



*Catalysts for Profitability and Growth*



**Annual report 2004**

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## INFORMATION FOR SHAREHOLDERS

### GENERAL MEETING 2005

The annual general meeting will be held on Tuesday, 26 April 2005, starting at 14.00 at BTS' premises at Grevgatan 34, 114 53 Stockholm, Sweden. Shareholders who wish to attend must be recorded in the share register no later than Friday, 15 April 2005 and must notify BTS Group AB of their intention to attend no later than 16.00 on Friday, 22 April 2005. Notification may be issued by phone, fax or e-mail, tel. +46 8 58 70 70 22, fax +46 8 58 70 70 01, e-mail [ir@bts.com](mailto:ir@bts.com)

Notification must include the shareholder's name, civic or company registration number, address, telephone number and registered shareholding.

Nominee shareholders must temporarily register the shares in their own name with VPC AB to be entitled to participate in the annual general meeting. Applications for such registration must be made in good time before Friday, 15 April 2005.

### DIVIDEND

The Board proposes a dividend of SEK 1.60 per share.

### REPORTS AND FINANCIAL INFORMATION 2004

Interim reports	
January–March	26 April 2005
January–June	16 August 2005
January–September	25 October 2005
Year-end report	February 2006

These reports are available on request from Christian Ankarcrona, BTS Group AB, Grevgatan 34, S-114 53 STOCKHOLM, tel. +46 8 587 07 000, fax: +46 8 587 07 001 or e-mail: [ir@bts.com](mailto:ir@bts.com)

Financial information from BTS Group AB is also published on the Internet at [www.bts.com](http://www.bts.com)

### DEFINITIONS

BTS Group AB	BTS Group AB (publ)
BTS, the company or the Group	BTS Group AB including subsidiaries (unless a different meaning is implied by the context).

This report is a translation from the original Swedish Annual Report.

## THE YEAR IN BRIEF

- Net turnover during the year increased by 27 per cent to MSEK 205.9 (162.2)  
Adjusted for changes in exchange rates, growth totalled 34 per cent.
- Result for 2004:
  - operating profit MSEK 29.7 (10.2), which corresponds to an operating margin of 14.4 per cent (6.3)
  - result before tax MSEK 31.2 (12.1), an increase of 158 per cent
  - earnings per share SEK 3.27 (1.23).
- Cash flow from operations during the year totalled MSEK 32.1 (18.2).  
At the end of the year, liquid funds totalled MSEK 110.5 (88.1).
- The customer base developed positively during the year. New customers acquired include Adobe, AT&T, Capital One, ICA, Merck, Motorola, Schneider and Valero.
- During the year, revenue per customer grew by 32 per cent.
- BTS received the “Supplier Excellence Award” from Texas Instruments as well as the “Achievement Award” from the Swedish Trade Council for its success on the American market.

### KEY FIGURES

	2004	2003
Net turnover KSEK	205,944	162,204
Operating result, KSEK	29,728	10,222
Result before tax, KSEK	31,205	12,104
Result after tax, KSEK	19,306	7,247
Operating margin, %	14.4	6.3
Profit margin, %	9.6	4.5
Operating capital, KSEK	5,339	15,389
Return on equity, %	18	7
Return on operating kapital, %	287	50
Solidity at end of period, %	71	76
Cash flow from current operations	32,137	18,232
Cash flow for the year	22,361	9,124
Liquid funds, closing balance	110,447	88,116
Average number of employees	104	97
Number of employees at the end of the year	107	100
Net turnover per employee, KSEK	1.980	1.672

The definitions of key figures are listed on page 39.

# BTS IN BRIEF



MSEK	2004	2003	2002	2001	2000
Net turnover	205.9	162.2	172.2	196.9	177.3
Operating profit	29.7	10.2	8.5	12.6	12.3
Average no. of employees	104	97	110	125	114

## CUSTOMERS

BTS' customers are primarily large international companies that are active in the fields of industry, telecoms, IT, banking/insurance, pharmaceuticals/biotechnology, the retail sector and energy. However, BTS also works with customers in other sectors – service and distribution, for example. BTS enjoys long-term relationships with its customers, usually in excess of five years.

### EXAMPLES OF CUSTOMERS:

#### BTS USA

Adobe, Aetna, Applied Materials, AT&T, Bell Canada, Bell South, Cisco, Cingular Wireless, Capital One, Coca-Cola, Federated Department Stores, Ford, Genetech, General Motors, Hewlett Packard, Honda, Honeywell, IBM, Ingersoll-Rand, Kmart, Merck, Motorola, Pitney Bowes, SBC, Schneider, Sony Electronics, Sun Microsystems, Texas Instruments, Toyota, Valero, Washington Mutual, Xerox.

#### BTS Europe

Akzo Nobel, AstraZeneca, Barclays Bank, Belgacom, Biovitrum, British Gas Trading, Carphone Warehouse Group, Centrica, Cloetta Fazer, Connex, Electrolux, Elekta, Ericsson, Holcim, ING Bank, ICA, Metso, Nokia, Posten Norge, Previa, Roche, Royal Mail, Sandvik, Telefonica Mobile, Telia, Vasakronan, Vodafone, UPM-Kymmene.

#### BTS other markets

BlueScope, PaperlinX, Telstra, Telkom South Africa.



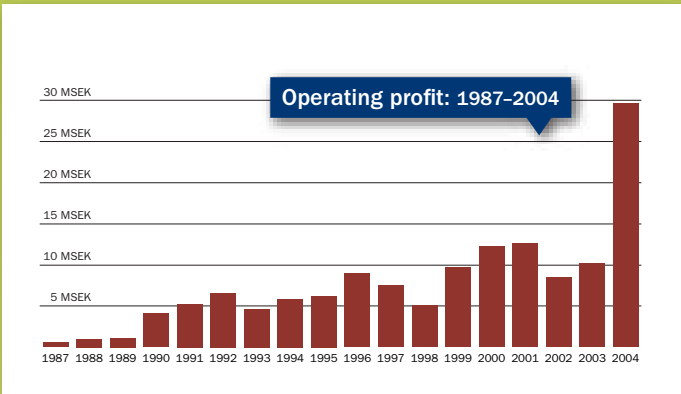
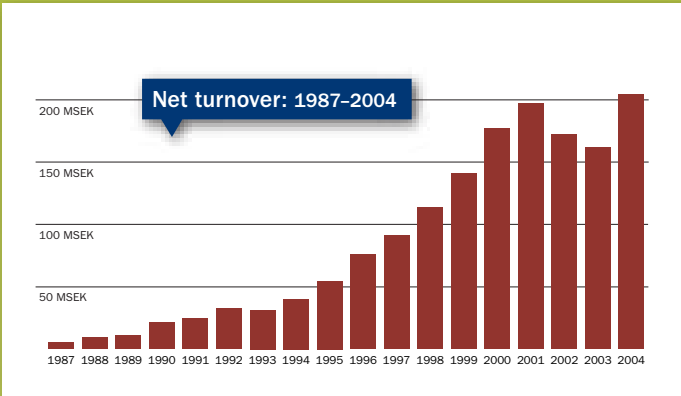
## EXAMPLES OF SITUATIONS WHERE BTS IS CALLED UPON

- New business goals and strategies
- Change processes
- New goals and key figures
- Streamlining processes
- Management development
- Acquisitions and mergers

## BUSINESS ACTIVITIES

- BTS 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 helps to train the entire organisation to make analyses and take decisions centered on the factors that promote growth and profitability.
- This generates increased emphasis on profitability and market focus, and supports decision-making, which in turn leads to measurable, sustainable improvements in profits.





#### OVERRIDING GOALS AND STRATEGY

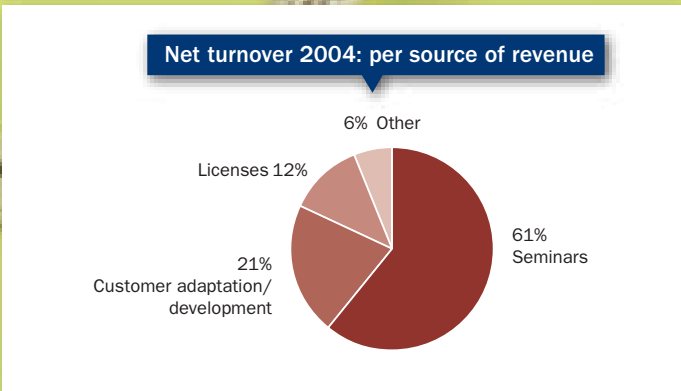
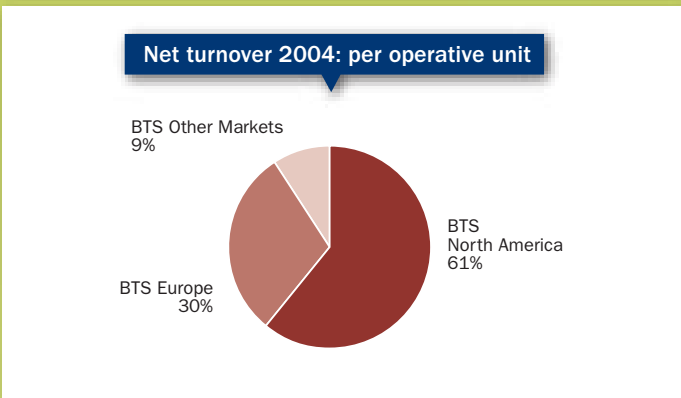
BTS' overriding goal is to be the leading supplier of business simulations on the markets where the company is active. BTS' strategies for achieving this goal are:

- Focus on business acumen training solutions of strategic importance to the customer.
- Training solutions based on business simulations.
- Focus on large, leading customers within selected sectors.
- Network-based marketing and long-term customer relations.
- Continuous expansion of the ranges of products and services offered.
- Organic growth combined with acquisitions.
- Being a very attractive workplace.

#### FINANCIAL GOALS

BTS' financial goals are:

- To return annual organic growth in net turnover of at least 25 per cent.
- To achieve a long-term sustainable operating margin before amortization of goodwill of at least 12 per cent.
- To maintain net cash reserves equivalent to at least two months' operating costs at all times, and to ensure that the equity ratio does not fall below 50 per cent for extended periods.



**“It pays to invest in training. Especially when you allow participants to be active rather than simply to listen.”**

## INTERVIEW WITH THE CEO



Henrik Ekelund  
President & CEO

A handwritten signature in blue ink, appearing to read 'Henrik Ekelund', written in a cursive style.

**“2004 was the year when the market changed for the better – and BTS began to reap return on previous investments.”**

### **How would you summarize 2004?**

2004 was the year when the market changed for the better – and BTS began to reap return on previous investments. Turnover increased by 27 per cent, the operating result almost trebled, and our operating margin rose from 6 to 14 per cent. We continued to reinforce our position in the market and made real improvements in productivity.

When the market was weak in 2001–2003, we still continued to invest and succeeded in maintaining our levels of turnover and results. On the back of this, 2004 saw the start of a period of growth.

### **How have the various markets developed?**

Our business in the United States has grown by 54 per cent and currently accounts for almost 60 per cent of our total turnover. Companies in the United States have chosen to invest to a larger extent in tailor-made training courses and to use simulations – which really benefits BTS. During the lean years of 2001–2003, BTS concentrated on developing new solutions and on selling to new sectors such as pharma/biotech, energy, distribution and banking/finance. As a result, we succeeded in doubling our customer base during this tough period.

Now that the market has changed for the better, we are well equipped with a range of new products and a broad customer base. In combination with our stronger sales organisation, this has resulted in rapid growth on the American market.

We have now definitely become the leading player in business simulations in the United States, both regarding size and customer profile – with many of the leading Fortune 500 companies in our customer base – and our very good reputation.

On BTS' other markets (Australia and South Africa), turnover has doubled and results have trebled. Our Australian office has shown good, stable growth and has broadened its customer base. I am very satisfied with developments there. To improve our service to customers in Australia, on 1 April we opened an office in Melbourne as a complement to our business in Sydney. Our operations in South Africa have also developed well and achieved very good results during the year.

### **Why have things not gone quite as well here in Europe?**

The challenges we are facing in Europe include having to sell to a more fragmented market, one distinguished by multiple languages and cultures. In addition, European companies do not invest as strongly in training as their American counterparts. We are not satisfied with the development of BTS Europe, which returned negative growth (-3%). Even though the results did improve, the operating margin here is approximately half that generated on other markets. In autumn 2004, we launched a program to reinforce sales, partly through the recruitment of new sales-oriented consultants, and partly through focusing more clearly on the sales process and selected target groups. Simply put, this involves selling the right solutions to the right people at the right companies, with an increase in own resources and with more partners. When we achieve growth, we should also see improved margins here.

## **“Fundamentally, I have a very positive view of the future, and I can see that conditions are ideal for us to continue from 2004 into a new period of growth for the BTS Group.”**

### **How has the customer base developed?**

From 2003 to 2004 we doubled the number of customers we serve. It is important to find the right balance between growing with new customers and growing with existing customers, and I think that we have that balance. In 2004 we attracted more than 30 new customers. We also strengthened our position and network with existing customers; revenue per customer rose by 32 per cent in 2004.

With regards to our offerings – we are currently operating with a very strong range of products and solutions. No other player on the market can measure up to our breadth, depth and quality.

### **The BTS acquisition strategy**

#### **– tells us more about new and old acquisitions.**

Historically, the units acquired in Australia and Spain developed positively since they became part of BTS, with both sales and results improving greatly. BTS Australia has, for example, trebled its sales and quintupled its result compared to the year before the acquisition (2001).

At the start of 2005, we purchased the “Learning Solutions” business area from SMG, our American competitor in Philadelphia. There were five main reasons behind our acquisition of SMG:

1) The activities are within our core area, and we believe we can run this business with higher productivity and lower costs. 2) SMG has a range of good products that complement our own product portfolio and which we can also offer to our existing customers. 3) SMG has a number of large, internationally active customers that complement our customer base. In addition, the acquisition has brought in partners in new markets such as Russia and Singapore. 4) Our target groups complement one another, as BTS supplies more programs for groups in the senior management sector, while SMG has concentrated to a larger extent on middle and junior managers. 5) Last, but not least, we overnight acquired a lot of highly experienced talent in the business simulation field.

This new acquisition has got off to a good start; the general reaction was very positive and there is plenty of will on both sides to develop the working relationship together. The integration process itself will be carried out in steps so as to avoid disruptions in either of the companies, but from day one we are looking to exploit the numerous synergy opportunities.

BTS will continue to develop through organic growth and acquisitions on both new and existing markets. The market for business simulations is fragmented. As the market leader, we will naturally play an active part in making acquisitions.

### **What do you consider to be the global trends for the corporate training market?**

Traditionally, many companies have seen training as a cost they had to put up with in order to maintain appropriate levels of knowledge and skills. However, companies are now beginning to see training as an investment that promotes growth and productivity. This leads to an increase in demand for tailor-made training and to an increase in the willingness to pay for training that generates results.

The use of technology in training is becoming more and more widespread. Simulations are also becoming increasingly popular due to the fact that they effectively engage participants and provide the opportunity to try out actual decisions in a risk-free environment.

Another trend is for global companies to consolidate their training initiatives and to seek to work with fewer partners.

### **How do you see the future developing?**

Fundamentally, I have a very positive view of the future, and I can see that conditions are ideal for us to continue from 2004. Unless something dramatic occurs that upends the economy or poses a threat to people’s feelings of security, I believe that BTS will be able to continue the positive development that was initiated in 2004. Over the past ten years, we have grown by 18 per cent a year on average, and we have turned a profit every year since we started. The market conditions are good at the moment, and never before in the history of the company have we been better placed than we are today. We have a fantastic team at BTS: 150 highly skilled and committed employees – of around 20 nationalities – who operate very well on many international projects. We are represented on more geographical markets, either directly or through partners. Our customer base continues to expand. We have a better sales system and sales organisation. We have a broader and stronger range of products.

The training market is huge, and only a fraction of it has been approached. BTS is well placed to continue to develop as a leading player in its chosen segment.

# WHAT BTS PROVIDES

**BTS' mission is to support customers in the implementation of change and profit improvement. New solutions are constantly developed together with our customers. As a result, our portfolio of solutions well reflects the challenges of the global business community today. Our customers are seeking a combination of solutions that help them**

## Business Acumen Excellence

Building Business Acumen

Strategy Execution

Improving Growth & Profit

Business Acumen for Everyone

Finance 101

Know the Business

Business Acumen Tools

Every manager and employee in a company needs a clear picture of how their decisions and performance affect the company's results.

Our solutions in the field of business acumen provide:

- a thorough understanding of what drives profitability,
- a market focused approach to your business,
- an overall big picture understanding of the business and its interrelationships enabling a person to make better business decisions,

in a practical and applicable manner that leads to better decisions for growth and profitability.

## Sales & Marketing Excellence

Customer Loyalty

Customer Understanding

Solution & Value-based Selling

Sales Efficiency

Closing the Deal

Winning Major Sales

Success in increasingly tough markets depends to a greater extent on the capacity of the sales organisation to understand:

- underlying factors that drive the success of the customer's business,
- the customers' business models and profitability factors,
- the company value proposition visavi customers' needs and requests,
- profitability impact of pricing and value-based pricing tactics.

Our solutions support all phases of the sales process, from prospect to order, to win and develop important contracts.



**to implement new strategies, initiatives and continuous improvements. All our solutions are built on business simulations: IT-based, manual and web-based – where participants develop their skills and business capacity through practical decision-making exercises in a realistic and risk-free environment.**

## Operational Excellence

Best Practice Implementation

Time to Market

Product Life Cycle Management

Order to Payment

Production Flow

## Leadership Excellence

Business Acumen and Leadership

Execution

Essentials of Business Leadership

Project Leadership

That “Time is money” is easier to say than to apply in practice.

The process flows in manufacturing, product development, distribution, and service are highly dependent on the ability of employees to understand the contribution they make to the value chain – and how they can improve it.

Our solutions build on the time perspective of business flows and clarify how different areas of responsibility are interdependent – the chain is only as strong as its weakest link.

Great result-oriented leadership is essential for any progress.

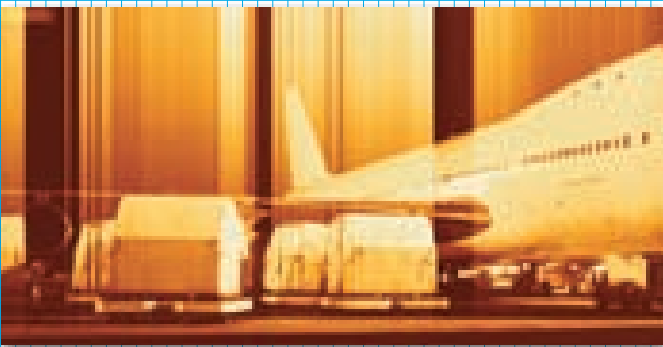
Our leadership solutions are carried out by highly skilled leadership consultants. The solutions are built on strong links between a company’s strategy, focus areas, profitability, and its guiding principles, culture, and values.

# CUSTOMERS

BTS customers operate in the following fields: industry, telecoms, IT, banking and insurance, pharmaceuticals and biotechnology, the retail sector and energy. We also work with customers from other areas including the service sector. The BTS customer base includes large and international companies that are among the leading players in their respective fields. BTS enjoys long-term relationships with its customers, usually in excess of five years.

**Examples of customers from different sectors**

Industry	Akzo Nobel, Alcan, BlueScope, Honeywell, Electrolux, Ingersoll-Rand, PaperlinX, Pitney Bowes, Philips, Scania, Sandvik
Telecoms	AT&T, Bell Canada, Bell South, Carphone Warehouse Group, Cingular, Ericsson, SBC, Motorola, Nokia, Telefonica Mobile, Telstra
IT	Adobe, Applied Materials, Cisco, Hewlett Packard, IBM, Sony Electronics, Sun Microsystems, Texas Instruments, Xerox
Banking/insurance	Aetna, Barclays Bank, Capital One, If, ING Bank, Uni Credito, Washington Mutual
Pharmaceuticals/ biotechnology	AstraZeneca, Aventis, Biovitrum, Elekta, Genentech, Merck, Roche
Distribution	Kmart, Federated Corporation, Toyota, Honda, Ford
Energy	Centrica
Other	Connex, Vasakronan, SAS, Skanska, Schneider, Valero



**PRESS RELEASE: 27 JANUARY 2004**

**BTS wins record commission from one of the largest technology companies in the world**

The aim of the program is to support the implementation of the company's strategy and to create the most competitive and dedicated organisation on the market. The program contains tailor-made business simulations.

A framework agreement has been drawn up for the next 2-4 years. During the first quarter of 2004, the commission will generate income of approximately MSEK 8 for BTS.

