

BTS Group AB (publ)

Interim Report 1 January–30 September 2004

Strong growth in turnover and result

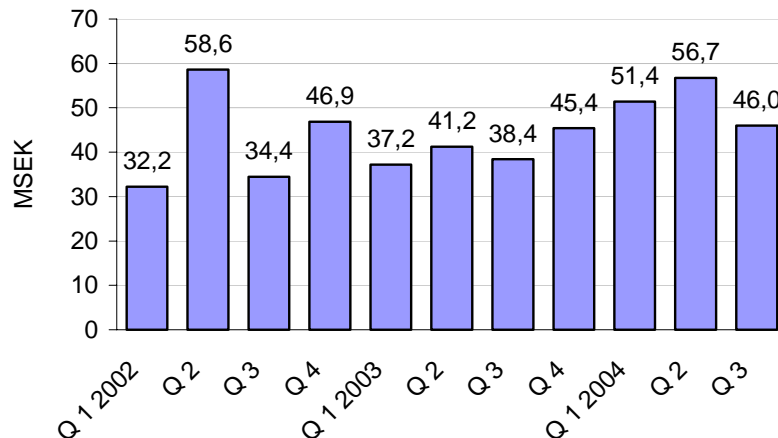
- During the nine-month period, net turnover rose by 32 per cent and amounted to MSEK 154.1 (116.8). Adjusted for changes in exchange rates, growth totalled 39 per cent.
- Results for the nine-month period:
 - > Operating result amounted to MSEK 23.0 (3.6), corresponding to 15 (3) per cent in operating margin
 - > Result before tax amounted to MSEK 24.0 (5.1)
 - > Result after tax amounted to MSEK 14.9 (3.6)
 - > Earnings per share for the period totalled SEK 2.53 (0.61).
- The company has achieved growth and improved profitability during the first nine months through:
 - A generally improved market situation
 - BTS' stronger market position and broader range of solutions
 - More favourable revenue mix
 - Improved productivity and cost-efficiency measures.
- Result for the third quarter:
 - > Net turnover totalled MSEK 46.0 (38.4), corresponding to growth of 20 per cent (27 per cent adjusted for changes in exchange rates)
 - > Operating result amounted to MSEK 4.0 (2.1), corresponding to 9 (5) per cent in operating margin
 - > Result before tax amounted to MSEK 4.3 (2.6)
 - > Result after tax amounted to MSEK 2.6 (1.7).
- The growth in the customer base for the nine-month period was good. New customers acquired during the third quarter include AT&T, Capital One and Motorola.
- During the nine-month period, revenue per customer grew by 29 per cent.

BTS Group AB is an international consultancy and training company active in the field of business acumen. BTS uses tailor-made computer simulation models 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.

Turnover

During the nine-month period, BTS' net turnover rose by 32 per cent and amounted to MSEK 154.1 (116.8). Adjusted for changes in exchange rates, growth totalled 39 per cent. Turnover in local currency increased for all operative units. This growth is due to the generally improved market situation as well as to BTS' stronger market position and broader range of solutions.

Net turnover per quarter 2002–2004

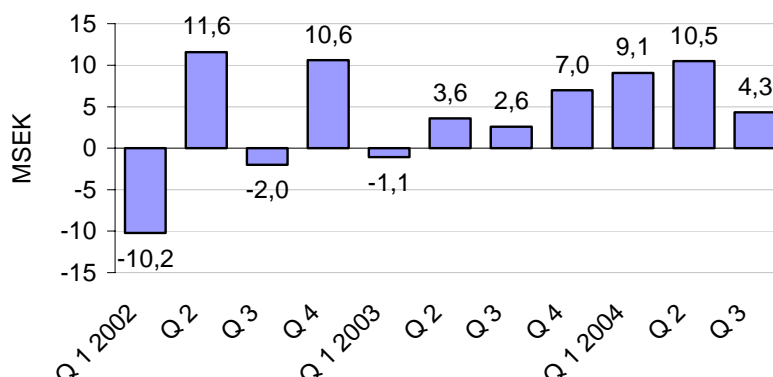


Results

The Group's result for the first nine months of the year before tax amounted to MSEK 24.0 (5.1), and operating result totalled MSEK 23.0 (3.6). The improvement in profitability is largely attributable to revenue growth, improved productivity and cost-efficiency measures as well as changes in the revenue mix. The operating margin was 15 (3) per cent.

