



Preliminary year-end report for 2001

Avanza reports an operating profit of MSEK 8.9 for the full year 2001.

- The profit before restructuring costs and goodwill amortisation improved to MSEK 8.9 (-45.2), which is equivalent to an operating margin of 9.5 per cent.
- The Q4 profit before goodwill amortisation totalled MSEK 11.4, which is equivalent to an operating margin of 32.4 per cent.
- Operating income rose 252 per cent in 2001 to reach MSEK 93.5 (26.6).
- Q4 saw a goodwill write-down of MSEK 215.7.
- The Board of Directors proposes that no dividend payment be made for 2001.

Comments from the President

“Just less than a year ago, the industry was considered to be in crisis. In Q4, however, Avanza began to gain the benefits of the merger and although there were only four positive months during 2001, the company is reporting an operating profit. And it is doing so despite the fact that the market is only beginning to show the first signs of recovery”, according to Nicklas Storåkers, the company President.

“The most active private investors have now returned to the stock market. Renewed activity on the part of broader groups of investors will further enhance this potential.”

“At the same time, Avanza is broadening its operations to include institutional services. There is considerable interest among major institutions in enhancing management efficiency and cutting costs.”

Review of operations

The Stockholm Stock Exchange dropped 17 per cent in 2001, and the general market trend was very weak for more or less the entire period up to and including September. This had a negative impact on Avanza's operations in the form of lower activity and a smaller inflow of new customers, among other things.

On the other hand, the stock market showed definite signs of recovery in Q4. Trading activity improved 25 per cent to 1.0 (0.8) transactions per active customer and month compared with Q3. For the full year 2001, the figure was 1.0 (2.8) transactions per active customer and month. As a result of price increases in Q4, among other things, the average commission per contract note (transaction note) rose 16 per cent to SEK 101 compared with SEK 87 in Q3. Operating income per active customer and year came to an average of approximately SEK 1,600 in 2001.

Avanza's institutional operations also expanded in Q4. Institutional services comprise two areas: institutional brokerage services and services for the corporate actions.

Both deposits and lending increased in Q4 as a direct consequence of the increase in stock market activity. On 31 December 2001, deposits including funds managed on behalf of third parties totalled MSEK 1,227, while lending came to MSEK 214. During the last quarter of the year, commission income less direct costs accounted for 63 per cent of total operating income, while the remaining 37 per cent comprised net interest income, custodian account fees and other revenues.

On 31 December 2001, the number of open custodian accounts was 95,300 (39,000). In Q4, the net inflow of new active customers totalled +900 (+1,900), and the total number of active customers at the turn of the year was 73,000 (37,000). The total value of custodian accounts at Avanza on 31 December 2001 totalled SEK 8.4 billion.

Avanza's market share on the Stockholm Stock Exchange in December was 5.7 (3.7) per cent of the number of transactions and 1.0 (0.6) per cent of the turnover. In terms of the number of transactions, Avanza was the second largest independent Internet broker and the sixth largest player overall on the Stockholm Stock Exchange.

The pace of technical development of new products and services remained high in 2001. The development rate was, however, inhibited by the IT-related work connected with the spin-off of HQ.SE Fonder and the merger of Avanza and HQ.SE Aktiespar. New services launched during the year included share trading on Jiway and a new kind of custodian account for endowment assurance.

The accessibility (availability) level during the year was 98.9 per cent. Both operational accessibility and the stability of Avanza's IT systems were disrupted to some extent during the autumn in connection with the integration of Avanza and HQ.SE Aktiespar. Measures have since been taken and accessibility has returned to satisfactory levels.

Financial results and position

The Group

The profit before restructuring costs and goodwill amortisation came to MSEK 8.9 (-45.2) for the period. The corresponding Q4 profit was MSEK 11.4 (-23.5), giving an operating margin before goodwill amortisation of 32.4 (neg.) per cent. The outcome in Q4 2001 was in line with the expectations described in the interim report of 30 September 2001.

Restructuring costs of MSEK 30.3 for the integration of HQ.SE Aktiespar and Avanza were charged to the profit during the year. Goodwill amortisation for the year totalled MSEK 50.7 (3.6). During Q4, there was also a goodwill write-down of MSEK 215.7 as a result of the change in the market climate, bringing total goodwill to MSEK 40.0 (216.0). The pre-tax operating loss for 2001 was MSEK 287.8 (-68.5).

