



Preliminary year-end report 2003

- Operating income increased by 22.3% to SEK 149.9 million (SEK 122.6 m).
- Profit after tax was SEK 36.3 million (SEK 13.5 m).
- Earnings per share amounted to SEK 1.36 (SEK 0.51).
- The result before goodwill amortisation increased to SEK 59.1 million (SEK 26.9 m).
- Earnings per share excluding goodwill amortisation amounted to SEK 1.60 (SEK 0.73).
- Net savings totalled SEK 1,660 million, corresponding to 25% of the value of custodian accounts at the start of the year.
- The Board proposes a dividend of SEK 1.00 (-) per share.

Comments from the Managing Director

"During 2003, private savers returned to the stock exchange. The number of contract notes increased for the first time since 1999. First to return were the day-traders, but ordinary retail investors have also begun to come back after a period of clearly increasing deposits and net investment in shares. Avanza's institutional customers have become more active at the same pace."

"We now see several signs of a recovery of the business cycle. The most experienced private investors are all back again. The number of new customer applications has increased several-fold since the bottom, which was in March, and the choice of shares also indicates an approaching recovery of the business cycle. We also note that several new companies wish to become public."

"Avanza will now strengthen its chosen route with a passionate customer focus, the best technical support in the sector, and through offering more types of saving, such as blocks of shares, pensions savings, equity-linked bonds and more mutual funds. Apart from experience and ambition, Avanza also has financial stability, which means that we can satisfy our customers' requirements in the long term. Therefore, during 2004, we will continue at a high rate of development."

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

Business Performance

During 2003, the average Avanza portfolio showed a value increase of 40% compared with the All Share-index of the Stockholmsbörsen, which increased by 30%. The explanation of this satisfactory development – despite the fact that during the year customers had net liquidity of 9-14% – is that Avanza's customers had exposure to several sectors which developed well, including telecom, IT and oil exploration.

Net savings with Avanza during 2003 totalled SEK 1,660 million. This corresponds to 25.5% of the value of custodian accounts at the beginning of the year, and thus exceeded Avanza's target growth figure of 15-20% in annual net savings. The total value of custodian accounts was SEK 11,000 million as of 31 December 2003 (SEK 6,500 million as of 31 December 2002).

As a result of successful development work, and the launch of new products, the number of custodian account customers strongly increased during the fourth quarter. Individual pension savings with Avanza were launched at the end of November and were received with great interest, which contributed to the strong customer growth. The total number of custodian account customers increased net by 5.2% (3.9%) during the fourth quarter, to 82,400 (76,600 as of 31 December 2002). During the full year of 2003, the number of custodian account customers increased by 7.6% (4.9%).

Avanza's custodian account customers averaged 0.98 (0.86) contract notes per month during 2003. As a result of the strong positive stock exchange trend, activity increased markedly towards the end of the year and during the fourth quarter, the equivalent figure amounted to 1.26 (1.20) contract notes per custodian account customer and month, which is equivalent to an increase of 8.6% (54.8%) compared with the third quarter. The average brokerage fee per contract note for custodian account customers was SEK 103 (SEK 98) during 2003, and during the fourth quarter was SEK 100 (SEK 100). The number of transactions per contract note amounted to 1.55 (1.54) during 2003, and operating income per custodian account customer totalled SEK 1,920 (SEK 1,600) during the same period.

Borrowing, including client funds, increased to SEK 1,465 million as of 31 December 2003 (SEK 1,031 million as of 31 December 2002). Lending increased during the year by 98% to SEK 491 million (SEK 248 million as of 31 December 2002). Borrowing and lending corresponded to 13.3% (15.8% as of 31 December 2002) and 4.5% (3.8% as of 31 December 2002) respectively, of the total value of custodian accounts.

Avanza's market share of Stockholmsbörsen during 2003 was 6.9% (5.3%) of the number of transactions, and 1.5% (0.8%) of turnover. During the fourth quarter the equivalent figures were 7.9% (6.6%) of the number of transactions, and 1.8% (1.2%) of turnover, and Avanza was thus the largest of all network brokers, both as regards turnover and number of transactions.

