



INTERIM REPORT FOR THE PERIOD JANUARY-MARCH 2007  
HiQ INTERNATIONAL AB  
(publ), company registration number 556529-3205

## HiQ – strong development for Sweden’s best IT services company

- **Net sales increases by SEK 27.5 million to SEK 235.6 (208.1) million, an increase of 13 percent**
- **Operating profit (EBIT) increases to SEK 50.6 (46.2) million, an operating margin of 21.5 percent**
- **Pre-tax profit increases to SEK 50.9 (46.5) million**
- **Profit after tax increases to SEK 36.5 (33.7) million**
- **Earnings per share increase to SEK 0.73 (0.69)**
- **Cash flow from operations amounted to SEK 17.3 (6.4) million**
- **HiQ named Sweden’s best IT consulting firm in a survey carried out by Veckans Affärer**
- **HiQ has received a new order from the Swedish Defence Materiel Administration (FMV) for the development of simulators for training fighter pilots for the JAS 39A Gripen. The order amounts to SEK 22.0 million**
- **HiQ has signed an agreement worth around SEK 30 million over 5 years with the printing group Heidelberger Druckmaschinen AG**
- **On 27 March the Annual General Meeting approved a dividend of SEK 2.10 per share, totalling around SEK 105 million, which was paid out on the 4<sup>th</sup> of April**
- **Gunnel Duveblad has been elected to the Board of Directors of HiQ International AB**

### 2007 in brief

2007 has started very well for HiQ. Net sales are increasing by 13 percent and the operating margin is 21.5 percent.

HiQ holds a clear position in the Nordic region as a supplier of services within communications, software development and simulation. With close to 850 employees, HiQ is today one of the most significant players in the Nordic market within these areas. The growth in recent years is injecting new energy into the organisation and creates a driving force for new initiatives both geographically and in terms of our areas of expertise.

The market for IT services in the Nordic region is currently characterised by strong demand. HiQ works in long-term customer relationships with industry-leading clients such as Ericsson, FMV, GTECH, Nokia, Tele2, Saab, SEB, SonyEricsson and Volvo.

HiQ has a strong brand in the labour market and attracts highly capable employees even in a very competitive market.

During the period there has been a decreasing trend in staff turnover. HiQ has been ranked one of Sweden’s top-10 most attractive employer in Sweden and one of top-10 most appreciated employers in Finland\*.

HiQ has a very strong position in the telcoms sector and the demand for new products and systems is strong. Today HiQ has a strong offering in the area of multimedia solutions and works with suppliers, operators, content providers and users within this area. Among other things, HiQ develops platforms that allow leading providers to offer IPTV and project manages requirements setting and the implementation of new IPTV platforms for operators.

Today HiQ has a very strong offering to the finance sector and during the first quarter a very good growth in this segment. HiQ is specialised in development, test and support of transaction intensive systems for securities trading for clients such as Handelsbanken, Nordea, OMX, SEB and Swedbank.

*HiQ is an IT and management consultancy company focusing on high-tech solutions in the fields of communications, software development and simulation technology. The company is a leader in these fields and the Nordic region is its domestic market. HiQ employs nearly 850 people at offices in Sweden, Finland and Denmark. HiQ is listed on the Nordic Exchange’s MidCap list. For more information, please visit [www.hiq.se](http://www.hiq.se)*

*\* According to surveys conducted by Universum Communications and the Great places to work Institute.*

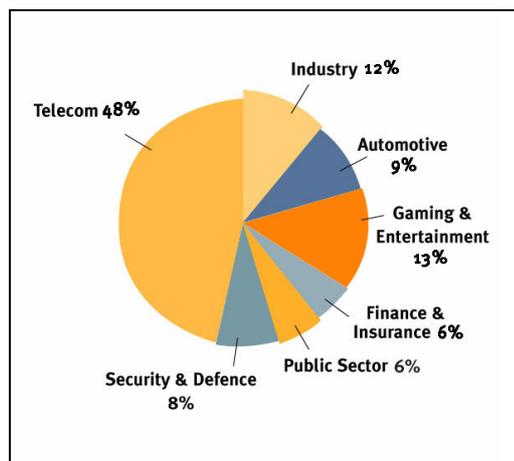
## Market trends

Today HiQ is a significant player in the Nordic IT market, and the business is characterised by the breadth both of its clients and of its presence in various market segments. The market for IT services in the Nordic region is characterised by strong demand. In this market HiQ is able to leverage its strong position and to continue to grow with good profitability.

