



Interim Report, 1st January – 30th June 2005

- Operating income increased by 10.6% (83.9%) to SEK 127.3 million (SEK 115.1 m).
- Profit after tax was SEK 41.9 million (SEK 44.6 m).
- Earnings per share amounted to SEK 1.54 (SEK 1.68).
- Net deposits totalled SEK 2,340 million (SEK 1,740 m), corresponding to 14.4% (15.8%) of the total value of the custodian accounts at the start of the year.

Comments from the Managing Director

"The value of custodian accounts with Avanza increased by fully 35% during the first half of the year. This results both from Avanza's private investors having done well, and strong underlying growth in the form of new capital and new customers, not least within Avanza Private Banking. The considerable increase in the value of custodian accounts has given income growth of over 10%, despite lower trading activity than in the previous year.

"We have been helped along well by a buoyant stock market during the first half of the year. And during the period, we have managed to attract net savings of over SEK 2,300 million, demonstrating that we help our customers to achieve more with the new products we provide. Avanza Pension has, for example, attracted almost SEK 100 million in new capital, despite only a month having passed since the launch, which exceeds expectations. We are now preparing the launch of yet more insurance products during the autumn", says Nicklas Storåkers, Managing Director of Avanza.

For additional information, please contact Nicklas Storåkers, Managing Director of Avanza, telephone: +46(0)70-861 80 01.

Business performance

During the first half year, net deposits with Avanza amounted to SEK 2,340 million (SEK 1,740 m), which is an increase of 34.5% (228%) compared with the same period of the previous year. During the second quarter, net deposits amounted to SEK 800 million (SEK 550 m). The strong level of net deposits is explained both by existing customers transferring an increasingly larger share of their savings to Avanza, and underlying growth in the number of customers. As an effect of focused marketing, net deposits in mutual funds have been especially strong. Total net deposits equal 14.4% (15.8%) of the value of custodian accounts at the beginning of the year.

The value of the average Avanza portfolio during the period January to June increased by 18.3% compared with the Stockholmsbörsen's All Share-index, which rose by 11.9%.

During the second quarter, the focus has been on sales and development of new products. Several marketing and sales efforts have been implemented with good results. Through this, Avanza has strengthened its market-leading position and increased market share. Sales have been good within all customer segments; Avanza, Avanza Private Banking, Avanza PRO (day traders) and Aktiespar.se. Aktiespar.se is an easy, user-friendly service, without any minimum brokerage fee on share trading, and is directed towards small savers. Aktiespar.se was launched in March, and by the end of the half year, custodian accounts customers totalled 1,500.

Total value of custodian accounts increased by 34.6% (30.0%) to SEK 21,800 million as of 30th June 2005 (SEK 16,200 million as of 31st December 2004). Within Avanza Private Banking, the value of custodian accounts increased during the half year by 105% to SEK 3,940 million (SEK 1,920 million as of 31st December 2004). Within Aktiespar.se, the value of custodian accounts increased to SEK 120 million since the start in March 2005.

The main focus in Avanza's development has been on development of insurance systems within Avanza Pension. At the end of May 2005, Avanza Pension launched a capital pension, which is Avanza's first insurance product under its own auspices. Avanza's capital pension is Sweden's cheapest insurance product, entirely without insurance charges, and additionally offers a wider investment range than any other Swedish life insurance product. Avanza Pension's customers can now choose to invest between 500 different funds and to invest directly in shares.

On 28th June 2005, Avanza Fondkommission AB made an application to the Swedish Financial Supervisory Authority for authorisation to conduct banking activities. The purpose of a banking permit will be to give Avanza greater flexibility to conduct its existing operations and to develop new products and services. The intention is to change the company name to Bankaktiebolaget Avanza in connection with authorisation being granted.

The total number of custodian account customers increased net by 5.5% (4.0%) during the first half year, to 94,700 (89,800 as of 31st December 2004). During the second quarter, the number of customers increased by 1,700 (-100) net.

Avanza's custodian account customers made an average of 1.40 (1.52) commission notes per month during the first half of the year. This equates with a decline in activity of 7.9% (+105%) compared with the same period of the previous year. During the second quarter, trade increased to 1.41 (1.11) commission notes per customer and month, which is an increase of 27.0% (42.3%), compared with the same period of the previous year. The explanation for the increase in activity during the second quarter is mainly the positive price trend of the Ericsson share. The proportion of active customers with at least one commission note per month has increased considerably. The portfolio tools that Avanza has developed have contributed to the increased activity. Average brokerage fee per commission note for custodian account customers amounted to SEK 96 (SEK 103) during the first half of the year. Operating income per custodian account customer amounted to SEK 1,400 (SEK 1,400) during the first half of the year.

