

**2018 02**

# Increased sales and a healthy market

*"At the end of the quarter, HiQ has 1,652 employees, which is more than ever before."*

## JANUARY – JUNE 2018

- Net sales total SEK 950.5 (923.9) million, an increase of 2.9 per cent
- Operating profit (EBIT) of SEK 95.2 (113.5) million – an operating margin of SEK 10.0 (12.3) per cent
- Pre-tax profit of SEK 96.4 (112.9) million
- Profit after tax of SEK 73.5 (87.5) million
- Earnings per share, before dilution: SEK 1.32 (1.59)
- Cash flow from operations: SEK 96.8 (118.4) million
- Liquid assets of SEK 123.0 (163.9) million

## APRIL – JUNE 2018

- Net sales total SEK 476.2 (454.3) million, an increase with 4.8 per cent
- Operating profit (EBIT) is SEK 43.1 (48.0) million, equivalent to an operating margin of 9.1 per cent
- Pre-tax profit of SEK 43.7 (47.5) million
- Profit after tax of SEK 33.0 (36.7) million
- Earnings per share, before dilution: SEK 0.59 (0.67)
- Cash flow from operations of SEK 17.9 (58.0) million

*This information is information that HiQ International AB is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out, at 07.30 CET on 17 July 2018.*



**HiQ helps to make the world a better place by using technology, design and communication solutions to make people's lives simpler and better. We are the perfect partner for everyone eager to achieve results that make a difference in a digital world. Founded in 1995, HiQ currently has over 1600 specialists in six countries and is listed on the Nasdaq Stockholm MidCap list. For more information and inspiration, please visit [www.hiq.se](http://www.hiq.se)**

## **SIGNIFICANT EVENTS DURING THE FIRST SIX MONTHS**

- HiQ wins a framework agreement with ATG
- HiQ wins a marketing framework agreement with a Nordic automotive manufacturer
- HiQ initiates a partnership with Axis in Linköping
- HiQ initiates collaboration with Hultafors
- HiQ initiates a partnership with Nordax
- HiQ expands its collaboration and delivers more teams to the Swedish Tax Agency
- HiQ expands its collaboration with the innovative automotive industry and delivers more teams
- HiQ continues to grow in e-health and to win new contracts, including Inera and SKL
- HiQ develops a prototype for a digital driving licence for Traf, the Finnish Transport Safety Agency
- HiQ creates a VR experience for Volvo Cars
- HiQ creates a unique restaurant experience at LEGO House
- HiQ further develops the Skånetrafiken travel app
- HiQ is chosen to become the communications agency for the Royal Swedish Opera
- HiQ in Linköping acquires Indentive's consultancy business
- Susanne Ehnbåge is elected as new board member of HiQ International
- The Annual General Meeting approves a shareholder dividend of SEK 3.30 per share, totaling approximately SEK 183 million
- HiQ wins gold in European Design Awards for its prototype of a digital driving licence

## **SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD**

- HiQ is chosen as integration partner by Euro Finance

## PRESIDENT'S STATEMENT

**As we close the first half of 2018, we do so in a healthy market where we are well positioned and continue to deliver good results to our customers.**

**Net sales in the first half-year total SEK 950.5 million. We have an operating profit (EBIT) of SEK 95.2 million. In the second quarter of the year, sales increased by 4.8 per cent to SEK 476.2 million. Never before have we reported better sales in a second quarter. And our financial position still remains strong, with a cash flow of SEK 96.8 million for the first half-year and SEK 123.0 million in liquid assets. However, we see that some of our operations in Sweden are not living up to their full potential; we have more left to offer. In Finland, we regained our position following a first quarter that was weaker than normal, and we now deliver a healthy profit. Lastly, we are recruiting at a good pace. We now have 1,652 employees at HiQ – our highest number of employees ever.**

Although we bring the tempo down in the middle of summer, we can all safely say that technology development is not taking a break. When we get that extra time to spend with our families, we are reminded that this change has never been as fast as it is today. The concept of "digital natives" has been around a long time. Soon we'll have an entire generation who thinks that cash is something only the tooth fairy and Grandma use. All other transactions will take place without cash. Wherever you cannot use your credit card, you can simply swish. In fact, I believe almost no adult today knows what a Swedish one-krona coin looks like either.

When we started our work on mobile payments, we could hardly imagine the power of change that some individual services would bring. Today, however, we think it is obvious, because technology development constantly pushes the boundaries of what we perceive as obvious. Early in HiQ's history, we laid the foundation for mobile connectivity together with the telecom industry. It now forms the infrastructure for the services we are developing – whether it's visiting an online bank, controlling a mining machine many kilometres below the ground, buying a bus ticket on a mobile phone or comparing medical centres to see which one has the shortest queue.

One area that still grabs headlines is the automotive industry, where we are delivering more and more teams. We are not just talking about connected cars. Nowadays, the car itself is a service platform with both advanced driver support features and sophisticated systems that can make cars self-driving and safer. Or trucks that will soon be driving themselves to deliver goods more efficiently with fewer resources.

This type of advanced system development is the backbone of HiQ, making us a value-adding partner for some of the most important players in the automotive industry.

Another area that keeps growing at HiQ is system integration. And we are seeing more demand for our expertise on how digitalisation requires IT system changes, as companies like Nordax turn to us for development assistance. As more and more services are launched, systems have to be able to communicate with each other. This means that demand for our integration platform FRENDS – a complete solution for simplifying integration between proprietary systems and systems like cloud services – is increasing. We have experienced fantastic growth in this area in Finland and have challenged global players on price, performance and efficiency. In the past, we have seen intranet giant Eltel turn to HiQ for help with integration services. Demand in Sweden is also growing, and one of our most recent major FRENDS deals is with Euro Finans.

