



YEAR-END RELEASE 2006 HiQ INTERNATIONAL AB (publ)
Company registration number 556529-3205

HiQ – specialisation pays off

- **Net sales in 2006 increase to SEK 801.4 (720.5) million, an increase of 11 percent**
- **Operating profit (EBIT) increases to SEK 154.9 (148.3) million, an operating margin of 19.3 (20.6) percent**
- **Pre-tax profit increases to SEK 156.2 (149.5) million**
- **Profit after tax increases to SEK 111.5 (108.5) million**
- **Earnings per share increase to SEK 2.25 (2.20)**
- **Cash flow from operations is strong and cash at hand amounts to SEK 106.7 million**
- **The Board's dividend proposal to the AGM is SEK 2.10 per share**
- **HiQ named best IT consultant 2007 in a survey carried out by Veckans Affärer of Sweden's 600 largest buyers of consulting services**
- **HiQ recruited 239 new employees in 2006**

2006 in brief

HiQ holds a clear position as a supplier of services within communications, software development and simulation. With close to 800 employees in the Nordic region, HiQ is today one of the most significant players in this area.

The market for IT services in the Nordic region has been characterised by strong demand throughout 2006. HiQ is continuing to prioritise quality and client benefit, and has been chosen as Sweden's best IT consultant 2007 in a survey carried out by Veckans Affärer, based on a survey among the 600 largest buyers of consulting services in Sweden.

The strong market has brought with it increased mobility of labour. HiQ is continuing to invest in marketing in order to recruit more staff, with good results. HiQ has a strong brand in the labour market and attracts highly capable employees even in a very competitive market. During the year HiQ recruited 239 new employees. In 2006 HiQ was named one of the ten most attractive employers within Computing/IT in a survey carried out by Universum Communications.

HiQ works in long-term customer relationships with leading clients such as Ericsson, SonyEricsson, FMV, GTECH, Nokia and Tele2. During 2006 HiQ presented a

number of interesting new orders and agreements, including 13 new framework agreements.

Today HiQ is a significant player within quality assurance and helps internationally leading mobile phone manufacturers to test the software in new models. We run test operations with full responsibility for planning, design, development and execution.

During the year HiQ continued its initiative to offer clients game-based interactive training, with very good results. HiQ has carried out a number of such assignments during the year, including for Mazda Scandinavia, AstraZeneca and Volvo Trucks.

The market in Stockholm is characterized by strong demand and there are tendencies of an over heated labour market. In Gothenburg and Lund business developed very well, with strong growth throughout 2006. HiQ's position in the Finnish market is strong and during the year we have broadened our client base. The business in Denmark was characterised by a high rate of staff turnover at the beginning of the year, which hampered growth during the year. In the Mälaren valley the development has been stable throughout the year and the development in Karlskrona has been positive during the second half of the year.

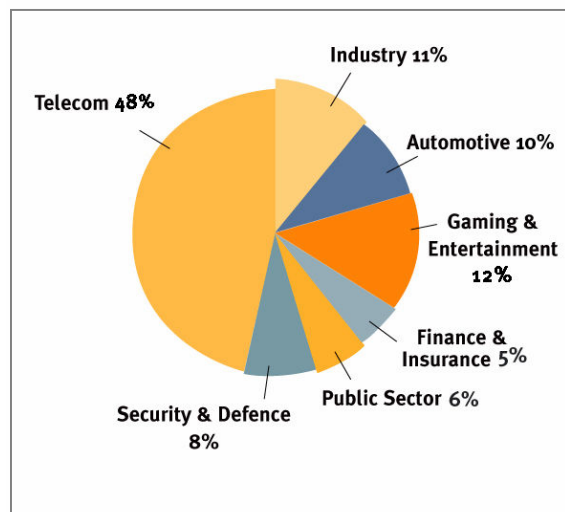
HiQ is an IT and management consultancy company focusing on high-tech solutions in the fields of communications, software development and simulation technology. The company is a leader in these fields and the Nordic region is its domestic market. HiQ employs nearly 800 people at offices in Sweden, Finland and Denmark. HiQ is listed on the Nordic Exchange's MidCap list. For more information, please visit www.hiq.se

Market trends

Today HiQ is a significant player in the Nordic IT market, as is clear not least from the fact that the business is characterised by the breadth both of its clients and of its presence in various market segments. The market for IT services in the Nordic region is characterised by strong demand. In this market HiQ is able to benefit from its strong position and continue to grow with good profitability.

