

# Interim Report

1 January – 30 September  
2005

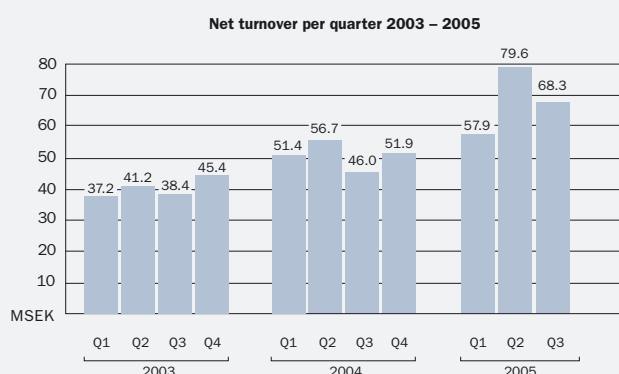
## Continued strong growth in both turnover and results

- During the nine-month period, **net turnover** rose by 34 per cent and amounted to MSEK 205.8 (154.1). Adjusted for changes in exchange rates, growth amounted to 35 per cent. Net turnover rose during the third quarter by 48 per cent to MSEK 68.3 (46.0)
- **Results for the nine-month period:**
  - the operating result rose by 45 per cent to MSEK 34.4 (23.7)
  - the operating margin was 17 (15) per cent
  - the result before tax increased by 60 per cent to MSEK 39.6 (24.7)
  - the result after tax increased by 67 per cent to MSEK 26.1 (15.6)
  - during the period, earnings per share rose by 66 per cent to SEK 4.38 (2.64)
- **Result for the third quarter:**
  - the operating result rose by 107 per cent to MSEK 8.7 (4.2)
  - the operating margin was 13 (9) per cent
  - the result before tax increased by 92 per cent to MSEK 8.8 (4.6)
  - the result after tax increased by 102 per cent to MSEK 5.7 (2.8)
- New customers acquired during the nine-month period included Bacardi, Gap, Maersk, Sony Ericsson and Tyco.

## INTERIM REPORT: 1 JANUARY – 30 SEPTEMBER 2005

### TURNOVER

During the nine-month period, BTS' net turnover rose by 34 per cent and amounted to MSEK 205.8 (154.1). Adjusted for changes in exchange rates, growth totalled 35 per cent. Turnover was affected positively through the integration of SMG as from 14 February.



### RESULTS

The Group's result before tax for the first nine months of the year improved by 60 per cent and amounted to MSEK 39.6 (24.7), with the operating result rising by 45 per cent to MSEK 34.4 (23.7). The operating margin was 17 per cent (15).

On a rolling twelve-month basis, the operating result totalled MSEK 41.4 (30.3), with the operating margin for the corresponding period amounting to 16 (15) per cent.



### THE THIRD QUARTER

Turnover during the third quarter totalled MSEK 68.3 (46.0), which constitutes a rise of 48 per cent compared to the corresponding period in 2004. Adjusted for changes in exchange rates, turnover during the third quarter rose by 51 per cent.

The result before tax for the third quarter increased by 92 per cent to MSEK 8.8 (4.6), with the operating result rising by 107 per cent to MSEK 8.7 (4.2). The operating margin was 13 (9) per cent.

### BTS' VIEW OF MARKET DEVELOPMENT

The market for BTS' services and products continues to develop positively and well in line with company expectations. In the United States, demand remains high for training-related services that support company change processes aimed at improving efficiency and profitability. The market in Europe has developed positively and is now characterized by improved demand. The situations in other markets where BTS is active – primarily those of Australia and South Africa – remain good. This also applies to China, Japan and other parts of Asia, but from an initially low level. BTS considers it important to use local representation with own staff and contracted partners in the early stages of market development. BTS' objective in these markets is to use the same approach as it applied in the United States and Europe to achieve the position of market leader in the field of training based on business simulations.

For many years, BTS has remained the dominant player on the market for training based on tailor-made business simulations. Today, the BTS customer base numbers 20 of the 100 largest companies in the world. BTS continuously captures market shares from players such as other training and management consultants and business schools. The reason for this is that BTS concentrates on positioning itself as the supplier that is most efficient in helping companies implement strategic changes. BTS has won several important contracts during the year by being able to document its experience from previous successful commissions from leading global companies, and by demonstrating that simulations constitute a much more efficient teaching method than conventional business training.

