

# BTS Group AB (publ)

## Interim Report January 1- March 31, 2008

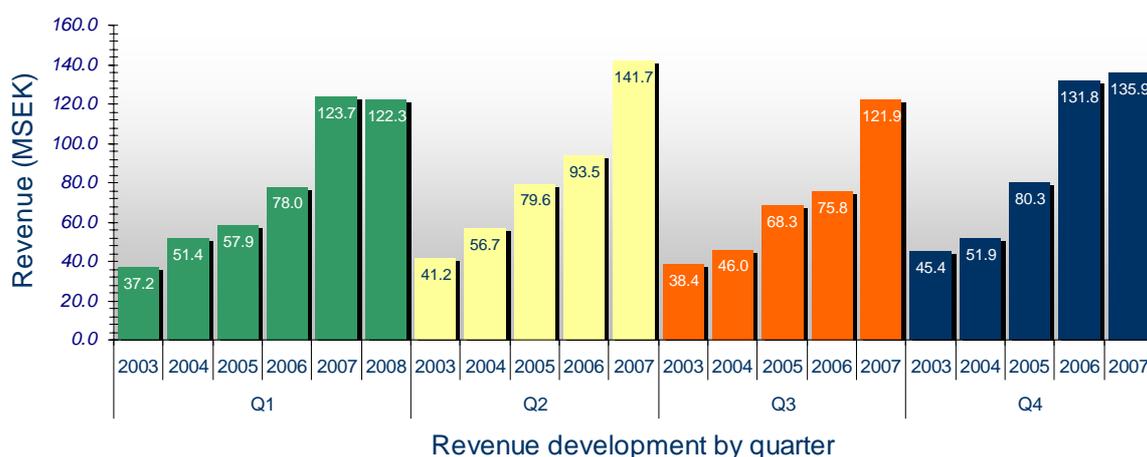
- Net turnover decreased by 1 percent during the first quarter and amounted to MSEK 122.3 (123.7). Adjusted for changes in exchange rates, growth was 7 percent.
- The operating profit before amortization on intangible assets (EBITA) decreased by 25 percent to MSEK 13.5 (18.1).
- Profit after tax decreased by 22 percent to MSEK 6.7 (8.6).
- Earnings per share amounted to SEK 0.37 (0.47).

### Summary of the first quarter

- The market development on all of BTS markets continued to be positive.
- The negative change in BTS earnings was principally attributed to decreased sales within APG, which was acquired in 2006, together with a weakening of currencies important to BTS, mainly the USD and the GBP
- BTS other operations have developed positively.
- The Real Learning Company (RLC) is as of 2008 legally and organizationally part of BTS North America.
- The Board of Directors of the BTS Group AB has decided to adjust the outlook for 2008 as follows: "Based on continued strong market conditions for BTS, the profit before tax is expected to be in line with the previous year." The outlook deviates from the previous report when the outlook was anticipated to be better than previous year. The change of the outlook was communicated in a separate press release on April 29, 2008.
- New clients secured during the first quarter included Alcoa, ConocoPhillips, Deutsche Bank, and National Foods Limited, among others.

## Turnover

BTS' net turnover decreased by 1 percent during the first quarter and amounted to MSEK 122.3 (123.7) Adjusted for changes in exchange rates, growth was 7 percent. Growth in local currency terms was strong with the exception of APG: BTS North America grew by 16 percent, BTS Europe grew by 19 percent, BTS Other markets grew by 59 percent, APG decreased by 19 percent.



## Earnings

The operating profit before amortization on intangible assets (EBITA) decreased by 25 percent to MSEK 13.5 (18.1) during the first quarter. The operating profit was affected by MSEK 2.2 (2.6) during the first quarter for amortization of intangible assets attributable to acquisitions. The operating profit (EBIT) decreased by 27 percent to MSEK 11.3 (15.5).

The operating margin before amortization on intangible assets (EBITA margin) was 11 (15) percent. The operating margin (EBIT margin) was 9 (13) percent.

The Group's profit before tax for the first quarter decreased by 29 percent to MSEK 10.1 (14.2).

The negative change in earnings and margin was principally attributable to decreased sales in the acquired APG unit relative to the corresponding quarter last year, which was very strong, but also due to a weakening of currencies important to BTS mainly USD and GBP.

