenue Development

Revenue from licences amounted to MSEK 17.5(13.8) during the first quarter and the share of revenue from licences amounted to 14(18) percent. The acquired units APG and RLC have a lower share of revenue from licences. The share of revenue from licences has declined in BTS North America and BTS Nordic.



## Operative units

### Net turnover per operative unit

| MSEK           | Jan-Mar      | 2006        | Rolling      | Full-year    |
|----------------|--------------|-------------|--------------|--------------|
|                | 2007         |             | 12           |              |
|                |              |             | months       |              |
| North America* | 93.7         | 48.3        | 290.6        | 245.2        |
| Europe         | 24.8         | 25.6        | 112.2        | 113.0        |
| Other markets  | 5.2          | 4.1         | 22.0         | 20.9         |
| <b>Total</b>   | <b>123.7</b> | <b>78.0</b> | <b>424.8</b> | <b>379.1</b> |

#### \* North America

|              |             |             |              |              |
|--------------|-------------|-------------|--------------|--------------|
| BTS          | 49.6        | 48.3        | 202.8        | 201.5        |
| APG and RLC  | 44.1        | -           | 8.8          | 43.7         |
| <b>Total</b> | <b>93.7</b> | <b>48.3</b> | <b>290.6</b> | <b>245.2</b> |

### Operating profit per operative unit

| MSEK           | Jan-Mar     | 2006        | Rolling     | Full-year   |
|----------------|-------------|-------------|-------------|-------------|
|                | 2007        |             | 12          |             |
|                |             |             | months      |             |
| North America* | 13.4        | 7.8         | 46.1        | 40.5        |
| Europe         | 2.5         | 4.9         | 16.2        | 18.6        |
| Other markets  | -0.4        | -0.2        | 3.1         | 3.3         |
| <b>Total</b>   | <b>15.5</b> | <b>12.5</b> | <b>65.4</b> | <b>62.4</b> |

#### \* North America

|              |             |            |             |             |
|--------------|-------------|------------|-------------|-------------|
| BTS          | 8.3         | 7.8        | 36.1        | 35.6        |
| APG and RLC  | 5.1         | -          | 10.0        | 4.9         |
| <b>Total</b> | <b>13.4</b> | <b>7.8</b> | <b>46.1</b> | <b>40.5</b> |

## North America

The operations - APG and RLC, which were acquired during 2006, are reported geographically within North America.

### BTS

The revenues for BTS' original operations in North America increased during the first quarter by 14 percent in local currency. The operating profit increased at the same time by 19 percent in local currency.

Net turnover amounted to MSEK 49.6 (48.3) during the first quarter and the operating profit amounted to MSEK 8.3 (7.8). The operating margin was 17 (16) percent. Included is amortization on intangible assets amounting to MSEK 0.5 (0.6).

### APG and RLC

Net turnover for APG and RLC amounted to MSEK 44.1 (-) during the first quarter.

The operating profit amounted to MSEK 5.1 (-). The operating margin was 12 (-) percent. Included is amortization on intangible assets amounting to MSEK 2.0 (-).

APG and RLC have performed very positively since the acquisition and during the first quarter, both with regard to the earnings trend and synergy effects. A number of business transactions have been generated on different geographical markets through cross-selling between BTS and APG/RLC during the first quarter.

#### Europe

Net turnover for Europe amounted to MSEK 24.8 (25.6) during the first quarter. Adjusted for exchange rate effects, revenues decreased by 3 percent. The operating profit decreased to MSEK 2.5 (4.9). The operating margin was 10 (19) percent. Included is amortization on intangible assets amounting to MSEK 0.1 (0.2).

The negative growth, the deterioration in the operating profit and the lower operating margin during the first quarter was primarily due to significantly reduced earnings in BTS Nordic compared with the first quarter 2006. Increased sales efforts are expected to lead to positive effects during the second quarter 2007.

#### Other markets

Net turnover for Other markets amounted to MSEK 5.2 (4.1) during the first quarter. The operating profit amounted to MSEK -0.4 (-0.2). The operating margin was -8 (-5) percent. Included is amortization on intangible assets amounting to MSEK 0.0 (0.0).

#### **Financial position**

BTS' cash flow from operating activities amounted to MSEK -28.0 (-23.9) during the first quarter. The weak cash flow during the first quarter corresponds well with the seasonal variations of BTS' cash flow, with a weaker first half-year and a stronger second half-year. The deterioration compared with the previous year is exclusively attributable to a reduction of current liabilities.

The Company's interest-bearing loans, all of which are attributable to the acquisition of APG and RLC, amounted to MSEK 83.8 at the end of the first quarter. This is a decrease of MSEK 16.7 compared with the acquisition date. BTS' ambition is to reduce this debt during 2007 in step with an expected positive operating cash flow.

BTS' solidity was 51 (72) percent at the end of the first quarter. Available liquid assets amounted to MSEK 33.0 (74.8) at the end of the first quarter.

