



Interim Report, 1st January – 31st March 2005

- Operating income fell by 6.7% (+126%) to SEK 61.1 million (SEK 65.5 m).
- The profit after tax was SEK 19.8 million (SEK 27.2 m).
- Earnings per share totalled SEK 0.73 (SEK 1.02).
- Net deposits totalled SEK 1,540 million (SEK 1,190 m), corresponding to 9.5% (10.8%) of the total value of custodian accounts at the beginning of the year.

Comments from the Managing Director

“The trend that has seen more and more private investors using the Internet to manage their savings is continuing. Avanza’s underlying growth is hence very good - the net value of custodian accounts increased by 17% during the first quarter, whilst the net value of custodian accounts in Avanza Private Banking increased by a massive 52%. Q1 last year saw an exceptional performance by the Ericsson share but this has not been repeated, and although the underlying growth has continued, private trading has been weaker this year as a result. Trading by private investors fell by 28% during the period in comparison with the same period last year, and income hence fell by 7%.”

“This spring will see the launch of another of our long-term engines for growth - Avanza Pension. We will be launching the market’s cheapest savings products in the life insurance sphere, and we know that this is an area of considerable interest to private investors,” 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 during the first quarter totalled SEK 1,540 million (SEK 1,190 m), corresponding to an increase of 29.4% (230%) over the same period last year. The strength of net deposits is due both to existing customers transferring more and more of their savings to Avanza and to an underlying growth in the number of customers overall. The first quarter is, furthermore, usually a strong period. Net deposits corresponded to 9.5% (10.8%) of the total value of custodian accounts at the beginning of the year.

The first quarter saw an active programme of marketing and development work. Sales activities carried out within Avanza and Avanza Private Banking resulted in a positive influx of both customers and net deposits. The response to Avanza Private Banking, which was launched in October 2004, has been very strong. Despite relatively long selling-in times, Avanza Private Banking has demonstrated high growth rates, even during the first quarter. The business unit is adjudged to have good potential for continuing to develop well. Early March, meanwhile, saw also the introduction of a completely new web service, Aktiespar.se, which is aimed at ordinary bank savers and which offers Sweden’s lowest prices for minor share transactions. Aktiespar.se, which is the first such service in Sweden to abolish the minimum brokerage fee, is an easy-to-use web service for trading in both shares and mutual funds. Intensive development work was carried out within Avanza Pension in order to build up technical and administrative systems ahead of the launch of Avanza’s own insurance products. The systems will be tested during early April and the launch is scheduled for the latter half of Q2.

The total value of custodian accounts increased by 16.7% (26.4%) to SEK 18,900 million, as of 31st March 2005 (SEK 16,200 million, as of 31st December 2004), with strong net deposits and a positive performance by the stock market both contributed to the increase in the total value. The total value of custodian accounts in Avanza Private Banking increased during the quarter by 52.1% to SEK 2,920 million (SEK 1,920 m as of 31st December 2004).

There was a net increase in the total number of custodian account customers of 3.6% (4.1%) during the first quarter to 93,000 (89,800 as of 31st December 2004). The number of IPS (individual pension saving) custodian accounts within Avanza Pension increased to 4,100 (3,400 as of 31st December 2004).

Share trading by private individuals fell during the first quarter in comparison with the same period last year. Avanza's custodian account customers averaged 1.38 (1.93) commission notes per month during the first quarter, corresponding to a decrease in activity levels of 28.5% (+172%) in comparison with last year. The main reason for the reduction in activity was that the most heavily traded share, Ericsson, rose very steeply during the first quarter of 2004, but has experienced a negative price performance to date this year. In comparison with Q4 2004, however, activity levels rose by 14.0% (53.2%). The average brokerage fee per commission note for custodian account customers during Q1 was SEK 95 (SEK 102). The launch of Aktiespar.se will, in the long-term, mean a reduction in the average brokerage fee per commission note. Operating income per custodian account customer totalled SEK 700 (SEK 800) during the first quarter. The increase in the value of the average Avanza portfolio during the period from January to March was 6.7%, in comparison with that of the Stockholm Stock Exchange All Share index, which increased by 5.5%.

