

# Interim Report

1 January – 30 June  
2005

## Strong growth in turnover and result

- During the first six months, **net turnover** rose by 27 per cent, totalling MSEK 137.5 (108.1). Adjusted for changes in exchange rates, growth amounted to 32 per cent. Net turnover rose during the second quarter by 40 per cent to MSEK 79.6 (56.7)

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- **Results for the first six months:**
  - operating profits rose by 32 per cent to MSEK 25.7 (19.5), which is equivalent to an operating margin of 19 (18) per cent.
  - the result before tax increased by 53 per cent to MSEK 30.8 (20.1)
  - the result after tax increased by 60 per cent to MSEK 20.4 (12.8)
  - during the period, earnings per share rose by 58 per cent to SEK 3.43 (2.17).

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- **Result for the second quarter:**
  - operating profits rose by 49 per cent to MSEK 15.6 (10.5), which is equivalent to an operating margin of 20 (19) per cent.
  - the result before tax increased by 77 per cent to MSEK 19.1 (10.8)
  - the result after tax increased by 90 per cent to MSEK 12.7 (6.7).

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- New customers acquired during the first six months included Bacardi, Gap, Klöver, Maersk, Sony Ericsson and Tyco.

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- BTS acquired SMG's "Learning Solutions" as from the middle of February. The integration of this company is proceeding according to plan. The company made positive contributions to the result for both the first and second quarters.

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- A new BTS office has been opened in Beijing, China.



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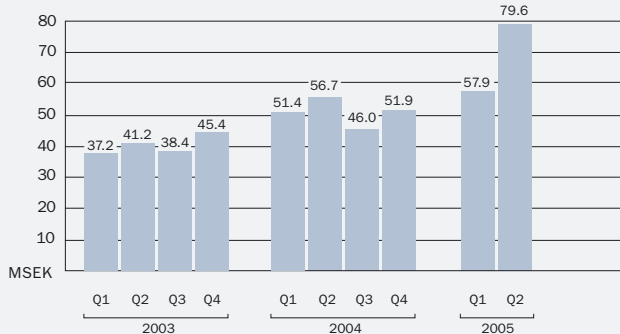


## INTERIM REPORT: 1 JANUARY – 30 JUNE 2005

### TURNOVER

During the first half of the year, BTS' net turnover increased by 27 per cent and amounted to MSEK 137.5 (108.1). Adjusted for changes in exchange rates, growth totalled 32 per cent. Turnover was affected positively through the integration of SMG as from 14 February.

Net turnover per quarter 2003 – 2005

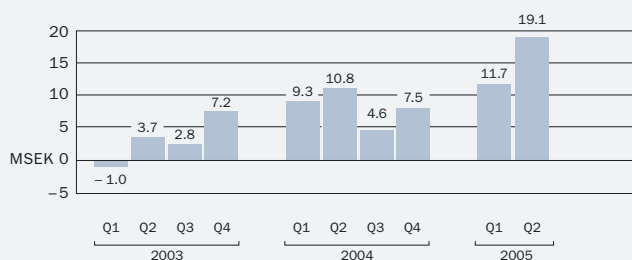


### RESULTS

The Group's result before tax for the first half of the year improved by 53 per cent and amounted to MSEK 30.8 (20.1), with the operating result rising by 32 per cent to MSEK 25.7 (19.5). The operating margin was 19 (18) per cent.

On a rolling twelve-month basis, the operating result totalled MSEK 36.9 (28.2), with the operating margin for the corresponding period amounting to 16 (15) per cent.

Result before tax per quarter 2003 – 2005



### SECOND QUARTER

Turnover during the second quarter totalled MSEK 79.6 (56.7), which constitutes a rise of 40 per cent compared to the corresponding period in 2004. Adjusted for changes in exchange rates, turnover during the second quarter rose by 45 per cent.