We won major recognition when our team from Great Apes in Finland took home a gold in the European Design Awards for their prototype of a mobile driving licence. A solution that uses creative advanced technology to simplify people's everyday lives. The digital driving licence is the first of its kind in the world and offers a glimpse of a future of which we have just scratched the surface. It opens the doors to opportunities we can barely predict. And in a few years, we will think back on our modest dreams about what all of this meant.

One thing is for sure: technology development will continue to transform our lives. The possibilities are endless. And backed by the industry's best teams, a fantastic list of brave, innovative customers and strong finances, HiQ will remain a leading player on the market well into the future.

I am convinced of it.

*– Lars Stugemo,  
President and CEO of HiQ*



## OFFERING & FOCUS AREAS

At HiQ we use technology, design and communication to make people's lives simpler. Digital services, systems and products are at the core of our business offer, and with the breadth of expertise in the teams we can assemble, we are able to help our clients all the way from business strategy and initial ideas through development and operational management to launch and activation.

We frequently enter into partnerships with organisations that recognise the crucial role that technology plays in success, providing them with the innovative input and technical know-how that underpins the development of their organisation and its business – all the time with a firm focus on the user. Hand in hand with our competence in R&D, we also have a strong IT offering that includes the integration and maintenance of platforms, as well as a communication service offer that meets the demands and expectations of our clients' marketing departments.

Our largest market is the Nordic region, but we are also constantly winning assignments for international companies who implement our solutions worldwide. Today HiQ has an established presence in six countries and has more than 1,600 employees, each and every one of whom is motivated by and dedicated to our commitment to make people's lives simpler.

## EVENTS DURING THE SECOND QUARTER

- HiQ continues to develop the Skånetrafiken app, which is used regularly by roughly 190,000 people in the Skåne region.
- HiQ expands its collaboration with the innovative automotive industry and delivers more teams to build the safe, autonomous and innovative vehicles of the future.
- HiQ helps ATG to become a winner on the betting market and signs a framework agreement with ATG to strengthen the company's IT organisation. Thanks to the new licensing market, ATG can leapfrog into brand new products and services.

- HiQ wins a framework agreement for marketing and communication services with a Nordic automotive manufacturer. The agreement gives HiQ the opportunity to deliver services and expertise on the market side, both at a tactical and a strategic level.

- HiQ in Linköping acquires Indentive's consultancy business and enters into a partnership for development. As part of the acquisition, 15 employees from Indentive will join HiQ. Through this acquisition, HiQ strengthens its team offering in the region and will be able to meet its customers' needs even more efficiently.

- HiQ helps Hultafors discover how to strike the perfect hammer blow. First out as part of the collaboration is the concept "Hunt for the perfect hammer blow" to be launched at Nordbygg, the Nordic region's largest construction trade fair, where we used sensors to measure the vibrations in a hammer blow.

- HiQ initiates collaboration with Axis Communications, global industry leader in network video. As a first step, we support Axis starting a new business in Linköping for software research and development.

- HiQ launches a strategic partnership with niche bank Nordax to support its development of modern banking services. Within the scope of the partnership, HiQ will provide Nordax with strategic advice on DevOps, service design and the development of new systems, products and services.

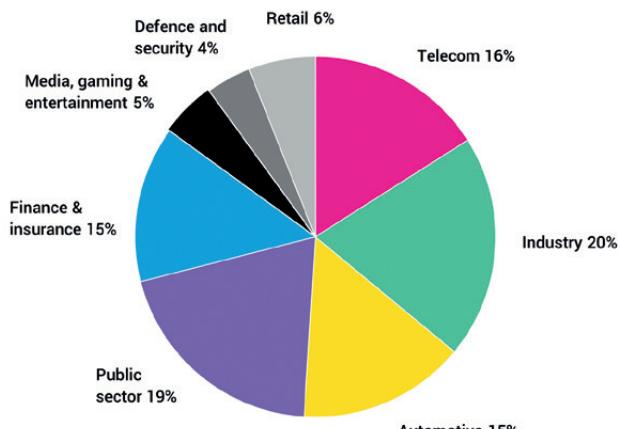
- HiQ's design team Great Apes wins gold in the European Design Awards for its prototype of a digital driving licence.

## EVENTS AFTER THE REPORTING PERIOD

- Euro Finans chooses HiQ's hybrid integration platform, FRENDs, to simplify integration between its own systems and external services.

## MARKET SEGMENTS

We divide our market areas into eight segments and have a broad, well-balanced market mix. The breadth is of benefit to our clients but also to us as a company and to our employees. All market segments are characterised by companies' and organisations' needs for digital solutions that contribute to simplification and improvements, new offerings and new value chains.



*HiQs sales per market segment over the past 12 months*

### Industry

Industry is often seen as the core of competitiveness in the western world. The fourth industrial revolution is currently underway – often called Industry 4.0 – in which tools like automation, the Internet of Things, machine learning and artificial intelligence are wielded to make the industry even more efficient. HiQ's expertise in system development is crucial to the future competitiveness of Swedish industry.

HiQ holds a strong track record in industry, and today is a strategic partner for many leading industry players. Our major contributions include the advanced development of world-leading products and business-critical systems. But we also provide innovation and concept development as well as fresh strategies for marketing and sales. And not least, our customers gain more efficient processes and smart integration between systems using tools like our integration platform FRENDS.

One example in this segment is Swedish Epiroc, for whom we develop systems that create even more efficient and safe mining machinery. Another is Seco Tools. We develop

systems for this company that make it easier for industrial companies to get access to new cutting blades whenever they are needed. In all that we do for industrial companies, we're helping them to streamline production and optimise resources.

Clients include ABB, Assa Abloy, Atlas Copco, Bombardier, Cactus, DEKRA, Destia, Electrolux, Elenia, Epiroc, Finnair, Toyota Material Handling Europe, SAS and Seco Tools.

