





#### **Who is Bengan?**

The dog you will see cropping up in our annual report is a Saluki. Ours is called Bengan and he's been representing us in our communications for several years. The Saluki is probably the oldest breed in the world. Archeological finds from the Middle East show that the breed is almost 6000 years old. It was bred by the Bedouins and other nomadic tribes and it was fast enough to be used to hunt the swiftest gazelles.

A Saluki was a valuable animal and could not be bought for money. It could only be presented as a gift or bartered for horses or camels. The saluki found its way to Europe in the middle of the nineteenth century as a gift presented to an English colonial administrator. It arrived in the Nordic countries in 1924 and the breed can now be found all over the world.

As a puppy, the Saluki is a very playful creature, and will often remain so as a fully-grown dog, sometimes even throughout its life.

The Saluki is known for its elegance, endurance and speed. It can reach speeds of up to 70 km/h, and not just in short bursts, but also for long sustained stretches. The Saluki is a willful animal and wants to follow its own path.

You can never tell exactly where a Saluki is going, only that it will get there faster than anyone else. In short, it's our kind of animal.

## Contents

All about HiQ – the quick version . . . . .	3
The key points of 2002 . . . . .	5
Five-year review . . . . .	6
Lars on 2002 and the future . . . . .	9
Carl Bildt – IT? Telecoms? Does it still exist? . . . . .	11
Vision, business concept, and goals . . . . .	12
Strategies . . . . .	13
Strengths . . . . .	14
Customers and sectors . . . . .	17
Application areas and services . . . . .	19
Intellectual capital . . . . .	25
The HiQ share . . . . .	27
Directors' Report . . . . .	30
Income statements and balance sheets . . . . .	34
Cash flow statement . . . . .	38
Supplementary information . . . . .	39
The Board of Directors . . . . .	50
Management . . . . .	51
Organization . . . . .	52
Auditors' report . . . . .	53
Definitions of key ratios . . . . .	54
Technical glossary . . . . .	55
Addresses . . . . .	56

### Annual General Meeting

The Annual General Meeting will take place at 6 pm on April 29, 2003 at HiQ's offices at Sveavägen 17, 17th floor, Stockholm. Notice of the Annual General Meeting will be published in the newspapers Post- och Inrikes Tidningar and Svenska Dagbladet, as well as and on the company's Web site, [www.hiq.se](http://www.hiq.se)

### Upcoming financial information

Interim report, January-March: April 29, 2003  
Annual General Meeting: April 29, 2003  
Interim report, January-June: August 14, 2003  
Interim report, January-September: October 28, 2003  
Year-end release 2003: February 3, 2004

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HiQ has long held a strong position in telecoms, where we carry out complex assignments for suppliers, operators, and users. We provide high-tech solutions for telecom suppliers, which gives us a better understanding of the technology underpinning the services that we develop for operators – which in turn is an advantage when we develop solutions for users.

## All about HiQ – the quick version

HiQ blends technology with business solutions to successfully develop our customers' technology and operations. We are customer and quality oriented, quick on our feet, and focused on profitability. The Nordic region is our home market.

During 2002, we advanced our position, strengthened our brand, and took market share from our competitors. We expanded the operation into new sectors and geographic regions and we adapted to the current market situation. As a result we have reduced dependence on individual customers, sectors, and regions. These efforts, together with a solid financial position, give HiQ a good platform for profitability even in the current market. Read more about this in the CEO's comments on pages 9-10.

### Customers

HiQ works with customers in about ten sectors. A total of 48% of sales comes from customers in telecoms, 20% from customers in defence, and 32% from customers in sectors such as finance & insurance, entertainment & gaming, motor vehicles, public authorities, medicine & biotechnology, industry & energy. Our customers include AstraZeneca, Ericsson, the Swedish Defence Materiel Administration, Nokia, Nordea, OM, the National Post and Telecom Agency in Sweden, Saab, Skandia, Svenska Spel, Tele2, Telia, Veikkaus, Vodafone, and Volvo. But we have many more, all just as important. Read more about our customers and sectors pages 17-18.

### Customer benefit

As a specialized service company with expert skills in communications, software development and simulation, we help our customers to increase their competitiveness and profitability. Read more about HiQ's strengths on page 14 and services on page 24.

### Application areas

We develop systems, products, and services in the following areas of application:

- telecoms
- mobile telephony
- training simulators
- IT in vehicles & telematics
- online gaming
- IT solutions for the finance and insurance sector, and public authorities
- IT solutions for the industry sector

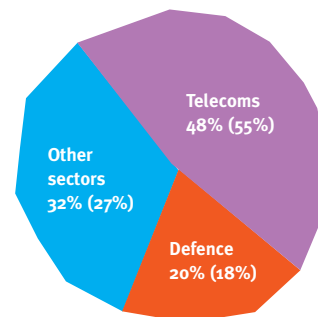
Read more about HiQ's application areas on pages 19-23.

### In figures

Founded in 1992, HiQ's sales in 2002 amounted to approximately SEK 414 million. Our operating profit before goodwill was SEK 0.7 million. Profit before goodwill, excluding non-recurring costs for adjustment of operations, amounted to SEK 29.7 million. At the end of the year we had 432 employees in Sweden, Finland and Denmark.

Our long-term financial goals are to achieve growth of 30% and an operating margin before goodwill of 15%. Read more about the figures on pages 6-7 and 30-49.

**BREAKDOWN OF NET SALES  
2002 (2001)**



*A total of 48% of sales comes from customers in telecoms, 20% from customers in defence, and 32% from customers in sectors such as finance & insurance, entertainment & gaming, motor vehicles, public authorities, medicine & biotechnology, and industry & energy.*

Profit before goodwill:	SEK 0.7 million
Sales:	SEK 413.8 million
Equity/assets ratio:	66.4%
Cash:	SEK 47.1 million



HiQ develops advanced solutions to handle security, accessibility, and performance for online gaming. Our assignments mainly involve developing and implementing gaming platforms.

## The key points of 2002

For HiQ the year was influenced by three main trends: expansion into new regions and market sectors, differences in the regions where HiQ works, and adaptation of the operation to demand. The tough market climate that developed during 2001 became harsher during 2002. Nevertheless, HiQ continued to show a profit before goodwill, mainly because of our strong brand, well-established customer relations, and experienced employees. When large customers decided to work with fewer external suppliers, HiQ was among the chosen. Generally speaking, customers prioritized quick cost savings, profitability, and efficiency.

### First quarter – profitability in a tough market

During the first quarter we noticed that the market had become more difficult. We received several inquiries about outsourcing assignments and pursued discussions about larger projects with both new and existing clients. Some important events:

- New SEK 24 million order from the Swedish Defence Materiel Administration to develop training simulators for the fighter aircraft JAS 39 Gripen.
- New subsidiary established in Lund, HiQ Skåne AB.
- SEK 30 million order for assignment with new customer in the insurance sector.
- New frame agreement signed with Nokia Mobile Phones in Denmark.
- Agreement signed with Ericsson Mobile Platforms to develop and test mobile platforms in Lund.
- New frame agreement signed with Ericsson as preferred supplier in Research & Development, IS/IT and Technical Documentation.



Ericsson  
Nokia  
HiQ Skåne AB

### Second quarter – difficult market, little interest in investing

The market continued to be difficult and companies had little interest in investing, with certain exceptions in different regions and markets. We increased the number of larger projects compared with the same period last year. The trend for products and systems to become more complex continued, increasing the need for simulations, testing, and verification. A growing number of our assignments came from these areas. Some important events:

- Acquisition of the Finnish IT technology consultancy Softplan with 50 employees in Espoo.
- New SEK 40 million order from Swedish Defence Materiel Administration to develop training simulators for the fighter aircraft JAS 39 Gripen.
- Frame agreement signed with the Swedish National Road Administration Production.
- Frame agreement renewed with Saab Automobile.
- HiQ's Finnish operation was concentrated to HiQ Softplan while HiQ East was wound up.



Swedish Defence  
Materiel Administration  
HiQ Softplan

### Third quarter – new business opportunities

The tough climate in the market continued, but HiQ saw signs of stabilization. More IT consultancy competitors fell by the wayside, bringing HiQ opportunities for new business and increased market share. Some important events:

- HiQ was commissioned by De Lotto in the Netherlands to integrate the Veikkaus (the Finnish National Lottery) gaming platform OnNet.
- We started a lab for interoperability testing of products for mobile communications and tested mobile terminals for Sony Ericsson.
- HiQ signed an agreement with IL Recycling for business management IT strategies.
- HiQ integrated online gaming with electronic banking services for Veikkaus and Nordea Bank.



De Lotto  
Sony Ericsson  
Veikkaus

### Fourth quarter – stabilization

Demand in the market stabilized, but at a lower level. We continued to do business and streamline operations, which helped to establish conditions for good profitability in the current market. Regional differences that crystallized during the year remained. The general high concentration of consultants and consistent pressure on prices were most evident in Stockholm and Gothenburg. Demand was strong in Denmark, Finland, and southern Sweden. Some important events:

- Frame agreements signed with the Swedish National Road Administration and the Swedish Meteorological and Hydrological Institute, as well as with the Swedish Defence Materiel Administration in the area of network-based defence.
- HiQ became a preferred supplier of consulting services to 3.
- HiQ headed the project developing pension and capital services for Nordea.
- The subsidiary HiQ A/S in Norway was wound up.
- Adaptation of the operation involved personnel cutbacks with 60 people, which had an effect on 2002 earnings amounting to SEK 29 million, accounted for as a non-recurring item.



Swedish Defence  
Materiel Administration  
Swedish National Road  
Administration  
3

## Five-year review

Over the past five years, HiQ has experienced an average growth of 29% and an average margin before amortization of 12.9%. The tables below show HiQ's financial performance between 1998 and 2002.

29% average growth and almost 13% margin over a 5-year period.

### INCOME STATEMENT

(SEK million)	2002	2001	2000	1999	1998
Net sales	413.8	492.0	404.9	223.2	151.5
Operating expenses excluding depreciation	- 407.7 <sup>1)</sup>	- 420.9	- 327.1	- 181.7	- 126.5
<b>Operating profit before depreciation</b>	<b>6.1</b>	<b>71.1</b>	<b>77.8</b>	<b>41.5</b>	<b>25.0</b>
Depreciation	- 5.5	- 5.0	- 4.5	- 2.7	- 2.1
<b>Operating profit before amortization</b>	<b>0.7</b>	<b>66.1</b>	<b>73.3</b>	<b>38.8</b>	<b>22.9</b>
Amortization	- 18.3	- 11.9	- 7.0	- 0.8	- 0.8
<b>Operating profit</b>	<b>- 17.7</b>	<b>54.3</b>	<b>66.3</b>	<b>38.0</b>	<b>22.1</b>
Items affecting comparability	- 5.8 <sup>2)</sup>	0	2.1 <sup>3)</sup>	- 4.1 <sup>4)</sup>	0.0
Financial items	2.1	3.2	1.2	0.4	-0.3
<b>Pre-tax profit</b>	<b>- 21.3</b>	<b>57.5</b>	<b>69.6</b>	<b>34.3</b>	<b>21.8</b>
Tax charged to the year's profit	- 3.2	- 19.4	- 21.4	- 10.1	- 7.2
<b>Profit after tax</b>	<b>- 24.5</b>	<b>38.1</b>	<b>48.2</b>	<b>24.2</b>	<b>14.6</b>

<sup>1)</sup> of which SEK 29 million relates to non-recurring costs for adjustment of operations

<sup>2)</sup> SEK 5.8 million relates to costs for winding up operations at HiQ A/S and HiQ East during 2002

<sup>3)</sup> SEK 2.1 million relates to a refund of SPP funds during 2000

<sup>4)</sup> SEK 4.1 million relates to costs for listing the company's shares on the stock exchange in 1999

### BALANCE SHEET

(SEK million)	2002	2001	2000	1999	1998
<b>ASSETS</b>					
Intangible fixed assets	168.7	97.5	98.2	1.9	2.7
Tangible fixed assets	17.1	19.3	18.6	11.0	9.1
Financial assets	15.5	4.3	0.9	0.1	0.0
<b>Total fixed assets</b>	<b>201.3</b>	<b>121.1</b>	<b>117.7</b>	<b>13.0</b>	<b>11.8</b>
Accounts receivable, trade	71.0	56.0	63.0	31.1	17.9
Other current assets excluding liquid assets	47.7	39.2	50.7	29.5	24.2
Liquid assets	47.1	133.6	82.2	31.7	19.2
<b>Total current assets</b>	<b>165.8</b>	<b>228.8</b>	<b>195.9</b>	<b>92.3</b>	<b>61.3</b>
<b>Total assets</b>	<b>367.1</b>	<b>349.9</b>	<b>313.6</b>	<b>105.3</b>	<b>73.1</b>
<b>SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES</b>					
Shareholders' equity	243.8	239.0	208.6	57.3	35.1
Non interest-bearing provisions	23.0	15.3	10.3	5.6	3.6
Interest-bearing long-term liabilities	6.8	8.7	6.5	4.3	4.0
Non interest-bearing current liabilities	91.4	85.0	86.6	36.9	30.4
Interest-bearing current liabilities	2.0	1.9	1.6	1.2	0.0
<b>Total shareholders' equity, provisions, and liabilities</b>	<b>367.1</b>	<b>349.9</b>	<b>313.6</b>	<b>105.3</b>	<b>73.1</b>



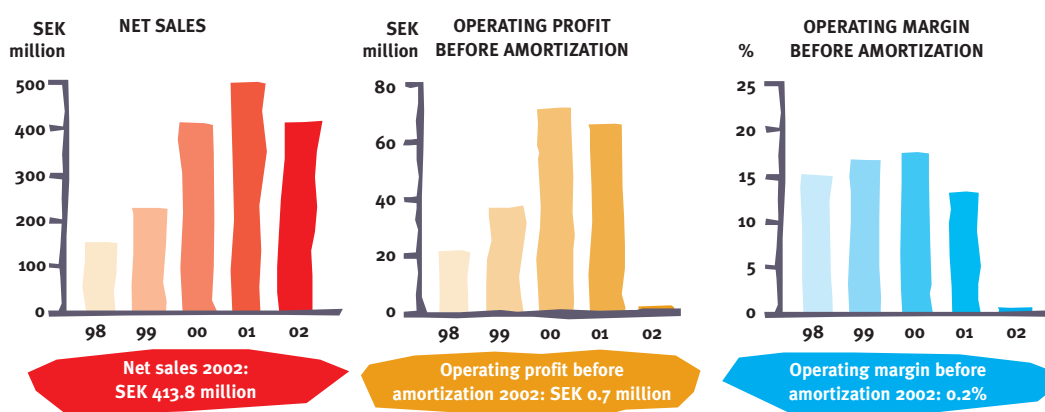
## KEY RATIOS

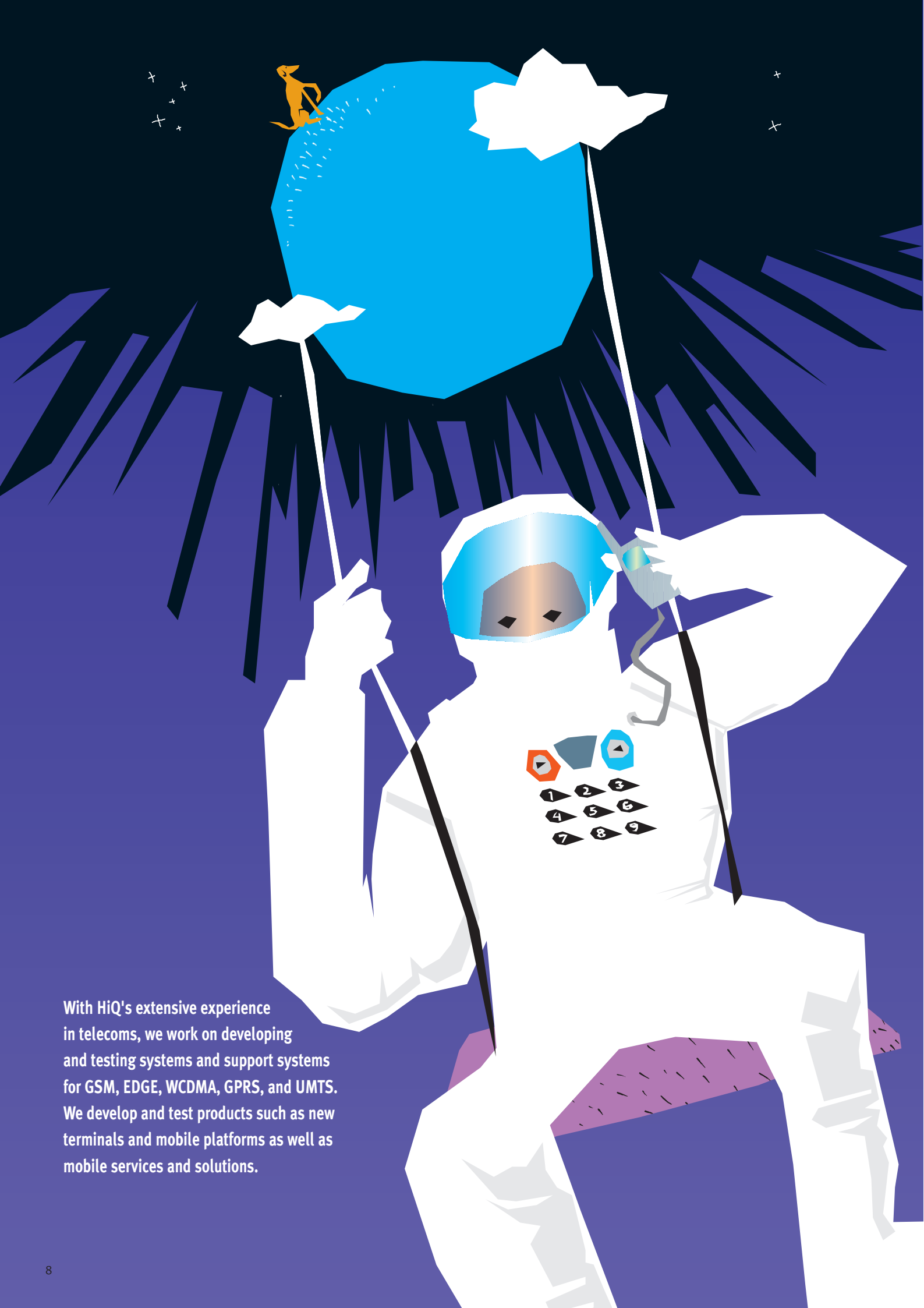
For definitions see page 54

	2002	2001	2000	1999	1998
Net sales, SEK million	413.8	492.0	404.9	223.2	151.5
Growth in net sales, %	- 15.9	21.5	81.4	47.3	34.4
Gross margin, %	1.5	14.5	19.2	18.6	16.6
Operating margin before amortization, %	0.2	13.4	18.1	17.4	15.1
Operating margin after amortization, %	- 4.3	11.0	16.3	17.0	14.6
Return on shareholders' equity, %	- 10.2	17.0	36.2	52.3	50.7
Return on working capital, %	- 11.1	43.5	79.9	149.7	154.0
Net sales per employee, 000s	1.023	1.227	1.374	1.252	1.198
Added value per employee, 000s	729	869	945	859	782
Operating profit per employee, 000s	- 44	135	224	213	175
Average number of employees	406	401	295	178	127
Number of employees at year-end	432	438	417	254	165
Equity/assets ratio, %	66.4	68.3	66.5	54.4	48.0

