

HiQ – INTERIM REPORT FOR JANUARY – SEPTEMBER 2002

HiQ is an IT and management consultancy that focuses on high-tech solutions in the fields of communication and simulation technology. The company is a leader in these fields and the Nordic region is its domestic market. HiQ employs 450 people at offices in Sweden, Finland, Denmark and Norway. HiQ is listed on Stockholmsbörsen (the Stockholm Exchange). For more information, please visit www.hiq.se.

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

HiQ – stabilisation in a tough market

- **Net sales of SEK 304.5 (378.0) million.**
- **Profit before goodwill (EBITA) of SEK 11.5 (53.8) million, equivalent to a margin before goodwill amortization of 3.8 %.**
- **Maintained positive cash flow from operations.**
- **In September HiQ was commissioned by De Lotto (Dutch National Lottery) to integrate Veikkaus's OnNet gaming platform.**
- **HiQ lab is launched in August for interoperability testing of products for mobile communication.**
- **In June HiQ received an order from the Swedish Defence Material Administration (FMV) worth SEK 40 million for training simulators for JAS 39 Gripen, adding to an order placed in March worth SEK 24 million.**
- **Acquisition in April of Softplan, a profitable Finnish IT consultancy with 50 employees in Helsinki.**
- **New framework agreement signed in April with Nokia Mobile Phones in Denmark.**
- **New framework agreement as preferred supplier within research and development, IS/IT and technical documentation signed with Ericsson in April.**

Market development

The market in general continues to be tough with signs of stabilisation. Customers are prioritising quick cost savings, profitability and efficiency.

The reduction in the number of players in the consulting sector has provided HiQ with new business opportunities and a chance to increase our share of the market. We have a well-established brand, strong client relations and financial position, making us a player with the potential to further increase our market share in the future.

HiQ is continuing to focus on business opportunities and on improving efficiency within the company. These efforts are increasing our potential for considerable profitability in the current market situation.

HiQ is continuing to expand its operations, both geographically and in different market sectors reducing dependence of single client segments. The distribution of HiQ's sales during the period is as follows: Telecoms 48 per cent (64), Defence 20 per cent (15) and other sectors 32 per cent (21).

During the period HiQ forged new agreements with, among others, AstraZeneca, the Swedish National Rail Administration, De Lotto, Emergency Center of Helsinki, Ericsson, the Swedish Defence Material Administration, Hi3G, the Swedish Emergency Management Agency, Nokia, Nordea, Novo Nordisk Engineering, Orange Global, the Swedish National Police Board, Saab Avionics, Sony Ericsson, Swedish Match, Telia and Vodafone.

Regions

There are continued differences in the market situation between the regions where HiQ International is active. In Finland, Denmark and Skåne (the southern part of Sweden) demand is still strong.

Our new companies in Skåne and Finland are developing well and according to plan.

A high concentration of consultants is evident in Stockholm and Gothenburg, but has decreased during the period.

HiQ Väst AB, one of HiQ's two subsidiaries in Gothenburg, has new management since the middle of October.

Telecoms

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

As a result of technological development, products and systems are becoming more complex with the consequence of increasing demand for simulation, testing and verification. We have seen an increase in the number of assignments in these areas.

During the period, HiQ's testing lab received new orders for testing and verification from two telecoms suppliers. We believe that HiQ's prospects of receiving additional orders for testing and verification in the future are good.

In the Nordic region the development of systems as well as different types of terminals is continuing. The number of HiQ's 3G assignments has increased compared to the same period last year.

HiQ works with suppliers primarily on development and testing of terminals and platforms. The number of terminal-related assignments has increased compared to the same period last year. HiQ's work with operators focuses primarily on roll-out, development of support systems and testing of service platforms.

Defence

HiQ is the leading expert in the Nordic region in development and integration of high-tech training simulators for aircraft systems. As a supplier of systems to the armed forces of Sweden, HiQ has overall responsibility for developing training simulators for JAS 39 Gripen.

In March HiQ received a new order from the Swedish Defence Material Administration worth SEK 24 million for training simulators for JAS 39 Gripen and another order in June worth SEK 40 million.

We believe that HiQ has good prospects of receiving additional orders within the field of simulation technology in the future.

Finance & Insurance

The number of assignments within Finance & Insurance increased during the period to reach the current level of 9 (6) per cent of the net sales. HiQ has worked during the year with such customers as Avanza, NeoNet Technology, Nordea, OM, Skandia, Startel and Stockholmsbörsen.

Entertainment & Gaming

HiQ is continuing to increase sales within Entertainment & Gaming with customers such as Veikkaus (Finnish National Lottery), De Lotto (Dutch National Lottery) and Svenska Spel (Swedish National Lottery). Entertainment & Gaming sales today account for 7 (3) per cent of the net sales.

HiQ Softplan signed two new agreements for assignments relating to the OnNet gaming platform. HiQ Softplan has worked with De Lotto, since February and the assignment will run initially until next summer. HiQ also implemented OnNet within the framework of Nordea's Solo banking service.

International

HiQ has ongoing international assignments in a number of countries, and over a third of our sales are generated outside Sweden.

