

# Annual Report 2019



# Areas we play

## Strategy Alignment and Business Acumen



Today's rapidly changing business climate pressures your leaders to better understand your company's business model, faster. BTS works with people at all levels, developing the strong business acumen necessary for successful strategy execution. BTS's programs use highly experiential customized simulations to allow your people to run the business and practice executing the strategy as if it were their own.

## Leadership Development



We know that leadership is relentlessly contextual and immensely personal. As such, leadership development should be customized to your strategy, culture, and business environment. Our simulation-based learning programs allow your people to experience leading as if in real life, developing the skills and confidence necessary to drive strategy execution.

## Sales and Marketing



Building mastery of business acumen and people dynamics, we equip your salespeople to more effectively engage buyers and prioritize sales activity, inspiring better customer decisions and driving exceptional results. We enable sales managers to optimize sales management, with the skills to lead people, develop people, and execute their plan, leveraging both business acumen and people dynamics. Not only do we focus on the salesperson and sales manager, but also on developing sales and marketing approaches for sales leaders, marketing, specialized sales sources, and channel partners.

## Innovation and Digital Transformation



Success in today's world requires constant innovation and an astute use of digital technology. We help leaders at all levels learn how to manage through digital disruption and cultivate the culture and environment necessary for innovation. Through our customized business simulations, your people will bridge the gap from your company's current state to your desired future state, capturing the benefits of technology, speed, innovation, and smart risk-taking.

## Assessments



Faced with limited talent pools and a highly competitive market, hiring and promoting the right people can be extremely difficult. BTS Assessment helps your company gain an accurate understanding of your employees' capabilities, and designs talent selection and development initiatives that align with the strategic needs of your business. Working with leaders at all levels, our solutions make identifying, selecting, and developing the right talent more accurate and efficient.

## Coaching



For too long, coaching has been seen as a 'black box' focused more on individual needs than strategic business goals, and something affordable for only senior leaders. Over a decade ago, BTS Coach eliminated all of these constraints by turning coaching on its head. We partner with you to create bespoke one-to-one coaching journeys that support your initiatives, and also offer a portfolio of just in-time solutions allowing you to access high quality, globally available, scalable executive or team coaching solutions on demand.

## Change and Transformation



Change has changed. At BTS, we help you turn plans to actions because we know that change and transformation can't be planned perfectly. Partnering with your company, we link transformation to your strategy by defining the outcomes and structures necessary for working in new ways. Through transformational experiences, your leaders shift their mindsets, enabling them to embrace and lead change. They execute your new strategy with new actions and behaviors in an environment where change is expected and leveraged as an opportunity.

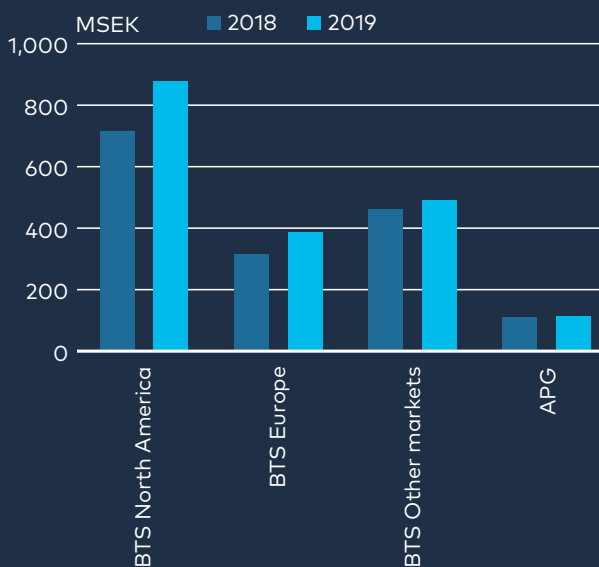
# Helping the world's leading com

BTS is a global professional services firm headquartered in Stockholm, Sweden, with more than 830 professionals in 35 offices located on six continents.

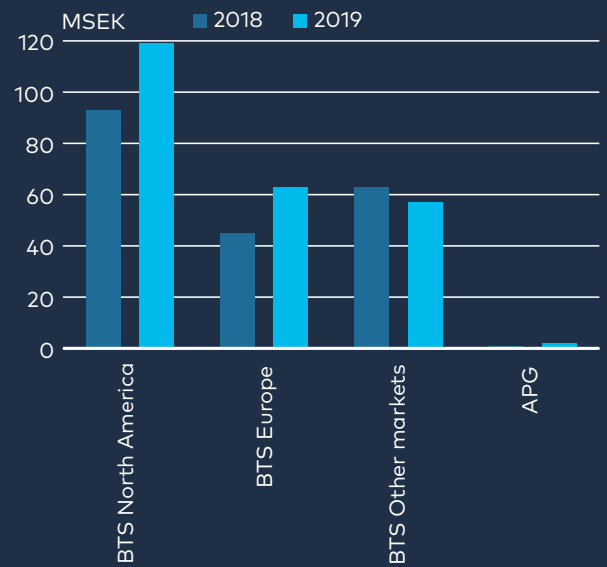
## BTS'S OFFICES AROUND THE WORLD



## Net sales per operating unit



## Operating profit (EBITA) per operating unit



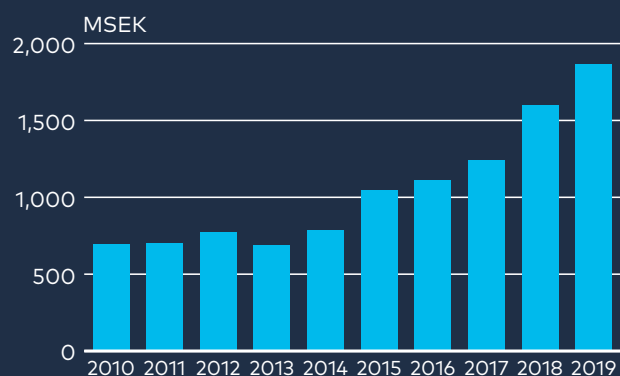
# Companies turn strategy into results

We work with our clients to build commitment and capability to accelerate strategy execution and improve business results. Our vision is to be the global leader in turning strategy into action.

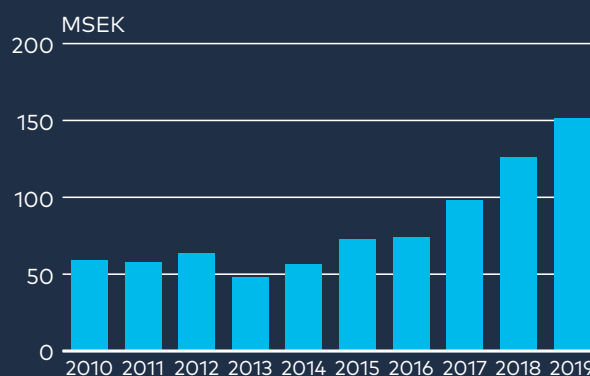
## Some of our clients

- ABB
- ANZ
- Autodesk
- Bancomer
- BP
- Cepsa
- Chevron
- Coca-Cola
- EY
- DBS
- Ericsson
- Mercado Libre
- Microsoft
- National Australia Bank
- Nike
- Petronas
- Salesforce.com
- SAP
- Tencent
- TMobile
- Uber
- Verizon
- Wärtsilä

## Net sales



## Profit after tax



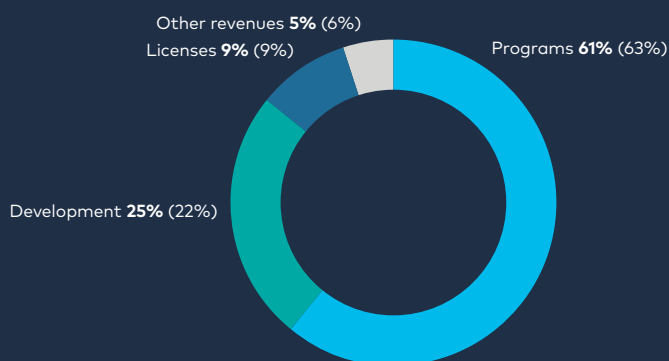
## 2019 in brief

- Net turnover amounted to MSEK 1,865 (1,598).
- Revenue growth was 10 percent, adjusted for changes in foreign exchange rates.
- EBITA increased by 21 percent to MSEK 245 (202).
- Profit before tax increased by 20 percent to MSEK 216 (180).
- Profit after tax increased by 20 percent to MSEK 151 (126).
- Earnings per share increased by 18 percent to SEK 7.84 (6.67).

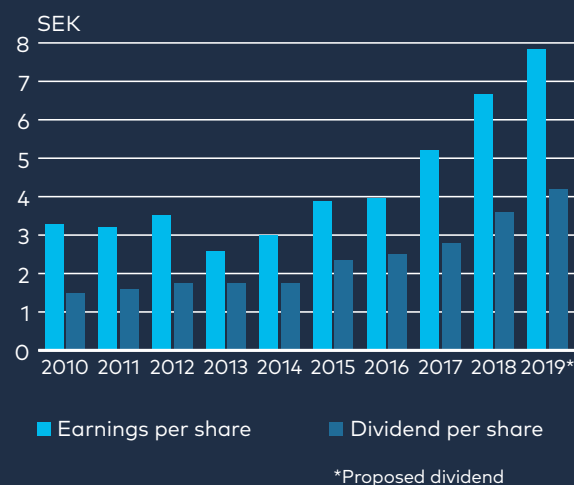
Key ratios	2019	2018
Net sales, MSEK	1,865	1,598
Operating profit (EBITA), MSEK	245	202
Operating margin (EBITA margin), %	13	13
Operating profit (EBIT), MSEK	226	183
Operating margin (EBIT margin), %	12	11
Profit before tax, MSEK	216	180
Profit after tax, MSEK	151	126
Profit margin, %	8	8
Operating capital, MSEK	600	545

Key ratios	2019	2018
Return on operating capital, %	39	35
Return on equity, %	20	20
Equity ratio at the end of the year, %	45	46
Cash flow from operating activities, MSEK	218	158
Cash flow, MSEK	48	50
Cash and cash equivalents at the end of the year, MSEK	316	262
Average number of employees	779	645
Number of employees at the end of the year	832	701
Net turnover per employee, MSEK	2.4	2.5

## Net sales by source of revenue 2019 (2018)



## Earnings and dividends per share





# Contents

Words from the CEO .....	4-5
Vision, purpose, value proposition and goals. ....	6-7
Strategic principles. ....	8

## Practices

Strategic alignment and business acumen.....	10-11
Leadership development.....	12-13
Sales and marketing.....	14-15
Innovation and digital transformation.....	16-17
Assessment.....	18-19
Leadership Coaching.....	20-21
Change and transformation .....	22-23

## Business model and clients

Business model. ....	26-27
Digital services.....	28-29
Our clients and industries.....	30-31
Growth, profitability and acquisitions .....	32-33

## Organization, culture and APG

Organization.....	36
Core values.....	37
Our people and culture .....	38-39
Advantage Performance Group.....	40-41

## Financial information

BTS share information.....	42-43
Five-year summary .....	44-46
Management report.....	47-51
Consolidated income statement.....	52
Consolidated statement of comprehensive income.....	52
Consolidated balance sheet .....	53
Changes in consolidated equity.....	54
Consolidated cash flow statement .....	55
Parent Company's income statement.....	56
Parent Company's statement of comprehensive income.....	56
Parent Company's balance sheet.....	57
Parent Company's cash flow statement.....	58
Changes in Parent Company's equity .....	59
Notes to the annual report.....	60-77
Audit report .....	78-81

## Governance and management

Sustainability report.....	82-87
Corporate governance report.....	88-91
The Board of Directors and auditor .....	92-93
Senior executives and global partners .....	94-95
Shareholder information .....	96

# To come out stronger from the recession

During the 34 years of our company BTS's history, we have lived through three recessions and managed to come out stronger from each one.

Recessions are the times of tough challenges, but also the times of opportunities. These are times of change, times when new moves can be made, times when we can win market share, times when we can develop new services, and times when we actually can release more energy in our organizations.

Recessions hit organizations and industries differently. This column describes recessions for BTS and how we tackle them.

## Principles

We have had two main principles in each recession that we have met:

- 1) Protect our business and our jobs short term.
- 2) Think long term and come out of the recession stronger.

Principle number 1 is critical to build the cash base and the business scenario which secures the organization and creates freedom of action and of time. However, it is easy to get stuck on the first principle and become entangled in short term cost cutting, and in moves which may destroy real medium and long term value.

The principle no 2 is key. Our ambition is to have a clear view from the very beginning of how we will be stronger when we come out of the recession and what we need to do during the recession to get there.

This our fourth recession is on one hand our toughest – because it includes a pandemic which makes the physical deliveries of BTS's services many times impossible. On the other hand this fourth recession also carries a big opportunity for BTS, in the growth of virtually and digitally delivered services.

## Speed and force

On February 19, the day after we released our Q4 report, as I worked in London, our stock price hit an all-time high and we looked into 2020 with an amazingly strong record breaking orderbook. Two days later, on February 21, as I worked in Madrid, we read of the rapidly growing covid-19 cases in northern Italy, and it became quite clear that the virus would spread and that this would have major impacts on the world economy. Never ever has a recession arrived with such speed and force.

We started to get to work immediately in our leadership team and on March, 1 our plan was set and ready to go.

## Our global battle plan

Our plan had – and still has – four main areas:

- 1) Security – keep our people safe.
- 2) Revenues – protect and refocus.
- 3) Cash – build a war chest so that we can survive in the toughest of times.
- 4) Use all resources for progress.

Over 60 percent of our revenues come from physical deliveries to groups of over 20 people or more, quite often tied to travel. We believed that these deliveries would disappear, and that this could last for months going forward. On top of this we would see the recession's economic impact on our customers.

One alternative in this situation was to cut a significant part of our organization, through dismissals, and this way balance our costs with the revenues. We decided to not take this route, which would have been the most predictable in the short term.

## Our strategy

We concluded that our customers would not only be cutting down, they would also be looking for new ways to deliver, and that we could support them.

Based on the organic investment we have made in our digital and virtual organization and products, as well as two acquisitions in this space we made during 2019 – of the companies SwissVBS and The Rapid Learning Institute – we decided to transform our organization's capabilities and set-up to perform virtual and digital solutions for all our customers. And – to very quickly go to market with this capability!

This way we take a leap into the future of virtual and digital together with all our customers as well as up-skill our whole organization, which we also are able to maintain – ready and stronger for when we come back to normal times. We have invested a lot to build our organization and it is valuable indeed, and to demount it would destroy value.

We are also creating positive energy in our organization, based on learning and moving towards the future.

And this positive energy is of great help to our people, concerned and in lockdown – which in its turn helps our business.





And wherever we have free resources, we use them for productive purposes improving our business and our operations.

We have covered the risk exposure by selected savings and by building more cash.

### Results so far

We have seen a considerable amount of cancellations and postponements, and this prediction was easy to get right.

And – during the seven weeks since we launched our global battle plan, we have won over 25 MUSD in new revenues for digital and virtual solutions from over 150 customer projects for delivery from Q2 and onwards. We are seeing new buying centers in existing customers and also totally new customers. And positive energy and progress in up-skilling across the BTS organization.

### How to come out stronger

Our goal is to come out stronger in three ways:

- 1) With a much larger business in virtual and digital, to be combined with satisfying the built up demand for physical delivery, which we believe will be significant when we gradually return to a more normal stage.
- 2) With a larger base of customers and with broader relationships with our key customers.
- 3) With a stronger organization, maintaining the talented people we have, combined with new top talent we believe we can find in these times, and enhanced through improvement projects during this year.

### 2019 – a record year

It seems already today a long time ago. However, below some highlights of 2019.

Overall, 2019 was a good year with an operating profit increase of 21 percent. The increase in our earnings has been stable over time: operating profit has risen on average 23 percent per year over the last five years.

We are particularly pleased to have achieved a 21 percent increase in earnings in 2019 despite the weak performance in one of our three regions. While both BTS North America and BTS Europe had a strong year in 2019 with healthy growth and increased margins, earnings decreased in our second biggest region, BTS Other markets.

During 2019, our revenues grew 10 percent, of which 9 percent was organic.

Our total operating margin during 2019 increased by 0.6 percentage points to 13.2 percent. The positive trend in the EBITA margin that began in the fourth quarter of 2016 has continued.

### Outlook for 2020

There is now major uncertainty of how the revenues for physical, digital and virtual deliveries will develop during the year, and we do not currently have the information to provide an outlook for the year.

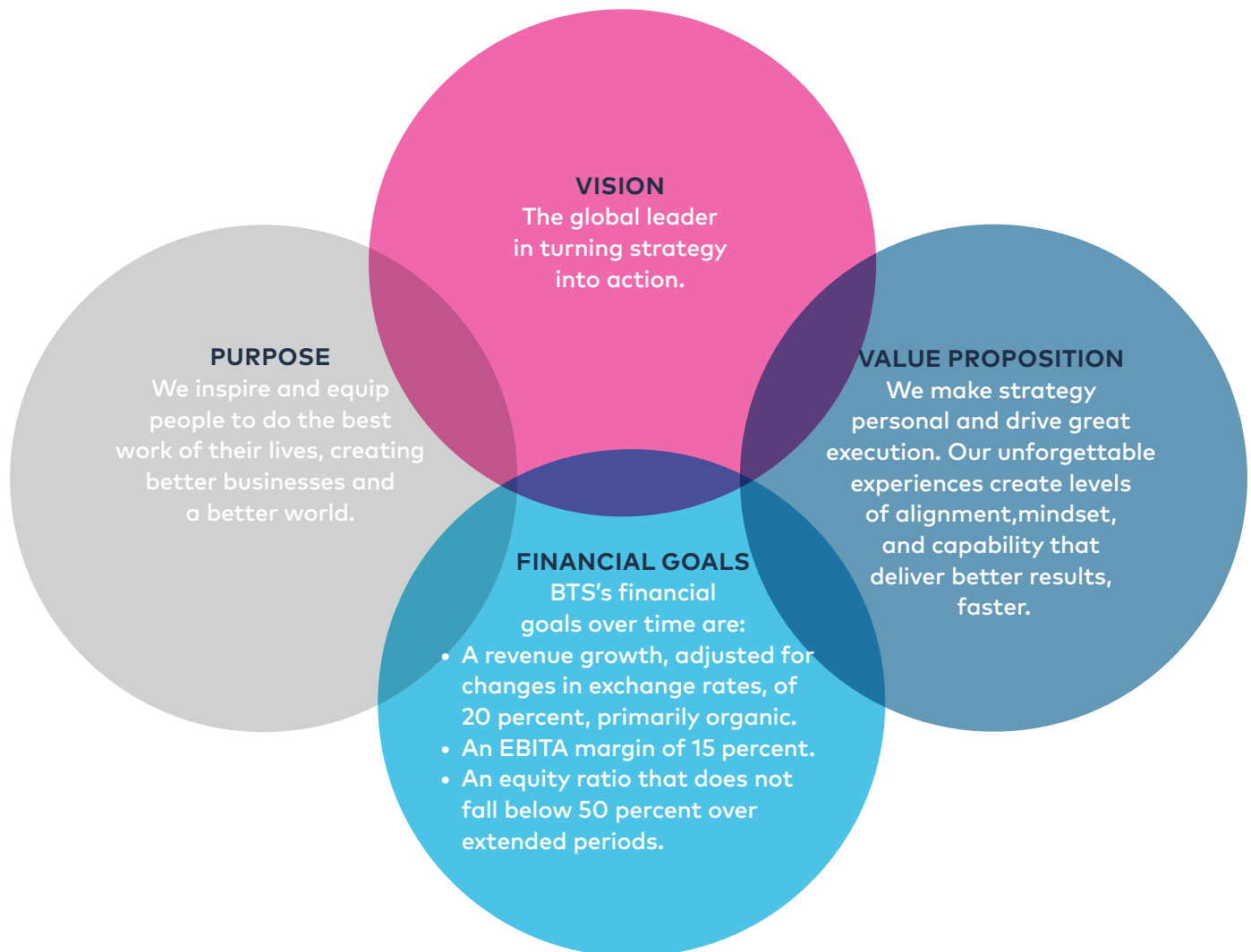
BTS is focused on growing stronger during the 2020 pandemic and recession and move forward with an offering with more growth potential, a larger customer base and a stronger organization.

Stockholm, April, 2020

Henrik Ekelund  
 Founder and CEO of BTS Group AB

# The global leader in turning strategy into action

BTS focuses on the people side of strategy, working with leaders at all levels to help them make better decisions, convert those decisions to actions and deliver results. At our core, we believe people learn best by doing. For more than 30 years, we've been designing fun, powerful experiences that have a profound and lasting impact on people and their careers. We inspire new ways of thinking, build critical capabilities and unleash business success. *It's strategy made personal.*



# The BTS Group's 11 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 geographic markets and new sectors through a customer-driven approach – revenues and customers first, cost second.

## Top clients and long-term partnerships

BTS's clients shall be predominantly 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 and premium position

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

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

## Network-oriented sales and marketing

BTS continuously increases the quantity of, 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 to 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 the key needs of our clients and to provide the best solutions. BTS adapts existing solutions and develops new solutions in joint projects with clients to secure effective and client-needs-driven innovation.

## The people and the company spirit

BTS's professionals are all very visible to the client, and the company 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.





# Practices

Strategic Alignment and Business Acumen	10–11
Leadership Development	12–13
Sales and Marketing	14–15
Innovation and Digital Transformation	16–17
Assessment	18–19
Leadership Coaching	20–21
Change and Transformation	22–23

# Strategic Alignment and Business Acumen

## What we do

We prepare your leaders to make better business decisions. We help them understand your business model(s) and your company's drivers of profitable growth, and then focus them on taking action to drive business results. From the individual contributor to the C-suite, we build leader readiness at all levels by developing the enterprise thinking and business acumen necessary to accelerate the execution of your strategy. Our programs use customized, team-based business simulations with a combination of pre- and post-work; live, classroom-based, and virtual workshops; as well as on-the-job application and coaching to ensure that every member of your team has the skills necessary for success. Your senior leaders are often incorporated into the design to bring practical insight and capability to the learning experiences.

## Our point of view

Today's rapidly changing business climate pressures your leaders and employees to better understand your company's business model. Your leaders need to know how they impact value creation and the critical levers they can pull to make your business successful at a rate that keeps up with the pace of change.

## How we can help you

Our technologically-enabled simulation experiences allow your people to run the business and practice executing the strategy as if it were their own. During our programs, your people get to work as a team, building alignment, ownership, and a deep sense of confidence, in a fun and risk-free environment.

## How we are different

- 1. Deep customization:** We custom-build solutions to your business context and strategy by co-creating our simulations with your key stakeholders, ensuring the right focus and outcomes.
- 2. Learn by doing:** Our simulations allow your people to envision and practice what change looks like in real life, and give them the confidence to execute new skills back on-the-job.
- 3. Results-focused:** We begin with the end in mind and design the experience based on your desired business outcomes. BTS has a proprietary methodology to track and measure economic impact of our programs.
- 4. Cost-effective:** Our solutions are efficient and scalable, ensuring that your learning programs maximize value and ROI.
- 5. Global partner:** Our worldwide reach enables seamless and efficient implementation.

## Our Framework for turning strategy into action:

Execution = Alignment x Mindset x Capability

**E=AMC** (aka, execution driven by the people side of strategy)





## CLIENT STORY

### **Building enterprise thinking and financial acumen with measurable economic impact**

A leading American telecom organization was in the process of implementing a strategy that generated free cash flow to fund future capital expenditures. However, a problem emerged when the company realized that 70 percent of its people did not know what Free Cash Flow was or how it could be improved.

Recognizing that this knowledge gap would only continue to create negative economic consequences for the organization, the telecom company engaged BTS to build a solution. BTS created a learning solution featuring a Free Cash Flow execution tool, which used the company's real-life numbers to allow participants to learn about Free Cash Flow and how to create it.

This tool and the experience around it helped people to define Free Cash Flow, understand levers to improve it, practice cause and effect using real-life scenarios, and identify how their function and team could drive Free Cash Flow improvements. After the program, using BTS's Power of One results assurance process, each participant implemented and tracked a Free Cash Flow "go-do," or a guided task applied on the job to extend learning from the program.

In a thorough follow-up process validated by the telecom organization and their finance department, participant go-do's added up to over \$4.7 million in Free Cash Flow impact, generating an ROI greater than 10X.

# Leadership and Management Development

## What we do

We equip leaders at all levels with the leadership skills critical for success in today's business environment. We operate on the people side of strategy, transforming leaders so that they can transform organizations. With deep customization capabilities, formidable industry know-how, and 30+ years of experience with leadership development, we provide strategic capability training through experiential simulations.

## Our point of view

We know that leadership is relentlessly contextual and immensely personal. As such, leadership development should be customized to your strategy, culture, and business environment. To drive outstanding results, today's leaders need to be agile, purpose-driven, think at an enterprise level, and build effective, high-performing teams.

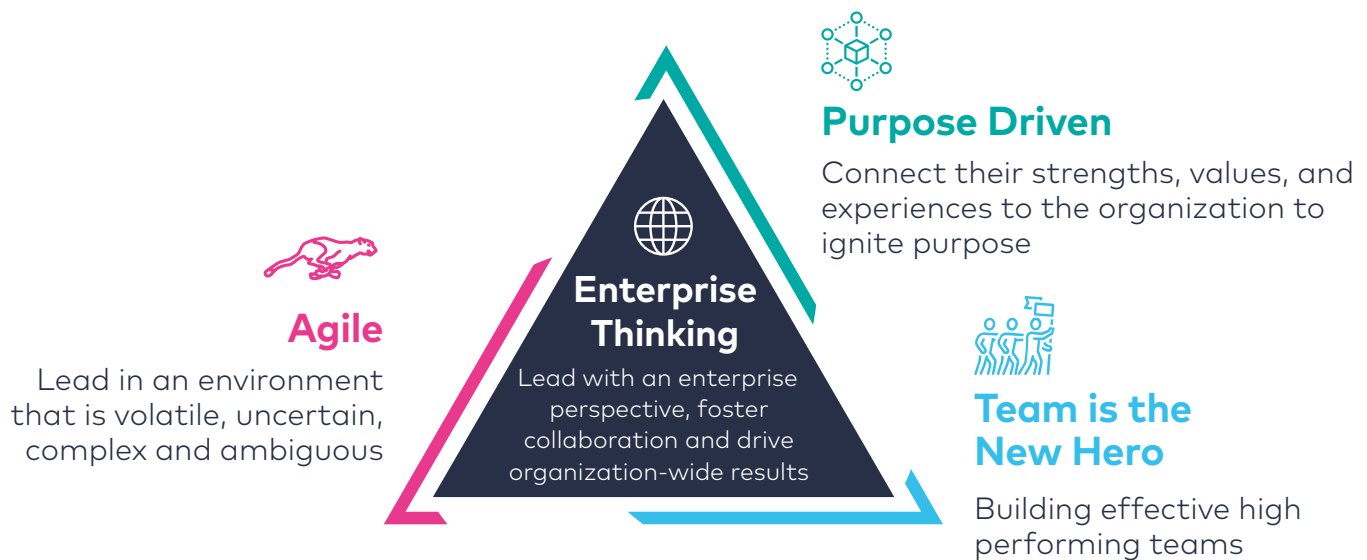
## How we can help you

We provide custom-built and personalized business simulations—classroom-based, virtual or self-paced—that allow your people to test out new behaviors in scenarios modeled directly after the leadership moments they face on

a daily basis. Our expertise provides the alignment, mindset, and capabilities your people need, ensuring strong leadership throughout your organization to drive strategy execution.

## How we are different

- 1. Powerful and lasting experiences:** We inspire new ways of thinking, build critical capabilities and unleash business success, providing a profound impact on your people and their careers.
- 2. Learn by doing:** Through simulating new strategies and different ways of working, our client results demonstrate that we are a world leader in building leadership capabilities that empower people to make better decisions.
- 3. Deep customization:** Because customization is in our DNA, we can do it faster, better and with high fidelity to your business. Our solutions are practical, applicable and offer a clear return on investment.
- 4. Passionate about your business:** We pride ourselves on being the most business-centric leadership development partner. Therefore, we make a point of knowing your business and industry like it is our own.







## CLIENT STORY

### Leadership development to drive great strategy execution

With the induction of a new leadership team, an American department store unveiled a novel strategy that offered an exciting vision for the future. However, they recognized that it would take the right culture to drive sustained growth.

In partnership with BTS, the organization created a series of customized, moment-based leadership simulations to embed the identified leadership behaviors that would ensure a culture shift. Addressing the top 1,200 leaders of the organization, all 20,000 salaried colleagues, and all 110,000 hourly colleagues ensured that every level of leadership would understand the new behaviors and skills necessary for success.

After going through the program, the organization delivered 101 percent to sales plan for Q1, and 104 percent to sales plan for Q2, with every metric improving. It achieved 19 percent more inbound productivity, \$350K better than plan; and double-digit improvement from the previous month.

# Sales and Marketing

## What we do

By building a mastery of business acumen and empathy, we help your sales and marketing teams better address their customers' true needs. This means equipping your salespeople with the skills they need to more effectively engage buyers and prioritize sales activities, as well as providing your marketers with the capabilities to leverage deep customer insights, build customer-oriented value propositions, and work in alignment with your sales team.