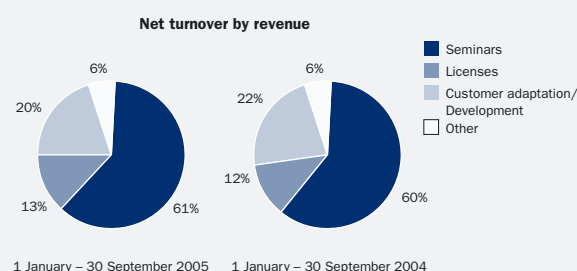
The work to draw additional commercial benefits from the acquisition of SMG still has high priority as there are appreciable earnings potential linked to SMG's products. In parallel with this work, the company makes sure to present the BTS range to SMG's key customers.

### ASSIGNMENTS AND NEW CLIENTS

New customers acquired during the past nine months include Alstom, Bacardi, Dow AgroSciences, Gap, Glaxo SmithKline, GM Holden, Klövern, Maersk, Nedbank, Iberdrola, Sony Ericsson, Schlumberger, Standard Bank and Tyco.

### REVENUE DEVELOPMENT

During the nine-month period, the share of revenue from licences rose to 13 (12) per cent. The customer-adapted development share decreased from 22 to 20 per cent. This change in the revenue mix has contributed to the increased operating margin.



## OPERATIVE UNITS

### Net turnover per operating unit

	Jul-Sep 2005	(2004)	Jan-Sep 2005	(2004)	2004/05 Rolling 12 months	2004 Full year
MSEK						
BTS North America	43.3	(31.2)	125.8	(93.7)	157.1	125.0
BTS Europe	18.9	(10.3)	64.7	(46.7)	79.4	61.3
BTS Other markets	6.1	(4.5)	15.3	(13.7)	21.2	19.6
<b>Total</b>	<b>68.3</b>	<b>(46.0)</b>	<b>205.8</b>	<b>(154.1)</b>	<b>257.7</b>	<b>205.9</b>

### Operating result per operating unit

	Jul-Sep 2005	(2004)	Jan-Sep 2005	(2004)	2004/05 Rolling 12 months	2004 Full year
MSEK						
BTS North America	4.7	(5.8)	18.5	(18.3)	22.6	22.4
BTS Europe	2.6	(-1.7)	13.1	(2.9)	15.2	5.0
BTS Other markets	1.4	(0.1)	2.8	(2.5)	3.6	3.3
<b>Total</b>	<b>8.7</b>	<b>(4.2)</b>	<b>34.4</b>	<b>(23.7)</b>	<b>41.4</b>	<b>30.7</b>

#### BTS North America

For the first nine months of the year, net turnover from BTS' operations in North America totalled MSEK 125.8 (93.7). Adjusted for changes in exchange rates, revenue rose by 37 per cent. The result was MSEK 18.5 (18.3). The operating margin was 15 per cent (19). The growth of this unit is attributable to positive development within both BTS North America and the recently acquired SMG operation. During the third quarter, revenue adjusted to eliminate the effects of currency exchange rates rose by 42 per cent compared to Q3 2004. The operating margin for the third quarter was 11 (19) per cent. The decline in the operating margin is primarily due to a lower margin in the SMG product range, depreciation of intangible fixed assets for SMG and onetime integration costs related to the SMG acquisition.

#### BTS Europe

During the first nine months of 2005, BTS Europe's net turnover improved, totalling MSEK 64.7 (46.7). Adjusted for changes in exchange rates, revenue rose by 39 per cent. The result increased to MSEK 13.1 (2.9). The operating margin was 20 per cent (6). In the third quarter, net turnover amounted to MSEK 18.9 (10.3), and the operating margin was 14 per cent (-17). Activities in BTS Europe developed positively as a result of improvements in sales efficiency and productivity. The integration of SMG's European activities has also made a positive contribution.

#### BTS Other markets

The net turnover from BTS Other Markets improved during the first nine months of the year, amounting to MSEK 15.3 (13.7). The operating margin was 19 per cent (18). The result increased to MSEK 2.8 (2.5). In the third quarter, net turnover amounted to MSEK 6.1 (4.5), and the operating margin was 23 per cent (2).

#### BTS' ACQUISITION OF SMG'S "LEARNING SOLUTIONS"

As mentioned in a press release on 10 February, BTS has acquired "Learning Solutions" from SMG in Philadelphia – the part of SMG that was previously one of BTS' strongest competitors in the United States.