Since HiQ's customers are focusing on the Nordic region, we are forging ahead according to our strategy to further develop HiQ as a Nordic consultancy.

Invoicing and profit

HiQ's net sales amounted to SEK 304.5 (378.0) million.

The profit before goodwill (EBITA) amounted to SEK 11.5 (53.8) million, which is equivalent to a margin before goodwill amortization of 3.8 per cent. The operating profit (EBIT) was SEK -1.7 (45.5) million.

The cost of winding up HiQ East Oy amounted to SEK 2 million and was reported in the second quarter as an item affecting comparability.

The Group's net financial income for the period was SEK 1.5 (2.4) million.

The pre-tax profit (PTP) was SEK -2.2 (47.9) million.

Accounting principles

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.

Employees

At the end of the period the number of employees was 456 (446).

Investments

The group's net investments during the period totalled SEK 100.4 (7.9) million, of which investment in financial leasing amounted to SEK 1.4 (4.0) million, the acquisition of Softplan to SEK 88.6 million and investments in real estate associated with the acquisition to SEK 8.4 million.

Financial position

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

At the end of the period the Group's liquid assets totalled SEK 41.1 million, compared to SEK 133.6 million on 31 December 2001, a decrease of SEK 92.5 million. Dividends, supplementary tax payments and the acquisition of Softplan reduced funds by approx. SEK 90 million during the period.

Interest-bearing net funds amounted to SEK 32.6 (97.9) million. Shareholders' equity as of 30 September 2002 amounted to SEK 261.3 million, compared to SEK 223.4 million on 30 September 2001. At the end of the period the equity/assets ratio was 73.3 (68.5) per cent.

Recalculated as a continuous twelve-month profit, i.e. for the period 1 October 2001 – 30 September 2002, HiQ's net sales were SEK 418.5 million. Profit before goodwill amounted to SEK 23.8 million, which is equivalent to a margin before goodwill of 5.7 per cent.

Outlook

Today the market is easier to assess. We believe the market in general will continue to be tough, with regional differences.

The reduction in the number of players in the consulting sector provides new business opportunities for companies with a well-established brand, strong client relations and financial position. HiQ is among those companies.

HiQ is continuing to focus on business opportunities and on improving efficiency within the company. These efforts are increasing our potential for considerable profitability in the current market situation.

We are forging ahead with our strategy of developing HiQ as a Nordic consultancy, while continuing to expand our operations into new markets.

We intend to continue to develop our operation in southern Sweden.

We believe that we have good prospects of receiving additional assignments in the future based on HiQ's position as a high-tech system supplier and supplier of consulting services to both the Swedish and Norwegian defence forces.

HiQ is and will continue to be a pure consultancy in the field 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 business, and to emerge from the recession stronger than before.

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

The parent company

HiQ International AB's profit after tax was SEK 1.5 (2.3) million. As of 30 September 2002, the company's interest-bearing net funds amounted to -8.3 (75.0) million, the shareholders' equity to 204.3 (158.2) million and the equity/assets ratio to 80.3 (77.7) per cent. The company's net investments for the period totalled 128.3 (12.7) million.

Next financial report

The year-end release for 2002 will be presented on 4 February 2003.

Stockholm, 23 October 2002

The Board of Directors of HiQ International AB

This report has not been reviewed by the company's auditors.

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Income Statement

SEK 000s	Jan - Sept 2002	Jan - Sept 2001	July - Sept 2002	July - Sept 2001	LTM	Full year 2001
Operating income	304 450	377 980	92 038	100 001	418 498	492 028
Operating expenses, excluding depreciation	-288 858	-320 132	-87 739	-89 624	-389 631	-420 905
Operating profit before depreciation (EBITDA)	15 592	57 848	4 299	10 377	28 867	71 123
Depreciation, tangible fixed assets	-4 102	-4 008	-1 358	-1 293	-5 079	-4 985
Operating profit before intangible depreciation (EBITA)	11 490	53 840	2 941	9 084	23 788	66 138
Depreciation, intangible fixed assets	-13 213	-8 352	-5 187	-2 688	-16 720	-11 859
Operating profit (EBIT)	-1 723	45 488	-2 246	6 396	7 068	54 279
Extraordinary items (See Note 1)	-2 000	0	0	0	-2 000	0
Financial items	1 479	2 411	244	1 388	2 311	3 243
Pre-tax profit	-2 244	47 899	-2 002	7 784	7 379	57 522
Tax	-3 732	-16 372	-883	-3 140	-6 778	-19 418
Profit after tax	-5 976	31 527	-2 885	4 644	601	38 104
<i>Before dilution</i>						
Profit per share before items affecting comparability, SEK	-0,10	0,73	-0,06	0,11	-	0,88
Profit per share after items affecting comparability, SEK	-0,13	0,73	-0,06	0,11	-	0,88
<i>After dilution</i>						
Profit per share before items affecting comparability, SEK	-0,10	0,73	-	-	-	0,88
Profit per share after items affecting comparability, SEK	-0,13	0,73	-	-	-	0,88

