

INTERIM REPORT FOR THE PERIOD JANUARY-JUNE 2004
HiQ INTERNATIONAL AB
(publ), company registration number 556529-3205

HiQ – strong growth and good profitability

- Net sales increase by SEK 30.0 million to SEK 233.4 (203.4) million, an increase of 15 percent
- Profit before goodwill (EBITA) increases by SEK 9.2 million to SEK 23.6 (14.4) million, equivalent to an EBITA margin of 10.1 (7,1) percent
- Pre-tax profit increases by SEK 9.5 million to SEK 14.4 (4.9) million
- Profit after tax increases by SEK 6.8 million to SEK 7.4 (0.5) million
- Earnings per share increase by SEK 0.15 to SEK 0.16 (0.01)
- On 29 April the Annual General Meeting elected Christina Ragsten Pettersson and Jukka Norokorpi to the Board
- The AGM also approved a dividend of SEK 0.45 per share, totalling SEK 21.1 million, which was paid out on 7 May 2004
- HiQ has been selected as a preferred supplier by Ericsson and has signed a 3-year framework agreement covering research & development as well as technical documentation

First half 2004 in brief

The positive development in the first quarter this year continued in the second. Demand in HiQ's markets has continued to increase as clients review their investment needs and dare to invest in new development. Clients are demanding advanced, customised solutions and HiQ has continued to win market share in a competitive market. This has resulted in substantially increased net sales and a greatly improved result.

Within the telecoms segment, which is so important for HiQ, there has been an increased propensity to invest on the part of both suppliers and operators. During the period we have seen increased activity among operators who are focusing on developing services and increasing the content available on mobile phones. HiQ signed framework agreements during the period with Vodafone Sweden and

Telenor AB. Demand from telecoms suppliers has increased in respect of both mobile terminals and infrastructure. In June HiQ was selected as a preferred supplier to Ericsson and signed a 3-year framework agreement covering research & development as well as technical documentation

The defence sector continue to be important to HiQ, and in the last quarter we have seen a stabilised market within this segment. A number of new orders were signed in the first half, including two relating to development of training simulators for the JAS 39 Gripen fighter aircraft.

HiQ's position in the market has strengthened in all its segments and regions. We are continuing to win important orders and during the period we recruited 66 new employees.

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 around 430 people at offices in Sweden, Finland and Denmark. HiQ is listed on Stockholmsbörsen. For more information, please visit www.hiq.se

The market

The positive trend in the market that we experienced towards the end of 2003 and at the beginning of 2004 also continued in the second quarter. After a few years of restraint, an increased propensity to invest can be seen in the market.

Many companies are demanding advanced, customised solutions in order to be sure of maintaining their competitiveness in an ever more high-tech market. This rapid technological development is creating a need for integration and new development in all the sectors in which HiQ operates. Clients are still focusing on cost control and improved efficiency, as a result of which they are selecting fewer suppliers, often within the context of a framework agreement. In such a market situation a specialist such as HiQ can continue to advance and strengthen its position, despite competition remaining fierce.

The markets in Stockholm and Gothenburg have continued to strengthen after the downturn in 2002 and 2003. Today we experience positive demand in both these markets.

HiQ is developing very positively in the Öresund region, where we now employ around 80 consultants. We are gaining market share within telecoms and other sectors. HiQ is now a significant player in a region in which development and growth have really picked up.

Our company in Finland, HiQ Softplan, has continued to gain ground and is now also growing beyond the domestic Finnish market. The cooperation with Folkspel, which was announced after the end of the period, is a good example of how HiQ Softplan's cooperation with Veikkaus (the Finnish state lottery) has resulted in a new business opportunity in Sweden.

In Arboga the Swedish Defence Materiel Administration (FMV) remains an important client and during the period we have

continued to work on broadening our offering to more defence-related clients. During the period HiQ's knowledge of simulation technology created business opportunities with clients other than FMV.

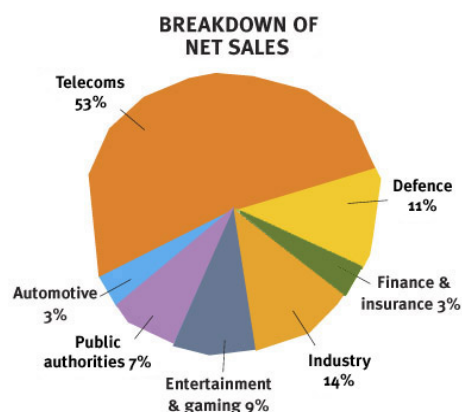
Development of market areas

During the period HiQ strengthened its position in all the segments and regions in which it operates.