Commission income for 2001 came to MSEK 74.1 (20.1), while operating income totalled MSEK 93.5 (26.6). This is equivalent to increases of 269 and 252 per cent respectively on the same period the previous year. These increases are mainly attributable to acquisitions, although an improvement in net interest income, as well as higher custodian account fees and growth in the institutional trading services all contributed positively to the increase in income. While the recovery in business activity during Q4 made a positive contribution to commission income, the generally weak market climate during the year inhibited growth overall.

Net interest income totalled MSEK 27.3 (14.6), an 87 per cent increase on the previous year.

Operating expenses excluding restructuring costs and goodwill amortisation came to MSEK 84.6 (71.8).

Shareholders' equity on 31 December 2001 totalled MSEK 178.2 (350.5) or SEK 6.7 (16.7) per share. The Group's liquid assets totalled MSEK 356.7 (199.2).

The Parent company

Avanza AB is reporting a loss before appropriations and tax of MSEK 243.7 (-8.1) for the period. This includes the write-down of financial assets, which had a negative impact on the profit/loss of MSEK 259.0 during the year. Net sales totalled MSEK 0.0. The company's liquid assets came to MSEK 0.7 (4.5).

Outlook for 2002

During 2002, the development of Avanza's operations will primarily focus on our existing customer base. The company will be investing in the development of new products and services requested by our customers. Our main focus will be on advanced services for securities trading and related support systems. New products will be launched during the first quarter of 2002.

Both commission income and the inflow of new customers are directly dependent on stock market trends. There has, however, been a rise in the share of the company's operating income that is not directly dependent on these trends. The figure for Q4 2001 was MSEK 4.3 per month.

Following the merger of Avanza and HQ.SE Aktiespar, the company now has a highly streamlined and very cost-efficient organisation. The operating expenses before goodwill amortisation in 2002 are estimated to total MSEK 8.5-9.0 per month. In addition, goodwill amortisation is expected to come to MSEK 0.7 per month.

Other matters

Spin-off of HQ.SE Fonder

The spin-off of the HQ.SE Fonder business area was completed in May 2001 in accordance with the resolution adopted by the Annual General Meeting of shareholders. HQ.SE Fonder was subsequently listed on the New Market (Nya Marknaden).

Acquisition of Avanza Holding

The acquisition of Avanza Holding was announced in June 2001. The company was consolidated on 1 August 2001 and the operative integration of Avanza and HQ.SE Aktiespar was completed in October 2001. The purchase sum for Avanza Holding was MSEK 73.1, paid in the form of 5,633,303 newly issued shares. Avanza Holding's operations consisted of online securities trading. The company had 46,300 open custodian accounts, of which 28,600 were active customers.

Change of company name

On 19 September 2001, an extraordinary general meeting of shareholders adopted a resolution to change the name of HQ.SE Aktiespar AB to Avanza AB. In connection with this change, the company's ID on the Stockholm Stock Exchange was also changed from HQSE to AZA.

Dividend

The Board of Directors proposes that no cash dividend be paid for the 2001 financial year.

Annual General Meeting

The Annual General Meeting will be held at 5 p.m. on 9 April at Ingenjörshuset in Stockholm. The annual report will be available at the company's offices from the middle of March and will also be distributed to shareholders.

Financial calendar

| | |
|--|---------------|
| Annual report | March 2002 |
| Annual General Meeting | 9 April 2002 |
| Interim report, January-March 2002 | 25 April 2002 |
| Interim report, January-June 2002 | August 2002 |
| Interim report, January-September 2002 | October 2002 |