On a rolling twelve-month basis, the operating result totalled MSEK 29.6 (13.8), with the operating margin for the corresponding period amounting to 15 (8) per cent.

Result before tax per quarter 2002–2004



The third quarter

Turnover during the third quarter totalled MSEK 46.0 (38.4), which constitutes a rise of 20 per cent compared to the corresponding period in 2003. Adjusted for changes in exchange rates, turnover during the third quarter rose by 27 per cent.

The result before tax for the third quarter improved to MSEK 4.3 (2.6) and the operating result was MSEK 4.0 (2.1). The operating margin was 9 (5) per cent.

Cash flow from current operations in the third quarter amounted to MSEK 5.0 (-0.3).

Market development and market position

Market conditions for BTS North America improved during the first nine months of the year. BTS' market position in North America has considerably strengthened over the past three years in terms of customer base, market share and sales organization, providing BTS with additional opportunities to take advantage of the improved market situation.

During the third quarter a program has started to increase sales in BTS Europe.

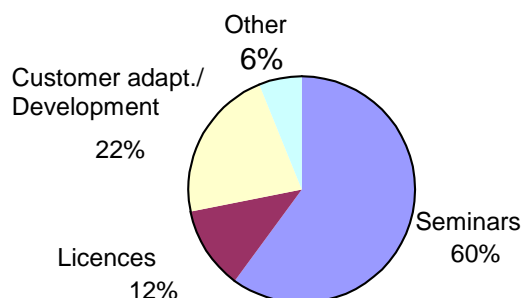
The market situation for BTS other markets improved during the first nine months.

From 2001 to 2003, BTS' customer base has, in number of clients, grown by 96 per cent. At the same time, the positions of a number of competitors have weakened. During this period, revenue per customer has grown by 29 per cent compared to the same period of the previous year, due in part to the fact that BTS has developed a broader range of solutions.

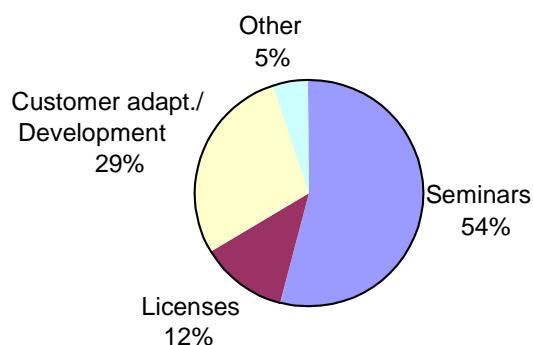
Revenue development

During the first nine months, and compared to the same period for the previous year, the licence share remained unchanged while the seminar share grew from 54 to 60 per cent. The customer-adapted development share decreased from 29 to 22 per cent. This change in the revenue mix has contributed to the increased operating margin.

**Net turnover by revenue,
1 January–30 September 2004**



**Net turnover by revenue,
1 January–30 September 2003**



Assignments and new clients

New customers acquired during the nine-month period include Adobe, AT&T, Capital One, Carphone Warehouse, Hilding Anders, Holcim, ICA, Lindab, Merck, Motorola, Paperlinx, Schneider, Telefonica Mobile and Thule.

Of the 100 companies with the highest market value in the world, 20 are BTS customers.

