

BTS Group AB (publ)

Interim Report

1 January–31 March 2005

Continued growth in revenues and result

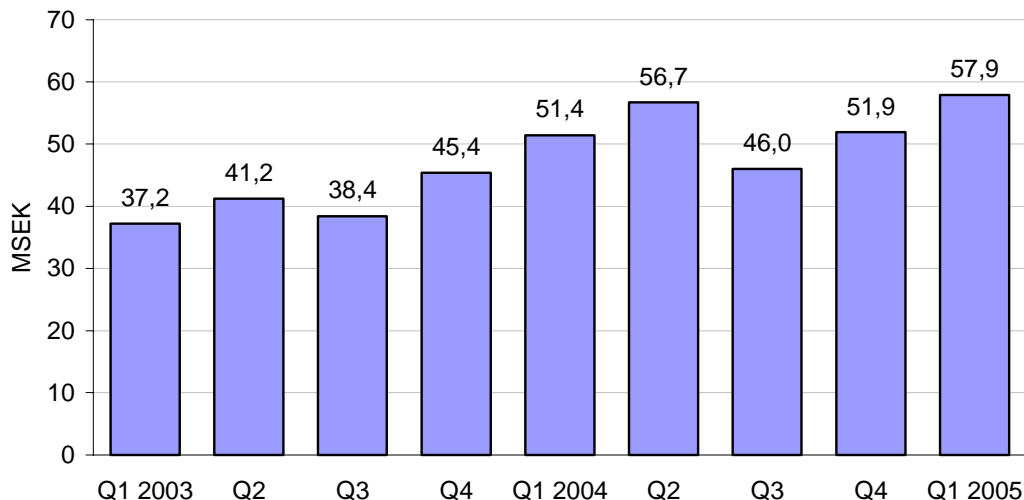
- During the first quarter, net turnover rose by 13 percent, totaling MSEK 57.9 (51.4) Adjusted for changes in exchange rates, growth amounted to 18 per cent.
- Result for the first quarter
 - operating result MSEK 10.1 (9.0), corresponding to an operating margin of 17 (17) per cent
 - result before tax of MSEK 11.7 (9.3)
 - result after tax of MSEK 7.6 (6.1)
 - earnings per share of SEK 1.28 (1.03).
- BTS acquired SMG's "Learning Solutions" as from the middle of February. Integration is progressing according to plan and the business made a positive contribution to the result for the first quarter.
- New clients acquired during the first quarter included Gap, Tyco, Klöver and Bacardi.
- A new BTS office has been opened in Melbourne, Australia.

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

Turnover

During the first three months BTS' net turnover increased by 13 per cent to MSEK 57.9 (51.4). Adjusted for changes in exchange rates, growth totaled 18 per cent. Turnover is affected positively through the SMG integration as from February 14th.

Net turnover per quarter 2003-2005



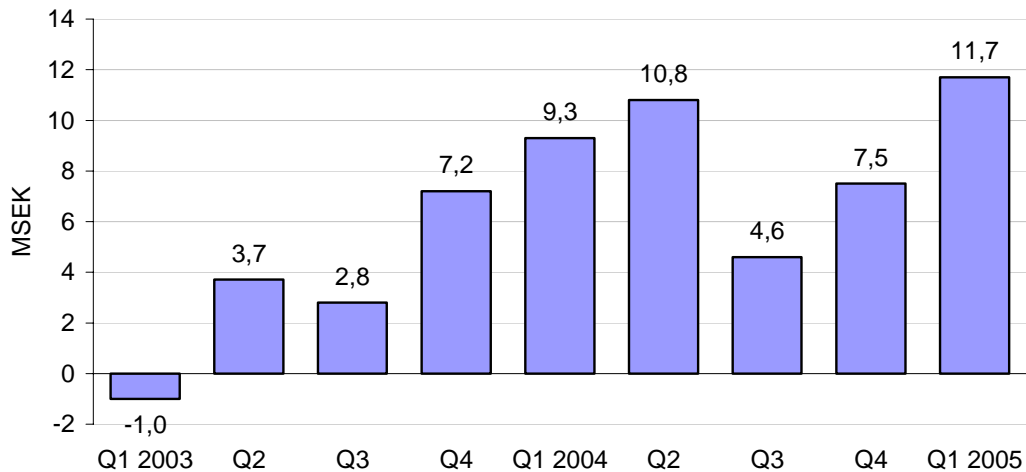
Results

The Group's result before tax for the first three months of the year totaled MSEK 11.7 (9.3), and the operating result amounted to MSEK 10.1 (9.0). The operating margin was 17 per cent (17).

