



Interim report, 1 January-30 June 2002

- Profit before goodwill amortisation rose to SEK 3.1 million (- SEK 4.5 m).
- The pre-tax loss fell to – SEK 1.3 million (- SEK 30.2 m).
- Operating income rose 48 per cent to SEK 54.3 million (SEK 36.7 m).
- Operating expenses excluding goodwill amortisation fell 12% in Q2.
- Avanza won the Online Broker of the Year award for 2002 in April.

Comments from the Managing Director

"In spite of the general stock market decline, Avanza's operations have been able to report a profit. We have now posted a profit before goodwill amortisation for the last four consecutive quarters, a result few online brokers can match even internationally," says Nicklas Storåkers, Avanza's Managing Director.

"July was a strong month for Avanza on the stock market and the company improved its market share compared with its main competitors. During July, Avanza's customers concluded over 70% more deals than during June. A healthy inflow of new customers, together with the relatively high number of days during which the stock market was open for trading during the month, as well as the fact that a growing number of major companies now present their half-yearly reports during July, all contributed to the high level of activity. In addition, institutional customers increased their activity during July."

"Another of the reasons for our operating profit is our cost-awareness, which has helped the company make continuous cost cuts. We were able to cut costs by 12 per cent last quarter."

"Yet another sign that we are now on the right track is the fact that we received the Online Broker of the Year award for 2002 in April. It is awarded by the Swedish business magazine Privata Affärer and was based on an extensive customer survey and tests performed by an expert panel."

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

Business performance

During the first half of 2002, the Stockholm Stock Exchange dropped 24 per cent. For Avanza, the weak market climate has led to a 36 per cent drop in trading activity, with figures of 0.7 (1.1) transaction per active customer and month compared with the same period the previous year. Average brokerage income per contract for Avanza's accounts, however, rose to SEK 97 (SEK 76). Operating income per active customer came to an average of SEK 700 during the first half of the year.

Due to the fact that customers have been net purchasers of shares throughout the first half, borrowing, including client funds, fell to SEK 1,039 million (SEK 1,227 m on 31 December 2001). Lending fell to SEK 192 million (SEK 214 m on 31 December 2001) due to the lower credit limits brought about by the decline in the market value of major listed companies.

Due to the negative performance of the stock market, the total value of custodian accounts at Avanza has fallen to SEK 6.6 billion on 30 June 2002 (SEK 8.4 billion on 31 December 2001). On 30 June 2002, the total number of open accounts was 96,400, an increase of 1,100 compared with the turn of the year. The gross inflow of new accounts during the period under review was + 5,200. Over the same period, 4,100 mainly passive accounts have been closed with a view to cutting costs. The number of active accounts at the end of the first six months of the year came to 72,400 (73,000 on 31 December 2001).

During Q2, Avanza's market share on the Stockholm Stock Exchange was 4.2 per cent (3.4%) of the number of transactions and 0.5 per cent (0.3%) of the turnover.

In April, Avanza won the Online Broker of the Year award for 2002. The award is given by the Swedish business magazine Privata Affärer and was based on the most extensive survey of online share trading services ever performed in Sweden. Meanwhile, Avanza's product development has continued at a rapid pace throughout Q2 2002. During the early summer, the market's most extensive service for short-selling shares online was introduced, along with better account information and a wider range of other information, including improved key figures as well as insider statistics and a detailed company calendar.

On 29 May 2002, Avanza suffered a serious systems failure that caused Avanza's customers to lose direct contact with the Stockholm Stock Exchange for a 24-hour period. The reason for this downtime was a cable fire in Stockholm. The direct loss of income caused by the systems failure totalled SEK 0.2 million. Avanza intends to take steps to ensure that such damages cannot occur again. During the first half of the year, the company's accessibility level was 98.9 per cent.

Financial results and status

The Group

Commission income totalled SEK 38.5 million (SEK 29.1 m) for the period, while operating income came to SEK 54.3 million (SEK 36.7 m), equivalent to an increase of 32 and 48 per cent respectively compared with the same period the previous year.

Net interest income totalled SEK 19.4 million (SEK 10.7 m), which is equivalent to an increase of 81 per cent compared with the first half of 2001.

Brokerage income minus direct costs accounted for 54 per cent of total operating income, while net interest income, custodian account fees and other income accounted for the remaining 46 per cent.

Operating expenses, excluding goodwill amortisation, totalled SEK 51.2 million (SEK 41.2 m) for the period, which corresponds to average monthly expenses of around SEK 8.5 million. For seasonal reasons, costs are high during Q1 but have, as forecast, been cut by approximately 12 per cent during Q2.

Profit before goodwill amortisation came to SEK 3.1 million (- SEK 4.5 m) for the period, which is equivalent to an operating margin before goodwill amortisation of 5.7 per cent (neg.). The pre-tax loss for the first half fell to - SEK 1.3 million (- SEK 30.2 m), while the Q2 pre-tax loss came to - SEK 1.6 million (- SEK 17.7 m).

