

# **BTS Group AB (publ)**

## **Interim Report 1 January–30 June 2004**

### ***Strong growth in turnover and result***

During the first six months, net turnover rose by 38 percent, totalling MSEK 108.1 (78.4) Adjusted for changes in exchange rates, growth totalled 46 per cent

Results for the first six months:

- > Operating result amounted to MSEK 19.0 (1.5), corresponding to 18 (2) per cent in operating margin
- > Result before tax amounted to MSEK 19.7 (2.5)
- > Result after tax amounted to MSEK 12.3 (1.9)
- > Earnings per share for the period totalled SEK 2.09 (0.32)

The company has achieved growth and improved profitability during the first six months through:

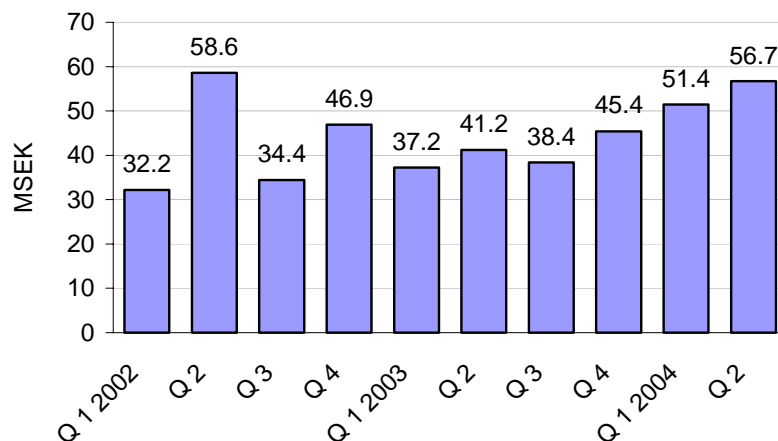
- Generally improved market situation
  - BTS' stronger market position and broader range of solutions
  - More favourable revenue mix
  - Improved productivity and cost-efficiency measures
- Result for the second quarter:
    - > Net turnover totalled MSEK 56.7 (41.2)
    - > Operating result amounted to MSEK 10.3 (3.2), corresponding to 18 (8) per cent in operating margin
    - > Result before tax amounted to MSEK 10.5 (3.6)
    - > Result after tax amounted to MSEK 6.4 (2.6).
  - The growth in the customer base was satisfactory during the first six months of the year. New customers during this period included Adobe, ICA, Merck, Paperlinx and Telefonica Mobile.
  - Revenue per customer has grown by 12 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.

*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 first half of the year, BTS' net turnover increased by 38 per cent and amounted to MSEK 108.1 (78.4). Adjusted for changes in exchange rates, growth totalled 46 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

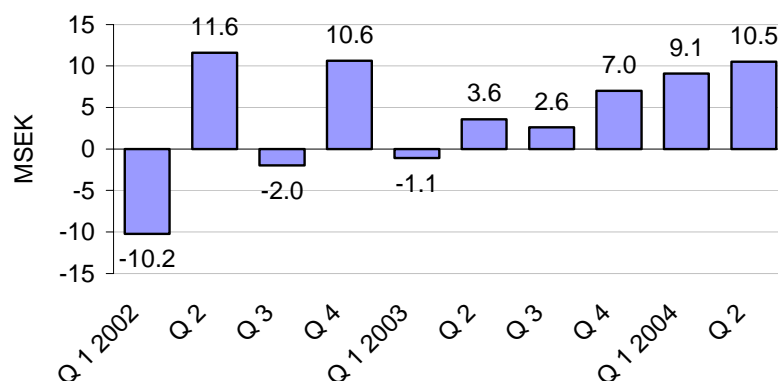


## Results

The Group's result for the first six months of the year before tax amounted to MSEK 19.7 (2.5), and operating result totalled MSEK 19.0 (1.5). 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 18 (2) per cent.

On a rolling twelve-month basis, the operating result totalled MSEK 27.7 (9.3), with the operating margin for the corresponding period amounting to 14 (6) per cent.

Result before tax per quarter 2002–2004



## Second Quarter

Turnover during the second quarter totalled MSEK 56.7 (41.2), which constitutes an increase of 37 per cent compared to the corresponding period in 2003.

Adjusted for changes in exchange rates, turnover during the second quarter rose by 46 per cent.

The result before tax for the second quarter improved to MSEK 10.5 (3.6) and the operating result was MSEK 10.3 (3.2). The operating margin was 18 (8) per cent.

