

# BTS Group AB (publ)

Interim Report 1 January - 30 September 2007

## Continued good growth in revenues and earnings

### January – September 2007

- Net turnover increased by 57 percent during the nine-month period and amounted to MSEK 387.3 (247.3). Adjusted for changes in exchange rates, growth was 67 percent. The organic growth for BTS, adjusted for changes in exchange rates, was 14 percent during the nine-month period.
- The operating profit before amortization on intangible assets (EBITA) increased by 43 percent to MSEK 63.7 (44.6)
- Profit after tax increased by 20 percent to MSEK 32.3 (27.0)
- Earnings per share amounted to SEK 1.79 (1.52)

### The third quarter

- Net turnover for the third quarter increased by 61 percent to MSEK 121.9 (75.8). Adjusted for changes in exchange rates, growth was 70 percent. The organic growth for BTS, adjusted for changes in exchange rates, was 15 percent
- The operating profit before amortization on intangible assets (EBITA) increased by 54 percent to MSEK 16.1 (10.4)
- Profit after tax increased by 32 percent to MSEK 7.8 (5.9).

### Summary of BTS' and the market's development during the third quarter

- > The market development on all of BTS' markets continued to be positive.
- > The acquired companies APG and RLC continued to display a positive trend as regards growth and earnings, while at the same time, cross-selling with BTS increased.
- > The inflow of new customers has been good during the nine-month period, including Essent, Harley-Davidson, Kimberly-Clark, Marsh, NetJets and Palm Computer, among others.

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

## Turnover

BTS' net turnover increased by 57 percent during the nine-month period and amounted to MSEK 387.3 (247.3). Adjusted for changes in exchange rates, growth was 67 percent

Growth was generated through the acquisitions of The Advantage Performance Group (APG) and The Real Learning Company (RLC) but was also generated organically

BTS' organic growth, adjusted for changes in exchange rates, was 14 percent.



## Earnings

The operating profit increased by 33 percent to MSEK 56.0 (42.3) during the nine-month period. The operating profit during the nine-month period was affected by MSEK 7.7 (2.3) for amortization of intangible assets attributable to acquisitions. The operating profit before amortization on intangible assets (EBITA) increased by 43 percent and amounted to MSEK 63.7 (44.6).

The improvement in earnings during the nine-month period in North America was generated through BTS North America and the acquisitions of APG and RLC and otherwise through improved earnings in BTS Other Markets.

The operating margin was 14 (17) percent. The decrease in the margin was due to increased amortization on intangible assets, acquired operations with lower margin levels, as well as a margin deterioration in BTS Europe. The operating margin before amortization on intangible assets (EBITA margin) was 16 (18) percent.

The Group's profit before tax for the nine-month period increased by 21 percent to MSEK 51.5 (42.5). The interest expenses during the nine-month period amounted to MSEK 4.9 (0.6).

The operating profit on a rolling 12-month basis amounted to MSEK 76.1 (56.6) and the operating margin was 15 (17) percent on a rolling 12-month basis.

## The third quarter

BTS' net turnover increased by 61 percent during the third quarter and amounted to MSEK 121.9 (75.8). Adjusted for changes in exchange rates, turnover increased by 70 percent during the third quarter. The organic growth for BTS, adjusted for changes in exchange rates, was 15 percent

The operating profit increased by 40 percent during the third quarter to MSEK 13.6 (9.7). The operating profit during the third quarter was affected by MSEK 2.5 (0.8) for amortization of intangible assets attributable to completed acquisitions. The operating profit before amortization on intangible assets (EBITA) increased by 54 percent and amounted to MSEK 16.1 (10.5).

The improvement in earnings during the third quarter was generated through the acquisitions of RLC and APG as well as improved earnings in BTS North America and BTS Other Markets.

The operating margin was 11 (13) percent. The operating margin before amortization on intangible assets (EBITA margin) was 13 (14) percent.

The Group's profit before tax increased by 27 percent to MSEK 12.0 (9.5) for the third quarter. The interest expenses amounted to MSEK 1.7 (0.4) during the third quarter.



