

2017

ANNUAL REPORT

hiQ

"Together we create magic solutions and drive the technology development forward."

Lars Stugemo, President and CEO of HiQ



BEST SO FAR 2017

As usual, technology development roars ahead at full speed all around us. In the autumn we stop talking about digitalisation and simply start talking about development instead. I think everyone can agree that digital technology is now a requirement for basically all companies and industries. Now it is more about how best to seize opportunities. We are constantly online, and the mobile phone is now undoubtedly our primary tool, both at work and at home. Everything is going online and starting to talk with us and with other things. Needs change and, in turn, new services are created, after which new needs arise.

Four quarters in a row of records adds up to a very strong 2017 for HiQ – the best year so far, in fact. Net sales in 2017 increase by 7.7 per cent to SEK 1,787.9 (1,659.4) million. Operating profit is SEK 214.4 (207.9) million. Cash flow amounts to SEK 164.1 million. Our financial position is strong with SEK 205.1 million in liquid assets. Net sales have never been higher. We have never had a higher profit. And we have never had so many talented and wonderful employees at HiQ than we have now. Of course, we are happy and proud about that.

Demand for our services is very strong, and our position in the market is right where it should be. We are strong in R & D and IT and grow explicitly in design, communication and creativity, which makes us a relevant partner for companies that want to be winners in our technology-intensive world.

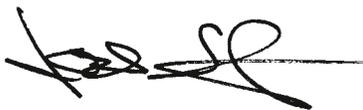
An example of how we are further strengthening our position is in systems integration, where demand for our integration platform Friends, which streamlines flows and makes it easier for systems to talk to each other, constantly increases.

Another growing area for HiQ is in marketing. Technology development affects marketing as much as anything else, and communication is clearly integrated with service and product development. That is why our clients' marketing managers are increasingly interested in our knowledge and what we have to say. And we continue to take market share from more traditional communication agencies.

In all areas, we also see extensions of our collaborations with clients and enter partnerships. During the year we see more digital, development, communication and strategic partnerships. An important event in 2017 is our acquisition of the development and communications company Presis in Lund, further strengthening our offer and our strong culture in Skåne. We also win several international advertising and design awards. Among others, we win two prestigious Red Dot Awards, a Vuoden Huiput, which is Finland's equivalent to the Swedish Golden Egg, and a European Design Award.

But honestly, the best of all during the year is all the amazing employees at HiQ. There have never been more. And we've never been better than we are now. Together we create magical solutions and drive technology development forward. We do this largely by working together, but just as much through a rock 'n roll attitude, hard work, fellowship, laughter and joy. Together we are simply the best!

As we enter 2018, it is with a HiQ that is stronger than ever before. There are 1,645 of us HiQers, and we are determined, we take responsibility for ourselves and our clients, we strive to simplify, and we have fun while we're doing it. And not least, we have fantastic, bold, creative and strong clients. It's no harder than that. So, full speed ahead!



Lars Stugemo, President and CEO of HiQ

Annual General Meeting

The Annual General Meeting will take place at 10.00 a.m. (10:00 CET) on 21 March 2018 in HiQ's 9th floor office at Regeringsgatan 20 in Stockholm. A notice of the meeting will be published on the company website, www.hiq.se, and will also be advertised in Post & Inrikes Tidningar and in the Swedish daily newspaper Svenska Dagbladet.

Financial reporting dates

Interim report for the period January – March 2018 will be published 25 April 2018

Interim report for the period January – June 2018 will be published 17 July 2018

Interim report for the period January – September 2018 will be published 25 October 2018

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THE YEAR AT A GLANCE

In 2017 we stop talking about digitalisation and simply call it development. Digital technology and digital services are a reality for basically all industries in the Nordic region. The year is also our most successful ever. We break net sales, profit and dividend records with a record number of HiQ employees. And together with our bold clients, we continue to generate amazing results that make life easier for people, thus creating a better world.

Employees at HiQ now total more than 1,600. If you want to get picky, there are exactly 1,645 on the last day of 2017. And we continue to grow. We have a strong offer and stable position in all our markets. And we are always winning new assignments – in new areas and with new clients.

Together with our bold, creative, strong clients, we continue to create solutions that simplify people's lives, thus creating a better and more enjoyable world.

Our financial position is strong. Net sales in 2017 increase by 7.7 per cent to SEK 1,787.9 (1,659.4) million. Operating profit is SEK 214.4 (207.9) million. Cash flow amounts to SEK 164.1 million. We end the year with SEK 205.1 million in liquid assets. The Board has proposed that the Annual General Meeting approve a dividend to shareholders of SEK 3.30 per share, totalling SEK 183 million (in the form of a split and a mandatory redemption programme).

In 2017, technology development roars ahead at full speed, as usual. We are constantly on-line, and the mobile phone is now undoubtedly our primary tool, both at work and at home. Everything around us is going on-line and starting to talk with us and with other things. Needs change and, in turn, new services are created, after which new needs arise. In the autumn we stop talking about digitalisation and simply start talking about development instead. Digital technology is now a requirement for basically all companies and industries, and today it is more about how we best take advantage of the possibilities.

Demand for our services is very good, and our distinct market position makes us ever more relevant to all our clients. We are strong in R&D and IT and grow explicitly in communication and innovation, which makes us a relevant partner for companies that want to be winners in our technology-intensive world.

During the year we expand our offer within IT. Especially in Finland where we see that the demand for our integration platform Frends – which streamlines flows and makes it easier for systems to talk to each other – constantly grows. Our on-going business within operation and maintenance as well as the demand for our system integration services is increasing. One example is at the infranet giant Eltel, where we expand our collaboration and establish a new unit in Gdansk in Poland.

We are continuously strong within R&D and constantly make new business with existing as well as new clients. One area where our competence is highly sought after is within the automotive industry. We are a strategic partner for both Scania and Volvo as well as Zenuity for developing systems for autonomous cars.

Another growing area for HiQ is within marketing. Here we have Circle K, for example, for which we developed a loyalty portal that forms the basis for an active customer dialogue for Circle K with several thousand filling stations. We will see more of this type of project as digital technologies completely change the rules of the game for market-leading brands, which rapidly increases the need for digital platforms for running a whole new type of business.

We are also chosen as communication agency for the Royal Opera in Stockholm, where we will work together to attract a new audience to the Opera.

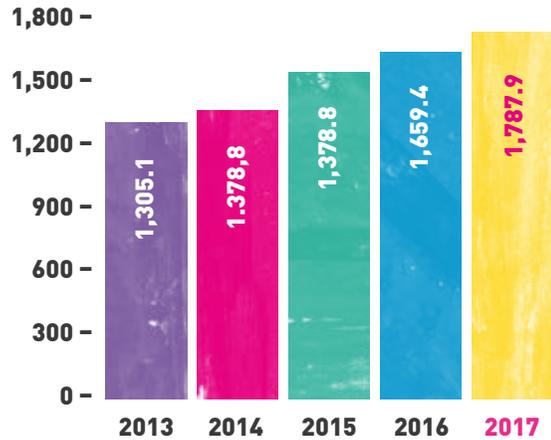
Our competence within innovation becomes crucial, when the LEGO Group wants to use smart technology to create a unique restaurant experience for playful families, in the newly opened LEGO House in Billund in Denmark. And also when we develop a prototype for a completely digital driving license for Trafi, the Finnish Road Safety Council.

During the year, we acquire the development and communications company Presis in Lund, which further strengthens our offer and our strong culture in Skåne.

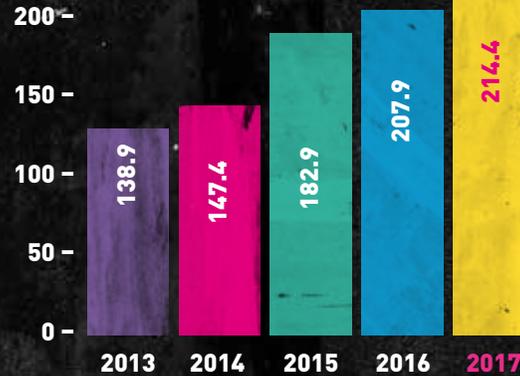
We win impressive international advertising and design awards, including two prestigious Red Dot Awards, a Vuoden Huiput, which is Finland's most prestigious advertising contest, and a European Design Award.

As we enter 2018, it is with more HiQ employees than ever before. And we've never been better than we are now. Together we continue to build the kind of company we want to work at. We are big enough to offer the full breadth and excellence our clients demand, but not so big that we can't make all employees feel involved and important. A company that creates winning results combined with joy, passion and energy.

Net sales
(SEK million)



Operating profit
(SEK million)



12.0%
EBIT
MARGIN

1,645

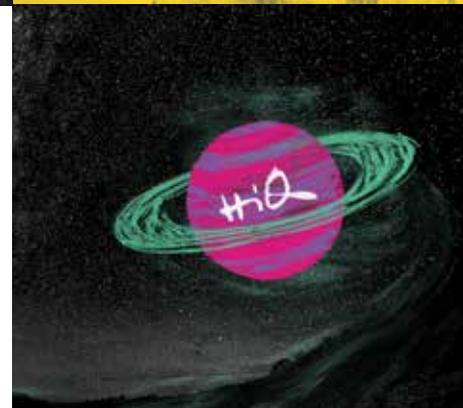
NUMBER OF EMPLOYEES
AT HiQ

31.12.2017

62.25
SHARE PRICE
AT END OF YEAR

+3%
PROFIT 2017

+8%
SALES



2
Number of Red Dot
Awards in 2017

SEK 1,787.9M
Sales



HiGLUE

WE SIMPLIFY PEOPLE'S LIVES – AND CREATE A MORE JOYFUL WORLD

Technology is bringing about rapid changes in our lives and opening up new opportunities and business models. Here at HiQ, our understanding of what people need and how they behave helps us to create innovative solutions for tomorrow's world. We make the world a better place by making people's lives simpler. We use our insights into people, technology and business to create results for our customers

HiQ has more than 1,600 specialists in six countries and is listed on the Nasdaq Stockholm Mid Cap list. We help customers from every branch of industry to develop their business at every level. We partner them from the initial idea stage through design to technical development and on to implementation and maintenance. We build a strong HiQ by giving priority to quality, profitability and growth – in that order.

HiQ delivers competence, commitment and the power of innovative thinking. HiQ's domestic market is the Nordic countries but we are also winning assignments in the international arena. Examples include swift, secure mobile payment solutions, systems for autonomous in-car technology to prevent accidents, and integration solutions that help system communicate.

No matter how great or small the assignment, we always work to the same goal. To put our heart and soul into creating solutions that make the world a better place – and one that is a little more fun to live in.

OUR VALUES

HiQ is, and always has been, a value-based company – results, responsibility, simplicity and joy have influenced everything that we do since the start in 1995. At HiQ, these are not only pretty words. They are the standards that we live by every day, in every project, to create a competitive advantage and a more joyful everyday life for ourselves and for our clients.

Results

In order to have satisfied clients we must deliver results, in every assignment every day. We monitor this through a continuous and open dialogue with our clients – in everyday communication and through extensive client surveys. Because regardless of the number of years in the business, HiQ is a young, hungry and result-oriented company, constantly striving to make a difference in people's lives and in our clients' organizations. Thanks to the results we deliver, our clients can offer products and services that make people's lives simpler, safer and more fun.

Responsibility

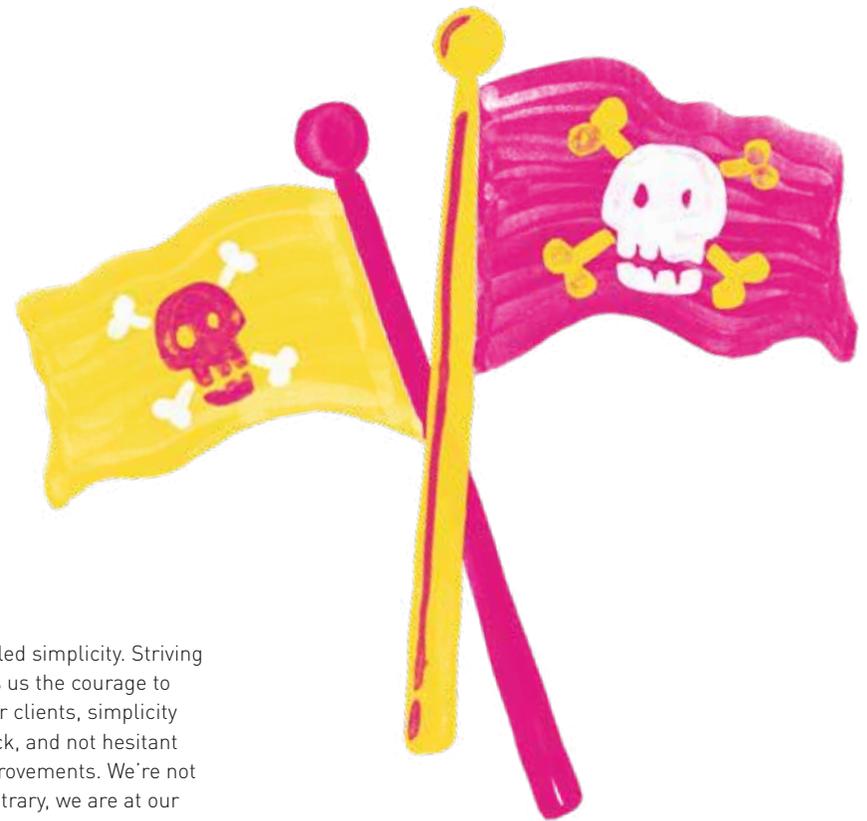
Every HiQ employee sets a good example and takes responsibility in words as well as in action – for themselves, for their team, and for the overall outcome. This covers everything from delivering the right results at the right time, to creating a good atmosphere and energy wherever we carry out our work – at home at HiQ as well as in our assignments. We do the little extra to create added value for our clients, and to build the HiQ that we ourselves want to work in.

Simplicity

We believe that innovation should be spelled simplicity. Striving for simplicity makes us creative and gives us the courage to discard whatever is not necessary. For our clients, simplicity means that we at HiQ are accessible, quick, and not hesitant to propose unexpected solutions and improvements. We're not afraid of complex challenges – on the contrary, we are at our best when faced with difficult tasks and tight deadlines, and when we get to use smart ideas and advanced technology in order to simplify for people.

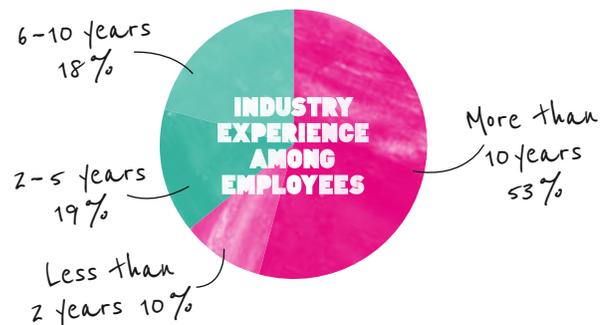
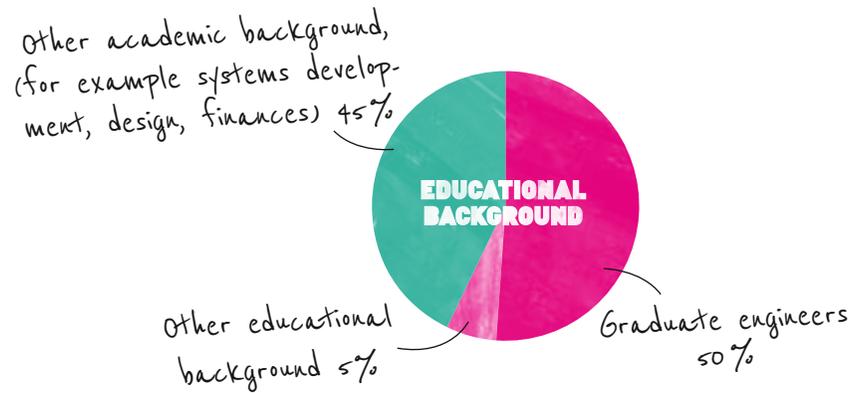
Joy

We believe in joy. When having fun at work and being oneself, we believe that one also performs better. We have fun working together with our clients, which shows in the results we create. Good dynamics support creativity, which in turn makes both HiQ and our clients more competitive. Joy infuses HiQ as a company, everyone who works here, and the collaboration with the clients we meet every day.



THE HiQ EMPLOYEE

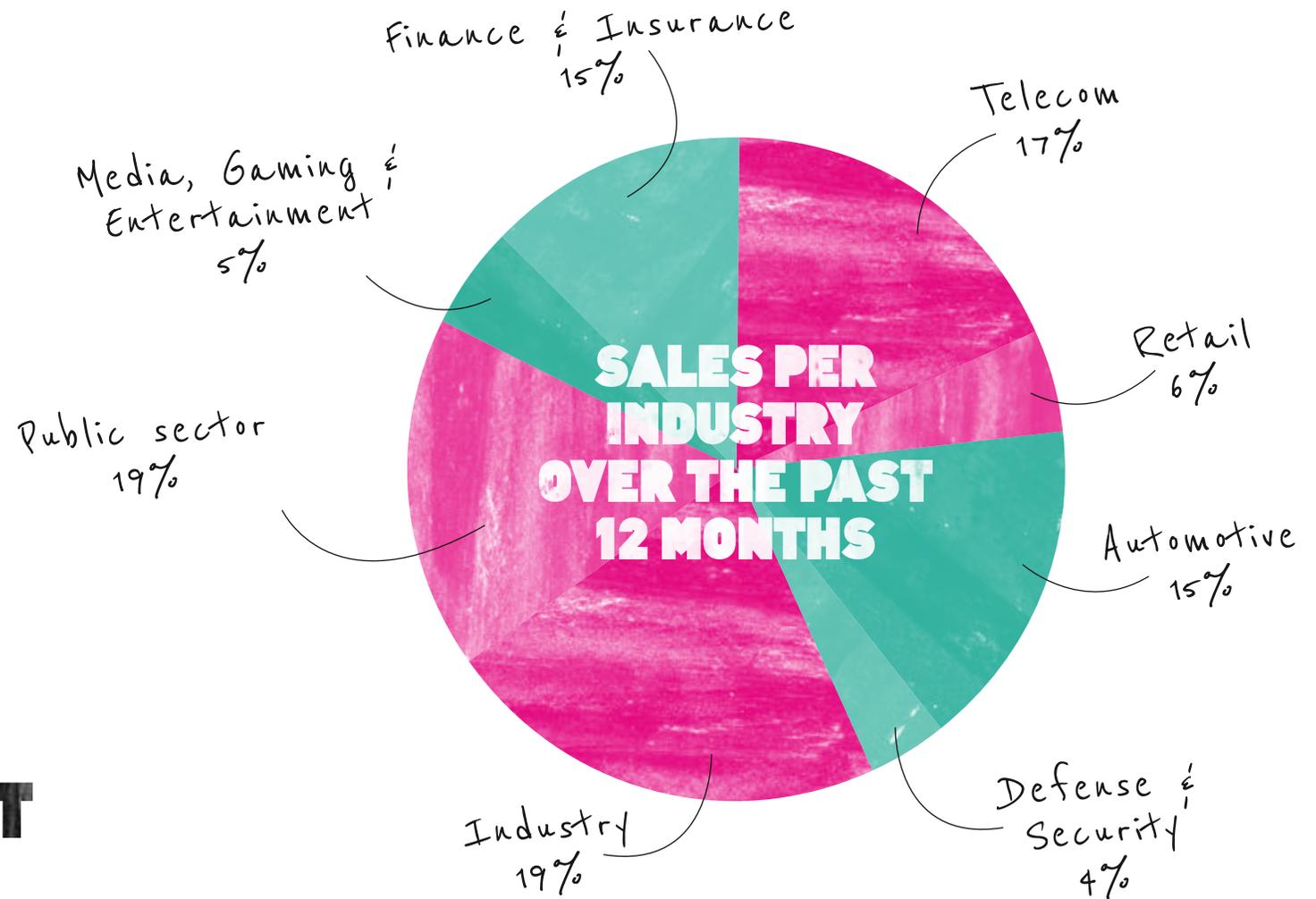
At HiQ we recruit the best employees. This creates strong teams consisting of people with different backgrounds, origins and competences – a mix of women and men in all ages. All of our employees are unique and at HiQ it's a given to be who you are. This encourages creativity, which makes us more innovative and competitive.



HiQ has a strong corporate culture that is infused by our values – results, responsibility, simplicity and joy. For us it's important that our employees are feeling good, having fun and feel that they are developing. Regardless if it's about competence development and courses, or about social activities such as working out or playing music together. We think that having a balance in life is important, and we believe that what we do in our spare time is reflected in our work and vice versa.

A typical HiQ'er is positive, motivated and highly skilled – skills that come from both experience and studies. Today, we are more than 1,600 employees combining joy, responsibility and simplicity while creating winning results together with our clients.

KEY RATIOS 5 YEARS	2017	2016	2015	2014	2013
Net sales per employee, thousand	1,234	1,219	1,187	1,115	1,086
Value add per employee, thousand	936	943	929	881	858
EBIT per employee, thousand	148	153	144	119	116
Number of employees at year-end	1,645	1,573	1,415	1,412	1,326
Average number of employees	1,449	1,361	1,270	1,237	1,202
Proportion of women	24%	23%	22%	24%	24%
Average age, years	39	39	39	39	38



OUR CLIENT SEGMENTS

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



Industry

HiQ has strong ties in the segment and, together with many leading industry players, we work with strategic development to find new sources of income, launch new services, develop new business models, build fleet management solutions, connect products to cloud services, and develop apps and aftermarket services. It is about concept development and innovation, but also new marketing and launch strategies. And especially more efficient processes and smart integration between systems, including our integration platform FRIENDS.

One example in this segment is Empower in Finland, for whom HiQ has developed the EmSafe workplace health and safety system as part of Empower's strategic digitalisation project. Using real-time data, the system can, for example, issue automated alerts, search for any anomalies (for example, a human presence in restricted areas) and monitor the movements of people, vehicles and hazardous substances in the workplace. Safety at work is one of the most important issues in an industrial working environment.

Clients include 3nine, ABB, Assa Abloy, Atlas Copco, Bombardier, Cactus, DEKRA, Destia, Electrolux, Elenia, Finnair, Jeppesen Systems, Kuusakoski, Toyota Material Handling Europe and SAS.



Telecom

Since 1995, HiQ has held a very strong position in this segment where it enjoys close collaboration with global market leaders. More than 20 years' experience of working with suppliers, operators, users and legislative authorities has given us extensive technical and commercial know-how and important insights into telecommunication systems.