We partner with you to co-create the right mix of sales methods, go-to-market strategies, marketing excellence, trainings, simulations, and assessments for your sellers and marketers. Through our unique approach, solutions are tailored to fit your strategy and business, inspiring better decision making and driving results.

## Our point of view

We know that sales cycles have gotten longer and more unpredictable – but what does this mean for your business? We uncovered that the best salespeople and marketers today sell and market by showing how their offerings help accelerate their customer's ability to see results. These leaders are *Accelerator Sellers and Marketers*.

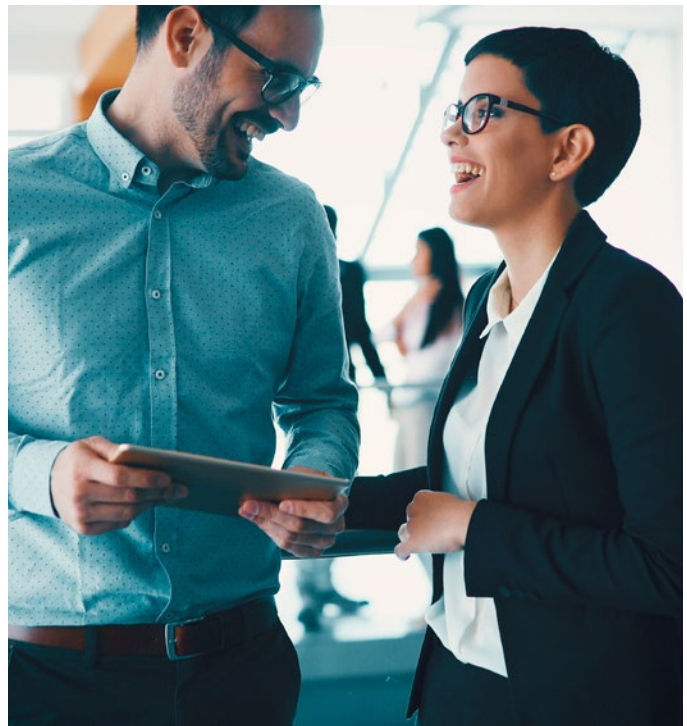
To make your business successful in today's environment, we begin by codifying what your great performers already do. Then we combine these behaviors with our extensive research and experience leading sales forces and marketing teams to create "accelerators" that are unique to your company.

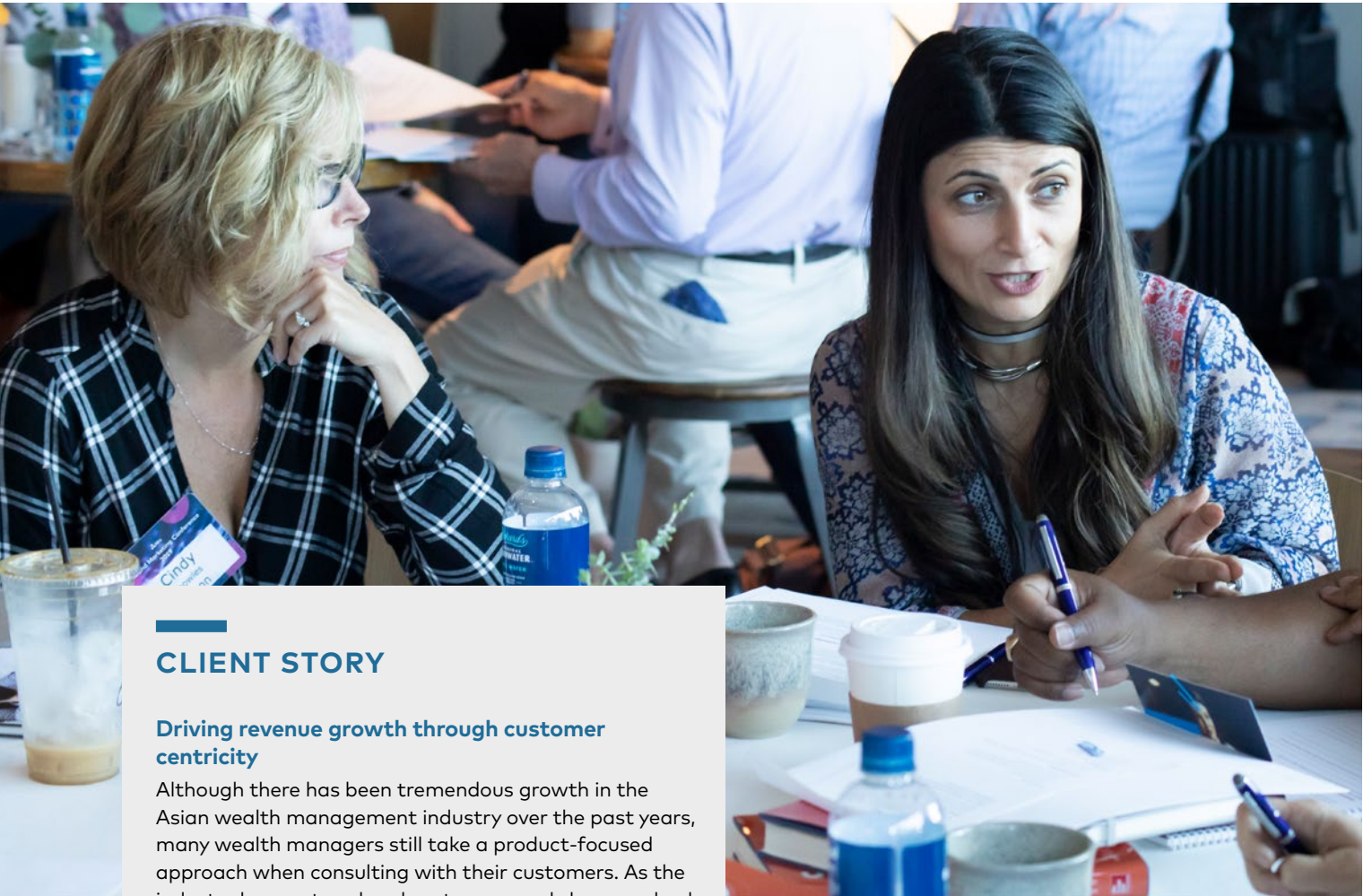
## How we can help you

Our content ranges from plug-and-play training modules to deeply customized simulations, which allow your people to experience working differently – gaining the confidence and capabilities they need to change behavior on the job. From targeted behavior change, to initiative execution to sales and marketing transformation, we equip your people with the skills they need for success.

## How we are different

1. **Results-focused:** Our cutting-edge POV on what sellers and marketers need today combined with our practical approach helps you achieve your desired outcomes and business results faster.
2. **Customization to your organization:** In partnership with you, we identify the right mix of ready-to-go and custom elements to help your sellers and marketers become "accelerators."
3. **Global partner:** We provide world-class experiences that have the international reach to support leading organizations like yours.





## CLIENT STORY

### Driving revenue growth through customer centricity

Although there has been tremendous growth in the Asian wealth management industry over the past years, many wealth managers still take a product-focused approach when consulting with their customers. As the industry has matured and customer needs have evolved, one of the largest banks in Eastern Asia knew that they needed to change how they engaged with their wealth management customers. Therefore, the retail division of the bank launched a new customer-centric sales strategy.

This was supported by a comprehensive training program designed by BTS to equip wealth managers with a deeper understanding of targeted client segments, the underlying needs driving clients' wealth management decisions, and how to take a consultative approach in meeting those needs.

Three months after the program, 91.3 percent of the participants had completed their action plans and their overall business results had increased by 25.5 percent compared to the last quarter. Amongst the initial results were an increase in new assets of USD 3.8 million, more than 30 new VIP Accounts, and over 100 new customer cases, totaling to new asset creation of USD 17 million.



# Innovation and Digital Transformation

## What we do

We drive business results by helping leaders practice and internalize the shifts needed to make digital transformation and innovation work. We short-cut the time to business impact by working alongside your teams to do both innovation work, and to shape the culture in which innovation and digital transformation can thrive.

## Our point of view

We define innovation as the discipline of discovering and solving problems in new ways under conditions of uncertainty, and digital transformation as innovating with the use of technology. Both disciplines are highly interrelated, emergent and critical for all companies to learn, practice and master.

Because innovation tools and digital technology are readily accessible to everyone, the technology itself affords no distinct advantage. Rather, business success depends on the human element behind technology and innovation management – ideas, strategies and ways of working.

## How we can help you

We can build growth and innovation capabilities in your organization from end-to-end. We work with you to design and define your innovation and digital transformation objectives, execute and launch solutions in the field, and everything in between. We don't take a cookie-cutter approach to innovation but begin by identifying and honoring the capabilities that already exist, those that need to be added, and those that can be changed.

Our capability work is highly experiential and customized to ensure it is relevant to your business, not just any business. When it comes to innovation "training," our customized innovation simulations can compress months and years of high-risk innovation projects into a few hours, giving leaders hindsight in advance—and the confidence they need to face uncertain outcomes before they occur.

To enhance our workshop-based innovation experiences, we also offer a unique immersive experience through our design studio in Milan, where your people can reach beyond their typical workday mindsets and capabilities to explore innovation at a product level, through aesthetic and ergonomic innovations.

## How we are different

1. **Results-focused:** We understand that innovation begins with your user insights and ends with executable concepts that drive business results. We always start with your business outcomes and reverse-engineer our solutions from there, not vice-versa.
2. **Create a culture of innovation:** Our approach helps your leaders practice and internalize the shifts required to create a culture in which their people feel confident and encouraged to innovate in safe, simulated environments.
3. **Learn by doing:** Our simulations enable your leaders to recognize the daily work moments that matter for innovation and what great action looks like in each moment.
4. **Make innovation fun:** We facilitate exciting and competitive experiences where your people explore new innovation behaviors in a risk-free environment— providing a memorable experience for your people that actually shifts mindsets and changes actions on-the-job.





## CLIENT STORY

### Building an innovation culture

A Global Fortune 100 media company found itself in a period of rapid transition. The CEO knew that future success required a strong culture of innovation, revolving around the consumer's changing needs. Thus, the company put its senior leaders through an innovation journey designed in partnership with BTS.

The goal was to help leaders understand the role of innovation in meeting customer needs, and to convert the insights into tangible projects that would help the company to accelerate growth. One year after its completion, 11 innovation projects were being further developed and implemented, and included one major project that will be a critical piece of the organization's business moving forward.

# Assessment

## What we do

Faced with limited talent pools and a highly competitive market, hiring and promoting the right people can be extremely difficult. BTS Assessment helps your company gain an accurate understanding of your employees' business and leadership capabilities, designing talent selection and development initiatives aligned to the strategic needs of your business. Working with leaders at all levels, our solutions make identifying, selecting and developing the right talent more accurate and efficient.

## Our point of view

We believe that the best assessments are relentlessly contextual and designed around behaviors specific to your team, not just any team. We help your organization identify and develop great talent by focusing on great and not-yet-great behavior.

We begin by developing customized success profiles and playbooks that are fully aligned to your business, helping your leaders understand how to be great at their job in language that resonates with them. Then, we take your customized and tailored-to-fit profiles and playbooks and use them as the foundation for your assessments.

These tools will become the basis for your external hiring and internal identification of skills and areas for development that lead to success on the job, in the role, and across the enterprise.

## How we can help you

We build assessments that fit your business strategy and people, and then use the resulting data to help you select the very best hires or help your people change how they work. Our team has a deep background in behavioral science, advanced degrees, and decades of practical experience. We apply our understanding of what great looks like in your organization to every assessment solution, ensuring the accuracy of results you want to see.

Our assessments provide selection and development solutions that are tailored to meet the needs of your organization and people, from first-time hires to high potentials, to those being groomed for the C-suite.

## How we are different

- 1. Deep customization:** We create solutions that mirror the dynamics of your business and culture.
- 2. Data-driven talent decisions:** We help you make more precise talent decisions using better data.
- 3. Results-focused:** You will get speedy, easy-to-interpret results without the psycho-babble, providing measurable ROI that illustrates the impact of your selection and development decisions.
- 4. Virtual:** We conduct assessments on any device from anywhere in the world.
- 5. Cost-effective:** We reduce cost by administering efficient and scalable solutions.





## CLIENT STORY

### New leader program: Embarking on a leadership journey

A multinational software corporation needed a powerful solution to develop its first-time leaders, who were rapidly being promoted to new roles but lacked an understanding of how to lead at the company. Recognizing the need to develop this talent, the company partnered with BTS to co-create a 14-week learning journey to provide the necessary knowledge-sharing, collaboration and support to incite change.

The journey focused on cultivating the three critical skills identified as necessary for first-time leaders in the organization: Giving feedback and coaching, achieving results through your team and leading high-performance teams.

In three four-week cycles, participants experienced three "Practice with an Expert" sessions. In the sessions, participants first experienced animated, gamified learning modules that presented each topic in a time-efficient and engaging manner. Then, they were paired with a BTS Assessment Expert who helped them practice new skills through role plays, gave them feedback and coached them on how to apply their new skills back on the job.

The entire experience was delivered in a virtual environment where participants could use their device of choice, in any location around the world, at a time most convenient for them.

Following the program, 92.5 percent of participants strongly agreed that "The overall learning experience was valuable" and 95.4 percent agreed to the statement: "I believe the skills developed in the program will help me be more effective as a leader at the company."

# Leadership coaching

## What we do

We provide scalable coaching to make strategy personal. As a global partner for all your coaching needs, we work with leaders at all levels, individuals and teams to support the process of shifting and sustaining mindset and behavior change for lasting impact.

We work with you in two primary ways: We leverage our expert Professional coaches around the world to support the leadership development needs of your leaders; and we provide coaching mindset training at scale, when building a coaching culture is a strategic organizational imperative.

## Our point of view

At BTS, our coaching model is focused on both individual and organizational development needs. We believe that coaching is a hugely important tool for shifting mindset and behavior that unlocks passion, resilience and capability, and it equips your people to do the best work of their lives.

Consistently scalable and affordable across an organization, coaching is simply the best tool to turn strategy into action. Our approach provides measurable individual and organizational results to back up the investment—using world-class technology and research to make every minute count.

## How we can help you

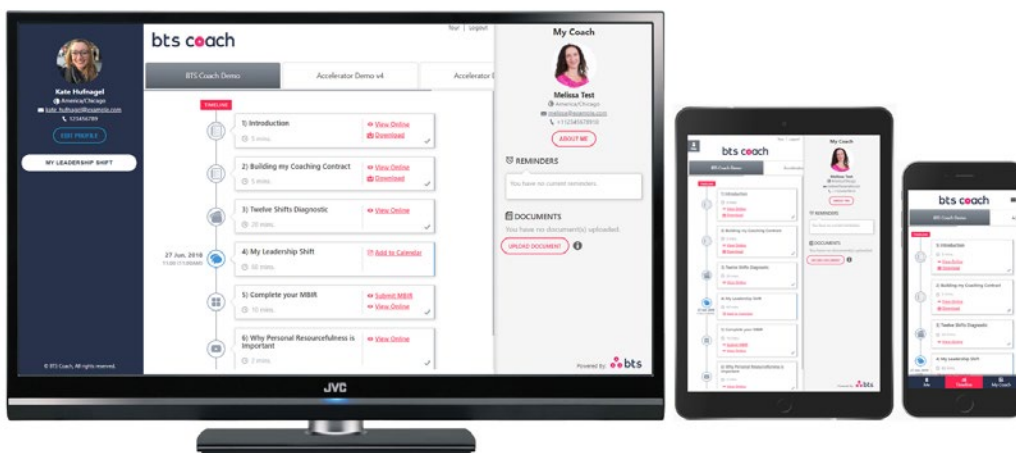
To address your leader development needs through coaching, BTS partners with you to create coaching journeys linked to your business strategy and talent priorities. Every

personalized coaching journey is supported by technology, integrated with applied digital learning moments that help drive lasting behavior change to increase the effectiveness and performance of your leaders and the organization.

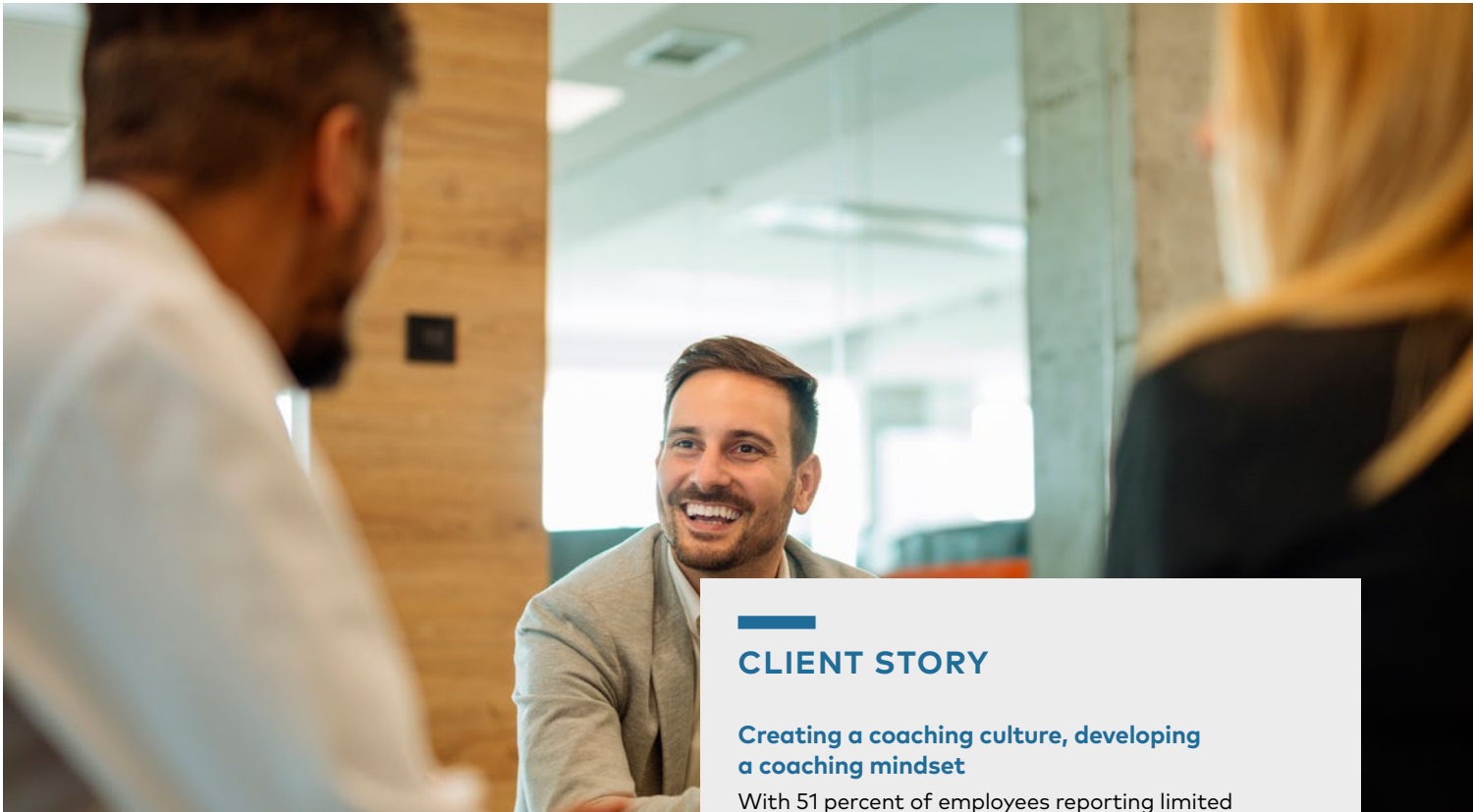
Our portfolio of coaching solutions provides development when leaders need it the most—just in time—and is offered in 28 languages and 37 countries.

## How we are different

- 1. Extending the reach of leadership coaching:** As the first mover in creating accessible leadership coaching, our unique system allows us to offer one-on-one coaching solutions for all levels of leaders, from the executive to the front line.
- 2. The world's best mindset research:** We base our approach on our mindset map, an evidence-based researched methodology informed by more than 120,000 coaching conversations. It puts mindset at the center of our coaching approach, where coaching can focus on root cause and apply the right tools that help leaders and organizations make meaningful change.
- 3. Simple, quality, and cost effective:** With over 300 mindset certified coaches, we deliver scalable coaching in 28 languages with a seamless true global reach.
- 4. Strategy alignment:** Traditional coaching focuses only on the individual's agenda. At BTS, we coach to both the personal agenda and the broader business's strategic agenda to drive measurable impact.







## CLIENT STORY

### Creating a coaching culture, developing a coaching mindset

With 51 percent of employees reporting limited opportunities for growth, and 63 percent of leaders identifying as first-time managers, a global ride-hailing app identified the need to cultivate a coaching culture to drive growth. The company partnered with BTS to create a customized, three-month blended learning journey to develop coaching capabilities.

The experience began with a live, two-day coaching workshop highly contextualized to fit the cohort's specific needs. Following the two-day program, participants experienced an individual coaching session to clarify their critical mindset and behavior shifts and three virtual, small-group coaching sessions to ensure long-term behavior change and sustained learning. The whole journey was supported by digital learning moments to reinforce the change.

In 2019, the program was implemented in eight cities, reaching almost every continent. Over five months, 376 leaders completed more than 1,070 coaching sessions and over 2,000 hours of one-to-one or small-group coaching. In feedback about the program, participants praised their ability to be vulnerable, practice coaching tools correctly and frequently, and the contextual accuracy of the experience. Ninety-four percent of participants said they would recommend this program to a colleague and ranked the program 9 out of 10 overall.



# Change and Transformation

## What we do

Standard "change management" produces standard results – so we take a different approach. We are biased to action because we know that you can never plan change perfectly. We help you define your outcomes and the supporting structures you need to implement change, but primarily focus on linking change to your strategy. How? We enable your leaders to embrace change by shifting their mindsets to accomplish your new strategy and focus on new actions and behaviors.

## Our point of view

We know that change has changed. We believe that traditional change management approaches are less relevant because they can't keep up with the pace and intensity of business evolution required within today's new reality. What you need now are transformational experiences that

propel your entire organization to believe in the power of the strategy, and see themselves as a capable and necessary part of future.

## How we can help you

Organizations and leaders are constantly moving through each of these stages of transformation. We meet you where you are and take you further than you thought you could go.

## How we are different

We understand that you are leading a movement, not a project plan. Our approach is people-centric and mindset driven, as well as rooted in and linked to the execution of your strategy. Our solutions increase capacity to change by focusing on mindsets, skills and capabilities of your leaders, and start where you are to build the path for moving forward—beginning with the most important people step.

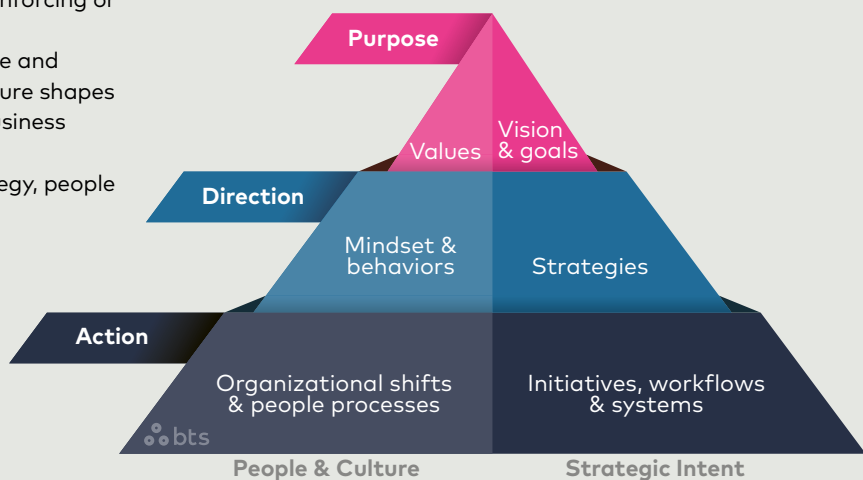
### The BTS culture and strategy pyramid

Culture and strategy are mutually reinforcing or simultaneously defeating.

Change requires addressing culture and strategy simultaneously because culture shapes how people execute and deliver on business strategy.

When culture is aligned with strategy, people are clear about:

- Where the organization is heading
- Why it is changing
- How it will get there
- How they can contribute



## CLIENT STORY

### Leader readiness journey and behaviors activation: A partnership to prepare an organization to lead change

After several stalled attempts to execute a Customer Experience transformation, one of the United States' largest insurance companies engaged BTS as its broader change partner to evolve the culture and accelerate the transformation. In partnership with company executives, BTS created a new cultural vision designed to enable the transformation, evolved performance management to support the new culture, and designed a multi-year leader development engagement to shift leader mindsets and behaviors.

After two years of partnership, measures of Organizational Trust and Employee Engagement are at an all-time high, and business results have improved, meeting Board of Trustee commitments made at the outset of the engagement. The CEO called the BTS leadership journey "the best leader development program we've run as a company."



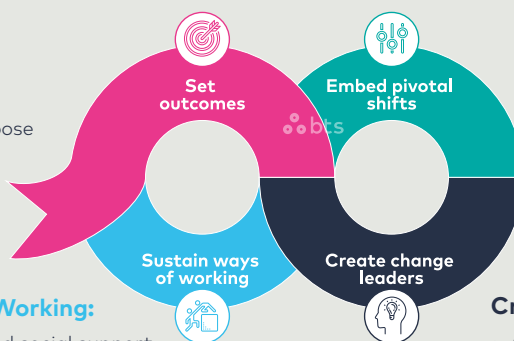
### The BTS Change and Transformation POV™

#### Set Outcomes:

- Assess organization and stakeholder readiness
- Align Vision/Values/Purpose to strategic outcomes
- Set or re-set priorities
- Co-create People Vision and leader expectations

#### Sustain Ways of Working:

- Design individual and social support for critical roles and difficult shifts
- Create experiments and sprints for leaders to run with their teams
- Analyze data to identify what is working and not; create next set of interventions and support



#### Embed Pivotal Shifts:

- Identify critical mindsets, interactions, practices, structures, events and norms that are sustaining old ways of working
- Co-create new ways of working for immediate activation

#### Create Change Leaders:

- Align leaders at all levels to the Vision
- Create readiness and resilience to lead in a dynamic environment
- Begin applying the change to their own organizations – setting priorities, changing expectations





# Business model and clients

Business model	26–27
Digital services	28–29
Our clients and industries	30–31
Growth, profitability and acquisitions	32–33

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

The foundation for growth lies in BTS's 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 client's 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

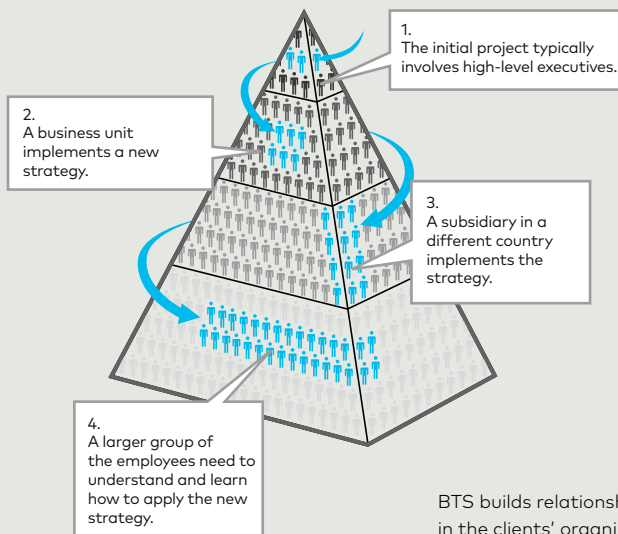
approaches a new industry, it initially focuses on a few leading companies. Once these assignments are completed, they will serve as reputation-building reference projects for new sales to other organizations in the same industry.

## 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.

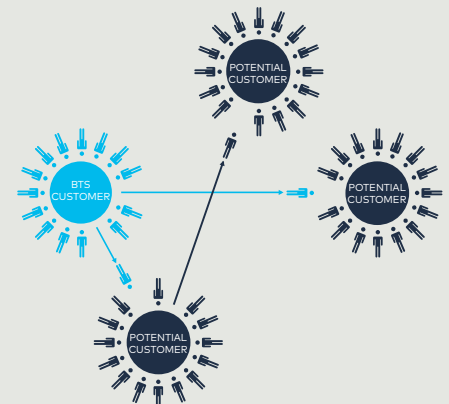
Existing customer relationships make up the base when BTS starts up operations in a new market – a fact that reduces the expansion risk. In addition, BTS works hard to nurture relationships with other large corporations active in the targeted markets.

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



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

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



### Acquisition strategy

BTS's 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's 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 and the needs-focused discussions with individual clients have played an important role in this process.

### Developing the revenue mix

BTS's revenues originate from three areas:

- Development
- Programs
- 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.