The Company had no outstanding conversion loans at the balance sheet date.

## Employees

The number of employees in the BTS Group AB as of March 31 was 203 (154). The average number of employees during the first quarter was 196 (151).

## Parent Company

The Company's net turnover amounted to MSEK 0.0 (0.6) and the profit after net financial items amounted to MSEK 0.2 (0.0). Liquid assets amounted to MSEK 7.7 (23.8).

## Outlook for 2007

Based on continued strong market conditions for BTS and the completed acquisitions, the profit before tax is expected to be significantly better than the previous year.

## Accounting principles

This interim report has been prepared in accordance with IAS 34 Interim Reporting and RR 31 Interim Consolidated Reporting. The accounting principles and calculation methods applied are in line with the accounting principles used in the preparation of the most recent financial statements. Future IFRS that have been approved by IASB but have not yet come into effect are currently evaluated as having no material effect on the Group's income statement and balance sheet

## Upcoming reporting dates

|                          |                  |
|--------------------------|------------------|
| Interim report Apr – Jun | August 22, 2007  |
| Interim report Jul – Sep | November 8, 2007 |
| Year-end report          | February 2008    |

Stockholm, May 3, 2007

Henrik Ekelund  
Chief Executive Officer

This report has not been the subject of separate examination by BTS' auditor.

### Contact information

|                |  |  |
|----------------|--|--|
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For additional information visit our homepage [www.bts.com](http://www.bts.com)

This is a translation of the Swedish version

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**INCOME STATEMENT, Summary  
KSEK**

|  | 3 months ended |               | 12 months ended |               |
|--|----------------|---------------|-----------------|---------------|
|  | Mar 31         | Mar 31        | Mar 31          | Dec 31        |
|  | 2007           | 2006          | 2007            | 2006          |
| Revenue  | 123 705        | 78 035        | 424 767         | 379 097       |
| Operating expenses                                 | -104 984       | -64 189       | -350 140        | -309 345      |
| Depreciation tangible assets                       | -623           | -551          | -2 199          | -2 127        |
| Amortization intangible assets                     | -2 621         | -806          | -7 085          | -5 270        |
| <b>Operating result</b>                            | <b>15 477</b>  | <b>12 489</b> | <b>65 343</b>   | <b>62 355</b> |
| Financial income and expenses                      | -1 256         | 334           | -2 940          | -1 350        |
| <b>Result before tax</b>                           | <b>14 221</b>  | <b>12 823</b> | <b>62 403</b>   | <b>61 005</b> |
| Taxes  | -5 661         | -4 527        | -23 555         | -22 421       |
| <b>Result for the period</b>                       | <b>8 560</b>   | <b>8 296</b>  | <b>38 848</b>   | <b>38 584</b> |
| attributable to minority interest                  | -              | -11           | 64              | 53            |
| attributable to equity holders of the parent       | 8 560          | 8 307         | 38 784          | 38 531        |
| Earnings per share, before dilution of shares, SEK | 0,47           | 0,47          | 2,15            | 2,13          |
| Number of shares at end of the period              | 18 048 300     | 5 897 300     | 18 048 300      | 18 048 300    |
| Average number of shares before dilution of shares | 18 048 300     | 5 897 300     | 18 048 300      | 18 048 300    |
| Earnings per share, after dilution of shares, SEK  | 0,47           | 0,47          | 2,14            | 2,16          |
| Average number of shares after dilution of shares  | 18 126 083     | 5 897 300     | 18 126 083      | 17 829 116    |
| Proposed dividend per share                        |                |               | 0,00            | 1,00          |

*(Prior year's earnings per share have been adjusted by a correction factor of 0.3333 due to the split 3:1 in May 2006)*

**BALANCE SHEET, Summary  
KSEK**

|  | 03-31-07       | 03-31-06       | 12-31-06       |
|--|----------------|----------------|----------------|
| <b>Assets</b>                                  |                |                |                |
| Goodwill                                       | 154 887        | 35 117         | 149 873        |
| Other intangible assets                        | 43 477         | 14 121         | 45 213         |
| Tangible assets                                | 5 034          | 5 153          | 5 380          |
| Other fixed assets                             | 3 828          | 2 410          | 3 252          |
| Accounts receivable                            | 94 944         | 64 727         | 88 692         |
| Other current assets                           | 30 231         | 21 614         | 25 604         |
| Cash and bank                                  | 33 024         | 74 807         | 72 054         |
| <b>Total assets</b>                            | <b>365 426</b> | <b>217 949</b> | <b>390 068</b> |
| <b>Equity and liabilities</b>                  |                |                |                |
| Equity   | 186 011        | 157 323        | 174 663        |
| Minority shareholding                          | -              | 457            | 508            |
| <b>Total Equity</b>                            | <b>186 011</b> | <b>157 780</b> | <b>175 171</b> |
| Non interest bearing - non current liabilities | 55             | 153            | 388            |
| Interest bearing - current liabilities         | 83 798         | 1 447          | 80 891         |
| Non interest bearing - current liabilities     | 95 562         | 58 569         | 133 618        |
| <b>Total equity and liabilities</b>            | <b>365 426</b> | <b>217 949</b> | <b>390 068</b> |