Borrowing, including client funds, increased to SEK 2,832 million (SEK 1,766 million as of 31st December 2004) as of 30th June 2005. The increase in borrowing is largely due to net sales of shares by custodian account customers as a result of the increase in share prices on the stock exchange. Lending increased by 12.8% to SEK 1,241 million (SEK 1,100 million as of 31st December 2004). Borrowing and lending respectively equalled 13.0% (10.9% as of 31st December 2004) and 5.7% (6.8% as of 31st December 2004) respectively of the value of custodian accounts.

Avanza's market share of Stockholmsbörsen during the first half of 2005 amounted to 9.0% (8.5%) of the total number of transactions, and 1.8% (1.7%) of turnover. In terms of the number of transactions therefore, Avanza was the largest online broker and the second largest member in total terms of Stockholmsbörsen.

Result and position

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

Operating income increased by 10.6% (83.9%) to SEK 127.3 million (SEK 115.1 m) during the first half of 2005. During the first half of the year, operating income amounted to 0.68% (0.86%) of the value of custodian accounts. During the second quarter, operating income increased by 33.5% (47.6%) to SEK 66.2 million (SEK 49.6 m). The second quarter increase was due to higher customer activity and underlying growth. In June, Avanza sold the domain name hq.se to Hagströmer & Qviberg, which contributed positively to operating income to the extent of SEK 1.4 million. Net interest income amounted to SEK 37.2 million (SEK 30.0 m) during the first half of the year, which is equivalent to an increase of 24.0% (42.2%) compared with the previous year. Higher volumes have compensated for lower interest margins.

Brokerage income with deduction of direct costs constituted 53% (62%) of total operating income, while non-brokerage income (net interest income, custodian account fees and other income) made up the remaining 47% (38%). The brokerage income from institutional customers amounted to 3.1% (5.0%) of total brokerage income.

Non-brokerage income continued to increase, and during the first half of the year amounted to 88% (82%) of operating expenses. During the second quarter, non-brokerage income amounted to 90% (90%) of operating expenses. The increase in non-brokerage income is explained by, among other things, increasing borrowing and lending volumes and additionally, considerable growth of investment in mutual funds by custodian account customers.

Operating expenses during the first half of 2005 amounted to SEK 68.5 million (SEK 53.1 m), which is an increase of 29.0% (19.9%) compared with the same period of the previous year. During the second quarter, operating expenses amounted to SEK 35.0 million (SEK 25.3 m). On account of the continued high rate of market activity, active sales work and the tempo of development did not reduce operating expenses during the second quarter compared with the first quarter, which is otherwise a normal seasonal pattern. Marketing costs increased to SEK 8.6 million (SEK 2.9 m) during the first half of the year.

The number of full time employees (excluding service and parental leave) at the end of June was 93 (73 at 31st December 2004). The expansion of the organisation is due both to long-term recruitment within a number of areas, and to temporary staffing on account of high market activity.

During the first half year, the pre-tax result amounted to SEK 58.8 million (SEK 62.0 m), which means an operating margin of 46.2% (53.9%). Income tax expense amounted to SEK 16.9 million (SEK 17.4 m), of which tax paid constituted SEK 0.0 million (SEK 0.0 m). The tax expense refers to utilisation of a deficit deduction capitalised in the balance sheet earlier this year.

The result after tax during the first half of 2005 amounted to SEK 41.9 million (SEK 44.6 m). Earnings per share amounted to SEK 1.54 (SEK 1.68). Return on equity during the period amounted to 15.3% (19.0%).

During the first half of the year, investment amounted to SEK 2.0 million (SEK 1.4 m).

At 30th June 2005, equity amounted to SEK 285.9 million (SEK 273.4 million as of 31st December 2004) or SEK 10.41 (SEK 10.27) per share, and the capital adequacy ratio amounted to 13.2% (14.2%). As of 30th June 2005, Avanza had SEK 28.5 million (SEK 45.4 million at 31st December 2004) remaining in deferred tax receivables. The Group's liquid assets amounted to SEK 1 363.4 million (SEK 489.8 million at 31st December 2004).