### Telecom

Today connectivity has become a fundamental part of our infrastructure, and almost everything around us needs connectivity in order to work. Computers, phones, cars, industrial machines, houses, roads ... the list goes on and on. More and more things need to be able to communicate with each other in order to work effectively, and connectivity is a must.

HiQ holds a very strong position in telecoms. For more than 20 years, we have worked with global and marketleading customers to lay the foundation for today's mobile connectivity. This gives us deep knowledge of telecom systems, both from a technical and a business standpoint. And with our solid experience and know-how in telecoms and communication, we can create high value for customers and projects in other industries, too.

Within telecoms, we work extensively with our customers using advanced technical systems, digital channels and solutions specifically targeted to end users. We also win strategic assignments where we identify new opportunities and streamline operations. And together with several leading global telecom companies, we continue to build the digital infrastructure for the future of mobile communications.

Clients in this segment include Ascom Wireless Solutions, Com Hem, Ericsson, Polystar, Telenor, Telia and Tele2.

### Public sector

Our customers' mission in this sector aim to offer citizens the best possible service, and the challenges in doing so involve everything from managing outdated systems and large volumes of data to issues related to security and integrity. And HiQ is today an important partner for an increasingly

large number of government agencies, municipalities and public administrations in the Nordic region.

Major framework agreements provide us with a strong platform on which we can build and grow in this segment. For example, a framework agreement signed between HiQ and the Legal, Financial and Administrative Services Agency enables a significant number of Sweden's government agencies and authorities to use our experience and expertise to help to make life simpler for citizens and residents in Sweden.

One example of a project in this segment is our development of the travel app for Skånetrafiken, which simplifies everyday life for nearly 200,000 people who commute regularly in the Skåne region.

Another example of how to use digital technology to make people's lives simpler and better is the prototype for a digital driving licence that we have produced for the Finnish Transport Safety Agency – an innovation that creates brand new opportunities for making realtime information updates to ID documentation.

Public sector customers include the Swedish Public Employment Service, Enköping Municipality, the Swedish Enforcement Authority, Kungälv Municipality, the Swedish Civil Contingencies Agency, the Swedish Post and Telecom Authority, the Government of Sweden, the Swedish Tax Agency, Stockholm County Council, the Swedish Association of Local Authorities and Regions, Trafi and Tulli.

### **Automotive**

The Nordic countries are forerunners in the use of advanced technology to develop solutions and systems for autonomous and safer vehicles, as well as smart solutions for resource-efficient vehicles. And the demand for vehicles from Nordic automotive manufacturers is sky high.

Today, HiQ has close to 300 product development specialists who focus on automotive. Over the past twenty years, we have collaborated with several global automotive manufacturers and have thus claimed a leading position in the market.

An example is our collaboration with Volvo Cars, which began back in 1998. Today, we deliver technology expertise to Volvo Cars so that we can drive environmental improvements and develop active safety features. Another key collaborative partnership is with truck manufacturer Scania for the development of systems for autonomous transport systems.

Customers in the automotive segment include Autoliv, BorgWarner, Scania, Volvo Cars, Volvo Group and Zenuity.

### **Finance and insurance**

HiQ is very experienced in finance, which combined with our skills in digitalization and mobile solutions makes us the leading player in the area. The market and demand for services in the bank and finance segment is strong. Our services are constantly requested in new areas, where we can use our technology to simplify and improve people's lives. Not at least within the development of smart and simple digital payment solutions and solutions to help the banks to be prepared for PSD2.

Among other things HiQ is, together with Volvofinans, developing the CarPay application. We also help Finnish S-Pankki, where the simple but effective service Smobiili makes lives easier for their three million clients. And together with Bankgirot, we have built the IT solution for one of the best cashless payment systems in the Nordic region, Swish. These services and solutions have changed behaviours and have become the cornerstones of the Nordic countries' gradual move towards a cashless society.

Customers in this segment include Bambora, Bankgirot, Collector, Fennia, Handelsbanken, LähiTapiola, Nordea, OP Pohjola Group, S-Group, SEB, Skandia, Swedbank, Swedish Motor Insurers, Varma and Volvofinans Bank.

### **Media, gaming and entertainment**

The media, gaming and entertainment industry is under constant development and transformation. And things are moving fast. These days, traditional companies are facing competition from new upstarts and are seeing completely changed behaviours. But their common denominator is the fact that technology, design and communication play a crucial role in their success.

These challenges perfectly match HiQ's position at the intersection of technology, people and business. We combine technical expertise with design and user focus, and follow through with marketing and activation. Today we have framework agreements with several major clients such as SVT and Viaplay.

Nordic companies enjoy a high degree of worldwide success in the field of gaming and gambling. HiQ has been working for many years with a number of leading names in this exciting market and now, with the support of the digital concept team at Great Apes, we are helping them to further advance their positions.

Clients include DICE, GTECH, MTV 3 Finland, Rovio, Spotify, SVT, Utbildningsradion, Veikkaus and Viaplay.

### Retail

In just the past few years or so, retail has undergone a revolution. New e-commerce records are being set all the time and shopping online has become a natural component of consumer behaviour. Efficient digital services mean that we are also buying more than ever from foreign suppliers. This makes new requirements and creates new challenges for companies in the Nordic region, with a focus on user experience and the overall customer journey.

HiQ has broad industry knowledge and extensive experience of working with leading retail chains. We work with clients from concept and design to quality assurance in everything from marketing and sales solutions to purchasing and logistics systems. Our expertise in digital payment services is hugely important when meeting new requirements for simpler purchasing processes that will increase conversion rates.

In Retail, HiQ helps its clients with smart and innovative solutions aimed at creating added value for the end customer.

Clients in this segment include ICA, Jula, Kesko, Stockmann and Vianor.

### Defence and security

We live at a time when defence and security are rapidly growing in importance, with surveillance and external

monitoring as key components in the overall mix. As the global situation becomes more uncertain, defence and security moves up the agenda. Cyber security, in particular, is increasingly important for all companies and organisations as more and more products and systems are connected.