An action plan has been initiated regarding APG to increase sales efficiency and which is anticipated to improve the result during the remainder of the year.



## 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 it increases the need invest more in business development and training. For many years, BTS is since many years 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.

According to the research firm, Bersin & Associates, the total training market in the US is estimated to be worth approx USD 58 billion (including salaries to companies' internal training resources). Approximately USD 16 billion of external services are purchased, of which BTS market segment – training services to managers and sales staff - is estimated to be worth approx. USD 5 billion. This means that BTS currently has approx. 1 percent market share in its North American segment, a market that is expected to grow by approximately 5 percent annually.

BTS is currently seeing increased global demand for its products, a continued positive market development in the US and a rapid expansion within the world's growth markets. BTS expects that the market segment for training based on simulation technology will grow more rapidly than the market in general.

## BTS' growth

During the four-year period, 2004-2007, BTS has increased its revenue by 3.5 times, adjusted for changes in exchange rates, while at the same time, the operating profit has increased more than eight-fold. The revenue increase was approximately 40 percent organic, and about 60 percent acquired.

The factors behind BTS' growth are as follows:

- we operate on an expanding market
- our offering enjoys strong competitive advantages
- we carry out excellent acquisitions on a fragmented market
- we have the sector's best organization and employees.

BTS drives this growth through:

- growth in existing offices
- geographical expansion through new offices
- cross selling between BTS business units as well as 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.

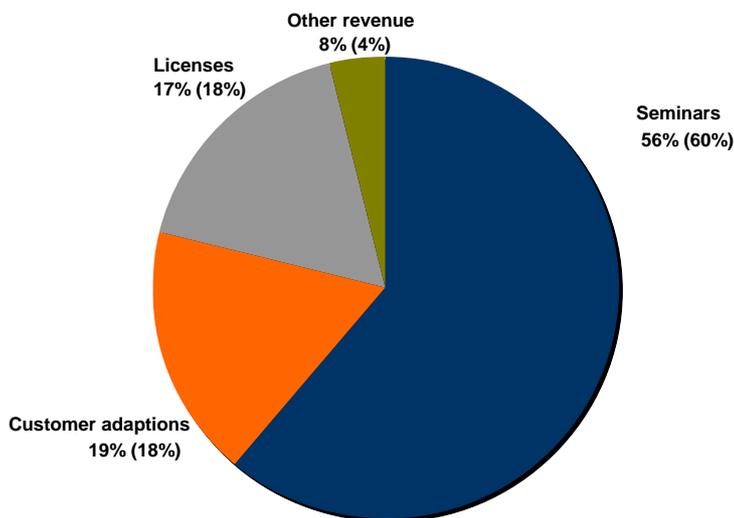
BTS offers the most comprehensive range of tailored simulation solutions on the market today and, at the same time, is the only company in the world that can serve large international companies on a global basis. BTS' sales organization is being developed and is growing rapidly. This means that BTS to a greater extent, can satisfy existing clients' needs for additional solutions, which generate significant growth opportunities both in the near-term and long-term.

### Assignments and new clients

New clients commissioned during the first quarter included Alcoa, Deloitte, ConocoPhillips, Deutsche Bank and National Foods Limited, among other.

### Revenue development

Net turnover per revenue category January 1 – March 31, 2008



## Operative units

### Net turnover per operative unit

MSEK	Jan-Mar		rolling 12-month	Full-year
	2008	2007	2007/2008	2007
North America*	<b>84.9</b>	93.7	<b>359.6</b>	368.4
Europe	<b>29.1</b>	24.8	<b>121.3</b>	117.0
Other markets	<b>8.3</b>	5.2	<b>40.9</b>	37.8
<b>Total</b>	<b>122.3</b>	123.7	<b>521.8</b>	523.2

#### \* North America

BTS	<b>55.8</b>	53.8	<b>221.4</b>	219.4
APG	<b>29.1</b>	39.9	<b>138.2</b>	149.0
<b>Total</b>	<b>84.9</b>	93.7	<b>359.6</b>	368.4

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

MSEK	Jan-Mar		rolling 12-month	Full-year
	2008	2007	2007/2008	2007
North America*	<b>9.6</b>	15.9	<b>54.9</b>	61.2
Europe	<b>3.9</b>	2.6	<b>22.4</b>	21.1
Other markets	<b>0.0</b>	-0.4	<b>6.4</b>	6.0
<b>Total</b>	<b>13.5</b>	18.1	<b>83.7</b>	88.3

