



Interim Report, 1st January – 30th September 2004

- Operating income increased by 51% (22%) to SEK 155.6 million (SEK 103.4 m).
- The profit after tax was SEK 51.8 million (SEK 22.8 m).
- Earnings per share totalled SEK 1.95 (SEK 0.86) per share.
- The result before goodwill amortization increased to SEK 78.7 million (SEK 38.4 m).
- Earnings per share excluding goodwill amortization totalled SEK 2.13 (SEK 1.04). The corresponding result for the last twelve month period was SEK 2.69 (SEK 1.46).
- Net deposits totalled SEK 2,100 million (SEK 1,000 m), corresponding to 19% (15%) of the total value of custodian accounts at the beginning of the year.

Comments from the Managing Director

“Avanza is now expanding in three new areas. October will see us launch Avanza Private Banking under the slogan, “It should be cheap to be rich” for wealthier private investors. In the fourth quarter, we will also be introducing new, tax-efficient solutions in the fields of pension and insurance saving. We will also be strengthening our offering to active day-traders in the form of Avanza Trading Station, a new full-service package.”

“This strategy of targeting more customer groups will not only generate additional growth potential. It will also yield increased stability in revenue and profits. The recurring revenues not directly linked to securities trading are growing all the time and covered as much as 85% of the company’s operating costs in the third quarter,” says Nicklas Storåkers, Managing Director of Avanza.

For additional information, please contact Nicklas Storåkers, Managing Director of Avanza, on tel: +46 70 861 80 01.

Business performance

Net deposits with Avanza have been very strong throughout the nine month period, totalling SEK 2,100 million (SEK 1,000 m), corresponding to 19% (15%) of the total value of custodian accounts at the beginning of the year. Net deposits during the third quarter totalled SEK 360 million (SEK 470 m). Avanza customers’ willingness to place an increasingly large percentage of their investable assets with Avanza is contributing to a continuous growth in net deposits, and the total value of custodian accounts increased during the nine month period by 32% (39%) to SEK 14,500 million, as of 30th September 2004 (SEK 11,000 million as of 31st December 2003).

The total number of custodian account customers has increased by a net of 5.0% (2.2%) since the turn of the year to 86,500 (82,400 as of 31st December 2003). The net customer inflow in the third quarter yielded 800 (1,700) new custodian account customers. The relatively low customer inflow and net deposit levels in the third quarter reflect the quiet market climate. The inflow of new customers and capital did, however, strengthen towards the end of the quarter.

Avanza’s custodian account customers averaged 1.30 (0.88) commission notes per month during the period from January to September 2004, corresponding to an increase in activity levels of 48% over the same period last year. The quieter market climate in the third quarter did, however, result in activity levels falling by 21% (+49%) in comparison with second quarter, and customers hence averaged only 0.88 (1.16) commission notes per month in third quarter. The average brokerage fee per commission note for custodian account customers was SEK 103 (SEK 105) during the period from January to September 2004. Operating income per custodian account customer totalled SEK 1,900 (SEK 1,300) during the same period. The increase in the value of the average Avanza portfolio since

the turn of the year was 12.5%, in comparison with that of the Stockholm Stock Exchange All Share-index, which increased by 10.4%.

Borrowing, including client funds, increased, as of 30th September 2004, to SEK 1,828 million (SEK 1,465 m as of 31st December 2003). Lending increased by 79% since the turn of the year to SEK 881 million (SEK 491 m as of 31st December 2003). Borrowing and lending corresponded to 12.6% (13.3% as of 31st December 2003) and 6.1% (4.5% as of 31st December 2003), respectively, of the total custodian account value.

Avanza's market share of the Stockholm Stock Exchange totalled 8.6% (6.5%) of the number of transactions and 1.7% (1.4%) of turnover during the nine month period in 2004.

Financial results and status

Operating income increased by 50.5% to SEK 155.6 million (SEK 103.4 m) during the period from January to September 2004. Operating income during the third quarter of 2004 totalled SEK 40.5 million (SEK 40.8 m), and SEK 202.1 million (SEK 141.5 m) during the last twelve month period. Net interest items totalled SEK 44.8 million (SEK 32.4 m), corresponding to an increase of 38.3% in comparison with the same period last year.

Brokerage income, less deductions for direct costs, comprised 58% (57%) of the total operating income, whilst net interest items, custodian account fees and other income comprised the remaining 42% (43%). Brokerage income from institutional customers totalled 4.5% (7.5%) of the total brokerage income.

