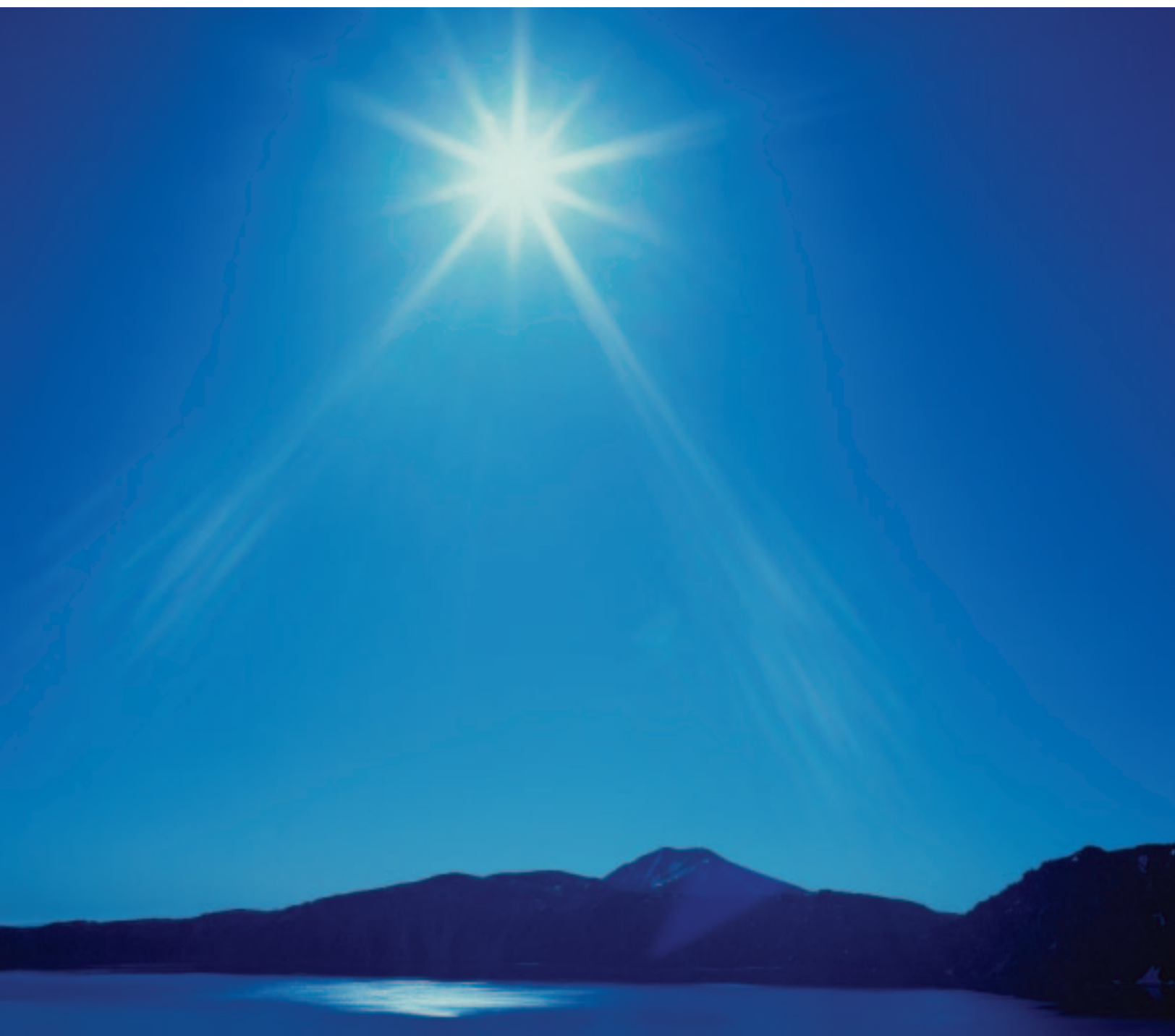


# ANNUAL REPORT 2003



 **BTS**

*Catalysts for Profitability and Growth*

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BTS GROUP AB (PUBL)  
COMPANY REG. NO. 556566-7119

### INFORMATION FOR SHAREHOLDERS

**GENERAL MEETING 2004** The annual general meeting will be held on Thursday, 22 April 2004, starting at 16.00 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 Thursday, 8 April 2004 and must notify BTS Group AB of their intention to attend no later than 12 noon on Monday, 19 April 2004. 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 Thursday, 8 April 2004.

### DIVIDEND

The Board proposes a dividend of SEK 0.60 per share.

### REPORTS AND FINANCIAL INFORMATION 2003

Interim reports	
January—March	22 April 2004
January—June	18 August 2004
January—September	28 October 2004
Year-end report	February 2005

These reports are available on request from BTS Group AB, Christian Ankarcrona, Grevgatan 34, SE-114 53 STOCKHOLM, tel. +46 8 58 70 70 00, fax +46 8 58 70 70 01, 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      BTS Group AB with or the Group subsidiaries (unless a different meaning is implied by the context).

## THE YEAR IN BRIEF

- Net turnover during the year fell by 6 per cent to MSEK 162.2 (172.2).  
Adjusted for exchange rate differences, turnover rose by 6 per cent.
- Result for the year:
  - operating profit MSEK 10.2 (8.5), which corresponds to an operating margin of 6.3 per cent (4.9)
  - result before tax MSEK 12.1 (10.1), an increase of 20 per cent
  - earnings per share SEK 1.23 (1.09).
- Cash flow from operations for the year totalled MSEK 18.2 (15.4).  
At the end of the year, liquid funds totalled MSEK 88.1 (79.0).
- The customer base has developed positively during the year. New customers included Coca-Cola, Honda, Xerox and Sony.
- BTS also acquired the Spanish company Internet Simulations Consulting, S.L.
- Market conditions in the United States have improved continuously and significantly during the second half of the year, while the markets of Europe remained weak during the same period.

## KEY FIGURES

	2003	2002
Net turnover, KSEK	162,204	172,230
Operating result, KSEK	10,222	8,463
Result before tax, KSEK	12,104	10,096
Result after tax, KSEK	7,247	6,413
Operating margin, %	6.3	4.9
Profit margin, %	4.5	3.7
Operating capital, KSEK	15,389	25,345
Return on equity, %	7	6
Return on operating capital, %	50	28
Solidity at end of period, %	76	81
Cash flow from current operations	18,232	15,423
Cash flow for the year	9,124	10,743
Liquid funds, closing balance	88,116	78,992
Average number of employees	97	110
Number of employees at the end of the year	100	102
Net turnover per employee, KSEK	1,672	1,566

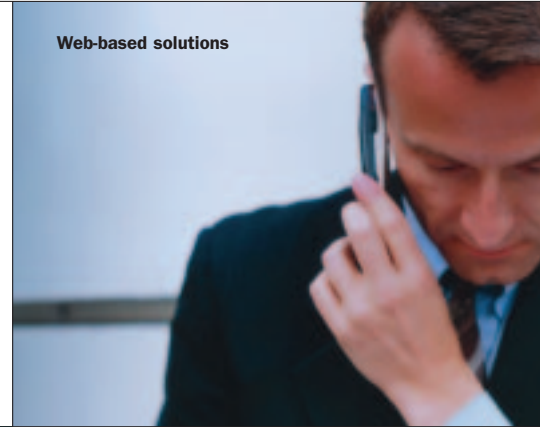
The definitions of key figures are listed on page 31.

## BTS IN BRIEF

MSEK	2003	2002	2001	2000	1999*
Net turnover	162.2	172.2	196.9	177.3	140.8
Operating profit	10.2	8.5	12.6	12.3	9.7
Average number of employees	97	110	125	114	102

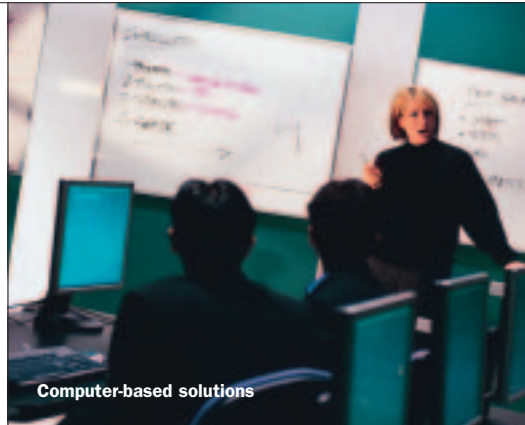
\*Pro forma – development over the past five financial years is presented above.  
The Group's activities were restructured in February 1999 and the figures for 1999 are thus pro forma.

### Web-based solutions



### BUSINESS ACTIVITIES

- An international consultancy and training company active in the field of business acumen.
- Uses tailor-made computer simulation models to support company managers in implementing change and improving profitability.
- BTS helps to train the entire organization 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



### Computer-based solutions

#### EXAMPLES OF SITUATIONS WHERE BTS IS ENGAGED

- 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

### CUSTOMERS

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

#### Examples of customers:

##### BTS USA

Aetna, Applied Materials, Bell Canada, Bell South, Cisco, Cingular Wireless, Coca-Cola, Federated Department Stores, Ford, Genetech, General Motors, Hewlett Packard, Honeywell, IBM, Ingersoll-Rand, K-Mart, Pitney Bowes, SBC, Sony Electronics, Sun Microsystems, Texas Instruments, Washington Mutual, Xerox

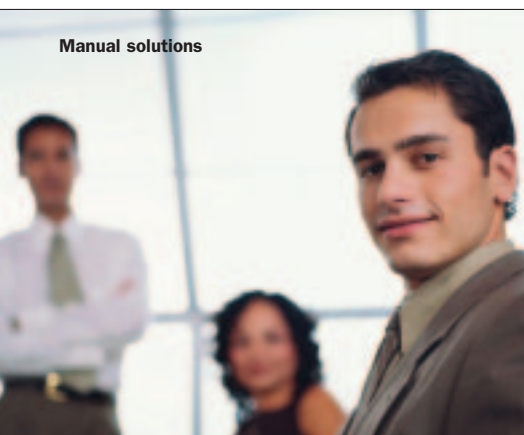
##### BTS Nordic

AstraZeneca, Biovitrum, Cloetta Fazer, Connex, De Laval, Electrolux, Elekta, Ericsson, Metso, Nokia, Posten Norge, Previa, Sandvik, Telia, Vasakronan, Vodafone, UPM-Kymmene

##### BTS United Kingdom

Akzo Nobel, Barclays Bank, Belgacom, British Gas Trading, Centrica, ING Bank, Roche, Royal Mail

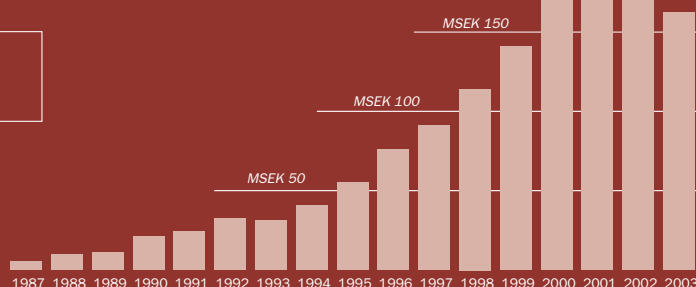
### Manual solutions



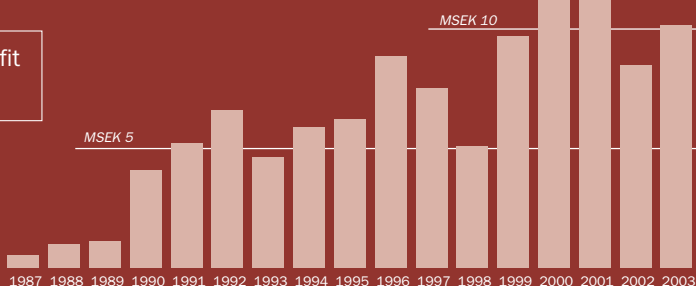


**“Successful businesses often share a common trait: their capacity to adapt their activities to suit changes in market conditions. This is precisely the core area of BTS’ operations – helping companies to make changes successful and thus profitable.”**

