

1999-08-19

HiQ doubles profits in first half

IT and management consultancy HiQ more than doubled operating profits from SEK 9.2 million for the first half of 1998 to SEK 19.1 million for the first half of this year. Net sales increased to SEK 104.7 million over the same period, a 47% rise on the first half of 1998.

The improvement in profits means that the operating profit for the period was SEK 19.1 million, compared to SEK 9.1 million in the first half of 1998. This corresponds to an operating margin of 18.2%, compared with 12.9% last year.

HiQ is seeing a continued strong demand for its services. Earnings from all areas of the market where the company is active have increased compared to last year's figures.

Our growth is being driven by high quality and healthy profitability. A clear trend in the market is that more and more assignments are related to the Internet. The next boom market in the field of IT is mobility, and WAP will be an important part of this, says Ken Gerhardsen, Managing Director of HiQ International.

During the first six months of the year, HiQ continued to work with leading edge technologies, such as IP telephony, mobility and WAP technology. We work with all players in the telecoms industry – suppliers, operators and users. This gives HiQ's know-how a breadth and depth which more than satisfy the needs of our customers.

Increased mobility is a clear trend in society and is leading to a greater need for embedded systems. Just over 50% of HiQ's assignments involve developing embedded systems, so we are well positioned in this market for the future, concludes Gerhardsen.

HiQ's Group Chief Executive Ken Gerhardsen will present the report at Operaterrassen in Stockholm at 12.00 today, Thursday 19 August. The report is also available on the HiQ web site, <http://www.hiq.se>, or can be ordered over the telephone on +46 8 588 90 000.

For further information please contact:

Ken Gerhardsen, Group Chief Executive and Managing Director of HiQ International on +46 8 588 90 000.

HiQ is an IT and management consultancy working with high tech solutions in the fields of communication and simulation. Founded in 1992, HiQ is now a leader in these fields and the Nordic region is its domestic market. Group net sales in 1998 were SEK 152 million and it employs just over 210 people in Stockholm, Arboga, Gothenburg and Oslo. The parent company HiQ International AB has been listed on the Stockholm Stock Exchange O list since 12 April 1999.

HiQ interim report for the period January to June 1999

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Interim report for HiQ International AB (publ), Swedish company registration number 556529-3205, for the period January to June 1999.

HiQ doubles profits in first half

- **Net sales increased by 47% compared with the same period last year, from SEK 71 million to SEK 104.7 million.**
- **The operating profit rose by 107%, from SEK 9.2 million in the first half of 1998 to SEK 19.1 million in the first half of 1999. This corresponds to an 18.2% operating margin, compared with 12.9% last year.**
- **The average number of staff employed by the company rose by 43% compared with the same period last year, increasing from 113 to 162 people. HiQ employed 51 people over the period.**
- **HiQ was listed on the Stockholm Stock Exchange O list on Monday 12 April.**
- **HiQ signed a new framework agreement with telecoms supplier Ericsson and was upgraded to preferred supplier of consulting services to the company.**
- **HiQ received an SEK 27.5 million order from the Swedish Defence Material Administration (FMV) for the continued development of training simulators for JAS 39 Gripen.**

Market developments

HiQ has continued to see very strong demand for its services and there has been a marked increase in earnings compared with the same period last in all the markets in which the company is active. Please refer to the appendix for further details.

As a leading telecoms consultancy, HiQ has a very strong position in the development of systems and services for mobile solutions. The number of Internet-related assignments has been rising at an increasingly rapid pace and Mobile Internet, with a focus on WAP, has played a major role in this. This development is expected to be the next boom market in the trend towards increased mobility.

HiQ is already experiencing the positive effects of its Stockholm Stock Exchange listing. The number of enquiries from potential customers has increased at the same time as HiQ has been forming closer relationships with a number of its major customers. One example of this is the framework agreement with Ericsson signed in June, making HiQ a preferred supplier of consulting services to the company.

Invoicing and results

HiQ's net sales for the first six months of 1999 increased by 47% compared with the same period last year, rising from SEK 71 million to SEK 104.7 million. The company's growth has been exclusively organic.

At SEK 19.1 million, the operating profit is a 107% improvement on last year's SEK 9.2 million. This corresponds to an operating margin of 18.2%, compared with 12.9% for the same period in 1998 and 14.6% for the full year in 1998.

The reason for this strong growth and for the healthy results is the very strong demand for HiQ's services and the successful recruitment of new employees.

Calculated on a rolling 12-month basis, i.e., from 1 July 1998 to 30 June 1999, HiQ's net sales were SEK 185.1 million and the operating profit was SEK 32 million. This gives an operating margin of 17.3%.

Listing and issue costs totalling SEK 4.1 million connected with the company's listing on the Stockholm Stock Exchange on 12 April 1999 were charged to the Group results. Because these costs are one-off, extraordinary items, they are reported as a separate item after the operating profit.

