

# ANNUAL REPORT 2001

BTS Group AB (publ)



*Catalysts for Profitability and Growth*

## Contents

- 3 The year in brief
- 4 BTS in brief
- 6 Statement from the CEO
- 8 The market
- 10 Business operations, business model, strategy and goals
- 12 History
- 13 Organisation
- 14 Are simulations better than experience?
- 16 How does BTS operate?
- 20 Customers and assignments
- 27 Employees
- 29 The BTS share, share capital and owners
- 31 Five-year summary and other financial information
- 34 Management Report
- 37 Financial statements
- 41 Accounting principles and notes
- 47 Audit Report
- 48 Board of Directors, senior executives and auditors
- 51 Addresses

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

### INFORMATION FOR SHAREHOLDERS

#### GENERAL MEETING 2002

The ordinary general meeting will be held on Friday, 26 April 2002, starting at 14.00 at Fyrskeppet, Näringslivets hus, Storgatan 19, Stockholm, Sweden. Shareholders who wish to attend must be recorded in the share register no later than Tuesday, 16 April 2002 and must notify BTS Group no later than Friday, 19 April 2002 at 12 noon. Notification can be given by phone on +46 8 58 70 70 00, by fax on +46 8 58 70 70 01 or by e-mail to [ir@bts.com](mailto:ir@bts.com)

Notification must include the shareholder's name, civic registration number 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 Tuesday, 16 April 2002.

#### DIVIDEND

The Board propose a dividend of SEK 0.50 per share.

#### REPORTS AND FINANCIAL INFORMATION, 2002

Interim reports	
Jan – March	26 April 2002
Jan – June	23 August 2002
Jan – Sept	23 October 2002
Year-end report	February 2003

These reports can be ordered\* from BTS Group AB, Christian Ankarcrona, Grevgatan 34, S-114 53 STOCKHOLM, tel +46 8 58 70 70 00, fax +46 8 58 70 70 01, or e-mail: [ir@bts.com](mailto:ir@bts.com)

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

#### DEFINITIONS

BTS Group AB      BTS Group AB (publ)

BTS, the Company or the Group      BTS Group AB and subsidiaries (unless a different meaning is implied by the context).

\*on the respective dates

## The year in brief

- Net turnover for the year increased by 11 per cent to MSEK 196.9 (177.3)
- The operating result amounted to MSEK 12.6 (12.3), result before tax MSEK 11.2 (11.0), and result after tax MSEK 9.9 (7.7)
- Earnings per share for the year amounted to SEK 1.92 (1.78)
- BTS has signed contracts with a number of new customers, including Barclays, Boeing, Cingular, and Raytheon and Sandvik
- The share of revenue from licences has increased to 17 per cent (9)
- Positions established within new sectors: medicines/biotechnology and financial
- Rapid growth, numerous valuable reference customers and a well-developed product platform in the field of Web-based simulations

### KEY FIGURES

	2001	2000
Net turnover, KSEK	196,887	177,326
Operating result, KSEK	12,644	12,269
Result before tax, KSEK	11,151	11,041
Result after tax, KSEK	9,938	7,710
Operating margin, %	6.4	6.9
Profit margin, %	5.0	4.4
Operating capital, KSEK	35,517	21,453
Return on equity, %	17	65
Return on operating capital, %	44	63
Solidity at end of period, %	80	20
Cash flow from current operations	-2,107	4,991
Cash flow for the year	44,242	18,107
Liquid funds, closing balance	68,249	24,007
Average number of employees	125	114
Number of employees at the end of the year	119	126
Revenue for the year per employee, KSEK	1,575	1,555

## BTS in brief

SEK million	1997*	1998*	1999*	Result	
				2000	2001
Net turnover	91.1	114.0	140.8	177.3	196.9
Operating result	7.5	5.1	9.7	12.3	12.6
Operating margin, %	8.3	4.5	6.9	6.9	6.4
Average number of employees	78	90	102	114	125

\*Pro forma (The Group was restructured in February 1999, and as a result, the official accounts provide a true and fair view of profits for 2000 and 2001. For other accounting years from 1997–99, pro forma income statements and key figures are presented as if the restructuring had been implemented before 1997.)

### BUSINESS ACTIVITIES

- BTS is an international consultancy and training company active in the field of business acumen.
- BTS uses tailor-made computer simulation models to support company managers in implementing change and improving profitability.
- BTS helps to train the entire organisation to analyse and to take decisions centred on the factors that promote growth and profitability.
- This generates increased emphasis on profitability and market focus, and supports decision-making, which in turn leads to measurable, sustainable improvements in profits.

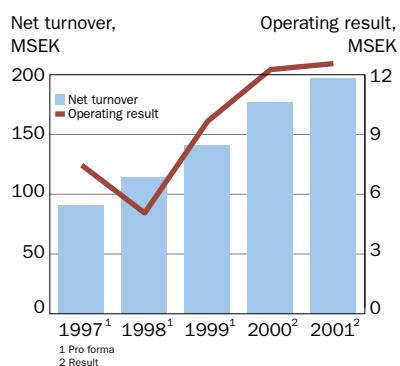
### CUSTOMERS

BTS customers primarily operate in the following fields: manufacturing industry, telecom, IT, pharmaceuticals/ biotechnology, and banking and insurance. However, the Group also has customers from other sectors, including distribution, transport and energy.

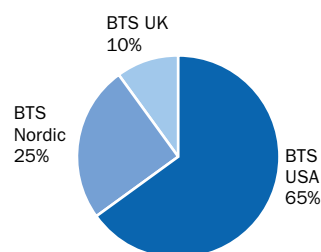
#### Examples of customers

BTS USA	Agilent, Aventis, Bell Canada, Bell South, Boeing, Cingular Wireless, Hewlett Packard, Pitney Bowes, SBC Communications, Sun Microsystems, Raytheon
BTS Nordic	AstraZeneca, Ericsson, Sandvik, SAS, TetraPak, UPM-Kymmene
BTS UK	AMP, Barclays Bank, Centrica, Philips

Net turnover and operating result  
1997 to 2001



Net turnover 2001 divided  
by operative unit



## OVERRIDING GOALS AND STRATEGY

BTS' overriding goal is to be the leading supplier of business simulations on the markets where the Company is active.

BTS' strategies for achieving this goal are:

- Focus on business simulation training solutions for business acumen of strategic importance to the customer.
- Focus on major companies that are market leaders within selected sectors.
- Network-oriented marketing and long-term customer relations.
- Continuous expansion 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 amortisation 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.



## Statement from the CEO

The past year was very eventful for BTS, with major progress being made in several areas. The year was marked by poor market conditions and the negative influence of the events of 11 September. Nevertheless, BTS succeeded in generating its highest turnover ever, along with result before tax that surpassed those generated in 2000, when market conditions were more favourable. The Company has reinforced its position on the market and made progress as regards new customers, new sectors and product development. In addition, BTS also made the O-list of the Stockholm Stock Exchange. I would like to extend my thanks to all our employees for their excellent work throughout the year.

### DEVELOPMENT IN 2001

The market as a whole developed negatively during the past year, in stark contrast to the five years of strong positive development up to and including 2000. On account of cost-cutting programmes, restructuring and travel restrictions, many companies have chosen to postpone investments in training.

BTS' strategy to combat the decline of the market consisted of three principal elements. We focused resources on customers in sectors less sensitive to market conditions. To a greater extent, we offered customers more cost-effective solutions that pay for themselves more rapidly. We worked to improve productivity and cost control. Overall, this strategy was well implemented.

During the year, BTS increased net turnover by 11 per cent to MSEK 196.9 (177.3). Unusually, a number of customers considerably cut their purchases from BTS over the year. We compensated for this by attracting more new customers than usual, and by developing some existing customer relationships. The operating result and result before tax both marginally exceeded those of the previous year, totalling MSEK 12.6 and MSEK 11.2, respectively. This development is not in line with our goals, but should naturally be seen in the light of the very unfavourable market conditions. BTS' growth figures and result are appreciably better than those of our direct competitors.



### GROWTH

The fundamental needs of companies that drive underlying market growth – i.e. the needs to increase skills, make business more efficient and reinforce the ability to adapt – remain unchanged. Within this framework, companies seek the solutions that are best adapted to their organisations, and which are most time and cost-effective.

The share of the market given over to business simulation is growing on account of the greater efficiency offered by this form of training as compared to conventional methods.

Since its establishment in the middle of the 1980s, BTS has enjoyed elevated organic growth – which has maintained an average level of 21 per cent over the past five years. BTS is well positioned

to continue to grow organically. We enjoy a strong position on a number of markets with interesting potential, particularly the markets in the United States. We have a loyal customer base comprising a number of leading international companies. This customer base grew more in 2001 than in any previous year. We have the leading range of business simulations on the market. Our competitiveness is growing stronger in the selected sectors in which we operate. In addition, we have the opportunity to grow through acquisitions. Our chosen field is distinguished by large numbers of small and medium-sized companies, and the negative market development in 2001 has resulted in increased opportunities to make acquisitions.

## PROFITABILITY

Profitability within BTS can be greatly improved to return to the margin levels of at least 12 per cent, which we have previously enjoyed.

BTS will be working to improve profitability in a number of ways. For example, we are working to transform the losses in BTS Nordic into gains. We are growing within the framework of completed investments on markets such as the United States and Great Britain. Our initiatives aimed at raising productivity and improving cost-efficiency will continue. We are increasing the level of recycling existing business simulations and training concepts. Manual and Web-based business simulations provide BTS with licence income with higher margins.

## PROGRESS DURING 2001

In addition to stronger growth and better profitability than our direct competitors, we also made appreciable mid and long-term progress in 2001.

BTS has acquired a large number of new customers – more than 20 major companies in North America and Northern Europe. In fact, 2001 was BTS' most successful year as regards the influx of new customers. In two new sectors – banking and insurance and pharmaceuticals and biotechnology – BTS has established a number of strong references and has developed sector-specific business simulations and training programs. Income from licences has increased by 125 per cent to MSEK 34.3. The share of licence income has grown progressively in recent years, from 5 per cent in 1999, to 9 per cent in 2000 and 17 per cent in 2001. Licence sales allow BTS to provide customers with access to business simulations and training concepts so that they can reach larger target groups in a simpler and more cost-effective manner. For BTS, this leads to sales of less staff-intensive solutions with a higher gross mark-up. Since its foundation, BTS has succeeded in continuously developing business simulations and training programs in step with market demand and technological development. In order to meet an increase in demand from our customers, we have taken steps towards creating the leading platform on the market for delivering business simulations and training programs via the Internet and customer intranets. Income from Web-based training rose by 75 per cent over the past year to MSEK 14.0 (8.0) A number of valuable reference customers were acquired during the year.

## FLOTATION ON THE STOCK MARKET

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, generating MSEK 78.1 for the Company after issue costs. It was the opinion of the Board that a larger capital base was required on the basis of the size and rate of expansion of BTS. The flotation and capital injection constitute an excellent platform for continued organic growth and for future acquisitions on a market distinguished by small businesses.