Examples of agreements signed during the period:

- In October HiQ announced a new order from Plusdial Oy, supplier of the mobile ticketing system in Helsinki. HiQ assisted with local adaptation of the system to allow sales of mobile tickets in Sweden. First up are Örebro, Västerås and Eskilstuna.
- In November HiQ presented an initiative for growth in the Mälaren Valley region of Sweden. Within the framework of the new initiative HiQ has won a number of new assignments, including from ABB Power Systems.
- In November HiQ signed a new framework agreement with the City of Gothenburg and surrounding municipalities. The agreement is effective for two years and covers services within systems and web development.
- In November HiQ announced an order from AstraZeneca. HiQ was commissioned to create a game-based interactive education for the Group's marketing companies within AstraZeneca GI (Gastro-Intestinal). The result was a game-based education – The AstraZeneca Code – that is based on a Sony PSP (PlayStation Portable).
- In December HiQ announced an order from Volvo Trucks to develop game-based interactive education aimed at all employees within its aftermarket area. The aim of the education is to make the employees' better at raising the level of service and customer satisfaction, for example in servicing workshops.



HiQ's net sales for the period are divided sectors

In 2006 HiQ enjoyed strong growth in sectors such as the automotive industry, security and defence, telecoms and industry. Growth is strongest in the automotive industry, where HiQ has improved its position substantially and won market shares over the past year.

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

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

Another clear trend is the increasing interest from suppliers to further develop solutions for IPTV and operators launch IPTV as a part of its triple play offering to consumers. This trend creates new business opportunities for HiQ and today we are working in several projects involving the development of IPTV-based solutions. During the year HiQ has also worked on developing applications in new terminal models in order to allow IP in mobile phones.



Demand for new advanced models and new content on mobiles is being driven by increased interest in various types of gaming and entertainment. New technology also allows higher quality graphics, thereby creating further interest in the mobile phone as a platform for gaming and entertainment.

Today HiQ is a significant, well-established player in the development and testing of mobile terminals, applications and platforms. Our services are in demand from companies in technology intensive industries such as telecom suppliers. HiQ helps leading mobile phone manufacturers with the quality assurance of the software for their new terminal models. HiQ is running the test operations with full responsibility for planning, design, development and execution and in 2006 was involved in testing nearly 50 new models of terminals.

There is also growing interest in the use of mobile solutions in all sectors. In 2006 HiQ has worked on a number of different assignments for clients such as the Swedish Road Administration, the Swedish Emergency Management Agency and AstraZeneca in order to develop solutions that can increase efficiency or improve operations through mobile communication.

Gaming & entertainment is a sector that developed strongly throughout 2006, with very good demand. HiQ has been working with the development of platforms for interactive gaming since more than 10 years. The de-regulation of the gaming markets, combined with increased mobility and the development of the Internet, is driving forward major changes. HiQ's main clients within this segment are clients such as ACE Interactive, Veikkaus, Svenska Spel, De Lotto and Folkspel.

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

Several big players in the **automotive industry** are now choosing to base their product development units in the Nordic region and there is therefore growing demand for specialists in telematics. One trend is that vehicle manufacturers are investing ever more resources in introducing what are known as active security systems into the vehicles. By building in advanced warning systems, drivers can be warned at the risk of an accident.

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

The automotive industry was one of the fastest growing sectors for HiQ in 2006. Thanks to hard work on strengthening HiQ in this high-tech sector, HiQ is now a significant player. HiQ works with leading clients such as Danaher Motion, Bombardier, Haldex Traction, Volvo Cars, Volvo Group and others.

HiQ has a stable position within **security and defence**, where HiQ's expertise within simulation technology is creating new business opportunities. HiQ develops simulators for training pilots on the JAS 39 Gripen and an order worth SEK 19.7 million was received from the Swedish Defence Materiel Administration (FMV) at the beginning of 2006. Where the development of training simulators is concerned, HiQ also collaborates closely with Saab Aerosystems.