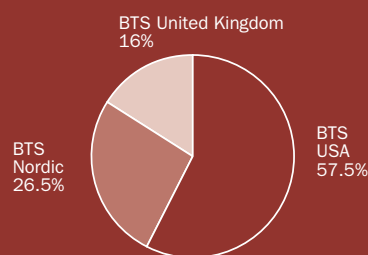
Net turnover  
1987–2003



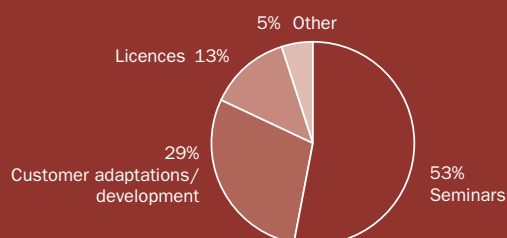
Operating profit  
1987–2003



Net turnover  
2003 per  
operative unit



Net turnover by source  
of income, 1 January  
– 31 December 2003



## GOALS AND STRATEGY

BTS’ goal is to be the leading supplier of business simulations on the markets in which 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 development of the ranges of products and services offered
- Organic growth combined with acquisitions
- 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.

## INTERVIEW WITH THE CEO



A handwritten signature in blue ink, which appears to read 'Henrik Ekelund'.

*Henrik Ekelund*  
CEO

### **How would you summarize 2003?**

Naturally, there are some aspects with which I am satisfied, and some that leave room for improvement, but our primary objective is to continuously improve our profits – which we did in 2003, by as much as 20 per cent. In fact, we have not returned an annual loss since our establishment in 1986. What is more, in 2003 we succeeded in improving our cash flow compared to the year before.

BTS strengthened its position on the market, we increased investments and improved productivity. Our activities in the United States developed very positively. On the other hand, we must admit that the European markets did not show the same strong development as their American counterpart, and this had a negative effect. BTS acquired a Spanish company – I-Simco S.L. – which made a positive contribution to our profitability in 2003.

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

Our greatest cause for celebration is the development of the very important American market, where we significantly improved our market position in a number of areas. Today, we are a much more prominent company in the United States, thanks mainly to good references from key clients such as Cisco and Hewlett-Packard. These have resulted in an increase in unsolicited enquiries from

**“Successful businesses often share a common trait: their capacity to implement changes of all kinds. BTS helps companies to make such changes successful and, as a result, profitable.”**

potential customers during the year. In parallel with this positive development in BTS’ market profile, we have reinforced both our sales organization and our range of products. All these factors contributed to our ability to capture market share in the United States. Naturally, we have also benefited from the improvement in the economy, but the market conditions would not have given us so great a lift if our market position had not been so strong.

### **Are there any causes for concern?**

Our operations in the Nordic region and the United Kingdom did not enjoy the same positive development as those in the United

**“We went into new sectors and developed products especially for them. BTS has established activities in two new geographical markets, Australia and Spain. We have reinforced our sales organization and our working relationships with external suppliers. In addition, we have succeeded in expanding our customer base.”**

States. However, we are still of the opinion that we performed better than many other training companies. For example, we succeeded in attracting new customers such as Uni Credito, Connex and Roche.

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

As regards new sales, we acquired more than 30 new customers over the past year, including Coca-Cola, Honda, Xerox and Sony. At the same time, we maintained and developed business with our existing customers. So all in all, our customer base expanded to include around 140 customers.

The scope of our customer base also expanded through our diminishing dependence on sectors such as IT and telecom in favor of customers from the retail sector, pharmaceuticals and biotechnology, banking and insurance, and energy. The proportion of income from these sectors rose from 10 to 36 per cent between 2000 and 2003. Our strategy in this area has been to identify good reference customers from each sector and to use specialist sector teams. For example, in 2003 we succeeded in appreciably increasing sales to the vehicle distribution sector in the United States.

#### **What types of training are in most demand?**

In general, it is fair to say that most companies are looking for training courses that can help their profitability, productivity and customer relations. A good example is the Customer Loyalty course – a course intended to create long-term relationships with satisfied customers. Other popular courses deal with implementing different strategies for profitability, growth and changes.

#### **You mentioned changes – can you expand on that?**

Successful businesses often share a common trait: their capacity to implement changes of all kinds and to make ongoing improvements. BTS helps companies to make such changes successful and, as a result, profitable. For companies to make changes successfully, it is essential that the employees involved believe in the changes they are being asked to implement. Through a simulation, the employees can figure out for themselves why the change in question is necessary – and what is needed to make its implementation successful. This approach is much more successful than simply presenting a finished solution as a fait accompli.

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

I have a very positive attitude to the future. Our consolidation period of 2001–2003 is now behind us. During this period, we reinforced and prepared BTS for a period of more positive development in market conditions through focusing on new areas. We went into new sectors and developed products especially for them. In addition, BTS set up operations in two new geographical markets: Australia and Spain. We also reinforced our sales organization and our working relationships with external distributors. The past three years have been our best ever as regards new customers – our customer base has increased by 96 per cent, i.e. it has almost doubled in size.

With these initiatives behind us, we entered 2004 as a very strong company. We believe that our result before tax will be significantly better than last year. We have a strong financial position, with cash and bank deposits of MSEK 88.1 (79.0) and we will be looking at opportunities to make additional acquisitions.

**“The scope of our customer base expanded through our diminishing dependence on sectors such as IT and telecom in favor of customers from the retail sector, pharmaceuticals and biotechnology, banking and insurance, and energy.”**

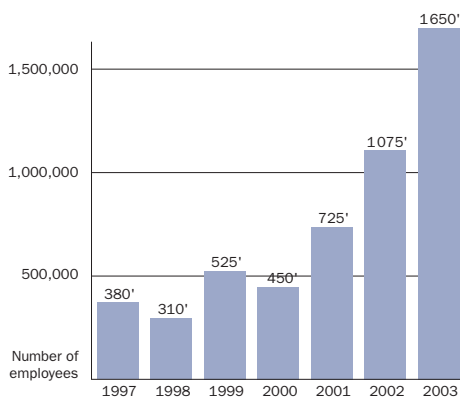
## CUSTOMERS

BTS customers operate in the following fields: manufacturing industry, telecom, IT, banking and insurance, pharmaceuticals and biotechnology, the retail sector and energy. We also work with customers from other areas including the service and distribution sectors. 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, Honeywell, Coca-Cola, Electrolux, Ingersoll-Rand, Pitney Bowes, Philips, Scania, Sandvik, Swedish Match
Telecom	Bell Canada, Bell South, Cingular, Ericsson, SBC, Nokia, Telstra IT Applied Materials, Cisco, Hewlett Packard, IBM, Sony Electronics, Sun Microsystems, Texas Instruments, Xerox
Banking and insurance	Aetna, Barclays Bank, Royal Mail, If, ING Bank, Uni Credito, Washington Mutual
Pharmaceuticals/ biotechnology	AstraZeneca, Aventis, Biovitrum, Elekta, Genentech, Roche Retail Sector K-Mart, Federated Corporation, Toyota, Honda, Ford, Target Energy Centrica
Other	Connex, Vasakronan, SAS, Skanska

Number of employees of new customers



A rough measure of the potential of new customers is the total size of their workforce. During the first year, new customers generally purchase less than existing ones. Subsequently, however, the purchase volume usually grows. The graph shows the total number of employees of the companies that have called on BTS for the first time during the respective years.

### BTS wins agreement with Aetna - worth approximately 3,5 MSEK

Aetna, a new client for BTS and one of America's leading providers of health insurance, has commissioned BTS to develop and customize a business simulation for Aetna's top100 managers. The purpose of the program is to teach Aetna's general managers business acumen and corporate agility in a competitive market. The program, initially targeting Aetna's top100 managers, is to be delivered during 2003.

"Our success within the insurance business and our leading position within simulations were deciding factors when Aetna decided to cooperate with BTS," says Henrik Ekelund, President and CEO of BTS Group AB.

Aetna is one of America's leading providers of health insurance with a turnover of over 30,000 million US dollars.

### BTS wins General Motors as new client

General Motors, the world's largest vehicle manufacturer, has asked BTS to develop a tailored web-based business simulation for their United States Dealership Managers. The assignment, worth 3,5 MSEK includes a web-based dealership simulation.

The purpose of the web-based program is to align all North American Dealership Managers to the financial impact of dealership operations and to help them use the dealership operating report to review the current financial state of a dealership and make

### Ingersoll-Rand - New client with BTS

Ingersoll-Rand has commissioned the training and consultancy company BTS to develop and deliver a Global Business Acumen workshop for their top 250 managers.

The assignment includes a tailored, computer based business simulation. The objective is to increase business acumen skills around creating shareholder value and a global competitive advantage for Ingersoll-Rand.

"We are happy for the chance to work with a growing and innovative company such as Ingersoll-Rand and feel confident that they will benefit from our global experience with other industrial companies. This is further validation that the market recognizes that BTS can deliver high-quality executive solutions for large corporations," says Henrik Ekelund, President and CEO of BTS Group.





# Press Releases

## Sony Electronics Inc. becomes new customer of BTS

Sony Electronics, a multi-national manufacturer and distributor of electronic equipment, instruments and devices, has commissioned the training and consultancy

## BTS wins agreement with Federated Department Stores - worth approximately 7 MSEK

BTS wins agreement with Federated Department Stores to develop a customized leadership training program for Federated's stores, merchant and support executives.

Federated Department Stores, a premier American department store operator including Macy's and Bloomingdale's with annual revenues exceeding US\$15 billion, has partnered with BTS.

## Nokia - new client for BTS

Nokia has commissioned BTS to develop a web-based simulation to strengthen the business acumen of their managers and leaders. The simulation will be included in Nokia's group-initiative to develop stronger leaders and businessmen and -women, all in accordance with "The Nokia Way". The primary target group is 800 managers and employees. The assignment comprises development and users licenses, and will be delivered starting in the second quarter of 2003, with a

## Previa - new client with BTS

Previa, Sweden's leading company within corporate healthcare, has commissioned BTS to develop and deliver a programme during 2003. The programme is comprised of two tailor-made business simulations and targets all employees at Previa.

The purpose of the programme is to support the commercial and business operational competence within Previa.

"It is incredibly exciting for BTS to be able to work with and support Previa in a growing and competitive corporate healthcare market," says Pia Anderberg, President of

Sales to the new sectors on which BTS chose to concentrate during the period of weak market conditions – the retail sector, pharmaceuticals and biotechnology, banking and insurance, and energy – developed progressively and positively in 2003. The proportion of annual income from these sectors rose from 10 to 36 per cent between 2000 and 2003. During the same period, the proportion of income from the IT and telecom sectors fell from 57 to 39 per cent. However, during Q3 and Q4 2003, interest in purchasing in these sectors improved and the flow of orders developed positively.