## PROSPECTS FOR 2002

BTS is strongly competitive, and we are active on a large market which continues to grow. During 2002, we intend to build on the progress we have made on the market and to continue with the measures aimed at increasing efficiency that were introduced in 2001. The Company is to continue to grow and strengthen its position on the geographical markets and within the sectors in which we operate today.

Our chosen field is distinguished by a large number of small and medium-sized companies. Candidates for acquisition are companies that are smaller than BTS and which complement the Company as regards geographical coverage, industrial know-how and customer base, or can add closely associated skills or services. We intend to be more active in this area in 2002. Market conditions for the coming year are uncertain and difficult to predict. However, BTS' management believes that the result before tax for 2002 will be better than those generated in 2001.



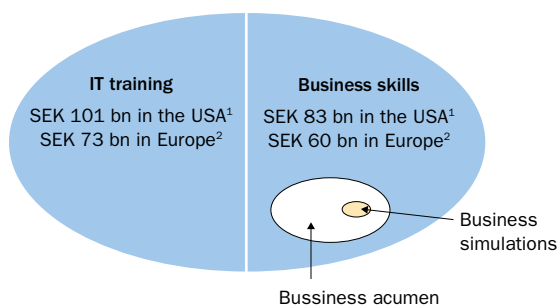
*Henrik Ekelund*  
CEO

## The market

The American corporate training market is the largest single market of its kind in the world. According to the International Data Corporation (IDC), an independent analysis institute, this market generated a turnover of around SEK 184 billion in 2000 and is set to grow by an average of 15 per cent a year from 2000 to 2004.<sup>1</sup>

The general development of market conditions and events following 11 September 2001 have weakened the market for corporate training. On account of cost-cutting programmes, restructuring and travel restrictions, many companies have chosen to postpone investments in training. According to our evaluation, the market developed negatively in 2001. IDC divides the market into two segments: IT training and business skills. IT training refers to computer utilisation 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.

Corporate training market 2000 – total, SEK 317 billion in the United States and Europe.



In a report published in January 2002<sup>3</sup>, IDC predicts mean annual growth of 15 per cent for business skills training in Europe over the next five years. According to IDC, the market will remain weak in 2002 but return to its normal rate of growth as from and including 2003. This means that the European market is expected to reach a value of SEK 135 billion in 2006. IDC identifies Great Britain, the Netherlands and Scandinavia as the most advanced markets.

BTS' management is of the opinion that while the business acumen segment will grow in line with the market for business skills as a whole, the business simulations segment will grow faster, as simulations constitute a more efficient training method than conventional training, and as general developments in IT will make better simulations possible.

### THE DRIVING FORCES OF THE MARKET

Many companies are experiencing continuous and increasingly rapid change in their business. In-house skills are becoming an ever-more decisive competitive parameter. This means that there is a growing need for training for managers, key employees and other groups. This is amplified by the companies' need for a highly skilled workforce and desire to be seen as an attractive workplace. 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. The Company believes that all these factors will contribute positively to the growth of the market.

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:

1 International Data Corporation ("IDC"), 2000 based on an exchange rate of SEK 9.42 to the USD (exchange rate at 29 December 2000 according to Datastream).  
 2 The Company's evaluation is based on an estimate from Forrester Research Inc. concerning the IT training market in 2000 and an exchange rate of SEK 9.42 to the USD (exchange rate at 29 December 2000 according to Datastream).  
 3 Report from the International Data Corporation (IDC), January 2002. "European Business Skills Training Defies Slowdown to reach \$13 Billion by 2006".



- *Increased demand for company-specific training programmes.*  
The demand for company-specific training programmes will continue to increase at the expense of standardised training courses.
- *Interactivity produces demonstrably better learning.*  
Business simulations are built on interactivity, which is an important factor in ensuring that training generates good results. On the basis of information from external sources, the Company considers interactive training to be appreciably more efficient than conventional forms of training
- *Increased demand for training programmes 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, anchoring corporate goals and strategies at all levels, introducing new production systems, and implementing improvements in productivity and quality assurance.
- *Increased demand for Web-based training*  
The demand for Web-based training is growing. For training initiatives directed at broader groups of employees within the customer's organisation, the company's intranet can be used to reach employees at different locations in a cost-efficient manner. In addition, Web-based training courses can be used to supplement classroom training for managers and other key employees – particularly as regards preparation and follow-up.

## THE COMPETITION

BTS' principal competitors are small niche players which, in the same way as BTS, focus on business simulations. In addition, BTS is competing with other players such as universities and colleges, as well as major training and consultancy companies, which offer training solutions that are not based on simulations. The most important competitors in the field of computer-based business simulations include SMG (USA), Megalearning (Belgium), MCC (the Netherlands), and StartX (France). Major players are also expressing greater interest in business simulations. For example, Accenture has founded the company Indeliq. In the market for manual business simulations, which are based on printed material, BTS is in competition with players such as Paradigm Learning (USA) and Celemi (Sweden). In BTS' experience, all these companies are smaller than BTS or of comparable size.

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.

## BTS' POSITION ON THE MARKET

BTS is the leading supplier of training simulations in the field of business acumen in the United States and the Nordic region. BTS offers the leading products on the market and has a broad contact interface with a large number of important customers. This position of market leader is the result of 16 years of business activity focused on this area. In 2001, BTS achieved better growth than the competition and succeeded in strengthening its position on the market.

## Business Activities, Goals, Strategy and Business Model

### BUSINESS ACTIVITIES



BTS is a consultancy and training company that develops and markets training solutions in the field of business acumen as well as associated services. The solutions are primarily intended for managers and key personnel, most often in large, leading international companies, and are based on tailor-made, computer-based simulations of the customer's business operations – what are known as business simulations. The skills and experience in the field of business acumen that BTS has built up over a period of more than 16 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. Business simulations are principally carried out in seminars for 20–30 people, where participants follow an interactive form of competition to develop their understanding of the parameters that affect the profitability and growth opportunities of their own companies. By using this method to develop the participants' ability to take business-related decisions, BTS supports its customers' change processes and measures intended to improve profits. BTS also offers solutions in the form of Web-based or manual business simulations, often intended for all the customer's employees. As of 31 December 2001, BTS had supplied training solutions in 12 languages to customers in more than 50 countries. In all, more than 150,000 people, representing more than 300 companies, have completed a BTS training programme.

### OVERRIDING GOALS AND STRATEGY



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 concentrating the Company's resources in the field of business acumen and associated elements will make it easier for the Company to maintain and reinforce its position on the market.

In particular, BTS is to focus on assignments where the solution is of appreciable value to the customer – for example, the anchoring and implementation of strategies. 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 links between goals, strategy and operative measures. In BTS' experience, training assignments in connection with strategy implementation are very valuable to the customer, as well as being profitable for BTS.

- *Training solutions based on business simulations*

All training solutions developed by BTS are to be based on business simulations, which means that not only can the Company offer efficient methodology, but can also achieve a high level of quality in the solutions supplied.

By offering business simulations based on different media – IT, Web-based and manual – BTS is to offer customer solutions intended for managers and employees in the most efficient manner for each target group. BTS is to strive to own the rights to all business simulations developed for different customers, as this results in the profitability of the separate customer projects increasing with the number of people who use the business simulation. In addition, the Company thus maintains 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 telecom, manufacturing industry, IT, pharmaceuticals and biotechnology, and banking and insurance. BTS also develops solutions for other sectors, such as transport, distribution and energy. By commanding sector-specific training solutions, BTS increases its knowledge of the different sectors thus strengthening its competitive advantages.

BTS is to strive to have large, sector-leading international companies as customers, partly because these companies have appreciable added 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 customer references are of crucial importance to the sale of BTS services, relations with existing customers are central to continued growth. BTS must therefore focus on meeting the requirements of these customers with high quality products and services – as this leads to long-term customer relations with repeat income – and generate new sales on the basis of 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 and Visual Basic, 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 with the shortest possible lead times.

- *Organic growth combined with acquisitions*

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

In the immediate future, BTS intends to focus on markets where the Company currently enjoys a strong position, particularly the United States, Sweden and Great Britain. In addition, the Company has recently established representation on markets which are believed to offer appreciable future potential, such as South Africa and the Netherlands. BTS' policy on acquisition 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. The poor market conditions of 2001 have improved BTS' acquisition options.

- *A very attractive workplace*

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. As the competition for skilled employees within BTS' area of activity is very tough, it is important that the Company be perceived as an attractive workplace.

## BUSINESS MODEL



BTS generates growth through a combination of geographical expansion, continuous extension of the ranges of products and services, and heavy emphasis on long-term customer relations. When expanding onto new markets, BTS primarily focuses on a limited number of large, market-leading companies. Not until a sufficient volume of business has been generated does the Company establish locally based subsidiaries. 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 – but all with an unambiguous message – 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, which lays the foundations for shared intellectual capital and knowledge for a long-term working relationship. As BTS focuses on large, market-leading companies, the Company has, over the years, built up a very strong group of reference customers, which supports sales initiatives targeted at new customers. BTS' offers 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 results in continuously increasing reuse of sector-specific models and allows BTS to build up a strong competitive position within these sectors.

## History

### ESTABLISHMENT PHASE, 1985–1990

BTS, which stands for Business Training Systems, was originally founded in Stockholm in 1985 by a group including Henrik Ekelund – currently CEO of the Company – Steffan Hellberg, and Stefan af Petersens, who are also still active within the Company. From 1985 to 1988, the Company developed the foundations of its simulation methodology. The early years were principally devoted to developing fundamental technology and products, generating a strong reference customer base, and building up an organisation.

In 1990, a strategy for the future was established. This consisted of two components: expansion into new geographical markets and development of additional solutions. The expansion strategy was based on the conviction that BTS' solutions were competitive internationally, and that a broader range of solutions would generate additional growth and income from the existing customer base. A central aspect of the expansion strategy was to start by making contact with a major customer on a new market and then waiting until a sufficient flow of income had been generated before establishing subsidiaries.

### INTERNATIONALISATION

BTS' internationalisation began in 1992 when BTS won three strategically important commissions, two of which included the opportunity of establishment on new geographical markets. These two contracts came from Kodak in the United States and Nuclear Electric in Great Britain, and eventually resulted in the establishment of subsidiaries in these two markets. In 1992, BTS also closed its first contract with what was then Ericsson Telecom. This contract has subsequently been expanded to cover a number of companies within the Ericsson group. The business relationship with Ericsson has made an appreciable contribution to BTS' growth and to the development of new training solutions.

At the end of 1997, BTS USA won a major commission from the South African company Telkom S.A. As this commission continued to develop, a subsidiary for this market was established in 1999. This subsidiary still operates under BTS USA. In 1998, requests from the Finnish market began to increase, and so a new office was opened in Helsinki. This was also the year in which BTS opened a second office in the United States, in San Francisco. A third US office was subsequently opened in Dallas in 2001. These moves were spurred by an increase in business activities with customers emerging on the West Coast and in the Southern United States.