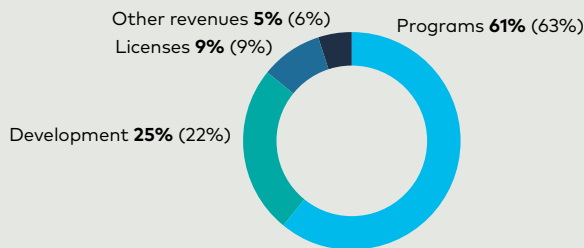
### Programs – the majority of revenues

Instructor-led live and virtual seminar programs comprise the greatest source of revenue for BTS, and they are the predominant form of business delivery. BTS consultants are very much involved throughout the whole customization process, and, during delivery, facilitate these solutions in programs.

### Increased licensing revenue

BTS also delivers its solutions via e-Learning and CD-ROM formats, 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, they are a profitable line for BTS.

Net turnover by source of revenue  
2019 (2018)



# Digital Services

## What we do

BTS Digital is a specialist team and capability that uses modern technology as an enabler to accelerate learning, spark change and drive business results. This group inside BTS creates digital learning journeys, simulations for in-person and virtual workshops, immersive digital events, and online and mobile solutions.

BTS Digital supports the design, production and deployment of these digital-enabled offerings, as well as the development of the technology and product platforms on which they run.

## Our point of view

Turning strategy into action requires alignment, mindset shifts, learning, reinforcement and follow up. This means it's a journey. We believe that digital-enabled learning journeys achieve far more than workshops alone.

As an enabler of these journeys, we provide online resources and everyday tools that can be accessed in the moment of need. In addition, digital tools facilitate workshops, assessments, coaching and practice. Our digital journey platforms bring together formal, informal and social learning to drive action and results every day.

## How we can help you

BTS's digital-enabled journeys, experiences and tools are critical for your organization's transformation efforts for three main reasons:

- **Results:** You want to see business results and you want your people do the best work of their lives. Digital puts learning and application in the flow of work and supports reinforcement and go-dos, so that learning sticks and drives results.
- **Scale and speed:** You want to reach large audiences to quickly and effectively build alignment, mindset and capability. Digital platforms enable this through virtual learning, client-facilitated experiences and ad hoc team learning in the context of normal work.
- **Data:** Journeys, experiences and tools should get better with usage and generate data to demonstrate impact. Digital tools enable better collection and data use to personalize experiences, target and adapt learning, and tie behaviors directly to business results.

## How we are different

Our digital offerings have expanded significantly in recent years, reflecting the increasingly digital world. Core BTS offerings are now digitized, leveraging an upgraded set of capabilities and platforms compatible across modern devices in iOS, Android and Windows. We currently offer:

- **Digital-enabled learning journeys:** A series of carefully crafted touch points that combine facilitated and self-paced experiences with go-do activities that are completed in people's work cadence.
- **Scalable business simulations:** Immersive and engaging discovery-based solutions that can be BTS facilitated, client facilitated or self-paced.
- **Experiences in the flow of work:** On-demand digital-enabled experiences for cascading strategy or learning, led by line leaders through ad hoc sessions in the flow of work without the need for formal scheduling.
- **Digital events:** Conference events that become engaging, interactive experiences that are transformational not just informational.
- **Digital learning:** As a result of our acquisitions of SwissVBS and Rapid Learning Institute, BTS now offers customized digital learning and a robust library of digital content, both centered on an empathetic storytelling approach and grounded in behavioral research.
- **Coaching, practice and assessments:** Individual- or team-based sessions that shift mindsets, enhance skills and predict performance – scheduled and delivered on BTS's digital platforms
- **Performance support micro-learning:** Easy access interactive tools and resources that enable better decision making and enhance performance in the moment of need.

BTS's digital platforms aggregate tools for learning, reinforcement, action and results measurement. This allows for greater ease of access as well as robust data collection to provide insights on learning and strategy execution outcomes. Our platforms make it possible for thousands of people to interact, engage and learn at the same time, making deployment of strategy highly scalable and efficient.





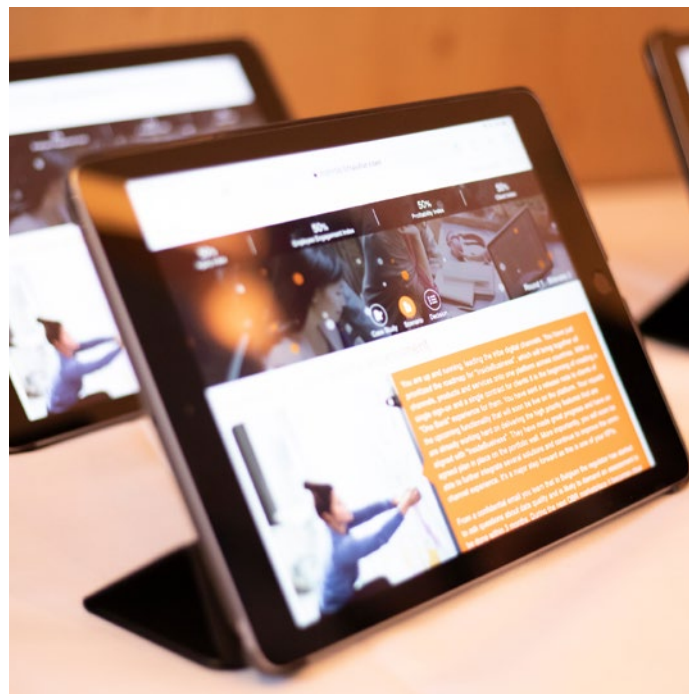
## CLIENT STORY

### Rapid cascade of new leadership culture

A leading international oil services company wanted to align its top 5,000 managers on its new leadership framework. And they wanted to ensure that the top 400 executives became change leaders by facilitating sessions for their people in the flow of work.

Using our interactive digital meeting-in-a-box platform, we created a customized experience that senior leaders could easily facilitate after participating in the top 400 offsite. The cascade experience included discussion on the case for change, exploration of pivotal leadership moments, reveal and self-assessment on the framework, and go-dos for development.

The highly engaging and turn-key digital delivery format using single sign-on allowed the client to cascade the framework and drive behavior change rapidly, while also harnessing data to monitor and gain insights from the global deployment. After a successful pilot phase, the client expects to reach the top 5,000 within six months with a solution far more impactful than merely distributing a PDF or presenting a slide deck. Based on pilot results, participating leaders will drive tens of thousands of go-dos in their daily work to live the new culture.

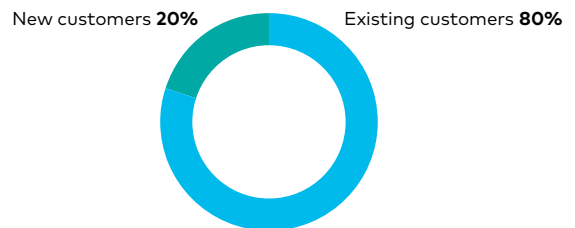


# Delivering better results, faster

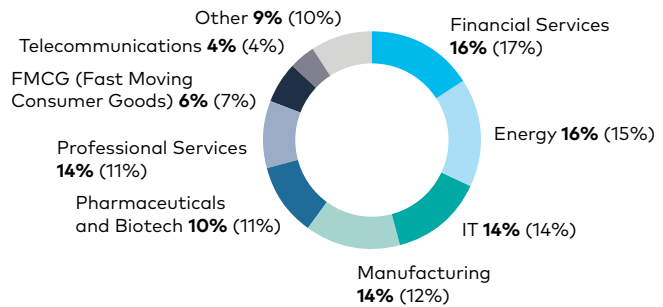
BTS builds long-term customer relationships, on average six to eight years, and has deep expertise in a number of industries.

During the 1990s, BTS grew rapidly in the Manufacturing, Telecom, and Information Technology Industries, with major global companies such as Phillips, Ericsson, and HP as valued customers. During the early 2000s, BTS expanded its positions by entering four new industries: Financial Services, Pharmaceuticals & Healthcare, Retail & Logistics, and Energy. In recent years, BTS has continued to grow across industries, especially within the rapidly expanding areas of Technology and Software.

Revenue generation



Revenue source per sector



## Where we work – Industries

### Financial Services

- Bancomer
- Bank of China
- Citizens Bank

### Pharmaceuticals & Biotech

- GSK
- Novartis
- UCB

### IT Equipment & Software

- SAP
- IBM
- Microsoft

### Telecommunications

- Ericsson
- Telefónica
- Verizon

### Professional Services

- Accenture
- EY
- KPMG

### Manufacturing

- Atlas Copco
- Volvo
- Schindler

### Energy

- Chevron
- Iberdrola
- Repsol

### FMCG (Fast Moving Consumer Goods)

- Coca-Cola
- Mondelez
- Unilever

### Other

- FedEx
- Gap
- Nike

## CLIENT STORIES

### Driving a safety culture ...

#### Client need

Despite six years of improvement, an international oil and gas corporation recognized the need for a global culture transformation towards safety. After a few serious incidents that reduced the company's Process Safety Events Rate (PSER), the organization set a goal to become the industry leader in terms of health, safety, and the environment.

#### The solution ...

Focused on driving behavioral change to improve the culture around safety, the company partnered with BTS to create a comprehensive leadership development program. This program would reach leaders at all levels, from top managers to field workers by:

- **Aligning leaders to the company's current safety situation** and generating the feeling that change is necessary to achieve a culture of safety
- **Understanding the mindset and behaviors** that will help move the safety culture forward
- Getting to know the tools that will help them **put the safety behaviors into practice** during their day-to-day
- **Increasing leaders' field presence**, improving the quality of safety walks and closing the gap between managers and field operators

#### Results

- 75% improvement in safety culture
- 68% reduction in unsafe behaviors
- 61% reduction of process safety incidents (fires, explosions...)
- 83% improvement in communication and transparency on HSE matters

**"BTS has undoubtedly given a boost to our Safety Culture."**

*Global HSE Manager*

### From product-focused to client-focused ...

#### Client need

One of the largest Mexican financial institutions **wanted to improve its sales through building stronger relationships with clients**. This meant shifting from a product-focused to a customer-focused mindset. To do so, the company recognized the need to **increase its focus on Net Promoter Score (NPS), cross-selling, and market penetration**. Bankers needed to be able to manage and prioritize their pipeline of current and new clients, and bring value to every interaction.

#### The solution ...

The bank partnered with BTS to co-create a **two-day program** addressing their Sales Representatives, and a three-day solution for their Directors. Both programs focused on **improving proactivity** in prospecting, **generating sales cadence**, and moving towards a more **client-centric mindset**.

During the workshop, the salespeople experienced a simulation that had them manage five different clients and their pipeline, which helped them align their actions to what clients needed at different moments.

After the workshop, participants completed a series of follow-up activities to practice prospecting, improving client interactions and closing sales.

#### Results

- 29% increase in prospects for bankers who attended the program, compared to those who did not attend
- 30% increase in closed opportunities for bankers who attended the program versus those who did not attend

### Driving alignment for enterprise execution ...

#### Client need

To align leaders with the new company strategy and cultural principles, a leading American chemical manufacturer partnered with BTS to co-create a simulation-based experience to help leaders develop an enterprise view, gain clarity on financial objectives, and practice communicating and cascading enterprise priorities to their teams.

#### The solution ...

BTS designed a 3-day offsite, including a customized simulation intended to:

- Drive alignment to new enterprise strategy priorities
- Foster cross-geography collaboration, promoting ownership and a growth-focused mindset
- Help leaders understand how their division and teams play into the company's vision and top priorities

#### Results

- 215 unique actions of which 54% are complete or on-track

Results reported include...

- 3–10% in price increases on select products, improving gross margin
- \$500K of synergies in cost reductions, due to leveraging best practices across teams

# Growth and profit year after year

BTS has a strong position in a large, growing and fragmented market. The value of the total market is estimated to over USD 30 billion and to grow by 4–5 percent a year. It's a highly fragmented market and BTS's market share is estimated to be under 1 percent. BTS financial goals are 20 percent revenue growth per year, and 15 percent operating margin (EBITA).

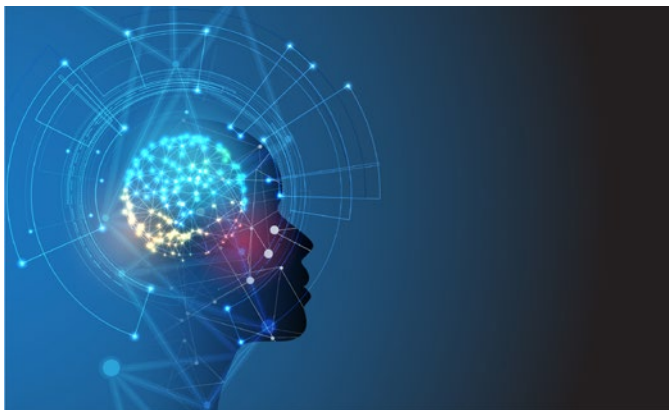
## Continuous growth and profit

BTS has delivered profit every year, and profit growth almost 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's growth strategy, dynamic business model, and the entrepreneurial organization.

The strategy to generate growth focuses on growing revenue and share of wallet per customer account; offering innovative digital solutions and content in our programs. Furthermore, BTS aims to expand to new geographies organically or by acquisitions.

In the 1990s, BTS successfully managed to achieve continuous profitable growth. Good market conditions and 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, such as expanding into new industries and geographical markets.

## 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 a focus on raising the proportion of revenues from licensing, led to improvements in margins.

BTS will reach its EBITA margin goal of 15 percent by constant improvements of billability, project execution, better systems and processes to reduce overhead, optimized pricing, increased licensing and adding recurring revenue services. The digital investments are expected to decline as share of revenue over time.

## Organic growth

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

## Acquisitions in 2005 and 2006

BTS's 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 had a significant negative impact on our industry. Most companies 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 offerings. By focusing our resources on highly prioritized accounts, we were able to maintain our revenue and profit levels.

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

### Growth 2010–2019

During the years 2010–2019 BTS's revenues grew by an average of 10 percent annually (currency adjusted) with growth in all regions. We grow the average size of our projects by offering global services and more complete solutions delivering increased results for our customers.

During 2013, BTS acquired all the business operations in the Danish company Wizerize A/S. The acquisition created new opportunities to offer digital-enabled solutions that are built on current and future social and mobile IT platforms. These solutions supplement and strengthen BTS's existing offerings very well.

In 2014 BTS acquired all the businesses of the American companies Sandra Hartog Associates, Inc. and Fenestra, Inc., which will strengthen BTS's position in the fast-growing market for services and technology within assessment services.

In 2015 BTS acquired the South African company AVO Vision, which provides BTS and AVO with major opportunities in the fast-growing and important African market with an enormous need for talent development. All the business operations in the Australian company Synergy Group Pty Ltd were also acquired in 2015. This represents a significant strengthening of BTS's operations in Australia and will increase BTS's delivery capacity and create a considerably stronger and broader offering in Australia.

In 2016 BTS acquired all business operations in the Italian companies Cesim Italia and Design Innovation, which significantly strengthen BTS's position in southern Europe, through the addition of several major Italian customers, and also reinforce BTS's Italian operation by supplementing it with further expertise and innovative solutions. Furthermore, the acquisitions also provide a good opportunity to help many of the major Italian companies globally.

In 2017 BTS acquired all the businesses of the English company Coach in a Box Holdings Ltd. and its subsidiaries and the German company MTAC GmbH.

Coach in a Box assists leaders at all levels improve and change using a coaching approach that is virtual, affordable, scalable and fast. BTS and Coach in a Box's combined services strengthen the customer offering and make the companies a stronger partner on the market, thus creating synergies and significant growth opportunities.

MTAC works with some of the largest organizations in the German-speaking part of Europe with innovative education and simulation-based services for strategy implementation, business acumen, leadership and marketing. The acquisition



provides BTS with a base in German-speaking countries, which easily makes it the largest market in Europe. It also allows BTS to serve existing global clients better, and it creates significant growth potential. In addition, MTAC adds top knowledge in the area of marketing expertise, which is a potentially new practice area for BTS.

In 2019 BTS acquired all the businesses of the American company Polaris Assessment Systems, the company SwissVBS and its subsidiaries and the Swedish company Samsari.

Polaris offers candidate evaluation and interviewing techniques and services, as well as methods that enable customers to effectively recruit, develop and promote employees. Through the acquisition of Polaris, BTS gains two business advantages: new industry-leading services that give access to a new market segment worth approximately USD 2 billion globally, and secondly, bringing on board three influential thought leaders in this market segment.

SwissVBS provides high impact digital learning solutions for the modern corporate learner. It operates primarily in the European and North American markets, bringing thought leadership and creative solutions to clients through digital journeys as well as learning reinforcement methods. The SwissVBS team will bring world class expertise in digital learning and performance support. This means that BTS can offer clients a wider range of solutions and become even more competitive as an end-to-end talent partner. SwissVBS will also bring clients with whom the company has developed strong relationships and won awards, making BTS stronger in the Canadian and German-speaking markets.

SwissVBS was established in St. Gallen in 2001 as an offspring of the University of St. Gallen. Since then it has successfully grown into a respected provider of customized digital learning to some of the world's largest corporations.

The acquisition of Samsari brings years of experience to BTS through a strong and dynamic team with skills in change management, transformation projects and communication – skills that will become increasingly important and will thus strengthen the BTS service offering as a whole. The acquisition will also contribute to broadening the BTS customer base in the Nordic market.



A person with long blonde hair, wearing a white short-sleeved shirt and a brown leather belt with metal buckles, is seen from the side, working at a desk. The background is a soft, out-of-focus office environment. The text is overlaid on a dark blue gradient on the right side of the page.

# Organization, culture and APG

Organization	36
Core values	37
Our people and culture	38–39
Advantage Performance Group	40–41

# A truly global organization

## BTS Group's four operational units

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

**BTS North America** consists of BTS's operations in North America, excluding APG but including SwissVBS with its operations in Canada and Switzerland.

**BTS Europe** consists of operations in France, the Netherlands, the UK, Sweden and Germany.

**BTS Other markets** consists of operations in Argentina, Australia, Brazil, China, Costa Rica, India, Italy, Japan, Mexico, Singapore, South Africa, South Korea, Spain, Taiwan, Thailand and the United Arab Emirates.

## Advantage Performance Group (APG)

APG operates in the US market and delivers performance improvement through sales and leadership training that results 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 operational units.

## BTS Digital Services

BTS Digital Services is responsible for connected learning and online and virtual solutions.

## BTS Board Simulations

BTS Board Simulations is responsible for manual board business simulations.

## Practices

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

- Strategic Alignment & Business Acumen
- Leadership Development
- Sales and Marketing
- Innovation and Digital Transformation
- Assessment
- Leadership Coaching
- Change and Transformation

## Group-internal functions

Group-internal functions cover Group Finance, Investor Relations, Corporate Communications, and Global Operations Development.

## BTS'S OFFICES AROUND THE WORLD





# We live and embrace: P E O P L E

## **P** 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.

## **E** 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.

## **O** 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.

## **P** Putting the team first

- We believe that BTS's 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.

## **L** 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 or her 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.

## **E** Excellence through professionalism

- We strive to deliver top-quality solutions and services, within deadlines, to exceed client expectations.
- We balance clients’ and BTS's competencies, best practices and methods to achieve optimal results.

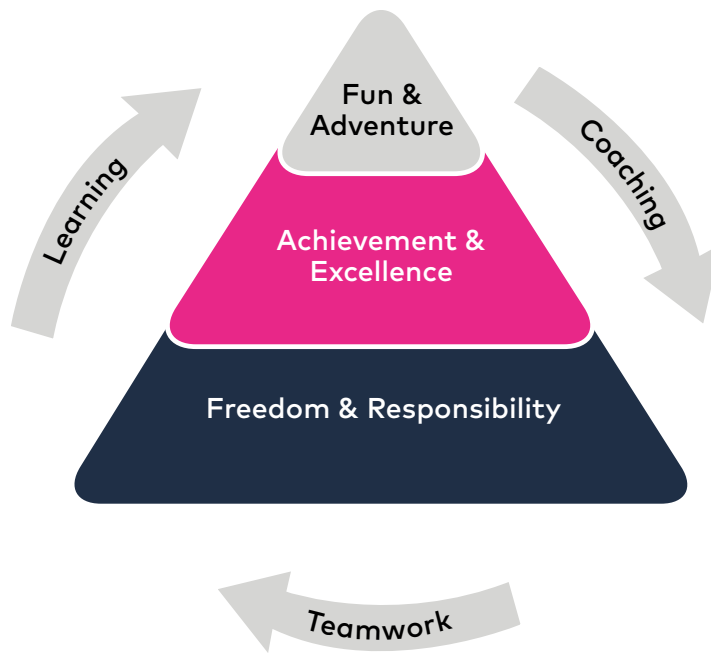


### TESTIMONIAL

“Working at BTS is both wholly challenging and rewarding. I love that no two days are the same. I am so grateful for the freedom and responsibility that is foundational to our culture – I could not imagine another environment with a greater opportunity for learning or growth.”

# Great place to work

During the year, we expanded our employee base to more than 830 professionals. We work hard to develop, engage and retain our employees. Our culture is the key reason why world-leading companies do business with us and it is why our employees consider BTS a great place to work. Our success is built upon teams of highly talented and diverse professionals who develop and deliver innovative solutions to our global client base.



## Fun & Adventure

The very nature of our work is fun. We engage in sophisticated, bottom-line-oriented business simulations with some of the smartest people in 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'ers liken to being a tour guide on an "intellectual white water rafting trip."

## Achievement & Excellence

We believe that if you find the right people, and give them freedom and responsibility, they will achieve great things. 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 meeting with a C-level executive or creating an innovation new simulation application, we believe in delivering excellence. With very little direction or mandate, our unique culture nurtures consultants who are highly motivated to pursue high levels of achievement and excellence.

## Freedom & Responsibility

BTS gives high levels of autonomy to our consultants. They have the independence 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. Within weeks of beginning at BTS, new consultants lead managers and executives at world-class companies through BTS simulations and experiential learning solutions.



## TESTIMONIALS

"I work in Operations at BTS. It is unquestionably the best experience I've had professionally for many reasons. The leadership is brilliant, accessible, caring, communicative, and transparent. I believe it's what drives and helps make our corporate culture so special. At BTS, I feel we have the ability to partner with our managers and to shape our own careers given the flexibility within the career paths that BTS offers and because opportunities are awarded based on merit. Furthermore, the team cares and works just as hard for our clients as we do ourselves as our client community is viewed as an extension of ourselves."

"I feel fortunate to be part of the BTS family, as it has given me years of constant growth opportunities, exposure to working with a diverse set of clients, teams and projects, which are usually challenging, always interesting, and generally fun! Our culture of "freedom and responsibility" also makes me feel genuinely supported in any new initiative or project I might want to undertake. It's exciting to see how we keep growing and evolving thanks to our openness and support for one another, and the caliber of the people we attract. And lastly, I've been especially proud about how our company has handled the global crisis in which we are living, with the empathy, transparency, agility and resilience that I could have only hoped for. These are a few of the many reasons for which I look forward to continue growing with this family."

KEY FIGURES, EMPLOYEES	2019	2018	2017	2016	2015
Number of employees at the end of the year	832	701	596	523	463
Of whom women, % <sup>1</sup>	53	51	50	48	44
Net turnover per employee, KSEK	2,393	2,478	2,268	2,224	2,394

<sup>1</sup> Yearly average number

# Helping leaders lead, sellers sell, and businesses flourish

## What we do

Advantage Performance Group (APG) helps organizations accelerate business results. We do this through behavioral change and competency development, work-for-hire content development, turn-key assessment programs, and curriculum-based training via standard or tailored solutions, providing a flexible, cost-effective approach to support initiatives. APG is a fully owned, North American-based BTS subsidiary that serves clients in complementary ways to traditional BTS consultants.

## Our point of view

APG's Advantage Way<sup>SM</sup> methodology is used to both define and measure the impact of various solutions. Developed in partnership with Dr. Robert Brinkerhoff, it leverages his groundbreaking work on High Impact Learning and Success Case Methodologies to help organizations achieve documented business results and improved job performance.

## How we can help you

APG works with several leading solution providers, including BTS, who provide assessments, coaching and learning, and development programs. Additionally, APG has a network of facilitators who deliver programs around the US and in some cases internationally. Looking ahead to the future, APG will continue to collaborate with BTS to meet client needs. This includes a renewed focus on high potential development, culture shifts within organizations, and solutions that are scalable and highly efficient at implementing strategy to develop emerging leaders at all levels.

## How we are different

- **Insightful:** Our organization serves as a source of world-class thought leadership. We orchestrate expertise provide integration services to deliver business results.
- **Creative:** Our approach brings inspired ideas to life through imaginative yet practical solutions.
- **Accountable:** We are relentless in our pursuit of becoming our clients' most accountable partner. For 28 years, we have delivered on our promises and are the first call our clients make when they have a need.





## CLIENT TESTIMONIALS

*"APG guided my team toward the right solutions and made sure all the content was relevant and completely customized to our audience. I am very glad I made the decision to work with them for this project; it made all the difference!"*

Associate Director, Global Leadership Development, Global Pharmaceutical Organization

*"Being a non-profit organization, we need to look very carefully at our Return on People development when making investments. APG has proven to be a true partner, providing both flexibility and, most importantly, organizational impact."*

CFO, North American Retail Marketing Association

*"We consider APG to be a partner, not a vendor. It never feels like they are trying to sell us something. We talk about what we need and their design team works with us to develop it. Even when they work with competing vendors for a project with us, it's always collaborative. There's a huge level of trust in our relationship."*

Senior Director, Learning and Organizational Effectiveness, Global Medical Device Firm

*"We sought a partner who would be hands-on, seek to know the causes of our pain, bring discernment and understanding into resolving our problem, and suggest complementary resources to meet our challenges with measurable ideas. APG delivered on all of this and more."*

Director of Learning and Development, North American Food Distributor

## BTS share information

On June 6, 2001, the BTS share was floated on Nasdaq 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 6,439,431, distributed among 853,800 Class A shares and 18,464,492 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, 2019, there were 4,044 (2,512) shareholders in the company, an increase by 61 percent. In the past few years BTS has increased its investor relations activities including webcasted interim report presentations in Sweden and road shows to financial centres in Europe.

### Dividend policy

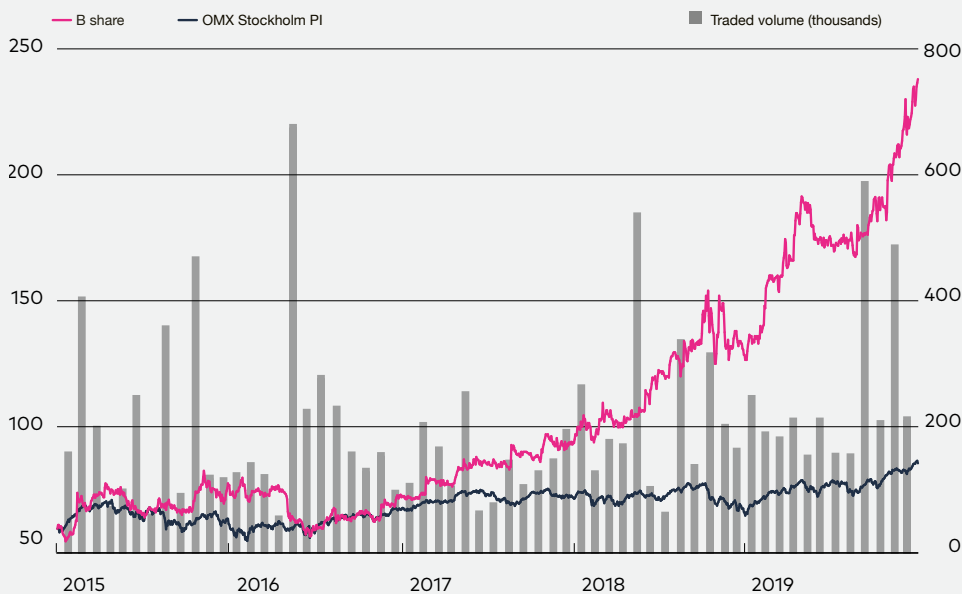
The Company's goal is to distribute 40–65 percent of profit after tax in the long run.

SEK	2019	2018	2017	2016	2015
Share price at December 31	238.00	127.00	93.50	72.00	77.50
Earnings per share	7.84	6.67	5.20	3.96	3.89
Price/earnings ratio, December 31	30.3	19.0	18.0	18.2	19.9
Cash and cash equivalents per share, December 31	16.38	13.80	10.58	7.26	7.48
Equity per share, December 31	43.47	37.04	30.74	29.13	25.92
Dividend per share	0.00 <sup>1</sup>	3.60	2.80	2.50	2.35

<sup>1</sup>Proposed dividend.

### BTS Group AB share price 2015–2019

Share price quotes cover opening price first day of trading 2015 to closing price last day of trading 2019.



