



YEAR-END RELEASE 2003 – HiQ INTERNATIONAL AB

(publ), company registration number 556529-3205

Strongly improved profits – higher margin and dividend

- Net sales amount to SEK 403.0 (413.8) million
- Profit before goodwill (EBITA) amount to SEK 33.5 (0.7) million, an increase by SEK 32.8 million. The EBITA-margin amounts to 8.3 (0.2)%
- Profit after tax amount to SEK 4.0 (-24.5) million, an increase by SEK 28.5 million.
- Earnings per share amount to SEK 0.09 (-0.54), an increase by SEK 0.63.
- Liquid assets amount to SEK 107.0 (47.1) million, an increase by SEK 59.9 million
- The Board proposes the AGM a dividend of SEK 0.45 per share, totalling SEK 21 million

2003 in brief

In 2003 HiQ delivers strongly improved profits and higher margins. During the year HiQ has developed its cooperation with key clients, gained market shares and strengthened its financial position. Liquid assets have increased by SEK 59.9 million to SEK 107.0 million and the Board is proposing a dividend to the AGM of SEK 0.45 per share.

A number of positive signals have been seen in telecoms in the form of an increased propensity to invest. Development and testing of advanced mobile terminals increased in 2003 to around 30% of our net sales. HiQ has conducted new business within the gaming sector with both Nordic and international clients. In defence we have intensified sales of new types of assignment with new clients on the basis of major new framework agreements. This has resulted in a widening of the client base. In 2003 HiQ received an order from Lockheed Martin for the evaluation of a simulation system for the Joint Strike Fighter Aircraft. HiQ received new orders worth SEK 52 million in total from the Swedish Defence Materiel Administration (FMV) for the development of training simulators.

Framework agreements were very important in 2003, with around 80% of HiQ's sales made to clients with framework agreements. In 2003 HiQ signed framework agreements with Ericsson, FMV, the Swedish Emergency Management Agency, the Swedish National Post and Telecom Agency and Vodafone, among others.

For HiQ, the Gothenburg and Stockholm markets have stabilised in 2003 and we have gained market share. The Öresund region saw good development, with around 70 consultants now working in the region. HiQ's Finnish company developed well during the year, winning good new business within all market segments.

On 1 February 2004, HiQ moved its head office to new premises at Mäster Samuelsgatan 17 in Stockholm. In conjunction with the signing of the lease in the fourth quarter HiQ received a liquidity injection of around SEK 15 million which has no effect on profits in 2003. It is estimated that the new lease will save around SEK 1 million per year.

Since January 2004 HiQ is qualified for the Attract 40 list of Stockholmsbörsen, the Swedish stock exchange.

HiQ is a IT- and management consult company that focuses 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 its domestic market. HiQ employs around 400 people at offices in Sweden, Finland and Denmark. HiQ is listed on Stockholmsbörsen's Attract 40 list. For more information, please visit www.hiq.se.



The market

Technology is continuing to develop at an undiminished pace, despite the current economic fluctuations. HiQ is active in that part of the IT market that is characterised by a high technology content and continual development. The common denominator of HiQ's clients is that their business is often dependent on rapid technological development and advanced tailor-made technical systems.

The market has stabilised during the year. Clients are focusing on cost control and efficiency improvements, but are also starting to consider investments aimed at improving revenue. Positive signals can be seen in several sectors, such as telecoms where there is a need for investment in both new and existing systems as well as continued product development.

There is an increasing need to integrate new and existing tailor-made systems in order to secure investments that have already been made, while at the same time there are increasing demands for new products to be launched. High technological complexity is contributing to increased demand for specialist solutions in development, testing and simulation.

The market for IT and telecoms-related services remains competitive, with companies still being forced out. This is bringing demand and supply more into equilibrium. Clients are choosing to work with suppliers with good references and financial stability, and as a result framework agreements continue to be of great importance.

Development of market segments

The telecoms sector continues to develop through structural adjustment, consolidation among operators and the transition to third-generation mobile telephony. Signs of recovery are noticeable in the telecoms sector

and above all in the operator segment, where there is a need for continued investment. 3G has now been launched and is a market which HiQ is involved in developing together with suppliers, operators and users. Development and testing of advanced mobile terminals increased in 2003 to around 30% of our net sales. Expertise in telecoms is now in demand from more and more sectors in which HiQ is active.