BTS took the first steps towards establishment in Germany and the Netherlands by opening representative offices in Düsseldorf in 1998 and Amsterdam in 1999.

### PRODUCT AND TECHNOLOGY DEVELOPMENT

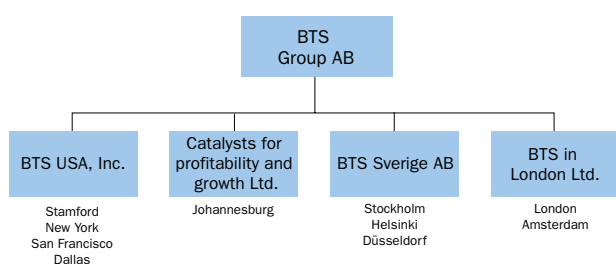
Since the foundation of the Company in 1985, BTS has primarily developed its business simulations in Excel-like environments. The Web-based simulations are, however, built in SQL, HTML, Director and Flash. Product development has involved improving the quality and efficiency of existing solutions, developing simulation solutions for new areas of knowledge, and improving the processes for manufacturing the solutions themselves.

Until 1990, the business simulations were principally used for pure training. However, at the start of the 1990s, BTS decided that the training solutions should be focused on supporting change processes and measures aimed at improving profitability within customer organisations. At the same time, focus was increased on result measurement and follow-up. In 1993, the company developed the first process-oriented business simulation in collaboration with Ericsson. The aim was to support the implementation of TTC (Time To Customer). A process-based business simulation models the processes and value chain within the customer's organisation. The process simulation was further developed in 1994 in order to support TTM (Time To Market) and product development management. Both types of simulation have been developed to create a range of versions and have been applied in both Europe and the United States. From 1995 to 1996, BTS worked with a variety of customers to develop a new concept called "Customer Advantage". This is intended to reinforce a company's understanding of and focus on its customers. In 1997, BTS developed and launched its first manual business simulations, i.e. simulations based on printed material. These manual business simulations constitute a medium through which BTS can target its offers towards all areas of a customer's organisation. In 1998, the Company began to investigate the options for offering business simulations through the Internet or the customer's own intranet. This resulted in BTS starting work on the development of business simulations with a Web-based interface towards the end of 1999. In 2000 and 2001, BTS took a number of steps to create the leading platform on the market for supplying business simulations and training programmes via customer intranets and the Internet.

## Organisation

### LEGAL STRUCTURE

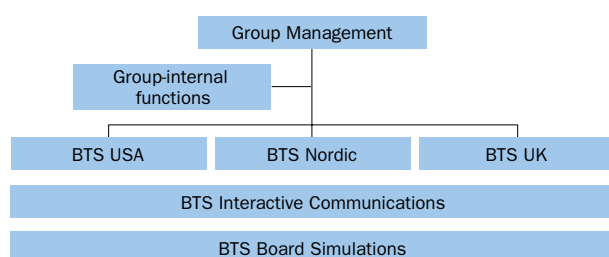
In addition to the Parent Company, BTS' legal structure comprises four wholly owned operative subsidiaries – one each in Great Britain, Sweden, South Africa and the United States.



### OPERATIVE STRUCTURE

BTS' operations are run through three operative and as two product-specific units.

Group-internal departments cover Group finances, IR as well as certain IT, process and personnel issues.



BTS has the following operative units:

- **BTS USA**, which operates in the United States and South Africa, and which has offices in Stamford (Connecticut), New York (New York), San Francisco (California) and Dallas (Texas). It also has an office in Johannesburg, South Africa.
- **BTS Nordic** operates in Sweden and Finland, and has offices in Stockholm (Sweden), Helsinki (Finland) and Düsseldorf (Germany).
- **BTS UK** operates in Great Britain and the Netherlands and has offices London (England) and Amsterdam (the Netherlands).

The heads of the three operative units have direct profit responsibility on their respective markets, and report directly to the CEO every month.

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

- **BTS Interactive Communications** which is responsible for Web-based business simulations.
- **BTS Board Simulations** which is responsible for manual business simulations.

BTS Interactive Communications and BTS Board Simulations develop concepts and produce solutions that provide active sales support to the customer organisations of the three operative units.

# ARE SIMULATIONS BETTER THAN EXPERIENCE?

How can a tailor-made business simulation support company executives in implementing changes and improving profits? Can a company use a business simulation to train the entire organisation to analyse and to take decisions centred on the factors that promote growth and profitability? How can we compare the efficiency of simulations with that of conventional training?

These are questions commonly asked when BTS meets people and corporate bodies. These are valid questions, which we attempt to answer as clearly as possible by referring to the numerous projects we have completed successfully.

To those of us who work with these questions on a daily basis, the answers are clear, but “outsiders” must either have completed a simulation course or choose to trust what we and our customers say and understand the dynamism and power in using a tailor-made business simulation.

## McKinsey on business simulations

An article from McKinsey published in 1996 and republished in “The McKinsey Quarterly” in December 2001 describes how tailor-made business simulations can add value to a company and highlights how essential it is that business solutions be tailor-made for specific companies. The title of the article is “Is simulation better than experience?” and the author asks “Can companies take a shortcut to strategic change?” The article states:

”In recent years, simulations have gained popularity as a means of overcoming these barriers to learning. A deep body of theoretical literature asserts the power of simulations to change behavior by giving managers the opportunity to experiment, test their assumptions, and learn from their mistakes in a risk-free environment.”

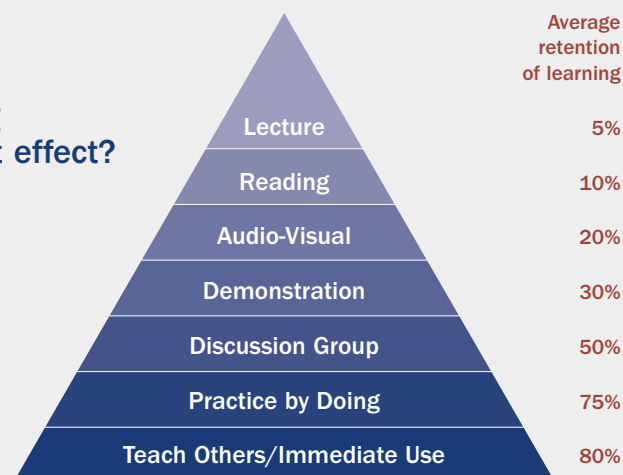
These quotes are taken from “Is simulation better than experience?” by Dory Bertsche, Christopher Crawford and Stephen E. Macadam, published in The McKinsey Quarterly, 1996 Number 1. They are also published on [www.mckinseyquarterly.com](http://www.mckinseyquarterly.com). Used with permission.

”A simulation may be run on a computer or played out on a board; in either case, its aim is to show participants how effective their decisions really are. In a good simulation, managers will be able both to see the results of their usual behavior and to experiment with the impact of new working practices.”

”A successful simulation will be tailor-made for a specific organization.”

”Above all, simulations must be a challenge. At the end of a successful simulation, participants will not want to stop: they will be keen to continue testing the system, pushing the limits, and improving their performance. When their full attention has been captured in this way, learning will be automatic.”

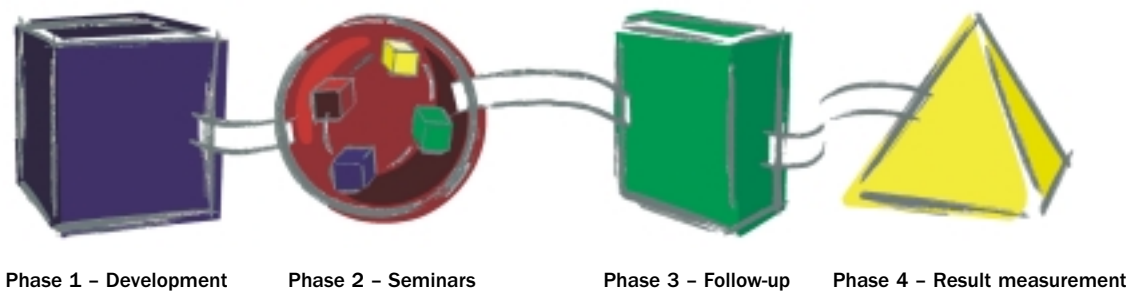
## What type of learning produces the greatest effect?



The Learning Pyramid, taken from “Corporate Universities” by Jeanne Meister



## How does BTS operate?



BTS training solutions comprise four phases: development, seminars, follow-up and result measurement. These four phases are used in a variety of ways depending on the form of delivery of the training solution. Each individual training programme 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.

BTS supplies training solutions based on the following types of business solutions:

- **Computer-based simulations** – primarily implemented in the form of teacher-led seminars for 20–30 participants at executive level, and based on a simulation program installed on local computers.
- **Manual business solutions** – carried out using printed materials, most often with the customer's own advisors.
- **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.

Teacher-led seminars constitute the most commonly applied form of simulation for BTS, but both Web-based and manual simulations are gaining ground.

### Phase 1 – Development

Development is initiated by the customer and BTS jointly formulating the goals and purpose of the solution. 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. As a rule, 10–30

interviews are carried out, depending on the size of the customer's organisation. In addition, BTS gathers information about the customer's activities and market.

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, 1–3 days of seminars are held, depending on whether the simulation is computer-based or manual. These seminars usually consist of various elements which provide the participants with training through the use of the business simulation, know-how sessions and feedback.

The diagram below shows an example of an agenda for a course of BTS seminars (computer-based).

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

Example of an agenda for BTS seminars



Web-based business simulations are implemented over a longer period at the customer's premises as the business simulation is run via the Internet or through the customer's own internal network.

#### **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.

#### **Know-how sessions**

BTS carries out – on its own or with the assistance of external lecturers – what are known as know-how sessions in the form of presentations and discussions about subjects tailored to the customer's needs. These know-how sessions help participants to develop their competence within one or more areas and prepare them for the next stage of the business simulation.

#### **Feedback**

During the feedback stage, the advisors from the different groups explain how their decisions have influenced the development of their fictive companies as regards profits and position, in comparison with the fictive companies of the other participating groups. The feedback stage is carried out in groups and via individual guidance during the seminar itself.

#### *Phase 3 – Follow-up*

BTS runs follow-up procedures in collaboration with the customer to cement what the participants have learned, and to make sure that this is applied in their day-to-day work. Following completion of the training programme, the participants' task is to apply their new knowledge and implement the measures 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 programme are measured in terms of retained knowledge, new methods of taking decisions and working, and direct improvements in profits.

## **PRODUCT DEVELOPMENT**

The skills and experience in the field of business acumen that BTS has built up over a period of more than 16 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 valuable structure capital over the years.

BTS' product development covers both internal and external product development. External product development covers the generation of new training solutions, while internal product development primarily refers to the Company's development platform and methodology, which forms the foundations for the production of new training programmes.