Borrowing, including client funds, increased to SEK 1,930 million as of 31st March 2005 (SEK 1,766 m as of 31st December 2004). Lending increased by 16.5% to SEK 1,282 million (SEK 1,100 m as of 31st December 2004). Borrowing and lending corresponded to 10.2% (10.9% as of 31st December 2004) and 6.8% (6.8% as of 31st December 2004), respectively, of the total custodian account value.

Avanza's market share of the Stockholm Stock Exchange during the first quarter of 2005 was 9.0% (9.5%) of the number of transactions and 1.7% (1.9%) of turnover. Measured in terms of numbers of transactions, Avanza was hence the biggest Internet brokerage firm and the second largest member, overall, of the Stockholm Stock Exchange.

Financial results and status

All comparative figures for 2004 have been recalculated in accordance with International Financial Reporting Standards (IFRS).

Operating income fell by 6.7% (+126%) to SEK 61.1 million (SEK 65.5 m) during the first quarter of 2005. The reduction is almost exclusively the result of a fall of 28.5% (+172%) in customers' trading during the quarter. Net interest items totalled SEK 17.6 million (SEK 15.4 m) during the first quarter, corresponding to an increase of 14.3% (49.5%) in comparison with last year. The increase in net interest items is due to increases in both borrowing and lending.

Brokerage income, less deductions for direct costs, comprised 53% (71%) of total operating income, whilst non-brokerage income (net interest items, custodian account fees and other income) comprised the remaining 47% (29%). Brokerage income from institutional customers totalled 2.8% (5.6%) of the total brokerage income.

Non-brokerage income continues to increase, totalling 86% (68%) of operating expenses during the first quarter. The increase in non-brokerage income is due to, amongst other things, rising deposit and lending volumes, and to a substantial growth in custodian account customers' investments in mutual funds.

Operating expenses during Q1 2005 totalled SEK 33.5 million (SEK 27.8 m), corresponding to an increase of 20.5% in comparison with the same period last year. The increase in expenses is due, in the main, to intensified investments in growth, resulting in higher marketing and development costs. Marketing costs increased to SEK 4.7 million (SEK 1.5 m) during the first quarter and organisational growth occurred in, amongst other areas, the development department and in order to build up operations within Avanza Pension.

The number of full-time employees (excluding those on leaves of absence and parental leave) was 77 at the end of March (73 as of 31st December 2004).

The pre-tax profit for the first quarter was SEK 27.6 million (SEK 37.7 m), corresponding to an operating margin of 45.1% (57.6%). The tax cost was SEK 7.8 million (SEK 10.5 m), of which tax paid comprised SEK 0.0 million (SEK 0.0 m). Tax cost refers to the utilisation of deficit deductions booked as assets in the previous year's Balance Sheet.

The result after tax for the first quarter of 2005 was SEK 19.8 million (SEK 27.2 m). Earnings per share totalled SEK 0.73 (SEK 1.02). The return on equity for the year was 7.4% (11.8%).

Investments totalled SEK 0.3 million (SEK 0.7 m) during the first quarter.

Shareholders' equity totalled SEK 263.9 million on 31st March 2005 (SEK 273.4 m as of 31st December 2004), or SEK 9.61 (SEK 10.27) per share, and the capital adequacy ratio was 12.4% (13.6%). Avanza reported SEK 34.6 million in deferred tax receivables as of 31st March 2005 (SEK 42.4 m as of 31st December 2004). The Group's liquid assets totalled SEK 563.5 million (SEK 489.8 m as of 31st December 2004).

Outlook for the future

Avanza's goal of increasing our rate of growth stands firm, and demand for Internet-based savings products in both the direct savings and insurance savings sectors is adjudged to be good.

Avanza's goal is for net deposits to total 15-20% of the total value of custodian accounts in 2005. Net deposits during Q1 totalled 9.5%, and the potential for achieving or exceeding this goal is hence thought to be good.

Sweden's stock market value has risen so far this year. The price trend for the Ericsson share - which is the market's most traded - has been negative, however, resulting in a fall to date this year of 28.5% in private savers' activity levels in comparison with last year. The underlying growth in the total value of custodian accounts notwithstanding, the lower activity level may result in Avanza failing in 2005 to achieve its long-term goal of a 20-30% annual growth in operating income. It is difficult, however, to estimate trading activity levels during the remainder of the year.