All units improved their operating results with the exception of BTS South Africa, whose result fell by MSEK 2.8. BTS South Africa's result for the first quarter this year was weak, whereas the result generated in the first quarter of 2004 was very strong.

On a rolling twelve-month basis, the operating result totaled MSEK 31.8 (21.3), with the operating margin for the corresponding period amounting to 15 (12) per cent.

Result before tax per quarter 2003- 2005



BTS' view of market development

Market conditions for BTS North America remain strong. Market conditions for BTS Europe have improved.

New office in Melbourne

BTS' activities in Australia continue to develop positively. A new office has been opened in Melbourne to provide service for new and existing clients on this market.

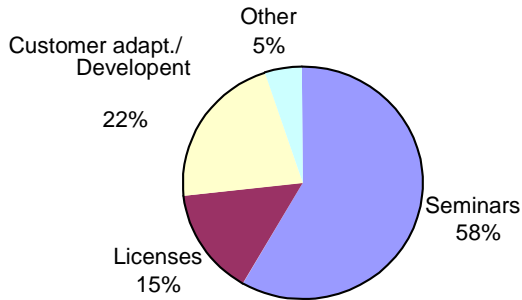
Assignments and new clients

New clients acquired during the first quarter included Gap, Tyco, Klöver and Bacardi.

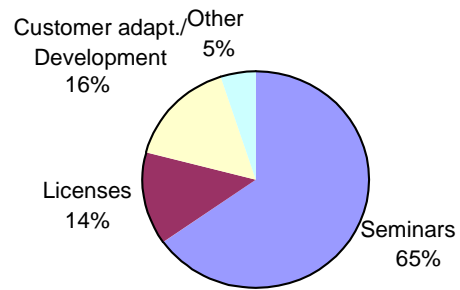
Revenue development

During the first quarter, the share of revenues from customer-specific development developed from 16 to 22 per cent as compared to the same period last year. The share stemming from seminars fell from 65 to 58 per cent, while the share from licenses rose from 14 to 15 per cent.

**Net turnover by revenue,
1 januari–31 March 2005**



**Net turnover by revenue,
1 Januari–31 March 2004**



BTS' acquisition of SMG's "Learning Solutions"

As mentioned in a press release from February 10, BTS has acquired "Learning Solutions" from SMG in Philadelphia, that part of SMG that was previously one of BTS' strongest competitors in the United States. SMG's Learning Solutions division works with company simulations in BTS' segment, and with scenario-driven simulations within leadership, project handling and sales. This acquisition brings to BTS new products and solutions as well as additional clients and qualified personnel. The acquisition took the form of BTS setting up a new company to take over client contacts, personnel, products, solutions, the SMG name and intellectual property rights. The acquisition was completed through a cash payment of USD 4 million as from February 14th. The new company has a staff of approximately 30 people.

The integration of SMG's Learning Solutions and BTS has proceeded according to plan with a positive contribution to revenue and result for the first quarter. The integration means that SMG's products and solutions will continuously be a part of the BTS portfolio.

Operative units

Net turnover per operating unit

MSEK	Jan - March		2004/05	
	2005	(2004)	Rolling 12 months	2004 Full year
BTS North America	35.8	(27.8)	133.0	125.0
BTS Europe	18.3	(17.5)	62.1	61.3
BTS Other markets	3.8	(6.1)	17.3	19.6
Total	57.9	(51.4)	212.4	205.9

Operating result per operating unit

MSEK	Jan - March		2004/05	
	2005	(2004)	Rolling 12 months	2004 Full year
BTS North America	6.1	(4.3)	24.2	22.4
BTS Europe	3.6	(1.9)	6.7	5.0
BTS Other markets	0.4	(2.8)	0.9	3.3
Total	10.1	(9.0)	31.8	30.7

BTS North America

Compared with the same period in 2004, BTS North Americas net turnover rose during the first three months, totaling MSEK 35.8 (27.8). Adjusted for changes in exchange rates, turnover for the first three months actually increased by 36 per cent. The operating margin was 17 (15) per cent. The result improved to MSEK 6.1 (4.3). BTS North Americas revenue for the first quarter was positively affected by delivered assignments within the acquired SMG business. Recruitment has been carried out during the quarter to make it possible to meet the demand.

BTS Europe

BTS Europe's net turnover during the first three months increased to MSEK 18.3 (17.5) with an operating margin of 20 (10) per cent. Adjusted for changes in exchange rates, turnover for the first three months actually increased by 6 per cent. The result increased to MSEK 3.6 (1.9). Activities in BTS Europe developed positively with several major assignments and the integration with SMG.