Examples of agreements signed during the period:

- In January HiQ won a contract from GVA Finland to develop a new property and client administration system. The system allows GVA to process its property and client information faster and more efficiently, with the result that the company's resources can be utilised more productively.
- In January HiQ signed a cooperation contract with the Swedish subsidiary of Heidelberger Druckmaschinen AG (Heidelberg), a company that supplies bespoke printing process automation solutions to the print media industry all around the world. Under the contract HiQ will provide Heidelberg with services relating to the development of software for control systems for printing works' packing halls. The contract is for a five-year period is worth around SEK 30 million to HiQ.
- In February Stockholms Lokaltrafik (SL) announced that it had chosen a mobile ticketing system for public transport that was developed by Plusdial Oy in cooperation with HiQ. The new system allows ticket sales via SMS.
- In March HiQ received a new order from FMV worth SEK 22.0 million. The order relates to the development of simulators for training fighter pilots on the JAS 39A Gripen.

In the first quarter HiQ developed well in sectors such as telecoms, security and defence, finance and industry.



*HiQ's net sales divided by sector the last twelve months*

HiQ enjoys a very strong position in **telecoms** and assists internationally leading clients that include both suppliers and operators. HiQ has been working with suppliers, operators, users and the regulatory authorities in this sector for over a decade.

A clear trend towards convergence can currently be seen in the telephony sector. For the consumer, this means lower costs as the price of mobile telephony approaches that of fixed telephony. Today there are many opportunities to utilise IP telephony via computer, fixed telephone or mobile terminal. This development is changing the cost picture and creates many opportunities to create value-added services for consumers.

Another clear trend is the increased interest from suppliers in the further development of multimedia solutions such as IPTV, and operators are launching IPTV as part of their triple play offering to consumers. HiQ has a well developed offering in this area and works on developing platforms that allow leading providers to offer IPTV. HiQ also project manages requirements setting, procurement and the implementation of new IPTV platforms for operators.

Increased interest in various types of gaming and entertainment is driving demand for new advanced models and new content on mobile phones. New technology also allows higher quality graphics, thereby creating further interest in the mobile phone as a platform for gaming and entertainment.

Today HiQ is a significant, well-established player in the development and testing of mobile terminals, applications and platforms. Our services are in demand from companies in technology-intensive industries such as telecom suppliers. HiQ helps leading mobile phone



manufacturers with the quality assurance of the software for their new terminal models. We run test operations with full responsibility for planning, design, development and execution.

Demand within **gaming & entertainment** remains good. HiQ has worked on the development of platforms for Internet gaming for more than ten years. The deregulation of the gaming markets, combined with increased mobility and the development of the Internet, is driving forward major changes. HiQ's main clients within this segment are Veikkaus, Svenska Spel and De Lotto.

HiQ's cooperation with the US corporation GTECH makes HiQ one of the leading consultancies when it comes to the development of interactive gaming. HiQ and GTECH are together developing a new generation of the OnNet gaming platform for the Finnish client Veikkaus.

A number of major players in the **automotive industry** are now choosing to base their product development units in the Nordic region and there is therefore growing demand for specialists in telematics.

One trend is that vehicle manufacturers are investing ever more resources in introducing active security systems into the vehicles. By building in advanced warning systems, drivers can be warned of the risk of an accident. Within this area, HiQ has a strong offering to the automotive industry.

This development is increasing the amount of software in the vehicles, which creates new business opportunities for HiQ. HiQ is very well positioned and is growing and increasing its market shares in the automotive sector. HiQ works on the integration, development and testing of telematics solutions for forthcoming vehicle models for leading manufacturers.

HiQ works with leading clients such as Danaher Motion, Bombardier, Haldex Traction, Volvo Cars, Volvo Group and others.

HiQ has a clear position within **security and defence**, where HiQ's expertise within simulation technology is creating new business opportunities. HiQ develops simulators for training fighter pilots on the JAS 39 Gripen and an order worth SEK 22.0 million was received from the Swedish Defence Materiel Administration (FMV) during the period. Where the development of training simulators is concerned, HiQ also collaborates closely with Saab Aerosystems.

BAE Systems Hägglunds is another successful client in this segment; the company has commissioned HiQ to develop training simulators and test equipment.

HiQ has enjoyed good growth in the **industrial sector**. For players in manufacturing industry in the Nordic region, IT is becoming increasingly business-critical. HiQ's expertise is deployed to assist clients in this segment with the development of embedded systems for machinery and vehicles. HiQ also works on developing systems that support the business, such as process monitoring systems. HiQ's clients in this segment include ABB, Atlas Copco, DeLaval and Vägverket Produktion.

