



*Catalysts for Profitability and Growth*

A photograph of a lighthouse at sunset. The sun is low on the horizon, creating a bright orange and yellow glow. The lighthouse is silhouetted against the sky, and its reflection is visible in the water in the foreground. The sky transitions from a bright yellow near the sun to a deep red and purple towards the horizon.

**Annual Report 2011**

# Making execution happen

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

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

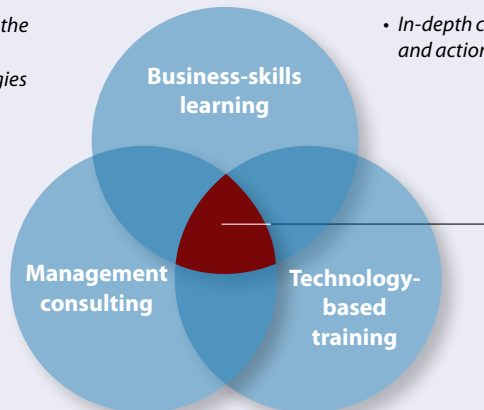
BTS builds the capabilities needed to accelerate execution. An attempt to execute rapidly without having the right individual and organizational capabilities in place is wishful thinking.

BTS experiential learning platforms create opportunities for deep practice. As professional sports teams know, practice creates team alignment and builds capability and confidence. A great plan AND great practice increases the odds of winning.

*"We build commitment and capability to accelerate strategy execution and improve business results."*

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

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



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

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

## **Vision**

*"The global leader in accelerating strategic alignment and execution – innovating how companies learn, change and improve."*

# The BTS Group is an international cons

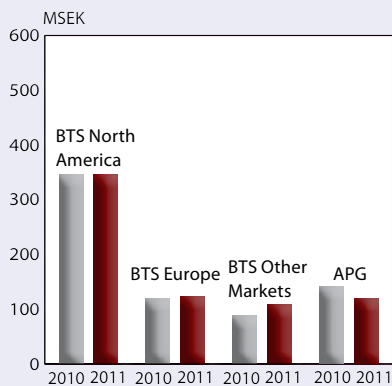
BTS is the global leader in accelerating strategic alignment and execution, innovating how organizations learn, change and improve. BTS adds value to its clients through three practice areas: Strategic Alignment & Business Acumen, Leadership and Sales. The unique BTS process offers fast strategic alignment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

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

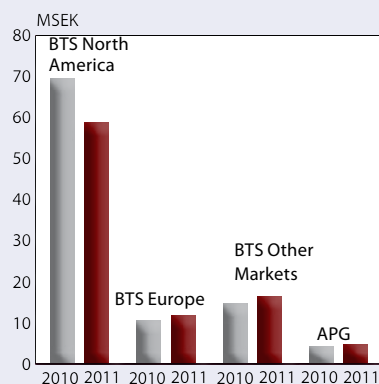
## Examples of BTS customers

Accenture	Deloitte	Microsoft	Schlumberger	Texas Instruments
AT&T	Ericsson	National Australia Bank	SingTel	Unilever
BBVA	GAP	Repsol	Sony	Vodafone
BG	GlaxoSmithKline	Rio Tinto	Standard Bank	VMware
Chevron	HP	Sanofi-Aventis	Telefónica	Wärtsilä
Coca-Cola	Humana	Schindler	Telstra	Xerox

NET TURNOVER PER OPERATIVE UNIT



OPERATING PROFIT (EBITA) PER OPERATIVE UNIT

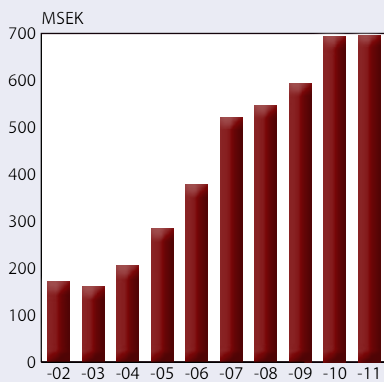


# ulting and learning company

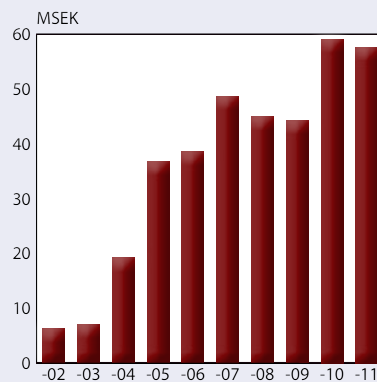
BTS has over 350 professionals serving more than 400 clients, including 40 of the US Fortune 100 companies and 30 of the Global Fortune 100 largest corporations in the world. BTS serves its clients globally from offices in all parts of the world.



NET TURNOVER



PROFIT AFTER TAX



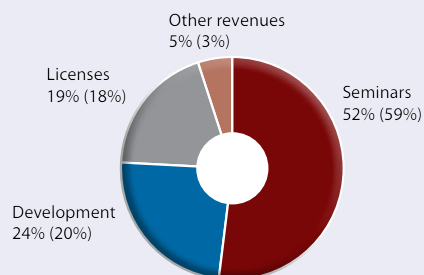
# 2011 in brief

- Revenue growth was 9 percent, adjusted for changes in foreign exchange rates.
- EBITA growth was 8 percent, adjusted for changes in foreign exchange rates.
- Net turnover amounted to MSEK 697.7 (694.6).
- Profit before tax decreased by 2 percent to MSEK 88.3 (90.4).
- Profit after tax decreased by 3 percent to MSEK 57.7 (59.2).
- Earnings per share decreased by 3 percent to SEK 3.20 (3.28).

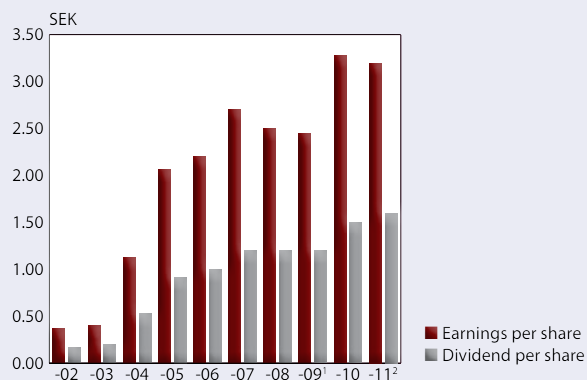
KEY RATIOS	2011	2010
Net turnover, MSEK	697.7	694.6
EBITA, MSEK	91.6	99.0
Operating profit, MSEK	89.2	92.0
Profit before tax, MSEK	88.3	90.4
Profit after tax, MSEK	57.7	59.2
EBITA margin, %	13	14
Operating margin, %	13	13
Profit margin, %	8	9
Operational capital, MSEK	222.6	219.7

KEY RATIOS, cont.	2011	2010
Return on equity, %	20	22
Return on operational capital, %	26	40
Solidity at the end of the year, %	60	58
Cash flow from current operations, MSEK	49.3	65.1
Cash flow, MSEK	-3.9	16.2
Liquid funds at the end of the year, MSEK	84.4	88.4
Average number of employees	325	276
Number of employees at the end of the year	335	299
Net turnover per employee, MSEK	2.1	2.5

NET TURNOVER  
BY SOURCE OF REVENUE



EARNINGS AND  
DIVIDENDS PER SHARE



<sup>1</sup> The 2002–2005 earnings per share and dividend per share has been adjusted due to the split 3:1 in May 2006.

<sup>2</sup> Proposed dividend.

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# Introduction

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# Ten times in ten years

2011 marks the tenth full year of business since BTS listed on the Nasdaq OMX.

Ten years ago we announced ambitious goals. How well have we done?

We are proud over our achievements. Revenues have grown five times, and profit after tax has grown ten times.

During these ten years, we have also invested to build a much stronger business.

We have developed from a business in Sweden and the US to a global business with 27 offices on all continents. And from one product to a broad portfolio of solutions in three practice areas.

We have a strong platform for continuous, sustainable growth.

### ► Our success starts with our customers' results

Companies of today have vast business opportunities - at the same time significant risks and more intense competition than ever. A good strategy is a start. An effective and rapid execution will drive success.

The traditional partners, who provide advice and support to companies, come in two formats. First, the traditional management consulting firms, whose core competence is to find data, analyze a problem and serve their clients a deck of slides including recommendations. Second, the traditional training and communication businesses, whose core competence is to organize management training courses and internal communication events based on traditional one-way communication methods.

In a world where speed and efficiency of execution is what separates winners from losers, both of these two are becoming less relevant.

Enter BTS.

Our ten year growth track record is ultimately driven by the results our customers achieve when they partner with BTS. When our customers see results, they give us more business.

### ► E=AMC

It is more difficult to execute a strategy than to create it.

We apply an effective formula with our customers to drive excellent execution; E = AMC. We believe that Excellent Execution primarily is a function of an organization's Alignment, Mindset and Capabilities.

Of course, execution is also driven by resources allocated as well as the development of structures, systems and processes. However

– all of this is led by people! People are – and remain – the critical factor in execution; and more precisely – the people's alignment, mindset and capabilities.

Research shows that 70 percent of fired CEOs are terminated not because they lacked vision, but because they failed to engage the organization in carrying out their strategies.

We have the privilege of working with many great business organizations that demonstrate excellence in strategic alignment and are adept at rapid execution; Accenture, Chevron, Unilever, Standard Bank, to name a few. Serving world class and demanding companies is where BTS truly excels.

### ► Our vision

Our vision is to become "the global leader in accelerating strategic alignment and execution – innovating how organizations learn; change and improve". The vision embodies 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.

### ► Results of 2011

2011 was a year of investments in new markets, product development and recruitment. Due to a decline in one large account, and no growth in APG, the revenue growth (currency adjusted) in the BTS Group was only 9 percent, though the underlying growth in the BTS business was good. Profit after tax (currency adjusted) grew 10 percent.

More than 90 percent of BTS' revenues are in foreign currency, and the falling dollar, euro and British pound impacted our results in SEK negatively. Measured in SEK our revenues grew 0,4 percent and our profit after tax fell 3 percent.

### ► We expect rapid organic growth

We expect to continue our organic growth during 2012 and onwards. And our goal remains to over time achieve 20 percent organic growth per year.

There are several drivers behind our long term sustainable, profitable growth:



“*Research shows that 70 percent of fired CEOs are terminated not because they lacked vision, but because they failed to engage the organization in carrying out their strategies.*”

- We are operating in a growing market
- Our offering has strong competitive advantages.
- We are investing funds and resources in new markets, new solutions, and sales and marketing activities.
- We have the best organization and the best people in our industry.

BTS has the customer base, solution portfolio and organization to sustain growth. Our market penetration is still low; with less than 1 percent world-wide market share.

As we grow, we are focusing on the three areas:

1. Strengthening our core. We continue to invest and improve in order to remain the best in the world at what we do.
2. Higher and wider. We create longer and deeper engagements with our customers – enhancing their success while providing growth opportunities for us.
3. Go global – really! Today, we have the base in almost all key markets; we will grow and integrate this further to be the true global partner.

#### ► Connected learning services grow quickly

The broad-branded internet provides huge opportunities to prime, grow and sustain the result of our work with customers. We have invested significantly in BTS Interactive – our specialized organization for connected learning service. Revenues for BTS Interactive (BTSi) grew rapidly during 2011, and we expect continued fast growth in 2012, while providing our customers with very efficient and cost-effective opportunities. During 2011, we have built a production and development center for BTSi in Mumbai.

#### ► Growth markets expand rapidly

The revenues from growth markets – Asia, Latin America, Australia and South Africa – grew 24 percent during the year, achieving 15 percent of our total revenues.

Our presence in the growth markets represents two key opportunities; to participate in the rapid local growth, and to be more attractive for our global customers.



#### ► Our solid financial position

BTS has a positive net cash position, and a strong solidity of 60 percent.

#### ► Outlook

BTS has during 20 years demonstrated a capability to grow organically, always maintaining good profit levels. Today, we are world leader in our field, with substantial opportunities to continue our growth. The result before taxes for 2012 is expected to be better than last year.

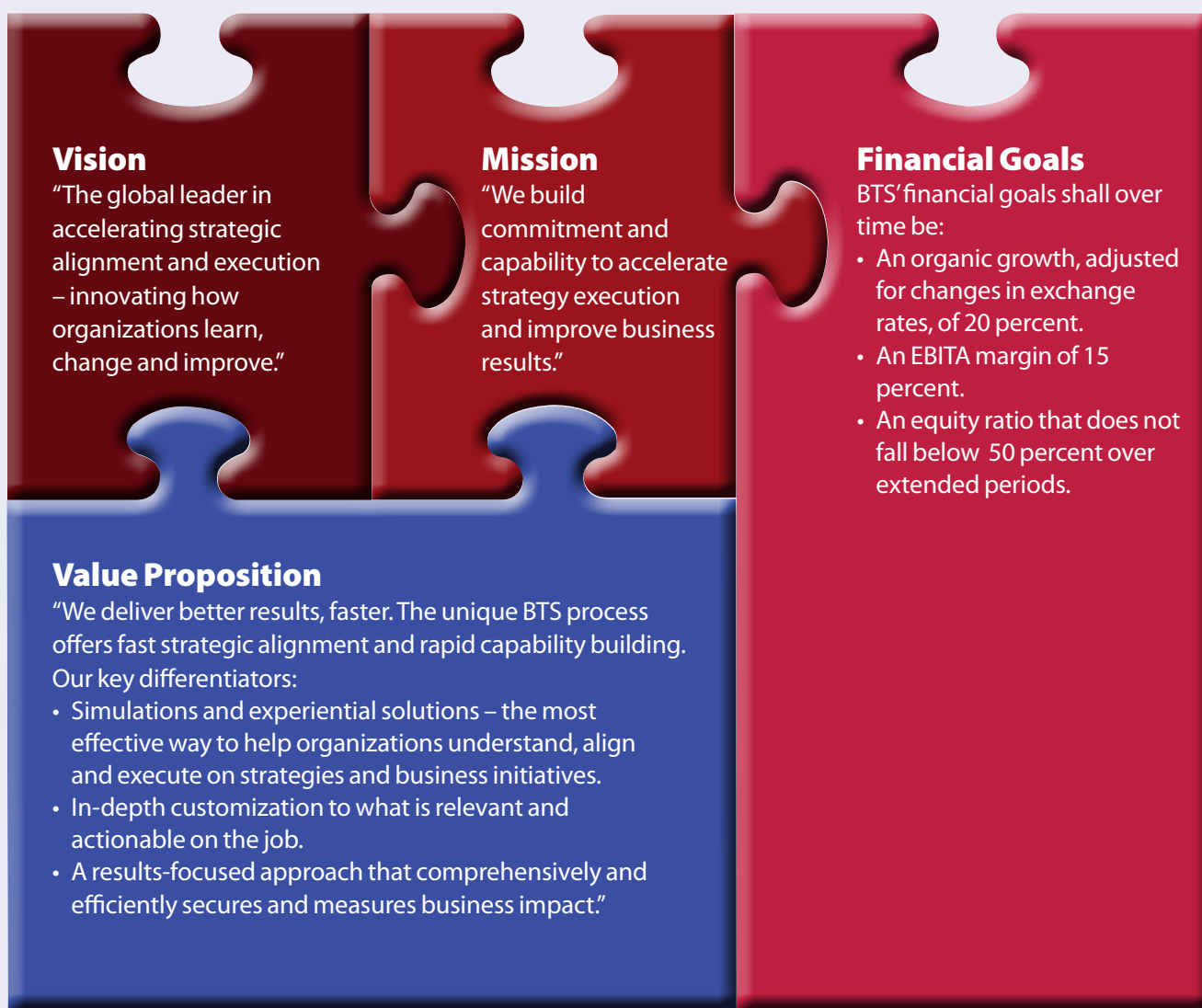
Stockholm, March 2012

Henrik Ekelund  
President and CEO of BTS Group AB (publ)

# The global leader in accelerating strategic alignment and execution

## Vision, mission, value proposition, and goals

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



# The BTS Group's eleven strategic principles

## Strategic principles

### ► Focus

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

### ► Internationalization

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

### ► Organic growth complemented by acquisitions

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

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

### ► 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 and highly visible results and strong customer relations.

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

### ► Differentiation – higher value & premium position

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

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

### ► Offer solutions and IP – not sell time

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

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

### ► 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:

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

### ► Value chain – focus on strategic assets and high value

BTS owns and sources internally:

- Intellectual Property
- Customization
- Client contacts
- High level/critical delivery

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

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

### ► One company – one best practice

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

### ► Innovate! And develop close to the customer

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

### ► The people and the company spirit

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

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



# Practice areas

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# Better and faster results through excellent strategy execution

## Strategic Alignment & Business Acumen

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

### ► A highly effective strategic execution framework

During more than 25 years of working with many of the world's leading companies, BTS has developed a framework that captures the inner architecture of exceptional strategic execution.

Strategy execution is defined as the practice of bringing a strategy to fruition. The four forces that power exceptional execution: Alignment, Mindset, Capability and Pressure Dynamics. You achieve better and faster results when people **understand** the strategy and its implications at an individual level (alignment), they are **excited** and passionate about the strategy (mindset), and they have the **skills and confidence** (capability) to execute the strategy, together with how much pressure to perform is perceived to be within the environment.

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

### ► Customized business simulations win hearts and minds

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

### ► The three forces driving strategy execution

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

To execute without first coordinating Alignment is to undertake an initiative without communicating roles and responsibilities to the individuals responsible for making the initiative succeed.

To execute without developing the right Mindset means there is limited emotional commitment, the primary source of discretionary effort and employee engagement.

To execute without developing business and leadership Capability is to ask people to do something new without providing the tools needed to be successful.

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

### ► Strategy alignment: increase ROE by 12.5 percent

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

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

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

BTS solutions ensure that leaders at all levels in an organization can answer yes to all three questions. A raft of benefits awaits.

*"It is not enough to do your best.  
You must first know WHAT to do.  
Then do your best."*

W. Edward Deming

### ► Mindset: drive execution

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

### ► Capability: Accelerate Mastery Through Experiential Learning

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

BTS helps organizations become better at executing strategy by leveraging our custom strategy and business simulations to create a workforce that is aligned behind your strategy, has the right mindset to approach it with purpose and urgency and is able to quickly master the capabilities necessary to execute the strategy. E = AMC

### The Business Acumen Practice: Focusing on High Leverage Behaviors

#### ► Business Acumen Defined

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

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

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



# Learning and development as a strategic differentiator

## Leadership

We are entering a new era in the art and science of developing leaders. We're leaving behind the first generation of organizational speed, obtained through efficiency that is achieved by implementing processes, systems, and reengineering. Lean Thinking, six sigma and ISO are the hallmarks of that era. While not to oversimplify, the leader's and manager's role in this phase was to build skill and gain compliance in these reduction and waste elimination efforts.

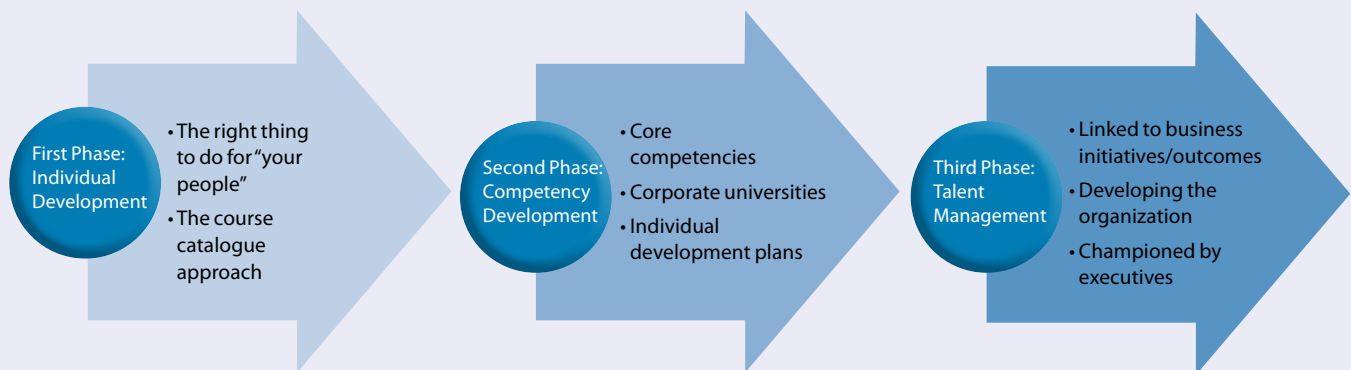
It's now time for the next speed in business. Researchers and thought leaders are calling this next phase "strategic speed". At the center of achieving in this next era is all about PEOPLE. Mobilizing groups of performers in executing on business initiatives, to work more nimbly, with greater speed, at higher levels of success, maintained over time. Consequently, leaders and managers in this era must be able to align whole groups with a strategic direction, while also winning their hearts – getting them to believe in the direction sought. And leaders must do this with agility (the ability to get people to change as nimbly as do business needs).

- The first era of leadership development was about developing individuals. Training was seen as the right thing to do, and

executives accepted intuitively that it impacted business, but they were not focused on how or to what degree. The hallmark of training and development in this era was large course catalogues from which to enroll. Learning was lecture based and relied upon the credibility of subject matter experts.

- In the second era, leadership and managerial training moved toward competency based development. Managers were taught to become leaders through mastering techniques that were driven from the competencies. The hallmark of this era was the emergence of the corporate university replete with large assessment centers for assessing managers against competencies.
- In the still emerging third phase, leadership and management training is focused on achievement of business results. Comprehensive talent management and the needs of the business are core along with the development of individuals. An Authentic leadership that also makes use of efficient tools and techniques continues to emerge as the key criteria for successful leaders in this era.

BTS is a leader in this new era of leadership and management development.





### ► Front-line execution

We are achieving strategic speed through our people, and we need leaders capable of aligning, inspiring and engaging people to perform at strategic speed. The largest group of leaders who have the opportunity to most greatly impact the alignment, mindshare and capabilities of others are an organization's front-line and middle managers. Front-line and middle managers, along with their direct reports, touch every single employee and every single client.

Through our own work with clients and through a review of current research, however, we've found these audiences are going woefully underserved:

1. **Lack of business focus** – In a study by Bersin and Associates, only 26 percent of the organizations studied actually linked their management development to strategic results. The research found that the greatest majority of companies studied rely upon a patchwork of disparate training courses linked to personal development rather than the 26 percent who used an integrated learning approach tied to the business outcomes.
2. **Under Investing** – Additional research shows that companies spend far more on the development of executives and technical specialists (23 percent and 25 percent respectively of training budgets) than on this critical audience of front-line and middle managers (9 percent).