Outlook for the future

The entire Internet savings market in Sweden is showing good growth, especially with the more mature age groups. Avanza is the leading player in the market for Internet investment, as regards both price and content. Avanza is therefore considered to have good prospects for continuing to show a strong inflow of new customers and new capital. Avanza's goal is to have annual revenue growth of between 20% and 30% in the long term.

The income-growth goal is based on equivalent growth in the value of custodian accounts. Growth in the value of custodian accounts is explained by two factors, net deposits and value growth. Avanza's goal is that net deposits shall amount to 15-20% during 2005. During the first half of the year, net deposits amounted to 13.9%. The growth in value in a normal year is assessed at 6-8%. During the first half of the year, the growth in value amounted to 18.3%. In total, growth with respect to the value of custodian accounts amounted to 34.6% and is therefore considered to constitute good conditions for long-term growth of income.

During the second half of the year, a number of product launches are planned and it is considered that these will strengthen Avanza's competitiveness and thus improve growth prospects. Avanza will, among other things, launch capital insurance and pension insurance products during the autumn. The conclusion to be drawn from the positive response in connection with the launch of capital pension products is that there is positive demand for simple, cheap alternatives within insurance investment.

Avanza's cost targets for 2005 are that operating costs shall not exceed SEK 120-125 million. During the second and third quarters, operating costs are normally lower than during the first and fourth quarters. If the current positive market climate is continuing, Avanza might strengthen its marketing and development efforts, thus leading to that the cost target might be exceeded.

On account of high dependence on stock market developments, Avanza does not make any income or result forecasts for 2005. The goal is, however, that non-brokerage income, i.e., the operating income which is not directly dependent on the stock exchange, shall amount to 80-90% of operating expenses, which gives good result stability also during less favourable market conditions.

Other matters

Extraordinary General Meeting

An Extraordinary General Meeting was held on 4th July 2005. At the meeting, Andreas Rosenlew was elected new Member of the Board. Additionally, a resolution on a new option programme was made by the meeting. The option programme covers 1,294,200 shares, equivalent to 4.5% dilution. The option programme is divided into three sub-programmes, and the total option programme will run during the period July 2005 to September 2010. The first sub-programme covers 431,400 shares, and it will run up to September 2008. The exercise price of the first sub-programme is SEK 70.20 per share.

Financial calendar

Interim report 1st January – 30th September
Preliminary financial statement

11th October 2005
January 2006

Stockholm, 11th June 2005

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 Market and Annual Report Acts.

Stockholm, 11th July 2005

KPMG Bohlins AB
Anders Bäckström
Authorised Public Accountant

The Group's quarterly performance

SEK m	01-04-05 30-06-05	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	66.2	61.1	54.9	40.5	49.6	65.5
Operating expenses	-35.0	-33.5	-32.4	-23.8	-25.3	-27.8
Pre-tax profit/loss	31.2	27.6	22.5	16.7	24.3	37.7
Operating income per custodian account value, %	0.33	0.35	0.36	0.29	0.35	0.51
Value of custodian accounts, SEK m	21,800	18,900	16,200	14,500	14,300	13,900
Net investment, SEK m	800	1,540	1,200	360	550	1,190
No. custodian account customers	94,700	93,000	89,800	86,500	85,700	85,800
No. commission notes per custodian account customer and month	1.41	1.38	1.21	0.88	1.11	1.93
No. transactions per commission note	1.62	1.65	1.71	1.69	1.55	1.56
Average no. employees	92	82	77	74	73	69

Key financial figures for the Group

	01-04-05 30-06-05	01-01-05 30-06-05	01-01-04 30-06-04	01-07-04 30-06-05	01-01-04 31-12-04
Earnings per share, SEK	0.81	1.54	1.68	2.56	2.69
Earnings per share after dilution, SEK	0.81	1.53	1.65	2.53	2.65
Operating margin %	47.2	46.2	53.9	44.0	48.0
Equity per share, SEK	10.4	10.4	9.25	10.4	10.27
Return on equity, %	8.05	15.3	19.0	32.2	29.3
Capital adequacy ratio, %	13.2	13.2	15.5	13.2	14.2
Average number of shares before dilution	27,465,674	27,184,740	26,622,874	26,959,994	26,622,874
Average number of shares after dilution	27,465,674	27,372,669	27,093,052	27,261,537	27,108,283
Outstanding number of shares before dilution	27,465,674	27,465,674	26,622,874	27,465,674	26,622,874
Outstanding number of shares after dilution	27,465,674	27,465,674	27,114,076	27,465,674	27,186,658
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 commission notes 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.

