



## Interim Report 1<sup>st</sup> January – 30<sup>th</sup> June 2004

- Operating income increased to SEK 115.1 million (SEK 62.6 m).
- Profit after tax was SEK 41.3 million (SEK 9.9 m).
- Earnings per share amounted to SEK 1.55 (SEK 0.37).
- The result before goodwill amortization increased to SEK 62.0 million (SEK 18.3 m).
- EPS excluding goodwill amortization totalled SEK 1.67 (SEK 0.49). The corresponding result for the past twelve-month period amounted to SEK 2.76 (SEK 1.14).
- Net deposits totalled SEK 1,740 million (SEK 530 m), corresponding to 16% (8%) of the total value of the custodian accounts at the start of the year.
- Avanza acquired the remaining 49% of the Avanza Vikingen shares.

### Comments from the Managing Director

”Avanza’s growth prospects are better than they have been for some years. This is noticeable both with investors who are more active and new investors, and Avanza’s growing share of their investments. In order to strengthen this trend further, we will be launching several large new products and services during the autumn. So even though the stock market climate is guiding growth in the short term, new investments will strengthen our position and attract even more private investors. As Sweden’s largest online broker, Avanza has also increased its market share during the second quarter.”

”After a quieter period during the early summer, we now expect private investors and day traders to return, making yet more business before and during the reporting period of the larger listed companies. Despite quiet trade, Avanza’s investment in promoting the distribution of IPO’s to retail investors has developed strongly. During the second quarter, Avanza participated in six IPO’s and new issues, and we expect to carry out just as many during the autumn”, says Nicklas Storåkers, Managing Director of Avanza.

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

### Business performance

The value increase of the average Avanza portfolio amounted to 13.9% during the first half of the year compared with Stockholmsbörsen’s All Share-index which increased by 9.7%.

During the entire six-month period, net deposits with Avanza have been very strong and amounted to SEK 1,740 million (SEK 530 m). This is equivalent to 16% (8%) of the total value of the custodian accounts at the beginning of the year. During the second quarter, net deposits amounted to SEK 550 million (SEK 170 m). Net deposits originated both from existing customers and new customers. At the end of the spring, Avanza launched a function which simplifies and increases the speed both of deposits and withdrawals. In the future, this is expected to contribute positively to net deposits. Total custodian accounts increased during the first half of the year by 30% (18%) to SEK 14,300 million as of 30<sup>th</sup> June 2004 (SEK 11,000 million as on 31<sup>st</sup> December 2003).

The total number of custodian account customers increased net by 4.0% (0%) during the first half of the year to 85,700 (82,400 as at 31<sup>st</sup> December 2003). The inflow of customers has been strong during the entire six-month period, despite relatively small external marketing investment. During the second quarter, the net flow of customers was affected negatively by 2,300 custodian accounts being terminated on account of low activity level. The opportunities for Avanza’s customers to participate in attractive new introductions has contributed to the interest in becoming an Avanza customer.

Avanza’s custodian account customers made an average of 1.52 (0.74) contract notes per month during the first half of 2004. This equates with an increase in activity of 105% compared with the first half of the previous year. As a result of the quieter stock market climate during the second quarter, however, activity fell by 42% (+10%) compared with the first quarter. During the second quarter of 2004 on the other hand, customers made an average of 1.11 (0.78) contract notes per month. The average brokerage fee per contract note for custodian account customers amounted to SEK 103 (SEK 105) during the first half of 2004. Operating income per custodian account customer amounted to SEK 1,400 (800) during the same period.

Borrowing, including client funds, increased to SEK 1,681 million (SEK 1,465 m as of 31<sup>st</sup> December 2003) as of 30<sup>th</sup> June 2004. Lending increased during the first half of the year by 82% to SEK 895 million (SEK 491 m as of 31<sup>st</sup> December 2003). Deposits and advances respectively equalled 11.8% (13.3% as of 31<sup>st</sup> December 2003) and 6.3% (4.5% as of 31<sup>st</sup> December 2003) respectively of the value of custodian accounts.

Avanza's market share of Stockholmsbörsen during the first half of 2004 was 8.5 % (5.9%) of the number of transactions and 1.7% (1.3%) of turnover.

Avanza is planning a number of large product launches for the autumn. On the basis of these planned launches, Avanza is at present carrying out the development of new products and services. The projects are based on customer demand and Avanza estimates that these new launches will create good prospects for growth.