"This commission shows the strength of the market position BTS has built up in the United States," says Henrik Ekelund, CEO and President of the BTS Group. "It also illustrates the positive development of the American economy."

**PRESS RELEASE: 4 FEBRUARY 2004**

**BTS builds up strong position in the automotive distribution sector - Ford and Honda new customers**

BTS has been commissioned to carry out training programs for managers and employees from the vehicle distribution and reseller sector for customers including Ford, Honda and another Japanese automotive giant. To date BTS has sold training programs worth MSEK 7 to these companies for delivery in 2003 and 2004.

"Automotive distribution is one of the new Sectors BTS focused on in recent years, when market conditions were poor. It is a large and stable sector with appreciable potential for the future. We expect to close more deals in this sector in 2004," says Henrik Ekelund, CEO and President of BTS Group AB.

**PRESS RELEASE: 26 FEBRUARY 2004**

**Leading American media and entertainment company a new BTS customer**

BTS has been engaged by one of the leading companies from the media and entertainment sector in the United States. The commission involves BTS preparing a leadership development program for senior executives in all areas of the company. The program will be centered on a tailor-made simulation of the company and its various business areas. The training itself will be carried out over the next few years.

"This commission has brought BTS into a new and exciting sector which is of major strategic importance for the company. The fact that we will be working with one of the leading companies in the sector only adds to our satisfaction," says Rommin Adl, Vice CEO of BTS USA.

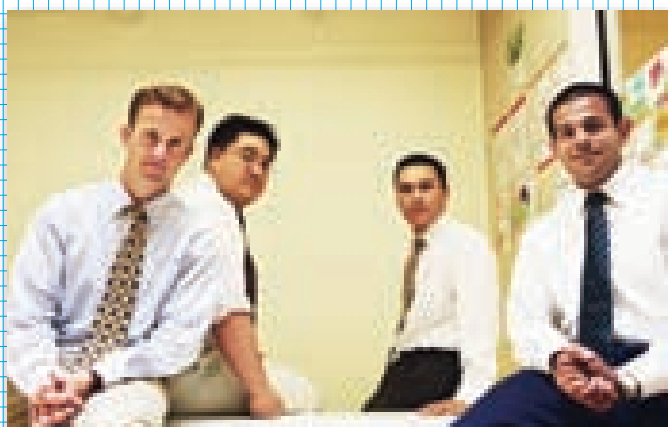
"This project demonstrates our capacity for developing sophisticated solutions that challenge and contribute to increasing the insight of senior executives at major companies," explains Henrik Ekelund, CEO and President of the BTS Group.

PRESS RELEASE: 29 APRIL 2004

**Leading consumer goods company  
- a new BTS customer**

A world-leading American company from the field of fast-turnover consumer goods has commissioned BTS, the consultancy and training company, to develop and implement a part of its leadership development program that will be launched in 2004. Initially, this course will be held for 300 top executives from the company. The initial commission is valued at around MSEK 4.

The commission involves a tailor-made, computer-based business simulation intended to promote growth in profitability in the face of increasing competition on a constantly evolving market. "We are delighted to have the opportunity to work with one of the leading companies in this field, and we are convinced that they will find our experience with other consumer goods companies a real benefit," says Henrik Ekelund, CEO and President of the BTS Group.



PRESS RELEASE: 3 MAY 2004

**BTS lands important order from Posten Norge**

Posten Norge has once again chosen BTS Group AB, the consultancy and training company, to develop and implement a training program for around 850 executives. The commission, which is valued at around MSEK 5.5, is to be completed in 2004.

BTS is to develop both a computer-based and a board simulation, the purpose of which is to lay the foundations for decision-making based on evaluations and corporate economic understanding within Posten Norge, on the basis of the organisation's leadership philosophy and management requirements. The program constitutes a continuation of the training program BTS carried out for Posten Norge's senior executives in 2002 and 2003.

"We have now trained 300 senior executives and middle managers from Posten Norge and have taken a natural step further into the organisation so as to ensure that all managers have the same perspective on and sufficient business knowledge of the relevant challenges, strategies and approaches to profitability. This is essential in equipping Posten Norge to deal with deregulation and sector blurring," says Katrin Fagerberg of BTS Sweden.

The revenue stemming from the IT and telecoms sectors dropped in the period 2000-2002, but since 2003 it has increased from 39 per cent (2003) to 48 per cent (2004). Sales to new sectors on which BTS focused during the years of poor market conditions - distribution, pharmaceuticals/biotechnology, banking/insurance, and energy - have risen from 10 per cent in 2000 to 27 per cent in 2004.

Distribution of revenue	2000	2001	2002	2003	2004
Industry	23%	34%	33%	17%	17%
Telecoms	31%	30%	13%	13%	14%
IT	26%	17%	21%	26%	34%
Banking/insurance	3%	5%	11%	12%	12%
Pharmaceuticals/biotech.	1%	4%	7%	6%	5%
Distribution	0%	0%	4%	10%	7%
Energy	6%	3%	6%	8%	3%
Other	10%	7%	5%	8%	8%
Total	100%	100%	100%	100%	100%

In 2004, BTS acquired a large number of new customers and captured market share. In fact, BTS invoiced 140 customers in 2004, 30 of which were new additions. The ten largest customer accounted for approximately 44 per cent of the Group's net turnover in 2004.

PRESS RELEASE: 21 JUNE 2004

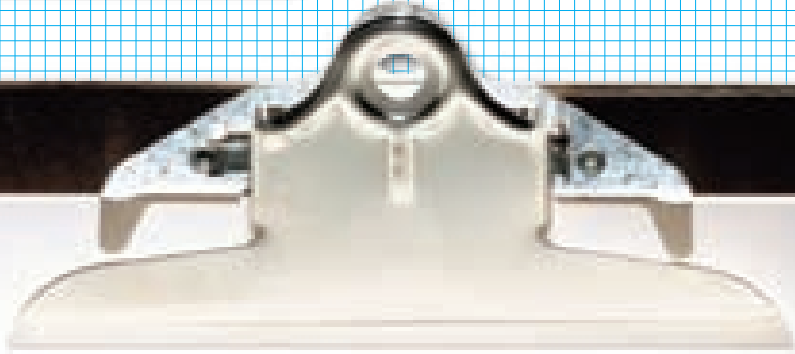
**Strategic partnership with one of the largest listed health insurance companies in the United States**

The BTS Group announced today that it has entered into a strategic partnership with Humana Inc. (NYSE:HUM), one of the largest listed health insurance companies in the United States. The partnership is centered on the supply of simulation-based training for the company's executives.

The intention is to increase the capacity of Humana's executives to push through the company strategy, which is to solve employers' cost problems via a consumer-centered value proposal.

"BTS USA's simulation played a crucial part in the rapid implementation of our strategy. They prepared a tailor-made business simulation with depth and details that accurately reflected the numerous variables we face as a leading company on a complicated market," said Ms. Hathcock. "That made it really interesting for the participants."

# CASE STUDIES



BTS' task is to support companies in implementing changes and improving results. BTS is a specialist and market leader in simulation – a method that is extremely well-suited for the purpose. For example, for

### Clarifying goals, results, focus.

In order to find the right focus and approach, trial and error is the best way to go. Theories and ideas have to be tried and tested as prototypes. Simulations are a tangible, rapid and inexpensive way to carry out trials and find the right route early on in a project.

### Generating a shared view and activating a different attitude

In a simulation, users can reach their own conclusions and acquire their own knowledge on the basis of their own experience from the simulation and through feedback. Participants can, in concentrated form, go through the original thought process, which explains: Why? What? How? Complex associations are simplified. Abstract messages become concrete actions. Simulations present the whole picture, highlight concrete decision situations and clearly indicate what needs to be changed.

The following pages detail some of the commissions BTS has handled for customers in 2004. →

## HP



The working relationship between BTS and HP started in 1998 and since 2000, BTS has been HP's strategic partner in the area of Business Acumen. "The Leadership Pipeline" has become HP's possibly most important strategic tool as regards the further development of the organisation.

At the top of this program is **"LEADING BUSINESS SYSTEMS"** (LBS), which is principally offered to the company's senior executives. LBS is a challenging 5-day training program intended to build up and reinforce the critical skills necessary for managers really to succeed in their existing roles or to make the step up to a large area of responsibility.

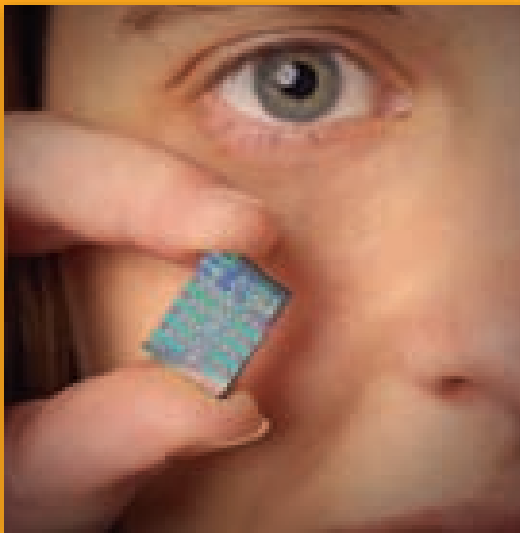
In the mid-range of the program is the **"BREAKAWAY LEADERSHIP"** module, which is intended to help middle managers to develop their leadership skills, improve their understanding of the company's business models, corporate culture and values.

The first level of the program is given over to **"DRIVERS FOR BUSINESS RESULTS"**, of which the primary aim is to increase the knowledge and experience of employees vis-à-vis HP as a company, what makes HP successful on the market, and HP's business strategies and driving forces for profitability.

In addition to these programs, BTS has also been commissioned to handle a number of specific needs within the HP Group for two different organisations within HP Software and HP Consulting and Services.

All in all, BTS will be working with HP on all three of its delivery media: IT-based, board and Web-based simulations.

*HP is a global supplier of technology solutions for private consumers, business and institutions. The company's solutions cover IT-infrastructure, personal computers and access products, global services, image processing and printers.*



Courtesy of International Business Machines Corporation. Unauthorized use not permitted.

## Sun Microsystems



In 2004, BTS worked with Sun Microsystems to develop two different simulation-based training solutions: one for marketing and one for cash flow.

The simulation for marketing was developed to support Sun's managers in the field of the company's new "Go-to-market" strategy. This involves **IDENTIFYING WHAT IS IMPORTANT FOR THE CUSTOMER AND HOW SUN CAN MORE EFFICIENTLY MAKE ITS PRODUCTS AND OFFERS STAND OUT FROM THOSE OF ITS COMPETITORS.**

The cash flow program is a 3-hour application that contains a reality-based cash flow tool that allows users to change a range of parameters so as to simulate ways in which to influence cash flow.

**THIS HELPS COURSE PARTICIPANTS TO UNDERSTAND MORE QUICKLY AND EFFICIENTLY WHAT ACTUALLY DRIVES AND INFLUENCES THE CASH FLOW IN THE COMPANY'S OPERATIONS.**

*Sun Microsystems supplies network-based infrastructure solutions consisting of data systems, network storage systems, support services and other professional services. The company employs around 35,000 people and generated revenue of USD 11.2 billion in 2004.*

## IBM



The IBM sales organisation identified a need to develop the business acumen of those members of its staff with their own responsibility for customers – and thus direct contact with the customer. Above all, these people needed to expand their knowledge of the customer and the customer's needs. They also needed to improve their business acumen philosophy so as to improve their understanding of their customers and to raise the level of service they provided.

**IN COLLABORATION WITH BTS, A RANGE OF BUSINESS SIMULATIONS WERE TAILOR-MADE FOR ELEVEN DIFFERENT SECTORS FROM THE IBM CUSTOMER BASE.** These business simulations provided a general and clear overview of the customer company's business model, i.e. how income was to be generated, and the form cash flow took within each sector.

The simulations helped the participants to improve their capacity to identify problems customers might face within their respective sectors – as well as the opportunities for improvement and the way in which IBM's products and services could contribute to improving customer's competitiveness.

*International Business Machines (IBM) is one of the leading suppliers in the world of computer hardware. The company enjoys a leading position on almost every market in which it is active and manufactures products such as desktops, notebooks, mainframes and servers, storage systems and all kinds of accessories. IBM is also one of the largest suppliers of both semi-conductors and software (in second place behind Microsoft).*

## DHL

DISTRIBUTION

DHL, the global market leader in the field of international express delivery and logistics, chose BTS to develop a sales program for its managers with customer responsibility. BTS prepared a 5-day program entitled "Value based selling boot camp", which involved a tailor-made computer simulation, a number of direct knowledge sessions and the associated training and discussion modules that comprised suggestions for how to meet customer requirements.

**THE AIM OF THE PROGRAM IS HELP THE CUSTOMER'S SENIOR EXECUTIVES TO DEVELOP SO AS TO IMPROVE THEIR CAPACITY TO IDENTIFY, ANALYZE AND COMMUNICATE PRECISELY WHY DHL'S SOLUTIONS ARE THE BEST.**

*DHL employs 160,000 people all over the world and annually generates revenue in the region of EUR 22 billion. The company is a wholly owned subsidiary of Deutsche Post World Net.*



## Honda

DISTRIBUTION

In collaboration with the Honda Motor Company, BTS has developed and implemented a tailor-made automotive dealership simulation and has launched a tool for Honda's field consultants to take with them to meetings with dealers. **MORE THAN 350 OF THESE CONSULTANTS HAVE ALREADY COMPLETED THE COURSE ENTITLED "WALKING A MILE IN THE CUSTOMER'S SHOES", WHICH IS INTENDED TO PROVIDE THEM WITH A BETTER UNDERSTANDING OF HOW CUSTOMERS THINK AND ACT.**

At the same time, the course was designed to increase their knowledge of how to improve profitability and how to develop customer satisfaction and its key drivers at a Honda dealership. Having completed the program, Honda field consultants are issued with a mobile simulation tool that they can then use on site when visiting their dealers. With the assistance of this tool, they can simulate and illustrate various financial outcomes and scenarios.

*Today, the Honda Motor Company is one of the leading manufacturers of automobiles and the leading manufacturer of motorcycles in the world. Honda employs around 130,000 people worldwide, and last year generated net revenue of JPY 8,162,600 million.*

## Telstra

TELECOMS

In 2004, BTS Australia expanded its working relationship with Telstra Corporation to incorporate two new tailor-made leadership development programs. The new initiatives comprise a 3-day "Leading for Results" program for senior executives and a 1-day "Financial Basics" program for entry level and middle managers who do not work with finances on a day-to-day basis. The new programs are expected to reach approximately 400 participants in 2005, and will continue in 2006.

Both these programs utilize tailor-made business simulations that are fully customized to Telstra's business objectives and incorporate the latest developments within the field of communication.

**THE AIM OF THE NEW PROGRAMS IS TO HELP PARTICIPANTS DEVELOP THEIR BUSINESS ACUMEN AND LEADERSHIP SKILLS EVEN FURTHER WITH FOCUS ON WHAT WE TERM "VALUE-BASED MANAGEMENT", AND TO EXAMINE THE FACTORS THAT DRIVE TELSTRA TOWARDS ITS GOALS FOR GROWTH AND PROFITABILITY.**

*Telstra is the leading communication and information services company in Australia, with one of the best-known brands in the country. Telstra supplies a wide range of services and competes on telecommunications markets throughout Australia. In 2004, Telstra's turnover exceeded AUD 21 billion.*



## The Carphone Warehouse Group

BTS has developed and implemented a program for 550 branch managers and 50 area sales managers. The commission was primarily based on a tailor-made board business simulation. The aim of the program was to increase insight into how an improved stock management strategy would affect the company and, at the same time, to reinforce knowledge in the field of business acumen and to bolster understanding of what drives profitability within the company. **AS A DIRECT RESULT OF THIS PROGRAM, MORE THAN 300 SEPARATE MEASURES WERE INTRODUCED TO IMPROVE PROFITABILITY.**

*The Carphone Warehouse Group plc is the largest retailer of mobile communications solutions in Europe. In 2004, the company employed 8,000 people in 1,500 stores on 10 geographical markets and generated a turnover of approximately SEK 24 billion.*

## Posten Norge

BTS has prepared a training course in collaboration with the Norwegian Postal Service, Posten Norge.

**THE AIM WAS TO CREATE A PROFITABLE, BUSINESS-ORIENTED COMPANY PREPARED FOR CHANGE, FIRMLY BASED AND FULLY EQUIPPED TO ACT ON A RAPIDLY CHANGING MARKET.**

The background for the changes was made up of a fall in the volume of letters, ongoing deregulation of the postal market, internationalization and an increase in competition. In addition, Posten was to become an actual company, and the requirements for profits from the previous owner – i.e. the state – were to change dramatically, as it was now a matter of creating shareholder value. In order to succeed in achieving lasting change, it was essential to ensure that the new strategy penetrated all areas of Posten. Therefore, a training initiative was tailor-made for 125 senior managers, 250 middle managers and 950 first line managers. BTS was to concentrate on finances and business understanding, while Dinamo – the partner in this project – focused on values.

BTS set up business simulations in which participants could train in being managers within the new Posten organisation and get to grips with the new requirements that this involved – which included business acumen and the ability to make decisions in line with Posten's values.

"The business simulations reflect our business very realistically indeed. They are not a game, they are reality. Our managers have the opportunity to train in a risk-free environment, to make decisions and to test their ideas. Participants subsequently receive feedback to show them the most appropriate strategy. We built simulations designed to prepare our managers for the change of behavior required," says Kaare Frydenberg, President of Posten Norge.

"I wanted to do away with all the manuals at Posten. Decisions cannot be made on the basis of manuals, they have to be made here and now by the person in charge of the post office on the basis of what he or she knows about the customer and about how Posten does business," says Kaare Frydenberg, who is convinced that the training courses have made an important contribution to Posten's new way of doing business – and to the company's improved profits.

*Posten Norge employs approximately 20,000 people and generates an annual turnover of around NOK 15 billion.*



## Humana

BANKING  
INSURANCE

In collaboration with Humana, BTS has developed and implemented a tailor-made simulation for managers and other decision-makers at the company. Since the start of 2003, more than 175 people have participated in the "Business Simulator Workshop", designed by BTS.

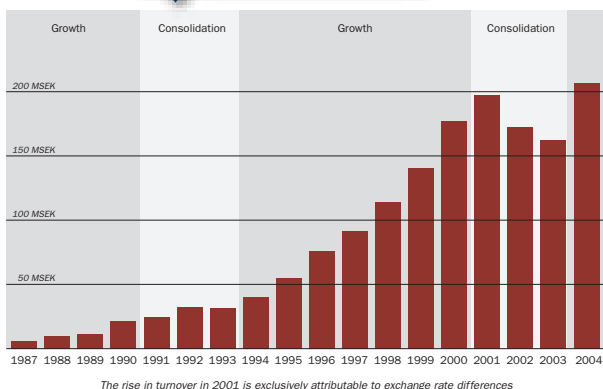
Within the framework of this program, the managers involved have, for example, analyzed various forms of market data, such as market surveys and other technological modifications from the field of health care. At the same time, they learned more about the internal relations between departments at the company and about how to improve the exchange of knowledge within the company. The intention behind all these aspects was to help them to grow as managers and leaders so as to make the best possible contribution to Humana's growth. In addition, the program involved preparing new and innovative ways to increase sales, as well as strategies to help Humana participate in the handling of the increased emphasis society is currently placing on care for the sick and the elderly.

According to Bonnie Hathcock, Chief Human Resource Officer, the work done by BTS has been instrumental in the rapid introduction and acceptance of the company's new strategy, **WHICH HAS EFFICIENTLY CONTRIBUTED TO RAISING NET REVENUE BY 17 PER CENT IN 2003.**

*Based in Louisville, Kentucky, Humana Inc. is one of the largest publicly owned health insurance companies in the United States, and was recently named one of the 50 most rapidly growing companies by BusinessWeek. The company provides its 7 million members in the United States and Puerto Rico with health insurance products and related services in both traditional and Internet-based forms. The range of products includes group insurance policies, individual policies and various types of state-subsidized insurance policies.*

# BTS GROWTH & PROFITABILITY

## BTS' growth in income



Since its foundation, BTS has undergone:

### two periods of growth

- 1987–1990: growth totaled 50 per cent per year.
- 1994–2000: growth totaled 28 per cent per year.

### two periods of consolidation

- 1991–1993: growth totaled 14 per cent per year.
- 2001–2003: turnover fell by 3 per cent per year on average (adjusted for exchange rate differences, net turnover remained unchanged).

