



Preliminary year-end report 2004

- Operating income increased by 40.4% (22.3%) to SEK 210.5 million (SEK 149.9 m).
- The profit after tax was SEK 65.3 million (SEK 36.3 m).
- Earnings per share totalled SEK 2.45 (SEK 1.36) per share.
- The result before goodwill amortization increased to SEK 101.2 million (SEK 59.1 m).
- Earnings per share excluding goodwill amortization totalled SEK 2.74 (SEK 1.60).
- Net deposits totalled SEK 3,300 million (SEK 1,660 m), corresponding to 30% (25%) of the total value of custodian accounts at the beginning of the year.
- The Board of Directors proposes that a dividend of SEK 1.50 (SEK 1.00) per share be paid.

Comments from the Managing Director

“The breadth of Avanza’s operations produced tangible results at the end of 2004 and was apparent in the increased rate of growth and several new product offerings. In the fourth quarter alone, the launch of Avanza Private Banking resulted in over half a billion in new capital, with net deposits totalling a massive SEK 1,200 million during the quarter.”

“2005 has begun with more new ventures than ever before - Avanza Pension and Avanza Private Banking, to name but two. Our goal for 2005 is strong growth coupled with continued healthy profitability,” 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 with Avanza were strong during 2004, totalling SEK 3,300 million (SEK 1,660 m), corresponding to 30% (25%) of the total value of custodian accounts at the beginning of the year and hence exceeding by a significant margin Avanza’s goal of 15-20% in annual net deposits. Net deposits during the fourth quarter totalled SEK 1,200 million (SEK 660 m).

A number of new products and services were launched during the fourth quarter: In November, for example, Avanza launched a completely unique portfolio report that provides custodian account customers with, amongst other things, details of the portfolio’s performance. Avanza also launched internet-based trading in American shares at the lowest brokerage fees in Sweden. In 2004, Avanza offered its customers the opportunity to subscribe to eight new IPO’s and ownership distributions - more than any other bank or brokerage firm.

The launch of Avanza Private Banking also helped boost the strength of net deposits during the fourth quarter. The inflow of capital from customers in Avanza Private Banking during the fourth quarter totalled SEK 500 million, and the value of Private Banking custodian accounts at the turn of the year was SEK 1,900 million. A capital insurance product was launched during the fourth quarter in cooperation with Moderna Försäkringar, offering the Swedish market’s simplest and cheapest capital insurance scheme involving direct saving in both shares and investment funds. Sales of IPS custodian accounts during the fourth quarter were also strong, and the value of IPS custodian accounts at the end of the year totalled SEK 200 million. The total custodian account value increased during the year by 47% (69%) to SEK 16,200 million as of 31st December 2004 (SEK 11,000 million as of 31st December 2003).

The total number of custodian account customers has increased by a net of 9.0% (7.6%) since the turn of the year to 89,800 (82,400 as of 31st December 2003). The number of IPS custodian accounts was 3,400 (1,700). The net customer inflow in the fourth quarter yielded 3,300 (4,100) new custodian account customers. Successful marketing campaigns during the fourth quarter contributed to the relatively strong customer inflow.

Private individuals' share trading increased in 2004 and Avanza's custodian account customers averaged 1.28 (0.98) commission notes per month. This corresponds to an increase in activity levels of 30.6% (14.0%) in comparison with last year. Activity levels in the fourth quarter were also up on the third quarter, increasing by 37.5% (8.6%). During the fourth quarter, customers averaged 1.21 (1.26) commission notes per month. The average brokerage fee per commission note for custodian account customers was SEK 103 (SEK 103) in 2004. Operating income per custodian account customer totalled SEK 2,500 (SEK 1,920) during the year. The increase in value of the average Avanza portfolio during 2004 was 16.4%, in comparison with the 17.6% increase by the Stockholm Stock Exchange All-Share index.

Borrowing, including client funds, increased, as of 31st December 2004, to SEK 1,766 million (SEK 1,465 m as of 31st December 2003). Lending increased by a massive 124 per cent to SEK 1,100 million (SEK 491 m as of 31st December 2003). Borrowing and lending corresponded to 10.9% (13.3% as of 31st December 2003) and 6.8% (4.5% as of 31st December 2003), respectively, of the total custodian account value.

Avanza's market share of the Stockholm Stock Exchange totalled 8.5% (6.9%) of the number of transactions and 1.7% (1.5%) of turnover in 2004.

Banco Fondförsäkring AB was acquired during the fourth quarter for a purchase price of SEK 9.1 million. The existing operations of Banco Fondförsäkring are very limited, and the purpose of the acquisition is to offer people simple and cost-effective means of saving in private pension insurance policies, occupational pension insurance policies and capital insurance products with Avanza on competitive terms.

