

January

February

March

April

May

June

July

August

September

October

November

December

## YEAR END REPORT

1 January – 31 December

# 2003

- Net turnover during the year fell by 6 per cent to MSEK 162.2 (172.2). Adjusted for changes in exchange rates, turnover during the period rose by 6 per cent.
- The result for the year:
  - operating result MSEK 10.2 (8.5), corresponding to 6.3 (4.9) per cent in operating margin
  - result before tax MSEK 12.1 (10.1), an increase by 20 per cent
  - result after tax MSEK 7.2 (6.4)
  - earnings per share SEK 1.23 (1.09).
- Cash flow from operations during the year totalled MSEK 18.2 (15.4). At the end of the year, liquid funds totalled MSEK 88.1 (79.0).
- The growth in the customer base for the year was good. New customers included Vodafone, Coca-Cola, Honda, Xerox and Sony.
- BTS has acquired the Spanish company I-Simco S.L.
- Market conditions in the United States improved progressively and significantly during the second half of the year. The market in Europe was weak during this period.
- Result for the fourth quarter:
  - net turnover MSEK 45.4 (46.9)
  - operating result MSEK 6.6 (10.2), corresponding to 15 (22) per cent in operating margin
  - result before tax MSEK 7.0 (10.6), a decrease by 34 per cent
  - result after tax MSEK 3.7 (6.9)
- The proposed dividend per share is SEK 0.60 (0.50).



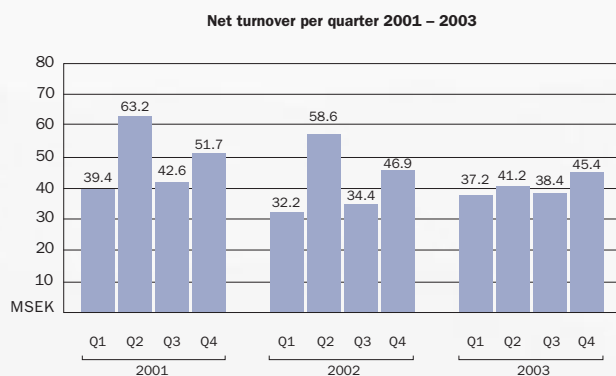
*Catalysts for Profitability and Growth*



## YEAR END REPORT: 1 JANUARY – 31 DECEMBER 2003

### TURNOVER

During the year, BTS' net turnover fell by 6 per cent and amounted to MSEK 162.2 (172.2). Turnover increased somewhat in the United States, but fell in Great Britain and the Nordic region. Adjusted for changes in exchange rates, turnover during the period rose by 6 per cent.



### RESULT FOR THE YEAR

The Group's result before tax for the year amounted to MSEK 12.1 (10.1). The result has improved in the United States but declined in the Nordic region and Great Britain. The improvement in the result for the United States is due to an increase in revenue and improvements in productivity (revenue per employee). The decline in the results for the Nordic region and Great Britain is the result of lower revenue, which was partly offset by lower costs.



### THE FOURTH QUARTER

Turnover during the fourth quarter totalled MSEK 45.4 (46.9), which constitutes a fall of 3 per cent compared to the corresponding period in 2002. Adjusted for changes in exchange rates, turnover during the period rose by 8 per cent. Turnover increased in the United States, but fell in Great Britain and the Nordic region.

The result before tax for the fourth quarter fell to MSEK 7.0 (10.6) and the operating result was MSEK 6.6 (10.2). The operating margin was 15 (22) per cent.

Cash flow from current operations in the fourth quarter amounted to MSEK 25.8 (21.2).

### BTS' VIEW OF MARKET DEVELOPMENT AND MARKET POSITION

Market conditions in the United States have gradually and significantly improved during the second half of the year. This development had an effect on BTS USA as regards revenue growth, order flow, order size and the number of enquiries.

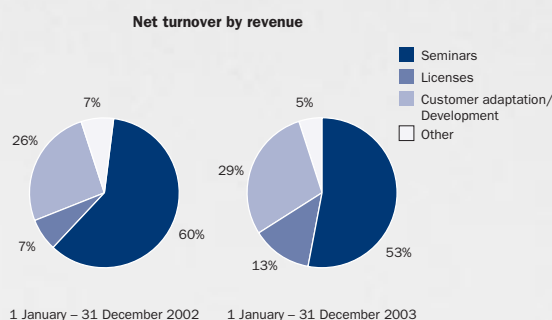
BTS' position on the United States market – with regard to customer base, market share and sales organisation – has improved considerably over the past three years, providing BTS with further good opportunities to take advantage of the more favourable market conditions.

The weak market in the Nordic region started to recover towards the end of the fourth quarter.