## NET SALES AND PROFIT PER QUARTER 2002

	Q 1	Q 2	Q 3	Q 4
Net sales, SEK thousand	102.6	109.8	92.0	109.3
Profit before amortization, SEK thousand	5.7	2.8	2.9	-10.8
Margin, %	5.6	2.6	3.2	-9.9





With HiQ's extensive experience in telecoms, we work on developing and testing systems and support systems for GSM, EDGE, WCDMA, GPRS, and UMTS. We develop and test products such as new terminals and mobile platforms as well as mobile services and solutions.

## Lars on 2002 and the future



As we all know, 2002 was a year of weak economic development, worries, and the threat of war. The market weakened considerably in our sector in 2002, resulting in weaker demand and price pressures, forcing our sector to respond by adapting both its offers and its costs.

For HiQ the year was influenced by three main trends: expansion into new regions and market sectors, differences in the regions where HiQ works, and adaptation of our operations to demand.

We humbly submit that although HiQ was less profitable in 2002, we still showed a profit before goodwill. Our financial situation continues to be stable with a strong cash position and balance sheet.

All factors considered, today HiQ has a good platform for profitability even in the current market.

It is our assessment that during 2002 we have advanced our position, strengthened our brand, and taken market share from our competitors – all during a year that many say has been the most difficult ever for the IT sector, when many small and medium-sized consulting firms were forced to close their doors.

And the future? I'll say what I usually do: no one really knows where we're going. All we can say is that the future won't be the same as today and that eventually the economy will recover. Meanwhile, at HiQ we will continue to be a fast-moving consultancy with services based on proficiency in telecoms, datacoms, software development and simulation technology – a company that adapts to the times and delivers what its customers want.

### 2002

In times when survival is a more common word than expansion, it's important to exercise care and caution when procuring consulting services. Decision-making processes are centralized, project ideas and suppliers are reviewed more carefully. Customers choose suppliers who come with good references and who are sure to be around for some time to come. Companies no longer work with many suppliers, but choose instead to work with fewer talented suppliers.

Thanks to our intensified sales efforts, our established brand and, not least, good references from our lengthy customer relationships, we have done well in our procurement negotiations during 2002. This is also confirmed by the fact that once again we are among the customers' top choices for Sweden's best IT consultants in the weekly business magazine, *Veckans Affärer*.

We continued to expand into new sectors during the year, thus reducing our dependence on individual customers, sectors, and regions. The distribution by sector was: telecoms 48%, defence 20%, and other sectors 32%. About one third of sales in 2002 came from operations outside Sweden, a 40-percent increase compared with 2001.

Geographically, we expanded the operation through the successful acquisition of Softplan Oy in Finland and by starting a new company, HiQ Skåne AB, in Lund. HiQ Softplan now brings us good profitability, a clear profile, and a stable customer base in Finland, and through HiQ Skåne we have successfully strengthened our presence in the Öresund region and gained market share.

As a result of adapting the operation by streamlining sales and administration, reducing the number of employees, winding down two unprofitable companies, and general cost-cutting measures, we have an excellent platform for future profitability, even in the current market.

### 2003

Concern about world peace, serious crises in several major sectors, and general recession: that describes the early 1990s. Almost no one had a computer at home. Few people had cell phones. Not many had heard of the Internet. The concept of bandwidth didn't exist. But we all know what happened after that.

Technological developments won't stand still in 2003 either, just because we're in the middle of a similar economic climate. Indeed, in many cases it's actually the reverse – technological developments are accelerating and new products are being developed at an ever-increasing pace.

And at the same time, competition is growing. And one way for companies in all sectors to meet this increased competition is to become better at communicating with society, customers, and employees. Communication gives more and better information faster – information that, when

used correctly, improves business procedures and streamlines operations. And gives companies advantages in relation to their competitors.

In response to increasing competition, companies are specializing—no one can know everything these days—and they are hiring specialized service companies as partners to strengthen their own competitiveness. Companies like HiQ.

One example of these fundamental changes is the speed of new mobile systems that enable both companies and private individuals to benefit from brand new types of services. And the fact is that mobile phone sales are not decreasing. In 2001, 385 million telephones were sold and in 2002, the figure rose to 395 million. Telephones that now come with colour screens, cameras, and computing capacity that would just about make a three-year-old PC seem antique.

A second example is that online gaming is becoming increasingly popular. Our customer Veikkaus (the Finnish National Lottery) has increased the number of registered users online by approximately 65% yearly between 1999 and 2002. This development has only been possible thanks to new technology for fast, secure communication.

A third example is in the motor vehicle sector, where IT has become one of the most important means of competition. Today, a truck contains about twenty computers for both internal and external communications. Ten years ago, you might have found one computer that controlled the ABS brakes.

Developments are moving rapidly and competition is growing tougher. This is the reality that our customers and we at HiQ live in, with, and on – and in which we will continue to grow.

During 2003 we will continue to develop HiQ as a specialized service company with the Nordic region as its home market. With our services based on specialist expertise in telecoms, datacoms, software development and simulation, we help our customers to develop their technology and their business to increase their competitiveness.

Satisfied customers return, which creates stability and profitability. Today and in the future.

**Lars Stugemo**

*President and Chief Executive Officer, HiQ International AB*

*March 27, 2003*



*Technological developments won't stand still in 2003 either, just because we're in the middle of a recession. In many cases it's actually the reverse – technological developments are accelerating and new products are being developed at an ever-increasing pace.*

## Carl Bildt – IT? Telecoms? Does it still exist?

Sometimes people ask the most amazing questions. A few years ago, everyone was talking about IT and telecoms, wherever you went. Now no one seems to talk about it, anywhere.



### **The Truth**

But the truth is a whole different ball game. We've seen a financial bubble burst. We're still living with the consequences and we can certainly feel them. Not a single part of the economy has come away unscathed.

But technological developments continue to appear as quickly and robustly as ever. Microprocessor developments still follow Moore's law, and the frequency space is used in ever more imaginative ways. The concept of integrating different functions over the Internet is advancing at a furious pace. And all this constantly creates new opportunities.

Investments in high tech are starting to gain momentum in the United States. Analysts say that the industry increased the investments in information and communications technology by about 10% during last year.

### **New developments consumer driven**

New applications are coming into focus. Security—in the broader sense of the word—has become increasingly important. And the defence sector is becoming a new driving force. Here in Sweden the Defence Materiel Administration signed a frame agreement with HiQ for something called "Network-based Defence".

And consumers drive new developments. We are probably facing a rapid consumer-driven development of wireless broadband systems, known as WiFi.

These trends also place new demands on HiQ to expand our work and apply our knowledge of the latest high-tech developments. And to succeed.

### **Carl Bildt**

*Member of the Board, HiQ International AB*

## Vision, business concept, and goals

### Vision

“We will create the kind of company we always wanted to work for, and that the customers want to work with.”

HiQ began with those words – and they still guide us as we continue to develop the company. HiQ shall fulfill the existing needs in the market for a specialized service company that is quick on its feet, with high technical expertise and a comprehensive view of clients' problems and solutions.

HiQ shall supply high-tech expertise to international industries and projects. We will be an entrepreneurial company that lives on, with, and for rapid changes.

### Business concept

Our mission is to offer customers in high-tech industries increased competitiveness and profitability through services that develop their technology and operations. As a specialized service company with proficiency in communications, software development and simulation, we supply the expertise that our customers lack.

### Goals

#### *Quality goals*

Delivery quality. At HiQ we want each customer to be a good reference. Therefore our goal is that every solution for every customer shall be perceived as amazingly good. To achieve this, all employees – from the front desk to the consultants to the administrative department – have to do their job – amazingly well.

Staff quality. The work environment at HiQ is characterized by its businesslike approach. A nurturing and stimulating environment with a combination of peaceful coexistence and razor-sharp skills that enables us to deliver the highest quality to our customers.

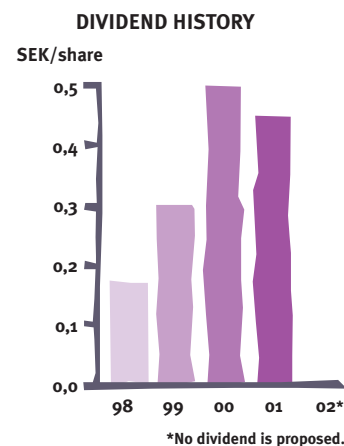
Shareholder quality. We provide high quality information to our shareholders by giving a correct, reliable and fair picture of the Group in order to create the prerequisites for a valuation reflecting HiQ's operations.

#### *Financial goals*

Our long-term financial goals are to achieve growth of 30% and an operating margin before goodwill of 15%. Our financial goals should not be considered to be a forecast.

#### *Dividend goal*

HiQ's dividend is adjusted according to the company's capital requirements, which mainly take the form of investments and an increase in tied-up capital. The shareholders' requirements for a healthy yield should also be taken into account. The company's goal is to maintain a long-term dividend level of around 50% of HiQ's profits after tax.



## Strategies

### Quality, profitability, and growth

High quality leads to satisfied customers, profitability, and growth: we call this the healthy cycle. We prioritize quality and profitability over growth. When quality and profitability are in place, growth will follow all by itself. We grow at the rate that is necessary to be able to deliver what we promise – a strategy that has proven to be beneficial for us and for our customers.



*The healthy cycle: quality leads to profitability and growth.*

### Nordic region: our home market

We work with Nordic companies and at the same time we offer our international customers consulting services in the same geographic market. We also accompany our Nordic customers out on international assignments.

### Pure consultancy

HiQ supplies the high-tech expertise and know-how that our customers lack. We are a pure consultancy. Independent of suppliers, products, and technologies, we are free to act at all times with the best interests of our customers at heart.

### Expert skills in communications, software development and simulation

We work with telecoms, datacoms, software development and simulation. Working with suppliers, operators, and users reinforces our position in telecoms. 3/4 of our business consists of software development. We work on the development of new products that are our customers' future. Our expertise in simulation dates back to the days of the flight training simulators for the Draken in the 1970s up to today's JAS Gripen.

### Technology and business

Our technological expertise helps us understand how technology can be used for profitable business transactions. And since we understand how our customers do business, we can help them choose the technology that provides the best solution.

### Bridge between sectors

We actively transfer our expertise in telecoms, datacoms, software development and simulation to customers in various sectors. We can apply the same technological skills in different areas when we help new companies and organizations in sectors that we've never worked in before.

### Experienced and skilled employees

Our employees have high-tech skills and extensive operational expertise. HiQ's system developers and management consultants have an average of ten years of experience and more than eight out of ten have university degrees.

### Distinct values

Right from the start we made a strategic choice to emphasize and clearly convey our values. HiQ's values – businesslike approach, long-term perspective, customer benefit, and profitability – promote stability for both customers and employees.

## Strengths

A company often has multiple strengths, and HiQ is no exception. When we meet our customers, they usually mention three strengths that make us stand out from the crowd: we are a specialized service company with high expertise; our services are available in a broad geographic area and in many market sectors; and we are a long-term supplier with a strong financial position.

### **Specialized service company with high expertise**

Accelerating technical developments lead to increasingly complex products and services. Companies find it harder to maintain the expertise they need in order to compete. From this perspective there is a great need in the market for specialized service companies that can help these customers – specialized service companies like HiQ.

We supply the expertise and know-how that our customers lack. We help our customers to increase their competitiveness and profitability by developing new high-tech systems, products, and services within areas of application such as telecoms, mobile telephony, training simulators, IT in vehicles & telematics and online gaming, as well as IT solutions for the finance, insurance, public authorities and industrial sector.

### **Broad geographic and market sector coverage**

We have broad geographic and market sector coverage, which makes HiQ less dependent on individual customers, sectors, and regions.

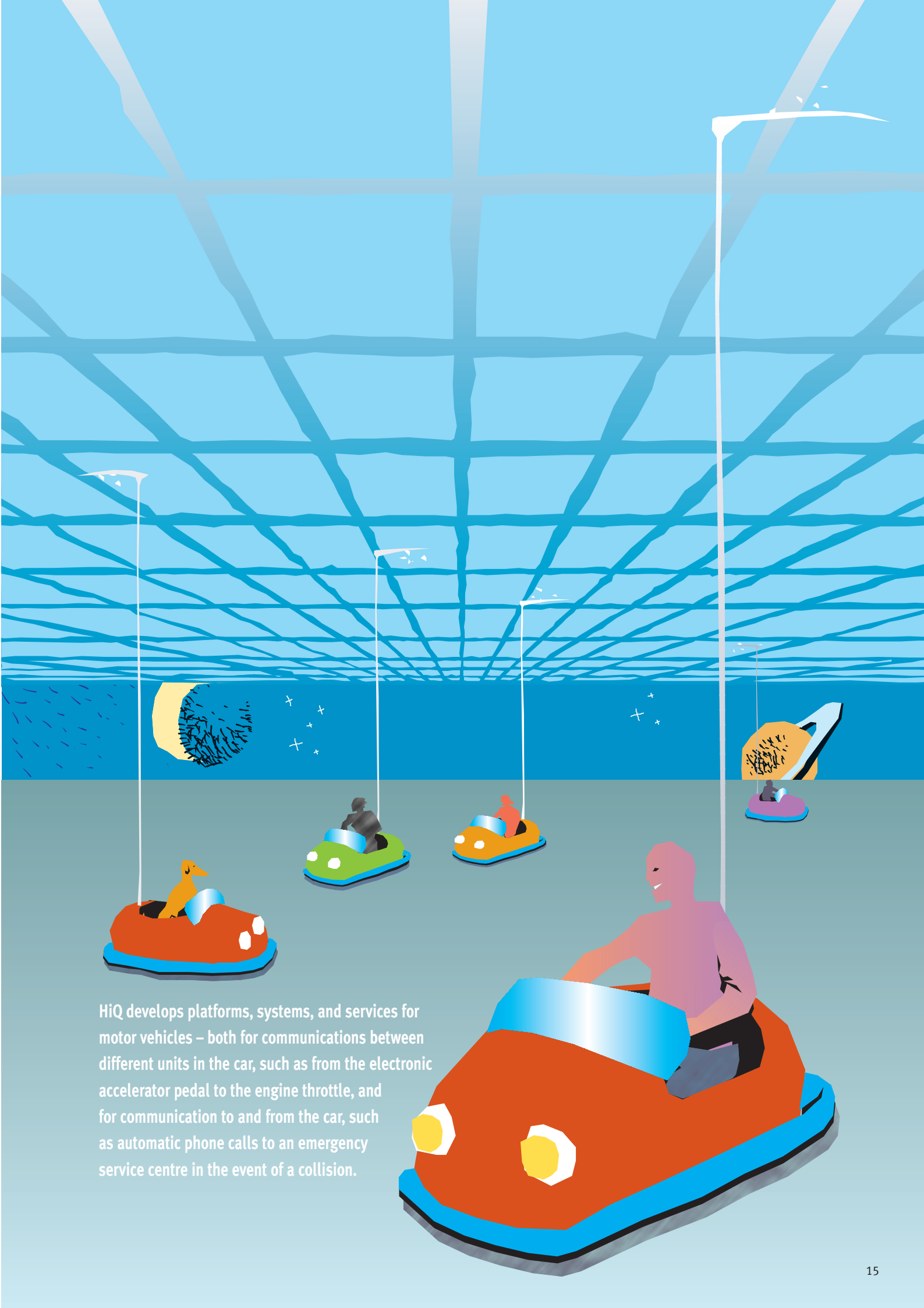
We are a Nordic consultancy that is located where our customers are. We work with Nordic customers in the Nordic region, accompany our customers out to international markets and work with international customers in the Nordic market. During 2002 we strengthened our position in Finland through the acquisition of HiQ Softplan and we strengthened our presence in the Öresund region by establishing a new subsidiary in Lund, HiQ Skåne.