Examples of agreements signed during the second quarter:

- In April HiQ won an order from the Swedish Emergency Management Agency (SEMA) to specify a support system to be used by authorities in the event of an emergency.
- In May a framework agreement was concluded with the Government Offices of Sweden in respect of business and systems development.
- In May HiQ also signed a framework agreement with Telenor AB for consulting services within the areas of systems development, service development and telecoms expertise.
- In June HiQ won an order from the Swedish Defence Materiel Administration (FMV) to develop an international version of the training simulators for the JAS 39 Gripen.
- In June HiQ signed a 3-year framework agreement with Ericsson as a preferred supplier for research & development as well as technical documentation.
- In June it was announced that HiQ has assisted Renova AB with the development of a new transport planning system. Its purpose is to simplify and improve efficiency in the processing of waste and recyclable materials.

HiQ's net sales for the last twelve months are divided between the following market sectors:



Telecom is the sector that is driving technological development forward. The transition to third generation mobile telephony is now a fact and during the period we noticed increased demand from telecoms operators, for example within testing and verification. New phone models are rapidly being developed and end-users are demanding increased content, which makes great demands of both operators and manufacturers. During the period HiQ won a number of new orders and clients within the mobile telephony segment.

HiQ is continuing to help develop the market for gaming (computer gaming, lotteries, betting, etc.) and entertainment via the Internet and other alternative channels. Efficiency and competitiveness are becoming increasingly important as new players appear in the gaming market, threatening the established players. Interest in Internet gaming is on the increase and IT is an obvious competitive tool in the fight for customers. Another aspect of developments in gaming and entertainment is the demand for increased content on the new models of mobile terminals. New technology and increased bandwidth are allowing advanced gaming solutions in phones. Together with its clients, HiQ develops new, innovative gaming services that exploit the latest technology in gaming and mobile communications.

At the beginning of the year HiQ signed a new framework agreement with Swedish Defence Material Administration (FMV), which has enabled us to win new types of assignment and new clients during the first half year. We are continuing to work on broadening sales to the defence segment. The use of civil technology is increasing within areas such as security, emergency services and traditional defence. Economic development in the defence sector continues to be characterised by a lower growth rate than other segments. Political uncertainty currently prevails in the sector as regards the future orientation of Swedish defence.

The increased IT maturity in the public sector favours high-tech companies such as HiQ, since it has increased demand for advanced system solutions. During the period HiQ has succeeded in strengthening its position further within the public sector segment.

HiQ's expertise in telecoms, testing, simulation and systems development continues to be in demand in several other sectors. The order from Renova, which was announced in the second quarter, is a good example of how HiQ's skills in mobile communications can be applied in sectors other than telecoms.

Invoicing and profit

HiQ's net sales increased by SEK 30.0 million to SEK 233.4 (203.4) million, an increase of 15 percent.

Profit before goodwill (EBITA) increased by SEK 9.2 million to SEK 23.6 (14.4) million, equivalent to an EBITA margin of 10.1 (7.1) percent.

Operating profit (EBIT) increased by SEK 9.2 million to SEK 13.3 (4.1) million, which corresponds to an EBIT margin of 5.7 (2.0) percent.

Consolidated net financial items for the period amounted to SEK 1.1 (0.8) million.

Pre-tax profit (PTP) increased by SEK 9.5 million to SEK 14.4 (4.9) million.

Employees

At the end of the period HiQ had 430 employees (385), of whom 397 (357) are active staff.

During the period HiQ recruited 66 new employees.

Investments

The Group made net investments during the period of SEK 5.8 million, of which investments in new premises account for SEK 1.6 million, investments in equipment SEK 1.4 million and investments in financial leasing SEK 2.9 million. For the corresponding period last year the Group made net investments of SEK -1.4 million, of which investments in financial leasing accounted for SEK -0.5 million.

Financial position

Cash flow from operations was positive and amounted to SEK 11.3 million. Interest-bearing net funds at the end of the period amounted to SEK 87.5 (60.6) million. As at 30 June the Group had liquid assets of SEK 95.4 (66.9) million. Liquid assets reduced by SEK 4.0 million compared with the first quarter this year due to the dividend of SEK 21.1 million that was paid out to shareholders on 7 May this year.

Shareholders' equity was SEK 234.8 (243.4) million at the end of the period and the equity/assets ratio was 64.7 (68.8) percent.

Accounting principles

This interim report has been prepared in accordance with Swedish Annual Accounts Act and with the recommendations and pronouncements of the Swedish Financial Accounting Standards Council. The accounting principles are the same as in the last annual report, with the exception that RR29 "Employee Benefits" is applied with effect from 1 January 2004. The introduction of RR 29 has not affected profits or shareholders' equity in the period.

