

HALF-YEAR REPORT FOR HiQ JANUARY - JUNE 2000

HiQ is the IT and management consultancy focusing on high-tech solutions within telecoms, the mobile Internet and simulation technology. Formed in 1992, the company is now a leader in these fields and the Nordic region is its domestic market. The Group's turnover in 1999 was SEK 223 million and it employs 365 people in Sweden, Norway, Denmark and Finland. HiQ is listed on the OM Stockholm Stock Exchange. For more information, please visit our web site at www.hiq.se

Half-year report (January – June 2000) for HiQ International AB (publ), Swedish corporate identity no. 556529-3205.

HiQ – Excellent growth with top profitability

- **Turnover increased by 66% compared with the same period last year to SEK 174.3 million (SEK 104.7 m). The organic growth was 59%.**
- **The profit before goodwill increased by 49% to SEK 28.9 million (SEK 19.5 m) compared with the same period last year. This profit is equivalent to a margin prior to goodwill depreciation of 16.6%.**
- **Operating profit increased by 42% compared with the same period last year, totalling SEK 27.0 million (SEK 19.1 m). This profit is equivalent to an operating margin of 15.5%.**
- **HiQ appointed 79 employees during the period under review.**
- **HiQ renewed its “preferred supplier” general agreement with telecoms supplier Ericsson regarding consulting services during 2000.**
- **HiQ acquired WISE Networks in Copenhagen and Open Software in Gothenburg. The AGM decided on the acquisitions, and they are consolidated as of 1 May.**
- **HiQ received orders from the Swedish Defence Material Administration (FMV) worth approximately SEK 130 million regarding the development of flight training simulators for JAS 39 Gripen.**
- **A 10:1 share split was carried out on 15 June.**
- **A new warrants programme for all HiQ employees was carried out.**
- **HiQ established a subsidiary in Helsinki.**

Market trend

The first six months of the millennium got off to a good start with continued strong growth combined with high profitability.

We have consolidated our position in the market thanks to our clear focus on qualitative, high-tech consultancy services within telecoms, the mobile Internet and simulation technology.

The acquisitions of HiQ Open in Gothenburg and HiQ WISE in Copenhagen strengthen our market offering. WISE gives us geographic presence in Denmark and southern Sweden and a strategic position close to the continent. HiQ Open strengthens our position in western Sweden, where our operations are already established at our subsidiary, HiQ Väst. The acquisitions have provided us with new

attractive assignments and customers, such as an Active Preferred Supplier agreement with Ericsson in Gothenburg and an agreement with Motorola in Denmark regarding the development of systems for the Tetra standard.

Demand for HiQ's services is increasing in both the Nordic region and in Europe as a whole. Our international focus continues, with assignments in some 10 different countries. Our strategy is to follow our customers abroad and continue to offer them high quality consultancy services. We have assignments in Finland and have acquired several new customers in countries where we are already operating, one example being the Netherlands.

In the spring a subsidiary and office was established in Finland. Several of HiQ's present customers also have business operations in Finland and we view the Finnish market as most attractive.

All market areas have shown positive development compared with the same period last year. In total HiQ has acquired 35 new customers since the turn of the year, in all market areas. We have also signed several important general agreements during the period.

HiQ has strengthened its position in the area of finance, where we have acquired around 10 new customers. Spearhead expertise within advanced systems development is in demand, particularly in projects regarding the development of business-critical solutions such as systems for trading in shares and mutual funds.

New agreements with the Swedish Defence Material Administration (FMV) regarding the development of training simulators for JAS 39 Gripen strengthen our position within the area of simulation technology. Furthermore, there is a positive trend in the number of assignments within civil systems simulation, such as telecoms and datacoms solutions.

In Gothenburg, the autos industry is developing quickly and there is a trend towards different communication systems to and from cars being built into the latter. HiQ is working on a number of projects with e.g. Bluetooth and WAP solutions - an area in which we have longstanding experience.