Non-brokerage income has risen during the past year, totalling 83% (68%) of operating expenses (excluding goodwill amortization) during the first nine months of 2004. Avanza's growth has, therefore, had a positive effect in that the minimum number of transactions required to show a profit, known as the breakeven level, has declined substantially, thereby reinforcing the stability of Avanza's profitmaking ability.

Operating expenses excluding goodwill amortization totalled SEK 76.9 million (SEK 65.0 m) for the first nine months, corresponding to an increase of 18.3% over the same period in 2003.

The number of full-time employees (excluding those on leaves of absence or parental leave) totalled 72 at the end of September (61 as of 31st December 2003).

The profit before goodwill amortization for the nine month period totalled SEK 78.7 million (SEK 38.4 m), which equates to an operating margin of 50.6% (37.1%). The profit before goodwill amortization during third quarter was SEK 16.7 million (SEK 20.1 m). The corresponding result and operating margin for the last twelve month period was SEK 99.4 million (SEK 54.1 m) and 49.2% (38.1%), respectively.

Goodwill amortization during the nine month period totalled SEK 6.6 million (SEK 6.6 m). The pre-tax profit during the first nine months improved to SEK 72.1 million (SEK 31.8 m). The tax cost totalled SEK 20.1 million (SEK 9.0 m), of which tax paid comprised SEK 0 (SEK 0). The tax cost refers to the utilisation of deficit deductions booked as assets in previous year's Balance Sheet.

The result after tax for the first nine months was SEK 51.8 million (SEK 22.8 m). Earnings per share after dilution totalled SEK 1.91 (SEK 0.85), and earnings per share excluding goodwill amortization after dilution totalled SEK 2.09 (SEK 1.03). The corresponding results for the last twelve month period were SEK 2.42 (SEK 1.23) and SEK 2.65 (SEK 1.45), respectively. The return on equity during the nine month period was 21.8% (11.2%).

Shareholders' equity totalled SEK 253.5 million (SEK 228.3 m as of 31st December 2003) or SEK 9.52 (SEK 8.58) per share, as of 30th September 2004, and the capital adequacy ratio was 16% (26%). The reduction in the capital adequacy ratio is mainly due to the new rules governing the reporting of capital adequacy ratios that came into force on 1st January 2004, and which had a negative effect on Avanza's capital adequacy ratio. As of 30th September 2004, Avanza reported SEK 48.9 million (SEK 69.6 m as of 31st December 2003) in deferred tax receivables. The Group's liquid assets totalled SEK 630.9 million (SEK 677.4 m).

Outlook for the future

Avanza's strategy for growth is to expand in an increasing number of market and customer segments, through applying the company's know-how in the field of value for money financial services on the web.

The first step will be taken in October with the launch of Avanza Private Banking - a venture targeting wealthier private investors. The service is based on a separate website, www.avanzaprivatebanking.se, and comprises an extended offering to this customer segment. The service targets private investors with a custodian account value in excess of SEK 3 million and includes expanded portfolio reporting, tax advice and competitive brokerage fee and interest terms. Growth in web-based financial services for this customer segment - which already comprises over 20% of the total value of Avanza's custodian accounts - is very substantial.

A more complete service for day-traders, Avanza Trading Station, will also be introduced in October. The offering will see Avanza provide the customer with a fully equipped computer with both news and trading systems and all associated support - important prerequisites for very active trading.

Avanza's range of pension and insurance product offerings will be augmented later in the autumn in the form of a new insurance solution. Avanza has been offering the market's only web-based solution for individual pension saving (IPS) with direct saving in both shares and funds for one year now. Activity levels in the pension and insurance market are normally high towards the end of the year, and Avanza is consequently expecting good growth in this area during the fourth quarter.

Avanza's product range will also be strengthened during the fourth quarter in the form of improved portfolio reporting and internet-based trading in American shares.

These product launches can be implemented using Avanza's existing system platform and infrastructure, and are based on low margins and significant economies of scale. The increase in costs resulting from these ventures is, therefore, insignificant in relation to the potential.

The scale of Avanza's sales and marketing activities will increase during the fourth quarter in comparison with levels earlier in the year at an estimated cost of approximately SEK 5 million for the quarter. These activities will include the marketing and direct selling of the Avanza product offering, the introduction of Avanza Private Banking and the expansion of Avanza's pension and insurance product offering.

Our goal for 2005 is to continue to grow in the various markets and, in addition, to expand still further in a couple of areas.

The market outlook is positive for the next few months and private investors' activity levels are expected to increase in comparison with the third quarter. Overall, therefore, the preconditions for strong growth are good and Avanza is expected to exceed its goal of an annual growth in income of between 20 and 30%.