In addition, Avanza has carried out considerable efficiencies of business flow during the spring, and will carry out further improvements during the summer. This means cost savings in the form of lower personnel requirements within a number of functions

At 1<sup>st</sup> July 2004, Avanza has acquired the remaining 49% of Avanza Vikingen AB. Avanza Vikingen thus becomes a wholly-owned subsidiary company within the Avanza Group, and Avanza's total investment in the company amounts to SEK 2.8 million. Operating income in Avanza Vikingen during the period February - June 2004 amounted to SEK 3.1 million and operations showed a pre-tax result of SEK 0.5 million. Developments in Avanza Vikingen have been good since Avanza's initial acquisition on 1<sup>st</sup> February 2004. A new development organisation has been established in Uppsala. The activity is now directed mainly at developing a new platform for the Vikingen Börs product. Vikingen Börs has 3,000 users and is the most widely used product in Sweden for technical analysis of shares. The objective is to develop an integrated program for trading and technical analysis of shares.

## Financial results and status

Operating income increased by 83.9% to SEK 115.1 million (SEK 62.6 m) during the first half of 2004. During the second quarter of 2004, operating income amounted to SEK 49.6 million (SEK 33.6 m). During the last twelve-month period, operating income has amounted to SEK 202.4 million (SEK 130.9 m). The considerable increase in revenue during the first half of the year is explained partly by a continual underlying growth of the number of custodian account customers, the value of custodian accounts and borrowing and lending volumes, and also because of considerably increased trading activity. Net interest income amounted to SEK 30.0 million (SEK 21.1 m), which is equivalent to an increase of 42.2% compared with the same period of the previous year.

Brokerage income with deduction of direct costs constituted 62% (52%) of total operating income, while net interest income, custodian account fees and other income made up the remaining 38% (48%). The proportion of brokerage income increases in a stronger stock market climate as a result of customers making more transactions. Brokerage income from institutional customers amounted to 5.0% (7.9%) of total brokerage income.

Income which is not brokerage income has increased during the past year, and during the first half of 2004 was equivalent to 82% (74%) of operating expenses excluding goodwill amortisation. Avanza's growth has thus contributed to the positive effect that the requirement for the minimum number of contract notes needed in order to show profit, the so-called break-even level, has considerably reduced and thus strengthened stability as regards Avanza's profitability.

Operating costs excluding goodwill amortization amounted during the first half of the year to SEK 53.1 million (SEK 44.3 m), which is an increase of 19.9% compared with the same period of 2003. A third of the cost increase is related to acquired operations, and the remainder is explained by the increase in activity which has been necessary as a result of the high organic growth in income. Because Avanza's activities are founded on considerable advantages of scale, cost increases have, however, been considerably lower than the increase of revenue.

The number of full-time employees (excluding those on unpaid or parental leave) amounted at the end of June to 74 (61 at 31<sup>st</sup> December 2003). The higher manning level consists of acquired activities (6 employees) and an increase in the existing organisation (7 employees). The efficiencies that Avanza has carried through have involved lower manning within a number of functions, which is judged to compensate for a proportion of the new recruitment requirements that the company has prior to future new investment.

The result before goodwill amortization for the first half of the year amounted to SEK 62.0 million (SEK 18.3 m), which means an operating margin of 53.8% (29.2%). During the second quarter, the result before goodwill amortization amounted to SEK 24.3 million (SEK 12.3 m). During the last twelve-month period, the equivalent result amounted to SEK 102.8 million (SEK 42.1 m), and the operating margin was 50.7% (32.2%).

Goodwill amortization amounted during the first half of the year to SEK 4.4 million (SEK 4.4 m). The pre-tax result during the first half of the year improved to SEK 57.6 million (SEK 13.9 m). Tax cost amounted to SEK 16.1 million (SEK 4.0 m), of which tax paid constituted SEK 0 million (SEK 0 million). Tax costs refer to utilisation of deficit deduction, which was activated in the balance sheet of previous years.

The result after tax during the first half year amounted to SEK 41.3 million (SEK 9.9 m). Earnings per share after dilution amounted to SEK 1.52 (SEK 0.37), and earnings per share excluding goodwill amortization after dilution amounted to SEK 1.64 (SEK 0.49). The equivalent result during the last twelve-month period amounted to SEK 2.51 (SEK 0.91) and SEK 2.73 (SEK 1.14) respectively. Return on equity during the first half of the year amounted to 17.8% (5.0%).

At 30<sup>th</sup> June 2004, equity amounted to SEK 243.0 million (SEK 228.3 m as of 31<sup>st</sup> December 2003) or SEK 9.13 (SEK 8.58) per share, and the capital adequacy ratio amounted to 15% (26%). The lower capital adequacy ratio is mainly explained by the fact that new rules for reporting of capital adequacy came into force on 1<sup>st</sup> January 2004, which had a negative effect on

Avanza's capital adequacy ratio. At half year, Avanza had SEK 53.7 million (SEK 69.6 m at 31<sup>st</sup> December 2003) remaining in deferred tax receivables. The Group's liquid assets amounted to SEK 631.0 million (SEK 677.4 m).