To support our clients in better addressing the needs of this audience, in 2010 the BTS Leadership and Management practice launched Front-Line Execution. Front-Line Execution is an approach for consolidating patch-work learning content to development that is focused on the few most critical essentials that align with achieving business results. And when clients are global, we turn that approach into a unified, consistent, global-reaching program, driving consistency in behavior, yet with capacity for local delivery.

Two major BTS clients (one a Fortune Five pharmaceutical, and the other one of the most rapidly growing, fast moving consumer goods companies) are facing leadership transformations, requiring wholesale changes to their organization-wide leadership performance. Due to pressures and changes in their industries, each client recognized that a patchwork approach to training and development was not going to drive needed results. When considering possible learning and development partners, these clients chose BTS for:

- Our experiential approach to learning: with solutions that create a real impact
- Our ability to create a Learning and Execution Journey
- Our ability to drive learning and development to business results

- as well as measuring the impact – through our proprietary process The Advantage Way<sup>SM</sup>
- Our ability for global coverage – creating global consistency and local delivery



For these two clients alone, we delivered training in 30 countries for thousands of first-line and middle managers.



► **Learning and Execution Journeys**

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

The Journey starts off with a “prime” phase. This prime stage is about establishing the business and personal relevance for participating in learning – creating a personal rationale for achievement and a line of sight with desired business outcomes. Leaders and managers then engage in learning and grow new capabilities (whether that is delivered through group workshops or delivered to groups of learners through virtual technology). This is followed by learning sustainment, which is about enriching, continuing and reinforcing the primary learning.

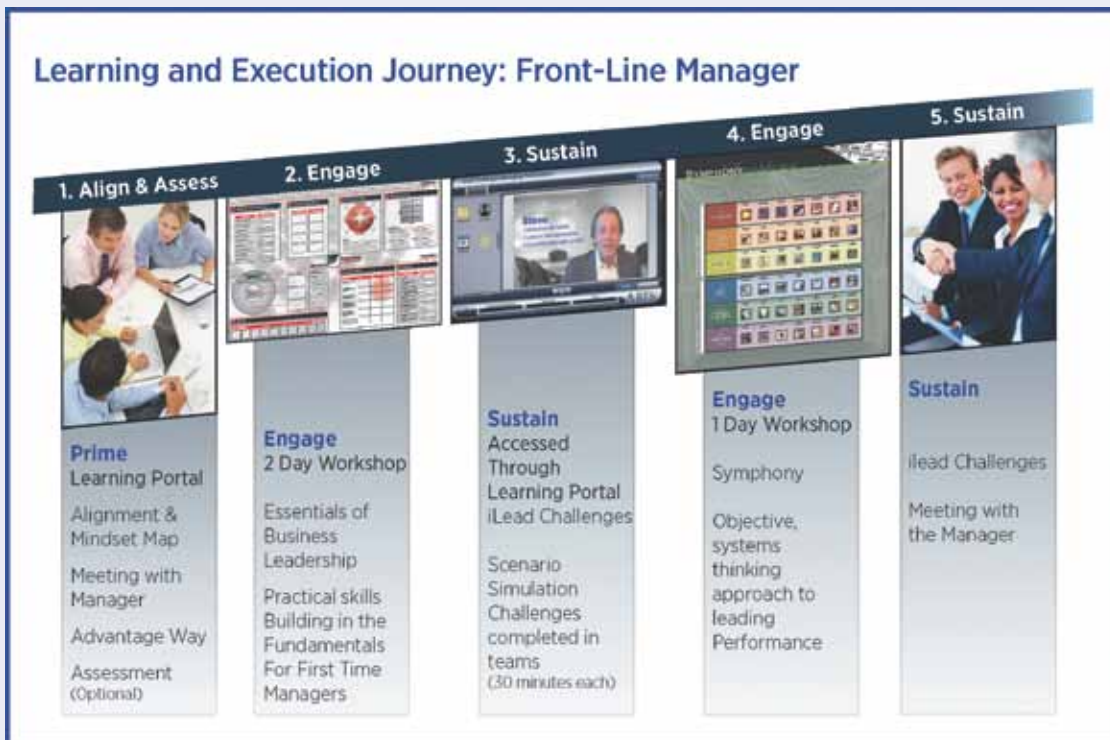
The illustration below is a sample journey. Note that there can be several cycles of “engage” and “sustain” activities over a period of time. We work with our clients to customize the learning journey with just the right blend of activities over the most desirable timeframe to maximize on the job behavior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

Learning and Execution Journeys are especially positioned to address the learning style and needs of generations X and Y (better known as the Millennials). They are the first generation in human

history who regard behaviors like tweeting and texting, along with Web sites like Facebook, YouTube, Google and Wikipedia, not as astonishing innovations of the digital era, but as everyday parts of their social lives and their search for understanding. These generations take simulation and interactive learning as a given.

Our use of learning portals leverages, and emulates, on a professional level, their natural tendency toward networking and collaboration. Our approach to sustainment activities leverages today’s reality. Sustain activities are designed to be short, fast, efficient learning refreshers and enhancers. Sustainment can last a few minutes (for example if blogging or networking with peers), 15–20 minutes when doing iLead Challenges, 30–60 minutes (when done in cohort groups). Sustainment exercises quickly provide the necessary learning booster on key leadership concepts.

The Millennials are more inclined toward trust in institutions than were either of their two predecessor generations: Gen Xers (who are now ages 30 to 45) and Baby Boomers (now ages 46 to 64) when they were coming of age. This is a major advantage in gaining their buy-in to working at strategic speed, if the learning approach is right! Discover what our many clients already know: that having a partner like BTS, who has the approach and experience in developing leaders of today, can help you succeed in your strategic execution.



# Accelerated revenue growth

## Sales

Today, most companies want to grow sales faster. BTS enables faster sales growth. We do this by driving sales transformations.

What are sales transformations? Sales transformations are a major shift in the way a company sells, from a product or solution approach to a focus on accelerating the customers' business results.

An elite group of companies worldwide has pioneered sales transformations and is separating themselves from their

***“Sales transformations are at their core a strategic alignment effort for the sales force.”***

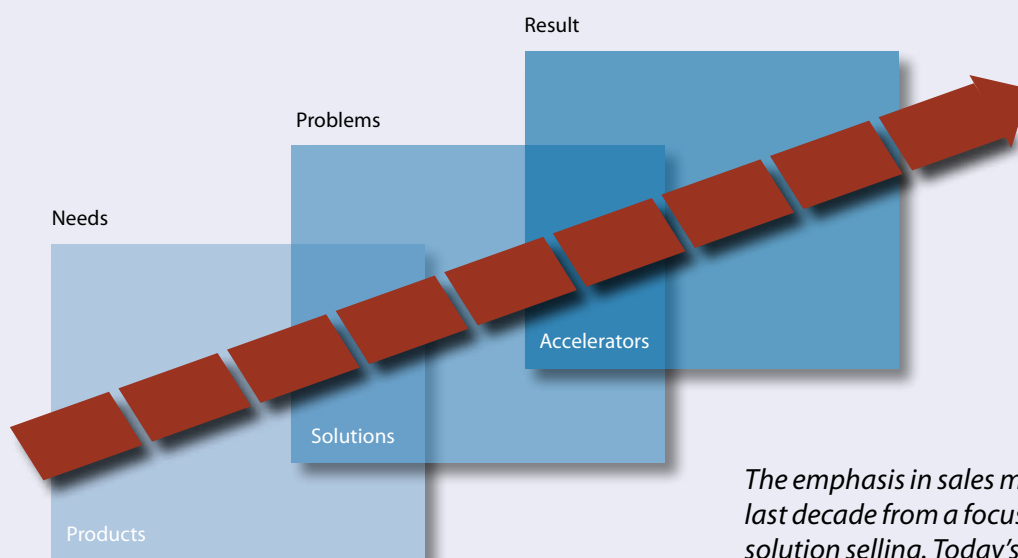
competition. Over the last few years, they have dramatically changed the way they sell to their B2B customers. Their salespeople no longer just fill their customers' needs for specific products or offer solutions to solve problems. Today, salespeople at those

leading companies focus on using all of their company's offerings to accelerate their customers' desired business results. That approach is drastically altering the competitive landscape. It results in more wins and better margins. Now, companies across the world want to catch up, and enable their sales forces to sell in the same way. That is where BTS comes in.

Most sales methodologies in use today are still focused on looking for customer problems and pain points, and trying to resolve them. This approach was relevant from the 1980s to the early 2000s, but the quality and service revolutions have reduced the number of perceived problems. Today customers are looking for ways to accelerate results.

Sales transformations are at their core a strategic alignment effort for the sales force. Therefore, they build upon the significant expertise of BTS in this area. Over the last several years, BTS has pioneered a point of view that has enabled companies to make this critical strategic shift.

We assist companies with sales transformation efforts by combining our proprietary research on how companies make major purchases today with our understanding of how leading-edge companies are changing the way they sell. We create the alignment, mindset, and capabilities that our clients need to



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

*“We create the alignment, mindset, and capabilities that our clients need to become business accelerators for their customers.”*

become business accelerators for their customers. And we deliver the learning in the same experiential, discovery-based way we have become famous for with our business simulations.

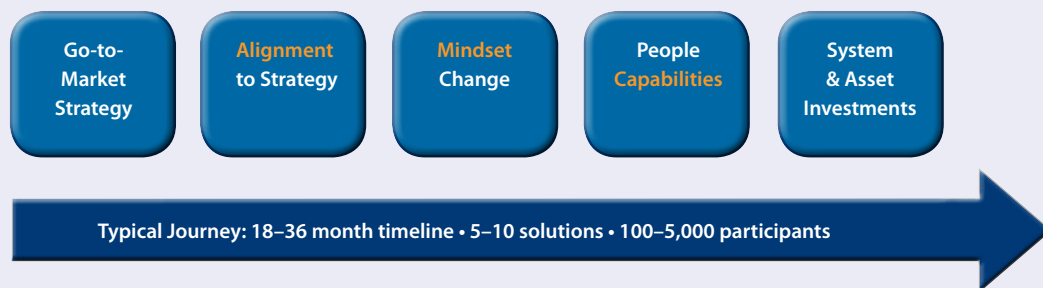
The foundation of our work in the sales arena comes from research with over 200 executive-level buyers in a wide range of industries globally. The results of that research were published by McGraw-Hill in *The Mind of the Customer*, and the research is ongoing.

We are currently supporting many organizations through sales transformations and with other sales skill development needs. Among our current customers are, AT&T, Hewlett-Packard, Cisco, Oracle, SAP, VMware, Otsuka America Pharmaceutical, BBVA

Bancomer, Standard Bank, Taishin Bank, Schindler Elevator, Humana, Sara Lee, and Owens-Corning.

► **The learning and execution journey**

BTS helps companies grow revenue through sales transformations. Successful sales transformations always involve the execution of a sales strategy. To enable that execution, salespeople must be **aligned** to the strategy, possess the right **mindset**, and have the **capabilities** to engage in the right activities with the customer. The process that supports this change is often a multi-year effort involving the entire sales force and supporting functions.



**What differentiates BTS:**

- Content based on research about how customers buy
- Simulations and other discovery-based learning
- Focus on and measurement of results
- Focus on learning and execution journeys, not single programs or products
- Leveraging BTS strategy execution expertise to drive sales transformation
- BTS business acumen expertise to drive deeper customer understanding
- Global reach

### The five pillars that underlie our approach to sales force transformation are:

- *Understanding the customer's business and selling to executives based on their specific interests and concerns*
- *Creating value for customers by framing how offerings drive the customer's desired business result*
- *Communicating value to customers by presenting interactively and negotiating collaboratively beyond price issues*
- *Managing account strategy to create long-term customer relationships that involve a full set of offerings*
- *Coaching by sales managers that maximizes salesperson effectiveness and performance*



BTS research reveals that companies that successfully accomplish a sales transformation build mastery in five areas. These areas are the five pillars of sales transformation.

Typically, the work of BTS begins with assistance to the client in creating alignment and mindset change around the go-to-market strategy. This often takes the form of Engage Maps, in which participants explore and deepen their understanding of the new strategy, and simulation, in which the salespeople temporarily adopt the mindset required by the new strategy and build their comfort and belief in it.

The effort to build capabilities usually occurs over a period of years. Often, the starting point is the development of stronger sales management skills. The BTS **Delivering Business Results** program is a multi-day solution that enables sales managers to be more effective at coaching, leadership, people development, performance management, and sales execution. This year, BTS introduced a Delivering Business Results computer simulation to provide sales managers with additional opportunities to practice the techniques they have learned in the program.

The first step for the front-line salespeople is typically to build business acumen, so that they better understand their customers. This often is accomplished through one of the more than a dozen industry simulations that BTS offers. These simulations are typically mixed with other BTS solutions to enable participants to practice applying what they just learned in the context of conversations with their customers, particularly those at the executive level.

With a deeper level of customer business acumen in place, the next step for salespeople is to build the core skills required to sell in a way that accelerates the customer's business results. This is where our foundational, and best-selling, program, **Sales Accelerator**, comes in. In this program participants learn to leverage their

customer understanding in planning for customer conversations, to ask questions using a proprietary BTS-developed sales questioning model, and to align their activities to the customer's buying process. This two-day classroom program extensively utilizes both Engage Maps and simulations. The program also includes a number of post-classroom activities that continue to sustain the learning when the participants return to the field.

Next, salespeople learn how to quantify the value they create for their customers, through our **Aligning Value** program, taking with them after the program new tools they can use with customers. Then, they experience our **Communicating Value** program, where they learn to lead interactive sales discussions that move the customer forward in their buying processes. In our **Collaborative Negotiations** program and simulation, salespeople learn a series of techniques for discovering what the customer values beyond just price and negotiating on those dimensions.

Finally, the focus shifts to sales strategy. In our **Sales Blueprint** program, salespeople learn a fast and efficient way to create account strategies. This is the only offering on the market that focuses on visual planning and which is built on a premise that encourages joint planning with the customer. Typically, at the end of this set of programs, salespeople will go through a capstone experience, like our **SalesTeam** offering, that pulls together everything they have learned.

Across and between all of these programs are online opportunities to deepen knowledge in particular areas, practice online or in virtual teams using scenario simulations, and access online tools.



# Customers and market

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# Long-term relationships based on real value and results

## Customers

### ▶ Valuable client base

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

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

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

### ▶ Important customer relationships

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

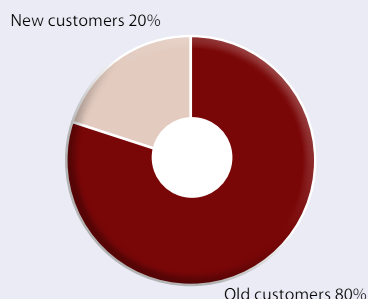
### ▶ Global customers in several sectors

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

During the recession in the early 2000s, BTS expanded its positions by entering four additional industries: Financial Services, Pharmaceuticals & Healthcare, Retail & Logistics and Energy. Over the past couple of years, BTS has also grown quickly in the Fast Moving Consumer Goods and Service sectors.

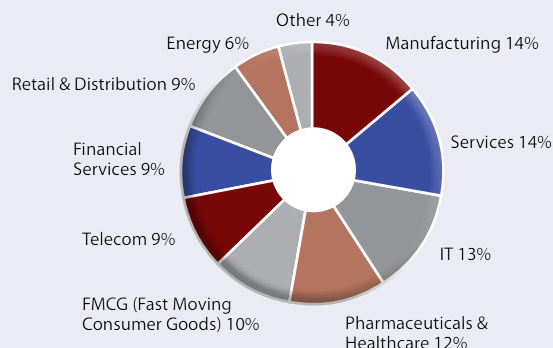
With these recent additions, BTS now has built strong market positions within nine industries.

CUSTOMER RELATIONS



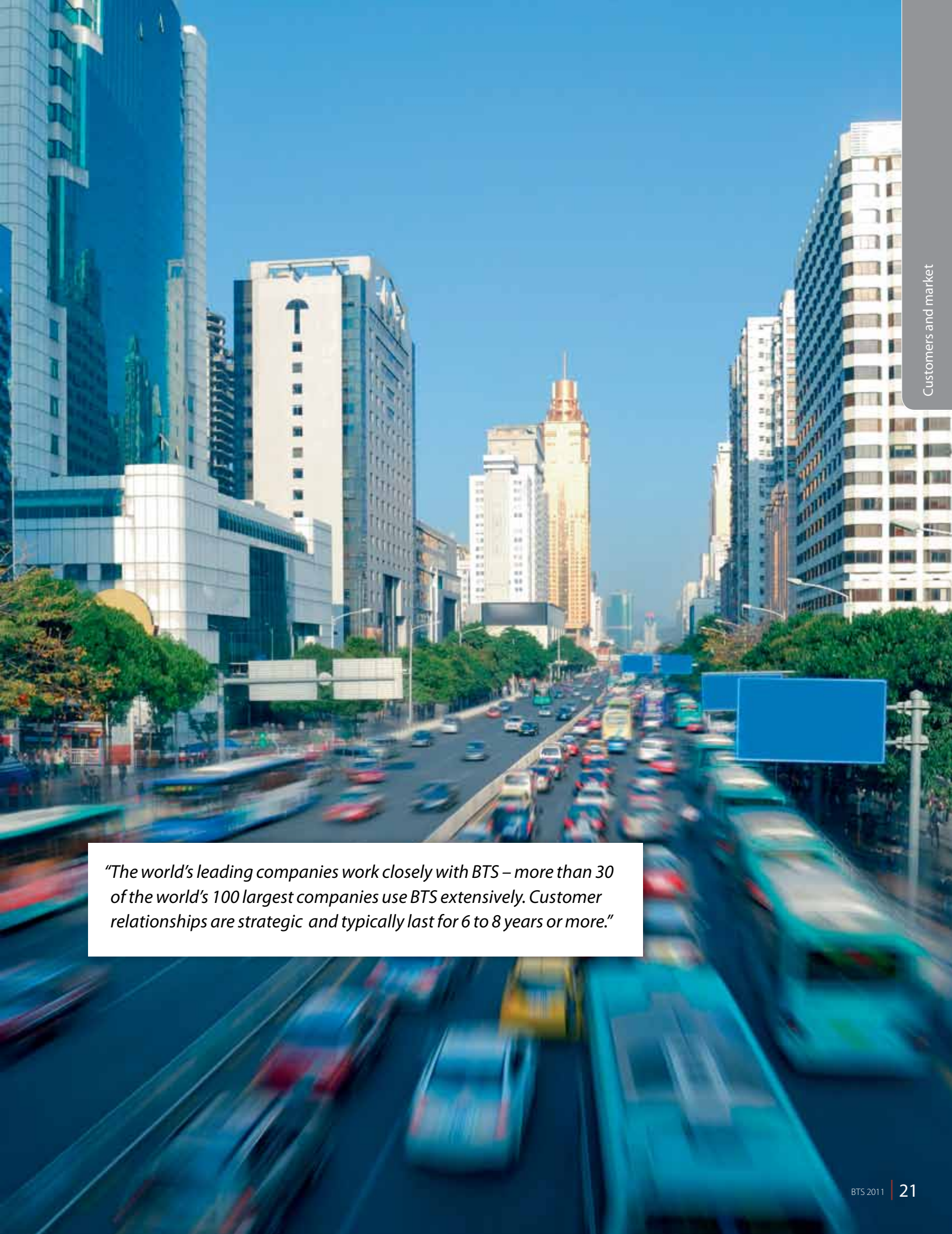
About 80 percent of annual revenues normally come from customers BTS worked with during the previous year. Typical customer relationships range from 6 to 8 years – often longer.

REVENUE SOURCE PER SECTOR, % OF TOTAL



IT	Telecom	Financial Services	Pharmaceuticals & Healthcare	Retail & Distribution	Manufacturing	Energy	FMCG	Services
HP	Ericsson	BBVA	GSK	Federated	Honeywell	BG	Coca-Cola	Deloitte
Network Applications	Telstra	Standard Bank	Pfizer	Paperlinx	Xerox	SSE (Scottish & Southern Energy)	Kraft	Sodexo
Microsoft	Telefónica	Bank of America	Sanofi-Aventis	Schneider	Toyota	Iberdrola	Unilever	Accenture





*“The world’s leading companies work closely with BTS – more than 30 of the world’s 100 largest companies use BTS extensively. Customer relationships are strategic and typically last for 6 to 8 years or more.”*

# Accelerating executive development at Chevron

## Chevron Case Study

### The Call to Action

Six executives got the news during a briefing in November. They were chosen to ascend the corporate ladder to assume the role of senior leadership team, responsible for the overall success of the large, integrated energy company. During their initial meeting, the team recognized the complexity of the task ahead of them. Managing the company's entire business from exploration all the way to end consumer would be a stretch for the group.

A large number of external factors including geotechnical and geopolitical risks of securing new reserves, volatile energy prices and increasing competition from national oil companies posed challenges to effective execution. Additionally, the leadership team would have to consider internal factors such as making investments in the latest drilling technologies, protecting the safety of employees, engaging environmental stewardship and improving the reliability of the company's far flung operations.

### Business Simulation Leads to the Development of High-Potential Leaders

Fortunately, it did not take the six team members an entire 6-year business cycle of experience to come to these realizations. Instead, it all happened in four days! A customized Business Simulation accelerated the experience and allowed the group to practice strategy execution in a risk-free, competitive environment. The internal and external factors discussed in the simulation were reflective of the critical issues Chevron faces. The decisions and trade-offs made by the team are real choices that the senior management team at Chevron grapples with on a daily basis. Within this context, the team was able to make decisions from the vantage of Chevron's senior executives and learned

great strategy implementation firsthand so that they could ultimately take ownership and effectively execute the company strategy back on the job.

The team was part of a cohort of 30 leaders who participated in Chevron's Advanced Management Program (CHAMP). This executive development program was designed to develop high-potential leaders through an extremely realistic business simulation that was customized by BTS to Chevron's business and strategic priorities. Concluding the exercise was the crucial investor presentation to some "analysts" with significant industry experience: Chevron's senior executives. The real-life executive group was tasked to observe and comment on the presentations by all the high-potential Executive Development



Program groups. During the evening graduation dinner, all the teams reflected on the learning that had occurred and their greater experience in executive-level decision-making.

