



Preliminary year-end report for 2002

In all comparative figures, the Avanza Holding Group is consolidated as of 1 August 2001

- The profit for 2002 before goodwill amortisation rose to SEK 26.9 million (SEK 8.9 m). The corresponding figure for Q4 was SEK 15.7 million (SEK 11.4 m), which is equivalent to an operating margin of 41.2 (32.4) per cent.
- The pre-tax profit came to SEK 18.1 million (-SEK 287.8 m).
- Operating income climbed 31 per cent to SEK 122.6 million (SEK 93.5 m). Adjusted for acquisitions, the income figure climbed one per cent.
- No dividend payment is proposed for the 2002 financial year.

Comments from the Managing Director

"Avanza doubled its Q4 profit figure compared with Q3 in spite of the fact that income was only up 26 per cent. This demonstrates the strength of Avanza's business model, which is based on low costs, high flexibility and, in particular, an excellent trading service focusing on shares and funds."

"In addition to winning awards for Best Online Broker and Best E-Commerce Site, Avanza also saw a five per cent increase in customer numbers in 2002. Net savings totalled SEK 1,300 million. Day traders are the group that has grown most. And we have achieved all this in what has otherwise been a disastrous stock market year", says Nicklas Storåkers, Managing Director of Avanza.

"Avanza now plans to continue growing. The target is to double our income in three years. We plan to implement several measures in 2003, offering new and better services and products. At the same time, our target is also to cut our costs even more."

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

Business performance

Stockholmsbörsen dropped 37 per cent in 2002, making this the third consecutive year to report a decline. It rallied, however, in Q4, climbing 11 per cent. This upswing led to a significant recovery in both trading activity and general optimism among private investors.

Avanza's operations reported underlying growth in 2002 despite the weakness of the stock market. The number of custodian account customers rose five per cent during the year, reaching 76,600 on 31 December 2002 (73,000 on 31 December 2001). Avanza has also more than doubled the number of its institutional customers during the year, although activity has been low among these customers. Brokerage income from institutional customers thus fell to 7.1 (15.1) per cent of total brokerage income.

Net savings at Avanza totalled SEK 1,300 million, compensating for the decline in value caused by falling share prices. The total value of custodian accounts at Avanza fell to SEK 6,500 million on 31 December 2002 (SEK 8,400 million on 31 December 2001).

Avanza's custodian account customers averaged 0.9 (1.0) contract notes per month in 2002, and 1.2 (1.0) contract notes per month in Q4. Average brokerage income per contract note for custodian account customers came to SEK 98 (SEK 87) in 2002, and to SEK 100 (SEK 101) in Q4. The number of transactions per contract note was 1.5 (1.4) for the full year. Operating income per custodian account customer totalled SEK 1,595 (SEK 1,600) for 2002 as a whole.

Borrowing, including client funds, fell to SEK 1,031 million on 31 December 2002 (SEK 1,227 m on 31 December 2001). Lending rose to SEK 248 million (SEK 214 m on 31 December 2001).

Avanza launched a series of new products in Q4 that are expected to strengthen the company's competitiveness. They included an improved real-time share trading application used mainly by the most active custodian account customers. In addition, the information on offer concerning trade in warrants was also expanded. This is a segment in which Avanza is already the market leader. Avanza also enhanced efficiency when it comes to the management of custodian account customers' annual account statements. This will result in lower costs. The launch of new products will be maintained at the same high pace in Q1 and Q2 2003. In November, Avanza won the *Best E-Commerce Site in Sweden* award in the Web Games 2002 competition.

Avanza's market share of Stockholmsbörsen came to 5.3 (7.3) per cent of the number of transactions and 0.8 (1.0) per cent of turnover. The corresponding figures for Q4 were 6.6 (5.4) per cent and 1.2 (0.9) per cent respectively. The comparative figures for 2001 include the Avanza Holding Group.

