

Interim report HQ.SE

January 1 – September 30, 2000



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- Commission income for comparable units increased by 95% to MSEK 92.4 (47.4).
- The result before restructuring costs and taxes amounted to MSEK 2.4.
- The number of customers increased by 60% to 43,600 during the period.
- Commission income for HQ.SE Fondkommission increased by 61% during the third quarter, compared to the second quarter.
- Net capital inflow into HQ.SE Fonder amounted to MSEK +520.
- Sweden's largest pure e-finance company with over 80,000 income-generating customers was created through the acquisition of Aktiespar Fondkommission and PFK's custody accounts.

Operations

HQ.SE continues to expand at a fast rate. HQ.SE increased its revenues compared to the second quarter despite a very weak market, decreasing customer activity and a seasonal weaker third quarter. This can be explained by a high growth rate in number of customers and capital but also by an improved quality of the customer base.

HQ.SE Fondkommission increased its customer base with almost 2,000 active customers during the third quarter, without any major marketing efforts. HQ.SE Mobil, Sweden's first open service for real time stock trading via mobile Internet, was launched at the beginning of October.

In September HQ.SE acquired Aktiespar Fondkommission, for MSEK 220, and PFK Fondkommission's custody accounts. The acquisitions were the first steps in the consolidation amongst the Swedish Internet brokerage firms, and both revenue and cost synergies of the merger are considerable.

An extraordinary general meeting held on October 10 decided upon a new issue of shares in order to finance the acquisitions of Aktiespar and PFK's custody accounts. The new issue of shares amounts to a total of MSEK 221, of which a preferential issue of MSEK 161 and an issue in kind of MSEK 60. In connection herewith a decision was also taken to establish a partner program directed to all employees in the Group.

Earlier this year HQ.SE Fonder launched two new funds: the mixed fund HQ.SE Absolut Strategi, and the Internet fund HQ.SE Gorilla. The net inflow of capital into HQ.SE Fonder has in total been very positive during the period, in spite of a seasonal weaker third quarter.

During the second quarter it became possible to trade in mutual funds on the Internet through HQ.SE's new service, which allows customers to continually follow the value of their fund savings and at any time place issue or redemption orders. These new possibilities have been very well received by the customers.

Result and financial position

The Group

The result before restructuring costs amounted to MSEK 2.4 for the period and MSEK 6.0 for the third quarter. The restructuring costs with respect to the Hagströmer & Qviberg Group amounted to MSEK 11.0, resulting in an operating result after restructuring costs amounting to MSEK -8.6. Marketing costs amounted to MSEK 20.4. The operating

margin before marketing and restructuring costs thereby amounted to 29%. The strong underlying profitability is among other things due to a continued increase in the business capacity.

During the first nine months the commission income amounted to MSEK 92.4 (47.4) and the operating income to MSEK 79.8 (49.2), which corresponds to an increase of 95% and 62% respectively for comparable units.

Equity as per September 30 amounted to MSEK 152 or SEK 11.81 per share. The Group's liquid funds amounted to MSEK 210.

The parent company

HQ.SE Holding AB reported a result for the period before allocations and taxes of MSEK -8.2 (-9.1). The net turnover during the period amounted to MSEK 8.7 (8.9). The company's liquid funds amounted to MSEK 7.0 (76.3 as per December 31, 1999).

HQ.SE Fondkommission

Both the net inflow of new customers and the Internet trading customer activity are strongly correlated to the market performance. HQ.SE Fondkommission had an inflow of almost 2,000 new customers during the third quarter despite the weak market and limited marketing efforts.

The commission income during the third quarter amounted to MSEK 4.9 – an increase by 120% and 61% compared to the first and second quarter respectively. One important explanation is that the quality of the customer base has improved as HQ.SE has attracted more active customers, for instance through the new account type HQ.SE Guld.

The number of customers who have opened an account with HQ.SE amounted to 17,800 as per September 30 (1,200 as per December 31, 1999) and the number of active customers amounted to 8,800 (100 as per December 31, 1999).

During the third quarter the product range was further strengthened by the launching of HQ.SE Mobil, a complete service for mobile Internet trading. Real time stock exchange information is presented on HQ.SE's mobile Internet website, wap.hq.se. HQ.SE's customers gain access to a service which among other things provides quotes, real time news and analyses, stock trading on the OM Stockholm Stock Exchange, and account information including up-to-date balances, holdings and transaction history. Purchase and sale orders submitted by customers via a wap

telephone are automatically forwarded to the stock exchange through HQ.SE's system. The service has so far generated a positive response and HQ.SE Mobil is expected to become an important channel for the customers in the future.