Today HiQ works with customers in about ten industries. A total of 48% of sales comes from customers in telecoms, 20% from customers in defence, and 32% from sectors such as finance & insurance, entertainment & gaming, motor vehicles, public authorities, medicine & biotechnology, and industry & energy. This enables HiQ customers to benefit from a cross-section of knowledge that is transferred from one sector to another.

### **Financial stability and long-term supplier**

Our financial position is strong, which makes us a stable and long-term supplier to our customers. We endeavour to achieve long-term alliances that will help our customers and us to become better and better, with every passing year. Many customers have been with us ever since HiQ was founded. Satisfied returning customers create long-term profitability and stability for HiQ.





HiQ develops platforms, systems, and services for motor vehicles – both for communications between different units in the car, such as from the electronic accelerator pedal to the engine throttle, and for communication to and from the car, such as automatic phone calls to an emergency service centre in the event of a collision.

HiQ leads the market in the Nordic region in simulation technology. We develop high-tech training simulators for the fighter aircraft JAS 39 Gripen, as well as simulators for mobile telephony, finance, and the utility industry.



## Customers and sectors

Today's customers are becoming increasingly careful and when they procure consulting services they choose suppliers with good references - stable consulting firms that will be around for a long time to come. And instead of working with many suppliers, customers choose a small number of really talented suppliers that can help as they confront growing competition, when harder times place higher demands on developing services and products.

Our customers are within sectors such as telecoms, defence, finance & insurance, entertainment & gaming, motor vehicles, public authorities, medicine & biotechnology, and industry & energy. These customers include names such as AstraZeneca, Ericsson, Swedish Defence Materiel Administration, Nokia, Nordea, OM, the Swedish National Post and Telecom Agency, Saab, Skandia, Svenska Spel, Tele2, Telia, Veikkaus, Vodafone, and Volvo. And we have many more, all of whom are equally important.

### Telecoms suppliers and operators

The development within telecoms continues. Increased bandwidth in both fixed and mobile networks permits new services, which are often launched as both fixed and mobile. Trends in the Nordic region include the continued development of systems and products, as well as the expansion of the 3G network. Telecoms and datacoms are also merging to form a way of communicating that is more efficient for the user. The need for simulation, testing, and verification is growing because of accelerating technical advances.

Telecoms accounted for 48% (55%) of our net sales in 2002. Among our customers were the National Rail Administration, Ericsson, France Telecom, Motorola, Nokia, Orange, Siemens, Sonera, Sonofon, Sony Ericsson, TDC, Tele2, Telenor, Telia, Teligent, Teracom, Viking Telecom, Vodafone, 3, and 3GIS.

### Defence

Developments within the armed forces are moving toward a more extensive international collaboration in which telecoms and datacoms as well as simulation are important ingredients. Training in simulators has long been an essential element in pilot education and in the future it will play a growing role in an increasingly cost-effective defence system. At the same time, more civil technology is planned to be used. One example of this trend is the development of NBF, network-based defence, where our extensive expertise in telecoms and datacoms is applied in a brand new field.

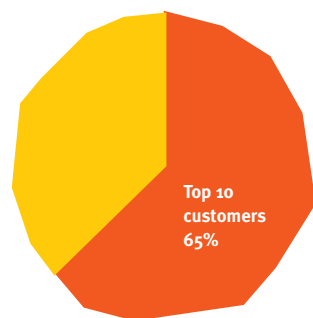
Defence accounted for 20% (18%) of our net sales in 2002. Our customers included the Swedish Defence Materiel Administration and Saab Avionics.

### Finance & insurance

The finance and insurance sector requires complex, business-critical, real-time solutions, often with a demand for 24/7 accessibility. These are global sectors in which transactions take place round the clock, making integration of different systems and players a necessity.

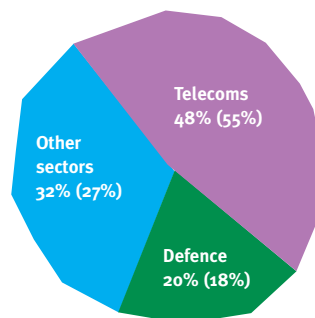
The finance & insurance sector accounted for 9% (8%) of our net sales in 2002. Our customers included NeoNet Technology, Nordea, OM, Skandia, Startel, and the Swedish Securities Register Centre.

**SALES  
TOP 10 CUSTOMERS**



The ten largest customers in 2002 accounted for 65% of sales. They included for example the Swedish Defence Materiel Administration, Ericsson, Nokia, Veikkaus, Sonera, Sony Ericsson, and OM.

**BREAKDOWN OF NET SALES  
2002 (2001)**



A total of 48% of sales comes from customers within telecoms, 20% from customers within defence, and 32% from customers within sectors such as finance & insurance, entertainment & gaming, motor vehicles, public authorities, medicine & biotechnology, and industry & energy.

### Entertainment & gaming

Betting and online gaming are growing in popularity. New technology and greater bandwidth provide opportunities for new mobile services. Online gaming saves time and makes things simpler for the customer. Betting that Ajax will beat Manchester United over the Internet instead of finding an open betting office is more fun and convenient for the user.

Entertainment & gaming accounted for 7% (3%) of our net sales in 2002. Our customers included De Lotto, Essnet, Svenska Spel, and Veikkaus.

### Motor vehicles

Nine out of ten advertisements for cars refer to the latest technical solutions and innovations. One car has a joystick that controls a hundred or so functions, another has a superior system for handling varying road conditions, and a third has a navigation system that covers the whole of Europe. That IT is an amazing means of competition in the motor vehicle sector is an understatement. More and more solutions are being developed to communicate within the walls of the car, along with many others that deal with communications to and from the car.

Motor vehicles accounted for 5% (5%) of our net sales in 2002. Our customers included Mecel, Saab, Scania, and Volvo.

### Public authorities

For public authorities, new IT solutions are becoming increasingly important to meet demands for streamlining operations and saving money. The sector has tremendous needs for development, and solutions are often complex, especially because information retrieval and case management systems require 24/7 accessibility.

Public authorities accounted for 4% (1%) of sales during 2002. Our customers included Emergency Centre of Helsinki, the Swedish Emergency Management Agency, the National Post and Telecom Agency in Sweden, the National Social Insurance Board, the Swedish National Police board, the National Swedish Tax Board, and Tekes.

### Medicine & biotechnology

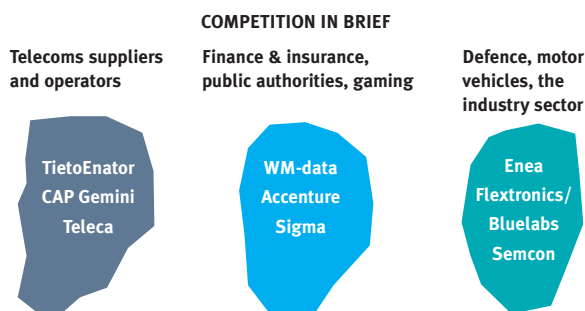
Medicine and biotechnology are sectors that include manufacturers of medical equipment, and products, as well as the pharmaceutical industry. IT and communication are becoming increasingly integrated in these sectors. Surgeons use remote-control communications equipment to increase precision and improve results. New medical equipment is tested using simulation technology to save time and money. Analysis tools are developed and information is gathered with the help of IT.

Medicine & biotechnology accounted for 4% (2%) of our net sales in 2002. Our customers included Affibody, AstraZeneca, Bang & Olufsen Medicom, and Novo Nordisk Engineering,

### Industry & energy

Industry and energy have many similarities with the telecom sector. These sectors also work with control and integration of communications. The energy sector currently lives in the same type of deregulated market. But for us as suppliers there are also other similarities. These sectors also demand mobile solutions and systems to increase security and cost efficiency.

Industry & energy accounted for 3% (6%) of our net sales in 2002. Our customers included Connex, Copenhagen Airport, Electrolux, Foss Electric, General Electric, IL Recycling, Peek Traffic, Swedish Match, and the Swedish National Road Administration.



*HiQ competes with different companies in different sectors, including small, niche software companies and large IT companies that are listed on the stock exchange.*

## Application areas and services

It can be difficult to recognize the type of activities that different IT companies engage in just because the concept of “IT company” is so broad. For example, HiQ does not work with development or sales of its own products or with standard software applications such as business systems. We work as a specialized service company in the fields of communications, software development, and simulation with customers in high-tech sectors. A total of 75% of our operations involves software development and the remainder involves telecom expertise and strategic development. We work with new products and systems that form our customers' future. And we believe in long-term growth in just these areas in which we are active.

We offer a broad range of services in the communications and information technology sector. At HiQ, we only work in application areas and services in which we truly excel. We focus on a few selected fields in which we have extensive experience, high expertise, and strong customer references. All of our services are backed by over ten years of experience from assignments for over one hundred customers. We help our customers to increase their competitiveness and profitability within the following application areas: telecoms, mobile telephony, training simulators, IT in vehicles & telematics, online gaming, as well as IT solutions for the finance, insurance & public authorities and industry sector.

SERVICES	APPLICATION AREAS					IT solutions for finance, insurance, and public authorities	
	Telecoms	Mobile telephony	Training simulators	IT in vehicles & telematics	Online gaming	IT solutions for industry sector	
Simulation technology	X	X	X	X	X	X	X
Testing and verification	X	X	X	X	X	X	X
Systems development	X	X	X	X	X	X	X
Integration	X	X	X	X	X	X	X
Telecoms and datacoms specialists	X	X	X	X	X	X	X
Project management	X	X	X	X	X	X	X
Business optimization	X	X	X	X	X	X	X
EXAMPLES OF CUSTOMERS	Ericsson	Ericsson	Swedish	Mecel	De Lotto	Nordea	AstraZeneca
	Nokia	Nokia	Defence	Saab	Svenska Spel	OM	Electrolux
	Motorola	PTS	Materiel	Saab Scania	Veikkaus	RPS	Novo Nordic
	PTS	Sony Ericsson	Administration	Volvo		RSV	Saab
	Tele2	Vodafone				Skandia	Swedish Match
	Telia Sonera	3				Tekes	Volvo
	Vodafone						National Road Administration

*It can be difficult to recognize the type of activities that different IT companies engage in just because the concept of “IT company” is so broad. HiQ works as a specialized service company in the fields of communications, software development, and simulation with customers in high-tech sectors. We focus on a few selected application areas where we have extensive experience, high expertise, and strong customer references.*

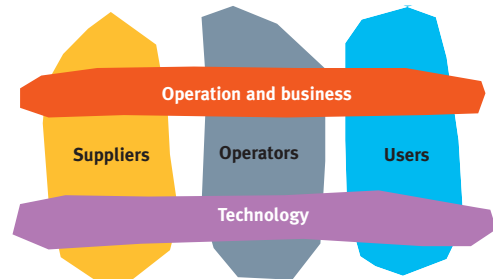


HiQ develops and tests IT solutions for the finance and insurance sector, and public authorities. We also work with integration and modification of interfaces to financial systems. Typical assignments include developing case management, support, and web-based systems.

## APPLICATION AREAS

### Telecoms

We have long held a strong position in telecoms, where we carry out complex assignments for leading suppliers, operators, and users. Our work with high-tech solutions for telecoms suppliers helps us to understand the technology behind the services that we develop for the operators, which in turn is a strength when we develop solutions for users.



*We hold a strong position in the Nordic telecoms market, working with suppliers, operators, and users.*

### Examples of projects

- 3G operators: various projects during the year, such as designing radio, transmission, and core networks, as well as procurement of network equipment and IT support systems. We've also worked on rolling out 3G networks, and testing service platforms.
- National Post and Telecom Agency in Sweden: projects such as gathering information about the broadband market – players, solutions, business logic, and value chains. Afterwards we conducted a scenario analysis.

### Mobile telephony

Backed by our considerable expertise in telecoms, we work on developing systems and support systems for GSM, EDGE, WCDMA, GPRS, and UMTS. We develop new products such as terminals and mobile platforms as well as mobile services and solutions.

### Examples of projects

- During 2002 we worked on interoperability testing of a new advanced cell phone. This is a complex product with combined PDA and GPRS functionality and a built-in camera. HiQ tested and verified the product to ensure that all functions worked properly. We also tested the product for communication with other products such as laptops, chatpens, mobile phones, and mail servers.
- GATE II (GPRS Application Test Environment) simulates characteristics in mobile networks. For one telecoms supplier, HiQ developed a GATE application with two main areas of use – to demonstrate applications for potential buyers and to test applications under development. The simulator makes it possible to test future services long before the third generation mobile telephony network is in place, saving both time and money.

### Training simulators

We lead the market in the Nordic region in simulation technology. We develop high-tech training simulators for the fighter aircraft JAS 39 Gripen, as well as simulators for mobile telephony, finance, and the utility industry.

### Examples of projects

- As a system supplier to the armed forces, HiQ has full responsibility for developing training simulators for the fighter aircraft JAS 39 Gripen. HiQ is working on the development and integration of all parts of the simulator. The training simulators are used for example to train new pilots and to maintain and improve existing pilots' skills.

### IT in vehicles & telematics

We develop platforms, systems, and services for motor vehicles – both for communications between different units in the car, such as from the electronic accelerator pedal to the engine throttle, and for communication to and from the car, such as automatic phone calls to an emergency service centre in the event of a collision. We also develop engine control systems and diagnostic solutions.

### Examples of projects

- One of Sweden's motor vehicle manufacturers is focusing on implementing advanced infotainment systems in its cars, including telephone, navigation, wireless communication with the car

IT and communication are becoming increasingly integrated in industries such as energy, medicine and manufacturing. HiQ develops business-critical support systems, products and mobile solutions.





and pure telematics services. HiQ was project manager and responsible for implementation of all infotainment functionality.

- To further strengthen its position as one of the world's leading truck manufacturers, the customer is developing mobile services in which the truck's different computers communicate wirelessly with a centrally located system. We helped the customer with the telecoms capacity procurement process, defining the requirements that telecom operators had to meet. We also formulated an appropriate business plan to efficiently and profitably launch the customer's new services.

### **Online gaming**

We lead the market in the Nordic region for developing platforms for online gaming. We develop advanced solutions to handle security, accessibility, and performance for online gaming. Our projects mainly involve development and implementation of gaming platforms.

### **Examples of projects**

- Veikkaus, the Finnish National Lottery, began with online gaming in 1996 via the OnNet system. OnNet is Finland's biggest e-commerce solution for consumers. It enables customers to play games such as Lotto and Keno, as well as various forms of betting on sports. OnNet has over 220,000 registered users and sales of just over EUR 1.3 million/week. HiQ has been on board since OnNet's development began; today, it is working on further improving functionality and adding new games.
- To retain its position as Sweden's leading gaming company, Svenska Spel continuously develops both new types of games and new ways of playing over the Internet. HiQ has contributed with its specialist knowledge to Svenska Spel on how to build secure high-performance transaction systems as well as developed large parts of the functionality.

### **IT solutions for the finance and insurance sector, and public authorities**

We develop and test IT solutions for the finance and insurance sector, and public authorities. We also work with integration and modification of interfaces to other financial systems. Typical assignments include developing case management, support, and web-based systems.

### **Examples of projects**

- For a larger insurance company HiQ is developing a new Nordic customer relation management system. The new system will streamline customer management and replace several existing systems. HiQ has full responsibility for developing the system, including design, development, implementation, and future enhancements. HiQ is also training the customer to run and administer the application.
- OM signed an agreement during 2002 with an American financial organization to develop a system. HiQ was commissioned to adapt the existing system to the US market. The work included a turnkey solution and supplementary services for specifications, design, development, and module testing.

### **IT solutions for the industrial sector**

We develop business-critical support systems and products for the energy, medicine, and industry sectors.

