

# INTERIM REPORT

JANUARY 1 – SEPTEMBER 30 • 2003

HAGSTRÖMER  
& QVIBERG

## INTERIM REPORT JANUARY 1 - SEPTEMBER 30, 2003

- OPERATING EARNINGS THIRD QUARTER SEK 30 (-3) MILLION
- OPERATING EARNINGS SEK 44 (-16) MILLION
- OPERATING INCOME SEK 278 (272) MILLION
- EARNINGS AFTER TAX SEK 30 (-18) MILLION
- EARNINGS PER SHARE AFTER DILUTION SEK 5.7 (-3.6) MILLION

### Performance and financial position

#### Group

Hagströmer & Qviberg (H&Q) reports for the period January 1 to September 30, 2003 earnings before tax and minority of SEK 44 (-16) million, and earnings after tax and minority of SEK 30 (-18) million. Earnings have during the year been burdened with expenses for personnel reductions of SEK 5 (11) million. In the previous year earnings were also burdened with expenses for the closure of foreign subsidiaries of SEK 15 million.

In total operating income amounted to SEK 278 (272) million, an increase of 2 percent compared with the same period in the previous year. Net income from commissions and fees decreased by 18 percent to SEK 146 (179) million. Of net income from commissions and fees, SEK 40 (70) million was income from financial advisory services and underwriting, a decrease of 43 percent. The net result of financial transactions including dividends increased by 65 percent to SEK 102 (62) million.

Operating expenses for the period amounted to SEK 234 (288) million, a decrease compared to the previous year of 19 percent. Personnel expenses decreased by 6 percent to SEK 163 (174) million, and other expenses by 38 percent to SEK 71 (114) million.

The group's liquid funds amounted to SEK 2,149 (-175 per December 31, 2002) million. Shareholder equity amounted to SEK 377 (373 per December 31, 2002) million, corresponding to SEK 73 (72 per December 31, 2002) per share. Capital adequacy for the group amounted to 40 percent (42 percent per December 31, 2002).

The number of employees in the group on September 30 amounted to 165 (178 per September 30, 2002; 177 per December 31, 2002). The average number of employees during the period amounted to 172 (233).

#### H&Q Investment Banking

Operating income for H&Q Investment Banking amounted to SEK 143 million, an increase of 7 percent compared to the same period in the previous year. Fewer completed capital procurement and advisory engagements are weighed up against considerably higher activity in trading on the company's own account. Institutional stock brokerage continues to increase as a result of greater concentration on absolute analysis. Earnings were positive for the business unit.

During the third quarter the level of activity increased in capital procurement and advisory engagements. This increase is expected to continue.

The number of employees on September 30 was 50 (60 per September 30, 2002; 60 per December 31, 2002).

#### H&Q Private Banking

Operating income for H&Q Private Banking amounted to SEK 126 million, a decrease of 2 percent in relation to the same period in the previous year.

H&Q Private Banking has met the lower level of activity on the market by focusing on products and services that imply lower risks for the client, but that also provide an attractive return – Absolute Asset Management and H&Q Fond i Fond. The distribution of asset management products has grown considerably during the period.

H&Q Private Banking today has a large number of distributors marketing and selling Hagströmer & Qviberg's products. This is unique and growing. Several structured products have been developed and sold. In these cases the distribution channels have accounted for around two-thirds of sales. This demonstrates that the open architecture works, and

gives good results and a continued net inward flow to custodian accounts, i.e. growth. H&Q Private Banking has in addition benefited from the increase in turnover on Stockholmsbörsen and demonstrated strongly positive earnings during the third quarter.

Total assets under management amounted to SEK 19 (16 per December 31, 2002) billion. The inward flows to the new products, AIF and H&Q Fond i Fond, are large, and managed assets for these products amount to SEK 700 million. The net inward flow of new client volumes for the period amounted to SEK 1.4 billion.

The number of employees on September 30 was 60 (59 per September 30, 2002; 59 per December 31, 2002).

#### Outlook

After several years of stock market decline, it is now clear that there has been a positive change. Vitality has returned for both Hagströmer & Qviberg's clients and for its employees. Turnover on Stockholmsbörsen increased in the third quarter and Hagströmer & Qviberg has maintained a large market share. Hagströmer & Qviberg is the fourth-largest player on Stockholmsbörsen.

All departments have performed well, mainly as a result of pro-active ventures during the past year. It is particularly pleasing that recurring revenues within H&Q Private Banking are increasing in both absolute and relative terms. Managed volumes are rising in both traditional and absolute asset management.

Increasingly many structured products are being launched and interest is intensifying. Hagströmer & Qviberg has applied to the Swedish Financial Supervisory Authority to start a mutual fund with Chinese stocks. There will soon also be an application for an India fund.