HiQ continues to work with the entire telecoms chain from suppliers to operators and users, and this provides us with a unique breadth of experience within telecoms.

We work with the development of GPRS, Tetra, WAP, Edge and W-CDMA systems for suppliers. For the operators, we work with business and service development and we also contribute with our expertise in areas such as billing and UMTS. Our assignment for the Swedish National Post and Telecom Agency (Post- och telestyrelsen – PTS) in Sweden, which involves reviewing UMTS license applications, is a good example of evidence of the attractiveness of our expertise and longstanding experience in the area of telecoms.

The need for effective tele- and datacoms solutions is increasingly evident in all industries. A good example is the power industry, which has a payment system similar to an operator's billing system. HiQ has been working with billing systems for operators for several years, acquiring expertise that enables the company to undertake highly qualified assignments within the power industry.

Acquisitions

In January an agreement was signed regarding the acquisition of WISE Networks, the Danish IT- and telecoms consultancy with just over 20 systems developers and project managers in the field of telecoms, the Internet and Wireless with offices in Copenhagen.

In February an agreement was signed regarding the acquisition of Open Software in Gothenburg, an IT and telecoms consultancy, with 20 technical systems developers within the field of data- and telecoms as well as the mobile Internet.

The acquisitions have been made with the help of new share issues of 77,749 shares and 58,590 shares respectively in HiQ International AB. For the acquisition of WISE Networks, an additional purchase sum may also be payable based on growth and profitability.

The acquisitions are consolidated as of 1 May and goodwill is depreciated over 10 years.

The integration work as regards these acquisitions is proceeding smoothly and a broad collaboration has emerged in a short time between the various HiQ offices. HiQ WISE and HiQ Open are performing well and contributing to the growth and profitability of HiQ.

Invoicing and financial results

HiQ's turnover during the first six months of 2000 increased 66% compared with the same period last year, totalling SEK 174.3 million (SEK 104.7 m). Organic growth is 59%.

The profit prior to goodwill rose 49% to SEK 28.9 million (SEK 19.5 m) compared with the same period last year. This profit is equivalent to a margin prior to goodwill depreciation of 16.6% (18.6%).

The operating profit rose 42% compared with the same period last year, totalling SEK 27.0 million (SEK 19.1 m). This profit is equivalent to an operating margin of 15.5%, compared with 18.2% for the same period in 1999.

Recalculated on a rolling twelve month basis, i.e. for the period 1 July 1999 to 30 June 2000, HiQ's turnover was SEK 292.8 million, and the profit prior to goodwill for

the same period was SEK 48.3 million, which means an operating margin prior to goodwill of 16.5 %.

Employees

HiQ had an average of 252 employees over the period, compared with 162 for the same period last year, an increase of 56%.

HiQ has continued to focus on recruiting highly qualified employees, and this has led to a large number of applications. We have noted that interest in HiQ has grown due to attention from the media, and this has helped us in our recruitment efforts.

79 people were employed over the period.

Investments

The Group's net investments over the period totalled SEK 103.7 million, of which investments in the acquired companies accounted for SEK 91.2 million and investments in new premises SEK 8.4 million.

Financial position

HiQ's financial position continues to be healthy. At the end of the period, the Group's interest bearing net cash assets totalled SEK 28.0 million (SEK 11.0 m).

Shareholders' equity totalled SEK 160.9 million on 30 June 2000, compared with SEK 39.7 million on the same date in 1999. The increase in shareholders' equity is due to the exercising of warrants and the acquisition of companies with newly issued shares.

The equity/assets ratio was 69.0% (49.8%).

SPP

An upcoming refund of surplus funds from SPP has been booked to this period in the amount of SEK 2.1 million. The funds will be utilised up to and including the year 2001.

The entire discounted amount is booked in the Income Statement under Extraordinary items.

The AGM

HiQ's AGM was held on 25 May in Stockholm.

The Meeting resolved to approve the Board's proposal for a new share issue of 77,749 and 58,590 shares respectively to the vendors of WISE Networks and Open Software.