### **Examples of projects**

- Svenska Kraftnät owns and runs a network for electric power. Its business operations include responsibility for keeping the electric system in balance and ensuring reliability of operation at its facilities. In one project HiQ was in charge of delivery testing a new system for environmental electricity certificates. The work involved planning the test, formulating specifications for the test, and then testing the system.
- We developed an information service for train delays. After a preliminary study and analysis of existing technology and work processes, HiQ developed an SMS service. The service, which is available by subscription, provides information to travellers about train delays and cancelled trains based on customer request.

## **SERVICES**

Within the framework of our application areas, HiQ offers the following services:

### **Simulation technology**

Simulators and simulation technology are currently used in many fields. The technology is used in everything from telecoms and medicine to motor vehicles. For example, we have developed a test simulator to read electricity consumption for the energy industry and a simulator to measure traffic in a mobile network. But it is perhaps mainly the military that comes to mind when discussing HiQ simulators – for years, we've been developing training simulators for the fighter aircraft JAS 39 Gripen.

### **Testing and verification**

Testing and verifying complicated systems is difficult and requires knowledge of both the details and the broader picture. We test products and systems by simulating reality. For example, we test drive mobile systems, mobile phones, and control systems for car engines before they are launched in the market. Interoperability tests ensure that various systems and products in the market not only work separately, but also manage to communicate with each other without problem.

### **Systems development**

Quickly and effectively developing systems that support business and operations is a complicated matter. We develop open systems such as systems for trading equities, online gaming, and case management systems for the public authorities. Embedded real time systems are developed to control functionality in different types of products and processes. For example, we work with real time systems for cars, training simulators for fighter aircrafts, mobile systems, and mobile phones.

### **Integration**

Demand for efficient integration solutions is growing because many companies have several different systems and solutions that are not built for one another. These companies need improved integration, partly because of efficiency requirements, but also because of new business opportunities within web-based systems. We integrate different systems and products to form functioning units in a variety of environments.

### **Telecoms and datacoms specialists**

Familiarity with technology and the market, investment know-how, and knowledge of operations are all crucial for players in the telecom industry. We have worked as specialists with telecoms and datacoms for years, helping our customers design, purchase, and roll out telecom and computer networks.

### **Project management**

Any project – no matter how big or small – needs clear goals, a timetable, and a budget. We are responsible for and run many different types of projects for our customers, such as developing systems, products, and services, as well as supervision of testing and customer project management.

### **Business optimization**

Today, efficient IT solutions and business-supporting communications solutions are high priorities in every organization. We work with IT and communications strategies, marketing and product strategies, and strategies for outsourcing, and we also provide expertise in the procurement process – all with the purpose of improving operations for our customers.

## Intellectual capital

HiQ's intellectual capital consists of our employees and our structural capital. For a consulting company like HiQ, intellectual capital is the key to success. Strong intellectual capital creates stability and long-term customer relations, which result in good profitability.

HiQ was originally founded with the words: "We will create the kind of company we always wanted to work for, and that customers want to work with," and these words are still the basis of today's HiQ. Use of clear and distinct values has enabled the structural capital of the employees and the company to grow, helping HiQ to become a company that is valuable to its customers, employees, and shareholders.

### The People

HiQ's employees have years of experience in the industry. Together, our employees represent a good mix of specialists in systems and business development.

#### *The average employee*

The average HiQ employee has ten years of experience in the profession and was 35 years old at the beginning of the year. A total of 70% of HiQ employees hold an M.Sc. in Engineering, 14% hold other university degrees, and 16% have some other form of professional education. At year-end, HiQ employs 432 employees; 20% of them are women.

### HiQ's structure

HiQ's structural capital builds primarily on our values, our working models and systems for skills enhancement, and, most of all, our customers.

#### *Customers*

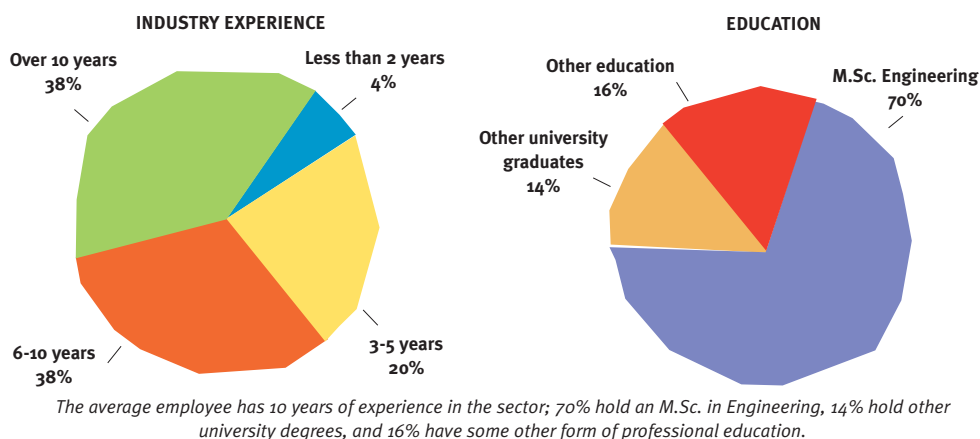
Since its inception, HiQ has built up good relationships with all established suppliers, operators, and users within telecoms. We also work with many companies and organizations in sectors such as defence, finance & insurance, entertainment & gaming, motor vehicles, public authorities, medicine & biotechnology, and industry & energy.

#### *Values*

Ever since HiQ was formed, our values have served as the foundation for creating stability and profitability in the Group.

Businesslike approach and customer benefit. HiQ focuses on a businesslike approach and customer benefit. Everyone knows that we have to be businesslike and market-oriented and that we always have to deliver the highest quality to our customers in order to remain profitable. That each customer should be a good reference is a basic philosophy shared by everyone at HiQ.

Entrepreneurial spirit. HiQ endeavours to create a transparent organization permeated by an entrepreneurial spirit that we achieve through a non-hierarchical organization with responsibility for results delegated to each employee. This enables us to implement a small-scale, autonomous approach without multiple layers of management.



Commitment. HiQ's organization should stimulate commitment. The opportunity for personal development and to have an influence inspires enthusiasm and job satisfaction – which may even be more important now, in today's difficult market climate.

Knowledge. To develop the body of knowledge within the company, it is essential for all employees to share their knowledge. Challenging assignments promote growth: the individual employee's knowledge grows, benefiting the entire company and the customers.

#### *Working models*

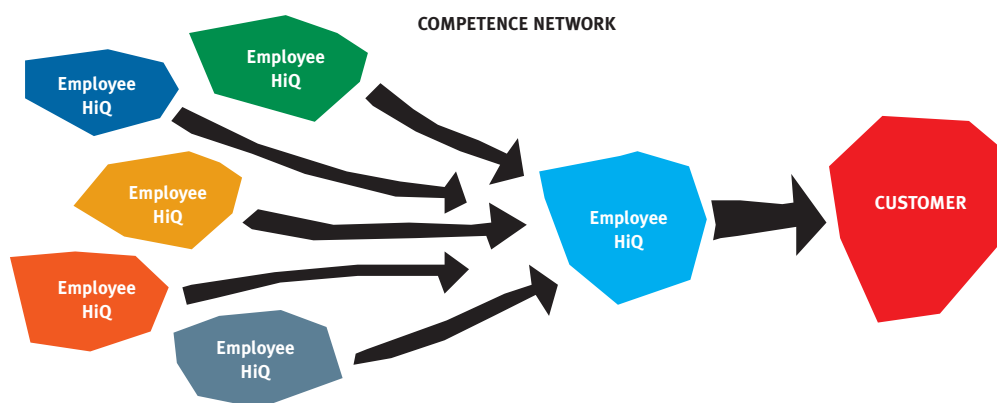
Our working models are an important part of our structural capital which could be divided into four areas.

Sales. We work based on a sales process that we developed in-house: sales associates are evaluated regularly based on market presence, fulfillment of strategic marketing projects as well as profitability and performance.

Management and quality assurance. HiQ's senior executives have extensive experience of consulting and of managing consulting companies. Our executives follow a leadership model with four working areas: market presence, customer relations, recruitment, and employee responsibility. Senior executives are ultimately responsible for to ensure that all products or services are delivered to the customer on time, with the right quality, and at the right price.

Project methods. With employees who have ten years of experience managing projects, we use our own methods that have been developed in-house as well as documented project management methods such as PPS, PROPS, and RUP.

Exchange of competence. An important element in our working models for projects is our internal network of skills and expertise, which makes it easy to establish contacts between employees. Our customers benefit from the entire company's body of knowledge instead of just that of the individual consultant, which enables us to solve problems and complete projects for our customers as optimally and quickly as possible. Another active exchange of expertise takes place at the regular sales conferences where HiQ's sales associates and customer representatives together analyse the market and work with sales targets.



#### *Skills development*

A knowledge company has to constantly encourage its employees to develop and improve their skills and expertise. HiQ works hard at achieving this, through experiences from ongoing client assignments, through our network of skills that was created for the consultants to learn from one another, and through our three continuing education programs.

HiCollege is a comprehensive training program offering a number of required courses for all employees as well as optional courses. HiCollege courses cover different types of technology, project management and methods, as well as sales and leadership training.

HiPhi is an introductory seminar for all new employees that is held by the management. The seminar presents subjects such as HiQ's objectives and strategies, values, working methods, the role of the consultant, and sales and presentation techniques.

All employees who work with customers attend our consultant school. Employees receive continuing education for their role as consultant with the purpose of offering our customers the highest quality and best added value, every day.

## The HiQ Share

HiQ's share capital totalled SEK 4,684,360 on December 31, 2002, spread over 46,843,599 outstanding shares with a nominal value of SEK 0.10. Each share carries one vote and all shares carry equal rights to a share in the assets and profits of the company. Every person entitled to vote at the Annual General Meeting may vote for the full number of shares owned or represented by him or her, with no restrictions on voting rights.

During 2002, share capital increased by SEK 331,720, which is equivalent to 3,317,201 shares, as a result of the redemption of warrants and a new share issue in connection with the acquisition of Softplan. HiQ's Board of Directors was authorized to approve the new share issue by the Annual General Meeting on May 2, 2002.

### Share capital development

Year	Transaction	Nom. amount	Change in share capital	Total share capital	No. of outstanding shares
1996	Parent company founded	100	100,000	100,000	1,000
1998	Bonus issue 39:1	100	3,900,000	4,000,000	40,000
1998	Split 100:1	1	-	4,000,000	4,000,000
1999	Redemption of warrants	1	58,250	4,058,250	4,058,250
2000	Purchase sum Wise Network	1	77,749	4,135,999	4,135,999
2000	Purchase sum Open Software	1	58,590	4,194,589	4,194,589
2000	Split 10:1	0.10	-	4,194,589	41,945,890
2000	Additional purchase sum Wise Network	0.10	16,741	4,211,330	42,113,298
2000	Redemption of warrants	0.10	106,950	4,318,280	43,182,798
2001	Redemption of warrants	0.10	34,360	4,352,640	43,526,398
2002	Purchase sum Softplan	0.10	298,955	4,651,595	46,515,949
2002	Redemption of warrants	0.10	32,765	4,684,360	46,843,599

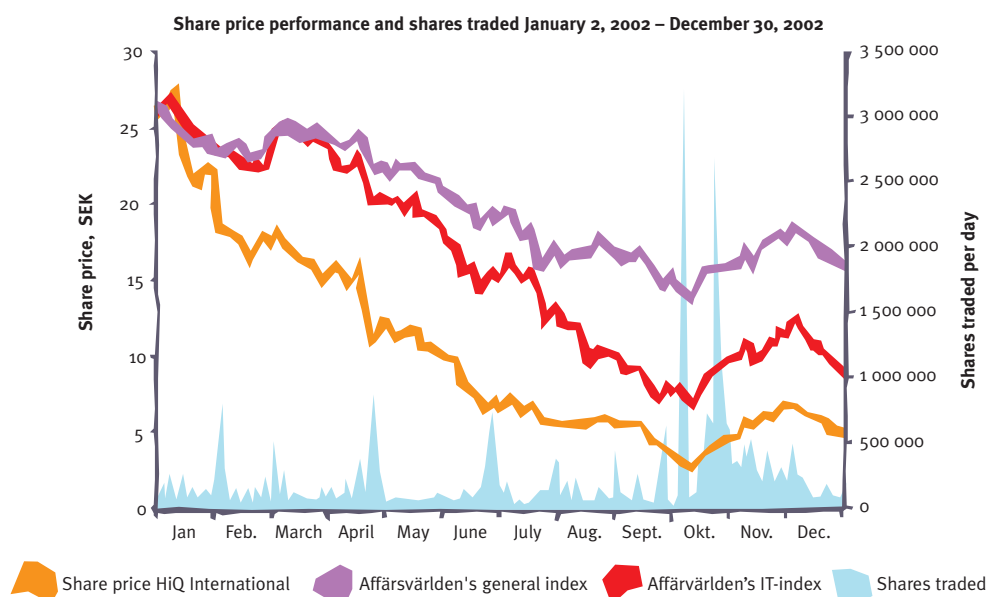
### Share programs for employees

From 1998 to 2002, HiQ implemented share programs for its employees for the purpose of attracting, retaining, and motivating staff members. The programs are all based on subordinated debentures with detachable warrants. The programs have been divided into sub-programs, which allows warrants to be offered to new employees on an ongoing basis. The term for the different programs varies between two and three years.

The number of outstanding warrants, where each warrant entitles the holder to subscribe for 10 HiQ shares, was 51,290 at the end of the year. The number of outstanding warrants, where each warrant entitles the holder to subscribe for 1 share, was 1,460,300 at the end of the year. Full exercise of all warrants will add 1,973,200 shares, corresponding to a maximum dilution of 4.0%.

### Warrants data

Name	Number of outstanding warrants	Number of underlying shares	Term	Subscription period	Subscription price/share
2000:1	38,830	388,300	3 years	June 2003	133.90
2000:2	4,240	42,400	3 years	September 2003	107.30
2000:3	4,380	43,800	3 years	December 2003	124.10
2000:4	3,840	38,400	3 years	March 2004	105.00
2001:1	442,300	442,300	2 years	May 2003	56.00
2001:2	70,000	70,000	2 years	Aug. 15 – Sept 15 2003	26.00
2001:3	85,000	85,000	2 years	November 2003	24.00
2001:4	60,000	60,000	2 years	Feb. 10 – March 10 2004	20.00
2002:1	548,700	548,700	2 years	May 2004	12.90
2002:2	254,300	254,300	2 years	November 2004	5.40



The above graph shows the trend for HiQ's share price between January 2, 2002 and December 30, 2002. For current share price information, please refer to the Stockholmsbörsen Web site ([www.stockholmsborsen.se](http://www.stockholmsborsen.se)).

HiQ is listed on the Stockholmsbörsen (Stockholm Stock Exchange) O list. It was first listed on April 12, 1999 and the initial share price, calculated based on the implemented split, amounted to SEK 10.60. On December 30, 2002 the share price was SEK 5.00, making HiQ's market capitalization around SEK 234 million (before dilution). The highest share price during the year was SEK 27.60 on January 11, the lowest was SEK 2.62 on October 9.

Over the year a total of 47.2 million shares were traded, with an average of about 187,000 shares traded daily.

#### Dividend policy

HiQ's dividend is adjusted according to the company's capital requirements, which mainly take the form of investments and an increase in tied-up capital. The shareholders' requirements for a healthy yield should also be taken into account. The company's goal is to maintain a long-term dividend level of around 50% of HiQ's profits after tax.

#### Key ratios per share

(SEK, unless stated otherwise)	2002	2001	2000	1999	1998
Earnings after tax, before dilution	-0.54	0.88	1.15	0.60	0.36
Earnings after tax, after dilution	-0.54	0.88	1.15	0.59	0.35
Dividend per share (proposed for 2002)	0.00	0.46	0.50	0.30	0.18
Equity (before dividend)	5.20	5.49	4.83	1.41	0.88
Direct yield, %	0.0	2.1	0.7	0.6	-
Share price at the end of the year	5.00	24.30	70.00	54.50	-
Average number of shares, 000	45,545	43,478	41,861	40,000	40,000
Average number of shares, after dilution	45,545	43,478	41,987	41,310	41,600
No. of outstanding shares, thousands <sup>1)</sup>	46,844	43,526	43,183	40,582	40,000
No. of shares on full dilution	48,817	45,256	44,405	42,400	41,600

<sup>1)</sup> The number of outstanding shares at the end of 1999 includes 582,500 shares that have been subscribed for but not registered.

### Ownership structure

The total number of HiQ shareholders at the end of the year was 7,959. The overseas ownership share was 29%. At year-end, Swedish institutional investors owned 24% of shares, foreign institutional investors owned 21% of shares, and private investors owned 55% of shares; 31% of shares were registered directly by the investors and 69% were registered in the name of a trustee.