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

HiQ enjoyed good growth in the **industrial sector** in 2006. For players in the manufacturing industry in the Nordic region, IT is becoming increasingly business-critical. HiQ's expertise is deployed to assist clients in this segment with the development of embedded systems for machinery and vehicles. HiQ also works on developing systems that support the business, such as process monitoring systems. HiQ's clients in this segment include ABB, Atlas Copco, DeLaval and Vågverket Produktion.

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

HiQ's position within the public sector is strong and the year ended very well. It is becoming increasingly



important for public agencies and organisations to develop an IT environment that helps to streamline and strengthen operations and increase the service level. In 2006, for example, HiQ did business with the Swedish Emergency Management Agency (SEMA), the Swedish Environmental Protection Agency, the Swedish National Tax Board and the Swedish Road Administration. In the fourth quarter a new framework agreement was signed with the City of Gothenburg, which opens up opportunities for good development in this sector in West Sweden.

Today HiQ has a strong position within the **financial sector**. Over the past two years HiQ has intensified its efforts in respect of this segment – an initiative that has resulted in new business and a broadened client base. HiQ works on the development, management and testing of transaction-intensive systems for securities trading for clients such as Swedbank, Handelsbanken, Nordea, OMX and SEB.

Comments concerning developments in the Group

The market in Stockholm is characterized by strong demand and there are tendencies of an over heated labour market.

Gothenburg and Lund are markets that have been characterised by strong growth throughout 2006.

HiQ's position in the Finnish market is strong and during the year we have broadened our client base. New clients include Suomen Hippos (the Finnish Trotting and Breeding Association), Ficora (the Finnish Communications Regulatory Authority), Plusdial and other IT-intensive Finnish companies.

The business in Denmark was characterised by a high rate of staff turnover at the beginning of the year, which hampered growth during the year. Much new recruitment, however, has injected new energy and drive into the organisation, which promises good development going forward.

In the Mälaren valley the development has been stable throughout the year.

In Karlskrona we saw a weaker development in the first half-year, due to major clients in the region holding off from making new investments. Development was substantially better during the second half.

Just like all consultancy operations, HiQ is affected by seasonal variations also during 2006. The first quarter was characterized by an exceptionally strong season as Easter came in second quarter. Quarter 2 was weak with substantially fewer hours than normal available in

April. The third quarter is affected by vacations during July while the fourth quarter normally is seasonally strong, but can be affected by more vacation being taken depending on how weekends fall out .

Marketing

HiQ markets the company through the HiQ Sailing Team in order to efficiently build the brand. HiQ is a specialized technology company striving to be in the forefront of development. Speed, flexibility and cutting-edge competence are all important factors. This is also true for modern sail racing.

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

The 60-foot trimaran HiQ won the Nokia Oops Cup in 2006 following a number of stage victories in both offshore races and city races.

As a listed company HiQ is continuously working with assuring the delivery of correct, relevant and interesting information to the financial markets. In 2006, HiQ was chosen best company on the Stockholm Stock Exchange Mid-Cap list, with regards to Investor Relations. The survey was conducted by the Swedish business magazine Affärsvärlden.

Employees

At the end of the period HiQ had 787 (658) employees, of whom 710 (622) are active staff.

Net sales and profit

HiQ's net sales increased to SEK 801.4 (720.5) million, which equals growth of 11 percent.

Operating profit (EBIT) increased to SEK 154.9 (148.3) million, which corresponds to a margin of 19.3 (20.6) percent.

Consolidated net financial items for the period amounted to SEK 1.3 (1.2) million.

Pre-tax profit (PTP) increased by 4.5 percent to SEK 156.2 (149.5) million.

Investments

The Group made net investments during the period of SEK 7.7 (15.2) million, of which investments in new premises account for SEK 0.8 (0.2) million, investments



in equipment SEK 1.3 (3.0) million, investments in financial leasing SEK 5.6 (3.0) million and investments in financial assets SEK 0.0 (9.0) million.

Financial position

As at 31 December the Group had liquid assets of SEK 106.7 (133.7) million.

Cash flow from operations is positive and amounted to SEK 64.6 (105.9) million. During the period cash flow was negatively affected by tax payments of SEK 33 million in total as a result of the reversal of tax allocation reserves as well as reduced tax liabilities.

In the second quarter 2006 the dividend of SEK 103 million approved by the Annual General Meeting was paid out.

Interest-bearing net funds at the end of the period amounted to SEK 97.7 (130.8) million.