Following completion of the cost-cutting programme, current expenses excluding bonuses are lower than the expressed target of SEK 250 million per year. Continued cost-consciousness and further strengthening on the income side make Hagströmer & Qviberg positive about the continued earnings trend.

Stockholm, October 16, 2003



Patrik Enblad, Chief Executive Officer, Telephone +46 8 696 17 00

#### Forthcoming Reports

Year-end Report 2003  
Annual Report  
Annual General Meeting

January 30, 2004  
March 2004  
April 1, 2004

**CONSOLIDATED INCOME STATEMENT (SEKm)**

		<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
		<b>Jul - Sep</b>	<b>Jul - Sep</b>	<b>Jan - Sep</b>	<b>Jan - Sep</b>
Income from commissions and fees	Note 1	69	55	179	206
Expenses from commissions and fees		-13	-7	-33	-27
Interest income		23	22	57	66
Interest expense		-9	-13	-29	-42
Dividends received		0	0	26	26
Net result of financial transactions		38	18	76	36
Other operating income		-	7	2	7
<b>Total operating income</b>		<b>108</b>	<b>82</b>	<b>278</b>	<b>272</b>
General administrative expenses		-69	-70	-208	-232
Depreciation and amortisation of fixed assets		-3	-5	-11	-16
Other operating expenses		-6	-3	-15	-12
Credit and bad debt losses		-	-	0	-13
Items affecting comparability		-	-7	-	-15
<b>Total operating expenses</b>		<b>-78</b>	<b>-85</b>	<b>-234</b>	<b>-288</b>
<b>Operating earnings</b>		<b>30</b>	<b>-3</b>	<b>44</b>	<b>-16</b>
Tax on earnings for the period		-9	-4	-14	-5
Minority share of earnings for the period		0	-1	0	3
<b>Earnings for the period</b>		<b>21</b>	<b>-8</b>	<b>30</b>	<b>-18</b>
Earnings per share before dilution, SEK		4.1	-1.6	5.7	-3.6
Earnings per share after dilution, SEK		4.1	-1.6	5.7	-3.6
Average number of shares before dilution		5,188,512	5,177,724	5,180,294	5,176,588
Average number of shares after dilution		5,188,512	5,377,591	5,201,854	5,431,216
Number of shares outstanding before dilution		5,188,512	5,177,724	5,188,512	5,177,724
Number of shares outstanding after dilution		5,188,512	5,210,124	5,188,512	5,210,124

**CONSOLIDATED BALANCE SHEET (SEKm)**

		<b>Sep 30, 2003</b>	<b>Dec 31, 2002</b>
Lending to credit institutions		2,149	143
Lending to the public		503	681
Shares and participations		1,741	831
Other assets	Note 2	390	1,103
<b>Total assets</b>		<b>4,783</b>	<b>2,758</b>
Liabilities to credit institutions		-	318
Deposits and borrowing from the public		1,507	1,158
Other liabilities	Note 2	2,894	904
Minority share of equity		5	5
Shareholder equity	Note 3	377	373
<b>Total equity and liabilities</b>		<b>4,783</b>	<b>2,758</b>

**CONSOLIDATED CHANGE IN SHAREHOLDER EQUITY (SEKm)**

	<b>2003</b>	<b>2002</b>	<b>2002</b>
	<b>Sep 30</b>	<b>Sep 30</b>	<b>Dec 31</b>
Shareholder equity at beginning of the period	373	389	389
Dividend	-26	-26	-26
Translation differences etc.	0	0	-2
Earnings for period	30	-18	12
<b>Shareholder equity at end of the period</b>	<b>377</b>	<b>345</b>	<b>373</b>

**GROUP TRENDS PER QUARTER (SEKm)**

	<b>2003</b>	<b>2003</b>	<b>2003</b>	<b>2002</b>	<b>2002</b>
	<b>Jul - Sep</b>	<b>Apr - Jun</b>	<b>Jan - Mar</b>	<b>Oct - Dec</b>	<b>Jul - Sep</b>
Net income from commissions and fees	56	52	38	43	48
Net interest income	14	6	8	7	9
Financial transactions including dividends, net	38	35	29	49	18
Other operating income	-	0	2	7	7
Operating income	108	93	77	106	82
Operating expenses	-78	-81	-75	-93	-85
Earnings before tax and minority	30	12	2	13	-3

**KEY RATIOS**

	<b>2003</b>	<b>2002</b>	<b>2002-2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>
	<b>Jan - Sep</b>	<b>Jan - Sep</b>	<b>Oct - Sep</b>			
Operating income, SEKm	278	272	384	379	505	935
Operating expenses, SEKm	-234	-288	-327	-382	-495	-685
Earnings before tax and minority, SEKm	44	-16	57	-3	10	250
Earnings per share before dilution, SEK	5.7	-3.6	11.7	2.4	-0.8	36
Earnings per share after dilution, SEK	5.7	-3.6	11.6	2.3	-0.8	35
Shareholder equity per share, SEK	73	67	73	72	75	93
Operating margin, %	16%	-6%	15%	-1%	2%	27%
Return on equity, %*	17%	2%	17%	3%	-1%	46%
Capital adequacy, %	40%	35%	40%	42%	26%	24%

