



Interim Report, 1st January - 30th September 2005

- Operating income increased by SEK 29.5% (50.5%) to SEK 201.5 million (SEK 155.6 m).
- The profit after tax was SEK 73.5 million (SEK 56.6 m).
- Earnings per share totalled SEK 2.70 (SEK 2.13).
- Net deposits totalled SEK 3,600 million (SEK 2,100 m), corresponding to 22.2% (19.1%) of the total value of custodian accounts at the beginning of the year.

Comments from the Managing Director

“Avanza took its first steps into the pension market during the summer, and it is apparent that there is considerable demand for Avanza’s offering, with its simple products and low charges - within a couple of months of its launch, Avanza’s capital pension product had attracted over SEK 300 million in capital. Overall, Avanza’s pension and insurance products amount to more than SEK 1,200 million at the moment, and the next few months will see us continue our development with the launch of private pension and occupational pension insurance products.”

“It’s also clear that more and more people are combining their share, mutual fund, and pension savings under the Avanza umbrella, and we will be focusing even harder on sales and marketing during the fourth quarter, with the aim of supporting this trend. It is our belief that Avanza will report a substantial growth in profits for 2005,” says Nicklas Storåkers, Managing Director of Avanza.

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

Business performance

Avanza has strengthened its position as the market leader and increased its market shares. Avanza was the biggest overall member of the Stockholm Stock Exchange between January and September, measured in terms of the number of transactions - the first time any of the major banks has not been the biggest Exchange member over an extended period of time. The background to this success is Avanza’s development into a savings company, with a web service offering that allows the customer to group all of their savings under a single roof. This offering comprises investments in shares, mutual fund savings, IPS, capital pension, capital insurance, and soon, private pension insurance and occupational pension. Avanza has also successfully sold this concept under the Avanza, Avanza Private Banking, Aktiespar.se and Avanza PRO brand names.

Net deposits increased during the nine month period by 71.4% (110%) to SEK 3,600 million (SEK 2,100 m). Net deposits during the third quarter totalled SEK 1,260 million (SEK 360 m), corresponding to an increase of 250% (-23.4%). The strength in net deposits is due both to strong underlying growth and to the buoyant market climate. Net deposits corresponded to a total of 22.2% (19.1%) of the total value of custodian accounts at the beginning of the year.

Avanza’s new insurance product, capital pension, which was launched at the end of May, has started well, generating a total capital inflow of SEK 330 million. Net deposits invested in pension and insurance products, as of 30th September 2005, totalled SEK 1,200 million. Avanza’s capital pension product is Sweden’s cheapest form of insurance-based saving, with absolutely no insurance charges, and also offers a wider range of investments than any other Swedish life insurance product. Avanza capital insurance was launched in September and demand, to date, has been strong. The end of the quarter will also see Avanza launch its private pension product.

The average Avanza portfolio increased in value during the period from January to September by 32.5%, in comparison with the increase of 22.7% by the Stockholm Stock Exchange’s All-Share index. The sharp increase in

the value of custodian account customers' portfolio is due, in part, to a relatively high level of exposure to emerging markets, telecom and the oil industry.

The total value of custodian accounts increased by 59.3% (31.8%) to SEK 25,800 million, as of 30th September 2005 (SEK 16,200 million, as of 31st December 2004). The total value of custodian accounts within Avanza Private Banking increased during the nine month period by 174% to SEK 5,260 million (SEK 1,920 million as of 31st December 2004), whilst within Aktiespar.se, the total number of customers and total value of custodian accounts has increased to 2,300 and SEK 220 million, respectively, since its launch in March 2005.

The focus of Avanza's IT development is, as it has been during the period, on the establishment of an insurance system within Avanza Pension and on further developing the capacity of Avanza's IT systems. Operational reliability failed to live up to Avanza's long-term goal during the summer, due to temporary disruptions. The aim of the development work is to ensure that Avanza can offer its customers the market's leading web service in terms of operational reliability.

On 28th June 2005, Avanza Fondkommission AB submitted an application to the Swedish Financial Supervisory Authority for a licence to conduct banking operations. The aim of the application for a banking operations licence is to give Avanza greater flexibility both to conduct its existing operations and to develop new products and services. Avanza expects to receive its licence before the end of the year.

There has been a net increase in the total number of custodian account customers of 9.7% (5.0%) to 98,500 since the turn of the year (89,800 as of 31st December 2004). The net increase in the number of customers during the third quarter was 3,800 (800).