Shareholders' equity was SEK 381.2 (363.6) million at the end of the period and the equity/assets ratio was 68.4 (64.2) percent.

Proposed dividend

The Board's dividend proposal to the AGM is SEK 2.10 per share, corresponding to SEK 105 million.

Parent company

Profit after tax for HiQ International AB was SEK 114.6 (117.4) million.

As at 31 December the parent company's interest-bearing net funds amounted to SEK 58.3 (71.7) million. Adjusted shareholders' equity was SEK 392.1 (365.5) million and the equity/assets ratio was 95.4 (89.0) percent.

The company's net investments during the period amounted to SEK 0.0 (5.3) million.

Accounting principles

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

Warrants

On 27 April 2006 the Annual General Meeting approved a warrant programme aimed at employees of HiQ. The

aim of the warrant programme is to motivate and engage employees and give them the opportunity to hold shares in the company they are working for.

The warrant programme consists of two series, the first of which was issued in May and was aimed at all employees. The second series was issued in November 2006 and was aimed primarily at new employees. Each warrant entitles the holder to buy one share. In the first series a total of 385,400 options were subscribed for, with a strike price of SEK 47.20. In the second series a total of 339,900 options were subscribed for, with a strike price of SEK 40.10.

The dilution effect on full utilisation of all outstanding warrant programmes will be approximately 2.3 percent. The term of the warrants issued in 2006 is two years and shares may be subscribed for in May and November 2008 respectively.

Change in share capital

As a result of the exercise of 861,100 outstanding warrants (issued in May and November 2004), the number of shares increased during 2006 from 49,232,200 to 50,093,300 at the end of the year. HiQ's equity increased by SEK 14.4 million as a result of the exercise of these warrants.

Events after the end of the period

- HiQ has been commissioned by GVA Finland, one of Finland's leading real estate agencies, to develop a new system for processing property and client information.
- HiQ has announced a new contract with Heidelberger Druckmaschinen AG, a world-leading supplier of bespoke solutions for news printing works. Under the contract HiQ will provide Heidelberg with services relating to the development of software for control systems for printing works' packing halls. The contract is for a five-year period and is worth around SEK 30 million to HiQ.

Outlook

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

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



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

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

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

HiQ will continue to give priority to quality, profits and growth in that order.

HiQ does not make any forecasts.

Stockholm, 31 January 2007
The Board of HiQ International AB

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

Reporting dates in 2007:

Interim report, Jan-Mar 26 April 2007

Interim report, Jan-Jun 15 August 2007

Interim report, Jan-Sep 22 October 2007

Year-end release 2007 30 January 2008

Annual General Meeting

The AGM will take place on 27 March at 6 p.m. in HiQ's offices on Mäster Samuelsgatan 17, 9th floor in Stockholm. A separate notice will be published in the Swedish Official Gazette, Svenska Dagbladet and the company website at a later date.

The 2006 annual report will be available at HiQ's offices from mid-March.

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The HiQ International Group
Company registration number 556529-3205

Income Statement

SEK 000s

	2006	2005	Oct-Dec 2006	Oct-Dec 2005
Net sales	801 411	720 523	220 713	206 282
Assignment-specific external expenses	-103 338	-94 664	-27 633	-26 561
Other external expenses	-54 048	-53 060	-15 249	-15 237
Staff costs	-483 317	-419 149	-130 052	-115 673
Depreciation and write-downs	-5 830	-5 324	-1 580	-1 409
Operating profit	154 878	148 326	46 199	47 402
Interest income	1 908	1071	889	425
Interest expenses	-760	-406	-337	-98
Other financial items	168	516	0	39
Pre-tax profit	156 194	149 507	46 751	47 768
Income tax expense	-44 660	-41 042	-12 996	-12 733
Profit for the period	111 534	108 465	33 755	35 035
Profit for the period attributable to shareholders	111 534	108 465	33 755	35 035
Earnings per share attributable to shareholders				
Earnings per share before dilution, SEK	2,25	2,20	0,68	0,71
Earnings per share after dilution, SEK	2,23	2,18	0,67	0,70
Average number of shares, thousands	49 584	49 232	49 892	49 232
Average number of shares, after dilution, thousands	49 907	49 658	50 028	49 795