Operating income per custodian account value

Operating income in relation to average custodian account value during the period.

Consolidated income statement (SEK m)

	01-04-05 30-06-05	01-04-04 30-06-04	01-01-05 30-06-05	01-01-04 30-06-04
Commission income	52.8	41.4	103.7	99.9
Commission expenses	-8.3	-6.7	-15.7	-15.5
Interest income	23.1	16.0	43.2	33.8
Interest expenses	-3.5	-1.4	-6.0	-3.8
Net result of financial transactions	0.4	0.1	0.2	0.4
Other operating income	1.7	0.2	1.9	0.3
Total operating income	66.2	49.6	127.3	115.1
Operating expenses				
General administrative costs	-28.9	-22.4	-54.3	-47.2
Depreciation of tangible and amortisation of intangible fixed assets	-1.5	-0.9	-3.0	-1.8
Other operating expenses	-4.6	-2.0	-11.2	-4.1
Net credit losses	0.0	0.0	0.0	0.0
Total operating expenses	-35.0	-25.3	-68.5	-53.1
Operating profit	31.2	24.3	58.8	62.0
Taxes	-9.1	-6.8	-16.9	-17.4
Profit for the period	22.1	17.5	41.9	44.6
of which minority share	-	0.1	-	0.2
Earnings per share, SEK	0.81	0.66	1.54	1.68
Earnings per share after dilution, SEK	0.81	0.65	1.53	1.65

Consolidated balance sheet (SEK m)

		30 th June 2005	31 st Dec 2004
Assets			
Loans to credit institutions		1 363.4	489.8
Loans to the public	Note 1	1 241.1	1 100.0
Shares and participations		0.0	0.2
Intangible fixed assets		26.2	26.7
Tangible assets		6.3	6.9
Other assets	Note 2	103.9	75.6
Prepaid costs and accrued income		10.1	5.8
Total assets		2 751.0	1 705.0
Liabilities and shareholders' equity			
Lending and borrowing from the public	Note 3	2 227.7	1 357.8
Other liabilities	Note 2	212.3	62.6
Accrued costs and deferred income		25.1	11.2
Shareholders' equity		285.9	273.4
Total liabilities and shareholders' equity		2 751.0	1 705.0

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

	01-01-2005 30-06-2005	01-01-2004 30-06-2004	01-01-2004 31-12-2004
Shareholders' equity in accordance with adopted balance sheet	267.0	228.3	228.3
Effect of change in accounting principles (IFRS)	6.4	-	-
Adjusted opening balance	273.4	228.3	228.3
New issue	11.8	-	-
Dividend	-41.2	-26.6	-26.6
Result for the period	41.9	44.6	71.7
Shareholders' equity at the end of the period	285.9	246.3	273.4

Consolidated cashflow statement (SEK m)

	01-01-2005 30-06-2005	01-01-2004 30-06-2004
Cashflow from current operations	58.0	63.8
Cashflow from assets and liabilities of current operations	846.9	-82.3
Cashflow from investment operations	-2.0	-1.3
Cashflow from financing operations	-29.3	-26.6
Cashflow for the period	873.6	-46.4
Liquid assets at the start of the period*	489.8	677.4
Liquid assets at the end of the period*	1 363.4	631.0

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

Accounting principles

In accordance with the IAS directive, adopted by the EU in 2002, it is stipulated that exchange-listed companies within the entire European Union shall apply the international accounting standards, IFRS, in their consolidated accounting, as from 2005. Consequently, Avanza's interim reports for the first half of 2005 are formulated in accordance with the IFRS standards adopted by the EU, and the interpretations of existing standards adopted by the EU, IFRIC. This report has been formulated in accordance with IAS 34, Interim Reporting and the Swedish Financial Accounting Standards Council's recommendations (FFFS 2004:20).

In Avanza's Annual Report for the financial year 2004, a description of the accounting principles affected by the transition to IFRS was presented. For a description of the accounting principles that Avanza applies in the interim report for the first half of 2005, see Note 28 "Transition to International Financial Reporting Standards" 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, includes deferred income tax recoverable of SEK 28.5 million (SEK 45.4 m), referring to unutilised deficit deduction. Other Assets and other liabilities include investment assets and actuarial allocations for life insurance respectively, for which the policyholders bear risk totalling SEK 71,9 (-) million.

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 603.9 million (SEK 408.1 m) as of 30th June 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.