#### *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 the existing customer base.

External product development is also directed towards solutions for new media – primarily Web-based business simulations – and updating existing ranges of solutions. BTS strives to carry out external product development in close collaboration with customers as this allows BTS to identify new customer needs at an early stage, and also means that the development work is financed in part by the customer.

#### *Internal product development*

Internal product development is intended to increase the efficiency of the customer tailoring process and to improve the quality of the simulations. 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:

- refining BTS Mini Master, a common development environment for all computer-based simulations which, through a higher degree of recycling, results in shorter development times and fewer errors;
- identifying and using new tools that provide improved efficiency and quality in the solutions;
- further developing the document platform, which allows searches on and reuse of previously produced documents; and
- further refining a platform for Web-based simulations.

## BTS BUSINESS SIMULATIONS

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

### Company simulations

When working with company simulations, participants deal with business-related questions and contexts within a fictive company and business environment. This helps participants to develop their skills within specific areas linked to their own company. During the simulation stage, participants are to act as the company management. Company simulations typically contain 30–100 different parameters that influence the final result. Company simulations are carried out interactively in the form of a competition, with four or five teams – each representing a fictive but realistic company – compete with each other. This results in a clear illustration of market dynamics and makes the business simulation very 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 on deregulated markets.

### Scenario-driven business simulations

A scenario-driven business simulation is based on a single scenario in a fictive 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 fictive business environment before they start to take real decisions within the customer's actual business environment. In the scenario-driven business simulations, participants can act from different positions within an organisation. Scenario-driven business simulations include one or more of the following:

#### Customer focus

Implementation of action plans intended to improve customer satisfaction.

#### Operational excellence

Used to increase efficiency within the organisation.

#### Project management

Project management for successful and profitable projects.

#### Supply chain management

Implementation of new supply forms and processes, with the emphasis on the entire value chain in the company.

#### Time to Customer

Shortening lead times between order and payment.

#### Time to Market

Shortening the product development process and increasing the profitability of the product portfolio.

#### Leadership programme

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 form is intended to present a detailed and very real simulation of the customer's business. 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

Understanding of working with complex financing solutions for major international projects.

#### Improving profits

Development of action plans intended to improve profitability.

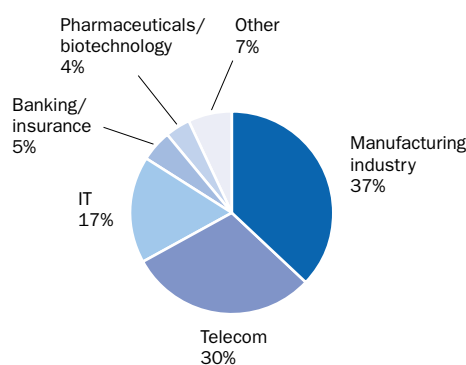


## Customers and assignments

BTS customers primarily operate in the following fields: manufacturing industry, telecom, IT, pharmaceuticals/biotechnology, and banking and finance. However, the Company also has customers from other sectors, including distribution, transport and energy. The BTS customer base includes large and international companies that are among the leading players in their respective fields. BTS strives to establish long-term relationships with its customers.

In 2001, BTS acquired a large number of new customers and captured increased market shares. In fact, BTS invoiced 93 customers in 2001, 20 of which were new additions. The most important sectors – manufacturing industry, telecom and IT – accounted for 37, 30 and 17 per cent of the Group's net turnover for the year. The ten largest customers provided around 47 per cent of the Group's net turnover for 2001, although no single customer accounted for more than 9 per cent of net turnover.

Net turnover 2001 by sector



### Examples of customers:

Industry	Agilent, Boeing, Centrica, Pitney Bowes, Philips, Sandvik, Volvo Cars
Telecom	Bell Canada, Bell South, Cingular Wireless, Ericsson, SBC, Telkom SA
IT	Applied Materials, Hewlett Packard, Sun Microsystems, Texas Instruments
Banking/insurance	AMP, Barclays Bank, Liberty Mutual, Länsförsäkringar
Pharmaceuticals/biotechnology	AstraZeneca, Aventis, Genentech, Pharmacia
Other	Carlsberg, Posten, Primalco, SAS, Weyerhaeuser

## CASE HISTORIES

### APPLIED MATERIALS

Applied Materials employs 19,000 people and is the leading company in the world in the field of machines and other equipment for the production of microchips.

BTS has developed two programs for Applied Materials. The first – Managing in a Complex Environment – has been run for approximately 1,500 managers and key personnel with a view to developing decision-making skills in a business distinguished by rapid change, high technological complexity and growth.

The other – Close to the Customer – was used to train around 1,000 Applied Materials managers, and was intended to help these managers develop into business partners for Applied Materials customers, thus improving the profitability of the business.

**ASTRAZENECA**

AstraZeneca is one of the leading pharmaceuticals companies in the world, selling to more than 100 countries. The company has production facilities in 20 countries and employs 50,000 people worldwide, including more than 10,000 in Sweden.

Together with AstraZeneca, BTS created a modular simulation solution which is so flexible that it can be used for a wide range of departments within the organisation. The purpose of the program is to prepare employees for how AstraZeneca is to act in a more competitive

market and business environment. In addition to forming part of the advanced management development program, the application spans a wide range of areas – from production management groups in Södertälje, Sweden, to the marketing company in Australia.

**BELL CANADA**

Bell Canada is the largest telecom operator in Canada and provides both landline and mobile telecom services for households and business customers. Bell Canada employs around 44,000 people and in 2001 the company generated a turnover of more than SEK 100 billion.

For Bell Canada, BTS developed a solution that contains three different simulations which can be run in English or French.

The first is a computer-based business simulation intended to provide top executives with a holistic view of a telecom operator with emphasis on shareholder value. In 2000, around 750 managers completed this course as did a further 600 in 2001.

The second programme comprises a manual business simulation and is intended for around

30,000 employees, who are expected to complete the course before the end of 2002.

The third simulation consists of computer-based decision-making tools to support managers in the development and implementation of strategies for advanced broadband services, new markets and branding issues. The 200 top executives within Bell Canada who completed the first course in 2002 also completed this third simulation course during the first six months of 2001.

”Leadership and sharpening focus on building shareholder value will be more and more critical ... The building shareholder value program has become a top priority and key investment for Bell Canada .... The executive team is convinced that there will be a major return on this investment. ... This is a high quality development program that takes direct aim at the values and capabilities to be successful ... This workshop will give you an unique insight into our company and the context in which we operate, letting you make the decisions, and tackle your competitors in the market ... The mix of teamwork, competition and learning will make a very memorable, dynamic and I think a very valuable experience for you.”

**John Sheridan, President Bell Canada**

**BIOVITRUM**

Biovitrum is a research company that was created from three of Pharmacia’s Swedish business units – the research group for metabolism disorders, the closely related development unit for biotechnology-based medicines, and the unit that dealt with the fractioning of blood plasma.

BTS received a commission from Biovitrum in connection with the spin out of the company from Pharmacia. The purpose of the program is to highlight a holistic view of the business activities and value creation of the company. This includes optimising research portfolio management and closing successful contracts with pharmaceutical companies. The program also covers the company’s strategies and their consequences, and it also promotes an understanding of the driving forces behind profitability and growth. Course participants work with a

tailor-made simulation, managing every single stage of a research portfolio – from the initial research phase to delivery and collaboration with a pharmaceuticals partner. An important part of the work involves taking up a position vis-à-vis the working relationship with the biotechnology and pharmaceuticals sector in order to focus in-house competencies on establishing project work on commercially viable foundations.

Around 500 people from the company will take the BTS course in spring 2002.

### CARLSBERG SVERIGE

Carlsberg Sverige is a part of one of the largest brewery groups in the world. The company employs 2,300 people and generates an annual turnover of around SEK 3.6 billion.

The management group and 90 top executives and key personnel from Carlsberg Sverige improved the efficiency of the entire delivery and supply flow using a tailor-made programme called "The Business Flow".

The programme will be run again – with Carlsberg Sverige's own personnel as advisors – for 600 employees in 2002.

### ELECTROLUX

Electrolux is the leading manufacturer of white goods and other domestic appliances in the world. Electrolux runs conducts business in more than 150 countries and generated a turnover of approximately SEK 140 billion in 2001.

BTS has developed a strategic tool for communicating profitability attitudes for the Electrolux group. This is now in use throughout Electrolux' global organisation. The tool is an interactive multimedia program on a CD-ROM containing a BTS seminar with a company simulation. In tailor-made business cases,

participants play a range of different roles – marketing manager, production manager, development manager, head of finances, etc. – and make decisions that have a clear impact on profitability and growth.

"This is a simple way of spreading value-based attitudes throughout the group – combined, of course, with a large number of different courses. The whole point of multimedia is that it makes it easy to reach everyone."

**Johan Bygge, Business Area Manager, domestic appliances, Electrolux**

### HEWLETT PACKARD

Hewlett Packard supplies products and services in the field of data and imaging technology. Hewlett Packard employs around 88,000 people and in 2001 the company generated a turnover of around SEK 460 billion.

BTS is currently implementing a programme intended to promote and increase understanding among managers and employees for HP's goals and business models, to illustrate what drives value within the company, and to improve understanding of market dynamics. The programme has been adapted for different levels of managers and employees. Separate customer-specific programmes are run in a number of different countries throughout the world. These programmes are designed for general managers, func-

nal managers, middle managers, front line managers and individual contributors.

In addition, BTS has developed a separate programme for HP engineers. This programme is clearly focused on product development and time to market. In 2000, BTS was appointed Strategic Partner, which means that all HP divisions throughout the world will be implementing BTS programmes. In 2001, around 2,000 managers and employees completed a BTS programme.

"One outcome that I wanted to ensure occurred was that the senior management team of IPN came away with a better appreciation of running a business and managing to growth and profit goals. This was certainly achieved in the class. I am confident that the knowledge gained by all that attended the class will make the organization more effective as we go forward with our new charter."

**Michael Bordonni, IPN Controller, Hewlett Packard**

**LIBERTY MUTUAL**

The Liberty Mutual Group is an international group of insurance companies with a combined total of 35,000 employees and more than 800 offices around the world.

BTS created a tailor-made IT-based simulation for the 350 most senior Liberty Mutual executives, with a view to supporting them in making decisions to improve profitability for the group.

”Participants see a continuing value as a result of attending the program. More aggressive in learning about other functions when they don’t understand something being discussed at a staff meeting, so they can contribute intelligently on a business issue outside their expertise. Level of dialogue around value and cost-benefit analysis has significantly improved. I can see a big difference in the kind of discussions taking place during budget and planning process. I also heard a lot of good feedback about the quality and realism of the simulation.”

***The order supplier from Liberty Mutual*****PHILIPS COMPONENTS**

Philips Components is a leading supplier of digital solutions in fields such as displays, optic storage, wireless modules, loudspeakers and remote control systems.

BTS has developed a tailor-made business simulation for and in close collaboration with Philips Components. The aim of this programme, which is called “The Digital Revolution Program”, is to implement the company’s strategy. The programme will be run for 600 of the company’s top executives in 2002.

