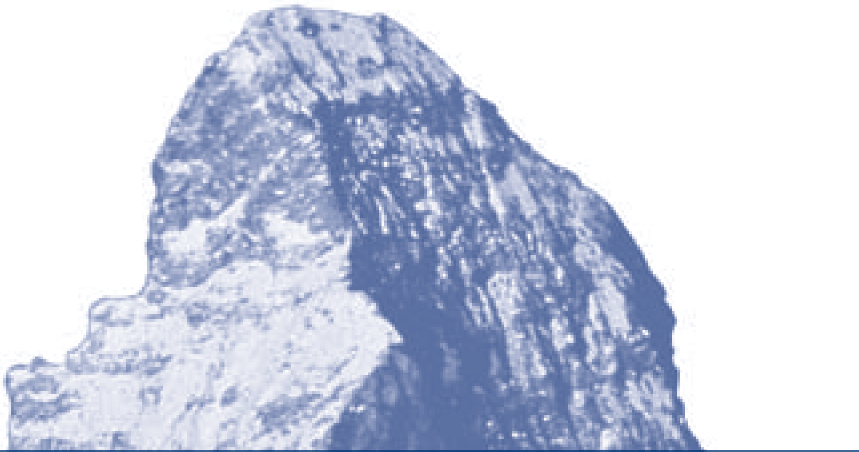
Year End Report

1 January–31 December 2005



Strong growth in turnover and results for the fourth quarter of 2005 and the year as a whole

- During the year, **net turnover** rose by 39 per cent and amounted to MSEK 286.1 (205.9). Adjusted for changes in exchange rates, growth amounted to 37 per cent. Net turnover in the fourth quarter rose by 55 per cent (53 per cent when adjusted for changes in exchange rates) to MSEK 80.3 (51.9).

- **The result for 2005:**
  - the operating result rose by 59 per cent to MSEK 48.7 (30.7)
  - the operating margin was 17.0 (14.9) per cent
  - the result before tax increased by 71 per cent to MSEK 55.1 (32.2)
  - the result after tax increased by 80 per cent to MSEK 36.8 (20.4)
  - during the year, earnings per share rose by 81 per cent to SEK 6.21 (3.44).

- **Results for the fourth quarter:**
  - the operating result rose by 103 per cent to MSEK 14.3 (7.0)
  - the operating margin was 17.8 (13.6) per cent
  - the result before tax increased by 106 per cent to MSEK 15.5 (7.5)
  - the result after tax increased by 125 per cent to MSEK 10.7 (4.8).

- New customers acquired during the year included Alstom, Amer Sports, Bacardi, Gap, Glaxo SmithKline, Maersk, Sony Ericsson and Tyco.

- The proposed dividend per share is SEK 2.75 (1.60).

- During the year, BTS acquired SMG Learning Solutions in Philadelphia, USA, and Business Game Factory (BGF) in Helsinki, Finland.

BTS

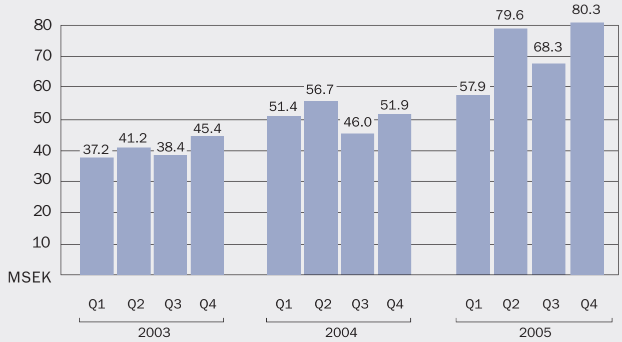
Catalysts for Profitability and Growth

YEAR END REPORT: 1 JANUARY – 31 DECEMBER 2005

TURNOVER

BTS' net turnover for the year increased by 39 per cent to MSEK 286.1 (205.9). Adjusted for changes in exchange rates, growth totalled 37 per cent. Growth was generated both organically and through the acquisition of SMG.