Avanza's custodian account customers averaged 1.49 (1.30) commission notes per month during the period from January to September, corresponding to an increase in activity of 14.6% (47.7%) in comparison with the corresponding period last year. Trading levels increased during the third quarter to 1.69 (0.88) commission notes per customer per month, corresponding to an increase of 92.0% (-24.1%) in comparison with the corresponding period last year. The increase in activity during the third quarter is primarily due to the positive market performance. The percentage of active customers who made at least one commission note per month has risen substantially. The portfolio tools developed by Avanza have increased custodian account customers' willingness to spread risks, contributing to this increased level of activity. 46% of custodian account customers completed at least one commission note during the third quarter, and there has been a marked increase, in particular, in custodian account customers' investments in mutual funds. The average brokerage fee per commission note for custodian account customers during the nine month period was SEK 96 (SEK 103). Operating income per custodian account customer totalled SEK 2,200 (SEK 1,900) during the period from January to September.

Borrowing, including client funds, increased to SEK 3,134 million as of 30th September 2005 (SEK 1,766 million as of 31st December 2004). The increase in borrowing is largely due to the increased growth in the number of customers and to a buoyant market climate. Lending increased by 46.2% to SEK 1,608 million (SEK 1,100 million as of 31st December 2004). Borrowing and lending corresponded to 12.1% (10.9% as of 31st December 2004) and 6.2% (6.8% as of 31st December 2004), respectively, of the total value of custodian accounts.

Avanza's market share on the Stockholm Stock Exchange during the period from January to September 2005 was 9.4% (8.6%) of the number of transactions and 2.0% (1.7%) of turnover. In terms of number of transactions, Avanza was hence the biggest member overall of the Stockholm Stock Exchange.

Result and position

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

Operating income increased by 29.5% (50.5%) to SEK 201.5 million (SEK 155.6 m) during the period from January to September 2005. Operating income totalled 0.99% (1.15%) of the total value of custodian accounts during the nine month period. Operating income increased by 83.2% (-0.74%) during the third quarter to SEK 74.2 million (SEK 40.5 m). The increase during the third quarter is due to higher levels of customer activity and underlying growth. Net interest items totalled SEK 58.0 million (SEK 44.8 m) during the nine month period, corresponding to an increase of 29.5% (38.3%) in comparison with the previous year. Higher volumes have compensated for lower interest margins.

Brokerage income, less deductions for direct costs, comprised 54% (58%) of total operating income during the period from January to September, whilst non-brokerage income (net interest income, custodian account fees and

other income) made up the remaining 46% (42%). Brokerage income from institutional customers totalled 3.0% (4.5%) of total brokerage income.

Non-brokerage income during the first nine months of the year comprised 94% (83%) of operating expenses, and Avanza has hence, so far this year, exceeded its goal of non-brokerage income totalling at least 80-90% of operating expenses. Non-brokerage income during the third quarter totalled 106% (83%) of operating expenses. The increase in non-brokerage income is due to, amongst other things, rising volumes of borrowing and lending, and to the considerable growth in investment in mutual funds by custodian account customers.

Operating expenses during the first nine months of 2005 totalled SEK 99.4 million (SEK 76.9 m), corresponding to an increase of 29.3% (18.3%) in comparison with the same period last year. Operating expenses during the third quarter totalled SEK 30.9 million (SEK 23.8 m). Marketing costs increased to SEK 10.8 million (SEK 4.1 m) during the period from January to September.

The number of full-time employees (excluding those on leaves of absence and parental leave) at the end of September was 96 (73 on 31st December 2004). The number of employees has increased as a result of vigorous growth and the launch of new products and services.

The pre-tax profit during the nine month period was SEK 102.1 million (SEK 78.7 m), corresponding to an operating margin of 50.7% (50.6%). The tax expense was SEK 28.6 million (SEK 22.1 m), of which tax paid comprised SEK 0.0 million (SEK 0.0 m). The tax expense refers to the utilisation of deficit deductions capitalised in the previous year's Balance Sheet.

The result after tax for the first nine months of 2005 was SEK 73.5 million (SEK 56.6 m). Earnings per share totalled SEK 2.70 (SEK 2.13). The return on equity during the period was 25.7% (23.5%).

Investments totalled SEK 3.0 million (SEK 4.7 m) during the nine month period.