Holdings	No. of shareholders	Percentage of holdings	No. of shares	Percentage of shares
1 – 1 000	5,810	73.0%	2,340,811	5.0%
1 001 – 5 000	1,576	19.8%	4,142,864	8.8%
5 001 – 10 000	315	4.0%	2,547,955	5.4%
10 001 – 50 000	194	2.4%	4,129,489	8.8%
50 001 – 100 000	22	0.3%	1,686,159	3.6%
100 001 –	42	0.5%	31,996,321	68.4%
	<b>7,959</b>	<b>100.0%</b>	<b>46,843,599</b>	<b>100.0%</b>

### Top 15 shareholders December 30, 2002

Name	No. of shares	Share of capital and votes
Hans Karlsson	2,774,870	5.9%
GDC Gestritres	2,308,200	4.9%
Lannebo Småbolag Select	2,270,000	4.8%
Hannu Lehesaari	2,000,968	4.3%
Handelsbanken/SPP Funds	1,691,810	3.6%
Ken Gerhardsen	1,690,700	3.6%
Rolf Anderson	1,643,732	3.5%
JP Morgan Chase Bank	1,562,460	3.3%
Ragnar ter Vehn	1,482,298	3.2%
Didner & Gerge aktiefond	1,366,600	2.9%
Skandia	1,327,300	2.8%
Robur Funds	1,192,900	2.5%
Lars Stugemo	1,106,500	2.4%
Pecunia Funds	1,052,000	2.2%
SEB Funds	878,500	1.9%

## **Directors' Report for HiQ International AB (Publ) corp. ID. no. 556529-3205**

HiQ is an IT and management consultancy focusing on high-tech solutions in the fields of communication, software development and simulation. The company is a leader in these fields and the Nordic region is our domestic market. We work mainly within telecoms, defence, finance & insurance, entertainment & gaming, and motor vehicles. We occupy a strong position in the Nordic telecoms market, working with suppliers, operators, and users. In 2002, the Group had net sales of SEK 413.8 million, and at the end of the year 432 people were employed at offices in Sweden, Finland and Denmark. HiQ is listed on the Stockholmsbörsen O list.

### **Market trends**

During 2002, many customers continued to give priority to quick profitability while postponing investments. Customers carefully analyze which projects to carry out and decisions are centralized; consequently, the procurement process takes longer. The market situation for HiQ varied by region in 2002. The generally high concentration of consultants and consistent pressure on prices were most apparent in Stockholm and Gothenburg.

Many consulting firms closed their doors as a result of this surplus of consultants, providing opportunities for new business and resulting in increased market share for HiQ. These days, large customers are choosing to work with fewer external suppliers and HiQ continues to be among these chosen few, which is a strength. We have increased the number of large projects compared with the same period last year and we continue to receive frequent inquiries about outsourcing projects. Our assessment is that during 2002 we have advanced our position, strengthened our brand, and taken market share from our competitors – all during a year that many say has been the most difficult ever for the IT industry, when many small and medium-sized consulting firms went under.

During the year, HiQ continued to expand its operations into different markets, which reduces dependence on individual clients, sectors and regions. HiQ's net sales for the period are distributed as follows: telecoms 48% (55%), defence 20% (18%), and other sectors 32% (27%). About a third of net sales in 2002 came from activity outside Sweden, compared to 20 percent in 2001.

### **The year in brief**

For HiQ, 2002 was characterized by expansion, both geographically and into different market sectors, by differences between the various regions where HiQ is active, and by the adjustment of operations to prevailing market conditions.

HiQ strengthened its position in Finland by acquiring Softplan, an IT technology consulting firm, in April. The acquisition also reinforces HiQ's profile as a Nordic consultancy. HiQ Softplan is a highly respected company with customers mainly in entertainment & gaming, public authorities, and telecoms. HiQ Softplan brings the Group unique expertise in developing platforms for online gaming.

In addition to the acquisition of Softplan, HiQ continued to expand geographically during the year by starting a new company in Skåne, southern Sweden. Through HiQ Softplan, we now have good profitability, a clearly defined profile, and a stable customer base in Finland. HiQ Skåne provides us with an even stronger presence in the Öresund region and we have been able to increase our share of the market. After adjusting operations by implementing staff cutbacks and general cost saving measures as well by streamlining sales and administration, HiQ now has a good platform for profitability in the current market. In addition, HiQ wound up two unprofitable operations in 2002, HiQ East in Finland and HiQ A/S in Norway.



We believe that as a result of developments during the year, HiQ will continue to maintain a strong position as a specialized service company with long-term customer relations, a strong brand, and a solid financial position.

During the year, several new agreements were signed within all of HiQ's market areas, including with Alfa Laval, AstraZeneca, Electrolux, Ericsson, the Swedish Defence Materiel Administration, France Telecom, General Electric, Motorola, Nokia, Nordea, OM, the National Post and Telecom Agency in Sweden, the Swedish National Police Board, the National Swedish Tax Board, Saab, Senea, Siemens, Sony Ericsson, Svenska Spel, Tele2, Telia, Vodafone, Volvo, and 3.

### **Results and financial position**

HiQ's net sales amounted to SEK 413.8 (492.0) million, a 16% reduction compared with the previous year. Profit before amortization and items affecting comparability amounted to SEK 0.7 (66.1) million. This corresponds with a margin before amortization of 0.2%. The profit before amortization, excluding non-recurring costs for adjustment of operations, amounted to SEK 29.7 million, which is equivalent to a margin of 7.2 per cent. The cost of the adjustment of operations during the year amounted to SEK 29 million, which reduced operating profit. Operating profit was SEK -23.4 (54.3) million, equivalent to an operating margin of -5.7%.

HiQ's financial position continues to be strong. At the end of the period the Group's liquid assets amounted to SEK 47.1 (133.6) million, a decrease of SEK 86.5 million. Interest-bearing net funds at the end of the year amounted to SEK 39.6 (123.7) million, a reduction of SEK 84.1 million. The main explanation for this reduction is the acquisition of Softplan. Shareholder's equity amounted to 243.8 SEK million on December 31, 2002, compared with SEK 239.0 million on December 31, 2001, an increase of SEK 4.8 million. The equity/assets ratio at the end of the year was 66.4% (68.3).

### **Investments**

The Group's net investments during the period amounted to SEK 101.3 (17.7) million, of which investments in financial leasing amounted to SEK 0.2 (4.5) million.

### **Employees**

At end of period the number of employees amounted to 432 (438). During the year the number of employees was adapted to the current market situation, resulting in a cutback of approximately 60 employees. The acquisition of Softplan added 50 employees to the Group.

### **Parent Company**

The Parent Company's net sales, all of which are intra-group sales, amounted to SEK 9.2 (13.5) million. The operating result amounted to SEK -4.4 (-8.3) million. The net effect of financial income and costs amounted to SEK 10.2 (41.3) million, which includes profit from shares in Group companies of SEK 9.2 (38.1) million. The net profit for the year, after year-end appropriations of SEK 0.0 (-8.9) million and tax that reduced the year's profit by SEK -1.1 (7.2) million, was SEK 7.0 (16.9) SEK million. As of 31 December, the interest-bearing net cash amounted to SEK -11.5 (105.0) million, the adjusted shareholders' equity to SEK 228.2 (172.8) million, and the equity/assets ratio to 75% (87%). The company's net investments during the period amounted to SEK 132.2 (-0.9) million, most of which pertained to investments in Softplan.

**Environmental policy**

HiQ's environmental performance and environmental policy are under constant review. According to HiQ's environmental policy, HiQ shall pursue an active environmental policy, with the aim of constantly improving the environment in a financially and commercially justifiable manner. Our conviction is that this will lead to a more attractive company for employees, customers, suppliers, and shareholders.

Our environmental efforts are an integral part of our operation and each corporate executive has the local responsibility for ensuring that HiQ's environmental policy is applied and any action programs are implemented. Each company shall formulate its own local environmental plan, including measurable objectives that will be tracked.

HiQ reports the company's impact on the environment to "Miljöindex" (Environmental Index) each year. This survey gives feedback and suggestions for improvements to the company's environmental system. In recent years, HiQ has placed high in the Miljöindex, which is both positive and desirable.

**Equal opportunity employer**

HiQ believes that a mixed workplace with regard to both gender and other differences contributes to a work climate permeated by creativity and productivity, which are important core values for a successful company.

HiQ's goal is to work for full equality, where everyone is treated equally regardless of gender, nationality, or language. All of our employees are recruited and allowed to develop based on their personal attributes and in line with HiQ's staff policy and market requirements.

HiQ's equal opportunity plan was formulated by senior executives in the Group and is supported by the Board of Directors, which consists of the Group's CEO, external directors, and employee representatives. The equal opportunities plan is annually discussed, followed up and updated.

**Outlook**

We believe that demand stabilized at a lower level during the latter part of 2002 and that regional differences remain. It is our opinion that restructuring and continued deregulation resulting in increased competition will provide new business opportunities for specialized service companies with a well-defined service offering. HiQ belongs to this category. Based on our position as a high-tech system supplier and supplier of consulting services, we believe that we have excellent prospects for receiving additional assignments in the near future in all of the sectors in which HiQ is active.

HiQ is a pure consultancy specializing in the fields of communication, software development and simulation with an established brand, long-term customer relations, and a strong financial position. We intend to continue to refine our service offering, focus on new business, and adjust our operations to prevailing market conditions. Our goal is to increase our market share in existing markets and emerge from the recession stronger than ever.

As always, HiQ prioritizes quality, profitability, and growth – in that order. Our long-term financial goals are to achieve 30% growth and an operating margin before goodwill of 15%.

### The work of the Board of Directors in 2002

The Board of Directors held seven meetings during the year and the minutes were recorded at all meetings.

The Board's work is conducted pursuant to the rules of procedure established by the Board to ensure that the Board's needs are satisfied in terms of information, clarity, and speed in its communication with the stock market. In order to meet the Board's information requirements, the company auditors attend in person when the annual accounts and the year-end release are discussed. The CEO informs the Board members on a monthly basis about the Group's operations and business situation, financial performance, and staff situation. At least once a year board seminars are held at which the management and the Board analyze current operations and future opportunities.

During the year, the Board of Directors has worked with issues such as the acquisition of the Finnish company Softplan, the warrant program for employees, the budget, as well as global and financial analyses of what may affect HiQ as a company. Two strategy conferences were held during the year. Work at the conferences focused on opportunities for service companies such as HiQ in a competitive market and strategies for expanding activities into new regions and markets.

The Board of Directors appointed a nominating committee. The committee's task is to propose recommendations for the composition of HiQ's Board of Directors, directors' fees, and election of auditors. Until the Annual General Meeting meets on April 29, 2003 the nominating committee consists of Hans Karlsson, Anders Ljungh, and Lars Stugemo.

### PROPOSED APPROPRIATION OF PROFITS

The Board of Directors and the President propose that the following funds at their disposal (SEK thousand):

Profit brought forward	7,505
Profit for the year	6,990
<b>Total</b>	<b>14,495</b>
should be allocated as follows	
Shareholder dividends	0
Transfer to profit carried forward	14,495
<b>Total</b>	<b>14,495</b>

The Group's unrestricted equity amounts to SEK 10,683 thousand of which SEK 0 is set aside as a provision to restricted reserves.

As regards the company's and the Group's earnings and financial position in general, please refer to the income statements, balance sheets, cash flow statement, and supplementary information below.

## Income statements and balance sheets

CONSOLIDATED INCOME STATEMENT (SEK thousand)		Note	2002	2001
<b>Net sales</b>	1		<b>413,793</b>	<b>492,028</b>
OPERATING EXPENSES				
Expenses of services sold			– 49,102	– 53,278
Other external expenses	2		– 37,452	– 50,307
Staff expenses	3		– 321,103	– 317,319
Depreciation of intangible and tangible fixed assets	4		– 23,810	– 16,845
Items affecting comparability	5		– 5,768	0
<b>Operating profit</b>			<b>– 23,442</b>	<b>54,279</b>
FINANCIAL ITEMS				
Profit/loss from other financial fixed assets	6		0	– 201
Interest income and similar items	7		2,804	4,305
Interest expenses and similar items	8		– 687	– 861
<b>Pre-tax profit</b>			<b>– 21,325</b>	<b>57,522</b>
Tax charged to the year's profit	10		– 3,210	– 19,418
<b>PROFIT FOR THE YEAR</b>			<b>– 24,535</b>	<b>38,104</b>
Earnings per share before dilution, SEK			– 0,54	0,88
Earnings per share after dilution, SEK			– 0,54	0,88

CONSOLIDATED BALANCE SHEET (SEK thousand)		Note	31 Dec. 2002	31 Dec. 2001
<b>ASSETS</b>				
<b>FIXED ASSETS</b>				
Intangible fixed assets				
Goodwill	17		168,675	97,463
			168,675	97,463
Tangible fixed assets				
Improvement expenses for others' property	14		3,510	3,799
Equipment	15		4,779	4,914
Leased equipment	16		8,844	10,634
			17,133	19,347
Financial fixed assets				
Shares and participation	19		8,513	20
Deferred tax	20		5,608	3,582
Other long-term receivables	21		1,348	690
			15,469	4,292
<b>Total fixed assets</b>			<b>201,277</b>	<b>121,102</b>
<b>CURRENT ASSETS</b>				
Receivables				
Accounts receivable, trade			70,977	56,014
Other receivables	22		19,160	703
Prepaid expenses and accrued income	23		28,558	38,449
			118,695	95,166
Short-term investments	24,36		13,760	102,258
Cash and bank balances	25,36		33,337	31,372
<b>Total current assets</b>			<b>165,792</b>	<b>228,796</b>
<b>TOTAL ASSETS</b>			<b>367,069</b>	<b>349,898</b>

<b>CONSOLIDATED BALANCE SHEET (SEK thousand)</b>	Note	31 Dec. 2002	31 Dec. 2001
<b>SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES</b>			
SHAREHOLDERS' EQUITY	26,27		
Restricted equity			
Share capital		4,684	4,353
Restricted reserves		228,449	180,344
Total restricted equity		233,133	184,697
Non-restricted equity			
Non-restricted reserves		35,218	16,178
Profit for the year		– 24,535	38,104
Total non-restricted equity		10,683	54,282
<b>Total shareholders' equity</b>		<b>243,814</b>	<b>238,979</b>
PROVISIONS			
Other provisions	29	8,000	0
Deferred tax	20	15,004	15,283
<b>Total provisions</b>		<b>23,004</b>	<b>15,283</b>
LONG-TERM LIABILITIES	30		
<b>Debt, financial leasing</b>		<b>6,844</b>	<b>8,739</b>
CURRENT LIABILITIES			
Accounts payable, trade		10,007	7,998
Tax liabilities		0	6,821
Other liabilities		31,773	29,650
Accrued expenses and prepaid income		51,627	42,428
<b>Total current liabilities</b>		<b>93,407</b>	<b>86,897</b>
<b>TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES</b>		<b>367,069</b>	<b>349,898</b>
Pledged assets		None	None
Contingent liabilities		None	None

<b>INCOME STATEMENT FOR THE PARENT COMPANY, (SEK thousand)</b>		Note	2002	2001
<b>Net sales</b>	11		<b>9,210</b>	<b>13,543</b>
OPERATING EXPENSES				
Expenses of services sold	11		– 505	– 2,430
Other external expenses	11,2		– 4,625	– 12,942
Staff expenses	3		– 8,431	– 6,444
Depreciation of tangible fixed assets	4		– 28	– 25
<b>Operating profit</b>			<b>– 4,379</b>	<b>– 8,298</b>
FINANCIAL ITEMS				
Profit from shares in Group companies	12		9,210	38,133
Profit from other financial fixed assets	6		0	– 201
Interest income and similar items	7,11		2,129	3,399
Interest expenses and similar items	8		– 1,117	– 50
<b>Profit after financial items</b>			<b>5,843</b>	<b>32,983</b>
APPROPRIATIONS AND TAX				
Appropriations	9		0	– 8,911
<b>Pre-tax profit</b>			<b>5,843</b>	<b>24,072</b>
Tax charged to the profit for the year	10		1,147	– 7,206
<b>PROFIT FOR THE YEAR</b>			<b>6,990</b>	<b>16,866</b>

<b>BALANCE SHEET FOR THE PARENT COMPANY (SEK thousand)</b>		Note	31 Dec. 2002	31 Dec. 2001
<b>ASSETS</b>				
FIXED ASSETS				
Tangible fixed assets	13			
Equipment	15		115	102
Financial fixed assets				
Shares in subsidiaries	18		239,325	110,532
Other shares and participation	20		339	0
<b>Total fixed assets</b>			<b>239,779</b>	<b>110,634</b>
CURRENT ASSETS				
Receivables				
Accounts receivable			0	7
Receivables from subsidiaries			26,049	9,339
Other receivables	22		14,865	5
Prepaid expenses and accrued income			482	364
			41,396	9,715
Current investments	24,36		13,760	102,258
Cash and bank balances	25,36		11,620	2,698
<b>Total current assets</b>			<b>66,776</b>	<b>114,671</b>
<b>TOTAL ASSETS</b>			<b>306,555</b>	<b>225,305</b>

<b>BALANCE SHEET FOR THE PARENT COMPANY (SEK thousand)</b>	Note	31 Dec. 2002	31 Dec. 2001
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
SHAREHOLDERS' EQUITY	26,27		
Restricted equity			
Share capital (46,843,599 shares at SEK 0,1)		4,684	4,353
Share premium reserve		185,040	134,079
Statutory reserve		20	20
Total restricted equity		189,744	138,452
Non-restricted equity			
Profit brought forward		7,505	17,516
Profit for the year		6,990	16,866
Total non-restricted equity		14,495	34,382
<b>Total shareholders' equity</b>		<b>204,239</b>	<b>172,834</b>
<b>UNTAXED RESERVES</b>	28	<b>33,331</b>	<b>33,331</b>
Long-term liabilities	30		
<b>Liabilities to subsidiaries</b>		<b>36,897</b>	<b>0</b>
CURRENT LIABILITIES			
Accounts payable, trade		628	406
Liabilities to subsidiaries		26,216	9,883
Tax liabilities		0	1,223
Other liabilities		314	1,044
Accrued expenses and deferred income		4,930	6,584
<b>Total current liabilities</b>		<b>32,088</b>	<b>19,140</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>306,555</b>	<b>225,305</b>
Pledged assets		None	54
Contingent liabilities		None	None

## Cash flow statement

The cash-flow statement is prepared according to the indirect method. The cash flow reported only covers transactions that involve payments received or paid.