Our solid experience and knowledge in telecom and communication creates great value for clients and projects in other industries as well. Today we work across a broad spectrum in the segment with advanced technological systems and with digital channels and solutions aimed directly at end users.

We are also winning strategic assignments to identify new possibilities and improve the efficiency of businesses. And together with several leading global telecom companies, we are building the digital infrastructure for future mobile communication.

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



Public sector

Our customers' mission in this sector aim to offer citizens the best possible service, and the challenges in doing so involve everything from managing outdated systems and large volumes of data to issues related to security and integrity. HiQ is growing fast in the public sector.

Major framework agreements provide us with a strong platform on which we can build and grow in this segment. To take just one example, our recently signed framework agreement with Stockholm County Council reinforces our position in health care even further.

Gothenburg is anticipating significant expansion between now and 2035, and HiQ works with the municipal authorities on the urban development website Stadsutveckling Göteborg, which describes and explains the changes that are planned. HiQ is successful in developing municipal web platforms and has received third-party recognition for sites such as Enköping.se, Partille.se and Kungälv.se.

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



Automotive

The automotive industry is hotter and more technology-intensive than ever. Vehicles are now connected and part of an ecosystem in which different components are constantly communicating with one another. At the same time, development continues to make vehicles safer and greener.

HiQ's focus areas here are self-driving vehicles, safety and environment. For example, we are helping Volvo Cars and the newly started company Zenuity to develop and optimise software for driver assistance and autonomous driving systems.

HiQ is also a strong, highly experienced partner in this exciting process of rapid development, delivering cutting-edge technology and assisting with innovations that include concept development on Virtual Reality (VR) and Mixed Reality projects.

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



Finance and Insurance

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

Among other things HiQ are, together with Volvofinans, developing the CarPay application. We also help Finnish S-Pankki, where the simple but effective service S-mobiili makes lives easier for their three million clients

Together with Bankgirot we are developing the technical solution for one of the best cashless solutions in the Nordic region, Swish, which over a very short period of time has come to dominate the market. Swish is owned by Getswish and is a collaboration between banks in Sweden. Swish has rapidly reached over 6 million users, over 90 per cent brand awareness in Sweden, changed behaviours, and has become one of the corner stones in Sweden's steps to be a country in the world that no longer handles notes and coins.

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



Media, Gaming and Entertainment

Today, we decide for ourselves when, where and how we want to watch TV, play games or follow the news.

Competition in this industry is intense and the range of offerings available is huge. This raises the bar for content and usability. Those who offer quality content and deliver it through simple, user-friendly platforms will succeed.

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

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

Clients include Channel 4, DICE, GTECH, MTG, MTV 3 Finland, Rovio, Spotify, SVT, Utbildningsradion, Veikkaus and Viaplay.



Defence and Security

We live at a time when defence and security are rapidly growing in importance, with surveillance and external monitoring as key components in the overall mix. As the global situation becomes more uncertain, defence and security moves up the agenda. Cyber security, in particular, is increasingly important for all companies and organisations as more and more products and systems are connected.

In this segment we are, for example, helping the Swedish Coast Guard to develop a surveillance system that pinpoints the position of ships and monitors weather conditions and geographical data in real time.

Technical solutions for defence and security are a part of HiQ's DNA. For more than 20 years we have been helping influential clients to develop training and development simulators for JAS – high-tech solutions that are employed for more efficient, advanced training of hundreds of pilots worldwide. Simulation technology is something we can use in other segments as well, for example in industry and healthcare.

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



Retail

In just the past few years or so, retail has undergone a revolution. New e-commerce records are being set all the time and shopping online has become a natural component of consumer behaviour. Perhaps it is now time to drop the 'e' prefix and see everything as retail plain and simple – but via different channels and platforms. Efficient digital services mean that we are also buying more than ever from foreign suppliers. This makes new requirements and creates new challenges for companies in the Nordic region, with a focus on user experience and the overall customer journey.

HiQ has broad industry knowledge and extensive experience of working with leading retail chains. We work with clients from concept and design to quality assurance in everything from

marketing and sales solutions to purchasing and logistics systems. Our expertise in digital payment services is hugely important when meeting new requirements for simpler purchasing processes that will increase conversion rates.

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

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

OUR STRATEGY FOR SUCCESS

A value-based HiQ – our values have been our compass since the start and they are the very heart and soul of HiQ – in every assignment, every day. We know that results, responsibility, simplicity and joy are the keys for the highest quality, and thereby the foundation for satisfied clients and employees. Our values and our culture are significant competitive advantages for both HiQ and our customers.

A consultancy company

HiQ is a consultancy company in the truest sense, acting as an independent advisor and putting our clients' interests first. Our main mission is to provide our clients with know-how, dedication, and innovative power.

Quality, profitability and growth

HiQ stands for high quality. Delivering quality generates satisfied clients, which makes us profitable, which in turn gives us the opportunity to grow. We prioritise quality, profitability, and growth – in that order. Our growth strategy is to grow organically, supplemented by strategic acquisitions. HiQ's acquisition strategy is to strengthen the company's geographical presence in the Nordic region and to acquire companies that add new competence to HiQ.

Strong position within technology, people and business

With technical expertise in our DNA, and a deep know-how about users, communication and business, we help our clients to utilise the potential of digitalisation and to tackle the challenges in our surrounding world. We master the entire chain from R&D to digital and back and can therefore help our clients from idea to operation. For us, technology is a tool for simplifying and making a difference in people's everyday lives.

We deliver with the client in focus

We offer a flexible delivery model with the client's needs and conditions in focus. We provide specialist know-how for projects on site and also execute projects in our own facilities and via near shore office. We also offer complete teams to our clients – teams that are efficient and successful in creating results.

Knowledge transfer between industries

Since the start in 1995 we have continued to develop in pace with our clients needs and challenges, and with the possibilities created by technology. Our broadening enables us to constantly learn new things, and at HiQ we work actively with transferring knowledge between various industries and segments. This way our clients can benefit from new competence and inspiration from completely other industries than their own.

The Nordic region as our base

HiQ is a consultancy company based in the Nordics and our position in the region is very strong. At the same time, our international commitments are steadily increasing, both in terms of assignments for non-Nordic companies and for Nordic clients that we accompany in assignments abroad. During the year, we work in for example London and California and we also establish a new business unit in Gdansk, Poland.





HELLO!

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2017

Yet another record year for HiQ, both in terms of results and number of employees. We continue simplifying people's lives by using technology, design and communication and by doing so contribute to a better and more joyful world. 2017 is also the year when we stop talking about digitalisation and instead talk about technical development, or simply development.



2016

HiQ continues breaking records in results and number of employees. During the year, we acquire the internationally awarded design agency Great Apes in Helsinki. 2016 is also the year when Pokémon Go gets its breakthrough.



2015

HiQ turns 20, and through successful results we show that we are still a young, hungry, and result-oriented company. For example, HiQ grows in the public sector, where we sign significant framework agreements during the year, with the central purchasing bodies in both Sweden and Finland – Kammarkollegiet and Hansel.

2014

HiQ is established in both Norrköping and Örebro. The first Swedes are "chipped" with intravenous chip implants, and the market sees the first big wave of smart watches.

HiQ STORY



2008

More than 60 per cent of the world's population has a mobile phone. Spotify is launched and HiQ acquires both Ace Simulation AB and the Finnish HiQ Quality Services Oy.

2007

The iPhone is released on the US market and the "Quantified Self" concept is launched. HiQ acquires MobilEyes AB, in Moscow.



2002

HiQ establishes a new subsidiary in Lund, HiQ Skåne AB, and acquires Softplan Oy in Finland. The same year, Telia merges with Sonera to form TeliaSonera. HiQ also enters the HiQ Sailing Team project, with one of the world's fastest sailing boats, the famous 60 ft. trimaran.



2001

This is the year when the IT and dot com bubble bursts. The HiQ team continues to focus on their work and the company increases net sales with 22 per cent to SEK 492 million. The first robot vacuum cleaners are launched, as is the Apple iPod.

2000

Lars Stugemo assumes his position as new CEO of HiQ. The company grows through the establishment of HiQ East Oy in Finland and through the acquisition of two new subsidiaries, HiQ København in Denmark and HiQ Open in Gothenburg. Computers have now survived the turn of the millennium, and 12 per cent of the people in the world have a mobile phone.



1999

HiQ International is listed on the Stockholm Stock Exchange, and Carl Bildt is elected to the board of HiQ. HiQ signs a new framework agreement with Ericsson, as "preferred supplier" of consultancy services. This is also the year when the term "Internet of Things" is launched.



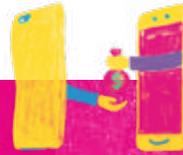


2013

65 per cent of Swedes now surf on their mobiles. In the US, Google sets up the Calico company, with the aim to find ways to stop the aging process. HiQ signs framework agreements with e.g. the Swedish Enforcement Authority and Volvo Cars, and we are also digital partner to the Swedish rock musician Dregen – a perfect example of HiQ's range.

2012

Getswish launches the mobile payment service Swish, with an IT solution developed by HiQ together with Bankgirot. The same year, Netflix comes to the Nordics and Facebook buys Instagram for 1 billion US dollars.



2011

HiQ wins an award for "Best IT Project in Finland" together with the client Kuusakoski. On a global view, the number of internet users in the world has now reached 2 billion.

2010

HiQ is named "Sweden's best IT consultancy" for the fourth year in a row, by Veckans Affärer. HiQ also acquires the company Friends Technology Oy in Finland. 2010 also sees the launch of Instagram, and the "Christmas present of the year" is a tablet.



2009

HiQ helps the Swedish Tax Agency to develop systems that enable Swedes to receive their tax refunds faster. This is also the year when the term "Big Data" starts to catch on.



2006

Twitter is launched and Christer Fuglesang becomes the first Swede in space. The HiQ trimaran achieves an impressive triumph in December, when the HiQ Sailing Team sails around Gotland in the new record time 17 hours and 39 minutes – with an average speed of 21 knots!

2005

There are now more than 500 fantastic HiQ'ers working at the company. This is also the year Youtube is launched and the year when Nokia 1110 becomes the world's best-selling mobile phone. In Sweden, a court hands down the first conviction for file sharing.



2004

Facebook is born, and in Sweden the flat screen TV is named "Christmas present of the year". HiQ establishes a new subsidiary, HiQ Karlskrona AB, and during the year, HiQ also acquires the company Computer and Audio-Technical Systems AB.



2003

A quarter of all Swedes use the internet on a daily basis. Skype is founded and the first European satellite, Smart, orbits the moon. HiQ West and HiQ Open are merged into one company: HiQ Gothenburg.



1998

The Google search engine is launched and the build of the International Space Station, ISS, starts. HiQ establishes subsidiaries in Gothenburg and Oslo, and the name of the parent company is changed to HiQ International AB.

1997

HiQ now has more than 100 employees. This is also the year when the DVD reaches the market and when the Toyota Prius is launched in Japan as the world's first mass-produced hybrid car.



1996

The internet gains ground on a broad front and Nokia presents its first smartphone. The CEO of HiQ is Ken Gerhardsen, who is still active in the company today, as member of the board.



1995

HiQ is founded in Stockholm with the mission to broaden the operations with a focus on telecom. The foundation to HiQ was laid already in 1992 with the forming of Stayetten Konsult AB, with the subsidiary Approve AB – back then with simulation technology as the basis for the group's business.



FIVE YEAR SUMMARY

In 2017 our turnover was SEK 1,787.9 million with an operating margin of 12.0%. The tables show HiQ's financial development over the 2013–2017 period.

INCOME STATEMENT (SEK million)

	2017	2016	2015	2014	2013
Net sales	1,787.9	1,659.4	1,508.0	1,378.8	1,305.1
Other operating income	0.3	0	0	0	0
Operating expenses excl. depreciation	-1,560.9	-1,440.5	-1,315.2	-1,221.1	-1,155.3
Operating profit before depreciation	227.3	218.9	192.8	157.7	149.8
Depreciation	-12.9	-11.0	-9.9	-10.3	-10.9
Operating profit	214.4	207.9	182.9	147.4	138.9
Financial net	-0.9	-0.5	-0.2	0.5	0.4
Pre-tax profit	213.5	207.4	182.7	147.9	139.3
Tax charged to the year's profit	-48.2	-46.1	-40.5	-32.9	-32.3
Profit after tax	165.3	161.4	142.2	115.0	107.1

BALANCE SHEET (SEK million)

	2017	2016	2015	2014	2013
Assets					
Intangible assets	377.7	364.3	333.3	344.0	330.6
Tangible fixed assets	50.5	45.3	41.1	36.1	36.8
Financial assets	17.8	14.9	14.3	15.1	14.2
Total fixed assets	446.0	424.5	388.7	395.2	381.5
Accounts receivable, trade	388.7	346.5	300.5	281.5	253.1
Other current assets, excl. cash	154.2	147.8	133.1	132.4	117.4
Cash and cash equivalents	205.1	204.3	212.4	180.1	207.3
Total current assets	748.0	698.6	646.0	593.9	577.8
Total assets	1,194.0	1,123.2	1,034.7	989.1	959.4

SHAREHOLDER'S EQUITY AND LIABILITIES

Shareholders' equity	816.2	777.6	718.0	698.2	691.0
Non-interest-bearing provisions	0.9	0.4	0.0	0.1	0.3
Interest-bearing long-term liabilities	25.3	25.5	23.9	21.9	23.5
Non-interest-bearing current liabilities	345.3	313.8	287.6	263.0	239.2
Interest-bearing current liabilities	6.3	5.9	5.2	5.8	5.3
Total shareholders' equity and liabilities	1,194.0	1,123.2	1,034.7	989.1	959.4

SALES AND PROFIT PER QUARTER 2017

	Q 1	Q 2	Q 3	Q 4
Net sales, SEK million	469.7	454.3	369.3	494.7
Operating profit, SEK million	65.5	48.0	38.5	62.4
Operating margin, %	14.0%	10.6%	10.4%	12.6%
Cash and cash equivalents at end of quarter	262.8	163.9	154.6	205.1

KEY RATIOS

	2017	2016	2015	2014	2013
Net sales, SEK million	1,787.9	1,659.4	1,508.4	1,378.8	1,305.1
Growth in net sales, %	7.7	10.0	9.4	5.6	-5.4
Gross margin, %	12.7	13.2	12.8	11.4	11.5
Operating margin, %	12.0	12.5	12.1	10.7	10.6
Return on shareholders' equity %	20.7	21.6	20.1	16.6	15.4
Return on operating capital, %	34.4	36.5	33.9	27.9	27.0
Net sales per employee, SEK thousand	1,234	1,219	1,187	1,115	1,086
Value add per employee, SEK thousand	936	943	929	881	858
Operating profit per employee, SEK thousand	148	153	144	119	116
Average number of employees	1,449	1,361	1,270	1,237	1,202
Number of employees at year-end	1,645	1,573	1,415	1,412	1,326
Equity ratio, %	68.4	69.2	69.4	70.6	72.0

For definitions see page 75.

KEY RATIOS PER SHARE (SEK unless stated otherwise)

	2017	2016	2015	2014	2013
Earnings after tax, before dilution	3.00	2.97	2.66	2.18	2.03
Earnings after tax, after dilution	2.98	2.96	2.65	2.17	2.03
Cash flow, before dilution	-0.02	-0.15	0.61	-0.56	-0.05
Dividend (2017 proposed)	3.30 ¹⁾	3.10 ²⁾	2.90 ³⁾	2.60 ⁴⁾	2.60 ⁵⁾
Equity (before dividend)	14.72	14.21	13.32	13.14	13.10
Yield, %	5.3	5.0	5.7	6.3	6.6
Share price at year-end	62.25	61.50	51.00	41.10	39.60
Average number of shares, thousand	55,103	54,264	53,444	52,784	52,752
Average number of shares after dilution, thousand	55,474	54,604	53,701	52,890	52,842
Number of outstanding shares, thousand	55,453	54,713	53,924	53,139	52,752

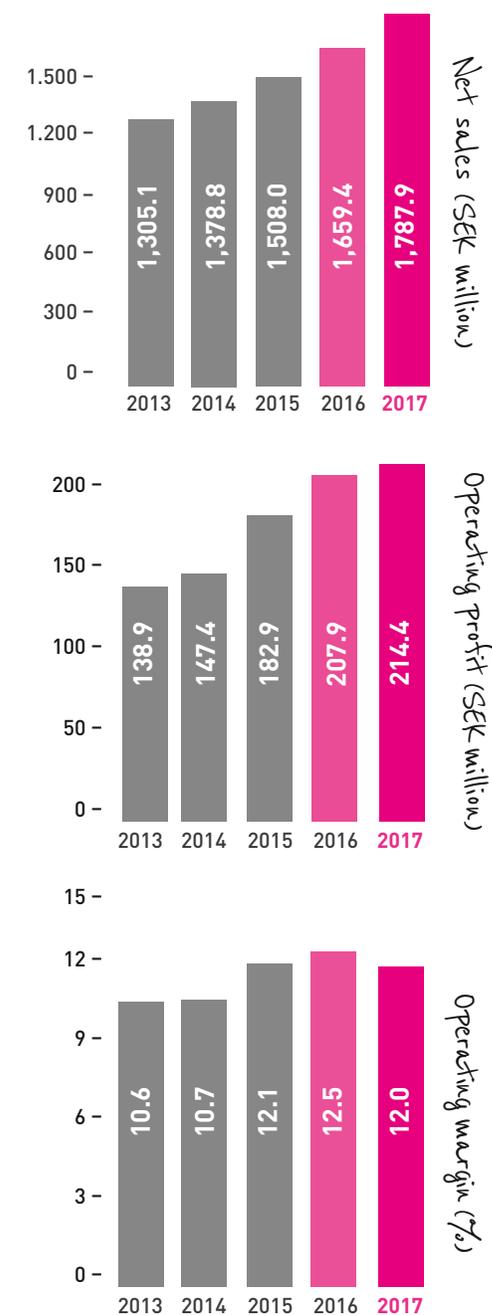
1) The Board has proposed to distribute, via a share split and mandatory redemption, an amount of approximately SEK 183 million (SEK 3.30/share) to the shareholders.

2) 2016 share split and distribution to shareholders of approx. SEK 170 million (SEK 3.10/share).

3) 2015 share split and distribution to shareholders of approx. SEK 156 million (SEK 2.90/share).

4) 2014 share split and distribution to shareholders of approx. SEK 138 million (SEK 2.60/share).

5) 2013 share split and distribution to shareholders of approx. SEK 137 million (SEK 2.60/share).



THE HiQ SHARE

On 31 December 2017, the share capital in HiQ totaled SEK 5,545,288.70, represented by 55,452,887 outstanding shares. Each share carries one vote and all shares carry equal rights to a share in the assets and profits of the Company. At the Annual General Meeting (AGM) each person entitled to vote may vote for the full number of shares owned and represented without any restriction on voting rights.

The AGM in March 2017 authorised the Board of Directors, on one or more occasions on the period up to the next AGM, to issue a maximum of 5,000,000 shares in the form of a non-cash issue or off-set issue in conjunction with acquisitions. The Annual General Meeting also authorised the Board of Directors, on one or more occasions in the period up to the next AGM, to pass a resolution to acquire as many shares in total so that the company's holding at no time exceeds 10% of the total shares in the company.

Acquisitions shall be made via Nasdaq Stockholm and may only be made at a price within the price range registered at any time, i.e. the interval between the highest bid rate and lowest offer rate.

CHANGES IN THE SHARE CAPITAL

The list below describes the change in share capital during the last five years and changes until the announcement of this annual report.

YEAR	TRANSACTION	CHANGE IN SHARE CAPITAL	TOTAL SHARE CAPITAL	NUMBER OF OUTSTANDING SHARES
2013	Opening balance	—	5,275,152	52,751,523
2013	Redemption - Split 2:1	—	5,275,152	105,503,046
2013	Redemption of shares	-2,637,576	2,637,576	52,751,523
2013	Bonus issue of shares	2,637,576	5,275,152	52,751,523
2014	Redemption - Split 2:1	—	5,275,152	105,503,046
2014	Redemption of shares	-2,637,576	2,637,576	52,751,523
2014	Bonus issue of shares	2,637,576	5,275,152	52,751,523
2014	Redemption of warrants	38,750	5,313,902	53,139,023
2015	Redemption - Split 2:1	—	5,313,902	106,278,046
2015	Redemption of shares	-2,656,951	2,656,951	53,139,023
2015	Bonus issue of shares	2,656,951	5,313,902	53,139,023
2015	Redemption of warrants	47,877	5,361,779	53,617,793
2015	Redemption of warrants	30,648	5,392,427	53,924,273
2016	Redemption - Split 2:1	—	5,392,427	107,848,546
2016	Redemption of shares	-2,696,214	2,696,214	53,924,273
2016	Bonus issue of shares	2,696,214	5,392,427	53,924,273
2016	Redemption of warrants	22,900	5,415,327	54,153,273
2016	Share issue - Great Apes	25,783	5,441,111	54,411,105
2016	Redemption of warrants	30,200	5,471,311	54,713,105
2017	Set-off additional payment Great Apes	5,914	5,477,225	54,772,245
2017	Apportemission Presis	12,811	5,490,036	54,900,359
2017	Redemption - Split 2:1	—	5,490,036	109,800,718
2017	Redemption of shares	-2,745,018	2,745,018	54,900,359
2017	Bonus issue of shares	2,745,018	5,490,036	54,900,359
2017	Redemption of warrants	38,084	5,558,120	55,281,199
2017	Redemption of warrants	17,169	5,545,289	55,452,887

EMPLOYEE OWNERSHIP PROGRAMS

From 1998 up to and including 2017 HiQ has implemented a number of share programs for its employees for the purpose of attracting, retaining and motivating staff members. The programs are based on standalone warrants. The programs were divided into sub-programs in order to allow warrants to be offered to new employees on an ongoing basis. The Annual General Meeting in March 2017 approved a warrants program aimed at all employees in Denmark, Finland and Sweden, divided into two series. The number of warrants subscribed for in the two series

was 1,000,000. Of these warrants, 704,500 were acquired at market price and 265,500 were allocated as matching warrants, according to the decision made by the Annual General Meeting in March 2017. During 2017 552,528 warrants, issued in 2014, has been exercised into shares. The total number of outstanding warrants, where each warrant entitles the holder to subscribe for 1 share, was 2,450,700 at yearend, corresponding to a maximum dilution effect of 4.2%. In order to encourage uptake of the warrant programme, HiQ offers a subsidy to the warrant holders who are

still employed at HiQ at the time of redemption. Starting in 2014, a matching warrant (received without consideration) has been introduced for key employees that are still employed by HiQ at time of exercise. The cost of the subsidy amounted to SEK 1.3 (0.8) million in 2017. For more detailed information regarding the programs, please refer to note 20.