Technical solutions for defence and security are a part of HiQ's DNA. For more than 20 years we have been helping influential clients within defence and security to develop high-tech solutions that contributes to a safer world. One example is when we are helping the Swedish Coast Guard to develop a surveillance system that pinpoints the position of ships and monitors weather conditions and geographical data in real time.

Clients include the Swedish Defence Materiel Administration, the Swedish Armed Forces, the Swedish Coast Guard and SAAB.

### GROUP DEVELOPMENT

During the second quarter of the year, we continued to broaden our scope and win many new, exciting contracts.

In Finland we currently successfully operate in all market segments, and during the quarter we closed several large new deals. Following a first quarter with somewhat weaker results than usual, we took steps that have produced results – we are now showing strong earnings in Finland once again.

In Stockholm, we are well represented in all market segments and continue to win new business within R&D as well as IT and communication. In terms of earnings for the second quarter, there is potential for improvement.

In Gothenburg, we remain the leading consultancy company within technology, innovation and communication and a long-term R&D partner to several leading industry players. In terms of earnings, however, we did not meet our expectations in the first half of the year, and there is clear room for improvement.

HiQ in Skåne, with offices in Malmö and Lund, is showing stable earnings. As we continue to grow and broaden our business, we are also winning exciting new deals.

HiQ in Mälardalen, with offices in Västerås and Örebro, is showing strong earnings in a market driven by industry and defence. We are winning new business, and we are recruiting.

HiQ in Östergötland, with offices in Linköping and Norrköping, is operating on a broad front in many key market segments. During the second quarter of the year, we invested in growth through our acquisition of Indentive with 15 employees. This, together with a few delayed projects, contributes to a lower utilization rate, leading to a weak result.

In Karlskrona, we are performing well. We conduct much of our business in telecoms and defence while continuing to broaden our customer base.

Our team of experts in Moscow is working successfully with other HiQ offices to develop smart solutions that simplify and improve people's everyday lives.

#### **DELIVERY MODELS**

HiQ offers a flexible delivery model with a clear focus on client needs, with a track record of effectiveness and success in creating results for our clients. We provide specialist expertise as well as complete teams, in onsite projects and undertake projects on our own premises and via our nearshore office.

#### **MARKETING & COMMUNICATION**

A major part of HiQ's communication takes place today online. That's what makes our own website an important foundation for our marketing efforts. Through our website we make it easy for stakeholders and shareholders to find information about the company, for prospective employees to find and apply for a job, and for prospective customers to understand what we do.

Other key channels for us are our social media channels, where we can effectively reach our followers by offering continual updates of what's happening at and around HiQ. And through these channels, we also reach other groups we've identified as interesting to engage with and influence.

Our various sponsorships represent a key investment this year. In Sweden, we support triathlete Lisa Nordén and MTB cyclist Calle Friberg, who both compete for Team HiQ. Both athletes

have been successful in competitions while still finding the time to get to know our HiQ employees at various events. Our initiatives in Finland include collaboration with the rally team Emil Lindholm–Mikael Korhonen – we are keeping our fingers crossed for them to win this year's Finnish Rally Championship.

#### **FUTURE PROSPECTS**

HiQ contributes to the development of modern society, in which digitalisation and a connected lifestyle are creating new products, services and business models.

Our expertise and robust financial position allow us to identify opportunities to advance our positions even further in all market segments and areas in which we operate.

HiQ's overall strategy is to be an innovative and leading specialist service company with the core of its operations in the Nordic region.

HiQ's growth strategy is to grow organically and to complement organic growth with strategic acquisitions. HiQ's acquisition strategy aims to strengthen the company's geographical reach by expanding its Nordic presence and acquiring companies that add new areas of expertise and/or new market areas to HiQ.

We are convinced that there will be long-term growth in all segments in which HiQ is active. We also believe that new technology is a continued critical factor for success in all businesses and industries.

Our strategy is to:

- Have the best employees in the market and be the most attractive employer.
- Help our clients to simplify and contribute to a better world, by using our know-how throughout the entire chain of technology, people and business.
- Be the leading company in the Nordic region within our industry.
- Generate good profits, good growth and strong cash flow, and to create good longterm returns for our shareholders.

HiQ prioritises quality, profitability and growth – in that order. HiQ does not provide any forecasts.

## EMPLOYEES

At the end of the reporting period, HiQ has 1 652 (1 642) employees, of which 1 536 (1 504) were on active duty.

## SALES AND PROFIT

HiQ's net sales total SEK 950.5 (923.9) million.

Operating profit (EBIT) is SEK 95.2 (113.5) million, equivalent to a margin of 10.0 (12.3) per cent.

Group net financials for the period total SEK 1.1 (-0.7) million.

Pre-tax profit (PTP) is SEK 96.4 (112.9) million.

## INVESTMENTS

Group net investment in fixed assets during the period total SEK 20.5 (6.9) million. SEK 6.0 (0.9) million of this total is invested in new premises, SEK 10.1 (3.3) million in equipment and SEK 4.4 (2.7) million in financial leasing

## FINANCIAL POSITION

Cash flow from operations total SEK 96.8 (118.4) million. Group liquid assets at 30 June total SEK 123.0 (163.9) million. This is a decrease in liquid assets of SEK 159.9 million compared to 31 March 2018. The decrease is attributable to the paid out dividend, on the 3 of May 2018. This is done by a split with a mandatory redemption.

Interest-bearing net assets total SEK 90.3 (133.3) million at the end of the reporting period.

Owner's equity at the end of the reporting period total SEK 748.1 (728.9) million, and the equity/assets ratio as a measure of solidity is 67,1 (65,7) per cent.

## SHARES

On 30 June 2018 there is a total of 55,799,587 shares in HiQ International AB (publ), which is an increase of 346,700 shares compared to 1 January 2018.