The result before tax for the second quarter increased by 77 per cent to MSEK 19.1 (10.8), with the operating result rising by 49 per cent to MSEK 15.6 (10.5). The operating margin was 20 (19) per cent.

### BTS' VIEW OF MARKET DEVELOPMENT

Market conditions for BTS North America remain strong. Market conditions for BTS Europe have improved compared to the previous year.

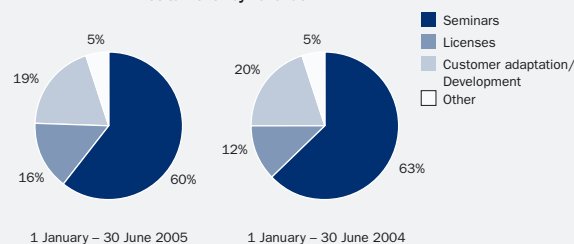
### ASSIGNMENTS AND NEW CLIENTS

New customers acquired during the first six months included Bacardi, Gap, Klövern, Maersk, Sony Ericsson and Tyco.

### REVENUE DEVELOPMENT

The share of licences rose during the first quarter from 12 to 16 per cent. The customer-adapted development share decreased from 20 to 19 per cent. This change in the revenue mix has contributed to the increased operating margin.

Net turnover by revenue



### NEW BTS OFFICE IN ASIA

The market for training in eastern Asia is developing rapidly. BTS has already received a number of commissions in this region. A new office has therefore been established in Beijing, China. The aim is to achieve growth with limited risk through partnerships. As a result, agreements have already been signed with partners in Japan and China, for example.

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

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

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

The rise in intangible assets is attributable exclusively to the acquisition of SMG. Acquired assets consist of software, products, brands, contracts with customers, goodwill and tangible fixed assets.

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

The acquisition analysis is provisional, which is why the value of the intangible assets has not been finalised.

### OPERATIVE UNITS

#### Net turnover per operating unit

MSEK	2004/05		2004 Full year
	Apr-Jun 2005 (2004)	Jan-Jun 2005 (2004)	
BTS North America	46.7 (34.7)	82.5 (62.5)	125.0
BTS Europe	27.5 (19.0)	45.8 (36.5)	61.3
BTS Other markets	5.4 (3.0)	9.2 (9.1)	19.7
<b>Total</b>	<b>79.6 (56.7)</b>	<b>137.5(108.1)</b>	<b>235.4</b> 205.9

#### Operating result per operating unit

MSEK	2004/05		2004 Full year
	Apr-Jun 2005 (2004)	Jan-Jun 2005 (2004)	
BTS North America	7.7 (8.1)	13.8 (12.4)	22.4
BTS Europe	6.9 (2.8)	10.4 (4.7)	5.0
BTS Other markets	1.0 (-0.4)	1.5 (2.4)	2.3
<b>Total</b>	<b>15.6 (10.5)</b>	<b>25.7 (19.5)</b>	<b>36.9</b> 30.7

### BTS North America

BTS North America's net turnover during the first half year amounted to MSEK 82.5 (62.5). Adjusted for changes in exchange rates, turnover for the six-month period increased by 39 per cent. The operating margin was 17 (20) per cent. The result improved to MSEK 13.8 (12.4). The growth and improvement in results of this unit are attributable to positive development within both BTS North America and the recently acquired SMG operation. During the second quarter, net turnover adjusted for changes in exchange rates rose by 41 per cent compared to Q2 2004. The operating margin for the second quarter was 17 (24) per cent. The fall in the operating margin is primarily due to a lower margin in the SMG product range and depreciation of intangible assets for SMG.

### BTS Europe

BTS Europe's net turnover during the first half year amounted to MSEK 45.8 (36.5) with an operating margin of 23 (13) per cent. Adjusted for changes in exchange rates, turnover for the six-month period increased by 27 per cent. The result increased to MSEK 10.4 (4.7). Net turnover in the second quarter amounted to MSEK 27.5 (19.0) and the operating margin was 25 (15) per cent. Activities in BTS Europe developed positively as a result of improvements in sales efficiency and productivity. The integration of SMG's european activities has also made a positive contribution.