Financial results and status

The Group

Operating income climbed 31 per cent to SEK 122.6 million (SEK 93.5 m) in 2002. Adjusted for acquisitions, income was up one per cent in 2002. Operating income in Q4 totalled SEK 38.1 million (SEK 35.2 m). Brokerage income minus direct costs accounted in 2001 for 55 (58) per cent of total operating income, while net interest income/expenses, custodian account fees and other income accounted for the remaining 45 (42) per cent.

Operating expenses, excluding goodwill amortisation, totalled SEK 95.7 million (SEK 84.6 m) in 2002, a figure that is lower than Avanza's stated target of SEK 102-108 million for its expenses in 2002. The monthly operating expenses in Q4 came to SEK 7.5 million (SEK 7.9 m). The number of full-time employees (excluding those on unpaid and parental leave) was 53 at the end of the year.

The profit before goodwill amortisation in 2002 came to SEK 26.9 million (SEK 8.9 m), which is equivalent to an operating margin before goodwill amortisation of 21.9 (9.5) per cent. The corresponding figure for Q4 was SEK 15.7 million (SEK 11.4 m), which is equivalent to an operating margin before goodwill amortisation of 41.2 (32.4) per cent. The pre-tax profit for 2002 as a whole improved to SEK 18.1 million (-SEK 287.8 m). The pre-tax profit in Q4 was SEK 13.4 million (-SEK 219.6 m). The return on equity was 7.3 per cent (neg.).

Shareholders' equity on 31 December 2002 totalled SEK 192.0 million (SEK 178.3 m) or SEK 7.21 (SEK 6.70) per share. The Group's liquid assets came to SEK 514.2 million (SEK 356.7 m).

Outlook for the future

Seen in the long term, there is a clear connection between growth in the value of custodian accounts and growth in operating income for Avanza's operations. Avanza's target is to double its operating income over a three-year period, and is based on a corresponding growth target in the value of custodian accounts. The growth in the value of custodian accounts is dependent on two factors; value growth and net savings.

Value growth should normally lie at a level of around 6-8 per cent per year, taking account of the breakdown in terms of shares and interest-bearing assets of custodian account customers. The fall in the value of custodian accounts in 2002 was due to the negative performance of the stock market.

Net savings are generally believed to lie at levels of around 15-20 per cent per year over the upcoming three-year period. Net savings in 2002 came to 24 per cent. This figure is mainly due to the fact that existing custodian account customers have moved an increasingly large share of their savings activities to Avanza, as well as to the fact that the number of custodian account customers rose five per cent during the year. Avanza believes that the company still has good opportunities of both attracting new custodian account customers and increasing its share of the savings activities of existing custodian account customers.

The growth targets for the value of custodian accounts can be summarised as follows:

Custodian account value	Annual growth
Normal value growth	6-8%
<u>Net savings, new and existing custodian account customers</u>	<u>15-20%</u>
Total growth (approx.)	20-30%
Equivalent to an accumulated growth target over three years of (approx.)	100%

The growth targets will be attained by concentrating Avanza's development and sales efforts in 2003 on more advanced tools and support systems for share trading on the one hand, and on expanding the product offering on the other. Avanza's business model is based on a high level of fixed costs. In the event of an increase in income, costs are not expected to increase to a corresponding extent.

Avanza will also be continuing to enhance efficiency in 2003 with a view to cutting costs. Operating expenses (excluding goodwill amortisation in the amount of SEK 2.2 million per quarter) are expected to fall in 2003 to an average of SEK 22-23 million per quarter. For seasonal reasons, operating expenses in Q1 are higher than in subsequent quarters.

If operating income were to remain unchanged compared with 2002, the lower costs would lead to a full-year profit before goodwill amortisation of SEK 31-35 million in 2003, which is equivalent to SEK 22-26 million before tax (but after goodwill amortisation).

Due to its high dependence on the stock market, however, Avanza is not committing itself to a forecast of its financial results in 2003.

Avanza's target is also to post a profit even when the market weakens considerably. By cutting costs, Avanza is expected to be able to post a profit before goodwill amortisation with an activity level as low as 0.4-0.5 contract notes per custodian account customer and month, a level well below the activity level in 2002, which was 0.9 contract notes per custodian account customer and month. An activity level of 0.4-0.5 contract notes per custodian account customer and month is the equivalent of between 2,200 and 2,500 transactions per day.