*"The program enabled participants to think more strategically, broadened their enterprise perspectives, built financial acumen, and provided an external focus and understanding of geopolitical decisions, competitive dynamics and customer and investor expectations. Most importantly, they had the opportunity to practice and learn in context of the company's business and strategic priorities."*

*Nigel Hearne, Vice President of Strategy (Downstream) at Chevron*

<http://www.bts.com/client-success/featured-case-studies/chevron.aspx>

# Helping to execute a transformational growth strategy at VMware

## VMware Case Study

### Defining a New Direction for Growth

VMware, the global leader in virtualization and cloud infrastructure, has made a bold strategic shift by rapidly expanding its product line, moving beyond enabling basic hardware consolidation and evolving into a recognized leader in cloud computing. The company embarked on a new phase to generate significant growth while continuing to build upon its success in virtualization software. Through strategic acquisitions and notable innovation, VMware enlarged and diversified its product portfolio to help customers achieve tangible business results.

This shift in strategy and broadened portfolio of business-centric, interoperable products has added complexity to VMware's business. With the end goal of helping customers move toward an enterprise hybrid cloud model and IT as a service came a need to better understand the motivations of the CIO.

VMware's senior management wanted to align and engage its engineers with the company's new strategy. As the company

expanded its product offering, engineers had to shift their concentration from a smaller scope of core virtualization to a more dynamic focus requiring the development, integration and management of multiple products. This change added complexity for engineers, who needed to identify how their products fit into the big picture and how the different applications worked together to add value to the customer. Ultimately, the executive team wanted to bolster engineer confidence and build employee engagement by strengthening their understanding of CIO metrics, customer agility needs and motivations for cloud computing.

BTS worked closely with the CIO and CTO on a customized, high-impact scenario simulation to build strategic alignment and execution capability of engineers who were skeptical about the new environment. In the simulation experience, 1,100 VMware engineers collaborated in new ways to fully understand the dynamics driving the CIO's need for agility. The simulation experience realistically integrated VMware's strategic

initiatives, engineer decisions and the implications for the CIO's key business performance measures.

In the end, by living the roles and responsibilities of the CIO, the engineers became more deeply engaged with the strategy and came to understand the impact of VMware products on IT and the CIO. Before the experience, "We were certainly not all on the same page," noted one VMware employee. However, the four hour simulation inspired engineers from across the organization with disparate viewpoints to work together and understand the implications of VMware technology on CIO metrics.

It provided the necessary big picture, created deep alignment with the strategy and inspired greater employee engagement.

Following the event, 92.8% of participants either agreed or strongly agreed that because of the simulation, they now better understand the customer's motivations for product agility.

Going forward, the engineers' wholehearted understanding of the VMware strategy and CIO perspective will aid the company's continued growth.

*"BTS is unique in the investment they make in getting to really understand your situation and challenges and in seeking to enable your organization to develop its own responses, as opposed to providing simplistic answers that will have short half-lives. The culture that BTS brings to the table is one of humility and learning. As the proverb says, BTS, through their unique simulation-based approach, is in the business of enabling people to better fish for themselves as opposed to providing a fish that will only last a day."*

**Paul Maritz**  
CEO



[http://www.bts.com/Libraries/Case\\_Studies/bts-strategy\\_execution\\_vmware\\_case\\_study.pdf](http://www.bts.com/Libraries/Case_Studies/bts-strategy_execution_vmware_case_study.pdf)

# Inventing a new business at Sodexo

## Sodexo Case Study

### Sodexo Leaders Embrace a New Strategy

Does a spectacular growth curve have to level off? One of the world's largest companies, Sodexo, had built its success mainly as an on-site provider of food services for large corporate clients as well as schools, hospitals and entertainment venues. To ensure continuing growth, Sodexo staked a claim to a whole new marketplace of its own creation, not just by expanding the scope of its offerings, but by becoming a provider of value-added solutions for all non-core and near-core activities within client businesses. In essence to improve the quality of daily life for all the people the company serves. Key to the company's strategy is executive development.

### A Leadership Development Program That Takes Leaders Outside Their Comfort Zone

The new strategy challenged the company's 300 Group Senior Leaders worldwide to push beyond their traditional comfort zone as a food-and-facilities management services provider with thriving but essentially isolated service components. Sodexo's learning and development organization then turned its attention to the next level down in the organization. The goal: engage this critical population of 1,000 senior managers around the world, demonstrate to them the value of Sodexo's ambitious new strategy, and show them how to make that strategy into reality.

### The Transformation: a CLIMB to Next-Generation Performance

The Sodexo Management Institute designed a sophisticated development initiative called CLIMB (Change, Leadership, Implementation, Behaviors), then worked

with BTS to develop new techniques to bring CLIMB to life.

The finished program architecture employed the Group Senior Leader community in a key delivery role and included e-learning curricula, self-assessments, peer coaching, virtual team assignments, face-to-face sessions and international virtual meetings. Strategically placed at the heart of the program was a customized, competitive simulation called *VirtuoSo*—built to integrate and test participants' successful application of the newly acquired knowledge.

Sodexo's growth curve continues to rise, and milestone after milestone proves that CLIMB is working. Self-assessments are providing even more specific information on the program's results: In initial feedback, 84 percent of the participants ranked their learning experience as "highly effective" for their development and increased understanding of the new strategy.

Engagement has increased by seven points overall for those senior leaders who have been through the program compared to those that have not, and executive learners have shown strong support for the new training methodology. This wholehearted adoption of blended and distance learning will be key to the company's continued growth.

*"For most of our senior executives this blended global learning approach was very new," says Maria Outters, VP of Senior Executive Development and HR Development at Sodexo. And proving that nothing succeeds like success, CLIMB's effectiveness has fueled a new generation of advanced training tools at Sodexo. "It gave us a global success in distance learning, enabling us to drive the deployment of more new learning technology and blended learning around the world for our managers."*



<http://www.bts.com/client-success/featured-case-studies/sodexo.aspx>

# BTS core markets returns to growth

## Market

### ► BTS targets 10 billion USD global market with 1 percent market share

The total US corporate learning market returned to healthy growth after a couple of years with budget cuts. The market for Learning & Development related services increased 9.5 percent to USD 67 billion in 2011 (including salaries to companies' internal training resources). Of this, spending on products and services from external providers decreased from USD 9.7 billion in 2010 to USD 9.4 billion in 2011, according to a key Bersin & Associates corporate learning industry report.<sup>1</sup>

US based companies spend approximately 30 percent of their L&D budgets in BTS core competence areas; corporate learning services for executives, managers and sales organizations. The size of this segment is estimated by BTS to exceed USD 10 billion globally, which means that BTS has a global market share of approximately 1 percent.

The US market has, over a longer time period, grown 4–5 percent per year on average<sup>2</sup> and the market is cyclical with sensitivity to recessions. The market in rapidly growing developing economies – such as east Asia, Brazil and Mexico – is estimated to grow significantly faster.

### ► A more complex business environment demands a more flexible leader

Global forces are reshaping the future of business and society. The majority of CEOs find today's economic environment challengingly complex, and that complexity will only grow. The best performing companies according to the IBM study, "Capitalizing on Complexity: Insights from the Global Chief Executive Officer," are able to act in the face of uncertainty and complexity.

More than three in four executives running global companies consider 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>3</sup>

Technology, meanwhile, is upending traditional business models and forcing more open development. For many companies, emerging-market countries are expected to contribute more growth than the developed markets.

### ► The large gap in skills creates opportunity for BTS

Most executives recognize the large skills gap in their workforces; with scarcity of skilled talent in the labor market, companies realize that they cannot solve their skills shortage by recruiting from the outside. For example, a 2009<sup>4</sup> report showed that only 32 percent of U.S. collage graduates have "excellent" skills as they enter the working world. In addition many jobs are becoming much more specialized. This means that many job seekers must develop new skills to gain competitive employment in today's market. The situation has made hiring difficult, requiring executives to make a commitment to building the right skills for competitive advantage in their internal talent.

### ► Human capital: the biggest challenge

Optimizing human capital will be the biggest challenge over the next 10 years. According to research by the Society for Human Capital Resource Management, 47 percent of respondents agreed that obtaining and optimizing human capital investments was the biggest investment challenge. That was more than the next two answers (financial capital and intellectual capital) combined.<sup>5</sup>

Adding complexity to urgency, organizations are managing a talent pool spread across the globe, rather than a handful of leaders at headquarters. According to a report from The Economist Intelligence Unit, the greatest challenges that top executives consider important to successful companies are as follows:

- Understanding customers in multiple territories (45 percent)
- Finding high-quality people in multiple territories (35 percent)
- Communicating a single strategic vision (34 percent)
- Managing teams effectively across borders (33 percent)<sup>6</sup>

Companies need a common language for strategy and business. With strategies sometimes lasting less than 24 months, the urgency to get them into the market faster is increasing. BTS is adapting to the needs of these global organizations.

In the last decade, learning programs that would once have been initiated in the United States and then rolled out to other markets are now starting in markets outside the US. With more than 25 offices covering all continents, BTS is well positioned to create and deliver programs in the client's native language that reflect local cultural norms.

1. The 2011 data on spending includes companies with fewer than 100 employees where previous years data has only reflected the spending among companies with more than 100 employees.

Source: "The corporate learning factbook 2012, Bersin & Associates"

2. ASTD.

3. Seventy-six percent of top executives ranked training and development as the most important area for their company to reach their strategic objectives. "CEO Briefing: Corporate Priorities for 2007" and "Beyond." "The Economist Intelligence Unit", 2007.

4. Source: "The ILL-Prepared U.S. Workforce: Exploring the Challenges of Employer-Provided Workforce Readiness Training," The conference Board/ Jill Casner-Lotto, Elyse Rosenblum and Mary Wright, July 2009, [www.shrm.org/research/surveyfindings/articles/documents/BED-09Workforce\\_RR.pdf](http://www.shrm.org/research/surveyfindings/articles/documents/BED-09Workforce_RR.pdf).

5. "Challenges Facing Corporations in the Next 10 Years", SHRM Research.

6. "CEO Briefing: Corporate Priorities for 2007" and "Beyond." "The Economist Intelligence Unit", 2007.

### ► The strategy execution gap

The majority of corporate strategies are never implemented the way they are supposed to be. Many companies suffer from a strategy execution gap.

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

As long as employees do not clearly understand which actions they need to take for coworkers and customers to achieve the best results, it will be difficult to implement changes fast enough in order to remain competitive.

This strategy-execution gap is a leadership issue, on top-, mid- and first-line management levels, as well as an engagement issue in the whole organization.

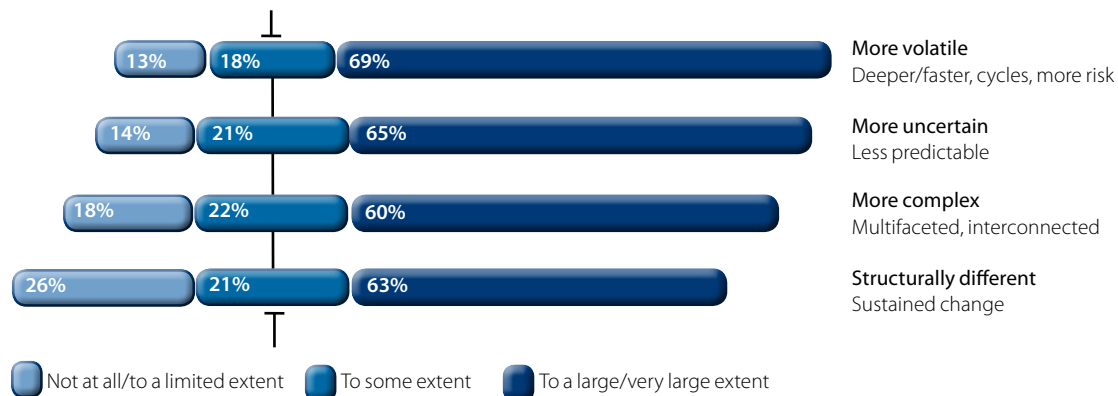
Efficient learning and development investments to increase strategic alignment and capability to execute are key if corporations want to be successful at managing and implementing their strategies.

BTS' discovery-based, simulation technology learning solutions support change processes and strategy execution by helping to bridge the strategy-execution gap.

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.

The 2008 EIU Report findings show that the core issue in most change management processes is people.

#### Companies Are Facing Uncertainty and Complexity



Two-thirds of CEOs surveyed by IBM consider the world far more volatile, uncertain, and complex. As the world continues to experience sustained change, companies will require an entirely new approach to leadership development.

Source: Capitalizing on Complexity: Insights from the Global Chief Executive Officer Study, IBM, 2010

► **The new leader: creative, empowered and in touch with customer opportunities**

“The model of the hero leader, of a CEO sitting on top of a pyramid being decisive and making decisions is a thing of the past,” said Dominic Barton, McKinsey managing director. “We need to obviously have decisions, but we’re going to need to have more of a leadership team. You’ve got to be able to empower people to be able to make decisions when information’s changing, without telling them and pushing them.”<sup>7</sup> Standout companies are focusing on the following:

- Encouraging creative leadership: creating an innovative platform to engage more effectively with customers, partners and employees.
- Transforming customer relationships: new channels, new technology and new approaches mean that organizations can better understand, interact with and serve their customers and citizens.
- Building operating dexterity: complexity can be an advantage for organizations that are flexible, fast and innovative.

The best leaders are not the ones who dictate their plans, but those who bring vision, inspire people with a sense of urgency, and then help them bring their own creativity, to a project.<sup>8</sup> Consistent with that focus on creativity, the IBM Global Chief Executive Study found that, of all the top leadership qualities required for the next five years, CEOs cited creativity as the most important.<sup>9</sup>

**The top leadership qualities required for the next five years**



► **The empowered front-line leader**

There is an urgency for redirecting focus of front-line leaders as executors of strategy. Those companies poised to capitalize on their markets are those that have invested in developing their “Front-Line Execution” – preparing the mid- and front-line managers to understand their role in strategy execution.

Continuous improvements are coming from the front lines, not headquarters. An empowered manager does not sit still at the bottom of a command-and-control organization. Time and response are of the essence. Line managers are responsible for day-to-day decisions, so they need to be aligned to strategy, the mindset, and the capabilities to execute on that strategy.

► **Leadership development beginning to mature**

Bersin & Associates Research classifies companies into one of four stages in their organization’s leadership development maturity level. Just under one-half of U.S. companies have no leadership development programs or use an inconsistent approach, but that represents a significant 10 percent improvement over the previous year’s figure. Approximately one-quarter (26 percent) have a focused or strategic approach to leadership development – an increase over last year’s figure of 17 percent.<sup>10</sup>

BTS is poised to support the organizations that have moved to this “mature” approach to learning and development, now a majority of corporations.

According to a 2010 McKinsey study, 1,440 executives surveyed said they are not very good at executing. “Only one-quarter say their companies’ training programs are ‘extremely’ or ‘very’ effective in preparing various employee groups to drive business performance or improve the overall performance of their companies.”<sup>11</sup>

7. McKinsey Quarterly, November 2010.

8. “A Change for the Better, Steps for Successful Business Transformation,” Economist Intelligence Unit, May 2008.

9. “Capitalizing on Complexity: Insights from the Global Chief Executive Officer Study”, IBM 2010, page 24.

10. Bersin & Associates, “Leadership Development Maturity Model”, Bersin Research 2009.

11. “Building Organizational Capabilities”, McKinsey Global Survey.

**Leadership Development – A Strategic Differentiator**  
(with percent breakdowns by maturity level)



Leadership development, no longer a “nice to have” tool, is being linked to business outcomes. Leadership development is still immature within most companies, many organizations are making progress in moving toward more effective leadership initiatives.

More than one-quarter (26 percent) of companies surveyed have a focused or strategic approach to leadership development – an increase over 17 percent from the previous year.

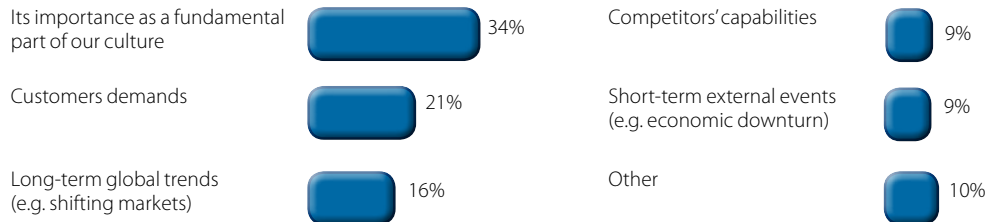
Just under one-half of U.S. companies have no leadership development programs or use an inconsistent approach. A significant decline from last year’s figure of 60 percent.

Source: Bersin & Associates, 2009

**Why companies focus on building capabilities**

% of respondents, n = 1,375

**Reason an organization focused on a specific skill (e.g., sales and pricing, leadership)**





# Business Model and Processes

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# World-leading capabilities are shaped in partnership with our clients

## Business Model

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 cooperation with the client.

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

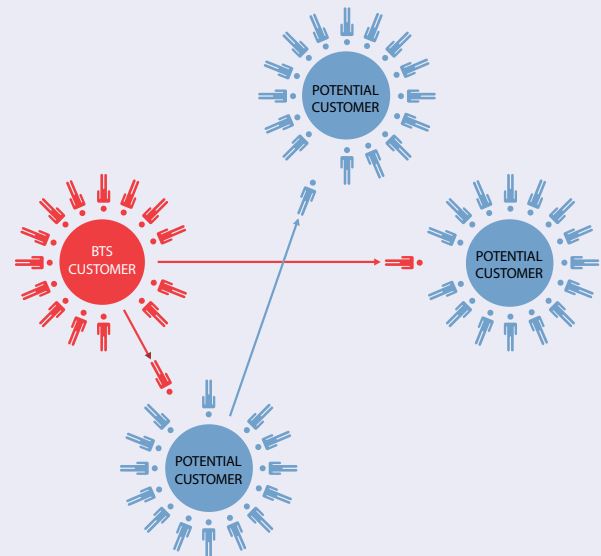
### ► Network-based marketing

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

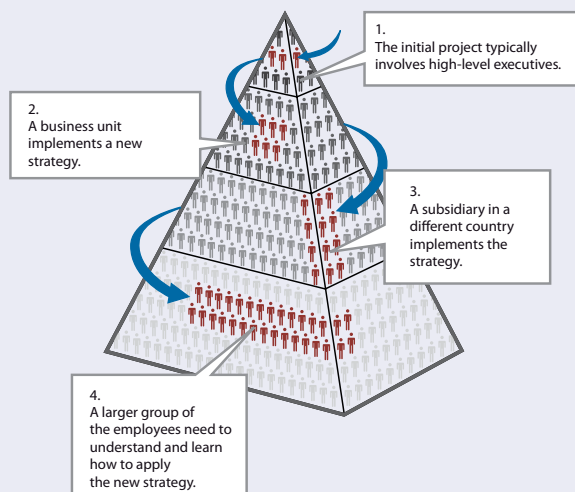
The network, composed of both those executives who make strategic decisions about change and learning initiatives and those who actually purchase solutions, helps generate opportunities for new assignments and customers. When BTS approaches a new industry, it initially focuses on a few leading companies.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

### ► Multi-market expansion with limited risk

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



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



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

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

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

#### ► Acquisition strategy

BTS' 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 finding complementary acquisitions. The goal is to offer more services to both existing and new customers. All acquisitions have resulted in cross-selling. This is a result of conscious efforts to identify new business opportunities based on needs within the extended customer base. The training of account managers as well as needs-focused discussions with individual clients have played an important role in this process.

### Development

#### ► Developing the revenue mix

BTS' revenues originate from three areas:

- Customization
- Instructor-led seminars
- Licenses

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

#### ► Efficient customizations

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

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

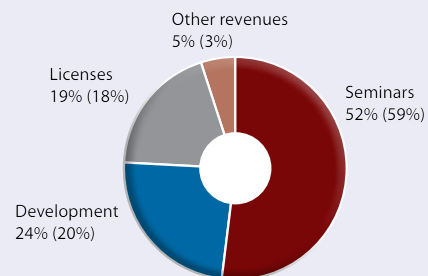
#### ► Seminars – the majority of revenues

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

NET TURNOVER BY SOURCE OF REVENUE



# World-leading simulations and experiential learning platforms

## Solution technologies

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.

### Fact

#### ► 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.

In 2010, BTS launched its **Mini-Master Platform 3.0** 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 a course of action, the simulation immediately presents the impacts of the participant's decisions on the ultimate goals.

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



## Fact

### ► 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.

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

### ► Engage Maps

This highly experiential learning methodology is utilized to provide participants thoughtful processes to self-discover and implement the skills and capabilities necessary to drive desired behavioral changes. As a facilitated learning experience, these customized programs utilize the power of small groups, peer dialogue, and strategic relevance to ensure both long-term retention as well as immediate application back on the job. These interactive maps create opportunities for large numbers of executives, managers, and employees to understand the reasons for organizational change and to experience 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.

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

### ► E-Learning Solutions *Online & Virtual Solutions*

Our Web-based business and scenario simulations engage participants in highly interactive learning that employs the same BTS’ do-reflect-apply approach used in the classroom. In these competitive, game-style programs, managers and employees participate as teams or individually in a self-paced format. As participants and teams set their own pace throughout the simulations, they receive feedback on their performance and experience the impacts of their decisions on leadership, operational and financial performance.

*Why Finance Matters!* is considered by many to be the industry standard finance-for-non-financial-managers programs and is one of BTS’ most popular online solutions, with approximately 20,000 participants experiencing it annually.

### *Tournaments*

Tournaments are multi-team, competitive simulations conducted via the Internet with support and coaching from BTS’ consultants. Teams from various companies or from within the same company participate virtually in these open or in-house learning experiences. The ultimate goal for all participants is to enhance their business acumen and strategy execution skills within a dynamic and competitive environment. Companies entering teams in BTS’ open and custom tournaments save on travel and facilities cost while retaining benefits of experiential learning. To learn more, please visit our tournament website at [www.btstournaments.com](http://www.btstournaments.com).

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

# Growth and profit year after year

## Growth, Profitability, and Acquisitions

Growth has averaged 18 percent the last 10 years, of which 13 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

During the last 10 years, growth has averaged 18 percent per year, of which 13 percent has been organic. The company has delivered profit every year irrespective of market conditions and despite substantial costs for acquisitions and investments in product development and market establishment around the world.