Distribution of income	2000	2001	2002	2003
Industry	23%	34%	33%	17%
Telecom	31%	30%	13%	13%
IT	26%	17%	21%	26%
Banking/insurance	3%	5%	11%	12%
Pharmaceuticals/biotechnology	1%	4%	7%	6%
Retail	0%	0%	4%	10%
Energy	6%	3%	6%	8%
Other	10%	7%	5%	8%
Total	100%	100%	100%	100%

In 2003, BTS acquired a large number of new customers and captured market shares. In fact, BTS invoiced 140 customers in 2003, 30 of which were new additions. The 15 largest customers provided around 50 per cent of the Group's net turnover for 2003, although no single customer accounted for more than 9 per cent.



## CASE STUDY

BTS' task is to support companies in the successful implementation of changes and improvements. BTS is a specialist – indeed, a world leader – in simulations, which constitute a tool that can be used very effectively to these ends within two different areas:

**1. Clarify 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.

**2. Generate a shared view and activate 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 2003.



## IT

### Cisco

BTS was awarded the contract to develop and implement a program for managers. Around 450 managers from the global Cisco organization participated in a computer-based business simulation. The aim of the course was to develop the business acumen of the managers. The program is a part of Cisco's "Business Leadership Program". BTS developed the program in close collaboration with the Haas Business School (University of California, Berkeley).

Cisco Systems is a world leader in the field of network and Internet solutions. Cisco employs 34,000 people and generated a turnover of approximately SEK 150 billion in the financial year 2003.

### Sony Electronics

BTS was awarded the contract to develop and implement a development program for managers.

The participants completed a tailor-made, computer-based business simulation intended to reinforce and develop the business acumen of the managers and to promote strategic collaboration between senior executives at Sony Electronics. Sony Electronics is a multinational manufacturer and supplier of electronic equipment. In 2002, the company employed approximately 160,000 people and generated a turnover of around SEK 490 billion.

## Energy

### Centrica

BTS has developed a program for managers for Centrica. The commission is based on a tailor-made computer-based simulation intended for the 200 most senior executives at Centrica. The aim of the program is to deploy Managing for Value (MfV) to all areas of Centrica through the practical application of MfV theories, tools and methods, and by improving the capacity of the senior executives to develop business strategies.

Centrica is the largest company in the United Kingdom in the field of energy and service for households. In 2003, Centrica employed 30,000 people and generated a turnover of approximately SEK 230 billion.



## Banking/Insurance

### Royal Mail

BTS has developed a program for 200 senior executives at Royal Mail. The program consists of a computer-based, tailor-made simulation. The aim of the simulation is to support the training and change of behavior necessary to maximize the value of the decision-support system implemented by Royal Mail. Royal Mail is a listed company that is wholly owned by the British government. It employs 200,000 people and generates an annual turnover of approximately SEK 100 billion.

### Aetna

BTS was commissioned to develop a tailor-made business simulation for the top 100 executives at Aetna. The aim of the program was to strengthen business acumen and flexibility on a market distinguished by intense competition. The program was intended for the top 100 executives at Aetna.

Aetna is one of the leading companies in the United States in the field of health insurance and has around 14 million customers. The company employs 27,000 employees and generated a turnover of around SEK 140 billion in 2003.



## Retail

### Federated Department Stores

In collaboration with Federated Department Stores, BTS has developed and implemented a leadership program involving tailor-made business simulations. The commission was targeted at around 800 middle managers. The aim of the program is to reinforce the managers' understanding of how business and leadership decisions effect results and competitiveness.

Federated Department Stores is one of the largest department store companies in the United States – it owns both Macy's and Bloomingdales – and generated a turnover of more than SEK 120 billion in 2002. The company employs 110,000 people.

### General Motors

BTS has developed a Web-based business simulation for the company's resellers in the United States. The program is intended for managers at the resellers. The aim of the program is to develop knowledge about what drives profitability and the ability to use available data to make faster and better business decisions.

General Motors is one of the largest automotive manufacturers in the world. In 2002, the company generated a turnover of approximately SEK 1,490 billion. The company employs 325,000 people.

## Pharmaceuticals/biotechnology

### Previa

BTS has developed and implemented a program that comprises two tailor-made business simulations. The target group consists of all Previa employees. The aim of the program is to support commercial and business competencies within the company.

Previa is the leading health care company in Sweden and employs approximately 1,200 people. In 2003, the company generated a turnover of MSEK 800.

## Industry

### Cloetta Fazer

BTS has developed and implemented a program for around 200 managers and employees at Cloetta Fazer. The commission comprised a tailor-made business simulation. The intention is to create a broader understanding of how Cloetta Fazer's business activities and strategies influence the profitability of the company. In addition, the simulation was designed to support the introduction of the Balanced Scorecard as a tool.

Cloetta Fazer is the leading confectionery company in the Nordic region. Turnover in 2003 amounted to approximately SEK 3 billion. The company employs 2,000 people.

### Ingersoll-Rand

BTS has developed and held a Global Business Acumen workshop for the 250 most senior executives at the company. The participants completed a tailor-made, data-based business simulation with the goal of increasing business acumen and competencies concerning value creation for shareholders as well as to generate competitive advantages for Ingersoll-Rand on a global scale.

Ingersoll-Rand is a hi-tech manufacturing group with innovative products and a world-leading position within its chosen field. The company employs 45,000 people and generates an annual turnover of around SEK 90 billion.

## Telecom

### Nokia

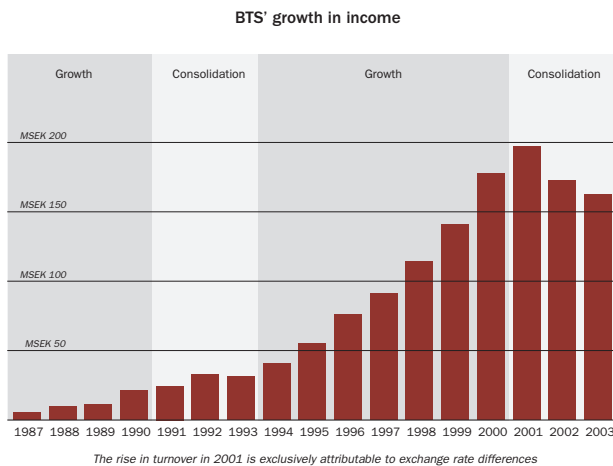
BTS has developed a Web-based business simulation intended to reinforce business acumen among Nokia managers and leaders. The target group consisted of 800 managers and employees and the commission consisted of both development and licenses.

The solution forms an integral part of the Nokia Group program with the overriding aim of developing strong leaders and businessmen in accordance with "The Nokia Way".

Nokia is a global company and a world leader in the field of mobile communication. In 2003, Nokia employed 50,000 people and generated a turnover of approximately SEK 290 billion.



## BTS GROWTH AND PROFITABILITY



Since its foundation, BTS has undergone:

### two periods of growth

- in the period 1987–1990, growth totaled 50 per cent per year
- in the period 1994–2000, growth totaled 28 per cent per year

### two periods of consolidation

- in the period 1991–1993, growth totaled 14 per cent per year
- in the period 2001–2003, turnover fell on average by 3 per cent per year (after adjustments for exchange rate differences, net turnover remained unchanged during the period).

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.

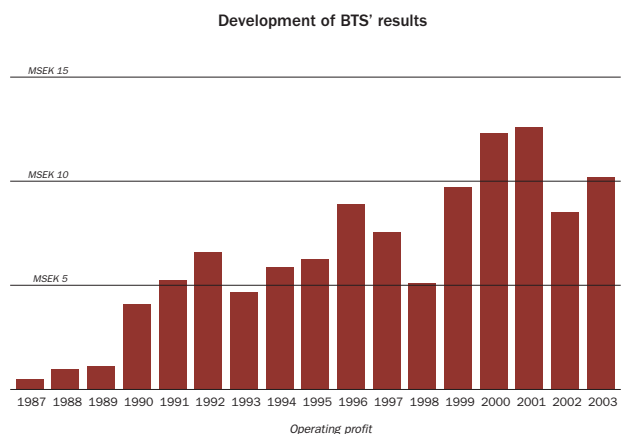
During the period of growth from 1994 to 2000, BTS expanded on account of improved market conditions, a larger customer base and the new initiatives implemented during the preceding period of consolidation.

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:

- products were developed and sold within four new sectors: retail, banking and insurance, pharmaceutical/biotechnology and energy
- activities were established in two new geographical markets – Australia and Spain
- the sales organization was reinforced, as were working relationships with external partners and distributors
- the customer base was broadened and significantly expanded.

BTS is thus well prepared for a new period of growth.

From the very start, thanks to our BTS business model and entrepreneur-driven organization, 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 establishments on new markets, all expensed during the year of investment. We work tirelessly to improve results at all times. During the most recent period of consolidation (2001–2003), BTS has implemented a range of changes which, together, form excellent foundations for improving our profit margins.



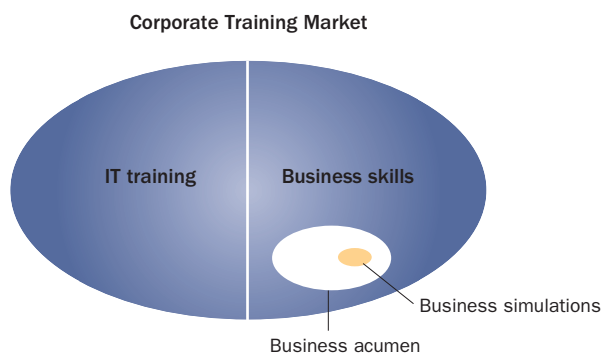


## MARKET OVERVIEW

### 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. Customers are primarily drawn from the following sectors: manufacturing industry, distribution, IT, telecom, financing, pharmaceuticals/biotechnology, retail and energy. Eighteen years of operation and continuous development has helped BTS to achieve a leading position in the market. In 2003, 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.

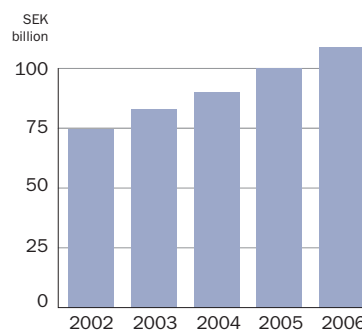
BTS' competitors consist of a number of small niche players which, in the same way as BTS, focus on business simulations. Moreover, BTS competes for its customers' training budget against other players that supply solutions that are not based on simulations. These include, for example, universities, colleges and major training and consultancy companies. The most important competitors in the field of computer-based business simulations include SMG (USA), Megalearning (Belgium), and StartX (France). Large, conventional consultancy and training companies such as Accenture 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 – divides the corporate training market in two sectors: IT training and business skills. IT training refers to computer utilization 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. In two different reports<sup>1,2</sup> published in 2002, IDC presents a number of forecasts. For example, it predicts an average annual growth rate of 15 per cent within the field of business skills in Europe over the next five years. IDC also says that following weak market development in 2002<sup>1</sup>, growth will recover and return to normal levels as from 2003. Forecasts indicate that In 2004, the European market will be valued at around SEK 80 billion. The American market is expected to be somewhat larger.