Avanza is also expected to achieve or marginally exceed its goal of an operating expenses total (excluding annual goodwill amortization of SEK 8.8 million) of between SEK 98 and 103 million in 2004. The cost goal may be marginally exceeded due to the increased focus on marketing during the fourth quarter, but we believe that the positive effects, in the form of a higher customer inflow, justify this investment. The reliance on market trends means, however, that Avanza will not issue a profit forecast for 2004 as a whole.

Financial calendar

Preliminary year-end report 19th January 2005

Stockholm, 8th October 2004

Nicklas Storåkers
Managing Director

Review report Avanza AB (Publ)

We have conducted a review of this Interim Report in accordance with the recommendation issued by FAR (the Swedish Institute of Authorised Public Accountants). A review is significantly restricted in comparison with an audit. Nothing has emerged to indicate that the Interim Report fails to comply with the requirements laid down in the Swedish Stock Exchange Act and the Swedish Annual Accounts Act.

Stockholm, 8th October 2004
KPMG Bohlins AB

Anders Bäckström
Authorised Public Accountant

The Group's quarterly performance

SEK m	01-07-04 30-09-04	01-04-04 30-06-04	01-01-04 31-03-04	01-10-03 31-12-03	01-07-03 30-09-03	01-04-03 30-06-03	01-01-03 31-03-03
Operating income	40.5	49.6	65.5	46.5	40.8	33.6	29.0
Operating expenses	-23.8	-25.3	-27.8	-25.8	-20.7	-21.3	-23.0
Profit before goodwill amortization	16.7	24.3	37.7	20.7	20.1	12.3	6.0
Goodwill amortization	-2.2	-2.2	-2.2	-2.2	-2.2	-2.2	-2.2
Pre-tax profit/loss	14.5	22.1	35.5	18.5	17.9	10.1	3.8
Custodian account value, SEK m	14,500	14,300	13,900	11,000	9,000	7,700	6,300
Net deposits, SEK m	360	550	1,190	660	470	170	360
No. custodian account customers	86,500	85,700	85,800	82,400	78,300	76,600	77,500
No. commission notes per custodian account customer and month	0.88	1.11	1.93	1.26	1.16	0.78	0.71
No. transactions per commission note	1.69	1.55	1.56	1.50	1.53	1.60	1.60
Average no. employees	74	73	69	61	56	51	53

Key financial figures for the Group

	01-07-04 30-09-04	01-01-04 30-09-04	01-01-03 30-09-03	01-10-03 30-09-04	01-01-03 31-12-03
Earnings per share SEK	0.39	1.95	0.86	2.45	1.36
Earnings per share after dilution, SEK	0.39	1.91	0.85	2.42	1.35
Earnings per share excluding goodwill amortization, SEK	0.45	2.13	1.04	2.69	1.60
Earnings per share excluding goodwill depreciation after dilution, SEK	0.45	2.09	1.03	2.65	1.59
Operating margin %	41.3	50.6	37.1	49.2	39.4
Equity per share, SEK	9.52	9.52	8.07	9.52	8.58
Return on equity, %	4.2	21.8	11.2	28.0	17.6
Capital adequacy ratio, %	16	16	27	16	26
Average number of shares before dilution	26,622,874	26,622,874	26,622,874	26,622,874	26,622,874
Average number of shares after dilution	27,094,839	27,088,690	26,741,527	27,037,302	26,802,374
Outstanding number of shares before dilution	26,622,874	26,622,874	26,622,874	26,622,874	26,622,874
Outstanding number of shares after dilution	27,075,602	27,075,602	26,831,750	27,075,602	27,045,763
Number of shares on full dilution	27,465,674	27,465,674	27,465,674	27,465,674	27,465,674

Definitions

Earnings per share

Profit/loss after tax in relation to the average number of shares over the period. Earnings per share excluding goodwill amortization is defined as the profit/loss before goodwill amortization less the standard tax deduction in relation to the average number of shares over the period.

Operating margin

Operating profit/loss before goodwill amortization in relation to operating income.

Equity per share

Shareholders' equity in relation to the number of ordinary shares at the end of the period.

Return on equity

Profit/loss after tax in relation to the average shareholders' equity over the period.

Capital adequacy ratio

The capital base in relation to the risk-weighted capital.

Custodian account customer

An account opened with holdings.

Transactions

Buying and selling transactions completed in different markets and involving different securities.