## ACQUISITIONS

In April, HiQ acquires Indentive's consulting business with 15 employees. The staff change over to HiQ as of 2 May 2018. The acquisition results in a goodwill of SEK 1.0 million. Initial acquisition price amounts to SEK 0,0 million. Based on

the outcome of certain financial targets, HiQ estimates an additional payment of approximately SEK 0,5 million to be paid within 12 months. The acquisition analysis is preliminary. Goodwill arising from the acquisition is due to Indentive's market position.

## REDEMPTION OF SHARES

On 21 March 2018 the AGM resolved that SEK 3.30 per share, corresponding to a total amount of approximately SEK 183 million, be paid to shareholders in the form of a share split and a mandatory share redemption programme. The record day for the share split was 6 April 2018 and trading in the redemption shares took place during the period 9 April up to and including 20 April 2018. Payment is made on 3 May 2018.

This decision exceeds HiQ's long-term dividend policy, which states that the long-term dividend level should amount to around 50 per cent of HiQ's profit after tax.

## OPTIONS

On 21 March 2018 the Annual General Meeting approved a share warrant programme for HiQ employees. This consists of two series: the first to be issued in May, the second in November. Both are to be made available to all employees in Sweden, Finland, and Denmark. In the May series a total of 410,000 warrants is subscribed. In total a maximum of 1 000 000 warrants can be issued.

If all outstanding warrants from previous programmes and all warrants in the 2018 programme are fully exercised, the dilution effect will be approximately 5.6 per cent.

## PARENT COMPANY

Profit after tax for HiQ International AB (publ) totals SEK -3.5 (35.8) million.

On 30 June 2018, the company's interest-bearing net assets total SEK 21.6 (24.8) million, adjusted owner's equity totals SEK 372.8 (405.4) million and the equity/assets ratio is 67.2 (71.0) percent.

Net investments for the period total SEK 3.2 (0.0) million, of which SEK 1.4 (0.0) million is investments in new premises and SEK 1.8 (0.0) in equipment.

## ACCOUNTING PRINCIPLES

This interim report is produced in accordance with IAS 34 'Interim Reporting' and the Swedish Annual Accounts Act

The same accounting principles are used for this report as for the company's most recent annual report with the exception of certain changes in standards (noted in HiQ's annual report for 2017) and interpretations that have since come into effect. These are (except what is described below), not considered to have any impact on the consolidated accounts during the reporting period. For the parent company, the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's RFR 2 are applied.

Information regarding the adoption of IFRS 15 "Revenue from Contracts with Customers" as of 1 January 2018:

IFRS 15, "Revenue from contracts with customers", is the new standard for revenue recognition. IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction contracts and all associated interpretations. (IFRIC and SIC).

IFRS 15 is based on the main principle that revenue is recognized when control of a good or service transfers to a customer. This recognition is made by a five step model: Step 1: identify the contract with the contract. Step 2: identify different components in the contract. Step 3: set the transaction price. Step 4: allocate the transaction price on different components. Step 5: recognize revenue when a component is complete.

The most significant changes compared to the current standards are: distinct goods or services integrated in contracts must be recognized as separate components and discounts shall as a main rule be allocated to the separate contracts. If the consideration includes variable considerations (performance bonuses, discounts, royalties) revenues could be recognized earlier than according to current standards. They should be estimated and included in the transaction price to the extent they with high probability will not be reversed. The timing of recognition could vary: some revenues that under current standards are recognized at the end of the contract could be allocated during the contract period and vice versa. There are also new specific rules regarding licenses, warranties, prepayments

and consignation agreements. The standard does also imply increased need for disclosures. HiQ has chosen the retrospective method. HiQ's assessment of the adoption of IFRS 15 shows that IFRS 15 does not have any material impact on 2017 net sales, costs and operating profit and the comparable information for 2017 has not been restated. The adoption of IFRS 15 has affected the Shareholders' equity as of 1 January 2018 with SEK 0.0 million.

Information regarding the adoption of IFRS 9 "Financial instruments" as of 1 January 2018

IFRS 9 shall be applied for financial years commencing on or after 1 January 2018. IFRS 9 addresses the classification and measurement of financial instruments, impairments and hedge accounting.

The adoption of IFRS 9 effect shareholders' equity with SEK -1.2 million as of 1 January 2018 as a result of the 12 month expected credit loss reserve. HiQ has chosen the retrospective method when adopting IFRS 9. This means that the cumulated change from the adoption of IFRS 9 will be recognized as a change of retained earnings as of 1 January 2018. Information for comparable periods will not be restated.

A more detailed description of IFRS 9 and IFRS 15 and the transition to these can be found in the HiQ Annual Report for 2017.

## SIGNIFICANT RISKS AND UNCERTAINTIES

HiQ's operations are influenced by a number of factors; some of these lie within the company's control, others do not. For a consulting company such as HiQ, operations are affected by various factors including standard operational and commercial risks. Examples of these risks are recruitment, project risks, competition and pressure on prices, development prospects for major clients, bad debts, and the ability to enter into framework agreements. Market-related risks include business cycle risks. Financial risks include currency risks and interest risks.

For a detailed description of significant risks and uncertainties, please see pages 24-25 in the HiQ Annual Report for 2017

**FINANCIAL REPORTS 2018**

Interim report January – September: 25 October 2018

Year-end report January – December: 29 January 2019

**FOR FURTHER INFORMATION, PLEASE CONTACT:**

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The Board and President of HiQ hereby declare that this interim report provides an accurate picture of the business activities, financial position and earnings of the Parent and the Group, and describes any significant risks and uncertainties faced by the Parent and the companies that form part of the Group.

Stockholm, 17 juli 2018

The Board of Directors of HiQ International AB (publ)

Gunnel Duveblad  
Chairman of the BoardKen Gerhardsen  
DirectorUlrika Hagdahl  
DirectorErik Hallberg  
DirectorSusanne Ehnbåge  
DirectorRaimo Lind  
DirectorLars Stugemo  
CEO & President, Director

This report has not been subject to scrutiny by the company's auditors.