HiQ also has unique expertise in respect of the development of control systems in modern newspaper printing works. At the beginning of 2007 HiQ announced a new cooperation contract with Heidelberger Druckmaschinen AG, a world-leading supplier of bespoke solutions for news printing works. Under the agreement HiQ will develop software for control systems for the printing works' packing halls. The contract is for a five-year period is worth around SEK 30 million to HiQ.

HiQ's position within the **public sector** is strong and there is a good level of demand for HiQ's services. It is becoming increasingly important for public agencies and organisations to develop an IT environment that helps to streamline and strengthen operations and increase the service level. The framework agreement with the City of Gothenburg that was signed at the end of last year has resulted in new business opportunities within this segment and a number of assignments for new clients.

HiQ currently occupies a good position within the **financial sector**. Over the past two years HiQ has intensified its efforts in respect of this segment; an initiative that has resulted in new business and a wider client base. HiQ enjoyed very good growth in this segment during the first quarter.

HiQ are specialists in development, management and testing of transaction-intensive systems for securities trading for clients such as Swedbank, Handelsbanken, Nordea, OMX and SEB.

### Developments in the Group

Demand in the Stockholm region remains very good, but there is a tendency for the labour market to overheat as a result. HiQ recruited well during the first quarter and staff turnover is continuing to slow down.

Gothenburg and Lund are markets that for HiQ continue to be characterised by strong growth.



In Finland, where HiQ holds a strong position in the gaming and telecom sectors, profitability is very good.

The business in Denmark is currently developing well and the recruitment of many new employees last year and at the beginning of 2007 has injected new energy and drive into the organisation.

HiQ has seen stable development in the Mälaren Valley and we are continuing to work on broadening our client base and increasing our presence in the local market.

In Karlskrona the business developed very well in the first quarter, with good growth and profitability. Today HiQ is a significant player in this market with strong relationships with the major telecoms companies in the region.

### **Marketing & marketing communications**

HiQ is working actively to strengthen the brand through marketing and PR activities. At present emphasis is put on activities to attract new employees, such as campaigns and engagement in the technical universities.

HiQ markets the company through the HiQ Sailing Team in order to efficiently build the brand.

HiQ is a specialised technology company striving to be at the leading edge of development. Speed, flexibility and cutting-edge competence are all important factors, and this is also true in modern sail racing.

Its commitment to trimaran sailing provides HiQ with excellent opportunities to market HiQ and to create positive PR for the company, which helps strengthen the brand. Moreover, the trimaran is a very good tool for involving the Group in activities throughout the Nordic region.

### **Employees**

At the end of the period HiQ had 834 (679) employees, of whom 753 (635) are active staff.

HiQ is continuing to focus on recruiting new employees – with very good results – and in the first quarter the number of employees increased by 155 compared with the same period last year. The rate of staff turnover over the past 12 months is 13.5 percent.

### **Net sales and profit**

HiQ's net sales increased by SEK 27.5 million to SEK 235.6 (208.1) million, which equals growth of 13 percent.

Operating profit (EBIT) increased by SEK 4.3 million to SEK 50.6 (46.2) million, which corresponds to a margin of 21.5 (22.2) percent.

Consolidated net financial items for the period amounted to SEK 0.4 (0.3) million.

Pre-tax profit (PTP) increased by 9 percent to SEK 50.9 (46.5) million.

### **Investments**

The Group made net investments during the period of SEK 0.7 (1.6) million, of which investments in new premises account for SEK 0.0 (0.3) million, investments in equipment SEK 0.4 (0.5) million and investments in financial leasing SEK 0.3 (0.8) million.

### **Financial position**

Cash flow from operations is positive and amounted to SEK 17.3 (6.4) million.

As at 31 March the Group had liquid assets of SEK 122.9 (139.3) million. Liquid assets increased by SEK 16.2 million compared with the fourth quarter 2006.

Interest-bearing net funds at the end of the period amounted to SEK 115.1 (135.7) million.

Shareholders' equity was SEK 423.1 (397.0) million at the end of the period and the equity/assets ratio was 71.6 (71.2) percent.

### **Dividend**

On 27 March 2007 the AGM approved a dividend of SEK 2.10 per share, totalling around SEK 105 million. The dividend was paid out on 4 April.

### **Parent company**

Profit after tax for HiQ International AB was SEK -2.5 (-2.5) million.