Commission note

Daily compilation of the buying and selling assignments completed by a customer and involving a specific security. A commission note may include one or more transactions. Brokerage fees are charged on the basis of the commission notes.

Consolidated Income Statement (SEK million)

	01-07-04 30-09-04	01-07-03 30-09-03	01-01-04 30-09-04	01-01-03 30-09-03
Operating income				
Commission income	31.4	33.6	131.3	78.3
Commission expenses	-5.8	-4.1	-21.4	-9.9
Interest income	16.5	13.1	50.3	39.2
Interest expenses	-1.7	-1.8	-5.5	-6.8
Net result of financial transactions	0.1	0.0	0.5	0.1
Other operating income	0.0	0.0	0.4	2.5
Total operating income	40.5	40.8	155.6	103.4
Operating expenses				
General administrative costs	-19.4	-17.8	-66.6	-54.8
Depreciation of tangible and intangible fixed assets	-3.4	-3.4	-9.6	-11.1
Other operating expenses	-3.2	-1.7	-7.3	-5.7
Net credit losses	0.0	0.0	0.0	0.0
Total operating expenses	-26.0	-22.9	-83.5	-71.6
Operating profit	14.5	17.9	72.1	31.8
Taxes	-4.0	-5.0	-20.1	-9.0
Minority holdings	0.0	0.0	-0.2	0.0
Profit for the period	10.5	12.9	51.8	22.8
Earnings per share, SEK	0.39	0.48	1.95	0.86
Earnings per share after dilution, SEK	0.39	0.48	1.91	0.85

Consolidated Balance Sheet (SEK million)

	30 th Sept 2004	31 st Dec 2003
Assets		
Loans to credit institutions	630.9	677.4
Loans to the public	Note 1	881.5
Bonds and other interest-bearing securities	1.2	1.2
Shares and participations	0.8	0.1
Intangible fixed assets	19.4	23.9
Tangible assets	5.2	5.7
Other assets	Note 2	176.9
Prepaid costs and accrued income	7.6	4.1
Total assets	1 723.5	1 376.5
Liabilities and shareholders' equity		
Lending and borrowing from the public	Note 3	1 432.1
Other liabilities	15.2	28.0
Accrued costs and deferred income	22.7	13.2
Minority holdings	0.0	0.0
Shareholders' equity	253.5	228.3
Total liabilities and shareholders' equity	1 723.5	1 376.5

Changes in the Group's shareholders' equity (SEK million)

	01-01-2004 30-09-2004	01-01-2003 30-09-2003	01-01-2003 31-12-2003
Shareholders' equity at the beginning of the period	228.3	192.0	192.0
Dividends	-26.6	-	-
Profit for the period	51.8	22.8	36.3
Shareholders' equity at the end of the period	253.5	214.8	228.3

Consolidated Cashflow Statement (SEK million)

	01-01-2004 30-09-2004	01-01-2003 30-09-2003
Cashflow from current operations	81.9	42.8
Cashflow from assets and liabilities of current operations	-97.1	157.2
Cashflow from investment operations	-4.7	-3.4
Cashflow from financing operations	-26.6	-
Cashflow for the period	-46.5	196.6
Liquid assets at the beginning of the period*	677.4	514.2
Liquid assets at the end of the period*	630.9	710.8

* Liquid assets are defined as the sum of cash in hand, loans to credit institutions and, where relevant, with deductions for liabilities to credit institutions.

Accounting principles

This Interim Report has been drawn up in accordance with the Swedish Financial Accounting Standards Council's recommendation concerning Interim Reports (RR 20) and complies with the regulations of the Swedish Financial Supervisory Authority (FFFS 2002:22). The accounting principles and calculation methods are the same as those used in the 2003 Annual Report. New recommendations from the Swedish Financial Accounting Standards Council have had no impact on the accounts for 2004.

Notes

Note 1 – Loans to the public

Loans to the public are reported after deductions for actual and anticipated credit losses. All loans, known as custodian account credits, are secured by collateral in the form of securities up to a fixed lending value.

Note 2 – Other assets

The Balance Sheet item, Other assets, comprises SEK 48.9 million (SEK 69.6 m) in tax receivables, which refer to unutilised deficit deductions.

Note 3 – Funds managed on behalf of third parties

In addition to the borrowing reported in the Balance Sheet, Avanza also has borrowing from third parties on client fund accounts totalling SEK 395.9 million (SEK 358.4 m) as of 30th September 2004.

This Interim Report is published in Swedish and English. In the event of any difference between the English version and the Swedish original, the Swedish version shall govern.