Cash flow statement (SEK thousand)		Group		Parent Company	
	Note	2002	2001	2002	2001
<b>The current operations</b>					
Profit after financial items	32	- 21,325	57,522	5,843	32,983
Adjustments for items not included in the cash flow, etc.	33	39,887	17,045	- 1,771	6,471
		18,562	74,567	4,072	39,454
Tax paid		- 32,882	- 22,035	- 12,779	- 11,913
<b>Cash flow from the current operations</b>					
before changes in working capital		- 14,320	52,532	- 8,707	27,541
<b>Cash flow from changes in working capital</b>					
Increase (-)/Decrease (+) in operating receivables		1,482	18,543	- 12,883	31,110
Increase (+)/Decrease (-) in operating liabilities		555	3,248	3,636	7,946
<b>Cash flow from the current operations</b>		<b>- 12,283</b>	<b>74,323</b>	<b>- 17,954</b>	<b>66,597</b>
<b>Investment operations</b>					
Acquisitions of subsidiaries	34	- 52,733	- 2,085	- 80,978	- 2,085
Liquidation up of subsidiary	35	0	0	0	230
Acquisitions of tangible fixed assets		- 1,382	- 1,242	- 41	- 79
Investments in financial assets		- 658	- 815	0	- 179
<b>Cash flow from investment operations</b>		<b>- 54,774</b>	<b>- 4,142</b>	<b>- 81,019</b>	<b>- 2,113</b>
Translation difference		24	810	-	-
<b>Financial operations</b>					
New share issue		3,978	4,097	3,978	5,083
Raising of debt		0	0	36,897	0
Amortisation of debt, financial leasing		- 1,999	- 1,895	0	0
Dividends paid		- 21,478	- 21,719	- 21,478	- 21,719
<b>Cash flow from investment operations</b>		<b>- 19,499</b>	<b>- 19,517</b>	<b>19,397</b>	<b>- 16,636</b>
<b>Cash flow for the year</b>		<b>- 86,533</b>	<b>51,474</b>	<b>- 79,576</b>	<b>47,848</b>
<b>Liquid assets at the start of the year</b>		<b>133,630</b>	<b>82,156</b>	<b>104,956</b>	<b>57,108</b>
<b>Liquid assets at the end of the year</b>	36	<b>47,097</b>	<b>133,630</b>	<b>25,380</b>	<b>104,956</b>



## Supplementary information

### A. ACCOUNTING AND VALUATION PRINCIPLES

HiQ's accounts have been prepared in compliance with the Swedish Annual Accounts Act and the recommendations and statements of the Swedish Financial Accounting Standards Council.

#### The Group

The consolidated accounts have been drawn up according to the acquisition method. All of HiQ's overseas subsidiaries are classified as independent subsidiaries, and the current rate method is applied for translation in their financial statements.

#### Income

Income from ongoing fixed price service assignments and expenses relating to these assignments are reported as income and costs respectively in relation to the degree of completion of the assignment on the closing day (percentage of completion method). The percentage of completion of an assignment is determined by comparing expense incurred on the closing day with the estimated total expenditure. In cases where the outcome of the service assignment cannot be estimated with any degree of certainty, the income is only reported to the extent that it corresponds to the accrued assignment costs that will probably be reimbursed by the customer. An anticipated loss on an assignment is reported immediately as a cost.

In the case of service assignments on current account, work carried out that has not yet been invoiced is reported as net sales for the period the work was carried out.

#### Receivables

Receivables are booked in the amounts that, after individual assessment, are expected to be received.

#### Income tax

Income tax reported consists of tax that is to be paid or received during the current year, adjustments for the previous year's tax, and changes in deferred tax.

Valuation of all tax liabilities/receivables are at nominal amounts and are made according to the tax rules and tax rates decided upon or that are announced and are most likely to be set.

#### Receivables and liabilities in foreign currencies

Receivables and liabilities in foreign currencies are valued at the exchange rate applying on the balance sheet date.

## B. NOTES TO THE INCOME STATEMENT

### 1. Net sales

Group's net sales break down into the following customer segments:	%
Telecoms suppliers	31
Telecoms operators	17
Defence	20
Finance & insurance	9
Entertainment & gaming	7
Motor vehicles	5
Public authorities	4
Medicine & biotechnology	4
Industry & energy	3
	<b>100</b>

2. Auditors' fees (SEK thousand)	2002		2001	
	Group	Parent Company	Group	Parent Company
Trevison KB				
Audit and associated services	214	72	310	170
Öhrlings PricewaterhouseCoopers				
Audit and associated services	577	292	571	311
<b>Total</b>	<b>791</b>	<b>364</b>	<b>881</b>	<b>481</b>

3. Staff	2002			2001		
	Total	Women	Men	Total	Women	Men
Parent Company						
The municipality of Stockholm	5	3	2	6	3	3
The subsidiaries						
The municipality of Stockholm	192	43	149	204	59	145
The municipality of Arboga	51	9	42	49	11	38
The municipality of Gothenburg	72	16	56	81	18	63
The municipality of Lund	0	0	0	–	–	–
Norway, Oslo	10	3	7	16	4	12
Denmark, Brøndby	42	5	37	39	5	34
Finland, Espoo	33	1	32	6	1	5
<b>Total for the Group</b>	<b>405</b>	<b>80</b>	<b>325</b>	<b>401</b>	<b>101</b>	<b>300</b>

Salaries and other remuneration (SEK thousand)	2002		2001	
	Group	Parent Company	Group	Parent Company
The Board of Directors and the CEO	10,034	2,279	9,924	2,109
Other employees	212,478	2,528	197,018	970
<b>Total salaries and remuneration</b>	<b>222,513</b>	<b>4,808</b>	<b>206,942</b>	<b>3,079</b>
Legal and contractual social security contributions	63,729	1,864	62,523	1,292
Pension expenses				
The Board of Directors and the CEO	2,060	277	2,530	626
Other employees	25,503	374	22,274	281
<b>Total salaries and remuneration, pension expenses and social security contributions</b>	<b>313,805</b>	<b>7,323</b>	<b>294,269</b>	<b>5,278</b>

Salaries, remuneration, pension costs and social security contributions for subsidiaries in 2002 totalled SEK 247,722 (245,166) thousand in Sweden, SEK 7,645 (12,035) thousand in Norway, SEK 33,682 (31,825) thousand in Denmark, and SEK 24,755 (5,243) thousand in Finland. The variable part of the salaries and remuneration paid to the Board of Directors and the CEO is SEK 48 (102) thousand for the Group and SEK 0 (0) for the Parent Company.

4. Depreciation and write-down of intangible and tangible fixed assets	2002		2001	
	Group	Parent Company	Group	Parent Company
Depreciation of equipment according to plan	- 2,042	-28	- 1,825	-25
Depreciation of leased equipment according to plan	- 1,999	0	- 1,895	0
Depreciation of improvement expense to other's property according to plan	- 1,420	0	- 1,266	0
Amortization of acquired goodwill according to plan	0	0	- 345	0
Amortization of goodwill according to plan	- 18,349	-	- 11,514	-
	<b>- 23,810</b>	<b>- 28</b>	<b>- 16,845</b>	<b>- 25</b>

5. Items affecting comparability (SEK thousand)	2002		2001	
	Group	Parent Company	Group	Parent Company
Costs of winding up subsidiaries	5,768	0	0	0
	<b>5,768</b>	<b>0</b>	<b>0</b>	<b>0</b>

6. Profit/loss from other financial fixed assets (SEK thousand)	2002		2001	
	Group	Parent Company	Group	Parent Company
Depreciation, other shares and participations	0	0	- 201	- 201
	<b>0</b>	<b>0</b>	<b>- 201</b>	<b>- 201</b>

7. Interest income and similar items (SEK thousand)	2002		2001	
	Group	Parent Company	Group	Parent Company
Interest income	1,196	530	1,531	691
Exchange rate gains	104	97	187	121
Dividends on securities	1,504	1,502	2,587	2,587
	<b>2,804</b>	<b>2,129</b>	<b>4,305</b>	<b>3,399</b>

8. Interest expenses and similar items (SEK thousand)	2002		2001	
	Group	Parent Company	Group	Parent Company
Interest expenses	- 687	- 1,117	- 671	- 50
Exchange rate losses	0	0	- 190	0
	<b>- 687</b>	<b>- 1,117</b>	<b>- 861</b>	<b>- 50</b>

9. Appropriations, the Parent Company (SEK thousand)	2002		2001	
	Parent Company		Parent Company	
Provision to tax allocation reserve	0		- 8,911	
	<b>0</b>		<b>- 8,911</b>	

10. Tax charged to the year's profit (SEK thousand)	2002		2001	
	Group	Parent Company	Group	Parent Company
Change in deferred tax	2,305	339	- 2,199	-
Current tax	- 5,515	808	- 17,499	- 7,486
Tax pertaining to previous years	0	0	280	280
	<b>- 3,210</b>	<b>1,147</b>	<b>- 19,418</b>	<b>- 7,206</b>
Income tax rate in Sweden	28,0%	28,0%	28,0%	28,0%
Effect of foreign income tax	- 1,6%	-	0,3%	-
Non-deductible goodwill	- 24,1%	-	5,6%	-
Non-deductible costs/non-taxable revenue	- 18,5%	- 43,7%	1,2%	3,1%
Other	1,1%	- 3,9%	- 1,3%	-1,2%
Average effective tax rate	- 15,1%	- 19,6%	33,8%	29,9%

**11. Purchases and sales within Group companies, the Parent Company (SEK thousand)**

	2002	2001
Net sales to Group companies	9,207	13,524
Purchases from Group companies	2,078	1,903
Interest income from other Group company	238	212
Interest expense to other Group company	1,092	0

**12. Profit/loss from shares in subsidiaries, Parent Company (SEK thousand)**

	2002 Parent Company	2001 Parent Company
Profit/loss from winding up subsidiaries	0	- 2,769
Write-down of shares in subsidiaries	- 1,677	- 3,476
Write-up of previous year's write-down	3,476	0
Dividend on shares in subsidiaries	7,411	2,778
Group contributions received	0	41,600
	<b>9,210</b>	<b>38,133</b>

## C. NOTES TO THE BALANCE SHEET

### 13. Fixed assets

Fixed assets are depreciated according to plan over their estimated economic lifetime. The following depreciation rates have been used:

Improvement expenses to others' property	20% per year	based on acquisition value
Equipment	20% per year	based on acquisition value
Leased equipment	17% per year	based on acquisition value
Consolidated goodwill	10% per year	based on acquisition value

Consolidated goodwill is depreciated according to a plan drawn up individually each time an acquisition is made. Personal computers purchased as development tools for consultants are estimated to have a shorter economic life-time than three years and are therefore booked as expenses under short-term equipment. Purchases of such computers have been made in the Parent Company for a total of SEK 0 (0) and in the Group for SEK 1,314 (2,800) thousand.

14. Improvement expenses for others' property, the Group (SEK thousand)	31 Dec. 2002	31 Dec. 2001
Acquisition value		
Opening acquisition value	6,356	6,271
Acquisition value acquired	259	0
Purchases for the year	1,048	39
Translation difference, overseas subsidiaries	35	46
Closing acquisition value	7,698	6,356
Depreciation according to plan		
Opening depreciation according to plan	- 2,557	- 1,267
Depreciation according to plan, acquired	- 155	0
Depreciation for the year according to plan	- 1,420	- 1,266
Translation difference, overseas subsidiaries	- 56	- 24
Closing depreciation according to plan	- 4,188	- 2,557
<b>Closing residual value according to plan for remaining improvement expenses to others' property</b>	<b>3,510</b>	<b>3,799</b>

	2002		2001	
	Group	Parent Company	Group	Parent Company
<b>15. Equipment (SEK thousand)</b>				
Acquisition value				
Opening acquisition value	11,785	164	10,679	85
Acquisition value acquired	1,216	0	0	0
Purchases for the year	1,583	41	1,252	79
Disposals for the year	- 171	0	- 255	0
Translation difference, overseas subsidiaries	- 9	-	109	-
Closing acquisition value for remaining equipment	14,404	205	11,785	164
Depreciation according to plan				
Opening depreciation	- 6,871	- 62	- 5,122	- 37
Depreciation according to plan, acquired	- 656	0	0	0
Minus depreciation of scrapped equipment	56	0	124	0
Depreciation for the year for remaining equipment	- 2,042	- 28	- 1,825	- 25
Translation difference, overseas subsidiaries	- 112	-	- 48	-
Closing depreciation according to plan for remaining equipment	- 9,625	- 90	- 6,871	- 62
<b>Closing residual value according to plan for remaining equipment</b>	<b>4,779</b>	<b>115</b>	<b>4,914</b>	<b>102</b>

<b>16. Leased equipment, the Group (SEK thousand)</b>	<b>31 Dec. 2002</b>	<b>31 Dec. 2001</b>
Acquisition value		
Opening acquisition value	13,821	10,898
Purchases for the year	3,115	6,725
Sales for the year	-4,075	-3,802
Closing acquisition value for remaining leased equipment	12,861	13,821
Depreciation according to plan		
Opening depreciation	-3,187	-2,851
Minus depreciation of sold leased equipment	1,169	1,559
Depreciation for the year for remaining leased equipment	-1,999	-1,895
Closing depreciation according to plan for remaining leased equipment	-4,017	-3,187
<b>Closing residual value according to plan for remaining leased equipment</b>	<b>8,844</b>	<b>10,634</b>

The Group's leased equipment was acquired via financial leasing.

Group's work premises are leased on market terms.

The company provides personal computers for the employees. These computers are leased on market terms.