**Estimated turnover in the European market for Business Skills from external training providers<sup>1</sup>**



### BTS' VIEW OF MARKET DEVELOPMENT

According to our evaluation, the market developed negatively in 2001, 2002 and 2003. However, general uncertainty about the direction of future financial market conditions diminished during the latter half of 2003, primarily in the United States. The willingness of companies to invest in major training initiatives increased progressively during the last six months of 2003. However, the long-term requirement for corporate investment in training remains, and companies are showing increasing interest in the use of business simulations.

BTS believes that the sub-segment of business acumen will grow in step with the total market for corporate training, but that the market for business simulations will grow even faster. This stems from simulations providing more efficient training methodology than conventional training and that general IT developments provides better simulations.

1. Report from the International Data Corporation (IDC), November 2002. "European Business Skills Training Market Forecast and Analysis, 2001–2006."  
 2. Report from the International Data Corporation (IDC), January 2002. "European Business Skills Training Defies Slowdown to Reach \$13 Billion by 2006."



### 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 of 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. Adaptation increases the possibility to link training to the development and improvement of the business activities of a given company.

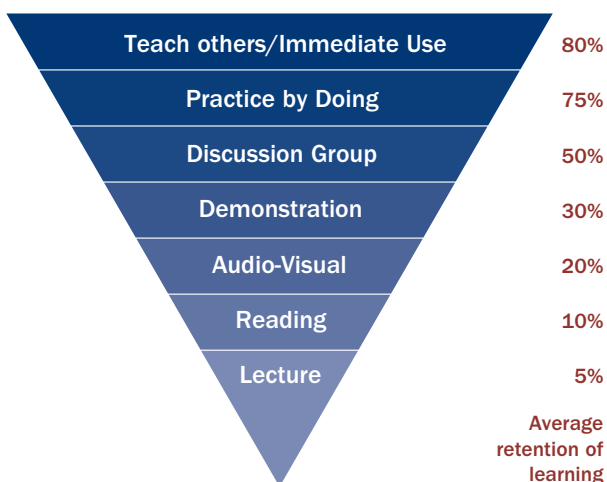
- *Increased requirement for measurable business results linked to the development of the company.*  
Demand is changing, moving away from conventional training – where the focus is very much on the learning capacity of the participants – to training that is directly linked to improvement and change 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, introducing new production systems, and 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 organization, 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 IN THE UNITED STATES AND EUROPE



JONAS ÅKERMAN,  
CEO OF VD BTS USA

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

Yes, absolutely. BTS has succeeded in establishing itself as one of the few companies that businesses can turn to for training at the very highest executive levels – and a company that really contributes to helping people implement corporate strategy. Along with a few very well known universities, BTS is considered the best training environment in America for executive business acumen.

BTS has also won the prestigious ‘Supplier of the Year’ award, presented by Texas Instruments. Texas Instruments has hundreds of suppliers, and this is the first time that a training company has been nominated for the award.

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

Naturally, the upturn in market conditions was far and away the most significant event. The first indications of the change started to appear around the middle of the year, but at that time, no-one could be quite certain which way it would go. Today, the economy seems good and stable. It is interesting to note that a number of former customers such as Nortel, Honeywell and Sun Microsystems have now come back to us. In addition, the flow of new customers has been remarkable.

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

More and more, we are being called on by top executives rather than the lower levels. The number of conference commissions has also increased significantly. These commissions are often kick-offs or similar events that sometimes attract as many as a hundred top executives to the same conference. On many occasions, the events are intended to communicate messages and knowledge to the participants in formats other than standard lectures, which are otherwise the most common medium. BTS can now supply a solution that is fun and informative, demands teamwork and is directly applicable to the job. Many other activities at conferences can be fun, but they do not allow participants to work with actual business matters.

We have also noticed a sharp upturn in the demand for programs intended for people who work with customer contact. Increasingly often, BTS is called on to train sales managers in services targeted at building profitability in the customer’s business helping the customers to solve problems and achieve their corporate goals. The automotive sector has become one of the big players. This is very interesting if you consider how many people work for the automotive giants. Banking, trade and pharmaceuticals are also important sectors for BTS today.

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

American companies are big and often still operate a rigid hierarchy. This means that BTS has an important role to play to get all employees focused on the core business of the company. It is evident that companies which can encourage people to understand, believe in and want to implement a specific strategy are much more successful than those which simply issue orders. The United States market is one in which language, values and the capacity to dare are unique.

**What will be the biggest challenges in 2004?**

To work in an expanding market to train our own personnel to provide better quality in the service we supply to our customers – and thus to live up to increasingly demanding expectations. Another challenge is to nurture the growth potential that exists among our existing customers.

**“BTS has also won the prestigious ‘Supplier of the Year’ award, presented by Texas Instruments. Texas instruments has hundreds of suppliers, and this is the first time that a training company has been nominated for the award.”**

OPERATING UNITS

**Net turnover per operative unit**

MSEK (full year)	2003	2002
BTS USA	93.4	92.6
BTS Nordic	43.2	45.1
BTS United Kingdom	25.6	34.5
<b>Total</b>	<b>162.2</b>	<b>172.2</b>

**Operating profit per operative unit**

MSEK (full year)	2003	2002
BTS USA	8.6	-0.6
BTS Nordic	1.4	3.5
BTS United Kingdom	0.2	5.6
<b>Total</b>	<b>10.2</b>	<b>8.5</b>



**PIA ANDERBERG,  
RESPONSIBLE FOR  
BTS EUROPE**

**Are you satisfied with the development of BTS in your markets?**

Despite the fall in profits, I am basically satisfied with the way BTS developed in Europe in 2003. We generated profits and attracted a number of new, large customers despite the fact that the general business conditions were poor on most of our markets. We have identified new forms of delivery and we have become more efficient. In addition, we have launched new product solutions for several of our key customers. BTS Spain, which we acquired during the summer, has developed well. We are putting resources into reinforcing the sales process and product range.

Sweden and Finland did relatively well considering the instability of the Swedish and Finnish economies. Sweden received a good flow of orders towards the end of November and in December, which greatly improved the position of the company at the start of the new year. In the United Kingdom, BTS did not do quite as well despite the fact that the economy was relatively strong compared to the rest of Europe. The difficulties were caused by factors such as a low level of orders from 2002 and a poor flow of new orders during the first six months of 2003. However, during the second half of 2003, we acquired three new large customers: Roche, Belgacom and ING Bank.

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

Our purchase of I-Simco in Spain – which is now called BTS Spain – a company with nine employees. A good deal of work has been done to integrate this company into the Group, not only from an administrative perspective but also – and in particular – from the point of view of solutions, performance and quality. I think that this work will be completed during the first half of 2004.

BTS Sweden has continued streamlining costs and reinforcing the customer base. Additional strong collaboration between the companies that make up the BTS Group has resulted in a number of successful joint deliveries and has increased efficiency within the organisation.

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

Vasakronan is a good example. We trained all this company's executives in four modules. We have developed and taken steps into the area of leadership linked to business acumen.

We have also developed the Managing for Value (MfV) concept in collaboration with Barclays Bank, Roche and Centrica.

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

The European market is much more fragmented than that of the United States. Smaller volumes (in relation to the United States) demand a larger number of commissions, which naturally promotes new forms of delivery as these are needed to improve efficiency and profitability.

**What will be the biggest challenges in 2004?**

The challenges vary from market to market. Sweden has a new manager – Katrin Fagerberg – who has worked for BTS for the past eight years as a sales operative and team leader.

Finland needs to strengthen its inflow of orders and develop working relationships with a number of key customers. The United Kingdom – which also has a new manager, Mark Haenel – must expand its key accounts and attract a number of new large customers. Spain is to continue its successful sales work with new solutions in the portfolio that can help expand existing accounts. In addition, it is to become an equal member of the BTS group as regards sales, delivery and quality. In general, we must utilize the upswing in the field of telecoms and generate high income from this sector again. It is also important for us to cultivate customers in the banking and finance sector.



**“Spain is to continue its successful sales work with new solutions in the portfolio aimed at expanding existing accounts. In addition, it is to become an equal member of the BTS group as regards sales, delivery and quality.”**

## 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 have been 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 for 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 manual business simulations, often intended for broader groups of the customers' employees.

As of 31 December 2003, BTS had supplied training solutions in 12 languages to customers in around 50 different countries. All in all, more than 300,000 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 chains and product development
- Management development
- Acquisitions and mergers.

### BUSINESS MODEL AND OVERRIDING GOALS AND STRATEGY

- Physical establishment on new markets takes place once the volume of business is sufficiently large.
- Long-term customer relations mean stable income over time.
- High quality and satisfied customers mean more effective new sales.
- Sector focus and proprietary rights to business simulations generate repeat business.

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 sector leaders, 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 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 anchoring 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 simulations**

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 manual, 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 specific parts of 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 industry, telecom, IT, banking and insurance, pharmaceutical/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 the programming environments available on the market, such as Excel, Visual Basic and Flash so as to concentrate the company's product development resources on applications specific to BTS.

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 short 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 structure 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. It has to do not only with refining and developing existing solutions, but also with 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' intention is 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 for and reuse documents prepared 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**
- **Increasing the efficiency of processes**
  - e.g. **supply chains and product development**
- **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 their skills within specific areas linked to their company. During the simulation itself, the participants take on the role of the company management. Company simulations normally contain 30–100 different parameters that affect the end 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 competition situation in deregulated markets.

### SCENARIO-DRIVEN BUSINESS SIMULATIONS

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**
  - 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.
- **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 real 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 business 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.
- **Manual business simulations** – 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.

#### 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.

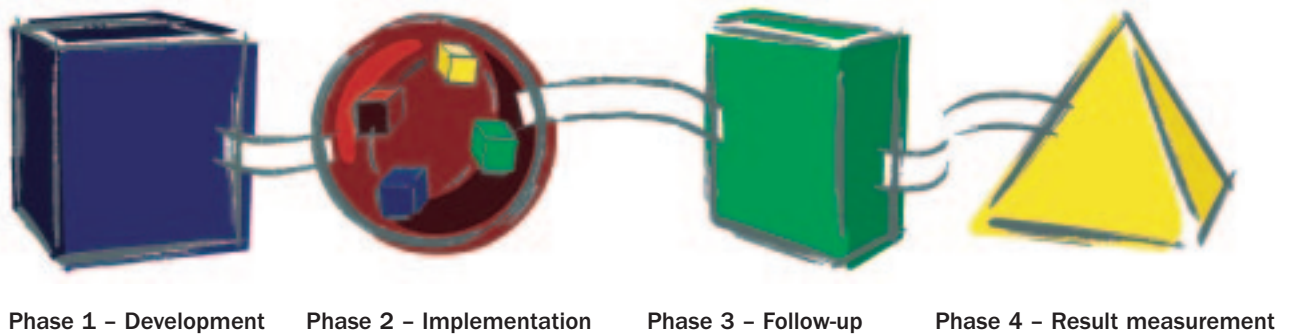
##### ■ Phase 2 – Implementation

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 below shows an example of an agenda for a course of computer-based BTS seminars.

DAY 1	DAY 2	DAY 3
Introduction	Financial connections and company management	Challenges, strategy and direction of own company
Simulation yr1	Feedback yr 2	Feedback yr 4
Routes to increased profitability	Simulation yr 3	Application <ul style="list-style-type: none"> <li>• Learning profitability</li> <li>• Measures and productivity</li> <li>• Commitments (group/individual)</li> </ul>
	Market orientation and productivity	
Feedback yr1	Feedback yr 3	
Simulation yr2	Simulation yr 4	Final feedback session & summary

*Example of an agenda for BTS 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 centred 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. The feedback stage is carried out in groups and via individual guidance during the seminar itself.