Other matters

Dividends

The Board's proposal is that no cash dividend be paid for the 2002 financial year.

Annual General Meeting

The AGM will be held on 27 March at 14.00 at Ingenjörshuset in Stockholm. The Annual Report will be available at the company's office and on the web site at www.avanza.se from the beginning of March. It will also be sent to shareholders.

Financial calendar

Annual Report	March 2003
Annual General Meeting	27 March 2003
Q1 interim report, 1 January –31 March 2003	14 April 2003
Q2 interim report, 1 January -30 June 2003	August 2003
Q3 interim report, 1 January -30 September 2003	October 2003

Stockholm
31 January 2003.

The Board of Directors

The Group's quarterly performance

SEK million	Q4 2002	Q3 2002	Q2 2002	Q1 2002	Q4 2001	Q3 2001	Q2 2001	Q1 2001
Operating income	38.1	30.2	24.6	29.7	35.2	21.6	16.5	20.2
Operating expenses	-22.4	-22.1	-24.0	-27.2	-23.8	-19.6	-19.5	-21.7
Profit/loss before restructuring costs and goodwill amortisation	15.7	8.1	0.6	2.5	11.4	2.0	-3.0	-1.5
Restructuring costs	-	-	-	-	-	-26.6	-3.7	-
Goodwill amortisation	-2.3	-2.1	-2.2	-2.2	-15.3	-13.4	-11.0	-11.0
Goodwill write-downs	-	-	-	-	-215.7	-	-	-
Profit/loss before tax	13.4	6.0	-1.6	0.3	-219.6	-38.0	-17.7	-12.5
Number of custodian account customers	76,600	73,700	72,400	73,400	73,000	72,100	43,000	48,000
Number of contract notes per custodian account customer and month	1.2	0.8	0.6	0.8	1.0	0.8	0.9	1.4
Value of custodian accounts	6,500	5,200	6,600	8,700	8,400	8,800	5,800	5,800
Average number of employees	58	61	62	65	65	78	57	57

Key financial figures for the Group

	1 Jan. 2002-31 Dec.2002	1 Jan. 2001-31 Dec. 2001
Earnings per share, SEK	0.51	-10.48
Earnings per share after dilution, SEK	0.50	-10.46
Equity per share, SEK	7.21	6.70
Operating margin, %	21.9	9.5
Return on equity, %	7.3	neg.
Capital adequacy ratio, %	37	36
Average number of shares before dilution	26,622,874	22,897,135
Average number of shares after dilution	26,703,504	22,947,010
Outstanding number of shares before dilution	26,622,874	26,622,874
Outstanding number of shares after dilution	26,734,258	26,672,749

Definitions

Earnings per share after tax

Profit/loss after tax, excluding dividends paid, in relation to the average number of shares over the period. The value of outstanding warrants has been included in the calculation of the average number of shares after dilution.

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 average shareholders' equity over the period.

Capital adequacy ratio

The capital base in relation to risk-weighted capital.

Operating margin

Operating profit/loss before restructuring costs and goodwill amortisation in relation to operating income.

Custodian account customers

An open account with holdings.

Transaction

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

Contract note

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

Consolidated income statement (SEK million)