Operating units

Net turnover per operating unit

MSEK	Jul–Sept		Jan–Sept		2003/04 Rolling	2003
	2004	(2003)	2004	(2003)	12 months	Full year
BTS North America	31,2	(22,5)	93,7	(64,7)	118,5	89,5
BTS Europe	10,3	(12,5)	46,7	(45,8)	63,8	62,9
BTS other markets	4,5	(3,4)	13,7	(6,3)	17,2	9,8
Total	46,0	(38,4)	154,1	(116,8)	199,5	162,2

Operating result per operating unit

MSEK	Jul–Sept		Jan–Sept		2003/04 Rolling	2003
	2004	(2003)	2004	(2003)	12 months	Full year
BTS North America	5,7	(2,5)	17,9	(3,7)	21,6	7,5
BTS Europe	-1,8	(-1,6)	2,7	(-0,5)	5,1	1,8
BTS other markets	0,1	(1,2)	2,4	(0,4)	2,9	0,9
Total	4,0	(2,1)	23,0	(3,6)	29,6	10,2

BTS North America

Compared with the same period in 2003, BTS North America's net turnover rose during the first nine months, totalling MSEK 93.7 (64.7). Adjusted for changes in exchange rates, turnover for the nine-month period rose by 60 per cent. The operating margin was 19 (6) per cent. The result improved to MSEK 17.9 (3.7). During the third quarter, net turnover adjusted to eliminate the effects of currency exchange rates rose by 53 per cent compared to Q3 2003. The operating margin for the third quarter was 18 (11) per cent.

BTS Europe

BTS Europe's net turnover for the nine-month period totalled MSEK 46.7 (45.8), with an operating margin of 6 (-1) per cent. Adjusted for changes in exchange rates, turnover for the nine-month period rose by 1 per cent. The result increased to MSEK 2.7 (-0.5). In the third quarter, net turnover amounted to MSEK 10.3 (12.5), and the operating margin was -17 (-12) per cent.

BTS other markets

During the first nine months, BTS other market's net turnover improved, totalling MSEK 13.7 (6.3). The operating margin was 18 (7) per cent. The result increased to MSEK 2.4 (0.4). In the third quarter, net turnover amounted to MSEK 4.5 (3.4), and the operating margin was 2 (35) per cent.

Financial position

BTS' cash flow from current operations during the nine-month period amounted to MSEK 13.3 (-7.6). During the third quarter, cash flow from current operations totalled MSEK 5.0 (-0.3).

BTS' solidity was 74 (82) per cent at the end of the third quarter.

Available liquid funds at the end of the period totalled MSEK 96.5 (62.8).

Employees

On 30 September, BTS Group AB employed 106 (100) people.

The average number of employees during the period was 103 (96).

Parent Company

The parent company's net turnover amounted to MSEK 0.0 (0.0), and the result after net financial expenses was MSEK 0.7 (1.1). Liquid funds totalled MSEK 43.7 (42.9).

Prospects for 2004

Based on the result of the first nine months and continued positive market conditions, it is estimated that the result before tax for the whole year will be substantially better than in 2003.

Accounting principles

This report has been compiled in accordance with the recommendation of the Swedish Financial Accounting Standards Council, RR 20 Interim reporting. The Council's Recommendation RR 29 Employee benefits, is to be applied from 2004 onwards. Application of this recommendation does not have any material effect on profits or the financial situation. Therefore, no adjustments have been made to the figures for the comparative year.

Otherwise, the principles applied are the same as those used for the previous year.

From January 1, 2005 BTS will compile its accounts in accordance with IFRS. An internal project is investigating what differences there are in comparison with the current financial accounting standards to see what effects it will have on the company.

Nominations for members of the Board

At the annual general meeting held on April 22 2004 it was declared that the Chairman of the Board and a number of major shareholders will prepare for nominations for members of the Board.

Shareholders who wish to propose persons for nomination are invited to send their suggestions to the Chairman of the Board, c/o BTS Group AB, Grevgatan 34, 114 53 Stockholm, Sweden no later than 31 January 2005.

Nominations for members of the Board will be confirmed in connection with the invitation to the next ordinary general meeting.

Upcoming report dates

Year end report 2002

4 February 2005

Stockholm, 28 October 2004

Henrik Ekelund

Chief Executive Officer

*Open telephone meeting with Henrik Ekelund on Thursday, 28 October, 11.00–12.00. Tel. +46 8 598 001 04.

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or visit our Web site at www.bts.com

This report has not been specially reviewed by BTS' auditors.