Balance Sheet

SEK 000s	31 Dec 2006	31 Dec 2005
ASSETS		
FIXED ASSEST		
Intangible fixed assets		
Goodwill	183 287	188 289
Other intangible fixed assets	3 320	4 580
Tangible fixed assets	21 011	17 875
Financial fixed assets	13 452	19 737
Total fixed assets	221 070	230 481
CURRENT ASSETS		
Short-term receivables		
Accounts receivable, trade	137 287	124 724
Prepaid tax	971	0
Other receivables	10 647	12 375
Prepaid expenses and accrued income	80 507	64 663
Liquid assets	106 732	133 693
Total current assets	336 144	335 455
Total assets	557 214	565 936
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity		
Shareholders' equity attributable to shareholders	381 243	363 554
Total shareholders' equity	381 243	363 554
Non-current liabilities		
Deferred tax liabilities	1 076	1 421
Financial leasing debt	11 815	8 896
Other long-term liabilities	4 602	6 904
Total non-current liabilities	17 493	17 221
Current liabilities		
Accounts payable, trade	25 118	21 327
Current tax liabilities	0	33 005
Financial leasing debt	2 423	2 145
Other liabilities	52 821	56 171
Accrued expenses and prepaid income	78 116	72 513
Total current liabilities	158 478	185 161
Total shareholders' equity and liabilities	557 214	565 936
Pledged assets	None	None
Contingent liabilities	17 682	23 576



SEK 000s	2006	2005	Oct-Dec 2006	Oct-Dec 2005
Cash flow analysis				
Cash flow before change in operating capital & investments	82 985	124 761	37 047	37 230
Change in operating capital	-18 404	-18 884	1 126	-4 152
Cash flow before investments	64 581	105 877	38 173	33 078
Cash flow from investments	-2 064	-10 977	-895	-17
Cash flow after investments	62 517	94 900	37 278	33 061
Cash flow from investments activities	-89 478	-63 416	7 250	-727
Change in liquid assets	-26 961	31 484	44 528	32 334
Liquid assets at the start of the period	133 693	102 209	62 204	101 359
Liquid assets at the end of the period	106 732	133 693	106 732	133 693
Change in shareholders' equity				
Amount at the start of the period	363 554	309 422	345 096	326 606
Adoption of IAS 39 as of 1 January 2005	0	26	0	0
Dividends	-103 388	-64 002	0	0
Warrant premiums	1 914	2 512	840	988
New share issue in connection with redemption of warrants	14 435	0	5 373	0
Translation difference	-6 806	7 131	-3 821	925
Profit for the period	111 534	108 465	33 755	35 035
Amount at the end of the period	381 243	363 554	381 243	363 554
Key figures				
Operating profit (EBIT)	154 878	148 326	46 199	47 402
Operating margin	19,3%	20,6%	20,9%	23,0%
Profit margin	19,5%	20,7%	21,2%	23,2%
Capital employed	395 481	374 595	395 481	374 595
Operating capital	283 521	232 783	283 521	232 783
Return on operating capital	60,0%	66,1%	16,1%	20,7%
Return on shareholders' equity	30,0%	32,2%	9,3%	10,2%
Financial position				
Expensed investments in computers	1 652	2 782	685	782
Liquid assets	106 732	133 693	106 732	133 693
Interest-bearing net cash	97 722	130 771	97 722	130 771
Shareholders' equity	381 243	363 554	381 243	363 554
Equity/assets ratio	68,4%	64,2%	68,4%	64,2%
Employees				
Number of employees at end of period	787	658	787	658
Number of employees in duty at end of period	710	622	710	622
Number of employees recruited (acquisition excl.)	239	187	70	35
Average number of employees	648	568	687	609
Value added per employee	946	963	246	269
Turnover per employee	1 236	1 269	321	339
Operating profit per employee	239	261	67	78
Share data				
No. of shares at end of period, thousands	50 093	49 232	50 093	49 232
Average no. of shares before dilution, thousand	49 584	49 232	49 892	49 232
Average no. of shares after dilution, thousand	49 907	49 658	50 028	49 795
Profit per share before dilution, SEK	2,25	2,20	0,68	0,71
Profit per share after dilution, SEK	2,23	2,18	0,67	0,70
Shareholders' Equity per share, SEK	7,61	7,38	7,61	7,38