The AGM resolved to approve the Board's proposal for a new share issue of a total of a maximum of 300,000 shares.

It was decided to pay a dividend of SEK 3 per share, the dividend date being 5 June.

A 10:1 share split was decided and was implemented on 15 June.

A shareholders' programme in the form of a maximum of 60,000 detachable warrants was decided directed at all employees of HiQ was also adopted. The offering was oversubscribed.

Other important events since the end of the period under review:

- HiQ listed on the OM Stockholm Stock Exchange's Attract-40 list on 3 July.
- HiQ signed a general agreement with Motorola regarding consultancy services in the field of systems development for tele- and radio-communications for the Tetra standard.
- HiQ is to review the UMTS license applications for the Swedish Post and Telecom Agency (PTS) in Sweden.
- HiQ has signed a general agreement regarding consultancy services with the power supplier Birka Energi.
- HiQ has signed a general agreement with UPC, the telecom and broadband operator.

Future prospects

HiQ's focus on top quality in the assignments it performs ensures customer satisfaction, excellent profitability and scope for continued growth.

We are pursuing our efforts to make HiQ into a more international company, as well as a leading telecoms consultant in Europe. Our main strategy involves organic growth complemented with strategic acquisitions.

We have established HiQ in Denmark and Finland and we will be continuing to invest during the autumn in our Finnish operations.

HiQ is continuing to focus on telecoms, where we collaborate with the entire chain, from suppliers and operators to users. In addition, we help disseminate knowledge and experience about high-tech and telecommunications to other industries such as finance, autos, simulation and energy.

We are also focusing on retaining and attracting highly qualified employees and making HiQ into an attractive workplace.

The market for HiQ's services continues to look good and we believe that there we will be continuing to work to full capacity and to attract interesting new assignments both at the national and the international levels.

HiQ's long-term financial goals are an organic growth of at least 30% and an operating margin prior to goodwill of at least 15%.

The Parent Company

HiQ International AB's profit after tax was SEK 135 thousand for the period under review (SEK 385 thousand). On 30 June, the company's interest-bearing net cash assets totalled SEK 15.0 million (SEK 14.1 m), shareholders' equity was SEK 123.6 million (SEK 18.9 m) and the equity/assets ratio was 89.6% (60.6%).

The company's net investments for the period were SEK 96.1 million (SEK 9 thousand), of which SEK 95.8 million relates to investments in acquired companies.

Telephone conference

HiQ will be holding a telephone in English on 15 August at 4 p.m. CEO Lars Stugemo and CFO Anna Jennehov will be representing HiQ.

Tel.: +46 8 686 70 81

Code: 41 40 64

Presentation material can be obtained from 2 p.m. on 15 August from HiQ's English home page, www.hiq.se/english

Upcoming financial information

The Interim Report for the period January – September will be presented on 23 October 2000.

Stockholm

14 August 2000

The Board of Directors

This Interim Report has not been reviewed by the auditors.

For additional information, please contact:

Lars Stugemo, CEO, HiQ International, tel: +46 8 588 90 000

Anna Svensson, CIO and Investor Relations, HiQ International, tel: +46 8 588 90 000

HiQ International Group
Company registration number 556529-3205

Income Statement

SEK 000s	Jan-June 2000	LTM 2000	Jan-June 1999	Full year 1999
Operating income	174 280	292 765	104 691	223 176
Operating expenses, excluding depreciation	-142 873	-240 548	-83 948	-181 623
Operating profit before depreciation (EBITDA)	31 407	52 217	20 743	41 553
Depreciation, tangible fixed assets	-2 490	-3 916	-1 279	-2 705
Depreciation, intangible fixed assets	-1 906	-2 324	-414	-832
Operating profit (EBIT)	27 011	45 977	19 050	38 016
Extraordinary items (see Note 1)	2 063	2 063	-4 091	-4 091
Financial items	447	327	452	332
Pre-tax profit	29 521	48 367	15 411	34 257
Tax	-8 408	-14 184	-4 315	-10 091
Profit after tax	21 113	34 183	11 096	24 166

Note 1. 4 091 in June 1999 refers to costs in connection with the listing of the company on the Stockholm Stock Exchange on 12 april 1999

2 063 in June 2000 relates to a refund from SPP.