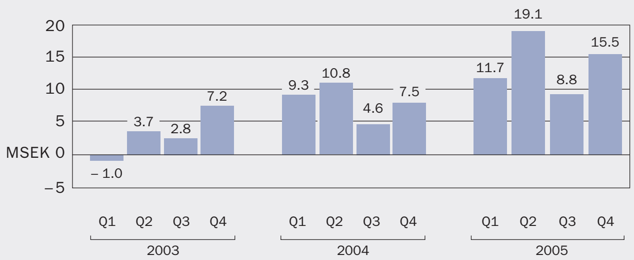
Net turnover per quarter 2003 – 2005



RESULTS

The Group's result before tax for the year increased by 71 per cent and amounted to MSEK 55.1 (32.2), with the operating result rising by 59 per cent to MSEK 48.7 (30.7). The operating margin was 17.0 (14.9) per cent.

Result before taxes per quarter 2003 – 2005



THE FOURTH QUARTER

Turnover during the fourth quarter totalled MSEK 80.3 (51.9), which constitutes an increase of 55 per cent compared to the corresponding period in 2004. Adjusted for changes in exchange rates, turnover during the period rose by 53 per cent.

The result before tax for the fourth quarter increased by 106 per cent to MSEK 15.5 (7.5), with the operating result rising by 103 per cent to MSEK 14.3 (7.0). The operating margin was 17.8 (13.6) per cent.

THE MARKET AND THE MARKET DEVELOPMENT

According to IDC – the leading market survey company – the market for corporate training in business skills will grow by an average 8 per cent per year in the period 2005–2009. BTS is of the opinion that the market segment for training based on simulation technology will develop more rapidly than the market in general. The companies that make up BTS' target group, i.e. large international companies and organisations, tend to have to deal with a faster rate of change, new technologies and new competition. As a result, they tend to invest more in the development and improvement of products and processes. Training solutions based on tailor-made simulations have proved to be superior to conventional training techniques as regards both efficiency and results – which explains why clients are increasingly choosing solutions of this kind.

The market for BTS' products and services showed strong growth in 2005 which is assumed to continue during 2006. In the United States, demand remains high for training-related services that support company change processes aimed at improving efficiency and profitability. The market in Europe developed positively in 2005 and is now characterized by increased demand. The situation in other markets where BTS is active – primarily those of Australia, South Africa and East Asia – remains good. Part of the BTS growth strategy for 2006 and the years to follow is to establish and maintain local representation with own staff and contracted partners to allow early involvement in the development of these new markets – with the goal of building up market-leading positions.

In 2005, two new offices were opened: one in Melbourne, Australia and one in Beijing, China. During the year, both these offices generated good growth and profits. In 2006, BTS will continue to invest in geographical expansion and new offices – in central Europe and other locations.

For many years, BTS has been the leading player on the market for training through tailor-made business simulations and worked during 2005 on commissions for 22 of the 100 largest companies in the world. BTS continues to capture market shares from players such as other training and management consultants and business schools and positions itself as the most efficient partner in assisting companies to implement strategic changes. Customer relations are often developed into close partnerships with the clients, which often results in BTS' clients purchasing products and services from the company for 7–8 years.

In 2005, the work to generate commercial benefits from the acquisition of SMG has received high priority as there is appreciable earnings potential linked to supplying SMG's products to existing BTS customers – and vice versa. In the latter part of the year, the first deals were completed in which existing BTS customers purchased products and services from the SMG product portfolio. The cross-selling work between SMG and BTS will also be given high priority in 2006.

BTS GROWTH

BTS is a growth company that achieved 39 per cent growth in 2005. BTS' growth is based on organic growth through the expansion of existing offices, on geographical expansion through the opening of new offices and continuous development of new products In addition there is growth through acquisitions.