## The market and the market development

Companies in BTS' target group, large international companies and organizations, tend to have to deal with a faster rate of change, new technologies and new competition. As a result they tend to invest more in business development and training. Market surveys have forecasted growth "for corporate training in business skills" of 5-8 percent annually.

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

the market in general. BTS' services and products have shown good growth during 2007 in this market. This trend is expected to continue during the rest of the year.

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

### **BTS' growth**

During the four-year period, 2004-2007, BTS has increased revenue 3.5 times (for 2007, 12-month revenue adjusted for changes in exchange rates has been utilized up to and including September 2007). Approximately 40 percent of this growth was organic and approximately 60 percent was acquired growth. The operating profit increased more than eightfold during this four-year period. (calculated in a similar way)

The factors behind BTS' growth are:

- an expanding market
- an offering that has strong competitive advantages
- excellent acquisitions completed on a fragmented market
- the sector's best organization and employees

BTS drives this growth through:

- growth in existing offices
- geographical expansion through new offices
- cross-selling between original and acquired offerings
- continued development of new products and solutions

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

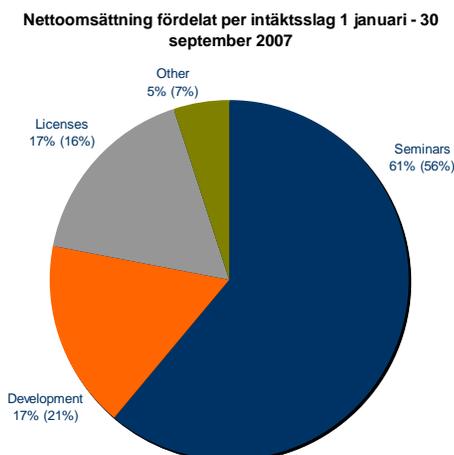
BTS has created the most comprehensive offering of tailored simulation solutions on the market. This means that BTS to a greater extent, can satisfy existing clients' needs for additional solutions, which generates significant growth opportunities both in the near-term and long-term.

### **Assignments and new clients**

New clients secured during the nine-month period included ABN AMRO, Australian Unity, Bank of Oklahoma, Essent, Euskaltel, Flour, Fortis Bank, Freescale, Hapag-Lloyd, Harley-Davidson, Hay Group, InBev, Kimberly-Clark, Lagercrantz, Marsh, NetJets, Pacific Pulmonary, Palm Computer, Procter & Gamble, Sandvik Mining and Construction, Siemens, Sime Darby, Sony BMG, Spirit Aerospace, Sprint, TEBA Bank, Terra Gruppen, Time Warner Cable, Tyco Electronics, Waste Management, Woodside and Wärtisilä among others.

## Revenue Distribution

Distribution of revenue as shown below:



## Operative units

### Net turnover per operative unit

	Jul-Sep 2007	Jul-Sep 2006	Jan-Sep 2007	Jan-Sep 2006	Rolling 12-month 2006/2007	Full-year 2006
<b>MSEK</b>						
North America*	89.6	48.1	282.6	150.8	377.0	245.2
Europe	21.7	21.4	79.0	81.6	110.4	113.0
Other markets	10.6	6.3	25.7	14.9	31.7	20.9
<b>Total</b>	<b>121.9</b>	<b>75.8</b>	<b>387.3</b>	<b>247.3</b>	<b>519.1</b>	<b>379.1</b>

\* North America

BTS	46.4	48.1	152.9	150.8	203.6	201.5
APG and RLC	43.2	-	129.7	-	173.4	43.7
<b>Total</b>	<b>89.6</b>	<b>48.1</b>	<b>282.6</b>	<b>150.8</b>	<b>377.0</b>	<b>245.2</b>