Shareholders' equity on 30 June 2002 totalled SEK 177.4 million (SEK 178.3 m) or SEK 6.7 (SEK 6.7) per share. The Group's liquid assets came to SEK 394.6 million (SEK 356.7 m).

The Parent Company

Avanza AB is reporting a pre-tax loss for the period of -SEK 2.0 million (SEK 15.7 m)). Net sales came to SEK 0.0 million and the company had liquid assets of SEK 0.6 million (SEK 0.7 m).

Outlook for the third quarter

An improvement in the level of activity compared with Q2 is anticipated in Q3. Activity has already increased during July as compared with June, and it is believed several major corporate events, such as the new Ericsson share issue that is under way, will lead to greater interest in the stock market. Avanza intends to make further cost cuts during Q3, amounting to a few percentage units.

Other matters

Shareholders' meetings

The Board of Directors of Avanza has called an extraordinary shareholders' meeting with a view to passing a resolution concerning a new warrants programme directed at all employees of the company. The shareholders' meeting will be held on 19 August 2002 at 14.00 at Ingenjörshuset, Malmskillnadsgatan 46 in Stockholm.

Financial calendar

Interim report, January-September 2002
Preliminary year-end report

21 October 2002
February 2003

Stockholm
12 August 2002

Nicklas Storåkers
Managing Director

This report has not been reviewed by the company's auditors.

The Group's quarterly performance

| SEK million | Q1-2 2002 | Q2 2002 | Q1 2002 | Q1-4 2001 | Q4 2001 | Q3 2001 | Q2 2001 | Q1 2001 |
|---|--------------|-------------|------------|---------------|---------------|--------------|--------------|--------------|
| Operating income | 54.3 | 24.6 | 29.7 | 93.5 | 35.2 | 21.6 | 16.5 | 20.2 |
| Operating expenses | -51.2 | -24.0 | -27.2 | -84.6 | -23.8 | -19.6 | -19.5 | -21.7 |
| Profit/loss before restructuring costs and goodwill amortisation | 3.1 | 0.6 | 2.5 | 8.9 | 11.4 | 2.0 | -3.0 | -1.5 |
| Restructuring costs | - | - | - | -30.3 | - | -26.6 | -3.7 | - |
| Goodwill amortisation | -4.4 | -2.2 | -2.2 | -50.7 | -15.3 | -13.4 | -11.0 | -11.0 |
| Goodwill write-downs | - | - | - | -215.7 | -215.7 | - | - | - |
| Profit/loss before tax | -1.3 | -1.6 | 0.3 | -287.8 | -219.6 | -38.0 | -17.7 | -12.5 |
| Number of open accounts | 96,400 | 96,400 | 95,900 | 95,300 | 95,300 | 96,600 | 50,800 | 52,900 |
| Number of active customers | 72,400 | 72,400 | 73,400 | 73,000 | 73,000 | 72,100 | 43,000 | 48,000 |
| Contract notes per active customer and month | 0.7 | 0.6 | 0.8 | 1.0 | 1.0 | 0.8 | 0.9 | 1.4 |
| Average number of employees | 64 | 62 | 65 | 64 | 65 | 78 | 57 | 57 |

Key financial figures for the Group

| | 1 Jan. 2002- 30 June 2002 | 1 Jan 2001- 30 June 2001 | 1Jan. 2001- 31 Dec. 2001 |
|---|------------------------------|-----------------------------|-----------------------------|
| Earnings per share, SEK | -0.03 | -1.03 | -10.5 |
| Earnings per share after dilution, SEK | -0.03 | -1.03 | -10.5 |
| Equity per share, SEK | 6.7 | 15.4 | 6.7 |
| Return on equity, % | Neg. | neg. | Neg. |
| Number of shares, closing balance | 26,622,874 | 20,989,571 | 26,622,874 |
| Average number of shares | 26,622,874 | 20,989,571 | 22,897,135 |
| Average number of shares after dilution | 26,624,470 | 21,002,397 | 22,947,010 |
| Capital adequacy ratio, % | 39 | 82 | 36 |

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 in relation to operating income.

Open account

Correctly registered and opened account.

Active customer

An open account with holdings.

Consolidated income statement (SEK million)