Sources: SIX Trust and Fidessa

## 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	00:10
1999	New issue	8,200	108,200		82,000	1,082,000	00:10
2001	Stock dividend issue	4,219,800	4,328,000			1,082,000	04:00
2001	4:1 split		4,328,000	1,319,700	1,926,300	4,328,000	01:00
2001	Conversion of Class A to Class B shares			-1,475,000	1,475,000	4,328,000	01:00
2001	New issue	1,500,000	5,828,000		1,500,000	5,828,000	01:00
2002	New issue	69,300	5,897,300		69,300	5,897,300	01:00
2006	3:1 split		5,897,300	569,200	11,225,400	17,691,900	00:33
2006	New issue	118,800	6,016,100		356,400	18,048,300	00:33
2012	New issue	5,922	6,022,022		17,765	18,066,065	00:33
2013	New issue	174,601	6,196,623		523,805	18,589,870	00:33
2014	New issue	18,834	6,215,457		56,500	18,646,370	00:33
2017	New issue	80,227	6,295,684		240,681	18,887,051	00:33
2018	New issue	42,288	6,337,972		126,865	19,013,916	00:33
2019	New issue	101,459	6,439,431		304,376	19,318,292	00:33

## 10 largest shareholders

Name	No. of Class A shares	No. of Class B shares	Holding	Pctg. holding	Pctg. votes
Henrik Ekelund incl. companies	816,000	3,189,034	4,005,034	20.7%	42.0%
Nordea funds		2,457,640	2,457,640	12.7%	9.1%
Stefan af Petersens incl. companies	37,800	2,292,095	2,329,895	12.1%	9.9%
Lannebo funds		2,224,845	2,224,845	11.5%	8.2%
Swedbank Robur funds		1,538,092	1,538,092	8.0%	5.7%
Third Swedish National Pension Fund (AP3)		947,803	947,803	4.9%	3.5%
SEB funds		780,706	780,706	4.0%	2.9%
Stefan Hellberg incl. companies		612,797	612,797	3.2%	2.3%
AMF funds		364,007	364,007	1.9%	1.3%
Canaccord Genuity (HSBC trustee)		252,516	252,516	1.3%	0.9%
<b>Total for 10 largest shareholders</b>	<b>853,800</b>	<b>14,659,535</b>	<b>15,513,335</b>	<b>80.3%</b>	<b>85.9%</b>
<b>Other shareholders</b>		<b>3,804,957</b>	<b>3,804,957</b>	<b>19.7%</b>	<b>14.1%</b>
<b>Total</b>	<b>853,800</b>	<b>18,464,492</b>	<b>19,318,292</b>	<b>100.0%</b>	<b>100.0%</b>

# Five-year summary

## Income statement

Consolidated income statements in summary

SEK millions	2019	2018	2017	2016	2015
Net sales	1,865	1,598	1,243	1,108	1,044
Operating expenses	-1,554	-1,384	-1,092	-982	-922
Depreciation of property, plant, and equipment	-66	-12	-10	-8	-8
Amortization of intangible assets	-20	-19	-9	-6	-4
Operating profit (EBIT)	226	183	132	112	109

## Net sales per operating unit

SEK millions	2019	2018	2017	2016	2015
BTS North America	877	714	574	535	529
BTS Europe	386	316	204	192	179
BTS Other markets	490	460	351	271	223
APG	112	109	114	111	114
<b>Total</b>	<b>1,865</b>	<b>1,598</b>	<b>1,243</b>	<b>1,108</b>	<b>1,044</b>

## Operating profit (EBITA) per operating unit

SEK millions	2019	2018	2017	2016	2015
BTS North America	118.6	93.4	73.7	58.9	60.6
BTS Europe	63.3	44.9	17.9	25.0	23.3
BTS Other markets	57.2	62.8	47.6	32.9	27.3
APG	1.5	0.9	1.7	0.7	2.6
<b>Total</b>	<b>240.5</b>	<b>202.1</b>	<b>140.9</b>	<b>117.5</b>	<b>113.8</b>

## Operating units

**BTS North America** consists of BTS's operations in North America, excluding APG but including SwissVBS with its operations in Canada and Switzerland.

**BTS Europe** consists of operations in France, the Netherlands, the UK, Sweden and Germany.

**BTS Other markets** consists of operations in Argentina, Australia, Brazil, China, Costa Rica, India, Italy, Japan, Mexico, Singapore, South Africa, South Korea, Spain, Taiwan, Thailand and the United Arab Emirates.

**APG** consists of operations in Advantage Performance Group in North America.



**Balance sheet**

Consolidated balance sheets in summary

SEK millions	2019	2018	2017	2016	2015
<i>Assets</i>					
Non-current assets	851	581	549	346	279
Accounts receivable	514	512	335	361	277
Other current assets	187	172	141	101	116
Cash and cash equivalents	316	262	200	135	140
<b>Total assets</b>	<b>1,869</b>	<b>1,528</b>	<b>1,226</b>	<b>944</b>	<b>811</b>
<i>Equity and liabilities</i>					
Equity	840	704	581	543	483
Interest-bearing liabilities	76	103	126	25	17
Non-interest-bearing liabilities	953	721	519	375	311
<b>Total equity and liabilities</b>	<b>1,869</b>	<b>1,528</b>	<b>1,226</b>	<b>944</b>	<b>811</b>

**Cash flow**

Consolidated cash flow in summary

SEK millions	2019	2018	2017	2016	2015
Cash flow from operating activities	218	158	98	47	58
Cash flow from investing activities	-38	-37	-80	-26	-19
Cash flow from financing activities	-132	-71	55	-36	-16
<b>Cash flow for the year</b>	<b>48</b>	<b>50</b>	<b>73</b>	<b>-15</b>	<b>23</b>
Cash and cash equivalents, start of year	262	200	135	140	114
Translation differences in cash and cash equivalents	6	12	-8	11	3
<b>Cash and cash equivalents, end of year</b>	<b>316</b>	<b>262</b>	<b>200</b>	<b>135</b>	<b>140</b>

## Financial ratios for the Group

SEK millions	2019	2018	2017	2016	2015
Net sales	1,865	1,598	1,243	1,108	1,044
Operating profit (EBITA)	245	202	141	118	114
Operating margin (EBITA margin), %	13.2%	12.6%	11.3%	10.6%	10.9%
Operating profit (EBIT)	226	183	132	112	109
Operating margin (EBIT margin), %	12.1%	11.5%	10.6%	10.1%	10.5%
Profit margin, %	8.1%	7.9%	7.9%	6.7%	7.0%
Earnings per share, SEK	7.84	6.67	5.20	3.96	3.89
Operating capital	600	545	506	433	360
Return on operating capital, %	39%	35%	28%	28%	32%
Equity	840	704	581	543	483
Return on equity, %	20%	20%	17%	14%	16%
Equity per share, SEK	43.47	37.04	30.74	29.13	25.92
Equity/assets ratio, %	45	46	47	58	60
Dividend per share, SEK	0.00 <sup>1</sup>	3.60	2.80	2.50	2.35
Cash flow	48	50	73	-15	23
Cash and cash equivalents	316	262	200	135	140
Number of employees at year-end	832	701	596	523	463
Average number of employees	779	645	548	498	436
Annual net turnover per employee	2.4	2.5	2.3	2.2	2.4

<sup>1</sup> Proposed dividend.

## Definitions

### Operating margin (EBITA margin)

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

### Operating margin (EBIT margin)

Operating profit after amortization/depreciation as a percentage of net sales.

### Profit margin

Profit for the period as a percentage of net sales.

### Earnings per share

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

### Operating capital

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

### Return on operating capital

Operating profit as a percentage of average operating capital.

### Return on equity

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

### 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 sales per employee

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

### Price/earnings ratio

Price per share divided by earnings per share.

### Net liabilities

Interest-bearing long-term and short-term liabilities excluding lease liabilities decreased with interest-bearing assets and cash and cash equivalents.

# 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 2019. 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 and education firm which focuses on the individuals when organizations are executing strategic changes and works with leaders at all levels to help them make better decisions, progress from decision to action and deliver results. For more than 30 years, BTS has been creating motivational and effective programs which make a profound and lasting impact on the participants and their careers by inspiring new ways of thinking and enhancing the critical capabilities that employees and leaders need to achieve improved corporate performance.

BTS has a broad range of services which meet needs within strategy execution and talent development with services that monitor the employee from evaluation for selection and development, to strategic consensus and strategy implementation. This is achieved through programs in business acumen, leadership and sales and include the aid of business simulations and other forms of experiential learning and implementation tools. Most BTS clients are major corporations.

## Revenue and profit

BTS's net sales increased by 17% during the year, to SEK 1,865 million (1,598). Adjusted for changes in exchange rates, revenues increased by 10%.

Operating profit (EBITA) increased by 21% during the year, to SEK 245 million (202). The operating margin (EBITA margin) was 13.2% (12.6). IFRS 16 has a positive effect of MSEK 4.8 on EBITA. If IFRS 16 had not been applied, EBITA would have amounted to MSEK 241 (202).

Operating profit (EBIT) increased by 23% to SEK 226 million (183). The operating margin (EBIT margin) was 12.1% (11.5). Operating profit was charged with SEK 19.7 million (18.7) for amortization of intangible assets attributable to acquisitions. Operating profit (EBIT) increased by 23% to SEK 226 million (183).

Consolidated profit before tax for the year increased by 20%, to SEK 216 million (180). IFRS 16 resulted in a higher interest expense of MSEK 8.0. If IFRS 16 had not been applied, the Group's profit before tax would have amounted to MSEK 220 (180).

Net sales for BTS's operations in North America totaled SEK 877 million (714) in 2019. Adjusted for changes in exchange rates, revenues increased by 13%. Operating profit (EBITA) totaled SEK 119 million (93) for the year. The operating margin (EBITA margin) was 13.5% (13.1).

Net sales for BTS Europe totaled SEK 386 million (316) in 2019. Adjusted for changes in exchange rates, revenues increased by 18%. Operating profit (EBITA) totaled SEK 63 million (45) for the year. The operating margin (EBITA margin) was 16.4% (14.2).

Net sales for BTS Other markets totaled SEK 490 million (460) in 2019. Adjusted for changes in exchange rates, revenues increased by 4%. Operating profit (EBITA) totaled SEK 57 million (63) for the year. The operating margin (EBITA margin) was 11.7% (13.7).

Net sales for APG reached SEK 112 million (109) in 2019. Adjusted for changes in exchange rates, revenues decreased by 5%. Operating profit (EBITA) totaled SEK 1.5 million (0.9) for the year. The operating margin (EBITA margin) was 1.4% (0.9).

## Financial position

At the end of the period, cash and cash equivalents were SEK 316 million (262). The Group's interest-bearing loans, attributable to previously completed acquisitions, totaled SEK 76 million (103) at the end of the period. Equity totaled SEK 840 million (704) at year-end, and the equity/assets ratio was 45% (46). BTS's cash flow from operating activities for the year was SEK 218 million (158).

## Acquisitions

During 2019 BTS acquired Polaris Assessment Systems. Through the acquisition of Polaris, BTS gains two business advantages: new industry-leading services that give access to a new market segment worth approximately USD 2 billion globally, and secondly, bringing on board three influential thought leaders in this market segment.

In 2019, the shares of Swiss Virtual Business School VBS AG were also acquired. SwissVBS provides high impact digital learning solutions for the modern corporate learner. The acquisition means that BTS can offer clients a wider range of solutions and become even more competitive as an end-to-end talent partner. SwissVBS has developed strong relationships with its clients and won awards with them, which strengthen BTS in the Canadian and German-speaking markets.

In 2019, the shares of Samsari AB were also acquired. The acquisition of Samsari brings years of experience to BTS through a strong and dynamic team with skills in change management, transformation projects and communication – skills

that will become increasingly important and will thus strengthen the BTS service offering as a whole. The acquisition will also contribute to broadening the BTS customer base in the Nordic market.

For a more detailed description, see Note 22 Business acquisitions.

### **Determination of acquisition analyses**

The preliminary acquisition analyses for the acquisitions of Polaris Assessment Systems, Swiss Virtual Business School VBS AG and Samsari AB have been adopted. The effect was an increase in goodwill and a provision for deferred tax liabilities of MSEK 3.4.

### **Resolution regarding the Board of Director's proposed guidelines for remuneration and other terms of employment for Senior Executives (item 13)**

The board of directors proposes that the AGM 2020 decide, for the time until the AGM 2021, that the following principles for remuneration for senior executives shall be applied.

These guidelines cover the President and other senior executives. The guidelines shall apply to remunerations to senior executives that are agreed upon, and any changes made to already agreed remuneration, once the guidelines have been adopted by the 2020 AGM.

The guidelines do not cover remunerations decided by the AGM.

### **The guidelines promote the company's business strategy, long-term interests and sustainability**

Information on the company's business strategies and long-term interests, including sustainability, is available on the company's website [www.bts.com](http://www.bts.com).

Successful implementation of the company's business strategies and safeguarding the company's long-term interests, including sustainability, rely on the company recruiting and retaining highly skilled employees. The company must be able to offer competitive remuneration, these guidelines enable senior executives the ability to offer such remuneration.

### **Types of remuneration**

Remuneration for senior executives shall be market-related and may consist of fixed basic salary, variable remuneration, pension and other benefits. In addition to, and independent of these guidelines, the AGM can for example decide on share and share price related remuneration.

**Fixed basic salary** shall be individual for each executive and shall be reviewed regularly (usually annually) and be based on the executive's position, responsibilities, competence, experience and performance.

**Variable remuneration** shall be based on predetermined and measurable criteria, designed to promote long-term value creation. The variable remuneration may not exceed 100 percent of the yearly fixed basic salary. The variable remuneration shall not be included in pension calculations, unless otherwise stated in forced collective agreements.

**Pension benefits** shall be defined contribution so long as the executive is not covered by other defined benefit pensions under forced collective agreements. The ordinary retirement age follows the retirement age determined by law. The Presidents pension benefits shall not exceed 35 percent of the annual salary. For other senior executives the pension benefits shall not exceed 30 percent of their annual salary.

**Other benefits** may include car benefits, company health-care, life and health insurance as well as other similar benefits. Other benefits shall represent a smaller proportion of the total remuneration and may not exceed 10 percent of the executive's annual salary.

**Adaptation to foreign regulations.** For employment conditions that are governed by rules other than Swedish, in so far as pension benefits and other benefits are concerned, appropriate adjustments are made to comply with such rules or firm local practice, whereby the general purpose of these guidelines, as far as possible, shall be met. Deviation from these guidelines shall be included in the board of directors' annual report on paid and outstanding remuneration covered by the guidelines.

### **Criteria for payment of variable remuneration**

The criteria for payment of variable remuneration shall be determined yearly by the board of directors to ensure the criteria are in line with the company's current business strategies and performance. The criteria shall be individual or common, financial or non-financial and shall be outlined in such way that they promote the company's business strategies, sustainability strategies and long-term interests.

Financial criteria for possible variable remuneration shall be based on relevant financial ratio and its composition may vary depending on what phase the board of directors deems the company to be in.

Non-financial criteria for possible variable remuneration shall be linked to clear and measurable company related goals, such as the conclusion of agreements that are important to the company, completion of activities related to the business plan, expansion/establishment as well as achieved goals within the frame of the companies sustainability work.

The period forming the basis for assessing if the criteria has been achieved or not shall amount to no less than a quarter. The assessment shall be undertaken after the agreed period has expired. The Board of Directors is responsible for the assess-

ment regarding the President. The President is responsible for the assessment regarding other senior executives. The assessment whether financial criteria have been achieved will be decided by the accounting and the latest official information from the company.

#### **Salary and terms of employment for the company's employees**

In preparing the Board of directors' proposal for these remuneration guidelines, salaries and terms of employment for the company's employees have been taken into account by the fact that information on employees' total remuneration, the components of the remuneration and the increase and rate of remuneration over time formed part of the Board of directors' decision basis when evaluating the reasonableness of the guidelines and the limitations of the guidelines. The development of the distance between the remuneration of the senior executives and the remuneration of other employees will be reported in the remuneration report.

#### **Termination of employment and severance pay**

The period of notice, if served by the company, shall be no more than 12 months for senior executives, and no more than 6 months if served by the senior executive. Severance pay is only paid to the President and for a maximum of 12 months.

#### **Decision process to determine, review and implementation of the guidelines**

The Board of directors decides on guidelines for remuneration to senior executives. The Board of directors shall also monitor and evaluate ongoing and completed programs for variable remuneration for senior management during the respective fiscal years, the application of guidelines for remuneration to senior executives and applicable remuneration structures and remuneration levels in the company.

The Board of directors shall annually prepare proposals for new guidelines and submit the proposal for resolution at the AGM. The guidelines shall apply until new guidelines have been adopted by the AGM.

When the Board of directors is deciding on matters relating to remuneration in accordance with these guidelines, the President or other senior executives are not present, if affected by these matters.

#### **Deviation from the guidelines**

The board of directors may decide to temporarily deviate from the guidelines (in whole or in part), if there are special reasons in an individual case and a deviation is necessary to meet the company's long-term interests and sustainability or to ensure the Group's financial viability.

#### **Employees**

The number of employees in BTS Group AB at December 31, 2019 was 832 (701). The average number of employees during the year was 779 (645).

#### **Shareholders**

The total number of shares outstanding at December 31, 2019 was 19,318,292, consisting of 853,800 Class A and 18,464,492 Class B shares. Each Class A share entitles the holder to 10 votes per share, each Class B one vote per share.

In 2019, 26,132 Series B shares were newly issued as partial payment of additional purchase price for acquisitions completed. Also in 2019, 278,244 Series B shares were newly issued as a result of holders of employee stock options, according to BTS Group's employee stock option program 2015/2019, utilized them to acquire shares.

The Company's articles of association contain no restrictions on the transfer of shares. The Company has three shareholders, Henrik Ekelund, Nordea Fonder and Stefan af Petersens, whose holdings each exceeded 10% of votes at year-end 2019. 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 2.9 million (3.0), and profit after financial items SEK 41.9 million (68.9). Cash and cash equivalents were SEK 1.9 million (4.5).

#### **Market development**

The market continued to grow rapidly. The rate of change in the global business sector is high, which is favorable for demand. BTS holds a strong competitive position through our global organization, our digital services and our track record on creating earnings for our customers. We can see an increase in inquiries into major projects and an increased win ratio for BTS.

After the end of the year, a new coronavirus, Covid-19, has triggered a global pandemic. Management and the Board closely monitor developments in the pandemic and take measures to reduce any negative impact that the pandemic may have directly or indirectly on the company. It is currently too

early to say how big the impact of the pandemic may have on BTS's financial position.

## Sustainability report and corporate governance report

In accordance with the Annual Accounts Act, BTS has chosen to establish the statutory Sustainability Report (Chapter 6, paragraph 11) and the statutory Corporate Governance Report (Chapter 6, paragraph 8) as two reports separated from the Annual Report.

The Sustainability Report and the Corporate Governance Report have been submitted to the auditor at the same time as the annual report. The description of the sustainability work and the corporate governance can be found on the pages 82–91 of the Annual Report.

## Information about risk and uncertainty

### Market risks

#### *Sensitivity to economic conditions*

Demand for training is sensitive to economic fluctuations. Slower growth and costcutting programs affect corporate training budgets negatively. Similarly, economic recovery increases willingness to invest in training.

#### *Dependence on individual customers*

BTS's ten largest customers accounted for 25% (23) of its sales in 2019. 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: IT Equipment & Software, Financial Services, Manufacturing, Pharmaceuticals & Biotech, Fast-Moving Consumer Goods (FMCG), Energy, Telecommunications, Professional Services, and Retail. The global distribution of its customers' operations helps reduce BTS's exposure to cyclical fluctuations in specific industries.

### *Geographical spread*

47% (44) of BTS's sales in 2019 were in the operating unit BTS North America, BTS Other markets represented 26% (29), BTS Europe accounted for 21% (20) and APG 6% (7).

### *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 developed over the years by good customer relationships, which are brought about by 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 personnel. To meet these requirements, BTS follows an established model for recruiting and skills development.

## Multiple-year review

Performance for the past five fiscal years is presented below.

SEK thousands	2019	2018	2017	2016	2015
Sales	1,865,499	1,598,399	1,242,591	1,107,644	1,043,900
Operating expenses	-1,554,314	-1,384,450	-1,091,837	-982,121	-922,473
Depreciation of property, plant, and equipment	-65,855	-11,835	-9,887	-8,016	-7,688
Amortization of intangible assets	-19,670	-18,713	-8,574	-5,808	-4,286
<b>Operating profit (EBIT)</b>	<b>225,660</b>	<b>183,401</b>	<b>132,292</b>	<b>111,699</b>	<b>109,452</b>
Operating margin (EBIT margin) %	12.1	11.5	10.6	10.1	10.5
Number of employees at year-end	832	701	596	523	463
Average number of employees	779	645	548	498	436
Net sales per employee	2,393	2,478	2,268	2,224	2,394

*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 the policy. For details, see Note 2, Significant accounting policies, and Note 18, 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).

	Percentage change	Change* KSEK
SEK/USD	+/-10%	15,225
SEK/EUR	+/-10%	3,499
SEK/GBP	+/-10%	5,001

\* Based on 2019 figures

*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 20,273 thousand (13,648), 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 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**

To further strengthen its digital customer offerings, BTS signed an agreement in January 2020 regarding the acquisition of the Rapid Learning Institute in the US. Details regarding the acquisition were communicated in a press release on January 6, 2020.

After the end of the year, a new coronavirus, Covid-19, has triggered a global pandemic. The outbreak of the virus has led to an increased health risk in society, which also has a significant impact on parts of the economy. At this stage, it is too early to comment on the impact of the Corona outbreak may have on BTS's financial position and BTS intends to return with more information in the company's interim report for the first quarter of 2020 or in separate press releases.

**Research and development**

The development that BTS has conducted during the year is essentially related to customer-specific product development, which has been expensed directly. Any research has not occurred. For a more detailed description, see Note 2 Accounting principles.

**Proposed appropriation of earnings****Parent Company**

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

	SEK
Profit brought forward	107,866,965
Profit for the year	40,983,164
<b>Total</b>	<b>148,850,129</b>

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

To be carried forward	148,850,129
<b>Total</b>	<b>148,850,129</b>

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

The Board of Directors proposes, with amendment of the dividend proposal published in the 2019 year-end report, and in light of the general uncertainty and concern caused by the global spread of the coronavirus (Covid-19), and to ensure the company has a continued good financial preparedness and liquidity, that no dividend is to be paid for the 2019 financial year.

However, the Board of Directors intends to, once it has greater clarity on earnings in 2020, revisit this topic and if required call for another AGM during the autumn 2020 to decide on dividend payments for the 2019 financial year.

# Consolidated income statement

SEK thousands	NOTE	2019	2018
<b>Net sales</b>	9	<b>1,865,499</b>	<b>1,598,399</b>
<b>Operating expenses</b>			
Other external expenses	3, 4, 5	-604,667	-625,030
Employee benefit expenses	6	-949,648	-759,420
Depreciation of property, plant, and equipment and amortization of intangible assets	5, 7, 8	-85,525	-30,548
<b>Total operating expenses</b>		<b>-1,639,840</b>	<b>-1,414,998</b>
<b>OPERATING PROFIT</b>	9	<b>225,660</b>	<b>183,401</b>
<b>Financial items</b>	10		
Financial income		1,111	684
Financial expenses		-10,881	-3,814
<b>Total gain/loss on financial items</b>		<b>-9,771</b>	<b>-3,130</b>
Affiliated companies, profit after tax		585	-477
<b>PROFIT BEFORE TAX</b>		<b>216,475</b>	<b>179,794</b>
Tax on profit for the year	11	-65,726	-53,660
<b>PROFIT FOR THE YEAR</b>			
Profit for the year attributable to: Parent Company's shareholders		150,748	126,134
<b>Earnings per share</b> (profit for the year attributable to Parent Company shareholders)	12		
Earnings per share, before dilution, SEK		7.84	6.67
No. of shares at year-end		19,318,292	19,013,916
Dividend per share, SEK	13	0.00 <sup>1</sup>	3.60

<sup>1</sup>Proposed dividend

# Consolidated statement of comprehensive income

SEK thousands	NOTE	2019	2018
<b>PROFIT FOR THE YEAR</b>		<b>150,748</b>	<b>126,134</b>
<b>Other comprehensive income</b>			
<i>Items that later could be reclassified to profit or loss</i>			
Translation differences in equity	17	26,111	39,747
<b>Other comprehensive income for the year, net after tax</b>		<b>26,111</b>	<b>39,747</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>176,859</b>	<b>165,881</b>
portion attributable to Parent Company shareholders		176,859	165,881



# Consolidated balance sheet

SEK thousands	NOTE	12-31-19	12-31-18
<b>ASSETS</b>			
<b>Non-current assets</b>			
<i>Intangible assets</i>			
Goodwill	7	535,916	455,268
Other intangible assets	7	82,467	72,026
<b>Total intangible assets</b>		<b>618,383</b>	<b>527,294</b>
<i>Property, plant, and equipment</i>			
Equipment	8	42,471	38,803
Right-of-use assets	5	177,308	-
<b>Total property, plant and equipment</b>		<b>219,778</b>	<b>38,803</b>
<i>Financial assets</i>			
Deferred tax assets	15	4,143	4,496
Other non-current receivables	18	9,004	10,586
<b>Total financial assets</b>		<b>13,147</b>	<b>15,082</b>
<b>Total non-current assets</b>		<b>851,308</b>	<b>581,179</b>
<b>Current assets</b>			
<i>Current receivables</i>			
Accounts receivable	18	514,132	512,468
Other receivables	18	21,113	11,569
Prepaid expenses and accrued income	16	165,870	160,438
<b>Total current receivables</b>		<b>701,115</b>	<b>684,474</b>
Cash and cash equivalents		316,388	262,357
<b>Total current assets</b>		<b>1,017,503</b>	<b>946,831</b>
<b>TOTAL ASSETS</b>		<b>1,868,812</b>	<b>1,528,010</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
	17		
Share capital		6,439	6,338
Other paid-in capital		5,063	4,908
Reserves		58,637	32,681
Retained earnings, including profit for the year		769,539	660,276
<b>Total equity</b>		<b>839,678</b>	<b>704,203</b>
<b>Provisions</b>			
Accrued tax liabilities	15, 18	-	47,945
Other provisions	18	134,052	172,663
<b>Total provisions</b>		<b>134,052</b>	<b>220,608</b>
<b>Non-current liabilities</b>			
Other non-current liabilities	18, 19	44,601	62,893
Deferred non-current tax liability	15	55,420	-
Non-current lease liabilities	5	130,224	-
<b>Total non-current liabilities</b>		<b>230,245</b>	<b>62,893</b>
<b>Current liabilities</b>			
Accounts payable	18	42,220	35,555
Tax liabilities		2,914	8,098
Deferred current tax liability	15	5,308	-
Other current liabilities	18, 20	176,061	97,742
Accrued expenses and prepaid income	21	390,226	398,912
Current lease liabilities	5	48,109	-
<b>Total current liabilities</b>		<b>664,838</b>	<b>540,307</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,868,812</b>	<b>1,528,010</b>

Information on pledged assets and contingent liabilities in notes 23 and 24.

