

Year-end report 2000

- Commission income increased by 98 percent to MSEK 129.1 (65.1).
- The result before restructuring expenses and depreciation of goodwill amounted to MSEK –11.6.
- The number of active customers increased by 149 percent to 65,200 (26,200).
- Net inflow into HQ.SE Fonder amounted to MSEK +1,360 (+20).
- Both business areas are expected to report positive results during 2001.
- The Board of Directors proposes a spin-off and separate listing of the HQ.SE Fonder business area.
- The Board of Directors proposes that no cash dividend will be paid out for 2000.
- The Board of Directors proposes a change of company name from HQ.SE Holding AB to HQ.SE Aktiespar AB.

Operations

During the fourth quarter, both business areas within the HQ.SE Group have advanced significantly, notwithstanding a difficult market climate. Aktiespar Fondkommission has been fully integrated with HQ.SE Fondkommission, resulting in the formation of the new business area, HQ.SE Aktiespar. As a result of the integration, it has been possible to achieve significant economies of scale with respect to expenses, and HQ.SE Aktiespar is currently Sweden's largest Internet broker measured in number of customers. HQ.SE Fonder concluded the year with a very positive net inflow into the funds. Inflows in both the Pension Premium System selection and on the mutual funds market in general exceeded internal targets, and HQ.SE Fonder thereby increased its market shares during the year.

In order to finance the acquisition of Aktiespar Fondkommission, during the fourth quarter HQ.SE carried out a new issue of new shares amounting to MSEK 161 and a non-cash issue amounting to MSEK 60. A share option programme directed at all Group employees was carried out simultaneously with the new share issue.

Results and financial position

The Group

The result before restructuring expenses and depreciation of goodwill amounted to MSEK –11.6. Restructuring expenses totalled MSEK 19.7, of which MSEK 11.0 relate to the distribution of the shares in Hagströmer & Qviberg and MSEK 8.7 to the integration with Aktiespar Fondkommission. Depreciation of goodwill amounted to MSEK 3.6. The operating result before tax thus amounted to MSEK –34.9. Marketing expenses within the Group amounted to MSEK 35.1.

During 2000, commission income amounted to MSEK 129.1 (65.1) and operating income amounted to MSEK 107.2 (67.3), corresponding to increases of 98 percent and 59 percent.

The operating margin before restructuring expenses and depreciation of goodwill was negative (25.7 percent in 1999) and the return on equity was negative (3 percent in 1999).

The balance sheet total at the end of the year amounted to MSEK 582.9, of which goodwill accounted for MSEK 217. Equity as of 31 December 2000 amounted to MSEK 346.1 or SEK 16.49 per share. The Group's liquid funds amounted to MSEK 210.9.

At the end of the year, the number of employees had increased to 74 (30).

The parent company

HQ.SE Holding AB reported a result for 2000, before allocations and taxes, of MSEK –9.9 (-37.1). Commission income during the period amounted to MSEK 0 (32.2). The company's liquid funds amounted to MSEK 4.5 (76).

HQ.SE Aktiespar

HQ.SE Aktiespar's operating income amounted to MSEK 16.7 and the operating result before restructuring expenses and depreciation of goodwill amounted to MSEK –43.4. Restructuring expenses amounted to MSEK 8.7. Goodwill from the acquisition of Aktiespar is written off over a period of five years and affected the result for 2000 by MSEK 3.6.

Commission income amounted to MSEK 20.1. During the fourth quarter, commission income amounted to MSEK 9.9, an increase of 102 percent compared with the third quarter. Aktiespar Fondkommission, which has been consolidated in the accounts since December 2 2000, contributed commission income of MSEK 3.7 in December. The increase in income is also due to a continued inflow of new customers and a significant increase in activity during December. On average, customers executed 2.0 transactions per customer and month during the last month of the year compared with an average of 1.6 transactions per customer and month for the year as a whole. Commission income during December amounted thereby to MSEK 6.2.

Marketing expenses during the year affected the operating result by MSEK 23.1. Marketing expenses were especially large during the fourth quarter as a result of a major campaign. However, the results of the campaign failed to meet expectations, primarily due to the weak stock market during the final quarter.

