

## **H i Q - I N T E R I M R E P O R T F O R J A N U A R Y - J U N E 2 0 0 2**

*HiQ is an IT and management consultancy that focuses on high-tech solutions in the fields of telecoms, datacoms and simulation technology. The company is a leader in these fields and the Nordic region is its domestic market. HiQ employs 470 people at offices in Sweden, Norway, Denmark and Finland. HiQ is listed on Stockholmsbörsen (the Stockholm exchange). For more information, please visit [www.hiq.se](http://www.hiq.se)*

Interim report for HiQ International AB (publ), corporate identity no. 556529-3205.

### **H i Q – s a l e s o f S E K 2 1 2 . 4 m i l l i o n a n d E B I T A o f S E K 8 . 5 m i l l i o n**

- **N e t s a l e s o f S E K 2 1 2 . 4 ( 2 7 8 . 0 ) m i l l i o n .**
- **P r o f i t b e f o r e g o o d w i l l ( E B I T A ) i s S E K 8 . 5 ( 4 4 . 8 ) m i l l i o n , e q u i v a l e n t t o a m a r g i n p r e - g o o d w i l l o f 4 . 0 % .**
- **P o s i t i v e c a s h f l o w f r o m o p e r a t i o n s .**
- **I n M a r c h H i Q w o n a n o r d e r f r o m t h e S w e d i s h D e f e n c e M a t e r i a l A d m i n i s t r a t i o n ( F M V ) w o r t h S E K 2 4 m i l l i o n t o d e v e l o p t r a i n i n g s i m u l a t o r s f o r t h e J A S 3 9 G r i p e n a n d i n J u n e a n o r d e r w o r t h S E K 4 0 m i l l i o n .**
- **F r a m e w o r k a g r e e m e n t s i g n e d w i t h t h e g o v e r n m e n t a g e n c y V ä g v e r k e t P r o d u k t i o n .**
- **F r a m e w o r k a g r e e m e n t w i t h S a a b A u t o m o b i l e r e n e w e d .**
- **A c q u i s i t i o n o f p r o f i t a b l e F i n n i s h I T c o n s u l t a n c y , S o f t p l a n , w i t h 5 0 e m p l o y e e s i n H e l s i n k i .**
- **N e w f r a m e w o r k a g r e e m e n t s i g n e d w i t h N o k i a M o b i l e P h o n e s i n D e n m a r k .**
- **N e w f r a m e w o r k a g r e e m e n t a s p r e f e r r e d s u p p l i e r w i t h i n r e s e a r c h a n d d e v e l o p m e n t , I S / I T a n d t e c h n i c a l d o c u m e n t a t i o n s i g n e d w i t h E r i c s s o n .**

#### **M a r k e t d e v e l o p m e n t**

The market remains tough, and the propensity to invest is low. However, the situation varies between different regions and market sectors. In general, customers are giving priority to quick cost savings, profitability and efficiency.

The major players are choosing to work with a smaller number of external suppliers and HiQ continues to be among them, which is a strength. We have increased the number of larger projects compared with the same period last year and are still receiving more inquiries about outsourcing assignments.

Technical developments are resulting in products and systems becoming more complex, with the consequence of increasing demand for simulation, testing and verification. We have seen an increase in the share of assignments in these areas.

#### Regions

There are major differences between the markets in the different regions where HiQ International is active. Demand remains good in Finland, Denmark and southern Sweden. The high concentration of consultants price pressure is particularly evident in Stockholm and Gothenburg.

In April HiQ acquired the Finnish IT consultancy Softplan. HiQ Softplan is a profitable and well-reputed subsidiary with customers primarily within telecoms, entertainment & gaming and the public sector. The acquisition was consolidated in April and means that HiQ is now making a profit in the Finnish market. In conjunction with the acquisition of Softplan our smaller Finnish company, HiQ East Oy, was wound up.

The Öresund area is an interesting growth region and a number of players in medicine, industry and telecoms are established there. HiQ has established a subsidiary in Lund, on the Swedish side of the region, to complement our Danish business. A managing director of the Lund subsidiary was appointed in June.

Business in Arboga continues to be stable, and our position as a supplier of training simulators to the defence industry was further strengthened by a new order in June from the Swedish Defence Material Administration (FMV) worth SEK 40 million.

#### Telecoms

The combination of an economic downturn and insecurity concerning the ongoing technology shift is still resulting in a low propensity to invest among both suppliers and operators.

In the Nordic region the development of both systems and products as well as the expansion of infrastructure for 3G networks continues. The number of HiQ's 3G assignments has increased compared to the same period last year, involving work on roll-outs, development of support systems and terminals as well as testing of service platforms.

During the period HiQ received a new large order from a telecoms supplier for testing and verification. The assignment involves testing mobile platforms and terminals for 3G with products such as servers, networks, gateways, palmtops, etc. with the aim to get different products to work with each other.