# Changes in consolidated equity

Attributable to Parent Company

SEK thousands	NOTE 17	Share capital	Other paid-in capital	Reserves	Retained earnings including profit for the year	Total equity
<b>Opening balance at January 1, 2018</b>		6,296	46,102	-6,870	535,028	580,555
<b>Comprehensive income</b>						
Profit for the year					126,134	126,134
Reduction of the statutory reserve			-41,390		41,390	
<b>Other comprehensive income</b>						
Translation differences			196	39,551		39,747
<b>Total comprehensive income</b>		0	-41,194	39,551	167,524	165,881
<b>Transactions with shareholders</b>						
New issue		42			10,901	10,943
Share-based payment according to IFRS 2					311	311
Dividends to shareholders					-53,010	-53,010
Other					-477	-477
<b>Total transactions with shareholders</b>		42	0	0	-42,275	-42,233
<b>Closing balance at December 31, 2018</b>		6,338	4,908	32,681	660,276	704,203
<b>Opening balance at January 1, 2019</b>		6,338	4,908	32,681	660,276	704,203
<b>Comprehensive income</b>						
Profit for the year					150,748	150,748
<b>Other comprehensive income</b>						
Translation differences			155	25,956		26,111
<b>Total comprehensive income</b>		0	155	25,956	150,748	176,859
<b>Transactions with shareholders</b>						
New issue		101			26,555	26,657
Share-based payment according to IFRS 2					128	128
Dividends to shareholders					-69,231	-69,231
Other					1,063	1,063
<b>Total transactions with shareholders</b>		101	0	0	-41,486	-41,384
<b>Closing balance at December 31, 2019</b>		6,439	5,063	58,637	769,539	839,678

# Consolidated cash flow statement

SEK thousands	NOTE	2019	2018
<b>Operating activities</b>			
Operating profit		230,460	183,401
Adjustments for non-cash items			
Depreciation and amortization	5	85,525	30,548
Financial items	10	-9,186	-3,572
Tax paid for the year		-70,991	-50,280
<i>Cash flow from operating activities before changes in working capital</i>		235,808	160,097
<i>Cash flow from changes in working capital</i>			
Change in accounts receivable		19,873	-154,188
Change in other operating receivables		-10,476	-26,357
Change in accounts payables and other operating liabilities		-27,493	178,611
<i>Cash flow from changes in working capital</i>		-18,096	-1,934
<b>Cash flow from operating activities</b>		<b>217,712</b>	<b>158,163</b>
<b>Investing activities</b>			
Acquisition of property, plant, and equipment	8	-16,238	-19,233
Acquisition of intangible assets	7	-9,545	-
Acquisitions of companies after deduction of cash and cash equivalents		-14,260	-15,055
Change in other financial assets		2,377	-3,033
<b>Cash flow from investing activities</b>		<b>-37,665</b>	<b>-37,321</b>
<b>Financing activities</b>			
Repayment of loan		-32,297	-24,394
Borrowings		-5,884	1,028
Dividends to shareholders	13	-69,231	-53,010
Amortization lease liabilities	5	-47,561	-
New issue		22,899	5,800
<b>Cash flow from financing activities</b>		<b>-132,074</b>	<b>-70,576</b>
<b>Cash flow for the year</b>			
Cash and cash equivalents, start of year		262,357	199,876
Translation differences in cash and cash equivalents		6,058	12,215
<b>Cash and cash equivalents, end of year</b>		<b>316,388</b>	<b>262,357</b>

# Parent Company's income statement

SEK thousands	NOTE	2019	2018
<b>Net turnover</b>	3	<b>2,930</b>	<b>2,955</b>
<i>Operating expenses</i>			
Other external expenses	3, 4	569	-133
Employee benefit expenses	6	-1,715	-1,623
<b>Total operating expenses</b>		<b>-1,146</b>	<b>-1,756</b>
<b>OPERATING PROFIT</b>		<b>1,784</b>	<b>1,199</b>
<i>Financial items</i>			
Gains/losses from participations in Group companies	10	51,898	69,981
Interest income and similar profit/loss items		553	772
Interest expenses and similar profit/loss items		-12,374	-3,014
<b>Total gain/loss on financial items</b>		<b>40,077</b>	<b>67,739</b>
<b>PROFIT BEFORE TAX</b>		<b>41,861</b>	<b>68,939</b>
Tax on profit for the year	11	-878	-827
<b>PROFIT FOR THE YEAR</b>		<b>40,983</b>	<b>68,112</b>

# Parent Company's statement of comprehensive income

SEK thousands	NOTE	2019	2018
<b>PROFIT FOR THE YEAR</b>		<b>40,983</b>	<b>68,112</b>
Other comprehensive income		-	-
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>40,983</b>	<b>68,112</b>
Attributable to Parent Company shareholders		40,983	68,112

# Parent Company's balance sheet

SEK thousands	NOTE	12-31-19	12-31-18
<b>ASSETS</b>			
<b>Non-current assets</b>			
<i>Financial assets</i>			
Participations in Group companies	14	279,378	279,378
Receivables from Group companies		22,954	22,606
<b>Total non-current assets</b>		<b>302,332</b>	<b>301,983</b>
<b>Current assets</b>			
<i>Current receivables</i>			
Receivables from Group companies		21,314	40,300
Other receivables		–	1
Prepaid expenses and accrued income		591	1,216
<b>Total current receivables</b>		<b>21,905</b>	<b>41,517</b>
Cash and cash equivalents		1,883	4,509
<b>Total current assets</b>		<b>23,788</b>	<b>46,027</b>
<b>TOTAL ASSETS</b>		<b>326,120</b>	<b>348,010</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
<i>Restricted equity</i>			
Share capital		6,439	6,338
Statutory reserve		–	–
<b>Total restricted equity</b>		<b>6,439</b>	<b>6,338</b>
<i>Non-restricted equity</i>			
Retained earnings		107,867	82,431
Profit for the year		40,983	68,112
<b>Total non-restricted equity</b>		<b>148,850</b>	<b>150,543</b>
<b>Total equity</b>		<b>155,290</b>	<b>156,881</b>
<b>Provisions</b>	18	–	<b>87,802</b>
<b>Non-current liabilities</b>	18, 19	<b>40,000</b>	<b>60,000</b>
<b>Current liabilities</b>			
Accounts payable		150	94
Tax liabilities		54	74
Other current liabilities	18, 20	130,197	42,844
Accrued expenses and prepaid income	21	430	316
<b>Total current liabilities</b>		<b>130,830</b>	<b>43,327</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>326,120</b>	<b>348,010</b>

Information on pledged assets and contingent liabilities in notes 23 and 24.

# Parent Company's cash flow statement

SEK thousands	NOTE	2019	2018
<b>Operating activities</b>			
Operating profit		1,784	1,199
Financial income and expense	10	-1,907	-2,206
Tax paid for the year		-898	-824
<i>Cash flow from operating activities before changes in working capital</i>		-1,021	-1,830
<b>Cash flow from changes in working capital</b>			
Change in operating receivables		17,357	8,547
Change in accounts payables and other operating liabilities		6,224	8,058
<i>Cash flow from changes in working capital</i>		23,581	16,605
<b>Cash flow from operating activities</b>		<b>22,560</b>	<b>14,775</b>
<b>Investing activities</b>			
Dividends received from subsidiaries		47,673	65,181
Acquisition of companies after deduction of cash and cash equivalents		-	-9,918
<b>Cash flow from investing activities</b>		<b>47,673</b>	<b>55,264</b>
<b>Financing activities</b>			
Group contributions		4,225	4,800
Repayment of loan		-24,869	-24,394
Borrowings		-5,884	1,028
Dividends to shareholders	13	-69,231	-53,010
New issue		22,899	5,800
<b>Cash flow from financing activities</b>		<b>-72,859</b>	<b>-65,776</b>
<b>Cash flow for the year</b>		<b>-2,626</b>	<b>4,263</b>
Cash and cash equivalents, start of year		4,509	246
<b>Cash and cash equivalents, end of year</b>		<b>1,883</b>	<b>4,509</b>

# Changes in Parent Company's equity

SEK thousands	NOTE 17	Share capital	Statutory reserve	Retained earnings	Profit for the year	Total equity
<b>Opening balance at January 1, 2018</b>		<b>6,296</b>	<b>41,390</b>	<b>36,061</b>	<b>47,089</b>	<b>130,836</b>
By AGM proposed appropriation:						
Transfer to retained earnings				47,089	-47,089	-
Reduction of the statutory reserve			-41,390	41,390		-
Comprehensive income for the period					68,112	<b>68,112</b>
<b>Transactions with shareholders</b>						
Dividends to shareholders				-53,010		<b>-53,010</b>
New issue		42		10,901		<b>10,943</b>
<b>Closing balance at December 31, 2018</b>		<b>6,338</b>	<b>-</b>	<b>82,431</b>	<b>68,112</b>	<b>156,881</b>
<b>Opening balance at January 1, 2019</b>		<b>6,338</b>	<b>-</b>	<b>82,431</b>	<b>68,112</b>	<b>156,881</b>
By AGM proposed appropriation:						
Transfer to retained earnings				68,112	-68,112	-
Comprehensive income for the period					40,983	<b>40,983</b>
<b>Transactions with shareholders</b>						
Dividends to shareholders				-69,231		<b>-69,231</b>
New issue		101		26,555		<b>26,657</b>
<b>Closing balance at December 31, 2019</b>		<b>6,439</b>	<b>-</b>	<b>107,867</b>	<b>40,983</b>	<b>155,290</b>

# 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 Stockholm. BTS is an international consulting and education firm which focuses on individuals when organizations are executing strategic changes and works with leaders at all levels to help them make better decisions, progress from decision to action and deliver results. BTS has a broad range of services which meet needs within both strategy execution and talent development with services that monitor the employee from evaluation for selection and development, to strategic consensus and strategy implementation. This is achieved through programs in business acumen, leadership and sales with the aid of business simulations and other forms of experiential learning and implementation tools. Most BTS clients are major corporations.

The annual report and consolidated financial statements were approved for publication by the Board of Directors on April 22, 2020.

## NOTE 2 | Significant accounting policies

Amounts are stated in SEK thousands unless otherwise stated.

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 Annual Accounts Act (ÅRL) and RFR 2, Accounting for Legal Entities. The Parent Company's shareholdings in subsidiaries are reported using the cost method.

The Parent Company recognizes group contributions in the income statement which deviates from the accounting policies applied in the Group.

The most important accounting principles applied in the preparation of the consolidated financial statements are described below. These policies were applied consistently for all years presented, unless otherwise stated.

### New and amended accounting principles applied by the Group

The following standards are applied by the Group for the first time for the fiscal year beginning January 1, 2019:

#### IFRS 16 Leases

IFRS 16, Leases applies from January 1, 2019, and is applied by BTS from this date.

#### IFRS 16 Leasing Agreement

IFRS 16, Leasing Agreement applies from January 1, 2019, and is applied by BTS from that date. IFRS 16 is applied retroactively without recalculating comparative figures. Thus, the opening balance for 2019 has been restated in accordance with the new

standard. The standard has affected BTS's reporting of the Group's operating leases, where the majority of them relate to premises.

In accounting for right-of-use assets and leases, BTS has chosen to apply the relief rules in IFRS 16: Leases with a leasing period of twelve months or less, and leases for which the underlying asset has a low value, less than USD 5,000, have not been included in the liability and the right-of-use asset. The cost of exempt leases has been expensed on a straight-line basis over the lease period.

The Group recognizes a right of use in the balance sheet as well as a lease liability at the present value of future lease payments, adjusted for any prepaid or accrued payments attributable to the lease agreement. The leased asset is amortized on a straight-line basis over the lease period or over the useful life of the underlying asset if it is considered probable that the Group will take over ownership at the end of the lease period. Leasing costs are reported as depreciation in operating profit and interest expense in net financial items.

Implementation of the new leasing standard will result in increased assets and interest-bearing liabilities in the balance sheet, thus affecting the net financial position. The implementation will also have a positive impact on operating income in the income statement based on the fact that part of the leasing costs is reported as interest expense within the financial net. In the cash flow analysis, leasing payments are divided between interest paid on operating cash flow and amortization of leasing liabilities within the financing operations. As the main payment is reported as financing operations, cash flow from financing operations decreases with a corresponding increase in cash flow from operating activities.

The average interest rate used for the transition calculation is 3.5 percent. The Group applies the exception with a simplified transition, which means that the asset is reported at the same amount as the lease debt, thus no transition effect is presented in equity. Comparative information is reported in accordance with IAS 17 Leasing Agreement.

### Consolidated financial statements

Subsidiaries are all companies (including structured entities) over which the Group has control. The Group controls a company when it is exposed to or entitled to variable returns from its holding in the company and is able to influence returns through its influence in the company. Subsidiaries are included in the consolidated financial statements from and including the date control was transferred to the Group. They are excluded from the consolidated financial statements from and including the date control ceases.

The Group's annual accounts have been prepared according to the acquisition method. A subsidiary's purchase price consists of the fair value of the transferred assets, liabilities 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. Acquisition-related costs are expensed as they occur. Identifiable acquired assets and assumed liabilities in a business combination are initially valued at fair value on the acquisition date, based on a market evaluation performed at the time of the acquisition. The acquired subsidiaries' equity is completely eliminated, which means that only the portion of the subsidiary's equity that was gained after the acquisition is included in Group equity.

If the consolidated acquisition value of the subsidiary's shares exceed the net value of identified acquired assets and assumed



liabilities recorded in an acquisition analysis, the difference is recognized as goodwill.

Companies acquired during the fiscal year are included in the consolidated financial statements beginning on the date the Group began to exercise control over the company, with the amounts referring to the period after this date.

When the Group no longer has control each remaining holding is measured at fair value on the date control no longer applies. Change in carrying amount is recognized in profit or loss. Fair value is used as the initial recognized value and provides the basis for continued recognition of the remaining holding as an associate, joint venture or financial asset. All amounts relating to the disposed unit previously recognized in other comprehensive income are recognized as if the Group had directly disposed of the attributable assets or liabilities. This can result in amounts previously recognized in other comprehensive income being reclassified to profit or loss.

Intra-group transactions and balance sheet items, as well as intra-group profits or intra-group losses are eliminated in full.

All transactions with non-controlling interests are recognized in equity as long as they do not cause any change in control. These transactions do not create goodwill or gains or losses.

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 most relevant to the Group:

	Average 2019	31-12-19	Average 2018	31-12-18
USD	9.46	9.32	8.69	8.97
EUR	10.59	10.43	10.26	10.28
GBP	12.07	12.21	11.59	11.35
AUD	6.57	6.51	6.49	6.32
SGD	6.93	6.90	6.44	6.56
ZAR	0.65	0.67	0.66	0.62
MXN	0.49	0.50	0.45	0.46

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

#### Revenue/Assignments in progress

Revenue is recognized on delivery of services to clients based on agreements signed.

Income from completed customization/development assignments and the expenses attributable to the assignment are recognized as revenue and expenses, respectively, in proportion to the degree of completion of the assignment at the 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 estimated total expenditure for the assignment. If the outcome of a service assignment cannot be reliably calculated, the revenue 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.

When educational services, "programs", are delivered to a client, they are recognized as revenue immediately after the implementation.

Revenues for licenses, i.e. the customer's right to independently use the materials and solutions for a certain period and/or a certain number of occasions, are recognized when a binding agreement has been reached and BTS has fulfilled its obligations to the client, and the amount of the revenue is known.

#### 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. The development normally conducted by BTS is customer-specific.

#### 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 payments

BTS Group AB issued employee stock options to the Group's employees in 2015. The program 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 of the allocated stock options is calculated using the Black-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.

During the first quarter of 2017, some of the major shareholders of BTS issued a total of 50,000 call options on market terms to Jessica Parisi, CEO of BTS North America. Utilization of the options requires employment and may occur after the options have been exercised February 19, 2020 through April 13, 2020 at an exercise price of SEK 80.00 per share. The accounting fair value of these is reported over the term up to the first quarter of 2020 according to IFRS2, and has been calculated using the Black-Scholes model taking into account the conditions prevailing at the time of the issue. The accounting cost according to IFRS2 has amounted to SEK 128 thousand in 2019.

#### Borrowing

Borrowing expenses are charged to earnings for the period to which they refer.

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. 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 disbursements to the financial liability's net carrying amount.

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

Operating segments are reported in a manner that agrees with internal reporting that is provided to the chief operating decision maker. The chief operating decision maker is the function responsible for allocation of resources and assessment of operating segments' earnings. In the Group it is the Parent Company's CEO who makes strategic decisions. BTS's operating segments consist of the Group's operating units BTS North America, BTS Europe, BTS Other markets and APG. Each subsidiary's share of consolidated sales is used as a weight for allocation of Group wide overhead.

### Leases and rental agreements

#### The period before January 1, 2019

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.

#### The period after January 1, 2019

The Group reports a right of use in the balance sheet as well as a lease liability. The leased asset is amortized on a straight-line basis over the lease term. Leasing costs are reported as depreciation in operating profit and interest expense in net financial items. A detailed description of the accounting principle IFRS 16 is presented on page 60 and the effects on the consolidated financial statements are presented in Note 5.

### 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 are tested annually and adjusted as necessary.

### Intangible assets

#### Goodwill

Goodwill is initially valued as the amount by which a total purchase price of the acquired net assets exceed the fair value of the identifiable acquired assets and assumed liabilities. If the purchase price is lower than the fair value of acquired net assets, the difference is recorded directly in the income statement.

Impairment tests are conducted annually or more frequently if there are indications of a decline in value.

#### 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 (15 years).

### 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).

### 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 according to the following principle:

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 carried out on the operating segment level, which is the lowest level in the company at which goodwill is monitored.

Any impairment is recognized immediately as an expense and not reversed.

### 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 7.

**Determination of additional consideration**

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

**Financial instruments****Classification**

The Group classifies its financial assets and liabilities in the following categories: financial assets measured at fair value through profit or loss, financial assets measured at amortized cost, financial liabilities at fair value through profit or loss and financial liabilities valued at amortized cost. The classification is dependent on for what purpose and under which business model the financial asset or liability was acquired.

BTS has no financial assets that are valued at fair value through profit or loss as of the closing date.

**Financial assets valued at amortized cost**

Financial assets valued at amortized cost are financial instruments that are held within the framework of a business model whose purpose is to collect contractual cash flows. The contractual cash flows consist solely of principal amounts and interest and are valued at amortized cost in accordance with the effective interest method.

An example of BTS financial assets that are valued at amortized cost are accounts receivable.

**Financial liabilities at fair value through profit or loss**

Financial liabilities measured at fair value through profit or loss are limited to additional purchase prices attributable to company acquisitions.

**Financial liabilities valued at amortized cost**

Financial liabilities valued at amortized cost are all other financial instruments, such as liabilities to credit institutions and accounts payable.

**Accounting and valuation**

Financial assets are initially recognized at fair value plus transaction costs for all financial assets that are not reported at fair value through profit or loss. Financial assets recognized at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the income statement. Financial assets are recognized in the balance sheet when the Group becomes a party to the contractual terms of the instrument. Usual purchases and sales of financial assets are reported on the settlement date. Financial assets are removed from the balance sheet when the right to receive cash flows from the instrument has expired or been transferred and the Group has transferred virtually all risks and benefits associated with ownership. Financial liabilities are recognized when the Group becomes bound by the contractual obligations attributable to the instrument. Financial liabilities are removed from the balance sheet when the obligation in the agreement has been fulfilled or otherwise extinguished. Loan receivables and accounts receivable as well as other financial liabilities are reported after the acquisition date at amortized cost using the effective interest method.

**Offset of financial instruments**

Financial assets and liabilities are offset and reported with a net amount in the balance sheet, only when there is a legal right to offset the reported amounts and an intention to settle them with a net amount or to simultaneously realize the asset and settle the debt.

**Impairment of financial instruments**

At each financial year-end, the financial assets valued at impairment tests are valued at amortized cost according to the model for expected loan losses. Expected credit losses represent the difference between all contractual cash flows that fall due in accordance with the contract and all cash flows that the Group expects to receive are valued at present value using the original effective interest rate. Write-downs of accounts receivable are always the same as the expected credit loss for the entire term.

**Translation of foreign currency****Functional currency and presentation currency**

Items in the financial statements for the various units in the Group are measured in the currency used in the economic environment in which the company conducts its main business activities (functional currency). Swedish krona (SEK), which is the Group's presentation currency, is used in the consolidated financial statements.

**Transactions and balance sheet items**

Transactions in foreign currency are translated into the functional currency at the exchange rate prevailing on the transaction date or the date the items are remeasured. Currency gains and currency losses that arise from payment of such transactions or translation of assets and liabilities in foreign currency at the exchange rate at the end of the reporting period, are recognized in profit or loss.

**Group companies**

Profit or loss and financial position for all Group companies whose functional currency is different from the presentation currency are translated to the Group's presentation currency as follows:

- assets and liabilities for each of the balance sheets are translated at the exchange rate at the end of the reporting period,
- income and expenses for each of the income statements are translated at the average exchange rate for the year,
- all exchange differences that arise are recognized in other comprehensive income.

Goodwill and fair value adjustments arising at acquisition of foreign operations are treated as assets and liabilities of those operations and translated at the exchange rate at the end of the reporting period. Exchange differences are recognized in other comprehensive income.

**Cash flow statement**

The cash flow statement is prepared according to the indirect method. The reported cash flow comprises only transactions that entail incoming and outgoing payments, with the exception of items related to IFRS 16, see Note 5. 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 14. Except for transactions between Group companies, related-party (the Board, the CEO and other senior executives) transactions took place as shown in Note 6.

The subsidiary in the UK has also acquired services from a related party with a value of SEK 22.8 (19.8) million on market terms and conditions.

#### Purchases and sales between Group companies

##### Group

Market terms and conditions apply to the supply of services between subsidiaries. The value of these are shown in Note 9.

Receivables and liabilities between Group companies are attributable exclusively to selling and purchasing transactions between the companies. The value of these is specified in Note 9. The liabilities are interest-free.

##### Parent Company

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

### NOTE 4 | Information about auditors' fees

#### Fees and remuneration

SEK thousands	Group		Parent Company	
	2019	2018	2019	2018
<b>PwC</b>				
Audit assignments	772	825	712	775
Other assignments	666	-	-	-
<b>Other auditors</b>				
Audit assignments	1,534	2,272	-	-
Other assignments	249	934	-	-
	<b>3,221</b>	<b>4,031</b>	<b>712</b>	<b>775</b>

Of audit assignments, 772 refers to PwC Sweden. Of the fees relating to other assignments in 2019, 545 refers to PwC Sweden, and concern assistance with Due Diligence services for acquisitions during the year, and 121 PwC UK for tax advice.

### NOTE 5 | Leases

The effect of the transition to IFRS 16 on the Group's leases is described in Note 2 Accounting policies. The approach that the Group has chosen to apply for the transition to IFRS 16 means that comparative figures are not restated to reflect the new requirements. Leases with a leasing period of twelve months or less, and leases for which the underlying asset has a low value, less than USD 5,000, have not been included in the liability and the right-of-use asset. The cost of exempted leases is non-material and has been expensed on a straight-line basis over the lease period.

Liabilities are measured at the present value of minimum lease payments discounted by the average incremental borrowing rate, which was 3.5 percent on the transition date.

### The introduction of IFRS 16 had the following effects on the opening balance at January 1, 2019

SEK thousands	01-01-19
<b>Lease liability at January 1, 2019</b>	
Operational leases recognized according to IAS 17 at December 31, 2018	188,622
Discounting effect of the incremental borrowing rate on the transition date	-22,695
Adjustments for short-term leases, low-value leases and other leases not recognized as liabilities	-2,365
<b>Total lease payments</b>	<b>163,562</b>
Prepaid leases	-2,620
<b>Lease liability at January 1, 2019</b>	<b>160,943</b>

#### Classification of lease liability at January 1, 2019

Non-current lease liabilities	120,829
Current lease liabilities	40,113
<b>Total</b>	<b>160,943</b>

#### Reported items in the balance sheet

##### Right-of-use assets

The majority (96%) of BTS's operating leases relate to premises. The following table presents the right-of-use assets per lease category.

SEK thousands	12-31-19	01-01-19
<b>Right-of-use assets</b>		
Premises	170,881	156,550
Other leased assets	6,427	7,012
<b>Total</b>	<b>177,308</b>	<b>163,562</b>

#### Change in right-of-use assets

SEK thousands	12-31-19
<b>Right-of-use assets</b>	
Opening acquisition value	163,562
Additional right-of-use assets	55,607
Disposals concluded contracts	-9,287
Translation differences	8,863
<b>At December 31</b>	<b>218,745</b>

#### Depreciation of right-of-use assets

Opening acquisition value	-
Depreciations for the year	50,724
Disposals concluded contracts	-9,287
<b>At December 31</b>	<b>41,437</b>

**Right-of-use assets at December 31, 2019** 177,308

#### Lease liabilities

SEK thousands	12-31-19	01-01-19
Non-current lease liabilities	130,224	120,829
Current lease liabilities	48,109	40,113
<b>Total</b>	<b>178,333</b>	<b>160,943</b>

**Maturity structure for future expected cash flows for lease liabilities recognized at December 31, 2019**

SEK thousands	2019
Within 1 year	43,124
1–2 years	37,845
2–3 years	27,747
3–4 years	17,469
4–5 years	13,404
Later than 5 years	38,745
<b>Total</b>	<b>178,333</b>

**Recognized items in the income statement**

Depreciation for the year per type of right-of-use asset SEK thousands	2019
Premises	47,944
Other leased assets	3,274
<b>Total</b>	<b>51,218</b>

Interest expenses related to leases for 2019 are included in the item financial expenses with SEK 7,995 thousand.

**Disclosures for leases in 2018, reported according to IAS 17**

Recognized costs for operating leases SEK thousands	2019
Lease expenses for the year	39,545

**Future annual payment commitments for leased assets in the Group are categorized as follows:**

2019	39,658
2020	32,564
2021	30,219
2022	22,293
2023	16,457
Thereafter	47,432
<b>Total</b>	<b>188,622</b>

**Effects on the Group's financial statements for 2019 pertaining to the introduction of IFRS 16 in comparison with the earlier policies**

The recognition of lease expenses in the form of depreciation of right-of-use assets improved EBITA for 2019 by approximately MSEK 4.8 compared with reporting according to the earlier policies. Effects on the Group's financial statements are presented below

**Comparison of IFRS 16 and IAS 17**

Excerpt from Group income statement

SEK thousands	IFRS 16		IAS 17	
	Jan–Dec 2019	Change	Jan–Dec 2019	Jan–Dec 2018
<b>EBITDA</b>	<b>311,185</b>	<b>56,018</b>	<b>255,167</b>	<b>213,949</b>
Depreciation of property, plant, and equipment	–65,855	–51,218	–14,637	–11,835
<b>EBITA</b>	<b>245,330</b>	<b>4,800</b>	<b>240,530</b>	<b>202,114</b>
Amortization of intangible assets	–19,670	–	–19,670	–18,713
<b>EBIT</b>	<b>225,660</b>	<b>4,800</b>	<b>220,860</b>	<b>183,401</b>
Net financial items	–9,771	–7,995	–1,776	–3,130
Associated company, profit after tax	585	–	585	–477
<b>EBT</b>	<b>216,475</b>	<b>–3,195</b>	<b>219,669</b>	<b>179,794</b>
Estimated tax	–65,726	946	–66,672	–53,660
<b>Profit for the period</b>	<b>150,748</b>	<b>–2,249</b>	<b>152,997</b>	<b>126,134</b>

**Group balance sheet**

SEK thousands	IFRS 16		IAS 17	
	12-31-19	Change	12-31-19	12-31-18
<b>ASSETS</b>				
Goodwill	535,916	–	535,916	455,268
Other intangible assets	82,467	–	82,467	72,026
Tangible assets	219,778	177,308	42,471	38,803
Financial assets	13,147	–	13,147	15,082
<b>Total non-current assets</b>	<b>851,308</b>	<b>177,308</b>	<b>674,000</b>	<b>581,179</b>
Trade receivables	514,132	–	514,132	512,468
Other current assets	186,983	–2,138	189,120	172,006
Cash and cash equivalents	316,388	–	316,388	262,357
<b>Total current assets</b>	<b>1,017,503</b>	<b>–2,138</b>	<b>1,019,641</b>	<b>946,831</b>
<b>TOTAL ASSETS</b>	<b>1,868,812</b>	<b>175,170</b>	<b>1,693,642</b>	<b>1,528,010</b>
<b>EQUITY AND LIABILITIES</b>				
Equity	839,678	–2,216	841,894	704,203
Provisions	134,052	–	134,052	220,608
Non-current liabilities	230,245	130,224	100,021	62,893
Current liabilities	664,838	47,163	617,675	540,307
<b>Total liabilities</b>	<b>1,029,134</b>	<b>177,387</b>	<b>851,747</b>	<b>823,807</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,868,812</b>	<b>175,170</b>	<b>1,693,642</b>	<b>1,528,010</b>

**Group cash flow statement**

SEK thousands	IFRS 16		IAS 17	
	Jan–Dec 2019	Change	Jan–Dec 2019	Jan–Dec 2018
Cash flow before changes in working capital	235,809	48,023	187,786	160,097
Cash flow from changes in working capital	–18,096	–462	–17,635	–1,934
<b>Cash flow from operating activities</b>	<b>217,712</b>	<b>47,561</b>	<b>170,151</b>	<b>158,163</b>
<b>Cash flow from investing activities</b>	<b>–37,665</b>	<b>–</b>	<b>–37,665</b>	<b>–37,321</b>
<b>Cash flow from financing activities</b>	<b>–132,074</b>	<b>–47,561</b>	<b>–84,513</b>	<b>–70,576</b>
<b>Cash flow for the period</b>	<b>47,973</b>	<b>–</b>	<b>47,973</b>	<b>50,266</b>
Cash and cash equivalents, opening balance	262,357	–	262,357	199,876
Translation differences in cash and cash equivalents	6,058	–	6,058	12,215
<b>Cash and cash equivalents, closing balance</b>	<b>316,388</b>	<b>–</b>	<b>316,388</b>	<b>262,357</b>

**NOTE 6 | Average number of employees, salaries, other compensation, social security contributions, etc.**

**Average number of employees**

Group	2019		2018	
	Number of employees	Of which men	Number of employees	Of which men
<b>Subsidiaries</b>				
Argentina	4	2	2	1
Australia	31	12	29	11
Brazil	12	5	10	5
Canada	9	7	-	-
China	16	8	12	6
Costa Rica	4	-	4	-
France	7	2	5	2
Germany	26	11	21	12
India	79	37	51	26
Italy	38	21	38	20
Japan	9	5	7	4
Mexico	14	7	13	7
Singapore	33	17	31	16
South Africa	23	8	25	9
South Korea	8	4	7	3
Spain	50	25	42	22
Sweden	26	14	26	16
Switzerland	3	3	2	1
Taiwan	4	2	3	1
Thailand	2	1	3	1
The Netherlands	6	3	5	3
United Arab Emirates	8	5	5	4
United Kingdom	97	47	86	38
United States	269	123	218	109
<b>Total for the Group</b>	<b>779</b>	<b>368</b>	<b>645</b>	<b>318</b>

**Distribution of senior executives by gender, %**

	2019		2018	
	Women	Men	Women	Men
CEO and other senior executives (excl. the Board)	20	80	20	80
Board Parent Company	33	67	33	67
Board Group	10	90	10	90

In this context, "other senior executives" refers to the person (the two persons) who, together with the CEO, have constituted the Group management team.

**Parent Company**

The Parent Company had no employees in 2019.