| | 1 Apr. 2002- 30 June 2002 | 1 Apr. 2001- 30 June 2001 | 1 Jan. 2002- 30 June 2002 | 1 Jan. 2001- 30 June 2001 | 1 Jan. 2001- 31 Dec. 2001 |
|--|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| Operating income | | | | | |
| Commission income | 16.3 | 12.0 | 38.5 | 29.1 | 74.1 |
| Commission expenses | -2.2 | -1.5 | -5.2 | -5.5 | -12.0 |
| Interest income | 14.0 | 9.5 | 28.2 | 18.2 | 45.0 |
| Interest expenses | -4.4 | -4.0 | -8.8 | -7.5 | -17.7 |
| Net result of financial transactions | 0.6 | 0.3 | 1.0 | 0.4 | 1.8 |
| Other operating income | 0.3 | 0.2 | 0.6 | 2.0 | 2.3 |
| Total operating income | 24.6 | 16.5 | 54.3 | 36.7 | 93.5 |
| Operating expenses | | | | | |
| General administrative expenses | -19.3 | -16.9 | -41.2 | -34.0 | -70.5 |
| Depreciation of tangible and intangible fixed assets | -4.9 | -12.4 | -9.9 | -24.6 | -59.1 |
| Items affecting comparability | - | -3.7 | - | -3.7 | -246.0 |
| Other operating expenses | -1.9 | -1.2 | -4.4 | -4.6 | -5.7 |
| Net credit losses | -0.1 | - | -0.1 | - | 0.0 |
| Total operating expenses | -26.2 | -34.2 | -55.6 | -66.9 | -381.3 |
| Operating profit/loss | -1.6 | -17.7 | -1.3 | -30.2 | -287.8 |
| Tax | 0.5 | 5.3 | 0.4 | 8.5 | 48.0 |
| Minority holdings | 0.0 | - | 0.0 | - | -0.2 |
| Profit/loss from spun-off operations | Note1 | - | - | 4.1 | 4.1 |
| Profit/loss for the period | -1.1 | -12.4 | -0.9 | -17.6 | -235.9 |
| Earnings per share, SEK | -0.04 | -0.59 | -0.03 | -1.03 | -10.5 |
| Earnings per share after dilution, SEK | -0.04 | -0.59 | -0.03 | -1.03 | -10.5 |

Consolidated balance sheet (SEK million)

| | 30 June 2002 | 31 Dec. 2001 |
|---|--------------|--------------|
| Assets | | |
| Loans to credit institutions | 394.6 | 356.7 |
| Loans to the public | Note2 | 214.4 |
| Shares and participations | 1.7 | 1.9 |
| Intangible fixed assets | 38.4 | 44.7 |
| Tangible assets | 8.5 | 12.3 |
| Other assets | Note3 | 142.9 |
| Prepaid expenses and accrued income | 11.7 | 12.5 |
| Total assets | 756.2 | 785.4 |
| Liabilities, provisions and shareholders' equity | | |
| Lending and borrowing from the public | Note4 | 561.3 |
| Other liabilities | 13.4 | 26.4 |
| Accrued expenses and deferred income | 28.1 | 19.1 |
| Minority holdings | 0.3 | 0.3 |
| Shareholders' equity | Note5 | 178.3 |
| Total liabilities, provisions and shareholders' equity | 756.2 | 785.4 |

Consolidated cash flow statement (SEK million)

| | 1 Jan. 2002 30 June 2002 | 1 Jan. 2001- 30 June 2001 |
|--|-----------------------------|------------------------------|
| Cash flow from current operations | 9.0 | -5.6 |
| Cash flow from assets and liabilities of current operations | 29.0 | -0.6 |
| Cash flow from investment operations | -0.1 | -4.7 |
| Cash flow from financing operations* | - | -15.1 |
| Cash flow for the period | 37.9 | -26.0 |
| Liquid assets at the start of the period** | 356.7 | 210.9 |
| Liquid assets at the end of the period** | 394.6 | 184.9 |
| Cash flow for the period | 37.9 | -26.0 |
| * Includes spun-off operations at HQ.SE Fonder | | |
| ** 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 2001:19). 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 accounts for the period.

Unless otherwise specifically stated, all comparative figures in this report exclude operations within the HQ.SE Fonder business area, which was spun off in May 2001. They also exclude the Avanza Holding group, which 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 (SEK million)

Loans to the public are reported after deductions for actual and anticipated credit losses. On 30 June 2002, the company reported no doubtful debts. All loans, known as custodian account credits, are secured by collateral in the form of securities up to the established lending value.

Note 3 – Other assets (SEK million)

This balance sheet item comprises SEK 88.4 million (SEK 88.0 m) of receivables booked as assets in respect of deferred tax.

Note 4 – Funds managed on behalf of third parties (SEK million)

In addition to the borrowing reported in the Balance Sheet, Avanza also has borrowing from third parties on client fund accounts, an item totalling SEK 501.9 million (SEK 665.7 m) on 30 June 2002.

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

| | 30 June 2002 | 30 June 2001 | 31 Dec. 2001 |
|--|--------------|--------------|--------------|
| Shareholders' equity, opening balance | 178.3 | 346.2 | 346.2 |
| Effect of changed accounting principle | - | 9.2 | 9.2 |
| Adjusted opening balance | 178.3 | 355.4 | 355.4 |
| Spin-off of HQ.SE Fonder | - | -13.4 | -13.4 |
| New share issue | - | - | 73.1 |
| Translation difference | - | -0.1 | - |
| Warrants | - | - | -0.9 |
| Profit/loss for the year | -0.9 | -17.6 | -235.9 |
| Shareholders' equity, closing balance | 177.4 | 324.3 | 178.3 |