The periods of growth took place in years when market conditions were normal or good, while the periods of consolidation took place when market conditions were less favorable. During the first period of consolidation (1991–1993), many BTS customers significantly decreased their purchasing activities. BTS' strategy to maintain the required level of income – i.e. that of finding new customers in sectors and businesses less sensitive to market conditions – proved successful. BTS implemented a range of new initiatives during this period of consolidation: subsidiaries were established in the United States and Great Britain, and product development was intensified.

During the period of growth from 1994 to 2000, BTS expanded on account of improved market conditions, a larger customer base and the new initiatives implemented during the preceding period of consolidation.

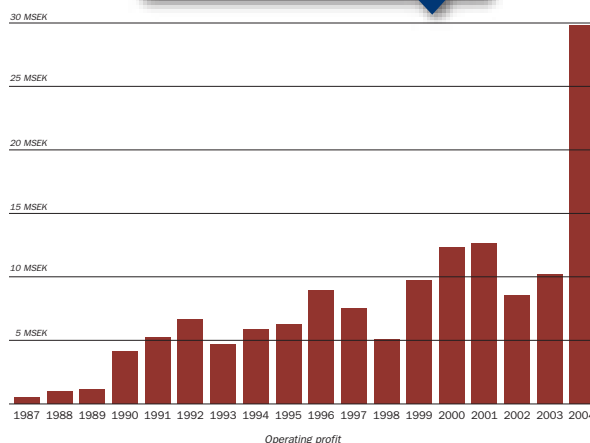
During the second period of consolidation (2001–2003), BTS maintained the required level of income through a similar strategy. At the same time, BTS reinforced the company with a range of new initiatives:

- new solutions were developed and sold within four new sectors: distribution, banking/insurance, pharmaceuticals/biotechnology and energy.
- activities were established in two new geographical markets – Australia and Spain
- the sales organisation was reinforced, as were working relationships with external partners and distributors
- the customer base was significantly expanded.
- product development has increased the number of solutions.

BTS is currently enjoying a new period of growth.

From the very start, thanks to our business model and entrepreneur-driven organisation, BTS has succeeded in returning profits every year, irrespective of market conditions and despite significant investments in the future. We have made investments in product development and completed establishments on new markets, all expensed during the year of investment. We work tirelessly to improve results at all times. During the consolidation period of 2001–2003, BTS implemented a range of changes that resulted in both increased income and higher profit margins in 2004.

## Development of BTS' results







# MARKET OVERVIEW

## MARKET POSITION AND STATE OF COMPETITION

BTS is the leading supplier of simulations for business acumen training in the United States and the Nordic region. BTS' customers primarily operate in the following fields: industry, telecoms, IT, banking and insurance, pharmaceuticals and biotechnology, distribution and energy. Nineteen years of operation and continuous development has helped BTS to achieve a leading position in the market. In 2004, BTS achieved better growth in income than the competition and succeeded in strengthening its position on the market. For customers, BTS' leading position translates into a greater range of solutions in a larger number of areas. In addition, BTS' solutions are more specifically designed to match customer requirements, which results in more efficient projects and better results for the customer.

BTS' competitors consist of a number of small niche players which, in the same way as BTS, focus on business simulations. Moreover, BTS competes for its customers' training budget against other players that supply solutions that are not based on simulations. These include, for example, universities, colleges and major training and consultancy companies. The company's most significant competitors in the field of computer-based business simulations include Megalearning and StartX. Large, conventional consultancy and training companies are also beginning to show greater interest in business simulations. In the field of what is known as e-learning, there are currently a large number of companies that offer a wide range of training courses via the Internet.

International Data Corporation (IDC) – the independent analysis institute – participates in the corporate training market

within two sectors: IT training and business skills (see Figure 1). IT training refers to computer use and other IT-related skills. Business skills refers to a number of non-IT areas, such as language, production technology and business acumen. BTS operates in the business acumen segment.

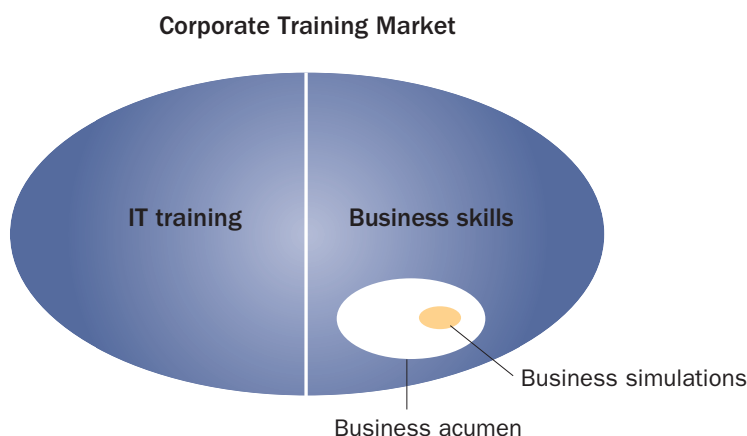
The market for corporate training in business skills in the United States is estimated to exceed USD 10 billion (IDC 2004). This market has historically grown by an average of 5 per cent per year. In 2002 and 2003, the market was weak; in fact, BTS estimates that it actually showed negative growth. In 2004, the market improved – particularly in the United States. In its 2004 report, the IDC forecasts that the market will continue to grow through 2007.

## BTS' VIEW OF MARKET DEVELOPMENT

Market conditions for BTS USA have continued to improve during the year. BTS' market position in North America has improved significantly in recent years – as regards customer base, market share and sales organisation – putting BTS in an excellent position to benefit from the improved market conditions.

The conditions on BTS' other markets (Australia and South Africa) have also improved during the year.

In the period 2001–2004, BTS' customer base grew appreciably. At the same time, a number of competitors have lost ground. In 2004, revenue per customer grew by 32 per cent on the previous year, partly because BTS has developed and sold a broader range of solutions.



**THE DRIVING FORCES OF THE MARKET**

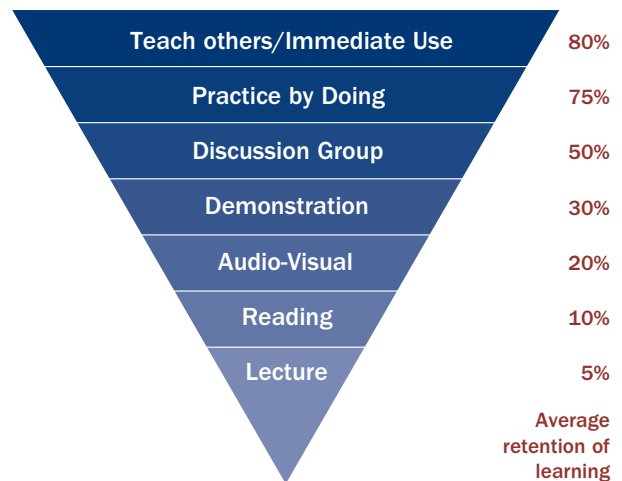
Many companies are experiencing continuous and increasingly rapid change in their business. The elevated rate of change demands training initiatives. In-house competencies are becoming ever more valuable as competitive parameters. This means that the need for training for managers, key personnel and other groups of employees is growing. There is also a long-term trend for outsourcing areas that do not form a part of a company's core competencies – areas such as corporate training – and it seems that this trend is gaining momentum. All these factors will make a positive contribution to market growth.

In addition to the general driving forces of the corporate training market described above, BTS is of the opinion that the market for the business simulations niche will be influenced by the following driving forces and trends:

- *Increased demand for company-specific training programs.*  
The demand for company-specific training programs will continue to increase at the expense of standardized training courses. Tailoring increases the opportunity to link training to the development and improvement of the business activities of a given company.
- *Increased requirement for measurable business results linked to the development of the company.*  
Demand is changing, moving away from conventional training – where the focus is very much on the learning capacity of the participants – to training that is directly linked to improvement and change initiatives within the company. Measurable business results are the order of the day.
- *Interactivity produces better learning*  
Business simulations are built on interactivity, which is an important factor in ensuring that training generates good results. Interactive forms of training are considerably more effective than conventional types of training.

- *Increased demand for training programs for employees at all levels.*  
Companies have increasingly begun to request business acumen training solutions that cover broader groups of employees. Such training involves, for example, deploying corporate goals and strategies as well as implementing improvements in productivity and quality.
- *Increased demand for Web-based training programs.*  
The demand for Web-based training is growing. For training initiatives directed at broader groups of employees within the customer's organisation, the company's intranet can be used to reach employees at different locations in a cost-efficient manner. In addition, Web-based training courses can be used to supplement classroom training for managers and other key employees – particularly as regards preparation and follow-up.

■ *What type of learning produces the greatest effect?*



The Learning Pyramid, taken from Corporate Universities by Jeanne Meister. Simulations refer to "Practice by Doing"



# BTS WORLDWIDE

## OPERATIVE UNITS

Net turnover per operative unit

MSEK (full year)	<b>2004</b>	2003
BTS USA	<b>125.0</b>	89.5
BTS Europe	<b>61.3</b>	62.9
BTS other markets	<b>19.6</b>	9.8
Total	<b>205.9</b>	162.2

Operating profit per operative unit

MSEK (full year)	<b>2004</b>	2003
BTS USA	<b>21.8</b>	7.5
BTS Europe	<b>4.7</b>	1.8
BTS other markets	<b>3.2</b>	0.9
Total	<b>29.7</b>	10.2



**“The new Roche solution for International Business Teams is a success.”**

MARK HAENEL  
CEO OF BTS UK

**Are you satisfied with the development of BTS on your market?**

In the UK, although our revenue declined by 9%, our profits have more than doubled due to a much improved cost structure and strong pricing. BTS UK now has a revenue stream of appreciably improved quality, and this stream is more evenly dispersed across our client base. Our sales pipeline also improved in 2004. Although fairly new, the new BTS team has developed very strongly throughout the year. Overall, I am satisfied with the progress we have made in the UK – we have built a strong platform for growth in 2005.

**What were the most significant events during the year?**

The development of the working relationships with both new and existing customers, as well as the development of the BTS team.

**Have you had any major successes as regards specific services and specific segments?**

The new Roche solution for International Business Teams is a success. It is a brand new solution for BTS – two teams of 15 participants competing against each other in striving to develop a value-maximizing global marketing strategy for a potential blockbuster drug throughout the various phases of its development: development, trials, launch and in-market cycle. The program focuses on developing global strategic capabilities and improved international business teamwork.

The board simulation for Carphone Warehouse. Six hundred managers were very successful at generating profitability actions and supporting the implementation of a new distribution and stock management system.

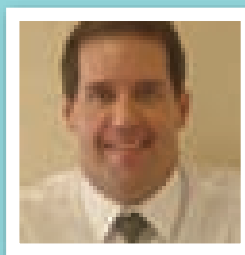
In addition, we have further developed our capabilities in embedding Managing for Value, as we are now working with four companies in this area.

**What distinguishes your market from BTS' other markets?**

We have good opportunities for growth as we are currently only working with three of the 100 largest companies in the UK. Companies are becoming more open to experiential simulation-based training.

**What will be the biggest challenges in 2005?**

The biggest challenges in 2005 will be to achieve more than 25 per cent revenue growth, win three new clients and recruit, train and retain our talent pool.



**“Hosting the 2010 Soccer World Cup means that USD 10 billion will be invested in South Africa.”**

DEON GREYLING  
HEAD OF BTS SOUTH AFRICA

**Are you satisfied with the development of BTS on your market?**

BTS in South Africa has been gaining momentum during the last three years. The country is recovering well from its turbulent past and the economic outlook is positive. One of the challenges South Africa is currently facing is the dearth of skilled management. Economic reform has been fuelled by a strict affirmative action policy adopted by most of corporate South Africa in an attempt to redress the imbalances created by the apartheid government. This presents companies such as BTS with a great opportunity to help up-skill previously disadvantaged individuals and to give them valuable business insight and experience in the safe environment of a simulator workshop.

**What were the most significant events during the year?**

Continued strong relationships with existing clients such as Telkom South Africa, Vodacom and other local clients have enabled BTS in South Africa to improve its revenue base.

In 2004, it was also announced that South Africa had won its bid to host the Soccer World Cup in 2010. This has created a flurry of interest in the South African market with the possibility that more than USD 10 billion will be invested in the country in the run-up to one of the most popular sporting events in the world.

**Have you had any major successes as regards specific services and specific segments?**

Telkom SA has been a major contributor to the success of BTS in South Africa. The relationship between the two companies was further entrenched with Telkom asked BTS to deliver a series of programs to their top 450 senior managers, to help them understand the impact of decision-making on value for customers, staff and shareholders. The telecoms sector in particular has been fruitful for BTS SA – we have even completed projects for Ericsson and Vodacom in other parts of Africa.

Towards the end of 2004, BTS successfully negotiated the first part of a development program within the very lucrative retail clothing sector.

**What distinguishes your market from BTS' other markets?**

South Africa is one of the most exciting markets to be part of at the moment. HR development has been identified as one of the major strategic challenges for the government and business community to focus on in order to ensure the continued growth of the economy. In this context, both business and government are focusing strongly on what is known as “Black Economic Empowerment” to redress the imbalances of the past.

**What will be the biggest challenges in 2005?**

The greatest challenge we will face in 2005 is identifying and developing the highly skilled individuals we need to enable the company's growth into the future. BTS South Africa's vision is to become one of the fastest-growing BTS companies, with its sights set not only on South Africa, but also on the rest of the African market.



**“One trend is that more and more companies are now interested in simulations.”**

PHILIOS ANDREOU SPHIKA  
HEAD OF BTS SPAIN

**Are you satisfied with the development of BTS on your market?**

Absolutely. 2004 was a good year for BTS Spain, with a 40 per cent growth in revenues and a 130 per cent increase in profits. We are continuing to cement our position as a market leader in the field of simulation-based competence training and development. We are building a brand and a reputation as reliable, innovative and high-performance training consultants among some of the biggest companies in Spain. We have succeeded in attracting seven new customers and maintaining or expanding all our existing accounts.

**What were the most significant events during the year?**

We launched a board simulation in Sales Efficiency and a number of companies have already commissioned us to run it for their sales executives. We have also signed a partnership contract with one of the best training companies in Spain, which will now be licensing the simulation to its clients. In addition, we have set up an Advisory Board consisting of senior executives from leading companies in Spain to help us with our strategic direction in the market and our expansion plans.

**Have you had any major successes as regards specific services and specific segments?**

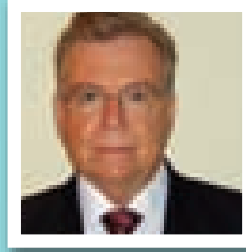
We have consolidated our position in the telecoms and IT sectors through commissions from companies such as Ericsson, HP, Telefonica Moviles, Neosky and Vodafone. We are also increasing our activities in the service sector, where our customers include Accenture, Bearing Point and Indra. At the end of the year, we also signed contracts to work for Bacardi, Allied Domecq and Weber Shandwick.

**What distinguishes your market from BTS’ other markets?**

Timing for a start. BTS Spain has only existed for a few years, which means that we still have a long way to go to build up our brand and reputation. In addition, the Spanish market is not yet fully familiar with our advanced experiential and hands-on methodologies. That said, we are now seeing the emergence of two new trends: one is that more and more companies are now interested in simulations; the other has to do with the use of competence training as a strategic tool to help implement change – irrespective of whether the change relates to the way the company is run or to encouraging all units and employees to follow the strategic direction of the company.

**What will be the biggest challenges in 2005?**

Our biggest challenge in 2005 will be to maintain our high growth rate – by attracting 3–4 new customers – and to consolidate our position as “the must reference” in Spain for all change management programs and all simulation-based competence training.



**“The number of active accounts increased by more than 30% and the average revenue per account more than doubled.”**

TED FAWLE  
CEO OF BTS AUSTRALIA

**Are you satisfied with the development of BTS on your market?**

BTS Australia enjoyed strong growth in sales (which more than doubled) and profitability in 2004, buoyed by the good general economic conditions and the earlier investments in activities designed to bolster sales. The company moved into new offices in the central business district of Sydney and took on two new senior consultants who made a significant contribution to business growth and represent excellent “bench strength” for the future. The number of active accounts increased by more than 30% and the average revenue per account more than doubled.

The growth is largely attributable to an increase in sales of new solutions to existing clients and to the fact that we have added three new key clients to our portfolio. Our progress was largely based on our working relationships with Telstra (the largest telecommunications company in Australia) and BlueScope Steel (the largest steel manufacturer in the country), and on the three new clients we brought into the fold: PaperlinX (the largest paper merchandising business), NRMA (the most important automotive road service organisation in Australia) and DHL Asia Pacific – which is based in Singapore. BTS Australia’s capacity to win new business is due in large part to our innovative approach to leadership and business acumen segments in 5-day programs for senior executives, and to our integration of “solution selling” and business acumen elements that are delivered to middle managers at 5-day “sales boot camp” events.

**What were the most significant events during the year?**

We picked up three new customers – PaperlinX, DHL Asia Pacific and NRMA – and added new solutions for existing clients such as Telstra, BlueScope Steel and Carter Holt Harvey.

**Have you had any major successes as regards specific services and specific segments?**

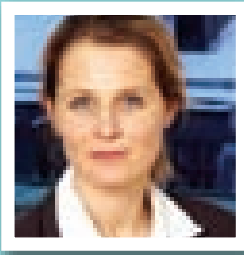
We are strongest in the manufacturing and telecoms sectors and in the integration of business acumen and leadership elements.

**What distinguishes your market from BTS’ other markets?**

The Australian market accounts for less than 2 per cent of the global market, and has few truly global players. The local players are not overly keen on large development budgets, so we need to be creative with the “light customization” of BTS’ existing solutions.

**What will be the biggest challenges in 2005?**

The biggest challenge has to do with remaining competitive and balancing our heavy delivery load against time for developing customer relations. Both within and outside our existing client base, there is much more potential for new client development than we can currently handle efficiently. Everything points to a very exciting future for BTS Australia.



**“Our great strength is our capacity to combine leadership and business acumen in our solutions.”**

KATRIN FAGERBERG  
HEAD OF BTS SWEDEN

**Are you satisfied with the development of BTS on your market?**

The fall in turnover we have witnessed has to do with our customer's continued timidity as regards investment in our area, and to the fact that the BTS sales organisation has been somewhat weakened. As regards profitability, we did better thanks to appropriate cost control.

**What were the most significant events during the year?**

One of the most significant events was the reaffirmation of confidence from Posten Norge – expressed in the form of a commission to train an additional 1,000 managers. We now have six different solutions intended for different target groups and tailor-made for Posten Norge's strategies and challenges. The company has turned its results around and we are very proud to be involved as one of their strategically significant tools.

Another very interesting commission was SEB's Wallenberg Executive Program, which involves us working with senior executives from various areas of the bank.

In addition, we have added a number of interesting companies – including Holcim, Lindab and ICA – to our client base.

**Have you had any major successes as regards specific services and specific segments?**

Generally speaking, it is clear that more and more companies are seeing the advantages of working with tailor-made simulations as these make it possible to see the consequences of a chosen course of action in a “risk-free” environment before applying them in practice.

We have completed a large number of new commissions in the field of sales development. Through customized solutions, we have trained our customers' employees in areas such as Value-Based Selling and increasing the proportion of closed deals. This has resulted in both increased sales and improved margins.

In addition, we have completed numerous commissions in the fields of process implementation and process improvement, where the primary goals have been to change employees' attitudes, behavior and work methods. These commissions are really exciting as we are working in direct partnership with our clients, and because all employees who use the simulations can see the influence they have on the entire process, quality and profitability in their day-to-day work.

What is more, it has transpired that one of our great strengths is the capacity to combine leadership and business acumen in our solutions – which is an aspect that most companies see as a crucial factor in the training of their managers.

**What distinguishes your market from BTS' other markets?**

Seen from a global perspective, the companies of the Nordic region are relatively small but very advanced when it comes to their attitudes to competence development as a strategic tool.

Towards the end of last year, we began to see companies on our market returning and showing increased willingness to invest.

**What will be the biggest challenges in 2005?**

Reinforcing the sales organisation and recruiting the right employees to handle the incipient rise in demand from our clients and markets.



**“When investments began to pick up again, many not only chose to work with BTS – they demanded to.”**

JONAS ÅKERMAN  
CEO OF BTS USA

**Are you satisfied with the development of BTS on your market?**

2004 was a fantastic year for BTS USA. When investments started to pick up again, there were many customers who not only chose to commission BTS – they had actually been looking forward to starting to work with us. In 2004, simulations also became one of the most popular training methods. It is becoming increasingly clear that in comparison with the conventional approach of sitting and listening, this is a much superior method of acquiring and experiencing learning.