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

In the 1990s, 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 IT, Telecom, and Manufacturing

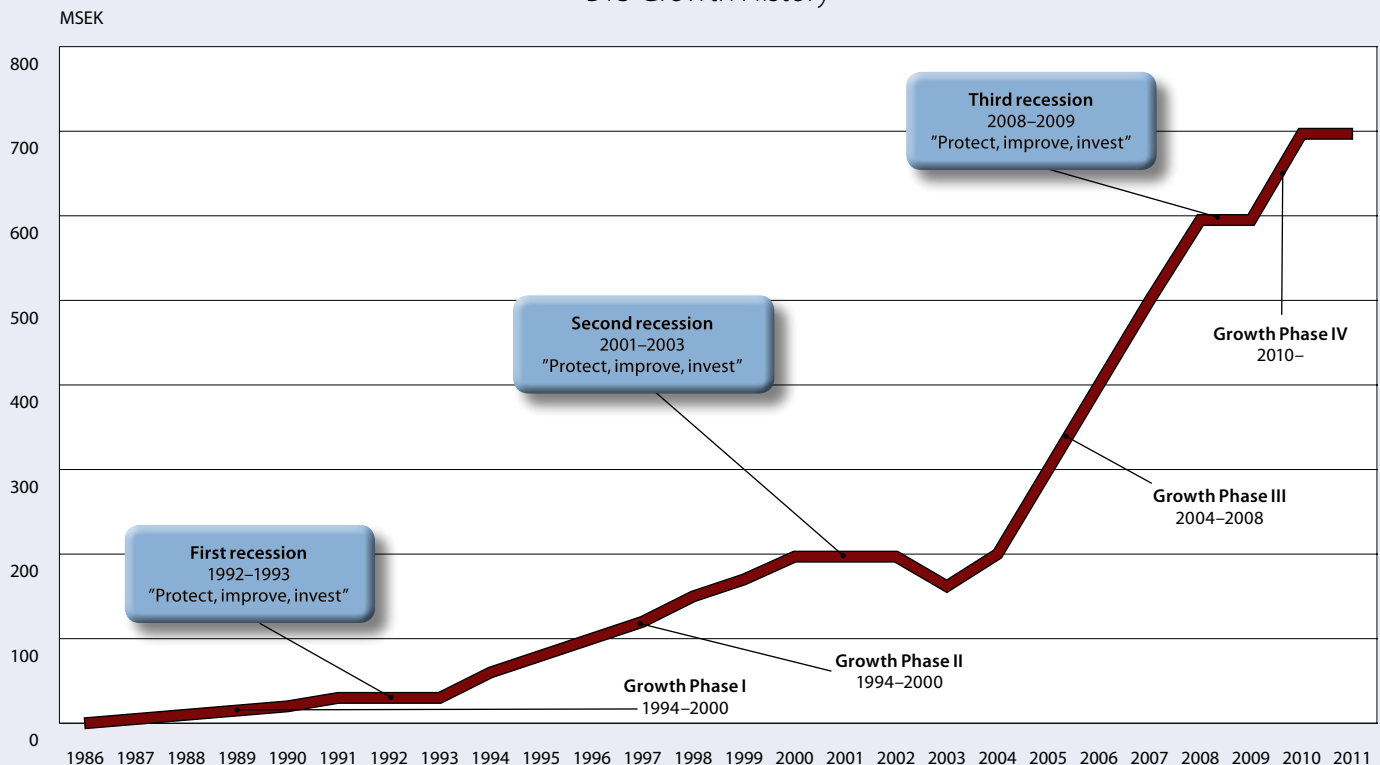
industries, where BTS was predominantly active) through adhering to its successful long-term strategy.

### ► New initiatives

In the difficult market conditions of 2001–2003, BTS successfully managed to reinforce the business for future growth and profitability by implementing a range of new initiatives:

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

BTS' Growth History



### ► Increasing profits

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

### ► Organic growth

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

### ► Acquisitions in 2005 and 2006

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.

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

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

### ► The 2008–2009 recession

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

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

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

### ► Growth 2010–2011

During the two years 2010 and 2011 BTS' revenues grew 32 percent (currency adjusted) with growth in all regions and at high speed in Asia and Latin America.

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



# Internal efficiency drives excellence

## Processes

### 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 forms 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 is used for searching and reusing existing documents.
- BTS Flash Platform is used for Web-based simulations.

#### ▶ Quality measurement

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

- Initial Quality Survey – This survey is completed by seminar participants at the conclusion of each business simulation to assess the quality of the program. On a scale of 1 to 5, BTS' 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.

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





# Organization and Corporate Social Responsibility

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# Problems become opportunities to BTS employees

## Organization

### BTS Organization

#### ▶ BTS Group's Six Operational Units

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

#### *BTS North America*

Austin (Texas), Chicago (Illinois), Los Angeles (California), New York (New York), Philadelphia (Pennsylvania), San Francisco (California), Scottsdale (Arizona) and Stamford (Connecticut).

#### *BTS Northern Europe*

Brussels (Belgium), Helsinki (Finland) and Stockholm (Sweden).

#### *BTS Western Europe*

Amsterdam (The Netherlands), London (United Kingdom) and Paris (France).

#### *BTS Iberia*

Bilbao and Madrid (Spain).

#### *BTS Other Markets*

Bangkok (Thailand), Johannesburg (South Africa), Mexico City (Mexico), Mumbai (India), Sao Paulo (Brazil), Seoul (South Korea), Shanghai (China), Singapore (Singapore), Sydney and Melbourne (Australia), Taipei (Taiwan) and Tokyo (Japan).

#### *Advantage Performance Group (APG)*

APG operates in the US market and delivers performance improvement through sales and leadership training that result in meaningful business impact using its Advantage Way<sup>SM</sup> implementation process.

### Product-Specific Units

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

#### ▶ BTS Interactive

BTS Interactive is responsible for connected learning, on-line and virtual solutions as well as tournaments.

#### ▶ BTS Board Simulations

BTS Board Simulations is responsible for manual board business simulations.

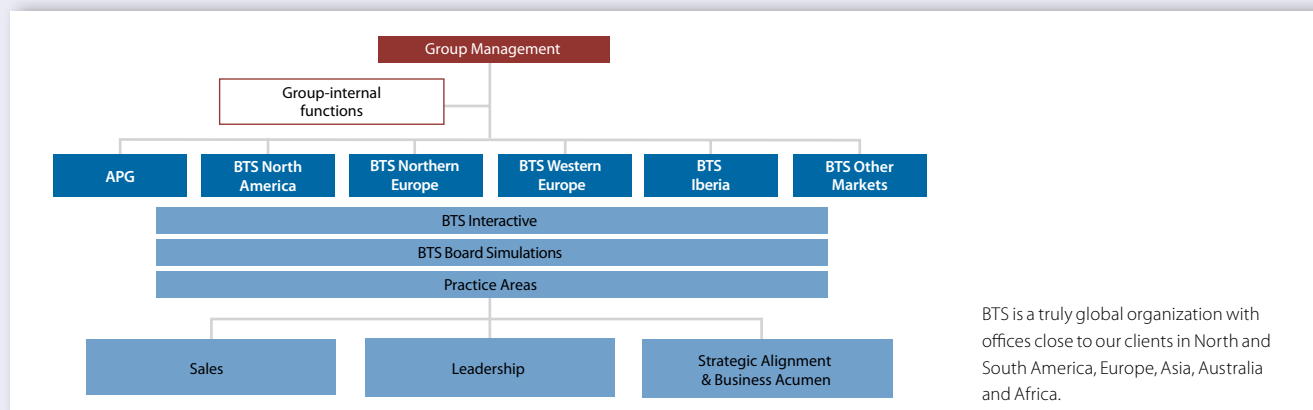
#### ▶ Practice Areas

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

- Strategic Alignment & Business Acumen
- Leadership
- Sales

#### ▶ Group-Internal Functions

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



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

# The most powerful aspects of our culture

## Employees

### ► Freedom & responsibility

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

### ► Achievement & excellence

We believe that if you find the right people, give them freedom and responsibility, they will achieve great results. Our consultants work with the top talent of world-class corporations. Whether we are on stage in front of senior executives, engaged in a client development

### ► 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.

KEY FIGURES, EMPLOYEES	2011	2010	2009	2008	2007
Number of employees at the end of the year	335	299	252	267	230
Of whom women, % <sup>1</sup>	37	36	34	35	36
Net turnover per employee, KSEK	2,147	2,517	2,289	2,202	2,479

<sup>1</sup> Yearly average number

meeting with a C-level executive or creating an innovative new simulation application, we believe in delivering excellence. Our unique culture nurtures consultants who are highly motivated to pursue high levels of achievement and excellence.

### ► Fun & adventure

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

### ► Learning organization

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

### ► 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 six to seven 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.



# True north

## 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 merit

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

### ▶ Putting the team first

- We believe that BTS’ 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 clients’ and BTS’ competencies, best practices and methods to achieve optimal results.

# Reducing the impacts of climate change

## Sustainability

### ► Environment

We recognize the key role we have to play in both reducing and contributing to greenhouse gas emissions. Our commitment in this area is set out in our Climate Change Policy.

### ► Climate change policy

Climate change has now been recognized as an international issue with national governments globally committed to taking action to reduce greenhouse emissions. Even if the daily operations of the BTS does not in a direct way contribute to greenhouse emissions, the nature of our work for our clients indirectly negatively affects this issue. For example our employees conduct air travel to fulfill the promises to clients set out according to the commercial agreements made between parties.

We have a role in supporting governments and communities to reduce the impacts of climate change from mainly transport by planning and conducting all our travel in a manner that has the least possible negative impact to greenhouse emissions. We are committed to reducing the greenhouse gas emissions from our operations in a way that supports national governments. Our key climate change commitments are:

- To assess the potential impact to our business from evolving climate change.
- To work actively with our suppliers to positively contribute to the use of less greenhouse emission technologies, transportation and production processes.
- To financially compensate for the negative impact on greenhouse emission our operations might have by utilizing standard compensations. For 2010 BTS climate compensated all travel by donating to The World Land Trust.
- To actively promote improved energy efficiency within our business.

As part of BTS objective to contribute to sustainability, a CO<sub>2</sub> compensations program was launched in 2010. BTS is supporting US based rainforest conservation specialist World Land Trust by purchasing and protect 100 acres of threatened tropical rainforest in South America's Chocó biogeographic region.

BTS donations will assist in establishing the Las Tangaras Nature Reserve in Colombia, one of the most vital rainforest sites on earth home to a high concentration of biodiversity. In addition to safeguarding the habitat and exotic species, the Las Tangaras Nature Reserve will also protect the watershed of the Rio Atrato the region's most important river which serves as a vital economic resource for tens of thousands of inhabitants living in poor rural communities.

World Land Trust-US (WLT-US) is a conservation organization dedicated to preserving biodiversity through strategic land purchases, working with local partners to acquire and save threatened

rainforests and other critical habitats. Over the past 22 year, WLT-US has secured almost 2 million acres for biodiversity conservation. Currently, the Las Tangaras Nature Reserve is a critical initiative for the environmental non-profit.

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



# Education and entrepreneurship creates jobs

## Corporate Social Responsibility

At BTS, we are convinced that companies have the same moral responsibilities to a community as individuals have. This belief has guided us for more than 25 years, and continues to shape our social and environmental responsibility.

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

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

The investments in time and money will primarily focus on initiatives, organizations and projects that share our vision where

we see great opportunities for positive development and change through learning processes and skill transfer.

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

- BTS shall only select and engage in organizations and projects where the organization is truly efficient and can ensure, and show, that the investment is channeled to the project directly.

REPORTAGE

REPORTAGE HAND IN HAND

TORSDAG 1 DECEMBER 2011

Affärskonsten BTS använder "Monopolspel" för att skola Hand in Hands handledare i Indien. Och snart kommer ytterligare ett spel, för att lära ut affärsmannaskap på den verkliga gräsrotsnivån.

"Att skänka resurser är en sak. Det här är ett verktyg som kan förändra liv", säger Stefan Hellberg, vice vd för BTS.

# Spelar om en bättre framtid,

Dagens Industri is the leading business daily newspaper in the Nordic Region. Dagens Industri was part of BTS' launch of the first ever simulation as a training tool in partnership with Hand In Hand. BTS' work with the simulation has been on a pure pro bono basis and the work has been headed by Mr Stefan Hellberg, Executive Vice President and co-founder of BTS. Dagens Industri is as BTS also a donor to Hand In Hand to the benefit of supporting the local initiatives.

- BTS will not tolerate that donations are used for administrative purposes or that any investments are used for non-charitable work or good.
- BTS contributions, being financial or through making other resources available, shall focus on projects where the learning process plays a material role and is fundamental for the way the organization works.

**► Pro Bono Work**

Hand in Hand was founded more than 20 years ago by the teaching couple Gunnel and Olle Blomqvist from Sweden, with the objective of fighting poverty and child labor. After approximately 10 years the well-known industry leader Percy Barnevik and the Indian Professor Kalpana Sankar dedicated themselves in the project. Together they drew up the guidelines for what is today an important part of combating poverty and child labor. Hand In Hand built its business on creating opportunities for people to get out of poverty, not

primarily through funding, but to create conditions that create self-sufficiency. For instance establishes a huge number of centers in the villages where they operate. Each center aims to serve as a common junction in the village where residents can, for example learn to use a computer. The number of new centers has increased rapidly, with aggressive targets of new centers. Each center will have a manager responsible for a center's operations and financial development. As a center is financed by Hand in Hand microloans with a payback scheme, the managers need to know how their decisions and different events impact their center and the money in and out flow streams, to secure a financially sound development.

BTS helps in addition to money to support an entire village, also with delivering knowledge.

BTS manual simulation will let many thousands of Indian women – who know nothing of business, but who want to engage in work and create a better life for their families – run a fictional small business and learn the critical ground rules in an engaging and effective way. They can make mistakes in the simulation so that they can succeed when they are running a business in real life. This is in line with BTS' belief in how education and entrepreneurship will positively support Hand in Hand's work to improve living conditions for families in India.

The simulation will be very basic and easy to follow, as it builds on a step-by-step approach. BTS will also train and certify Hand in Hand facilitators to run the manual board simulation to achieve the objective with this learning initiative.

BTS provides the whole development work and the material pro bono.



**Hand in Hand fights poverty by helping women to start their own businesses. It's all about help to self-help. The women are offered education and training, which give them the right tools to change their life situation in the long run. The Hand-in-Hand model is tried and tested and the results are striking. More than 750.000 women have, so far, been trained, which in turn have resulted in 700.000 micro-businesses.**

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







# Advantage Performance Group

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# Poised to help clients accelerate positive business results

## Advantage Performance Group

Advantage Performance Group (APG) specializes in helping their clients accelerate business results, increase sales and improve the way people work together.

Advantage Performance Group (APG) specializes in helping organizations accelerate positive business results. APG helps organizations in four main areas:

1. **Sales Optimization:** Help sales organizations optimize their performance.
2. **Leadership and Team Performance:** Ensure that employees not only understand business strategy, but can execute it.
3. **Business Acumen:** Develop every person's ability to make better business decisions.
4. **Results:** Ensure that every learning initiative accelerates positive business results.

### ► Creating positive business results

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

When clients implement the Advantage Way<sup>SM</sup> system, their organizations achieve documented business results as well as improved job performance. They are able to measure the business impact of the implementation of various solutions—solid proof of its value to their organization.

A learning investment with APG results in accelerated performance and provides the solid metrics to secure ongoing funding from the executive suite. These two outcomes are ideally suited to the current post-recession business environment.

### ► Network model

Acquired by BTS in 2006, APG has more than 400 client relationships. Many of these partnerships span more than a decade. The firm is a network of approximately 40 full-time consultants located across the U.S. These highly experienced performance consultants act as business partners with clients. The network also includes more than 100 seasoned facilitators who deliver learning both virtually and on-site across client organizations.

APG also has longstanding alliance relationships with a large team of global thought leaders (such as BTS) who provide unparalleled expertise. These thought leaders are an integral part

of the APG network and deliver a continuous stream of state-of-the-art learning research, methodologies, and solutions that meet clients' evolving needs.

### ► Differentiators

Continuing softness in the global economy is neither a surprise nor an impediment for APG. Because of its differentiators, APG is uniquely positioned to capture the business of organizations emerging from troubled times. These differentiators are:

- **Ability to create a positive bottom-line impact from learning initiatives or other strategic initiatives:** Using the Advantage Way<sup>SM</sup> system through the entire engagement, APG is able to commit its clients to a complete alignment with business results from the very beginning.
- **Ability to provide a continuous stream of broad and deep learning solutions:** Thought Leaders such as BTS allow APG to provide solutions that have a strategic focus and are relevant to every level and function of the organization.
- **Ability to deliver proven, best-practice expertise based on decades-long relationships:** Having access to the same performance strategies and insights that other global leaders have used to pull themselves out of recessionary situations is viewed by today's organizations as crucial added value.

### ► Strategic direction for 2012

APG has achieved continued growth by becoming more strategically relevant to our clients, and the firm fully intends to continue this positive momentum. APG's 2012 strategic direction will focus on three aspects of the current business environment that are a particular fit for the firm:

1. **Need for improved leadership and strategy execution:** Even as organizations begin to ramp up for a hoped-for market upswing, most are taking a second look at their leaders' abilities to perform under economic pressure. APG has particular expertise in this area. The 2012 strategy is notable for a strong focus on leadership development plus the companion issue of helping all employees execute corporate strategy more effectively.

2. **Need for sales organizations – especially in the midmarket – to optimize their performance:** Although sales executives are aware that economic phases are cyclical, the shock of the recent downturn still has many sales teams reeling. Leading sales teams, however, are ready to re-tool and optimize their organizations to equip their sales people to capture – or recapture – much-needed market share. APG has outstanding, sales best practices, research, tools, systems, and processes for this purpose.

3. **Need for employees to make better business decisions:** One clear result of the continuing environment of tight margins is that businesses are demanding that all employees make better business decisions. Supported by innovative simulations and learning experiences of business acumen thought leaders such as BTS, APG is well equipped to make sure every employee knows how their actions affect the bottom line – and how to make smarter, more informed decisions that will help their organizations succeed.



# Link your investment directly to business results

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

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

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

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

### ► Direct link to business results

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

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

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

### ► Benefits to the organization

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

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

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



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# BTS' Share

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

The share capital totals SEK 6,016,100, distributed among 853,800 Class A shares and 17,194,500 Class B shares, each with a quotient value of SEK 0.33. Each Class A share entitles the holder to ten votes, each Class B share one vote. All shares carry equal rights to participate in the Company's assets and profits.

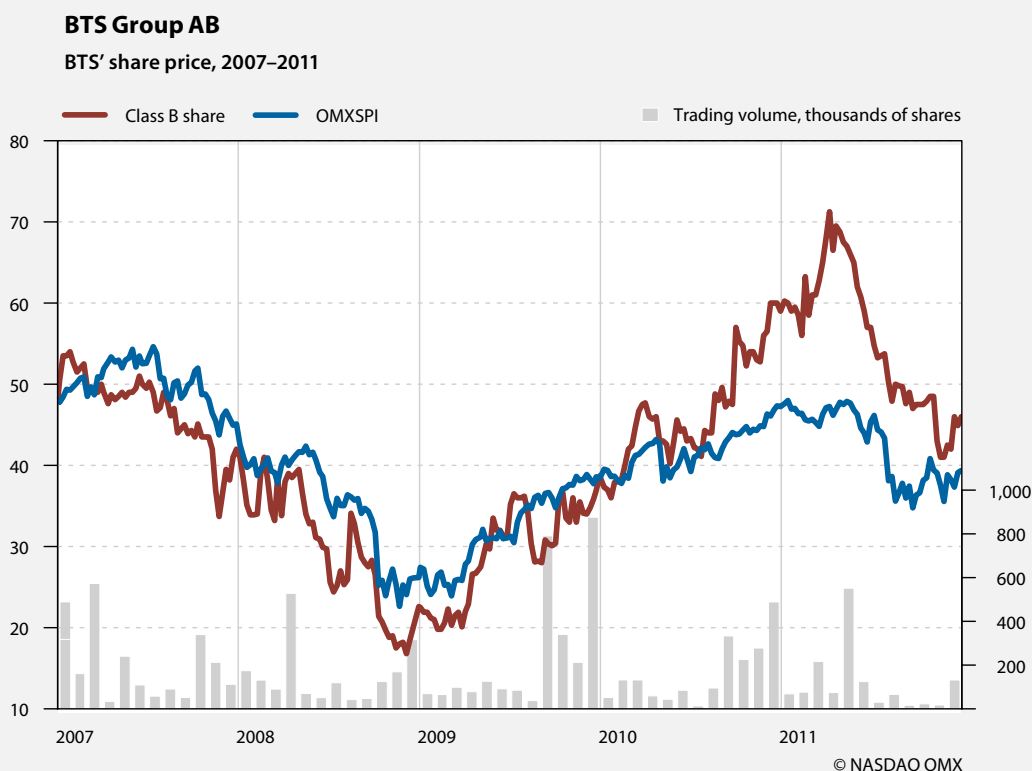
At December 31, 2011, there were 761 (859) shareholders in the Company. Since 2002, BTS Group AB has worked to promote depth in share trading. As part of this strategy, a market maker has been engaged to work to increase interest and trading in BTS' shares.

## Dividend policy

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

SEK	2007	2008	2009	2010	2011
Share price at December 31	42.00	22.60	38.70	59.00	46.00
Earnings per share, December 31	2.71	2.50	2.45	3.28	3.20
Price/earnings ratio, December 31	15.5	9.1	15.8	18.0	14.4
Cash and cash equivalents per share, December 31	3.74	3.65	4.18	4.90	4.68
Equity per share, December 31	11.00	13.90	14.38	15.50	17.19
Dividend per share	1.20	1.20	1.20	1.50	1.60 <sup>1</sup>

<sup>1</sup> Proposed dividend.