Financial Results and Status

During 2003, operating income increased by 22.3% to SEK 149.9 million (SEK 122.6 m). During the fourth quarter, operating income amounted to SEK 46.5 million (SEK 38.1 m), corresponding to an increase of 22.0%. Commission income rose to SEK 115.7 million (SEK 88.9 m) during 2003. The increase in income is due both to a recovery in activity levels and higher income per contract note, and to an underlying growth in both custodian account value and the number of customers. Net interest income totalled SEK 45.5 million (SEK 40.1 m), corresponding to an increase of 13.5% compared with 2002.

Brokerage income, less deductions for direct expenses, totalled 58% (55%) of total operating income, whilst net interest income, custodian account fees and other income accounted for the remaining 42% (45%). The proportion of brokerage income increases in a stronger stock exchange climate as a result of an increase in customers' trading activity. Brokerage income from institutional customers totalled 6.6% (7.1%) of total brokerage income.

Operating expenses for 2003, excluding goodwill amortisation, totalled SEK 90.8 million (SEK 95.7 m), which is a fall of 5.1% compared with 2002. The reduction is mainly explained by lower expenses for IT, external services and lower depreciations. Operating expenses excluding goodwill amortisation during the fourth quarter amounted to SEK 25.8 million (SEK 22.4 m), which is higher than previous quarters. The higher cost level is partly explained by seasonal variations and partly because the quarter was burdened with costs of a non-recurring type, including moving to new office premises and system adaptations to VPC's NewClear. After the tax authority has performed a tax audit, it has decided to make a tax surcharge for Avanza amounting to SEK 0.4 million, which Avanza has expensed during the fourth quarter. However, Avanza will appeal against this decision. The number of full-time employees (excluding those on parental or unpaid leave) came to 61 at the end of December (53 as of 31 December 2002). The higher number of employees is explained partly by a long-term increase in the organisation, and partly by temporary staffing on account of the very high level of activity at the end of the year.

The profit before goodwill amortisation for 2003 totalled SEK 59.1 million (SEK 26.9 m), which equates to an operating margin of 39.4% (21.9%). The corresponding profit for the fourth quarter was SEK 20.7 million (SEK 15.7 m), and the operating margin was 44.5% (41.2%).

During the year, goodwill amortisation amounted to SEK 8.8 million (SEK 8.8 m). Pre-tax profit for 2003 improved to SEK 50.3 million (SEK 18.1 m). The actual tax cost amounted to SEK 14.2 million (SEK 4.6 m), of which tax paid amounted to SEK 0.4 million (-). The remaining part of the actual tax has been deducted from deferred tax refunds from previous years.

Profit after tax amounted to SEK 36.3 million (SEK 13.5 m). Earnings per share after dilution amounted to SEK 1.35 (SEK 0.50), and the equivalent profit before goodwill amortisation amounted to SEK 1.59 (SEK 0.73) per share. The return on shareholders' equity was 17.6% (7.3%).

Shareholders' equity on 31 December 2003 totalled SEK 228.3 million (SEK 192.0 m as of 31 December 2002), or SEK 8.58 (SEK 7.21) per share, and the capital adequacy ratio was 26% (37%). Investment during the year totalled

SEK 6.6 million (SEK 1.3 m). Investments thus exceeded depreciations (excluding goodwill amortisation) by SEK 0.9 million. At the year-end, Avanza had a remaining SEK 69.6 million (SEK 83.4 m) in deferred tax refunds. The Group's liquid assets totalled SEK 677.4 million (SEK 514.2 m).

Outlook for the Future

Avanza's business concept is to help our customers to do better investments. The objective is to use the possibilities offered by the Internet fully, and to develop user-friendly and advanced services for active savings in securities. Avanza's size gives it economy of scale which, together with cost-efficient technological solutions, ensure that Avanza can offer more services at low prices.

Avanza's goal is to increase operating income by 20-30% per year during normal stock exchange conditions, and is explained by the equivalent growth target regarding the value of custodian accounts. In the long-term, there is a clear connection between the growth in the value of custodian accounts and growth in operating income in Avanza's operations. The value of custodian accounts' growth depends on two factors: value growth and net savings.

Normally, value growth should amount to 6-8% per year, taking into account the division of the custodian account customers' between shares and interest-bearing assets. During 2003, value growth amounted to 40%.