### BTS Other markets

BTS Other markets' net turnover improved during the first six months of the year, totalling MSEK 9.2 (9.1). The operating margin was 16 (26) per cent. The result dropped to MSEK 1.5 (2.4). Net turnover in the second quarter amounted to MSEK 5.4 (3.0), the result for the period totalled MSEK 1.0 (-0.4) and the operating margin was 19 (-14) per cent.

### FINANCIAL POSITION

BTS' cash flow from current operations during the first half of the year amounted to MSEK -13.1 (8.3). The drop in comparison with last year's figures for the same period can largely be explained by the amortisation of short-term debts and the binding of capital in SMG's Learning Solutions in the first quarter. During the second quarter the cash flow from current operations amounted to MSEK 2.8 (18.1) and this fall was attributable to an increase in the binding of working capital as a result of the rise in turnover. Cash flow from current operations is expected to improve appreciably during the remainder of the year.

BTS' financial net result for the first six months totalled MSEK 5.1 (0.7), of which MSEK 4.4 is attributable to a positive currency exchange effect linked to the financing of the acquisition of SMG Learning Solutions within the Group. BTS' solidity was 73 (75) per cent at the end of the second quarter.

Available liquid funds totalled MSEK 61.1 (93.6) at the end of the period.

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

### EMPLOYEES

On 30 June, BTS Group AB employed 144 (103) people.

The average number of employees during the period was 135 (102). The increase in employees is essentially connected with the acquisition of the SMG business.

### PARENT COMPANY

The parent company's net turnover amounted to MSEK 0.5 (0.0), and the result after net financial items was MSEK 5.1 (0.5). Liquid funds totalled MSEK 20.3 (44.3). The activities of BTS Group AB, consist exclusively of group co-ordination tasks, and its assets are primarily shares in subsidiaries and liquid funds.

### PROSPECTS FOR 2005

In the report for the first quarter the result before tax for the whole year was estimated to be better than 2004. Based on the result of the first six months and continued positive market conditions the result before tax for the whole year is estimated to be significantly better than 2004.

### ACCOUNTING PRINCIPLES

This report has been prepared in accordance with IAS 34, Interim Financial Reporting, which is in line with recommendation RR 31, Interim Consolidated Reporting, from the Swedish Financial Accounting Standards Council. RR 32, Accounting for legal entities, has been applied for the parent company, which has not resulted in any changes.

As from 1 January 2005, BTS prepares its consolidated accounts in

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

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

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

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

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

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

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

### UPCOMING REPORT DATES

Interim Report January–September	25 October 2005
Year end report	February 2006

Stockholm, 16 August 2005

Henrik Ekelund  
Chief Executive Officer

### AUDIT REPORT

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

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

Stockholm, 16 August 2005

Öhrlings PricewaterhouseCoopers AB

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Authorised public accountant

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## INCOME STATEMENT, SUMMARY