Shareholders' equity totalled SEK 318.9 million as of 30th September 2005, (SEK 273.4 million as of 31st December 2004) or SEK 11.61 (SEK 10.27) per share, and the capital adequacy ratio was 12.6% (14.2%). Avanza reported SEK 16.8 million in deferred tax receivables as of 30th September 2005 (SEK 45.5 million as of 31st December 2004). The Group's liquid assets totalled SEK 1,181.5 million (SEK 489.8 million as of 31st December 2004).

Outlook for the future

The Swedish savings market is worth just over SEK 3,000 billion. With a custodian account value of SEK 25.8 billion, Avanza has a market share of just under 1%. Avanza is convinced that the majority of Swedish private investors will, in the long-term, manage their savings via the Internet. As the leading player in the Internet-based savings market in Sweden, Avanza believes that the company has fundamentally sound preconditions for increasing its market shares and hence, for long-term healthy growth.

Avanza's focus is hence on exploiting the opportunities for growth in the Swedish market and its strategy is to offer an increasing number of savings products at the market's lowest prices. This approach is what enables Avanza to attract an increasing numbers of customers and volumes of capital. Avanza's augmentation of its product range is also designed to attract an ever larger percentage of custodian account customers' savings.

It used to be the case that private investors only handled their share trading over the Internet, but there is an increasing trend nowadays towards their complementing their active investments in shares with Internet-based savings in mutual funds and insurance products. To reflect this trend, Avanza launched its capital pension and capital insurance products during the summer and autumn, and the late autumn and winter period will see the product range expand still further with private pension insurance and occupational pension insurance products. These launches will enable Avanza to offer a web-based one-stop-shop service that allows the customer to group all of their savings at Avanza. Avanza also plans to launch a couple of other interesting new products onto the market in 2006.

Avanza's long-term goal is to achieve an annual growth in income of between 20 and 30%. In the short-term, growth is dependent on the stock market climate. The market climate has been favourable throughout 2005 and this, coupled with a significant influx of new customers and new capital, leads Avanza to believe that it has every chance of achieving its income growth objectives for 2005 as a whole.

Avanza believes that demand for its products will continue to be strong throughout the remainder of this year, and Avanza has consequently decided to expand its marketing activities during the fourth quarter. Avanza calculates that major marketing ventures, coupled with an augmented organisation, will result in costs for 2005 as a whole exceeding the figure previously announced, falling somewhere between SEK 135 and 140 million.

If both the income goal and the cost forecast for 2005 are realised, Avanza will report a substantial growth in profits in comparison with last year. Due, however, 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 a minimum of 80-90% of operating expenses, thereby ensuring a healthy stability in results, even during less favourable market conditions.

Other

Extraordinary General Meeting

At an Extraordinary General Meeting held on 4th July 2005, Andreas Rosenlew was elected as a new Member of the Board. The Meeting also approved a new option programme, comprising 1,294,200 shares, equivalent to a 4.5% dilution. The option programme is divided into three sub-programmes and the overall option programme will run during the period from July 2005 to September 2010. The first sub-programme comprises 431,400 shares and will run up to and including September 2008, with a redemption price of SEK 70.20 per share.

Financial calendar

Preliminary financial report 19th January 2006

Stockholm, 11th October 2005

Nicklas Storåkers
Managing Director

Review report for 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 Reports Acts.

Stockholm, 11th October 2005

KPMG Bohlins AB
Anders Bäckström
Authorised Public Accountant

The Group's quarterly performance

SEK m	01-07-05 30-09-05	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	74.2	66.2	61.1	54.9	40.5	49.6	65.5
Operating expenses	-30.9	-35.0	-33.5	-32.4	-23.8	-25.3	-27.8
Pre-tax profit/loss	43.3	31.2	27.6	22.5	16.7	24.3	37.7
Custodian account value, SEK m	25,800	21,800	18,900	16,200	14,500	14,300	13,900
Operating income/custodian account value, %	0.31	0.33	0.35	0.36	0.29	0.35	0.51
Net deposits, SEK m	1,260	800	1,540	1,200	360	550	1,190
No. custodian account customers	98,500	94,700	93,000	89,800	86,500	85,700	85,800
No. commission notes per custodian account customer and month	1.69	1.41	1.38	1.21	0.88	1.11	1.93
No. transactions per commission note	1.68	1.62	1.65	1.71	1.69	1.55	1.56
Average no. employees	97	92	82	77	74	73	69