At the end of year turnover from defence is evenly split between development of training simulators and new business within platforms and network-based defence. In total, HiQ decreases its exposure towards the defence sector. The use of civil technology is increasing within areas such as security, emergency services and traditional defence. On the basis of new framework agreements with FMV we have intensified sales of new types of assignment with new clients during the year. This has resulted in a widening of sales to the defence segment.

The gaming industry is technology-intensive and competition is increasing as new players challenge the established ones. Interest in Internet gaming is increasing, while at the same time the trend in gaming is a convergence with entertainment. IT is an obvious competitive tool in the battle for customers. Gaming (including computer gaming, lotteries and sports betting) and entertainment are now of increasing importance for both traditional telecoms players and content providers. This development is being made possible by new technology and bandwidth for games as well as terminals. Platforms and new technology for lotteries and sports betting represent a market that HiQ is involved in developing together with clients in a number of countries.

The majority of the sectors in which HiQ is active have been characterised in 2003 by increased use of communication and cautious

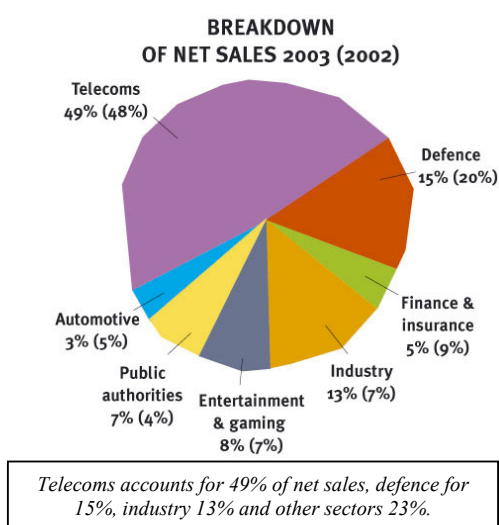


optimism concerning new investments. In manufacturing and pharmaceutical industry there is now a greater need for telecoms expertise, testing and simulation. The financial sector has been characterised in 2003 by a low willingness to invest.

HiQ in 2003

In 2003 HiQ delivers strongly improved profits and higher margins. HiQ has developed its cooperation with key clients, gained market shares and strengthened its financial position. Liquid assets have increased by SEK 59.9 million to SEK 107.0 million and the Board is proposing a dividend to the AGM of SEK 0.45 per share.

HiQ's net sales for the year are divided between the following market sectors:



Approximately two-thirds of sales were generated by HiQ's ten largest clients. The share of projects in which HiQ has the overall responsibility has increased year on year and comprises around 50%. Clients with framework agreements generated approximately 80% of sales. Approximately 25% of sales were generated by operations outside Sweden.

Prices and utilisation rates have stabilised during the year.

A clear trend is that that our clients are using fewer quality suppliers that are given a larger responsibility. As a consequence, HiQ is increasing the use of sub-contractors in 2003.

Invoicing and profit

HiQ's net sales amounted to SEK 403.0 (413.8) million. Profit before goodwill (EBITA) was SEK 33.5 (0.7) million, equivalent to a margin of 8.3 (0.2) %. Operating profit (EBIT) was SEK 12.9 (-17.7) million, which corresponds to a margin of 3.2 (-4.3) %.

Consolidated net financial items for the period amounted to SEK 1.7 (2.1) million. The pre-tax profit (PTP) was SEK 14.6 (-21.3) million.

Employees

At the end of the period HiQ had 381 (432) employees, of whom 351 (406) are active staff.

The reduction in 2003 is due to cuts decided on and implemented in 2002 in order to adapt to the market situation at that time.

Recruitment is under way in several regions.

Investments

The Group's net investments during the period were SEK -1.8 million. Investments in financial leasing amounted to SEK 0.5 million. For the corresponding period last year the Group made net investments amounting to SEK 101.3 million (including the acquisition of HiQ Softplan), of which investments in financial leasing accounted for SEK 0.2 million.