#### Defence

In March HiQ received a new order from the Swedish Defence Material Administration (FMV) worth SEK 24 million for JAS 39 Gripen training simulators and in June a further order worth SEK 40 million. HiQ holds a very strong position as a supplier of consulting services in simulation technology to the defence industry, and we believe that there is a good possibility that we will receive additional orders during the year.

#### Public sector

Despite fierce competition, our share of qualified IT consultancy assignments in the public sector has substantially increased compared to the same period last year. During the period HiQ has worked with customers including the Swedish Labour Market Board, Emergency Center of Helsinki, Finland Post, the Swedish National Post and Telecom Agency, the Swedish National Police Board, the Swedish National Tax Board and the Swedish National Insurance Board.

#### Finance & insurance

The number of assignments within finance & insurance increased during the period. In January HiQ received an order worth SEK 30 million from a new customer in the insurance sector. We see this as a breakthrough in a sector with good prospects of further assignments.

#### Automotive

We are seeing increased use of technical specialists among our customers in the automotive sector. IT in vehicles provides a competitive advantage, and our assessment is that the IT content of vehicles will increase in the future. In the automotive industry HiQ is active in both project management and the development of integrated systems. HiQ signed agreements with Saab Automobile and Volvo during the period.

#### Entertainment & gaming

HiQ is continuing to increase sales within entertainment & gaming by working with customers such as Svenska Spel (Swedish National Lottery) and Veikkaus (Finnish National Lottery). Through its customer Veikkaus, HiQ Softplan has received a new assignment for a European lottery and has started phase two of the development of platforms for Internet gaming.

#### International assignments

HiQ has ongoing international assignments in a number of countries, with over a third of sales coming from outside Sweden. Since a number of HiQ's customers are focusing on the Nordic market, we are forging ahead in accordance with our strategy of being a strong consultancy in the Nordic region.

#### **I n v o i c i n g   a n d   p r o f i t**

HiQ's net sales amounted to SEK 212.4 (278.0) million.

Profit before goodwill (EBITA) was SEK 8.5 (44.8) million which is equivalent to a margin before goodwill depreciation of 4.0 per cent. The operating profit (EBIT) was SEK 0.5 (39.1) million, equivalent to an operating margin of 0.2 per cent.

Our Finnish business has been focused on the newly acquired Softplan, as a result of which HiQ East Oy – which had five employees – was wound up as of 30 June. The costs of winding up HiQ East Oy amount to approx. SEK 2 million and are reported as an item affecting comparability.

The Group's net financial income for the period was SEK 1.2 (1.0) million. Pre-tax profit (PTP) was SEK -0.2 (40.1) million.

#### **A c c o u n t i n g   p r i n c i p l e s**

This interim report has been prepared in accordance with the Swedish Financial Accounting Standards Council's recommendation no. 20. The accounting principles are the same as those applied in the preparation of the last annual report.

#### **E m p l o y e e s**

At the end of the period the number of employees was 472 (445), of which approx. 50 were employed within HiQ Softplan.

#### **I n v e s t m e n t s**

The Group's net investments during the period totalled SEK 98.4 (6.0) million, of which investments in financial leasing amounted to SEK 1.6 (2.3) million, the acquisition of Softplan amounted to SEK 87.4 million, and investments in real estate associated with the acquisition amounted to SEK 8.4 million.

#### **F i n a n c i a l   p o s i t i o n**

HiQ's financial position continues to be strong with a positive cash flow from operations.

At the end of the period the Group's liquid assets totalled SEK 49.8 million, compared to SEK 133.6 million as of 31 December 2001, a decrease of SEK 83.8 million. Dividends, supplementary tax payments and the acquisition of Softplan have reduced funds by approx. SEK 90 million during the period.

Interest-bearing net funds amounted to SEK 40.6 (89.1) million. Shareholders' equity as of 30 June 2002 amounted to SEK 263.3 million, compared to SEK 218.3 million as of 30 June 2001. The equity/assets ratio at the end of the period was 70.5 (65.4) per cent.

Recalculated as a continuous twelve-month profit, i.e. for the period 01.07.01-30.06.02, HiQ's net sales were SEK 426.5 million. Profit before goodwill was SEK 29.9 million, which is equivalent to a margin before goodwill of 7.0 per cent.

#### **O u t l o o k**

The market situation remains tough and difficult to assess, with regional differences. We expect HiQ's market to become easier to assess by the end of the year.

In the current market situation we are continuing to adapt the business and are prioritising profitability. Both fixed and variable costs are constantly under review, and the rate of recruitment is being adjusted in accordance with regional differences.