During the next few years, net savings are expected to amount to 15-20% per year. During 2003, net savings amounted to 25% of the value of custodian accounts at the beginning of the year. During 2003, net savings were explained by both existing custodian account customers moving an increasingly larger part of their savings to Avanza, but also by the fact that the number of custodian account customers increased by 7.6 % during the year. Avanza considers that the company continues to have good possibilities of attracting both new custodian account customers' and an increased share of existing custodian account customers' savings.

The growth target regarding the value of custodian accounts can be summarised as follows:

Value of custodian accounts	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%

With the positive market conditions existing at present, Avanza's assessment is that the prospects for growth are good. Avanza's business concept is based on a high ratio of fixed costs. With growth in operating income, therefore growth in earnings is expected to, in relative terms, be higher.

The level of costs is, however, expected to be marginally higher during 2004 compared with 2003. The higher level of costs is explained by some expansion of the organisation and of system resources required as a result of higher activity levels, more customers and a broader range of products. Operating expenses (excluding annual goodwill amortisation of SEK 8.8 million) are expected to amount to SEK 92-96 million during 2004. During the first and fourth quarters, operating expenses are seasonally higher than during the second and third quarters.

On account of the high dependence on stock exchange trends, Avanza does not make any profit forecast for 2004.

Other Information

Dividend

The Board proposes a dividend of SEK 1.00 (-) per share.

Annual General Meeting

The Annual General Meeting will be held on 31 March at 16.00 hours at World Trade Center. The Annual Report will be available at the Company's office and on the Company's homepage, www.avanza.se, from the beginning of March, and will also be sent out to the shareholders.

Future Reporting Dates

Annual Report	March 2004
Annual General Meeting	31 March 2004
Interim Report 1 January – 31 March	16 April 2004
Interim Report 1 January – 30 June	8 July 2004
Interim Report 1 January – 30 September	8 October 2004

Stockholm, 22 January 2004

The Board

The Group's Quarterly Performance

SEK million	1 Oct 03 31 Dec 03	1 Jul 03 30 Sep 03	1 Apr 03 30 Jun 03	1 Jan 03 31 Mar 03	1 Oct 02 31 Dec 02	1 Jul 02 30 Sept 02	1 Apr 02 30 Jun 02	1 Jan 02 31 Mar 02
Operating income	46.5	40.8	33.6	29.0	38.1	30.2	24.6	29.7
Operating expenses	-25.8	-20.7	-21.3	-23.0	-22.4	-22.1	-24.0	-27.2
Profit before goodwill amortisation	20.7	20.1	12.3	6.0	15.7	8.1	0.6	2.5
Goodwill amortisation	-2.2	-2.2	-2.2	-2.2	-2.3	-2.1	-2.2	-2.2
Pre-tax profit/loss	18.5	17.9	10.1	3.8	13.4	6.0	-1.6	0.3
No. custodian account customers	82,400	78,300	76,600	77,500	76,600	73,700	72,400	73,400
No. contract notes per custodian account customer and month	1.26	1.16	0.78	0.71	1.20	0.77	0.62	0.83
Value of custodian accounts, SEK million	11,000	9,000	7,700	6,300	6,500	5,200	6,600	8,700
No. transactions per contract note	1.50	1.53	1.60	1.60	1.66	1.56	1.40	1.41
Average no. employees	61	56	51	53	58	61	62	65

Key Financial Figures for the Group

	1 Oct 03 31 Dec 03	1 Oct 02 31 Dec 02	1 Jan 03 31 Dec 03	1 Jan 02 31 Dec 02
Earnings per share, SEK	0.51	0.38	1.36	0.51
Earnings per share after dilution, SEK	0.50	0.38	1.35	0.50
Earnings per share excluding goodwill amortisation, SEK	0.56	0.42	1.60	0.73
Earnings per share excluding goodwill depreciation after dilution, SEK	0.55	0.42	1.59	0.73
Operating margin %	44.5	41.2	39.4	21.9
Equity per share, SEK	8.58	7.21	8.58	7.21
Return on equity, %	6.1	5.4	17.6	7.3
Capital adequacy ratio, %	26	37	26	37
Average number of shares before dilution	26,622,874	26,622,874	26,622,874	26,622,874
Average number of shares after dilution	26,938,756	26,689,475	26,802,374	26,703,504
Outstanding number of shares before dilution	26,622,874	26,622,874	26,622,874	26,622,874
Outstanding number of shares after dilution	27,045,763	26,734,258	27,045,763	26,734,258
Number of shares on full dilution	27,465,674	28,245,224	27,465,674	28,245,224

Definitions

Earnings per share

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

Operating margin

Operating profit/loss before goodwill amortisation 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.