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**INCOME STATEMENT, Summary
KSEK**

	3 months ended		9 months ended		12 months ended	
	Sep 30	Sep 30	Sep 30	Sep 30	Sep 30	Dec 31
	2004	2003	2004	2003	2004	2003
Revenues	46 005	38 427	154 074	116 824	199 454	162 204
Operating expenses	-41 527	-35 869	-129 553	-111 901	-167 757	-150 105
Depreciation	-498	-486	-1 520	-1 310	-2 087	-1 877
Operating result	3 980	2 072	23 001	3 613	29 610	10 222
Financial income and expenses	361	477	1 013	1 470	1 425	1 882
Result before tax	4 341	2 549	24 014	5 083	31 035	12 104
Minority shareholding	-53	-59	-85	-23	-63	-1
Taxes	-1 714	-776	-9 017	-1 486	-12 387	-4 856
Result for the period	2 574	1 714	14 912	3 574	18 585	7 247
Earnings per share, before dilution of shares, SEK	0,44	0,29	2,53	0,61	3,15	1,23
Number of shares at end of the period	5 897 300	5 897 300	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	5 897 300	5 897 300	5 897 300
Earnings per share, after dilution of shares, SEK	0,44	0,29	2,53	0,61	3,15	1,23
Average number of shares after dilution of shares	5 897 300	5 897 300	5 897 300	5 897 300	5 897 300	5 897 300

**BALANCE SHEET , Summary
KSEK**

	09-30-04	09-30-03	12-31-03
Assets			
Intangible fixed assets	1 563	1 581	1 649
Tangible assets	2 678	2 997	2 922
Other fixed assets	1 359	1 604	1 420
Accounts receivable	39 040	38 089	31 208
Other current assets	14 272	16 365	10 698
Cash and bank	96 493	62 832	88 116
Total assets	155 405	123 468	136 013
Equity and liabilities			
Equity	114 709	100 966	103 358
Minority shareholding	220	163	147
Deferred tax liability	217	150	217
Interest bearing liabilities	0	0	0
Other liabilities	40 259	22 189	32 291
Total equity and liabilities	155 405	123 468	136 013

**CASH FLOW STATEMENT, Summary
KSEK**

	Jan-Sep	Jan-Sep	Jan-Dec
	2004	2003	2003
Cash flow from current operations	13 308	-7 619	18 232
Cash flow from investment activities	-1 277	-3 016	-3 556
Cash flow from financing operations	-3 464	-3 094	-3 148
Effect of exchange rate changes on cash	-190	-2 431	-2 404
Change in liquid funds	8 377	-16 160	9 124
Liquid funds, opening balance	88 116	78 992	78 992
Liquid funds, closing balance	96 493	62 832	88 116

CHANGES IN EQUITY KSEK

	Total Equity 09-30-04	Total Equity 09-30-03
Opening balance	103 358	104 145
New capital issue	0	0
Dividend to shareholders	-3 538	-2 949
Conversion differences	-23	-3 804
Result for the period	14 912	3 574
Closing balance	114 709	100 966

KEY RATIOS

	Jul-Sep 2004	Jul-Sep 2003	Jan-Sep 2004	Jan-Sep 2003	12 months ended	
					Sep 30 2004	Dec 31 2003
Revenues, KSEK	46 005	38 427	154 074	116 824	199 454	162 204
Operating result, KSEK	3 980	2 072	23 001	3 613	29 610	10 222
Operating margin, %	9	5	15	3	15	6
Profit margin, %	6	4	10	3	9	4
Operational capital, KSEK	18 436	38 297	18 436	38 297	18 436	15 389
Return on equity, %	9	7	18	5	16	7
Return on operational capital, %	20	6	136	11	151	50
Solidity at end of the period, %	74	82	74	82	74	76
Cash flow, KSEK	2 935	-4 037	8 377	-16 160	33 661	9 124
Liquid funds at end of the period, KSEK	96 493	62 832	96 493	62 832	96 493	88 116
Average number of employees	105	99	103	96	102	97
Number of employees at end of the period	106	100	106	100	106	100
Revenues for the year per employee, KSEK	1 753	1 553	1 994	1 623	1 951	1 672

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.