### The operating profit per operative unit

	Jul-Sep 2007	Jul-Sep 2006	Jan-Sep 2007	Jan-Sep 2006	Rolling 12-month 2006/2007	Full-year 2006
<b>MSEK</b>						
North America*	10.4	6.9	42.2	26.8	55.9	40.5
Europe	0.8	1.1	10.1	13.5	15.2	18.6
Other markets	2.4	1.7	3.7	2.0	5.0	3.3
<b>Total</b>	<b>13.6</b>	<b>9.7</b>	<b>56.0</b>	<b>42.3</b>	<b>76.1</b>	<b>62.4</b>

\* North America

BTS	6.5	6.9	29.4	26.8	38.2	35.6
APG and RLC	3.9	-	12.8	-	17.7	4.9
<b>Total</b>	<b>10.4</b>	<b>6.9</b>	<b>42.2</b>	<b>26.8</b>	<b>55.9</b>	<b>40.5</b>

## North America

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

### *BTS*

BTS' original operations in North America increased revenue during the nine-month period by 10 percent in local currency. The operating profit increased at the same time by 19 percent in local currency.

Net turnover amounted to MSEK 152.9 (150.8) during the nine-month period and the operating profit amounted to MSEK 29.4 (26.8). The operating margin was 19 (18) percent. Included is amortization on intangible assets amounting to MSEK 1.4 (1.4).

Revenue increased during the third quarter by 4 percent and the operating profit increased by 1 percent in local currency. Net turnover amounted to MSEK 46.4 (48.1) and the operating profit amounted to MSEK 6.5 (6.9). The operating margin was 14 (14) percent. Included is amortization on intangible assets amounting to MSEK 0.5 (0.5).

The lower growth during the third quarter is considered to be of a temporary character.

### *APG and RLC*

Net turnover for APG and RLC amounted to MSEK 129.7 (-) during the nine-month period. The estimated organic growth in APG and RLC compared with the same period of the previous year was 16 percent. The operating profit amounted to MSEK 12.8 (-). The operating margin was 10 (-) percent. Included is amortization on intangible assets attributable to BTS' acquisition of APG and RLC amounting to MSEK 5.8 (-).

Net turnover amounted to MSEK 43.2 (-) during the third quarter and the operating profit amounted to MSEK 3.9 (-). The operating margin was 9 (-) percent. Included is amortization on intangible assets amounting to MSEK 1.9 (-). The estimated organic growth compared to the previous year was 22 percent.

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

## Europe

Net turnover for Europe amounted to MSEK 79.0 (81.6) during the nine-month period. Adjusted for changes in exchange rates, revenue decreased by 3 percent. The operating profit decreased to MSEK 10.1 (13.5). The operating margin was 13 (17) percent. Included is amortization on intangible assets amounting to MSEK 0.6 (0.9).

Net turnover amounted to MSEK 21.7 (21.4) during the third quarter and the operating profit amounted to MSEK 0.8 (1.1). The operating margin was 4 (5) percent. Included is amortization on intangible assets amounting to MSEK 0.2 (0.3)

The turnover and earnings trend during the third quarter was weak but was better than during the first and second quarters. Positive growth in turnover and earnings is expected in the fourth quarter for BTS Europe compared with the previous year.

#### Other markets

Net turnover for Other markets amounted to MSEK 25.7 (14.9) during the nine-month period. The operating profit amounted to MSEK 3.7 (2.0). The operating margin was 14 (13) percent. Included is amortization on intangible assets amounting to MSEK 0 (0).

Net turnover during the third quarter amounted to MSEK 10.6 (6.3) and the operating profit amounted to MSEK 2.4 (1.7). The operating margin was 23 (27) percent.

Very positive growth was displayed in both Australia and South Africa during the third quarter. The operating margin was negatively impacted however by market investments in Australia concentrated during the third quarter.

#### **Financial position**

BTS' cash flow from operating activities amounted to MSEK 13.4 (8.4) during the nine-month period. The cash flow from operating activities amounted to MSEK 27.4 (13.8) in the third quarter.

BTS' solidity was 52 (44) percent at the end of the period.

Available liquid assets amounted to MSEK 37.8 (60.7) at the end of the period. The decrease in liquid assets is largely attributable to the acquisitions of APG and RLC on 25 September 2006. The Company's interest-bearing loans, all of which relate to these acquisitions, amounted to MSEK 64.1 at the end of the period. This is a decrease of MSEK 36.4 compared with the acquisition date. BTS' ambition is to reduce this debt in step with an anticipated positive operating cash flow.