#### \* North America

BTS	<b>8.3</b>	12.8	<b>43.3</b>	47.8
APG	<b>1.3</b>	3.1	<b>11.6</b>	13.4
<b>Total</b>	<b>9.6</b>	15.9	<b>54.9</b>	61.2

## North America

The operations - APG and RLC, which were acquired during 2006, are reported geographically within North America. With the exception of APG, all other units are as of 2008 combined in one organization and legal entity and are reported as BTS. Comparative figures in respect of the previous year have been adjusted to the new operating structure.

### *BTS*

Net turnover for the BTS North American operations amounted to MSEK 55.8 (53.8) during the first quarter. Adjusted for currency effects, revenue increased by 16 percent. The operating profit before amortization on intangible assets (EBITA) amounted to MSEK 8.3 (12.8) during the first quarter. The operating margin before amortization on intangible assets (EBITA margin) was 15 (24) percent.

The growth during the period has been satisfying. BTS sales through the APG channel, though, has decreased considerably which has led to a decline in earnings and a lower margin. Earnings were also affected by investments for growth purposes, including a larger organization.

## APG

Net turnover for APG amounted to MSEK 29.1 (39.9) during the first quarter. Adjusted for currency effects, revenue decreased by 19 percent. The operating profit before amortization on intangible assets (EBITA) amounted to MSEK 1.3 (3.1) during the first quarter. The operating margin before amortization on intangible assets (EBITA margin) was 5 (8) percent.

The negative change in earnings and margin was principally attributable to decreased sales in the acquired APG unit relative to the corresponding quarter last year, which was very strong.

An action plan has been initiated regarding APG to increase sales efficiency and which is anticipated to improve the result during the remainder of the year.

## Europe

Net turnover for Europe amounted to MSEK 29.1 (24.8) during the first quarter. Adjusted for currency effects, revenue increased by 19 percent. The operating profit before amortization on intangible assets (EBITA) amounted to MSEK 3.9 (2.6) during the first quarter. The operating margin before amortization on intangible assets (EBITA margin) was 14 (11) percent.

## Other markets

Net turnover for Other Markets amounted to MSEK 8.3 (5.2) during the first quarter. Adjusted for currency effects, revenue increased by 59 percent. The operating profit before amortization on intangible assets (EBITA) amounted to MSEK 0.0 (-0.4) during the first quarter. The operating margin before amortization on intangible assets (EBITA margin) was 0 (-8) percent.

Growth was very good in both Australia and South Africa during the first quarter. Investments in organization and marketing activities have been carried out during the quarter in order to further strengthening the growth.

## **Financial position**

BTS' cash flow from operating activities amounted to MSEK -16.4 (-28.0) during the first quarter. The weak cash flow during the first quarter corresponds well with the seasonal variations of BTS cash flow, with a weaker first half-year and a stronger second half-year.

Available cash and cash equivalents amounted to MSEK 43.4 (33.0) at the end of the first quarter. The Company's interest-bearing loans, which relate to previously completed acquisitions, amounted to MSEK 74.4 (83.8) at the end of the period. Final earn-outs of MUSD 3.0 in respect of the acquisitions of APG and RLC were paid during the first quarter.

BTS' solidity was 54 (51) percent at the end of the period.

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

## **Employees**

The number of employees in BTS Group AB as of March 31 was 243 (203). The average number of employees during the first quarter was 234 (196).

## **The Parent Company**

The Company's net turnover amounted to MSEK 0.5 (0.0) and the profit after financial items amounted to MSEK 0.7 (0.2). Cash and cash equivalents amounted to MSEK 0.9 (7.7).

## **Outlook for 2008**

Based on continued strong market conditions for BTS, the profit before tax is expected to be in line with the previous year. The assessment differs from the foregoing report when the profit before tax was expected to be better than the previous year. The adjusted prospects for the year were announced in a separate press release on April 29, 2008.