BTS continuously works on the systematic generation of organic growth within existing business areas. BTS applies two processes: one for expanding earnings potential within the customer base, and one for exploiting income potential within the organisation and among employees. Each process contains five growth drivers for which goals are set and results measured.

In 2005, the company's range of products underwent greater development than in any previous year – partly through comprehensive in-house development for client-financed projects, and partly through the acquisition of SMG, with a broad range of solutions. Over the years – and particularly in 2005 – BTS has progressively worked to generate the broadest and most specialised range of tailor-made simulation solutions on the market. As a result, BTS is better placed to accommodate the requirements of existing clients for additional solutions, which generates significant opportunities for growth in both the short and long terms.

In recent years, BTS has also successfully grown through acquisitions. As the market is highly fragmented BTS foresees continued opportunities for profitable acquisitions.

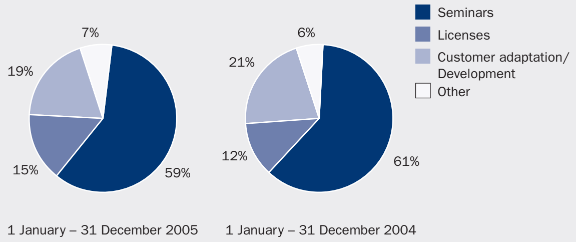
ASSIGNMENTS AND NEW CLIENTS

In 2005, BTS was successful in selling to new clients. New clients acquired during the year included Alstom, Amer Sports, Assa Abloy, Bacardi, Dow AgroSciences, Gap, Glaxo SmithKline, GM Holden, Klövern, Maersk, Nedbank, Iberdrola, Sony Ericsson, Schlumberger, Standard Bank and Tyco.

REVENUE DEVELOPMENT

During the year, the share of revenue from licences rose to 15 (12) per cent while the customer adaptation/development share decreased from 21 to 19 per cent. This change in the revenue mix has contributed to the increased operating margin.

Net turnover by revenue



OPERATIVE UNITS

Net turnover per operative unit

MSEK	Oct–Dec 2005	(2004)	Full Year 2005	(2004)
BTS North America	**50.4**	(31.3)	**176.2**	(125.0)
BTS Europe	**23.9**	(14.7)	**88.6**	(61.3)
BTS Other markets	**6.0**	(5.9)	**21.3**	(19.6)
Total	**80.3**	(51.9)	**286.1**	(205.9)

Operating result per operating unit

MSEK	Oct–Dec 2005	(2004)	Full year 2005	(2004)
BTS North America	**8.7**	(4.1)	**27.2**	(22.4)
BTS Europe	**4.8**	(2.1)	**17.9**	(5.0)
BTS Other markets	**0.8**	(0.8)	**3.6**	(3.3)
Total	**14.3**	(7.0)	**48.7**	(30.7)

BTS North America

During the year, net turnover from BTS' operations in North America totalled MSEK 176.2 (125.0). In local currency, revenues increased by 39 per cent. The growth of this unit is attributable to positive developments within both the BTS organisation and the recently acquired SMG operation. The operating result was MSEK 27.2 (22.4). The operating margin was 15 (18) per cent. The decline in the operating margin is primarily due to a lower margin in the SMG product range, depreciation of intangible fixed assets for SMG and onetime integration costs related to the SMG acquisition. In the fourth quarter, BTS North America developed significantly better than over the preceding three quarters of the year. During the fourth quarter, revenue in local currency rose by 59 per cent compared to Q4 2004. The operating margin for the fourth quarter was 17 (13) per cent.

BTS Europe

In 2005, BTS Europe's net turnover totalled MSEK 88.6 (61.3). Adjusted for changes in exchange rates, revenue rose by 44 per cent. The operating result increased to MSEK 17.9 (5.0). The operating margin was 20 (8) per cent. In the fourth quarter, net turnover amounted to MSEK 23.9 (14.7), and the operating margin was 20 (14) per cent. Activities in BTS Europe developed positively during the year as a result of improvements in sales efficiency and productivity. The integration of SMG's European activities has also made a positive contribution.