The fourth quarter included a write-down of fixed assets in respect of the cost of improvements on other parties' property, amounting to SEK 1.3 million.



Financial position

HiQ's financial position is strong and the cash flow from operations is positive.

As at 31 December, the Group had liquid assets of SEK 107.0 (47.1) million. Interest-bearing net funds at the end of the period amounted to SEK 101.3 (39.6) million.

In conjunction with the signing of the lease for the relocation of HiQ's head office, in the fourth quarter HiQ received a liquidity injection of around SEK 15 million which has no effect on profits in 2003. It is estimated that the new lease will save around SEK 1 million per year.

Shareholders' equity was SEK 246.0 (243.8) million at the end of the period and the equity/assets ratio was 64.8 (66.4)%.

The Board proposes a dividend of SEK 0.45 per share, totalling SEK 21 million. In addition, the Board proposes to the AGM a transfer from the share premium reserve to non-restricted equity, to be used as decided by the AGM.

Accounting principles

This interim report has been prepared in accordance with Recommendation no. 20 of the Swedish Financial Accounting Standards Council. The accounting principles are the same as in the last annual report, with the exception of the new recommendations that were introduced as of 2003. Application of the new recommendations has not led to any changes in the report.

The new recommendation RR25 on the reporting of segments is applied as of 2003. HiQ has one line of business – consulting services – which forms the primary basis of its classification.

Events after the end of the period

- HiQ signs framework agreement with FMV for systems development

- HiQ to develop new information system for Copenhagen Airports A/S
- HiQ wins new FMV order worth SEK 20.5 million
- HiQ's head office and the Stockholm office relocated on 1 February to new centrally located premises in Stockholm

Outlook

Technological development is continuing, while at the same time structural adjustment in the markets in which HiQ's clients operate is leading to increased competition and demands for greater efficiency. Increased use of new technology and improved communication are natural and necessary competitive tools for companies and businesses.

HiQ takes a positive view of the general development of the market, particularly as concerns the trend in and need for investments in telecoms and gaming. The technological development is increasing the complexity of products and systems, creating a greater need for simulation, advanced systems development, testing and verification.

The market for consulting services will continue to be competitive, with companies disappearing and consolidation. This will bring demand and supply more into equilibrium. Overall, this creates new business opportunities for specialised service companies with strong financial position such as HiQ.

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

As always, HiQ gives priority to quality, profits and growth. Our long-term financial objectives are to achieve an operating margin before goodwill of 15% and growth of 30%.

HiQ does not give any forecasts.



Parent company

Profit after tax for HiQ International AB was SEK 56.8 (7.0) million. As at 31 December the Company's interest-bearing net funds amount to SEK 78.2 (-11.5) million. Adjusted shareholders' equity was SEK 281.8 (228.2) million and the equity/assets ratio 81.7% (74.5). The company's net investments during the period were SEK 0.1 (132.2) million.

Other reporting dates in 2004

| | |
|-------------------------|-----------------|
| Interim report, Jan-Mar | 27 April 2004 |
| Interim report, Jan-Jun | 17 August 2004 |
| Interim report, Jan-Sep | 26 October 2004 |
| Year-end release 2004 | 8 February 2005 |

AGM

The ordinary Annual General Meeting will take place at 6 p.m. on 29 April on HiQ's premises at Mäster Samuelsgatan 17 (9th floor) in Stockholm. A separate notice will be distributed at a later date.

The annual report 2003 will be available at HiQ's head office from mid April.

Stockholm, 3 February 2004
The Board of HiQ International AB

Parent company address

HiQ International AB (556529-3205)
Mäster Samuelsgatan 17, 9 tr
Box 7421
103 91 Stockholm
Sweden
tel.: 08-588 900 00
fax: 08-588 900 01
www.hiq.se

Review report

We have reviewed this year-end release in accordance with the recommendation issued by the Swedish Institute of Authorised Public Accountants. A review is considerably limited in scope compared with an audit.

Nothing has come to our attention that causes us to believe that the year-end release does not comply with the requirements of the Stock Exchange Act and the Annual Accounts Act.