BTS Other markets

During the first three months, BTS other markets' net turnover fell, totaling MSEK 3.8 (6.1). The operating margin was 11 per cent (45). The result dropped to MSEK 0.4 (2.8). In this context, "other markets" refers to BTS Australasia, which developed positively during the quarter, and BTS South Africa, whose result fell by MSEK 2.8. The result for the first quarter for BTS South Africa was weak, whereas the result for the corresponding period in 2004 was very strong.

Financial position

BTS' cash flow from current operations during the first three months amounted to MSEK -15.9 (-9.8). The fall in comparison with the figure for the previous year is primarily attributable to the amortization of short-term debts and to the binding of operating capital in SMG's Learning Solutions.

BTS' financial net result for the quarter totaled MSEK 1.6 (0.4), of which MSEK 1.2 is attributable to a positive currency exchange effect linked to the financing of the acquisition of SMG Learning Solutions within the Group.

BTS' solidity was 78 (78) per cent at the end of the first quarter.

Available liquid funds totaled MSEK 68.6 (80.1) at the end of the period.

Employees

On 31 March, BTS Group AB employed 144 (104) people.

The average number of employees during the period was 128 (102). The increase of employees is essentially connected with the acquisition of the SMG business.

Parent Company

The parent company's net turnover amounted to MSEK 0 (0), and the result after net financial items was MSEK 1.4 (0.3). Liquid funds totaled MSEK 30.7 (47.1).

Prospects for 2005

Based on continued strong market conditions in the United States and the improved market conditions in Europe, the result before tax is expected to be better than previous year.

Accounting principles

As from 1 January 2005, BTS will be preparing its consolidated accounts in accordance with IFRS. Up until 2004, the company applied the recommendations and statements issued by the Swedish Financial Accounting Standards Council. The conversion to IFRS is reported in accordance with IFRS 1, "First-time Adoption of International Financial Reporting Standards", which states the conversion date as 1 January 2004. IFRS 1 states that the figures for the comparison year, 2004, are also to be reported in accordance with IFRS.

The changes in the accounting principles resulting from this conversion and the conversion effects on the consolidated income statement and balance sheets are presented below. These effects are provisional and may subsequently be modified as the examination of certain IAS/IFRS standards is still ongoing.

Of the conversion provisions pursuant to IFRS 1, the following exemptions will be applied:

Application of IAS 39 is to take place from 1 January 2005 without adjusting comparison figures.

Pursuant to IFRS 3, distribution of the purchase price for corporate acquisitions is not considered to apply to acquisitions made prior to 1 January 2004.

IAS 7 Cash flow analyses

No conversion effects arise from the application of IAS 7.

IAS 19 Remuneration of employees

No effects arise from the application of IAS 19.

IAS 38 Intangible assets

IAS 38 states that product development expenses are to be capitalized if certain criteria are met. This requirement also applies to expenses incurred before 1

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

Conversion of income statement and balance sheets

The sections below present the areas that affect the results and equity at the time of conversion.

Goodwill

IFRS 3 "Business Combinations" requires that goodwill no longer be amortized, but that it be tested prior to writing down annually or more often if there are any indications of a decrease in value. Goodwill entries are to be written down if the book value exceeds the recovery value. As a consequence of the conversion to IFRS, the goodwill amortization for 2004 booked according to Swedish accounting principles – in the amount of KSEK 995 – has been reversed.

Minority interests

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

This report has been prepared in accordance with IAS 34, Interim Financial Reporting, which is in line with recommendation RR 31, Interim Consolidated Reporting, from the Swedish Financial Accounting Standards Council.

Upcoming report dates

Interim Report January–June
Interim report January–September
Year end report

16 August 2005
25 October 2005
February 2006

Stockholm, 26 April 2005

Henrik Ekelund
Chief Executive Officer

*Open telephone meeting with Henrik Ekelund on Tuesday, 26 April, 15.00–16.00. Phone: +46 8 598 001 04.

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This report has not been specially reviewed by BTS' auditors.

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This is a translation of the Swedish original.