Events after the end of the period

- At the beginning of July HiQ announced its cooperation with the Swedish lottery company Folkspel. HiQ has assisted Folkspel with the customisation and implementation of the OnNet gaming platform in connection with the launch of a new gaming concept in Sweden.
- On 2 August Jerker Lindsten took up the position of Managing Director of HiQ Göteborg.
- On 9 august Annika Larsson was appointed new CIO and Investor Relations manager.

HiQ Sailing Team 2004

HiQ has decided to continue its investment in marketing the company through HiQ Sailing Team 2004. The 60-foot trimaran successfully took part in the Nokia Oops Cup, a competition which takes place in Denmark, Finland, Norway, Sweden and Poland. The competition attracted close media coverage, providing HiQ with good publicity in the Nordic press and other media. For the rest of 2004 the boat will continue to be used for sailing trips with clients and employees.

Outlook

HiQ assesses that the positive signals received from clients in different sectors during the spring will remain, and that demand for customised technical solutions and IT investments will continue to increase.

The complexity of new products and systems is creating demand for knowledge in the areas of simulation, advanced systems development, testing and verification, knowledge that HiQ possesses. We believe that the market for consulting services will continue to be competitive, with great demands on suppliers as regards quality, skills and financial stability. In such a market situation HiQ will be able to continue to develop well.

HiQ's main strategy is to be a specialised service company within the Nordic region and with Nordic clients as a base. HiQ's growth strategy is based on organic growth



supplemented with strategic acquisitions. HiQ will continue to give priority to quality, profits and growth.

HiQ does not make any forecasts.

Parent company

Profit after tax for HiQ International AB was SEK -1.9 (36.4) million. As at 30 June the company's interest-bearing net funds amounted to SEK 68.8 (45.1) million. Adjusted shareholders' equity was SEK 260.2 (264.2) million and the equity/assets ratio was 79.8% (86.0).

The company's net investments during the period amounted to SEK 0.0 (0.1) million.

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Other reporting dates in 2004

Interim report, Jan-Sep 26 October 2004
Year-end release 2004 8 February 2005

Stockholm, 17 August 2004
The Board of HiQ International AB

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

HiQ bases its market offering on expertise within communication, software development and simulation

HiQ works in the following areas:

Telecoms: Development & testing of infrastructure and platforms, network planning, billing, procurement, IT strategies, development of support systems and business

Mobile terminals & applications: Development & testing of mobile terminals and applications

Simulation for testing, training & education: Development & testing of simulators

Platforms for gaming: Development of gaming platforms for Internet gaming, procurement

Business-critical systems: Development of workflow, web and support systems

Automotive IT & telematics: Development & testing of products, mobile applications and support systems



HiQ International Group
Company registration number 556529-3205

Income Statement

SEK 000s	Jan-June 2004	Jan-June 2003	Apr-June 2004	Apr-June 2003	LTM	Full year 2003
Operating income	233 374	203 424	120 108	97 679	432 922	402 972
Operating expenses, excluding depreciation	-207 980	-186 693	-107 141	-90 703	-385 008	-363 721
Operating profit before depreciation (EBITDA)	25 394	16 731	12 967	6 976	47 914	39 251
Depreciation and write-down, tangible fixed assets	-1 839	-2 341	-932	-1 113	-5 263	-5 765
Operating profit before intangible depreciation (EBITA)	23 555	14 390	12 035	5 863	42 651	33 486
Depreciation, intangible fixed assets	-10 299	-10 298	-5 142	-5 141	-20 540	-20 539
Operating profit (EBIT)	13 256	4 092	6 893	722	22 111	12 947
Financial items	1 104	814	290	597	1 953	1 663
Pre-tax profit	14 360	4 906	7 183	1 319	24 064	14 610
Tax	-7 001	-4 363	-3 406	-1 871	-13 233	-10 595
Profit after tax	7 359	543	3 777	-552	10 831	4 015
Profit per share before dilution, SEK	0,16	0,01	0,08	-0,01	0,23	0,09
Profit per share after dilution, SEK	0,16	0,01	0,08	-0,01	0,23	0,09