Tomas Johansson, Trevision & Bodil Björk,
ÖhrlingsPriceWaterhouseCoopers, Auditors
of HiQ International AB

For further information, please contact:

Lars Stugemo, President and
CEO, HiQ International AB, phone +46 (0)8-
588 90 000

Anna Svensson, CIO and responsible for
investor relations, HiQ International AB,
phone +46 (0)8-588 90 015,
+46 (0)704-200 103

**HiQ's market offering is based upon expertise within communication,
software development and simulation.**

HiQ works in the following areas:

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

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

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

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

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

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





Income Statement

| SEK 000s | Full Year 2003 | Full Year 2002 | Oct-Dec 2003 | Oct-Dec 2002 |
|---|-------------------|-------------------|-----------------|-----------------|
| Operating income | 402 972 | 413 793 | 110 544 | 109 343 |
| Cost of services sold | -77 727 | -49 102 | -25 775 | -14 807 |
| Other external expenses | -35 492 | -37 452 | -8 709 | -12 907 |
| Staff costs | -250 498 | -321 103 | -62 305 | -91 084 |
| Operating profit before depreciation (EBITDA) | 39 255 | 6 136 | 13 755 | -9 455 |
| Depreciation and write-down, tangible fixed assets | -5 768 | -5 461 | -2 381 | -1 359 |
| Operating profit before intangible depreciation (EBITA) (see Note 1) | 33 487 | 675 | 11 374 | -10 814 |
| Depreciation, intangible fixed assets | -20 539 | -18 349 | -5 089 | -5 136 |
| Operating profit (EBIT) | 12 948 | -17 674 | 6 285 | -15 950 |
| Extraordinary items (see Note 2) | 0 | -5 768 | 0 | -3 768 |
| Financial items | 1 663 | 2 117 | 616 | 637 |
| Pre-tax profit | 14 611 | -21 325 | 6 901 | -19 081 |
| Tax | -10 596 | -3 210 | -3 682 | 522 |
| Profit after tax | 4 015 | -24 535 | 3 219 | -18 559 |
| <i>Before dilution</i> | | | | |
| Profit per share before items affecting comparability, SEK | 0,09 | -0,45 | 0,07 | -0,34 |
| Profit per share after items affecting comparability, SEK | 0,09 | -0,54 | 0,07 | -0,40 |
| <i>After dilution</i> | | | | |
| Profit per share before items affecting comparability, SEK | 0,09 | -0,45 | - | - |
| Profit per share after items affecting comparability, SEK | 0,09 | -0,54 | - | - |

Note 1. Non-recurring costs related to adjustments of operations have reduced the income for the full year 2002 with 29 MSEK

Note 2. Costs related to the wind up of HiQ East OY and HiQ A/S



Balance Sheet

| | Full Year 2003 | Full Year 2002 |
|---|-------------------|-------------------|
| SEK 000s | | |
| ASSETS | | |
| Intangible fixed assets | 146 415 | 168 674 |
| Tangible fixed assets | 11 436 | 17 133 |
| Financial fixed assets | 13 861 | 15 470 |
| Total fixed assets | 171 712 | 201 277 |
| Accounts receivable | 58 399 | 70 977 |
| Other current assets, excl. liquid assets | 42 367 | 47 718 |
| Liquid assets | 106 990 | 47 097 |
| Total current assets | 207 756 | 165 792 |
| Total assets | 379 468 | 367 069 |
| SHAREHOLDERS' EQUITY, RESERVES AND LIABILITIES | | |
| Shareholders' equity | 246 012 | 243 815 |
| Non-interest bearing provisions | 18 235 | 23 004 |
| Long-term non-interest bearing liabilities | 11 508 | 0 |
| Long-term interest-bearing liabilities | 5 614 | 6 844 |
| Short-term, non-interest bearing liabilities | 96 726 | 91 406 |
| Short-term, interest bearing liabilities | 1 373 | 2 000 |
| Total shareholder's equity, reserves and liabilities | 379 468 | 367 069 |