**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

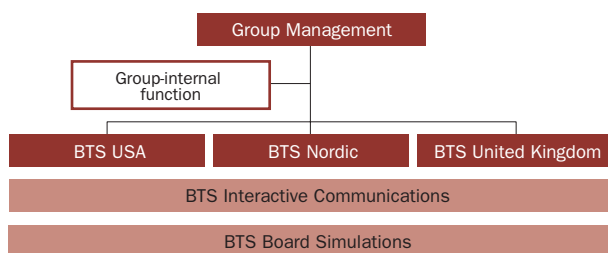
### OPERATIONAL STRUCTURE IN 2003

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 USA** runs operations in the United States and South Africa and has offices in Stamford (Connecticut, USA), San Francisco (California, USA) and Johannesburg (South Africa).
- **BTS Nordic** operates in Sweden, Finland and Spain and has offices in Stockholm (Sweden), Helsinki (Finland) and Madrid and Bilbao (Spain).
- **BTS United Kingdom** operates in Great Britain and Australia and has offices in London (Great Britain) and Sydney (Australia).

The heads of the three 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 Communications** is responsible for Web-based business simulations.
- **BTS Board Simulations** is responsible for manual business simulations.

BTS Interactive Communications 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 internal skills development are crucial to future development. 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.

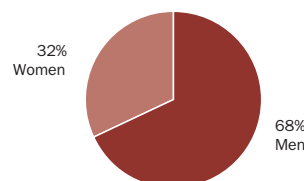
At 31 December 2003, the company employed 100 people (102). The average number of employees during the year was 97 (110). Since 1993, in order to manage historical and future growth BTS has been developing a process for the effective recruitment of the right employees and the development of their individual skills and competencies.

### PERSONAL AND SKILLS DEVELOPMENT

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 modelling 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 2003



## HISTORY

- 1986** BTS was founded in Stockholm, Sweden, by a group of people including Henrik Ekelund (the current CEO). The first few years were 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 joined 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 internationalisation of BTS is started. The company receives two strategically important commissions, one from Kodak in the United States, and one from Nuclear Electric in Great Britain. These commissions led 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 collaboration with Ericsson, BTS develops the first businesssimulation that illustrates processes and the value chain within the customer's organisation. 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 its first manual business simulations, which are based on printed material. This allows BTS to target all sections 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.

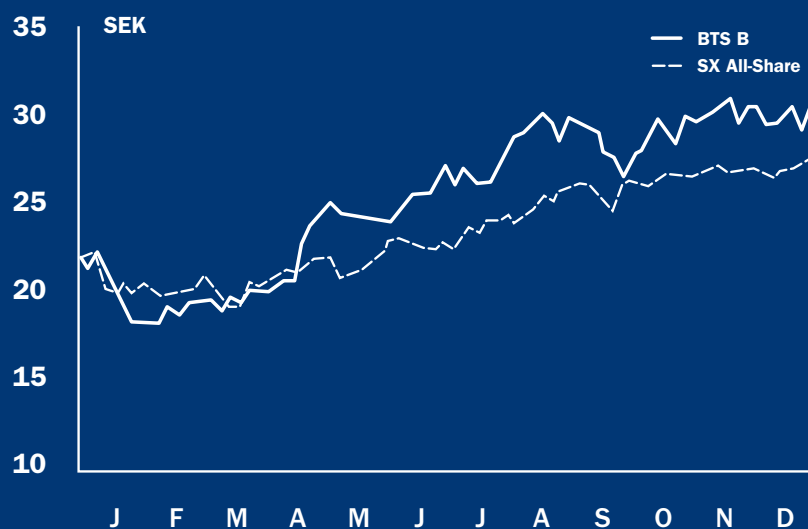
The total share capital in the Company is SEK 5,897,300, divided between 284,600 A-shares and 5,612,700 B-shares, each with a nominal value of SEK 1. A-shares entitle holders to ten votes, B-shares to one vote. All shares carry equal rights to shares of the company's assets and profits.

At 30 December 2003, there were 488 shareholders in the company.

During 2003, 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 2003	SEK 22.20
Share price 31/12 2003	SEK 30.60
Earnings per share, 31/12 2003	SEK 1.23
Liquid funds per share, 31/12 2003	SEK 14.94
Shareholders' equity per share, 31/12 2003	SEK 17.53



BTS share price development, 2003

## SHARE CAPITAL

Year	Transaction	Increase in share capital SEK	Share capital, SEK	Changes in number of		Total number of shares	Nominal value of the share (SEK)
				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 2003 is presented in the table below.

Owner	Number of shares			Number of votes	Share of	
	A	B	Total		capital	votes
Henrik Ekelund	284,600	1,455,218	1,739,818	4,301,218	29.5%	50.8%
Stefan af Petersens		1,052,441	1,052,441	1,052,441	17.8%	12.4%
Stefan Hellberg		928,682	928,682	928,682	15.7%	11.0%
AcadeMedia		618,000	618,000	618,000	10.5%	7.3%
Jonas Åkerman		280,600	280,600	280,600	4.8%	3.3%
Ringvägen Venture AB		234,700	234,700	234,700	4.0%	2.8%
Henderson Global Investors		200,000	200,000	200,000	3.4%	2.4%
Alfred Berg (fonder)		159,100	159,100	159,100	2.7%	1.9%
Lannebo fonder		155,703	155,703	155,703	2.6%	1.8%
Folksam Framtidsfond		62,100	62,100	62,100	1.1%	0.7%
Pia Anderberg		50,000	50,000	50,000	0.8%	0.6%
Other		416,156	416,156	416,156	7.1%	5.0%
Total	284,600	5,612,700	5,897,300	8,458,700	100.0%	100.0%

## WARRANT PROGRAM

BTS Group AB has three ongoing warrant programs which have been established for employees in subsidiaries. Each warrant program is divided into two series, each containing the same number of warrants. Each warrant entitles the holder to subscribe for four new B-shares. In 1999 and 2000, promissory notes were issued linked to 78,650, 36,775 and 53,200 separable warrants for subscriptions for new shares at the following prices: SEK 31.30, SEK 40.00 and SEK 75.00 per share. Full utilisation of the remaining warrants would result in a total increase in share capital

of 286,348 shares. The table below illustrates the subscription periods for the different programs.

*Warrants*

Warrant series	Number	Redemption price	Subscription period
2000/2004	18,387	40.00	2004-01-01 – 2004-03-31
2000/2004:2	26,600	75.00	2004-01-01 – 2004-03-31
2000/2005	26,600	75.00	2005-01-01 – 2005-03-31

## FIVE-YEAR SUMMARY AND OTHER FINANCIAL INFORMATION

The Group was restructured in February 1999, and as a result, the official accounts provide a true and fair view of BTS' profits for the period 2000–2002 and of the balance sheet totals at 31

December 1999, 2000–2003. Pro forma income statements and key figures for 1999 are presented as if the restructuring had been implemented from 1 January 1999.

### INCOME STATEMENT

#### Income statement for the Group, summary

SEK million	2003	2002	2001	2000	1999*
Net turnover	162.2	172.2	196.9	177.3	140.8
Operating costs	-150.1	-162.0	-182.3	-163.0	-129.0
Depreciation on tangible and intangible fixed assets	-1.9	-1.7	-2.0	-2.0	-2.1
<b>Operating profit</b>	<b>10.2</b>	<b>8.5</b>	<b>12.6</b>	<b>12.3</b>	<b>9.7</b>

\*Pro forma

### BALANCE SHEET

#### Balance sheet for the Group, summary

SEK million	2003	31 December Result			
		2002	2001	2000	1999
Fixed assets	6.0	5.0	7.0	7.0	5.7
Trade accounts receivable	31.2	31.4	38.8	46.0	32.2
Other current assets	10.7	13.7	15.3	4.5	7.0
Cash and bank deposits	88.1	79.0	68.3	24.0	5.9
<b>Total assets</b>	<b>136.0</b>	<b>129.1</b>	<b>129.4</b>	<b>81.5</b>	<b>50.8</b>
Shareholders' equity	103.4	104.1	103.6	16.2	7.7
Minority interests	0.1	0.1	-	-	-
Provisions for deferred tax	0.2	0.2	-	0.8	0.5
Interest-bearing liabilities	-	0.1	0.2	29.3	0.5
Non-interest-bearing loans	0.1	-	-	-	15.3
Other non-interest-bearing liabilities	32.2	24.6	25.6	35.2	26.8
<b>Total shareholders' equity and liabilities</b>	<b>136.0</b>	<b>129.1</b>	<b>129.4</b>	<b>81.5</b>	<b>50.8</b>

### CASH FLOW

The current Group structure was established in 1999.

For this reason, cash flow figures are only presented for the following years: 2000, 2001, 2002 and 2003.

#### Group cash flow

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

## FINANCIAL KEY FIGURES FOR THE GROUP

SEK million	2003	2002	2001	2000	1999
Net turnover	162.2	172.2	196.9	177.3	140.8
Operating profit	10.2	8.5	12.6	12.3	9.7
Operating margin, %	6.3	4.9	6.4	6.9	6.9
Profit margin, %	4.5	3.7	5.0	4.3	–
Return on equity	7.0	6.2	16.5	64.7	–
Return on operating capital, %	50.2	27.8	44.4	62.9	60.4
Operating capital	15.4	25.3	35.5	21.5	17.5
Shareholders' equity	103.4	104.1	103.6	16.2	7.7
Solidity, %	76.0	80.7	80.1	19.8	15.1
Cash flow	9.1	10.7	44.3	18.1	–
Liquid funds	88.1	79.0	68.3	24.0	5.9
Number of employees at the end of the year	100	102	119	126	106
Average number of employees	97	110	125	114	102
Annual net turnover per employee	1.7	1.6	1.6	1.6	1.4

## 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.

*Net revenue per employee*

Revenue for the year divided by the average number of employees.

## STATEMENT FROM THE MANAGEMENT

### 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 2003 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 organisation to run analyses and to take decisions centred on the factors that promote growth and profitability. This generates increased emphasis on profitability and market focus, and supports day-to-day decision-making, which in turn leads to tangible, sustainable improvements in profits. BTS customers are often leading major companies.

### SIGNIFICANT EVENTS DURING 2003 AND AFTER THE CLOSE OF THE FINANCIAL YEAR

- An appreciably larger customer base – the number of customers rose by 26 per cent.
- BTS has started operations in Spain through and acquisition.
- Market conditions in the United States have improved continuously and significantly during the second half of the year, Income in the United States in local currency increased by 37 per cent during the third quarter and by 72 per cent during the fourth quarter.
- Productivity, measured in revenue per employee adjusted for exchange rate differences, rose by 20 per cent.

### TURNOVER AND RESULT

BTS' net turnover for the year fell by 6 per cent to MSEK 162.2 (172.2). Turnover rose in the United States but fell in Great Britain and the Nordic region. After adjustments for exchange rate differences, turnover actually rose by 6 per cent.