DIVIDEND POLICY

HiQ's dividend level is tailored to the Group's capital requirements, which mainly take the form of investments, working capital commitments and the shareholders' requirement for a good dividend yield. The goal is for the long-term dividend level to be approximately 50% of HiQ's profit after tax.

OWNERSHIP STRUCTURE

At year-end, HiQ had 17,756 shareholders. Foreign ownership amounted to 25.2% and was distributed over the following countries: Finland 11.9%, the US 5.8%, The United Kingdom 4.0% and other countries 4.7%. At year-end, Swedish institutional investors owned 41% of the shares. 12.7% of the shares were held directly by the shareholders, while 87.3% were registered in the name of a nominee.

SHARE PRICE DEVELOPMENT

The graph on this page illustrates how the HiQ share has performed over the period 1 January 2017 to 31 December 2017. For up-to-date share information, please consult the Nasdaq Nordic website at www.nasdaqomxnordic.com. HiQ is listed on Nasdaq Stockholm Mid Cap, which is a part of the Nordic Exchange. It was first listed on 12 April 1999 and the initial share price, calculated on the basis of the share split implemented, was SEK 10.60. On 29 December 2017, the market price was SEK 62.25. HiQ's market capitalization thus amounted to around SEK 3,452 million (before dilution). The highest price paid during the year was SEK 68.25. The lowest price paid during the year was SEK 53.75. During the year, a total of 20.2 million shares were traded. On average, approximately 80,000 shares were traded per day.

WARRANT DATA

NAME	NO OF WARRANTS	NO UNDERLYING SHARES	TERM	SUBSCRIPTION	
				PERIOD	STRIKE PRICE
2015:1	355,000	355,000	3 years	May 2018	42.80
2015:2	283,200	283,200	3 years	Nov 2018	49.20
2016:1	420,000	420,000	3 years	May 2019	50.30
2016:2	422,500	422,500	3 years	Nov 2019	58.20
2017:1	640,000	640,000	3 years	May 2020	60.90
2017:2	330,000	330,000	3 years	Nov 2020	59.50

SHARE PRICE (SEK)

TRADE VOLUME (NO OF SHARES)



HOLDINGS

	NO OF OWNERS	PERCENTAGE OF OWNERS	NO OF SHARES	PERCENTAGE OF SHARES
1 - 1.000	15,028	84.6%	3,591,020	6.5%
1.001 - 5.000	2,138	12.0%	5,203,810	9.4%
5.001 - 10.000	307	1.7%	2,307,177	4.2%
10.001 - 50.000	201	1.1%	4,418,518	8.0%
50.001 - 100.000	32	0.2%	2,365,302	4.3%
100.001 -	50	0.3%	37,567,060	67.7%
Total	17,756	100.0%	55,452,887	100.0%

TOP 15 SHAREHOLDERS 31 DECEMBER 2017 (AND KNOWN CHANGES)

NAME	NUMBER OF SHARES	SHARE OF CAPITAL AND VOTES
Swedbank Robur fonder	5,065,792	9.1%
Lannebo fonder	4,689,824	8.5%
SEB Investment Management	4,061,287	7.3%
Nordea fonder	3,847,512	6.9%
Handelsbanken fonder	3,009,519	5.4%
JP Morgan Bank Luxembourg	1,514,367	2.7%
DnB Carlson fonder	1,429,154	2.6%
Avanza Pension	1,010,098	1.8%
Hannu Lehessaari	950,000	1.7%
Fondita Nordic Micro Cap	893,823	1.6%
Rolf Anderson	740,132	1.3%
Nordnet pensionsförsäkringar	650,632	1.2%
AMF – försäkringar och fonder	645,823	1.2%
Fidelity fonder	550,000	1.0%
Tredje AP-fonden	478,802	0.9%

Holdings include related-party holdings and holdings through companies.

Source: Euroclear/Vpc and known holdings.

RISK AND RISK MANAGEMENT

HiQ's business is affected by a number of different factors, some of which are within the company's control while others are not. In consultancies such as HiQ, profitability is primarily determined by four factors: available time, price, utilisation rate and cost control. These factors are in turn affected by market conditions through demand for HiQ's services and the opportunity to recruit new staff and thereby to grow.

Business-related risks

RECRUITMENT AND SKILLS SUPPLY

Our personnel, along with our customers, are HiQ's biggest asset. The average HiQ employee has a degree in engineering and around twelve years' experience in the industry. The supply of experienced and skilled staff with good business expertise depends on economic conditions. In boom periods there is often a shortage of the skills that we are looking for, which can affect HiQ's growth. We work actively on developing HiQ as an attractive employer that skilled people want to work for. In an economic downturn it is easier to recruit specific competence. For a staff intensive company such as HiQ, it is always important to try to keep the staff turnover at a decent level.

COMPETITION AND PRICE PRESSURE

Competition is a natural part of doing business and is necessary for healthy development. A highly competitive

market is a challenge that develops HiQ as a company, since we must constantly make efforts to show our clients that we are that bit better than our competitors. Fierce competition can also bring pressure on prices.

To balance the risks of that eventuality occurring, HiQ needs to have specialist expertise that is in demand by clients, irrespective of the state of the economy, and in certain cases to avoid projects where the price level is judged to be too low to ensure satisfactory profitability. HiQ competes with large actors and smaller niche players, depending on the area in which HiQ is operating. Some of our larger listed competitors are Acando, Accenture, Knowit, Semcon, and Tieto.

FRAMEWORK AGREEMENTS

Framework agreements have significant importance for companies like HiQ. In our view, clients are today tending to choose to cooperate with fewer suppliers, and they are choosing them carefully. As well as quality and a high level of technical expertise, a strong financial position is of the utmost importance today if we are to be among those companies chosen by our clients as preferred suppliers. Clients want to cooperate with a supplier who will still be there at the end of the project.

HiQ currently has framework agreements with practically all major clients and, in order to reduce the risks of not remaining a preferred supplier, we must deliver quality and results as well as have a good dialogue with the client.

DEVELOPMENTS AT OUR KEY CLIENTS

HiQ's top 10 clients account for 36% of sales. HiQ operates in long-term relationships with its clients and many have been on our client list for over five years. There is always the risk that one key client may be affected by fluctuations in the market and reduce the amount of consultancy services that it buys in, which in the short term may result in poorer capacity utilization for HiQ. As a company, we must maintain a good balance between clients from different sectors and geographical regions. More than five different sectors are represented among HiQ's top 10 clients.

BAD DEBTS

Just as HiQ is affected by developments at its key clients – which in the event of a rapid decline may affect our utilisation rate – we may be hit by unpaid invoices and thus bad debts. In historical terms, we have only experienced a few bad debts and we have continually improved our routines for invoice payment and follow-up. Where we work with clients with a lower credit rating, for example because they are newly established, payment may be required in advance or subject to a short period of credit.

Market-related risks

CYCLICAL RISKS

Market conditions affect all companies within a particular sector in one way or another. There is always an obvious risk that HiQ will be affected by economic fluctuations. Historically speaking, HiQ has maintained comparatively high profitability during both boom periods and recessions, but naturally we have also been affected as a company over time – which has meant adjustments to our operations. By creating a flexible organization with skills that can be transferred between different sectors and geographical areas, we have a capacity for balancing out different geographical regions. Thanks to HiQ having clients within a variety of market sectors and a strong balance sheet, we are well prepared to handle a weaker general economy.

Financial risks

For a description of financial risks, please refer to Note 35 on page 68.

DIRECTOR'S REPORT

Directors' Report for HiQ International AB (Publ)
Org. no. 556529-3205, registered office: Stockholm,
address: Box 7421, 103 91 Stockholm.

The business in general

HiQ works with high-tech solutions within communications and software development. The company is a leading player in these fields, with the Nordic region as its domestic market. In 2017 the Group generated sales of SEK 1,787.9 million. At year-end the Group had 1,645 employees, and operations in Sweden, Finland, Denmark, Poland, Russia and the US.

Ownership

HiQ International is listed on the Nasdaq Nordics Mid Cap list in Stockholm. At year-end HiQ had a total of 17,756 shareholders. For a more detailed description of the ownership of HiQ International AB, see The HiQ share on page 22.

Important events during the year

In 2017 we stop talking about digitalisation and start talking about development instead. We live in a world that is constantly on-line, and the mobile phone is now undoubtedly our primary tool, both at work and at home. Needs change in pace with the creation of new services, after which new needs arise. HiQ's domestic market is the Nordic region, but we also win international assignments. With deep knowledge of technology, users and business, we help our clients benefit from the potential of digitalisation.

HiQ wins many assignments that involve overall responsibility for specific areas. Traditionally, it could for example be software development, testing and quality assurance. Today we have the breadth to handle everything from digital strategies to design, concept development, launch and activation.

We master the entire chain from R&D to digital and back again and can therefore help our clients from idea to operation. We often enter partnerships with companies that see digitalisation as a critical success factor, and we then contribute innovation and technical skills to the development of the company and its business – always with the user in focus. Today we also have a strong IT offer, which includes integration and management of platforms, as well as communication offers to meet the demands and expectations of our clients' marketing departments.

We see continued strong development in the digitalisation and streamlining of healthcare (eHealth), where, with our ability to simplify and improve, we become an increasingly important partner to healthcare providers. Another area is the cashless society, where our skills in the development of smart and secure digital services are in great demand.

We divide our market into eight areas and have a broad and well-balanced market mix. This is a great advantage for our clients, our company and our employees. All market segments are characterised by the need of companies and organisations for digital solutions that help them with innovation, new offers and new value chains. Read more about our market areas on pages 12–15.

We see increased growth in Finance and Insurance, with 15 per cent of HiQ's total revenue, and that Public Sector continues to grow, now accounting for 19 per cent of total revenue. These are two sectors characterised by strong growth and an increased need for digitalisation.

During the year we win new assignments and clients in all segments in which we operate. Digital technology is now a requirement for basically all companies in all industries, and we help our clients and their customers take advantage of all the opportunities that implies.

We see strong growth in integration, especially in Finland. Demand for our integration platform Friends, which streamlines flows and makes it easier for systems to talk to each other, is growing there. Our management and maintenance business is increasing, as is demand for our systems integration services. One example of this is at the infranet giant Eitel, where we expand our collaboration and establish a new unit in Gdansk in Poland.

We also see increased growth in the marketing area. This includes a loyalty portal for Circle K that forms the basis for an active customer dialogue with several thousand filling stations. HiQ is passionate about simplifying and improving people's lives. A good example of this is the "Opera for Everyone" project, where, together with the Swedish Royal Opera, HiQ developed an app with which you can get the text from the performance translated and read through your mobile's headphones. The digital solution is discreet and easy for everyone to use – not just for those with visual impairments or dyslexia. The solution will simply make opera more accessible to everyone.

We also simplify for our clients when, together with Wärsilä, we develop new concepts and manage the implementation of this large company's global intranet. Benefiting from these improvements are 18,000 employees in 70 countries. Another example is when we implement our Friends integration platform and help S-Banken achieve full operational reliability while cutting development costs significantly compared to the previous solution.

We also win several awards during the year. Together with Enköping Municipality, we win an award for Sweden's best municipal website. HiQ's design team Great Apes in Helsinki also continues to chalk up awards: Two wins in the prestigious Red Dot Awards in the Communication Design category for the Quantum Break user interface and for Elisa's "Feel the Game" campaign, as well as winning golds in the European Design Awards and in Vuoden Huiput (Finland's equivalent to the Golden Egg Award in Sweden).

During 2017, we at HiQ continue to produce winning results, strengthen our position on the market and be relevant to our clients. All our subsidiaries recruit new employees HiQ Finland delivers a very good 2017, with strong results. The company operates in all market segments and continues to grow and win new business.

In Stockholm, HiQ continues to be a leading player with a presence in all market segments. The company develops well during the year, showing strong results as well as winning new business.

HiQ in Mälardalen, with offices in Västerås and Örebro, has a

stable year. The company has a strong presence in the industry and the defence segment and is also expanding its digital business within the public sector.

In Gothenburg, HiQ remains the leading innovation and technology company, with a strong presence in many sectors. The company has a stable year 2017, wins new clients and delivers extremely successful client projects.

HiQ Skåne delivers strong results and continue to broaden the business and win new clients. During the year the company Presis AB is acquired, and is now fully integrated.

HiQ in Östergötland, with operations in Linköping and Norrköping, continues to grow and perform very well. The company has a strong result in 2017.

In Karlskrona, HiQ has a stable year on a market dominated by telecom and shipping and at the same time, we also expand our offering and win clients in new market segments.

To sum up 2017, one could say that it is a record year yet again. We have bold, creative, strong clients, the industry's best employees and a very strong financial position. We employ, grow and continue to generate good results. Our distinct market position and technological development make us increasingly relevant to our clients.

Results and financial position

HiQ's net sales in 2017 amounted to SEK 1,787.9 (1,659.4) million, an increase of 8%. Operating profit amounted to SEK 214.4 (207.9) million, giving an operating profit margin of 12.0 (12.5) per cent. Consolidated net financial items for the period were SEK -0.9 (-0.5) million. Profit before tax amounted to SEK 213.5 (207.4) million.

Cash flow from operating activities was positive at SEK 164.1 (131.7) million. At 31 December 2017 the Group had liquid assets of SEK 205.1 (204.3) million. During the year cash flow was affected by a share redemption of approximately SEK 170 million implemented in May 2017. Interest-bearing net funds at the end of the period were SEK 173.5 (172.9) million. Shareholders' equity at the end of the period was SEK 816.2 (777.6) million and the equity/assets ratio was 68.4 (69.2) percent.

Research and development activities

The Group has very limited activities within research and development. During the year SEK 0.0 (0.0) million was expensed for research and development.

Investments

The Group's net investments in fixed assets totalled SEK 17.1 (14.9) million during the period. Investments in improvements to premises amounted to SEK 4.8 (1.4) million, equipment SEK 5.8 (4.5) million, finance leases SEK 6.5 (9.0) million.

Employees

At year-end HiQ had 1,645 (1,573) employees, 1,516 (1,436) of whom were active staff. Employees are HiQ's most important asset and HiQ works continuously to safeguard and improve the employees' work situation. Sickness absence at HiQ in 2017 was 4.3% (3.6%). HiQ is a member of a corporate healthcare scheme and certain subsidiaries engage the services of a naprapath. Staff receive subsidized healthcare. HiQ also has ethics and equality policies in place, which mean that all employees shall be given the same opportunities irrespective of age, sex, ethnical belonging and religious conviction. HiQ also works actively to create a corporate culture that develops our employees' expertise and experience

Parent company

The Parent Company's operations consist in shared Group functions for accounting and finance, investor relations and marketing. Net sales in the Parent Company were SEK 42.4 (44.7) million. Operating profit was SEK -12.7 (-14.9) million. Net financial items were SEK 200.0 (167.6) million, which includes result from participations in Group companies of SEK 199.9 (167.9) million. After tax of SEK 21.3 (23.5) million, net profit was SEK 165.9 (129.1) million. At 31 December the Company's interest-bearing net funds were SEK 43.9 (55.5) million, adjusted shareholders' equity SEK 543.0 (510.7) million and the equity/assets ratio 80.0 (87.9) percent. The Company's net investments in the period totalled SEK 1.7 (0.0) million, of which SEK 1.7 (0.0) million in improvements to premises.

New share issues etc.

During 2017 380,840 shares have been issued at the price of SEK 39.20 due to redemption of warrants and 171,688 shares

have been issued at the price of SEK 38.20, this also due to redemption of warrants. In total the Company has received SEK 21.4 million, net after issue costs. As a result of the acquisition of Presis the number of shares increased by 128,114 shares, increasing the shareholders equity with SEK 8.5 million. During 2017, a share issue against set-off payment to settle the additional payment for the financial year 2016 in relation to the acquisition of Great Apes. 59,140 shares were issued and the shareholders' equity increased with SEK 3.8 million. In addition, the shareholders' equity increased with SEK 2.9 million due to payment of premiums for 970,000 warrants. For a more detailed description of outstanding warrant programmes, see Note 20.

The HiQ share

At 31 December 2017 HiQ's share capital totalled SEK 5,545,288.70 spread over 55,452,887 outstanding shares. Each share carries one vote and all shares carry equal rights to a share in the assets and profits of the Company. As far as the Company is aware, there are no direct or indirect shareholdings representing at least one tenth of the voting rights for all the shares in the Company. Neither is the Company aware of any agreements between shareholders that may entail restrictions in the right to transfer shares. At the Annual General Meeting each person entitled to vote may vote for the full number of shares owned and represented without any restriction on voting rights. The Annual General Meeting in March 2017 authorised the Board of Directors, on one or more occasions in the period up to the next AGM, to issue a maximum of 5,000,000 shares in the form of a non-cash issue or off-set issue in connection with acquisitions. At the AGM in March 2017 it was decided to conduct a split, redemption of shares and bonus issue. The number of outstanding shares and the company's share capital remained the same after the completion of this procedure.

Future prospects

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

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

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

HiQ's growth strategy is to grow organically and to complement with strategic acquisitions. HiQ's acquisition strategy aims to strengthen the company's geographical reach by increasing its Nordic presence and we seek to acquire companies that add new areas of expertise to HiQ.

We are convinced that there will be long-term growth in all segments in which HiQ is active. We also believe the future will see a steady rise in the number of industries for which digitalisation and new technology are critical factors for success.

Our strategy is to:

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

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

Risks and risk management

HiQ's business is affected by a number of different factors, some of which are within the Company's control while others are not. For a consultancy company such as HiQ, activities are affected by business-related risks such as recruitment, competition and price pressure, development of key customers, bad debts, project risks and the ability to enter into framework agreements. Market related risks include cyclical risks. Financial risks include exchange rate risks and interest risks. For a more detailed description of HiQ's risk management, see Risk and risk management on pages 24–25.

For a description of the Group's risk management concerning financial instruments, see Note 35, on page 68.

Sustainability report

HiQ is a consultancy company developing high tech solutions simplifying people's lives. At the same time, the even more rapid technological development and the digitalisation create great opportunities to make our society more sustainable. It is in this position we at HiQ are working daily to help our clients to develop solutions contributing to this purpose.

Further information about HiQ's business model is found on page 9–19 in this annual report.

At HiQ, sustainability, as well as our values, is something that influences our operations, rather than a document that we use once a year in order to see how we score within the sustainability area.

HiQ has a number of steering documents setting the frames for the sustainability work. These steering documents include, among others: business ethics policy, work safety policy, environmental policy and diversity policy. In HiQ's business ethics policy, our governance model for preventing breach of human rights is included as well as how we are working against corruption. At HiQ, the work against corruption is based on taking responsibility for the projects that we conduct and the working methods that we use. HiQ has zero tolerance against lack of compliance with the business ethics policy. No breaches against the policy has been reported in 2017 or 2016. In addition to quantitative targets, the outcome from our policies could also be seen in our staff guidelines as well as in other guidelines and instructions. It is also seen in educations in HiQ as well as in the relations HiQ have with clients and suppliers.

HiQ's work with sustainability consists of four parts:

1. We create a better world with the help of technology, design and communication – this we do together with our clients.
2. We contribute to a more sustainable development of the society by generating tax revenues – this we do by delivering profitability and growth.
3. We contribute to a decreased load on the welfare systems – this we do by actively contributing to a good working environment and a good balance in life.
4. We contribute to a better environment – this we do by choosing environmental efficient alternatives when we procure products, transportation and premises.

1. We create a better world with the help of technology, design and communication

We are convinced that the most important sustainability work we could do is to deliver high quality to our clients and to be profitable – something we have strived for since HiQ was founded more than 20 years ago. By delivering with high quality to our clients, we are contributing to new innovative solutions, increasing the availability, simplifying and contribute to a more resource efficient world – just to mention a few areas where we help our clients to make a difference.

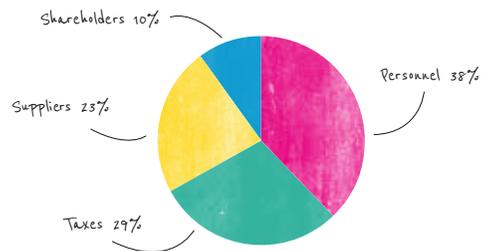
Examples of assignments that we have been working on during 2017 include:

- HiQ helps 3nine to sell fresh air
- HiQ helps Zenuity to develop autonomous vehicles
- HiQ develops loyalty portal for Circle K

A quantitative measure of our performance within the client area is our client satisfaction score. The previous client satisfaction survey, conducted in 2016, showed a score of 4.3 out of a maximum of 5.0.

2. We contribute to a more sustainable development of the society by generating tax revenues

Being a profitable company does also mean that we could contribute to a sustainable development of the society by paying taxes. As a result of our high profitability, our costs for income taxes in 2017 amounted to SEK 48 million. HiQ is at the same time a staff-intensive company which means that a majority of our cost base is salaries and salary related costs (such a social contribution fees, pension costs, salary taxes and other). In order to show HiQ's contribution within this area, we are calculating our Total Tax Contribution. In 2017 this amounted to SEK 275 million (SEK 261 million in 2016), equivalent to 15 per cent (16 per cent) of our turnover. If we also add the taxes on salaries that our employees generate as a result of the employment by HiQ, the Total Tax Contribution amount to SEK 516 million in 2017 (SEK 489 million in 2016).



The chart above shows how the revenue streams generated by HiQ is distributed to our different stakeholders. The chart shows that approximately 29 per cent is distributed to different types of taxes, which makes the society (through the tax authorities in the countries we are operating) to the second largest stakeholder of the revenue streams generated by HiQ. The staff of HiQ with 38% receive the largest proportion. Third largest stakeholder is other suppliers and fourth group is the shareholders of HiQ.

Based on the operations that HiQ conducts, the company has assessed the risks associated with breach of human rights as low and the risks within this area is minimized by following current legislation, policies and routines and by paying taxes and other fees.

3. We contribute to a decreased load on the welfare systems

At HiQ our employees are our most important resource and therefore a natural part of our sustainability work. In addition to respect for human right, equality and labour law it is of great importance for us as a company that our employees are feeling good and are healthy. The biggest risk in this area is that our employees quits or are absent from work. Within this area we are measuring staff turnover and sick leave. In 2017, our sick leave was 4.3% (3.6%). Staff turnover is measured relative to last year. In 2017 the staff turnover was higher than in 2016.