BTS Other markets

During the year the net turnover from BTS Other Markets amounted to MSEK 21.3 (19.6). The operating margin was 17 (17) per cent. The operating result increased to MSEK 3.6 (3.3). In the fourth quarter, net turnover amounted to MSEK 6.0 (5.9), and the operating margin was 13 (13) per cent.

ACQUISITIONS IN 2005

As released earlier, as of 10 February 2005, BTS has acquired "Learning Solutions" from SMG in Philadelphia – the part of SMG that was previously one of BTS' strongest competitors in the United States. The integration between BTS and SMG's Learning Solutions has proceeded according to plan. The acquired entity has been rapidly integrated into the BTS organisation and is therefore not reported separately. It has made a positive contribution to turnover and results for the year.

As also released earlier, as of 5 December 2005, BTS has also acquired the Finnish company Business Game Factory Oy (BGF). BGF is based in Helsinki and develops, sells and delivers Web-based business simulations that companies use to reinforce and develop their business acumen. The acquisition of BGF is part of a conscious strategy to expand BTS' presence within all parts of the market for business simulations and to generate an opportunity for BTS to grow within a new niche of the market for business simulations.

The increase in goodwill and other intangible fixed assets for the year is exclusively attributable to these acquisitions and to a minor adjustment of a forecasted final supplementary purchase payment linked to the previous acquisition of the Spanish company I-Simco S.L. in 2003. The value of the assets acquired in SMG's Learning solutions was entered in the interim report for January–September 2005. A market evaluation of assets has also been performed in connection with the acquisition of BGF. The acquisition analysis is provisional, which is why the classification of the intangible assets has not yet been finalised. The final value of the assets acquired will therefore be included in the coming annual report. However, the final evaluation of the intangible assets will not have any additional effect on the result for the year.

FINANCIAL POSITION

BTS' cash flow from current operations during the year amounted to MSEK 37.5 (32.1). Cash flow from current operations was relatively strong in 2004. The cash flow for the year was negatively affected by the binding of working capital in SMG's Learning Solutions and by an increase in the binding of working capital as a result of the rise in turnover. During the fourth quarter, cash flow from current operations totalled MSEK 33.4 (18.8). The improvements during the third and fourth quarters are in line with the seasonal variations that typically affect BTS' cash flow figures – where the second half of the year is traditionally stronger than the first.

Cash flow from investment activities was affected by the sum of MSEK -38.5 (-2.2) as a result of the acquisitions made during the year described above.

BTS' financial net result for the year totalled MSEK 6.4 (1.5), of which MSEK 4.9 is attributable to a positive currency exchange effect linked to the financing of the acquisition of SMG Learning Solutions within the Group. The currency position was closed at 16 December 2005.

At the end of the year, BTS' solidity was 64 (71) per cent.

Available liquid funds totalled MSEK 101.1 (110.5) at the end of the year.

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

EMPLOYEES

On 31 December, BTS Group AB employed 150 (107) people.

The average number of employees during the year was 143 (104).

PARENT COMPANY

The parent company's net turnover amounted to MSEK 2.5 (2.1), and the result after net financial items was MSEK 15.1 (11.8). Liquid funds totalled MSEK 25.5 (56.2).

PROSPECTS FOR 2006

Based on continued strong market conditions for BTS, the result before tax is expected to be better than in the previous year.

ANNUAL GENERAL MEETING AND PROPOSED DIVIDEND

The annual general meeting will be held on 7 April, starting at 13.00, at BTS' premises at Grevgatan 34, Stockholm, Sweden.

The Board has proposed a dividend of SEK 2.75 per share.

ACCOUNTING PRINCIPLES

This report has been prepared in accordance with IAS 34, Interim Financial Reporting, which is in line with recommendation RR 31, Interim Consolidated Reporting, from the Swedish Financial Accounting Standards Council. RR32, Accounting for legal entities, has been applied for the parent company, which has resulted in no changes.