At the beginning of the year BTS had to suffer a significant fall in revenues in Australia because of decline in orders from some large clients. The decline in orders has partially been compensated through new clients. Market conditions have been weak in Great Britain during the year.

### REVENUE DEVELOPMENT

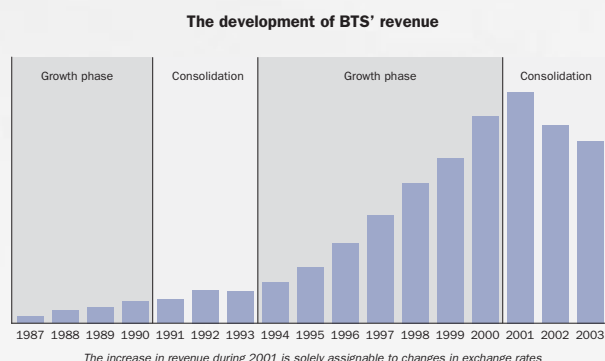
Net turnover broken down by revenue has shown some changes as compared to previous years. The growth in the customer base has resulted in an increase in income for customer adaptations/-development, with this area now accounting for 29 per cent (up from 26 per cent). The poor market conditions that distinguished 2003 led customers to reduce their investment in seminars, so the contribution of this source of revenue to the total income of the company fell from 60 to 53 per cent. Licence revenue has increased from 7 to 13 per cent, which is in line with the company's goal to increase these revenues.



Sales to the new sectors on which BTS focused during the period of poor market conditions – i.e. the retail sector, pharmaceuticals and biotechnology, banking and insurance and energy – have been developed stably and positively in 2003. The proportion of income from these sectors has increased from 10 per cent in 2000 to 36 per cent in 2003. During the same period, income from the IT and telecoms sector has fallen from 57 to 39 per cent. During the second half of the year, interest in purchases and the order flow from the IT and telecoms sector have both developed positively.

Net turnover per sector	2000	2001	2002	2003
Industrial	23%	34%	33%	17%
Telecom	31%	30%	13%	13%
IT	26%	17%	21%	26%
Banking/Insurance	3%	5%	11%	12%
Pharmaceuticals/biotechnology	1%	4%	7%	6%
Retail	0%	0%	4%	10%
Energy	6%	3%	6%	8%
Other	10%	7%	5%	8%
Total	100%	100%	100%	100%

## PERSPECTIVE ON BTS' GROWTH



Since its foundation, BTS has experienced;

*two periods of growth*

- from 1987 to 1990, growth amounted to 50 per cent per year
- from 1994 to 2000, growth amounted to 28 per cent per year

*two periods of consolidation:*

- from 1991 to 1993, growth amounted to 14 per cent per year
- from 2001 to 2003, turnover fell by an average of 3 per cent per year (adjusted for changes in exchange rates, annual net turnover remained unchanged during this period).

Growth periods have occurred during normal or good market conditions, and periods of consolidation during poor market conditions. During the first period of consolidation (1991–1993) many BTS customers significantly reduced their level of purchasing. BTS strategy to maintain its level of income by finding new customers in sectors and companies that were less sensitive to market conditions was successful. During this period of consolidation, BTS also implemented a number of new initiatives, establishing subsidiaries in both the United States and Great Britain and intensifying focus on product development.

During the second growth period (1994–2000) BTS grew on account of better market conditions, a larger customer base, and the new initiatives implemented during the period of consolidation.

During the second period of consolidation (2001–2003), BTS maintained its level of income through a similar strategy and also introduced a number of initiatives to reinforce the company:

- products have been developed and sold within four new sectors: the retail trade, banking and insurance, pharmaceuticals and biotechnology, and energy.
- two new geographical markets have been established: Australia and Spain
- the sales organisation has strengthened as well as the cooperation with external partners and distributors
- the customer base has been broadened, and has therefore grown significantly.

BTS is well positioned for a new growth period.

## NEW CUSTOMERS

The customer base continued to show good growth during 2003. New customers acquired during the first nine months included Aetna, Alcan, AutoDesk, BMW, Coca-Cola, Connex, DHL, Ford, Honda, ING, KLA-Tancor, IBM, Ingersoll-Rand, Previa, Sony Electronics, Toyota, Vodafone, Washington Mutual and Xerox.

## ACQUISITION OF A SPANISH COMPANY

As of 1 July, BTS acquired the Spanish company I-Simco S.L., which is active in the field of business simulations – the same niche as BTS. I-Simco S.L. has offices in Madrid and Bilbao. The company was founded in 1999 and has grown profitably every year since. The acquisition made a positive contribution to earnings per share in the BTS Group in 2003.