**Salaries, other compensation, and social security contributions**

Group	2019		2018	
	Salaries and compensation	Social security contributions of which pension expenses	Salaries and compensation	Social security contributions of which pension expenses
SEK thousands				
Subsidiaries	784,190	95,491	636,447	88,494
		26,028		20,058

Pension expenses for employees who are president of or a member of the board of a Group company totaled 3,668 (3,339). 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		2019	2018
Reinhold Geijer	Chairman of the Board	450	425
Mariana Burenstam Linder	Member	200	194
Stefan Gardefjord	Member	260*	254*
Dag Sehlin	Member	200	254*
Anna Söderblom	Member	260*	194
<b>Total</b>		<b>1,370</b>	<b>1,320</b>

\* of which committee fee 60 (60)

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	2019		2018	
	Board and CEO	Other employees	Board and CEO	Other employees
SEK thousands				
<b>In Sweden</b>				
Parent Company	1,370	-	1,320	-
Subsidiaries	3,157	23,605	2,834	20,367
<b>Total Sweden</b>	<b>4,527</b>	<b>23,605</b>	<b>4,154</b>	<b>20,367</b>
<b>Outside Sweden</b>				
United States	14,649	413,326	12,273	320,367
Europe	22,343	106,429	20,811	75,088
Other	19,222	180,089	18,374	165,014
<b>Total outside Sweden</b>	<b>56,215</b>	<b>699,843</b>	<b>51,458</b>	<b>560,468</b>
<b>Total for the Group</b>	<b>60,742</b>	<b>723,448</b>	<b>55,612</b>	<b>580,835</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 35% of the fixed basic salary for the CEO of the Parent Company and no more than 30% of the fixed basic salary for other senior executives. When deemed appropriate, the basic salary and pension benefit can be augmented by variable compensation, other benefits, and participation in incentive programs.

The Board is entitled to deviate from the above policies in individual cases under special circumstances. The Board intends to propose to the AGM new policies for 2020, described on pages 48–49.

#### Compensation and benefits of the senior executives

Compensation includes basic salary, other benefits, variable compensation, and pension expenses.

Other benefits consist exclusively of company cars. The total sum of compensation paid to senior executives was 12,685 (11,428), of which pension expenses were 2,339 (2,263). All pension plans are defined-contribution plans.

The CEO Henrik Ekelund was paid salary and other benefits totaling 7,109 (6,250), including 2,227 (1,582) 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 35% (35) 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 3,228 (2,916), of which variable remuneration was 1,113 (791). Variable compensation is based on targets achieved by the Company and the individual. Provisions to pensions are made with 30% 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

##### Employee stock option program 2015/2019

The 2015 Annual General Meeting resolved on an employee stock option program 2015/2019. Allocation to be a maximum of 40,000 stock options per employee. A maximum total of 150 people could be allocated stock options. Board members elected by the Annual General Meeting and who are not also employees of the company or another group company or the Parent Company's CEO, are not allocated any stock options.

The 2015/2019 employee stock option program comprises a maximum total of 840,000 stock options, entitling to acquisition of a corresponding number of Class B shares in BTS Group AB.

Each stock option allocated to an employee entitles the holder to acquire one Class B share in BTS at an exercise price of SEK 82.30. Each stock option is valid for four years. The options have vesting conditions such that they can be exercised successively for three years after the allocation, with normally 1/3 of the total number of allocated stock options per year, provided certain financial targets set by the Board are attained. The Company's Board has set as a target that the operating margin before amortization of intangible assets (EBITA margin) for each year shall amount to at least 12% for all the stock options for each year to be exercised. If the EBITA margin is less than 12%, the number of options available for exercise is reduced. If the EBITA margin is less than 10%, no exercise of the options will be allowed. Stock options that cannot be exercised are forfeited.

Exercise of stock options is contingent on continued employment on the exercise date and can take place after the options are exercisable between September 1, 2016 and June 30, 2019, both dates inclusive.

	2019		2018	
	Average exercise in SEK per share (thousands)	Stock options (thousands)	Average exercise in SEK per share (thousands)	Stock options (thousands)
Per January 1	82.30	361	82.30	398
Exercised	82.30	-278	82.30	-37
Forfeited	82.30	-83	-	-
<b>Per December 31</b>	<b>-</b>	<b>0</b>	<b>82.30</b>	<b>361</b>

The value of employee stock options has been calculated using the Black-Scholes valuation model based on the share price and other market conditions on July 6, 2015, without taking vesting limitations into account. Considering performance conditions and assuming an annual employee turnover of 5%, the compensation expense is estimated to total SEK 2.9 million which according to IFRS 2 is recognized in installments over the vesting period. The expense for the fiscal year amounted to SEK 183 (851) thousands. Other key parameters in the model were the volume-weighted average price paid during the 10 trading days prior to allocation of SEK 64.12, the above exercise price, volatility of 30%, anticipated dividend of SEK 2.0, as well as a risk-free interest of -0.35% for maturities of 2.5 years, -0.25% for 3.0 years and -0.15% for 3.5 years.

Social security contributions are recognized as an expense during the vesting period and a provision for these is accumulated as necessary during the vesting period. The value of this provision and thus the expense recognized are remeasured continuously based on changes in the value of the employee stock options. Employee stock options allocated to American employees may be ISO options, which means that this, according to current legislation, do not incur 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 Annual General Meeting held on May 7, 2015, also resolved on a private placement of warrants with the wholly owned Swedish subsidiary BTS Sverige AB, reg. no. 556566-7127, carrying entitlement to subscribe for a maximum total of 966,000 Class B shares with a right and obligation for BTS Sverige AB to transfer or otherwise dispose of the warrants in order to fulfill the commitments of the Company or another employer company in the Group and to cover future costs resulting from the employee stock option plan.

Assuming that all warrants as above are exercised for subscription of new shares, the Company's share capital will increase by SEK 322,000 and result in a dilution equivalent to approximately 5% of the share capital and a maximum of approximately 4% of the voting rights for all shares.

## NOTE 7 | Intangible assets

Group SEK thousands	12-31-19	12-31-18
<b>Goodwill</b>		
Accumulated acquisition cost, opening balance	458,994	425,100
Acquisitions	58,318	–
Established acquisition analyses	3,393 <sup>1)</sup>	10,238 <sup>1)</sup>
Translation difference	18,938	23,656
<b>Accumulated acquisition cost, closing balance</b>	<b>539,642</b>	<b>458,994</b>
Accumulated impairments, opening balance	–3,726	–3,726
<b>Accumulated impairments, closing balance</b>	<b>–3,726</b>	<b>–3,726</b>
<b>Carrying amount, closing balance</b>	<b>535,916</b>	<b>455,268</b>

<sup>1)</sup> Effect of established acquisition analyses.

### Other intangible assets

SEK thousands	12-31-19	12-31-18
<b>Franchise contracts</b>		
Accumulated acquisition cost, opening balance	11,092	10,179
Translation difference	428	913
<b>Accumulated acquisition cost, closing balance</b>	<b>11,520</b>	<b>11,092</b>
Accumulated amortization, opening balance	9,073	7,648
Amortization for the year	780	716
Translation difference	340	709
<b>Accumulated amortization, closing balance</b>	<b>10,193</b>	<b>9,073</b>
<b>Carrying amount, closing balance</b>	<b>1,329</b>	<b>2,019</b>

SEK thousands	12-31-19	12-31-18
<b>Technology, products &amp; software</b>		
Accumulated acquisition cost, opening balance	93,082	87,348
Purchases	19,052	–
Translation difference	2,451	5,735
<b>Accumulated acquisition cost, closing balance</b>	<b>114,586</b>	<b>93,082</b>
Accumulated amortization, opening balance	56,733	44,644
Amortization for the year	9,433	8,228
Translation difference	194	3,862
<b>Accumulated amortization, closing balance</b>	<b>66,360</b>	<b>56,733</b>
<b>Carrying amount, closing balance</b>	<b>48,226</b>	<b>36,349</b>

SEK thousands	12-31-19	12-31-18
<b>Customer contracts</b>		
Accumulated acquisition cost, opening balance	35,060	33,532
Purchases	4,576	–
Translation difference	1,111	1,528
<b>Accumulated acquisition cost, closing balance</b>	<b>40,747</b>	<b>35,060</b>
Accumulated amortization, opening balance	14,455	7,757
Amortization for the year	6,471	6,188
Translation difference	87	510
<b>Accumulated amortization, closing balance</b>	<b>21,014</b>	<b>14,455</b>
<b>Carrying amount, closing balance</b>	<b>19,733</b>	<b>20,604</b>

SEK thousands	12-31-19	12-31-18
<b>Brands</b>		
Accumulated acquisition cost, opening balance	29,707	27,933
Purchases	2,457	–
Translation difference	721	1,773
<b>Accumulated acquisition cost, closing balance</b>	<b>32,885</b>	<b>29,707</b>
Accumulated amortization, opening balance	16,654	12,044
Amortization for the year	2,987	3,582
Translation difference	66	1,028
<b>Accumulated amortization, closing balance</b>	<b>19,706</b>	<b>16,654</b>
<b>Carrying amount, closing balance</b>	<b>13,179</b>	<b>13,053</b>
<b>Total closing balance, carrying amount of other intangible assets</b>	<b>82,467</b>	<b>72,026</b>

### Impairment tests

The value of goodwill is tested through an impairment test annually and more often if there are indications of impairment. Goodwill is distributed among the cash-generating units that are expected to benefit from the synergies in acquisitions and are consistent with the Group's operating units / operating segments, which is the lowest level in the company on which goodwill is monitored.

Impairment tests therefore occur for each operating entity and are BTS North America, BTS Europe, BTS Other markets and APG.

Recovery values for the units are determined by calculating the value in use. These calculations are based on estimated future cash flows based on the present values of future growth and profit forecasts over a four-year period and extrapolated cash flows beyond the four-year period. Significant assumptions used to calculate values in use:

- Forecast of operating margin
- Growth rate for periods beyond the budget period
- Selected discount rate after tax

The forecast operating margin has been determined based on past performance and expectations of future market developments in each unit. In order to extrapolate cash flows beyond the budget period, a growth rate of 1.5–3 (1.5–3) percent has been used, which is considered a conservative estimate. In addition, a discount rate in local currency before tax has been used in the calculations for each operating unit. The discount rate – the weighted average capital cost (WACC) – consists of risk-free interest, the market risk premium and a company-specific risk premium, as well as for each unit, a market capital structure. The discount rates used are for BTS North America 10.0 (10.0) percent, BTS Europe 10.8 (10.8) percent and BTS Other markets 10.5 (10.5) percent. After impairment tests, it has been established that no impairment loss exists on 12-31-19.

At the impairment tests, sensitivity analyzes have also been made for each operating unit:

- Where the estimated operating margin was 10 percent lower than the basic assumption
- If the estimated growth rate to extrapolate cash flows beyond the budget period would have been 10 percent lower than the basic assumption
- If the estimated weighted capital cost applied to discounted cash flows had been 10 percent higher than the basic assumption.



## Reduction of the value in use as a percentage of each sensitivity analysis

	BTS North America	BTS Europe	BTS Other markets
10% lower operating margin	-10.7 (-10.6)	-8.5 (-10.5)	-9.4 (-10.3)
10% lower long term growth	-2.9 (-3.0)	-0.7 (-2.7)	-1.3 (-1.4)
10% higher discount rate	-13.0 (-13.0)	-10.9 (-12.7)	-11.2 (-11.3)

None of the cases above should lead to an impairment in a single operational unit. The calculations are hypothetical and should not be seen as an indication that these factors are more or less likely to change. The sensitivity analysis should therefore be interpreted with caution.

## Distribution of goodwill and other intangible assets by segment

## Group

12-31-19 SEK thousands	BTS North America	BTS Europe	BTS Other markets	APG	Total	12-31-18 SEK thousands	BTS North America	BTS Europe	BTS Other markets	APG	Total
Goodwill	292,800	196,970	46,146	-	535,916	Goodwill	226,150	183,518	45,600	-	455,268
Franchise contracts	-	-	-	1,329	1,329	Franchise contracts	-	-	-	2,019	2,019
Technology, Products & Software	24,281	20,711	3,234	-	48,226	Technology, Products & Software	2,001	15,237	3,367	-	20,604
Customer contracts	5,150	12,506	2,077	-	19,733	Customer contracts	10,892	21,515	3,943	-	36,349
Brands	5,604	5,980	1,596	-	13,179	Brands	3,633	7,471	1,951	-	13,053
<b>Total</b>	<b>327,835</b>	<b>236,167</b>	<b>53,052</b>	<b>1,329</b>	<b>618,383</b>	<b>Total</b>	<b>242,675</b>	<b>227,740</b>	<b>54,860</b>	<b>2,019</b>	<b>527,294</b>

## NOTE 8 | Property, plant, and equipment

## Group

SEK thousands	12-31-19	12-31-18
<b>Equipment</b>		
Accumulated acquisition cost, opening balance	82,326	91,220
Purchases	16,238	19,233
Disposals	-1,843	-34,006
Translation difference	4,880	5,880
<b>Accumulated acquisition cost, closing balance</b>	<b>101,600</b>	<b>82,326</b>
Accumulated depreciation, opening balance	43,523	61,582
Depreciation for the year	14,637	11,835
Disposals	-825	-33,112
Translation difference	1,795	3,218
<b>Accumulated depreciation, closing balance</b>	<b>59,130</b>	<b>43,523</b>
<b>Carrying amount, closing balance</b>	<b>42,471</b>	<b>38,803</b>

## NOTE 9 | Segment reporting

### Group

The Group's operations are managed and reported by the operating units BTS North America, BTS Europe, BTS Other markets, and APG, who are the Group's segments.

BTS North America consists of BTS's operations in North America, excluding APG but including SwissVBS with its operations in Canada and Switzerland. BTS Europe consists of operations in France, Germany, the Netherlands, Sweden, and the UK.

BTS Other markets consists of operations in Argentina, Australia, Brazil, China, Costa Rica, India, Italy, Japan, Mexico, Singapore, South Africa, South Korea, Spain, Taiwan, Thailand, and United Arab Emirates. APG has operations in North America.

Operating units invoice one another for services based on time expended and on market terms.

Group-wide costs are invoiced and amortization of intangible assets is allocated to the operating units.

SEK thousands	North America		Europe		Other markets		APG		Eliminations & unallocated		Group	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
<b>Income</b>												
External sales	876,865	714,176	386,477	315,673	489,782	459,925	112,375	108,624			1,865,499	1,598,399
Internal sales	85,955	67,692	69,109	61,892	62,862	26,793	1,277	1,018	-219,203	-157,394	-	-
<b>Total income</b>	<b>962,821</b>	<b>781,869</b>	<b>455,586</b>	<b>377,565</b>	<b>552,644</b>	<b>486,718</b>	<b>113,652</b>	<b>109,641</b>	<b>-219,203</b>	<b>-157,394</b>	<b>1,865,499</b>	<b>1,598,399</b>
<b>Operating profit</b>	<b>111,771</b>	<b>88,193</b>	<b>55,776</b>	<b>37,394</b>	<b>52,560</b>	<b>57,602</b>	<b>753</b>	<b>212</b>	<b>4,800</b>		<b>225,660</b>	<b>183,401</b>
Financial income									1,111	684	1,111	684
Financial expenses									-10,881	-3,814	-10,881	-3,814
Affiliated companies, profit after tax									585	-477	585	-477
Tax on profit for the year									-65,726	-53,660	-65,726	-53,660
<b>Profit for the year</b>											<b>150,748</b>	<b>126,134</b>
<b>Other information</b>												
Assets	832,860	676,070	569,904	569,517	457,895	316,315	32,828	31,235	-24,675	-65,127	1,868,812	1,528,010
Liabilities	370,175	284,530	447,327	456,909	210,032	121,796	26,275	25,700	-24,675	-65,127	1,029,134	823,807
Investments	26,242	13,538	5,678	1,838	6,142	6,868	41	22			38,104	22,266
Depreciation of property, plant, and equipment	-8,222	-6,332	-2,513	-2,467	-3,862	-2,990	-41	-45	-51,218		-65,855	-11,835
Amortization of intangible assets	-4,115	-3,580	-12,230	-11,804	-2,546	-2,613	-780	-716			-19,670	-18,713

### Total sales according to business model

	2019					2018				
	BTS North America	BTS Europe	BTS Other markets	APG	TOTAL	BTS North America	BTS Europe	BTS Other markets	APG	TOTAL
Programs	453	230	357	89	1,129	398	190	333	87	1,008
Development	279	106	79	-	464	190	79	75	-	344
Licenses	88	27	32	23	170	78	24	27	22	150
Other revenues	57	24	22	-	103	48	23	25	-	96
<b>TOTAL</b>	<b>877</b>	<b>386</b>	<b>490</b>	<b>112</b>	<b>1,865</b>	<b>714</b>	<b>316</b>	<b>460</b>	<b>109</b>	<b>1,598</b>

The BTS business model is divided into four categories of revenue; *Development, Programs, Licenses and Other Revenue*.

For performed *Development*, the income and expenses attributable to the assignment are reported as revenue or cost in relation to the degree of completion of the assignment on the balance sheet date (progressive profit calculation). The degree of completion of an assignment is determined by comparing expenses incurred on the balance sheet date with estimated total expenses for the assignment. Normally invoicing takes place as the work proceeds in accordance with agreed terms.

Upon delivery of *Programs*, training services, these are recognized and invoiced directly after implementation.

Revenue for *Licenses*, that is, the customer's right to use BTS's material and solutions for a certain time and / or number of occasions, is reported when binding agreement has been reached and BTS has fulfilled its obligations towards the customer and when

the revenue size is known. Invoicing takes place in accordance with agreed terms.

Other income mainly relates to invoiced expenses in connection with *Development and Programs*. These are invoiced and recognized as revenue simultaneously with each project.

The majority of the individual customer contracts do not exceed 12 months. The payment terms are usually between 45 and 75 days and do not exceed one year in any case. The compensation is usually set at a fixed price. In the rare case of a complaint, individual compensation can be agreed.

Of the Group's total revenue, 39,663 (37,776) refers to the country of residence Sweden. The value of the Group's fixed assets in Sweden amounted to 769 (1,026).

The Group's reported contract assets and contract liabilities are shown in notes 16 and 21.

## NOTE 10 | Financial items

<b>Group's financial items</b> SEK thousands	2019	2018
Interest income	1,111	684
<b>Total financial income</b>	<b>1,111</b>	<b>684</b>
Foreign exchange losses	-3	-10
Interest expenses	-2,884	-3,804
Interest expenses leases	-7,995	-
<b>Total financial expenses</b>	<b>-10,881</b>	<b>-3,814</b>
<b>Total gain/loss on financial items</b>	<b>-9,771</b>	<b>-3,130</b>

<b>Group's financial items cash flow statement</b> SEK thousands	12-31-19	12-31-18
Total gain/loss on financial items	-9,771	-3,130
Accrued interest	-	36
Affiliated companies, profit after tax	585	-477
<b>Total</b>	<b>-9,186</b>	<b>-3,572</b>

<b>Parent Company's financial items</b> SEK thousands	2019	2018
<b>Gains/Losses on other securities and receivables held as non-current assets</b>		
Dividends from subsidiaries	47,673	65,181
Group contributions	4,225	4,800
Currency losses	-9,914 <sup>1)</sup>	-
<b>Total</b>	<b>41,984</b>	<b>69,981</b>
Interest income	553	772
Interest expenses	-2,460	-3,014
<b>Total gain/loss on financial items</b>	<b>40,077</b>	<b>67,739</b>

<sup>1)</sup> Effect of revaluation of current liabilities relating to previously completed acquisitions.

## NOTE 11 | Tax on profit for the year

<b>Group</b> SEK thousands	2019	2018
Income tax as recognized in the income statement	-65,726	-53,660
Current tax expense	-60,815	-53,918
Current tax attributable to previous years	-3,666	-1,080
Postponed tax income/expense (+/-)	-1,245	1,338
<b>Tax for the year</b>	<b>-65,726</b>	<b>-53,660</b>

<b>Parent Company</b> SEK thousands	2019	2018
<b>Current tax for the year</b>	<b>-878</b>	<b>-827</b>

### Reconciliation of effective tax

<b>Group</b> SEK thousands	2019	2018
Profit before tax	216,475	179,794
Tax expense based on Swedish income tax rates, 21.4% (22%)	-46,326	-39,555
Effects of different tax rates	-5,137	-2,232
Non-deductible expenses	-11,321	-11,533
Non-taxable income	723	739
Tax attributable to previous years	-3,666	-1,080
<b>Effective tax recognized</b>	<b>-65,726</b>	<b>-53,660</b>
<i>Effective tax rate</i>	<i>30.4%</i>	<i>29.8%</i>

<b>Parent Company</b> SEK thousands	2019	2018
Profit before tax	41,861	68,939
Tax expense based on Swedish income tax rates, 22%	-8,958	-15,167
Dividends from subsidiaries	10,202	14,340
Non-deductible expenses	-2,122	-
<b>Effective tax recognized</b>	<b>-878</b>	<b>-827</b>
<i>Effective tax rate</i>	<i>2.1%</i>	<i>1.2%</i>

## NOTE 12 | Earnings per share

### Group

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.

	2019	2018
Profit for the year attributable to Parent Company shareholders, SEK thousands	150,748	126,134
Earnings per share, before dilution, SEK	7.84	6.67
Total no. of shares, before dilution, (thousands)	19,221	18,905
Earnings per share, after dilution, SEK	7.84	6.56
Total no. of shares, after dilution, (thousands)	19,221	19,232

## NOTE 13 | Dividend per share

Dividends paid in 2019 totaled SEK 69,231 thousand (SEK 3.60 per share). Dividends paid 2018 totaled SEK 53,010 thousand (SEK 2.80 per share).

To the AGM on May 14, 2020 the Board of Directors proposes, with amendment of the dividend proposal published in the 2019 year-end report, and in light of the general uncertainty and concern caused by the global spread of the coronavirus (Covid-19), and to ensure the company has a continued good financial

preparedness and liquidity, that no dividend is to be paid for the 2019 financial year.

However, the Board of Directors intends to, once it has greater clarity on earnings in 2020, revisit this topic and if required call for another AGM during the autumn 2020 to decide on dividend payments for the 2019 financial year.

## NOTE 14 | Financial assets

### Parent Company Participations in Group companies

SEK thousands	No. of shares	Pctg. equity	Carrying amount 12-31-19	Carrying amount 12-31-18
<b>Parent Company holdings</b>				
BTS Sverige AB Corp. id. no. 556566-7127 Domicile: Stockholm	5,000	100	7,456	7,456
BTS USA, Inc. Corp. id. no. 06-1356708 Domicile: Connecticut	1,000	100	77,430	77,430
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 Asia Pacific PTE Ltd Corp. id. no. 200811464Z Domicile: Singapore	50,000	100	237	237
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
BTS Coach in a box Holdings Ltd Corp. id. no. 5379864 Domicile: Portsmouth	56,000	100	177,402	177,402
<b>Total shares in subsidiaries</b>			<b>279,378</b>	<b>279,378</b>

**NOTE 15 | Deferred tax****Deferred tax assets**

<b>Group</b>		
<b>SEK thousands</b>	<b>12-31-19</b>	<b>12-31-18</b>
Opening balance, net	4,496	3,694
Recognized change in profit for the year	-527	799
Translation differences	173	3
<b>Closing balance, net</b>	<b>4,143</b>	<b>4,496</b>

The amount concerns unused loss carry-forwards in subsidiaries which are expected to be utilized during upcoming years.

**Deferred tax liabilities**

<b>Group</b>		
<b>SEK thousands</b>	<b>12-31-19</b>	<b>12-31-18</b>
Opening balance, net	47,945	32,860
Recognized change in profit for the year	10,827	12,136
Translation differences	1,955	2,949
<b>Closing balance, net</b>	<b>60,727</b>	<b>47,945</b>

<b>Group</b>		
<b>SEK thousands</b>	<b>12-31-19</b>	<b>12-31-18</b>
Non-current tax liability	55,420	42,577
Current tax liability	5,308	5,368
<b>Total</b>	<b>60,727</b>	<b>47,945</b>

The preliminary acquisition analyses for the acquisitions of Polaris Assessment Systems, Swiss Virtual Business School VBS AG and Samsari AB have been adopted. The effect was an increase in goodwill and a provision for deferred tax liabilities of MSEK 3.4.

**NOTE 16 | Prepaid expenses and accrued income**

<b>Group</b>		
<b>SEK thousands</b>	<b>12-31-19</b>	<b>12-31-18</b>
Accrued income (current contract assets attributable to consulting services)	107,198	103,619
Prepaid rent	78	2,620
Other items	58,594	54,200
<b>Total</b>	<b>165,870</b>	<b>160,438</b>

**NOTE 17 | Equity and appropriation of earnings****Group**

As of December 31, 2019, the share capital consists of 853,800 Class A shares and 18,464,492 Class B shares, totaling 19,318,292 shares with a total value of SEK 6,439,431. 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 58,551. Opening accumulated differences totaled 32,440.

**Proposed appropriation of earnings**

The Board of Directors proposes, with amendment of the dividend proposal published in the 2019 year-end report, and in light of the general uncertainty and concern caused by the global spread of the coronavirus (Covid-19), and to ensure the company has a continued good financial preparedness and liquidity, that no dividend is to be paid for the 2019 financial year.

However, the Board of Directors intends to, once it has greater clarity on earnings in 2020, revisit this topic and if required call for another AGM during the autumn 2020 to decide on dividend payments for the 2019 financial year.

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

To be carried forward	148,850,129
<b>Total</b>	<b>148,850,129</b>

**NOTE 18 | 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**

<b>Group</b>		
<b>SEK thousands</b>	<b>12-31-19</b>	<b>12-31-18</b>
Other non-current receivables	9,004	10,586
Accounts receivable	514,132	512,468
Other current receivables	21,113	11,569
Cash and cash equivalents	316,388	262,357
<b>Total financial assets</b>	<b>860,638</b>	<b>796,979</b>
Provisions	134,052	172,663
Other non-current liabilities	44,601	62,893
Lease liabilities	178,333	-
Accounts payable	42,220	35,555
Other current liabilities	176,061	97,742
<b>Total financial liabilities</b>	<b>575,267</b>	<b>368,852</b>

**Financial assets****Financial assets valued at amortized cost**

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.

Reported value is deemed equivalent to the fair value.

Accounts receivable denominated in foreign currencies are measured at the closing rate. Accounts receivable in the BTS North America operating unit constitute 40% (39) of the Group's total accounts receivable. The table below shows the distribution of accounts receivable by currency.

Group SEK thousands	12-31-19	12-31-18
SEK	22,902	21,546
USD	229,147	225,718
GBP	105,771	74,152
EUR	69,524	75,909
Other currencies	86,788	115,143
<b>Total accounts receivable</b>	<b>514,132</b>	<b>512,468</b>

Historically the Group has had very low credit losses on accounts receivable. The spread of risk is good among companies, sectors and geographic markets. Fair value agrees with carrying amount and no significant impairment of accounts receivable has been recognized during the year, same principle as in the previous year. The Group applies the simplified method for calculating expected loan losses. The method means that expected losses during the entire term of the loan are used as a basis for accounts receivable and contract assets. Expected credit loss is based on the customers' payment and loss history.

At December 31, 2019, accounts receivable totaling 72,041 (80,740) were more than 30 days past due.

Group SEK thousands	12-31-19	12-31-18
Total accounts receivable	514,132	512,468
1-30 days overdue	87,844	82,206
more than 30 days overdue	29,619	32,554
more than 60 days overdue	42,422	48,186

#### Cash and cash equivalents

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

#### Financial liabilities

##### Financial liabilities valued at amortized cost

Financial liabilities held during the year are measured at the amortized cost using the effective interest method. At year-end 2019 the financial liabilities consisted of accounts payable and non-current liabilities.

Accounts payable are deemed reasonably approximate to their fair value. All accounts payable fall due within 12 months, of which most are due within a month, why they are not discounted to present value.

##### Financial liabilities at fair value through profit or loss

BTS only has contingent purchase consideration attributable to business combinations that are measured at fair value through profit or loss.

#### Calculation of fair value

When the fair value of an asset or liability is to be determined, the Group uses observable data to the greatest extent possible. Real values are categorized at different levels in a real value hierarchy based on input data used in the valuation technique as follows:

Level 1: according to prices quoted on an active market for identical instruments.

Level 2: based on directly or indirectly observable market data that is not included in level 1.

Level 3: based on input data that are not observable on the market. The fair value corresponds to the carrying amount, with

the exception of the bond loan. The following summarizes the methods and assumptions that were mainly used to determine fair value of the Group's financial instruments.

#### Conditional additional purchase prices

Contingent consideration is valued at market value according to level 3, ie fair value based on input data that is not observable on the market. The calculation of contingent consideration depends on the parameters in each agreement. These parameters are mainly linked to expected results for the acquired companies over the next three years. An increase in the expected results means a higher liability for contingent consideration. However, usually there is a ceiling for each conditional purchase price that limits how large the debt can be. The maximum payment for contingent consideration was SEK 287.6 (224.9) million at the balance sheet date.