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

Goodwill

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

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

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

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

Minority interests

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

Financial instruments

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

NOMINATIONS FOR MEMBERS OF THE BOARD

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

Nominations for members of the Board will be announced in connection with the invitation to the coming annual general meeting.

UPCOMING REPORT DATES

Annual Report 2005	To be distributed at the end of March 2006
Interim Report January–March	26 April 2006
Interim Report April–June	23 August 2006
Interim Report July–September	19 October 2006

Stockholm, 15 February 2006

Henrik Ekelund
Chief Executive Officer

AUDIT REPORT

We have reviewed this Year End Report and have thereby complied with the recommendation issued by FAR, the Swedish Institute of Authorised Public Accountants, regarding interim reports.

Compared to an audit, a review is essentially limited.

Nothing has, however, emerged which would indicate that the Year End Report does not comply with the requirements regarding interim reports according to the Annual Accounts Act and IAS 34.

Stockholm, 15 February 2006

Öhrlings PricewaterhouseCoopers AB

Lars Berglund
Authorised public accountant

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This is a translation of the Swedish version.

INCOME STATEMENT, SUMMARY

KSEK	3 months ended 31 Dec 2005	3 months ended 31 Dec 2004	12 months ended 31 Dec 2005	12 months ended 31 Dec 2004
Revenue	80 332	51 870	286 119	205 944
Operating expenses	–64 874	–44 570	–233 582	–174 123
Depreciation on tangible assets	–455	–256	–1 772	–1 098
Depreciation on intangible assets	–673	–	–2 069	–
Operating result	**14 330**	**7 044**	**48 696**	**30 723**
Financial income and expenses	1 127	464	6 362	1 477
Result before tax	**15 457**	**7 508**	**55 058**	**32 200**
Taxes	–4 736	–2 756	–18 281	–11 799
Result for the period	**10 721**	**4 752**	**36 777**	**20 401**
attributable to minority interest	–105	41	134	100
attributable to equity holders of the parent	10 826	4 711	36 643	20 301
Earnings per share, before dilution of shares, SEK	1.84	0.80	6.21	3.44
Number of shares at end of the period	5 897 300	5 897 300	5 897 300	5 897 300
Average number of shares before dilution of shares	5 897 300	5 897 300	5 897 300	5 897 300
Earnings per share, after dilution of shares, SEK	1.84	0.80	6.21	3.44
Average number of shares after dilution of shares	5 897 300	5 897 300	5 897 300	5 897 300
Proposed dividend per share			2.75	1.60

BALANCE SHEET, SUMMARY

KSEK	2005-12-31	2004-12-31
Assets		
Goodwill	35 683	3 744
Other intangible assets	15 295	–
Tangible assests	5 435	2 190
Other fixed assets	1 726	1 327
Accounts receivable	64 198	36 811
Other current assets	14 490	9 747
Cash and bank	101 145	110 477
Total assets	**237 972**	**164 296**
Equity and liabilities		
Equity	151 468	116 579
Minority shareholding	405	233
Total equity	**151 873**	**116 812**
Non interest bearing – non current liabilities	169	298
Interest bearing – current liabilities	2 075	–
Non interest bearing – current liabilites	83 855	47 186
Total equity and liabilities	**237 972**	**164 296**

CASH FLOW STATEMENT, SUMMARY

KSEK	Jan–Dec 2005	Jan–Dec 2004
Cash flow from current operations	37 455	32 137
Cash flow from investment activities	–42 382	–2 926
Cash flow from financing operations	–12 316	–3 504
Effect of exchange rate changes on cash	7 911	–3 346
Change in liquid funds	**–9 332**	**22 361**
Liquid funds opening balance	110 447	88 116
Liqiud funds closing balance	**101 145**	**110 477**