Financial results and status

Operating income increased by 40.4% (22.3%) to SEK 210.5 million (SEK 149.9 m) during 2004. Operating income during the fourth quarter of 2004 totalled SEK 54.9 million (SEK 46.5 m). Net interest items totalled SEK 60.4 million (SEK 45.5 m), corresponding to an increase of 32.7% (13.5%) in comparison with last year.

Brokerage income, less deductions for direct costs, comprised 58% (59%) of the total operating income, whilst net interest items, custodian account fees and other income comprised the remaining 42% (41%). Brokerage income from institutional customers totalled 4.0% (6.6%) of the total brokerage income.

Non-brokerage income has risen during the past year, totalling 80% (67%) of operating expenses (excluding goodwill amortization) in 2004.

Operating expenses excluding goodwill amortization totalled SEK 109.3 million (SEK 90.8 m), corresponding to an increase of 20.4% over 2003. During the fourth quarter the corresponding operating expenses totalled SEK 32.4 million (SEK 25.8 m). The loss in the Supreme Administrative Court by Avanza's subsidiary, United Securities AB, of a tax dispute deriving from the 1997 financial year resulted in costs totalling SEK 1.7 million being charged to the operating costs in the fourth quarter. Marketing costs during the year totalled SEK 10.1 million (SEK 5.5 m), SEK 5.9 million (SEK 2.4 m) of which arose during the fourth quarter.

The number of full-time employees (excluding those on leaves of absence or parental leave) totalled 73 at the end of the year (61 as of 31st December 2003).

The profit before goodwill amortization 2004 totalled SEK 101.2 million (SEK 59.1 m), which equates to an operating margin of 48.0% (39.4%). The profit before goodwill amortization during Q4 was SEK 22.5 million (SEK 20.7 m).

Goodwill amortization during the year totalled SEK 8.8 million (SEK 8.8 m). The pre-tax profit improved to SEK 92.4 million (SEK 50.3 m). The tax cost totalled SEK 26.9 million (SEK 14.2 m), of which tax paid comprised SEK 0.4 million (SEK 0.4 m). The remaining tax cost refers to the utilisation of deficit deductions booked as assets in previous year's Balance Sheet.

The result after tax for 2004 was SEK 65.3 million (SEK 36.3 m). Earnings per share after dilution totalled SEK 2.41 (SEK 1.35), and earnings per share excluding goodwill amortization after dilution totalled SEK 2.69 (SEK

1.59). The corresponding results during the fourth quarter were SEK 0.50 (SEK 0.50) and SEK 0.60 (SEK 0.55), respectively. The return on equity during the year was 26.8% (17.6%).

Shareholders' equity totalled SEK 267.0 million (SEK 228.3 m as of 31st December 2003) or SEK 10.03 (SEK 8.58) per share, as of 31st December 2004, and the capital adequacy ratio was 13.6% (25.9%). The reduction in the capital adequacy ratio is mainly due firstly, to the new rules governing the reporting of capital adequacy ratios that came into force on 1st January 2004, and which had a negative effect on Avanza's capital adequacy ratio, and secondly, to the rise in lending. As of 31st December 2004, Avanza reported SEK 43.0 million (SEK 69.6 m as of 31st December 2003) in deferred tax receivables. The Group's liquid assets totalled SEK 489.8 million (SEK 677.4 m).

Outlook for the future

Avanza's goal for 2005 is to grow strongly whilst retaining healthy profitability. Our strategy is to maintain growth within the core area of private investors and to generate new growth within the Avanza Private Banking and Avanza Pension segments.

Thanks to the rapidly increasing level of internet maturity, not least amongst the older target groups, the potential for growth has improved. The internet has gone from being a niche alternative to a primary choice for a majority of Sweden's active retail investors. The strong performance by the stock market has also helped boost this positive underlying trend.

Avanza's goal is to generate significant growth amongst not only customers and custodian account value, but operating income as well. Our ambition is to augment and improve our product range in order to reinforce the competitiveness of the basic Avanza product, and thereby improve our customers' opportunities for managing their savings. Within Avanza Private Banking, the focus will be on sales and on reaching out to the customers. Avanza Private Banking's goal is to attract a minimum of a further SEK 1,000 million in capital in 2005. Within Avanza Pension, which comprises Avanza's pension and insurance savings ventures, Avanza believes that the growth potential is significant. Avanza intends to launch new, internet-based life insurance products in the spring of 2005. Avanza will also implement significant launches in additional customer and product areas during 2005 as a whole.