## Share capital

Change in capital

Year	Transaction	Increase in share capital, SEK	Share capital, SEK	Class A shares	Class B shares	Total no. of shares	Par value per share, SEK
1999	Formation of the Company	100,000	100,000	439,900	560,100	1,000,000	0.10
1999	New issue	8,200	108,200		82,000	1,082,000	0.10
2001	Stock dividend issue	4,219,800	4,328,000			1,082,000	4.00
2001	4:1 split		4,328,000	1,319,700	1,926,300	4,328,000	1.00
2001	Conversion of Class A to Class B shares			-1,475,000	1,475,000	4,328,000	1.00
2001	New issue	1,500,000	5,828,000		1,500,000	5,828,000	1.00
2002	New issue	69,300	5,897,300		69,300	5,897,300	1.00
2006	3:1 split		5,897,300	569,200	11,225,400	17,691,900	0.33
2006	New issue	118,800	6,016,100		356,400	18,048,300	0.33

## 10 largest shareholders

Name	No. of Class A shares	No. of Class B shares	Holding	Pctg. holding	Pctg. votes
Henrik Ekelund	816,000	3,172,034	3,988,034	22.1	44.0
Stefan af Petersens	37,800	2,306,795	2,344,595	13.0	10.4
Placeringsfond Småbolagsfond, Norden		1,442,671	1,442,671	8.0	5.6
Swedbank Robur Småbolagsfond Sverige		1,261,894	1,261,894	7.0	4.9
Lannebo Micro Cap.		1,015,000	1,015,000	5.6	3.9
Jonas Åkerman		913,809	913,809	5.1	3.6
Stefan Hellberg		901,994	901,994	5.0	3.5
Investment AB Öresund		814,788	814,788	4.5	3.2
Alecta Pensionsförsäkring		520,000	520,000	2.9	2.0
Länsförsäkringar Småbolagsfond		461,341	461,341	2.6	1.8
<b>Total for 10 largest shareholders</b>	<b>853,800</b>	<b>12,810,326</b>	<b>13,664,126</b>	<b>75.8</b>	<b>82.9</b>
Other shareholders	0	4,384,174	4,384,174	24.2	17.1
<b>Total</b>	<b>853,800</b>	<b>17,194,500</b>	<b>18,048,300</b>	<b>100.0</b>	<b>100.0</b>

# Five-Year Summary

## Income statement

### Consolidated income statements in summary

SEKm	2011	2010	2009	2008	2007
Net turnover	697.7	694.6	595.1	548.4	523.2
Operating expenses	-602.1	-592.2	-513.8	-466.2	-432.7
Depreciation of property, plant, and equipment	-4.0	-3.4	-3.2	-2.4	-2.2
Amortization of intangible assets	-2.4	-7.0	-8.3	-9.4	-10.1
<b>Operating profit</b>	<b>89.2</b>	<b>92.0</b>	<b>69.8</b>	<b>70.5</b>	<b>78.2</b>

## Balance sheet

### Consolidated balance sheets in summary

SEKm	2011	2010	2009	2008	2007
<i>Assets</i>					
Non-current assets	174.4	169.9	185.1	203.6	187.8
Accounts receivable	196.9	167.1	150.6	147.2	116.0
Other current assets	61.9	57.6	32.0	34.9	25.2
Cash and bank balances	84.4	88.4	75.4	65.9	67.5
<b>Total assets</b>	<b>517.6</b>	<b>483.0</b>	<b>443.1</b>	<b>451.5</b>	<b>396.4</b>
<i>Equity and liabilities</i>					
Equity	310.2	280.1	259.6	250.9	198.6
Non-controlling interests	-	-	-	-	-
Interest-bearing liabilities	9.3	28.0	52.5	81.9	62.9
Other non-interest-bearing liabilities	198.1	174.9	131.0	118.7	134.9
<b>Total equity and liabilities</b>	<b>517.6</b>	<b>483.0</b>	<b>443.1</b>	<b>451.5</b>	<b>396.4</b>

## Cash flow

### Consolidated cash flow in summary

SEKm	2011	2010	2009	2008	2007
Cash flow from operating activities	49.3	65.1	61.3	37.5	42.8
Cash flow from investing activities	-7.9	-4.6	-4.4	-28.5	-12.2
Cash flow from financing activities	-45.3	-44.4	-46.1	-16.0	-32.8
Cash and cash equivalents, start of year	88.4	75.4	65.9	67.5	72.1
<b>Cash flow for the year</b>	<b>3.9</b>	<b>16.1</b>	<b>10.8</b>	<b>-7.0</b>	<b>-2.2</b>
Translation differences in cash and cash equivalents	-0.1	-3.1	-1.3	5.4	-2.4
<b>Cash and cash equivalents, end of year</b>	<b>84.4</b>	<b>88.4</b>	<b>75.4</b>	<b>65.9</b>	<b>67.5</b>



**Financial ratios for the Group**

SEKm	2011	2010	2009	2008	2007
Net turnover	697.7	694.6	595.1	548.4	523.2
Operating profit (EBIT)	89.2	92.0	69.8	70.5	78.2
Operating margin (EBIT margin), %	12.8	13.2	11.7	12.8	14.9
Operating profit before amortization of intangible assets (EBITA)	91.6	99.0	78.1	79.8	88.3
Operating margin before amortization of intangible assets (EBITA margin), %	13.1	14.3	13.1	14.6	16.9
Profit margin, %	8.3	8.5	7.4	8.2	9.3
Earnings per share, SEK	3.20	3.28	2.45	2.50	2.71
Return on equity, %	19.6	22.0	17.3	19.9	26.1
Return on operating capital, %	26.1	40.3	27.8	30.6	41.4
Operating capital	222.6	219.7	236.7	266.9	193.9
Equity	310.2	280.1	259.6	250.9	198.6
Equity per share	17.2	15.5	14.4	13.9	11.0
Equity/assets ratio, %	60.0	58.0	58.6	55.6	50.1
Dividend per share, SEK	1.60 <sup>1</sup>	1.50	1.20	1.20	1.20
Cash flow	-3.9	16.1	10.8	-7.0	-2.2
Cash and cash equivalents	84.4	88.4	75.4	65.9	67.5
Number of employees at year-end	335	299	252	267	230
Average number of employees	325	276	260	249	211
Annual net turnover per employee	2.1	2.5	2.3	2.2	2.5

<sup>1</sup> Proposed dividend.

**Definitions****Operating margin**

Operating profit after amortization/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**

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

**Return on operating capital**

Operating profit as a percentage of average operating capital.

**Operating capital**

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

**Equity per share**

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

**Equity/assets ratio**

Equity as a percentage of the balance sheet total.

**Dividend per share**

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

**Annual net turnover per employee**

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

**Price/earnings ratio**

Price per share divided by earnings per share.

# Management Report

The Board of Directors and CEO of BTS Group AB (publ), corporate identity number 556566-7119, hereby submit their annual accounts and consolidated financial statements for the fiscal year 2011. The consolidated income statement and balance sheet as well as the Parent Company's income statement and balance sheet will be submitted to the Annual General Meeting for adoption.

## Operations

BTS Group AB is an international consulting firm active in learning and development. BTS uses customized simulation models to support executive management in executing change and improving profitability using customized simulation models. 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 measurable and sustainable profit growth. Most BTS clients are major corporations.

## Revenue and profit

BTS's net sales grew 0.4% during the year, to SEK 697.7 million (694.6). Adjusted for changes in exchange rates, revenues increased 9%.

Operating profit before amortization of intangible assets (EBITA) decreased 8% during the year, to SEK 91.6 million (99.0). SEK 2.4 million (7.0) was charged to 2010 operating profit for amortization of intangible assets attributable to acquisitions. Operating profit decreased 3% in 2011, to SEK 89.2 million (92.0).

The operating margin before amortization of intangible assets (EBITA margin) was 13% (14). The operating margin (EBIT margin) was 13% (13). Consolidated profit before tax for the year decreased 2%, to SEK 88.3 million (90.4), meeting the forecasts issued during the year.

Net sales for BTS's operations in North America totaled SEK 345.8 million (345.8) in 2010. Adjusted for changes in exchange rates, revenues increased 11%. Operating profit before amortization of intangible assets (EBITA) totaled SEK 58.7 million (69.4) for 2011. The operating margin before amortization of intangible assets (EBITA margin) was 17% (20).

Net sales for APG reached SEK 120.1 (141.7) in 2011. Adjusted for changes in exchange rates, revenues decreased 6%. Operating profit before amortization of intangible assets (EBITA) totaled SEK 4.7 million (4.3) for 2011. The operating margin before amortization of intangible assets (EBITA margin) was 4% (3).

Net sales for Europe totaled SEK 123.9 (119.1) in 2011. Adjusted for changes in exchange rates, revenues increased 9%. Operating

profit before amortization of intangible assets (EBITA) totaled SEK 11.7 million (10.6) for 2011. The operating margin before amortization of intangible assets (EBITA margin) was 9% (9).

Net sales for BTS's other markets totaled SEK 107.9 million (88.0) in 2011. Adjusted for changes in exchange rates, revenues increased 24%. Operating profit before amortization of intangible assets (EBITA) totaled SEK 16.5 million (14.7) for 2010. The operating margin before amortization of intangible assets (EBITA margin) was 15% (17).

## Financial position

At the end of the period, cash and cash equivalents were SEK 84.4 million (88.4). The Group's interest-bearing loans, attributable to previously completed acquisitions, totaled SEK 9.3 million (27.8) at the end of the period. Equity totaled SEK 310.2 million (280.1) at year-end, and the equity/assets ratio was 60% (58). BTS's cash flow from operating activities for the year was SEK 49.3 million (65.1).

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

The Board of Directors proposes that the 2012 Annual General Meeting does not change the guidelines for determining salaries and other compensation to the CEO and other senior executives. For the guidelines decided by the 2011 AGM, see Note 7.

## Employees

The number of employees in BTS Group AB at December 31, 2011 was 335 (299).

The average number of employees during the year was 325 (276).

## 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 Company's articles of association contain no restrictions on the transfer of shares. The Company has two shareholders, Henrik Ekelund and Stefan af Petersens, whose holdings each exceeded 10% of votes at year-end 2011. Some employees own shares in the Company, but the employees as a whole have no investment through any pension fund or the like. The Company is not aware of any agreements between shareholders that would restrict the right to transfer shares. Neither is there any agreement to which the Company is a party that would take effect, be changed, or cease to apply if control of the Company changed as a result of a public takeover bid.

### Parent Company

The activities of the Parent Company, BTS Group AB, consist exclusively of tasks internal to the Group. The assets of the Parent Company consist primarily of shares in subsidiaries and cash and cash equivalents. The Company's net sales totaled SEK 2.6 million (2.6), and profit after financial items SEK 22.1 million (34.4). Cash and cash equivalents were SEK 0.0 million (0.1).

### Outlook for 2012

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

### Market trends

The improved development in the US economy is favorably affecting demand in the US and the growth markets. The economic downturn in Europe has led to greater precaution by local companies in terms of investments. Global business organizations has a tendency to set up a long-term perspective, and continues to invest in the kind of services BTS offers.

### Information about risk and uncertainty

#### Market risks

##### *Sensitivity to economic conditions*

Training is sensitive to economic conditions. Cost-cutting programs and slower growth affect corporate training budgets. Similarly, economic recovery increases willingness to invest in training.

##### *Limited dependence on individual customers*

BTS's 10 largest customers accounted for 24% of its sales in 2011. By striving for a broad customer base, BTS limits its dependence on individual customers.

##### *No sector dominates*

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

##### *Geographical spread*

Most of BTS's sales in 2011 were in North America (67%), while Europe represented 18%, and other markets 15%. In recent years, BTS has enhanced its presence in markets in Asia, Australia, South Africa, and China, which in the long run will reduce dependency on North American and European markets.

##### *Fragmented competitive situation*

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

### Operational risks

#### *Quality and brands*

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

#### *Intellectual property*

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

#### *Securing human resources*

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

#### *Dependence on key personnel*

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

### Financial risks

Effective and systematic assessments of financial and commercial risks are vital to BTS. The Group's financial policy specifies guidelines and objectives for managing financial risks within the Group. Financing and risk management have been gathered under the Group finance function. The subsidiaries manage all foreign exchange dealings and credit to clients within the framework of a fixed policy. For details, see Note 2, Significant accounting policies, and Note 20, Financial instruments and financial risk management.

#### *Foreign exchange risks*

The currencies with the greatest impact on BTS's earnings are the U.S. dollar (USD), the euro (EUR), and the pound Sterling (GBP). The day-to-day exposure to fluctuations in exchange rates is limited, as

revenues and expenses are primarily in the same currency in each market. BTS does not normally hedge its foreign exchange exposure. The sensitivity analysis below shows the effects on operating profits of changes in the value of USD, EUR, and GBP in relation to the Swedish krona (SEK), when one of these currencies varies while the other rates are unchanged.

Exchange rate	Percentage change	Change, SEK thousands, full-year 2011
SEK/USD	+/-10%	+/-5,705
SEK/EUR	+/-10%	+/-1,009
SEK/GBP	+/-10%	+/-508

#### *Credit risks*

BTS only accepts creditworthy counterparties. BTS's accounts receivable are distributed among a large number of companies operating in different sectors. The maximum credit risk at year-end was SEK 15,975 thousand (19,511), which corresponds to the largest credit exposure to any single group.

#### **Multiple-year review**

Performance for the past five fiscal years is presented below.

SEK thousands	2011	2010	2009	2008	2007
Net turnover	697,730	694,650	595,062	548,370	523,161
Operating expenses	-602,116	-592,285	-513,755	-466,183	-432,693
Depreciation of property, plant, and equipment	-4,036	-3,342	-3,176	-2,369	-2,174
Amortization of intangible assets	-2,409	-6,981	-8,268	-9,356	-10,107
<b>Operating profit</b>	<b>89,169</b>	<b>92,042</b>	<b>69,863</b>	<b>70,462</b>	<b>78,187</b>
Operating margin, EBIT, %	13	13	12	13	15
Number of employees at year-end	335	299	252	267	230
Average number of employees	325	276	260	249	211
Net turnover per employee	2,147	2,517	2,289	2,202	2,479

#### Liquidity risk and interest rate risk

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

#### Events after the close of the fiscal year

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

#### Proposed appropriation of earnings Parent Company

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

	SEK
Profit brought forward	36,256,124
Profit for the year	22,273,511
<b>Total</b>	<b>58,529,635</b>

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

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

	SEK
To be distributed to shareholders: SEK 1.60 per share totaling	28,877,280
To be carried forward	29,652,355
<b>Total</b>	<b>58,529,635</b>

It is proposed that the dividend be paid on May 8, 2012.

The proposed dividend to shareholders will reduce the Parent Company's equity/assets ratio four percentage points, to 83%, and the Group's equity/assets ratio two percentage points, to 58%. The equity/assets ratio as well as the cash situation is considered satisfactory.

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

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

# Consolidated Income Statement

SEK thousands	NOTE	2011	2010
<b>Net turnover</b>	10	<b>697,730</b>	<b>694,650</b>
<i>Operating expenses</i>			
Other external expenses	3, 4, 5, 6	-281,319	-279,889
Employee benefit expenses	7	-320,798	-312,396
Depreciation of property, plant, and equipment and amortization of intangible assets	8, 9	-6,445	-10,323
<b>Total operating expenses</b>		<b>-608,562</b>	<b>-602,608</b>
<b>OPERATING PROFIT</b>	10	<b>89,168</b>	<b>92,042</b>
<i>Financial income and expense</i>			
Financial income	11	606	361
Financial expenses		-1,510	-1,986
<b>Total gain/loss on financial income and expense</b>		<b>-904</b>	<b>-1,625</b>
<b>PROFIT AFTER FINANCIAL INCOME AND EXPENSE</b>		<b>88,264</b>	<b>90,417</b>
Tax on profit for the year	12	-30,575	-31,180
<b>PROFIT FOR THE YEAR</b>		<b>57,689</b>	<b>59,237</b>
Profit for the year attributable to:			
Parent Company's shareholders		57,689	59,237
<b>Earnings per share</b> (profit for the year attributable to Parent Company shareholders)			
Basic earnings per share, SEK	13	3.20	3.28
No. of shares at year-end		18,048,300	18,048,300
Diluted earnings per share, SEK		3.16	3.25
Proposed dividend per share	14	1.60	1.50

# Consolidated Statement of Comprehensive Income

SEK thousands	NOTE	2011	2010
<b>PROFIT FOR THE YEAR</b>		<b>57,689</b>	<b>59 237</b>
<i>Other comprehensive income</i>			
Translation differences in equity	19	-867	-17 298
<b>Other comprehensive income for the year, net after tax</b>		<b>-867</b>	<b>-17 298</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>56,822</b>	<b>41 939</b>
portion attributable to Parent Company shareholders		56,822	41 939

# Consolidated Balance Sheet

SEK thousands	NOT	2011-12-31	2010-12-31
<b>ASSETS</b>			
<b>Non-current assets</b>			
<i>Intangible assets</i>			
Goodwill	8	142,478	140,167
Other intangible assets	8	12,555	14,196
<i>Property, plant, and equipment</i>			
Equipment	9	15,553	9,742
<i>Financial assets</i>			
Deferred tax assets	17	1,068	3,361
Other non-current receivables	20	2,775	2,408
<b>Total non-current assets</b>		<b>174,429</b>	<b>169,874</b>
<b>Current assets</b>			
<i>Current receivables</i>			
Accounts receivable	20	196,855	167,122
Tax assets		–	356
Other receivables	20	5,927	8,717
Prepaid expenses and accrued income	18	56,001	48,483
Total current receivables		258,783	224,678
Cash and cash equivalents		84,419	88,441
<b>Total current assets</b>		<b>343,202</b>	<b>313,119</b>
<b>TOTAL ASSETS</b>		<b>517,631</b>	<b>482,993</b>
<b>Pledged assets and contingent liabilities</b>	24, 25		



SEK thousands	NOTE	2011-12-31	2010-12-31
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	19		
Share capital		6,016	6,016
Other paid-in capital		39,547	39,547
Reserves		-32,513	-31,646
Retained earnings, including profit for the year		297,197	266,229
<b>Total equity</b>		<b>310,247</b>	<b>280,146</b>
<b>Non-current liabilities</b>			
Other liabilities	20	485	432
<b>Current liabilities</b>			
Accounts payable	20	18,111	23,324
Tax liabilities		13,747	2,855
Other current liabilities	20, 21	18,060	40,975
Accrued expenses and prepaid income	22	156,981	135,261
<b>Total current liabilities</b>		<b>206,899</b>	<b>202,415</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>517,631</b>	<b>482,993</b>
<b>Pledged assets and contingent liabilities</b>	23, 24		

# Consolidated Cash Flow Statement

SEK thousands	NOTE	2011	2010
<b>Operating activities</b>			
Operating profit		89,168	92,042
Adjustments for non-cash items			
Depreciation and amortization		6,445	10,309
Other items	16	351	1,311
Interest received	16	606	361
Interest paid	16	-1,436	-1,982
Foreign change losses	16	-74	-4
Tax paid for the year		-19,287	-26,262
<i>Cash flow from operating activities before changes in working capital</i>		<i>75,774</i>	<i>75,775</i>
<i>Cash flow from changes in working capital</i>			
Change in accounts receivable		-25,347	-24,797
Change in other operating receivables		-4,372	-3,750
Change in accounts payables and other operating liabilities		3,236	17,879
<i>Cash flow from changes in working capital</i>		<i>-26,483</i>	<i>-10,668</i>
<b>Cash flow from operating activities</b>		<b>49,291</b>	<b>65,107</b>
<b>Investing activities</b>			
Change in depositions	16	1,071	-459
Acquisition of property, plant, and equipment	9	-9,006	-4,117
<b>Cash flow from investing activities</b>		<b>-7,935</b>	<b>-4,576</b>
<b>Financing activities</b>			
Change in loans	16, 21	-18,208	-22,719
Dividends to shareholders		-27,072	-21,658
<b>Cash flow from financing activities</b>		<b>-45,280</b>	<b>-44,377</b>
<b>Cash flow for the year</b>		<b>-3,924</b>	<b>16,154</b>
Cash and cash equivalents, start of year		88,441	75,412
Exchange rate differences in cash and cash equivalents		-98	-3,125
<b>Cash and cash equivalents, end of year</b>		<b>84,419</b>	<b>88,441</b>

# Parent Company's Income Statement

SEK thousands	NOTE	2011	2010
<b>Net turnover</b>	3	<b>2,625</b>	<b>2,630</b>
<i>Operating expenses</i>			
Other external expenses	3, 4, 6	-1,465	-1,264
Employee benefit expenses	7	-972	-697
<b>Total operating expenses</b>		<b>-2,437</b>	<b>-1,961</b>
<b>OPERATING PROFIT</b>		<b>188</b>	<b>669</b>
<i>Financial income and expense</i>			
Gains/losses on other securities and receivables held as non-current assets	11	22,675	34,857
Interest income and similar profit/loss items		3	5
Interest expenses and similar profit/loss items		-754	-1,154
<b>Total gain/loss on financial income and expense</b>		<b>21,924</b>	<b>33,708</b>
<b>PROFIT AFTER FINANCIAL INCOME AND EXPENSE</b>		<b>22,112</b>	<b>34,377</b>
Tax on profit for the year	12	161	88
<b>PROFIT FOR THE YEAR</b>		<b>22,273</b>	<b>34,465</b>

## Parent Company's statement of comprehensive income

KSEK	NOTE	2011	2010
<b>PROFIT FOR THE YEAR</b>		<b>22,273</b>	<b>34,465</b>
Group contributions		2,900	1,000
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>25,173</b>	<b>35,465</b>

# Parent Company's Balance Sheet

SEK thousands	NOTE	12-31-11	12-31-10
<b>ASSETS</b>			
<b>Non-current assets</b>			
<i>Financial assets</i>	15		
Participations in Group companies		101,976	105,968
Receivables from Group companies		19,105	24,847
<b>Total non-current assets</b>		<b>121,081</b>	<b>130,815</b>
<b>Current assets</b>			
<i>Current receivables</i>			
Receivables from Group companies		–	5,538
Other receivables		6	6
Prepaid expenses and accrued income	18	52	114
Total current receivables		58	5,658
Cash and cash equivalents		–	118
<b>Total current assets</b>		<b>58</b>	<b>5,776</b>
<b>TOTAL ASSETS</b>		<b>121,139</b>	<b>136,591</b>

SEK thousands	NOTE	12-31-11	12-31-10
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	19		
<i>Restricted equity</i>			
Share capital		6,016	6,016
Statutory reserve		40,726	40,726
Total restricted equity		46,742	46,742
<i>Non-restricted equity</i>			
Retained earnings		36,256	27,076
Profit for the year		22,273	34,465
Total non-restricted equity		58,529	61,541
<b>Total equity</b>		<b>105,271</b>	<b>108,283</b>
<b>Current liabilities</b>			
Accounts payable		113	233
Liabilities to Group companies		5,980	–
Tax liabilities		57	18
Other current liabilities	21	9,330	27,620
Accrued expenses and prepaid income	22	388	437
<b>Total current liabilities</b>		<b>15,868</b>	<b>28,308</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>121,139</b>	<b>136,591</b>
<b>Pledged assets and contingent liabilities</b>	23, 24		

# Parent Company's Cash Flow Statement

SEK thousands	NOTE	2011	2010
<b>Operating activities</b>			
Operating profit		188	669
Financial income and expense	16	-750	-626
Tax paid for the year		-340	-175
<i>Cash flow from operating activities before changes in working capital</i>		-902	-132
<i>Cash flow from changes in working capital</i>			
Change in operating receivables		6,479	-3,202
Change in accounts payables and other operating liabilities		10,407	4,182
<i>Cash flow from changes in working capital</i>		16,886	980
<b>Cash flow from operating activities</b>		<b>15,984</b>	<b>848</b>
<b>Investing activities</b>			
Dividends received from subsidiaries		26,367	42,519
<b>Cash flow from investing activities</b>		<b>26,367</b>	<b>42,519</b>
<b>Financing activities</b>			
Group contributions		2,900	1,000
Changes in loans		-18,297	-22,720
Dividends to shareholders		-27,072	-21,658
<b>Cash flow from financing activities</b>		<b>-42,469</b>	<b>-43,378</b>
<b>Cash flow for the year</b>			
Cash and cash equivalents, start of year		118	129
<b>Cash and cash equivalents, end of year</b>		<b>0</b>	<b>118</b>

# Changes in Consolidated Equity

SEK thousands	Share capital	Other paid-in capital	Reserves	Retained earnings	Total equity
<b>Opening balance at January 1, 2010</b>	<b>6,016</b>	<b>39,547</b>	<b>-14,348</b>	<b>228,408</b>	<b>259,623</b>
<i>Comprehensive income</i>					
Profit for the year				59,237	59,237
Other comprehensive income					
Translation differences			-17,298		-17,298
<i>Total comprehensive income</i>	0	0	-17,298	59,237	41,939
<i>Transactions with shareholders</i>					
Share-based payments as per IFRS 2				242	242
Dividends to shareholders				-21,658	-21,658
<i>Total transactions with shareholders</i>	0	0	0	-21,416	-21,416
<b>Closing balance at December 31, 2010</b>	<b>6,016</b>	<b>39,547</b>	<b>-31,646</b>	<b>266,229</b>	<b>280,146</b>
<b>Opening balance at January 1, 2011</b>	<b>6,016</b>	<b>39,547</b>	<b>-31,646</b>	<b>266,229</b>	<b>280,146</b>
<i>Comprehensive income</i>					
Profit for the year				57,689	57,689
Other comprehensive income					
Translation differences			-867		-867
<i>Total comprehensive income</i>	0	0	-867	57,689	56,822
<i>Transactions with shareholders</i>					
Share-based payments as per IFRS 2				351	351
Dividends to shareholders				-27,072	-27,072
<i>Total transactions with shareholders</i>	0	0	0	-26,721	-26,721
<b>Closing balance at December 31, 2011</b>	<b>6,016</b>	<b>39,547</b>	<b>-32,513</b>	<b>297,197</b>	<b>310,247</b>

Also see Note 19 Equity.