## Outlook for the future

With almost 85,700 custodian account customers, Avanza is Sweden's largest online broker, and our aim is to continue to be the fastest growing company in the sector. During the autumn, it is estimated that Avanza will pass the 90,000 custodian account customer mark. Avanza's business model is to offer Swedish private investors the market's most extensive service for active investing on the net, and the company's prospects of gaining further market share are considered to be very good.

During the autumn, Avanza will carry out a number of new launches which will considerably strengthen Avanza's customer offerings and growth possibilities, both with existing customers and also within some completely new customer groups. Development within Avanza Vikingen will continue with the objective of developing an integrated product for trade and technical analysis.

Market prospects are positive for the next few months, and the activity of private investors is expected to increase during July compared with June.

Taken as a whole, this constitutes good prospects for strong income growth, and it is expected that during 2004 the company will considerably exceed the goal of annual income growth of 20%-30%.

Operating expenses (excluding annual goodwill amortization of SEK 8.8 million) are estimated at SEK 98-103 million during 2004. Operating expenses during the second and third quarters are normally seasonally lower than during the first and fourth quarters.

On account of the considerable dependence on stock market developments, Avanza does not make any result forecast as regards 2004.

## Other matters

### Events after the end of the report period

At 1<sup>st</sup> July 2004, Avanza has acquired 49% of the shares in Avanza Vikingen AB, and the company has thus become a wholly-owned subsidiary company within the Avanza Group. Avanza's total investment for 100% of the shares of Avanza Vikingen thus amounts to SEK 2.8 million.

## Financial calendar

Interim Report 1<sup>st</sup> January – 30<sup>th</sup> September  
Preliminary financial statement

8<sup>th</sup> October 2004  
January 2005

Stockholm 8<sup>th</sup> July 2004

Nicklas Storåkers  
Managing Director

## Review report Avanza AB

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 Report Acts.

Stockholm, 8<sup>th</sup> July 2004

KPMG Bohlins AB

Anders Bäckström  
Authorised Public Accountant

*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.*

## The Group's quarterly performance

SEK million	1 <sup>st</sup> April 04 30 <sup>th</sup> June 04	1 <sup>st</sup> Jan 04 31 <sup>st</sup> Mar 04	1 <sup>st</sup> Oct 03 31 <sup>st</sup> Dec 03	1 <sup>st</sup> July 03 30 <sup>th</sup> Sept 03	1 <sup>st</sup> April 03 30 <sup>th</sup> June 03	1 <sup>st</sup> Jan 03 31 <sup>st</sup> Mar 03
Operating income	49.6	65.5	46.5	40.8	33.6	29.0
Operating expenses	-25.3	-27.8	-25.8	-20.7	-21.3	-23.0
<b>Profit before goodwill amortization</b>	<b>24.3</b>	<b>37.7</b>	<b>20.7</b>	<b>20.1</b>	<b>12.3</b>	<b>6.0</b>
Goodwill amortization	-2.2	-2.2	-2.2	-2.2	-2.2	-2.2
<b>Pre-tax profit/loss</b>	<b>22.1</b>	<b>35.5</b>	<b>18.5</b>	<b>17.9</b>	<b>10.1</b>	<b>3.8</b>
Value of custodian accounts, SEK m	14,300	13,900	11,000	9,000	7,700	6,300
Net investments, SEK m	550	1,190	660	470	170	360
No. custodian account customers	85,700	85,800	82,400	78,300	76,600	77,500
No. contract notes per custodian account customer and month	1.11	1.93	1.26	1.16	0.78	0.71
No. transactions per contract note	1.55	1.56	1.50	1.53	1.60	1.60
Average no. employees	73	69	61	56	51	53

## Key financial figures for the Group

	1 <sup>st</sup> April 04 30 <sup>th</sup> Jun 04	1 <sup>st</sup> Jan 04 30 <sup>th</sup> Jun 04	1 <sup>st</sup> Jan 03 30 <sup>th</sup> Jun 03	1 <sup>st</sup> July 03 30 <sup>th</sup> Jun 04	1 <sup>st</sup> Jan 03 31 <sup>st</sup> Dec 03
Earnings per share, SEK	0.59	1.55	0.37	2.54	1.36
Earnings per share after dilution, SEK	0.58	1.52	0.37	2.51	1.35
Earnings per share excluding goodwill amortization, SEK	0.65	1.67	0.49	2.76	1.60
Earnings per share excluding goodwill amortization after dilution, SEK	0.64	1.64	0.49	2.73	1.59
Operating margin %	48.9	53.8	29.2	50.7	39.4
Equity per share, SEK	9.13	9.13	7.58	9.13	8.58
Return on equity, %	6.8	17.8	5.0	30.4	17.6
Capital adequacy ratio, %	15	15	34	15	26
Average number of shares before dilution	26,622,874	26,622,874	26,622,874	26,622,874	26,622,874
Average number of shares after dilution	27,116,697	27,093,052	26,711,927	26,960,101	26,802,374
Outstanding number of shares before dilution	26,622,874	26,622,874	26,622,874	26,622,874	26,622,874
Outstanding number of shares after dilution	27,114,076	27,114,076	26,689,596	27,114,076	27,045,763
Number of shares on full dilution	27,465,674	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.