	Oct.-Dec. 2002	Oct.-Dec. 2001	Jan.-Dec. 2002	Jan.-Dec. 2001
Operating income				
Commission income	30.7	28.4	88.9	74.1
Commission expenses	-4.1	-3.6	-12.0	-12.0
Interest income	14.0	14.3	55.7	45.0
Interest expenses	-3.3	-5.0	-15.6	-17.7
Net result of financial transactions	0.5	0.9	4.7	1.8
Other operating income	0.3	0.2	0.9	2.3
Total operating income	38.1	35.2	122.6	93.5
Operating expenses				
General administrative costs	-18.9	-18.9	-78.3	-70.5
Depreciation of tangible and intangible fixed assets	-4.9	-19.9	-19.7	-59.1
Items affecting comparability	-	-215.7	-	-246.0
Other operating expenses	-0.8	-0.3	-6.4	-5.7
Net credit losses	-0.1	0.0	-0.1	0.0
Total operating expenses	-24.7	-254.8	-104.5	-381.3
Operating profit/loss	13.4	-219.6	18.1	-287.8
Tax	-3.2	29.5	-4.6	48.0
Minority holdings	0.0	-0.2	0.0	-0.2
Profit/loss from spun-off operations	Not 1	-	-	4.1
Profit/loss for the period	10.2	-190.3	13.5	-235.9
Earnings per share before dilution, SEK	0.38	-7.40	0.51	-10.48
Earnings per share after dilution, SEK	0.38	-7.36	0.50	-10.46

Consolidated balance sheet (SEK million)

		31 Dec. 2002	31 Dec. 2001
Assets			
Loans to credit institutions		514.2	356.7
Loans to the public	Note 2	247.9	214.4
Bonds and other interest-bearing securities		1.2	1.2
Shares and participations		0.1	0.7
Intangible fixed assets		32.5	44.7
Tangible assets		5.6	12.3
Other assets	Note3	99.2	142.9
Prepaid expenses and accrued income		3.6	12.5
Total assets		904.3	785.4
Liabilities and shareholders' equity			
Lending and borrowing from the public	Note 4	686.7	561.3
Other liabilities		13.0	26.4
Accrued expenses and deferred income		12.3	19.1
Minority holdings		0.3	0.3
Shareholders' equity	Note 5	192.0	178.3
Total liabilities, provisions and shareholders' equity		904.3	785.4

Consolidated cash flow statement (SEK million)

	1 Jan. 2002-31 Dec. 2002	1 Jan. 2001-31 Dec. 2001
Cash flow from current operations	38.1	-13.7
Cash flow from assets and liabilities of current operations	120.1	31.7
Cash flow from investment operations	-1.2	143.8
Cash flow from financing operations*	0.5	-0.9
Spun-off operations	-	-15.1
Cash flow for the period	157.5	145.8
Liquid assets at the start of the period**	356.7	210.9
Liquid assets at the end of the period**	514.2	356.7
Cash flow for the period	157.5	145.8

* Includes the operations at HQ.SE Fonder spun off in 2001

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

Notes

Accounting principles

This year-end 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 2001 Annual Report. New recommendations from the Swedish Financial Accounting Standards Council have had no impact on the period's accounts.

Unless otherwise specifically stated, all comparative figures in this report exclude the operations of the HQ.SE Fonder business area, which was spun off in May 2001. The Avanza Holding Group was consolidated on 1 August 2001.

Note 1 – Profit from spun-off operations

In accordance with the resolution adopted by the Annual General Meeting, the operations at HQ.SE Fonder were spun off in May 2001. The income of the spun-off operations totalled SEK 17 million in Q1 2001.

Note 2 – Loans to the public

Loans to the public are reported after deductions for anticipated credit losses. On 31 December 2002, the company reported doubtful debts totalling 0.1 million. All loans, known as custodian account credits, are secured by collateral in the form of securities.

Note 3 – Other assets

This balance sheet item comprises SEK 83.4 million (SEK 88.0 m) of receivables booked as assets in respect of deferred tax.

Note 4 – 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 344.5 million (SEK 665.7 m) on 31 December 2002.

Note 5 – Changes in shareholders' equity (SEK million)

	31 Dec. 2002	31 Dec. 2001
Shareholders' equity at the start of the year	178.3	346.2
Effect of change in accounting principle	-	9.2
Adjusted opening balance	178.3	355.4
Spin-off of HQ.SE Fonder	-	-13.4
New share issue	-	73.1
Translation difference	-0.3	-
Warrants	0.5	-0.9
Profit/loss for the year	13.5	-235.9
Shareholders' equity at the end of the year	192.0	178.3