## OPERATING UNITS

### Net turnover per operating unit

MSEK	Oct–Dec 2003 (2002)	Full Year 2003 (2002)
BTS USA	<b>26.7</b> (18.3)	<b>93.4</b> (92.6)
BTS Nordic	<b>11.5</b> (15.5)	<b>43.2</b> (45.1)
BTS UK	<b>7.2</b> (13.1)	<b>25.6</b> (34.5)
<b>Total</b>	<b>45.4</b> (46.9)	<b>162.2</b> (172.2)

### Operating result per operating unit (Group-internal costs distributed)

MSEK	Oct–Dec 2003 (2002)	Full Year 2003 (2002)
BTS USA	<b>4.5</b> (0.2)	<b>8.6</b> (-0.6)
BTS Nordic	<b>1.0</b> (4.7)	<b>1.4</b> (3.5)
BTS UK	<b>1.1</b> (5.3)	<b>0.2</b> (5.6)
<b>Total</b>	<b>6.6</b> (10.2)	<b>10.2</b> (8.5)

### BTS USA

Net turnover for the year totalled MSEK 93.4 (92.6), an increase of 1 per cent (an increase of 20 per cent when adjusted for changes in exchange rates). The operating margin was 9 (-1) per cent. Net turnover for the fourth quarter amounted to MSEK 26.7 (18.3), an increase of 46 per cent (72 per cent after adjustments for changes in exchange rates). The operating margin for the fourth quarter was 17 (1) per cent. Market conditions in the United States improved progressively and significantly during the third and fourth quarters. BTS strengthened its market position during the year.

### BTS Nordic

Net turnover for the year totalled MSEK 43.2 (45.1). BTS Spain has been incorporated to the operative unit BTS Nordic and the turnover from BTS Spain (acquired on 1 July) amounted to MSEK 2.6. The operating margin was 3 (8) per cent. In the fourth quarter, net turnover amounted to MSEK 11.5 (15.5), and the operating margin was 8 (30) per cent.

The Nordic market has been weak during the year, although it did show signs of recovery towards the end of the fourth quarter.

## **BTS UK**

The net turnover for the year totalled MSEK 25.6 (34.5), of which turnover generated by BTS Australia accounted for MSEK 5.9 (9.1). Net turnover fell by 26 per cent (20 per cent when adjusted for changes in exchange rates). The operating margin was 1 (16) per cent. Net turnover for the fourth quarter amounted to MSEK 7.2 (13.1), a fall of 45 per cent (41 per cent after adjustments for changes in exchange rates). The operating margin for the fourth quarter was 15 (40) per cent.

## **FINANCIAL POSITION**

BTS' cash flow from current operations for the year was MSEK 18.2 (15.4).

Shareholders' equity at the end of the year totalled MSEK 103.4 (104.1) and the solidity was 76 (81) per cent.

At the end of the year, liquid funds totalled MSEK 88.1 (79.0). Interest-bearing liabilities amounted to MSEK 0.0 (0.1).

## **EMPLOYEES**

At 31 December 2003, the BTS Group employed 100 (102) people. The average number of employees during the year was 97 (110).

## **THE PARENT COMPANY**

The Parent Company's net turnover amounted to MSEK 1.7 (1.5), and the result after net financial expenses was MSEK 2.5 (1.2). Liquid funds totalled MSEK 47.6 (49.1).

## **PROSPECTS FOR 2004**

Due to and based on the improved market conditions the result before tax is estimated to be significantly better than 2003.

## **GENERAL MEETING AND PROPOSED DIVIDEND**

The general meeting will be held on 22 April, starting at 16.00 at BTS' premises at Grevgatan 34, Stockholm, Sweden.

The Board has proposed a dividend of SEK 0.60 per share.

## **ACCOUNTING PRINCIPLES**

This report has been drawn up in accordance with the recommendation of the Swedish Financial Accounting Standards Council (RR 20) concerning interim reports. Otherwise, the principles applied are the same as those used for the previous year.

## **UPCOMING REPORTS**

Annual report 2003:

To be published at  
the beginning of April 2004  
22 April

Interim report January–March

Stockholm, 11 February 2004

Henrik Ekelund  
President and CEO

For additional information, please contact:  
Henrik Ekelund, CEO (+46 8-58 70 70 00)  
Stefan Brown, CFO (+46 8-58 70 70 00)  
or visit our Web site at [www.bts.com](http://www.bts.com)

This report has been separately reviewed by BTS' auditors.