### 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 <sup>st</sup> April 04 30 <sup>th</sup> June 04	1 <sup>st</sup> April 03 30 <sup>th</sup> June 03	1 <sup>st</sup> Jan 04 30 <sup>th</sup> June 04	1 <sup>st</sup> Jan 03 30 <sup>th</sup> June 03
Commission income	41.4	23.2	99.9	44.7
Commission expenses	-6.7	-2.9	-15.5	-5.8
Interest income	16.0	13.2	33.8	26.1
Interest expenses	-1.4	-2.4	-3.8	-5.0
Net result of financial transactions	0.1	0.1	0.4	0.1
Other operating income	0.2	2.4	0.3	2.5
<b>Total operating income</b>	<b>49.6</b>	<b>33.6</b>	<b>115.1</b>	<b>62.6</b>
<b>Operating expenses</b>				
General administrative costs	-22.4	-18.0	-47.2	-37.0
Depreciation of tangible and amortization of intangible fixed assets	-3.1	-3.5	-6.2	-7.7
Other operating expenses	-2.0	-2.0	-4.1	-4.0
Net credit losses	0.0	-	0.0	-
<b>Total operating expenses</b>	<b>-27.5</b>	<b>-23.5</b>	<b>-57.5</b>	<b>-48.7</b>
<b>Operating profit</b>	<b>22.1</b>	<b>10.1</b>	<b>57.6</b>	<b>13.9</b>
Taxes	-6.2	-2.9	-16.1	-4.0
Minority holdings	-0.1	0.0	-0.2	0.0
<b>Profit for the period</b>	<b>15.8</b>	<b>7.2</b>	<b>41.3</b>	<b>9.9</b>
Earnings per share, SEK	0.59	0.27	1.55	0.37
Earnings per share after dilution, SEK	0.58	0.27	1.52	0.37

## Consolidated balance sheet (SEK million)

	30 <sup>th</sup> June 2004	31 <sup>st</sup> Dec 2003
<b>Assets</b>		
Loans to credit institutions	631.0	677.4
Loans to the public	Note 1 894.6	491.2
Bonds and other interest-bearing securities	1.2	1.2
Shares and participations	0.4	0.1
Intangible fixed assets	19.2	23.9
Tangible assets	5.5	5.7
Other assets	Note 2 74.1	172.9
Prepaid costs and accrued income	8.2	4.1
<b>Total assets</b>	<b>1 634.2</b>	<b>1 376.5</b>
<b>Liabilities and shareholders' equity</b>		
Lending and borrowing from the public	Note 3 1 300.3	1 107.0
Other liabilities	66.8	28.0
Accrued costs and deferred income	23.6	13.2
Minority holdings	0.5	0.0
Shareholders' equity	243.0	228.3
<b>Total liabilities and shareholders' equity</b>	<b>1 634.2</b>	<b>1 376.5</b>

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

	1 <sup>st</sup> Jan 2004 30 <sup>th</sup> June 2004	1 <sup>st</sup> Jan 2003 30 <sup>th</sup> June 2003	1 <sup>st</sup> Jan 2003 31 <sup>st</sup> Dec 2003
Shareholders' equity at the start of the period	228.3	192.0	192.0
Dividend	-26.6	-	-
Result for the period	41.3	9.9	36.3
Shareholders' equity at the end of the period	243.0	201.9	228.3

## Consolidated cashflow statement (SEK million)

	1 <sup>st</sup> Jan 2004 30 <sup>th</sup> June 2004	1 <sup>st</sup> Jan 2003 30 <sup>th</sup> June 2003
Cashflow from current operations	63.8	21.4
Cashflow from assets and liabilities of current operations	-82.3	166.9
Cashflow from investment operations	-1.3	-2.0
Cashflow from financing operations	-26.6	-
<b>Cashflow for the period</b>	<b>-46.4</b>	<b>186.3</b>
<b>Liquid assets at the start of the period*</b>	<b>677.4</b>	<b>514.2</b>
<b>Liquid assets at the end of the period*</b>	<b>631.0</b>	<b>700.5</b>

\* Liquid assets are defined as the sum of cash in hand and loans and liabilities 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 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 2004 accounts.

### 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 53.7 million (SEK 69.6 m) in 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 381.1 million (SEK 358.4 m) as of 30<sup>th</sup> June 2004.