The Group result before tax for the year totalled MSEK 12.1 (10.1). The operating margin for the year was 6.3 per cent (4.9). The result for the United States improved, but the results for the Nordic region and Great Britain fell. The improvement in the result for the United States is attributable to growth in income and improvements in productivity (revenue per employee). The fall in results in the Nordic region and Great Britain was caused by lower income which was only partially offset by cuts in costs.

Market conditions in the United States have improved continuously and significantly during the second half of the year, This development has affected BTS USA with regard to growth in income, order flow, order size and the number of enquiries. BTS' market position in the United States has improved significantly over the past three years – as regards customer base, market share and sales organisation – putting BTS in an even better position to benefit from the improved market conditions.

Market conditions in the Nordic region showed signs of recovery towards the end of the fourth quarter.

At the start of the year, BTS suffered a considerable drop in turnover in Australia following the loss of orders from a number of large customers. During the year, this shortfall was partially offset by commissions from new customers. In Great Britain, the market was weak throughout the year.

Net turnover by source of income changed compared to the previous year. The growth in the customer base resulted in an increase in income from customer adaptations and development from 26 to 29 per cent. In the weak market conditions of 2003, customers were less inclined to invest in seminars, income from which fell from 60 to 53 per cent. License income rose from 7 to 13 per cent, which is in line with the company's goal of increasing revenue from this source.

Sales to the new sectors on which BTS chose to concentrate during the period of weak market conditions – the retail sector, pharmaceuticals and biotechnology, banking and insurance, and energy – developed progressively and positively in 2003. The proportion of annual income from these sectors rose from 10 to 36 per cent between 2000 and 2003. During the same period, the proportion of income from the IT and telecom sectors fell from 57 to 39 per cent. During the second half of the year, interest in purchasing and the flow of orders from the IT and telecom sectors both developed positively.

BTS USA's net turnover for the year totalled MSEK 93.4 (92.6), an increase of 1 per cent (an increase of 20 per cent after adjustments for exchange rate differences). The operating margin was 9 per cent (-1). Market conditions in the United States have improved continuously and significantly during the third and fourth quarters. BTS' market position has become stronger during the year.

BTS Nordic's net turnover for the year amounted to MSEK 43.2 (45.1). This figure includes BTS Spain, which, from an organisational perspective, was added to the BTS Nordic operational unit. Turnover from BTS Spain, which was acquired on 1 July, totalled MSEK 2.6. The operating margin for BTS Nordic was 3 per cent (8). Market



conditions in the Nordic region were weak during 2003, although they started to improve towards the end of the fourth quarter.

Turnover for BTS UK for 2003 totalled MSEK 25.6 (34.5), of which turnover from BTS Australia accounted for MSEK 5.9 (9.1). Net turnover thus fell by 26 per cent (a fall of 20 per cent after adjustments for exchange rate differences). The operating margin was 1 per cent (16).

#### FINANCIAL POSITION

At the end of the year, liquid funds totalled MSEK 88.1 (79.0). Interest-bearing liabilities amounted to MSEK 0.0 (0.1). At the end of 2003, shareholders' equity totalled MSEK 103.4 (104.1) and solidity was 76 per cent (81). BTS' cash flow from current operations for 2003 was MSEK 18.2 (15.4).

#### EMPLOYEES

At 31 December 2003, BTS employed 100 people (102). The average number of employees during the year was 97 (110).

#### 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 totalled MSEK 1.7 (1.5), with a result after financial items of MSEK 2.5 (1.2). Liquid funds totalled MSEK 47.6 (49.1).

#### PROSPECTS FOR 2004

Against a background of improved market forecasts, the result before tax for the year as a whole is expected to be considerably better than in 2003.

#### MULTIPLE YEAR OVERVIEW

Development over the past five financial years is presented below. The Group's activities were restructured in February 1999 and the figures for 1999 are thus pro forma.

KSEK	2003	2002	2001	2000	1999
Net turnover	162,204	172,230	196,887	177,326	140,848
Operating costs	-150,105	-161,997	-182,261	-163,031	-129,021
Depreciation	-1,877	-1,770	-1,982	-2,026	-2,126
Operating profit	10,222	8,463	12,644	12,269	9,701
Operating margin, %	6.3	4.9	6.4	6.9	6.9
Number of employees at the end of the year	100	102	119	126	106
Average number of employees	97	110	125	114	102
Net turnover per employee	1,672	1,566	1,575	1,555	1,381

#### 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. At the 2003 Annual General Meeting, Dag Sehlin was elected to the Board to replace Gunnar Ekdahl who resigned for reasons of ill health. He was replaced as Chairman of the Board by Reinhold Geijer, who, however, for reasons of pressure of work asked to be relieved of the post of Chairman, but was willing to remain as a member of the Board. At the subsequently convened meeting, Dag Sehlin was appointed to succeed Reinhold Geijer as Chairman of the Board. As a result, since the General Meeting, the Board of Directors 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 November. 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.

During the past year, a total of eight meetings were held, two of which were centred on the acquisition of Internet Simulations Consulting, S.L. (I-Simco S.L.). In addition, separate in-depth consideration has been given to the corporate strategy. The rewards system has also been examined. During the last meeting of

the year, the Board conducted an evaluation of its work, including feedback for the principal owners.

#### IFRS 2005 ADAPTATION

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 amortises goodwill over five years, but it is likely that IFRS will stipulate that any change of value in goodwill can only be implemented after testing. BTS held no security instruments in 2003, 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. The measures undertaken thus far to ensure the transfer to IFRS are:

- implementation of the new recommendations from the Swedish Financial Accounting Standards Council
- after inventory, establish that all pension benefits are defined by contributions
- after inventory of the company sales contract establish that the question of embedded derivatives will have no significant effects.

#### PROPOSED APPROPRIATION OF PROFITS

##### *The Group*

The Group's unrestricted shareholders' equity amounts to SEK 27,217,242. It is suggested that allocations be made to restricted shareholders' equity in the Group's respective companies in the total amount of SEK 202, 380.

##### *The Parent Company*

The Board suggests that the remaining profits:

Result carried forward	2,858,203
Result for the year	2,020,107
Total	4,878,310

be dealt with as follows:

Dividend to shareholders	3,538,380
Provisions for statutory reserve	202,360
Carried forward to new income statement	1,137, 570
Total	4,878,310

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

## FINANCIAL STATEMENTS

### INCOME STATEMENTS

KSEK	Note	The Group		The Parent Company	
		2003	2002	2003	2002
Net turnover	1, 2, 9	162,204	172,230	1,714	1,521
<i>Operating costs</i>					
Other external costs	2, 3, 4, 5	-54,605	-61,059	-1,595	-1,671
Personnel costs	6	-95,500	-100,938	-480	-299
Depreciation of tangible and intangible fixed assets	7, 8	-1,877	-1,770	-	-
<i>Total operating costs</i>		-151,982	-163,767	-2,075	-1,970
<b>Operating profit</b>	<b>9</b>	<b>10,222</b>	<b>8,463</b>	<b>-361</b>	<b>-449</b>
<i>Financial items</i>					
Profit from other securities and receivables considered to be fixed assets	10	-1	-	1,499	-
Interest income and similar profit and loss		2,021	1,943	1,324	1,641
Interest cost and similar profit and loss		-138	-310	-	-
<i>Total result from financial items</i>		1,882	1,633	2,823	1,641
<b>Result after financial items</b>		<b>12,104</b>	<b>10,096</b>	<b>2,462</b>	<b>1,192</b>
Appropriations	11	-	-	-240	-
Tax on result for the year	12	-4,856	-3,517	-202	-446
Minority share of result for the year		-1	-166	-	-
<b>Result for the year</b>		<b>7,247</b>	<b>6,413</b>	<b>2,020</b>	<b>746</b>
<b>EARNINGS PER SHARE</b>					
Earnings per share before dilution, SEK		1.23	1.09	-	-
Number of shares at year end		5,897,300	5,897,300	-	-
Average number of shares before dilution		5,897,300	5,879,975	-	-
Earnings per share, fully diluted basis, SEK		1.23	1.09	-	-
Average number of shares, fully diluted basis		5,897,300	5,879,975	-	-
Proposed dividend per share		0.60	0.50	-	-

BALANCE SHEETS

KSEK	Note	The Group		The Parent Company	
		2003	2002	2003	2002
<b>ASSETS</b>					
<b>Fixed assets</b>					
<i>Intangible fixed assets</i>					
Goodwill	7	1,649	365	–	–
<i>Tangible fixed assets</i>					
Stocks	8	2,922	3,030	–	–
<i>Financial fixed assets</i>					
Participations in Group companies	13	–	–	38,265	35,550
Other long-term holdings of securities	15	–	1	–	1
Deferred tax receivable	16	278	406	–	–
Other long-term receivables	19	1,142	1,222	–	–
<b>Total fixed assets</b>		<b>5,991</b>	<b>5,024</b>	<b>38,265</b>	<b>35,551</b>
<b>Current assets</b>					
<i>Short-term receivables</i>					
Trade accounts receivable	19	31,208	31,399	–	–
Receivables from Group companies		–	–	6,285	7,331
Other receivables	19	1,134	2,059	15	52
Prepaid expenses and accrued income	17	9,564	11,639	114	105
<i>Total current receivables</i>		41,906	45,097	6,414	7,488
Cash and bank deposits		88,116	78,992	47,618	49,095
<b>Total current assets</b>		<b>130,022</b>	<b>124,089</b>	<b>54,032</b>	<b>56,583</b>
<b>TOTAL ASSETS</b>		<b>136,013</b>	<b>129,113</b>	<b>92,297</b>	<b>92,134</b>

BALANCE SHEETS, *continued*

KSEK	Note	The Group		The Parent Company	
		2003	2002	2003	2002
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>					
<b>Shareholders' equity</b>					
<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		–	–	569	569
Restricted reserves		70,244	75,156	–	–
Premium reserve		–	–	79,547	79,547
<i>Total restricted equity</i>		76,141	81,053	86,013	86,013
<i>Unrestricted equity</i>					
Result carried forward		19,970	16,679	2,858	5,060
Result for the year		7,247	6,413	2,020	746
<i>Total non-restricted equity</i>		27,217	23,092	4,878	5,806
<b>Total shareholders' equity</b>		<b>103,358</b>	<b>104,145</b>	<b>90,891</b>	<b>91,819</b>
<b>Provisions</b>					
Provisions for deferred tax		217	150	–	–
Minority interests		147	134	–	–
<b>Long-term liabilities</b>					
Long-term interest-bearing liabilities	20	–	58	–	–
Other liabilities		100	–	–	–
<b>Total long-term liabilities</b>	19	<b>100</b>	<b>58</b>	<b>–</b>	<b>–</b>
<b>Untaxed reserves</b>					
Tax allocation reserve		–	–	240	–
<b>Short-term liabilities</b>					
Accounts payable	19	5,505	5,773	217	216
Tax payable		3,052	1,709	185	21
Other short-term liabilities	19	6,685	5,489	697	–
Accrued expenses and prepaid income	21	16,949	11,655	67	78
<b>Total short-term liabilities</b>		<b>32,191</b>	<b>24,626</b>	<b>1,166</b>	<b>315</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>136,013</b>	<b>129,113</b>	<b>92,297</b>	<b>92,134</b>
Pledged assets	22	10,000	10,000	none	none
Contingent liabilities	23	none	none	4,092	4,964