KSEK	3 months ended		6 months ended		12 months ended	
	Jun 30 2005	Jun 30 2004	Jun 30 2005	Jun 30 2004	Jun 30 2005	Dec 31 2004
Revenues	79 628	56 684	137 521	108 069	235 396	205 944
Operating expenses	-62 781	-45 891	-110 323	-88 026	-196 420	-174 123
Depreciation on tangible assets	-453	-278	-745	-560	-1 283	-1 098
Depreciation on intangible assets	-756	-	-756	-	-756	-
<b>Operating result</b>	<b>15 638</b>	<b>10 515</b>	<b>25 697</b>	<b>19 483</b>	<b>36 937</b>	<b>30 723</b>
Financial income and expenses	3 528	283	5 135	652	5 960	1 477
<b>Result before tax</b>	<b>19 166</b>	<b>10 798</b>	<b>30 832</b>	<b>20 135</b>	<b>42 897</b>	<b>32 200</b>
Taxes	-6 419	-4 094	-10 473	-7 312	-14 960	-11 799
<b>Result for the period</b>	<b>12 747</b>	<b>6 704</b>	<b>20 359</b>	<b>12 823</b>	<b>27 937</b>	<b>20 401</b>
attributable to minority interest	99	-	150	22	228	100
attributable to equity holders of the parent	12 648	6 704	20 209	12 801	27 709	20 301
Earnings per share, before dilution of shares, SEK	2.15	1.14	3.43	2.17	4.70	3.44
Number of shares at end of the period	5 897 300	5 897 300	5 897 300	5 897 300	5 897 300	5 897 300
Average number of shares before dilution of shares	5 897 300	5 897 300	5 897 300	5 897 300	5 897 300	5 897 300
Earnings per share, after dilution of shares, SEK	2.15	1.14	3.43	2.17	4.70	3.44
Average number of shares after dilution of shares	5 897 300	5 897 300	5 897 300	5 897 300	5 897 300	5 897 300
Dividend per share						1.60

## BALANCE SHEET, SUMMARY

KSEK	2005-06-30	2004-06-30	2004-12-31
<b>Assets</b>			
Goodwill	20 390	2 129	3 744
Other intangible assets	14 098	-	-
Tangible assets	5 216	2 873	2 190
Other fixed assets	1 716	1 450	1 327
Accounts receivable	67 880	41 336	36 811
Other current assets	15 369	11 710	9 747
Cash and bank	61 057	93 558	110 477
<b>Total assets</b>	<b>185 726</b>	<b>153 056</b>	<b>164 296</b>
<b>Equity and liabilities</b>			
Equity	135 640	114 740	116 579
Minority shareholding	444	167	233
<b>Total equity</b>	<b>136 084</b>	<b>114 907</b>	<b>116 812</b>
Non interest bearing – non current liabilities	458	327	298
Non interest bearing – current liabilities	49 184	37 822	47 186
<b>Total equity and liabilities</b>	<b>185 726</b>	<b>153 056</b>	<b>164 296</b>

## CASH FLOW STATEMENT, SUMMARY

KSEK	Jan-Jun 2005	Jan-Jun 2004	Jan-Dec 2004
Cash flow from current operations	-13 104	8 316	32 137
Cash flow from investment activities	-35 349	-939	-2 926
Cash flow from financing operations	-9 594	-3 529	-3 504
Effect of exchange rate changes on cash	8 627	1 594	-3 346
<b>Change in liquid funds</b>	<b>-49 420</b>	<b>5 442</b>	<b>22 361</b>
Liquid funds, opening balance	110 477	88 116	88 116
<b>Liquid funds, closing balance</b>	<b>61 057</b>	<b>93 558</b>	<b>110 477</b>

## CHANGES IN EQUITY

KSEK	Total Equity 2005-06-30	Total Equity 2004-06-30	Total Equity 2004-12-31
Opening balance	116 812	103 505	103 505
Dividend to shareholders	-9 436	-3 538	-3 538
Conversion differences	8 349	2 117	-3 556
Result for the period	20 359	12 823	20 401
<b>Closing balance</b>	<b>136 084</b>	<b>114 907</b>	<b>116 812</b>