Contract note

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

Consolidated Income Statement (SEK million)

	1 Oct 03 31 Dec 03	1 Oct 02 31 Dec 02	1 Jan 03 31 Dec 03	1 Jan 02 31 Dec 02
Operating income				
Commission income	37.4	30.7	115.7	88.9
Commission expenses	-4.6	-4.1	-14.5	-12.0
Interest income	15.0	14.0	54.2	55.7
Interest expenses	-1.9	-3.3	-8.7	-15.6
Net result of financial transactions	0.6	0.5	0.7	4.7
Other operating income	0.0	0.3	2.5	0.9
Total operating income	46.5	38.1	149.9	122.6
Operating expenses				
General administrative costs	-21.5	-18.9	-76.3	-78.3
Depreciation of tangible and amortisation of intangible fixed assets	-3.4	-4.9	-14.5	-19.7
Other operating expenses	-3.1	-0.8	-8.8	-6.4
Net credit losses	0.0	-0.1	0.0	-0.1
Total operating expenses	-28.0	-24.7	-99.6	-104.5
Operating profit	18.5	13.4	50.3	18.1
Taxes	-5.2	-3.2	-14.2	-4.6
Minority holdings	0.2	0.0	0.2	0.0
Profit for the period	13.5	10.2	36.3	13.5
Earnings per share, SEK	0.51	0.38	1.36	0.51
Earnings per share after dilution, SEK	0.50	0.38	1.35	0.50

Consolidated Balance Sheet (SEK million)

	31 Dec 2003	31 Dec 2002
Assets		
Loans to credit institutions	677.4	514.2
Loans to the public	Note 1 491.2	247.9
Bonds and other interest-bearing securities	1.2	1.2
Shares and participations	0.1	0.1
Intangible fixed assets	23.9	32.5
Tangible assets	5.7	5.6
Other assets	Note 2 172.9	99.2
Prepaid costs and accrued income	4.1	3.6
Total assets	1,376.5	904.3
Liabilities and shareholders' equity		
Lending and borrowing from the public	Note 3 1,107.0	686.7
Other liabilities	28.0	13.0
Accrued costs and deferred income	13.2	12.3
Minority holdings	0.0	0.3
Shareholders' equity	228.3	192.0
Total liabilities and shareholders' equity	1,376.5	904.3

Changes in the Group's Shareholders' Equity (SEK million)

	1 Jan 2003 31 Dec 2003	1 Jan 2002 31 Dec 2002
Shareholders' equity at the start of the year	192.0	178.3
Translation difference	-	-0.3
Warrants	-	0.5
Profit for the year	36.3	13.5
Shareholders' equity at the end of the period	228.3	192.0

Consolidated Cash flow Statement (SEK million)

	1 Jan 2003 31 Dec 2003	1 Jan 2002 31 Dec 2002
Cash flow from current operations	65.1	38.1
Cash flow from assets and liabilities of current operations	104.7	120.1
Cash flow from investment operations	-6.6	-1.2
Cash flow from financing operations	-	0.5
Cash flow for the period	163.2	157.5
Liquid assets at the start of the period*	514.2	356.7
Liquid assets at the end of the period*	677.4	514.2
Cash flow for the period	163.2	157.5

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

Notes

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 2002 Annual Report. New recommendations from the Swedish Financial Accounting Standards Council have had no impact on the period's accounts.

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 valued at no more than the lending value.

Note 2 – Other assets

The Balance Sheet item comprises SEK 69.6 million (SEK 83.4 m) in receivables booked as assets in respect of deferred tax.

Note 3 – Funds managed on behalf of third parties

In addition to the borrowing reported in the Balance Sheet, Avanza has borrowing from third parties on client funds totalling SEK 358.4 million (SEK 344.5 m) as of 31 December 2003.