HiQ is a value based company working with proactive measures in order to secure that our employees and their families are having a good balance in life.

4. We contribute to a better environment

Since HiQ is a service company the risks related to environmental impact from our production process is limited, seen from a traditional perspective. The areas that we have identified that we could work with are energy consumption in our

premises, transportation and in the best possible way use environmental friendly alternatives when we procure products. Due to that HiQ assesses the risks with the environmental impacts as limited, we have chosen not to have any quantitative measurements in this area.

Targets within the sustainability work

HiQ has set the following targets for the sustainability work:

Clients:

- Same or higher client satisfaction score compared to the last measurement

Society:

- No quantitative measurements but we measure Total Tax Contribution.

Social conditions and staff:

- Lower sick leave in 2018 compared to 2017
- Lower staff turnover in 2018 compared to 2017

Environment:

- No quantitative measurements has been set due to HiQ's assessed limited impact within the area

Anti-corruption:

- Zero tolerance against corruption

No indicators are used within the area of respect for human rights but HiQ should follow current laws and rules.

Review of policies within the area of sustainability HiQ annually review the compliance of the policies the company has, as well in the area of sustainability as other policies. This is done as a part of the controller tour that is conducted every year. The Board reviews all policies on an annual basis.

Risks associated with the sustainability work:

The risks associated with the work within sustainability have been identified based on the steering documents as well as HiQ's operations. The risks are evaluated on a yearly basis and constitute an integrated part of HiQ's risk management process.

Corporate governance report

GENERAL

HiQ International AB is a Swedish public limited company

with its registered office in Stockholm, Sweden. HiQ's corporate governance is based on the Swedish Companies Act, the company's articles of association, the obligations that accompany listing on the Nasdaq Stockholm, the Swedish Code of Corporate Governance and other applicable laws and regulations. Corporate governance comprises a regulatory and decision making system for managing a company's business in an effective, controlled manner. The aim is to meet the owners' requirements in terms of the return on capital invested. In Sweden, corporate governance has traditionally been regulated by legislation. In addition, the self-regulatory bodies of trade and industry have continually presented various stipulations relating to corporate governance. For detailed information on the Swedish Code of Corporate Governance visit www.bolagsstyrning.se.

HiQ aims for a high standard through a clear and simple management system and guiding documents. Management, leadership and control of HiQ is divided between the shareholders at the Annual General Meeting, the Board of Directors, the CEO, and the auditors in accordance with the Swedish Companies Act and the company's articles of association. Increased transparency provides good insight into the company's operations, which contributes to effective control.

HiQ'S APPLICATION OF THE CODE OF CORPORATE GOVERNANCE

HiQ has applied the Swedish Code of Corporate Governance since 1 July 2008. HiQ follows the Code with the following exceptions: No Remuneration Committee has been appointed. Instead these matters are dealt with by the Board as a whole, excluding the company's CEO. This is because the Board judges that due to the nature of the business and the combined expertise of the Board members, this best promotes the business of the company and the interests of its shareholders.

SHAREHOLDERS

HiQ's share is listed since April 1999 on the Nasdaq Stockholm. At year end, the share capital amounts to SEK 5.5 million, spread over 55,452,887 shares with a quota value of SEK 0.10. There is one share class. The number of shareholders at year-end amounted to 17,756 (14,738). The foreign ownership share

was 25 (31)%. Swedish institutions owned 41% of the shares. 12.7 % of shares were held directly by the shareholders while 87.3% were registered in the name of a nominee. For further information regarding HiQ's share and ownership structure, please refer to the Section "The HiQ Share", on page 22.

ANNUAL GENERAL MEETING

Under the Companies Act, the General Meeting is a company's highest decision-making body. The company's Annual General Meeting adopts the income statement and balance sheet, elects the Board of Directors and – where appropriate – auditors, establishes fees and deals with other matters laid down in legislation or in the Code of Corporate Governance. At the Annual General Meeting, the shareholders have the opportunity to ask questions to the management, Board of Directors and the auditors.

ANNUAL GENERAL MEETING 2017

The 2017 Annual General Meeting (AGM) was held in Stockholm on 22 March 2017. Around 40 percent of the votes were represented at the AGM. Gunnel Duveblad was elected as Chairman of the AGM. Among other things, the AGM resolved to re-elect Gunnel Duveblad, Ken Gerhardsen, Johanna Fagrell Köhler, Erik Hallberg, Ulrika Hagdahl, Raimo Lind and Lars Stugemo as members of the Board. Gunnel Duveblad was elected as Chairman of the Board.

The Board of Directors was authorised to:

- decide on one or more occasions in the period up to the next AGM on the issue of a maximum of 5,000,000 shares as a non-cash issue or offset issue in conjunction with corporate acquisitions.
- decide on one or more occasions in the period up to the next AGM on the acquisition of a total number of shares such that the number of the company's own shares held at any one time does not exceed 10 per cent of the total number of shares in the company.
- decide on transfer of the company's own shares in settlement for the acquisition of companies or operations at a price corresponding to the share price at the time of transfer.

Furthermore, the AGM resolved to:

- implement a share split and a mandatory redemption procedure in which SEK 170 million, corresponding to SEK 3.10 per

share, was distributed to the company's shareholders.

- The AGM also decided to issue a maximum of 1,000,000 warrants to be transferred to employees in Sweden, Denmark and Finland.
- adopted principles for remuneration and other terms of employment of the executive management as proposed by the Board.
- change the articles of association regarding the term of the mandate of the auditor.

Minutes from the Annual General Meeting and other documentation could be found on HiQ's website www.hiq.se.

ANNUAL GENERAL MEETING 2018

The 2018 Annual General Meeting will be held at 10 a.m. on Wednesday 21 March, 2018 in the company's premises at Regeringsgatan 20, 9th floor, in Stockholm.

NOMINATION COMMITTEE

HiQ's 2016 AGM resolved that the following principles shall apply, until a new AGM decision is made, for the appointment of a Nomination Committee and the assignments of the Nomination Committee.

The Chairman of the Board of Directors shall based on the ownership as of 31 July convene the three major shareholders in the company, which each are to elect one representative to the Nomination Committee. If any of the three major shareholders renounce from their right to elect a representative, the next largest shareholder are to be provided with the opportunity to elect a representative. In addition, the Nomination Committee can decide that the Chairman of the Board of Directors shall be a representative of the Nomination Committee. Neither the CEO nor any other member of the management shall be a member of the Nomination Committee.

The Chairman of the Board of Directors shall convene the initial meeting of the Nomination Committee. A representative of the shareholders shall be elected as Chairman of the Nomination Committee. Term of office for the Nomination Committee is until a new Nomination Committee has been appointed.

The names of the representatives of the Nomination Committee

shall be announced no later than six months prior to the Annual General Meeting. All shareholders shall in connection thereto also be informed whom to contact.

In the event of major changes in the shareholding after this date, the Nomination Committee can, if it finds it necessary, decide that a new shareholder shall be offered a seat in the Nomination Committee according to the above stated principles. Such changes shall be made public immediately.

The Nomination Committee shall prepare and at the Annual General Meeting leave proposals regarding; election of Chairman for the Annual General Meeting, election of Chairman of the Board of Directors along with other members of the Board of Directors, fees to the members of the Board of Directors divided between the Chairman and other members as well as compensation for work in committees and election of and fee to the auditors and (any deputy auditors where appropriate).

No fee shall be paid to the Nomination Committee. The Nomination Committee shall, upon approval by the Chairman of the Board of Directors, be entitled to burden the company with costs for recruitment consultants or other costs necessary for the Nomination Committee to fulfil its duties.

The Nomination Committee ahead of the AGM comprises Joachim Spetz (Robur Fonder), Maria Rengefors (Nordea fonder), Johan Strandberg (SEB Investment Management) and Gunnel Duveblad, the Chairman of the Board. Joachim Spetz was appointed as chairman of the Nomination Committee. All shareholders have been given opportunity to contact the Nomination Committee with proposals, e.g. for Board members, for further evaluation within the context of the Nomination Committee's work. The Nomination Committee has held 8 meetings and has also been in contact at other times. As a basis for its appraisal of the composition of the Board the Nomination Committee had access to the appraisal carried out by the Board and was also given opportunity to meet the members of the Board individually. Based on this appraisal and the opportunity to take into account suggestions for new Board members, the Nomination Committee draws up a proposal for a new Board which is submitted in conjunction with the

notice to the forthcoming AGM. At the AGM the Nomination Committee gives a report on its work. When auditors are to be elected the Audit Committee (which comprises the entire Board excluding the CEO) assists the Nomination Committee with producing a proposal. The current auditor, PricewaterhouseCoopers, was elected at the 2015 AGM.

The Nomination Committee has applied paragraph 4.1 in the Swedish Corporate Governance Code, as diversity policy for the Board, i.e.: "The Board is to have a composition appropriate to the company's operations, phase of development and other relevant circumstances. The Board members elected by the shareholders' meeting are collectively to exhibit diversity and breadth of qualifications, experience and background. The company is to strive for gender balance on the Board". The Board of the company has, according to the Nomination Committee a good diversity regarding as well experience, age as well as gender balance. Of the Board members elected by the AGM in 2017, 3 are women, constituting 43 per cent of the Board, including the CEO. If the CEO is excluded in the calculation, according to EU standards, the proportion is 50 per cent. The composition of the Board thereby fulfils the Swedish Corporate Governance Code of requirement of a good gender balance.

Board of directors

THE BOARD'S RESPONSIBILITIES AND DUTIES

The Board shall have written instructions stating the division of work between the Board, any other bodies that the Board may establish and the CEO. The work plan, which is established annually at the statutory Board meeting immediately following the AGM, establishes the basis of the Board's work, the division of work between the Board and the CEO as well as the frameworks for financial reporting.

COMPOSITION OF THE BOARD

According to the company bylaws, the Board shall have at minimum 3 members and maximum 8 members with a maximum of 5 deputies. Coming from different backgrounds and with a broad pool of experience, the directors have the knowledge required to perform their Board duties, including issues relating to strategy, executive management and structural development. Individual directors also provide valuable assistance to management in facilitating contacts

with key clients and on issues relating to politics, economics, accounting and finance, law, organisation and marketing. Age, mainly education, work experience, mainly assignments, election year and holdings of HiQ shares of the Board members is presented on pages 76–77.

DIVISION OF WORK

The board as a whole has chosen to act as audit committee with the exception of the CEO, and also handle remuneration issues.

CHAIRMAN OF THE BOARD

The Chairman of the Board is responsible for leading the work of the Board and for the Board meeting its commitments in accordance with the Swedish Companies Act and the work plan established by the Board for its work. Continual contact with the CEO shall ensure that the Chairman of the Board monitors the company's development and ensures that the Board receives the information required in order to be able to meet its commitments. The Chairman of the Board shall also represent the company in matters concerned with ownership. Gunnel Duveblad has been Chairman of the Board since March 2016.

BOARD FEES

The 2017 AGM established the fees to be paid to the Board at SEK 1,950,000. Of this amount, SEK 625,000 is payable to the Chairman of the Board and SEK 245,000 each to the other non-employed Board members. The total amount of SEK 1,950,000 also include SEK 100,000 has been paid to the Chairman of the Audit Committee. The Board members have the right to invoice the remuneration from a company. In that case the amount should be adjusted so it is cost neutral for HiQ.

THE WORK OF THE BOARD IN 2017

In 2017 the Board held 12 meetings (9 meetings were held in 2016), including a statutory meeting following the AGM on 22 March 2017. The minutes of these meetings represent documentation of decisions taken and the minutes are taken by the company's Chief Financial Officer, acting as secretary of the Board. The regular Board meetings are prepared jointly by the Chairman of the Board and the CEO of the company.

At every regular Board meeting an update is given on the business situation and financial monitoring. In addition, every meeting deals with a number of matters that are summarised below. Ahead of each Board meeting the Board receives written material as a basis for discussions and decisions that will be dealt with. Members of the executive management take part in the Board meetings in order to report on matters within their specific areas. Other matters dealt with during the year include the economic trend, competence needs, organisation and acquisitions. In addition a full-day strategy seminar was held on issues relating to HiQ's long-term development, and in-depth discussions regarding certain market areas. The CEO provides a monthly report to the Board. This report deals with markets, operations and financial development. These reports are compiled by the CEO and the Chief Financial Officer. The Company's auditor were present at the meeting at which the year-end financial statements were discussed.

This gave the Board of Directors and the auditor the opportunity to discuss the business accounting and audit work. Compensation matters have been taken in connection with ordinary board meetings. Handled matters include conditions and incitements for managements and compensation package for CEO.

INDEPENDENT IN RELATION TO

BOARD OF DIRECTORS	COMPANY	LARGER SHAREHOLDER	PRECENCE	PRESENCE AUDIT COMMITTEE
Gunnel Duveblad, Chairman of the Board	Yes	Yes	12/12	5/5
Erik Hallberg	Yes	Yes	12/12	5/5
Johanna Fagrell Köhler (member of the board until 2 January 2018)	Yes	Yes	12/12	5/5
Ken Gerhardsen	Yes	Yes	10/12	4/5
Lars Stugemo	No	Yes	12/12	-
Raimo Lind	Yes	Yes	12/12	5/5
Ulrika Hagdahl	Yes	Yes	12/12	5/5

AUDIT COMMITTEE

The audit committee of 2017 was constituted by all the Board members except the CEO. Chairman of the audit committee is Raimo Lind. The committee has held 5 meetings in 2017. They have also held meetings with the auditors. Matters that have been taken under 2017 includes review of Group policies, internal financial reporting, procurement of auditors, review of results by AGM elected auditors audit of the operations, impairment tests and matters concerning internal control.

ASSESSMENT OF THE BOARD'S WORK

In accordance with what is laid down in the Board's work plan, the Board continually assesses its work through open discussions in the Board and through an annual Board appraisal taking the form of a survey. The results of the annual Board appraisal are submitted to the Nomination Committee. The nomination committee has also had a meeting with Board members in order to ask questions regarding the Board work.

AUDITORS

The company's auditor, PricewaterhouseCoopers, was re-elected on the AGM in March 2015. Gabriella Hermansson is the responsible auditor. During the year the auditor has, in addition to auditing the financial statements for the company, also reviewed the interim report for the period January – September 2017. As described in the section "The work of the Board in 2017", the auditor has also participated at the Board meeting treating the full year results. For information regarding remuneration to auditors, please refer to note 6, on page 50.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Internal control over financial reporting is based on the control environment established by the Board and executive management. Control environment refers to – among other things – the values and the culture that exist within HiQ, but also the organisational structure, responsibilities and powers defined and communicated to everyone concerned within the company. It also includes components such as the competence and experience of the company's employees and a number of governing documents such as policies and manuals.

CONTROL ENVIRONMENT

The Board of HiQ has an established work plan which is laid

down annually at the statutory Board meeting and forms the basis of the work of the Board and for effective management of the risks to which the business is exposed. The Board annually updates and establishes the Board's work plan, the CEO's instructions, an approval matrix and an investment policy, among other things. Work plans exist for the Boards of subsidiaries and instructions exist for the Managing Directors of each company in the HiQ Group. In addition, HiQ has for example a media policy, an IR policy, an emergency plan and a business ethics policy. The policies and other steering documents that HiQ has are judged to form a basis for good internal control. Internal steering documents to secure high quality in financial reporting include a financial Handbook, IR-policy and the approval matrix. HiQ has also during the year adopted an information security policy and started the preparation for the adoption of GDPR, which will be in force in 2018.

The tasks of the Board include continual monitoring of compliance with the general policies and other steering documents that exist, as well as continual assessment of the company's financial situation and results. HiQ has a decentralized organizational model in which each subsidiary has great independence. The Group has an approval matrix that clearly regulates the powers that exist at each level in the organization. The approval matrix regulates matters such as the submission of purchases, fixed price quotations, investments, salaries and discounts.

RISK INVENTORY/RISK REGISTER

The aim of HiQ's risk inventory is to ensure that HiQ's business is conducted in a manner that is in line with the risk level the Board and the management decided. The company's Board and senior management are responsible for the existence of and compliance with guidelines on risk management. HiQ has carried out an analysis of the risks that may affect the accuracy of the financial information that the company provides externally. In so doing a number of income statement and balance sheet items were identified where the risk of material errors is greater than in the case of other items. One example of this is the settlement of fixed price projects, where particular importance is placed on ensuring good internal control of revenue settlement. Another example is the treatment of sub-consultants. During the year all subsidiaries have conducted

a self-evaluation regarding the internal control. During the autumn the Group controller has reviewed all group companies regarding administrative routines and internal control. At the controller tour sample tests is made. During the controller tour this year, matters relating to IFRS 15 have also been reviewed. The outcome of this work is compiled and analysed. Based on the analysis an action plan is set to improve the internal control.

INFORMATION AND COMMUNICATION

Information on HiQ's steering documents such as policies, guidelines and routines is provided to the persons concerned. Significant policies and guidelines are updated as needed, but at least annually, and communicated to the staff concerned. Financial reporting issues are also discussed at meetings at which the Group's financial officers meet. For external communication HiQ follows its established media plan and IR policy.

MONITORING

Within HiQ a complete income statement and balance sheet are produced monthly, along with certain key ratios, at both Group and segment level. Moreover, various relevant key ratios and liquidity are monitored weekly. Each month the entire Group is consolidated, with results being tracked against budget. In addition to the financial reporting, a follow-up of the internal control work and risk inventory is made. Each month the Board receives an update of the financial outcome of the Group.

DISCLOSURE OF INFORMATION TO THE STOCK MARKET

In accordance with the commitments incumbent upon HiQ as a listed company, HiQ provides the stock market with information on the Group's financial position and development. The information is provided in the form of interim reports and an annual report, which are published in Swedish and English. In addition to purely financial information, HiQ also issues press releases concerning news and events and also gives presentations for shareholders, financial analysts and investors both in Sweden and abroad. The information published is also made available on the company's website, www.hiq.se.

STATEMENT

In view of the above processes and structure, the Board does not consider it appropriate to establish a separate internal audit function.

Guidelines for determining salaries and other remuneration for the CEO and other members of the executive management

The Annual General Meeting on 22 March 2017 passed a resolution concerning the following principles for remuneration and terms of employment of the CEO and other members of the executive management. Remuneration of the CEO and other members of the executive management shall comprise fixed salary, any variable remuneration, pension and any other customary benefits. The total remuneration shall be in line with market rates and the remuneration terms shall reward outstanding performance and standardize shareholder and individual incentives.

FIXED SALARY

Remuneration in the form of fixed salary shall be in proportion to the executive's experience, responsibilities and authority

VARIABLE REMUNERATIONS

The variable remuneration shall be in proportion to the executive's responsibilities and authority. It shall also be subject to an upper limit and based on fulfillment of targets aligned with the shareholders' long-term interests. Where appropriate, the variable element shall be based on quantitative and qualitative targets.

The Company's costs for the variable element of remuneration for the CEO and other members of the executive management are maximum 100% of the fixed salary cost for this group depending on target fulfillment. The CEO and other members of the executive management shall be eligible to participate in the warrant program, in the same way as other staff and on the same terms, in accordance with the proposal submitted to the Annual General Meeting by the Board, and have premiums subsidized on the same terms as other employees within HiQ if applicable.

PENSION

HiQ offers its employees a premium-based pension scheme with entitlement to pension from the age of 65. Variable remuneration is not pensionable. Pension benefits amount to a maximum of 35% of fixed salary, not exceeding approx. SEK 0.4 million per employee per year.

OTHER BENEFITS

Other benefits comprise conventional benefits in accordance with local practice.

TERMINATION AND SEVERANCE PAY

In the case of the CEO, there is a reciprocal period of notice of six months. If employment is terminated by the Company, severance pay equivalent to 10 months' salary is payable. If employment is terminated by the CEO, salary and other benefits are paid for four months after cessation of employment, during which period the CEO is prohibited from entering into competing activities. In the case of other members of the executive management, there is normally a reciprocal period of notice of three to six months. Issues concerning remuneration of the executive management are handled by the CEO. Decisions on remuneration of the CEO are taken by the Board of Directors. These guidelines may be waived by the Board where there are particular reasons for this in an individual case.

THE BOARD'S PROPOSED GUIDELINES APPLICABLE UNTIL THE NEXT ANNUAL GENERAL MEETING

The Board of Directors proposes to the Annual General Meeting 2018 unchanged principles for the remuneration and other terms of employment of the CEO and other members of the executive management, except for guidelines for pension, for approval by the General Meeting. The following wording is proposed regarding pension:

PENSION

HiQ offers its employees a premium-based pension scheme with entitlement to pension from the age of 65. Pension benefits amount to a maximum of 35% of fixed salary, not exceeding 10 Price base amount per employee per year.

Proposed appropriation of the company's profit (SEK thousand)

THE FOLLOWING FUNDS ARE AT THE DISPOSAL OF THE ANNUAL GENERAL MEETING:

Share premium reserve	221,885
Profit brought forward	108,250
Profit for the year	165,944
Total	496,079

The Board and the CEO propose that profits be appropriated such that SEK 496,079 thousand is carried forward.

It is also proposed a share split 2:1 combined with a compulsory redemption procedure shall be carried out. The procedure will imply that each share will split into one ordinary share and one redemption share.

The redemption share is suggested to be redeemed for SEK 3.30 per share, representing a transfer of approximately SEK 183 million to the Company's shareholders, based on the number of outstanding shares.

STATEMENT ON REASONS FOR THE BOARD'S VALUE TRANSFER PROPOSAL THROUGH MANDATORY REDEMPTION

The proposed value transfer to the shareholders will reduce the Parent Company's equity/assets ratio from 80.0% to 72.2% and the consolidated equity/assets ratio from 68.4% to 62.6%. In view of the continued profitability of the company and the Group, the equity/assets ratio is deemed to be adequate.

THE BOARD LIKELIKE BELIEVES THAT IT WILL BE POSSIBLE TO MAINTAIN AN ADEQUATE LEVEL OF LIQUIDITY IN THE COMPANY AND THE GROUP.

In the view of the Board of Directors the proposed value transfer will not prevent the company or any of the companies within the Group from meeting their short or long term obligations or from making the necessary investments. The proposed value transfer is therefore defensible with respect to the provisions of paragraphs 2–3 of Section 3 of Chapter 17 of the Swedish Companies Act (the precautionary principle).

The financial reports were approved for publication by the Board of Directors of the Parent Company on 23 February 2018.

For more information about the company's results and financial position, see the following income statements and balance sheets and the notes to the accounts.