Staff

HiQ had an average of 162 employees over the period, compared with 113 employees over the same period last year. This represents a rise of 43%.

HiQ has had no difficulties in employing professional and experienced people over the period, hiring 51 new employees.

The attention created by HiQ's listing on the Stockholm Stock Exchange O list has greatly increased the interest in the company among potential employees.

During the spring, HiQ introduced an ownership programme and issued subscription options to new employees. Great interest was shown in this and the issue was fully subscribed. The offer completed the previous issue directed to all employees at the company in spring 1998.

Investments

Group net investments for the period were SEK 2.0 million, of which investments in financial leasing agreements represented SEK 1.1 million.

Financial position

HiQ's financial position continues to be strong. At the end of the period under review, the Group's interest-bearing net cash position was SEK 11.0 million (SEK 7.8 m). The decrease in this figure since the turn of the year, when the corresponding figure was SEK 15.3 million, is due to dividend and company tax payments.

Shareholders' equity was SEK 39.7 million on 30 June 1999 compared with SEK 27.1 million on 30 June 1998 - a rise of 46%. The equity/assets ratio was thus 49.8% (49.9%).

Stock market listing

HiQ International was listed on the Stockholm Stock Exchange O list on 12 April 1999. There was a great deal of interest in the shares and the issue of 2 million new shares, half the shares in the company, was four times over-subscribed.

Of the shares offered, 75% were allotted to Swedish and international institutional investors and the remaining 25% were allotted to the general public and HiQ employees.

HiQ International's share capital was SEK 4.0 million on 30 June 1999, divided among 4 million shares at a nominal value of SEK 1.0 each.

The number of shareholders in the company was 2,557 on 30 June 1999.

The share price on 30 June 1999 was SEK 116, a rise of 9.4% on the issue price of SEK 106 on 12 April 1999. The market value of the company was SEK 464 million at the end of the period under review. The turnover in the shares since their issue on 12 April and until the end of the period under review was 1.0 million shares. Since 12 April, this represents a turnover of 17,700 shares per day until the end of the period under review.

After the end of the period, the share price had increased to SEK 148 on 18 August. This is a rise of 39.6% since 12 April. Please see appendix for further details.

Other major events after the end of the period under review

At the beginning of July, HiQ presented its focused investment in Mobile Internet. The first stage of this is the starting of a WAP agency, the intention of which is to be Scandinavia's leading supplier of consulting services in the field of Mobile Internet.

In July, HiQ signed a partnership agreement with telecoms supplier Nokia, making HiQ one of the few suppliers of consulting services and systems development to Nokia.

To intensify its efforts in the banking and financial sector, HiQ has set up a unit designed to focus endeavours in these areas.

In August, HiQ signed an agreement for an order worth SEK 20.4 million with the Swedish Defence Material Administration for advanced training simulators for JAS pilots.

Outlook for the future

We believe that the market for HiQ's services will continue to be strong and that the growth of the company will be governed by high quality and healthy profitability. We work in high tech areas where growth is rapid and demands a high level of competence.

The next boom area in the development towards increased mobility in our society will be in Mobile Internet. Mobile telephony and the Internet are converging and everything we now do on the Internet via computers will in a few years' time be possible via mobile terminals.

This development will really take off when the first GPRS systems come into operation at the end of next year. We are already work extensively on assignments involving mobility, and this trend will continue.

We will continue to work with all players in the telecoms industry – suppliers, operators and users. This broadens our experience and provides us with a high level of competence, which benefits our customers. Our strategic investment in Mobile Internet and one of the world's first WAP agencies shows yet again that we are positioning ourselves at the cutting edge of technology.

Our experience will help HiQ become one of the consultancies that can help operators and end users, such as bank and insurance companies, to earn revenues from new technology. We estimate that within a year we will have 70 consultants working within the field of Mobile Internet.

HIQ's long-term financial objective is to grow by at least 30% and have an operating margin of at least 15%. With regard to the 1999 calendar year, our assessment is that we will be surpassing our long-term financial goals.

The Parent company

HiQ International AB's profit after tax for the period 1 January to 30 June 1999 was SEK 385,000 (SEK 570,000). As at 30 June 1999, the company's interest-bearing cash position was SEK 14.1 million (SEK 11 m). Shareholders' equity was SEK 18.9 million (SEK 8.5 m) and the equity/assets ratio was 60.6% (58.7%). The company's net investments over the period were SEK 9,000 (SEK 205,000).

Forthcoming financial reports

The interim report for the period January to September 1999 will be published on 21 October 1999.

Stockholm

19 August 1999

The Board of Directors

This report has not been reviewed by an auditor.

For further information please contact:

Ken Gerhardsen, Group Chief Executive and Managing Director of HiQ International on +46 8 588 90 000.