<b>17. Goodwill, the Group (SEK thousand)</b>	<b>31 Dec. 2002</b>	<b>31 Dec. 2001</b>
Acquisition value		
Opening acquisition value	116,508	104,621
Translation difference, overseas subsidiaries	-1,770	9,733
Acquisitions for the year	91,114	2,154
Closing acquisition value of remaining goodwill	205,852	116,508
Amortization according to plan		
Opening amortization	-19,045	-6,778
Translation difference, overseas subsidiaries	217	-753
Amortization for the year of remaining goodwill	-18,349	-11,514
Closing amortization according to plan of remaining goodwill	-37,177	-19,045
<b>Closing residual value according to plan of remaining goodwill</b>	<b>168,675</b>	<b>97,463</b>

<b>18. Shares in subsidiaries</b>		Registered office	No. of shares	Share of capital	Book value (SEK thousand)
	Corporate ID no.				
HiQ Approve AB	556443-8736	Lidingo	1,000	100%	215
HiQ Data AB	556506-5819	Stockholm	1,000	100%	1,303
HiQ Väst AB	556534-5336	Lidingo	1,000	100%	600
HiQ A/S	979818823	Oslo	31,500	100%	210
HiQ Open AB	556244-6384	Gothenburg	1,000	100%	44,798
HiQ Wise A/S	245,526	Brøndby	1,000	100%	63,836
HiQ East Oy	1608545-9	Helsinki	500	100%	70
HiQ Softplan Oy	0648086-9	Espoo	1,000	100%	128,193
HiQ Skåne AB	556628-0136	Lund	1,000	100%	100
					<b>239,325</b>

	31 Dec. 2002	31 Dec. 2001
Opening acquisition value	118,285	115,722
Winding up of subsidiary during the year	–	– 2,999
Acquisitions for the year	128,793	5,562
Closing acquisition value of shares in subsidiaries	247,078	118,285
Write-downs		
Opening write-downs	–7,753	– 4,277
Write-downs for the year of remaining shares in subsidiaries	0	– 3,476
Closing write-downs of remaining shares in subsidiaries	–7,753	– 7,753
<b>Closing book value of shares in subsidiaries</b>	<b>239,325</b>	<b>110,532</b>

	2002		2001	
<b>19. Shares and participation (SEK thousand)</b>	Group	Parent Company	Group	Parent Company
Acquisition value				
Opening acquisition value	421	401	243	223
Purchases for the year	8,493	0	178	178
Closing acquisition value of shares and participation	8,914	401	421	401
Write-downs				
Opening write-downs	– 401	– 401	– 200	– 200
Write-downs for the year of remaining shares and participation	0	0	– 201	– 201
Closing write-downs of remaining shares and participation	– 401	– 401	– 401	– 401
<b>Closing write-downs of remaining shares and participation</b>	<b>8,513</b>	<b>0</b>	<b>20</b>	<b>0</b>

	2002		2001	
<b>20. Deferred taxes, (SEK thousand)</b>	Group	Parent Company	Group	Parent Company
Deferred tax receivables				
Write-down of accounts receivable	0	0	540	0
Deficit deduction	4,878	339	2,586	0
Fixed assets	730	0	456	0
	<b>5,608</b>	<b>339</b>	<b>3,582</b>	<b>0</b>
Deferred tax liabilities				
Untaxed reserves	15,004	0	15,283	0
	<b>15,004</b>	<b>0</b>	<b>15,283</b>	<b>0</b>

<b>21. Other long-term receivables, the Group (SEK thousand)</b>	31 Dec. 2002	31 Dec. 2001
Acquisition value		
Opening acquisition value	690	52
Acquisitions for the year	707	661
Amortisations for the year	- 49	- 23
<b>Closing acquisition value of remaining long-term receivables</b>	<b>1,348</b>	<b>690</b>

	31 Dec. 2002		31 Dec. 2001	
<b>22. Other receivables</b>	Group	Parent Company	Group	Parent Company
Prepaid tax included	18,011	14,464	0	0

<b>23. Large accrual items, Group (SEK thousand)</b>	31 Dec. 2002	31 Dec. 2001
Prepaid expenses and accrued income		
Other accruals and deferrals	6,136	5,446
Service assignments not yet invoiced	22,422	33,003
	<b>28,558</b>	<b>38,449</b>

<b>24. Current investments, the Parent Company (SEK thousand)</b>	No. of participation	Market value	Book value
Trevise SSVX fond	13,024,76	13,760	13,760

#### **25. Cash and bank balances, the Parent Company**

There is an unutilised overdraft facility of SEK 10,000,000 (SEK 10,000,000).

<b>26. Shareholders' equity (SEK thousand)</b>	31 Dec. 2002			31 Dec. 2001	
Share capital	Shares	Votes		Shares	Votes
No. of shares and votes	46,843,599	46,843,599		43,526,398	43,526,398
THE PARENT COMPANY	Share capital	Share premium reserve	Statutory reserve	Profit carried forward	Profit for the year
Change in shareholders' equity for the year					
Amount at the start of the year	4,353	134,079	20	17,516	16,866
Appropriation of the previous year's profits:					
Dividends				- 4,612	- 16,866
Group contribution made				- 5,400	
New share issue in connection with acquisition	298	47,016			
New share issue in connection with redemption of warrants	33	3,945			
Warrant premiums		1			
Profit for the year					6,990
<b>Amount at the end of the year</b>	<b>4,684</b>	<b>185,040</b>	<b>20</b>	<b>7,505</b>	<b>6,990</b>
THE GROUP	Share capital	Restricted reserves	Non-restricted reserves and profit for the year		
Change in shareholders' equity for the year					
Amount at the start of the year	4,353	180,344			54,282
Appropriation of the previous year's profits:					
Dividends					- 21,478
New share issue in connection with acquisition	298	47,017			
New share issue in connection with the redemption of warrants and warrant premiums	33	3,945			
Exchange rate difference when converting foreign subsidiaries			- 443		
Transfer to restricted reserves			- 2,414		2,414
Profit for the year					- 24,535
<b>Amount at the end of the year</b>	<b>4,684</b>	<b>228,449</b>			<b>10,683</b>



## 27. Share programmes for employees

During 2002 the company implemented a share program aimed at employees in the Group by issuing three subordinated debentures for a total nominal value of SEK 863 with 863,000 detachable warrants. Each warrant entitles the holder to subscribe to one share in the company. The share program is divided into three time periods. The term of these warrants is two years and they entitle the holder to subscribe for shares during the last month of the second year for each program. Funds received from the sale of warrants from the Parent Company to the subsidiary HiQ Data AB amount to SEK 0 million and have been allocated to the share premium reserve. Funds received from the sale of warrants to the employees amounts to SEK 0.6 million.

28. Untaxed reserves (SEK thousand)	31 Dec. 2002	31 Dec. 2001
THE PARENT COMPANY		
Tax allocation reserve for the 1998 fiscal year	3,589	3,589
Tax allocation reserve for the 1999 fiscal year	5,135	5,135
Tax allocation reserve for the 2000 fiscal year	5,439	5,439
Tax allocation reserve for the 2001 fiscal year	10,257	10,257
Tax allocation reserve for the 2002 fiscal year	8,911	8,911
	<b>33,331</b>	<b>33,331</b>

29. Other provisions, Group (SEK thousand)	31 Dec. 2002	31 Dec. 2001
Restructuring costs	8,000	0

30. Long-term liabilities (SEK thousand)	31 Dec. 2002		31 Dec. 2001	
	Group	Parent Company	Group	Parent Company
All liabilities fall due for payment between two and five years after the balance sheet date				
Liability, financial leasing	6.844	0	8.739	0
Liability, subsidiary	–	36.897	–	0

## 31. Benefits for senior executives

Salaries and remuneration, for the CEO in 2002 amounted to SEK 1,513 thousand, the variable part of which is SEK 0. The pension premium amounted to SEK 277 thousand. Social security contributions amounted to SEK 564 thousand. During the year the CEO acquired 16,000 warrants in compliance with the terms and conditions approved by the Annual General Meeting in 2002. The market value for these warrants at the time of allotment amounted to SEK 46 thousand. The CEO paid an acquisition price of SEK 23 thousand for the warrants for a benefit of SEK 23 thousand. The CEO's employment terms stipulate a period of notice of six months if notice is given by the Company, during which period salary and other benefits are payable at a level that cannot be changed. The CEO is also entitled to severance pay corresponding to six months' remuneration. If the CEO resigns, salary and other benefits are payable for six months after the resignation is received.

The other Directors were paid SEK 550 thousand; SEK 150,000 of this amount was paid to the Chairman of the Board.

Eight other senior executives received salary and reimbursement during 2002 amounting to SEK 7,182 thousand, the variable part of which amounts to SEK 48 thousand. Social security contributions amounted to SEK 2,144 thousand. The variable part is based on profitability. The pension premium amounted to SEK 1,779 thousand. During the year other senior executives acquired 29,000 warrants in compliance with the terms and conditions approved by the Annual General Meeting during 2002. The market value for these warrants at the time of allotment amounted to SEK 74 thousand. These warrants were acquired for SEK 25 thousand, which entailed a benefit of SEK 48 thousand.

Other senior executives have a mutual term of notice of 3-6 months and in most cases they are entitled to severance pay equivalent to 3-12 months on notice given by the Company.

**D. NOTES TO THE CASH FLOW STATEMENT (SEK thousand)**

	Group		Parent Company	
<b>32. Interest paid and dividends received</b>	2002	2001	2002	2001
Dividends received	2,713	2,587	5,162	5,365
Interest received	1,196	1,531	530	691
Interest paid	- 687	- 671	- 1,117	- 50

	Group		Parent Company	
<b>33. Adjustments to items not included in the cash flow, etc.</b>	2002	2001	2002	2001
Anticipated dividend from subsidiary	-	-	0	0
Depreciation and write-downs of assets	23,810	17,045	- 1,771	3,702
Profit/loss from winding up subsidiaries	-	-	0	2,769
Provisions and allocations	16,077	0	0	0
	<b>39,887</b>	<b>17,045</b>	<b>- 1,771</b>	<b>6,471</b>

	Group		Parent Company	
<b>34. Transactions not leading to payments</b>	2002	2001	2002	2001
Acquisition of assets through financial leasing	209	4,482	0	0
Acquisition of operations through non-cash issue	47,315	0	47,315	0

	Group		Parent Company	
<b>35. Acquisition and disposal of subsidiaries and other business units</b>	2002	2001	2002	2001
Acquired assets and liabilities:				
Intangible fixed assets	89,794	0	-	-
Tangible fixed assets	10,148	0	-	-
Financial fixed assets	0	0	-	-
Current receivables	7,003	0	-	-
Liquid assets	28,245	0	-	-
<b>Total assets</b>	<b>135,190</b>	<b>0</b>	<b>-</b>	<b>-</b>
Provisions	584	0	-	-
Current liabilities	6,545	0	-	-
<b>Total liabilities and provisions</b>	<b>7,129</b>	<b>0</b>	<b>-</b>	<b>-</b>
Purchase sum	128,293	0	128,293	0
Additional purchase sum paid	0	2,085	0	2,085
Winding up of subsidiaries	0	0	0	- 230
Minus: Non-cash issue	47,315	0	47,315	0
<b>Purchase sum paid</b>	<b>80,978</b>	<b>2,085</b>	<b>80,978</b>	<b>1,855</b>
Minus: Liquid assets of the acquired units	28,245	0	-	-
<b>Impact on liquid assets</b>	<b>52,733</b>	<b>2,085</b>	<b>80,978</b>	<b>1,855</b>

36. Liquid assets (SEK thousand)	Group		Parent Company	
	2002	2001	2002	2001
The following items are included in liquid assets:				
Cash and bank balances	33,337	31,372	11,620	2,698
Current investments, equivalent to liquid assets	13,760	102,258	13,760	102,258
<b>Total liquid assets</b>	<b>47,097</b>	<b>133,630</b>	<b>25,380</b>	<b>104,956</b>

The above-mentioned items have been classified as liquid assets based on the following:

- They carry no significant risk of value fluctuation.
- They can easily be converted into cash.
- They have a tenor of a maximum of 3 months from the date of acquisition.

Stockholm, 27 March 2003

*Ken Gerhardsen*

*Hans Karlsson*  
Chairman

*Carl Bildt*

*Per Östlund*

*Anna-Karin Hansson*

*Anders Ljungh*

*Lars Stugemo*  
President and CEO

*Tomas Täuber*

Our Auditors' Report for this annual report was submitted on March 27 2003.

*Stephan Tolstoy*  
Authorised Public Accountant

*Tomas Johansson*  
Authorised Public Accountant

## The Board of Directors



**1. Hans Karlsson**, born 1950. M.Sc. Engineering, the Royal Institute of Technology, Stockholm. Chairman of the Board, board member since 1992. Other assignments: Member of the boards of NeoNet Holding AB and TMT One AB. Holdings in HiQ: 2,774,870 shares.

**2. Carl Bildt**, born 1949. Board member since 2000. Member of the Swedish Parliament 1979 - 2001, party leader for the Moderate Party (Moderaterna) 1986 - 1999 and Prime Minister 1991 - 1994. International assignment as High Representative for the Peace Implementation in Bosnia and Special Envoy of the Secretary-General of the UN for the Balkans. Initiator and Chairman of the IT Commission 1994. Chairman of Nordic Venture Network. Member of the Board of the RAND Corporation in the United States. Other assignments: Member of the boards of KREAB, Öhmans, Lundin Petroleum and Vostok Nafta. Chairman of the Board of Teleoptimering AB. Holdings in HiQ: 1,000 call options.

**3. Ken Gerhardsen**, born 1952. M.Sc. Engineering, Linköping Institute of Technology. Board member since 1995. President and CEO of HiQ International AB until February 2, 2000. Holdings in HiQ: 1,732,299 shares, 22,000 warrants.

**4. Anna-Karin Hansson**, born 1963. M.Sc. Engineering, The Royal Institute of Technology, Stockholm. Board member since 1998, staff representative, consultant. Holdings in HiQ: 10,000 shares, 12,100 warrants.

**5. Anders Ljungh**, born 1942. Ph.D. Technology, The Royal Institute of Technology, Stockholm. Business Administration Graduate, Stockholm School of Economics. Board member since 2001. Morgan Stanley Senior Advisor 1996-2001. European Bank for Reconstruction and Development CFO 1991-1994. Head of Handelsbanken's Overseas Department 1975 - 1990. World Bank 1969-75. Other assignments: Member of the boards of Carnegie, Banque Carnegie Luxembourg, and SAS International Hotels. Chairman of the board of Growth Partner Ltd and Elinbolagen. Member of Save the Children's Ethical Council. Holdings in HiQ: 10,000 shares.

**6. Lars Stugemo**, born 1961. M.Sc. Electrical Engineering, The Royal Institute of Technology, Stockholm. Board member since 1996. President and Chief Executive Officer since Feb. 2, 2000. Holdings in HiQ: 1,106,500 shares, 25,000 warrants.

**7. Tomas Täuber**, born 1967. M.Sc. Engineering, Linköping Institute of Technology. Board member since 1998, staff representative, consultant. Holdings in HiQ: 21,550 shares, 7,000 warrants.

**8. Per Östlund**, born 1954. Business Administration Graduate, Uppsala University. Board member since 1998. Managing Director of Per Östlund Affärsutveckling AB. Other assignments: Chairman of the board of Gotlandsbrödet AB, G.A.D. AB, Blåeld Fastighets AB and ImCode Partner AB. Member of the boards of Awetek AB. Holdings in HiQ: 100,000 shares.

### Board of Directors

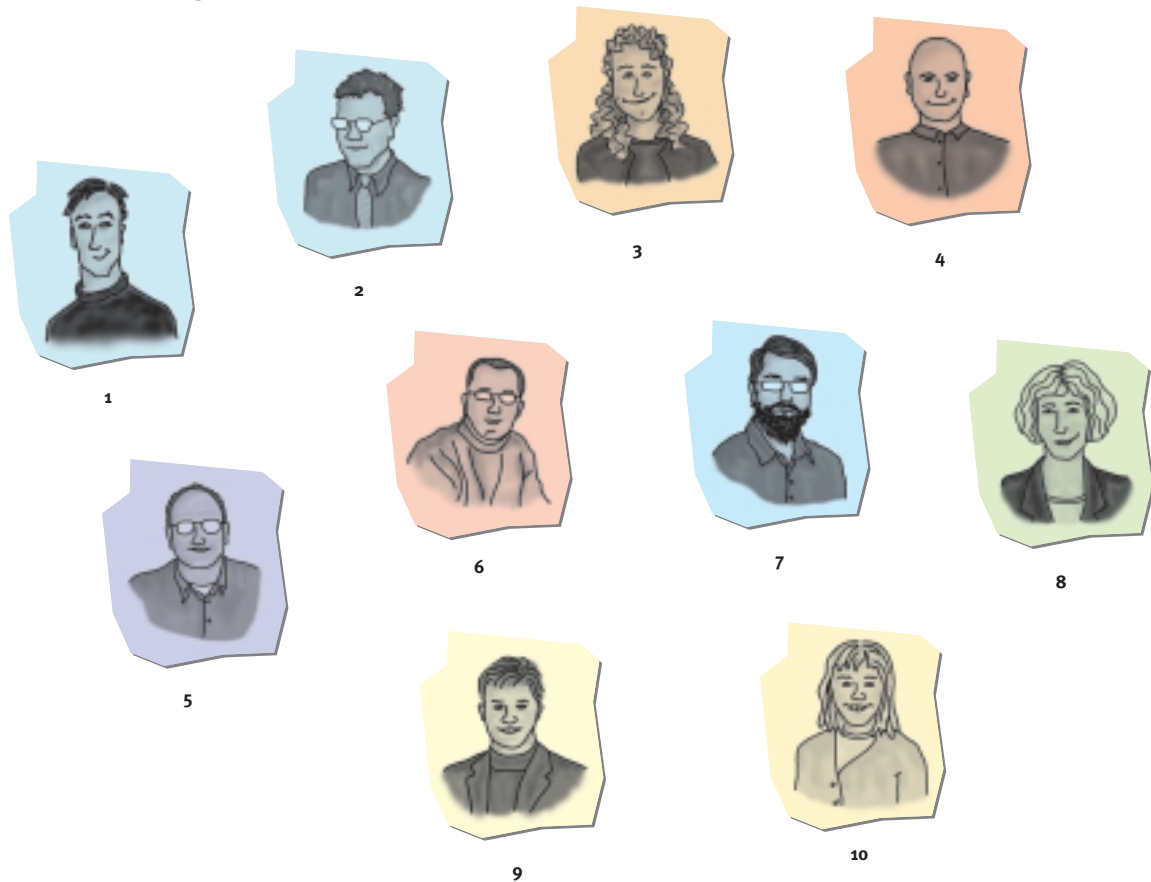
During the 2002 financial year, HiQ's Board of Directors consisted of six members and two staff representatives. All directors were re-elected at the Annual General Meeting on May 2, 2002. Board members were nominated in advance of the AGM after consultations with the principal shareholders. The composition of the Board of Directors is based on a good balance between business skills and expertise, key competencies in international economics and policy, as well as experience in the industrial sector. Entrepreneurs are represented by Hans Karlsson, Ken Gerhardsen, Lars Stugemo and Per Östlund. Karlsson, Gerhardsen and Stugemo are all founders of HiQ. Hans Karlsson is also one of the founders of the listed company NeoNet AB. Anders Ljungh and Carl Bildt both have key competencies in international economics and policy. All six directors have extensive experience in the industry in sectors such as banking and finance, IT, and telecoms, which benefits HiQ as a company because the Group works in these specific markets. Staff representatives Anna-Karin Hansson and Tomas Täuber contribute with both knowledge of the sector and experience as consultants.