CONSOLIDATED STATEMENT OF COMPREHEN- SIVE INCOME

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (SEK THOUSAND)	NOTE	2017	2016
Net sales	3, 4, 8	1,787,894	1,659,426
Other operating income		325	
Assignment-specific external costs	8	-263,433	-226,571
Staff expenses	5, 29, 33	-1,188,844	-1,117,077
Other external expenses	6, 27	-108,684	-96,878
Depreciation	11, 12, 27	-12,894	-10,993
Operating profit		214,364	207,907
Finance income	7	216	531
Finance costs	7	-1,075	-991
Pre-tax profit		213,505	207,447
Income tax	9	-48,200	-46,083
Profit for the period attributable to the equity holders of the Company		165,305	161,364
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	21	6,833	16,452
Other comprehensive income for the period		6,833	16,452
Comprehensive income for the period attributable to the equity holders of the Company		172,138	177,816
Profit per share attributable to the equity holders of the Company			
Basic SEK	22	3.00	2.97
Diluted SEK	22	2.98	2.96

CONSOLIDATED BALANCE SHEET

CONSOLIDATED BALANCE SHEET (SEK THOUSAND)	NOTE	2017-12-31	2016-12-31
Assets			
Fixed assets			
Tangible fixed assets	11	50,524	45,319
Intangible assets	12	377,758	364,344
Investments in associates	14	12,484	12,157
Deferred tax	10	2,321	2,439
Financial assets	13, 15	2,954	285
Total fixed assets		446,041	424,544
CURRENT ASSETS			
Accounts receivables, trade	13, 17	388,729	346,518
Current income tax assets		2,695	9,914
Other receivables	13, 16	17,969	6,055
Accrued income and prepaid expenses	18	133,445	131,869
Cash and cash equivalents	13, 19	205,124	204,262
Total current assets		747,962	698,618
Total assets		1,194,003	1,123,162
Equity and liabilities			
Equity			
Capital and reserves attributable to the Parent Company's equity holders			
Share capital	20	5,545	5,471
Other contributed capital		440,853	404,284
Other reserves	21	11,615	4,782
Retained earnings, including profit for the period		358,143	363,029
Total equity		816,156	777,566
LIABILITIES			
Long-term liabilities			
Long-term interest-bearing debt	13, 24, 27	25,322	25,508
Deferred tax	10	855	393
Total long-term liabilities		26,177	25,901
Short-term liabilities			
Short-term interest-bearing debt	24, 27	6,304	5,887
Accounts payable, trade	13	74,251	65,136
Other liabilities	13, 25	112,348	95,240
Accrued expenses and prepaid income	26	158,767	153,432
Total short-term liabilities		351,670	319,695
Total liabilities		377,847	345,596
Total equity and liabilities		1,194,003	1,123,162

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(SEK THOUSAND)	NOTE	Attributable to the equity holders of the parent company				TOTAL EQUITY
		SHARE CAPITAL	OTHER CONTRIBUTED CAPITAL	RESERVES	RETAINED EARNINGS, INCLUDING NET PROFIT FOR THE PERIOD	
Balance at 1 Januari 2016		5,392	366,251	-11,670	358,045	718,018
Comprehensive income						
Profit for the period					161,364	161,364
Other comprehensive income						
Currency translation adjustments	21			16,452		16,452
Comprehensive income				16,452	161,364	177,816
Transactions with shareholders						
Warrant premiums	20		2,504			2,504
Share issue conversion of warrants		53	21,181			21,234
Share issue acquisitions		26	14,348			14,374
Redemption of shares	23				-156,380	-156,380
Total transactions with shareholders		79	38,033		-156,380	-118,268
Balance 31 December 2016		5,471	404,284	4,782	363,029	777,566
Balance at 1 Januari 2017		5,471	404,284	4,782	363,029	777,566
Comprehensive income						
Profit for the period					165,305	165,305
Other comprehensive income						
Currency translation adjustments	21			6,833		6,833
Comprehensive income				6,833	165,305	172,138
Transactions with shareholders						
Warrant premiums	20		2,913			2,913
Share issue conversion of warrants		55	21,392			21,447
Share issue acquisitions	31	19	12,264			12,283
Redemption of shares	23				-170,191	-170,191
Total transactions with shareholders		74	36,569		-170,191	-133,548
Balance at 31 December 2017		5,545	440,853	11,615	358,143	816,156

CONSOLIDATED CASH FLOW

(SEK THOUSAND)	NOTE	2017	2016
Cash flow from operating activities			
Pre-tax profit		213,505	207,447
Adjustment for items not included in the cash flow	32	12,894	5,286
Paid tax		- 41,048	- 41,517
Cash flow from operating activities before changes in working capital		185,351	171,216
Cash flow from changes in working capital			
Increase (-)/decrease (+) in operating assets		-48,872	- 61,789
Increase (+)/decrease (-) in operating liabilities		27,629	22,277
Cash flows from current operations		164,108	131,704
Cash flow from investing activities			
Investments in Group companies		- 40	694
Investments in tangible assets		- 10,414	- 5,633
Investments in financial assets		- 2,640	-
Cash flow from investing activities		- 13,094	- 4,939
Cash flow from financing activities	32		
Warrant premiums		2,913	2,504
Share issue		21,447	21,234
Repayment of debt		- 6,377	- 6,876
Redemption of shares	23	- 170,191	- 156,380
Cash flow from financing activities		- 152,208	- 139,518
Cash flow for the period		- 1,194	- 12,753
Cash and cash equivalents at beginning of year		204,262	212,414
Effects of exchange rate changes		2,058	4,600
Cash and cash equivalents at end of year	19	205,124	204,262

INCOME STATEMENT, PARENT COMPANY AND STATEMENT OF COMP- REHENSIVE INCOME

INCOME STATEMENT, PARENT COMPANY (SEK THOUSAND)	NOTE	2017	2016
Net sales	4, 33	42,398	44,661
Assignment-specific external costs	33	-3,672	-8,927
Other external expenses	6	-25,819	-25,113
Staff expenses	5, 29, 33	-25,552	-25,185
Depreciation and write-downs	11	-69	-365
Operating profit		-12,714	-14,929
Profit from shares in Group companies	7	199,876	167,900
Finance income	7	945	437
Finance costs	7	-843	-768
Profit after financial items		187,264	152,640
Income tax	9	-21,320	-23,527
Profit for the period		165,944	129,113
STATEMENT OF COMPREHENSIVE INCOME, PARENT COMPANY (SEK THOUSAND)			
Profit for the year		165,944	129,113
Comprehensive income for the period		165,944	129,113

BALANCE SHEET PARENT COMPANY

BALANCE SHEET, PARENT COMPANY (SEK THOUSAND)	NOTE	2017-12-31	2016-12-31
Assets			
Fixed assets			
Tangible fixed assets			
Equipment	11	184	253
Improvement expenses for other's properties	11	1,674	0
Deferred tax asset	10	404	406
Financial fixed assets			
Shares in Group companies	30	436,294	426,774
Other financial fixed assets		2,514	0
Total fixed assets		441,070	427,433
CURRENT ASSETS			
Short-term receivables			
Accounts receivable, trade		6,879	2,933
Receivables – Group companies		89,689	19,318
Other receivables	16	5,967	1,654
Accrued income and prepaid expenses	18	7,632	3,654
Total current assets		110,167	27,559
Cash and bank balances		127,106	125,739
Total assets		678,343	580,731
Equity and liabilities			
EQUITY			
Restricted equity			
Share capital (55,452,887 shares with a quota value of SEK 0.10)		5,545	5,471
Statutory reserve		41,419	41,419
Total restricted equity		46,965	46,891
Non-restricted equity			
Share premium reserve		221,885	185,372
Retained earnings, including profit for the period		274,195	278,442
Total non-restricted equity		496,079	463,814
Total equity		543,044	510,705
CURRENT LIABILITIES			
Accounts payable, trade		1,613	1,163
Liabilities – Group companies		113,379	45,834
Current income tax liabilities		6,516	5,057
Other liabilities	25	2,725	6,775
Accrued expenses and prepaid income	26	11,066	11,197
Total current liabilities		135,299	70,026
Total equity and liabilities		678,343	580,731

SHARE- HOLDERS' EQUITY- PARENT COMPANY

EQUITY		SHARES	2017 VOTES	SHARES	2016 VOTES	
Number of shares and votes		55,452,887	55,452,887	54,713,105	54,713,105	
PARENT COMPANY 2016 (SEK THOUSAND)		NOTE	SHARE CAPITAL	STATUTORY RESERVE	PREMIUM RESERVE	RETAINED EARNINGS
Balance at 1 January 2016			5,392	41,419	147,337	305,711
COMPREHENSIVE INCOME						
Profit for the period						129,113
Comprehensive income						129,113
TRANSACTIONS WITH SHAREHOLDERS						
Redemption of shares	23					-156,380
Warrant premiums	20				2,504	
Share issue			53		21,181	
Share issue acquisitions			26		14,348	
Total transactions with shareholders			79		38,034	-156,380
Balance at 31 December 2016			5,471	41,419	185,372	278,442
Parent Company 2017 (SEK thousand)		NOTE	SHARE CAPITAL	STATUTORY RESERVE	PREMIUM RESERVE	RETAINED EARNINGS
Balance at 1 January 2017			5,471	41,419	185,372	278,442
COMPREHENSIVE INCOME						
Profit for the period						165,944
Comprehensive income						165,944
TRANSACTIONS WITH SHAREHOLDERS						
Redemption of shares	23					-170,191
Warrant premiums	20				2,913	
Share issue			55		21,336	
Share issue acquisitions			19		12,264	
Total transactions with shareholders			74		36,513	-170,191
Balance at 31 December 2017			5,545	41,419	221,885	274,195

CASH FLOW STATEMENT FOR THE PARENT COMPANY

CASH FLOW STATEMENT (SEK THOUSAND)	NOTE	2017	2016
Cash flow from operating activities			
Pre-tax profit		187,264	152,640
Adjustment for items not included in the cash flow	32	22,069	8,365
Paid tax		-19,861	-17,968
Cash flow from operating activities before changes in working capital		189,472	143,037
CASH FLOW FROM CHANGES IN WORKING CAPITAL			
Increase (-)/decrease (+) in operating assets		-82,606	-8,751
Increase (+)/decrease (-) in operating liabilities		63,814	-3,855
Cash flows from current operations		170,680	130,431
CASH FLOW FROM INVESTING ACTIVITIES			
Investments in tangible assets		-1,674	-44
Investments in financial assets		-21,808	-8,572
Cash flow from investing activities		-23,482	-8,616
CASH FLOW FROM FINANCING ACTIVITIES			
Warrant premiums		2,913	2,504
Share issue		21,447	21,234
Redemption of shares	23	-170,191	-156,380
Cash flow from financing activities		-145,831	-132,641
CASH FLOW FOR THE PERIOD		1,367	-10,826
Cash and cash equivalents at beginning of year		125,739	136,565
Cash and cash equivalents at end of year	32	127,106	125,739

NOTES

1. General information

HiQ International AB ('the Company') and its subsidiaries (together 'HiQ' or 'the Group') is a consultancy company with operations mainly in the Nordic region and Russia. The Company is a limited liability company incorporated and domiciled in Stockholm, Sweden. The address of its registered office is Box 7421, 103 91 Stockholm, Sweden. The Company is listed on Nasdaq Stockholm Mid Cap.

These consolidated financial statements have been approved for issue by the Board of Directors on 23 February 2018. The income statements and balance sheets are to be adopted by the Annual General Meeting on 21 March 2018.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations from IFRS Interpretations Committee (IFRS IC) as they have been adopted by the EU and in accordance with RFR 1 and the Swedish Annual Accounts Act. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 34 (Critical accounting assumptions).

NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

The group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2017:

– Disclosure initiative – amendments to IAS 7.

The adoption of these amendments did not have any impact on the accounting policies for the current period but result in additional disclosures for the current period and is also expected to affect the disclosures for future periods.

None of the other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2017 has had a material impact on the Group's financial statement.

NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2017, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the group, except the following set out below:

NEW STANDARDS NOT YET IN FORCE

IFRS 9, "Financial instruments", replaces parts of IAS 39 with regards to the classification and measurement of financial assets and liabilities. IFRS 9 maintains a mixed valuation approach but simplifies the approach in certain areas. IFRS 9 has three classification categories for debt instruments: amortized cost, fair value through other comprehensive income and fair value through profit or loss. Classification of instruments is driven by the company's business model and the characteristics of the instrument. Investments in debt instruments is valued at amortized cost if:

- a). the purpose of the holding is to get contractual cash flows and
- b). the contractual cash flows is only interest and amortizations.

All other debt and equity instruments, including investments in complex instruments should be valued at fair value. All

changes in fair value of financial instruments is charged through profit or loss, with the exception of equity instruments, not held for sale, for which there is an option to charge through other comprehensive income. No reclassification to the income statement will be made at the disposal of the instrument. For debt instruments, value at fair value, a company should recognize the part of the value change due to changes in the company's credit rating in other comprehensive income. The new hedge accounting rules in IFRS 9 gives the company better possibilities to mirror the applied risk management strategy. In general, the requirements for hedge accounting are relaxed. The new standard extends the disclosure requirements and implies some changes in the presentation format. IFRS 9 does also impose a new model for the calculation of credit loss reserves, based on expected credit losses.

The new model for write-downs includes a three-step model based on changes in credit quality on the financial assets. The steps guides how a company values and accounts for write-downs and how they should apply the effective interest method. For financial assets without a significant finance component, for example accounts receivables and leasing assets, rules for simplifications are in place meaning that the company could present a reserve for the whole duration of the receivable and thereby does not need to make a reserve when a substantial change in the credit rating occurs. The Group will apply IFRS 9 as of 1 January 2018 and has chosen the retrospective method. This implies that the cumulative effect from the adoption of IFRS 9 will impact the retained earnings as of 1 January 2018 and comparable periods will not be restated. Retained earnings will be effected with SEK -1.2 Million as of 1 January 2018 as result of the 12 month expected credit loss reserve.

IFRS 15, "Revenue from contracts with customers", is the new standard for revenue recognition. IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction contracts and all associated interpretations. (IFRIC and SIC). Revenue is recognized when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. This principle replaces the previous principle that revenue is recognized when transfer of risks and rewards occur. The main principle in IFRS 15 is that a company recognizes revenue in the way best reflecting the transfer of the promised good or service to the customer. IFRS 15 is mandatory for annual reporting periods

commencing 1 January 2018 or later. HiQ will apply IFRS 15 for the financial year 2018.

This recognition is made by a five step model:

Step 1: identify the contract with the contract

Step 2: identify different components in the contract

Step 3: set the transaction price

Step 4: allocate the transaction price on different components

Step 5: recognize revenue when a component is complete

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

HiQ's business model mainly consists of sale of services. The services are sold on a project basis but also competence-based. In addition, to providing pure services, HIQ does also provide products in the form of software licenses and hardware as part of projects delivered by HiQ.

HiQ's has assessed the adoption of IFRS 15 will not have any material impact on 2017 net sales, costs and operating profit. In the assessment, HiQ has focused on the following areas that could be affected by IFRS 15:

Common effects: The overall timing of revenue recognition is not expected to change significantly. Revenue from service contracts is currently recognized over the accounting period in which the service is provided or the project completed. Under IFRS 15 revenue will be recognized over time provided

that certain defined criteria are met. HiQ has assessed that the services are generally satisfied over time given that the customer simultaneously receives and consumes the benefits provided by HiQ or HiQ's performance does not create an asset with alternative use for HiQ and there is an enforceable right to payment for work completed to date.

Variable consideration: Under IFRS 15 the variable consideration shall be estimated at contract inception. For HiQ, variable consideration occur in the form of discounts and incitement based pricing. HiQ does not expect the adoption of IFRS 15 to given any material changes in the timing of revenue recognition in cases with variable consideration.

Warranty obligations: In some cases HiQ provides warranties for the delivery of software or project deliveries. The warranties given are assurance-type warranties. Currently warranties are accounted for as deferred revenue over the project period. Under IFRS 15 the warranties will be accounted for under IAS 37. The effect on the Group's financial statements will not be material.

Software licenses and other products: According to current accounting principles, revenues from sale of products are recognized when the amount could be measured in a reliable way, the client has accepted the product and the collectability of the related receivables are reasonably assured. Some projects include a combination of software licenses, implementation services and maintenance. Depending on the customization and integration level the software licenses are currently recognized separately at transfer of risks and rewards to the client or as a part of the project delivery (in cases when the software licenses constitute an integrated part of the project delivery). The adoption of IFRS 15 may result in some changes in the identification of performance criteria that partly could affect the timing of revenue recognition of license revenue, but no material effect is expected.

IFRS 16, "Leases": In January 2016 IASB published a new leasing standard that will replace IAS 17 "Leases" and associated interpretations IFRIC 4, SIC-15 and SIC-27. The standard requires that assets and liabilities arising from all leasing agreements, with a few exceptions, should be shown in the balance sheet. This accounting is based on the view that

the lessee has a right to use an asset during a specific period of time and at the same time has an obligation to pay for this right. The accounting for the lessor will in all material aspects be unchanged. The standard is applicable for financial years starting 1 January 2019 or later. Earlier adoption is accepted.

The group is yet to assess the full impact of the standards outlined above. No other standards, amendments and interpretations not yet in force is expected to have a material impact on the Group.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services. Revenue is shown, net of value-added tax and rebates. Revenue is recognized as follows:

SALES OF SERVICES – ASSIGNMENTS ON CURRENT ACCOUNT

The Group sells IT and management consultancy services to its customers. Sales of services are recognized in the accounting period in which the services are rendered. Work carried out that has not yet been invoiced on the balance sheet date is reported as accrued income.

SALES OF SERVICES – FIXED PRICE ASSIGNMENTS

Income from ongoing fixed price service assignments and expenses relating to these assignments are reported as income and costs respectively in accordance with 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 reported only to the extent that corresponds to the assignment costs incurred that will probably be reimbursed by the client. An anticipated loss on an assignment is reported immediately as a cost. Fixed price assignments make up only a limited proportion of net sales. In 2017, the proportion of fixed price assignments was 2.2% (1.9%), of total net sales.

SALES OF PRODUCTS

Sales of products are recognized when the revenue could be measured reliably, the customer has accepted the products and collectability of the related receivables is reasonably assured. Sales of products are mostly done in the form of computers, third party software licenses etc as a part of a consultancy assignment.

LICENSE INCOME

Income from license sales is distributed in accordance with the financial import of the agreement concerned.

INTEREST INCOME AND DIVIDENDS

Interest income is recognized using the effective interest method. Dividend income is recognized when the Group's right to receive payment has been established.

Consolidation SUBSIDIARIES

Subsidiaries are all entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity, which normally follows an ownership share exceeding 50 per cent of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Costs in connection to acquisitions are expensed at time of acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement. Intercompany transactions, balances and unrealized gains on transactions between Group companies are eliminated.

Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the principles adopted by the Group.

ASSOCIATES

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition. The Group's share of its associates' post-acquisition profits or losses is recognised in other comprehensive income, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Tangible fixed assets

Tangible fixed assets are reported at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the assets. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred. Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their

estimated useful lives, as follows:

Improvement expenses to others' property 17%–20%
Equipment 20%
Leased equipment 17%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

Intangible assets

GOODWILL

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisition of subsidiaries is included in 'intangible assets'. Goodwill on acquisitions of associates is included in 'investments in associates'. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

ACQUIRED CUSTOMER RELATIONS

Customer relations that are acquired by the Group is reported at acquisition cost less accumulated amortizations and write downs. Acquired customer relations are amortised over 5 years.

Financial assets

The Group classifies its financial assets in the following categories: loans and receivables, and available-for-sale financial assets.

A) LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for

maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise trade receivables and other receivables and cash and cash equivalents in the balance sheet. Loans and receivables are carried at amortised cost using the effective interest method.

B) AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. Currently, the Group does not have any substantial holding of such securities.

Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards from ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum leasing payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of financial charges, are included in other long-term and short-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term. Leases where the lessor retains a significant proportion of risks and rewards of ownership are classified as operating leases. Expenses made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

Income taxes

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. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and

liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination or temporary differences arising from goodwill accounting, that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associated companies, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets and liabilities is offset when there exists a legal right to offset these assets and liabilities and when the deferred taxes are subject to the same authority.

Provisions

Provisions for restructuring costs and legal claims etc are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Provisions are valued at the net present value of the amount that is expected to be required in order to settle the commitment. The increase of the provision over time is recognized as interest expense.

Foreign currency translation

FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the financial statements of each of the Group's entities are measured using the currency of the

primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Swedish crowns, which is the Company's functional and presentation currency. When recalculating foreign subsidiaries used currency amounts to, on balance day: EUR/SEK 9.85 (9.57), DKK/SEK 1.32 (1.29), RUB/SEK 0.14 (0.15) and USD/SEK 8.23 (9.10).

TRANSACTIONS AND BALANCES

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

GROUP COMPANIES

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

A) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet.

B) Income and expenses for each income statement are translated at average exchange rates.

C) On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken as a separate item in other comprehensive income. When a foreign operation is sold, exchange differences that were recorded in equity are recognized in the income statement as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's financial statements

in the period in which the dividends are approved by the Company's shareholders.

Accounts receivable, trade

Trade receivables are recognised initially at fair value. They are subsequently measured at amortised cost, less provision for impairment. Trade receivables are always short-term, and consequently the effective interest method is not applicable. Provision for impairment is made if there is objective evidence that the Group will not receive the amount due according to the original terms of the receivables. Significant financial difficulties on the part of the debtor, the likelihood that the debtor will be declared bankrupt or undergo financial restructuring and missed or late payments (more than 30 days overdue) are regarded as indications of possible impairment of receivables. The amount of the provision is the difference between the book value of the asset and the present value of the expected future cash flows. The impairment is recognised in the income statement immediately. The reported value of the asset is reduced using an impairment account and the loss is reported in the income statement under other external expenses. When a receivable cannot be collected it is written off in the impairment account for receivables. An amount previously written off is reversed by crediting other external expenses in the income statement.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at banks, other short-term investments that can be traded within 3 months.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or warrants are shown in equity as a deduction, from the proceeds.

Accounts payable and other liabilities

Accounts payable and other liabilities are classified as short-term liabilities if they are due within one year. Accounts payable and other liabilities are initially reported at fair value and thereafter at accrued acquisition value, applying the effective interest method.

Employees benefits

A) PENSION OBLIGATIONS

HiQ operates a number of different pension plans. All plans are defined contribution plans where HiQ pays fixed contributions into a separate entity. The Group has no further payment obligations once the contributions have been paid in case the pension institution not have sufficient funds to pay out the pensions. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

B) TERMINATION BENEFITS

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to present value.