The integration between BTS and SMG's Learning Solutions has proceeded according to plan. The acquired entity has been rapidly integrated into the BTS organisation and is therefore not reported separately. The acquired entity has made a positive contribution to turnover and results for the period.

The rise in intellectual property rights is attributable exclusively to the acquisition of SMG.

An external market evaluation was performed in connection with the acquisition.

The value of the assets acquired (calculated at the time of acquisition) converted to balance day exchange rates at 30 September 2005 is:

KSEK	
Tangible fixed assets	650
Tangible current assets	263
<i>Intangible assets</i>	
- Software, customer contracts, brands	14 784
- Goodwill	16 549
<b>Total acquisition cost</b>	<b>32 249</b>

Software and customer contracts are depreciated over 2–9 years.

## FINANCIAL POSITION

BTS' cash flow from current operations during the nine-month period amounted to MSEK 4.1 (13.3). The drop in comparison with last year's figures for the same period can largely be explained by the amortisation of short-term debts and the binding of capital in SMG's Learning Solutions. It is also attributable to an increase in the binding of capital due to the rise in turnover. During the third quarter, cash flow from current operations totalled MSEK 17.2 (5.0). This improvement accords with the expectations stated in the previous report and is in line with the seasonal variations BTS' cash flow typically experiences, i.e. weaker in the first half of the year and stronger in the second half.

BTS' financial net result for the nine-month period totalled MSEK 5.2 (1.0), of which MSEK 4.3 is attributable to a positive currency exchange effect linked to the financing of the acquisition of SMG Learning Solutions within the Group.

BTS' solidity was 72 (74) per cent at the end of the third quarter.

Available liquid funds totalled MSEK 77.0 (96.5) at the end of the period.

At balance sheet date, the company has no outstanding conversion loans or warrants.

## EMPLOYEES

On 30 September, BTS Group AB employed 142 (106) people. The average number of employees during the period was 137 (103).

## PARENT COMPANY

The parent company's net turnover amounted to MSEK 1.5 (0.0), and the result after net financial items was MSEK 4.6 (0.7). Liquid funds totalled MSEK 19.0 (43.7).

## PROSPECTS FOR 2005

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 significantly better than in 2004.



## ACCOUNTING PRINCIPLES

This report has been prepared in accordance with IAS 34, Interim Financial Reporting, which is in line with recommendation RR 31, Interim Consolidated Reporting, from the Swedish Financial Accounting Standards Council. RR32, Accounting for legal entities, has been applied for the parent company, which has not resulted in any changes.

As from 1 January 2005, BTS will be preparing its consolidated accounts in accordance with IFRS. Up until 2004, the company applied the recommendations and statements issued by the Swedish Financial Accounting Standards Council. The conversion to IFRS is reported in accordance with IFRS 1, "First-time Adoption of International Financial Reporting Standards", which states the conversion date as 1 January 2004. IFRS 1 states that the figures for the comparison year, 2004, are also to be reported in accordance with IFRS. The changes in the accounting principles resulting from this conversion and the conversion effects on the consolidated income statement and balance sheets are presented on pages 50–51 of the annual report for 2004. These changes are also summarised at the end of this report. These effects are provisional and may subsequently be modified as the examination of certain IAS/IFRS standards is still ongoing. The standards applied are those approved by the EU Commission.

## Goodwill

The application of IFRS 3, IAS 36 (revised 2004) and IAS 38 (revised 2004) has resulted in a change in the accounting principles for goodwill. Up to and including 31 December 2003, the following rule applies: goodwill is amortised linearly over a period of five years and is evaluated with regard to depreciation requirements, if any, on every balance sheet day.

Pursuant to the provisions of IFRS 3, the Group ceased to write off goodwill on 1 January 2004.

As from and including fiscal year 2004, goodwill is tested every year with a view to establishing any requirements for depreciation. Such tests are even performed when there are indications of a requirement for depreciation. The company's depreciation tests are performed on the basis of current value calculations of future growth and result forecasts.

Goodwill consists of the amount by which the acquisition value exceeds the actual value of the Group's share of the acquired subsidiary's identifiable net assets at the time of the acquisition.