Reported items regarding conditional additional purchases (level 3) is as follows:

KSEK	12-31-19	12-31-18
Opening balance	172,663	186,859
Paid price	-4,743	-20,193
Translation differences	8,898	5,996
Additional consideration	55,728	-
<b>Closing balance</b>	<b>232,546</b>	<b>172,663</b>

#### 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 2019 income statement and should only be seen as an indication of the significance of the different currencies.

	Percentage change	Change in profit, 2019	Change in profit, 2018	Change in equity, 2019	Change in equity, 2018
SEK/USD	+/-10%	15,225	13,121	44,797	40,954
SEK/EUR	+/-10%	3,499	4,080	7,834	7,854
SEK/GBP	+/-10%	5,001	3,626	10,402	5,426

#### Credit risk

Credit risk refers to companies not getting paid, fully or partly, 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 with satisfactory results. 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 exposure on accounts receivable at year end was 514,132 (512,468). Fair value agrees with book value.

#### Liquidity risk and interest rate risk

BTS manages liquidity risk by maintaining sufficient cash and cash equivalents including unutilized part of 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's results negatively.

	Percentage change in market interest rate	Change in interest expense, SEK thousands, 2019
Interest bearing liabilities	+/-10%	288

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 for interest income is limited to the fluctuating return on cash and cash equivalents invested at variable rates.

Group SEK thousands	12-31-19	12-31-18
Cash and cash equivalents	316,388	262,357
Unutilized portion of bank overdraft facility	44,517	38,373
<b>Cash and cash equivalents available</b>	<b>360,905</b>	<b>300,731</b>

#### 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 dividends can be raised or lowered, shares can be issued or repurchased, and assets can be bought or sold.

BTS's financial objective – and a measure of its capital risk – is that its equity/assets ratio never remains less than 50% over extended periods. At year-end, the Group's equity/assets ratio was 45 (46) .

Reconciliation net liabilities SEK thousands	12-31-19	12-31-18
Cash and cash equivalents	316,388	262,357
Non-current loans	-40,000	-60,000
Current loans	-36,398	-42,840
<b>Net liabilities</b>	<b>239,991<sup>1</sup></b>	<b>159,517</b>

<sup>1</sup>Excluding leases

#### Change net liabilities 2018

SEK thousands	Cash and cash equivalents	Current loans	Non-current loans	Total
<b>Net liabilities 01-01-18</b>	<b>199,876</b>	<b>41,443</b>	<b>84,116</b>	<b>74,318</b>
Through acquisitions	-	-	-	-
Translation differences	12,215	278	369	11,567
Cash flow	50,266	-23,366	-	73,632
Non cash flow impact	-	24,486	-24,486	-
<b>Net liabilities 12-31-18</b>	<b>262,357</b>	<b>42,840</b>	<b>60,000</b>	<b>159,517</b>

#### Change net liabilities 2019, excluding leases

SEK thousands	Cash and cash equivalents	Current loans	Non-current loans	Total
<b>Net liabilities 01-01-19</b>	<b>262,357</b>	<b>42,840</b>	<b>60,000</b>	<b>159,517</b>
Through acquisitions	1,217	7,429	-	-6,212
Translation differences	6,058	383	-	5,674
Cash flow	46,756	-38,181	-	84,937
Non cash flow impact	-	23,926	-20,000	-3,926
<b>Net liabilities 12-31-19</b>	<b>316,388</b>	<b>36,398</b>	<b>40,000</b>	<b>239,991</b>

#### Change net liabilities 2019, including leases

SEK thousands	Cash and cash equivalents	Current loans	Non-current loans	Total
<b>Net liabilities 01-01-19</b>	<b>262,357</b>	<b>42,840</b>	<b>60,000</b>	<b>159,517</b>
Through acquisitions	1,217	7,429	-	-6,212
Translation differences	6,058	383	-	5,674
Cash flow	46,756	-38,181	-	84,937
Leases	-	48,109	130,224	-178,333
Non cash flow impact	-	23,926	-20,000	-3,926
<b>Net liabilities 12-31-19</b>	<b>316,388</b>	<b>84,507</b>	<b>170,224</b>	<b>61,658</b>

## Not 19 | Non-current liabilities

Non-current liabilities refer to interest-bearing loans from credit institutions which will be repaid as follows. The amounts include the agreed interest rate.

SEK thousands	
2021	21,019
2022	20,547
<b>Total</b>	<b>41,566</b>

## NOTE 20 | Bank overdraft facility

Group SEK thousands	12-31-19	12-31-18
Approved credit limit	56,988	56,728
Unutilized portion	-44,517	-38,373
<b>Credit utilized</b>	<b>12,471</b>	<b>18,355</b>

Parent Company SEK thousands	12-31-19	12-31-18
Approved credit limit	40,000	40,000
Unutilized portion	-27,529	-21,645
<b>Credit utilized</b>	<b>12,471</b>	<b>18,355</b>

## NOTE 21 | Accrued expenses and prepaid income

Group SEK thousands	12-31-19	12-31-18
Accrued salaries incl. social security contributions	164,466	159,727
Accrued income (current contract assets attributable to consulting services)	174,821	188,478
Other items	50,939	50,707
<b>Total</b>	<b>390,226</b>	<b>398,912</b>

Parent Company SEK thousands	12-31-19	12-31-18
Other items	430	316

## NOT 22 | Business acquisitions

#### Acquisitions

As previously communicated in a press release on the same day, BTS acquired Polaris Assessment Systems on February 28, 2019. The acquisition encompasses a small cash remuneration and newly issued BTS shares equivalent to MUSD 0.1 in exchange for the rights to all of Polaris's operations including employees, technology, intellectual property, customer relations, brands and equipment.

Through the acquisition of Polaris, BTS gains two business advantages: new industry-leading services that give access to a new market segment worth approximately USD 2 billion globally, and secondly, bringing on board three influential thought leaders in this market segment.

As previously communicated in a press release on the same day, BTS acquired shares in Swiss Virtual Business School VBS AG on July 15, 2019, at which point 100 percent of the voting rights had been acquired. The acquisition encompasses all operations including talent, technology, intellectual property, customer relations, brands and equipment.

Of the initial purchase price, approximately 10 percent was paid in new BTS shares. An additional payment will be paid out in 2021 provided the business meets specific targets 2019-2021 based on the entire measurement period.

SwissVBS provides high impact digital learning solutions for the modern corporate learner. It operates primarily in the European and North American markets, bringing thought leadership and creative solutions to clients through digital journeys as well as learning reinforcement methods. The SwissVBS team will bring world class expertise in digital learning and performance support. This means that BTS can offer clients a wider range of solutions and become even more competitive as an end-to-end talent partner. SwissVBS will also bring clients with whom the company has developed strong relationships and won awards, making BTS stronger in the Canadian and German-speaking markets.

SwissVBS was established in St. Gallen in 2001 as an offspring of the University of St. Gallen. Since then it has successfully grown into a respected provider of customized digital learning to some of the world's largest corporations.

As previously communicated in a press release on the same day, BTS acquired shares in Samsari AB on September 2, 2019, at which point 100 percent of the voting rights were acquired. The acquisition encompasses all operations including talent, technology, intellectual property, customer relations, brands and equipment.

The acquisition of Samsari brings years of experience to BTS through a strong and dynamic team with skills in change management, transformation projects and communication – skills that will become increasingly important and will thus strengthen the BTS service offering as a whole. The acquisition will also contribute to broadening the BTS customer base in the Nordic market.

#### Ratification of acquisition analyses

The preliminary acquisition analyses regarding the year's acquisitions of Polaris Assessment Systems, Swiss Virtual Business School VBS AG and Samsari AB have been ratified. The effect of the ratification is an increase in goodwill and a provision for deferred tax liability of MSEK 3.4.

The acquisition calculations ratified at the date of acquisition translated at the exchange rate on the balance sheet date at December 31, 2019:

KSEK	SwissVBS	Other	Total
Tangible assets	0.1	0.0	0.1
Intangible assets	16.0	0.9	16.9
Financial assets	0.1	0.0	0.1
Receivables	5.5	0.3	5.7
Cash and cash equivalents	0.1	1.1	1.2
Current liabilities	-5.7	-0.2	-5.8
Non-current liabilities	-9.7	-0.2	-9.8
<b>Identifiable assets</b>	<b>6.4</b>	<b>2.0</b>	<b>8.4</b>
Goodwill	54.2	7.5	61.7
<b>Total purchase prices</b>	<b>60.6</b>	<b>9.5</b>	<b>70.1</b>
Fair value of issued shares	-0.7	-0.9	-1.6
Estimated additional cash purchase price	-	-0.8	-0.8
Provision for conditional purchase prices	-53.0	-2.0	-55.0
<b>Purchase prices paid in cash for 2019 acquisitions</b>	<b>6.9</b>	<b>5.8</b>	<b>12.7</b>

Goodwill consists of expected future synergy effects in the form of an expanded product range and services. Alongside synergy effects, the addition of qualified employees and future profitability components are included in the goodwill item.

The provisions for conditional earnouts is included in the balance sheet under Provisions in the amount of MSEK 55.0. These earn-

outs can amount to anywhere between MSEK 0 and a maximum of MSEK 58.5.

No acquisition costs were capitalized, but were instead expensed in their entirety. Expenses for completing the acquisitions including issue costs are included in the Group's operating expenses for 2019 in the amount of MSEK 2.8.

Acquisitions in 2019 contributed MSEK 19.5 to the Group's net sales and MSEK 2.3 to the Group's profit after tax. If the acquisitions had been completed on January 1, 2019, they would have contributed approximately MSEK 38.6 to net sales and approximately MSEK 4.3 to profit after tax.

#### NOTE 23 | Pledged assets

Group SEK thousands	12-31-19	12-31-18
<b>Assets pledged for debts to credit institutions</b>		
Company mortgages	10,000	10,000

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

Parent Company SEK thousands	12-31-19	12-31-18
Guarantee commitments on behalf of subsidiaries	5,241	5,046

#### NOTE 25 | Events after the close of the fiscal year

To further strengthen its digital customer offerings, BTS signed an agreement in January 2020 regarding the acquisition of the Rapid Learning Institute in the US. Details regarding the acquisition were communicated in a press release on January 6, 2020.

After the end of the year, a new coronavirus, Covid-19, has triggered a global pandemic. The outbreak of the virus has led to an increased health risk in society, which also has a significant impact on parts of the economy. At this stage, it is too early to comment on the impact of the Corona outbreak may have on BTS's financial position and BTS intends to return with more information in the company's interim report for the first quarter of 2020 or in separate press releases.



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 May 15, 2019.

Stockholm, Sweden, April 22, 2020

Reinhold Geijer  
Chairman of the Board

Mariana Burenstam Linder  
Member of the Board

Stefan Gardefjord  
Member of the Board

Dag Sehlin  
Member of the Board

Anna Söderblom  
Member of the Board

Henrik Ekelund  
Chief Executive Officer  
and Member of the Board

Our audit report was submitted on April 23, 2020.  
Öhrlings PricewaterhouseCoopers AB

Magnus Thorling  
Authorized Public Accountant

# Auditor's report

Unofficial translation

To the general meeting of the shareholders of BTS Group AB,  
corporate identity number 556566-7119

## Report on the annual accounts and consolidated accounts

### Opinions

We have audited the annual accounts and consolidated accounts of BTS Group AB (publ) for the year 2019. The annual accounts and consolidated accounts of the company are included on pages 47–77 in this document.

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 parent company and the group as of 31 December 2019 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. 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 2019 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), 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 general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's Board of Directors in accordance with the Audit Regulation (537/2014) Article 11.

### Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article

5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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

### Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

The BTS group is comprised of approximately 35 units whereof a number of these are limited in size. All of the units in Sweden and both of the units in the US, two of the units in England, and all of the units in Australia and Singapore have been audited. The audit of the units in Sweden and in the US has been performed by the central team. Where work has been executed by unit auditors, the central team in Sweden has determined the level of our required involvement in their audit work. We have done this to be able to conclude as to whether sufficient and appropriate audit evidence has been obtained in order to provide an opinion on the group's financial reports in their entirety. As a part of our work, we have obtained written reports from the subsidiaries' auditors. During the year, we also visited the subsidiary, APG, in the US and discussed significant accounting issues and observations from the audit with company management and with the local auditors.

### Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

### Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

---

#### Key audit matter

#### How our audit addressed the Key audit matter

---

##### *Revenues and work in progress*

See also note 2 (Accounting principles), note 9 and note 16, respective note 21.

We decided to focus on revenues as the group's revenues are primarily generated through various projects based on client agreements and these agreements can have either short or longer tenors. In order to secure a correct view of the group's results for the year, the reporting of work in progress must be reliable. Revenue recognition is also dependent on management's assessments as to the progress of the respective projects at point of reporting, that is, in conjunction with book closing. The group's balance sheet includes accrued revenue of TSEK 107,198 and deferred income of TSEK 174,821.

In our audit, we have performed a number of audit measures to assess the reporting of revenue in the income statement and of work in progress in the balance sheet. Our audit has included a review of the routines and processes for revenue recognition, of selected controls, of selected projects against agreements, of internal delivery evidence supporting the reported degree of completion, and of invoices and payments received.

We examined a selection of items in the bookkeeping against client invoices in order to verify that these items were reported in the correct year. With the aim of verifying the reasonability of the company's model for calculating degree of completion and in order to ensure that shorter assignments have been invoiced at the right time, we executed a trend analysis of the allocation of revenue over the year to identify any possible unexplained peaks and dips in the revenue flow during the year.

*Impairment testing of goodwill*

See also Note 2 (Accounting principles) and Note 7.

The group's balance sheet includes goodwill totalling TSEK 535,916.

We focused our audit on goodwill related to the North American operations, TSEK 292,800, as this amount comprises a significant portion of total goodwill and of the group's balance sheet total. Goodwill is not amortized but is subject to an annual impairment test. The valuation of goodwill is based on company management's subjective assessments regarding future cash flows and on assumptions regarding the yield requirement, etc. which implies that the valuation is in its nature characterized by uncertainty, since it might be affected by unexpected future events.

The company's impairment testing has not resulted in a write-down.

Our audit of goodwill related to the American operations has taken place through our examination of company management's impairment testing and we verified that that the testing is documented and executed in accordance with the applicable accounting principles and generally accepted valuation models.

We have examined the manner in which the valuation model has been determined and have studied the budgets and forecasts for future cash flows. We have verified that these agree with company management's plans and intentions.

We studied company management's significant assumptions in determining, for example, sales growth in the forecasts and the yield requirement applied in discounting the cash flows (WACC). We also examined the prepared sensitivity analyses.

We compared the values produced according to the above with the operating capital for the segment.

### Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–46 and 94–96. Additional other information can be found on page 1–6 and 52–56 in "Annual Report 2019 -Swedish" which can be found on the company web page. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by

the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they 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.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

### Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website: [www.revisorsinspektionen.se/revisornsansvar](http://www.revisorsinspektionen.se/revisornsansvar). This description is part of the auditor's report.

## Report on other legal and regulatory requirements

### Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Director's and the Managing Director of BTS Group AB (publ) for the year 2019 and the proposed appropriations of the company's profit or loss.

We recommend to the general 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 Director's and the Managing Director be discharged from liability for the financial year.

### Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

### 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. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and

instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

### Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: [www.revisorsinspektionen.se/revisornsansvar](http://www.revisorsinspektionen.se/revisornsansvar). This description is part of the auditor's report.

Öhrlings PricewaterhouseCoopers AB, 113 97 Stockholm, was appointed auditor of BTS Group AB (publ) by the general meeting of the shareholders on May 15, 2019 and has been the company's auditor since the February 22, 1999.

Stockholm April 23, 2020

Öhrlings PricewaterhouseCoopers AB

Magnus Thorling  
*Authorized Public Accountant*

# Sustainability report 2019

The Sustainability Report has been prepared in accordance with the provisions of Chapters 6 and 7 of the Swedish Annual Accounts Act and encompasses the BTS Group in its entirety. BTS Board of Directors is responsible for this Sustainability report.

## General information about BTS

BTS is a global professional services company founded 1986 and headquartered in Stockholm, Sweden, with over 830 professionals in 35 offices located on six continents. BTS is listed on Nasdaq Stockholm.

BTS focus on the people side of strategy, working during strategy implementation with leaders at all levels to help them make better decisions, convert those decisions to actions and deliver results. At BTS core, the company believes people learn best by doing. For over 30 years, we've been designing fun, powerful experiences that have a profound and lasting impact on people and their careers. BTS inspire new ways of thinking, to build critical capabilities and unleash business success. It is strategy made personal.

In addition to helping clients and employees achieve success, BTS aim to contribute to a better society. BTS sustainability work comprises efforts to improve environmental, economic, and social responsibility. Sustainability efforts extend beyond social impact to include employees, clients, owners and members of the Board, suppliers and other stakeholders. "Employees" in this context includes cooperating partners and subcontractors.

BTS Sustainability Policy, vision and values form the basis for our sustainability work and positive social impact.

## Building a sustainable business in five areas:

1. Anti-corruption
2. Employees
3. Human rights
4. Environmental Impact
5. Social responsibility

### 1. Anti-corruption

#### Strong business ethics

BTS employees are characterized by strong business ethics, observing generally accepted business customs and practices. Every assignment that BTS undertake aligns to these standards. If the company believes that it cannot implement an assignment or fulfill a customer requirement, the assignment will not be accepted.

Employees cannot accept payments from third parties who might influence, or be perceived to influence, objectivity when making business decisions. Potential risks include partner-

ships that require the purchase of material or services from vendors, clients' expectation to be compensated for attending client events, and the benefits BTS sales organization offers when a client is evaluating suppliers. The processes followed by local leadership and management ensure that these risks are eliminated. BTS has not had any reported cases of corruption during the year.

## Societal impact from BTS engagements

Linking decisions to outcomes is a prerequisite for long-term, sustainable success for BTS clients. BTS customized programs expose BTS clients' people to various situations where they explore the trade-offs between short- and long-term gains, which include environmental and safety impact. These engaging and effective programs create a lasting impact by inspiring new ways of thinking and strengthening critical capabilities. Leaders and employees also gain a better understanding of the importance of developing sustainable business practices to ensure long-term success.

BTS has also been engaged to support the implementation of clients' sustainability strategies, e.g. including an innovation project replacing plastics with more sustainable (recyclable) material.

## 2. Our people

### A sustainable workplace

People make the difference: Within all enterprises, people create value. Attracting talent, as well as developing and retaining high-performing employees is critical for us to deliver favorable results and achieve long-term success. This is especially important in the professional services industry where the quality of employees has a direct positive correlation with customer satisfaction and profitability. As a result, BTS offers many benefits and maintains a sound company culture to ensure that the company remains an attractive employer.

Today's labor market is significantly more mobile than ever before. Employees are more focused on individual development, demanding better support, training, and a good work environment. As a result, employers must make a strong effort to attract and retain the right people. The company's global recruitment process helps match BTS business expectations with employee expectations, so that potential new hires understand how the company works as a company and how the company support BTS clients.

One of the greatest risks in business today is overworking employees, pushing themselves over the limit. Through BTS global planning teams and strong local leadership, this risk is reduced by acting early when BTS sees patterns of excess working hours beginning to develop.

The nature of BTS work can influence the work-life balance as many assignments require travel, sometimes to other regions. To reduce this risk, projects are planned so that more resources can be used locally, rather than flying personnel from one continent to another, and BTS also schedule projects more carefully for individuals and offices.

To be an attractive employer, BTS leaders listen to their employees. Management conducts an employee survey every year to analyze the current attitudes of employees, the culture, the work environment, as well as development opportunities. From this information, leaders formulate action plans to ensure that BTS maintains engaged employees.

### Equal treatment

BTS believes it is fundamental that all employees – without discrimination are given the same opportunities for personal development and job satisfaction, enjoyment at work, and understanding of their role in the organization. BTS offers a workplace in a safe and healthy environment characterized by equality, pluralism and respect for the individual. BTS seeks continuous improvement and compliance with relevant legislation based on the following principles:

- Everyone has the right to be treated with dignity and respect.
- BTS does not tolerate discrimination or harassment on the grounds of race, gender, disability, nationality, religion, philosophical belief, political belief, age, sexual orientation, family status, trade union activity or any other factor.
- BTS adopts fair and inclusive practices throughout the operations and seeks to eliminate all prejudice, discrimination, bullying and harassment.

During 2019 BTS Code of Business Conduct was established and signed by all employees. A workshop piloted in Asia will be delivered across BTS business globally during 2020.

All employees have a personal responsibility for the practical application of these principles in their day-to-day activities and must report if they have an experience that contradicts these principles. Non-compliance with policy will not be tolerated and is acted on accordingly by senior local management. BTS has not had any reported cases of violation during the year.

### Diversity

For BTS long-term sustainability and dynamic operations gender balance is an issue with high priority for BTS and is considered in the recruitment and selection process. The percentage of women has increased and the share of female employees was 52,8 percent for 2019:



Average number of employees during 2019

Men	Women	Total
368	412	779
47.2%	52.8%	100%

Over the last several years BTS has analyzed the gender mix among consultants. BTS realized that the gender balance was about equal at lower and mid-levels, but that there were very few women in the higher levels of consultants. One of the measures has been to offer more flexible working solutions.

Addressing low representation of women at leading positions the USC Marshall School of business has in partnership with BTS USA launched a unique program to accelerate women to executive levels.

### Personal development

During 2019 BTS offered each employee, on average, 11–12 hours of organized training and development in the following areas:

- a) BTS direction and priorities for 2019 (3 hours)
- b) Driving client results and ways to effective working methods (6 hours)
- c) Digital savviness (5 hours, 50 percent completion rate in 2019)

Additional training for specific job roles has been delivered where needed.

For people at pivotal levels of leadership BTS has mandatory development programs, supporting personal development and the company culture intact. These programs have been designed to make sure that leaders lead according to BTS values and ensure that the culture evolves sustainably.

During BTS two-week onboarding program, delivered twice during 2019, new employees are introduced to BTS vision, mission, and ways of working within the company's seven practices. They gain a better understanding of BTS responsibility to its clients, fellow employees, and the environment. Senior leaders deliver these onboarding programs, allowing them to connect with the new hires by listening and discussing.

At the director level, consultants' responsibilities increase, and they are tasked with leading and managing individuals and teams. At a one-week director boot camp Directors learn the new personal and leadership skills they need to be successful in developing a sound and sustainable business. Working with their peers, the new directors learn how coaching and employee development will help them to achieve this goal.

#### **BTS core values**

BTS' core values are designed to maintain the unique culture of respect and trust. They play a critical role in employee development, evaluating the yearly performance of leaders and employees, as well as in appraisal discussions at the end of the year.

##### *Positive spirit and fun*

- We believe that a "can do" attitude and a sense of humor enable successful business.
- We believe in looking at problems openly, and view them as opportunities.
- We strive to be in good spirits at all times.

##### *Honesty and integrity*

- We believe in loyalty.
- We believe in giving and receiving constructive feedback.
- We believe in treating people as equals respecting differences.

##### *Opportunities based on merits*

- We provide opportunities and rewards based on results.
- We make decisions and evaluate ideas based on facts and merit.
- We achieve success through effective hard work.

##### *Putting the team first*

- We believe that BTS success depends on teamwork.
- We believe in putting the team first when making individual decisions, yet thinking of the individual when making team decisions.

##### *Creating lasting value for clients and employees*

- We strive to build long-term relationships with BTS clients, and create a positive legacy for BTS clients and their people.
- We focus on driving results through learning, improved behavior, and business performance.
- We encourage all employees to challenge themselves, develop, and be rewarded for their hard work.
- We grow through BTS clients' successes and actively generating business.

##### *Excellence through professionalism*

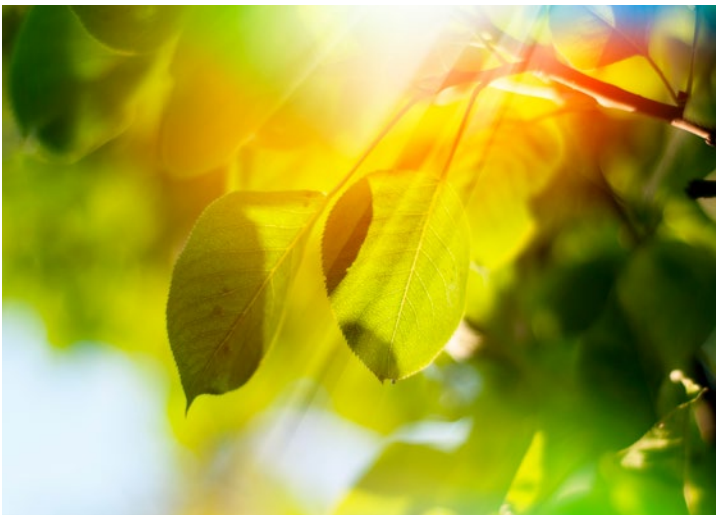
- We strive to deliver top quality solutions and services, exceeding client expectations.
- We balance client and BTS competencies and best practices and methods to achieve results.

#### **Key performance indicators**

At BTS a number of shifts and trends are analyzed, such as the number of consultants growing in their career roadmap and following the attrition rate among consultants at different levels. The number of consultants promoted to the next level in their career during 2019 was 86 (15% of all consultants).

### **3. Human rights**

BTS always follows the United Nation's declaration of human rights and does not see any risks in BTS operations violating those.







#### 4. Environmental Impact

BTS supports the environment in two ways – by thinking about how the company can impact on the environment through daily work, and how BTS can support organizations working to improve the environment.

##### Reduce and recycle

As a professional services organization without production or manufacturing functions, BTS environmental impact is mainly limited to keeping offices and doing business travel. Nevertheless, BTS works to actively minimize its environmental impact and contribute to a more sustainable society by optimizing energy consumption and using environmentally friendly products and services.

In service of this, whenever possible, video-conferencing is increasingly used and other technology to connect virtually rather than physically travelling, and by helping BTS clients to do more digital conferencing. This, together with using regional and local resources, reduces travelling and reduces BTS carbon footprint.

An estimate of BTS flight footprint is somewhere around 21,000 ton emissions of carbon dioxide from flying to BTS client engagements around the world (based on the average yearly travel of 550 consultants in a regional and intercontinental flight mix). A way of offsetting BTS flight footprint is through investments in preserving the rain forests (please see the section below “Reducing carbon emissions”).

BTS also focuses on recycling consumable supplies used in the business. In addition, operations at BTS comply with the principles of efficient resource usage (optimized use of non-renewable resources) and adopt an eco-cycle approach (recycling of resources).

Due to the nature of the business, the company has decided not to set specific environmental targets for indicators such as energy consumption, water consumption, hazardous

waste, and non-hazardous waste since these are not material factors of sustainability for us.

##### Reducing carbon emissions (remaining carbon negative)

In BTS ambition to become carbon negative BTS have, since 2010, invested to protect BTS planet’s most endangered species and the threatened forests they rely on by supporting the Rainforest Trust<sup>\*)</sup>, which helps protect endangered rainforest areas in South America, Asia, and Africa. BTS provide both funding to acquire acres of rainforest and digital engagement to support fundraising and generate awareness.

To support the need to reduce carbon dioxide emissions BTS is driving a number of different initiatives:

Within BTS:

- a) Using virtual meeting platforms to reduce travelling,
- b) Investing in activities together with Rainforest Trust to preserve rain forests and endangered species.

For BTS clients:

- a) Offering digital and virtual learning and communication platforms to reduce the need to travel, which has a very strong impact when cross regional meetings can be conducted online.
- b) Providing digital platforms on site thereby reducing the need for printed material.

Out of the activities mentioned above, it is BTS investments in the Rainforest Trust which have had the strongest impact.

Based on some rough assumptions BTS flight footprint is estimated at in emissions up to ~21,000 metric ton carbon dioxide per year (based on an estimate of 550 consultants with a regional and intercontinental flight mix).

- Through BTS direct investments in the Rainforest Trust<sup>\*)</sup> BTS have helped preserve around ~23,000 acres of rainforest absorbing approximately 17.5 million metric ton carbon dioxide per year.
- In addition, with the SAVES Challenge program, a campaign founded by a donor of the Rainforest Trust that matches contributions to all BTS projects as well as to the Conservation Action Fund from 2015 through the end of 2020, BTS have helped the Rainforest Trust preserve another 22,500 acres, absorbing 17.1 million metric tons of carbon dioxide.

The total impact of BTS direct investments and the SAVES Challenge program to date has contributed to preventing 34.6 million metric tons of carbon dioxide being emitted, yearly.

<sup>\*)</sup> Rainforest Trust purchases and protects the most threatened tropical forests, saving endangered wildlife through partnerships and community engagement.

## 5. Social responsibility

### BTS contributes to entrepreneurship and leadership for a sustainable world

Social responsibility is at the core of the BTS identity. In 2019, the company expanded the engagement so much that BTS outgrew the term "Corporate Social Responsibility." BTS strives to do more to create a lasting impact. By investing in people and societies across the globe to improve lives, BTS is working to create a better world. This is why BTS has branded earlier corporate social responsibility work under the name "BTS Social Impact".

Through stronger focus on creating impact, BTS provides skills training for entrepreneurs, underserved populations, students and teachers. The company equips education and non-profit leaders to drive bigger impact in their work and thus invest in our planet for a sustainable future.