”The clear highlight of 2001 is the Digital Revolution Program. In the midst of rapid change, this program offered over 600 Component’s employees the opportunity to experience our new way of working and offered them direct interaction and participation in open dialogue with the Product Division’s Executive Team. The Digital Revolution Workshop not only provided management with many valuable suggestion for improvement and follow up, it also played a key role in strengthening the alignment of our people with the business strategy.”

***Matt Medeiros, CEO, Philips Components***

### **PITNEY BOWES**

Pitney Bowes is a global supplier of mail, messaging and document management. Pitney Bowes employs around 25,000 people and in 2001 the company generated a turnover of around SEK 40 billion.

In 1999, Pitney Bowes launched a group-wide management and development initiative with a primary target group comprising approximately 3,500 top executives and middle managers. To date, around 2,000 people have completed the BTS programme. The BTS solution consists of a computer-based business simulation,

a manual business simulation and Web-based preparation and follow-up. The Web-based module comprises an Internet site that contains a database for tracing individual improvement measures, revision exercises, tests and decision-making tools for individual applications.

”BTS has been a partner in the largest development effort in our company's history. First they helped to shape our approach to business acumen. They then delivered training experiences that have been rated highest among all of the programs we offer.”

**Charles Presbury, Director, Executive Learning and Development at Pitney Bowes**

### **RAYTHEON**

Raytheon is an American aerospace company with 93,000 employees. The company manufactures aircraft, missiles and radar installations

BTS has developed a Web-based simulation intended to train managers and employees in improving the efficiency of material and capital flow in all production and delivery processes so as to improve productivity, quality and capital binding.

### **SANDVIK**

Sandvik is a high-tech workshop group with advanced products and a world-leading position in selected areas. With representative offices in 130 countries, the company spans the globe. The group employs 35,000 people and generates an annual turnover of around SEK 50 billion.

In collaboration with Sandvik, BTS created a programme entitled “Leaders in Service”. The aim of this programme is to develop a professional after sales organisation that recognises the importance of the total service needs of Sandvik’s customers in the context of the overall growth potential of the company. The target group for the programme consists of 200 managers from Sandvik Mining & Construction.



**SAS CARGO**

SAS Cargo is the leading aerial freight company in Scandinavia and a member of the SAS group.

BTS has worked with SAS Cargo since 1999. In 2001, BTS developed a simulation that shows how different types of leadership affect financial results in the company. Within the business simulation, participants are placed in everyday situations where, on the basis of SAS Cargo's fundamental values and management philosop-

hies, they are to act and take decisions as managers. The effects of their decisions are reflected in internal efficiency, customer satisfaction, personnel satisfaction and market value. The programme is Web-based so as to allow participants to work with the simulation both during a seminar and at their workplaces.

“It is a remarkable benefit for us that we can anchor our fundamental values among our managers while simultaneously succeeding in infusing new life into business attitudes and behaviour in all decision-making situations. BTS’ fantastic commitment and skills and their powerful methodology have made a major contribution to our progress.”

**Stefan Lewin, Personnel Manager, SAS Cargo**

**SKANSKA SERVICES**

Skanska Services is a business unit within the Skanska group that concentrates on holistic solutions in the field of Facilities Management. Today, the company employs around 1,300 people and has offices in Sweden, Denmark, Finland and Great Britain

Together with Skanska Services, BTS has developed a manual simulation intended to create a holistic view of the business, to reinforce business acumen and financial understanding, and to improve understanding of Skanska Services’ “guiding stars”, visions, goals and strategies.

“BTS’ manual business simulation has made a powerful contribution to the development of Skanska Facilities Management’s business activities.”

**Anders Asplund, Personnel Manager, Skanska Services**

### TEXAS INSTRUMENTS

Texas Instruments employs 35,000 people and is one of the largest companies in the world in the field of semi-conductors and semi-conductor components.

In 1997–98, BTS ran “The Strategy Bootcamp” for around 1,500 managers around the world. The programme consisted of a tailor-made simulation that helped to transform Texas Instruments’ new strategy into decisions. Subsequently, BTS and Texas Instruments developed “Engineering Time To Market”, a programme that was run for engineers throughout the group. The simulation in this programme illustrates how product development decisions affect time, costs, quality

and performance. BTS has also recently created another tailor-made business simulation intended to broaden and strengthen knowledge as regards business logic for the company’s 250 top executives. This simulation is called “The Customer Loyalty Bootcamp”. By running business from the perspective of the customer, course participants improve their understanding of the challenges faced by customers as regards the market, product development and supplier relations.

”The simulation and teaching sessions help solidify the fundamental things we need to do to build our business into a sustainable, model business”

**Greg Delagi, GM, Texas Instruments**

### VOLVO CARS

Volvo Cars is a part of the Ford Group.

BTS has implemented a training course for 600 managers from all car dealers under Volvo’s North American dealership organisation. The programme is a part of the work intended to strengthen Volvo’s position on the North American market.

”The program gave me a better understanding on how a dealership is run and what it takes to run one. It gave me a more complete overview of the financial workings of a dealership. Also, I was able to see how various expenditures in personnel and facilities affect both profitability and CSI. A very clear and informative presentation on the many topics we deal with in a dealership. It has increased my awareness of how to go about improving some areas in my business.”

**Course participant, Volvo Cars**

## 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 2001, the company employed 119 people (126). The average number of employees during the year was 125 (114). Since 1993, in order to manage historical and future growth – especially with regard to staff turnover – BTS has been developing a process for the effective recruitment of the right employees and the development of their individual skills and competencies.

### *Recruiting*

To guarantee successful and efficient recruiting, the Company uses a combination of advertising, recruiting via the Internet, head-hunters and employee recommendations. Clearly defined recruiting phases are used to ensure that employment is offered to the right people.

### *Personal and skills development*

New employees are introduced to the Company via a separate induction programme as well as 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 allocated a mentor figure from among the more senior members of staff. The mentor programme also includes more experienced employees.

Ongoing skills development programmes 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 programmes. However, external training programmes are also used where necessary. Development interviews are carried out twice a year – one principal interview and one follow-up interview. The principal interview involves a preliminary evaluation of the employee's efforts. Here, employees evaluate each other and thus provide the basis for the development interview. Evaluation of the group, company and team management is carried out regularly with a view to laying foundations for increasing management efficiency.





## 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 generating MSEK 78.1 for the company after issue costs. At the end of the first closing day, the share price was SEK 59. At the end of 2001, the share price was SEK 37.

The total share capital in the Company is SEK 5,828,000,

divided between 284,600 A-shares and 5,543,400 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 28 December 2001, there were approximately 620 shareholders in the Company. Institutional owners hold approximately 64 per cent of the total number of shares, excluding the shares of the principal owner.

### SHARE CAPITAL

Year	Transaction	Increase in share capital, SEK	Share capital, SEK	Change in the number of		Total number of shares	Nominal share value, 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 <sup>1</sup>	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

<sup>1</sup> Directed new stock issue for Jonas Åkerman and Johan Strömsäter.

### OWNERSHIP STRUCTURE

The table below shows the ownership structure of BTS as of 28 December 2001

Owner	Number of shares			Number of votes	Share of	
	A	B	Total		capital	votes
Henrik Ekelund	284,600	1,475,000	1,759,600	4,321,000	30.2%	51.5%
Stefan Hellberg		1,176,000	1,176,000	1,176,000	20.2%	14.0%
Stefan af Petersens		1,064,400	1,064,400	1,064,400	18.3%	12.7%
Svolder		450,000	450,000	450,000	7.7%	5.4%
Jonas Åkerman		280,000	280,000	280,000	4.8%	3.3%
Henderson Global Investors		200,000	200,000	200,000	3.4%	2.4%
Lannebo fonder		123,800	123,800	123,800	2.1%	1.5%
Skandia		64,500	64,500	64,500	1.1%	0.8%
Folksam		60,000	60,000	60,000	1.0%	0.7%
Johan Strömsäter		58,000	58,000	58,000	1.0%	0.7%
Wasa/Länsförsäkringar		41,900	41,900	41,900	0.7%	0.5%
Other		549,800	549,800	549,800	9.5%	6.5%
<b>Total</b>	<b>284,600</b>	<b>5,543,400</b>	<b>5,828,000</b>	<b>8,389,400</b>	<b>100.0%</b>	<b>100.0%</b>

#### WARRANT PROGRAMME

BTS GROUP AB has three ongoing warrant programmes which have been established for employees in subsidiaries. Each warrant programme 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 these warrants will increase the share by a total of 674,500 shares. The table below illustrates the subscription periods for the different programmes.

#### Warrants

Warrant series	Number	Redemption price (SEK)	Subscription period
1999/2002	39,325	31.30	2002-01-01 – 2002-03-31
1999/2003	39,325	31.30	2003-01-01 – 2003-03-31
2000/2003	18,388	40.00	2003-01-01 – 2003-03-31
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 profits for 2000 and 2001 and of balance sheet totals at 31 December 1999,

2000 and 2001. For other accounting years from 1997–99, pro forma income statements and key figures are presented as if the restructuring had been implemented before 1997.

### INCOME STATEMENT

#### Income statement for the Group, summary

SEK million	2001	2000	1999*	1998*	1997*
Net turnover	196.9	177.3	140.8	114.0	91.1
Operating costs	-182.3	-163.0	128.9	-107.0	-82.1
<b>Result before depreciation</b>	<b>14.6</b>	<b>14.3</b>	<b>11.9</b>	<b>7.0</b>	<b>9.0</b>
Depreciation on tangible fixed assets	-1.6	-1.7	-1.8	-1.5	-1.1
Depreciation on intangible fixed assets	-0.4	-0.4	-0.4	-0.4	-0.4
<b>Operating result</b>	<b>12.6</b>	<b>12.3</b>	<b>9.7</b>	<b>5.1</b>	<b>7.5</b>

\*Pro forma

### BALANCE SHEET

#### Balance sheet for the Group, summary

SEK million	31 December		
	2001	2000	1999
Fixed assets	7.0	7.0	5.7
Accounts receivable	38.8	46.0	32.2
Other current assets	15.3	4.6	7.0
Cash and bank deposits	68.3	24.0	5.9
<b>Total assets</b>	<b>129.4</b>	<b>81.5</b>	<b>50.8</b>
Shareholders' equity	103.6	16.2	7.7
Provisions for deferred tax	-	0.8	0.5
Interest-bearing liabilities	0.2	29.3	0.5
Non-interest-bearing loans	-	-	15.3
Other non-interest-bearing liabilities	25.6	35.3	26.8
<b>Total shareholders' equity and liabilities</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 is only shown as at 31 December 2000 and 2001.