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

#### **Employees**

The number of employees in BTS Group AB as of 30 September was 216 (162). The average number of employees during the period was 201 (157).

#### **The Parent Company**

The Company's net turnover amounted to MSEK 1.1 (1.3) and the profit after financial items amounted to MSEK 2.0 (11.5). Liquid assets amounted to MSEK 0 (8.9)

## Outlook for 2007

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

## Accounting principles

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

## Nomination of members of the Board of Directors

At the Annual General Meeting on 3 May 2007, it was stated that the chairman of the board of directors would prepare nominations to the board of directors in collaboration with the major shareholders.

Shareholders wishing to propose persons for nomination may do so in writing to the Chairman of the Board of Directors c/o BTS Group AB, Grevgatan 34, 114 53 Stockholm, by 31 January 2008 at the latest.

Nomination of members of the board of directors is intended to be announced in the notice convening the next Annual General Meeting.

## Future reporting dates

Year-end report 20 February 2008

Stockholm, 8 November 2007

Henrik Ekelund  
Chief Executive Officer

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For additional information please visit our home page [www.bts.com](http://www.bts.com)

This is a translation of the Swedish version

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

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**INCOME STATEMENT, Summary**

KSEK	3 months ended		9 months ended		12 months ended	
	Sept 30	Sept 30	Sept 30	Sept 30	Sept 30	Dec 31
	2007	2006	2007	2006	2007	2006
Revenue	121 906	75 770	387 359	247 280	519 176	379 097
Operating expenses	-105 337	-64 714	-322 042	-200 990	-430 397	-309 345
Depreciation tangible assets	-507	-607	-1 626	-1 700	-2 053	-2 127
Amortization intangible assets	-2 511	-762	-7 687	-2 337	-10 620	-5 270
<b>Operating result</b>	<b>13 551</b>	<b>9 687</b>	<b>56 004</b>	<b>42 253</b>	<b>76 106</b>	<b>62 355</b>
Financial income and expenses	-1 503	-234	-4 458	207	-6 015	-1 350
<b>Result before tax</b>	<b>12 048</b>	<b>9 453</b>	<b>51 546</b>	<b>42 460</b>	<b>70 091</b>	<b>61 005</b>
Taxes	-4 210	-3 562	-19 256	-15 480	-26 197	-22 421
<b>Result for the period</b>	<b>7 838</b>	<b>5 891</b>	<b>32 290</b>	<b>26 980</b>	<b>43 894</b>	<b>38 584</b>
attributable to minority interest	-	93	-	104	-51	53
attributable to equity holders of the parent	7 838	5 798	32 290	26 876	43 945	38 531
Earnings per share, before dilution of shares, SEK	0,43	0,33	1,79	1,52	2,43	2,13
Number of shares at end of the period	18 048 300	17 691 900	18 048 300	17 691 900	18 048 300	18 048 300
Average number of shares before dilution of shares	18 048 300	17 691 900	18 048 300	17 691 900	18 048 300	18 048 300
Earnings per share, after dilution of shares, SEK	0,43	0,33	1,78	1,52	2,43	2,16
Average number of shares after dilution of shares	18 097 146	17 706 054	18 097 146	17 706 054	18 097 146	17 829 116
Dividend per share						1,00

**BALANCE SHEET, Summary**

KSEK	09-30-07	09-30-06	12-31-06
<b>Assets</b>			
Goodwill	145 318	166 362	149 873
Other intangible assets	35 567	52 151	45 213
Tangible assets	4 957	5 185	5 380
Other fixed assets	3 717	2 515	3 252
Accounts receivable	93 848	60 473	88 692
Other current assets	29 233	34 812 <sup>1</sup>	25 604
Cash and bank	37 842	60 735	72 054
<b>Total assets</b>	<b>350 482</b>	<b>382 233</b>	<b>390 068</b>
<b>Equity and liabilities</b>			
Equity	181 698	166 228	174 663
Minority shareholding	-	600	508
<b>Total Equity</b>	<b>181 698</b>	<b>166 828</b>	<b>175 171</b>
Non interest bearing - non current liabilities	29	120	388
Interest bearing - current liabilities	64 089	101 265	80 891
Non interest bearing - current liabilities	104 666	114 020	133 618
<b>Total equity and liabilities</b>	<b>350 482</b>	<b>382 233</b>	<b>390 068</b>