As at 31 March the parent company's interest-bearing net funds amounted to SEK 108.5 (81.4) million. Adjusted shareholders' equity was SEK 389.6 (363.0) million and the equity/assets ratio was 89.4 (87.7) percent.

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

### **Accounting principles**

This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting, which accords with the requirements set in Recommendation RR 31 of the Swedish Financial Accounting Standards Council on Interim Financial Reporting for Groups. The accounting principles are the same as those applied in the last annual report.



### Events after the end of the period

- Bo Ringdahl has been appointed as Managing Director of HiQ Stockholm, after having been Acting Managing Director since the 17<sup>th</sup> of November. Bo Ringdahl has held positions as sales representative and management positions within HiQ Stockholm during the last 10 years and has a history from other employments within the IT- and Telecom industry.
- Klas Nyström has been appointed as the new Managing Director of HiQ Karlskrona AB following Arne Borg's decision to pursue other activities. Arne Borg will continue as a Board member of HiQ Karlskrona AB. Klas Nyström joins HiQ from Telenor AB.
- HiQ has been commissioned by Speed Identity to develop a system that allows individuals to be identified by biometric information, such as finger prints. The system will initially be used in a test environment at the Estonian Citizenship and Migration Board.

### Outlook

HiQ's main strategy is to be a specialised service company that is based in the Nordic region and has leading international clients.

HiQ's growth strategy is based on organic growth supplemented with strategic acquisitions and the company is ready to play an active part in the consolidation of the IT market.

The market for specialist IT consulting services is currently characterised by good demand. HiQ has a clear position with a specialised offering that is in demand from clients in many sectors. Combined with a stable organisation, strong driving force, good delivery capacity and highly skilled employees, this means that we are able to deliver strong results.

HiQ's assessment is that the company will continue to be able to exhibit growth and profitability. We have faith in the long-term growth of all the sectors in which HiQ operates.

HiQ's ambition is to be profitable, to demonstrate good growth and to be the leading company in the Nordic region within our selected niches.

HiQ gives priority to quality, profits and growth in that order.

HiQ does not make any forecasts.

Stockholm, 26 April 2007  
The Board of HiQ International AB

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

### Reporting dates in 2007:

Interim report, Jan-Jun	15 August 2007
Interim report, Jan-Sep	22 October 2007
Year-end release 2007	30 January 2008

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**Income Statement**

SEK 000s	<b>Jan-Mar 2007</b>	<b>Jan-Mar 2006</b>	<b>RTM</b>	<b>2006</b>
<b>Net sales</b>	235 618	208 140	828 889	801 411
Assignment-specific external expenses	-26 994	-26 507	-103 825	-103 338
Other external expenses	-14 365	-14 102	-54 311	-54 048
Staff costs	-142 108	-119 899	-505 526	-483 317
Depreciation and write-downs	-1 598	-1 415	-6 013	-5 830
<b>Operating profit</b>	<b>50 553</b>	<b>46 217</b>	<b>159 214</b>	<b>154 878</b>
Interest income	689	368	2 229	1 908
Interest expenses	-297	-186	-871	-760
Other financial items	-25	125	18	168
<b>Pre-tax profit</b>	<b>50 920</b>	<b>46 524</b>	<b>160 590</b>	<b>156 194</b>
Income tax expense	-14 421	-12 789	-46 292	-44 660
<b>Profit for the period</b>	<b>36 499</b>	<b>33 735</b>	<b>114 298</b>	<b>111 534</b>
<b>Profit for the period attributable to shareholders</b>	<b>36 499</b>	<b>33 735</b>	<b>114 298</b>	<b>111 534</b>
<b>Earnings per share attributable to shareholders</b>				
Earnings per share before dilution, SEK	0,73	0,69	2,29	2,25
Earnings per share after dilution, SEK	0,73	0,68	2,29	2,23
Average number of shares, thousands	50 093	49 232	49 824	49 584
Average number of shares, after dilution, thousands	50 142	49 834	50 014	49 907