Avanza's objective is to increase operating income by 20-30% in 2005, given normal stock market conditions, by means of these ventures. Our growth target with regard to operating income is directly linked to the corresponding growth target for custodian account value, because there is a clear long-term link between growth in custodian account value and growth in operating income. The growth in custodian account value is attributable to two factors - net deposits and growth in value.

Net deposit growth is expected to total 15-20% per annum over the next few years. In 2004, net deposits totalled 30% of the total custodian account value at the beginning of the year. Net deposits growth in 2004 is attributable both to existing custodian account customers moving an ever-increasing share of their investments to Avanza, and to an increase of 9% in custodian account customers during the year.

The value growth should normally be 6-8% per annum, given the custodian account customers' distribution of shares and interest-bearing assets. In 2004, the growth in value totalled 16%.

The growth targets for custodian account value can be summarised as follows:

Custodian account value	Annual growth
Net deposits, new and existing custodian account customers	15-20%
<u>Normal growth in value</u>	<u>6-8%</u>
Total growth (approx.)	20-30%

Avanza's business model means that the majority of the costs are fixed costs. A growth in income should, therefore, result in an even higher growth in results, relatively speaking.

The ventures that Avanza is planning will, however, entail increased costs, but all of the ventures are based on existing systems and existing organisations, and the level of cost-awareness within Avanza is high. Therefore, Avanza's judgement is that operating costs should increase by between 5 and 10% to SEK 115-120 million during 2005. Operating expenses during the first and fourth quarters are seasonally higher than during the second and third quarters.

The dependence on stock market trends means that 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 market-dependent, to total 80-90% of operating expenses, thereby ensuring good earnings stability, even in a weaker market climate.

Other

Dividends

The Board of Directors proposes that a dividend of SEK 1.50 (SEK 1.00) per share be paid.

Annual General Meeting

The Annual General Meeting of the company will be held on 16th March 2005 at 12 noon at Brasserie by the Sea, Tullhus 2, Skeppsbron, Stockholm. The Annual Report will be available from the company's offices and on the company's website, www.avanza.com, at the turn of the month February/March and will also be sent out to the shareholders.

Nomination committee

Aktiespararnas Service AB has elected Jack Junel as its representative on the nomination committee as a replacement for its previous representative, Lars-Erik Forsgårdh. The nomination committee thus comprises the Chairman of the Board, Sven Hagströmer, Erik Törnberg, who represents Investment AB Öresund and the Qviberg family, and Jack Junel, who represents Aktiespararnas Service AB. Erik Törnberg is the Chairman of the nomination committee.

IFRS information

The Board is of the opinion that the introduction of IFRS will entail no major changes. The most significant change will mean that Avanza is no longer required to amortise goodwill, which totalled SEK 13.8 million, as of 31st December 2004. For additional information, please see the 2004 Annual Report. Avanza's first financial report in accordance with IFRS will be the Interim Report for the first quarter, published on 31st March 2005.

Financial calendar

Annual Report	February/March 2005
Annual General Meeting	16 th March 2005
Interim Report, 1 st January - 31 st March	11 th April 2005
Interim Report, 1 st January - 30 th June	11 th July 2005
Interim Report, 1 st January - 30 th September	11 th October 2005

Stockholm, 19th January 2005

The Board of Directors

The Group's quarterly performance

SEK m	01-10-04 31-12-04	01-07-04 30-09-04	01-04-04 30-06-04	01-01-04 31-03-04	01-10-03 31-12-03	01-07-03 30-09-03	01-04-03 30-06-03	01-01-03 31-03-03
Operating income	54.9	40.5	49.6	65.5	46.5	40.8	33.6	29.0
Operating expenses	-32.4	-23.8	-25.3	-27.8	-25.8	-20.7	-21.3	-23.0
Profit before goodwill amortization	22.5	16.7	24.3	37.7	20.7	20.1	12.3	6.0
Goodwill amortization	-2.2	-2.2	-2.2	-2.2	-2.2	-2.2	-2.2	-2.2
Pre-tax profit/loss	20.3	14.5	22.1	35.5	18.5	17.9	10.1	3.8
Custodian account value, SEK m	16,200	14,500	14,300	13,900	11,000	9,000	7,700	6,300
Net deposits, SEK m	1,200	360	550	1,190	660	470	170	360
No. custodian account customers	89,800	86,500	85,700	85,800	82,400	78,300	76,600	77,500
No. commission notes per custodian account customer and month	1.21	0.88	1.11	1.93	1.26	1.16	0.78	0.71
No. transactions per commission note	1.71	1.69	1.55	1.56	1.50	1.53	1.60	1.60
Average no. employees	77	74	73	69	61	56	51	53