**What were the most significant events during the year?**

The most significant event was the fact that a number of customers chose to purchase a complete package of simulation solutions for all levels at their companies. More and more companies are looking to cover their requirements for business acumen and links to their own strategies at all levels – from the CEO to individual contributors. It was also great to be awarded a perfect score of 5.0 at Coca-Cola's first seminar, which was attended by around 30 of the most senior executives in the world. Subsequently, the roll-out of eleven different industry simulations for 1,000 IBM sales managers at a conference in Las Vegas was a milestone in what can be accomplished with target groups of remarkable size.

**Have you had any major successes as regards specific services and specific segments?**

Our e-learning solution entitled “Know the Business” received an enormous boost this year, and achieved a very high degree of application among participants. It can be used to acquire preparatory knowledge in the fields of business and economics and can also be applied to deepen and freshen up knowledge previously acquired at seminars. Simulations involving “leading” a client company have become very popular. Is there any better way to learn about the customer than by “being the customer” and understanding how your own company's products help customers to achieve their business goals?

Telecoms and IT also made a strong return, as did the automotive sector.

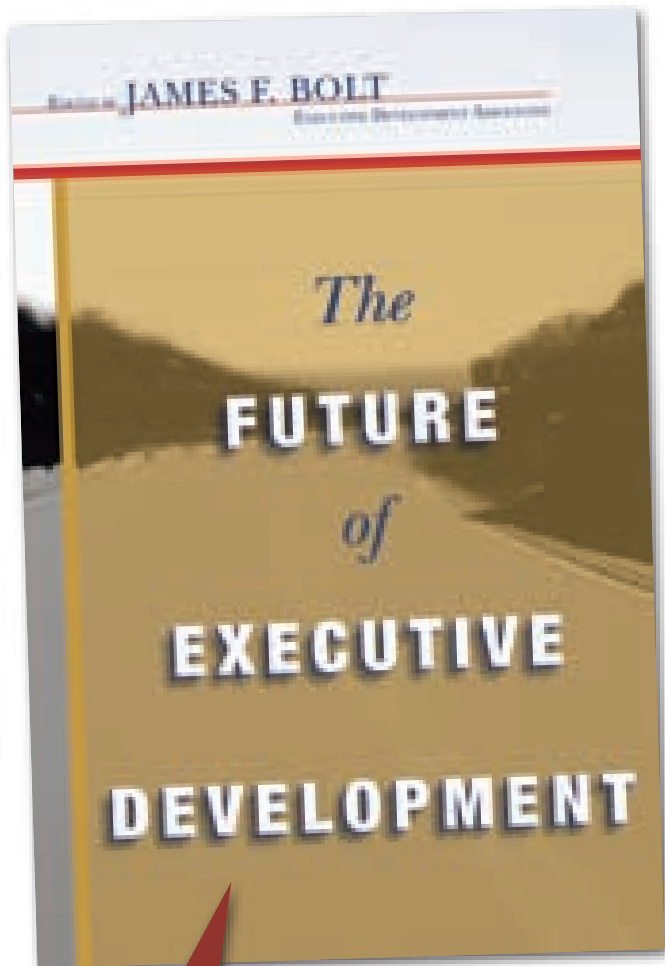
**What distinguishes your market from BTS' other markets?**

Size and homogeneity. Throughout the United States, almost everyone speaks the same language and has the roughly the same culture – and the companies are very large. American companies are also largely centrally controlled, which makes it easier to make things happen quickly as soon as someone says “go”.

**What will be the biggest challenges in 2005?**

The most important challenges are to grow and to help employees develop at the same rate as the growth achieved. Quality is the alpha and omega. Therefore, we have launched the BTS University, which allows us to train BTS staff systematically to provide the high quality that both we and our clients expect. This is an initiative to which we will all be devoting time.

# How to Use Business Simulations for Executives



In the newly published American book entitled “The Future of Executive Development”, BTS employees Henrik Ekelund, Dan Parisi and Jonas Åkerman have included a chapter about business simulations. Below, we present an excerpt from “Using Business Simulations for Executive Development”.

## ” Fasten your seat belt ...

You are at the controls of a large commercial airliner filled with passengers. You are at cruising altitude and navigating around the perimeter of a large storm system. You have done this before so you’re relaxed and confidently in control of multiple flight variables.

Suddenly, the plane hits violent turbulence, much worse than you have ever experienced before. Air traffic control crackles over your headset and warns that you have just hit the wake of another major airliner, which accidentally crossed your flight lane about one mile in front of you. The plane pitches from side to side. You quickly diagnose that the wake left by the other jet has damaged your left wing flaps. Before you can react, your right wing dips past 45 degrees as passengers begin screaming. Your heart beats faster; your hands tighten on the controls. You struggle to remain calm but air traffic control can hear the panic in your voice. Your co-pilot informs you that the tail flap was also severely damaged and the plane begins dipping steeply forward. You are covered in sweat; you realize you’re headed into a steep longitudinal tailspin with 250 people on board.

Before the rest of this scenario unfolds, you reach for the large red button that reads “Stop Simulator.” With your throat dry, you emerge from the darkened simulated cockpit and your eyes struggle to adjust to the bright lights of the pilot training classroom.

Your instructor greets you with a smile, and says, “Hey, that was a big surprise, huh? Let’s sit down, debrief the experience and focus on what to do if this happens during a real flight.”

Humbled, you listen carefully and eagerly look forward to putting into practice what you are about to learn.

## Free tickets anyone?

The aerospace industry has been using simulations with great success for several decades. However, imagine for a moment a very different world, a world where pilots never stepped into a flight simulator – a world in which pilot training consisted solely of lectures, written exams, group dialogue, even rigorous oral exams. Imagine a pilot who passed this curriculum was allowed to fly a plane with hundreds of people on board. Any volunteers for boarding this newly “trained” pilot’s inaugural flight? Would you board this plane even if the tickets were free? OK, how about quadruple frequent flier miles? Of course, your response would be, “Are you



“While people don’t usually live or die by a business leader’s decisions, the impact of poor business decisions can have significant and dramatic consequences for individuals (employees, customers, and shareholders) and communities.”

crazy? You can’t learn how to fly a plane like that. Flying a plane is way too complicated to learn by lecture, and lives are at stake, not to mention millions of dollars of equipment!”

### Why should pilots have all the fun?

So we can all agree that students of flight need many hours of simulation experience before flying a plane because the task is complex and the stakes are high in terms of human lives and expensive equipment.

Can you think of another group of professionals who deal with highly complex tasks, who affect the lives of thousands of people, and who are responsible for millions of dollars worth of equipment?

While people don’t usually live or die by a business leader’s decisions, the impact of poor business decisions can have significant and dramatic consequences for individuals (employees, customers, and shareholders) and communities.

Pilots in training have benefited from flight simulation for several reasons:

- Simulation provides a **safe environment to practice**, to test what-ifs and to make mistakes (mistakes that don’t end in disaster).
- The lessons are indelible because the training is **dynamic** and **emotionally engaging**.
- The **context, content, and process** (the holy trinity of training design) is **relevant, realistic, and directly applicable to the job**.
- Simulation shortens training cycles (a few days of simulation can replace weeks of lecture).

Obviously, these benefits are 1:1 transferable to a business executive’s training environment. Unfortunately, for the last several decades, while pilots were busily climbing steep and exciting learning curves using simulations, business executives were investing months of their careers in training filled with lecture and dialogue, all of which has left them ill-prepared for the challenges of running an actual business.



### Are business simulations really for executives?

Aren’t simulations mostly for middle managers? After all – the executives should already know this stuff and they don’t have time for games.

Companies like Hewlett-Packard, Coca-Cola, Texas Instruments, and Sony have shown that business simulations can be very effective for executives on a large scale.

It’s about customizing to the real business, the goals, and the right level of complexity, and wrapping a powerful learning and application process around the simulation.

### When to use business simulations for executive training?

Generally speaking, companies have three reasons to use business simulations to train executives.

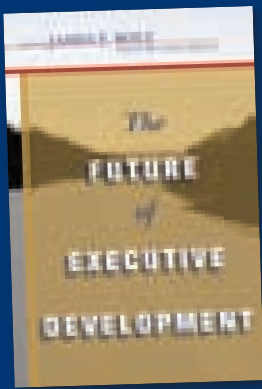
- Simulations increase business acumen and financial literacy.
- Simulations build competency, alignment, and commitment around complex corporate strategies, business models and initiatives.
- Simulations are a powerful, engaging, dynamic, and effective way to reach executive audiences.

### Business acumen

As we see it, business acumen can be defined as:

- A thorough understanding of what drives profitability
- A market-focused approach to the business
- An overall big-picture understanding of the business and its interrelationships, enabling a person to make better business decisions

Business acumen is the ability of an executive to see through all the clutter of facts and figures from inside and outside the organisation – with an intuitive, backbone understanding of what will drive growth and profit – setting the business priorities in the areas of most value creation and making the right business decision. Business acumen simulations allow the executive to formulate strategy, allocate scarce resources, develop products and services, attempt to meet customer requirements, manage financial metrics, contend with exogenous disruptions, and compete against other managers in a shifting competitive landscape. ”



“The goal is to use simulations to create an almost intuitive understanding of how business decisions and marketplace changes impact corporate performance.”

## The Bigger Picture

The goal of business simulations is not to teach finance to executives in its myriad of details; it is to connect corporate financial goals and financial statements to the strategy and operations of the business. The goal is to use simulations to create an almost intuitive understanding of how business decisions and marketplace changes impact corporate performance. Like a pilot, a business executive doesn't fly on one diagnostic tool alone, and must be able to see the big picture at all times.

For example, a business simulation allows managers to experiment with all the different functional and business decisions that can impact ROA, employee satisfaction, and customer satisfaction. What happens to ROA if I increase plant investments? Is there a correlation between employee satisfaction and customer satisfaction? What about between price changes, customer satisfaction, and earnings? Will the investment I am about to make be valued by the customer and differentiate me from my competition? How do income statement and balance sheet changes impact stock price?

- In short, the dynamic business simulation allows executives to **experiment**, and it reveals cause and effect immediately and dramatically.
- The simulation experience gives **direct insight into complex functional and business unit interrelationships** – it allows executives to take a broader perspective on the challenge of enterprise-level value creation.
- The simulation experience also provides a **gut-level understanding of market orientation issues**: dynamics at work between a company, its customers, and the competition.

And, of course, the simulation is a safe environment to learn about business. Just like a pilot in a flight simulator, an executive can fail, go bankrupt, and live to fly another day with no lasting consequences to people and resources.

What does last, however, is the learning. Just as with our junior pilot in the introduction, lessons learned experientially in a business simulation are retained much longer than those obtained from other learning methods like reading, video, and lecture. The pyramid in Figure 2.1 illustrates the effectiveness of simulation (or practice by doing) versus other forms of learning.

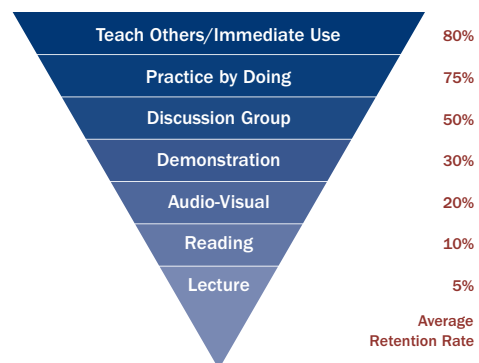


Fig 2.1: The Learning Pyramid, from Corporate Universities, Jeanne Meister

## Making strategies and initiatives happen

Two things keep a CEO awake at night:

- **Formulating a strategy and defining key corporate initiatives**
- Hoping that the executive and management team quickly **understand, align, and commit** to the strategy and key corporate initiatives

All of what we say on strategy applies to any key corporate initiative – a significant change in one or several key business processes, for example. What all these corporate initiatives have in common is that success requires a significant change in behavior by a significant number of people.

## Creating Buy-In

In **Michael Schrage's** book **Serious Play**, he makes an interesting observation about what he terms one of the greatest fallacies in corporate America. He states that the typical executive has almost blind faith in the following equation:

**Change in Information = Change in Behavior**

Schrage says this is a trap that many executives fall into. Changes in information rarely if ever convert themselves into changes in behavior, even though many executives think that if they just craft a better presentation or if they can just capture the strategy in a well-articulated summary, they can move the management

ranks forward. Unfortunately, this is not the case. Schrage claims that typically adults need to "persuade themselves" through their own experience. Therefore, he updates the ubiquitous, flawed equation with the adjustment below:

$$\text{Change in Information} + \text{Simulation} \\ = \text{Change in Behavior}$$

And the new systems, new equipment, new processes, new work-force training are not enough to create changed behavior. The power of a simulation is that it provides context, content, and practice of the new behavior "before"; it stimulates the participants to find out by themselves the answer to Why? What? and How?

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## Why customize?

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When considering business simulations as a tool to support strategy implementation and change initiatives, you want to create the following sum:

### Engagement + Relevance + Applicability to the job

If you want to create this sum and generate understanding, alignment, and commitment to your company's complex strategy and initiatives, then your only choice is to customize. Executives will walk away feeling their time was well spent as they will have taken enormous strides in understanding:

- Their company's business model key success factors
- The inner workings of their company's economic engine
- Their company's customer and market dynamics
- The drivers of sustainable competitive advantage at their company
- The reasons behind their company's particular strategy and what it will take to really make it happen.

Clearly, the purpose of a customized simulation is not winning or losing a game. The purpose is to learn, practice, and apply concepts that will enable your executives to crush the competition in the market.

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## Warning: The road to hell is paved with great strategic summaries

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At one large U.S. corporation, the CEO and his team crafted a poster to explain how his strategy rested on nine major process improvements. The poster was a work of art. It explained – with arrows, diagrams, flow charting, and 8-pt. font definitions – exactly how the strategy would unlock value for the organisation. The poster was brilliant and so was the CEO. So the posters were, um, posted, and executives were surprised when strategic understanding did not naturally seep into the organisation. Unfortunately, nobody really understood what the posters meant, and therefore management teams would not change behavior to support the strategy. The data provided by the posters was a change in information, but did not lead to a change in behavior.

After the poster roll-out, this company turned to a different approach: using a business simulation experience to make sure executives understood the new strategy and aligned and committed themselves to it. The company used a customized simulation that captured the strategy, new business models, process improvements, financial metrics, customer satisfaction drivers, and other key issues at the company.

The simulation was crafted to create an environment in which the executives could persuade themselves about the criticality of the new strategy and new processes (all nine of them). The simulation gave executives an opportunity to experiment with strategy implementation, to test the impact of their newly minted processes, and to see how all the interrelationships rolled up into a new and improved company. They walked away certain about three things:

- What the CEO was thinking when he came up with the new strategy. (It finally makes sense!)
- How the new strategy and process improvements were going to benefit them. (The "what's in it for me?" that most adults need answered when asked to change.)
- How each of them fit into the strategy and processes of the new company and what needed to be done immediately to effect change. ”

# BUSINESS ACTIVITIES AND BUSINESS MODEL

## BUSINESS ACTIVITIES

Successful businesses often share a common trait: their capacity to adapt their activities to suit changes in market conditions. This may involve switching business strategy or achieving a new business goal. This is precisely the core area of BTS' operations – helping companies to make changes successful and thus profitable. In order to implement changes successfully, it is essential that everyone in the company believes in the changes in question so that everyone is pulling in the same direction. In addition, everyone must have the skills required to implement the changes. BTS simulations allow the employees to discover for themselves the benefits of a new business strategy, for example, and to find out what is required to implement it.

BTS is a consultancy and training company that develops and markets training solutions in the field of business acumen as well as associated services. Training courses are carried out using tailor-made simulation models of the customer's business activities. These are known as business simulations. The primary target groups comprise senior executives and other key personnel at large and leading international companies.

The skills and experience in the field of business acumen that BTS has built up over a period of 18 years have been continually integrated into systems and processes. New business simulations and training solutions are developed in step with changes in customers' business operations.

Business simulations are principally carried out in seminars for 20–30 people. Through an interactive form of competition, these help develop understanding of the decisions and actions that affect the conditions for growth and profitability of the company. By improving the participants' ability to take business-related decisions, BTS supports its customers' change processes and measures intended to improve profits. BTS also provides solutions in the form of Web-based or board business simulations, which are often intended for broader groups of the customers' employees.

As of 31 December 2004, BTS had supplied training solutions in 12 languages to customers in around 50 different countries. All in all, more than 400,000 people at more than 300 companies have completed BTS training courses.

BTS is often called upon in connection with specific situations that affect customers' business activities. These include:

- New business goals and strategies
- Change processes
- New goals and key figures
- Increasing the efficiency of processes
  - e.g. supply chain and product development

- Management development
- Acquisitions and mergers

## BUSINESS MODEL AND OVERRIDING GOALS AND STRATEGY

- Physical establishment on new markets is carried out when the volume is – or is considered – sufficiently large.
- Long-term customer relationships ensure stable revenues over time
- High quality and satisfied customers result in more efficient new sales
- Sector focus and own rights to the business simulations allow repeatability.

BTS achieves growth through geographical expansion, continuous broadening of the ranges of products and services, and concentrated focus on long-term customer relations.

When expanding onto new markets, BTS focuses on a limited number of large, market-leading companies. Once a sufficient volume of business has been generated, a local subsidiary is established.

The initial sales campaign is targeted towards the potential customer's managers and key employees. After the first commission has been received and completed, customers often request solutions for broader groups of employees within their organisations. By offering a combination of different solutions of varying complexity, supplied through different technologies and methods, BTS can, in time, build up a portfolio of different customer-specific training solutions. In this way, it is possible to build up and maintain a long-term partnership with the customer. BTS tailors content and business simulations for each customer, thus laying the foundations for shared intellectual capital and knowledge.

As many of BTS' customers are large and leaders in their chosen sectors, a very strong group of reference customers has been created. This naturally facilitates new sales.

BTS' training courses are based on knowledge of the customer's relevant sector and specific business activities. This, combined with the fact that BTS generally owns the rights to the business simulations it creates, allows a degree of repeatability in implementation, which, in turn, increases in line with the expansion of the customer base and the development of new training solutions.

BTS' focus on selected sectors also results in the continuously increasing reuse of sector-specific models and allows BTS to build up a strong competitive position within these sectors.

BTS' overriding goal is to be the leading supplier of business simulations on the markets where the company is active. To achieve this goal, BTS works according to a strategy that consists of the following elements:

■ **Focus on business acumen training solutions of strategic importance to the customer.**

BTS believes that the company can more easily maintain and reinforce its market position by focusing on training in business acumen and closely related areas.

In particular, BTS is to focus on assignments whose solutions are of appreciable value to the customer – in the deployment and implementation of strategies, for example. The customer-specific business simulations support managers and key personnel in evaluating the practical consequences of a strategy and transforming it into operative measures.

Business simulations can also be adapted for broader groups of employees within the customer's organisation, thus constituting an important tool for generating understanding of the relationship between goals, strategies and operative measures. In BTS' experience, training assignments in parallel with strategy implementation are very valuable to the customer.

■ **Training solutions based on business solutions.**

BTS training solutions are based on high quality business simulations that feature efficient teaching methods.

BTS is to provide customers with simulations that reach managers and employees in the most efficient manner. BTS achieves this aim by supplying board, IT or Web-based solutions.

BTS is also to strive to own the rights to the business simulations it develops for customers. This results in the profitability of the various customer projects increasing in direct proportion to the number of people using the business simulation. In addition, this approach allows BTS to maintain the right to recycle both general knowledge and the programming code when developing new customer-specific business simulations.

■ **Focus on large, leading customers within selected sectors.**

BTS is to focus on customers within certain selected sectors, primarily manufacturing, telecom, IT, banking and insurance, pharmaceuticals and biotechnology, energy and retail. As BTS adapts training solutions for different sectors, the company progressively increases its knowledge about the various sectors. This naturally helps to strengthen the competitiveness of the company.

BTS is to strive to win large, market-leading international companies as customers – partly because such companies have appreciable additional sales potential, and partly because they make high demands. These high demands strengthen BTS' opportunity to maintain both a leading position in the field of

simulation methodology and high industrial competence.

■ **Network-based marketing and long-term customer relations.**

As good customer references are of crucial importance to the sale of BTS' services, relations with existing customers are central to continued growth. BTS is to concentrate on high quality performance to satisfy customers' requirements so as to establish long-term customer relations and to ensure repeat income over time. BTS is also to achieve new sales based on good references from existing customers.

■ **Continuous expansion of the ranges of products and services offered.**

BTS business simulations are to be based on programming environments that are generally available on the market – Excel, Visual Basic and Flash, for example.

BTS is continuously to develop new training solutions that cover new areas of knowledge and various kinds of business simulations. Training solutions are to be developed in close collaboration with customers so as to generate in-depth understanding of the customer's organisation and sphere of activity, and to assure coverage of the costs for a part of the development work.