*This information is information that HiQ International AB is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, at 07.30 CET on 17 July 2018.*

**HiQ International Group**  
Company registration number 556529-3205

**Income statement and statement of comprehensive income**

SEK 000s	Jan-June 2018	Jan-June 2017	April-June 2018	April-June 2017	RTM	2017
Net sales	950 523	923 918	476 168	454 258	1 814 499	1 787 894
Other operating income	0	0	0	0	325	325
Assignment-specific external expenses	-145 735	-131 965	-74 518	-65 936	-277 203	-263 433
Staff costs	-641 971	-619 211	-324 533	-310 722	-1 211 604	-1 188 844
Other external expenses	-59 715	-52 681	-29 738	-26 278	-115 718	-108 684
Depreciation	-7 860	-6 526	-4 246	-3 334	-14 228	-12 894
<b>Operating profit</b>	<b>95 242</b>	<b>113 535</b>	<b>43 133</b>	<b>47 988</b>	<b>196 071</b>	<b>214 364</b>
Finance income	1 611	87	717	66	1 740	216
Finance costs	-478	-740	-128	-602	-813	-1 075
<b>Pre-tax profit</b>	<b>96 375</b>	<b>112 882</b>	<b>43 722</b>	<b>47 452</b>	<b>196 998</b>	<b>213 505</b>
Income tax	-22 838	-25 337	-10 726	-10 790	-45 701	-48 200
<b>Profit for the period attributable to shareholders</b>	<b>73 537</b>	<b>87 545</b>	<b>32 996</b>	<b>36 662</b>	<b>151 297</b>	<b>165 305</b>

**Other comprehensive income**

**Items that may be subsequently reclassified to profit or loss**

Exchange differences on translation of foreign operations	26 349	4 777	6 098	3 771	28 405	6 833
<b>Other comprehensive income for the period</b>	<b>26 349</b>	<b>4 777</b>	<b>6 098</b>	<b>3 771</b>	<b>28 405</b>	<b>6 833</b>
<b>Profit for the period attributable to shareholders</b>	<b>99 886</b>	<b>92 322</b>	<b>39 094</b>	<b>40 433</b>	<b>179 702</b>	<b>172 138</b>

**Earnings per share attributable to shareholders (based upon profit for the period)**

Earnings per share before dilution, SEK	1,32	1,59	0,59	0,67	2,73	3,00
Earnings per share after dilution, SEK	1,31	1,58	0,59	0,66	2,71	2,98
Average number of shares, thousands	55 511	54 896	55 568	55 027	55 410	55 103
Average number of shares, after dilution, thousands	55 963	55 372	55 969	55 425	55 780	55 474

**The HiQ International Group**  
**Company registration number 556529-3205**

**Balance Sheet**

SEK 000s	30 June 2018	30 June 2017	31 Dec 2017
<b>ASSETS</b>			
<b>FIXED ASSETS</b>			
Tangible fixed assets	63 739	46 165	50 524
Intangible assets	392 528	373 941	377 758
Investments in associates	13 206	12 256	12 484
Deferred tax	4 600	5 054	2 321
Financial assets	5 344	313	2 954
<b>Total fixed assets</b>	<b>479 417</b>	<b>437 729</b>	<b>446 041</b>
<b>CURRENT ASSETS</b>			
Accounts receivable, trade	341 856	362 087	388 729
Current income tax assets	6 379	0	2 695
Other receivables	6 961	9 151	17 969
Prepaid expenses and accrued income	156 899	135 713	133 445
Liquid assets	122 994	163 906	205 124
<b>Total current assets</b>	<b>635 089</b>	<b>670 857</b>	<b>747 962</b>
<b>Total assets</b>	<b>1 114 506</b>	<b>1 108 586</b>	<b>1 194 003</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
Share capital	5 580	5 528	5 545
Other contributed capital	457 065	433 393	440 853
Other reserves	36 791	9 559	11 615
Retained earnings, including profit for the period	248 685	280 383	358 143
<b>Total equity attributable to the Parent Company's equity holders</b>	<b>748 121</b>	<b>728 863</b>	<b>816 156</b>
<b>Long-term liabilities</b>			
Long-term interest-bearing debt	26 049	23 753	25 322
Deferred tax liabilities	769	783	855
<b>Total long-term liabilities</b>	<b>26 818</b>	<b>24 536</b>	<b>26 177</b>
<b>Short-term liabilities</b>			
Short-term interest-bearing debt	6 666	6 869	6 304
Accounts payable, trade	63 822	65 302	74 251
Other liabilities	90 430	105 997	112 348
Accrued expenses and prepaid income	178 649	177 019	158 767
<b>Total short-term liabilities</b>	<b>339 567</b>	<b>355 187</b>	<b>351 670</b>
<b>Total shareholders' equity and liabilities</b>	<b>1 114 506</b>	<b>1 108 586</b>	<b>1 194 003</b>