Key financial figures for the Group

	01-10-04 31-12-04	01-10-03 31-12-03	01-01-04 31-12-04	01-01-03 31-12-03
Earnings per share SEK	0.51	0.51	2.45	1.36
Earnings per share after dilution, SEK	0.50	0.50	2.41	1.35
Earnings per share excluding goodwill amortization, SEK	0.61	0.56	2.74	1.60
Earnings per share excluding goodwill amortization after dilution, SEK	0.60	0.55	2.69	1.59
Operating margin %	41.0	44.5	48.0	39.4
Equity per share, SEK	10.03	8.58	10.03	8.58
Return on equity, %	5.2	6.1	26.8	17.6
Capital adequacy ratio, %	13.6	25.9	13.6	25.9
Average number of shares before dilution	26,622,874	26,622,874	26,622,874	26,622,874
Average number of shares after dilution	27,131,130	26,938,756	27,108,283	26,802,374
Outstanding number of shares before dilution	26,622,874	26,622,874	26,622,874	26,622,874
Outstanding number of shares after dilution	27,186,658	27,045,763	27,186,658	27,045,763
Number of 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 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 assignments 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.

Consolidated Income Statement (SEK million)

	01-10-04 31-12-04	01-10-03 31-12-03	01-01-04 31-12-04	01-01-03 31-12-03
Commission income	44.9	37.4	176.2	115.7
Commission expenses	-7.0	-4.6	-28.4	-14.5
Interest income	18.3	15.0	68.6	54.2
Interest expenses	-2.7	-1.9	-8.2	-8.7
Net result of financial transactions	0.3	0.6	0.8	0.7
Other operating income	1.1	0.0	1.5	2.5
Total operating income	54.9	46.5	210.5	149.9
Operating expenses				
General administrative costs	-22.3	-21.5	-88.9	-76.3
Depreciation of tangible and intangible fixed assets	-3.6	-3.4	-13.2	-14.5
Other operating expenses	-8.7	-3.1	-16.0	-8.8
Net credit losses	0.0	0.0	0.0	0.0
Total operating expenses	-34.6	-28.0	-118.1	-99.6
Operating profit	20.3	18.5	92.4	50.3
Taxes	-6.8	-5.2	-26.9	-14.2
Minority holdings	0.0	0.2	-0.2	0.2
Profit for the period	13.5	13.5	65.3	36.3
Earnings per share, SEK	0.51	0.51	2.45	1.36
Earnings per share after dilution, SEK	0.50	0.50	2.41	1.35

Consolidated Balance Sheet (SEK million)

		31 st Dec. 2004	31 st Dec. 2003
Assets			
Loans to credit institutions		489.8	677.4
Loans to the public	Note 1	1 100.0	491.2
Bonds and other interest-bearing securities		-	1.2
Shares and participations		0.2	0.1
Intangible fixed assets		18.0	23.9
Tangible assets		6.9	5.7
Other assets	Note 2	78.0	172.9
Prepaid costs and accrued income		5.8	4.1
Total assets		1 698.7	1 376.5
Liabilities and shareholders' equity			
Lending and borrowing from the public	Note 3	1 357.8	1 107.0
Other liabilities		62.6	28.0
Accrued costs and deferred income		11.3	13.2
Minority holdings		0.0	0.0
Shareholders' equity		267.0	228.3
Total liabilities and shareholders' equity		1 698.7	1 376.5

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

	01-01-2004 31-12-2004	01-01-2003 31-12-2003
Shareholders' equity at the beginning of the year	228.3	192.0
Dividends	-26.6	-
Profit for the year	65.3	36.3
Shareholders' equity at the end of the year	267.0	228.3

Consolidated Cashflow Statement (SEK million)

	01-01-2004 31-12-2004	01-01-2003 31-12-2003
Cashflow from current operations	105.1	65.1
Cashflow from assets and liabilities of current operations	-257.5	104.7
Cashflow from investment operations	-8.6	-6.6
Cashflow from financing operations	-26.6	-
Cashflow for the year	-187.6	163.2
Liquid assets at the beginning of the year*	677.4	514.2
Liquid assets at the end of the year*	489.8	677.4

* 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

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 2003 Annual Report. New recommendations from the Swedish Financial Accounting Standards Council have had no impact on the accounts for 2004.

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 43.0 million (SEK 69.6 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 on client fund accounts totalling SEK 408.1 million (SEK 358.4 m) as of 31st December 2004.

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.