## Minority Interest

Pursuant to IAS 1 "Formulation of financial reports," minority interests are to be booked as a separate entry under shareholders' equity in the balance sheets instead of being booked between liabilities and shareholders' equity, as they were previously. In the income statement, the minority interest share of the result may no longer be deducted. Instead, it must be included in the result reported for the period.

## Financial instruments

The application of IAS 39 as from 1 January 2005 will have no effect on the company.

## NOMINATIONS FOR MEMBERS OF THE BOARD

At the Annual General Meeting held on 26 April 2005, it was stated that the Chairman of the Board, in collaboration with the major shareholders, would be preparing 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 2006.

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 15 February, 2006

Stockholm, 21 October 2005

Henrik Ekelund  
Chief Executive Officer

## KONTAKTINFORMATION

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For additional information, visit our Web site at [www.bts.com](http://www.bts.com)

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

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Company reg. no. 556566-7119

# INCOME STATEMENT, SUMMARY

KSEK	3 months ended		9 months ended		12 months ended	
	Sep 30 2005	Sep 30 2004	Sep 30 2005	Sep 30 2004	Sep 30 2005	Dec 31 2004
Revenues	68 266	46 005	205 787	154 074	257 657	205 944
Operating expenses	-58 384	-41 527	-168 707	-129 553	-213 277	-174 123
Depreciation on tangible assets	-572	-282	-1 317	-842	-1 573	-1 098
Depreciation on intangible assets	-640	0	-1 396	0	-1 396	-
<b>Operating result</b>	<b>8 670</b>	<b>4 196</b>	<b>34 367</b>	<b>23 679</b>	<b>41 411</b>	<b>30 723</b>
Financial income and expenses	99	361	5 234	1 013	5 698	1 477
<b>Result before tax</b>	<b>8 769</b>	<b>4 557</b>	<b>39 601</b>	<b>24 692</b>	<b>47 109</b>	<b>32 200</b>
Taxes	-3 072	-1 731	-13 545	-9 043	-16 301	-11 799
<b>Result for the period</b>	<b>5 697</b>	<b>2 826</b>	<b>26 056</b>	<b>15 649</b>	<b>30 808</b>	<b>20 401</b>
attributable to minority interest	89	36	239	59	280	100
attributable to equity holders of the parent	5 608	2 790	25 817	15 590	30 528	20 301
Earnings per share, before dilution of shares, SEK	0.95	0.47	4.38	2.64	5.18	3.44
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	0.95	0.47	4.38	2.64	5.18	3.44
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
Dividend per share						1.60

# BALANCE SHEET, SUMMARY

KSEK	2005-09-30	2004-09-30	2004-12-31
<b>Assets</b>			
Goodwill	20 410	2 241	3 744
Other intangible assets	13 388	-	-
Tangible assets	5 056	2 678	2 190
Other fixed assets	1 603	1 359	1 327
Accounts receivable	60 260	39 040	36 811
Other current assets	16 553	14 272	9 747
Cash and bank	77 024	96 493	110 477
<b>Total assets</b>	<b>194 294</b>	<b>156 083</b>	<b>164 296</b>
<b>Equity and liabilities</b>			
Equity	140 289	115 387	116 579
Minority shareholding	508	220	233
<b>Total Equity</b>	<b>140 797</b>	<b>115 607</b>	<b>116 812</b>
Non interest bearing - non current liabilities	442	326	298
Non interest bearing - current liabilities	53 055	40 150	47 186
<b>Total equity and liabilities</b>	<b>194 294</b>	<b>156 083</b>	<b>164 296</b>

# CASH FLOW STATEMENT, SUMMARY

KSEK	Jan-Sep 2005	Jan-Sep 2004	Jan-Dec 2004
Cash flow from current operations	4 054	13 308	32 137
Cash flow from investment activities	-35 702	-1 277	-2 926
Cash flow from financing operations	-9 490	-3 464	-3 504
Effect of exchange rate changes on cash	7 685	-190	-3 346
<b>Change in liquid funds</b>	<b>-33 453</b>	<b>8 377</b>	<b>22 361</b>
Liquid funds, opening balance	110 477	88 116	88 116
<b>Liquid funds, closing balance</b>	<b>77 024</b>	<b>96 493</b>	<b>110 477</b>