**HiQ International Group**  
**Company registration number 556529-3205**

<b>Cash flow analysis</b> SEK 000s	<b>Jan-June</b> 2018	<b>Jan-June</b> 2017	<b>April-June</b> 2018	<b>April-June</b> 2017	<b>RTM</b>	<b>2017</b>
Cash flow before change in operating capital & investments	81 333	104 557	36 359	32 579	162 127	185 351
Change in operating capital	15 475	13 887	-18 436	25 412	-19 655	-21 243
Cash flow before investments	96 808	118 444	17 923	57 991	142 472	164 108
Cash flow from investments	-18 074	-4 231	-15 467	-2 490	-26 937	-13 094
Cash flow after investments	78 734	114 213	2 456	55 501	115 535	151 014
Cash flow from investments activities	-160 864	-154 569	-162 335	-154 439	-156 447	-150 152
Change in liquid assets	-82 130	-40 356	-159 879	-98 938	-40 912	862
Liquid assets at the start of the period	205 124	204 262	282 873	262 844	163 906	204 262
Liquid assets at the end of the period	122 994	163 906	122 994	163 906	122 994	205 124
<b>Change in shareholders' equity</b> SEK 000s	<b>Jan-June</b> 2018	<b>Jan-June</b> 2017	<b>April-June</b> 2018	<b>April-June</b> 2017	<b>RTM</b>	<b>2017</b>
Amount at the start of the period	816 156	777 566	692 780	671 547	728 863	777 566
Adoption of IFRS9 & 15- 1 January 2018	-1 173	0	0	0	-1 173	0
Dividends / redemption	-182 995	-170 191	0	0	-182 995	-170 191
Warrant premiums	1 408	1 994	1 408	1 994	2 327	2 913
Share issue conversion of warrants	14 839	14 889	14 839	14 889	21 397	21 447
New share issue in connection with acquisition	0	12 283	0	0	0	12 283
Total comprehensive income for the period	99 886	92 322	39 094	40 433	179 702	172 138
Amount at the end of the period	748 121	728 863	748 121	728 863	748 121	816 156
<b>Key figures</b> SEK 000s	<b>Jan-June</b> 2018	<b>Jan-June</b> 2017	<b>April-June</b> 2018	<b>April-June</b> 2017	<b>RTM</b>	<b>2017</b>
Operating profit (EBIT)	95 242	113 535	43 133	47 988	196 071	214 364
Operating margin	10,0%	12,3%	9,1%	10,6%	10,8%	12,0%
Profit margin	10,1%	12,2%	9,2%	10,4%	10,9%	11,9%
Capital employed	780 836	759 485	780 836	759 485	780 836	847 782
Operating capital	657 842	595 579	657 842	595 579	657 842	642 658
Return on operating capital	14,6%	18,9%	7,9%	9,3%	31,3%	34,4%
Return on shareholders' equity	9,4%	11,6%	4,6%	5,2%	20,5%	20,7%
<b>Financial position</b>						
Expended investments in computers	2 257	1 815	980	898	4 475	4 033
Liquid assets	122 994	163 906	122 994	163 906	122 994	205 124
Interest-bearing net cash	90 279	133 284	90 279	133 284	90 279	173 498
Shareholders' equity	748 121	728 863	748 121	728 863	748 121	816 156
Equity/assets ratio	67,1%	65,7%	67,1%	65,7%	67,1%	68,4%
<b>Employees</b>						
Number of employees at end of period	1 652	1 642	1 652	1 642	1 652	1 645
Number of employees in duty at end of period	1 536	1 504	1 536	1 504	1 536	1 516
Average number of employees	1 479	1 440	1 479	1 463	1 469	1 449
Value added per employee	482	495	240	239	924	936
Turnover per employee	643	642	322	310	1 236	1 234
Operating profit per employee	64	79	29	33	134	148
<b>Share data</b>						
No. of shares at end of period, thousands	55 800	55 281	55 800	55 281	55 800	55 453
Average no. of shares before dilution, thousand	55 511	54 896	55 568	55 027	55 410	55 103
Average no. of shares after dilution, thousand	55 963	55 372	55 969	55 425	55 780	55 474
Profit per share before dilution, SEK	1,32	1,59	0,59	0,67	2,73	3,00
Profit per share after dilution, SEK	1,31	1,58	0,59	0,66	2,71	2,98
Shareholders' Equity per share, SEK	13,41	13,18	13,41	13,18	13,41	14,72

**HiQ International Group**  
**Company registration number 556529-3205**  
**Segment reporting**

SEK 000s	Jan-June 2018				Jan-June 2017			
	Sweden	Finland	Group and elim	Group	Sweden	Finland	Group and elim	Group
Net sales from external clients	765 268	185 255	0	950 523	744 089	179 829	0	923 918
Net sales from other segments	0	901	-901	0	0	92	-92	0
<b>Net sales</b>	<b>765 268</b>	<b>186 156</b>	<b>-901</b>	<b>950 523</b>	<b>744 089</b>	<b>179 921</b>	<b>-92</b>	<b>923 918</b>
Operating profit	77 492	25 746	-7 996	95 242	91 330	28 758	-6 553	113 535
Operating margin %	10,1%	13,8%		10,0%	12,3%	16,0%		12,3%
Financial net				1 133				-653
Profit before tax				96 375				112 882
Assets*	803 243	369 307	-58 044	1 114 506	802 766	352 454	-46 634	1 108 586
April-June 2018								
SEK 000s	April-June 2018				April-June 2017			
	Sweden	Finland	Group and elim	Group	Sweden	Finland	Group and elim	Group
Net sales from external clients	379 048	97 120	0	476 168	365 438	88 820	0	454 258
Net sales from other segments	0	684	-684	0	0	29	-29	0
<b>Net sales</b>	<b>379 048</b>	<b>97 804</b>	<b>-684</b>	<b>476 168</b>	<b>365 438</b>	<b>88 849</b>	<b>-29</b>	<b>454 258</b>
Operating profit	33 245	15 876	-5 988	43 133	36 634	13 979	-2 625	47 988
Operating margin %	8,8%	16,2%		9,1%	10,0%	15,7%		10,6%
Financial net				589				-536
Profit before tax				43 722				47 452
Assets*	803 243	369 307	-58 044	1 114 506	802 766	352 454	-46 634	1 108 586

\* Assets per segment consists of assets used in the daily operations and that could be allocated to a specific segment.  
 This means that tangible fixed assets and current assets are included. Financial assets have not been allocated to specific segments.