Since a number of HiQ's customers are focusing on the Nordic market, we are forging ahead in accordance with our strategy of being a strong consultancy in the Nordic region. Developing HiQ as a Nordic company and strengthening our position in the countries where we are already active are seen as being of the utmost importance.

Due to our strategic acquisition in Finland, we are very optimistic about future development in the Finnish market.

HiQ's focus on the Öresund region continues, and we intend to develop the business in southern Sweden.

Based on HiQ's position as a high-tech supplier of systems to the defence industry in both Sweden and Norway, we believe that our potential for securing further assignments is good.

HiQ is and will continue to be a pure consultancy in the fields of IT and management with skilled employees, good customer relations and a strong financial position. We are well equipped to take a greater share of the markets, to continue to develop our company, and to emerge from the recession stronger than before.

HiQ does not present any forecasts. Our long-term financial goals of 30 per cent growth and an operating margin before goodwill of 15 per cent remain.

#### **T h e   p a r e n t   c o m p a n y**

HiQ International AB's profit after tax was SEK 2.3 (-0.3) million. As of 30 June 2002 the company's interest-bearing net funds amounted to SEK 4.7 (75.0) million, shareholders' equity to SEK 229.1 (173.1) million and the equity/assets ratio to 78.9 (84.5) per cent. The company's net investments for the period totalled SEK 128.1 (2.1) million.

#### **N e x t   f i n a n c i a l   r e p o r t**

The interim report for January – September will be presented on 23 October 2002.

Stockholm, 15 August 2002

#### **The Board of Directors of HiQ International AB**

This report has not been subject to an auditor's review.

#### **For further information, please contact:**

Lars Stugemo, CEO HiQ International AB, tel. +46 (0)8 588 90 000

Income Statement

SEK 000s	Jan-June 2002	Jan-June 2001	April-June 2002	April-June 2001	LTM	Full year 2001
Operating income	212 412	277 979	109 800	131 509	426 461	492 028
Operating expenses, excluding depreciation	-201 119	-230 508	-105 580	-113 647	-391 516	-420 905
<b>Operating profit before depreciation (EBITDA)</b>	<b>11 293</b>	<b>47 471</b>	<b>4 220</b>	<b>17 862</b>	<b>34 945</b>	<b>71 123</b>
Depreciation, tangible fixed assets	-2 744	-2 715	-1 414	-1 450	-5 014	-4 985
<b>Operating profit before intangible depreciation (EBITA)</b>	<b>8 549</b>	<b>44 756</b>	<b>2 806</b>	<b>16 412</b>	<b>29 931</b>	<b>66 138</b>
Depreciation, intangible fixed assets	-8 026	-5 664	-5 145	-2 856	-14 221	-11 859
<b>Operating profit (EBIT)</b>	<b>523</b>	<b>39 092</b>	<b>-2 339</b>	<b>13 556</b>	<b>15 710</b>	<b>54 279</b>
Extraordinary items (See Note 1)	-2 000	0	-2 000	0	-2 000	0
Financial items	1 235	1 023	595	341	3 455	3 243
<b>Pre-tax profit</b>	<b>-242</b>	<b>40 115</b>	<b>-3 744</b>	<b>13 897</b>	<b>17 165</b>	<b>57 522</b>
Tax	-2 849	-13 232	-937	-4 850	-9 035	-19 418
<b>Profit after tax</b>	<b>-3 091</b>	<b>26 883</b>	<b>-4 681</b>	<b>9 047</b>	<b>8 130</b>	<b>38 104</b>
<i>Before dilution</i>						
Profit per share before items affecting comparability, SEK	-0,04	0,62	-0,07	0,21	-	0,88
Profit per share after items affecting comparability, SEK	-0,07	0,62	-0,10	0,21	-	0,88
<i>After dilution</i>						
Profit per share before items affecting comparability, SEK	-0,04	0,62	-	-	-	0,88
Profit per share after items affecting comparability, SEK	-0,07	0,62	-	-	-	0,88

Note 1. Costs related to the wind up of HiQ East OY

## Balance Sheet

SEK 000s	June 2002	June 2001	Full year 2001
<b>ASSETS</b>			
Intangible fixed assets	176 872	94 571	97 463
Tangible fixed assets	27 570	19 384	19 347
Financial fixed assets	7 934	1 738	4 292
<b>Total fixed assets</b>	<b>212 376</b>	<b>115 693</b>	<b>121 102</b>
Accounts receivable	77 260	70 492	56 014
Other current assets, excl. liquid assets	33 841	49 456	39 152
Liquid assets	49 791	97 924	133 630
<b>Total current assets</b>	<b>160 892</b>	<b>217 872</b>	<b>228 796</b>
<b>Total assets</b>	<b>373 268</b>	<b>333 565</b>	<b>349 898</b>
<b>SHAREHOLDERS' EQUITY, RESERVES AND LIABILITIES</b>			
Shareholders' equity	263 264	218 314	238 979
Long-term, non-interest bearing reserves	15 283	10 342	15 283
Long-term interest-bearing liabilities	8 792	7 500	8 739
Short-term, non-interest bearing liabilities	83 625	95 502	85 002
Short-term, interest bearing liabilities	2 304	1 907	1 895
<b>Total shareholder's equity, reserves and liabilities</b>	<b>373 268</b>	<b>333 565</b>	<b>349 898</b>

