



Interim report for 1 January – 30 June 2003

- The profit before goodwill amortisation climbed to SEK 18.3 million (SEK 3.1 m).
- The pre-tax profit came to SEK 13.9 million (-SEK 1.3 m).
- Earnings per share after dilution came to SEK 0.37 (-SEK 0.03). Earnings per share excluding goodwill amortisation and after dilution came to SEK 0.49 (SEK 0.08).
- Operating income rose 15.3 per cent to SEK 62.6 million (SEK 54.3 m).
- Net deposits came to SEK 530 million, which is equivalent to eight per cent of the total value of custodian accounts at the start of the year.

Comments from the Managing Director

"The positive stock trend during the latest four months is both the longest and the most stable upswing we have witnessed in recent years. The Ericsson share, for example, has close to doubled since reaching its bottom level in March. As a result, Avanza's customers have increased their activity by 14 per cent," says Nicklas Storåkers, Avanza's Managing Director.

"For Avanza, the effects of the stock market upswing have been virtually immediate. More customers and more capital have boosted income by more than 15 per cent in a year. The company has also implemented further cost-cutting measures, leading to a close to 500 per cent jump in our operating profit."

"We are expecting both private, day-traders and institutional investors to increase their investments in shares during the second half of the year. If the positive stock market trend continues, we will probably also see new companies go public, which will also help increase the interest in shares."

For more information, please contact Nicklas Storåkers, Managing Director of Avanza, telephone: +46 708 61 80 01.

Business performance

Stockholmsbörsen showed a significant recovery during Q2, following its negative performance early in the year. After reaching its lowest level on 12 March, the stock market has climbed more than 22 per cent. The increase since the beginning of the year is 7.4 (-24) per cent.

Net deposits during the first six months of the year came to SEK 530 million, which is on a par with the company's targets. The total value of custodian accounts came to SEK 7,700 million on 30 June 2003 (SEK 6,500 million on 31 December 2002). The number of custodian account customers has increased throughout the period, with new customers mainly drawn from major banks, as well as traditional brokerage firms. However, the closing of 2,000 smaller passive custodian accounts in Q2 also had an impact on the net influx of customers. The net change in the number of custodian account customers in Q2 was 900 and they now number 76,600 (76,600 on 31 December 2002). Early in Q2, Avanza launched its trading applications to institutional customers, enabling them to trade directly on Stockholmsbörsen. This contributed to the continued increase in the number of institutional customers throughout Q2.

Avanza's custodian account customers averaged 0.7 (0.7) contract notes per month during the first half of 2003. In Q2, the corresponding figure was 0.8 (0.6) contract notes per custodian account customer and month, which is equivalent to an increase of 14 (-25) per cent compared with Q1. The higher activity level during Q2 was due to the positive stock market trend and stems mainly from day-traders the most active customers. However, Q2 saw no marked increase in the activity of the wider groups of private investors. The average brokerage fee per contract note for custodian account customers was SEK 105 (SEK 97) during the first half of 2003, and SEK 105 (SEK 94) during Q2. The number of transactions per contract note was 1.6 (1.4). Operating income per custodian account customer totalled SEK 800 (SEK 700) during the first half of the year.

Borrowing, including client funds, rose to SEK 1,207 million on 30 June 2003 (SEK 1,031 m on 31 December 2002). Lending rose to SEK 268 million (SEK 248 m on 31 December 2002).

Avanza's market share of Stockholmsbörsen during the first half of the year was 5.9 (4.6) per cent of the number of transactions and 1.3 (0.6) per cent of turnover. The equivalent figures for Q2 were 6.3 (4.2) per cent of the number of transactions and 1.4 (0.5) per cent of turnover.

Financial results and status

Operating income climbed 15.3 per cent to SEK 62.6 million (SEK 54.3 m) during the first half of 2003. Operating income in Q2 totalled SEK 33.6 million (SEK 24.6 m), an increase of 36.6 per cent. Commission income rose to SEK 44.7 million (SEK 38.5 m) for the first half of the year. The higher income is due to growth in both the value of custodian accounts and the number of customers. Higher trading activity, the distribution of third party products and the successful launch of supplementary services have also helped boost income. Net interest income came to SEK 21.1 million (SEK 19.4 m), which is equivalent to an increase of 8.8 per cent compared with the first half of 2002.