SEK 000s	Jan-June 2018				Jan-June 2017			
	Sweden	Finland	Group and elim	Group	Sweden	Finland	Group and elim	Group
Consultancy services	756 897	176 893	-901	932 889	736 477	173 243	-92	909 628
Product sales and re-billed expenses	6 209	7 658	0	13 867	7 540	6 305	0	13 845
Other	2 162	1 605	0	3 767	72	373	0	445
<b>Total</b>	<b>765 268</b>	<b>186 156</b>	<b>-901</b>	<b>950 523</b>	<b>744 089</b>	<b>179 921</b>	<b>-92</b>	<b>923 918</b>
April-June 2018								
SEK 000s	April-June 2018				April-June 2017			
	Sweden	Finland	Group and elim	Group	Sweden	Finland	Group and elim	Group
Consultancy services	374 367	92 293	-684	465 976	361 512	85 406	-29	446 889
Product sales and re-billed expenses	2 519	4 057	0	6 576	3 854	3 257	0	7 111
Other	2 162	1 454	0	3 616	72	186	0	258
<b>Total</b>	<b>379 048</b>	<b>97 804</b>	<b>-684</b>	<b>476 168</b>	<b>365 438</b>	<b>88 849</b>	<b>-29</b>	<b>454 258</b>

**HiQ International AB, Parent Company**  
**Company registration number 556529-3205**

**Income Statement**

SEK 000s	Jan-June 2018	Jan-June 2017	RTM	2017
Net sales	22 086	21 529	42 955	42 398
Assignment-specific external expenses	-1 766	-2 351	-3 087	-3 672
Other external expenses	-15 588	-13 185	-28 222	-25 819
Staff costs	-12 065	-11 862	-25 755	-25 552
Depreciation and write-downs	-20	-34	-55	-69
<b>Operating profit</b>	<b>-7 353</b>	<b>-5 903</b>	<b>-14 164</b>	<b>-12 714</b>
Profit from shares in Group companies	2 009	40 621	161 269	199 881
Finance income	1 732	196	2 457	921
Finance costs	-269	-394	-699	-824
<b>Pre-tax profit</b>	<b>-3 881</b>	<b>34 520</b>	<b>148 863</b>	<b>187 264</b>
Income tax	351	1 238	-22 207	-21 320
<b>Profit for the period</b>	<b>-3 530</b>	<b>35 758</b>	<b>126 656</b>	<b>165 944</b>

**Balance Sheet**

SEK 000s	30 June 2018	30 June 2017	31 Dec 2017
<b>ASSETS</b>			
<b>FIXED ASSEST</b>			
Tangible fixed assets	5 051	219	1 858
Financial fixed assets	442 077	438 264	439 212
<b>Total fixed assets</b>	<b>447 128</b>	<b>438 483</b>	<b>441 070</b>
<b>CURRENT ASSETS</b>			
Accounts receivable, trade	4 570	2 861	6 879
Receivables-Group companies	8 684	11 446	89 689
Current income tax assets	9 843	4 702	0
Other receivables	3 872	5 249	5 967
Prepaid expenses and accrued income	7 661	6 797	7 632
Liquid assets	73 182	101 259	127 106
<b>Total current assets</b>	<b>107 812</b>	<b>132 314</b>	<b>237 273</b>
<b>Total assets</b>	<b>554 940</b>	<b>570 797</b>	<b>678 343</b>

**SHAREHOLDERS' EQUITY AND LIABILITIES**

<b>Shareholders' equity</b>			
Total restricted equity	47 000	46 948	46 965
Total non-restricted equity	325 767	358 489	496 079
<b>Total shareholders' equity</b>	<b>372 767</b>	<b>405 437</b>	<b>543 044</b>
<b>Current liabilities</b>			
Accounts payable, trade	2 494	1 221	1 613
Liabilities - Group companies	170 978	152 689	113 379
Current income tax liabilities	0	0	6 516
Other liabilities	725	2 609	2 725
Accrued expenses and prepaid income	7 976	8 841	11 066
<b>Total current liabilities</b>	<b>182 173</b>	<b>165 360</b>	<b>135 299</b>
<b>Total shareholders' equity and liabilities</b>	<b>554 940</b>	<b>570 797</b>	<b>678 343</b>

## ALTERNATIVE KEY RATIOS

HiQ uses a number of alternative key ratios in order to convey a fair picture of HiQ's results and financial position. Below are definitions of the alternative key ratios used. The numbers written within brackets are a calculation of the key ratio for the period January – June 2018:

**Operating margin:** Operating profit/loss for the period, in relation to net sales for the period  
 Operating margin: Operating profit/loss for the period, in relation to net sales for the period (95 242/950 523 = 10.0%)

**Profit margin:** Pre-tax profit of the period, in relation to net sales for the period (96 375/950 523 = 10.1%)

**Net interest income:** Financial income, less financial costs (1 611 – 478 = 1 133)

**Interest bearing net funds:** Liquid assets, less interest bearing debts (at the end of the period) (122 994 – 26 049 – 6 666 = 90 279)

**Equity/assets ratio:** Shareholders' equity as a percentage of total assets (at the end of the period) (748 121/1 114 506 = 67.1%)

**Capital employed:** Equity and interest bearing debt (at the end of the period) (748 121 + 26 049 + 6 666 = 780 836)

**Operating capital:** Capital employed, less liquid assets (780 836 – 122 994 = 657 842)

**Return on operating capital:** Operating profit/loss in relation to average operating capital (95 242 / ((657 842 + 642 658)/2) = 14.6%)

**Net sales per employee:** Net sales in relation to average number of employees (950 523/1 479 = 643)

**Added value per employee:** Operating profit/loss plus salaries and salary related expenses, in relation to average number of employees ((95 242 + 617 908) / 1 479 = 482)

**Operating profit per employee:** Operating profit/loss in relation to average number of employees (95 242/1 479 = 64)

**Equity/share:** Shareholders' equity in relation to total number of outstanding shares (at the end of the period) (748 121/55 800 = 13.41)