**CASH FLOW STATEMENT, Summary  
KSEK**

|   | Jan-Mar<br>2007 | Jan-Mar<br>2006 | Jan-Dec<br>2006 |
|---|-----------------|-----------------|-----------------|
| Cash flow from current operations       | -28 018         | -23 934         | 41 120          |
| Cash flow from investment activities    | -3 049          | -394            | -140 550        |
| Cash flow from financing operations     | -8 668          | -627            | 78 643          |
| <b>Change in liquid funds</b>           | <b>-39 030</b>  | <b>-26 338</b>  | <b>-29 091</b>  |
| Liquid funds, opening balance           | 72 054          | 101 145         | 101 145         |
| <b>Liquid funds, closing balance</b>    | <b>33 024</b>   | <b>74 807</b>   | <b>72 054</b>   |
| Effect of exchange rate changes on cash | 705             | -1 383          | -8 304          |



**CHANGES IN EQUITY  
KSEK**

|                          | <b>Total Equity<br/>03-31-07</b> | <b>Total Equity<br/>03-31-06</b> | <b>Total Equity<br/>12-31-06</b> |
|--------------------------|----------------------------------|----------------------------------|----------------------------------|
| <b>Opening balance</b>   | 175 171                          | 151 873                          | 151 873                          |
| Dividend to shareholders | -                                | -                                | -16 218                          |
| Conversion differences   | 2 310                            | -2 389                           | -15 089                          |
| Change minority interest | -508                             | -                                | -                                |
| New share issue          | -                                | -                                | 14 587                           |
| Miscellaneous            | 478                              | -                                | 1 434                            |
| Result for the period    | 8 560                            | 8 296                            | 38 584                           |
| <b>Closing balance</b>   | <b>186 011</b>                   | <b>157 780</b>                   | <b>175 171</b>                   |

**KEY RATIOS**

|   | <b>12 months ended</b>  |                         |                        |                        |
|---|-------------------------|-------------------------|------------------------|------------------------|
|   | <b>Jan-Mar<br/>2007</b> | <b>Jan-Mar<br/>2006</b> | <b>Mar 31<br/>2007</b> | <b>Dec 31<br/>2006</b> |
| Revenues, KSEK  | 123 705                 | 78 035                  | 424 767                | 379 097                |
| EBITA (Earnings before interest, tax and amortisation), KSEK            | 18 098                  | 13 295                  | 72 428                 | 67 625                 |
| EBIT (Operating result), KSEK   | 15 477                  | 12 489                  | 65 343                 | 62 355                 |
| EBITA-margin (Earnings before interest, tax and amortisation margin), % | 15                      | 17                      | 17                     | 18                     |
| EBIT-margin (Operating margin), %                                       | 13                      | 16                      | 15                     | 16                     |
| Profit margin, %  | 7                       | 11                      | 9                      | 10                     |
| Operational capital, KSEK   | 236 785                 | 84 421                  | 236 785                | 184 008                |
| Return on equity, %   | 19                      | 21                      | 22                     | 24                     |
| Return on operational capital, %  | 8                       | 18                      | 31                     | 53                     |
| Solidity at end of the period, %  | 51                      | 72                      | 51                     | 45                     |
| Cash flow, KSEK   | -39 030                 | -26 338                 | -41 783                | -29 091                |
| Liquid funds at end of the period, KSEK                                 | 33 024                  | 74 807                  | 33 024                 | 72 054                 |
| Average number of employees   | 196                     | 151                     | 171                    | 165                    |
| Number of employees at end of the period                                | 203                     | 154                     | 203                    | 186                    |
| Revenues for the year per employee, KSEK                                | 2 525                   | 2 067                   | 2 491                  | 2 298                  |

**DEFINITIONS**

**Earnings per share**

Earnings attributable to the parent company's shareholders divided by number of shares (prior year's earning per share adjusted by a correction factor of 0.3333 due to split 3:1 of shares in May 2006).

**EBITA-margin (Earnings before interest, tax and amortisation margin)**

Operating result before interest, tax and amortisation as a percentage of revenues.

**EBIT-margin (Operating margin)**

Operating result after depreciation as a percentage of revenues.

**Profit margin**

Result for the period as a percentage of revenues.

**Operational capital**

Total balance sheet reduced by liquid funds and other interest bearing assets and reduced by non-interest bearing liabilities.

**Return on equity**

Result for the period (converted into whole year) as a percentage of average equity.

**Return on operational capital**

Operating result as a percentage of average operational capital.

**Solidity**

Equity as a percentage of total balance sheet.

**Revenues for the year per employee**

Revenues (converted into whole year) divided by average number of employees.