As of the end of December, there were 39,000 (100) active customers, of whom 29,000 were acquired from Aktiespar Fondkommission. Total managed assets on accounts at HQ.SE Aktiespar currently amount to just under seven billion kronor. When the stock of account customers acquired from PFK (which will be consolidated in the accounts from the middle of February 2001) is included, there are almost 53,000 customers, and assets on custodian accounts amount to just over 7 billion kronor.

Through the merger with Aktiespar Fondkommission, it has been possible to achieve major cost savings. The integration entailed the discontinuation of Aktiespar Fondkommission's previous IT platform and the two organisations were merged. Significant savings could thus be achieved in relation to, among other things, expenses for systems development, computer operations, information, and back-office.

In December 2000 and January 2001, HQ.SE Aktiespar's market share of the number of transactions on the Stockholm Stock Exchange was 3.7 and 3.8 percent respectively, and 0.6 and 0.5 percent respectively with regard to turnover, which makes HQ.SE Aktiespar the second largest independent Internet broker.

Access to HQ.SE Aktiespar's Internet Service was very high towards the end of the year with an access rate in excess of 99.9 percent. The increasingly complicated systems environment, together with the increasing number of customers, entailed, however, an increase in response times on the homepage on the Internet. At the beginning of 2001, work was commenced in order to rectify this situation and response times have subsequently gradually improved.

In November, a cooperation was launched with American Express with respect to a loyalty programme. Customers can currently obtain American Express Membership Rewards points when they conduct share transactions through HQ.SE Aktiespar. The cooperation is the first of its kind carried out by American Express in Europe.

HQ.SE Aktiespar is currently engaged in development work on a new version of the homepage on the Internet. HQ.SE Aktiespar will thereby be able to offer customers significantly improved information and functionality. A launch is planned for the middle of the spring.

HQ.SE Fonder

Operating income increased by 54 percent to MSEK 80 (52) and the operating profit increased by 106 percent till MSEK 33 (16).

The increase in income is due to the fact that the managed assets during 2000 were significantly greater than during 1999. This is a consequence of the positive stock market development during 1999 and a very positive net flows during 2000.

The operating profit was affected by marketing expenses of MSEK 10.8 (1.1). Marketing has primarily concentrated on the launching of two new funds and the Pension Premium System selection.

HQ.SE Fonder manages a total of twelve mutual funds, of which eight are equity funds, three fixed-income funds, and one a mixed fund. At the end of the year, managed assets amounted to MSEK 8,270 (7,480), broken down into MSEK 7,860 in equity funds, MSEK 320 in fixed-income funds, and MSEK 90 in the mixed fund. At the end of the year, there were 26,200 (26,100) customers.

2000 was a record year for savings in mutual funds in Sweden. Compared with 1999, net savings, i.e. investments less withdrawals, increased by 71 percent to SEK 99 billion, including SEK 36 billion from Pension Premium Savings. HQ.SE Fonder's share of the net savings amounted to MSEK 1,360, including MSEK 460 from Pension Premium Savings, compared with MSEK 20 in 1999. HQ.SE Fonder thereby increased its market share of the net flows to 1.38 (0.03) percent. HQ.SE Fonder's market share, in terms of managed assets, amounted at the end of the year to 0.92 (0.88) percent. The most important event on the Swedish mutual funds market during the year was the Pension Premium Savings selection in the autumn when millions of Swedes were able to choose funds for a total of SEK 56 billion. Nearly 70 percent made an active choice and thereby influenced the manner in which a portion of their general retirement pension would be managed. 1.2 percent of these funds went to HQ.SE Fonder.

Following a fantastic 1999, several stock markets experienced negative trends in 2000. This was primarily due to a reassessment of the valuations of technology stocks. This also very clearly affected the Stockholm Stock Exchange, which declined by 12 percent. In addition, price fluctuations were unusually large. As a consequence of the weak stock market, fixed-income funds were able to demonstrate a relatively good performance. HQ.SE Obligationsfond performed best, +7.8 percent, followed by HQ.SE Swedish High Yield and HQ.SE Likviditetsfond. Among equity funds, HQ.SE Rysslandsfond performed best, +1.4 percent, at the same time as the comparison index declined by 18.1 percent. HQ.SE's largest funds, HQ.SE Strategifond and HQ.SE Sverigefond, which primarily invest on the Swedish stock market, declined during the year but nevertheless significantly outperformed the respective comparison indices.