Key financial figures for the Group

	01-07-05 30-09-05	01-01-05 30-09-05	01-01-04 30-09-04	01-10-04 30-09-05	01-01-04 31-12-04
Earnings per share, SEK	1.15	2.70	2.13	3.27	2.69
Earnings per share after dilution, SEK	1.15	2.68	2.09	3.24	2.65
Operating margin, %	58.4	50.7	50.6	48.6	48.0
Equity per share, SEK	11.61	11.61	9.70	11.61	10.27
Return on equity, %	10.5	25.7	23.5	31.7	29.3
Capital adequacy ratio, %	12.6	12.6	16.0	12.6	14.2
Average no. shares before dilution	27,465,674	27,254,974	26,622,874	27,128,554	26,622,874
Average no. shares after dilution	27,487,046	27,406,606	27,088,690	27,340,405	27,108,283
Outstanding no. shares before dilution	27,465,674	27,465,674	26,622,874	27,465,674	26,622,874
Outstanding no. shares after dilution	27,508,418	27,508,418	27,075,602	27,508,418	27,186,658
No. shares on full dilution	27,889,874	27,889,874	27,465,674	27,889,874	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 commissions 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/custodian account value

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

Consolidated Income Statement (SEK m)

	01-07-05 30-09-05	01-07-04 30-09-04	01-01-05 30-09-05	01-01-04 30-09-04
Operating income				
Commission income	62.3	31.4	166.0	131.3
Commission expenses	-9.0	-5.8	-24.7	-21.4
Interest income	23.3	16.5	66.5	50.3
Interest expenses	-2.5	-1.7	-8.5	-5.5
Net result of financial transactions	0.0	0.1	0.2	0.5
Other operating income	0.1	0.0	2.0	0.4
Total operating income	74.2	40.5	201.5	155.6
Operating expenses				
General administrative costs	-23.8	-19.4	-78.1	-66.6
Depreciation of tangible and intangible fixed assets	-1.6	-1.2	-4.6	-3.0
Other operating expenses	-5.5	-3.2	-16.7	-7.3
Net credit losses	0.0	0.0	0.0	0.0
Total operating expenses	-30.9	-23.8	-99.4	-76.9
Operating profit	43.3	16.7	102.1	78.7
Taxes	-11.7	-4.7	-28.6	-22.1
Profit for the period	31.6	12.0	73.5	56.6
of which minority share	-	0.0	-	0.2
Earnings per share, SEK	1.15	0.45	2.70	2.13
Earnings per share after dilution, SEK	1.15	0.44	2.68	2.09

Consolidated Balance Sheet (SEK m)

	30-09-2005	31-12-2004
Assets		
Loans to credit institutions	1 181.5	489.8
Loans to the public	Note 1 1 607.6	1 100.0
Shares and participations	1.9	0.2
Assets in the insurance operations	337.2	-
Intangible fixed assets	25.6	26.7
Tangible assets	6.4	6.9
Other assets	Note 2 48.0	75.6
Prepaid costs and accrued income	17.8	5.8
Total assets	3 226.0	1 705.0
Liabilities and shareholders' equity		
Lending and borrowing from the public	Note 3 2 511.2	1 357.8
Liabilities in the insurance operations	337.2	-
Other liabilities	29.2	62.6
Accrued costs and prepaid income	29.5	11.2
Shareholders' equity	318.9	273.4
Total liabilities and shareholders' equity	3 226.0	1 705.0

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

	01-01-2005 30-09-2005	01-01-2004 30-09-2004	01-01-2004 31-12-2004
Shareholders' equity, as per 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 share issue	11.8	-	-
Dividend	-41.2	-26.6	-26.6
Share warrants	1.4	-	-
Profit for the period	73.5	56.6	71.7
Shareholders' equity at the end of the period	318.9	258.3	273.4

Consolidated Cashflow Statement (SEK million)

	01-01-2005 30-09-2005	01-01-2004 30-09-2004
Cashflow from current operations	102.7	81.9
Cashflow from assets and liabilities of current operations	619.9	-97.1
Cashflow from investment operations	-3.0	-4.7
Cashflow from financing operations	-27.9	-26.6
Cashflow for the period	691.7	-46.5
Liquid assets at the beginning of the period*	489.8	677.4
Liquid assets at the end of the period*	1 181.5	630.9

* 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 Interim Report 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 reports for 2005, please 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, comprises SEK 16.8 million (SEK 45.4 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 622.9 million (SEK 408.1 m), as of 30th September 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.