	Jan-June 2002	Jan-June 2001	April-June 2002	April-June 2001	LTM	Full year 2001
<b>Key figures</b>						
Gross profit (EBITDA)	11 293	47 471	4 220	17 862	34 945	71 123
Operating profit before intangible depreciation (EBITA)	8 549	44 756	2 806	16 412	29 931	66 138
Operating profit (EBIT)	523	39 092	-2 339	13 556	15 710	54 279
Gross margin (EBITDA margin)	5,3%	17,1%	3,8%	13,6%	8,2%	14,5%
Operating margin before intangible depreciation (EBITA margin)	4,0%	16,1%	2,6%	12,5%	7,0%	13,4%
Operating margin (EBIT margin)	0,2%	14,1%	-2,1%	10,3%	3,7%	11,0%
Profit margin	-0,1%	14,4%	-3,4%	10,6%	4,0%	11,7%
Capital employed	274 360	227 721	-	-	-	249 613
Operating capital	222 620	129 240	-	-	-	115 273
Return on operating capital	0,3%	29,7%	-1,3%	10,3%	8,9%	43,5%
Return on shareholders' equity	-1,2%	12,6%	-1,9%	4,0%	3,4%	17,0%
<b>Financial position</b>						
Capitalised investments in computers	692	1 898	296	704	1 594	2 800
Liquid assets	49 791	97 924	-	-	-	133 630
Interest-bearing net cash	40 644	89 074	-	-	-	123 706
Shareholders' equity	263 264	218 314	-	-	-	238 979
Equity/assets ratio	70,5%	65,4%	-	-	-	68,3%
<b>Change in shareholders' equity</b>						
Amount at the start of the period	238 979	208 638	239 244	229 427	-	208 638
Dividends	-21 478	-21 719	-21 478	-21 719	-	-21 719
New share issue in connection with the redemption of warrants	4 325	3 006	2 022	760	-	3 100
New share issue in connection with acquisition	47 314	0	47 314	0	-	0
Warrant premiums	-131	957	259	753	-	997
Exchange rate difference	-2 654	549	584	46	-	9 859
Profit for the period	-3 091	26 883	-4 681	9 047	-	38 104
Amount at the end of the period	263 264	218 314	263 264	218 314	-	238 979
<b>Cash flow analysis</b>						
Cash flow before change in operating capital & investments	-7 439	30 219	-4 538	15 436	-	52 532
Change in operating capital	-4 720	6 934	6 681	2 422	-	21 791
Cash flow before investments	-12 159	37 153	2 143	17 858	-	74 323
Cash flow from investments	-52 949	-4 178	-52 550	-2 750	-	-4 142
Cash flow after investments	-65 108	32 975	-50 407	15 108	-	70 181
Cash flow from investments activities	-18 731	-17 207	-19 803	-20 160	-	-18 707
Change in liquid assets	-83 839	15 768	-70 210	-5 052	-	51 474
Liquid assets at the start of the period	133 630	82 156	120 001	102 976	-	82 156
Liquid assets at the end of the period	49 791	97 924	49 791	97 924	-	133 630
<b>Employees</b>						
Number of employees	472	445	-	-	-	438
Number of employees in duty at end of period	434	416	-	-	-	415
Number of employees recruited	10	56	5	18	22	68
Average number of employees	408	393	422	407	408	401
Value added per employee	381	489	186	220	764	869
Turnover/employee	521	707	260	323	1 045	1 227
Operating profit/employee	1	99	-6	33	38	135
<b>Share data</b>						
<i>Before dilution</i>						
No. of shares, thousands	46 844	43 519	-	-	-	43 526
Average no. of shares, thousand	44 247	43 432	44 851	43 511	43 885	43 478
Profit per share before items affecting comparability, SEK	-0,04	0,62	-0,07	0,21	0,22	0,88
Profit per share after items affecting comparability, SEK	-0,07	0,62	-0,10	0,21	0,19	0,88
Equity per share, SEK	5,62	5,02	-	-	-	5,49
<i>After dilution</i>						
Average no. of shares, thousand	44 247	43 432	-	-	-	43 478
Profit per share before items affecting comparability, SEK	-0,04	0,62	-	-	-	0,88
Profit per share after items affecting comparability, SEK	-0,07	0,62	-	-	-	0,88