Brokerage income minus direct expenses accounted for 52 (54) per cent of total operating income, while net interest income, custodian account fees and other income accounted for the remaining 48 (46) per cent. Brokerage income from institutional customers accounted for 7.9 (9.4) per cent of total brokerage income.

Operating expenses for the period, excluding goodwill amortisation, totalled SEK 44.3 million (SEK 51.2 m). The corresponding figure for Q2 fell eight per cent compared with the previous quarter due to seasonal fluctuations and the implementation of cost-cutting measures. The number of full-time employees (excluding those on parental or unpaid leave) came to 52 at the end of June.

The profit before goodwill amortisation for the period January-June came to SEK 18.3 million (SEK 3.1 m), which is equivalent to an operating margin of 29.2 (5.7) per cent. The corresponding figure for Q2 was SEK 12.3 million (SEK 0.6 m). The pre-tax profit for the first six months of the year rose to SEK 13.9 million (-SEK 1.3 m). Earnings per share after dilution came to SEK 0.37 (-SEK 0.03), while the corresponding figure excluding goodwill amortisation was SEK 0.49 (SEK 0.08) per share. Return on equity was 5.0 (neg.) per cent.

Shareholders' equity on 30 June 2003 totalled SEK 201.9 million (SEK 192 m on 31 December 2002), or SEK 7.58 (SEK 7.21) per share, and the capital adequacy ratio was 34 (37) per cent. The Group's liquid assets came to SEK 700.5 million (SEK 514.2 m).

Outlook for the future

A continued positive stock market trend is likely to significantly boost interest in share investments and the activity level among both private and institutional investors. However, the stock market trend is still uncertain due to turbulent geo-political factors, a weak economy and the risk of negative corporate news.

In seasonal terms, net deposits are generally strong during the second half of the year, and the outlook is good for a significant influx of capital during the latter part of 2003, thus boosting the figure for the year as a whole. Avanza's view is that the company will, during 2003, attain its target of annual net deposits from customers totalling 15-20 per cent of the value of custodian accounts.

As a result of the company's ongoing efficiency enhancement work, it is believed that Avanza will once again be in a position during the second half of the year to attain the company's cost target (operating expenses excluding goodwill amortisation of SEK 22-23 million per quarter). This target is expected to be attained even if activity increases as a result of the positive performance of the stock market.

Financial calendar

Q3 interim report, 1 January – 30 September 2003
Preliminary year-end report

8 October 2003
January 2004

Stockholm
8 July 2003.

Nicklas Storåkers
Managing Director

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

The Group's quarterly performance

SEK million	1 Apr. 2003- 30 June 2003	1 Jan. 2003- 31 Mar. 2003	1 Oct. 2002- 31 Dec. 2002	1 July 2002-30 Sep. 2002	1 Apr. 2002-30 June 2002	1 Jan. 2002-31 Mar. 2002
Operating income	33.6	29.0	38.1	30.2	24.6	29.7
Operating expenses	-21.3	-23.0	-22.4	-22.1	-24.0	-27.2
Profit before goodwill amortisation	12.3	6.0	15.7	8.1	0.6	2.5
Goodwill amortisation	-2.2	-2.2	-2.3	-2.1	-2.2	-2.2
Pre-tax profit/loss	10.1	3.8	13.4	6.0	-1.6	0.3
Number of custodian account customers	76,600	77,500	76,600	73,700	72,400	73,400
Number of contract notes per custodian account customer and month	0.8	0.7	1.2	0.8	0.6	0.8
Value of custodian accounts, SEK million	7,700	6,300	6,500	5,200	6,600	8,700
Number of transactions per contract note	1.6	1.6	1.7	1.6	1.4	1.4
Average number of employees	51	53	58	61	62	65