BTS is continuously to evaluate and apply new technology to assure development and deliveries of the highest possible quality and with the shortest possible lead times.

■ **Organic growth combined with acquisitions.**

BTS' growth is to be primarily organic, although it can also take place through appropriate acquisitions.

BTS' policy on acquisitions principally targets companies that are smaller than BTS and which complement BTS as regards geographical presence, new areas of competence in the field of business acumen, or industrial competence in sectors currently outside BTS' area of activity.

■ **Highly attractive to employees.**

The solutions and concepts applied by BTS are well documented, which reduces reliance on individual employees. However, BTS' future development is largely dependent on the company's ability to recruit, retain and motivate skilled employees. BTS is to be an attractive company to work for, with a finely honed ability to attract, recruit, motivate and retain employees who return excellent performance. This is to be achieved through an efficient reward system, a positive corporate climate and continuous access to opportunities for professional development.

#### PRODUCT DEVELOPMENT

The skills and experience in the field of business acumen that BTS has built up over a period of 18 years have been continually integrated into systems and processes. New business simulations and training solutions have been developed in step with changes in customers' sectors and operations. BTS has therefore succeeded in packaging, reusing and further developing the Company's competence and has thus generated very valuable structural capital over the years.

Continuous product development is one of the most important factors for BTS' ability to retain and reinforce its market-leading position. This is not only a matter of refining and developing existing solutions, but also of developing new solutions based on the latest trends in pedagogy, methodology and IT development.

BTS product development is carried out both in-house and externally. External product development covers the generation of new training solutions to suit customer requirements, while in-house product development primarily refers to the company's development platform and methodology, which form the foundations for the production of new training programs.

#### EXTERNAL PRODUCT DEVELOPMENT

External product development is intended to increase the breadth of the company's range by adding new solutions in the field of business acumen which can be offered to customers.

External product development is also directed towards solutions for new media – primarily Web-based business simulations – and updating and refining existing ranges of solutions.

BTS strives to run external product development in close collaboration with customers. This allows BTS rapidly to identify new needs on the markets. In addition, it means that the development work is part-financed by the customers.

#### INTERNAL PRODUCT DEVELOPMENT

Internal product development is intended to increase the efficiency of processes designed to adapt the simulation to suit individual customers, and to ensure ongoing quality improvement. BTS intends to use the technology available on the market and to concentrate product development initiatives on applications specific to BTS. The focus of these initiatives includes:

- **BTS Mini Master**, a common development environment for all computer-based simulations which, through a high degree of recycling, results in short development times and few errors
- **BTS Document Platform**, which makes it possible to search in and reuse documents generated previously
- **BTS Web Platform** for Web-based simulations.

# HOW BTS OPERATES

BTS develops and markets training solutions in the field of business acumen and associated aspects. The teaching method is based on tailor-made simulation models of the customers' business activities, known as business simulations. The training courses are primarily intended for executives and other key personnel, usually in large and leading international companies.

BTS IS OFTEN CALLED UPON IN CONNECTION WITH SPECIFIC SITUATIONS THAT AFFECT CUSTOMERS' BUSINESS ACTIVITIES. THESE INCLUDE:

- **New business goals and strategies**
- **Change processes**
- **New goals and key figures**
- **Streamlining processes**
- **Management development**
- **Acquisitions and mergers**

## BTS BUSINESS SIMULATIONS

BTS business simulations include company simulations, scenario-driven business simulations and decision-making tools.

## COMPANY SIMULATIONS

In company simulations, participants work with business-related questions and relationships in a simulated company and business environment. This results in the participants developing skills relevant to their specific areas of responsibility within the company. During the simulation stage, participants are to act as the company management. Company simulations typically contain 30–100 different parameters that influence the final result.

Business simulations are carried out interactively in the form of a competition. Four or five teams – each representing a fictive but realistic company – compete with each other. This helps to highlight the dynamism of the market and ensures that the business simulations are perceived as realistic. The difficulty level of the business simulation and the number of parameters on which decisions must be taken are decided by BTS in collaboration with the customer, taking into account the background and competency level of the target group. Business simulations include one or more of the following:

- **Shareholder value**  
Intended to increase understanding of and improve shareholder value.

- **Branding excellence**  
Used to improve marketing and brand building.
- **Business acumen**  
Intended to reinforce the business understanding of the participants, with emphasis on profitability, market-orientation and holistic perception of the company.
- **eBusiness advantage**  
Changing a company by implementing eBusiness in all processes.
- **Implementation of Balanced Scorecard**  
Implementation of a method that highlights the value-driving factors of a company.
- **Implementation of strategy**  
Used for anchoring and implementing a new strategy.
- **Competition in deregulated markets**  
Preparation of an organisation for a new competitive situation in deregulated markets.

## SCENARIO-DRIVEN BUSINESS SIMULATION

A scenario-driven business simulation is based on a single scenario in a simulated business environment. For example, the scenario can cover a specific business situation, a part of the business, or a process within the customer's organisation. Participants are trained to work actively with decisions and the consequences of these decisions in the simulated business environment before they start to take real decisions within the customer's actual business environment. In the scenario-driven business simulations, participants play different roles within an organisation. Scenario-driven business simulations include one or more of the following:

- **Customer focus**  
Implementation of action plans intended to improve customer satisfaction.
- **Operational excellence**  
Used to increase efficiency within the organisation.
- **Project management**  
Project management for successful and profitable projects.
- **Supply chain management**  
Implementation of new supply forms and processes, with the emphasis on the entire value chain in the company.
- **Time to Customer**  
Shortening lead times between order and payment.
- **Time to Market**  
Shortening the product development process and increasing the profitability of the product portfolio.

Business Acumen Excellence	Sales & Marketing Excellence	Operational Excellence	Leadership Excellence
Building Business Acumen	Customer Loyalty	Best Practice Implementation	Business Acumen and Leadership
Strategy Execution	Customer Understanding	Time to Market	Execution
Improving Growth & Profit	Solution & Value-based Selling	Product Life Cycle Management	Essentials of Business Leadership
Business Acumen for Everyone	Sales Efficiency	Order to Payment	Project Leadership
Finance 101	Closing the Deal	Production Flow	
Know the Business	Winning Major Sales		
Business Acumen Tools			

- **Leadership program**  
Shows how different types of leadership affect financial results in the company.

#### DECISION-MAKING TOOLS

Decision-making tools form a type of business simulation based on the customer's actual accounts. This approach is intended to present a detailed and very realistic simulation of the customer's organisation and business environment. Decision-making tools can be seen as a budgeting tool, where participants simulate a budget and work with measures intended to improve profits. Together with the customer, BTS defines the parameters that can be changed and simulated. Participants can continue to work with the tools after the seminar. Decision-making tools include one or more of the following:

- **Customer focus**  
Implementation of action plans intended to improve customer satisfaction.
- **Project and customer financing**  
Working with complex financing solutions for major international projects.
- **Improving profits**  
Development of action plans intended to improve profitability.

#### SIMULATION TECHNOLOGY

BTS training courses are based on the following types of business simulations:

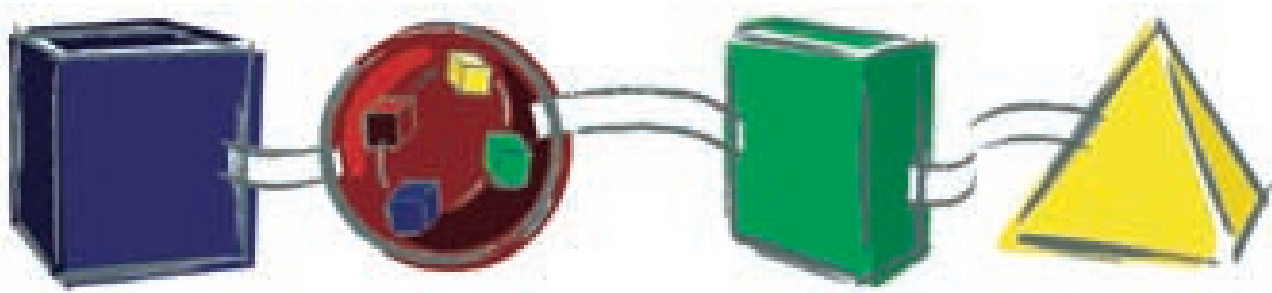
- **Computer-based simulations** – primarily implemented in the form of teacher-led seminars for 20–30 participants at executive level, and based on a simulation program installed on local computers.
- **Board business solutions** – carried out using printed materials, most often with the customer's own instructors.
- **Web-based business simulations** – carried out with or without the participation of BTS, as the entire business simulation is run via the Internet or through the customer's own internal network.

Computer-based solutions are the preferred type of simulation used by BTS, but other simulation types are increasing as a share of the total number of customer commissions.

DAY 1	DAY 2	DAY 3
Introduction	Financial connections and company management	Challenges, strategy and direction of own company
Simulation year 1	Feedback year 2	Feedback year 4
Routes to increased profitability	Simulation year 3	Application <ul style="list-style-type: none"> <li>• Learning profitability</li> <li>• Measures and productivity</li> <li>• Commitments (group/individual)</li> </ul>
Feedback year 1	Market orientation and productivity	
Simulation year 2	Feedback year 3	
	Simulation year 4	Final feedback session & summary

Example of an agenda for BTS seminars





Phase 1 – Development

Phase 2 – Implementation

Phase 3 – Follow-up

Phase 4 – Result measurement

#### FOUR PHASES

The key to BTS' quality is our consultants' in-depth skills and experience combined with BTS' structure capital in the field of business simulations. BTS' training solutions comprise four phases: development, implementation, follow-up and result measurement. These four phases are used in different ways depending on how the training

is to be implemented. Each individual training program is based on the customer's specific business situation, key questions and training requirements. BTS subsequently designs a training solution that will allow the customer to achieve two goals: short-term improvements in profits and long-term improvements in business capacity.

#### Phase 1 – Development

*Development is initiated by the customer and BTS jointly formulating the goals and purpose of the training. To ensure elevated knowledge and understanding of the customer's activities and organisation, a number of in-depth interviews are carried out with managers and other key employees.*

- The business simulation, which will subsequently be used during the teacher-led seminars or run via the customer's intranet, is then tailored to match the customer's organisation. During this phase, which normally takes 1–4 months, BTS also develops action plans for result measurement and follow-up.

#### Phase 2 – Implementation

*After the development process, a series of 1–3 day seminars are held. These seminars usually comprise various elements consisting of business simulations, theory sessions and feedback. The illustration on the previous page presents an example of a program for BTS computer-based seminars.*

- Web-based simulations are carried out via the Internet or the customer's own internal network. The implementation phase usually takes a number of months or even years. It is quite usual for all the senior executives and other key personnel at the company to take part, and courses are sometimes run for the entire workforce.
- *Business simulation.* The purpose of each individual business simulation is to help participants to develop their decision-making skills and to clarify the consequences of various decisions. BTS' business simulations also function as analysis instruments focused on sensitivity analyses and scenarios centered around profitability or change processes.

- *Feedback.* During the feedback phase, the instructors of the different groups explain how the group's decisions have affected the development of their companies in the simulation as regards profits and position vis-à-vis the other groups. Feedback is provided both in groups and individually during the seminar.
- *Know-how sessions.* BTS carries out – on its own or with the assistance of external lecturers – what are called “know-how sessions” in the form of presentations and discussions about subjects tailored to the customer's needs. The aim of the know-how sessions is to prepare participants for the subsequent phase of the business simulation and to apply knowledge to their own company.

#### Phase 3 – Follow-up

*BTS runs follow-up procedures in collaboration with the customer to consolidate what the participants have learned, and to make sure that this knowledge is applied in their day-to-day work. Following completion of the training program, the participants' task is to apply their new knowledge within their own organisation. An important aspect is for the participants to communicate the measures adopted to executives and other employees in the organisation. With support from BTS, the customer can follow up on the changes via status reports and follow-up meetings.*

#### Phase 4 – Result measurement

*After 3–12 months, the results of the program are measured in terms of retained knowledge, new methods of taking decisions and working, and direct improvements in profits. Usually, these measurements show that 50–90 per cent of participants have retained knowledge which they use in their everyday work. The direct improvements in profits often amount to sums equivalent to several times the company's initial investment.*

# ORGANISATION

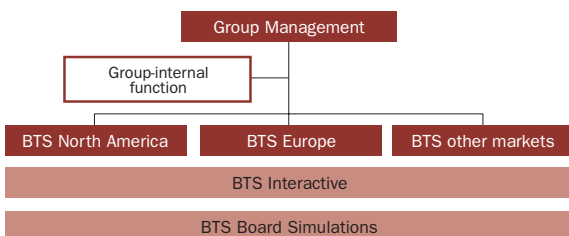
## OPERATIONAL STRUCTURE IN 2004

BTS' operations are run through three operational and two product-specific units. Group-internal departments cover Group finances, IR as well as certain IT, process and personnel issues:

BTS has the following operational units:

- **BTS North America** operates in the United States and has offices in Stamford (Connecticut) and San Francisco (California). In addition, through the acquisition of SMG, BTS USA has an office in Philadelphia (Pennsylvania).
- **BTS Europe** operates in Sweden, Finland, Great Britain and Spain and has offices in Stockholm (Sweden), Helsinki (Finland), London (Great Britain) and Madrid and Bilbao (Spain).
- **BTS other markets** is active in South Africa and Australia, with offices in Johannesburg (South Africa) and Sydney and Melbourne (Australia).

The heads of the operational units have profit responsibility for their respective markets.



Apart from the operational units, which also have responsibility for the development of computer-based simulations, BTS has two product-specific units:

- **BTS Interactive** is responsible for Web-based business simulations.
- **BTS Board Simulations** is responsible for board business simulations.

BTS Interactive and BTS Board Simulations develop concepts, produce solutions and provide active sales support to the customer organisations of the three operational units. Reporting is carried out to the Group management.

# EMPLOYEES

BTS is a knowledge-intensive company, which means that recruiting and employee development are crucial to the future development of the company. BTS seeks to attract highly skilled employees by offering an attractive working environment, which, according to the company, comprises a combination of personal development, stimulating assignments and competitive remuneration.

At 31 December 2004, the company employed 107 people (100). The average number of employees during the year was 104 (97).

Since 1993, in order to manage historical and future growth BTS has been developing a process for the effective recruitment of the right employees and the development of their skills and competencies.

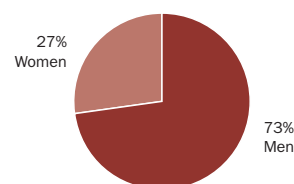
New employees are introduced to the company via a special induction program and are given comprehensive support and training during the first projects. The aim is to give new employees partial responsibility for customer projects with the shortest possible lead time and the highest possible quality. All new employees are also assigned one of the more experienced members of staff as a coach.

Ongoing skills development programs are run for all employees with a view to safeguarding employee quality and competence and to ensure the application of efficient work methods.

Training in seminar competence, project management, project development, new and additional sales, and financial modeling and programming is principally carried out through internal training programs. However, external training courses are also used where necessary.

Evaluation of the Group, company and team management is carried out regularly with a view to laying foundations for increasing management efficiency.

Gender distribution within the Group in 2004



# HISTORY

- 1986** BTS is founded in Stockholm, Sweden, by a group of people including Henrik Ekelund (the current CEO and major shareholder). The first few years are primarily devoted to developing fundamental technology and solutions in the field of simulations, building up a base of strong reference customers and creating an organisation. Stefan Hellberg and Stefan af Petersens (still active within BTS and a major owner) join the company at an early stage.
- 1990** In this year, a strategy for the continued development of BTS is drawn up. The strategy is based on the conviction that BTS' solutions are competitive internationally, and that a broader range of solutions would generate additional growth and income from the existing customer base. The cornerstones of this strategy are expansion into new geographical markets and the development of additional solutions.
- 1991** BTS decides that training solutions are to be targeted towards supporting change processes and measures to improve profits within the customer's organisation. At the same time, focus is increased on result measurement and follow-up.
- 1992** The internationalization of BTS is initiated. The company receives two strategically important commissions, one from Kodak in the United States, and one from Nuclear Electric in Great Britain. These commissions lead to BTS establishing subsidiaries in the markets in question. In addition, the company receives another strategically important commission from Ericsson Telecom in Sweden.
- 1993** In 1993, BTS and Ericsson develop the first business simulations that illustrate processes and value chains within customer organisations. A number of versions of BTS process simulations have since been developed to support the implementation of TTC (Time To Customer) as well as TTM (Time To Market) and product development management.
- 1995** Working closely with a range of customers, BTS develops a new concept that is called "Customer Advantage". This concept is intended to reinforce a company's understanding of and focus on its customers.
- 1997** BTS develops and launches the company's first board business simulations, which results in BTS being able to target its range at all areas of the customer's organisation. BTS USA receives a major commission from the South African company Telkom S.A.
- 1999** Increased demand in Finland leads BTS to open an office in Helsinki. BTS also establishes a second office in the United States, in San Francisco. At this point, BTS also opens an office in South Africa, in Johannesburg. BTS starts to develop business simulations for Web-based interfaces so as to create the leading platform on the market for business simulations and training programs run via the Internet and company intranets.
- 2001** BTS is floated on the O-list of the Stockholm Stock Exchange on 6 June.
- 2002** BTS opens an office in Sydney, Australia through the acquisition of a company.
- 2003** BTS acquires the Spanish company I-Simco and establishes two offices in Spain, in Madrid and Bilbao.



## THE BTS SHARE, SHARE CAPITAL AND OWNERS

### THE BTS SHARE

On 6 June 2001, BTS was floated on the O-list of the Stockholm Stock Exchange. In connection with this, a new stock issue was completed and generated MSEK 78.1 for the company after issue costs.

The total share capital in the Company is SEK 5,897,300, divided between 284,600 A-shares and 5,612,700 B-shares, each with a nominal value of SEK 1. A-shares entitle holders to ten votes, B-shares to one vote. All shares carry equal rights to shares of the company's assets and profits.

At 30 December 2004, there were 563 shareholders in the company.

Since 2002, BTS Group AB has worked to promote the liquidity of the company share. As a part of this strategy, what is known as a liquidity guarantor has been engaged to work to increase interest and trade in the BTS share. BTS' intention in improving the liquidity of the share was to make it easier for shareholders in the company to trade shares.

### SHARE DATA

Share price 1/1 2004	SEK 30.60
Share price 31/12 2004	SEK 64.75
Earnings per share, 31/12 2004	SEK 3.27
Liquid funds per share, 31/12 2004	SEK 18.73
Shareholders' equity per share, 31/12 2004	SEK 19.60



BTS share price development, 2004

## SHARE CAPITAL

Year (SEK)	Transaction	Increase in share capital SEK	Share capital, SEK	Changes in number of		Total number of shares	Nominal value of the share
				A-shares	B-shares		
1999	Establishment of the company	100,000	100,000	439,900	560,100	1,000,000	0.10
1999	New stock issue	8,200	108,200		82,000	1,082,000	0.10
2001	Stock dividend	4,219,800	4,328,000			1,082,000	4.00
2001	4:1 split		4,328,000	1,759,600	2,568,400	4,328,000	1.00
2001	Conversion of A-shares to B-shares			-1,475,000	1,475,000	4,328,000	1.00
2001	New stock issue	1,500,000	5,828,000		1,500,000	5,828,000	1.00
2002	New stock issue	69,300	5,897,300		69,300	5,897,300	1.00

## OWNERSHIP STRUCTURE

The ownership structure of BTS at 30 December 2004 is presented in the table below.

Owner	Number of shares			Number votes	Share of	
	A	B	Total		equity	votes
Henrik Ekelund	284,600	1,423,070	1,707,670	4,269,070	29.0%	50.5%
Stefan af Petersens		1,033,367	1,033,367	1,033,367	17.5%	12.2%
Stefan Hellberg		598,204	598,204	598,204	10.1%	7.1%
ALECTA		526,400	526,400	526,400	8.9%	6.2%
Jonas Åkerman		292,600	292,600	292,600	5.0%	3.5%
Alfred Berg (fonder)		275,600	275,600	275,600	4.7%	3.3%
AcadeMedia		193,000	193,000	193,000	3.3%	2.3%
Lannebo småbolag		155,703	155,703	155,703	2.6%	1.9%
SEB Sverige småbolag		132,600	132,600	132,600	2.3%	1.6%
BANCO småbolag		130,000	130,000	130,000	2.2%	1.5%
Northern Trust Global Services Ltd.		112,100	112,100	112,100	1.9%	1.3%
Ringvägen venture AB		103,100	103,100	103,100	1.8%	1.2%
Patrick Fei		60,000	60,000	60,000	1.0%	0.7%
Other		576,956	576,956	576,956	9.7%	6.7%
<b>Total</b>	<b>284,600</b>	<b>5,612,700</b>	<b>5,897,300</b>	<b>8,458,700</b>	<b>100.0%</b>	<b>100.0%</b>

## WARRANT PROGRAM

BTS Group AB has an ongoing warrant program which has been established for employees in subsidiaries. Each warrant entitles the holder to subscribe for four new B-shares at a price of SEK 75.00 per share. Full utilization of the remaining warrants would result in a total increase in share capital of 106,400 shares. The table to the right illustrates the subscription period for the warrant programs.