BTS Group AB  
Grevgatan 34  
114 53 Stockholm  
SWEDEN  
Tel. +46 8 58 70 70 00  
Fax: +46 8 58 70 70 01  
[www.bts.com](http://www.bts.com)

# INCOME STATEMENT, SUMMARY

KSEK	3 months ended		12 months ended	
	Dec 31 2003	Dec 31 2002	Dec 31 2003	Dec 31 2002
Revenues	45 380	46 943	162 204	172 230
Operating expenses	-38 204	-36 563	-150 105	-161 997
Depreciation	-567	-204	-1 877	-1 770
<b>Operating Result</b>	<b>6 609</b>	<b>10 176</b>	<b>10 222</b>	<b>8 463</b>
Financial income and expenses	412	461	1 882	1 633
<b>Result before tax</b>	<b>7 021</b>	<b>10 637</b>	<b>12 104</b>	<b>10 096</b>
Minority shareholding	22	-33	-1	-166
Taxes	-3 370	-3 721	-4 856	-3 517
<b>Result for the year</b>	<b>3 673</b>	<b>6 883</b>	<b>7 247</b>	<b>6 413</b>
Earnings per share, before dilution of shares, SEK	0.62	1.17	1.23	1.09
Number of shares at end of year	5 897 300	5 897 300	5 897 300	5 897 300
Average number of shares before dilution of shares	5 897 300	5 897 300	5 897 300	5 879 975
Earnings per share, after dilution of shares, SEK	0.62	1.17	1.23	1.09
Average number of shares after dilution of shares	5 897 300	5 897 300	5 897 300	5 879 975
Proposed dividend per share			0.60	

# BALANCE SHEET, SUMMARY

KSEK	2003-12-31	2002-12-31
<b>Assets</b>		
Intangible fixed assets	1 649	365
Tangible assets	2 922	3 030
Other fixed Assets	1 420	1 629
Accounts receivable	31 208	31 399
Other current assets	10 698	13 698
Cash and bank	88 116	78 992
<b>Total assets</b>	<b>136 013</b>	<b>129 113</b>
<b>Equity and liabilities</b>		
Equity	103 358	104 145
Minority shareholding	147	134
Deferred tax liability	217	150
Interest bearing liabilities	0	58
Other liabilities	32 291	24 626
<b>Total equity and liabilities</b>	<b>136 013</b>	<b>129 113</b>

# CASH FLOW STATEMENT, SUMMARY

KSEK	Jan-Dec 2003	Jan-Dec 2002
Cash flow from current operations	18 232	15 423
Cash flow from investment activities	-3 556	-967
Cash flow from financing operations	-3 148	-872
Effect of exchange rate changes on cash	-2 404	-2 841
<b>Change in liquid funds</b>	<b>9 124</b>	<b>10 743</b>
Liquid funds, opening balaance	78 992	68 249
<b>Liquid funds, closing balance</b>	<b>88 116</b>	<b>78 992</b>

## CHANGES IN EQUITY

KSEK	Total Equity 2003-12-31	Total Equity 2002-12-31
Opening balance	104 145	103 579
New capital issue	0	2 141
Dividend to shareholders	-2 949	-2 914
Conversion differences	-5 085	-5 074
Result for the year	7 247	6 413
<b>Closing balance</b>	<b>103 358</b>	<b>104 145</b>

## KEY RATIOS

	Oct-Dec 2003	Oct-Dec 2002	Jan-Dec 2003	Jan-Dec 2002
Revenues, KSEK	45 380	46 943	162 204	172 230
Operating result, KSEK	6 609	10 176	10 222	8 463
Operating margin, %	15	22	6	5
Profit margin, %	8	15	4	4
Operational capital, KSEK	15 389	25 345	15 389	25 345
Return on equity, %	14	27	7	6
Return on operational capital, %	25	31	50	28
Solidity at end of period, %	76	81	76	81
Cash flow, KSEK	25 284	20 951	9 124	10 743
Liquid funds at end of the year, KSEK	88 116	78 992	88 116	78 992
Average number of employees	99	103	97	110
Number of employees at the end of the year	100	102	100	102
Revenues for the year per employee, KSEK	1 834	1 823	1 672	1 566

## DEFINITIONS

### Operating Margin:

Operating result after depreciation as a percentage of revenues.

### Profit Margin:

Result for the period as a percentage of revenues.

### Operational Capital:

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

### Return on equity:

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

### Return on Operational Capital:

Operating result as a percentage of average operational capital.

### Solidity:

Equity as a percentage of total balance sheet.

### Revenues for the Year per Employee:

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

BTS Group AB is an international consultancy  
and training company active in the field of business acumen.

BTS uses tailor-made business simulations to support company managers in implementing change and improving profitability. BTS solutions and services train the entire organisation to analyse and to take decisions centred on the factors that promote growth and profitability. This generates increased emphasis on profitability and market focus, and supports day-to-day decision-making, which in turn leads to tangible, sustainable improvements in profits.

BTS customers are often leading major companies.



*Catalysts for Profitability and Growth*