## KEY RATIOS

	Apr-Jun 2005	Apr-Jun 2004	Jan-Jun 2005	Jan-Jun 2004	12 months ended 30 Jun 2005	31 Dec 2004
Revenues, KSEK	79 628	56 684	137 521	108 069	235 396	205 944
Operating result, KSEK	15 638	10 515	25 697	19 483	36 937	30 723
Operating margin, %	20	19	19	18	16	15
profit margin, %	16	12	15	12	12	10
Operational capital, KSEK	75 028	21 349	75 028	21 349	75 028	6 334
Return on Equity, %	39	24	32	23	21	19
Return on operational capital, %	23	39	63	106	55	283
Solidity at end of the period, %	73	75	73	75	73	71
Cash flow, KSEK	-7 585	13 421	-49 420	5 442	-32 501	22 361
Liquid funds at end of the period, KSEK	61 057	93 558	61 057	93 558	61 057	110 477
Average number of employees	144	103	135	102	121	104
Number of employees at end of the period	144	103	144	103	144	107
Revenues for the year per employee, KSEK	2 212	2 201	2 037	2 119	1 945	1 980

### DEFINITIONS

#### Earnings per share

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

#### Operating margin

Operating result after depreciation as a percentage of revenues.

#### Profit margin

Result for the period as a percentage of revenues.

#### Operational capital

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

#### Return on equity

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

#### Return on operational capital

Operating result as a percentage of average operational capital.

#### Solidity

Equity as a percentage of total balance sheet.

#### Revenues for the year per employee:

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

## EFFECT OF TRANSITION TO IFRS

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

<b>Reconciliation of consolidated income statement</b> KSEK	<b>Apr-Jun</b> <b>2004</b>	<b>Jan-Jun</b> <b>2004</b>	<b>12 months ended</b>	
			<b>30 Jan</b> <b>2005</b>	<b>31 Dec</b> <b>2004</b>
Result for the period according to previous GAAP	6 448	12 338	27 327	19 306
Reversed goodwill depreciation	255	462	533	995
Adjustment for result attributable to minority interests	1	23	77	100
Result for the period according to IFRS	6 704	12 823	27 937	20 401
Earnings per share, before dilution, according to IFRS	1.14	2.17	4.70	3.44
Earnings per share, before dilution, according to previous GAAP	1.09	2.09	4.61	3.27
Earnings per share, after dilution, according to IFRS	1.14	2.17	4.70	3.44
Earnings per share, after dilution, according to previous GAAP	1.09	2.09	4.61	3.27

<b>Reconciliation of operating result per operating unit</b> KSEK	<b>Apr-Jun</b> <b>2004</b>	<b>Jan-Jun</b> <b>2004</b>	<b>12 months ended</b>	
			<b>30 Jan</b> <b>2005</b>	<b>31 Dec</b> <b>2004</b>
BTS North America according to previous GAAP	8 002	12 178	23 421	21 839
Reversed goodwill depreciation	155	267	337	604
BTS North America according to IFRS	8 157	12 445	23 758	22 443
BTS Europe according to previous GAAP	2 687	4 517	10 684	4 733
Reversed goodwill depreciation	85	156	140	296
BTS Europe according to IFRS	2 772	4 673	10 824	5 029
BTS Other Markets according to previous GAAP	-429	2 326	2 299	3 156
Reversed goodwill depreciation	15	39	56	95
BTS Other Markets according to IFRS	-414	2 365	2 355	3 251
Total operating result according to previous GAAP	10 260	19 021	36 404	29 728
Reversed goodwill depreciation	255	462	533	995
Total operating result according to IFRS	10 515	19 483	36 937	30 723

## Reconciliation of equity

KSEK

Equity 31 December 2003 according to previous GAAP	103 358
– Adjusted for minority interests	147
<b>Equity 1 January 2004 according to IFRS</b>	<b>103 505</b>
Equity 30 June 2004 according to previous GAAP	114 278
– Adjusted for minority interests	167
– Reversed goodwill depreciation	462
<b>Equity 30 June 2004 according to IFRS</b>	<b>114 907</b>
Equity 31 December 2004 according to previous GAAP	115 584
– Adjusted for minority interests	233
– Reversed goodwill depreciation	995
<b>Equity 31 December 2004 according to IFRS</b>	<b>116 812</b>

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

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

BTS customers are often leading major companies.



*Catalysts for Profitability and Growth*