### AUDITORS

**Tomas Johansson**, born 1957. Authorized public accountant, Trevision KB. Auditor for HiQ since 1996.

**Stephan Tolstoy**, born 1940. Authorized public accountant, Öhrlings PricewaterhouseCoopers AB. Auditor for HiQ since 1998.

## Management



**1. Lars Stugemo**, born 1961. President and CEO of HiQ International AB since February 2, 2000. M.Sc. Electrical Engineering, the Royal Institute of Technology, Stockholm 1986. Employed since March 1995. Previous positions: Managing Director of HiQ Data AB 1998-99, Managing Director of Communicator Infotech AB 1994 - 95, consultant and account manager at Enator Teknik AB 1987 - 94. Holdings in HiQ: 1,106,500 shares, 25,000 warrants.

**2. Fredrik Malm**, born 1974. CFO HiQ International AB since February 2003. M.Sc. Business and Economics, Stockholm School of Economics, 1997. Employed since 2002. Previous positions: Corporate Finance, Enskilda Securities 2000-2002. Corporate Finance, Nordea Securities 1997-00. Holdings in HiQ: 8,000 warrants.

**3. Anna Svensson**, born 1973. CIO and Investor Relations Manager at HiQ International AB. Master of European Affairs, Lund University 1998. Employed since 1999. Previous positions: Consular Officer, British Embassy 1998. Holdings in HiQ: 5,000 shares, 8,500 warrants.

**4. Patrik Boman**, born 1964. Managing Director of HiQ Data AB. Business Administration Graduate, Stockholm University 1990. Employed since 1998. Previous positions: Head of HiQ Telecom and HiQ Business Consulting 1998 - 1999, Manager of Voice Projects Europe and Regional Manager Data Projects Nordics AT&T Unisource 1996 - 1998, Senior Project Manager AT&T Unisource 1995 - 96, Product Marketing Manager Telia AB 1993 - 1995, Key Account Manager Telia Finans AB 1990-1993. Holdings in HiQ: 100,000 shares, 19,000 warrants.

**5. Peter Caap**, born 1954. Managing Director of HiQ Approve AB. M.Sc. Aeronautical and Mechanical Engineering, University of California 1984. Employed since 2000. Previous positions: Unit manager Flight Systems, Aeronautical Research Institute of Sweden 1994-2000. Project manager and section manager, Saab 1988-1994. Holdings in HiQ: 500 shares, 4,200 warrants.

**6. Gilbert Jensen**, born 1961. Managing Director of HiQ Wise A/S. M.Sc. Engineering, Technical University of Denmark. Previous positions: Managing Director of WISE Network 1998-2000, Head of Sales and marketing at Datakomm 1996 - 1998, Account manager at LiCenergy 1993 - 1996, Support Consultant at AVS/Uniras 1992 - 93, Presales Consultant at Data General 1991 - 92, system developer and programmer at Dansk Data Elektronik 1987 - 1991. Holdings in HiQ: 186,420 shares, 4,500 warrants.

**7. Pekka Neva**, born 1960. Managing Director of HiQ Softplan Oy. M.Sc. Technology, Helsinki University of Technology. Employed since 1990. Previous positions: Project manager Oy Softplan Ab 1981-90. Holdings in HiQ: 349,751 shares, 14,000 warrants.

**8. Heléne Samuelsson**, born 1959. Site manager HiQ Väst AB. M.Sc. Engineering and Business Management, Linköping Institute of Technology 1983. Employed since 1999. Previous positions: Business area manager Telia Nära AB 1996-99, Strategic business developer in mobile communications Telia Mobitel AB 1985-95. Holdings in HiQ: 5,000 shares, 6,200 warrants.

**9. Bernt Sjögren**, born 1955. Managing Director of HiQ Open AB. M.Sc. Engineering, Chalmers University of Technology. Previous positions: Managing Director of Sigma AB 1996-97, Managing Director of Sigma Product Development 1990-96, Department manager and account manager Sigma PD 1986-90, Freelance consultant in systems development 1978-1986. Holdings in HiQ: 10,000 shares, 4,000 warrants.

**10. Anna Jennehov**, born 1964. CFO of HiQ International AB 2000- February 2003; maternity leave after that. B.Sc. Economics, Stockholm University 1990. Employed since 1998. Previous positions: Producer and Financial Officer, Cirkus Cirkör 1996-98, Producer and Marketing Manager, Fria Teatern 1992-96, Business Administrator, Econtive Hotel & Restaurant 1990-92. Holdings in HiQ: 8,000 shares, 12,000 warrants.

## Organisation

HiQ's operations are currently organized into seven subsidiaries with a total of 432 employees at the end of the year: HiQ Data AB in Stockholm, HiQ Approve AB in Arboga, HiQ Väst AB and HiQ Open AB in Gothenburg, HiQ Skåne AB in Lund, HiQ Wise A/S in Copenhagen, Denmark, and HiQ Softplan Oy in Espoo, Finland. As of December 31, 2002, 8 employees were employed by HiQ A/S in Oslo. This office has now been closed down.

- HiQ Data AB** (founded in 1995) – systems development and management consulting in telecoms, finance & insurance, motor vehicles, defence, medicine & biotechnology, industry & energy and public authorities. Specialized in interoperability tests for mobile terminals.
- HiQ Approve AB** (founded in 1992) – systems development and integration of different types of training simulators for aviation and military defence purposes. Specialized in modelling and simulation.
- HiQ Väst AB** (founded in 1998) – systems development and management consulting in telecoms, motor vehicles, medicine & biotechnology, public authorities. Specialized in IT in vehicles & telematics.
- HiQ Open AB** (acquired in 2000) – systems development in telecoms, motor vehicles, and medicine & biotechnology. Specialized in SMS applications.
- HiQ Skåne AB** (founded in 2002) – systems development in telecoms, medicine & biotechnology, and industry & energy. Specialized in testing and verification of mobile platforms.
- HiQ Wise A/S** (acquired in 2000) – systems development and management consulting in telecoms, medicine & biotechnology, and industry & energy. Specialized in development and testing of mobile terminals.
- HiQ Softplan Oy** (acquired in 2002) – systems development in telecoms, entertainment & gaming and public authorities. Specialized in developing online gaming platforms.



## Auditors' report

### **To the Annual General Meeting of HiQ International AB (publ) Corporate Identity No. 556529-3205**

We have audited the annual accounts, the consolidated accounts, the accounting records, and the administration of the Board of Directors and the President of HiQ International AB (publ) for 2002. These accounts and the administration of the company are the responsibility of the Board of Directors and the President. Our responsibility is to express an opinion about the annual accounts, the consolidated accounts and the administration on the basis of our audit.

We conducted the audit in accordance with generally accepted auditing standards in Sweden. These standards require that we plan and perform the audit to obtain reasonable assurance that the annual and consolidated accounts are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the President, as well as evaluating the overall presentation of information in the annual and consolidated accounts. We examined significant decisions and actions as well as the circumstances of the Company in order to be able to determine the liability, if any, to the Company of any Board Member or the President, as well as whether they have in any other way acted in contravention of the Swedish Companies Act, the Swedish Annual Accounts Act, or the Articles of Association. We believe that our audit provides a reasonable basis for our opinions as set out below.

The annual accounts and consolidated accounts have been drawn up in accordance with the Swedish Annual Accounts Act, and therefore provide an accurate picture of the Company's and the Group's results and financial status in accordance with generally accepted auditing standards in Sweden.

We therefore recommend that the Annual General Meeting should adopt the income statements and balance sheets of the Parent Company and the Group, and that the profit of the Parent Company be dealt with in accordance with the proposal in the Directors' Report. We also recommend that the members of the Board of Directors and the President be discharged from liability for the financial year.

Stockholm March 27, 2003

*Stephan Tolstoy*

Authorized public accountant  
Öhrlings PricewaterhouseCoopers

*Tomas Johansson*

Authorized public accountant  
Trevison KB

## Definitions of key ratios

<b>Operating profit/loss before goodwill</b>	Operating profit/loss before goodwill depreciation and items affecting comparability
<b>Gross margin:</b>	Operating profit/loss before items affecting comparability after reversal of depreciation as a percentage of net sales.
<b>Operating margin before goodwill:</b>	Operating profit/loss before items affecting comparability after reversal of goodwill amortization as a percentage of net sales.
<b>Operating margin:</b>	Operating profit/loss before items affecting comparability as a percentage of net sales.
<b>Working capital:</b>	Balance sheet total with deductions for non interest-bearing provisions and liabilities, as well as deduction for liquid assets and other interest-bearing assets.
<b>Return on shareholders' equity:</b>	Profit/loss after tax in relation to the average of the opening and closing shareholders' equity.
<b>Return on working capital:</b>	Operating profit/loss before items affecting comparability in relation to the average of the opening and closing working capital.
<b>Net sales per employee:</b>	Net sales in relation to the average of number of employees.
<b>Added value:</b>	Operating profit/loss plus salary expenses, including social security contributions and pension expenses.
<b>Added value per employee:</b>	Added value in relation to the average number of employees.
<b>Operating profit per employee:</b>	Operating profit/loss before items affecting comparability in relation to the average number of employees.
<b>Average number of employees:</b>	Average number of employees during the year, recalculated as full-year positions.
<b>Equity/assets ratio:</b>	Closing shareholders' equity as a percentage of the closing balance sheet total.
<b>Direct yield:</b>	Proposed dividend as a percentage of the share price applying at the end of the financial year.
<b>Earnings/share:</b>	Proposed dividend as a percentage of the share price applying at the end of the financial year.



## Technical glossary

**ADSL** – Asymmetric Digital Subscriber Line. Technology for transferring digital information at high speed via the existing telephone network. The data signal is transmitted over existing telephone lines using spare capacity that is not needed for voice transmission, which means that telephones can be used as usual. Member of the xDSL family.

**ASAP** – As Soon As Possible.

**ASP** – Application Service Provider: A company that provides software services via a network like the Internet, where the services are run on servers at the ASP company and not from the client's premises.

**ASP** – Active Server Pages, a scripting language that generates Web pages from a template held on a server instead of on the recipient's computer.

**Billing** – Invoicing of services.

**Bluetooth** – The name of a collaboration within the organization Mobile Data Initiative. Technology for wireless communication with the purpose of enabling units to communicate wirelessly with one another from a short distance, about 10 m. The name is said to come from the Viking chief Harald Blåtand.

**Broadband** – A collective term for high-speed Internet connection, regardless of method. Transmission speeds of 2 Mbps or higher are usually considered to be broadband.

**CDMA** – Code Division Multiple Access, technique for digital transmission of radio signals that is based on all mobile telephones transmitting across the entire spectrum and being tagged by a special frequency code. CDMA is an alternative to TDMA and is used in the mobile telephony standard IS-95 which is commonly found in the United States and Asia.

**COTS** – Commercial off the Shelf, refers to buying finished products instead of putting them together yourself or having them built.

**EDGE** – Enhanced Data Rates for Global Evolution. A development of the GPRS packet technology for GSM or TDMA, which allows higher transmission speeds, up to a maximum of 384 kbps.

**GPRS** – General Packet Radio Service, a technique for data transmission via mobile telephony. By sending data as packets, a whole channel is not needed since gaps in traffic can be used. The highest transmission speed is said to be 115 kbps, compared with the 9.6 kbps that is possible in GSM networks today.

**GSM** – Global System for Mobile Communications, the European digital mobile telephony standard, which is also available globally.

**GUI** – Graphical User Interface, graphical interface between user and machine (what you see).

**IP** – Internet Protocol. The language that all computers on the Internet use to communicate with each other.

**IP telephony** – Technology for transferring ordinary phone calls via IP.

**IP address or IP number** – All computers on the Internet have a unique IP address.

**IPv6** – Internet Protocol version 6 or IPNG (Internet Protocol Next Generation) is the new protocol that is under development to deal with the explosive growth in the number of Internet users. IPv6 will have a 128-bit address space, unlike the current protocol, IPv4 (IP version 4), which only has a 32 bit address space. This will allow room for additional addresses to be generated.

**ISDN** – Integrated Service Digital Network. Internet connection through the phone lines that is faster than an ordinary modem (64 kbps per line).

**ISP** – Internet Service Provider. Company that provides Internet connection/subscription.

**Java** – Programming language used to create platform-independent applications.

**J2** – Collective name for different versions of Java version 2. Different versions include J2SE, Java Platform Standard Edition; J2EE, Java Platform Enterprise Shipping, which is a complete version; and J2ME, Java Platform Micro Edition, which is used for mobile units.

**LAN** – Local Area Network, refers to a small local network that links computers that are close to one another geographically. The network can be connected to the Internet.

**Matkapuhelin** – Cell phone in Finnish. Puhelin is telephone.

**MMS** – Multimedia Messaging Service, makes it possible to send and receive messages with text, images, audio, and video with a mobile terminal. MMS requires expanded technology compared with SMS. GSM networks have to be modified.

**MP3** – MPEG Layer 3 is a compressed file format for music files that gives a perceived sound quality that is almost on a par with CDs.

**OEM** – Original Equipment Manufacturer, describes the original manufacturer that sells its products, which are then marketed under another company's brand.

**OSS** – Operations Support Systems. System(s) that help operators to monitor problems in their networks.

**PDA** – Personal Digital Assistant. Handheld computer.

**Protocol** – A set of rules for how computers communicate with each other in a network.

**Roaming** – when you use your mobile phone in a network other than your own. For Swedish wireless subscribers, this means that Swedish wireless operators do not build their own networks abroad, but instead they reach agreements with operators that have already built up networks in each country (international roaming).

**Router** – Packet switch for connecting LANs with the ability to control traffic. “To route” means to send by a particular route or path.

**SMS** – Short Message Service, a function in mobile networks that makes it possible for mobile units to send and receive short text messages.

**Support system** – System that supports a main system, e.g., invoicing system, customer care system.

**TCP/IP** – Transmission Control Protocol/Internet Protocol. Protocol used to send messages over IP.

**TDMA** – Time Division Multiple Access, technology for digital transfer of radio signals that is based on using transmission of calls divided by time so that each call is assigned a unique time slot within the same channel. TDMA is used in the GSM mobile telephony standard.

**UMTS** – Universal Mobile Telecommunication System. The name of the third generation standard for mobile telephony.

**WAN** – Wide Area Network. Global network. Computer network that connects computers that are geographically far apart. The opposite of LAN.

**WAP** – Wireless Application Protocol, a standard for transfer of advanced mobile telephony services such as Internet content over various mobile networks e.g., GSM. WAP is available in a growing number of mobile phones and many sites are being built in WAP.

**WCDMA** – Wideband Code Division Multiple Access, technology for digital broadband-based radio communication.

**WLAN** – Wireless Local Area Network, a collective term for local area networks that are based on wireless transmission. WLAN is commonly found in a limited geographic area such as a building or a certain location.

**WiFi** – Wireless Fidelity – stamp that guarantees that WLAN products from different manufacturers work with one another. Many companies, both in Sweden and abroad, are setting up base stations in corporate offices and hotels, which makes surfing by wireless broadband fast and easy for customers with portable computers and pcmia cards.

**XML** – eXtensible Markup Language, a system used to control the presentation of Web pages in a similar way on the Internet.

**xDSL** – Collective name (where x stands for different letters) for a family of technologies, Digital Subscriber Line, for using digital modems on an ordinary telephone line. Family members include ADSL, IDSL, SDSL, HDSL, CDSL, RADSL, and VDSL.

**1G** – First generation mobile telephony, e.g., NMT, Nordic Mobile Technology.

**2G** – Second generation mobile telephony, e.g., GSM, Global System for Mobile communications.

**2.5G** – The step between 2G and 3G is often called 2.5G. Existing 2G networks are now being upgraded with GPRS, MMS, etc., which will therefore permit higher data transmission speeds and more advanced services than the current 2G.

**3G** – Third generation mobile telephony, e.g., WCDMA. Networks are now being implemented that will permit high data transmission speed and advanced services.

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HiQ is an IT and management consulting company focusing on high-tech solutions, with the Nordic region as its home market. HiQ employs more than 400 people at offices in Sweden, Finland and Denmark.

As a specialized service company with expert skills in communications, software development and simulation, we help our customers to increase their competitiveness and profitability.

We develop and test systems, products, and services in the following application areas: telecoms, mobile telephony, training simulators, IT in vehicles & telematics, and online gaming.

We also work with IT solutions for the finance, insurance, public authorities and industry sector.