### Group cash flow

SEK million	2001	2000
Cash flow from current operations	-2.1	5.0
Cash flow from investment operations	-1.1	-3.1
Cash flow from financing operations	47.5	16.2
Cash flow for the year	44.3	18.1
Liquid funds, opening balance	24.0	5.9
Liquid funds, closing balance	68.3	24.0

### FINANCIAL KEY FIGURES FOR THE GROUP

SEK million	2001	2000	1999	1998	1997
Net turnover	196.9	177.3	140.8	114.0	91.1
Operating result	12.6	12.3	9.7	5.1	7.5
Operating margin, %	6.4	6.9	6.9	4.5	8.3
Profit margin, %	5.0	4.3	-	-	-
Return on equity, %	16.5	64.7	-	-	-
Return on operating capital, %	44.4	62.9	60.4	33.3	56.8
Operating capital	35.5	21.5	17.5	14.7	16.1
Shareholders' equity	103.6	16.2	7.7	-	-
Solidity, %	80.1	19.8	15.1	-	-
Cash flow	44.3	18.1	-	-	-
Liquid funds	68.3	24.0	5.9	-	-
Number of employees at the end of the year	119	126	106	95	84
Average number of employees	125	114	102	90	78
Annual revenue per employee	1.6	1.6	1.4	1.3	1.2



## 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.

### *Revenue for the year*

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

## Management Report

### MANAGEMENT REPORT

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 2001 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 analyse and to take decisions centred on the factors that promote growth and profitability. This generates increased emphasis on profitability and market focus, and supports day-to-day decision-making, which in turn leads to tangible, sustainable improvements in profits. BTS customers are often leading major companies.

### SIGNIFICANT EVENTS DURING 2001 AND AFTER THE CLOSE OF THE FINANCIAL YEAR

- On 6 June 2001, BTS was floated on the O-list of the Stockholm Stock Exchange
- BTS acquired a large number of new customers during the year and also increased its market share
- Income from licences rose to 17 per cent, up from 9 per cent for the previous financial year
- Positions established within new sectors: pharmaceuticals/ biotechnology and financial.

### TURNOVER AND RESULT

BTS' net turnover for the year increased by 11 per cent to MSEK 196.9 (177.3). Adjusted for exchange rate fluctuations, turnover for the year rose by 3 per cent.

The Group's result for the year before tax amounted to MSEK 11.2 (11.0), and net operating result totalled MSEK 12.6 (12.3). The operating margin for the year was 6.4 per cent (6.9). The general development of market conditions and events following 11 September 2001 have weakened the market for corporate training. On account of cost-cutting programmes, restructuring and travel restrictions, many companies have chosen to postpone investments in training. In our view, the growth of the market as a whole has been weak over the past year, in contrast to the five years of strong positive development up to and including 2000. The segment on which BTS focuses – company-specific,

simulation-based training in business acumen – has enjoyed more positive development than the market as a whole. However, a large number of companies have chosen to postpone investments in this area as well. During the first nine months of the year, business developed positively compared to the previous years, with turnover increasing by 36 per cent and result before tax improving to MSEK 2.5 (-7.4). BTS' strategy to combat the decline of the market over the year consisted of three principal elements:

1. Focusing on customers in sectors less sensitive to market conditions
2. Offering customers more cost-effective solutions that pay for themselves more rapidly
3. Controlling costs and improving productivity within BTS' own organisation.

Overall, this strategy was well implemented.

The immediate effects on BTS of the events of 11 September were postponements of seminars and cancellations on account of travel restrictions imposed by customer businesses. Turnover thus fell by 26 per cent during the fourth quarter and amounted to MSEK 51.7 (70.3).

Costs were cut and savings made, and as a result, in spite of the poor market conditions and the lower income, the company succeeded in achieving positive operating profits of MSEK 9.9 (19.1) with a pre-tax result of MSEK 8.7 (18.5) in the fourth quarter. Cash flow from current operations in the fourth quarter amounted to MSEK 14.6 (6.4).

BTS USA's net turnover for the year increased by 26 per cent in relation to 2000 and totalled MSEK 127.5 (101.2). Adjusted for exchange rate fluctuations, turnover for the year rose by 13 per cent. The operating margin for the year was 10 per cent (10).

BTS Nordic's net turnover for the year totalled MSEK 50.0 (57.9), with an operating margin of -4 per cent (1).

The fall in BTS Nordic's turnover is attributable to the fact that the company was only partially successful in compensating for the appreciable loss of income from Ericsson. BTS Nordic therefore chose to implement staff cuts by transferring personnel within the BTS Group, through planned retirements and by making some staff redundant. These measures will achieve their full effect in 2002.

The turnover generated by BTS UK during the year totalled MSEK 19.4 (18.2). The operating margin was 7 per cent (8).

In September/October, BTS Storbritannien received a large order from Barclays Bank.

## FINANCIAL POSITION

At the end of the year, liquid funds totalled MSEK 68.3 and BTS' solidity was 80 per cent. BTS' cash flow from current operations for the year amounted to MSEK -2.1 (5.0), which is primarily attributable to the fact that short-term operational liabilities were amortised during the year.

## PROSPECTS FOR 2002

Market conditions for the coming year remain uncertain and difficult to predict. Nevertheless, it is believed that profits will improve on the previous year.

## 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 0.7, with a result after financial items of MSEK 0.2. Liquid funds totalled MSEK 45.4.

## THE WORK OF THE BOARD OF DIRECTORS

In accordance with the articles of association, the Board of Directors shall consist of no less than three and no more than eight members, with no more than five deputies. The Board of Directors currently consists of five members. The Board works according to an established agenda, with instructions concerning the division of tasks between the Board and the managing director. In 2001, the Board of BTS held nine ordinary meetings. In accordance with the company articles, the Board must hold at least four ordinary meetings every calendar year. At each of these meetings, the Board deals with issues of appreciable importance to the Company. In addition, the Board is informed 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. In Spring 2001, a good deal of the Board's work was concentrated on the flotation process that resulted in the listing of the Company on the O-list of the Stockholm Stock Exchange, and the associated new stock issue.

## PROPOSED APPROPRIATION OF PROFITS

### *The Group*

The Group's unrestricted shareholders' equity amounts to SEK 19,979,171. No proposals have been made concerning allocations to restricted shareholders' equity in the Group's respective companies.

### *The Parent Company*

The Board proposes that the current disposable profits:

profit brought forward	4,032,954
profit for the year	2,429,449
total	6,462,403

be distributed as follows:

dividend to shareholders	2,914,000
to be carried forward	3,548,403
total	6,462,403

As regards the other business of the Group and the Parent Company, please refer to the following income statement, balance sheets, cash flow analyses, and notes.

## 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 1997–1999 are thus pro forma.

	2001	2000	1999	1998	1997
Net turnover	196,887	177,326	140,848	114,051	91,080
Operating costs	-182,261	-163,031	-129,021	-107,084	-82,040
Depreciation	-1,982	-2,026	-2,126	-1,876	-1,490
Operating profit/loss	12,644	12,269	9,701	5,091	7,550
Operating margin, %	6.4	6.9	6.9	4.5	8.3
Number of employees at the end of the year	119	126	106	95	84
Average number of employees	125	114	102	90	78
Net turnover per employee	1,575	1,555	1,381	1,267	1,168



## Financial statements

### INCOME STATEMENTS

SEK thousand	Note	The Group		The Parent Company	
		2001	2000	2001	2000
Net turnover	1, 2	196,887	177,326	722	44
<i>Operating costs</i>					
Other external costs	2, 3, 4	-66,878	-64,087	-395	-18
Personnel costs	5	-115,383	-98,944	-219	-
Depreciation on tangible and intangible fixed assets	6,7	-1,982	-2,026	-	-
<i>Total operating costs</i>		-184,243	-165,057	-614	-18
<b>Operating result</b>		<b>12,644</b>	<b>12,269</b>	<b>108</b>	<b>26</b>
<i>Financial items</i>					
Profit from other securities and receivables considered to be fixed assets	8	-1,613	-	-413	6,000
Other interest income and similar profit and loss items		1,234	175	1,098	64
Other interest costs and similar profit and loss items		-1,114	-1,403	-620	-536
<i>Total result from financial items</i>		-1,493	-1,228	65	5,528
<b>Result before tax</b>		<b>11,151</b>	<b>11,041</b>	<b>173</b>	<b>5,554</b>
Year-end appropriations	9	-	-	-	7
Tax on result for the year	10	-1,213	-3,331	2,256	-
<b>Result for the year</b>		<b>9,938</b>	<b>7,710</b>	<b>2,429</b>	<b>5,561</b>

### EARNINGS PER SHARE

Earnings per share before dilution. SEK		1.92	1.78	-	-
Number of shares at year end		5,828,000	4,328,000	-	-
Average number of shares before dilution		5,182,167	4,328,000	-	-
Earnings per share. fully diluted basis. SEK		1.87	NA	-	-
Average number of shares. fully diluted basis		5,318,530	NA	-	-

BALANCE SHEETS

SEK thousand	Note	The Group		The Parent Company	
		2001	2000	2001	2000
<b>ASSETS</b>					
<b>Fixed assets</b>					
<i>Intangible fixed assets</i>					
Goodwill	6	729	1,094	–	–
<i>Total intangible fixed assets</i>		729	1,094	–	–
<i>Tangible fixed assets</i>					
Stocks	7	3,861	4,270	–	–
<i>Total tangible fixed assets</i>		3,861	4,270	–	–
<i>Financial fixed assets</i>					
Participations in group companies	11	–	–	35,316	9,070
Other long-term holdings of securities	12	1	1,614	1	1,614
Deferred tax receivable	13	996	–	996	–
Other long-term receivables		1,493	–	–	–
<i>Total financial fixed assets</i>		2,490	1,614	36,313	10,684
<b>Total fixed assets</b>		<b>7,080</b>	<b>6,978</b>	<b>36,313</b>	<b>10,684</b>
<b>Current assets</b>					
<i>Short-term receivables</i>					
Trade accounts receivable		38,768	45,980	–	–
Receivables from Group companies		–	–	7,993	6,000
Other receivables		2,628	1,892	872	81
Prepaid expenses and accrued income	14	12,644	2,673	–	–
<i>Total current receivables</i>		54,040	50,545	8,865	6,081
Cash and bank deposits		68,249	24,007	45,363	9,979
<b>Total current assets</b>		<b>122,289</b>	<b>74,552</b>	<b>54,228</b>	<b>16,060</b>
<b>TOTAL ASSETS</b>		<b>129,369</b>	<b>81,530</b>	<b>90,541</b>	<b>26,744</b>