C) PROFIT-SHARING AND BONUS PLANS

When profit-sharing and bonus programs are in use the Group expenses costs for these programs in accordance with the obligations to pay such compensation.

D) SHARE-BASED PAYMENTS

The group operates one share-based compensation plan under which the entity receives services from employees as consideration for equity instruments (matching warrants) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted and the terms associated with the allocation of warrants.

At the end of each reporting period, the group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a

corresponding adjustment to equity.

When the options are exercised, the company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

The social security contributions payable in connection with the grant of the share options is considered an integral part of the grant itself, and the charge will be treated as a cash-settled transaction.

Fair value

The reported value – after any impairment – of trade receivables and payables is assumed to equate to their fair value, since these entries are short-term in nature. The fair value of financial liabilities is calculated, for disclosure purposes, by discounting the future contracted cash flow to the current market interest rate available for similar financial instruments.

Accounting policies for the parent company

The parent company's accounts have been prepared in accordance with the Swedish Annual Accounts Act and Statement RFR 2 "Accounting for legal entities" issued by the Swedish Financial Accounting Standards Council. RFR 2 states that the parent company shall apply all standards and statements issued by IFRS that has been adopted by the EU, as far this is possible according to the Swedish Annual Accounts Act. Consideration should also be taken to the connection between accounting and taxation. The statement RFR 2 states in which cases, exceptions and additions should be made in relation to IFRS. The most important differences between the accounting principles of the Group and the Company are stated below. The principal accounting policies outlined below have been applied in the preparation of the parent company's financial statements.

These policies have been consistently applied to all the years presented, unless otherwise stated.

DIVIDENDS

Dividends are recognised when the right to receive payment is regarded as collectable.

FINANCIAL INSTRUMENTS

In the parent company financial instruments are valued of acquisition cost less accumulated writedowns. Financial current assets are valued to the lower of cost or market.

**FIXED TANGIBLE ASSETS
OWNED ASSETS**

Tangible fixed assets are reported at acquisition cost less a deduction for accumulated depreciation and write-downs, as in the Group but with the addition of possible write-ups.

LEASED ASSETS

All leasing agreements are treated as operational leasing agreements.

TAXES

In the parent company untaxed reserves are accounted for including deferred tax. In the consolidated accounts are the untaxed reserves dividend into deferred tax and equity.

GROUP CONTRIBUTIONS

Group Contributions from the parent company to group companies are reported as an increase at shares in subsidiaries.

3. Segment reporting

Management has decided the operating segments based upon the reports reviewed by the highest executive decision maker, meaning the management group. The operations is considered upon a geographic perspective based upon where the operations are located, i.e. Sweden, Öresund and Finland. The two segments, Sweden and Öresund, are reported together due to the fact that they have similar financial characteristics and that the services and clients are similar. The Russian operations is regarded as an integrated part of the Swedish operations and is therefore included in the operating segment Sweden. The reportable segments derive their revenue primarily from sale of consultancy services.

The reportable segments performance is measured on an operating profit-level, where central costs are allocated to the reportable segments, to the extent possible. Financial items are not allocated to the reportable segments. Sales between the reportable segments are done at market terms. The highest executive decision maker doesn't follow up financial items per segment nor tax costs per segment, only on a group level.

(SEK THOUSAND)	Finland		Sweden & Öresund		Group Elim.		Totall	
	2017	2016	2017	2016	2017	2016	2017	2016
External revenues	351,821	303,252	1,436,073	1,356,174	0	0	1,787,894	1,659,426
Revenues from other segments	371	521	0	0	-371	-521	0	0
Total revenues	352,192	303,773	1,436,073	1,356,174	-371	-521	1,787,894	1,659,426
Operating profit	59,096	56,733	167,377	166,198	-12,109	-15,024	214,364	207,907
Operating margin	16.8%	18.7%	11.7%	12.3%			12.0%	12.5%
Depreciation	2,691	1,818	10,203	9,175	—	—	12,894	10,993
Investments in fixed assets	3,250	995	7,672	4,481	12,776	17,504	23,698	22,980

Total operating profit, according to the table above is in accordance with the Group's operating profit.

RECONCILIATION WITH THE PROFIT BEFORE TAX IS FOUND BELOW

Operating profit							214,364	207,907
Financial items							-859	-460
Profit before tax							213,505	207,447
Assets	380,966	352,210	804,620	724,036	8,417	46,916	1,194,003	1,123,162
Of which fixed assets	7,020	5,540	43,504	39,779				
Of which in associates	12,484	12,157						
Share of profit in associated companies	0	0	-	-	-	-	0	0

Fixed assets in the table above do not include shares recognised as financial assets.

Non-allocated assets amounting to SEK 8,417 (46,916) thousand relates to assets, including cash, in the parent company.

4. Sales distribution

NET SALES (SEK THOUSAND)	Group		Parent company	
	2017	2016	2017	2016
Consultancy services	1,753,339	1,616,883	237	53
Product sales and re-billed expenses	32,798	35,102	2,238	7,829
Other	1,757	7,441	39,923	36,779
Total	1,787,894	1,659,426	42,398	44,661

Of net sales, clients in Sweden account for SEK 1,415,999 (1,331,361), clients in Finland SEK 333,863 (302,517) thousand and other countries SEK 37,944 (25,547) thousand.

In 2017 one client accounted for more than 10 per cent of net sales. This client's proportion of net sales was 11 per cent. The client belongs to the segment Sweden & Öresund and Finland.

The main amount of "Other" in the Parent company refers to management fee.

5. Employees and salaries

	2017			2016		
AVERAGE NUMBER OF EMPLOYEES:	TOTAL	WOMEN	MEN	TOTAL	WOMEN	MEN
Parent company						
The municipality of Stockholm	6	1	5	6	3	3
SUBSIDIARIES						
Sweden	1,120	268	852	1,059	242	817
Denmark	8	2	6	7	2	5
Finland	258	55	203	243	52	191
Russia	57	6	51	46	8	38
Total for the group	1,449	332	1,117	1,361	307	1,054

	2017			2016		
GROUP (INCL SUBSIDIARIES)	NO ON BALANCE SHEET DAY	OF WITCH MEN	OF WITCH WOMEN	NO ON BALANCE SHEET DAY	OF WITCH MEN	OF WITCH WOMEN
Board members	13	77%	23%	13	77%	23%
CEO and other Senior executives	11	91%	9%	11	82%	18%
PARENT COMPANY						
Board members	7	57%	43%	7	57%	43%
CEO and other Senior executives	4	100%	0%	3	100%	0%

Salaries, remuneration, pension expenses and social security contributions for group companies in 2017 totalled in Sweden SEK 926,372 (877,417) thousand, in Denmark SEK 8,090 (7,413) thousand, in Finland SEK 188,113 (177,056), in Russia with SEK 18,962 (13,328) thousand and in the US with SEK 628 (0) thousand. The variable part of the salaries and remuneration paid to the Board of Directors and the CEO is SEK 7,553 (7,920) thousand for the Group and SEK 4,708 (4,588) thousand for the Parent Company. For further information regarding benefits for senior executives, please refer to note 29.

	2017		2016	
SALARIES AND OTHER REMUNERATION (SEK THOUSAND)	GROUP	PARENT COMPANY	GROUP	PARENT COMPANY
The board of Directors and CEO	23,726	7,861	24,728	9,497
Other employees	778,390	7,255	724,677	5,318
Bonus reservation (warrant programme)	1,268	30	708	18
Costs matching warrants	425	425	112	112
Total salaries and other remuneration	803,809	15,571	750,225	14,945
Legal and contractual social security contributions	229,114	5,231	218,372	5,315
Bonus reservation and matching warrants	1,035	646	601	384
PENSION EXPENSES				
The board of Directors and CEO	5,548	1,486	4,130	444
Other employees	102,659	1,080	101,887	962
Total salaries and remuneration, pension expenses and social security contribution	1,142,165	24,014	1,075,215	22,050

6. Auditor's fee	(SEK THOUSAND)	2017		2016	
		GROUP	PARENT COMPANY	GROUP	PARENT COMPANY
PRICEWATERHOUSECOOPERS					
Auditing		1,367	420	1,183	370
Associated services in addition to auditing		85	85	49	34
Tax advisory		36	0	148	0
Other services		85	0	197	0
Total		1,573	505	1,577	404

Group: Of the associated services in addition to auditing, SEK 85 thousand is attributable to PwC Sweden, of tax advisory, SEK 0 thousand and other services SEK 85 thousand is attributable to PwC Sweden. For the parent company: Of the associated services in addition to auditing, SEK 85 thousand is attributable to PwC Sweden, of tax advisory, SEK 0 thousand and other services SEK 0 thousand is attributable to PwC Sweden.

7. Financial income and costs

GROUP	2017	2016
Interest income	180	287
Exchange rate changes	36	244
Financial income	216	531
Interest expenses	-356	-417
Exchange rate changes	-719	-574
Financial expenses	-1,075	-991
Financial net	-859	-460
PARENT COMPANY		
Result from shares in group companies		
Write-down of shares in subsidiaries	-22,000	-8,000
Received dividends	92,376	45,900
Received Group contribution	129,500	130,000
Total	199,876	167,900
Interest income and similar items		
Exchange rate changes	920	398
Interest income, Group companies	24	28
Interest income, other	1	11
Total	945	437
Interese expenses and similar items		
Exchange rate changes	-600	-661
Interest expenses, Group companies	-19	0
Interest expenses, other	-224	-107
Total	-843	-768

8. Foreign exchange differences

GROUP (SEK THOUSAND)	2017	2016
Net sales	274	991
Assignment-specific external expenses	-562	-939
The amounts relates to foreign exchange differences on operational items		

9. Taxes

GROUP (SEK THOUSAND)	2017	2016
Current tax		
Tax for the period	48,522	46,108
Adjustment of previous years' tax	0	0
DEFERRED TAX		
Deferred tax temporary differences	- 206	- 32
Loss carried forward	-116	7
Total tax cost - Group	48,200	46,083

PARENT COMPANY (SEK THOUSAND)	2017	2016
Current tax		
Tax for the period	25,718	25,287
Deferred tax temporary differences	2	-
Deferred tax on given group contributions	-4,400	-1,760
Total tax cost - Parent Company	21,320	23,527

EFFECTIVE TAX RATE

GROUP	2017 (%)	2017	2016 (%)	2016
Profit before tax (SEK thousand)		213,505		207,447
Income tax rate in Sweden	22.0%		22.0%	
Effect of foreign income tax	- 0.6%		- 0.5%	
Non-deductible costs	1.1%		0.7%	
Non-taxable income	0.0%		0.0%	
Other	0.1%		0.1%	
Average tax-rate	22.6%	48,200	22.2%	46,083

EFFECTIVE TAX RATE

PARENT COMPANY	2017 (%)	2017	2016 (%)	2016
Profit before tax (SEK thousand)		187,264		152,640
Income tax rate in Sweden	22.0%		22.0%	
Non-deductible costs / Non-taxable income	- 8.2%		- 5.4%	
Other	- 2.4%		- 1.2%	
Average tax-rate	11.4%	21,320	15.4%	23,527

Tax attributable to the items in other comprehensive income amounts to the following amount:

	2017			2016		
	Pre tax	Tax effect	After tax	Pre tax	Tax effect	After tax
Exchange differences	6,833	—	6,833	16,452	—	16,452

11. Fixed tangible assets

(SEK THOUSAND)	Group				Parent Company	
	IMPROVEMENT EXPENSES FOR OTHERS' PROPERTY	EQUIPMENT	LEASED EQUIPMENT	TOTAL	EQUIPMENT	IMPROVEMENT EXPENSES FOR OTHERS' PROPERTY
Acquisition value						
Balance at 1 January 2016	13,715	27,222	38,862	79,799	1,114	2,461
Investments	1,293	4,183	17,504	22,980	44	0
Acquired assets	0	15	0	15	0	0
Exchange differences	207	476	0	683	0	0
Disposals	0	-2,747	-14,143	-16,890	0	0
Balance at 31 December 2016	15,215	29,149	42,223	86,587	1,158	2,461
Balance at 1 January 2017	15,215	29,149	42,223	86,587	1,158	2,461
Investments	4,822	5,678	12,776	23,276	0	1,674
Acquired assets	0	236	0	236	0	0
Exchange differences	82	293	0	375	0	0
Disposals	-783	-1,290	-10,713	-12,786	0	0
Balance at 31 December 2017	19,336	34,066	44,286	97,688	1,158	4,135
Depreciations and write-downs						
Balance at 1 January 2016	-8,776	-19,120	-10,757	-38,653	-827	-2,174
Depreciation	-2,016	-2,863	-5,886	-10,765	-78	-287
Disposals	0	2,736	5,663	8,399	0	0
Exchange differences	-118	-131	0	-249	0	0
Balance at 31 December 2016	-10,910	-19,378	-10,980	-41,268	-905	-2,461
Balance at 1 January 2017	-10,910	-19,378	-10,980	-41,268	-905	-2,461
Depreciation	-1,608	-4,043	-6,304	-11,955	-69	0
Acquired depreciation	0	-111	0	-111	0	0
Disposals	783	1,161	4,472	6,416	0	0
Exchange differences	-94	-152	0	-246	0	0
Balance at 31 December 2017	-11,829	-22,523	-12,812	-47,164	-974	-2,461

Note 11 continued

(SEK THOUSAND)				Group	Parent Company	
	IMPROVEMENT EXPENSES FOR OTHERS' PROPERTY	EQUIPMENT	LEASED EQUIPMENT	TOTAL	EQUIPMENT	IMPROVEMENT EXPENSES FOR OTHERS' PROPERTY
Net book values						
Balance at 1 January 2016	4,939	8,102	28,105	41,147	287	287
Balance at 31 December 2016	4,305	9,771	31,243	45,319	253	0
Balance at 1 January 2017	4,305	9,771	31,243	45,319	253	0
Balance at 31 December 2017	7,507	11,543	31,474	50,524	184	1,674

Leased equipment

The Group leases company cars with financial leasing. The agreements are based on market terms. The leased assets are collateral for the leasing debt (note 27). Paid leasing fees amounts to SEK 6,548 (6,137) thousand.

12. Intangible assets

GROUP (SEK THOUSAND)	GOODWILL	ACQUIRED CUSTOMER RELATIONS	TOTAL
Acquisition value			
Balance at 1 January 2016	333,317	30,215	363,532
Acquisition	16,489	3,339	19,828
Exchange differences	11,402	0	11,402
Balance at 31 December 2016	361,208	33,554	394,762
Balance at 1 January 2017	361,208	33,554	394,762
Acquisition	6,154	1,567	7,721
Exchange differences	6,631	0	6,631
Balance at 31 December 2017	373,993	35,121	409,114
Amortisations and write-downs			
Balance at 1 January 2016	0	-30,215	-30,215
Amortisation	0	-227	-227
Exchange differences	0	24	24
Balance at 31 December 2016	0	-30,418	-30,418
Balance at 1 January 2017	0	-30,418	-30,418
Amortisation	0	-938	-938
Exchange differences	0	0	0
Balance at 31 December 2017	0	-31,356	-31,356
Net book values			
Balance at 1 January 2016	333,317	0	333,317
Balance at 31 December 2016	361,208	3,136	364,344
Balance at 1 January 2017	361,208	3,136	364,344
Balance at 31 December 2017	373,993	3,765	377,758

Recoverable amount for cash-generating units is based on the following important assumptions: The impairment tests have been based on calculations of the value in use. These values are based on cash flow valuations, in which the forecast for the first year constitutes agreed budget for the unit. The forecast for the following four years is based on management's judgement of the development during this period. Cash flows forecasted for the period beyond the explicit forecast period is based on a continued annual growth rate of 1% (1% in 2016). This level is estimated to be in line with the expected level of inflation. Forecasted cash flows are discounted with a discount rate of 9.7%, pre-tax (9.1% in 2016).

Acquired customer relations is amortised on a straight-line method over their estimated useful lives. The useful life is expected to 5 years, equivalent to a rate of 20% per year.

Impairment tests for goodwill

The cash-generating units listed below account for the majority of the Group's total goodwill:

(SEK THOUSAND)	2017	2016
HiQ Finland and Great Apes – consultancy services in Finland	211,201	205,668
HiQ Öresund – consultancy services in Öresund	56,152	48,861
HiQ Göteborg – consultancy services in Gothenburg	25,537	25,537
HiQ Stockholm – consultancy services in Stockholm	61,166	61,204
HiQ Ace – consultancy services in Linköping	19,938	19,938
Total	373,993	361,208

Important assumptions and variables with a significant impact on the calculated recoverable amount

The assumptions that the Company have made regarding top-line growth and operating margin are in line with historical outcome as well as external sources of information such as published market research regarding HiQ and the IT-consultancy sector. The assumptions do not imply any substantial increases compared to historically achieved levels.

TOP-LINE GROWTH

Net sales for a consultancy company is dependent on assumptions regarding price levels, utilization rates and number of employees.

OPERATING MARGIN

A consultancy company has a low need for investments and also low working capital requirements. Therefore, the operating margin is of relatively large importance for the forecasted future cash flows. In addition to the development of net sales, staff expenses is one of the most important variables for the estimation of the future operating margin.

DISCOUNT RATE

The discount rate reflects the specific risks associated with

the Group's operations and the countries in which the units are operating. The discount rate level is also in line with the levels the stock market demands from a company like HiQ.

LONG-TERM GROWTH

When calculating the recoverable amount HiQ has used a growth rate of 1% in order to extrapolate cash flows after the explicit forecast period.

A sensitivity analysis shows that none of the cash-generating units has a need for impairment if the following assumptions are assumed:

- Top-line growth: 0% (from the first forecasted year and onwards)
- Operating margin: 15% (in line with the Group's long-term financial targets)
- Discount rate: 9.7% pre-tax

The Company's prediction is that reasonable possible changes in annual growth rate, operating margins, discount rate and other assumptions would not have such large impact on the recoverable amount that they would reduce the recoverable amount to a value lower than the carrying amount.

13. Financial instruments

The Group has the following financial instruments:

2017	NOTE	ASSETS AT FVOCI	FINANCIAL ASSETS AT AMORTISED COST	TOTAL
Trade and other receivables	17	-	394,479	394,479
Available for sale financial assets	15	29	-	29
Cash and cash equivalents	19	-	205,124	205,124
		29	599,603	599,632
2016				
Trade and other receivables	17	-	346,803	346,803
Cash and cash equivalents	19	-	204,262	204,262
		-	551,065	551,065

2017	NOTE	LIABILITIES AT AMORTISED COST	TOTAL	
Trade and other payables	25	-	106,252	106,252
Borrowings (incl financial leasing)	24	-	31,626	31,626
		-	137,878	137,878
2016				
Trade and other payables	25	-	80,278	80,278
Borrowings (incl financial leasing)	24	-	31,394	31,394
		-	111,672	111,672

14. Investments in associates

GROUP (SEK THOUSAND)	2017	2016
At beginning of year	12.157	11.611
Share of profit	0	0
Exchange differences	327	546
Book value at end of year	12.484	12.157

Investments in associates refers to HiQ Finland's premises in Espoo, Finland. These premises is owned by a real estate company, owned by the companies that are tenants. The ownership shares in the real estate company are equal to the proportion of the area that HiQ Finland has of the total area of the building. The real estate company is a non-profit company with the only mission to provide its tenants cost-efficient premises. The name of the real estate company is Westend Affärscentrum OY and the Group's ownership share is 29.9 per cent by the end of 2017. The Group's share of revenues, profit, assets and liabilities are outlined below:

(SEK THOUSAND)	SALES	PROFIT	ASSETS	LIABILITIES	EQUITY	OWNERSHIP
2017						
Westend Affärscentrum OY	842	0	12.576	92	12.484	29,9%
2016						
Westend Affärscentrum OY	730	0	12.292	135	12.157	29,9 %

15. Financial fixed assets

GROUP (SEK THOUSAND)	2017	2016
Available-for-sale financial assets – shares	29	0
Other receivables	2,925	285
Total	2,954	285

None of the receivables above have been due.

16. Other receivables

GROUP (SEK THOUSAND)	2017	2016
Work in progress	6,152	1,578
Other receivables	11,817	4,477
Total	17,969	6,055

The book value of other receivables is assessed to equate to their fair value. None of the receivables above have been due.

PARENT COMPANY (SEK THOUSAND)	2017	2016
Other receivables	5,967	1,654

17. Accounts receivables, trade

GROUP (SEK THOUSAND)	2017	2016
Accounts receivables, trade	391,291	346,896
Provisions for bad debt	-2,562	-378
Book value of accounts receivables, trade	388,729	346,518

The book value of trade receivables is assessed to equate to their fair value. For a breakdown of reported trade receivables by age see below:

GROUP	2017	2016
Not yet due	375,923	334,896
Up to 3 months overdue	10,752	11,332
Between 3 and 6 months overdue	2,051	147
More than 6 months overdue	3	143
Total	388,729	346,518

The amounts in the table above show amounts that are due but not written down. The Group's clients are primarily globally leading international corporations with a good credit rating. The Group has suffered very limited bad debts in its history.

THE BOOK VALUE OF TRADE RECEIVABLES BREAKS DOWN INTO THE FOLLOWING CURRENCIES	2017	2016
Swedish kronor	314,783	278,832
Euro	72,181	66,548
Danish kronor	274	589
US Dollar	886	0
Other currencies	605	549
Total	388,729	346,518

DURING THE YEAR THE FOLLOWING CHANGES WERE MADE IN THE PROVISIONS FOR BAD DEBT:	2017	2016
Opening balance	378	3,591
Provisions	2,582	378
Reversed provisions	-398	-3,591
Confirmed bad debt	0	0
Closing balance	2,562	378

Provisions and write-downs for trade receivables are reported under "Other external expenses" in the consolidated income statement.

18. Prepaid expenses and accrued income

(SEK THOUSAND)	Group		Parent Company	
	2017	2016	2017	2016
Assignments not yet invoiced	108,637	110,533	3,601	367
Other	24,808	21,336	4,031	3,287
Total	133,445	131,869	7,632	3,654

The book value is assessed to equate to their fair value.