During 2000, HQ.SE commenced the marketing of two new funds in order to make the range of funds more attractive. HQ.SE Absolut Strategi, which started at the end of December 1999, is a global mixed fund that invests as we consider best on both the equity and fixed-income markets. The risk level of the fund varies over time, among other things due to the portion of fixed-income securities being adjusted depending on market prospects. In April 2000, HQ.SE Gorilla was started. This is an equity fund that invests in the Internet, technology, telecommunications, and media sectors. A common feature of these two new funds is that the management fee consists of a fixed fee, which is lower than for the other funds, and a variable fee charged on any surplus yield.

During the year, operational activities have been primarily focused on creating continued positive conditions for good management results, developing cooperation with the most important distributors, establishing new forms of cooperation with distributors, and developing new product concepts. In addition, work has taken place on improving communications with holders of shares in mutual funds, primarily through the Group's Internet Service. Since April, it has been possible to trade in HQ.SE's funds via the Internet.

Spin-Off of HQ.SE Fonder

Earlier than anticipated, both HQ.SE Aktiespar and HQ.SE Fonder have achieved the critical mass required for profitability and the possibility to use own internal resources in order to develop the op-

erations. The organisational development and growth in earnings capacity within the respective business areas during the past year have created the conditions for additional focusing and streamlining within the HQ.SE Group.

During the past year, markets for both fund management and securities trading on the Internet have also undergone consolidation, and the significant synergies achieved through structural transactions on the respective markets are also expected to lead to continued consolidation in the future. HQ.SE intends to play an active role in this consolidation process.

As a result of the above, the Board of Directors has resolved to propose to the Annual General Meeting of the Shareholders that the operations within the HQ.SE Fonder business area to be spun-off. It is intended that the resolution will be adopted at the Annual General Meeting on the Shareholders in accordance with Lex Asea. The Group synergies existing today, among other things within the distribution of funds via the Internet, will also be guaranteed after a spin-off through a long-term co-operation agreement. It is proposed that Hans Hedström, the head of the HQ.SE Fonder business area, assume the position of managing director of the spun-off company. It is estimated that it will be possible to carry out the spin-off towards the end of May.

Prospects for 2001

The organic growth and the structural measures carried out during 2000 have created the conditions and the economies of scale required for profitability. Fixed operating expenses, including marketing expenses within the Group, currently amount to MSEK 12-13 per month. Assuming normal market conditions, the Group as a whole and both business areas separately are expected to report positive results before depreciation of goodwill during 2001.

Miscellaneous

Distribution of shares in Hagströmer & Qviberg and redemption

In June 2000, the shares in the subsidiary, Hagströmer & Qviberg AB, were distributed and, in September a redemption programme was concluded pursuant to which a total of MSEK 203 was distributed to the shareholders.

Issue of new shares and share option programme

As a result of the acquisition of Aktiespar Fondkommission, in November 2000 a new 1:2 stock issue involving 6,424,857 shares was carried out subject to pre-emption rights at SEK 25 per share, and a non-cash issue involving 1,715,000 shares was made to Aktiesparinvest AB. Following the issues, there were 20,989,571 outstanding shares.

In conjunction with the issues, a share option programme was carried out aimed at all employees in the Group. The programme covers warrants relating to 1,528,470 shares, equivalent to a dilution of 6.8 percent in the event of full exercise of the warrants. The exercise price is SEK 43.23 per share and the term of the warrants is until February 2003.

Shareholders

According to the share register, at the end of 2000 the following companies and persons were the largest registered shareholders. The portion of shares owned by Swedish institutions is estimated at 52 percent and the portion owned by foreign shareholders is estimated at 8 percent. There were 6,804 shareholders.