Balance Sheet

SEK 000s	June 2000	June 1999	Full year 1999
ASSETS			
Intangible fixed assets	89 520	2 289	1 871
Tangible fixed assets	21 540	9 706	11 050
Financial fixed assets	1 220	108	52
Total fixed assets	112 280	12 103	12 973
Accounts receivable	48 041	26 980	31 056
Other current assets, excl. liquid assets	38 398	24 384	29 487
Liquid assets	34 481	16 277	31 746
Total current assets	120 920	67 641	92 289
Total assets	233 200	79 744	105 262
SHAREHOLDERS' EQUITY, RESERVES AND LIABILITIES			
Shareholders' equity	160 943	39 676	57 268
Long-term, non-interest bearing reserves	6 209	3 635	5 626
Long-term interest-bearing liabilities	6 274	4 279	4 333
Short-term, non-interest bearing liabilities	58 353	31 050	36 810
Short-term, interest bearing liabilities	1 421	1 104	1 225
Total shareholder's equity, reserves and liabilities	233 200	79 744	105 262

	Jan-June 2000	LTM 2000	Jan-June 1999	Full year 1999
Key figures				
Operating profit (EBIT)	27 011	45 977	19 050	38 016
Gross profit (EBITDA)	31 407	52 217	20 743	41 553
Operating profit before intangible depreciation (EBITA)	28 917	48 301	19 464	38 848
Gross margin (EBITDA margin)	18,0%	17,8%	19,8%	18,6%
Operating margin before intangible depreciation (EBITA margin)	16,6%	16,5%	18,6%	17,4%
Operating margin (EBIT margin)	15,5%	15,7%	18,2%	17,0%
Profit margin	16,9%	16,5%	14,7%	15,3%
Capital employed	168 638	-	45 059	62 826
Operating capital	132 937	-	28 674	31 028
Return on operating capital	32,9%	-	78,6%	149,7%
Return on shareholders' equity	19,4%	-	29,7%	52,3%
Financial position				
Capitalised investments in computers	1 084	1 973	641	1 530
Liquid assets	34 481	-	16 277	31 746
Interest-bearing net cash	28 006	-	11 002	26 240
Shareholders' equity	160 943	-	39 676	57 268
Equity/assets ratio	69,0%	-	49,8%	54,4%
Cash flow analysis				
Cash flow before change in operating capital & investments	25 770	-	12 980	31 092
Change in operating capital	-4 261	-	-3 889	-8 516
Cash flow before investments	21 509	-	9 091	22 576
Cash flow from investments	-12 410	-	-1 380	-3 975
Cash flow after investments	9 099	-	7 711	18 601
Cash flow from investments activities	-6 364	-	-10 654	-6 074
Change in liquid assets	2 735	-	-2 943	12 527
Employees				
Number of employees	357	-	207	254
Number of employees in duty at end of period	292	-	175	221
Number of employees recruited	79	130	51	102
Average number of employees	252	223	162	178
Value added per employee	469	878	459	859
Turnover/employee	691	1 310	648	1 252
Operating profit/employee	107	206	118	213
Share data				
No. of shares, thousands	42 398	42 398	40 000	40 580
Average no. of shares, thousand	40 886	40 491	40 000	40 000
No. of shares after full dilution, thousands	44 162	44 162	42 400	42 400
Profit per share before dilution, SEK	0,50	0,81	0,28	0,60
Equity per share before dilution, SEK	3,80	-	0,99	1,41
Profit per share after dilution, SEK	0,48	0,77	0,26	0,57
Equity per share after dilution	3,64	-	0,94	1,35