CASH FLOW ANALYSES

KSEK	The Group		The Parent Company	
	2003	2002	2003	2002
<b>Current operations</b>				
Operating profit	10,222	8,463	-361	-449
<i>Adjustment for items not included in cash flow, etc.</i>				
Depreciation and write-downs	1,877	1,770	1	-
Other items	16	228	-	-
Net financial items	14	1,633	1,323	1,641
Actual tax for the year	-4,628	-2,777	-202	-38
<i>Cash flow from current operations before changes in working capital</i>	9,369	9,317	761	1,154
<i>Cash flow from changes in working capital</i>				
Change in trade debtors	-1,554	2,234	-	-
Change in other operating receivables	1,015	-126	1,074	1,377
Change in trade creditors and other operating liabilities	9,402	3,998	852	108
<i>Cash flow from changes in working capital</i>	8,863	6,106	1,926	1,485
<b>Cash flow from current operations</b>	<b>18,232</b>	<b>15,423</b>	<b>2,687</b>	<b>2,639</b>
<b>Investment activities</b>				
Acquisitions of shares, participations and activities <sup>14</sup>	-2,106	-	-2,715	-234
Acquisition of tangible fixed assets	-1,450	-967	-	-
<b>Cash flow from investment operations</b>	<b>-3,556</b>	<b>-967</b>	<b>-2,715</b>	<b>-234</b>
<b>Financing Operations</b>				
New stock issue	-	2,141	-	2,141
Group contributions	-	-	-	2,100
Changes in loans and deposits	-199	-99	-	-
Dividends received from subsidiaries	-	-	1,500	-
Dividend to shareholders	-2,949	-2,914	-2,949	-2,914
<b>Cash flow from financing operations</b>	<b>-3,148</b>	<b>-872</b>	<b>-1,449</b>	<b>1,327</b>
Translation differences in liquid funds	-2,404	-2,841	-	-
<b>Cash flow for the year</b>	<b>9,124</b>	<b>10,743</b>	<b>-1,477</b>	<b>3,732</b>
<b>Liquid funds, opening balance</b>	<b>78,992</b>	<b>68,249</b>	<b>49,095</b>	<b>45,363</b>
<b>Liquid funds, closing balance</b>	<b>14</b>	<b>88,116</b>	<b>47,618</b>	<b>49,095</b>

## CHANGES IN SHAREHOLDERS' EQUITY

<i>The Group</i>	Share capital	Restricted reserves	Unrestricted equity	Result for the year	Total shareholders' equity
Shareholders' equity at 31 December 2001	5,828	77,772	10,041	9,938	103,579
Issue costs		-28			-28
Exchange rate differences (note 18)		-5,074			-5,074
<i>Total changes in result not presented in the income statement</i>	0	-5,102	0	0	-5,102
Profit transfer			9,938	-9,938	
Transfer between restricted and unrestricted equity		386	-386		
Dividend to shareholders			-2,914		-2,914
New stock issue	69	2,100			2,169
Result for the year				6,413	6,413
<b>Shareholders' equity at 31 December 2002 (note 18)</b>	<b>5,897</b>	<b>75,156</b>	<b>16,679</b>	<b>6,413</b>	<b>104,145</b>
Exchange rate differences (note 18)		-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 18)</b>	<b>5,897</b>	<b>70,244</b>	<b>19,970</b>	<b>7,247</b>	<b>103,358</b>

<i>The Parent Company</i>	Share capital	Premium reserve fund	Reserve fund	Profit carried forward	Result for the year
Shareholders' equity at 31 December 2001	5,828	77,474	569	4,033	2,429
Issue costs		-28			
Group contributions received, after tax				1,512	
<i>Total changes in result not presented in the income statement</i>	0	-28	0	1,512	0
Distribution of profits according to General Meeting					
Transfer to profit brought forward				2,429	-2,429
New stock issue	69	2,101			
Dividend to shareholders				-2,914	
Result for the year					746
<b>Shareholders' equity at 31 December 2002 (note 18)</b>	<b>5,897</b>	<b>79,547</b>	<b>569</b>	<b>5,060</b>	<b>746</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					
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 18)</b>	<b>5,897</b>	<b>79,547</b>	<b>569</b>	<b>2,858</b>	<b>2,020</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 22 Presentation of financial reports
- RR 25 Reports for segment and operational branches and geographical areas
- RR 26 Events after balance sheet date
- RR 27 Financial instruments Information and classification

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

### 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 amortised 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 2003	31 December 2003	Average 2002	31 December 2002
USD	8.09	7.28	9.73	8.83
GBP	13.19	12.91	14.57	14.15
EUR	9.12	9.09	9.16	9.19
NOK	114.23	108.05	122.00	125.95
ZAR	1.07	1.09	0.93	1.01
AUD	5.25	5.43	5.28	4.98

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

### Income/ongoing commissions

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. The temporary differences refer to reductions on losses. 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 following depreciation periods are applied to existing assets:  
 equipment – five years  
 goodwill – five years.

#### 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 customers are 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 Nordic. BTS Interactive invoices its costs to the subsidiaries via internal invoices issued on market conditions.

Group-internal costs and the amortisation of goodwill are distributed similarly. Secondarily, Group activities are run and reported by source of revenue. Shared resources are used to produce the various services, which is why no assets are allocated specifically to the various sources 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 cash flow statement is divided into:

- current operations
- investment activities 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.

#### 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.

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>	2003	2002
Seminars	86,306	103,162
Customer adaptations/development	46,593	44,496
Licenses	20,866	12,407
Other	8,439	12,165
Total	162,204	172,230

NOTE 2. PURCHASES AND SALES BETWEEN GROUP COMPANIES

*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 2002).

NOTE 3. INFORMATION ABOUT AUDITORS' FEES

*Fees and remuneration*

<i>The Group</i>	2003	2002
Öhrlings PricewaterhouseCoopers		
Audit tasks	476	481
Other tasks	–	8
Other auditors		
Audit tasks	168	158
Other tasks	180	125
Total	824	772

*The Parent Company*

<i>The Parent Company</i>	2003	2002
Öhrlings PricewaterhouseCoopers		
Audit tasks	225	144
Other tasks	–	8
Total	225	152

NOTE 4. OPERATIONAL LEASING AND HIRING CONTRACTS

The total cost of operational leasing contracts for the year amounts to 11,219 (13,827). Future leasing and hiring charges concerning operational leasing contracts with maturity periods in excess of one year amount to:

<i>The Group</i>	
2004	7,934
2005	4,007
2006	3,248
2007	3,027
2008	243
Thereafter	0
Total	18,459

NOTE 5. EXCHANGE RATE DIFFERENCES

<i>The Group</i>	2003	2002
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Exchange rate differences have had the following effect on the net operating result:

<i>The Parent Company</i>	2003	2002
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Exchange rate differences have had the following effect on the net operating result:

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

1.) Average number of employees

<i>The Group</i>	2003		2002	
	Number of employees	Of whom men	Number of employees	Of whom men
Subsidiary				
Sweden	39	25	44	25
USA	37	27	45	30
Great Britain	9	6	11	7
Other	12	9	10	8
Total for the Group	97	67	110	70

Gender distribution among senior executives

<i>The Group</i>	2003		2002	
	women	men	women	men
CEO and other senior executives (excl. the Board)	1	5	1	6
The Board	0	5	0	4

In this context, "other senior executives" refers to the people who, in conjunction with the CEO, constitute the Group management team. In 2003, there were no employees in the Parent Company.

2.) Absence through illness in Sweden, per cent

	The Group 2003-07-01 – 2003-12-31	The Parent Company 2003-07-01 – 2003-12-31
Total absence through illness	1.1	–
Absence through illness among men	0.3	–
Absence through illness among women	2.4	–
Employees, age 30–49	0.6	–

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

<i>The Group</i>	2003		2002	
	Salaries and remuneration	Social benefit contributions (of which, pension costs)	Salaries and remuneration	Social benefit contributions (of which, pension costs)
Subsidiary	75,577	14,847 (4,900)	78,182	14,625 (4,028)

Of the Group's pension costs in 2002, 1,392 refers to the Board of Directors and CEO (983 for 2002). Of this figure, 0 (0) pertains to the Board. All pension plans are defined by contribution.

*The Parent Company*

Board fees were paid in the amount of 361 (225 for 2002).

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

The Group	2003		2002	
	The Board and CEO	Other employees	The Board and CEO	Other employees
Subsidiaries in Sweden	1,380	18,538	1,170	20,137
Subsidiaries overseas				
USA	4,754	36,386	6,130	37,981
Great Britain	2,936	5,637	1,283	7,424
Other	2,245	3,702	1,113	2,944
Total for the Group	11,315	64,262	9,696	68,486

The term "Board of Directors and CEO" includes the operational executives from the various subsidiaries, and is not the same as the group termed "senior Group executives".

*Remuneration of senior executives*

In this context, "senior executives" is taken to mean the people who, in conjunction with the CEO, constitute the Group management team, as well as the chairman of the Board. No member of the Board has received remuneration other than Board fees. The total sum paid in remuneration to senior executives amounted to 10,656 (12,577). This sum includes basic salary, variable remuneration and pension contributions.

Henrik Ekelund is both CEO of BTS Group AB and acting Chairman of the Board of the subsidiary BTS USA, Inc. For this reason, two contracts of employment have been drawn up – one for each company. Henrik Ekelund only draws salary from BTS USA, Inc. In 2003, this salary totalled USD 286,000 (SEK 2,312,424), while in 2002 it amounted to USD 280,500 (SEK 2,728,003). The CEO receives no variable remuneration. Mr Ekelund also has a duty-based right to a pension amounting to 13 per cent of his annual salary. This is paid in pension insurance.

Both Mr Ekelund's employment contracts state a mutual period of notice of six months. Moreover, in accordance with the contract with BTS USA, Henrik Ekelund is entitled to a severance package equivalent in value to 12 months' pay should his contract be terminated by the company. None of the other senior executives is entitled to a severance package.

Remuneration to the Chairman of the Board totals 152 (95). Pension contributions for senior executives total 1,732 (1,429), of which 0 (0) refer to the Chairman of the Board. All pension plans are defined by contribution. Provisions are made individually in the range of 10–30 per cent of the fixed salary. Variable remuneration for senior executives corresponded to 0–27 per cent of the basic salary. Variable remuneration is based on goals achieved for the company and the person in question.

No financial instruments were allocated in 2003.

*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*

Goodwill	2003	2002
Accum. acquisition value, (opening balance)	1,824	1,824
Acquisitions during the year	1,832	–
Accum. acquisition value, (closing balance)	3,656	1,824
Accumulated amortisation, opening balance	1,459	1,095
Amortisation for the year	548	364
Accumulated amortisation, year end	2,007	1,459
Book value	1,649	365

NOTE 8 – TANGIBLE FIXED ASSETS

*The Group*

Stocks	2003	2002
Accum. acquisition value, (opening balance)	9,808	10,072
Acquisition of operations	62	–
Purchases	1,450	967
Sales and divestment	–790	–202
Translation difference	–959	–1,029
Accum. acquisition value, (closing balance)	9,571	9,808
Accumulated depreciation, opening balance	6,778	6,211
Sales and divestment	–762	–146
Depreciation for the year	1,329	1,406
Translation difference	–696	–693
Accumulated depreciation, closing balance	6,649	6,778
Residual value acc. to plan, closing balance	2,922	3,030

NOTE 9 – Reporting per segment

*Primary segments*

The activities of the Group are primarily run and reported by geographical market, according to where customers are 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 Nordic. BTS Interactive invoices its costs to the subsidiaries via internal invoices issued on market conditions. Group-internal costs and the amortisation of goodwill have been distributed.