| | Full Year 2003 | Full Year 2002 | Oct-Dec 2003 | Oct-Dec 2002 |
|--|-------------------|-------------------|-----------------|-----------------|
| Key figures | | | | |
| Gross profit (EBITDA) | 39 255 | 6 136 | 13 755 | -9 455 |
| Operating profit before intangible depreciation (EBITA) | 33 487 | 675 | 11 374 | -10 814 |
| Operating profit (EBIT) | 12 948 | -17 674 | 6 285 | -15 950 |
| Gross margin (EBITDA margin) | 9,7% | 1,5% | 12,4% | -8,6% |
| Operating margin before intangible depreciation (EBITA margin) | 8,3% | 0,2% | 10,3% | -9,9% |
| Operating margin (EBIT margin) | 3,2% | -4,3% | 5,7% | -14,6% |
| Profit margin | 3,6% | -5,2% | 6,2% | -17,5% |
| Capital employed | 252 999 | 252 659 | - | - |
| Operating capital | 144 683 | 204 193 | - | - |
| Return on operating capital | 7,4% | -11,1% | 3,8% | -7,4% |
| Return on shareholders' equity | 1,6% | -10,2% | 1,3% | -7,3% |
| Financial position | | | | |
| Capitalised investments in computers | 1 596 | 1 315 | 471 | 441 |
| Liquid assets | 106 990 | 47 097 | - | - |
| Interest-bearing net cash | 101 329 | 39 622 | - | - |
| Shareholders' equity | 246 012 | 243 815 | - | - |
| Equity/assets ratio | 64,8% | 66,4% | - | - |
| Change in shareholders' equity | | | | |
| Amount at the start of the period | 243 815 | 238 979 | 239 455 | 261 344 |
| Dividends | 0 | -21 478 | 0 | 0 |
| New share issue in connection with the redemption of warrants | 0 | 4 283 | 0 | 0 |
| New share issue in connection with acquisition | 0 | 47 314 | 0 | 0 |
| Warrant premiums | 0 | -305 | 0 | -174 |
| Translation difference | -1 818 | -443 | 3 338 | 1 204 |
| Profit for the period | 4 015 | -24 535 | 3 219 | -18 559 |
| Amount at the end of the period | 246 012 | 243 815 | 246 012 | 243 815 |
| Cash flow analysis | | | | |
| Cash flow before change in operating capital & investments | 38 838 | -14 320 | 20 753 | -5 606 |
| Change in operating capital | 11 468 | 2 037 | 12 251 | 12 521 |
| Cash flow before investments | 50 306 | -12 283 | 33 004 | 6 915 |
| Cash flow from investments | 517 | -54 774 | -167 | -621 |
| Cash flow after investments | 50 823 | -67 057 | 32 837 | 6 294 |
| Cash flow from investments activities | 9 070 | -19 475 | 11 818 | -277 |
| Change in liquid assets | 59 893 | -86 533 | 44 655 | 6 017 |
| Liquid assets at the start of the period | 47 097 | 133 630 | 62 335 | 41 080 |
| Liquid assets at the end of the period | 106 990 | 47 097 | 106 990 | 47 097 |
| Employees | | | | |
| Number of employees | 381 | 432 | 381 | 432 |
| Number of employees in duty at end of period | 351 | 406 | 351 | 406 |
| Number of employees recruited | 34 | 19 | 15 | 5 |
| Average number of employees | 361 | 405 | 349 | 401 |
| Value added/employee | 706 | 729 | 195 | 184 |
| Turnover/employee | 1 116 | 1 022 | 317 | 273 |
| Operating profit/employee | 36 | -44 | 18 | -40 |
| Share data | | | | |
| <i>Before dilution</i> | | | | |
| No. of shares, thousands | 46 844 | 46 844 | 46 844 | 46 844 |
| Average no. of shares, thousand | 46 844 | 45 545 | 46 844 | 46 844 |
| Profit per share before items affecting comparability, SEK | 0,09 | -0,45 | 0,07 | -0,34 |
| Profit per share after items affecting comparability, SEK | 0,09 | -0,54 | 0,07 | -0,40 |
| Equity per share, SEK | 5,25 | 5,20 | - | - |
| <i>After dilution</i> | | | | |
| Average no. of shares, thousand | 46 934 | 45 565 | - | - |
| Profit per share before items affecting comparability, SEK | 0,09 | -0,45 | - | - |
| Profit per share after items affecting comparability, SEK | 0,09 | -0,54 | - | - |