BTS partners with a number of important stakeholders to help them reach their target audiences. These include:

**BTS Clients:** BTS partners to support the clients' selected CSR efforts.

**Educational Institutions:** Together, we develop school leaders and administrators.

**CSR Institutes:** Together, BTS develops school leaders and administrators.

**Non-Profit Organizations:** BTS offers education programs that improve leadership.

**Communities:** BTS develops selected populations and increases citizens' quality of life.

**Non-Profit Divisions of Banks:** BTS develops small business owners who receive micro-finance loans.

#### BTS One for One : Develop entrepreneurs and students

For every paid client participant at a BTS program, another participant is offered free or highly subsidized learning. Thereby BTS supports training for entrepreneurs, students,

families in developing countries and underserved populations in developed countries.

Solutions include customized business simulations for entrepreneurs starting a business, managing a small agriculture business, and business simulations for families and students around household economy.

In 2019 BTS One-for-One programs reached an accumulated audience of 121,082 participants, with an increase of 24,000 participants in 2019.

#### BTS Spark: Develop leaders in educational institutions

BTS Spark – a non-profit organization – leverages strong coaching capabilities within BTS Coach to offer personalized leadership development for education leaders. BTS Spark works to unlock natural leadership learning in schools and education systems to give students the best start in life. BTS Spark offers flexible learning opportunities at a low cost, including one-to-one coaching, group coaching, webinars, online learning, and workshops. The three main areas BTS Spark works with are:

- Develop personal leadership for leaders.
- Helping leaders become great coaches.
- Developing resilience and wellbeing.

In 2019 BTS Spark reached an accumulated audience of 10,599 leaders in educational institutions, with an increase of 3,241 leaders in 2019.

#### BTS Communities (Avocado Vision): Develop entrepreneurs, families, and students

Through a joint-venture with BTS 49% owned company Avocado Vision, BTS provides subsidized training for local communities through education programs for entrepreneurs, families, students, immigrants or other disadvantaged groups, primarily in South Africa. BTS programs are directed towards citizens, addressing various development initiatives such as housing, financial literacy, water sourcing, and energy. To make better decisions for "bigger lives".

*Business impacted:*

- 152 businesses trained, supported, and accelerated
- Six businesses connected to financing agreements
- 76 jobs created and small businesses supported

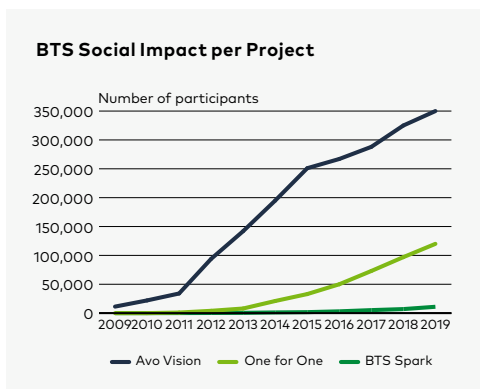
In 2019 Avocado Vision reached an accumulated audience of 349,853 participants, with an increase of 24,808 participants in 2019.

#### Example of BTS Social Impact activities

*BTS Spark reached more than 10,000 education leaders in 2019*

BTS Spark is dedicated to leveraging BTS' strong coaching

### Number of people who have participated in the programs



capabilities to offer personalized leadership development for school leaders. 2019 was a record year for BTS Spark, with coaching and workshop programs serving education directors, school principals and teachers in Australia, UK and US. Programs are typically customized to meet local needs; this year BTS major programs included training 400 tutors at Anglia Ruskin University (GB) in coaching skills, coaching 500 Australian literacy and numeracy teachers and supporting education directors to have powerful conversations with the school principals they line manage. Spark Partners attached to each BTS office in the US are active with local schools in championing a more personalized approach to school leadership development. BTS have also opened up access for schools to request 'ready to go' programs on demand, through BTS Spark's website and marketing activities – providing a much-needed service to the most isolated schools.

*Partnering with Red Cross Spain to accelerate labor insertion of vulnerable groups*

BTS has during 2019 been collaborating with the Spanish Red Cross program "Plan Empleo". The objective of the program is to increase access to the labor market for vulnerable groups at risk of social exclusion.

In order to accelerate participants' labor market insertion, BTS are currently working in 2 different areas:

- Face to Face workshops: through voluntary facilitation by different BTS consultants, where support is provided to deepen critical customer service capabilities.
- Mentoring: an individual follow up process with a BTS consultant (over a period of 2–3 months), supporting individuals in their job search and interviews. Within the program, there are different career maps that the participants can follow. BTS is collaborating with career maps of Customer Service and Logistics.

Throughout the past 10 months, BTS was able to have a direct impact in the lives of these participants, helping them better understand key moments and behaviors when interacting with a customer. Examples of results:

- 16 workshops with 175 participants in total
- The overall satisfaction of the sessions is 4.7 (scale 1-5 where five is highest mark)
- Strong impact on employability

*Micro Enterprise development*

Avocado Vision is engaged in a program for uMastandi, a real estate developing company, with a focus on the South African economy in building small businesses at the bottom of the pyramid. Avocado Vision supports the uMastandi programme by building business acumen and decision-making skills in prospective landlords through world class simulation technology from BTS. It's potential scalability and wide reach across both

urban and rural communities can increase self-employment and – Create 1–3 services jobs per small rental business created.

- Increase local economic activity and spawn other small local businesses.
- Increase local economic activity and establish opportunities for the establishment of small businesses.
- Impact the housing crisis by providing affordable quality housing stock into the low income market.
- Building home ownership acumen to support low income households in capturing the value of the family wealth inherent in the Government Subsidy program and help them learn how to increase the family and generational wealth over time by leveraging their assets sustainably.

## Auditor's report on the statutory Sustainability Report

To the annual meeting of the shareholders of BTS Group AB, Corp. Reg. No.: 556566-7119

### Engagement and responsibilities

The board of directors is responsible for the Sustainability Report for 2019 on pages 82–87 and that it has been prepared in accordance with the Swedish Annual Accounts Act.

### The scope and extent of review

BTS examination of the statutory Sustainability Report has been conducted in accordance with FAR's auditing standard RevR 12 – Auditor's report on statutory Sustainability Report. This means that BTS examination of the statutory Sustainability Report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA) and generally accepted auditing in Sweden. BTS believe that the examination provides us with a sufficient basis for BTS opinion.

### Opinion

A Sustainability Report has been prepared.

Stockholm, April 23, 2020  
Öhrlings PricewaterhouseCoopers AB

Magnus Thorling  
Authorized Public Accountant

# Corporate governance report 2019

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

Since 2008, BTS Group follows the Code in all essential parts with few deviations. In 2019, the Code was applied with a deviation. For 2019, the company's auditors have not reviewed BTS's half-year or nine-month report.

## 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 19,318,292, consisting of 853,800 Class A and 18,464,492 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, 2019, BTS Group AB had 4,044 shareholders. The ten largest shareholders had total shareholdings corresponding to 80.3% of shares and 85.9% of votes. A list of the largest shareholders is found on page 43 in 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,
- determining fees to be paid to the Board and auditors, and
- adopting guidelines for remuneration to senior executives.

## 2019 Annual General Meeting

The 2019 AGM was held on Wednesday, May 15, at the Company's offices in Stockholm. 28 shareholders attended, representing 75.5% of the number of shares outstanding and 82.5% of the votes. Decisions made included the following.

- The income statement and balance sheet and the consolidated income statement and balance sheet for the fiscal year 2018 were adopted.
- The proposed dividend of SEK 3.60 per share was approved, to be paid in an amount of SEK 1.80 on two occasions.
- 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 1,370,000 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 450,000 shall be paid to the Chairman and SEK 200,000 each to other members. For work on Board committees, fees totaling SEK 120,000 shall be paid.
- Auditors' fees were approved to be paid based on approved invoices.
- Mariana Burenstam Linder, Henrik Ekelund, Stefan Gardefjord, Reinhold Geijer, Dag Sehlin and Anna Söderblom were re-elected to the Board for the period until the next AGM. Reinhold Geijer was appointed Chairman of the Board.
- For the period until the next Annual General Meeting the accounting firm Öhrlings PricewaterhouseCoopers was re-elected as auditor with Magnus Thorling as chief auditor for the audit.
- Instructions for the nominating committee were assumed, such that the committee be made up of representatives from the three shareholders controlling the most votes, based on Euroclear Sweden AB's data at September 30 respective year, and the Chairman of the Board, and is valid until the AGM decides otherwise.
- Guidelines for remuneration and other terms of employment for senior executives were determined.
- 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 refers 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 23, 2019. BTS's three largest shareholders in consultation with Reinhold Geijer, Chairman of the Board, appointed Anders Dahl (representing Henrik Ekelund), Erik Durhan (appointed by Nordea Funds), Stefan af Petersens (own holdings) and Reinhold Geijer 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 2020 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 May 15, 2019, decided that for the period until the next AGM the Board would consist of six 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 Stockholm marketplace rules and the Swedish Code of Corporate Governance regarding requirements on independence of members of the Board in relation to the Company, Company management and large shareholders.

Information about the Board of Directors is to be found on pages 92–93 in the Annual Report.

## Composition and independence of the 2019 Board

Member	Position	Elected	Committee work	Independent	Board meeting attendance
Reinhold Geijer	Chairman of the Board	2016		Yes	10/10
Mariana Burenstam Linder	Member	2004		Yes	9/10
Henrik Ekelund	Member	1986		No <sup>1</sup>	10/10
Stefan Gardefjord	Member	2003	Audit committee	Yes	10/10
Dag Sehlin	Member	2003	Audit committee <sup>2</sup>	Yes	10/10
Anna Söderblom	Member	2017	Audit committee <sup>3</sup>	Yes	10/10

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

<sup>2</sup>Until the AGM 2019

<sup>3</sup>From the AGM 2019

## 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, and otherwise as required. 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 CFO serves as Board secretary. During the past year, ten meetings were held.

## Evaluation of the Board and the CEO

Every year the Board makes an evaluation of the work of the Board. The purpose of the evaluation is to get an opinion on the Board members' views on how the board work is conducted, and what measures can be taken to streamline the board work. The Nomination Committee has been informed of the content of the 2019 evaluation.

The Board evaluates the ongoing CEO's work by following the development of the business towards set goals as well as through an annual CEO's evaluation.

## Compensation to the Board

The AGM held on May 15, 2019, approved a total of SEK 1,370,000 in fees to be paid to those Board members who receive no salary from the Company or any of its subsidiaries, such that SEK 450,000 be paid to the Chairman and SEK 200,000 each to the members. The AGM also approved a total of SEK 120,000 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 and Committee fees, with the exception of the CEO who is not remunerated for the Board work. 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 for the Company's senior executives, including performance-based payments and pension benefits. 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 May 14, 2020.

## Audit committee

The Board has appointed an audit committee. The purpose of the committee is to facilitate and streamline the Board's work, strengthen internal control and facilitate communication between the Board and the auditors. The committee's tasks include, among other things, preparation of the Board's work on quality assurance of financial and operational reporting, monitoring the effectiveness of BTS's internal control and risk management and evaluation of the ongoing audit efforts. Furthermore, the audit committee shall establish guidelines for which services other than auditing the Company may purchase from the Company's auditors. The committee also has the task of giving its evaluation of the audit work to the nomination committee and to assist the nomination committee in preparing the nomination committee's proposal for the Annual General Meeting regarding the election of auditors and the size of the audit fees. The audit committee has two members and consists of Stefan Gardefjord (Chairman of the Committee) and Anna Söderblom who replaced Dag Sehlin at the 2019 Annual General Meeting. The company's CFO participates in all committee meetings and prepares questions. The audit committee held three meetings in 2019.

## 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 financial 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 findings directly to the Chairman of the Board, if deemed necessary. The Board shall at least once a year, without the presence of the CEO or other members of management, meet the Company's auditor. During the year, the auditor participated in one board meeting, and on this occasion also reported the audit in writing.

The auditor is elected by the AGM for a period of one year. The 2019 AGM re-elected the registered public accounting firm Öhrlings PricewaterhouseCoopers with Magnus Thorling as managing auditor for the period until the end of 2020 AGM.

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

For 2019, the Company's auditors did not review BTS's semi-annual report or the nine-month interim report, which deviates

from the Code. The Board has so far determined that the company does not need further review, as the financial reporting is considered to be of high quality and that the internal control is deemed to be good and therefore the additional cost for such an audit cannot be justified. The Board continuously monitors the issue and, if it feels justified, will reconsider its decision.

## Senior executives

BTS's senior executives include:

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

More information about senior executives is found on page 94 of the annual report which is published on BTS's website.

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

The AGM held on May 15, 2019, adopted policies for compensation to senior executives. These mean 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 in different countries, 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 35% of the fixed basic salary for the CEO of the Parent Company and no more than 30% of the fixed basic salary for other senior executives. 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 good relevance to the Company's stakeholders, and based on on-going contacts, clarity, and good ethics. BTS believes that high-quality communication efforts actively help bolster confidence in the Company and the 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 in a good control environment, 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 policies and guidelines, and a corporate culture with good 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 established in the Board's set of procedures and its instructions to the CEO. The Board and the CEO also manage the business with reference to the Companies Act, other laws and regulations, rules and regulations for stock market companies, and the Code, etc.

The Company has established policies in areas such as financial reporting, IT and IT security, human resources (compensation to senior executives), sustainability etc. 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 adopted and 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 govern financial reporting are updated and communicated on an ongoing basis

to personnel affected in the Group. 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. The follow-up performed by the Board and management is considered to meet the need.

## **Auditor's report on the corporate governance statement**

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

### **Engagement and responsibility**

It is the Board of Directors who is responsible for the corporate governance statement for the financial year 2019 found on pages 88–91 and that it has been prepared in accordance with the Annual Accounts Act.

### **The scope of the audit**

Our examination has been conducted in accordance with FAR's auditing standard RevU 16 *The auditor's examination of the corporate governance statement*. This means that our 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. We believe that the examination has provided us with a sufficient basis for our opinions.

### **Opinions**

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6, section 6, second paragraph, points 2–6 of the Annual Accounts Act and chapter 7, section 31, second paragraph of the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm, April 23, 2020  
Öhrlings PricewaterhouseCoopers AB

Magnus Thorling  
Authorized Public Accountant

# The Board of Directors and auditor



## Reinhold Geijer

Born 1953.

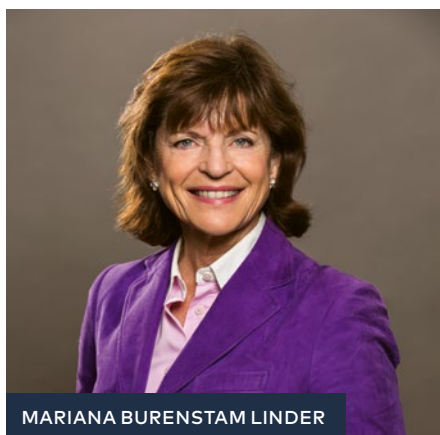
Chairman of the Board of directors of BTS Group AB since 2016.

Other assignments: Board member of Skandia, The Swedish Export Credit Corporation, Eterna Invest, Zacco A/S and Edsbyn Senab AB.

Shareholdings in BTS Group AB: 10 000 class B shares.

Reinhold Geijer was CEO of The Royal Bank of Scotland's Nordic branch 2003–2015, and also CEO of Nordisk Renting AB 2001–2015. He has also served as CFO of Telia, CEO of Föreningsparbanken (now Swedbank), worked within Ericsson, SSAB Swedish Steel and Weyerhaeuser Company in the United States. Reinhold Geijer 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.

Other assignments: Member of the board of Latour AB and Resurs Holding AB, CEO of ProactiveMedicine AB.

Shareholdings in BTS Group AB: 22,100 Class B shares.

Mariana Burenstam Linder has extensive experience from management positions in several Swedish companies. Former positions include founder and CEO of Burenstam & Partners, CEO of Ainax, Head of Enskilda Banken with global responsibility for Private Banking, deputy CEO of SEB, CIO of Trygg-Hansa and later the SEB group, CEO of ABB Financial Consulting and CEO 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.



## Stefan Gardefjord

Born 1958.

Member of the Board of BTS Group AB since 2003.

President and CEO of Swedish Space Corporation.

Other assignments: Member of the board of Knowit AB.

Shareholdings in BTS Group AB: 20,000 Class B shares.

Stefan Gardefjord has been CEO 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 CEO of different subsidiaries, business area head, and group director of marketing, sales, and information. Stefan Gardefjord graduated upper secondary school in business.

Independent of the Company and its major shareholders.





DAG SEHLIN

### Dag Sehlin

Born 1945.

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

Shareholdings in BTS Group AB: 16,000 Class B shares.

Dag Sehlin has long-term experience in senior positions in the Swedish financial sector. Previous positions include CFO and deputy CEO of Posten AB, deputy CEO of the OM Group, 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 of 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.



ANNA SÖDERBLOM

### Anna Söderblom

Born 1963.

Member of the Board of BTS Group AB since 2017.

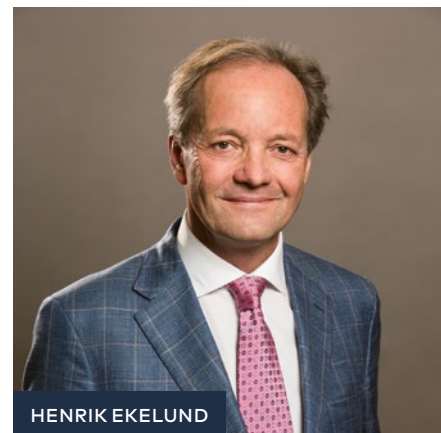
Teacher and researcher at the Stockholm School of Economics.

Other assignments: Chairwoman of Advenica AB and member of the board of directors of Poolia AB, Almi Företagspartner AB, Länsförsäkringar Liv Försäkringsaktiebolag, Midway Holding AB and Cabonline Holding AB.

Shareholdings in BTS Group AB: 500 class B shares.

Anna Söderblom has earlier among other things been operational as the head of technical support and marketing director at Microsoft Nordic, marketing director at Sweden Post, Letter Division, and investment manager at Industrifonden. Anna Söderblom has a university degree in mathematics from Lund University and a PhD in business administration from Stockholm School of Economics.

Independent of the Company and its major shareholders.



HENRIK EKELUND

### Henrik Ekelund

Born 1955.

President and CEO of BTS Group AB.

Shareholdings in BTS Group AB (including companies): 816,000 Class A shares, 3,189,034 Class B shares, totally 4,005,034 shares.

Henrik Ekelund is the founder of BTS and has been its CEO since its inception in 1986. Henrik Ekelund has comprehensive experience as a board member and owner of high-growth enterprises. Henrik Ekelund graduated in business administration at the Stockholm School of Economics.

Not independent of the Company or its major shareholders.

### AUDITOR

Öhrlings PricewaterhouseCoopers AB.  
Managing Auditor: Magnus Thorling,  
Authorized Public Accountant.

The above information on shareholdings was correct at December 31, 2019.

# Senior executives and global partners



**Henrik Ekelund**

Born 1955. Global Partner. Founder, President and CEO of BTS Group AB. See Board of Directors on the preceding page for more information.



**Stefan Brown**

Born 1963. CFO and Executive Vice President of BTS Group AB. Employee of BTS since 1990.



**Jessica Parisi**

Born 1977. Global Partner. Executive Vice President, President and CEO of BTS North America. Employee of BTS since 1999.



**Joel Sigrist**

Born 1972. Global Partner. Executive Vice President, President and CEO of BTS Europe. Employee of BTS since 2003.



**Philios Andreou**

Born 1967. Global Partner. Executive Vice President, President and CEO of BTS Other markets. Employee of BTS since 2003.



**David Ackley**

Born 1969. Global Partner. Executive Vice President, Global Head of BTS Digital Services. Employee of BTS since 1996.



**Rommin Adl**

Born 1964. Global Partner. Executive Vice President. Employee of BTS since 1994.



**Todd Ehrlich**

Born 1968. Global Partner. Executive Vice President, Global Head of Development Process and COO BTS North America. Employee of BTS since 1995.



**Patrick Fei**  
 Born 1974. Global Partner.  
 Executive Vice President.  
 Employee of BTS since 2000.



**Stefan Hellberg**  
 Born 1957. Global Partner.  
 Executive Vice President.  
 Employee of BTS since 1986.



**Peter Mulford**  
 Born 1968. Global Partner.  
 Executive Vice President,  
 Head of Innovation  
 Practice. Employee  
 of BTS since 1997.



**Dan Parisi**  
 Born 1968. Global Partner.  
 Executive Vice President.  
 Employee of BTS since 1995.



**Lou Schachter**  
 Born 1964. Global Partner.  
 Executive Vice President and  
 Global Head of the BTS Sales  
 Practice. Employee of BTS  
 since 2006.



**Fredrik Schuller**  
 Born 1978. Global Partner.  
 Executive Vice President.  
 Employee of BTS since 2004.

Advantage  
 Performance Group Inc.



**Steve Toomey**  
 Born 1963. Global Partner.  
 Executive Vice President  
 Employee of BTS since 1995.



**Marta Zaragoza**  
 Born 1971. Global Partner.  
 Executive Vice President.  
 Employee of BTS since 2006.



**Jonathan Hodge**  
 Born 1972. President and CEO  
 of APG.  
 Employee of BTS since 2006.

# Shareholder information

## Annual General Meeting 2020

Shareholders in BTS Group AB (publ) are invited to the AGM on Thursday, May 14, 2020, at 14.00 p.m. 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 Friday May 8, 2020, and must have notified BTS Group AB no later than Friday May 8, 2020.

Shareholders may notify the Company by phone at +46 8 58 70 70 00, fax +46 8 58 70 70 01, or e-mail at [ir@bts.com](mailto:ir@bts.com).

The notification should 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 their shares under the name of a trustee must temporarily register them with Euroclear Sweden AB under their own name. Any such re-registration request should be made well in advance of Friday May 8, 2020.

## Voting in advance

Shareholders can exercise their right to vote at the AGM by voting in advance, by so called postal vote according to 3 § the law (2020:198) of temporary exceptions to facilitate AGMs.

A special form must be used when voting in advance, the form is available on the company's website ([www.bts.com](http://www.bts.com)). Shareholders that exercise their right to vote by voting in advance do not need to notify BTS Group AB separately, their completed form acts as notification. The completed form must be with BTS Group AB no later than Friday May 8, 2020, and should be sent to BTS Group AB, Grevgatan 34, SE-114 53 Stockholm, or electronically via e-mail to [ir@bts.com](mailto:ir@bts.com). If the shareholder is a legal entity, the certificate of registration or other authorization documents must be attached. This also applies if the shareholder votes in advance by proxy. Shareholders may not include any instructions or terms when voting in advance, any such votes will not be valid. Further instructions and conditions can be found on the form.

## Information on measures relating to the coronavirus (Covid-19)

Due to the continued spread of the coronavirus (Covid-19), special measures are put in place to limit the number of persons attending the AGM. Only a limited number of the board of directors' members will attend. Persons who are not shareholders, shareholders power of attorney or shareholders proxies will not be allowed to attend the AGM. No refreshments or food will be served.

BTS Group encourage shareholders to vote in advance to further limit the number of persons attending the AGM, thus contributing to reducing the risk of spreading the coronavirus (Covid-19).

## Dividend

The Board of Directors proposes, with amendment of the dividend proposal published in the 2019 year-end report, and in light of the general uncertainty and concern caused by the global spread of the coronavirus (Covid-19), and to ensure the company has a continued good financial preparedness and liquidity, that no dividend is to be paid for the 2019 financial year.

However, the Board of Directors intends to, once it has greater clarity on earnings in 2020, revisit this topic and if required call for another AGM during the autumn 2020 to decide on dividend payments for the 2019 financial year.

## 2020 reporting dates and financial information

Interim reports:	
January–March	May 14, 2020
April–June	August 18, 2020
July–September	November 11, 2020
Year-end report	February 2021

The above reports can be ordered from BTS Group AB, Grevgatan 34, SE-114 53 Stockholm, phone +46 8 58 70 70 00 or e-mail [ir@bts.com](mailto:ir@bts.com). Financial information from BTS Group AB is also published on [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 Annual Report. In the event of discrepancies, however, the Swedish original will supersede the English translation.*



Production: BTS Group AB.  
Images used under license from Shutterstock  
and employees of BTS Group.  
Printer: Exakta, Sweden, April 2020.

## SWEDEN

**Head Office**  
Grevgatan 34  
114 53 Stockholm  
SWEDEN  
Tel. 08 58 70 70 00

## ARGENTINA

Reconquista 657  
PB 3 CP1003 CABA.  
Buenos Aires  
Tel. +54 1157955721

## AUSTRALIA

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

Level 6  
10 Barrack St  
Sydney NSW 2000  
Tel. +61 02 8243 0900

## BRAZIL

Rua Geraldo Flausino Gomes,  
85, cj 42  
04575-060 São Paulo – SP  
Tel. +55 (11) 5505 2070

## CANADA

SwissVBS  
460 Richmond Street West  
Suite 700  
Toronto, ON M5V 1Y1  
Tel. +1 416 848 3744

## CHINA

1376 West Nanjing Road  
Suite 531, East Office Tower  
Shanghai Centre  
Shanghai 200040  
Tel. +86 21 6289 8688

## COSTA RICA

Office 203  
Prisma Business Center  
San Jose  
Tel: +506 22 88 48 19

## FRANCE

57 Rue de Seine  
75006 Paris  
Tel. +33 1 40 15 07 43

## GERMANY

Ritterstraße 12  
D-50668 Cologne  
Tel. +49 221 270 70 763

## INDIA

Vatika Business Center  
Divyashree Chambers,  
2nd Floor, Wing A  
O'Shaugnessy Road,  
Langford Town  
Bangalore 560025  
Tel. +91 80 4291 1111 Ext 116

801, 8th Floor, DHL Park  
Opposite MTNL,  
Staff quarters,  
S.V. Road, Goregaon (West).  
Mumbai - 400062  
Maharashtra,  
Tel. +91 22 6196 6800

## ITALY

Viale Fulvio Testi 223  
20162 Milan  
Tel. +39 02 6611 6364

BTS Design Innovation  
Viale Abruzzi, 13  
20131 Milan  
Tel. +39 02 69015719

## JAPAN

TS Kojimachi Bldg. 3F  
6-4-6 Kojimachi Chiyoda-ku  
Tokyo 102-0083  
Tel. +81 (3) 6272 9973

## MEXICO

Edificio Torre Moliere  
Calle Moliere 13 – PH  
Col Chapultepec Polanco  
C.P. 11560 México, D.F.  
Tel. +52 (55) 52 81 69 72

## THE NETHERLANDS

Barbara Strozziilaan 201  
1083 HN Amsterdam  
Tel: + 31 (0)20 615 15 14

## SINGAPORE

1 Finlayson Green  
Suite 16-01  
Singapore 049246  
Tel. +65 6304 3032

## SPAIN

Simon Bolivar 27-1,  
Office No. 4  
Bilbao 48013  
Tel. +34 94 423 5594

Calle José Abascal 55,  
piso 3ªDcha  
28003 Madrid  
Tel. +34 91 417 5327

## SOUTH AFRICA

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

## SOUTH KOREA

Room 103, 1st Floor  
Wonseo Building  
13, Changdeokgung 1-gil  
Jongnogu  
Seoul 03058  
Tel. +82 2 539 7676

## SWITZERLAND

SwissVBS  
Winkelriedstrasse 35  
9000 St. Gallen  
Tel: +41 71 845 5936

## TAIWAN

7 F, No. 307,  
Dun-Hua, North Road  
Taipei 105  
Tel. +886 2 8712 3665

## THAILAND

128/27 Phyathai Plaza  
Building (4th Floor)  
Phyathai Rd. Kwaeng Thung  
Phyathai  
Khet Ratchathewi  
Bangkok 10400  
Tel. +66 2 216 5974

## UK

1 Queen Caroline Street  
London W6 9YN  
Tel: +44 20 7368 4180

Holbrook Court,  
Cumberland Business Centre,  
Hampshire, PO5 1DS  
Portsmouth  
Tel: +44 2393 162686

## UNITED ARAB EMIRATES

10th Floor, Swiss Tower  
Jumeirah Lakes Towers  
Dubai  
Tel. +971 4 279 8341

## USA

Frost Bank Building  
401 Congress Avenue  
Suite 2740  
Austin, Texas 78701  
Tel. +1 512 474 1416

200 South Wacker Drive  
Suite 925  
Chicago, IL 60606  
Tel. +1 312 509 4750

101 West Elm Street  
Suite 310  
Conshohocken, PA 19428  
Tel. (toll free) +1 800 445 7089  
Tel. +1 484 391 2900

350 Fifth Avenue  
Suite 5020  
New York, NY 10118  
Tel. +1 646 378 3730

4742 North 24th Street  
Suite 120  
Phoenix, AZ 85016  
Tel. +1 480 948 2777

222 Kearny Street  
Suite 1000  
San Francisco, CA 94108  
Tel. +1 415 362 4200

---

## ADVANTAGE PERFORMANCE GROUP

100 Smith Ranch Road,  
Suite 306  
San Rafael, CA 94903  
USA  
Tel. +1 800 494 6646

# Strategy made personal

We create powerful experiences that help  
leaders build the future of their business