BALANCE SHEETS, *continued*

SEK thousand	Note	The Group		The Parent Company	
		2001	2000	2001	2000
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>					
Shareholders' equity	<b>15</b>				
<i>Restricted shareholders' equity</i>					
Share capital (5,828,000 shares, nominal value SEK 1, and 1,082,000 shares, nominal value SEK 0.10)		5,828	108	5,828	108
Premium reserve		–	–	77,474	919
Restricted reserves		77,772	3,291	–	–
Legal reserve		–	–	569	12
<i>Total restricted equity</i>		<b>83,600</b>	<b>3,399</b>	<b>83,871</b>	<b>1,039</b>
<i>Unrestricted equity</i>					
Profit brought forward		10,041	5,052	4,033	8
Profit/loss for the year		9,938	7,710	2,429	5,561
<i>Total non-restricted equity</i>		<b>19,979</b>	<b>12,762</b>	<b>6,462</b>	<b>5,569</b>
<b>Total shareholders' equity</b>		<b>103,579</b>	<b>16,161</b>	<b>90,333</b>	<b>6,608</b>
<b>Provisions</b>					
Provisions for deferred tax		–	800	–	–
<b>Total provisions</b>		<b>–</b>	<b>800</b>	<b>–</b>	<b>–</b>
<b>Long-term liabilities</b>					
Liabilities to credit institutions	16	–	1,102	–	–
Other liabilities		187	197	–	–
<b>Total long-term liabilities</b>		<b>187</b>	<b>1,299</b>	<b>–</b>	<b>–</b>
<b>Short-term liabilities</b>					
Accounts payable		5,683	5,289	57	29
Tax payable		–	3,218	–	8
Due to Group companies		–	–	–	26
Other liabilities		5,086	32,380	–	20,067
Accrued expenses and prepaid income	17	14,834	22,383	151	6
<b>Total short-term liabilities</b>		<b>25,603</b>	<b>63,270</b>	<b>208</b>	<b>20,136</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>129,369</b>	<b>81,530</b>	<b>90,541</b>	<b>26,744</b>
Pledged assets	18	10,000	10,000	none	none
Contingent liabilities	19	none	none	6,000	5,363

## CASH FLOW ANALYSES

SEK thousand	The Group		The Parent Company	
	2001	2000	2001	2000
<b>Current operations</b>				
Operating profit/loss	12,644	12,269	108	26
<i>Adjustment for items not included in cash flow</i>				
Depreciation and write-downs	3,595	2,026	1,613	–
Other items	–681	–413	–	–352
Net financial items	–1,494	–1,228	–1,135	–472
Actual tax for the year	–3,009	–3,331	–	–
<i>Cash flow from current operations before changes in working capital</i>	11,055	9,323	586	–798
<i>Cash flow from changes in working capital</i>				
Change in trade debtors	7,212	–13,783	–	–
Change in short-term operating receivables	–10,706	2,453	–2,784	–5,013
Change in trade creditors and other short-term operating liabilities	–9,668	6,998	72	–3,718
<i>Cash flow from changes in working capital</i>	–13,162	–4,332	–2,712	–8,731
<b>Cash flow from current operations</b>	<b>–2,107</b>	<b>4,991</b>	<b>–2,126</b>	<b>–9,529</b>
<b>Investment activities</b>				
Acquisition of shares and participating interests	–	–1,614	–	–1,614
Supplied shareholders' contribution	–	–	–26,245	–
Acquisition of tangible fixed assets	–1,101	–1,495	–	–
<b>Cash flow from investment activities</b>	<b>–1,101</b>	<b>–3,109</b>	<b>–26,245</b>	<b>–1,614</b>
<b>Financing Operations</b>				
New stock issue	78,055	–	78,055	–
Group contributions	–	–	4,500	–
Change in loans	–30,605	15,261	–20,000	14,000
Premiums paid for warrants issued	–	964	–	964
Dividends received from subsidiaries	–	–	1,200	6,000
<b>Cash flow from financing operations</b>	<b>47,450</b>	<b>16,225</b>	<b>63,755</b>	<b>20,964</b>
<b>Cash flow for the year</b>	<b>44,242</b>	<b>18,107</b>	<b>35,384</b>	<b>9,821</b>
<b>Liquid funds, opening balance</b>	<b>24,007</b>	<b>5,900</b>	<b>9,979</b>	<b>158</b>
<b>Liquid funds, closing balance</b>	<b>68,249</b>	<b>24,007</b>	<b>45,363</b>	<b>9,979</b>



## ACCOUNTING PRINCIPLES AND NOTES

### Accounting principles

Amounts are stated in SEK thousand unless otherwise indicated.

These annual accounts have been prepared in accordance with the Swedish Annual Accounts Act and recommendations and statements of 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 9 Income taxes
- RR 11 Income
- RR 12 Tangible fixed assets
- RR 18 Earnings per share
- RR 20 Interim reporting

### 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. All subsidiaries are wholly owned by the Parent Company.

These consolidated accounts have been prepared in accordance with the purchase method of accounting. Aside from the Parent Company's equity, consolidated equity thus includes profits earned by subsidiaries only after the date of acquisition. The difference between the purchase price of shares in subsidiaries paid by the Group and the real value of identifiable assets and liabilities take over in these at the time of acquisition is entered as Group goodwill and amortised according to plan. Wherever negative goodwill arises, this is entered as an allocation to the extent that it is not offset by reducing the value of non-monetary assets acquired.

All intra-Group transactions have been eliminated. 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. At the end of the year, the exchange rates for the currencies in which the Group received income were:

	Average 2001	December 2001	Average 2000	December 2000
USD	10.33	10.67	9.16	9.54
GBP	14.87	15.48	13.86	14.22
NOK	114.99	118.35	104.11	107.15
ZAR	1.21	0.89	1.32	1.26

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

### Receivables and liabilities

The Group's and the Parent Company's assets and liabilities are carried at cost and nominal value, respectively, unless specifically stated otherwise. 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.

### 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 in 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 have primarily arisen on account of write-downs on long-term holdings of securities and tax-related 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.

### Income

Income from completed service assignments and the expenses attributable to these assignments are booked as income and 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 order supplier. Losses incurred on assignments are entered immediately as expenses.

### **Fixed assets**

Planned depreciation on tangible and intangible assets is based on the acquisition cost of the assets and their estimated useful service.

The following depreciation periods are applied to existing assets:

Equipment – five years

Goodwill – five years.

### **Research and development work**

Expenses linked to research and development work are normally expensed continuously as they are incurred.

### **Leasing and hiring contracts**

When leasing contracts involve the Company as the lessee, thus enjoying all the financial advantages and risks associated with the object of the lease, this object 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.

### **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 time of acquisition.

Group companies means all companies included in the group of which BTS Group AB is the Parent Company.

The accounting principles applied are the same as those applied for the previous financial year.



*Notes on the financial statements*NOTE 1. DISTRIBUTION OF NET TURNOVER  
BY GEOGRAPHICAL MARKET

<i>The Group</i>	2001	2000
Nordic	50,003	57,973
USA	127,459	101,179
(of which, South Africa	8,206	11,438)
UK	19,425	18,174
Total	196,887	177,326

## NOTE 2. INTRA-GROUP PURCHASES AND SALES

*The Parent Company*

Of the total purchasing costs and sales income for the year, 0 per cent of purchases and 100 of sales refers to other Group companies (0 per cent and 100 per cent in 2000).

## NOTE 3. INFORMATION ABOUT AUDITORS' FEES

<i>The Group</i>	2001	2000
Öhrlings PricewaterhouseCoopers		
Audit fees	368	269
Other assignments	–	8
Other auditors		
Audit fees	171	134
Other assignments	416	255
Total	955	666

*The Parent Company*

<i>The Parent Company</i>	2001	2000
Öhrlings PricewaterhouseCoopers		
Audit fees	53	5
Other assignments	–	–
Total	53	5

## NOTE 4. OPERATIONAL LEASING AND HIRING CONTRACTS

The total cost of operational leasing contracts for the year amounts to SEK 12,675 (9,488). Future leasing and hiring charges concerning operational leasing contracts with maturity periods in excess of one year amount to:

<i>The Group</i>	
2002	13,518
2003	10,467
2004	8,014
2005	3,415
2006	2,494
Thereafter	2,999
Total	40,907

## NOTE 5. AVERAGE NUMBER OF EMPLOYEES, SALARIES, OTHER REMUNERATION AND SOCIAL BENEFIT CONTRIBUTIONS

*Average number of employees*

<i>The Group</i>	2001		2000	
	Number of employees	Of whom, men	Number of employees	Of whom, men
Subsidiaries				
Sweden	60	35	55	31
USA	48	31	42	26
UK	10	8	12	8
Other	7	5	5	4
Group, total	125	79	114	69

In 2001, there were no employees in the Parent Company.

*Salaries, other remuneration, and social benefit contributions*

<i>The Group</i>	2001		2000	
	Salaries and other remuneration	Social benefit contributions (of which, pension costs)	Salaries and other remuneration	Social benefit contributions (of which, pension costs)
Subsidiaries	88,780	15,078 (3,584)	76,967	12,868 (2,564)
Group, total	88,780	15,078	76,967	12,868

Of the Group's pension costs in 2001, 471 pertains to the Board of Directors and CEO (318 for 2000).

*The Parent Company*

Board fees were paid in the amount of 165 (0 for 2000).

*Salaries and other remuneration by country, and by Board members, etc. and other employees.*

<i>The Group</i>	2001		2000	
	Board and CEO	Other employees	Board and CEO	Other employees
Subsidiaries				
in Sweden	785	25,962	939	21,381
Overseas subsidiaries				
USA	7,102	44,047	6,903	37,563
UK	1,156	5,699	1,001	5,753
Other	2,913	1,116	1,462	1,965
Group, total	11,955	76,825	10,305	66,662

*The Group*

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 2001, this salary totalled USD 242,000 (SEK 2,500,054) while in 2000 it amounted to USD 283,000 (SEK 2,592,506).

In accordance with the contract with BTS USA, Inc, 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.