**CASH FLOW STATEMENT, Summary**

KSEK	Jan-Sept 2007	Jan-Sept 2006	Jan-Dec 2006
Cash flow from current operations	13 430	8 445	41 120
Cash flow from investment activities	-4 676	-143 554	-140 550
Cash flow from financing operations	-38 367	99 532	78 643
<b>Change in liquid funds</b>	<b>-34 212</b>	<b>-40 410</b>	<b>-29 091</b>
Liquid funds, opening balance	72 054	101 145	101 145
<b>Liquid funds, closing balance</b>	<b>37 842</b>	<b>60 735</b>	<b>72 054</b>
Effect of exchange rate changes on cash	-4 599	-4 833	-8 304

**CHANGES IN EQUITY  
KSEK**

	<b>Total Equity 09-30-07</b>	<b>Total Equity 09-30-06</b>	<b>Total Equity 12-31-06</b>
<b>Opening balance</b>	175 171	151 873	151 873
Dividend to shareholders	-18 048	-16 218	-16 218
Conversion differences	-8 187	-8 324	-15 089
Change minority interest	-508	-	-
New share issue	-	-	14 587
Miscellaneous	980	956	1 434
Acquired working capital		11 561 <sup>1</sup>	-
Result for the period	<u>32 290</u>	<u>26 980</u>	<u>38 584</u>
<b>Closing balance</b>	<b>181 698</b>	<b>166 828</b>	<b>175 171</b>

<sup>1</sup> Acquired preliminary net working capital APG & RLC, an equivalent amount is also included in the item "Other current assets"

**KEY RATIOS**

	<b>3 months ended</b>		<b>9 months ended</b>		<b>12 months ended</b>	
	<b>Sept 30 2007</b>	<b>Sept 30 2006</b>	<b>Sept 30 2007</b>	<b>Sept 30 2006</b>	<b>Sept 30 2007</b>	<b>Dec 31 2006</b>
Revenue, KSEK	121 906	75 770	387 359	247 280	519 176	379 097
EBITA (Earnings before interest, tax and amortisation), KSEK	16 062	10 449	63 691	44 590	86 726	67 625
EBIT (Operating result), KSEK	13 551	9 687	56 004	42 253	76 106	62 355
EBITA-margin (Earnings before interest, tax and amortisation margin), %	13	14	16	18	17	18
EBIT-margin (Operating margin), %	11	13	14	17	15	16
Profit margin, %	6	8	8	11	8	10
Operational capital, KSEK					207 945	184 008
Return on equity, %					25	24
Return on operational capital, %					39	53
Solidity at end of the period, %	52	44	52	44	52	45
Cash flow, KSEK	7 708	-9 746	-34 212	-40 410	-22 893	-29 091
Liquid funds at end of the period, KSEK	37 842	60 735	37 842	60 735	37 842	72 054
Average number of employees	211	161	201	157	198	165
Number of employees at end of the period	216	162	216	162	206	186
Revenue per employee, KSEK					2 622	2 298

**DEFINITIONS**

**Earnings per Share**

Earnings attributable to the parent company's shareholders divided by number of shares

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

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

**EBIT-margin (Operating margin)**

Operating result after depreciation as a percentage of revenues.

**Profit Margin**

Result for the period as a percentage of revenues.

**Operational Capital**

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

**Return on Equity**

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

**Return on Operational Capital**

Operating result as a percentage of average operational capital.

**Solidity**

Equity as a percentage of total balance sheet.

**Organic Growth**

Growth excluding acquisitions