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

Balance Sheet

SEK 000s	Sept 2002	Sept 2001	Full year 2001
ASSETS			
Intangible fixed assets	172 871	91 921	97 463
Tangible fixed assets	27 014	19 875	19 347
Financial fixed assets	10 479	2 552	4 292
Total fixed assets	210 364	114 348	121 102
Accounts receivable	59 988	58 952	56 014
Other current assets, excl. liquid assets	44 874	44 892	39 152
Liquid assets	41 080	107 789	133 630
Total current assets	145 942	211 633	228 796
Total assets	356 306	325 981	349 898
SHAREHOLDERS' EQUITY, RESERVES AND LIABILITIES			
Shareholders' equity	261 344	223 352	238 979
Long-term, non-interest bearing reserves	15 283	10 342	15 283
Long-term interest-bearing liabilities	8 196	8 604	8 739
Short-term, non-interest bearing liabilities	69 308	81 735	85 002
Short-term, interest bearing liabilities	2 175	1 948	1 895
Total shareholder's equity, reserves and liabilities	356 306	325 981	349 898

	Jan - Sept 2002	Jan - Sept 2001	July-Sept 2002	July-Sept 2001	LTM	Full year 2001
Key figures						
Gross profit (EBITDA)	15 592	57 848	4 299	10 377	28 867	71 123
Operating profit before intangible depreciation (EBITA)	11 490	53 840	2 941	9 084	23 788	66 138
Operating profit (EBIT)	-1 723	45 488	-2 246	6 396	7 068	54 279
Gross margin (EBITDA margin)	5,1%	15,3%	4,7%	10,4%	6,9%	14,5%
Operating margin before intangible depreciation (EBITA margin)	3,8%	14,2%	3,2%	9,1%	5,7%	13,4%
Operating margin (EBIT margin)	-0,6%	12,0%	-2,4%	6,4%	1,7%	11,0%
Profit margin	-0,7%	12,7%	-2,2%	7,8%	1,8%	11,7%
Capital employed	271 715	233 904	-	-	-	249 613
Operating capital	228 759	125 437	-	-	-	115 273
Return on operating capital	-1,0%	35,0%	-1,0%	5,0%	4,0%	43,5%
Return on shareholders' equity	-2,4%	14,6%	-1,1%	2,1%	0,2%	17,0%
Financial position						
Capitalised investments in computers	874	2 533	182	635	1 141	2 800
Liquid assets	41 080	107 789	-	-	-	133 630
Interest-bearing net cash	32 585	97 915	-	-	-	123 706
Shareholders' equity	261 344	223 352	-	-	-	238 979
Equity/assets ratio	73,3%	68,5%	-	-	-	68,3%
Change in shareholders' equity						
Amount at the start of the period	238 979	208 638	263 264	218 314	-	208 638
Dividends	-21 478	-21 719	0	0	-	-21 719
New share issue in connection with the redemption of warrants	4 283	3 072	-42	66	-	3 100
New share issue in connection with acquisition	47 314	0	0	0	-	0
Warrant premiums	-131	928	0	-29	-	997
Exchange rate difference	-1 647	906	1 007	357	-	9 859
Profit for the period	-5 976	31 527	-2 885	4 644	-	38 104
Amount at the end of the period	261 344	223 352	261 344	223 352	-	238 979
Cash flow analysis						
Cash flow before change in operating capital & investments	-8 712	39 165	-1 273	8 946	-	52 532
Change in operating capital	-10 483	8 128	-5 763	1 194	-	21 791
Cash flow before investments	-19 195	47 293	-7 036	10 140	-	74 323
Cash flow from investments	-54 156	-4 340	-1 207	-162	-	-4 142
Cash flow after investments	-73 351	42 953	-8 243	9 978	-	70 181
Cash flow from investments activities	-19 199	-17 320	-468	-113	-	-18 707
Change in liquid assets	-92 550	25 633	-8 711	9 865	-	51 474
Liquid assets at the start of the period	133 630	82 156	49 791	97 924	-	82 156
Liquid assets at the end of the period	41 080	107 789	41 080	107 789	-	133 630
Employees						
Number of employees	456	446	-	-	-	438
Number of employees in duty at end of period	428	421	-	-	-	415
Number of employees recruited	14	65	4	9	17	68
Average number of employees	406	398	402	408	407	401
Value added per employee	541	662	159	175	748	869
Turnover/employee	750	949	229	245	1 029	1 227
Operating profit/employee	-4	114	-6	16	17	135
Share data						
<i>Before dilution</i>						
No. of shares, thousands	46 844	43 524	-	-	-	43 526
Average no. of shares, thousand	45 112	43 462	46 844	43 521	44 716	43 478
Profit per share before items affecting comparability, SEK	-0,10	0,73	-0,06	0,11	0,05	0,88
Profit per share after items affecting comparability, SEK	-0,13	0,73	-0,06	0,11	0,01	0,88
Equity per share, SEK	5,58	5,13	-	-	-	5,49
<i>After dilution</i>						
Average no. of shares, thousand	45 112	43 462	-	-	-	43 478
Profit per share before items affecting comparability, SEK	-0,10	0,73	-	-	-	0,88
Profit per share after items affecting comparability, SEK	-0,13	0,73	-	-	-	0,88