Cash flow from current operations in the second quarter amounted to MSEK 18.1 (-2.6).

### **Market development and market position**

The market situation in the United States has continued to improve during the first six months of the year. BTS' market position in the United States 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.

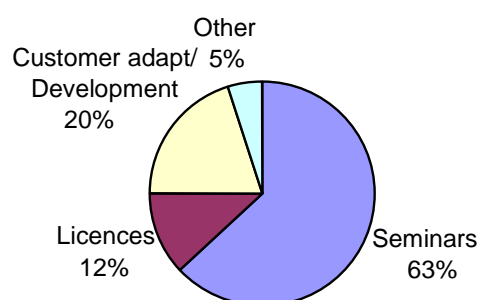
The market situation in other markets improved during the first six months.

From 2001 to 2003, BTS' customer base has in number of clients grown by 96 per cent, and the company has developed a large number of new solutions. At the same time, the positions of a number of competitors have weakened. Of the 100 companies with the highest market value in the world, 20 are BTS customers.

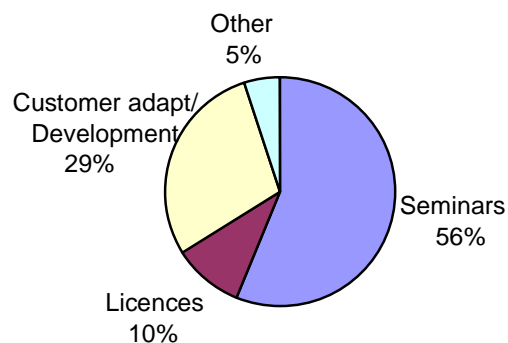
### **Income development**

During the first six months, and compared to the same period for the previous year, the licence share increased from 10 to 12 per cent, while the seminar share grew from 56 to 63 per cent. The customer-adapted development share decreased from 29 to 20 per cent. This change in the revenue mix has contributed to the increased operating margin.

**Net turnover by revenue**  
**1 January–30 June 2004**

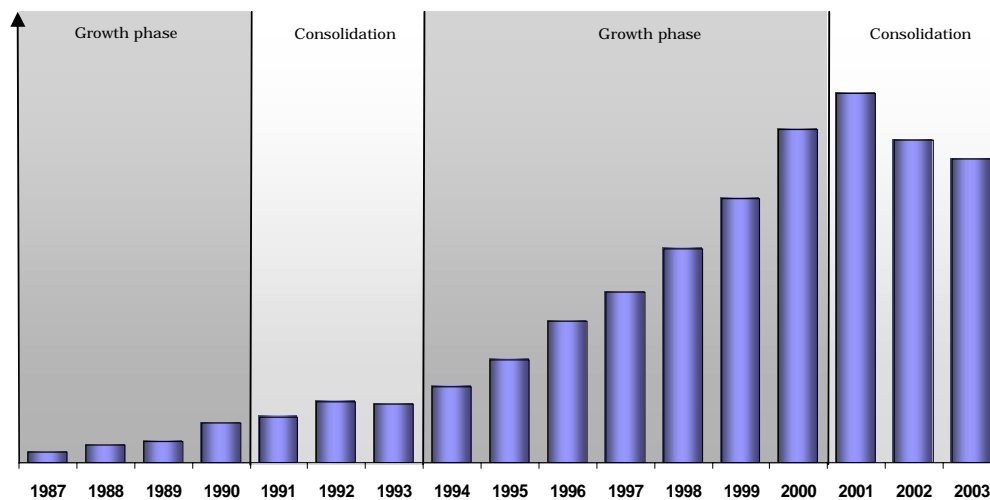


**Net turnover by revenue**  
**1 January–30 June 2003**



## Perspective on BTS' growth

The development of BTS' revenue



**The increase in revenue during 2001 is solely assignable to changes in exchange rates**

Since its foundation, BTS has experienced;

two periods of growth

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

two periods of consolidation:

- from 1991 to 1993, growth amounted to on average 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 has in a way similar to the first period of consolidation maintained its level of income and also introduced a number of initiatives to reinforce the company:

- new solutions 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 grown significantly.

BTS is currently in a new growth period.

### Assignments and new clients

New customers acquired during the first six months included Adobe, Carphone Warehouse, Hilding Anders, Holcim, ICA, Lindab, Merck, Paperlinx, Schneider, Telefonica Mobile, and Thule.