# Changes in Parent Company Equity

SEK thousands	Share capital	Statutory reserve	Retained earnings	Profit for the year	Total equity
<b>Opening balance at January 1, 2010</b>	<b>6,016</b>	<b>40,726</b>	<b>32,128</b>	<b>16,629</b>	<b>95,499</b>
<i>Appropriation of earnings according to AGM</i>					
Transfer to retained earnings			16,629	-16,629	0
Dividends to shareholders			-21,659		-21,659
Share-based payments as per IFRS 2			-759		-759
Group contributions			1,000		1,000
Tax effect of Group contributions			-263		-263
Profit for the year				34,465	34,465
<b>Closing balance at December 31, 2010</b>	<b>6,016</b>	<b>40,726</b>	<b>27,076</b>	<b>34,465</b>	<b>108,283</b>
<b>Opening balance at January 1, 2011</b>	<b>6,016</b>	<b>40,726</b>	<b>27,076</b>	<b>34,465</b>	<b>108,283</b>
<i>Appropriation of earnings according to AGM</i>					
Transfer to retained earnings			34,465	-34,465	0
Dividends to shareholders			-27,072		-27,072
Share-based payments as per IFRS 2			-351		-351
Group contributions			2,900		2,900
Tax effect of Group contributions			-763		-763
Profit for the year				22,273	22,273
<b>Closing balance at December 31, 2011</b>	<b>6,016</b>	<b>40,726</b>	<b>36,256</b>	<b>22,273</b>	<b>105,271</b>

Also see Note 19 Equity.



# Notes to the Annual Report

## NOTE 1 – General information

The Parent Company is a public limited liability company registered and headquartered in Stockholm, Sweden, at Grevgatan 34, SE-114 53 Stockholm. The Parent Company is listed on NASDAQ OMX Stockholm. BTS uses customized simulation models to support executive management in executing change and improving profitability using customized simulation models. 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 measurable and sustainable profit growth. Most BTS clients are major corporations.

The annual report and consolidated financial statements were approved by the Board of Directors on March 23, 2012.

## NOTE 2 – Significant accounting policies

Amounts are stated in SEK thousands unless otherwise indicated.

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

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

The Group's accounting policies were applied consistently in reporting and consolidating the Parent Company and subsidiaries.

### New and amended IFRS applied by the Group from January 1, 2011

- IAS 1 (amendment) – Presentation of Financial Statements. This amendment clarifies that a company must present an analysis for each entry in other comprehensive income for each component of equity, either in the report on changes in equity or in the notes to the annual report.
- IAS 34, "Interim Financial Reporting". Provides guidance on how to apply the reporting principles in IAS 34, and provides additional reporting requirements concerning:
  - Situations that would probably affect the real value and classification of financial instruments
  - Transfers of financial instruments between different levels of the real value hierarchy,
  - Changes in the classification of financial assets, and
  - Changes in contingent liabilities and assets.

Information about IFRS, amendments and interpretations of existing standards not yet in effect

When the consolidated financial statements of December 31, 2011 were prepared, several standards and interpretations had been published that are mandatory for the Group's accounts and take effect on or after January 1, 2012.

The Group did not apply any standards in advance when preparing the consolidated financial statements for December 31, 2011.

Standards not yet in effect that could influence BTS's financial reporting upon implementation:

- IFRS 7, "Financial instruments: Disclosures". The amendment is intended to increase the transparency of disclosures of transfers of financial assets, and to increase the user's understanding of the risk exposure related to transfers of financial assets and how these transfers may affect a company's financial reports, especially transfers of financial assets that entail securitisation. It is permissible to apply this amendment in advance.
- IAS 1, "Presentation of financial statements". The most important change in the amended IAS 1 is the requirement to divide the entries reported in "other comprehensive income" into two groups in the presentation. The division is based on whether the entries could be reclassified for the income statement (reclassification adjustments) or not. The amendment does not consider the issue of which entries should be included in "other comprehensive income".

An assessment of other standards and interpretations has so far not found any impact on accounting or any need for further information.

### Consolidated financial statements

Subsidiaries are all of the companies (including special purpose entities) for which the Group is entitled to design financial and operational strategies as is customary with ownership of over half of the voting shares. When considering whether the Group will exercise control over another company, the existence and impact of potential voting rights which can currently be exercised or converted are taken into account. The Group also considers whether it exercises control over another company. The Group also considers whether it has control if it does not control shares amounting to over half of the voting rights, yet still has the ability to direct financial and operational strategies through de facto control. De facto control may arise in cases where the share of the Group's voting rights in relation to the size and distribution of the other shareholders' voting rights enable the Group to direct financial and operational strategies, etc.

Subsidiaries are included in the consolidated financial statements beginning on the date that control is transferred to the Group. They are excluded from the consolidated financial statements beginning on the date that control ceases.

The acquisition method is used for statements of the Group's business combinations. A subsidiary's purchase price consists of the fair value of the transferred assets, liabilities that the Group assumes from the previous owner of the acquired company, and the shares issued by the Group. The purchase price also includes the fair value of all the assets or liabilities that result from a contingent purchase price agreement. Identifiable acquired assets and assumed liabilities in a business combination are initially valued at fair value on the acquisition date.

For each acquisition – i.e. acquisition by acquisition – the Group determines whether its holdings in the acquired company that do not confer control are reported at fair value or as their proportional share of the reported value of the acquired company's identifiable net assets. Acquisition-related costs are expensed as they occur. If the business combination is completed in several stages, the previous equity shares in the acquired company are revalued to their fair value on the acquisition date. Any profit or loss that occurs is reported in the income statement. Each contingent purchase price to be transferred by the Group is recorded at fair value on the acquisition date. The subsequent changes in the fair value of a contingent purchase price that is classified as an asset or liability are recorded in accordance with IAS 39, either in the income statement or in other comprehensive income. A contingent purchase price that is classified as equity is not revalued, and the subsequent adjustment is recorded in equity. Goodwill is initially valued as the amount by which the total purchase price and the fair value of holdings that do not confer control exceed the fair value of the identifiable acquired assets and assumed liabilities. If the purchase price is lower than the fair value of the acquired company's net assets, the difference is recorded directly in the income statement.

Intragroup transactions, balance sheet items, income and costs of transactions between Group member companies are eliminated. Profits and losses that result from intragroup transactions that are recorded in assets are also eliminated. The accounting principles for subsidiaries have been amended where appropriate in order to guarantee the consistent application of the Group's principles.

Exchange rates for currencies relevant to the Group

	2011 average	December 31, 2011	2010 average	December 31, 2010
USD	6.50	6.92	7.21	6.80
EUR	9.03	8.94	9.55	9.00
GBP	10.41	10.68	11.13	10.55
AUD	6.70	7.03	6.61	6.92
SGD	5.16	5.32	5.29	5.26
ZAR	0.90	0.85	0.98	1.03

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

#### Income/Assignments in progress

Income is recognized on delivery of services to clients based on agreements signed. Sales are recognized net of value-added tax.

Income from completed customization/development assignments and the expenses attributable to these assignments are recognized as income and expenses, respectively, in proportion to the degree of completion of the assignment at end of the reporting period (percentage of completion method). The degree of completion of an assignment is determined by comparing the expenses paid up to the end of the reporting period with the estimated total expenses. If the outcome of a service assignment cannot be reliably calculated, the income from that assignment is recognized only to

the extent corresponding to the assignment expenses incurred that are likely to be covered by the client. Anticipated losses on assignments are recognized directly as expenses.

#### Research and development

Expenditure for customer-specific product development is expensed directly. Expenditure related to development projects (attributable to the development and testing of new or improved products) is capitalized as an intangible asset to the extent such expenditure can be expected to generate future economic benefits. The Company has not conducted any research or development as defined by IAS 38. The development normally conducted by BTS is customer-specific product development.

#### Employee benefits

##### Pensions

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

##### Share-based payment

BTS Group AB issued employee stock options to the Group's employees in 2009. The plan enables employees to acquire stock in the Company. The fair value of the allocated stock options is recognized as an employee benefit expense with a corresponding increase in equity. The fair value is calculated at the time of allocation and is distributed over the vesting period. The fair value of the allocated stock options is calculated using the Black and Scholes model and taking into consideration the conditions prevailing at the time of allocation. The cost recognized corresponds to the fair value of the estimated number of stock options and shares expected to be vested. Social security contributions attributable to share-based payments to employees as compensation for purchased services are expensed and distributed over the periods during which the services are performed. Provisions for social security contributions are based on the stock options' fair value at the time of the report. The fair value is calculated using the same valuation model and parameter values used when the stock options were issued.

#### Provisions

A provision is recognized when the Company has a legal or other obligation that it deems will need to be settled, the amount of which can be estimated reliably, and settlement is likely to require resources. Provisions are measured at the present value of what is judged to be required to settle the obligation. The calculation applies a pretax discount rate that reflects current market assessments of the time value of money and the risks associated with the obligation.

#### Borrowing

Borrowing expenses are charged to earnings for the period to which they refer, except if the funds were borrowed to acquire an asset, in which case borrowing expenses are included in the asset's acquisition cost.

Borrowings are recognized initially at the amount received less transaction costs. After the date of acquisition, the loan is measured at amortized cost as per the effective interest method. Non-current liabilities are liabilities with an anticipated duration longer than 12 months. All others are current liabilities.

#### **Income taxes**

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

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

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

#### **Segment reporting**

The Group's risks and opportunities are affected by its being active in different countries. BTS's operations are managed and reported by geographic market. BTS's operating segments consist of the operating units BTS North America, BTS Europe, and BTS Other Markets. Operations are managed and reported within the Group based on these segments. Each subsidiary's share of consolidated turnover is used as a weight for allocating Group-wide overhead.

#### **Leases and rental agreements**

When a lease entitles the Company as lessee to all financial benefits and risks attributable to the leased asset, the asset is recognized as a non-current asset in the balance sheet. The corresponding obligation to pay lease charges in the future is recognized as a liability. Assets are depreciated at a rate corresponding to their expected useful life.

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

#### **Property, plant, and equipment**

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

- Equipment and installations, 3–6 years.

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

#### **Intangible assets**

##### ***Goodwill***

Goodwill is initially valued as the amount by which the total purchase price and the fair value of holdings without control exceed the fair value of the identifiable acquired assets and assumed liabilities. If the purchase price is lower than the fair value of the acquired company's net assets, the difference is recorded directly in the income statement.

##### ***Products, technology, and software***

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

##### ***Franchise contracts***

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

##### ***Customer contracts***

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

##### ***Brands***

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

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

#### **Impairment**

When there are indications that the carrying amount of any property, plant, equipment, or intangible asset, exceeds its recoverable amount, an impairment test is performed. The recoverable amount is the higher of an asset's net realizable value and value in use. If it cannot be determined for an individual asset, the recoverable amount of the smallest cash-generating unit to which the asset belongs is calculated.

Each year the Group performs impairment tests on goodwill or brands as follows.

The recoverable amounts are based on value in use, calculated as the present value of future growth and earnings forecasts during multiple years, taking into account extrapolated cash flows beyond this multiyear period. Impairment tests are performed initially on the acquired cash-generating unit alone. If it transpires that the amount recognized exceeds the value in use of the unit, the test is performed on the segments to which goodwill has been allocated.

### **Critical estimates and judgments**

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

### ***Impairment tests on goodwill and intangible assets with indefinite useful life***

Each year the Group performs impairment tests on goodwill and intangible assets with indefinite useful life in accordance with the principle described above. Recoverable amounts for cash-generating units have been determined by calculating the value in use. Certain estimates must be made for these calculations; please see Note 8.

### ***Determination of additional consideration***

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

### **Financial instruments**

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

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

### ***Loan and accounts receivable***

Refers to non-derivative financial assets that are not listed on an active market but have payments that can be determined. These items are included in current assets unless due more than 12 months after the end of the reporting period, in which case they are recognized as non-current assets. BTS's loan and trade receivables are recognized at amortized cost using the effective interest method, less any provisions for impairment. The effective interest method distributes interest income and expenses over the relevant period. The effective interest is the interest rate that exactly discounts the estimated future receipts and disbursements to the financial asset's or liability's net carrying amount. Current receivables such as accounts receivable are deemed as nominal value and as reasonably approximate to their fair value, so they are not discounted to present value.

A provision is made for impairment of an account receivable when objective evidence indicates that BTS will not be able to secure payment of the entire amount due as per the original terms of the receivable. Significant financial difficulties of a debtor or the probability of the debtor declaring bankruptcy or undergoing a financial reconstruction are regarded as indications of the possible impairment of an account receivable. The size of the provision is based on the difference between the carrying amount of the asset and the estimated future cash flows. Provisions are made for doubtful accounts receivable after tests in each individual case.

### ***Cash and cash equivalents***

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

### ***Financial liabilities***

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

### **Transactions in foreign currencies**

Items in the financial statements for each Group company are measured in the currency used where that 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 measured at the exchange rate at the end of the reporting period, and any resulting differences are recognized in profit or loss. Exchange rate differences on operating receivables and liabilities are recognized in operating profit, while exchange rate differences attributable to financial assets and liabilities are recognized as financial income and expense.

### **Cash flow analysis**

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

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

## NOTE 3 – Transactions with related parties

The Parent Company has a close relationship with its subsidiaries; see Note 15.

### Group

#### Purchases and sales between Group companies

Market terms and conditions apply to the supply of services between subsidiaries. There have been no other transactions with related parties.

### Parent Company

Of the Parent Company's total purchasing expenses and sales income, 0% (0) of purchases and 100% (100) percent of sales refer to other Group companies. The value of these are shown in Note 10.

## NOTE 4 – Information about auditors' fees

### Fees and remuneration

SEK thousands	Group		Parent Company	
	2011	2010	2011	2010
<i>ÖhrlingsPricewaterhouseCoopers</i>				
Audit assignments	488	509	199	301
Other assignments		–	–	–
<i>Other auditors</i>				
Audit assignments	563	647	–	–
Other assignments	116	57	–	–
	<b>1,167</b>	<b>1,212</b>	<b>199</b>	<b>301</b>

## NOTE 5 – Leases and rental agreements

### Group

The Group has no financial leases. Expenses for operating leases totaled 19,160 (21,210) for the year. Future leasing and rental fees for operating leases are as follows.

	SEK thousands
2012	16,672
2013	11,512
2014	7,706
2015	6,876
2016	6,515
Later	2,041
<b>Total</b>	<b>51,322</b>

## NOTE 6 – Exchange rate differences in operating profit

SEK thousands	Group		Parent Company	
	2011	2010	2011	2010
Impact of exchange rate differences on operating profit	–1,748	49	–460	580

## NOTE 7 – Average number of employees, salaries, other compensation, social security contributions, etc.

### Average number of employees

#### Group

	2011		2010	
	Number of employees	Of which men	Number of employees	Of which men
<i>Subsidiaries</i>				
Sweden	32	23	35	22
Finland	4	4	5	4
Belgium	4	3	4	2
France	1	1		
Switzerland	1		1	
Spain	23	14	19	11
United Kingdom	26	15	20	13
The Netherlands	3	3	1	1
United States	165	105	146	88
Australia	18	14	16	14
Mexico	9	6	6	4
Brazil	3	2		
Singapore	7	4	4	3
South Africa	17	7	14	7
Japan	1	1		
South Korea	1	1		
Taiwan	3	1	1	1
China	3	1	2	1
Thailand	4	1	2	1
<b>Total for the Group</b>	<b>325</b>	<b>206</b>	<b>276</b>	<b>172</b>

### Distribution of senior executives by sex, %

	2011		2010	
	Women	Men	Women	Men
CEO and other senior executives (excl. the Board)	0	100	0	100
Board Parent Company	20	80	20	80
Board Group	8	92	8	92

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

### Parent Company

The Parent Company had no employees in 2011.

## Salaries, other compensation, and social security contributions Group

SEK thousands	2011		2010	
	Salaries and compensation	Social security contributions of which pension expenses	Salaries and compensation	Social security contributions of which pension expenses
Subsidiaries	273,752	37,181	264,942	30,528
		9,589		9,022

Pension expenses for employees who are president of or a member of the board of a Group company totaled 1,917 (1,915). All pension plans are defined-contribution plans.

### Parent Company

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

SEK thousands		2011	2010
Michael Grindfors	Chairman of the Board	275	275
Mariana Burenstam Linder	Member	125	125
Stefan Gardefjord	Member	170 <sup>1</sup>	170 <sup>1</sup>
Dag Sehlin	Member	170 <sup>1</sup>	170 <sup>1</sup>
<b>Total</b>		<b>740</b>	<b>740</b>

<sup>1</sup> of which committee fee 45 (45)

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

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

SEK thousands	2011		2010	
	Board and CEO	Other employees	Board and CEO	Other employees
<b>In Sweden</b>				
Parent Company	740	–	740	–
Subsidiaries	3,415	18,085	3,302	19,989
<b>Total Sweden</b>	<b>4,155</b>	<b>18,085</b>	<b>4,042</b>	<b>19,989</b>
<b>Outside Sweden</b>				
United States	8,575	166,893	10,827	172,414
Europe	10,444	25,636	11,201	23,054
Other	4,287	35,677	4,026	19,390
<b>Total outside Sweden</b>	<b>23,306</b>	<b>228,206</b>	<b>26,054</b>	<b>214,857</b>
<b>Total for the Group</b>	<b>27,461</b>	<b>246,291</b>	<b>30,096</b>	<b>234,846</b>

## Terms of employment and compensation for senior executives

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

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

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

The Board is entitled to deviate from the above policies in individual cases under special circumstances. The Board intends to propose to the AGM that the policies remain unchanged in 2012.

### Compensation and benefits

"Other senior executives" refers to the two (two in 2009) people who, with the CEO, constitute the Group management team. The sum includes basic salary, other benefits, variable compensation, and pension expenses.

Other benefits consist exclusively of company cars. The sum total of compensation paid to senior executives was 14,570 (16,391), of which pension expenses were 1,402 (1,390). All pension plans are defined-contribution plans.

The CEO Henrik Ekelund was paid salary and other benefits totaling 4,379 (4,352), including 1,243 (1,398) in variable compensation. Variable compensation is calculated using a model that triggers payment when Group earnings exceed predefined profitability targets. The CEO has a defined-contribution pension entitlement equal to 25% (25) of his fixed salary, paid in the form of pension insurance entitling the CEO to a pension from the age of 65.

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

Other senior executives have been paid salaries and other benefits totaling 8,789 (10,648), of which variable remuneration was 4,640 (6,301). Variable compensation is based on targets achieved by the Company and the individual. Provisions to pensions are made individually at 13%–20% of the fixed salary and paid in the form of pension insurance entitling the executive to a pension from the age of 65.

## Share-based payment

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

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

A maximum of 50,000 employee stock options per person may be allocated to senior executives, and a maximum of 25,000 per person to other employees. No more than 150 people in all may be allocated employee stock options. No options shall be allocated to Board members elected by the AGM who are not employees of the Company or any other Group company or to the CEO of the Parent Company. To be allocated 2009 employee stock options, an employee must waive all rights to options allocated in the 2006/2010 program, which are thus forfeited in full.

The 2009/2013 employee stock option plan is as extensive overall as the 2006/2010 plan and comprises 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 an employee entitles the holder to acquire one Class B share in BTS at an exercise price of SEK 37.70. Each employee stock option is valid for four years. The options have vesting conditions, such that a portion can be exercised each of the three years following allocation. Normally one-third of the total number allocated vests each year, provided that certain financial goals set by the Company's Board have been attained. For all employee stock options in any particular year to be exercisable, the Company's Board has determined that the operating margin before amortization of intangible assets (EBITA margin) must be no less than 14% in that year. If the EBITA margin falls short of 14%, fewer options can be exercised. If the EBITA margin falls short of 10%, none can be exercised. Employee stock options that cannot be exercised are forfeited.

Holders must be employed by the Company when they exercise their stock options, which can be done after the options have been vested, from September 1, 2010, through June 30, 2013, inclusive.

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

	2011		2010	
	Average exercise price per share, SEK	Options (thousands)	Average exercise price per share, SEK	Options (thousands)
At January 1	37.70	737	37.70	779
Allocated	–	–	–	–
Forfeited	37.70	–66	37.70	–42
At December 31	37.70	671	37.70	737

The value of the employee stock options was calculated using the Black and Scholes model based on the share price and other market conditions at August 31, 2009, without taking into account vesting limitations.