The focus within Avanza Private Banking is on sales and marketing activities, and the potential for continuing to achieve significant growth in this area and to exceed previously stated goals of SEK 1,000 million in new capital during 2005 is adjudged to be very good.

The goal for Aktiespar.se, which was launched in March, is to gain at least 6,000 custodian account customers during the year. It is thought that Aktiespar.se will primarily attract private investors who save in shares and mutual funds with the major banks.

Avanza Pension will launch the first of its own savings products in the insurance area during the second quarter. The products will be competitively priced and will offer more extensive investment opportunities than any other product currently on the market.

Operating expenses for 2005 after the launch of Aktiespar.se are expected to total between SEK 120 million and SEK 125 million. Operating expenses during Q1 and Q4 are seasonally higher than during Q2 and Q3, and operating expenses during Q2 are consequently expected to be lower than during Q1.

Due to the high level of reliance on market trends, Avanza will not issue a profit forecast for 2005. The goal, however, is for non-brokerage income, i.e. operating income that is not directly dependent on the stock market, to total 80-90% of operating expenses, thereby ensuring a health stability in results, even in a weaker market climate.

Other

Annual General Meeting

The Annual General Meeting of the shareholders in the company was held on 16th March 2005. The AGM resolved, in accordance with the proposal by the Board of Directors, to pay a dividend of SEK 1.50 (SEK 1.00) per share. The following persons were re-elected to the new Board of Directors in accordance with the proposal by the nomination committee: Sven Hagströmer, Johan Brenner, Ann Christine Ahnells-Runnquist, Anders Elsell, Mikael Nachemson, Nicklas Storåkers and Jacqueline Winberg.

Details of warrants and number of shares

The 2002/2006 warrants programme in Avanza AB was redeemed in its entirety, as of 17th February 2005. The number of newly issued shares totalled 842,800, subscribed for at a redemption price of SEK 14.07 per share. This corresponds to a dilution effect of 3.1%. The outstanding number of shares consequently increased by 842,800 to 27,465,674 since the completion of the new share issue at the beginning of March 2005. No warrants remain outstanding after the redemption.

Financial calendar

Interim Report, 1st January - 30th June
Interim Report, 1st January - 30th September
Preliminary Financial Statement

11th July 2005
11th October 2005
January 2006

Stockholm, 11th April 2005

Nicklas Storåkers
Managing Director

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

The Group's quarterly performance

SEK m	01-01-05 31-03-05	01-10-04 31-12-04	01-07-04 30-09-04	01-04-04 30-06-04	01-01-04 31-03-04
Operating income	61.1	54.9	40.5	49.6	65.5
Operating expenses	-33.5	-32.4	-23.8	-25.3	-27.8
Pre-tax profit/loss	27.6	22.5	16.7	24.3	37.7
Custodian account value, SEK m	18,900	16,200	14,500	14,300	13,900
Net deposits, SEK m	1,540	1,200	360	550	1,190
No. custodian account customers	93,000	89,800	86,500	85,700	85,800
No. commission notes per custodian account customer and month	1.38	1.21	0.88	1.11	1.93
No. transactions per commission note	1.65	1.71	1.69	1.55	1.56
Average no. employees	82	77	74	73	69

Key financial figures for the Group

	01-01-05 31-03-05	01-01-04 31-03-04	01-04-04 31-03-05	01-01-04 31-12-04
Earnings per share, SEK	0.73	1.02	2.40	2.69
Earnings per share after dilution, SEK	0.73	1.00	2.37	2.65
Operating margin %	45.1	57.6	44.2	48.0
Equity per share, SEK	9.61	8.59	9.61	10.27
Return on equity, %	7.4	11.8	25.5	29.3
Capital adequacy ratio, %	12.4	13.9	12.4	13.6
Average no. shares before dilution	27,044,274	26,622,874	26,791,434	26,622,874
Average no. shares after dilution	27,044,274	27,082,540	27,192,266	27,108,283
Outstanding no. shares before dilution	27,465,674	26,622,874	27,465,674	26,622,874
Outstanding no. shares after dilution	27,465,674	27,119,318	27,465,674	27,186,658
No. shares on full dilution	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 during the period.