*Warrants*

Warrant series	Number	Redemption price	Subscription period
2000/2005	26,600	75.00	2005-01-01 – 2005-03-31

## FIVE-YEAR SUMMARY AND OTHER FINANCIAL INFORMATION

### INCOME STATEMENT

#### Income statement for the Group, summary

SEK million	2004	2003	2002	2001	2000
Net turnover	205.9	162.2	172.2	196.9	177.3
Operating costs	-174.1	-150.1	-162.0	-182.3	-163.0
Depreciation on tangible and intangible fixed assets	-2.1	-1.9	-1.7	-2.0	-2.0
<b>Operating profit</b>	<b>29.7</b>	<b>10.2</b>	<b>8.5</b>	<b>12.6</b>	<b>12.3</b>

### BALANCE SHEET

#### Balance sheet for the Group, summary

SEK million	2004	2003	31 December		
			Result		
	2004	2003	2002	2001	2000
Fixed assets	6.3	6.0	5.0	7.0	7.0
Trade accounts receivable	36.8	31.2	31.4	38.8	46.0
Other current assets	9.7	10.7	13.7	15.3	4.5
Cash and bank deposits	110.5	88.1	79.0	68.3	24.0
<b>Total assets</b>	<b>163.3</b>	<b>136.0</b>	<b>129.1</b>	<b>129.4</b>	<b>81.5</b>
Shareholders' equity	115.6	103.4	104.1	103.6	16.2
Minority interests	0.2	0.1	0.1	-	-
Provisions for deferred tax	0.2	0.2	0.2	-	0.8
Interest-bearing liabilities	-	-	0.1	0.2	29.3
Non-interest-bearing loans	-	0.1	-	-	-
Other non-interest-bearing liabilities	47.3	32.2	24.6	25.6	35.2
<b>Total shareholders' equity and liabilities</b>	<b>163.3</b>	<b>136.0</b>	<b>129.1</b>	<b>129.4</b>	<b>81.5</b>

### CASH FLOW

#### Group cash flow

SEK million	2004	2003	2002	2001	2000
Cash flow from current operations	32.1	18.2	15.4	-1.1	5.1
Cash flow from investment operations	-2.9	-3.6	-1.0	-1.1	-3.1
Cash flow from financing operations	-3.5	-3.1	-0.9	47.5	16.2
Translation differences in liquid funds	-3.3	-2.4	-2.8	-1.0	-0.1
Cash flow for the year	22.4	9.1	10.7	44.3	18.1
Liquid funds, opening balance	88.1	79.0	68.3	24.0	5.9
Liquid funds, closing balance	110.5	88.1	79.0	68.3	24.0

## FINANCIAL KEY FIGURES FOR THE GROUP

SEK million	2004	2003	2002	2001	2000
Net turnover	205.9	162.2	172.2	196.9	177.3
Operating profit	29.7	10.2	8.5	12.6	12.3
Operating margin, %	14.4	6.3	4.9	6.4	6.9
Profit margin, %	9.4	4.5	3.7	5.0	4.3
Return on equity	17.6	7.0	6.2	16.5	64.7
Return on operating capital, %	286.8	50.2	27.8	44.4	62.9
Operating capital	5.3	15.4	25.3	35.5	21.5
Shareholders' equity	115.6	103.4	104.1	103.6	16.2
Solidity, %	70.8	76.0	80.7	80.1	19.8
Cash flow	22.4	9.1	10.7	44.3	18.1
Liquid funds	110.5	88.1	79.0	68.3	24.0
Number of employees at the end of the year	107	100	102	119	126
Average number of employees	104	97	110	125	114
Annual net turnover per employee	2.0	1.7	1.6	1.6	1.6

## KEY FIGURE DEFINITIONS

*Operating margin*

Operating profit after depreciation as a percentage of net turnover.

*Profit margin*

Net profit for the year as a percentage of net turnover.

*Return on operating capital*

Operating profit as a percentage of average operating capital.

*Return on equity*

Profits after tax, converted to full year and expressed as a percentage of average shareholders' equity.

*Operating capital*

Balance sheet total less liquid funds and other interest-bearing assets as well as non-interest-bearing liabilities.

*Solidity*

Shareholders' equity as a percentage of balance sheet total.

*Annual revenue per employee*

The net turnover for the period converted to full-year basis divide by the average number of employees.

## STATEMENT FROM THE MANAGEMENT

The Board of Directors and the Managing Director of BTS Group AB (publ), company number 556566-7119, hereby submit their annual accounts and consolidated financial statements for the 2004 financial year. All amounts are stated in SEK thousand unless otherwise indicated.

### BUSINESS ACTIVITIES

BTS Group AB is an international consultancy and training company 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 run analyses 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.

### TURNOVER AND RESULT

BTS' net turnover for the year rose by 27 per cent to MSEK 205.9 (162.2). Adjusted for exchange rate differences, growth totaled 34%. The growth achieved is attributable to improved market conditions in the United States, and to the fact that BTS has reinforced its market conditions and now operates with a broader range of solutions.

The Group result before tax for the year totaled MSEK 31.2 (12.1), with a net operating result of MSEK 29.7 (10.2). The operating margin for the year was 14.4 (6.3) per cent. The improvement in results is primarily due to growth in revenue, increased productivity, improved cost-efficiency and changes in the revenue mix. Goodwill amortization in 2004 amounted to MSEK 1. Market conditions for BTS North America have continued to improve during the year. BTS' market position in North America has improved significantly in recent years – as regards customer base, market share and sales organization – putting BTS in an excellent position to benefit from the improved market conditions. During the fourth quarter, a program was initiated to increase sales in BTS Europe. The conditions on BTS' other markets also improved during the year. In the period 2001–2004, BTS' customer base grew appreciably. At the same time, a number of competitors have lost ground. In 2004, revenue per customer grew by 32 per cent on the previous year, partly because BTS has developed and sold a broader range of solutions.

During the year, the share of revenues from seminars increased from 53 to 61 per cent compared to the previous year. The share stemming from customer-specific development fell from 29 to 21 per cent. This change in the revenue mix has contributed to the improved operating margin.

As from 2004, BTS has decided to implement a new form of presentation of the distribution of revenues – one that provides a better overview and closely matches the operative structure. BTS North America's net turnover improved in 2004 in comparison with the previous year, totaling MSEK 125.0 (89.5). Adjusted for exchange rate differences, turnover for the year rose by 54 per cent. The operating margin was 17 (8) per cent. The result for the year improved to MSEK 21.8 (7.5). BTS Europe's net turnover for the year fell to MSEK 61.3 (62.9), while the operating margin improved from 3 to 8 per cent. Adjusted for exchange rate differences, turnover for the year fell by 3 per cent. The result for the year improved to MSEK 4.7 (1.8). Net turnover from BTS Other Markets improved during the year to MSEK 19.6 (9.8). The operating margin was 16 (9) per cent. Adjusted for exchange rate differences, turnover for the year rose by 92 per cent. The result for the year improved to MSEK 3.2 (0.9). The units acquired by BTS in Australia and Spain showed good development. BTS Australasia, acquired on 1 January 2002, generated a turnover of MSEK 14.8 in 2004 – an increase of 322 per cent on 2001, the year prior to the acquisition. During the same period, the operating result (after deductions for allocated Group-internal costs) has rocketed by 510 per cent to MSEK 1.7. BTS Spain was acquired from 1 July 2003. In 2004, turnover increased to MSEK 6.1, a 27 per cent rise compared to 2003. The operating result (after deductions for allocated Group-internal costs) increased to MSEK 1.6 – a rise of 160 per cent compared to 2003.

### RESEARCH AND DEVELOPMENT

The development carried out by BTS during the year was centered on customer-specific product development and has therefore been expensed immediately. No research according to the definition in RR 15 was carried out.

### FINANCIAL POSITION

At the end of the year, liquid funds totaled MSEK 110.5 (88.1). Interest-bearing liabilities amounted to MSEK 0.0 (0.0). At the end of the year, shareholders' equity totaled MSEK 115.6 (103.4) and solidity was 71 (76) per cent. BTS' cash flow from current operations for 2004 was MSEK 32.1 (18.2).



## EMPLOYEES

At 31 December 2004, BTS employed 107 (100) people.  
The average number of employees during the year was 104 (97).

## THE PARENT COMPANY

The activities of the Parent Company – BTS Group AB – consist exclusively of Group-internal tasks and its assets principally consist of liquid funds and shares in subsidiaries. The net turnover of the company totaled MSEK 2.1 (1.7), with a result after financial items of MSEK 11.8 (2.5). Liquid funds totaled MSEK 56.2 (47.6).

## SIGNIFICANT EVENTS AFTER THE CLOSE OF THE FINANCIAL YEAR

As of 10 February 2005, BTS acquired “Learning Solutions” from SMG in Philadelphia, that part of SMG that constituted BTS’ main competitor on the American market. SMG’s Learning Solutions works with business simulations in BTS’ segment as well as with scenario-based simulation solutions in the fields of leadership training, project management and sales. The acquisition adds new products and solutions to the BTS range, as well as bringing in new customers and highly skilled employees. The acquisition was carried out through BTS setting up a new company, which has taken over customer contracts, staff, products, solutions, the name of SMG and intellectual property rights. The acquisition was completed through payment of a cash purchase price. BTS has not taken over any accounts owing or receivable, nor has it taken on any liability obligations. The business acquired will remain as a separate unit in Philadelphia, operating under the SMG brand.

## PROSPECTS FOR 2005

Against the background of the continuing favorable market conditions in the United States, and the improved market conditions in Europe, BTS estimates that the result before tax will be better than in 2004.

## THE WORK OF THE BOARD OF DIRECTORS

In accordance with the articles of association, the Board of Directors of BTS shall consist of no fewer than three and no more than eight members. During the financial year, i.e. as from the Annual General Meeting, the board has consisted of five members.

The Board of Directors works according to a set agenda with instructions concerning the distribution of work between the Board and the CEO. According to this agenda, the Board is normally to hold four ordinary meetings annually. At each of these meetings, the Board deals with issues of appreciable importance to the Company. In addition, the Board is informed by the management about the current business conditions on the Group’s sub-markets. Board meetings are held regularly in connection with reports to the Board from the Company. On this basis, the Board deals with the year-end report and dividend proposals in February, interim reports in April, August and October, and the budget for the coming year in December. The BTS Board contains no special committees or sub-groups – all issues are dealt with by the Board as a whole. In some cases, tasks are delegated to the Chairman of the Board and the CEO. Over the past year, seven meetings were held, one of which was specifically convened on the basis of the acquisition of Learning Solutions, SMG. In addition, separate in-depth consideration has been given to the corporate strategy. The rewards system has also been examined. At the last meeting of the year, the Board conducted an evaluation of its work, including feedback for the principal owners.

## MULTIPLE YEAR OVERVIEW

Development over the past five financial years is presented below.

KSEK	2004	2003	2002	2001	2000
Net turnover	205,944	162,204	172,230	196,887	177,326
Operating costs	-174,123	-150,105	-161,997	-182,261	-163,031
Depreciation	-2,093	-1,877	-1,770	-1,982	-2,026
Operating profit	29,728	10,222	8,463	12,644	12,269
Operating margin, %	14.4	6.3	4.9	6.4	6.9
Number of employees at the end of the year	107	100	102	119	126
Average number of employees	104	97	110	125	114
Net turnover per employee	1,980	1,672	1,566	1,575	1,555

#### CONVERSION TO IFRS IN 2005

The most significant differences between the accounting principles currently applied by BTS and those that are to be applied as from 2005 concern the evaluation of financial assets and liabilities, statements of goodwill, and security instruments. Today, financial assets are evaluated on the basis of the principle of lowest value, but from 2005 onwards, certain categories of financial assets and liabilities are to be evaluated at their actual value. At present, BTS amortizes goodwill over five years, but IFRS stipulates that any change of value in goodwill can only be implemented after testing. BTS held no security instruments in 2004, but should the company hold such in 2005, any change in value is to be booked against the income statement or against equity capital, depending on what is being secured and whether the security is effective. All BTS pension benefits are defined by contribution.

BTS has not previously applied IFRS, which explains why the opening balance – in accordance with IFRS – is that of 1 January 2004. A balance of opening and closing shareholders' equity for the Group in 2004, presented in line with the current accounting principles as opposed to IFRS is included under "accounting principles". In addition, a balance of the result for financial year 2004 and a cash flow analysis prepared in line with current principles (instead of IFRS) are also included.

#### PROPOSED DISTRIBUTION OF PROFITS

##### *The Group*

The Group's unrestricted shareholders' equity amounts to SEK 28,709,604. It is suggested that allocations be made to restricted shareholders' equity in the Group's respective companies in the total amount of SEK 408,460.

##### *The Parent Company*

The Board suggests that the remaining profits:

Result carried forward	1,137,570
Result for the year	11,527,392
Total	12,664,962

be dealt with as follows:

Dividend to shareholders	9,435,680
Provisions for statutory reserve	408,460
Carried forward to new income statement	2,820,822
Total	12,664,962

As regards the other operations of the Group and the Parent Company, please refer to the income statements and balance sheets below, as well as to the cash flow analyses and the associated notes.

## FINANCIAL STATEMENTS

### INCOME STATEMENTS

KSEK	Note	The Group		The Parent Company	
		2004	2003	2004	2003
Net turnover	1, 2, 9	205,944	162,204	2,061	1,714
<i>Operating costs</i>					
Other external costs	2, 3, 4, 5	-63,851	-54,605	-1,998	-1,595
Personnel costs	6	-110,272	-95,500	-572	-480
Depreciation of tangible and intangible fixed assets	7, 8	-2,093	-1,877	-	-
<i>Total operating costs</i>		-176,216	-151,982	-2,570	-2,075
<b>Operating profit</b>	<b>9</b>	<b>29,728</b>	<b>10,222</b>	<b>-509</b>	<b>-361</b>
<i>Financial items</i>					
Profit from other securities and receivables treated as fixed assets	10	-	-1	11,419	1,499
Interest income and similar profit and loss		1,566	2,021	852	1,324
Interest costs and similar profit and loss		-89	-138	-	-
<i>Total result from financial items</i>		1,477	1,882	12,271	2,823
<b>Result after financial items</b>		<b>31,205</b>	<b>12,104</b>	<b>11,762</b>	<b>2,462</b>
Appropriations	11	-	-	-	-240
Tax on result for the year	12	-11,756	-4,856	-235	-202
Minority share of result for the year		-143	-1	-	-
<b>Result for the year</b>		<b>19,306</b>	<b>7,247</b>	<b>11,527</b>	<b>2,020</b>
<b>EARNINGS PER SHARE</b>					
Earnings per share before dilution, SEK		3.27	1.23	-	-
Number of shares at year end		5,897,300	5,897,300	-	-
Average number of shares before dilution		5,897,300	5,897,300	-	-
Earnings per share, fully diluted basis, SEK		3.27	1.23	-	-
Average number of shares, fully diluted basis		5,897,300	5,897,300	-	-
Proposed dividend per share		1.60	0.60	-	-

BALANCE SHEETS

KSEK	Note	The Group		The Parent Company	
		2004	2003	2004	2003
<b>ASSETS</b>					
<b>Fixed assets</b>					
<i>Intangible fixed assets</i>					
Goodwill	7	2,749	1,649	–	–
<i>Tangible fixed assets</i>					
Stocks	8	2,190	2,922	–	–
<i>Financial fixed assets</i>					
Participations in Group companies	13	–	–	41,034	38,265
Deferred tax receivable	15	339	278	–	–
Other long-term receivables	18	988	1,142	–	–
<b>Total fixed assets</b>		<b>6,266</b>	<b>5,991</b>	<b>41,034</b>	<b>38,265</b>
<b>Current assets</b>					
<i>Short-term receivables</i>					
Trade accounts receivable	18	36,811	31,208	–	–
Receivables from Group companies		–	–	4,320	6,285
Other receivables	18	1,597	1,134	15	15
Prepaid expenses and accrued income	16	8,150	9,564	114	114
<i>Total current receivables</i>		46,558	41,906	4,449	6,414
Cash and bank deposits		110,477	88,116	56,218	47,618
<b>Total current assets</b>		<b>157,035</b>	<b>130,022</b>	<b>60,667</b>	<b>54,032</b>
<b>TOTAL ASSETS</b>		<b>163,301</b>	<b>136,013</b>	<b>101,701</b>	<b>92,297</b>

BALANCE SHEETS, *continued*

KSEK	Note	The Group		The Parent Company	
		2004	2003	2004	2003
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>					
Shareholders' equity	17				
<i>Restricted shareholders' equity</i>					
Share capital (5,897,300 shares, nominal value SEK 1)		5,897	5,897	5,897	5,897
Reserve fund		–	–	771	569
Restricted reserves		80,977	80,775	–	–
Premium reserve		–	–	79,547	79,547
<i>Total restricted equity</i>		86,874	86,672	86,215	86,013
<i>Unrestricted equity</i>					
Result carried forward		9,404	9,439	1,138	2,858
Result for the year		19,306	7,247	11,527	2,020
<i>Total non-restricted equity</i>		28,710	16,686	12,665	4,878
<b>Total shareholders' equity</b>		<b>115,584</b>	<b>103,358</b>	<b>98,880</b>	<b>90,891</b>
<b>Provisions</b>					
Provisions for deferred tax		217	217	–	–
Minority interests		233	147	–	–
<b>Long-term liabilities</b>					
Other liabilities	19	81	100	–	–
Total long-term liabilities	18	81	100	–	–
<b>Untaxed reserves</b>					
Tax allocation reserve		–	–	240	240
<b>Short-term liabilities</b>					
Accounts payable	18	5,046	5,505	220	217
Tax payable		7,368	3,052	401	185
Other short-term liabilities	18	3,694	6,685	1,893	697
Accrued expenses and prepaid income	20	31,078	16,949	67	67
<b>Total short-term liabilities</b>		<b>47,186</b>	<b>32,191</b>	<b>2,581</b>	<b>1,166</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>163,301</b>	<b>136,013</b>	<b>101,701</b>	<b>92,297</b>
Pledged assets	21	10,000	10,000	none	none
Contingent liabilities	22	None	None	3,720	4,092

CASH FLOW ANALYSES

KSEK	The Group		The Parent Company	
	2004	2003	2004	2003
<b>Current operations</b>				
Operating profit	29,728	10,222	-509	-361
<i>Adjustment for items not included in cash flow, etc.</i>				
Depreciation and write-downs	2,093	1,877	-	1
Other items	334	16	-	-
Net financial items	14	1,477	852	1,323
Actual tax for the year	-11,875	-4,628	-235	-202
<i>Cash flow from current operations before changes in working capital</i>	21,757	9,369	108	761
<i>Cash flow from changes in working capital</i>				
Change in trade debtors	-7,090	-1,554	-	-
Change in other operating receivables	282	1,015	1,965	1,074
Change in trade creditors and other operating liabilities	17,188	9,402	1,415	852
<i>Cash flow from changes in working capital</i>	10,380	8,863	3,380	1,926
<b>Cash flow from current operations</b>	<b>32,137</b>	<b>18,232</b>	<b>3,488</b>	<b>2,687</b>
<b>Investment activities</b>				
Acquisitions of shares, participations and activities	14	-2,170	-2,769	-2,715
Acquisition of tangible fixed assets		-756	-	-
<b>Cash flow from investment operations</b>	<b>-2,926</b>	<b>-3,556</b>	<b>-2,769</b>	<b>-2,715</b>
<b>Financing operations</b>				
Changes in loans and deposits	34	-199	-	-
Dividends received from subsidiaries	-	-	11,419	1,500
Dividend to shareholders	-3,538	-2,949	-3,538	-2,949
<b>Cash flow from financing operations</b>	<b>-3,504</b>	<b>-3,148</b>	<b>7,881</b>	<b>-1,449</b>
Translation differences in liquid funds	-3,346	-2,404	-	-
<b>Cash flow for the year</b>	<b>22,361</b>	<b>9,124</b>	<b>8,600</b>	<b>-1,477</b>
<b>Liquid funds, opening balance</b>	<b>88,116</b>	<b>78,992</b>	<b>47,618</b>	<b>49,095</b>
<b>Liquid funds, closing balance</b>	<b>14</b>	<b>110,477</b>	<b>56,218</b>	<b>47,618</b>

## CHANGES IN SHAREHOLDERS' EQUITY

<i>The Group</i>	Share capital	Restricted reserves	Unrestricted reserves	Result for the year	Total shareholders' equity
Shareholders' equity at 31 December 2002 (note 17)	5,897	75,156	16,679	6,413	104,145
Exchange rate differences (note 17)		-5,085			-5,085
<i>Total changes in result not presented in the income statement</i>	0	-5,085	0	0	-5,085
Profit transfer			6,413	-6,413	
Transfer between restricted and unrestricted equity		173	-173		
Dividend to shareholders			-2,949		-2,949
Result for the year				7,247	7,247
<b>Shareholders' equity at 31 December 2003 (note 17)</b>	<b>5,897</b>	<b>70,244</b>	<b>19,970</b>	<b>7,247</b>	<b>103,358</b>
<i>Effect of reclassification of exchange rate differences, which are booked directly against shareholders' equity (note 17)</i>		10,531	-10,531		
<b>Adjusted shareholders' equity at 31 December 2003 (note 17)</b>	<b>5,897</b>	<b>80,775</b>	<b>9,439</b>	<b>7,247</b>	<b>103,358</b>
Exchange rate differences (note 17)			-3,542		-3,542
<i>Total changes in result not presented in the income statement</i>	0	0	-3,542	0	-3,542
Profit transfer			7,247	-7,247	
Transfer between restricted and unrestricted equity		202	-202		
Dividend to shareholders			-3,538		-3,538
Result for the year				19,306	19,306
<b>Shareholders' equity at 31 December 2004 (note 17)</b>	<b>5,897</b>	<b>80,977</b>	<b>9,404</b>	<b>19,306</b>	<b>115 584</b>

<i>The Parent Company</i>	Share capital	Premium fund	Reserve fund	Profit carried forward	Result for the year
Shareholders' equity at 31 December 2002 (note 17)	5,897	79,547	569	5,060	746
<i>Total changes in result not presented in the income statement</i>	0	0	0	0	0
Distribution of profits according to General Meeting; Transfer to profit brought forward				746	-746
Dividend to shareholders				-2,949	
Result for the year					2,020
<b>Shareholders' equity at 31 December 2003 (note 17)</b>	<b>5,897</b>	<b>79,547</b>	<b>569</b>	<b>2,858</b>	<b>2,020</b>
<i>Total changes in result not presented in the income statement</i>	0	0	0	0	0
Distribution of profits according to General Meeting; Appropriations to reserve fund			202	-202	
Transfer to profit brought forward				2,020	-2,020
Dividend to shareholders				-3,538	
Result for the year					11,527
<b>Shareholders' equity at 31 December 2004 (note 17)</b>	<b>5,897</b>	<b>79,547</b>	<b>771</b>	<b>1,138</b>	<b>11,527</b>

## ACCOUNTING PRINCIPLES AND NOTES

### Accounting principles

Amounts are stated in SEK thousand (KSEK) unless otherwise indicated.