CHANGES IN EQUITY

KSEK	Total equity 2005-12-31	Total equity 2004-12-31
Opening balance	116 812	103 505
Dividend to shareholders	–9 436	–3 538
Conversion differences	7 720	–3 556
Result for the period	36 777	20 401
Closing balance	**151 873**	**116 812**

KEY RATIOS

			12 months ended	
	Oct–Dec 2005	**Oct–Dec 2004**	**Dec 31 2005**	**Dec 31 2004**
Revenue, KSEK	80 332	51 870	286 119	205 944
Operating result, KSEK	14 330	7 044	48 696	30 723
Operating margin, %	18	14	17	15
Profit margin, %	13	9	13	10
Operational capital, KSEK	52 804	6 334	52 804	6 334
Return on equity, %	29	16	27	19
Return on operational capital, %	25	55	165	283
Solidity at end of the period, %	64	71	64	71
Cash flow, KSEK	24 121	13 985	–9 332	22 361
Liquid funds at end of the period, KSEK	101 145	110 477	101 145	110 477
Average number of employees	143	107	143	104
Number of employees at end of the period	150	107	150	107
Revenue for the year per employee, KSEK	2 247	1 939	2 001	1 980

DEFINITIONS

Earnings per share:
Result attributable to equity holders of the parent divided by number of shares.

Operating margin:
Operating result after depreciation as a percentage of revenues.

Profit margin:
Result for the period as a percentage of revenues.

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

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

Return on operational capital:
Operating result as a percentage of average operational capital.

Solidity:
Equity as a percentage of total balance sheet.

Revenues for the year per employee:
Revenues (converted into whole year) divided by average number of employees.

EFFECT OF TRANSITION TO IFRS

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

Reconciliation of consolidated income statement KSEK	**Oct–Dec 2004**	**12 months ended Dec 31 2004**
Result for the period according to previous GAAP	4 394	19 306
Reversed goodwill depreciation	317	995
Adjustment for result attributable to minority interests	41	100
Result for the period according to IFRS	**4 752**	**20 401**
Earnings per share, before dilution, according to IFRS	0.80	3.44
Earnings per share, before dilution, according to previous GAAP	0.74	3.27
Earnings per share, after dilution, according to IFRS	0.80	3.44
Earnings per share, after dilution, according to previous GAAP	0.74	3.27

Reconciliation of operating result per operating unit KSEK	**Oct–Dec 2004**	**12 months ended Dec 31 2004**
BTS North America according to previous GAAP	3 982	21 839
Reversed goodwill depreciation	192	604
BTS North America according to IFRS	**4 174**	**22 443**
BTS Europe according to previous GAAP	1 997	4 733
Reversed goodwill depreciation	90	296
BTS Europe according to IFRS	**2 087**	**5 029**
BTS Other Markets according to previous GAAP	748	3 156
Reversed goodwill depreciation	35	95
BTS Other Markets according to IFRS	**783**	**3 251**
Total operating result according to previous GAAP	6 727	29 728
Reversed goodwill depreciation	317	995
Total operating result according to IFRS	**7 044**	**30 723**

Reconciliation of equity KSEK	
Equity 31 December 2003 according to previous GAAP	103 358
– Adjusted for minority interests	147
Equity 1 January 2004 according to IFRS	**103 505**
Equity 31 December 2004 according to previous GAAP	115 584
– Adjusted for minority interests	233
– Reversed goodwill depreciation	995
Equity 31 December 2004 according to IFRS	**116 812**

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BTS Group AB is an international consultancy
and training company active in the field of business acumen.
BTS uses tailor-made computer simulation models to support company managers in implementing change and improving profitability. BTS solutions and services train the entire organization to analyze and to take decisions centered on the factors that promote growth and profitability. This generates increased emphasis on profitability and market focus, and supports day-to-day decision-making, which in turn leads to tangible, sustainable improvements in profits.
BTS customers are often leading major companies.

BTS

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