Key financial figures for the Group

	1 Apr. 2003- 30 June 2003	1 Jan. 2003- 31 June. 2003	1 Jan. 2002- 30 June 2002	1 July 2002- 30 June 2003	1 Jan. 2002- 31 Dec. 2002
Earnings per share, SEK	0.27	0.37	-0.03	0.91	0.51
Earnings per share after dilution, SEK	0.27	0.37	-0.03	0.91	0.50
Earnings per share excluding goodwill amortisation, SEK	0.33	0.49	0.08	1.14	0.73
Earnings per share excluding goodwill amortisation and after dilution, SEK	0.33	0.49	0.08	1.14	0.73
Operating margin, %	36.6	29.2	5.7	32.2	21.9
Equity per share, SEK	7.58	7.58	6.66	7.58	7.21
Return on equity, %	3.6	5.0	neg.	12.8	7.3
Capital adequacy ratio, %	34	34	39	34	37
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	27,700,050	26,711,927	26,624,470	26,657,033	26,703,504
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	26,689,596	26,689,596	26,624,470	26,689,596	26,734,258
Number of shares on full dilution	27,435,674	27,435,674	28,245,224	27,435,674	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 minus 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 average shareholders' equity over the period.

Capital adequacy ratio

The capital base in relation to risk-weighted capital.

Custodian account customer

An open account 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 Apr. 2003-30 June 2003	1 Apr. 2002-30 June 2002	1 Jan. 2003-30 June 2003	1 Jan. 2002-30 June 2002
Operating income				
Commission income	23.2	16.3	44.7	38.5
Commission expenses	-2.9	-2.2	-5.8	-5.2
Interest income	13.2	14.0	26.1	28.2
Interest expenses	-2.4	-4.4	-5.0	-8.8
Net result of financial transactions	0.1	0.6	0.1	1.0
Other operating income	2.4	0.3	2.5	0.6
Total operating income	33.6	24.6	62.6	54.3
Operating expenses				
General administrative costs	-18.0	-19.3	-37.0	-41.2
Depreciation of tangible and amortisation of intangible fixed assets	-3.5	-4.9	-7.7	-9.9
Other operating expenses	-2.0	-1.9	-4.0	-4.4
Net credit losses	-	-0.1	-	-0.1
Total operating expenses	-23.5	-26.2	-48.7	-55.6
Operating profit	10.1	-1.6	13.9	-1.3
Tax	-2.9	0.5	-4.0	0.4
Minority holdings	0.0	0.0	0.0	0.0
Profit for the period	7.2	-1.1	9.9	-0.9
Earnings per share, SEK	0.27	-0.04	0.37	-0.03
Earnings per share after dilution, SEK	0.27	-0.04	0.37	-0.03

Consolidated balance sheet (SEK million)

		30 June 2003	31 Dec. 2002
Assets			
Loans to credit institutions		700.5	514.2
Loans to the public	Note 1	267.9	247.9
Bonds and other interest-bearing securities		1.2	1.2
Shares and participations		0.1	0.1
Intangible fixed assets		28.6	32.5
Tangible assets		3.9	5.6
Other assets	Note 2	92.4	99.2
Prepaid expenses and accrued income		7.8	3.6
Total assets		1,102.4	904.3
Liabilities and shareholders' equity			
Lending and borrowing from the public	Note 3	866.3	686.7
Other liabilities		13.3	13.0
Accrued expenses and deferred income		20.6	12.3
Minority holdings		0.3	0.3
Shareholders' equity		201.9	192.0
Total liabilities and shareholders' equity		1,102.4	904.3

Consolidated cash flow statement (SEK million)

	1 Jan. 2003-30 June 2003	1 Jan. 2002-30 June 2002
Cash flow from current operations	21.4	9.0
Cash flow from assets and liabilities of current operations	166.9	29.0
Cash flow from investment operations	-2.0	-0.1
Cash flow from financing operations	-	-
Cash flow for the period	186.3	37.9
Liquid assets at the start of the period*	514.2	356.7
Liquid assets at the end of the period*	700.5	394.6
Cash flow for the period	186.3	37.9

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

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

	30 June 2003	30 June 2002	31 Dec. 2002
Shareholders' equity at the start of the year	192.0	178.3	178.3
Translation difference	-	-	-0.3
Warrants	-	-	0.5
Profit for the year	9.9	-0.9	13.5
Shareholders' equity at the end of the period	201.9	177.4	192.0

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

This balance sheet item comprises SEK 79.4 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 also has borrowing from third parties on client fund accounts totalling SEK 341.2 million (SEK 344.5 m) on 30 June 2003).