SEK 000s	31 March 2007	31 March 2006	31 Dec 2006
<b>ASSETS</b>			
<b>FIXED ASSEST</b>			
Intangible fixed assets			
Goodwill	187 092	188 043	183 287
Other intangible fixed assets	3 005	4 265	3 320
Tangible fixed assets	20 434	18 341	21 011
Financial fixed assets	14 806	20 332	13 452
<b>Total fixed assets</b>	<b>225 337</b>	<b>230 981</b>	<b>221 070</b>
<b>CURRENT ASSETS</b>			
Short-term receivables			
Accounts receivable, trade	142 478	110 763	137 287
Prepaid tax	4 138	0	971
Other receivables	6 507	5 994	10 647
Prepaid expenses and accrued income	89 614	70 896	80 507
Liquid assets	122 947	139 289	106 732
<b>Total current assets</b>	<b>365 684</b>	<b>326 942</b>	<b>336 144</b>
<b>Total assets</b>	<b>591 021</b>	<b>557 923</b>	<b>557 214</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
Shareholders' equity attributable to shareholders	423 101	397 005	381 243
<b>Total shareholders' equity</b>	<b>423 101</b>	<b>397 005</b>	<b>381 243</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	989	1 334	1 076
Financial leasing debt	10 719	8 792	11 815
Other long-term liabilities	4 602	6 904	4 602
<b>Total non-current liabilities</b>	<b>16 310</b>	<b>17 030</b>	<b>17 493</b>
<b>Current liabilities</b>			
Accounts payable, trade	25 857	22 265	25 118
Current tax liabilities	0	10 208	0
Financial leasing debt	3 084	2 462	2 423
Other liabilities	43 603	32 706	52 821
Accrued expenses and prepaid income	79 066	76 248	78 116
<b>Total current liabilities</b>	<b>151 610</b>	<b>143 889</b>	<b>158 478</b>
<b>Total shareholders' equity and liabilities</b>	<b>591 021</b>	<b>557 924</b>	<b>557 214</b>
Pledged assets	None	None	None
Contingent liabilities	16 311	22 205	17 682



SEK 000s	Jan-Mar 2007	Jan-Mar 2006	RTM	2006
<b>Cash flow analysis</b>				
Cash flow before change in operating capital & investments	33 784	8 559	108 210	82 985
Change in operating capital	-16 512	-2 171	-32 745	-18 404
Cash flow before investments	17 272	6 388	75 465	64 581
Cash flow from investments	-164	-261	-1 967	-2 064
Cash flow after investments	17 108	6 127	73 498	62 517
Cash flow from investments activities	-893	-531	-89 840	-89 478
Change in liquid assets	16 215	5 596	-16 342	-26 961
Liquid assets at the start of the period	106 732	133 693	139 289	133 693
Liquid assets at the end of the period	122 947	139 289	122 947	106 732
<b>Change in shareholders' equity</b>				
Amount at the start of the period	381 243	363 554	397 005	363 554
Dividends	0	0	-103 388	-103 388
Warrant premiums	0	0	1 914	1 914
New share issue in connection with redemption of warrants	0	0	14 435	14 435
Translation difference	5 359	-284	-1 163	-6 806
Profit for the period	36 499	33 735	114 298	111 534
Amount at the end of the period	423 101	397 005	423 101	381 243
<b>Key figures</b>				
Operating profit (EBIT)	50 553	46 217	159 214	154 878
Operating margin	21,5%	22,2%	19,2%	19,3%
Profit margin	21,6%	22,4%	19,4%	19,5%
Capital employed	436 904	408 259	436 904	395 481
Operating capital	308 044	268 242	308 044	283 521
Return on operating capital	17,1%	17,2%	55,3%	60,0%
Return on shareholders' equity	9,1%	8,9%	27,9%	30,0%
<b>Financial position</b>				
Expensed investments in computers	406	253	1 805	1 652
Liquid assets	122 947	139 289	122 947	106 732
Interest-bearing net cash	115 057	135 712	115 057	97 722
Shareholders' equity	423 101	397 005	423 101	381 243
Equity/assets ratio	71,6%	71,2%	71,6%	68,4%
<b>Employees</b>				
Number of employees at end of period	834	679	834	787
Number of employees in duty at end of period	753	635	753	710
Average number of employees	714	618	672	648
Value added per employee	257	260	947	946
Turnover per employee	330	337	1 233	1 237
Operating profit per employee	71	75	237	239
<b>Share data</b>				
No. of shares at end of period, thousands	50 093	49 232	50 093	50 093
Average no. of shares before dilution, thousand	50 093	49 232	49 824	49 584
Average no. of shares after dilution, thousand	50 142	49 834	50 014	49 907
Profit per share before dilution, SEK	0,73	0,69	2,29	2,25
Profit per share after dilution, SEK	0,73	0,68	2,29	2,23
Shareholders' Equity per share, SEK	8,45	8,06	8,45	7,61