Considering the performance conditions and assuming annual staff turnover of 5%, the accounting charge was estimated at a total of SEK 1.6

million, which is being expensed in annual installments over the vesting period as per IFRS 2. The expense for the fiscal year was 759 (405). Other important parameters in the model include the volume-weighted share price paid on the 10 trading days preceding allocation (SEK 29.00), the exercise price stated above, volatility of 33%, the anticipated dividend of SEK 1.20, and risk-free interest rates of 1.28%, 1.56%, and 1.85% for maturities of 2.5, 3.0, and 3.5 years, respectively.

Social security contributions will be recognized as expenses during the vesting period. During the vesting period, provisions for social security contributions will be accumulated as necessary. The amounts for these provisions and thus the expense recognized will be remeasured continuously based on changes in the value of the employee stock options. The employee stock options allocated to U.S. employees may be incentive stock options (ISOs), so that under current legislation they will not be subject to social security contributions.

To be able to carry out the employee stock option plan in a cost-effective and flexible manner and to cover future expenses (mainly social security contributions), the AGM of April 29, 2009, also approved a private placement of warrants with the wholly owned Swedish subsidiary BTS Sverige AB, corp. id. no. 556566-7127. These warrants entitle BTS Sverige AB to subscribe for a maximum of 943,500 Class B shares, with the company having the right and obligation to transfer or in some other way dispose of the warrants in order to secure the obligations of the Company or of another company employing people in the employee stock option plan to cover any resulting future expenses.

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 of no more than approximately 5% of the share capital and no more than approximately 4% of the number of votes for all shares.

## NOTE 8 – Intangible assets

### Group

#### Goodwill

SEK thousands	12-31-11	12-31-10
Accumulated acquisition cost, opening balance	140,167	151,787
Impairments	–	–3,726
Translation difference	2,311	–7,894
Accumulated acquisition cost, closing balance	142,478	140,167
<b>Carrying amount, closing balance</b>	<b>142,478</b>	<b>140,167</b>

#### Other intangible assets

SEK thousands	12-31-11	12-31-10
<i>Franchise contracts</i>		
Accumulated acquisition cost, opening balance	8,410	8,917
Translation difference	150	–507
Accumulated acquisition cost, closing balance	8,560	8,410
Accumulated amortization, opening balance	2,394	1,945
Amortization for the year	595	595
Translation difference	19	–146
Accumulated amortization, closing balance	3,008	2,394
<b>Carrying amount, closing balance</b>	<b>5,552</b>	<b>6,016</b>

SEK thousands	12-31-11	12-31-10
<i>Customer contracts</i>		
Accumulated acquisition cost, opening balance	3,588	4,300
Translation difference	18	–712
Accumulated acquisition cost, closing balance	3,606	3,588
Accumulated amortization, opening balance	1,499	1,702
Amortization for the year	587	361
Translation difference	–469	–564
Accumulated amortization, closing balance	1,617	1,499
<b>Carrying amount, closing balance</b>	<b>1,989</b>	<b>2,089</b>

SEK thousands	12-31-11	12-31-10
<i>Brands</i>		
Accumulated acquisition cost, opening balance	9,189	10,297
Translation difference	131	–1,108
Accumulated acquisition cost, closing balance	9,320	9,189
Accumulated amortization, opening balance	3,098	2,480
Amortization for the year	1,228	758
Translation difference	–20	–140
Accumulated amortization, closing balance	4,306	3,098
<b>Carrying amount, closing balance</b>	<b>5,014</b>	<b>6,091</b>
<b>Total closing balance, carrying amount of other intangible assets</b>	<b>12,555</b>	<b>14,196</b>

#### Impairment tests

Goodwill and other intangible assets are allocated among the cash-generating units expected to benefit from the synergies of business acquisitions. The recoverable amounts are based on the value in use, calculated as the present value of future growth and earnings forecast for four years, and on cash flows extrapolated beyond that four-year period. Impairment tests are performed initially on the acquired cash-generating unit alone. If it transpires that the amount recognized exceeds the value in use of the unit, the test is performed on the primary segments to 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 determined based on previous performance and expectations of future market trends. To extrapolate cash flows beyond the budget period, a growth rate of 3%–5% (3%–5%) was assumed, which is judged to be a conservative estimate. Also, an average discount rate in local currency after tax was used for the calculations. On the whole, the discount rate used is in the interval 8.9%–10.3% (8.4%–9.8%).

Following impairment tests and sensitivity analyses, no impairment was indicated at December 31, 2011.



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

- If the estimated operating margin was 10% (10%) less than the basic assumption, the overall recoverable amount would decrease 11% (11%).
- If the estimated growth rate for extrapolating cash flows beyond the budget period was 10% less than the basic assumption of 3%–5%, the overall recoverable amount would decrease 4% (5%).
- If the estimated weighted cost of capital used for the discounted cash flows for the Group was 10% more than the basic assumption of 8.9%–10.3% (8.4%–9.8%), the overall recoverable amount would decrease 15% (15%).

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

#### Distribution of goodwill and other intangible assets by segment

##### Group

SEK thousands 12-31-11	North America	Europe	Other markets	Total
Goodwill	132,328	6,912	3,238	142,478
Franchise contracts	5,552			5,552
Customer contracts	1,989			1,989
Brands	5,014			5,014
<b>Total</b>	<b>144,883</b>	<b>6,912</b>	<b>3,238</b>	<b>155,033</b>

SEK thousands 12-31-10	North America	Europe	Other markets	Total
Goodwill	130,017	6,912	3,238	140,167
Franchise contracts	6,016	–	–	6,016
Products, technology, and software	0	–	–	0
Customer contracts	2,089	–	–	2,089
Brands	6,091	–	–	6,091
<b>Total</b>	<b>144,213</b>	<b>6,912</b>	<b>3,238</b>	<b>154,363</b>

## NOTE 9 – Property, plant, and equipment

### Group

#### Equipment

SEK thousands	12-31-11	12-31-10
Accumulated acquisition cost, opening balance	27,617	26,258
Purchases	9,006	4,117
Disposals	–400	–1,604
Translation difference	426	–1,154
Accumulated acquisition cost, closing balance	36,649	27,617
Accumulated depreciation, opening balance	17,875	17,084
Disposals	–364	–1,604
Depreciation for the year	4,036	3,342
Translation difference	–451	–947
Accumulated depreciation, closing balance	21,096	17,875
<b>Carrying amount, closing balance</b>	<b>15,553</b>	<b>9 742</b>

## NOTE 10 – Segment reporting

### Group

The Group's operations are managed and reported by geographic market, based on the location of the main operating unit. BTS's operating segments consist of the operating units BTS North America, BTS Europe, and BTS Other Markets, which mainly develop and deliver the solutions sold in each market. Operating units invoice one another for services based on time expended and on market terms.

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

SEK thousands	North America		Europe		Other markets		Eliminations & unallocated		Group	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
<b>Income</b>										
External sales	465,889	487,497	123,963	133,679	107,878	73,474			697,730	694,650
Internal sales	18,765	10,816	39,065	44,836	14,065	11,663	-71,895	-67,315	0	0
<b>Total income</b>	<b>484,654</b>	<b>498,313</b>	<b>163,028</b>	<b>178,515</b>	<b>121,943</b>	<b>85,137</b>	<b>-71,895</b>	<b>-67,315</b>	<b>697,730</b>	<b>694,650</b>
Operating profit	60,999	70,530	11,698	10,243	16,472	11,270			89,168	92,042
Financial income							606	361	606	361
Financial expenses							-1,510	-1,986	-1,510	-1,986
Tax on profit for the year							-30,575	-31,180	-30,575	-31,180
<b>Profit for the year</b>									<b>57,689</b>	<b>59,237</b>
<b>Other information</b>										
Assets	396,565	341,742	75,252	108,412	49,467	32,619	347	220	521,631	482,993
Liabilities	154,736	136,400	40,030	26,974	13,465	13,873	-848	25,600	207,383	202,847
Investments	5,348	2,319	1,336	1,264	1,251	993			7,935	4,576
Depreciation of property, plant, and equipment	2,161	1,636	845	895	1,030	833			4,036	3,364
Amortization of intangible assets	2,409	3,233	-	3,726	-	-			2,409	6,959

## NOTE 11 – Financial income and expense

### Group

SEK thousands	2011	2010
Interest income	606	361
Foreign exchange losses	-74	-4
	532	357
Interest expenses	-1,436	-1,982
<b>Total gain/loss on financial income and expense</b>	<b>-904</b>	<b>-1,625</b>

### Parent Company

SEK thousands	2011	2010
<b>Gains/Losses on other securities and receivables held as non-current assets</b>		
Dividends from subsidiaries	26,366	42,514
Interest income from subsidiaries	410	531
Impairment loss on loan in subsidiary	-	-3,997
Impairment of shares in subsidiary	-3,641	-4,187
Foreign exchange losses	-460	-4
	22,675	34,857
Interest income and similar profit/loss items	3	5
Interest expenses and similar profit/loss items	-754	-1,154
<b>Total gain/loss on financial income and expense</b>	<b>21,924</b>	<b>33,708</b>

## NOTE 12 – Tax on profit for the year

Group		
SEK thousands	2011	2010
Current tax for the year	-30,575	-31,180
<b>Total</b>	<b>-30,575</b>	<b>-31,180</b>

Parent Company		
SEK thousands	2011	2010
Current tax for the year	-602	-175
Tax effect of Group contributions	763	263
<b>Total</b>	<b>161</b>	<b>88</b>

Deferred tax consists of temporary differences between the carrying amount and tax base of intangible assets.

### Reconciliation of effective tax

Group		
SEK thousands	2011	2010
Profit before tax	88,265	90,417
Tax expense based on Swedish income tax rates	-23,213	-23,780
Effects of different tax rates	-8,342	-9,331
Non-deductible expenses	-2,128	-2,974
Non-taxable income	3,961	6,916
Tax attributable to previous years	-853	-2,011
Effective tax recognized	-30,575	-31,180
<i>Effective tax rate</i>	34.6%	34.5%

Parent Company		
SEK thousands	2011	2010
Profit before tax	22,112	34,377
Tax expense based on Swedish income tax rates	-5,815	-9,041
Dividends from subsidiaries	5,976	11,281
Impairment loss on loan in subsidiary	-	-2,152
Effective tax recognized	161	88
<i>Effective tax rate</i>	-0.7%	-0.3%

## NOTE 13 – Earnings per share

### Group

#### Basic earnings per share

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

	2011	2010
Profit for the year attributable to Parent Company shareholders, SEK thousands	57,689	59,237
Average number of shares, basic (thousands)	18,048	18,048
Basic earnings per share, SEK	3.20	3.28

#### Diluted earnings per share

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.

	2011	2010
Profit for the year attributable to Parent Company shareholders, SEK thousands	57,689	59,237
Average number of shares, diluted (thousands)	18,279	18,219
Diluted earnings per share, SEK	3.16	3.25

The average price of common stock during 2011 was SEK 55.2 per share, which exceeded the present value of the exercise price for the options, thus resulting in potential dilution of 230,360 shares.

## NOTE 14 – Dividend per share

Dividends paid in 2011 totaled SEK 27,072 thousand (SEK 1.50 per share). Dividends for 2010 totaled SEK 21,658 thousand (SEK 1.20 per share). At the AGM to be held April 27, 2012, a dividend for fiscal 2011 of SEK 1.60 per share, totaling SEK 28,877 thousand, will be proposed. The proposed dividend was not recognized as a liability in these financial statements.

## NOTE 15 – Financial assets

### Participations in Group companies

#### Parent Company

SEK thousands	No. of shares	Pctg. equity	Carrying amount 12-31-11	Carrying amount 12-31-10
Parent Company holdings				
BTS Sverige AB Corp. id. no. 556566-7127 Domicile: Stockholm	5,000	100	7,456	7,565
BTS USA, Inc. Corp. id. no. 06-1356708 Domicile: Connecticut	1,000	100	77,430	77,636
BTS in London Ltd. Corp. id. no. 577 1376 13 Domicile: London	5,000	100	6,833	6,833
Business Training Systems AS Corp. id. no. 957 694 187 Domicile: Oslo	100	100	94	94
Catalysts for profitability and growth Ltd Corp. id. no. 1998/010779/07 Domicile: Centurion	1,000	100	1	1
BTS Finland AB Corp. id. no. 556583-1673 Domicile: Stockholm	1,000	100	100	100
BTS Australasia Pty Ltd Corp. id. no. 099 066 501 Domicile: Sydney	45,050	100	0	3,914
BTS Asia Pacific PTE Ltd Corp. id. no. 20081146Z Domicile: Singapore	50,000	100	238	-
Business Training Solutions S.L. Corp. id. no. B95138160 Domicile: Bilbao	1,031	100	7,911	7,911
BTS Management SA Corp. id. no. 01 73.802 11 Domicile: Geneva	1,000	100	673	673
Business Game Factory Oy Corp. id. no. 1807788-2 Domicile: Helsinki	90,750	100	654	654
BTS Brussels NV Corp. id. no. 878.155.648 Domicile: Brussels	620,000	100	587	587
<b>Total shares in subsidiaries</b>			<b>101,976</b>	<b>105,968</b>
Acquisition cost, opening balance			105,968	110,914
Share-based payments as per IFRS 2			-351	-759
Investments/Acquisitions			273	-
Impairments			-3,914	-4,187
<b>Closing acquisition cost</b>			<b>101,976</b>	<b>105,968</b>

### Parent Company

SEK thousands	12-31-11	12-31-10
<i>Receivables from Group companies</i>		
Carrying amount, opening balance	24,847	41,111
<i>Change for the year</i>		
Repayments	-5,282	-15,143
Translation differences	-460	-1,121
<b>Carrying amount, closing balance</b>	<b>19,105</b>	<b>24,847</b>

### NOTE 16 – Cash flow information

#### Group

SEK thousands	2011	2010
<i>Other items</i>		
Share-based payments as per IFRS 2	351	759
Exchange rate differences recognized directly in equity	-	552
<b>Total</b>	<b>351</b>	<b>1,311</b>

SEK thousands	Group		Parent Company	
	2011	2010	2011	2010
<i>Financial income and expense</i>				
Interest income	606	361	464	522
Foreign exchange losses	-74	-4	-460	-4
	532	357	4	518
Interest expenses	-1,436	-1,982	-754	-1,144
<b>Total</b>	<b>-904</b>	<b>-1,625</b>	<b>-750</b>	<b>-626</b>

SEK thousands	2011	2010
<i>Investing activities</i>		
Paid depositions	1,071	-459
<b>Total</b>	<b>1,071</b>	<b>-459</b>

Refers to rental deposits.

### NOTE 17 – Deferred tax assets and liabilities

#### Group

SEK thousands	12-31-11	12-31-10
Deferred tax assets that can be applied within 12 months	1,068	899
Deferred tax assets that can be applied after more than 12 months	-	2,462
<b>Total deferred tax assets</b>	<b>1,068</b>	<b>3,361</b>

No deferred tax liabilities were recognized for temporary differences attributable to shares or 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 18 – Prepaid expenses and accrued income

#### Group

SEK thousands	12-31-11	12-31-10
Accrued income	35,387	31,874
Prepaid rent	2,824	1,300
Other items	17,790	15,309
<b>Total</b>	<b>56,001</b>	<b>48,483</b>

#### Parent Company

SEK thousands	12-31-11	12-31-10
Other items	52	114

### NOTE 19 – Equity

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

The equity in all Group companies that have a functional currency different from the reporting currency is translated into the reporting currency (SEK). Translation differences arise if the SEK exchange rate for a functional currency at the end of the period is different from its rate at the start of the period. These translation differences have no effect on taxes. Closing accumulated translation differences recognized directly in equity totaled -18,165. Opening accumulated differences totaled -17,298.

## NOTE 20 – Financial instruments and financial risk management

### Policies for financing and financial risk management

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

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

### Fair value of financial assets and liabilities

#### Group

SEK thousands	12-31-11	12-31-10
Other non-current receivables	2,775	2,408
Accounts receivable	196,855	170,078
Provisions for doubtful accounts receivable	–	–2,956
Other current receivables	2,270	8,446
Cash and cash equivalents	84,419	88,441
<b>Total financial assets</b>	<b>286,319</b>	<b>266,417</b>
Other non-current liabilities	485	297
Accounts payable	18,111	23,324
Other current liabilities	41,466	55,097
<b>Total financial liabilities</b>	<b>60,062</b>	<b>78,718</b>

### Financial assets

#### Loan and accounts receivable

During the year, BTS held no non-derivative financial assets with payments that can be determined and that were not listed on an active market.

Other non-current receivables chiefly consist of rental deposits and interest-bearing financial claims on various counterparts. Rental deposits have a maturity corresponding to their respective leases.

Accounts receivable denominated in foreign currencies are measured at the closing rate. Accounts receivable in the BTS North America operating unit constitute 59% (46) of the Group's total accounts receivable. The table below shows the distribution of accounts receivable by currency.

#### Group

SEK thousands	12-31-11	12-31-10
SEK	4,339	14,405
USD	132,012	96,551
GBP	18,899	24,737
EUR	14,901	10,802
Other currencies	26,704	20,626
<b>Total accounts receivable</b>	<b>196,855</b>	<b>167,121</b>

Accounts receivable are recognized after deductions for doubtful and uncollectible debts. Provisions are made for doubtful receivables after testing in each individual case. During the year, credit losses on accounts receivable had an impact of 0 (645) on earnings.

At December 31, 2011, accounts receivable totaling 23,113 (21,607) were more than 30 days past due; this excludes accounts receivable for which provisions had been made. The structure of due dates is shown in the table below.

#### Group

SEK thousands	12-31-11	12-31-10
Total accounts receivable	196,855	167,121
more than 30 days overdue	12,865	12,390
more than 60 days overdue	10,243	9,217

#### Cash and cash equivalents

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

### Financial liabilities

Financial liabilities held during the year are measured at the amortized cost using the effective interest method.

Other non-current liabilities consist of interest-bearing loans. These loans consist of non-current and current parts, where the non-current part has more than 12 months to maturity.

Accounts payable are deemed reasonably approximate to their fair value, so they are not discounted to present value. All accounts payable fall due within 12 months.

Other current liabilities chiefly consist of the Group's bank overdraft facility (attributable to acquisitions previously completed) totaling 9,312 (27,814).

The company considers liquidity risk to be extremely limited, since its acquisition loans are long term, while incoming payments from customers exceed outgoing payments to suppliers by a wide margin.

### Foreign exchange risk

The Group is exposed to foreign exchange risks associated with the translation of foreign subsidiaries, thus influencing profit and equity in the Group. The currencies that have the greatest influence are USD, EUR, and GBP. Transaction exposure is limited, because revenues and expenses are primarily denominated in the same currency in each market. BTS does not normally hedge its foreign exchange exposure. The sensitivity analysis below shows the effects on operating profits based on BTS's 2011 income statement and should only be seen as an indication of the significance of the different currencies.

Exchange rate	Percentage change	Change, SEK thousands, full-year 2011
SEK/USD	+/-10%	5,705
SEK/EUR	+/-10%	1,009
SEK/GBP	+/-10%	508

### Credit risk

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

The maximum credit risk at year-end was 15,975 (19,511), which corresponds to the largest credit exposure to any single group.

### Liquidity risk and interest rate risk

BTS manages liquidity risk by maintaining sufficient cash and cash equivalents and 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. The sensitivity analysis below shows the increase and decrease in interest expense resulting from a change in the market interest rate.

	Percentage change in market interest rate	Change in interest expense 2011, SEK thousands
Interest on bank overdraft facility	+/- 10%	75

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

### Group

SEK thousands	12-31-11	12-31-10
Cash and cash equivalents	84,419	88,441
Unutilized portion of bank overdraft facility	25,258	27 036
Cash and cash equivalents available	109,677	115 477

### Managing capital risk

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

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

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

## NOTE 21 – Bank overdraft facility

Group		
SEK thousands	12-31-11	12-31-10
Approved credit limit	34,570	54,850
Unutilized portion	-25,258	-27,036
Credit utilized	9,312	27,814

### Parent Company

SEK thousands	12-31-11	12-31-10
Approved credit limit	19,377	39,748
Unutilized portion	-10,065	-12,139
Credit utilized	9,312	27,609

## NOTE 22 – Accrued expenses and prepaid income

Group		
SEK thousands	12-31-11	12-31-10
Accrued salaries	59,817	55,622
Accrued social security contributions	2,132	1,704
Prepaid income	67,549	57,345
Other items	27,483	20,590
<b>Total</b>	<b>156,981</b>	<b>135,261</b>

### Parent Company

SEK thousands	12-31-11	12-31-10
Other items	388	437

## NOTE 23 – Pledged assets

Group		
SEK thousands	12-31-11	12-31-10
<i>Assets pledged for debts to credit institutions</i>		
Company mortgages	10,000	10,000

## NOTE 24 – Contingent liabilities on behalf of Group companies

### Parent Company

SEK thousands	12-31-11	12-31-10
Guarantee commitments on behalf of subsidiaries	3,894	3,823



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

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

The consolidated income statement and balance sheet as well as the Parent Company's income statement and balance sheet will be submitted for adoption to the Annual General Meeting of April 27, 2012.

Stockholm, Sweden, March 23, 2012

Michael Grindfors  
Chairman of the Board

Henrik Ekelund  
Chief Executive Officer

Mariana Burenstam Linder

Stefan Gardefjord

Dag Sehlin

Our audit report was submitted on March 23, 2012  
Öhrlings PricewaterhouseCoopers AB

Magnus Thorling  
Authorized Public Accountant / Managing Auditor

# Audit Report

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

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

We have audited the annual accounts and consolidated accounts of BTS Group AB (publ) for the year 2011. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 56–85.

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

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts and consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

### *Auditor's responsibility*

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

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

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

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

### *Opinions*

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2011 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act, and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2011 and of their financial performance and cash flows in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

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

In addition to our audit of the annual accounts and consolidated accounts, we have examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of BTS Group AB (publ) for the year 2011.