Balance Sheet

SEK 000s	June 2004	June 2003	Full year 2003
ASSETS			
Intangible fixed assets	136 840	157 669	146 415
Tangible fixed assets	15 411	14 237	11 436
Financial fixed assets	14 202	20 555	13 861
Total fixed assets	166 453	192 461	171 712
Accounts receivable	57 448	63 006	58 399
Other current assets, excl. liquid assets	43 705	31 359	42 367
Liquid assets	95 416	66 888	106 990
Total current assets	196 569	161 253	207 756
Total assets	363 022	353 714	379 468
SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES			
Shareholders' equity	234 765	243 377	246 012
Non-interest bearing provisions	16 266	20 779	18 235
Long-term non-interest bearing liabilities	11 508	0	11 508
Long-term interest-bearing liabilities	7 736	6 037	5 614
Short-term, non-interest bearing liabilities	91 293	81 964	96 726
Short-term, interest bearing liabilities	1 454	1 557	1 373
Total shareholder's equity, provisions and liabilities	363 022	353 714	379 468

	Jan-June 2004	Jan-June 2003	Apr-June 2004	Apr-June 2003	LTM	Full year 2003
Key figures						
Gross profit (EBITDA)	25 394	16 731	12 967	6 976	47 914	39 251
Operating profit before intangible depreciation (EBITA)	23 555	14 390	12 035	5 863	42 651	33 486
Operating profit (EBIT)	13 256	4 092	6 893	722	22 111	12 947
Gross margin (EBITDA margin)	10,9%	8,2%	10,8%	7,1%	11,1%	9,7%
Operating margin before intangible amortisation (EBITA margin)	10,1%	7,1%	10,0%	6,0%	9,9%	8,3%
Operating margin (EBIT margin)	5,7%	2,0%	5,7%	0,7%	5,1%	3,2%
Profit margin	6,2%	2,4%	6,0%	1,4%	5,6%	3,6%
Capital employed	243 955	250 971	243 955	250 971	243 955	252 999
Operating capital	147 292	182 799	147 292	182 799	147 292	144 683
Return on operating capital	9,1%	2,1%	4,5%	0,4%	13,4%	7,4%
Return on shareholders' equity	3,1%	0,2%	1,6%	-0,2%	4,5%	1,6%
Financial position						
Expensed investments in computers	693	752	450	263	1 537	1 596
Liquid assets	95 416	66 888	95 416	66 888	95 416	106 990
Interest-bearing net cash	87 493	60 578	87 493	60 578	87 493	101 329
Shareholders' equity	234 765	243 377	234 765	243 377	234 765	246 012
Equity/assets ratio	64,7%	68,8%	64,7%	68,8%	64,7%	64,8%
Change in shareholders' equity						
Amount at the start of the period	246 012	243 815	252 516	245 436	243 377	243 815
Dividends	-21 080	0	-21 080	0	-21 080	0
Warrant premiums	891	0	891	0	891	0
New share issue in connection with redemption of warrants	415	0	415	0	415	0
Translation difference	1 168	-981	-1 754	-1 507	331	-1 818
Profit for the period	7 359	543	3 777	-552	10 831	4 015
Amount at the end of the period	234 765	243 377	234 765	243 377	234 765	246 012
Cash flow analysis						
Cash flow before change in operating capital & investments	21 835	15 125	9 478	16 928	45 548	38 838
Change in operating capital	-10 488	5 544	6 997	3 362	-4 564	11 468
Cash flow before investments	11 347	20 669	16 475	20 290	40 984	50 306
Cash flow from investments	-2 825	1 116	-182	1 066	-3 424	517
Cash flow after investments	8 522	21 785	16 293	21 356	37 560	50 823
Cash flow from investments activities	-20 096	-1 994	-20 336	-1 724	-9 032	9 070
Change in liquid assets	-11 574	19 791	-4 043	19 632	28 528	59 893
Liquid assets at the start of the period	106 990	47 097	99 459	47 256	66 888	47 097
Liquid assets at the end of the period	95 416	66 888	95 416	66 888	95 416	106 990
Employees						
Number of employees	430	385	430	385	430	381
Number of employees in duty at end of period	397	357	397	357	397	351
Number of employees recruited	66	12	33	7	88	34
Average number of employees	372	374	387	364	360	361
Value added per employee	389	359	194	176	737	706
Turnover per employee	627	544	310	268	1 203	1 116
Operating profit per employee	36	11	18	2	61	36
Share data						
No. of shares at end of period, thousands	46 876	46 844	46 876	46 844	46 876	46 844
Average no. of shares before dilution, thousand	46 849	46 844	46 854	46 844	46 846	46 844
Average no. of shares after dilution, thousand	47 029	46 878	47 050	46 878	46 995	46 934
Profit per share before dilution, SEK	0,16	0,01	0,08	-0,01	0,23	0,09
Profit per share after dilution, SEK	0,16	0,01	0,08	-0,01	0,23	0,09
Shareholders' Equity per share, SEK	5,01	5,20	5,01	5,20	5,01	5,25