**INCOME STATEMENT, Summary
KSEK**

	3 months ended		12 months ended	
	Mar 31 2005	Mar 31 2004	Mar 31 2005	Dec 31 2004
Revenues	57 893	51 385	212 452	205 944
Operating expenses	-47 542	-42 135	-179 530	-174 123
Depreciation	-292	-282	-1 108	-1 098
Operating result	10 059	8 968	31 814	30 723
Financial income and expenses	1 607	369	2 715	1 477
Result before tax	11 666	9 337	34 529	32 200
Taxes	-4 054	-3 218	-12 635	-11 799
Result for the period	7 612	6 119	21 894	20 401
attributable to minority interest	51	22	129	100
attributable to equity holders of the parent	7 561	6 097	21 765	20 301
Earnings per share, before dilution of shares, SEK	1,28	1,03	3,69	3,44
Number of shares at end of the period	5 897 300	5 897 300	5 897 300	5 897 300
Average number of shares before dilution of shares	5 897 300	5 897 300	5 897 300	5 897 300
Earnings per share, after dilution of shares, SEK	1,28	1,03	3,69	3,44
Average number of shares after dilution of shares	5 897 300	5 897 300	5 897 300	5 897 300
Proposed dividend per share				1,60

**BALANCE SHEET , Summary
KSEK**

	03-31-05	03-31-04	12-31-04
Assets			
Intangible fixed assets	31 085	1 764	3 744
Tangible assets	2 978	2 997	2 190
Other fixed assets	1 432	1 481	1 327
Accounts receivable	44 203	44 890	36 811
Other current assets	14 400	11 847	9 747
Cash and bank	68 642	80 137	110 477
Total assets	162 740	143 116	164 296
Equity and liabilities			
Equity	126 493	112 131	116 579
Minority shareholding	301	187	233
Total Equity	126 794	112 318	116 812
Non-current liabilities	299	328	298
Current liabilities	35 647	30 470	47 186
Total equity and liabilities	162 740	143 116	164 296

**CASH FLOW STATEMENT, Summary
KSEK**

	Jan-Mar 2005	Jan-Mar 2004	Jan-Dec 2004
Cash flow from current operations	-15 892	-9 776	32 137
Cash flow from investment activities	-29 600	-367	-2 926
Cash flow from financing operations	-18	9	-3 504
Effect of exchange rate changes on cash	3 675	2 155	-3 346
Change in liquid funds	-41 835	-7 979	22 361
Liquid funds, opening balance	110 477	88 116	88 116
Liquid funds, closing balance	68 642	80 137	110 477

**CHANGES IN EQUITY
KSEK**

	Total Equity 03-31-05	Total Equity 03-31-04	Total Equity 12-31-04
Opening balance	116 812	103 505	103 505
New capital issue	0	0	0
Dividend to shareholders	0	0	-3 538
Conversion differences	2 370	2 694	-3 556
Result for the period	7 612	6 119	20 401
Closing balance	<u>126 794</u>	<u>112 318</u>	<u>116 812</u>

KEY RATIOS

	Jan-Mar 2005 Jan-Mar 2004		12 months ended	
			Mar 31 2005	Dec 31 2004
Revenues, KSEK	57 893	51 385	212 452	205 944
Operating result, KSEK	10 059	51 385	31 814	30 723
Operating margin, %	17	17	15	15
Profit margin, %	13	12	10	15
Operational capital, KSEK	58 151	32 181	58 151	6 334
Return on equity, %	26	23	18	19
Return on operational capital, %	31	38	99	283
Solidity at end of the period, %	78	78	78	71
Cash flow, KSEK	-41 835	-7 979	-11 495	22 361
Liquid funds at end of the period, KSEK	68 642	80 137	68 642	110 477
Average number of employees	128	102	111	104
Number of employees at end of the period	144	104	144	107
Revenues for the year per employee, KSEK	1 809	2 015	1 918	1 980

DEFINITIONS

Operating margin:

Operating result after depreciation as a percentage of revenues.

Profit margin:

Result for the period as a percentage of revenues.

Operational capital:

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

Return on equity:

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

Return on operational capital:

Operating result as a percentage of average operational capital.

Solidity:

Equity as a percentage of total balance sheet.

Revenues for the year per employee:

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

EFFECT OF TRANSITION TO IFRS

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

Reconciliation of consolidated income statement

KSEK	Jan-Mar 2 004	Jan-Dec 2 004
Result for the period according to previous GAAP	5 890	19 306
Reversed goodwill depreciation	207	995
Adjustment for result attributable to minority interests	22	100
Result for the period according to IFRS	6 119	20 401
Earnings per share according to IFRS	1,03	3,44
Earnings per share according to previous GAAP	1,00	3,27

Reconciliation of equity

KSEK	
Equity 31 December 2003 according to previous GAAP	103 358
- Adjusted for minority interests	147
Equity 1 januari 2004 according to IFRS	103 505
Equity 31 March 2004 according to previous GAAP	111 924
- Adjusted for minority interests	187
- Reversed goodwill depreciation	207
Equity 31 March 2004 according to IFRS	112 318
Equity 31 december 2004 according to previous GAAP	115 584
- Adjusted for minority interests	233
- Reversed goodwill depreciation	995
Equity 31 December 2004 according to IFRS	116 812