Stockholm
11 February 2002

The Board of Directors

The Group's quarterly performance

| MSEK | Q1-Q4 2001 | Q4 2001 | Q3 2001 | Q2 2001 | Q1 2001 | Q1-Q4 2000 | Q4 2000 | Q3 2000 | Q2 2000 | Q1 2000 |
|--|---------------|---------------|--------------|--------------|--------------|---------------|--------------|-------------|--------------|--------------|
| Operating income | 93.5 | 35.2 | 21.6 | 16.5 | 20.2 | 26.6 | 8.5 | 8.9 | 3.1 | 6.1 |
| Operating expenses | -84.6 | -23.8 | -19.6 | -19.5 | -21.7 | -71.8 | -32.0 | -12.7 | -14.8 | -12.3 |
| Profit/loss before restructuring costs and amortisation of goodwill | 8.9 | 11.4 | 2.0 | -3.0 | -1.5 | -45.2 | -23.5 | -3.8 | -11.7 | -6.2 |
| Restructuring costs | -30.3 | - | -26.6 | -3.7 | - | -19.7 | -8.7 | - | -3.0 | -8.0 |
| Amortisation of goodwill | -50.7 | -15.3 | -13.4 | -11.0 | -11.0 | -3.6 | -3.6 | - | - | - |
| Goodwill write-down | -215.7 | -215.7 | - | - | - | - | - | - | - | - |
| Profit/loss before tax | -287.8 | -219.6 | -38.0 | -17.7 | -12.5 | -68.5 | -35.8 | -3.8 | -14.7 | -14.2 |
| Number of open accounts | 95,300 | 95,300 | 96,600 | 50,800 | 52,900 | 39,000 | 39,000 | 8,800 | 6,900 | 4,800 |
| Number of active customers | 73,000 | 73,000 | 72,100 | 43,000 | 48,000 | 37,000 | 37,000 | 6,100 | 4,800 | 2,400 |
| Contract notes per active customer and month | 1.0 | 1.0 | 0.8 | 0.9 | 1.4 | 2.8 | 1.9 | 1.8 | 2.1 | 5.6 |
| Average number of employees | 64 | 65 | 78 | 57 | 57 | 23 | 27 | 23 | 25 | 18 |

Key financial ratios for the Group

| | 1 Jan. 2001-31 Dec. 2001 | 1 Jan. 2000-31 Dec. 2000 |
|--|-----------------------------|-----------------------------|
| Earnings per share, SEK | -10.5 | -3.5 |
| Earnings per share after dilution, SEK | -10.5 | -3.5 |
| Equity per share, SEK | 6.7 | 16.7 |
| Return on equity, % | neg. | neg. |
| Number of shares, closing balance | 26,622,874 | 20,989,571 |
| Average number of shares | 22,897,135 | 15,001,903 |
| Number of shares after dilution, closing balance | 22,947,010 | 22,104,541 |
| Capital adequacy ratio, % | 36 | 99 |

Definitions

Earnings per share after tax

Profit/loss after tax, excluding dividends paid, in relation to the average number of shares during 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 during the period.

Capital adequacy ratio

The capital base in proportion to risk-weighted capital.

Operating margin

Operating profit/loss in relation to operating income.

Open account

An open account is defined as a correctly registered and opened account.

Active customer

An active customer is defined as an open account with holdings.

Consolidated income statement (MSEK)

| | 1 Oct. 2001-31 Dec. 2001 | 1 Oct. 2000- 31 Dec. 2001* | 1 Jan. 2001- 31 Dec. 2001 | 1 Jan. 2000- 31 Dec. 2000* |
|---|-----------------------------------|-------------------------------------|------------------------------------|----------------------------------|
| Operating income | | | | |
| Commission income | 28.4 | 36.7 | 74.1 | 129.1 |
| Commission expenses | -3.6 | -11.8 | -12.0 | -37.4 |
| Interest income | 14.3 | 5.0 | 45.0 | 22.0 |
| Interest expenses | -5.0 | -2.4 | -17.7 | -6.5 |
| Net result of financial transactions | 0.9 | -0.1 | 1.8 | 0.0 |
| Other operating income | 0.2 | - | 2.3 | - |
| Total operating income | 35.2 | 27.4 | 93.5 | 107.2 |
| Operating expenses | | | | |
| General administrative expenses | -18.9 | -20.2 | -70.5 | -71.7 |
| Depreciation of tangible and intangible fixed assets | -19.9 | -4.9 | -59.1 | -7.4 |
| Items affecting comparability | -215.7 | -8.7 | -246.0 | -19.7 |
| Other operating expenses | -0.3 | -19.9 | -5.7 | -43.3 |
| Net credit losses | 0.0 | - | 0.0 | - |
| Total operating expenses | -254.8 | -53.7 | -381.3 | -142.1 |
| Operating profit/loss | -219.6 | -26.3 | -287.8 | -34.9 |
| Tax | 29.5 | 7.2 | 48.0 | 9.6 |
| Minority share | -0.2 | - | -0.2 | - |
| Profit/loss from spun-off operations | Note 1 | - | 4.1 | 82.5 |
| Profit/loss for the period | -190.3 | -19.1 | -235.9 | 57.2 |
| Earnings per share, SEK | -7.4 | -1.1 | -10.5 | -1.7 |
| * Including spun-off operations in HQ.SE Fonder | | | | |