During this period, revenue per customer has grown by 12 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. A number of multinationals have significantly increased their purchases from BTS from 1–2 solutions to 5–8 solutions. BTS works actively with existing customers to expand the number of solutions available.

### Operative units

#### Net turnover per operating unit

	April-June		Jan-Jun		2003/04 rolling 12 months	2003 Full year
MSEK	2004	(2003)	2004	(2003)		
BTS North America	34.7	(21.3)	62.5	(42.3)	109.8	89.5
BTS Europe	19.0	(17.8)	36.5	(33.2)	66.1	62.9
BTS other markets	3.0	(2.1)	9.1	(2.9)	16.0	9.8
<b>Total</b>	<b>56.7</b>	<b>(41.2)</b>	<b>108.1</b>	<b>(78.4)</b>	<b>191.9</b>	<b>162.2</b>

#### Operating result per operating unit

	April-June		Jan-Jun		2003/04 rolling 12 months	2003 Full year
MSEK	2004	(2003)	2004	(2003)		
BTS North America	8.0	(1.3)	12.2	(1.2)	18.4	7.5
BTS Europe	2.7	(1.9)	4.5	(1.1)	5.3	1.8
BTS other markets	-0.4	(0.0)	2.3	(-0.8)	4.0	0.9
<b>Total</b>	<b>10.3</b>	<b>(3.2)</b>	<b>19.0</b>	<b>(1.5)</b>	<b>27.7</b>	<b>10.2</b>

### BTS North America

Compared with the same period in 2003, BTS North America's net turnover rose during the first six months, totalling MSEK 62.5 (42.3). Adjusted for changes in exchange rates, turnover for the six-month period increased by 65 per cent. The

operating margin was 19 (3) per cent. The result improved to MSEK 12.2 (1.2). During the second quarter, net turnover adjusted to eliminate the effects of currency exchange rates rose by 81 per cent compared to Q2 2003. The operating margin for the second quarter was 23 (6) per cent.

#### BTS Europe

BTS Europe's net turnover during the first half year amounted to MSEK 36.5 (33.2) with an operating margin of 12 (3) per cent. Adjusted for changes in exchange rates, turnover for the six-month period increased by 9 per cent. The result increased to MSEK 4.5 (1.1). Net turnover in the second quarter amounted to MSEK 19.0 (17.8) and the operating margin was 14 (11) per cent. Pia Anderberg, Head of BTS Europe, has stepped down the 1 July and her position has been taken over by Henrik Ekelund, CEO.

#### BTS other markets

During the first six months, BTS other market's net turnover improved, totalling MSEK 9.1 (2.9). The operating margin was 26 (-26) per cent. The result increased to MSEK 2.3 (-0.8). Net turnover in the second quarter amounted to MSEK 3.0 (2.1) and the operating margin was -14 (0) per cent.

#### **Financial position**

BTS' cash flow from current operations during the first half of the year amounted to MSEK 8.3 (-7.3). During the second quarter, cash flow from current operations totalled MSEK 18.1 (-2.6).

BTS' solidity was 75 (84) per cent at the end of the second quarter.

Available liquid funds at the end of the period totalled MSEK 93.6 (66.9).

#### **Employees**

On 30 June, BTS Group AB employed 103 (90) people.

The average number of employees during the period was 102 (95).

#### **Parent Company**

The parent company's net turnover amounted to MSEK 0.0 (0.0), and the result after net financial expenses was MSEK 0.5 (0.8). Liquid funds totalled MSEK 44.3 (45.1).

#### **Prospects for 2004**

In the report for the first quarter the result before tax for the whole year was estimated to be significantly better than 2003. Based on the result of the first six months and continued positive market conditions the result before tax for the whole year is estimated to be substantially better than 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.

**Upcoming report dates**

Interim report January–September  
Year end report

28 October 2004  
February 2005

Stockholm, 18.08.04

Henrik Ekelund  
Chief Executive Officer

\*Open telephone meeting with Henrik Ekelund on Wednesday, 18 August, 11.00–12.00. Tel. +46 598 001 04.

**Audit report**

I have reviewed this Interim Report and have thereby complied with the recommendation issued by FAR, the Swedish Institute of Authorised Public Accountants.

Compared to an audit, a review is essentially limited.  
Nothing has, however, emerged which would indicate that the Interim Report does not comply with the requirements of the Swedish Stock Exchange and the Annual Accounts Act.