		Portion of share capital
Ten largest owners	Number	and votes (%)
TMT One	8,063,944	38.4
Swedish Shareholders Ass.	1,715,000	8.2
Mats Qviberg (incl. family)	829,250	4.0
Sten Dybeck (incl. family and companies)	809,692	3.9
Fidelity funds	588,000	2.8
HQ.SE funds	440,000	2.1
Stefan Dahlbo (incl. family and companies)	303,580	1.4
Öresund	246,862	1.2
Catella funds	230,000	1.1
Brideglen Impex	224,500	1.1
Other	7,538,743	35.8
Total	20,989,571	100.0

Dividend

The Board of Directors proposes that the Annual General Meeting of the Shareholders adopt a resolution regarding a spin-off of the HQ.SE Fonder business area. The Board of Directors further proposes that no cash dividend will be paid out in 2000.

Change of company name

The Board of Directors proposes that the Annual General Meeting of the Shareholders adopt a change of company name from HQ.SE Holding AB to HQ.SE Aktiespar AB.

Annual General Meeting

The Annual General Meeting of the Shareholders will be held at the Modern Museét in Stockholm on 4 April at 5 p.m. The annual report will be available at the company's office commencing mid-March and will also be distributed to the shareholders.

Future reports

Annual report	March 2001
Annual General Meeting	4 April 2001
Interim report, January-March 2001	24 April 2001
Interim report, January-June 2001	August 2001
Interim report, January-September 2001	October 2001

Stockholm, 8 February 2001.

The Board of Directors of HQ.SE Holding AB

Results per business area

MSEK	HQ.SE Aktiespar	HQ.SE Fonder	Joint Group and other	Group
Operating income *	17	80	10	107
Operating expenses	-60	-47	-11	-118
Operating profit/loss before restructuring expenses	-43	33	-1	-11
Restructuring expenses	-9	0	-11	-20
Profit/loss before depreciation Of goodwill	-52	33	-12	-31
Depreciation of goodwill	-4	—	—	-4
Profit/loss before tax	-56	33	-12	-35

*Commission income with allowance for commission costs, net interest income and net income of financial transactions.

Statistics

	31 Dec 2000	30 Sept 2000	30 June 2000	31 March 2000	31 Dec 1999
HQ.SE					
Number of active customers	65,200	35,000	33,700	31,500	26,200
Average no. of employees	52	45	53	41	30
HQ.SE Aktiespar					
Number of active customers	39,000	8,800	6,900	5,000	100
Average no. of employees	27	23	25	18	9
HQ.SE Fonder					
Managed assets, MSEK	8,300	8,300	8,300	8,700	7,500
Net flow per quarter, MSEK	+840	0	+140	+380	+90
Number of customers	26,200	26,200	26,800	26,500	26,100
Average no. of employees	22	20	25	22	20

The Group's development per quarter

MSEK	Q4	Q3	Q2	Q1
Commission income				
HQ.SE Aktiespar	10	5	3	2
HQ.SE Fonder	27	27	27	28
Total commission income	37	32	30	30
Operating income	27	29	24	27*
Operating expenses	-53	-23	-35	-31*
Profit/loss before tax	-26	6	-11	-4

* Relates to pro forma figures.

Consolidated income statement (MSEK)

	1 Jan 2000- 31 Dec 2000	1 Jan 1999- 31 Dec 1999 Pro forma	1 Jan 1999- 31 Dec 1999
Operating income			
Commission income	129.1	65.1	565.8
Commission expenses	-37.4	-13.2	-55.3
Interest income	22.0	2.4	123.7
Interest expenses	-6.5	-0.2	-56.6
Dividends received	0.0	8.2	31.7
Net result of financial transactions	0.0	5.0	527.8
Participations in results of affiliated companies	—	—	3.2
Total operating income	107.2	67.3	1,140.3
Operating expenses			
General administration expenses	-71.7	-41.5	-672.5
Depreciation of tangible and intangible fixed assets	-7.4	-0.4	-49.3
Other operating expenses	-63.0	-8.1	-69.1
Net credit losses	—	—	-1.0
Total operating expenses	-142.1	-50.0	-791.9
Operating profits/loss	-34.9	17.3	348.4
Tax	0.4	-2.8	-109.1
Profit/loss from distributed operation	Note 1 82.5	—	—
Profit for the period	48.0	14.5	239.3

Consolidated balance sheet (MSEK)