19. Cash and cash equivalents

GROUP (SEK THOUSAND)	2017	2016
Cash and cash equivalent	205,124	204,262
Total	205,124	204,262

20. Share capital

	NUMBER OF SHARES
As of 1 January 2016	53,924,273
Split 2:1 (each share split into an ordinary share and one redemption share)	53,924,273
Redemption of redemption shares	-53,924,273
Share issue – conversion of warrants	229,000
Share issue – acquisition	257,832
Share issue – conversion of warrants	302,000
As of 31 December 2016	54,713,105
As of 1 January 2017	54,713,105
Share issue against off-set payment - acquisition	59,140
Share issue – acquisition	128,114
Split 2:1 (each share split into an ordinary share and one redemption share)	54,900,359
Redemption of redemption shares	- 54,900,359
Share issue – conversion of warrants	380,840
Share issue – conversion of warrants	171,688
As of 31 December 2017	55,452,887

The total number of ordinary shares as of 31 December 2017 amounted to 55,452,887 (54,713,105) with a quota value of SEK 0.10 per share. All issued shares are fully paid.

OUTSTANDING WARRANTS

At the end of the financial year the following series of warrants (where each warrant entitles the holder to subscribe for one share) were outstanding:

TIME OF ISSUE	SUBSCRIPTION PERIOD	STRIKE PRICE	Outstanding number of warrants	
			2017-12-31	2016-12-31
May 2014	May 2017	39.20 SEK		395,000
November 2014	November 2017	38.20 SEK		178,688
May 2015	May 2018	42.80 SEK	355,000	355,000
November 2015	November 2018	49.20 SEK	283,200	283,200
May 2016	May 2019	50.30 SEK	420,000	420,000
November 2016	November 2019	58.20 SEK	422,500	422,500
May 2017	May 2020	60.90 SEK	640,000	-
November 2017	November 2020	59.50 SEK	330,000	-
Total			2,450,700	2,054,388

The average subscription price for outstanding warrants amounted to SEK 54.46 at the end of 2017 and 47.29 at the beginning of the year.

Average strike price for warrants issued in 2017 amounts to SEK 60.42 (54.26). The warrants have been sold to employees of the Group.

Sale of warrants are made on market terms, based on a valuation made by external advisors with Black-Scholes valuation model. The total amount of warrant premiums received amounts to SEK 2.9 (2.5) million, recognised in equity.

The following assumptions have been used in valuation of warrants:

	VALUE	SHARE PRICE	STRIKE PRICE	INTREST	VOLATILITY	TERM
May 2014	2.70	40.05	39.20	0.81 %	22 %	3 years
November 2014	2.63	39.08	38.20	0.12 %	24 %	3 years
May 2015	2.33	41.20	42.80	0.01 %	24 %	3 years
November 2015	3.82	49.71	49.20	-0.30 %	24 %	3 years
May 2016	3.35	49.88	50.30	-0.41 %	24 %	3 years
November 2016	3.99	57.13	58.20	-0.66 %	24 %	3 years
May 2017	4.51	61.25	60.90	-0.38 %	23 %	3 years
November 2017	3.72	59.19	59.50	-0.46 %	22 %	3 years

Note 20 continued

SHARE PRICE

The share price for the May-2014-serie the average closing price from the period 5–8 May 2014 was used. For the November-2014-serie the average price from the period 30 October - 4 November 2014 was used. For the May-2015-serie the average closing price from the period 4–7 May 2015 was used. For the November-2015-serie the average price from the period 2–5 November 2015 was used. For the May-2016-serie the average closing price from the period 3–9 May 2016 was used. For the November-2016-serie the average price from the period 28 October – 2 November 2016 was used. For the May-2017-serie the average closing price from the period 5–10 May 2017 was used. For the November-2017-serie the average price from the period 6–9 November 2017 was used.

STRIKE PRICE

The strike price for the May-2014-serie was set at 100% of the average closing price for the period 24 April – 8 May 2014. For the November-2014-serie 100% of the average closing price for the period 22 October – 4 November 2014 was used. For the May-2015-serie 100% of the average closing price for the period 23 April – 7 May 2015 was used. For the November-2015-serie 100% of the average closing price for the period 23 October – 5 November 2015 was used. For the May-2016-serie 100% of the average closing price for the period 26 April – 9 May 2016 was used. For the November-2016-serie 100% of the average closing price for the period 20 October - 2 November 2016 was used. The strike price for the May-2017-serie was set at 100% of the average closing price for the period 26 April – 10 May 2017. For the November-2017-serie 100% of the average closing price for the period 27 October – 9 November 2017 was used.

Expenses associated with the warrant programs amounted to SEK 0.1 (0.1) million, of which SEK 0.0 (0.0) million has been charged to costs and SEK 0.1 (0.1) million, recognised in equity.

Matching warrants

As a part of the share ownership program, approved by the AGM 2017, a total of 265,500 (134,800 for the program 2016) matching warrants has been issued. These matching warrants are included in the total number of warrants. These matching warrants consist of warrants given to key employees without any paid consideration. In order to qualify for the matching warrants, the key employees shall still be employed at the start of the subscription period, i.e. after approx. 3 years. The Group has no legal or constructive obligation to repurchase or settle the matching warrants in cash.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	AVERAGE STRIKE PRICE	WARRANTS
As of 1 January 2016	44.42	196,300
Granted	53.93	134,800
Forfeited	46.61	-54,000
Exercised	—	—
Expired	—	—
As of 31 December 2016	47.17	277,100

	AVERAGE STRIKE PRICE	WARRANTS
As of 1 January 2017	47.17	277,100
Granted	60.45	265,500
Forfeited	40.19	-14,500
Exercised	39.03	-78,300
Expired	—	—
As of 31 December 2017	56.69	460,300

TIME OF ISSUE	SUBSCRIPTION PERIOD	STRIKE PRICE	NUMBER OF WARRANTS
May 2015	May 2018	42.80	40,000
November 2015	November 2018	49.20	9,500
May 2016	May 2019	50.30	72,800
November 2016	November 2019	58.20	62,000
May 2017	May 2020	60.90	179,600
November 2017	November 2020	59.50	85,900

21. Reserves

GROUP (SEK THOUSAND)	RESERVES	EXCHANGE RESERVE	TOTAL
Balance at January 2016	46	- 11,716	- 11,670
Exchange differences:			
– Group	–	16,452	16,452
Balance at 31 December 2016	46	4,736	4,782
Balance at 1 January 2017	46	4,736	4,782
Exchange differences:			
– Group	–	6,833	6,833
Balance at 31 December 2017	46	11,569	11,615

22. Profit per share

BASIC PROFIT PER SHARE

Profit per share is calculated as profit for the period, attributable to the equity holders of the Company, divided by the average number of outstanding shares for the period.

GROUP (SEK THOUSAND)	2017	2016
Profit for the period attributable to the equity holders of the company	165,305	161,364
Average number of outstanding shares (thousand)	55,103	54,264
Basic profit per share (SEK/share)	3.00	2.97

DILUTED PROFIT PER SHARE

The diluted profit per share is calculated as the profit for the period (attributable to the equity holders of the Company) divided by the average number of outstanding shares for the period with consideration taken to the potential dilution from outstanding warrants. The potential dilution is calculated as the difference between the outstanding number of options and the number of shares that could be acquired at market value (calculated as the average share price for the period), for the sum of the subscription price for the outstanding options.

GROUP (SEK THOUSAND)	2017	2016
Profit for the period attributable to the equity holders of the company	165,305	161,364
Average number of outstanding shares (thousand)	55,103	54,264
Possible dilution from warrants	371	340
Adjusted number of outstanding shares	55,474	54,604
Diluted profit per share (SEK/share)	2.98	2.96

23. Dividend per share

The dividend paid in 2017 and 2016 amounted to SEK 0 million (0.00 per share) and SEK 0 million (SEK 0.00 per share) respectively. During spring 2017, HiQ completed a share split 2:1, (in which each ordinary share were split into one ordinary share and one redemption share) combined with compulsory redemption procedure, in which 54,900,359 shares were redeemed at SEK 3.10 each. Thereby a total of SEK 170.191 thousand was distributed to the shareholders. During spring 2016, HiQ completed a share split 2:1, (in which each ordinary share were split into one ordinary share and one redemption share) combined with compulsory redemption procedure, in

which 53,924,273 shares were redeemed at SEK 2.90 each. Thereby a total of SEK 156,380 thousand was distributed to the shareholders. For 2017 the Board proposes that no dividend should be paid. It is also proposed a share split 2:1 (each ordinary share is split into one ordinary share and one redemption share) combined with a compulsory redemption procedure, where each redemption share is redeemed at SEK 3.30 per share, approximately SEK 183 million. The Annual General Meeting on March 21, 2018 will decide if procedure shall be carried out. These financial statements do not reflect the proposed split and redemption procedure.

24. Interest-bearing debt

(SEK THOUSAND)	Group		Parent Company	
	2017	2016	2017	2016
Long-term				
Leasing (note 27)	25,169	25,357	0	0
Bank loan	153	151	0	0
Total	25,322	25,508	0	0
Short-term				
Leasing	6,304	5,887	0	0
Total	6,304	5,887	0	0

The book value is deemed to be equal to the fair value. The Parent Company (and the Group) has an unutilised overdraft facility of SEK 50 million (SEK 50 million).

25. Other liabilities

GROUP		2017	2016
OTHER SHORT-TERM LIABILITIES (SEK THOUSAND)			
Social security contributions and tax		37,064	33,043
VAT		41,582	41,242
Other liabilities		33,702	20,955
Total		112,348	95,240
PARENT COMPANY			
OTHER SHORT-TERM LIABILITIES (SEK THOUSAND)			
Social security contributions and tax		1,024	961
Other liabilities		1,701	5,814
Total		2,725	6,775

26. Accrued expenses and pre-paid income

(SEK THOUSAND)	Group		Parent Company	
	2017	2016	2017	2016
Holiday salaries, including social security contributions	100,392	93,718	1,015	1,062
Accrued payroll tax	19,264	19,119	623	341
Accrued salaries, including social security contributions	21,819	20,394	6,877	7,417
Other	17,292	20,201	2,551	2,377
Total	158,767	153,432	11,066	11,197

27. Leasing

OPERATIONAL LEASING (SEK THOUSAND)	Group		Parent Company	
	2017	2016	2017	2016
Due for payment within 1 year	32,401	19,423	13,080	7,054
Due for payment between 1 and 5 years	100,273	18,768	48,122	325
Due for payment after 5 years	19,467	0	19,467	0

The Group's operational leasing contracts primarily consist of leases for premises. The premises rented by the Group are leased on market terms, with the rent partly or fully linked to changes in the price index. Lease terms are between 3 and 7 years. The parent company's operational leasing contracts primarily consist of leases for premises and company cars. The premises rented by the parent company are leased on market terms, with the rent partly or fully linked to changes in the price index. Total operating leasing fees for the Group is SEK 32,310 (26,314) thousand and in the Parent company SEK 11,912 (10,878) thousand.

FINANCIAL LEASING (SEK THOUSAND)	2017	2016
Due for payment within 1 year	6,304	5,887
Due for payment between 1 and 5 years	25,169	25,356

The Group's financial leasing agreements relates to company cars. The leasing term is 3 years, with terminal value of 50% after 3 years, with a depreciation rate 17% per year. The leasing agreements can be terminated without financial penalty with the car being redeemed at its residual value. Leasing agreements are established on market terms. The leasing liability is hedged since the right to the leased object is returned to the lessor in case of payment failure.

28. Pledged assets and contingent liabilities

HiQ International AB has a contingent liability for the fulfilment of the subsidiaries leasing agreements. The amount for the contingent liabilities amount to SEK 31,083 (30,560) thousand. In addition to the contingent liabilities outlined above, there is no other pledged assets and contingent liabilities of SEK 0 (0) thousand related to leasing agreements.

Otherwise there are no other pledged assets or contingent liabilities that has been identified that are not reported in these financial statement.

29. Benefits for management

Salaries and remuneration for the CEO in 2017 amounted to SEK 7,278 (7,158) thousand, of which the variable part amounted to SEK 4,708 (4,588) thousand. SEK 950 thousand of the variable part contributable to 2016, has been exchanged to pension provisions during 2017, in a cost neutral way for the company. A defined contribution pension premium was paid at the highest tax-deductible amount, SEK 444 (444) thousand. Social security contributions amounted to SEK 2,430 (2,291) thousand as well as taxes on pension payment of SEK 108 (108) thousand. The retirement age of the CEO is 65 years. During 2017, the CEO acquired 12.000 warrants at market price. The market price for these warrants at time of allotment amounted to SEK 54 thousand and thereby also received 12.000 matching warrants with a total value of SEK 54 thousand, conditioned by employment in May 2020.

The CEO's employment terms stipulates a mutual period of notice of six months during which period salary and other benefits are paid. If the CEO resigns, salary and other benefits is paid under four months after the termination. If notice is given by the company, the CEO is also entitled to severance pay corresponding to ten months' remuneration. If the company would be acquired by a public offer, receives a new main shareholder or conducts a major shift in business idea or changes the scope of operations, the CEO has the right to resign on the same terms as if the notice was given by the company. The Board as a whole, except the CEO, acts as a remuneration committee and deals with matters concerning the CEO's terms of employment and pension terms.

The members of the Board received a total remuneration of SEK 1,898 (1,865) thousand, of which the chairman of the Board received SEK 625 (600) thousand. The AGM in March 2017 decided that the remuneration for the chairman of the Board shall amount to SEK 625 thousand and that the Board members not employed by the company shall receive a remuneration of SEK 245 thousand (Ken Gerhardsen, Johanna Fagrell Köhler, Raimo Lind, Ulrika Hagdahl and Erik Hallberg). In addition, the chairman of the audit committee has received a remuneration of SEK 100 thousand. The AGM decided that the Board members could invoice the remuneration from a company. In that case, the remuneration should be set at a level which is cost neutral for the company. In the table above,

SALARY AND OTHER RENUMERATION (SEK THOUSAND) 2017

	BASE SALARIES	VARIABLE SALARIES	OTHER BENEFITS	PENSION PREMIUMS	OTHER REMUNERATION	SHARE BASED PROGRAM	TOTAL
BOARD							
Gunnel Duveblad, Chairman of the Board	625	—	—	—	—	—	625
Johanna Fagrell Köhler*	193	—	—	—	—	—	193
Ken Gerhardsen	245	—	—	—	—	—	245
Erik Hallberg	245	—	—	—	—	—	245
Ulrika Hagdahl	245	—	—	—	—	—	245
Raimo Lind	345	—	—	—	—	—	345
SENIOR EXECUTIVES							
CEO	2,570	4,708	454	444	—	25	8,201
Other senior executives (10 people)	15,181	3,390	1,643	2,866	—	556	23,635
Total	19,649	8,098	2,097	3,310	—	581	33,735

* Johanna Fagrell Köhler resigned from the Board of HiQ International on 2 January 2018 and the stated amount related to part of the year

SALARY AND OTHER RENUMERATION (SEK THOUSAND) 2016

	BASE SALARIES	VARIABLE SALARIES	OTHER BENEFITS	PENSION PREMIUMS	OTHER REMUNERATION	SHARE BASED PROGRAM	TOTAL
BOARD							
Gunnel Duveblad, Chairman of the Board	600	—	—	—	—	—	600
Johanna Fagrell Köhler	235	—	—	—	—	—	235
Ken Gerhardsen	235	—	—	—	—	—	235
Erik Hallberg	235	—	—	—	—	—	235
Ulrika Hagdahl	235	—	—	—	—	—	235
Raimo Lind	325	—	—	—	—	—	325
SENIOR EXECUTIVES							
CEO	2,570	4,588	133	444	—	245	7,980
Other senior executives (10 people)	14,519	4,123	1,149	2,900	—	744	23,435
Total	18,954	8,711	1,282	3,344	—	989	33,280

the basic amount of Board fees is stated. For Board members that have invoiced their Board fee from a company, the Board fee has been increased with social security costs, in order for the Board fee to be cost neutral for HiQ. For the Chairman of the Board compensation for security costs amount to SEK 196 thousand (Board fee is being invoiced). For other Board members social security costs have been SEK 154 thousand and compensation for social security costs amount to SEK 137 thousand (for Board fees invoiced by companies). Johanna Fagrell Köhler resigned from HiQ's board in January 2018 and the stated Board fee relates to the period of her assignment. This in accordance with the decision made by the AGM. The 10 (10) other senior executives received salary and remuner-

ation during 2017 with a total amount of SEK 18,571 (18,642) thousand, of which the variable part amounted to SEK 3,390 (4,123) thousand. The variable part is based on result that are quantitative as well as qualitative. Social security contribution amounted to SEK 6,121 (5,989) as well as taxes on pension payments of SEK 695 (704) thousand. Pension premiums amounted to SEK 2,866 (2,900) thousand. During 2017 other senior executives acquired 18,000 warrants at market price. The market price for these warrants at time of allotment amounted to SEK 81 thousand and thereby also received 18,000 matching warrants with a total value of SEK 81 thousand, conditioned by employment in May 2020. During 2016 other senior executives acquired 60,000 warrants at a fair value of SEK 220 thousand.

And thereby were also granted 60,000 matching warrants with a total value of SEK 220 thousand, conditioned by employment in May and November 2019. Other senior executives have a mutual term of notice of 3–6 months and in most cases are entitled to severance pay equivalent to 3–6 months on notice given by the company. The retirement age for all other senior executives is 65 years. Matters relating to salary and remuneration paid to other senior executives were decided by the CEO of HiQ International, in certain cases following consultation with the chairman of the Board. The information above applies to the parent company as well as for the group.

30. Group companies

SPECIFICATION OF THE PARENT COMPANY'S SHARES IN GROUP COMPANIES

NAME	CORPORATE ID	REGISTERED OFFICE	COUNTRY	SHARES	SHARE OF CAPITAL	BOOK VALUE (SEK THOUSAND)
Great Apes OY	2230363-5	Helsinki	Finland	300	100%	20,387
HiQ København A/S	20851147	Kastrup	Denmark	500	100%	3,495
HiQ Finland OY	0648086-9	Espoo	Finland	600	100%	273,921
OOO MobilEyes INN	7707281246	Moskva	Russia	69,042	100%	2,545
HiQ Accelerated Concept Evaluation AB	556640-3415	Linköping	Sweden	523,600	100%	26,849
HiQ Computer and Audio-Technical Systems AB	556194-0403	Stockholm	Sweden	10,000	100%	1,200
HiQ Göteborg AB	556244-6384	Göteborg	Sweden	1,020	100%	44,798
HiQ Karlskrona AB	556534-5336	Karlskrona	Sweden	1,000	100%	600
HiQ Linköping AB	556738-3400	Linköping	Sweden	1,000	100%	1,100
HiQ MobilEyes AB	556563-2345	Stockholm	Sweden	1,000	100%	9,767
HiQ Mälardalen AB	556443-8736	Lidingö	Sweden	1,000	100%	215
Presis i Sverige AB	556706-8084	Lund	Sweden	100,000	100%	9,785
HiQ Skåne AB	556628-0136	Lund	Sweden	1,000	100%	100
HiQ Stockholm AB	556506-5819	Stockholm	Sweden	1,000	100%	41,532
Total						436,294

PARENT COMPANY (SEK THOUSAND)	2017	2016
ACQUISITION VALUE		
At beginning of year	589,797	561,145
Acquisition Great Apes	-265	20,652
Acquisition Presis i Sverige	9,785	
Given Group contributions	20,000	8,000
Given shareholder contributions	2,000	
At end of year	621,317	589,797
Accumulated write-down		
At beginning of year	- 163,023	- 155,023
Write-downs	-22,000	-8,000
At end of year	-185,023	- 163,023
Book value of shares in Group companies	436,294	426,774

All group companies provide consultancy services.

31. Business combination

On 16 March 2017 the parent company acquired 100% of the share capital of Presis i Sverige AB, a digital development agency in Lund. The acquisition strengthens the Group's market position in Öresund and adds new competences and new clients. Details of consideration, the net assets acquired and goodwill are as follows:

PURCHASE CONSIDERATION

Ordinary shares issued	8,455
Cash paid	1,330
Total ourchase consideration	9,785

The fair value of the 128,114 shares issued as part of the consideration paid was based on the published share price on 16 March 2016 of SEK 66,00 per share. The assets and liabilities recognised as a result of the acquisition are as follows:

FAIR VALUE

Cash	1,285
Other operating assets	3,562
Plant and equipment	20
Intangible assets: acquired client relations	1,567
Other liabilities	-2,459
Deferred tax liabilities	- 344
Net identifiable assets acquired	3,631
Goodwill	6,154
Net assets acquired	9,785

The goodwill is attributable to the profitability of the acquired business and the strong market position. It will not be deductible for tax purposes. Acquisition costs of SEK 56 thousand has been booked as other external costs in the Group. No additional consideration will be paid.

Additional payments Great Apes

During 2016 Great Apes was acquired. During 2017 additional payment relating to financial performance in 2016 has been paid with 400,000 EUR by a share issue against off-set payment. Thereby, 59,140 shares in HiQ was issued. For 2017 an additional payment of 166,956 EUR is estimated to be paid. After this payment the acquisition of Great Apes is finally adjusted.

32. Cash flow from operating activities

Net debt reconciliation	As of 1 January 2017	Cash flow	Changes Leasing	Foreign exchange adjustments	As of 31 December 2017
Loans	151			2	153
Financial leasing	31,244	-6,377	6,606		31,473
Total	31,395	-6,377	6,606	2	31,626
Cash and cash equivalents	204,262	- 1,194		2,058	205,124
Net debt	172,867	- 7,571	6,606	2,060	173,498

	Group		Parent Company	
	2017	2016	2017	2016
INTERESTS PAID AND DIVIDENDS RECEIVED				
Interest received	180	286	25	39
Interest paid	-356	-417	-243	-107
Total	-176	-131	-218	-68
	Group		Parent Company	
	2017	2016	2017	2016
ADJUSTMENTS FOR ITEMS NOT INCLUDED IN CASH FLOW				
Anticipated dividends from Group companies	—	—	—	—
Depreciation	12,894	10,992	69	365
Additional payments acquisitions	—	-5,706	—	—
Write-down of shares in Group companies	—	—	22,000	8,000
Total	12,894	5,286	22,069	8,365
	Group		Parent Company	
	2017	2016	2017	2016
TRANSACTIONS NOT LEADING TO PAYMENTS				
Acquisition of assets by financial leasing	6,536	9,025	0	0
Share issue - acquisition	12,283	14,374	12,283	14,374
CASH AND CASH EQUIVALENTS (SEK THOUSAND)	2017	2016	2017	2016
The following components are included in the liquid assets:				
Cash and cash equivalents	205,124	204,262	127,106	125,739
Total cash and cash equivalents	205,124	204,262	127,106	125,739

The Parent Company (and thereby the Group) has an unutilised overdraft facility of SEK 50 million.