These annual accounts have been prepared in accordance with the Swedish Annual Accounts Act and recommendations and statements issued by the Swedish Financial Accounting Standards Council.

As from this financial year, the following new recommendations from the Swedish Financial Accounting Standards Council have been applied:

- RR 29 Remuneration of employees

The application of these recommendations has not affected the result and position stated.

As from 1 January 2005, BTS will be preparing its accounts in accordance with the Swedish Annual Accounts Act and IFRS.

### Consolidated accounts

The consolidated accounts include the accounts for all subsidiaries. A subsidiary is a company in which the parent company, directly or indirectly, holds shares that represent more than 50 per cent of the votes or otherwise maintains a controlling influence. BTS owns 90.1 per cent of BTS Australasia PTY. All other subsidiaries are wholly owned by the Parent Company.

These consolidated accounts have been prepared in accordance with the acquisition method of accounting, which means that the capital in subsidiaries – defined as the actual difference between their assets and liabilities – is amortized in full at the time of their acquisition. The consolidated accounts thus only contain that part of the subsidiaries' shareholders' equity held by these companies subsequent to the purchase. All intra-Group transactions have been eliminated. Subsidiaries are run with a high level of independence, and transactions with the parent company account for only a small part of their business. The current rate method is used in translating into Swedish kronor (SEK) the financial statements of independent foreign subsidiaries and associated companies. Assets and liabilities are thus translated using the rate of exchange at balance sheet date. All items included in the income statement are translated at the average exchange rate for the year. The exchange rates for the currencies in which the Group received income were:

	Average 2004	31 December 2004	Average 2003	31 December 2003
USD	7.35	6.61	8.09	7.28
GBP	13.46	12.71	13.19	12.19
EUR	9.13	9.01	9.12	9.09
NOK	109.04	108.80	114.23	108.05
ZAR	1.14	1.16	1.07	1.09
AUD	5.41	5.12	5.25	5.43
CHF	593.56	582.70	580.01	582.85

Other currencies have not had a significant effect on the consolidated balance sheets and income statements.

### Revenue/ongoing commissions

Revenue is booked on delivery of services to the client in accordance with the sales conditions. Sales are booked at net value after VAT, and with any applicable exchange rate differences for sales in foreign currency.

Income from completed service assignments and the expenses attributable to these assignments are booked as income and costs respectively, in relation to the degree of completion of the assignment at the balance sheet date (successive profit offset). The degree of completion of an assignment is defined by comparing the expenses paid at balance sheet date with the calculated total expenses. In the event that the outcome of a service assignment cannot be calculated in a reliable manner, the income from this assignment is only booked to the extent that it corresponds to the assignment expenses that have arisen and which are likely to be covered by the client. Losses incurred on assignments are entered immediately as expenses.

### Research and development work

Costs linked to customer-specific product development are expensed as they are incurred. Expenses related to development projects (i.e. attributable to the development and testing of new or improved products) are posted as intangible assets to the extent to which such expenses can be expected to generate economic advantages in the future. The company has not carried out any research or development according to the definition in RR 15. The development BTS normally carries out is referred to as customer-specific product development

### Income taxes

Income taxes entered into the accounts include tax payable and receivable from the current year, as well as changes in deferred tax. All taxes payable and receivable are valued at nominal amounts in accordance with the tax rules and tax rates that have been decided or anticipated with a high level of probability. Items entered in the income statement are thus entered along with the associated tax effects on the income statement. Tax effects of items entered directly against shareholders' equity are thus entered against shareholders' equity.

Deferred tax is calculated according to the balance sheet method for all temporary differences that arise between the accounting and tax values of assets and liabilities. Deferred tax receivable concerning reductions on losses or other future tax-related deductions is entered to the extent to which it is likely that the deductions can be offset against profits for future taxation.



**Receivables and liabilities**

The accounts receivable by the Group and Parent Company are valued at the amounts expected to be received.

**Foreign currencies**

Receivables and liabilities in foreign currency are valued at the exchange rate on the balance sheet date.

**Fixed assets**

Planned depreciation on tangible and intangible assets is based on the acquisition cost of the assets and their estimated useful service. The purchase value of subsidiaries does not include conditional supplementary purchase prices until such time as it may be considered likely that the conditions in question will be fulfilled.

The goodwill booked refers to the acquisition of subsidiaries. The following depreciation periods are applied to existing assets:

- equipment – five years
- goodwill – five years.

**Write-downs**

Write-downs are carried out when there is indication that tangible, intangible or financial fixed assets have a book value that exceeds their recovery value. In this context, recovery value is taken to mean the higher of the net sales value and utilization value of an asset. If it is not possible to establish this for a particular asset, the relevant recovery value is calculated for the smallest cash-generating unit to which the asset belongs.

**Leasing and hiring contracts**

When leasing contracts involve the company as the lessee, thus allowing the company to enjoy all the financial advantages and risks associated with the object of the lease, this item is entered as a fixed asset in the consolidated balance sheet. The corresponding obligation to pay leasing charges in the future is entered as a liability. The assets are depreciated during the same period of useful service life as for other assets. Other leasing and hiring contracts cover operational leasing contracts. Costs associated with these in the form of leasing and hiring charges are expensed continuously.

**Reports per segment**

The activities of the Group are primarily run and reported by geographical market, according to where the unit is located. Subsidiaries principally develop and deliver the solutions sold on the relevant markets themselves. This, however, does not apply to Web solutions, which are developed by the BTS Interactive unit, a part of BTS Europe. BTS Interactive invoices its costs to the other Group compa-

nies via internal invoices for time expended issued on market conditions. Group-internal costs and the amortization of goodwill are distributed similarly. Secondly, Group activities are run and reported by source of revenue. Costs are not distributed by type of revenue as shared resources are used to produce the various services. One result of this is that it is not possible to allocate assets to type of revenue.

**Cash flow analysis**

The cash flow analysis is prepared using the indirect method. The cash flow stated only includes transactions that result in payments being made or received. The booking of cash flow is divided up between current operations, investment operations and financing operations.

The category of liquid funds includes, apart from cash in hand and at bank, short-term financial placements that are only exposed to insignificant risk of fluctuation in value, or traded on the open market for known amounts, or that have a remaining maturity period of less than three months from the balancing date.

**Provisions**

Provisions are booked when the company has a legal or informal obligation as a result of an event that has occurred and which is likely to lead to an outflow of resources to regulate the situation, on condition that a reliable estimation of the amount in question be possible.

**Pensions**

The Group operates different pension plans in different countries. All plans are defined by contribution and the assets are administered by external parties. Payments are expensed during the period in which the employees have performed the services to which the payment refers.

**Loan costs**

Loan costs affect the result for the period to which they refer, except in cases where means are loaned with a view to acquiring an asset. In such cases, the loan costs are included in the purchase price of the asset in question.

**Events after balance sheet date**

Events from the close of the financial year to the signing of the annual accounts by the Board of Directors, which confirm that all circumstances relevant to the financial statements and balance sheets for the preceding financial year have been taken into account. Information is also supplied about other significant events that occur after balance sheet date. The balance sheets and financial statements must be approved by the Annual General Meeting.

## Effects of the conversion to IFRS

### 2005

As from 1 January 2005, BTS will be preparing its consolidated accounts in accordance with IFRS. Up until 2004, the company has 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 below. These effects are provisional and may subsequently be modified as the examination of certain IAS/IFRS standards is still ongoing. Of the conversion provisions pursuant to IFRS 1, the exemption regulation entitled "Application of IAS 39 as from 1 January 2005 without adjusting the comparison figures" is to be applied. Pursuant to IFRS 3, distribution of the purchase price for corporate acquisitions is not considered to apply to acquisitions made prior to 1 January 2004.

**IAS 7 Cash flow analyses:** No conversion effects arise from the application of IAS 7.

**IAS 19 Remuneration of employees:** No effects arise from the application of IAS 19.

**IAS 38 Intangible assets:** IAS 38 states that product development expenses are to be capitalized if certain criteria are met, and

this requirement also applies to expenses incurred prior to 1 January 2002. As from 2002, Swedish accounting principles have been in line with IFRS. The application of IAS 38 is not considered to have any effect on the net result or shareholders' equity.

**Conversion of income statement and balance sheets:** The presentation and comments below relate to the areas that may conceivably affect the results and shareholders' equity reported by BTS at the time of conversion to IFRS.

**Goodwill:** IFRS 3 "Business Combinations" requires that goodwill no longer be amortized, but that it be tested prior to writing down annually or more often if there are any indications of a decrease in value. Goodwill entries are to be written down if the booked value exceeds the recovery value. The company has completed write-down tests per 1 January 2004 and 31 December 2004. According to these tests, there is no requirement for write-downs. As a consequence of the conversion to IFRS, the goodwill amortization for 2004 booked according to Swedish accounting principles – in the amount of KSEK 995 – has been reversed.

**Minority interests:** 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. 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. The total figure reported for shareholders' equity thus increases by KSEK 147 per 1 January 2004 and by KSEK 233 at 31 December 2004. The result for the year also increases by KSEK 100.

## CONSOLIDATED INCOME STATEMENT

KSEK	Reconciliation 2004		
	Sw. GAAP	Change	IFRS
Net turnover	205,944		205,944
Other external costs	-63,851		-63,851
Personnel costs	-110,272		-110,272
Depreciation	-2,093	995	-1,098
<b>Total operating costs</b>	<b>-176,216</b>		<b>-175,221</b>
<b>Operating profit</b>	<b>29,728</b>		<b>30,723</b>
Interest income and similar profit and loss	1,566		1,566
Interest cost and similar profit and loss	-89		-89
<b>Result after financial items</b>	<b>31,205</b>		<b>32,200</b>
Tax on result for the year	-11,756	-43	-11,799
Minority share of result for the year	-143	143	0
<b>Result for the year</b>	<b>19,306</b>		<b>20,401</b>
Earnings per share	3.27		3.44

## CONSOLIDATED BALANCE SHEET

KSEK	Reconciliation 04-01-01			Reconciliation 04-12-31		
	Sw. GAAP	Change	IFRS	Sw. GAAP	Change	IFRS
Goodwill	1,649		1,649	2,749	995	3,744
Stocks	2,922		2,922	2,190		2,190
Deferred tax receivable	278		278	339		339
Other long-term receivables	1,142		1,142	988		988
<b>Total fixed assets</b>	<b>5,991</b>		<b>5,991</b>	<b>6,266</b>		<b>7,261</b>
Trade accounts receivable	31,208		31,208	36,811		36,811
Other receivables	1,134		1,134	1,597		1,597
Prepaid expenses and accrued income	9,564		9,564	8,150		8,150
Cash and bank deposits	88,116		88,116	110,477		110,477
<b>Total current assets</b>	<b>130,022</b>		<b>130,022</b>	<b>157,035</b>		<b>157,035</b>
<b>TOTAL ASSETS</b>	<b>136,013</b>		<b>136,013</b>	<b>163,301</b>		<b>164,296</b>
Share capital (5,897,300 shares, nominal value SEK 1) 5,897			5,897	5,897		5,897
Restricted reserves	80,775		80,775	80,977		80,977
Result carried forward	16,686		16,686	28,710	995	29,705
Minority interests		147	147		233	233
<b>Total shareholders' equity</b>	<b>103,358</b>		<b>103,505</b>	<b>115,584</b>		<b>116,812</b>
Provisions for deferred tax	217		217	217		217
Minority interests	147	-147	0	233	-233	0
Other liabilities	100		100	81		81
<b>Total long-term liabilities</b>	<b>100</b>		<b>100</b>	<b>81</b>		<b>81</b>
Accounts payable	5,505		5,505	5,046		5,046
Tax payable	3,052		3,052	7,368		7,368
Other short-term liabilities	6,685		6,685	3,694		3,694
Accrued expenses and prepaid income	16,949		16,949	31,078		31,078
<b>Total short-term liabilities</b>	<b>32,191</b>		<b>32,191</b>	<b>47,186</b>		<b>47,186</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>136,013</b>		<b>136,013</b>	<b>163,301</b>		<b>164,296</b>

Notes to the annual accounts

NOTE 1. DISTRIBUTION OF NET  
TURNOVER BY SOURCE OF REVENUE

Net turnover is primarily generated by service commissions. The principles for the reporting of revenue are detailed in the section entitled "Accounting principles and notes".

<i>The Group</i>	2004	2003
Seminars	126,239	86,306
Customer adaptations/development	43,559	46,593
Licenses	23,019	20,866
Other	13,217	8,439
Total	205,944	162,204

NOTE 2. TRANSACTIONS WITH AFFILIATED COMPANIES

*Purchases and sales between Group companies*

Deliveries of products and services between Group-internal subsidiaries are performed at market rates. Internal prices regarding shared overhead costs are set on the basis of cost. No transactions have been completed with other affiliates.

*The Parent Company*

Of the total purchasing costs and sales income for the year, 0 per cent of purchases and 100 of sales refer to other Group companies (0 per cent and 100 per cent in 2003).

NOTE 3. INFORMATION ABOUT AUDITORS' FEES

*Fees and remuneration*

<i>The Group</i>	2004	2003
Öhrlings PricewaterhouseCoopers		
Audit tasks	459	476
Other tasks	-	-
Other auditors		
Audit tasks	260	168
Other tasks	75	180
Total	794	824

<i>The Parent Company</i>	2004	2003
Öhrlings PricewaterhouseCoopers		
Audit tasks	229	225
Other tasks	-	-
Total	229	225

NOTE 4. LEASING AND HIRING CONTRACTS

*The Group*

The Group has no financial leasing contracts. The total cost of operational leasing contracts for the year amounts to 11,354 (11,219). Future leasing and hiring charges concerning operational leasing contracts with maturity periods in excess of one year amount to:

<i>The Group</i>	
2005	9,224
2006	7,905
2007	6,546
2008	2,187
2009	1,155
Thereafter	0
Total	27,017

NOTE 5. EXCHANGE RATE DIFFERENCES

<i>The Group</i>	2004	2003
Exchange rate differences have had the following effect on the net operating result:	-1,263	-1,278

<i>The Parent Company</i>	2004	2003
Exchange rate differences have had the following effect on the net operating result:	-19	-366

NOTE 6. AVERAGE NUMBER OF EMPLOYEES, SALARIES, OTHER REMUNERATION AND SOCIAL BENEFIT CONTRIBUTIONS, ETC.

1.) *Average number of employees*

<i>The Group</i>	2004		2003	
	Number of employees	Of whom, men	Number of employees	Of whom, men
Subsidiaries				
Sweden	33	21	39	25
USA	42	34	37	27
Great Britain	9	6	9	6
Other	20	15	12	9
Total for the Group	104	76	97	67

*Gender distribution among senior executives*

<i>The Group</i>	2004		2003	
	Women	Men	Women	Men
CEO and other senior executives (excl. the Board)	0	5	1	5
The Board	1	4	0	5

In this context, "other senior executives" refers to the four people who, in conjunction with the CEO, constitute the Group management team. In 2004, there were no employees in the Parent Company.

## 2.) Absence through illness in Sweden, per cent

	The Group 2004-01-01 – 2004-12-31	The Group 2003-07-01 – 2003-12-31
Total absence through illness	0.9	1.1
Absence through illness among men	0.5	0.3
Absence through illness among women	1.7	2.4
Employees, age 30–49	1.0	0.6

## 3.) Salaries, other remuneration, and social benefit contributions

The Group	2004		2003	
	Salaries and remuneration	Social benefit contributions (of which, pension costs)	Salaries and remuneration	Social benefit contributions (of which, pension costs)
Subsidiaries	86,553	15,434 (4,624)	75,577	14,847 (4,900)

Pension costs for employees who hold the position of CEO or member of the Board of a Group company total 875 (1,392). All pension plans are defined by contribution.

*The Parent Company*

Fees have been paid to Board members in the amount of 431 (361), of which fees for the Chairman of the Board accounted for 172 (152). No member of the Board of the parent company has received any remuneration other than Board fees. For the CEO, see the figures for remuneration for senior executives below.

## 4) Salaries and other remuneration by country and by members of the Board, etc. and other employees

The Group	2004		2003	
	The Board and CEO	Other employees	The Board and CEO	Other employees
In Sweden				
The Parent Company	431	–	361	–
Subsidiaries	1,260	17,187	1,380	18,538
Total, Sweden	1,691	17,187	1,741	18,538
Outside Sweden				
USA	8,182	43,285	6,890	34,249
Great Britain	1,958	4,720	2,936	5,637
Other	3,260	6,269	1,884	3,702
Total, outside Sweden	13,400	54,274	11,710	43,588
Total for the Group	15,091	71,461	13,451	62,126

*Remuneration of senior executives*

In this context, senior executives refers to the four (five in 2003) people who, in conjunction with the CEO, constitute the Group management team. This sum includes basic salary, other benefits, variable remuneration and pension contributions. “Other benefits” refers exclusively to the benefit of a company car. The total sum of fees paid to senior executives amounted to 13,722 (12,983), of which pension contributions accounted for 1,189 (1,732). All pension plans are defined by contribution.

Fees and other benefits have been paid to the CEO in the amount of 2,617 (2,312), of which variable remuneration accounted for 509 (0). The variable remuneration is based on a

qualitative evaluation of performance. The CEO has a contribution-based pension entitlement amounting to 13 per cent of the fixed salary, which is paid in the form of a pension insurance with the right to a pension from the age of 65. The CEO's employment contract states a mutual period of notice of six months. In addition, in the event of the company terminating his employment contract, the CEO is entitled to a severance package corresponding to 12 monthly salary payments. None of the other senior executives is entitled to a severance package. Other senior executives have been paid salaries and other benefits in the total amount of 9,916 (8,939), of which variable remuneration accounted for 5,117 (2,681). Variable remuneration is based on goals achieved for the company and the person in question. Allocations to pensions are made individually in the range of 10–30% of the fixed salary and are paid in the form of pension insurance with entitlement to a pension from the age of 65.