\* Returns are calculated on moving 12-month basis

**INFORMATION BY SEGMENT (SEKm)**

	<b>Investment Banking</b>		<b>Private Banking</b>		<b>Other</b>		<b>Total</b>	
	<b>2003 Jan - Sep</b>	<b>2002 Jan - Sep</b>	<b>2003 Jan - Sep</b>	<b>2002 Jan - Sep</b>	<b>2003 Jan - Sep</b>	<b>2002 Jan - Sep</b>	<b>2003 Jan - Sep</b>	<b>2002 Jan - Sep</b>
Operating income	143	133	126	129	9	10	278	272
Operating expenses	-113	-137	-113	-141	-8	-10	-234	-288
Operating earnings by segment	30	-4	13	-12	1	0	44	-16
Minority share and tax	0	5	-	-	-14	-7	-14	-2
<b>Earnings for the period</b>	<b>30</b>	<b>1</b>	<b>13</b>	<b>-12</b>	<b>-13</b>	<b>-7</b>	<b>30</b>	<b>-18</b>

**CONSOLIDATED CASH FLOW STATEMENT (SEKm)**

	<b>2003 Jan - Sep</b>	<b>2002 Jan - Sep</b>
Cash flow from continuing operations	54	8
Cash flow from continuing assets and liabilities	2,296	-1,012
Cash flow from continuing operations	2,350	-1,004
Cash flow from investing activities	-1	-3
Cash flow from financing activities	-25	-29
Cash flow for the period	2,324	-1,036
Liquid funds at beginning of the period	-175	1,474
Liquid funds at end of the period	2,149	438

**Accounting principles**

This interim report has been prepared in accordance with the recommendations of the Swedish Financial Accounting Standards Council for interim reports (RR20), and the regulations of the Swedish Financial Supervisory Authority 2002:22. The accounting principles and methods of calculation are unchanged from those used in the annual report for 2002. New recommendations from the Swedish Financial Accounting Standards Council have had no effect on the accounts for the first nine months.

**Notes** (all amounts in SEKm)

Note 1 – Income from commissions and fees

Income from commissions and fees includes brokerage of 130 (162) for the nine-month period.

Note 2 – Other assets/Other liabilities

Other assets includes stock-related derivative instruments with positive value in the amount of 249 (actual value). Other liabilities includes stock-related derivative instruments with negative value in the amount of 163 (actual value). The deviation of balance sheet items from December 31, 2002, is mainly attributable to trade in stock index arbitrage.

Note 3 – Shareholder equity

Of the total number of shares outstanding in the amount of 5,202,574, preference shares account for 1,413,631. Includes 14,062 common shares bought back.

**Definitions**

Earnings per share after tax

Earnings after tax in relation to the average number of shares during the period. In the calculation of the average number of shares after dilution, outstanding warrants with exercise prices of SEK 71 and 133 have been included. From the third quarter of 2002 outstanding warrants with an exercise price of SEK 133 have been excluded.

Shareholder equity per share

Shareholder equity in relation to the number of shares on the closing day. Consideration has been made for 14,062 own shares bought back.

Operating margin

Operating earnings in relation to operating income.

Return on equity

Earnings after tax in relation to average shareholder equity. Returns are calculated on a moving 12-month basis.

Liquid funds

Liquid funds include cash and central bank balances, lending to credit institutions and liabilities to credit institutions.

Capital adequacy

Capital base in relation to risk-weighted amount for market and credit risks.

**Auditor's report for Hagströmer & Qviberg AB (publ)**

We have reviewed this interim report in accordance with the recommendations issued by the Swedish Institute of Authorised Public Accountants (FAR). A review is considerably limited compared to an audit. Nothing has come to our attention that indicates that the interim report does not fulfil the requirements of the Swedish Stock Exchange Act and the Swedish Annual Accounts Act.

Stockholm, October 16, 2003

KPMG Bohlins AB

Caj Nackstad, Authorised Public Accountant

**HAGSTRÖMER  
& QVIBERG**

HAGSTRÖMER & QVIBERG AB (PUBL)

S-103 71 STOCKHOLM SWEDEN. VISITORS: NORRLANDSGATAN 15 ENTRANCE D. CORPORATE REG. NO.: SE556028-1239

TELEPHONE: +46(0)8-696 17 00. TELEFAX: +46(0)8-696 17 01

<http://www.hagqvib.com>