	31 Dec 2000	31 Dec 1999 Pro forma	31 Dec 1999
Assets			
Lending to credit institutions	210.9	158.4	678.5
Lending to the public	Note 2 61.1	—	1,366.6
Shares and participations	1.5	2.5	2,328.1
Participations in affiliated companies	—	—	28.3
Intangible fixed assets	220.9	1.4	22.3
Tangible assets	9.0	0.1	26.3
Other assets	79.5	523.7	578.2
Total assets	582.9	686.1	5,028.3
Liabilities, provisions, and equity			
Deposits and borrowing from the public	139.5	—	2,142.1
Other liabilities	97.3	222.4	2,235.6
Equity	Note 3 346.1	463.7	650.6
Total liabilities, provisions, and equity	582.9	686.1	5,028.3

Notes

The year-end report is prepared in accordance with the Annual Reports (Credit Institution and Security Companies) Act (SFS 1995:1559) and the Swedish Financial Supervisory Authority regulations (FFFS 1999:14).

Note 1 – Result from distributed operations

In accordance with a resolution adopted by the Annual General Meeting of the Shareholders, in June HQ.SE distributed all of the shares in Hagströmer & Qviberg. The first quarter revenues of the distributed operations amounted to MSEK 329.

Note 2 – Lending to the public (MSEK)

In addition to the reported lending to the public, funds managed on behalf of third parties (client funds accounts) in the amount of MSEK 487.1 are reported net in accordance with FFFS 1999:14.

Note 3 – Changes in equity (MSEK)

	Share Capital	Restricted reserves	Unrestricted reserves	Total equity
Equity, 31 Dec 1999	40.7	242.6	367.3	650.6
Cash dividend			-99.8	-99.8
Dividend. Hagströmer & Qviberg			-269.2	-269.2
Reduction in share capital	-5.1			-5.1
Reduction in statutory reserve		-180.0	180.0	–
Redemption	-3.5		-198.8	-202.3
New issue, subordinated shares	3.5			3.5
Warrants		6.7	-3.5	3.2
New issue	16.0	144.6		160.6
Non-cash issue	4.3	55.7		60.0
Reduction in share capital	-3.5			-3.5
Translation difference			0.1	0.1
Transfer between unrestricted and restricted equity due to changes in Group structure		-44.9	44.9	–
Profit for the year			48.0	48.0
Equity, 31 Dec 2000	52.4	224.7	69.0	346.1

Cash flow statement for the Group (MSEK)

	1 Jan 2000- 31 Dec 2000	1 Jan 1999- 31 Dec 1999
Cash flow from ongoing operations	-162.3	317.2
Cash flow from ongoing operations, assets and liabilities	578.5	522.0
Cash flow from ongoing operations	416.2	839.2
Cash flow from investment operations	-175.8	-25.2
Cash flow from financing operations	-143.4	-218.5
Distributed operations	-554.8	–
Cash flow for the period	-457.8	595.5
Liquid funds* at the beginning of the year	668.7	73.2
Liquid funds* at the close of the period	210.9	668.7
Cash flow for the period	-457.8	595.5

* Liquid funds are defined as a total for cash balances, lending to credit institutions, and liabilities to credit institutions.

Key ratios for the Group

	2000	1999*
Operating income, MSEK	107	67
Operating expenses, MSEK	-142	-50
Profit/loss before tax, MSEK	-35	17
Earnings per share, SEK	-2.30	0.91
Profit per share after dilution, SEK	-2.27	0.91
Equity per share, SEK	16.49	32.52
Return on equity, %	neg.	3
Capital adequacy ratio, %	99	–

* Relates to pro forma figures.

Definitions

Pro forma reporting

The pro forma figures that are reported have been prepared exclusive of Hagströmer & Qviberg (formally H&Q Holding).

Earnings per share after tax

The profit/loss after tax in proportion to the average number of shares during the period (15,001,903) and after dilution following exercise of warrants (15,170,837).

Equity per share

Equity in proportion to the number of ordinary shares at the end of the period, 20,989,571 (14,257,408).

Return on equity

The profit/loss after tax, however before the profit/loss in the distributed operation, in proportion to the average equity during the period.

Capital adequacy ratio

The capital base in proportion to risk-weighted capital.

Operating margin

The operating profit/loss as a percentage of operating income