No financial instruments were allocated in 2004.

*The preparation and decision-making process for remuneration to senior executives*

- The Board fees are decided by the General Meeting
- The CEO's conditions are decided by the Board as a whole
- The remuneration of other senior executives is decided by the CEO in collaboration with the Chairman of the Board.

## NOTE 7 – INTANGIBLE FIXED ASSETS

*The Group*

	2004	2003
Goodwill		
Accum. acquisition value, (opening balance)	3,656	1,824
Acquisitions during the year	2,095	1,832
Accum. acquisition value, (closing balance)	5,751	3,656
Accumulated amortization, opening balance	2,007	1,459
Amortization for the year	995	548
Accumulated amortization, year end	3,002	2,007
Book value	2,749	1,649

## NOTE 8 – TANGIBLE FIXED ASSETS

*The Group*

	2004	2003
Stocks		
Accum. acquisition value, (opening balance)	9,571	9,808
Acquisition of operations	–	62
Purchases	756	1,450
Sales and divestment	–976	–790
Translation difference	–361	–959
Accum. acquisition value, (closing balance)	8,990	9,571
Accumulated depreciation, opening balance	6,649	6,778
Sales and divestment	–671	–762
Depreciation for the year	1,098	1,329
Translation difference	–276	–696
Accumulated depreciation, closing balance	6,800	6,649
Residual value acc. to plan, closing balance	2,190	2,922

NOTE 9 – REPORTING PER SEGMENT

*Primary segment.* The activities of the Group are primarily run and reported by geographical market, according to where the unit is located. Subsidiaries principally develop and deliver the solutions sold on the relevant markets themselves. This, however, does not apply to Web solutions, which are developed by the BTS Interactive unit, a part of BTS Europe. BTS Interactive invoices its costs to the other Group companies via internal invoices for time

expended issued on market conditions. Group internal costs and goodwill amortization have been distributed.

*Secondary segment.* Secondly, Group activities are run and reported by source of revenue. Costs are not distributed by type of revenue as shared resources are used to produce the various services. One result of this is that it is not possible to allocate assets to type of revenue. See note 1.

KSEK	North America		Europe <sup>1)</sup>		Other markets <sup>2)</sup>		Elimination & not allocated		The Group	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
<i>Income</i>										
External sales	125,045	89,491	61,327	62,861	19,572	9,852			205,944	162,204
Internal sales	169	745	14,337	7,243	1,340	488	-15,846	-8,476	0	0
Total income	125,214	90,236	75,664	70,104	20,912	10,340	-15,846	-8,476	205,944	162,204
Operating profit	21,839	7,455	4,733	1,841	3,156	926			29,728	10,222
Financial income							1,566	2,021	1,566	2,021
Financial expenses							-89	-139	-89	-139
Tax on result for the year							-11,756	-4,856	-11,756	-4,856
Minority interests							-143	-1	-143	-1
Result for the year									19,306	7,247
<i>Other information</i>										
Assets	54,530	44,670	46,908	40,174	11,440	8,220	50,423	42,949	163,301	136,013
Liabilities	33,669	22,368	6,113	8,187	5,705	4,304	2,230	-2,204	47,717	32,655
Investments	1,451	1,564	997	1,403	404	589	74		2,926	3,556
Depreciation	1,034	789	756	905	303	183			2,093	1,877

1) External sales, of which Sweden and Finland 37,325 (40,662), Great Britain 17,869 (19,642), and Spain 6,133 (2,557).

2) External sales, of which Australia 14,812 (5,944), and South Africa 4,760 (3,908).

NOTE 10 – PROFIT FROM OTHER SECURITIES AND RECEIVABLES CONSIDERED TO BE FIXED ASSETS

<i>The Group</i>	2004	2003
Write-downs	-	-1

<i>The Parent Company</i>	2004	2003
Dividend	11,419	1,500
Write-downs		-1
Total	11,419	1,499

NOTE 11 - APPROPRIATIONS

<i>The Parent Company</i>	2004	2003
Appropriations to tax allocation reserve	-	-240

NOTE 12 – TAX ON RESULT FOR THE YEAR

<i>The Group</i>	2004	2003
Actual tax for the year	-11,832	-4,628
Deferred tax pertaining to temporary differences	76	-228
Total	-11,756	-4,856

<i>The Parent Company</i>	2004	2003
Actual tax for the year	-235	-202
Total	-235	-202

*Reconciliation of effective tax*

<i>The Group</i>	2004	2003
Result before tax	31,204	12,104

Tax cost calculated according to Swedish income tax rates	-8,737	-3,389
Effect of different tax rates	-2,598	-1,019
Non-deductible costs	-292	-133
Non-taxable income	-	29
Tax attributable to previous years	159	-192
Amortization of goodwill	-288	-152
Reported effective tax	-11,756	-4,856
<i>Effective tax rate</i>	37.8%	40.1%

<i>The Parent Company</i>	2004	2003
Result before tax	11,762	2,222

Tax cost calculated according to Swedish income tax rates	-3,293	-622
Dividends from subsidiaries	3,197	420
Non-deductible expenses	-139	-
Reported effective tax	-235	-202
<i>Effective tax rate</i>	2.0%	9.1%

## NOTE 13. FINANCIAL FIXED ASSETS

*Participations in Group companies*

	Number participations	Capital share, %	Book value	
			2004 -12-31	2003 -12-31
BTS Sverige AB Reg. No. 556566-7127 Domicile: Stockholm	5,000	100	7,838	7,838
BTS USA, Inc. Reg. No. 06-1356708 Domicile: Connecticut	1,000	100	20,382	20,382
BTS in London Ltd. Reg. No. 577 1376 13 Domicile: London	5,000	100	6,901	6,901
Business Training Systems A/S Reg. No. 957 694 187 Domicile: Oslo	100	100	94	94
Catalysts for profitability and growth Ltd. Reg. No. 1998/010779/07 Domicile: Centurion	1,000	100	1	1
BTS Finland AB Reg. No. 556583-1673 Domicile: Stockholm	1,000	100	100	100
BTS Australasia Pty Ltd Reg. No. 099 066 501 Domicile: Sydney	45,050	90.1	234	234
Business Training Solutions S.L. Reg. No. B95138160 Domicile: Bilbao	1,031	100	4,811	2,715
BTS Management SA Reg. No. 01 73.802 11 Domicile: Geneva	1,000	100	673	–
<b>Total shares in subsidiaries</b>			<b>41,034</b>	<b>38,265</b>

	2004	2003
KSEK		
Acquisition value, opening balance	38,265	35,550
Acquisitions	2,769	2,715
Acquisition value, closing balance	41,034	38,265

## NOTE 14 – CASH FLOW INFORMATION

*Liquid funds*

The definition of liquid funds is presented in the section entitled “Accounting principles and notes” above. On balance sheet date there was only cash in hand and at bank.

*Interest received and paid*

The Group	2004	2003
Interest received	1,516	1,812
Interest paid	–95	–138
<b>The Parent Company</b>	<b>2004</b>	<b>2003</b>
Interest received	852	1,324
Interest paid	–	–

*Acquisitions of subsidiaries*

## Value of assets and liabilities

acquired 2003-07-01	2004	2003
Tangible fixed assets	–	62
Financial fixed assets	–	21
Short-term receivables	–	1,095
Liquid funds	–	609
Long-term liabilities	–	–134
Short-term liabilities	–	–769
<b>Assets, net</b>	<b>–</b>	<b>884</b>
Purchase price	–2,096	–2,715
Liquid funds in companies acquired	–	609
Influence on Group liquid funds	–2,096	–2,106

Internet Simulations Consulting, S.L – now Business Training Solutions SL – was acquired on 1 July 2003. The purchase price was paid with liquid funds, partly on purchase and partly through a result-based supplementary purchase price in 2003. In 2004, an additional purchase price was paid, see the table above. This sum comprises both the purchase price for 2004 and the anticipated supplementary purchase price for 2005. The anticipated supplementary purchase price for 2005 has been set on the basis of an evaluation that the conditions for payment will be met. Additional result-based purchase payments may be made through 2006.

## NOTE 15 – DEFERRED TAX RECEIVABLE AND PAYABLE

	2004	2003
Deferred tax receivable		
Tax-related deductions for losses	–	–
Items not included in the balance sheet	339	278
<b>Total deferred tax receivable</b>	<b>339</b>	<b>278</b>
Deferred tax payable		
Allocations for untaxed reserves for appropriations	217	217

No deferred tax receivable has been reported for temporary differences attributable to shares and participations in subsidiaries as BTS can control the time for repayment of these temporary differences, and it is likely that such moves will take place within the foreseeable future.

## NOTE 16 – PREPAID EXPENSES AND ACCRUED INCOME

The Group	2004	2003
Accrued income	4,367	6,425
Prepaid hiring charges	644	818
Other items	3,139	2,321
<b>Total</b>	<b>8,150</b>	<b>9,564</b>
<b>The Parent Company</b>	<b>2004</b>	<b>2003</b>
<b>Total</b>	<b>114</b>	<b>114</b>

NOTE 17 – SHAREHOLDERS' EQUITY

The share capital consists of 284,600 A-shares (restricted) and 5,612,700 B-shares (restricted), i.e. a total of 5,897,300 shares with a combined nominal value of SEK 5,897,300.

The premium reserve consists of prepaid premiums after deduction of issue costs in connection with the flotation of the Company on the O-list of the Stockholm Stock Exchange in June 2001. The premium reserve refers to premiums paid for warrants issued, as well as to prepaid premiums in connection with new stock issues including the redemption of warrants issued in March 2002. As explained below, each warrant entitles the holder to subscribe for four new B-shares. The market value of the warrants at the subscription time was calculated according to the Black & Scholes evaluation model, which was followed in the offering.

Warrants

Warrant series	Number	Redemption price	Subscription period
2000/2005	26,600	75.00	05-01-01 – 05-03-31

Exchange rate differences – The Group

Outgoing accumulated exchange rate differences booked directly against shareholders' equity total - 14,073. Incoming accumulated differences amounted to - 10,531. This change has arisen as a result of recalculating the overseas subsidiaries. As from 2004, exchange rate differences booked directly against shareholders' equity will be booked against unrestricted shareholders' equity rather than, as previously, against restricted shareholders' equity. For this reason, the opening balance for 2004 and the comparison figures for 2003 have been adjusted such that the accumulated exchange rate difference (-10,531) is now booked against unrestricted shareholders' equity. The reason for this adjustment is that to all intents and purposes, the exchange rate differences are attributable to unrestricted shareholders' equity.

NOTE 18 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

General conditions

During the year, BTS' holdings of financial instruments have principally been limited to primary instruments such as receivables from customers, trade creditors and the like. Customer contracts contain no currency clauses or anything of the kind termed embedded derivatives. No security instruments are held, or have been purchased or sold during the year.

Financial assets and liabilities are reported in the balance sheets wherever there is a contractual right or obligation to pay cash or other financial assets to another company or to receive same from another company, or to swap one financial instrument with another that proves beneficial or otherwise.

Financial assets and liabilities are set at acquisition value with adjustments for exchange rate differences as regards entries held until such fall due.

Principles of financing and financial risk management

BTS' financing and financial risks are controlled and monitored by the Board. Financing and risk management have been collated under the Group finance function. The aim of the company's risk management is to optimize the consolidated capital costs and, in a carefully thought-out manner, to manage and control the consolidated financial risks. Hedging instruments are to be used within given frameworks, but BTS usually do not hedge future payments. Placements of liquid funds may be made on interest-bearing accounts or in interest-bearing securities with a low credit risk. The remaining maturity period of the placement portfolio must not exceed nine months.

Currency risks

The Group is exposed to currency risks linked to the conversion of overseas subsidiaries, which influences the consolidated result and shareholder's equity. The currencies that have the greatest influence are USD and GBP. Transaction exposure is limited as income and expense are primarily in the same currency on the various markets. BTS does not normally hedge its currency exposure. The sensitivity analysis below shows the effect on the operating result based on BTS' 2004 financial statement and should only be seen as an indication of the significance of the different currencies.

Factor	Percentage change	Change, full year 2004, KSEK
SEK/USD	+/-10%	-/+ 1 979
SEK/GBP	+/-10%	-/+ 302

Counterparty risks

BTS only accepts creditworthy counterparts in financial transactions. BTS' accounts receivable are spread among a large number of companies operating in a variety of sectors. The maximum credit risk amounted to SEK 6,212 (5,007) at the end of the year, which corresponds to the largest credit exposure to any one group.

Liquidity and interest risks

The liquidity risk is small as liquid funds account for only 67% (65%) of the balance sheet total. BTS' policy is to allow borrowing with the approval of the Board. Excess liquidity in subsidiaries is initially to be used to amortize loans. Interest risks are limited to the fluctuating yield on the liquid funds placed at variable rates.

Actual value of financial assets and liabilities

The Group 2004	Booked value	Actual value
Other long-term receivables	988	925
Trade accounts receivable	36,811	36,811
Total current receivables	1,597	1,597
Total financial assets	39,396	39,333
The Group 2004	Booked value	Actual value
Other long-term liabilities	81	81
Trade creditors	5,046	5,046
Other short-term liabilities	3,694	3,694
Total financial liabilities	8,821	8,821



The Group 2003	Booked value	Actual value
Other long-term receivables	1,142	1,059
Trade accounts receivable	31,208	31,208
Total current receivables	1,134	1,134
Total financial assets	33,484	33,401

The Group 2003	Booked value	Actual value
Other long-term liabilities	100	100
Trade creditors	5,505	5,505
Other short-term liabilities	6,685	6,685
Total financial liabilities	12,290	12,290

At the turn of the year, the Group had no interest-bearing financial instruments. Loan loss provisions are made on the basis of testing in each individual case. The actual value of long-term financial receivables and liabilities is set through current value calculation of the expected cash flows.

#### NOTE 19 – BANK OVERDRAFT FACILITIES

##### *The Group*

Bank overdraft facilities were granted as of 2004-12-31 in the amount of 14,959 (15,456). These facilities had not been utilized at balance sheet date.

#### NOTE 20 – ACCRUED EXPENSES AND PREPAID INCOME

The Group	2004	2003
Accrued salaries	21 458	11,263
Accrued social benefit expenses	1,623	1,627
Other items	7,997	4,059
Total	31,078	16,949

The Parent Company	2004	2003
Other items	67	67

#### NOTE 21 – PLEDGED ASSETS POSTED

The Group	2004	2003
Pledged assets for liabilities to credit institutions Company mortgages	10,000	10,000

#### NOTE 22 – CONTINGENT LIABILITIES TO THE BENEFIT OF GROUP COMPANIES

The Parent Company	2004	2003
Security measures for the benefit of subsidiaries	3,720	4,092

Stockholm, April 2005

Dag Sehlin  
Chairman of the Board

Henrik Ekelund  
CEO

Mariana Burenstam Linder   Tomas Franzén   Stefan Gardefjord

# AUDIT REPORT

I have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the CEO of BTS Group AB (publ) for the financial year 2004. The Board of Directors and CEO are responsible for these accounts and the administration of same, as well as for ensuring that the provisions of the Swedish Annual Accounts Act are applied during the preparation of the annual accounts and consolidated accounts. My responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on my audit.

I conducted my audit in accordance with generally accepted auditing standards in Sweden. Those standards require that I plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the CEO, as well as evaluating the significant estimations made by the Board of Directors and CEO in preparing the annual accounts and consolidated accounts, and evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for my opinion concerning discharge from liability, I examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any Board member or the managing director. I also examined whether any Board member or the CEO has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. I believe that my audit provides a reasonable basis for my opinion set out below.

The annual accounts and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and thereby give a true and fair view of the company's and the group's financial position and results or operations in accordance with generally accepted accounting principles in Sweden. The administration report is in line with the other sections of the annual accounts and the consolidated accounts. I recommend to the general meeting of shareholders that the income statements and balance sheets of the parent company and the group be adopted, that the profit of the parent company be dealt with in accordance with the proposal in the administration report, and that the members of the Board of Directors and the CEO be discharged from liability for the financial year.

Stockholm, April 2005

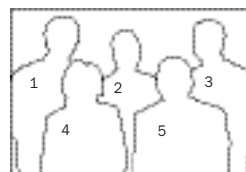
*Lars Berglund*

Authorized public accountant



## BOARD OF DIRECTORS, SENIOR EXECUTIVES AND AUDITORS

### THE BOARD



1. Henrik Ekelund
2. Stefan Gardefjord
3. Tomas Franzén
4. Mariana Burenstam Linder
5. Dag Sehlin

#### **Henrik Ekelund**

Geneva, born 1955

Group President and CEO of BTS Group AB.

Other Board positions:

Member of the Boards of Protect Data AB and Universum Communications AB.

Shareholdings and warrants in BTS Group AB: 284,600 A-shares and 1,423,070 B-shares.

#### **Stefan Gardefjord**

Täby, born 1958

Member of the Board of BTS Group AB since 2003. CEO of WM-data Sverige AB.

Other Board positions: Member of the Boards of companies including Munkeby Systems AB and WM-data Sverige AB.

Shareholdings and warrants in BTS Group AB: 1,000 B-shares.

#### **Tomas Franzén**

Nacka, born 1962

Member of the Board of BTS Group AB since 2000. CEO and President of Eniro AB.

Other Board positions: Chairman of the Boards of Grin AB and Trust2You AB. Member of the Boards of companies including Eniro AB, OEM International AB and B2 Bredband AB.

Shareholdings and warrants in BTS Group AB: 5,000 B-shares and call options on 5,000 B-shares.

#### **Mariana Burenstam Linder**

Danderyd, born 1957

Member of the Board of BTS Group AB since 2004.

Managing Partner of Burenstam & Partners AB.

Other Board positions: Member of the Board and CEO of Ainax AB, member of the Boards of TietoEnator AB and SÄKi AB.

Shareholdings and warrants in BTS Group AB: 1,500 B-shares.

#### **Dag Sehlin**

Bromma, born 1945

Chairman of the Board of BTS Group AB since 2003.

Member of the Board of BTS Group AB since 2003.

Other Board positions: Member of the Board of D. Carnegie & Co. AB as well as of Carnegie Investment Bank AB, Telenor AB, 3:e AP-Fonden and Proact IT Group AB.

Shareholdings and warrants in BTS Group AB: 2,000 B-shares and, through companies, 1,000 B-shares.

### AUDITOR

#### **Lars Berglund**

Stockholm, born 1950.

Authorized public accountant

Öhrlings PricewaterhouseCoopers AB. Auditor of BTS Group AB since 1999, and of the previous parent company and its Swedish subsidiaries since 1985.

### DEPUTY AUDITOR

#### **Sten Håkansson**

Stockholm, born 1960.

Authorized public accountant

Öhrlings PricewaterhouseCoopers AB.

Deputy auditor of BTS Group AB since 2001.

## SENIOR EXECUTIVES



**Henrik Ekelund**

Group President and CEO of BTS Group AB.  
See the Board of Directors for details



**Stefan af Petersens**

Lidingö, born 1955  
Acquisitions and key account contacts.  
Employee of BTS since 1985.  
Shareholdings and warrants in BTS Group AB:  
1,033,367 B-shares.



**Stefan Brown**

Nacka, born 1963  
CFO and deputy CEO of BTS Group AB.  
Employee of BTS since 1990.  
Shareholdings and warrants in BTS Group AB:  
1,500 B-shares, warrants for 7,000 B-shares  
and call options on 40,000 B-shares.



**Jonas Åkerman**

Connecticut, born 1963  
CEO of BTS North America.  
Employee of BTS since 1991.  
Shareholdings and warrants in BTS Group AB:  
292,600 B-shares and call options on  
72,000 B-shares.



**Stefan Hellberg**

Stockholm, born 1957  
Responsible for sales, HR processes and IT.  
Employee of BTS since 1985.  
Shareholdings and warrants in BTS Group AB:  
598,204 B-shares.

The information about shares and warrants listed above refers to conditions at 30 December 2004.

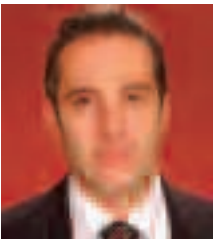
## OTHER EXECUTIVES

(since 1st of January 2005)



### **Rommin Adl**

Philadelphia, born 1964  
President and CEO,  
Strategic Management Group, Inc.  
Employee of BTS since 1994.



### **Dan Parisi**

San Francisco, born 1968  
Executive Vice President, BTS San Francisco  
Employee of BTS since 1995.

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