## **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.

## **Future reporting dates**

Interim Report Apr – Jun  
Interim Report Jul – Sep  
Year-end Report

August 21, 2008  
November 7, 2008  
February, 2009

Stockholm, May 7, 2008

Henrik Ekelund  
Chief Executive Officer

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

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**INCOME STATEMENT, Summary**  
**KSEK**

	3 months ended		12 months ended	
	Mar 31 2008	Mar 31 2007	Mar 31 2008	Dec 31 2007
Revenue	122,316	123,705	521,772	523,161
Operating expenses	-108,324	-104,984	-436,033	-432,693
Depreciation tangible assets	-506	-623	-2,057	-2,174
Amortization intangible assets	-2,226	-2,621	-9,712	-10,107
<b>Operating result</b>	<b>11,260</b>	<b>15,477</b>	<b>73,970</b>	<b>78,187</b>
Financial income and expenses	-1,126	-1,256	-5,291	-5,421
<b>Result before tax</b>	<b>10,134</b>	<b>14,221</b>	<b>68,679</b>	<b>72,766</b>
Taxes	-3,415	-5,661	-21,691	-23,937
<b>Result for the period</b>	<b>6,719</b>	<b>8,560</b>	<b>46,988</b>	<b>48,829</b>
attributable to equity holders of the parent	6,719	8,560	46,988	48,829
Earnings per share, before dilution of shares, SEK	0.37	0.47	2.60	2.71
Number of shares at end of the period	18,048,300	18,048,300	18,048,300	18,048,300
Average number of shares before dilution of shares	18,048,300	18,048,300	18,048,300	18,048,300
Earnings per share, after dilution of shares, SEK	0.37	0.47	2.60	2.70
Average number of shares after dilution of shares	18,048,300	18,126,083	18,048,300	18,074,696
Proposed dividend per share				1.20

**BALANCE SHEET , Summary**  
**KSEK**

	03/31/08	03/31/07	12/31/07
<b>Assets</b>			
Goodwill	135,124	154,887	145,093
Other intangible assets	28,350	43,477	33,048
Tangible assets	5,381	5,034	5,317
Other fixed assets	4,149	3,828	4,343
Accounts receivable	108,835	94,944	115,955
Other current assets	29,481	30,231	25,187
Cash and bank	43,449	33,024	67,473
<b>Total assets</b>	<b>354,769</b>	<b>365,426</b>	<b>396,416</b>
<b>Equity and liabilities</b>			
Equity	192,179	186,011	198,603
Non interest bearing - non current liabilities	90	55	120
Interest bearing - current liabilities	74,394	83,798	62,856
Non interest bearing - current liabilities	88,106	95,562	134,837
<b>Total equity and liabilities</b>	<b>354,769</b>	<b>365,426</b>	<b>396,416</b>

**CASH FLOW STATEMENT, Summary**  
**KSEK**

	Jan-Mar 2008	Jan-Mar 2007	Jan-Dec 2007
Cash flow from current operations	-16,438	-28,018	45,219
Cash flow from investment activities	-18,787	-3,049	-12,219
Cash flow from financing operations	16,857	-8,668	-32,802
<b>Change in liquid funds</b>	<b>-24,024</b>	<b>-39,030</b>	<b>-4,581</b>
Liquid funds, opening balance	67,473	72,054	72,054
<b>Liquid funds, closing balance</b>	<b>43,449</b>	<b>33,024</b>	<b>67,473</b>
Effect of exchange rate changes on cash	-5,656	705	-4,779

KEY RATIOS	3 months ended		12 months ended	
	Mar 31	Mar 31	Mar 31	Dec 31
	2008	2007	2008	2007
Revenues, KSEK	122,316	123,705	521,772	523,161
EBITA (Earnings before interest, tax and amortisation), KSEK	13,486	18,098	83,682	88,294
EBIT (Operating result), KSEK	11,260	15,477	73,970	78,187
EBITA margin (Earnings before interest, tax and amortisation margin), %	11	15	16	17
EBIT margin (Operating margin), %	9	13	14	15
Profit margin, %	5	7	9	9
Operational capital, KSEK			223,124	193,896
Return on equity, %			24	26
Return on operational capital, %			35	41
Solidity at end of the period, %	54	51	54	50
Cash flow, KSEK	-24,024	-39,030	10,425	-4,581
Liquid funds at end of the period, KSEK	43,449	33,024	43,449	67,473
Average number of employees	234	196	219	211
Number of employees at end of the period	243	203	243	230
Revenues for the year per employee, KSEK			2,385	2,479

## 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 acquisition