KSEK	USA <sup>1)</sup>		Nordic region <sup>2)</sup>		Great Britain <sup>3)</sup>		Elimination & not allocated		The Group	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
<i>Income</i>										
External sales	93,399	92,599	43,219	45,124	25,586	34,507			162,204	172,230
Internal sales	900	1,954	10,127	10,018	331	52	-11,358	-12,025	0	0
Total income	94,299	94,553	53,346	55,142	25,917	34,559	-11,358	-12,025	162,204	172,230
Operating profit	8,637	-647	1,365	3,483	220	5,627			10,222	8,463
<i>Other information</i>										
Assets	48,936	35,885	26,569	28,393	17,681	21,842	42,827	42,993	136,013	129,113
Liabilities	23,458	12,181	4,903	10,739	6,620	8,224	-2,326	-6,176	32,655	24,968
Investments	1,853	490	870	57	833	420			3,556	967
Depreciation	918	785	449	371	510	614			1,877	1,770

1) External sales; of which, USA 89,492 (92,479), and South Africa 3,907 (120) 2) External sales; of which, Sweden and Finland 40,662 (45,124), and Spain 2,557 (0)  
3) External sales; of which, Great Britain 19,642 (25,382), and Australia 5,944 (9,125).

#### Secondary segments

Secondarily, Group activities are run and reported by source of revenue. The same resources are used to produce the various services, which is why no assets are allocated specifically to the various sources of revenue. See note 1.

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

<i>The Group</i>	2003	2002
Write-downs	-1	-
<i>The Parent Company</i>		
Dividend	1,500	-
Write-downs	-1	-
Total	1,499	-

#### NOTE 11 - APPROPRIATIONS

<i>The Parent Company</i>	2003	2002
Appropriations to tax allocation reserve	-240	-

#### NOTE 12 – TAX ON RESULT FOR THE YEAR

<i>The Group</i>	2003	2002
Actual tax for the year	-4,628	-2,777
Deferred tax pertaining to temporary differences	-228	-740
Total	-4,856	-3,517
<i>The Parent Company</i>		
Actual tax for the year	-202	-38
Tax effect of Group contributions	-	588
Deferred tax pertaining to temporary differences	-	-996
Total	-202	-446

#### Balancing of effective tax

<i>The Group</i>	2003	2002
Result before tax	12,104	10,096
Tax cost calculated according to Swedish income tax rates	-3,389	-2,827
Effect of different tax rates	-1,019	-281
Non-deductible costs	-285	-225
Non-taxable income	29	7
Tax attributable to previous years	-192	-191
Reported effective tax	-4,856	-3,517
Effective tax rate	40.1%	34.8%
<i>The Parent Company</i>		
Result before tax	2,222	1,192
Tax cost calculated according to Swedish income tax rates	-622	-334
Dividends from subsidiaries	420	-
Other non-taxable income	-	4
Tax attributable to previous years	-	-116
Reported effective tax	-202	-446
Effective tax rate	9.1%	37.4%

#### NOTE 13. FINANCIAL FIXED ASSETS

##### Participations in Group companies

	Number of shares	Capital share, %	Book value	
			2003 -12-31	2002 -12-31
BTS Sverige AB Company Reg. No. 556566-7127 Domicile: Stockholm	5,000	100	7,838	7,838
BTS USA, Inc. Company Reg. No. 06-1356708 Domicile: Connecticut	1,000	100	20,382	20,382

BTS in London Ltd. Company Reg. No. 577 1376 13 Domicile: London	5,000	100	6,901	6,901
Business Training Systems A/S Company Reg. No. 957 694 187 Domicile: Oslo	100	100	94	94
Catalysts for profitability and growth Ltd. Company Reg. No. 1998/010779/07 Domicile: Centurion	1,000	100	1	1
BTS Interactive Communications AB Company Reg. No. 556583-1673 Domicile: Stockholm	1,000	100	100	100
BTS Australasia Pty Ltd Company Reg. No. 099 066 501 Domicile: Sydney	45,050	90.1	234	234
Internet Simulations Consulting, S.L. Company Reg. No. B95138160 Domicile: Bilbao	1,031	100	2,715	–
<b>Total shares in subsidiaries</b>			<b>38,265</b>	<b>35,550</b>
			<b>2003</b>	<b>2002</b>
Acquisition value, opening balance			35,550	35,316
Acquisitions			2,715	234
Acquisition value, closing balance			38,265	35,550

**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	2003	2002
Interest received	1,812	1,943
Interest paid	–138	–310
The Parent Company	2003	2002
Interest received	1,324	1,641
Interest paid	–	–

*Acquisitions of subsidiaries*

Value of assets and liabilities acquired 2003-07-01	2003	2002
Tangible fixed assets	62	–
Financial fixed assets	21	–
Short-term receivables	1,095	–
Liquid funds	609	–
Long-term liabilities	–134	–
Short-term liabilities	–769	–
Assets, net	884	–
Purchase price	–2,715	–
Liquid funds in companies acquired	609	–
Influence on Group liquid funds	–2,106	–

On 1 July 2003, the Group acquired Internet Simulations Consulting, S.L. The purchase price was paid with liquid funds, partly on purchase and partly through a result-based supplementary purchase price. Additional result-based purchase payments may be made through 2006.

**NOTE 15 – OTHER LONG-TERM HOLDINGS OF SECURITIES**

	Number of participations	Capital share in %
Involve Learning ASA Company Reg. No. 971 591 846 Domicile: Oslo	0	1
	<b>2003</b>	<b>2002</b>
Acquisition value, opening balance	1,614	1,614
Accumulated write-downs	–1,613	–1,613
Sales	–1	–
Book value	–	1

**NOTE 16 – DEFERRED TAX RECEIVABLE**

The Group	2003	2002
Deferred tax receivable	278	406

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 17 – PREPAID EXPENSES AND ACCRUED INCOME**

The Group	2003	2002
Accrued income	6,425	8,169
Prepaid rent	818	808
Other items	2,321	2,662
Total	9,564	11,639
The Parent Company	2003	2002
Total	114	105

**NOTE 18 – 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 and 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 also 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. Each warrant below 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 observed in the offering.

*Warrants*

Warrant series	Number	Redemption price	Subscription period
2000/2004	18,387	40.00	04-01-01 – 04-03-31
2000/2004:2	26,600	75.00	04-01-01 – 04-03-31
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 - 10,531. Incoming accumulated differences amounted to - 5,445. The change has arisen as a result of recalculating the overseas subsidiaries into SEK.

**NOTE 19 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT**

*General conditions*

During the year, BTS' 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 department. Security instruments are used within set limits. Liquid funds can be placed in interest-bearing accounts or interest-bearing securities with good credit ratings. The average 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 shareholder's equity of the Group. 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. The sensitivity analysis below shows the effect on the operating result based on BTS' 2003 financial statement and should only be seen as an indication of the significance of the different currencies.

Factor	Percentage change	Change, full year 2003, KSEK
SEK/USD	+/-10%	-/+ 863
SEK/GBP	+/-10%	-/+ 68

*Counterparty risks*

BTS only accepts creditworthy counterparties in financial transactions. BTS' accounts receivable are spread among a large number of companies operating in a variety of sectors. The maximum credit risk amounts to 5,007, which corresponds to the largest account receivable to any one group.

*Liquidity and interest risks*

The liquidity risk is small as liquid funds account for 65% of the balance sheet total. Interest risks are limited to fluctuating yield on the liquid funds subject to variable interest.

**NOTE 20 – BANK OVERDRAFT FACILITIES**

*The Group*

Bank overdraft facilities were granted as of 31 December 2003 in the amount of 15,456 (16,619). These facilities had not been utilised at balance sheet date.

**NOTE 21 – ACCRUED EXPENSES AND PREPAID INCOME**

The Group	2003	2002
Accrued salaries	11,263	4,483
Accrued social insurance charges	1,627	1,768
Other items	4,059	5,404
<b>Total</b>	<b>16,949</b>	<b>11,655</b>

The Parent Company	2003	2002
Other items	67	78

**NOTE 22 – PLEDGED ASSETS POSTED**

The Group	2003	2002
Pledged assets for liabilities to credit institutions		
Company mortgages	10,000	10,000

**NOTE 23 – CONTINGENT LIABILITIES TO THE BENEFIT OF GROUP COMPANIES**

The Parent Company	2003	2002
Security measures for the benefit of subsidiaries	4,092	4,964

Stockholm, April 2004

Dag Sehlin		Henrik Ekelund
Chairman of the Board		CEO
Tomas Franzén	Stefan Gardefjord	Reinhold Geijer

# AUDIT REPORT

I have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the Managing Director of BTS Group AB (publ) for the financial year 2003. These accounts and the administration of the company are the responsibility of the Board of Directors and the Managing Director. 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 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 CEO. 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. 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 2004

*Lars Berglund*

Authorised public accountant

## BOARD OF DIRECTORS, SENIOR EXECUTIVES AND AUDITORS

### THE BOARD



#### **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 Boards of VPC AB,  
D. Carnegie & Co. AB (Carnegie Investment Bank AB),  
Utfors AB, Proact IT Group AB and XACT Fonder AB.

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



#### **Henrik Ekelund**

San Francisco, born 1955

Group President and CEO of BTS Group AB.

Other Board positions: Deputy to the Board of  
Universum Communications AB.

Shareholdings and warrants in BTS Group AB:  
284 , 600 A-shares and  
1 455,218 B-shares.



#### **Tomas Franzén**

Nacka, born 1962

Member of the Board of BTS Group AB since 2000.  
CEO of Song Networks Holding AB.

Other Board positions: Chairman of the Boards of Grin AB  
and Trust2You AB. Member of the Boards of OEM  
International AB, ProAct IT Group AB and Song Networks  
Holding AB.

Shareholdings and warrants in BTS Group AB:  
5,000 B-shares and call options on 10, 000 B-shares.



#### **Reinhold Geijer**

Danderyd, born 1953

Member of the Board of BTS Group AB since 2001.  
CEO of Nordisk Renting AB.

Other Board positions: Member of a number of  
Boards including those of 7:e AP-fonden, Intrum  
Justitia AB, Nefab AB, OEM International AB and  
Trygg Stiftelsen.

Shareholdings and warrants in BTS Group AB:  
Call options on 10,000 B-shares.



#### **Stefan Gardefjord**

Täby, born 1958

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

Other Board positions: Member of the Board of  
Munkeby Systems AB and others.

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

### AUDITOR

#### **Lars Berglund**

Stockholm, born 1950.

Authorised 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.

Authorised 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: 1,052,441 B-shares.



### **Pia Anderberg**

Lidingö, born 1964

Responsible for BTS Europe. Employee of BTS since 1990.

Shareholdings and warrants in BTS Group AB: 50,000 B-shares, warrants for 12,000 B-shares and call options on 50,000 B-shares.



### **Jonas Åkerman**

Connecticut, born 1963

CEO of BTS USA. Employee of BTS since 1991.  
Shareholdings and warrants in BTS Group AB: 280 600 B-shares and call options on 84,000 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: 11,500 B-shares, warrants for 14,000 B-shares and call options on 20,000 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: 928,682 B-shares.

The information about shares and warrants listed above refers to conditions at 30 December 2003.



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