33. Related-party transactions

RELATED-PARTY RELATIONS:

The parent company has at related-party relation to its subsidiaries (note 30).

	2017	2016
PURCHASES AND NET SALES, GROUP INTERNAL, PARENT COMPANY (SEK THOUSAND)		
Net sales to Group companies	42,139	43,596
Purchases from Group companies	30,039	7,732
Interest income from Group companies	24	28
Interest expenses to Group companies	19	0
RESULTS FROM SHARES IN GROUP COMPANIES, PARENT COMPANY (SEK THOUSAND)	2017	2016
Dividends received from Group companies	92,376	45,900
Received Group contributions	129,500	130,000
Write-down of shares in Group companies	-22,000	-8,000
Total	199,876	167,900

TRANSACTIONS WITH SENIOR EXECUTIVES

Remuneration to Board members have, according to a decision made by the Annual General Meeting, been paid with an amount of SEK 1,898 (1,865) thousand. In addition, SEK 34 (46) thousand have been paid as reimbursement of travel and accommodation expenses in connection with the Board work. No loans have been given to the Board members or any senior executives. For further information regarding benefits for senior executives, please refer to note 29.

TRANSACTIONS WITH ASSOCIATED COMPANIES

Group companies have paid rents to associates with SEK 668 (563) thousand.

34. Critical accounting estimates and assumptions

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

A. Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (note 12). In note 12 a sensitivity analysis regarding the value of the Group's goodwill is presented. An impairment of goodwill would effect the

Group's profit as well as the equity of the Group. However, the cash flow would not be effected

B. Revenue recognition

The Group applies the percentage of completion method in recognising revenues in fixed price contracts. The percentage of completion method requires estimates regarding the proportion of services performed. If the proportion between estimated performed services and total services would differ by 10% from the Management's assessment, net sales would increase if the performed proportion would have increased and decreased if the performed proportion would have decreased. The impact at the year-end is marginal due to the current low amount of fixed priced projects.

35. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall policy is to minimise the potential adverse effects on the Group's financial performance arising from these risks. The risk management is carried out centrally as well as decentralised by the subsidiaries, according to the Group's policies and guidelines.

A. Market risk

FOREIGN EXCHANGE RISK

HiQ has operations mainly in Sweden, Finland, Denmark and Russia. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. Most of the company's operations are local, i.e. income and expenses are in the same currency, which decreases the exposure to foreign exchange risks. In some cases, sales are made in a different currency from that in which the costs of producing the services were incurred. In cases where revenues and expenses are in different currencies the foreign exchange risk increases. Because of its limited foreign exchange exposure, HiQ does not currently employ any form of currency hedging. The company could be affected by

substantial foreign exchange rate fluctuations, but we consider this risk to be small. The currency breakdown of the Group's incoming payments is SEK 79%, Euro 20% and other currencies 1%. For outgoing payments the breakdown is SEK 81%, Euro 18% and other currencies 1%. If the Swedish Crown had strengthened/weakened by 10% against the Euro (with all other variables held constant) the net profit 2017 would have been approximately SEK 5 (6) million lower/higher. Equity would have been approximately SEK 29 (29) million higher/lower, mainly as a result of foreign exchange difference on translation of goodwill. The Group has investments in foreign entities whose net assets are exposed to foreign exchange risks. The foreign exchange exposure arising from this are not hedged. All together HiQ's currency exposure is judged to be very limited

Cash flow and interest rate risk and fair values

As the Group has no significant interest-bearing assets, except cash at bank accounts, the Group's income and cash flows are substantially independent of changes in market interest rates. Borrowings issued at fixed rates could expose the Group to interest rate risk. Financial leasing agreements as well as the Group's credit facility are at variable interest rates. Therefore no interest rate regarding fair values arise. An increase in the average

interest rate on financial leasing with 1 percentage point would effect the Group's profit negatively with approximately SEK 0.3 million. From time to time the Group's surplus liquidity could be invested in short-term investments exposed to some (low) price risk. The risk is regarded as low, due to the short duration of the investments. By the end of 2017 the Group had SEK 0 (0) million in short-term investments.

B. Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to clients, including outstanding receivables and committed transactions. Most of HiQ's assignments are charged on account, i.e. time spent is invoiced monthly. 98% of net sales is charged on account, while fixed-price assignments, i.e. projects charged according to a fixed schedule, accounting for the remaining 2%. Projects charged on account are invoiced monthly or at the conclusion of the project. Payment is normally due within 30 days, although shorter and longer payment periods occasionally apply. Each week, accounts receivables are followed up to ensure that payment terms are met. Interest is charged on late payments and unpaid invoices are referred to a debt collection agency. Most of HiQ's clients are large and well-established. The ten largest clients account for about 36% of net sales and include Ericsson, Volvo Group and Skatteverket. The maximum credit risk amount to the book value of the assets. New clients are subject to credit checks. Actual bad debts have historically been low. For further information regarding bad debts, please refer to note 17.

C. Liquidity risk

Liquidity risk is managed by maintaining sufficient cash and short-term investments and the availability of funding through an adequate amount of committed credit facilities. The management forecasts the Group liquidity (cash and cash equivalents and credit facilities) based upon forecasted cash flows. HiQ's liquidity is very good. Cash flow before investments in 2017 was SEK 164.1 (131.7) million and on 31 December 2017 cash and cash equivalents amounted to SEK 205.1 (204.3) million.

The table below analyses the due date for the Group's financial liabilities, based on time left to due date. The amounts presented are nominal values.

AS OF 31 DECEMBER 2017	LESS THAN 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	MORE THAN YEAR
Financial debt (excluding Financial leasing)	—	—	153
Financial leasing	1,576	4,728	25,169
Accounts payable, trade	74,251	—	—
Other liabilities	32,001	—	—
AS OF 31 DECEMBER 2016	LESS THAN 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	MORE THAN YEAR
Financial debt (excluding Financial leasing)	—	—	151
Financial leasing	1,472	4,415	25,356
Accounts payable, trade	65,136	—	—
Other liabilities	15,142	—	—

Management of capital risk

The Group's aims as regards its capital structure are to safeguard the Group's ability to continue its operations, such that it can continue to generate a return for shareholders and benefits for other stakeholders, and to maintain a capital structure that against this background – keeps capital costs down. To maintain or adjust the capital structure, the Group may change the dividend paid to shareholders, repay capital to shareholders, issue new shares or sell assets in order to reduce debts. A consultancy company such as HiQ has a limited asset-based security base for borrowing. The Group's strategy in 2017, which as unchanged from 2016, was to maintain positive net funds. As of 31 December 2017 financial net funds amounted to SEK 173.5 million (SEK 172.9 million as of 31 December 2016)

36. Events after the reporting period

No other substantial events have occurred after the reporting period.

The Board of Directors and the Managing Director declare that the consolidated financial statements have been prepared in accordance with IFRS as adopted by the EU and give a true and fair view of the Group's financial position and results of operations. The Annual Report has been prepared in accordance with generally accepted accounting principles in Sweden and gives a true and fair view of the Parent Company's financial position

and results of operations. The statutory Administration Report of the Group and the Parent Company provides a fair review of the development of the Group's and the Parent Company's operations, financial position and results of operations and describes material risks and uncertainties facing the Parent Company and the companies included in the Group.

Stockholm 23 February 2018

Gunnel Duveblad
Chairman of the Board

Ulrika Hagdahl
Member of the Board

Erik Hallberg
Member of the Board

Ken Gerhardsen
Member of the Board

Raimo Lind
Member of the Board

Lars Stugemo
Member of the Board and
Chief Executive Officer

Our Auditors' report for this annual report was submitted on 23 February 2018.

PricewaterhouseCoopers AB

Gabriella Hermansson
Authorised Public Accountant

AUDITOR'S REPORT

To the general meeting of the shareholders of HiQ International AB (publ), corporate identity number 556529-3205

Report on the annual accounts and consolidated accounts OPINIONS

We have audited the annual accounts and consolidated accounts of HiQ International AB (publ) for the year 2017 with the exception of the corporate governance report and sustainability report found on pages 29–32, respective 28–29. The annual accounts and consolidated accounts of the company are included on pages 26–70 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of 31 December 2017 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2017 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance report and sustainability report found on pages 29–32, respective 28–29. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and the consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation [537/2014] Article 11.

BASIS FOR OPINIONS

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are

independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation [537/2014] Article 5.1. have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Our audit activates OVERVIEW

– Overall materiality level: SEK 10 million which is equivalent to 5% of income before taxes.

– The company has significant service revenues of which the majority are invoiced on an on account basis according to the relevant agreements. Significant risks refer to revenue recognition and allocation of revenues.

– The company has a significant amount of intangible assets as a result of acquisitions. The company annually prepares impairment testing to motivate the reported value of these assets. Significant risks refer to the valuation of goodwill in the Group and participations in Group companies reported in the Parent Company.

The focus and scope of the audit

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where the Managing Director and Board of Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored our audit in order to perform appropriate audit activities to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the group, the accounting processes and controls, and the industry in which the group operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually, or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures, and to evaluate the effect of misstatements both individually, and in aggregate, on the financial statements as a whole.

Group materiality level: SEK 10 million (SEK 9 million)

How we determine the level: 5 % of profits before tax

Motivation for the choice of materiality level: We selected profits before tax as the benchmark as we believe that this is the value which users often apply in comparing with a group's results, and as this is a generally accepted benchmark. The level 5% is seen in auditing standards as an acceptable quantitative materiality threshold.



Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were most significant in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS

Revenue recognition and allocation of revenue:

Revenues and accrued revenue are significant items in the group's income statement and balance sheet. We deem these items as key audit matters as the reporting of them involves estimations regarding the risk of losses in current projects. The group's operations are undertaken primarily in the form of client projects. The majority of these are invoiced on an account basis, whereby the revenue is reported as income in conjunction with the work being executed and approved by the client. For these services, which comprise the major portion of the group's revenues, completed but non-invoiced work is reported as net sales in the period in which the work is executed. Non-invoiced revenue is reported as accrued revenue in the balance sheet. Refer to the annual report, Note 2 - Summary of important accounting principles, for details disclosures and a description of this area.

Valuation of goodwill in the group and participations in group companies in the parent company *Intäktsredovisning och periodisering av intäkter*

As of 31 December 2017, the group reports goodwill of SEK 374 million, which comprises 31 % of total assets. This item has its origin in the acquisitions which the group has undertaken through the years. In the parent company, shares in subsidiaries amounts to SEK 436 million as at 31 December 2017, which is 64% of the total assets.

We deem these to comprise particularly significant areas and key audit matters as their valuation is based on management's estimations and assumptions regarding future revenue and costs.

Refer to the annual report, Note 2 Summary of important accounting principles, Note 12 Intangible assets and Note 31 Business combinations, for detailed disclosures and a description of this area.

HOW OUR AUDIT ADDRESSED KEY AUDIT MATTERS

We have examined a selection of projects against agreements, invoices and payments and project outcome, to ensure the correctness of the allocation of the group's revenue. We have evaluated and tested the most significant estimations in the group's project reporting to ensure that the company's revenue recognition is reported in the correct periods. These assessments refer to, amongst other things, the identification of projects producing losses. The selection is comprised primarily of larger projects and projects where risks have been identified. We have also discussed and analysed revenues and individual client projects with management and the individuals responsible for the accounting, at both company and group level.

We have evaluated HiQ's accounting principles regarding revenue recognition and accrued revenue.

Our audit activities have resulted in no significant observations.

We have examined the group's impairment testing as regards to assets in cash generating units. We have examined the process to determine how these units have been identified and have compared this with the group's internal follow-up of these operations.

We have tested and evaluated the reasonability of the management's assumptions regarding the discount rate, growth, future cash flows and margins based on historical outcome and future forecasts. We have also challenged management's assumptions by preparing sensitivity analyses with changed parameters and have mathematically tested the valuation model.

Finally, we have evaluated the completeness of the disclosures in the annual financial statements and assessed if they agree with the assumptions the group has applied in its impairment testing.

Our audit activities have resulted in no significant observations.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the information found in the annual accounts and consolidated accounts which can be found on pages 1-25 of the corporate governance report and in the sustainability report on pages 28-29. The Board of Directors and the Managing Director are responsible for the other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website:

http://www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description is part of the auditor's report.

Report on other legal and regulatory requirements

OPINIONS

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of HiQ International AB (publ) for the year 2017 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year

BASIS FOR OPINIONS

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation

requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

AUDITOR'S RESPONSIBILITY

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description is part of the auditor's report.

THE AUDITOR'S EXAMINATION OF THE CORPORATE GOVERNANCE REPORT

The Board of Directors is responsible for that the corporate governance report found on pages 29–32 of the printed version of

this document has been prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance examination is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with a sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with Chapter 6, section 6, second paragraph, points 2–6 of the Annual Accounts Act and Chapter 7, section 31, second paragraph of the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

AUDITOR'S STATEMENT REGARDING THE STATUTORY SUSTAINABILITY REPORT

It is the Board of Directors who is responsible for the statutory sustainability report found on pages 28–29 and that it has been prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's examination of the statutory sustainability report. This means that our examination of the statutory sustainability examination is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with a sufficient basis for our opinions.

A sustainability report has been prepared.

PricewaterhouseCoopers AB have been the elected auditors of the company since 1998. HiQ International AB (publ) has been a publically listed company since 12 April 1999.

Stockholm 23 February 2018
PricewaterhouseCoopers AB

Gabriella Hermansson
Authorized Public Accountant

ALTERNATIVE PERFORMANCE MEASURES

HiQ uses a number of alternative performance measures in order to convey a fair picture of HiQ's results and financial position. Below are definitions of the alternative performance measures used. The numbers written within brackets are a calculation of the performance measures for the financial year 2017.

Gross margin

Operating profit/loss before depreciation for the period, in relation to net sales for the period ($227,258 / 1,787,894 = 12.7$ per cent)

Operating margin

Operating profit/loss for the period, in relation to net sales for the period ($214,364 / 1,787,894 = 12.0$ per cent)

Profit margin

Pre-tax profit for the period, in relation to net sales for the period ($213,505 / 1,787,784 = 11.9$ per cent)

Net interest income

Financial income, less financial costs ($216 - 1,075 = -859$)

Interest bearing net funds

Liquid assets, less interest bearing debts (at the end of the period) ($205,124 - 25,322 - 6,304 = 173,498$)

Equity/assets ratio

Shareholders' equity as a percentage of total assets (at the end of the period) ($816,156 / 1,194,003 = 68.4$ per cent)

Capital employed

Equity and interest bearing debt (at the end of the period) ($816,156 + 25,322 + 6,304 = 847,782$)

Operating capital

Capital employed, less liquid assets ($847,782 - 205,124 = 642,658$)

Return on operating capital

Operating profit/loss in relation to average operating capital ($214,364 / [(642,658 + 604,699)/2] = 34.4$ per cent)

Net sales per employee

Net sales in relation to average number of employees ($1,787,894 / 1,449 = 1,234$)

Added value per employee

Operating profit/loss plus salaries and salary related expenses, in relation to average number of employees ($[214,364 + 1,142,512] / 1,449 = 936$)

Operating profit per employee

Operating profit/loss in relation to average number of employees ($214,364 / 1,449 = 148$)

Equity/share

Shareholders' equity in relation to total number of outstanding shares (at the end of the period) ($816,156 / 55,453 = 14.72$)

Yield

Distribution to the shareholders for the period (or proposed) in relation to share price at end of period ($3.30 / 62.25 = 5.3$ per cent)

Adjusted equity (Parent company)

Equity with equity proportion of untaxed reserves ($543,044 + 0 = 543,044$).

BOARD OF DIRECTORS



LARS STUGEMO

Born 1961. Master of science Electrical Engineering, Royal Institute of Technology. President and CEO of HiQ International since 2000. Employed since March 1995. Managing Director, HiQ Data AB 1998–2000. Other assignments: Chairman of the Board Kambi Group Plc, board member of Camfil AB and member of Avd VI The Royal Swedish Academy of Engineering Sciences (IVA). Holdings in HiQ: 200,651 shares, 12,000 warrants, 12,000 matching warrants.

GUNNEL DUVEBLAD

Born 1955. Computer Science, Umeå University. Chairman of the Board since 2016 and member of the board member since 2007. Managing Director, EDS North Europe 2002–2006. Employed within IBM 1977–2002, holding various management positions within IBM at Nordic and European level. Other assignments: Chairman of the boards of i.e. Team Olivia Group AB, Global Scanning A/S and Stiftelsen Ruter Dam. Member of the boards of i.e. Dustin, Sweco and PostNord. Holdings in HiQ: 7,000 shares.

ERIK HALLBERG

Born 1956. Engineer in Machine Technology. Board member since 2012. Active in Telia Company 1999–2016 as (among other) MDTelia International Carrier, responsible for operations in the Baltic states, responsible broadband Sweden and Mobile Sweden. Board member of Toigo Spain and as EVP TeliaCompany AB 2013–2016. Other assignments: Chairman of the board Zynapp AB and Fidesmo AB. Holdings in HiQ: 1,000 shares.

AUDITOR: PRICEWATERHOUSECOOPERS AB Responsible auditor: Gabriella Hermansson, born 1973. Authorised Public Accountant. Auditor of HiQ since 2017.



KEN GERHARDSEN

Born 1952. Master of science Engineering Physics, Linköping Institute of Technology. Board member since 1995. President and CEO of HiQ International AB until February 2000. Other assignments: Member of the board of Stockholm Text. Holdings in HiQ: 25,557 shares.

ULRIKA HAGDAHL

Born 1962, Master of science Engineering Physics, Royal Institute of Technology. Board member since 2012. Founder of Orc Software AB (now named Itiviti AB), Head of Development Orc Software 1987–1990, President and CEO Orc Software AB 1990–2000. Other assignments: Member of the board of Beijer Electronics AB, Image Systems AB, Starbreeze AB and Sectra AB.

RAIMO LIND

Born 1953. Master Degree Economics, Helsinki School of Economics. Board member since 2013. CFO of Wärtsilä Oyj 1998–2013, deputy MD since 2005. Worked for Wärtsilä 1976–1989 with positions both in Finland and abroad. CFO and management positions at Tamrock Oy 1992–1998, MD Scantrailer Ajoneuvoteollisuus Oy 1990–1991. Other assignments: Chairman of the board of Elisa Oy and Nest Capital. Member of the board & chairman of the audit committee Nokian Tyres. Holdings in HiQ: 2,040 shares.

Holdings include related party holdings and holdings through companies.

MANAGEMENT



LARS STUGEMO

Born 1961. Master of science Electrical Engineering, Royal Institute of Technology. President and CEO of HiQ International since 2000. Employed since March 1995. Managing Director, HiQ Data AB 1998–2000. Other assignments: Chairman of the Board Kambi Group Plc, board member Camfil AB and member of Avd VI The Royal Swedish Academy of Engineering Sciences (IVA). Holdings in HiQ: 200,651 shares, 12,000 warrants, 12,000 matching warrants.

JERKER LINDSTÉN

Born 1971. Managing Director, HiQ Göteborg since 2004. Master of science Automation Engineering, Chalmers University of Technology 1995. Employed since 2004. Previous positions: Regional Manager, Sales Manager, Framfab Region West; Business Area Manager, etc., Telia. Holdings in HiQ: 41,998 shares, 30,000 warrants, 30,000 matching warrants.

MIKAEL TENG

Born 1964. Business development, HiQ International since 2007. Master of science Engineering, Royal Institute of Technology 1990. Employed since 1998. Previous positions: Global Account Manager and consultant, HiQ Stockholm; Manager, Accenture; Consultant, Tieto Enator; SW Engineer, Oerlikon Contraves AG, Switzerland. Holdings in HiQ: 20,000 warrants and 20,000 matching warrants.

MAGNUS GUDÉHN

Born 1962. Managing Director, HiQ Stockholm since 2013. Master of Science Mechatronics, Royal Institute of Technology, 1986. Employed since 1995. Business Area Manager 2008–2013, MD HiQ Cats 2005-2008, consultant manager 1999–2005. Previous positions: project manager, architect and developer at Enator and Logica Sydney. Holdings in HiQ: 5,000 shares, 30,000 warrants, 30,000 matching warrants.

FREDRIK MALM

Born 1974. CFO, HiQ International since 2002. M.Sc. Business and Economics, Stockholm School of Economics 1997. Employed since 2002. Previous positions: Corporate Finance, Enskilda Securities; Corporate Finance, Nordea Securities; Holdings in HiQ: 32,000 shares, 8,000 warrants, 8,000 matching warrants.



KLAS NYSTRÖM

Born 1955. Managing Director, HiQ Karlskrona since 2007. Naval Officer. Employed since 2007. Previous positions: Various positions at Telenor, Founder and Vice President of Testbolaget Sverige, Ericsson, Lieutenant-Commander in the Swedish Navy.

ANDERS NILSSON

Born 1970. Managing Director, HiQ Mälardalen since 2004. Graduate Engineer 1990. Employed since 2000. Previous positions: Project Manager, Celsius Test Systems; Product Manager, Volvo Aero Support; Licence Engineer, ABB. Holdings in HiQ: 10,840 shares, 4,000 warrants, 4,000 matching warrants.

PATRIK HOLM

Born 1966. Managing Director, HiQ Ace since 2009. Master of Science Industrial Economics, Linköping Institute of Technology 1993. Employed since 2008. Previous positions: Senior Vice President, Enea Nordic Services; Managing Director, Enea Systems AB; Managing Director, Enea Epact AB. Holdings in HiQ: 36,624 shares.

ANNA KLEINE

Born 1973. Managing Director, HiQ Skåne since 2012. Bachelor of Science, Information technology, University of Lund 1999. Employed since 2003. Previous positions: consultant, sales and business area manager at HiQ; consultant and project manager, Telia ProSoft AB. Other assignments: Member of the boards of Mobile Heights and Länsförsäkringar Skåne. Holdings in HiQ: 5,000 warrants and 5,000 matching warrants.

JUKKA RAUTIO

Born 1974. Managing Director, HiQ Finland since 2010, Managing Director HiQ Quality Services Oy 2008–2010. Master of Science 2001, Oulu University. Employed since 2008. Previous positions: Founder and MD, TSG Test Solutions. Holdings in HiQ: 155,000 shares.

MAGNUS GENS

Born 1975. Business development, HiQ International since 2017. Master of Science in Vehicle Engineering, Royal Institute of Technology, 2001. Employed since 2015. Previous positions: Combitech, Assistera, Ericsson. Holdings in HiQ: 9,000 warrants and 9,000 matching warrants.

Holdings include related party holdings and holdings through companies.

HiQ

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