#### *Responsibilities of the Board of Directors and the Managing Director*

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

#### *Auditor's responsibility*

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

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

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated

accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

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

#### *Opinions*

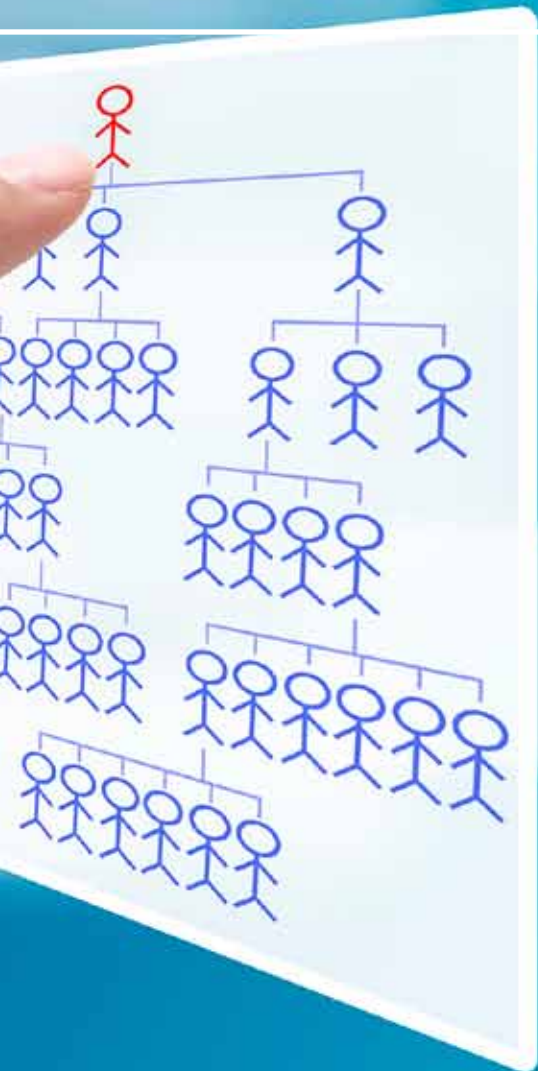
We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Stockholm, March 23, 2012  
Öhrlings PricewaterhouseCoopers AB

Magnus Thorling  
Authorized Public Accountant



# Governance and management



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# 2011 Corporate Governance Report

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

The Swedish Code of Corporate Governance (the Code) is a set of rules and regulations for listed companies and complements legislation, companies' own articles of association, and other rules by specifying a norm for good corporate governance. The Code deals with the systems and corporate and decision-making bodies through which owners directly or indirectly control their company and is intended to safeguard the investments of shareholders and the assets of a group as well as to insure that the financial information provided by a company is reliable. Any deviations from the Code are explained in the pertinent section.

This corporate governance report does not constitute a part of the formal financial statements and has not been reviewed by the Company's auditors.

## Corporate governance structure

The corporate bodies of BTS Group AB comprise the following.

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

## Shareholders

The total number of shares outstanding is 18,048,300, consisting of 853,800 Class A and 17,194,500 Class B shares. Each Class A share entitles the holder to ten votes per share, each Class B one vote per share.

At December 31, 2011, BTS Group AB had approximately 761 shareholders. The ten largest shareholders had total shareholdings corresponding to 75.8% of shares and 82.9% of votes. A list of the largest shareholders is found on page 51 of the annual report.

## Annual General Meeting

BTS's highest decision-making body is the Annual General Meeting (AGM). Notice of the AGM shall be published no earlier than six weeks and no later than four weeks before the AGM and shall appear in Post och Inrikestidningar and Svenska Dagbladet. All shareholders entered in the share register on the record date who have notified the Company in time of their intention to participate in the AGM may do so.

Shareholders unable to attend can be represented by proxy.

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

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

## 2011 Annual General Meeting

The 2011 AGM was held on Thursday, May 5, 2011, at the Company's offices in Stockholm. Twentytwo shareholders attended, representing 66.4% of the number of shares outstanding and 76.4% of the votes. All members of the Board and the Company's auditor participated in the AGM. Decisions made included the following.

- The income statement and balance sheet and the consolidated income statement and balance sheet for fiscal 2010 were adopted.
- The proposed dividend of SEK 1.50 per share was approved.
- The Board of Directors and CEO were discharged from liability for management during the fiscal year as recommended by the auditors.
- A total of SEK 650,000 in fees was approved to be paid to members of the Board who receive no salary from the Company or any subsidiary, of which SEK 275,000 shall be paid to the Chairman and SEK 125,000 each to other members. For work on Board committees, fees totaling SEK 90,000 shall be paid.
- Auditors' fees were approved to be paid based on approved invoices.
- Mariana Burenstam Linder, Henrik Ekelund, Stefan Gardefjord, Michael Grindfors and Dag Sehlin were re-elected to the Board for the period until the next AGM. Michael Grindfors was elected Chairman of the Board.
- Instructions for the nominating committee, such that the committee be made up of representatives from the two shareholders controlling the most votes, based on Euroclear Sweden AB's data at September 30, 2011, and the Chairman of the Board.
- Changes in the articles of association were decided, as a result of new regulations in the Companies Act, which took effect January 1, 2011.
- The Board of Directors was authorized to decide, during the period until the next AGM, whether to issue shares or convertible instruments that would result in a maximum of 1,200,000 Class B shares being issued for capital contributed in kind or as offsets. This authorization referred to corporate acquisitions.

## Nominating committee

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

- Election of a president for the AGM.

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

A nominating committee for BTS Group AB was appointed on October 12, 2011. BTS's two largest shareholders in consultation with Michael Grindfors, Chairman of the Board, appointed Anders Dahl (representing Henrik Ekelund), Stefan af Petersens, and Michael Grindfors to the committee. Anders Dahl was appointed chairman of the nominating committee.

Shareholders in BTS Group AB have been able to contact the nominating committee to propose candidates to the Board.

All of the nominating committee's candidates based on the above will be announced in the notice for the 2012 AGM. The nominating committee's statement supporting its proposal for the Board of Directors of BTS Group AB as well as the information about the candidates recruited by the committee will be published on BTS's web site when the proposal is announced.

### Board of Directors

The Board of Directors has ultimate responsibility for the Company's organization and management and is appointed by the shareholders at each AGM for the period from that AGM until the end of the next. BTS's Board decides on issues such as strategic direction, acquisitions, investments, financing, and Group-wide policies. BTS's Board shall also insure proper disclosure to BTS's various stakeholders.

The articles of association specify that BTS's Board shall consist of no fewer than three and no more than eight members. The AGM held on April 29, 2010, decided that for the period until the next AGM the Board would consist of five members and no deputy members.

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

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

Information about the Board of Directors is to be found on page 94 in the Annual Report.

### Composition and independence of the 2011 Board

Member	Position	Elected	Committee work	Independent	Board meeting attendance
Michael Grindfors	Chairman of the Board	2009		Yes	6/7
Mariana Burenstam Linder	Member	2004		Yes	7/7
Henrik Ekelund	Member	1986		No <sup>1</sup>	7/7
Stefan Gardefjord	Member	2003	Audit Committee	Yes	7/7
Dag Sehlin	Member	2003	Audit Committee	Yes	7/7

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

### The work of the Board of Directors

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

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

Every year the Board makes an evaluation of the work of the Board. The Nomination Committee has been informed of the contents in the 2011 evaluation. It is e.g. used as basic data when next year's work of the Board is planned.

### Compensation to the Board

The AGM held on May 5, 2011, approved a total of SEK 650,000 in fees to be paid to those Board members who receive no salary from the Company or any of its subsidiaries, such that SEK 275,000 be paid to the Chairman and SEK 125,000 each to the members. The AGM also approved a total of SEK 90,000 in fees for work on Board committees.

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

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

### **Compensation committee**

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

The Board will propose policies for compensation and other terms of employment for the Company's senior executives for the approval of the AGM on April 27, 2012.

More information about compensation to senior executives is found in Note 7 of the annual report.

### **Audit committee**

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

### **Auditors**

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

The auditor is elected by the AGM for a period of four years. The 2009 AGM re-elected the registered public accounting firm Öhrlings PricewaterhouseCoopers and managing auditor Magnus Thorling for the period until the 2013 AGM.

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

For 2011, the Company's auditors did not review BTS's semiannual report or the nine-month interim report, which deviates from the Code. The Board has determined to date that the additional costs of such reviews have not been justifiable.

### **Senior executives**

BTS's senior executives include:

Henrik Ekelund, President & CEO of BTS Group AB, Stefan Brown, CFO and Vice President of BTS Group AB, and Jonas Åkerman, President of BTS USA Inc.

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

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

The AGM held on April 29, 2010, adopted policies for compensation to senior executives such that BTS shall employ persons on terms and at salaries commensurate with the market to be able to recruit and retain employees with excellent skills and of a high caliber to reach the Company's goals. When employing persons outside Sweden, the Company shall comply with each country's generally accepted forms of employment and good practice.

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

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

### **Information and communication**

The overall goal of BTS's communication is to provide shareholders and employees, actors in the market, and other stakeholders with an up-to-date, true, and fair view of the Company and its business operations. Communication shall be correct, credible, characterized by close relationships with the Company's stakeholders, and based on frequent contact, clarity, and good ethics. BTS believes that high-quality communication efforts actively help bolster confidence in the Company and management, making it easier to achieve business objectives.

BTS publishes up-to-date information about the Company on its web site. Interim reports and annual reports are published in Swedish and English. Events that could be expected to affect the share price are announced in press releases. In addition, the Company communicates with mass media, capital markets, and shareholders when interim reports are published and also participates in other activities on an ongoing basis.



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

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

### **Control environment**

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

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

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

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

### **Risk assessment and control activities**

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

### **Information and communication**

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

### **Follow-up**

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

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

## Auditor's report on the corporate governance report

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

It is the Board of Directors who is responsible for the Corporate Governance Statement for the year 2011 on pages 90–93 and that it has been prepared in accordance with the Annual Accounts Act.

We have read the corporate governance statement and based on that reading and our knowledge of the company and the group we believe that we have a sufficient basis for our opinions. This means that our statutory examination of the Corporate Governance Statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

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

Stockholm, March 23, 2012  
Öhrlings PricewaterhouseCoopers AB

Magnus Thorling  
Authorized Public Accountant

# The Board of Directors and Auditor

## **Michael Grindfors**

Born 1956.

Chairman of the Board of BTS Group AB since 2009. Vice-chairman of the U.S. consulting firm AlixPartners.

### **Options and shareholdings in BTS Group**

**AB:** 30,420 Class B shares and 20,000 options.

Michael Grindfors was previously president of AlixPartners. He has held senior positions at Boston Consulting Group, Goldman Sachs, Etonic, and other companies. Michael Grindfors graduated in business administration at the Stockholm School of Economics.

Independent of the Company and its major shareholders.

## **Mariana Burenstam Linder**

Born 1957.

Member of the Board of BTS Group AB since 2004.

Managing Partner in Burenstam & Partners AB.

**Other assignments:** Chairman of the board of Kontanten AB and Sweden-America Foundation. Member of the board of Latour AB.

### **Options and shareholdings in BTS Group**

**AB:** 12,100 Class B shares and 10,000 options.

Mariana Burenstam Linder has extensive experience from management positions in several Swedish companies. Former positions include president of Ainax, Head of Enskilda Banken with global responsibility for Private Banking, Vice President of SEB, CIO of Trygg-Hansa and later the SEB group, president of ABB Financial Consulting, and president of Nordic Management AB. Mariana Burenstam Linder graduated in business administration at the Stockholm School of Economics.

Independent of the Company and its major shareholders.

## **Henrik Ekelund**

Born 1955.

President and CEO of BTS Group AB.

**Options and shareholdings in BTS Group AB (including companies):** 816,000 Class A shares, 3,172,034 Class B shares and 23,000 options.

Henrik Ekelund is BTS's founder and has been CEO since its inception in 1986.

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

Not independent of the Company or its major shareholders.

## **Stefan Gardefjord**

Born 1958.

Member of the Board of BTS Group AB since 2003.

Effective from May 1, 2012, as president of Swedish Space Corporation.

**Other assignments:** Chairman of the board of IT & Telekomföretagen. Member of the board of Svenskt Näringsliv and Almega.

### **Options and shareholdings in BTS Group**

**AB:** 5,000 Class B shares and 10,000 options.

Stefan Gardefjord has been president of Logica Sverige AB and member of the executive management of Logica. He has since 1987 held several senior positions in the WM-data group, including president of different subsidiaries, business area head, and group director of marketing, sales, and information. Former positions include head of consulting at Consab Consult AB, and prior to that he worked with accounting and IT at Dow Chemical AB. Stefan Gardefjord graduated upper secondary school in business.

Independent of the Company and its major shareholders.

## **Dag Sehlin**

Born 1945.

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

**Options and shareholdings in BTS Group AB (including related parties):** 6,000 Class B shares and 10,000 options.

Dag Sehlin has long-term experience in senior positions in the Swedish financial sector. Previous positions include CFO and acting president of Posten AB, vice president of OM-Gruppen, and prior to that various positions in accounting and finance at several Swedish companies. He also has long-term experience from work as an independent consultant and member of the board for various listed companies and other enterprises.

Dag Sehlin graduated in business administration at the Stockholm School of Economics.

Independent of the Company and its major shareholders.

## **AUDITOR**

Öhrlings PricewaterhouseCoopers AB.

Managing auditor:

### **Magnus Thorling**

Authorized Public Accountant.

The above information on options and shareholdings was correct at December 31, 2011.



Left to right: Stefan Gardefjord, Michael Grindfors (Chairman of the Board), Henrik Ekelund (President and CEO), Mariana Burenstam Linder and Dag Sehlin.

# Senior Executives



## Henrik Ekelund

Born 1955.  
President and CEO of BTS Group AB.  
See Board of Directors on the preceding page.



## Jonas Åkerman

Born 1963.  
Executive Vice President.  
President and CEO of BTS USA.  
Employed by BTS since 1991.  
Options and shareholdings in BTS Group AB: 913,809 Class B shares and employee stock options for 22,100 Class B shares.



## Stefan Brown

Born 1963.  
CFO and Vice President of BTS Group AB.  
Employed by BTS since 1990.  
Options and shareholdings in BTS Group AB: 16,500 Class B shares and employee stock options for 20,100 Class B shares.

The above information on options and shareholdings was correct at December 31, 2011.

# Global Partners in BTS



## Henrik Ekelund

Born 1955.  
President and CEO of BTS Group AB.  
See Board of Directors on the preceding page.



## Stefan af Petersens

Born 1955.  
Executive Vice President.  
Employed by BTS since 1986.



## Stefan Hellberg

Born 1957.  
Executive Vice President.  
Employed by BTS since 1986.



## Jonas Åkerman

Born 1963.  
Executive Vice President.  
President and CEO of BTS USA.  
Employed by BTS since 1991.



## Rommin Adl

Born 1964.  
Executive Vice President.  
Employed by BTS since 1994.



## Peter Mulford

Born 1968.  
Executive Vice President.  
Employed by BTS since 1997.



## Dan Parisi

Born 1968.  
Executive Vice President.  
Employed by BTS since 1995.



## Todd Erlich

Born 1968.  
Executive Vice President.  
Employed by BTS since 1995.



## Philios Andreou

Born 1967.  
Executive Vice President.  
President and CEO of BTS Spain & BTS Latin America.  
Employed by BTS since 2003.



## Ted Fawle

Born 1942.  
Executive Vice President.  
President and CEO of BTS Asia.  
Employed by BTS since 2002.

## Advantage Performance Group Inc.

### Annika McCrea

Born 1968.  
President and CEO of APG.  
Employed by BTS since 1995.  
Employed by APG since 2007.



# Shareholder Information

## Annual General Meeting 2012

Shareholders in BTS Group AB (publ) are invited to the AGM on Friday, April 27, 2012, at 9:30 am at the Company's premises, Grevgatan 34, 5th floor, Stockholm.

Shareholders wishing to participate must be entered in the share register maintained by Euroclear Sweden AB no later than Saturday, April 21, 2012, and must have notified BTS Group AB no later than Tuesday, April 24, 2012.

Notify the Company by phone at +46 8 5870 7000, fax +46 8 5870 7001, or e-mail at [ir@bts.com](mailto:ir@bts.com).

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

To participate in the AGM, shareholders who have registered shares under the name of a trustee must temporarily register them with Euroclear Sweden AB under their own name. Any such request to transfer registration should be made well in advance of Saturday, April 21, 2012.

## Dividend

The Board of Directors proposes a dividend of SEK 1.60 per share.

## 2012 reports and financial information

Interim reports:	
January–March	April 27, 2012
April–June	August 22, 2012
July–September	November 8, 2012
Year-end report	February 2013

The reports above can be ordered from BTS Group AB, Grevgatan 34, SE-114 53 Stockholm, phone +46 8 5870 7000, fax +46 8 5870 7001, or e-mail [ir@bts.com](mailto:ir@bts.com). Financial information from BTS Group AB is also published at [www.bts.com](http://www.bts.com).

## Definitions

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

*Every care has been taken in the translation of this year-end report. In the event of discrepancies, however, the Swedish original will supersede the English translation.*



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**BTS STOCKHOLM**

Grevgatan 34  
114 53 Stockholm  
Sweden  
Tel. +46 8 58 70 70 00  
Fax. +46 8 58 70 70 01

**BTS AMSTERDAM**

Thomas R. Malthusstraat 1-3  
1066JR Amsterdam  
The Netherlands  
Tel. +31 6 250958 72  
Fax. +31 20 388 00 65

**BTS AUSTIN**

401 Congress Avenue  
Suite 1510  
Austin, Texas 78701  
USA  
Tel. +1 512 751 9333  
Fax. +1 512 692 1840

**BTS BANGKOK**

BTS Business Consulting  
(Thailand) Co., Ltd.  
Thai CC Tower, 889 South  
Sathorn Road, Suite 181  
Yannawa, Sathorn  
Bangkok 10120, Thailand  
Tel. +66 2 672 3780  
Fax. +66 2 672 3665

**BTS BILBAO**

c/o Simon Bolivar 27-1º,  
oficina nº 4  
48013 Bilbao  
Spain  
Tel. +34 94 423 5594  
Fax. +34 94 423 6897

**BTS BRUSSELS**

BTS Brussels NV  
Rue d'Arenberg 44  
1000 Brussels  
Belgium  
Tel. +32 (0) 2 27 415 10  
Fax. +32 (0) 2 27 415 11

**BTS CHICAGO**

33 N. LaSalle Street  
Suite 1210  
Chicago, IL 60602  
USA  
Tel. +1 312 263 6250  
Fax. +1 312 263 6110

**BTS HELSINKI**

Kalevankatu 3A 45  
00100 Helsinki  
Finland  
Tel. +358 9 8622 3600  
Fax. +358 9 8622 3611

**BTS JOHANNESBURG**

267 West Avenue  
1st Floor  
0046 Centurion, Gauteng  
South Africa  
Tel. +27 12 663 6909  
Fax. +27 12 663 6887

**BTS LONDON**

346 Kensington High Street  
London W14 8NS  
UK  
Tel. +44 207 348 18 00  
Fax. +44 207 348 18 01

**BTS LOS ANGELES**

2029 Century Park East  
Suite 1400  
Los Angeles,  
CA 90067  
USA  
Tel. +1 424 202 6952

**BTS MADRID**

Calle José Abascal 42,  
2º dcha  
28003 Madrid  
Spain  
Tel. +34 91 417 5327  
Fax. +34 91 555 2433

**BTS MELBOURNE**

Suite 404,  
198 Harbour Esplanade  
Docklands VIC 3008  
Australia  
Tel. +61 3 9670 9850  
Fax. +61 3 9670 9569

**BTS MEXICO CITY**

Luis G. Urbina No. 4-Desp. 201  
Col. Polanco Chapultepec  
C.P.11560. México, D.F., Mexico  
Tel. +52 (55) 5281 6972  
Fax. +52 (55) 5281 6972

**BTS MUMBAI**

901, Techniplex - II, 9th Floor  
Goregaon Flyover,  
Off S.V Road  
Goregaon (West), Mumbai  
400 062, Maharashtra  
India

**BTS NEW YORK**

60 E. 42nd Street  
Suite 2434  
New York, NY, 10165  
USA  
Tel. +1 646 378 3730  
Fax. +1 646 378 3731

**BTS PARIS**

12 Rue Vivienne  
75002 Paris  
France  
Tel. +33 1 40 15 07 43

**BTS PHILADELPHIA**

6 Tower Bridge, Suite 540  
181 Washington Street  
Conshohocken, PA 19428  
USA  
Tel. (toll free) +1 800 445 7089  
Tel. +1 484 391 2900  
Fax. +1 484 391 2901

**BTS SAN FRANCISCO**

456 Montgomery Street  
Suite 900  
San Francisco, CA 94104  
USA  
Tel. +1 415 362 42 00  
Fax. +1 415 362 42 70

**BTS SAO PAULO**

Rua Geraldo Flausino  
Gomes, 85, cj 42  
Brooklin Novo  
04575-060 Sao Paulo-SP  
Brazil  
Tel. +55 11 5505 2070  
Fax. +55 11 5505 2016

**BTS SCOTTSDALE**

9455 E. Ironwood Square  
Drive, Ste. 100  
Scottsdale, AZ 85258  
USA  
Tel. +1 480 948 2777  
Fax. +1 480 948 2928

**BTS SEOUL**

# 1220  
24 Sajik-ro 8 gil  
Jongno Gu – Seoul  
South Korea 110-871  
Tel. +82 2 539 7676  
Fax. +82 2 2233 4451

**BTS SHANGHAI**

BTS Consulting  
(Shanghai) Co., Ltd.  
Suite 506B, West Office Tower  
Shanghai Centre  
1376 Nanjing Road West  
Shanghai 200040  
China  
Tel. +86 21 6289 8688  
Fax. +86 21 6289 8311

**BTS SINGAPORE**

BTS Asia Pacific Pte Ltd  
110 Amoy Street #02-11  
Singapore 069930  
Tel. +65 6221 2870  
Fax. +65 6224 2427

**BTS STAMFORD**

300 First Stamford Place  
Stamford, CT 06902  
USA  
Tel. +1 203 316 2740  
Fax. +1 203 316 2750

**BTS SYDNEY**

Level 4, 61 York St,  
Sydney NSW 2000  
Australia  
Tel. +61 2 9299 6435  
Fax. +61 2 9299 6629

**BTS TAIPEI**

BTS Asia-Pacific Pte. Ltd.,  
Taiwan Branch  
7F, No. 307, Tun-Hua,  
North Road  
Taipei 105, Taiwan  
Tel. +886 2 8712 3665

**BTS TOKYO**

Kojimachi Brighton Bldg 2F  
6-4-17 Kojimachi  
Chiyoda-ku, Tokyo  
102-0082, Japan  
Tel. +81 3 3560 3692  
Fax. +81 3 3560 3693

**Advantage Performance  
Group**

700 Larkspur Landing Circle,  
Suite 125  
Larkspur, CA 94939  
USA  
Tel. +1 800 494 6646  
Fax. +1 415 925 9512



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