Stockholm, 18 August 2004

Lars Berglund  
Authorised public accountant

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**INCOME STATEMENT, Summary  
KSEK**

	3 months ended		6 months ended		12 months ended	
	Jun 30	Jun 30	Jun 30	Jun 30	Jun 30	Dec 31
	2004	2003	2004	2003	2004	2003
Revenues	56 684	41 244	108 069	78 397	191 876	162 204
Operating expenses	-45 891	-37 649	-88 026	-76 032	-162 099	-150 105
Depreciation	-533	-414	-1 022	-824	-2 075	-1 877
<b>Operating result</b>	<b>10 260</b>	<b>3 181</b>	<b>19 021</b>	<b>1 541</b>	<b>27 702</b>	<b>10 222</b>
Financial income and expenses	283	454	652	993	1 541	1 882
<b>Result before tax</b>	<b>10 543</b>	<b>3 635</b>	<b>19 673</b>	<b>2 534</b>	<b>29 243</b>	<b>12 104</b>
Minority shareholding	-1	9	-32	36	-69	-1
Taxes	-4 094	-1 045	-7 303	-710	-11 449	-4 856
<b>Result for the period</b>	<b>6 448</b>	<b>2 599</b>	<b>12 338</b>	<b>1 860</b>	<b>17 725</b>	<b>7 247</b>
Earnings per share, before dilution of shares, SEK	1,09	0,45	2,09	0,32	3,00	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	1,09	0,45	2,09	0,32	3,00	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**

	06-30-04	06-30-03	12-31-03
<b>Assets</b>			
Intangible fixed assets	1 667	182	1 649
Tangible assets	2 873	2 718	2 922
Other fixed assets	1 450	1 620	1 420
Accounts receivable	41 336	30 786	31 208
Other current assets	11 710	17 402	10 698
Cash and bank	93 558	66 869	88 116
<b>Total assets</b>	<b>152 594</b>	<b>119 577</b>	<b>136 013</b>
<b>Equity and liabilities</b>			
Equity	114 278	100 496	103 358
Minority shareholding	167	106	147
Deferred tax liability	217	150	217
Interest bearing liabilities	0	0	0
Other liabilities	37 932	18 825	32 291
<b>Total equity and liabilities</b>	<b>152 594</b>	<b>119 577</b>	<b>136 013</b>

**CASH FLOW STATEMENT, Summary  
KSEK**

	Jan-Jun	Jan-Jun	Jan-Dec
	2004	2003	2003
Cash flow from current operations	8 316	-7 307	18 232
Cash flow from investment activities	-939	-559	-3 556
Cash flow from financing operations	-3 529	-3 080	-3 148
Effect of exchange rate changes on cash	1 594	-1 177	-2 404
<b>Change in liquid funds</b>	<b>5 442</b>	<b>-12 123</b>	<b>9 124</b>
Liquid funds, opening balance	88 116	78 992	78 992
<b>Liquid funds, closing balance</b>	<b>93 558</b>	<b>66 869</b>	<b>88 116</b>



## CHANGES IN EQUITY KSEK

	Total Equity 06-30-04	Total Equity 06-30-03
Opening balance	103 358	104 145
New capital issue	0	0
Dividend to shareholders	-3 538	-2 949
Conversion differences	2 120	-2 560
Result for the period	12 338	1 860
Closing balance	114 278	100 496

## KEY RATIOS

	Apr-Jun 2004	Apr-Jun 2003	Jan-Jun 2004	Jan-Jun 2003	12 months ended	
					Jun 30 2004	Dec 31 2003
Revenues, KSEK	56 684	41 244	108 069	78 397	191 876	162 204
Operating result, KSEK	10 260	3 181	19 021	1 541	27 702	10 222
Operating margin, %	18	8	18	2	14	6
Profit margin, %	11	6	11	2	9	4
Operational capital, KSEK	20 887	33 733	20 887	33 733	20 887	15 389
Return on equity, %	24	10	23	4	16	7
Return on operational capital, %	39	10	105	5	105	50
Solidity at end of the period, %	75	84	75	84	75	76
Cash flow, KSEK	13 421	-6 203	5 442	-12 123	26 688	9 124
Liquid funds at end of the period, KSEK	93 558	66 869	93 558	66 869	93 558	88 116
Average number of employees	103	93	102	95	101	97
Number of employees at end of the period	103	90	103	90	103	100
Revenues for the year per employee, KSEK	2 201	1 774	2 119	1 650	1 904	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.