Consolidated balance sheet (MSEK)

| | 31 Dec. 2001 | 31 Dec. 2000 * |
|---|--------------|----------------|
| Assets | | |
| Loans to credit institutions | 356.7 | 210.9 |
| Loans to the public | Note 2 | 214.4 |
| Shares and participations | 1.9 | 1.5 |
| Intangible fixed assets | 44.7 | 220.9 |
| Tangible assets | 12.3 | 9.0 |
| Other assets | Note 3 | 142.9 |
| Prepaid expenses and accrued income | 12.5 | 12.7 |
| Total assets | 785.4 | 592.1 |
| Liabilities, provisions and shareholders' equity | | |
| Deposits and borrowing from the public | Note 4 | 561.3 |
| Other liabilities | 26.5 | 74.3 |
| Accrued expenses and prepaid income | 19.1 | 23.0 |
| Minority share | 0.3 | - |
| Shareholders' equity | Note 5 | 178.2 |
| Total liabilities, provisions and shareholders' equity | 785.4 | 592.1 |
| • Including spun-off operations in HQ.SE Fonder | | |

Consolidated cash flow statement (MSEK)

| | 1 Jan. 2001- 31 Dec. 2001 | 1 Jan. 2000- 31 Dec. 2000* |
|---|------------------------------|-------------------------------|
| Cash flow from current operations | -13.7 | -162.3 |
| Cash flow from assets and liabilities of current operations | 31.7 | 578.5 |
| Cash flow from investment activities | 143.8 | -175.8 |
| Cash flow from financing activities | -0.9 | -143.4 |
| Spin-off of operations | -15.1 | -554.8 |
| Cash flow for the period | 145.8 | -457.8 |
| Liquid assets at beginning of year** | 210.9 | 668.7 |
| Liquid assets at end of year** | 356.7 | 210.9 |
| Cash flow for the period | 145.8 | -457.8 |

* Includes spun-off operations in HQ.SE Fonder and Hagströmer & Qviberg

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

Notes

Accounting principles

This report has been prepared in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559), the Swedish Financial Supervisory Authority's regulations (FFFS 2001:19) and the recommendations of the Swedish Financial Accounting Standards Council. The accounting and valuation principles used in this report are the same as those applied in the latest annual report. In addition, the company has applied the new recommendations of the Swedish Financial Accounting Standards Council that came into force in 2001. As a result of income tax recommendation RR9, a loss carry-forward of MSEK 9.2 has been booked as income for 2000. The change in the accounting principle has been reported in accordance with RR5 and the comparative figures have been adjusted accordingly. Other recommendations have not affected the Group's accounts.

Unless otherwise stated, all figures in this report exclude operations within the HQ.SE Fonder business area, which was distributed to the shareholders in May 2001.

Note 1 – Profit/loss from spun-off operations

In accordance with the resolution adopted by the Annual General Meeting of shareholders, operations within HQ.SE Fonder were spun off in May 2001. The income of the spun-off operations totalled MSEK 17 in Q1 2001. In accordance with the resolution adopted by the Annual General Meeting of shareholders, all shares in Hagströmer & Qviberg were distributed in June 2000. The income of the spun-off operations was MSEK 329 in Q1 2000.

Note 2 – Loans to the public (MSEK)

Loans to the public are reported after deductions for actual and anticipated credit losses. On 31 December, the company reported no doubtful debts. All loans, so-called custodian account credits, are secured by securities up to the established lending value.

Note 3 – Other assets (MSEK)

This balance sheet item comprises MSEK 88.0 (9.2) of receivables booked as assets in respect of deferred tax.

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

Apart from the funds reported in the balance sheet, Avanza managed funds corresponding to MSEK 665.7 (487.1) on behalf of third parties on 31 December 2001.

Note 5 – Changes in shareholders' equity (MSEK)

| | 31 Dec. 2001 | 31 Dec. 2000* |
|--|--------------|---------------|
| Shareholders' equity, opening balance | 346.1 | 650.6 |
| Effect of changed accounting principle | 9.2 | - |
| Adjusted opening balance | 355.3 | 650.6 |
| Dividends | -13.4 | -369.0 |
| Reduction of share capital | - | -8.6 |
| Redemption | - | -202.3 |
| New share issue | 73.1 | 164.1 |
| Non-cash issue | - | 60.0 |
| Translation difference | - | 0.1 |
| Warrants | -0.9 | 3.2 |
| Profit/loss for the year | -235.9 | 48.0 |
| Shareholders' equity, closing balance | 178.2 | 346.1 |

* Includes spun-off operations in HQ.SE Fonder