NOTE 6. INTANGIBLE FIXED ASSETS

<i>The Group</i>	2001	2000
Goodwill		
Accumulated acquisition value, (opening balance)	1,824	1,824
Acquisitions during the year	–	–
Accumulated acquisition value, (closing balance)	1,824	1,824
Accumulated amortisation, opening balance	730	365
Amortisation for the year	365	365
Accumulated amortisation, year end	1,095	730
Book value	729	1,094

NOTE 7. TANGIBLE FIXED ASSETS

<i>The Group</i>	2001	2000
Machinery and equipment		
Accumulated acquisition value, (opening balance)	9,773	7,892
Purchases	1,101	1,495
Sales and divestment	–1,525	–138
Translation difference	723	524
Accumulated acquisition value, (closing balance)	10,072	9,773
Accumulated depreciation, opening balance	5,503	3,693
Sales and divestment	–1,419	–127
Depreciation for the year	1,617	1,661
Translation difference	510	276
Accumulated depreciation, closing balance	6,211	5,503
Residual value according to plan, closing balance	3,861	4,270

NOTE 8. PROFIT FROM OTHER SECURITIES AND RECEIVABLES CONSIDERED TO BE FIXED ASSETS

<i>The Group</i>	2001	2000
Write-downs	–1,613	–
Total	–1,613	–
<i>The Parent Company</i>	2001	2000
Dividend	1,200	6,000
Write-downs	–1,613	–
Total	–413	6,000

NOTE 9. YEAR-END APPROPRIATIONS

<i>The Parent Company</i>	2001	2000
Year-end appropriations		
Change in timing difference reserve	–	7
Total	–	7

NOTE 10. TAX ON PROFIT FOR THE YEAR

<i>The Group</i>	2001	2000
Actual tax for the year	–3 009	–3 045
Deferred tax concerning temporary differences	1,796	–286
Total	–1,213	–3,331

<i>The Parent Company</i>	2001	2000
Tax effect of Group contributions	1,260	–
Deferred tax concerning temporary differences	996	–
Total	2,256	–

## NOTE 11. FINANCIAL FIXED ASSETS

*Participations in Group companies*

	Number of shares	Capital share, %	Book value	
			2001 -12-31	2000 -12-31
BTS Sverige AB <i>Company reg. No. 556566-7127</i> <i>Domicile: Stockholm</i>	5,000	100	7,838	7,838
BTS USA, Inc. <i>Company reg. No. 06-1356708</i> <i>Domicile: Connecticut</i>	1,000	100	20,382	444
BTS in London Ltd. <i>Company reg. No. 577 1376 13</i> <i>Domicile: London</i>	5,000	100	6,901	593
Business Training Systems A/S <i>Company reg. No. 957 694 187</i> <i>Domicile: Oslo</i>	100	100	94	94
Catalysts for profitability and growth Ltd. <i>Company reg. No. 1998/010779/07</i> <i>Domicile: Centurion</i>	1,000	100	1	1
BTS Interactive Communications AB <i>Company reg. No. 556583-1673</i> <i>Domicile: Stockholm</i>	1,000	100	100	100
<b>Total shares in subsidiaries</b>			<b>35,316</b>	<b>9,070</b>

## NOTE 15. SHAREHOLDERS' EQUITY

<i>The Group</i>	Share capital	Restricted reserves	Non-restricted reserves	Profit/loss for the year	Total shareholders' equity
Opening balance	108	3,291	5,051	7,710	16,161
Profit transfer			7,710	-7,710	
Stock dividend	4,220		-4,220		
New stock issue	1,500				1,500
Increase in premium reserve		84,000			84,000
Issue costs		-7,444			-7,444
Transfer between restricted and unrestricted equity		-1,500	1,500		
Translation differences		-575			-575
Profit/loss for the year				9,938	9,938
<b>Closing balance</b>	<b>5,828</b>	<b>77,772</b>	<b>10,041</b>	<b>9,938</b>	<b>103,579</b>

<i>The Group</i>	2001	2000
Acquisition value, opening balance	9,070	9,070
Shareholders' contribution	26,246	-
Acquisition value, closing balance	35,316	9,070

## NOTE 12. OTHER LONG-TERM HOLDINGS OF SECURITIES

	Number of shares	Capital share, %
Involve Learning ASA <i>Company reg. No. 971 591 846</i> <i>Domicile: Oslo</i>	17,803	-
	2001	2000
Acquisition value, opening balance	1,614	-
Purchases	-	1,614
Write-downs	-1,613	-
Acquisition value, closing balance	1	1,614

## NOTE 13. DEFERRED TAX RECEIVABLE

<i>Group and Parent Company</i>	2001	2000
Deficit payments	545	-
Write-downs on long-term holdings of securities	451	-
<b>Total</b>	<b>996</b>	<b>-</b>

## NOTE 14. PREPAID EXPENSES AND ACCRUED INCOME

<i>The Group</i>	2001	2000
Accrued income	9,648	613
Prepaid hiring charges	904	590
Other items	2,092	1,470
<b>Total</b>	<b>12,644</b>	<b>2,673</b>

<i>The Parent Company</i>	Share capital	Premium reserve	Legal reserve	Profit brought forward	Profit/loss for the year
Opening balance	108	919	12	8	5,561
Distribution of profits according to General Meeting					
Transfer to profit brought forward				5,561	-5,561
Provisions for legal reserve			557	-557	
Stock dividend	4,220			-4,220	
New stock issue	1,500	84,000			
Issue costs		-7,445			
Group contributions				4,500	
Tax effect of Group contributions				-1,260	
Profit/loss for the year					2,429
Closing balance	5,828	77,474	569	4,033	2,429

The share capital consists of 284,600 A-shares (restricted) and 5,543,400 B-shares (restricted), i.e. a total of 5,828,000 shares with a combined nominal value of SEK 5,828,000. The premium reserve refers to pre-paid premiums for 78,650 warrants issued with a redemption price of SEK 31.30 per B-share, prepaid premiums for 63,775 warrants issued with a redemption price of SEK 40.00 per B-share, pre-paid premiums for 53,200 warrants issued with a redemption price of SEK 75.00 per B-share, as well as premiums and issue costs paid in connection with the stock exchange flotation in June 2001. Each warrant entitles the holder to subscribe for four new B-shares.

#### Warrants

Warrant series	Number	Redemption price	Subscription period
1999/2002	39,325	31.30	2002-01-01 – 2002-03-31
1999/2003	39,325	31.30	2003-01-01 – 2003-03-31
2000/2003	18,388	40.00	2003-01-01 – 2003-03-31
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

#### NOTE 16. BANK OVERDRAFT

##### *The Group*

Bank overdraft facilities were granted as of 31 December 2001 in the amount of 18,001 (17,151) These facilities had not been utilised at balance sheet date.

#### NOTE 17. ACCRUED EXPENSES AND PREPAID INCOME

##### *The Group*

	2001	2000
Accrued salaries	3,717	15,299
Accrued social benefit expenses	1,797	1,404
Other items	9,320	5,680
Total	14,834	22,383

##### *The Parent Company*

	2001	2000
Other items	151	6
Total	151	6

#### NOTE 18. SECURITIES POSTED

##### *The Group*

	2001	2000
Pledged assets for liabilities to credit institutions		
Company mortgages	10,000	10,000

#### NOTE 19. CONTINGENT LIABILITIES TO THE BENEFIT OF GROUP COMPANIES

##### *The Parent Company*

	2001	2000
Security measures for the benefit of subsidiaries	6,000	5,363

Stockholm, April 2002

Gunnar Ekdahl  
Chairman of the Board

Henrik Ekelund  
CEO

Tomas Franzén      Reinhold Geijer      Anders Wincrantz

## 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 year 2001. 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 managing director, 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 managing director. I also examined whether any board member or the managing director 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 managing director be discharged from liability for the financial year.

Stockholm, April 2002

*Lars Berglund*  
Authorized public accountant

## Board of Directors, senior executives and auditors

### BOARD OF DIRECTORS



#### **Gunnar Ekdahl**

Stockholm, born 1943

Chairman of the Board of BTS Group AB since 2001. Member of the Board of BTS Group AB since 2000.

Other Board positions: Chairman of the Boards of G&L Beijer AB, AB Anders Löfberg, Mekonomen AB and Partnertech AB. Member of a number of Boards, including those of A-Com AB, Hagströmer & Qviberg AB, Ljungberggruppen AB, Poolia AB and Skanditek Industriförvaltnings AB.

Shareholdings and warrants in BTS Group AB: Call options on 20,000 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, Nefab and OEM International AB.

Shareholdings and warrants in BTS Group AB: Call options on 20,000 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 1,475,000 B-shares.



#### **Anders Wincrantz**

Stockholm, born 1952

Member of the Board of BTS Group AB since 2000.

CEO of Financial Systems FS AB.

Other Board positions: Member of the Board of Wincrantz Byggnads AB.

Shareholdings and warrants in BTS Group AB: Call options on 20,000 B-shares.



#### **Tomas Franzén**

Nacka, born 1962.

Member of the Board of BTS Group AB since 2000.

CEO of Song Networks.

Other Board positions: Chairman of the Board of Grin AB. Member of the Boards of AU-System AB, OEM International AB, IMS Data AB, ProAct IT Group AB, Allgon AB and Song Networks AB.

Shareholdings and warrants in BTS Group AB: Call options on 20,000 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:  
1,064,400 B-shares.



**Pia Anderberg**

Lidingö, born 1964  
CEO of BTS Norden.  
Employee of BTS since 1990.  
Shareholdings and warrants in BTS Group AB:  
Warrants for 147,000 B-shares.



**Johan Strömsäter**

London, born 1961  
CEO of BTS Storbritannien.  
Employee of BTS since 1988.  
Shareholdings and warrants in BTS Group AB:  
58,000 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:  
500 B-shares and warrants for 40,000  
B-shares.



**Jonas Åkerman**

Connecticut, born 1963  
CEO of BTS USA.  
Employee of BTS since 1991.  
Shareholdings and warrants in BTS Group AB:  
280,000 B-shares and call options on 24,000  
B-shares.



**Stefan Hellberg**

Stockholm, 1957  
Responsible for sales, HR processes and IT.  
Employee of BTS since 1985.  
Shareholdings and warrants in BTS Group AB:  
1,176,000 B-shares.

The above information about shares and warrants refers to conditions on 28 December 2001.



## Addresses

### BTS GROUP AB

Grevgatan 34  
114 53 Stockholm  
Sweden  
Tel. +46 8 58 70 70 00  
Fax +46 8 58 70 70 01  
E-mail: bts@bts.se

### BTS SWEDEN

Grevgatan 34  
114 53 Stockholm  
Sweden  
Tel. +46 8 58 70 70 00  
Fax +46 8 58 70 70 01  
E-mail: bts@bts.se

### BTS FINLAND

Mikonkatu 7  
00100 Helsingfors  
Finland  
Tel. +358 9 68 11 270  
Fax +38 9 68 11 27 16

### BTS GERMANY

Goethe strasse 13  
408 22 Mettmann  
Germany  
Tel. +49 2104 976 366  
Fax +49 2104 972 863

### BTS USA

300 First Stamford Place  
Stamford, CT 06902  
USA  
Tel. +1 203 316 27 40  
Fax +1 203 316 27 50  
E-mail: bts@bts.com

122 East 42nd Street # 1007  
New York, NY 10168  
USA  
Tel. +1 212 687 88 82

45 Belden Place, 4th floor  
San Francisco, CA 94104-2808  
USA  
Tel. +1 415 362 42 00  
Fax +1 415 362 42 70

2802 Twin Cowes Drive  
Highland Village, TX 75077  
USA  
Tel. +1 415 362 42 00  
Fax +1 415 362 42 70

### BTS SOUTH AFRICA

Room 507, Ankor Building  
Mike Crawford Avenue 1279,  
Centurion, Gauteng  
South Africa  
Tel. +27 83 788 27 77  
Fax +27 12 663 69 08

### BTS UK

346 Kensington High Street  
London W14 8Ns  
Great Britain  
Tel. +44 207 348 18 00  
Fax +44 207 348 18 01  
E-mail: uk@btsuk.com

### BTS NETHERLANDS

World Trade Center  
Strawinskylaan  
Tower A, 3rd Floor  
Amsterdam  
The Netherlands  
Tel. +31 205 711 818

**BTS Group AB (publ)**

Grevgatan 34, 114 53 STOCKHOLM, SWEDEN  
Tel. +46 8 58 70 70 00, Fax: +46 8 58 70 70 01  
[www.bts.com](http://www.bts.com)