## CHANGES IN EQUITY

KSEK	Total Equity 2005-09-30	Total Equity 2004-09-30	Total Equity 2004-12-31
Opening balance	116 812	103 505	103 505
Dividend to shareholders	-9 436	-3 538	-3 538
Conversion differences	7 365	-9	-3 556
Result for the period	26 056	15 649	20 401
<b>Closing balance</b>	<b>140 797</b>	<b>115 607</b>	<b>116 812</b>

## KEY RATIOS

	Jul-Sep 2005	Jul-Sep 2004	Jan-Sep 2005	Jan-Sep 2004	12 months ended 30 Sep 2005	31 Dec 2004
Revenues, KSEK	68 266	46 005	205 787	154 074	257 657	205 944
Operating result, KSEK	8 670	4 196	34 367	23 679	41 411	30 723
Operating margin, %	13	9	17	15	16	15
Profit margin, %	8	6	13	10	12	10
Operational capital, KSEK	63 773	19 114	63 773	19 114	63 773	6 334
Return on equity, %	16	10	27	19	22	19
Return on operational capital, %	12	21	98	137	60	283
Solidity at end of the period, %	72	74	72	74	72	71
Cash flow, KSEK	15 967	2 935	-33 453	8 377	-19 469	22 361
Liquid funds at end of the period, KSEK	77 024	96 493	77 024	96 493	77 024	110 477
Average number of employees	142	105	137	103	130	104
Number of employees at end of the period	142	106	142	106	142	107
Revenues for the year per employee, KSEK	1 923	1 753	2 003	1 994	1 978	1 980

## DEFINITIONS

### Earnings per share:

Result attributable to equity holders of the parent divided by number of shares.

### 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.

## EFFECT OF TRANSITION TO IFRS

A detailed reconciliation of the full year 2004 is published in the Annual report for 2004.

Reconciliation of consolidated income statement KSEK	Jul-Sep 2004	Jan-Sep 2004	12 months ended	
			30 Sep 2005	31 Dec 2004
Result for the period according to previous GAAP	2 574	14 912	30 450	19 306
Reversed goodwill depreciation	216	678	317	995
Adjustment for result attributable to minority interests	36	59	41	100
Result for the period according to IFRS	2 826	15 649	30 808	20 401
Earnings per share, before dilution, according to IFRS	0.47	2.64	5.18	3.44
Earnings per share, before dilution, according to previous GAAP	0.44	2.53	5.12	3.27
Earnings per share, after dilution, according to IFRS	0.47	2.64	5.18	3.44
Earnings per share, after dilution, according to previous GAAP	0.44	2.53	5.12	3.27
Reconciliation of operating result per operating unit KSEK	Jul-Sep 2004	Jan-Sep 2004	12 months ended	
			30 Sep 2005	31 Dec 2004
BTS North America according to previous GAAP	5 679	17 857	22 417	21 839
Reversed goodwill depreciation	145	412	192	604
BTS North America according to IFRS	5 824	18 269	22 609	22 443
BTS Europe according to previous GAAP	-1 781	2 736	15 097	4 733
Reversed goodwill depreciation	50	206	90	296
BTS Europe according to IFRS	-1 731	2 942	15 187	5 029
BTS Other Markets according to previous GAAP	82	2 408	3 580	3 156
Reversed goodwill depreciation	21	60	35	95
BTS Other Markets according to IFRS	103	2 468	3 615	3 251
Total operating result according to previous GAAP	3 980	23 001	41 094	29 728
Reversed goodwill depreciation	216	678	317	995
Total operating result according to IFRS	4 196	23 679	41 411	30 723
Reconciliation of equity KSEK				
Equity 31 December 2003 according to previous GAAP	103 358			
– Adjusted for minority interests	147			
<b>Equity 1 januari 2004 according to IFRS</b>	<b>103 505</b>			
Equity 30 September 2004 according to previous GAAP	114 709			
– Adjusted for minority interests	220			
– Reversed goodwill depreciation	678			
<b>Equity 30 September 2004 according to IFRS</b>	<b>115 607</b>			
Equity 31 december 2004 according to previous GAAP	115 584			
– Adjusted for minority interests	233			
– Reversed goodwill depreciation	995			
<b>Equity 31 December 2004 according to IFRS</b>	<b>116 812</b>			

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 organization to analyze and to take decisions centered on the factors that promote growth and profitability. This generates increased emphasis on profitability and market focus, and supports day-to-day decision-making, which in turn leads to tangible, sustainable improvements in profits.

BTS customers are often leading major companies.