Operating margin

Operating profit/loss 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 during 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 transactions 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 m)

	01-01-05 31-03-05	01-01-04 31-03-04	01-04-04 31-03-05	01-01-04 31-12-04
Operating income				
Commission income	50.9	58.5	168.6	176.2
Commission expenses	-7.4	-8.8	-27.0	-28.4
Interest income	20.1	17.8	70.9	68.6
Interest expenses	-2.5	-2.4	-8.3	-8.2
Net result of financial transactions	-0.2	0.3	0.3	0.8
Other operating income	0.2	0.1	1.6	1.5
Total operating income	61.1	65.5	206.1	210.5
Operating expenses				
General administrative costs	-25.4	-24.8	-89.5	-88.9
Depreciation of tangible and intangible fixed assets	-1.5	-0.9	-5.1	-4.5
Other operating expenses	-6.6	-2.1	-20.5	-16.0
Net credit losses	0.0	0.0	0.0	0.0
Total operating expenses	-33.5	-27.8	-115.1	-109.4
Operating profit	27.6	37.7	91.0	101.1
Taxes	-7.8	-10.5	-26.7	-29.4
Profit for the period	19.8	27.2	64.3	71.7
Earnings per share, SEK	0.73	1.02	2.40	2.69
Earnings per share after dilution, SEK	0.73	1.00	2.37	2.65

Consolidated Balance Sheet (SEK m)

		31 st March 2005	31 st Dec 2004
Assets			
Loans to credit institutions		563.5	489.8
Loans to the public	Note 1	1 281.5	1 100.0
Shares and participations		0.4	0.2
Intangible fixed assets		26.1	26.7
Tangible assets		6.3	6.9
Other assets	Note 2	53.4	75.6
Prepaid costs and accrued income		9.9	5.8
Total assets		1 941.1	1 705.0
Liabilities and shareholders' equity			
Lending and borrowing from the public	Note 3	1 540.8	1 357.8
Other liabilities		123.5	62.6
Accrued costs and deferred income		12.9	11.2
Shareholders' equity		263.9	273.4
Total liabilities and shareholders' equity		1 941.1	1 705.0

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

	01-01-2005 31-03-2005	01-01-2004 31-03-2004	01-01-2004 31-12-2004
Shareholders' equity, as per adopted Balance Sheet	267.0	228.3	228.3
Effect of changes in accounting principles (IFRS)	6.4	-	-
Adjusted opening balance	273.4	-	-
New share issue	11.9	-	-
Dividends	-41.2	-26.6	-26.6
Profit for the period	19.8	27.2	71.7
Shareholders' equity at the end of the period	263.9	228.9	273.4

Consolidated Cashflow Statement (SEK m)

	01-01-2005 31-03-2005	01-01-2004 31-03-2004
Cashflow from current operations	27.2	38.6
Cashflow from assets and liabilities of current operations	76.1	26.9
Cashflow from investment operations	-0.3	-0.7
Cashflow from financing operations	-29.3	-
Cashflow for the period	73.7	64.8
Liquid assets at the beginning of the period*	489.8	677.4
Liquid assets at the end of the period*	563.5	742.2

* 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

The IAS statute adopted by the EU in 2002 prescribed that listed companies throughout the European Union must, as of 2005, apply international accounting standards, IFRS, in their consolidated accounts. Avanza's quarterly report for the first quarter of 2005 is accordingly formulated in accordance with the IFRS standards adopted by the EU and with the interpretations of applicable standards, IFRIC, adopted by the EU. This report has been formulated in accordance with IAS 34, Interim Reporting, and with the guidelines issued by the Swedish Financial Supervisory Authority (FFFS 2004:20).

A description of the accounting principles affected by the transition to IFRS was presented in Avanza's Annual Report for the 2004 financial year. For a description of the accounting principles that Avanza applies in the quarterly report for the first quarter of 2005, please see Note 28 "Transition to International Financial Reporting Standard" in the 2004 Annual Report.

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 34.6 million (SEK 42.4 m) in deferred 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 in client fund accounts totalling SEK 389.3 million (SEK 408.1 m), as of 31st March 2005.

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.