Another recent launch is HQ.SE Startpaket, which includes the new account type HQ.SE Aktiespar. HQ.SE Startpaket is an account accommodating to such customers who already own shares or funds today and who are familiar with the Internet, but who so far don't feel knowledgeable enough to trade more actively with securities on the Internet, despite an interest to do so. HQ.SE Startpaket also includes a package including education, advisory services and technical support.

With the new account type, HQ.SE Aktiespar, the customers are offered stock trading to the market's lowest minimum commission fee, SEK 49 for stock trading on the OM Stockholm Stock Exchange. With the launch of HQ.SE Aktiespar and HQ.SE Mobil, HQ.SE now offers the market's broadest range of account types and the best availability. The customers can choose between the three account types HQ.SE Bas, HQ.SE Guld and HQ.SE Aktiespar, and all customers can choose between placing their orders through Internet, telephone or mobile Internet. To improve the availability a service for digital-TV is under development. This will become the fourth communication channel through which customers can gain access to the market in real time, thus strengthening the vision of how HQ.SE's customers will be able to trade whenever they want, however they want and wherever they want. The product range includes Swedish listed and unlisted shares, foreign shares, warrants, options, and mutual funds.

The acquisitions of Aktiespar and PFK's custody accounts

HQ.SE Fondkommission acquired Aktiespar Fondkommission and PFK Fondkommission's custody accounts at the beginning of September. The purchase price for Aktiespar amounts to a total of MSEK 220, whereof MSEK 160 is paid in cash and MSEK 60 by an issue in kind. The purchase price of PFK's custody accounts is not disclosed. The acquisition of Aktiespar is a so-called transfer of assets and liabilities, which gives rise to a tax deductible goodwill of MSEK 216.

Aktiespar Fondkommission is a secondary name within Aktiesparinvest AB, which is a fully-owned subsidiary to the Swedish shareholders' Association. Aktiespar conducts securities trading on the Internet and has 30,000 active customers and MSEK 6,000 in capital under management. The operating income amounted to MSEK 40.3 for the first half of 2000 with an operating profit of MSEK 1.5. The number of employees amounts to 35, all in Stockholm.

PFK offers securities trading to Swedish individuals. PFK's customer base amounts to 14,000 active customers and MSEK 500 in capital under management. Operating income amounted to MSEK 2.0 for the first half of 2000 pro forma. A majority of the customers have access to the Internet and the customers also have an interest in conducting securities trading on the Internet.

The reason for the acquisitions is that the synergies between the companies are deemed considerable. The new HQ.SE Group will have over 80,000 customers with commission income of close to MSEK 200, and will thereby become the largest pure e-finance company in Sweden. The business area HQ.SE Fondkommission, which will change its name to HQ.SE Aktiespar, will, with over 53,000 active customers, become the largest Internet broker in Sweden, measured in number of customers. Measured in number of transactions the company will become the second

largest Internet broker with a market share on the OM Stockholm Stock Exchange amounting to 3.6% during the month of September. Erik Saers will become the new business manager for HQ.SE Aktiespar.

HQ.SE will contribute with a considerable improved range of products and services to Aktiespar's and PFK's customers, including the possibility of borrowing and trading in options, funds and unlisted shares, which provides for additional revenues. Considerable cost synergies related to system development and maintenance, information and marketing are also created. The annual synergies are estimated to in total MSEK 30-35. HQ.SE estimates that the major part of the synergies will be realized during the first half of 2001.

Aktiespar will be consolidated as of December 2000 and PFK's trading account customer base as of the beginning of next year.

HQ.SE Fonder

HQ.SE manages twelve equity and fixed-income mutual funds. Assets under management amounted to MSEK 8,300 as per September 30 (7,500 as per December 31, 1999). During the period the net inflow of capital into the funds amounted to a considerable MSEK +520, which contributed to HQ.SE Fonder's increased market share on the Swedish mutual fund market. The main reasons for this positive development are probably the efficient distribution channels and competitive management results over a long period of time.

After a very positive first quarter the trend of the world's stock markets has been weak during the second and third quarter with a decline on the majority of the markets. This negative trend has naturally affected the value of the funds. Nevertheless, of HQ.SE's eleven funds which have been in existence during the entire period, all but one have been able to show a positive return. At the same time the SIX Portfolio Return Index (a Swedish mutual fund index including reinvested dividends) decreased by 1.6%. In total the development of the funds have contributed positively to the increase in managed capital during the period.

The best return was reported by HQ.SE Rysslandsfond, +36%. Second best was HQ.SE Absolut Strategi with an increase of 12%. During the second quarter a new fund, HQ.SE Gorilla, was launched. The fund invests within the Internet, technology, telecom and media sectors.

Commission income during the period amounted to MSEK 82.2 (46.9), which corresponds to an increase of 75%. The significant increase is primarily an effect of a larger amount of capital under management compared to the corresponding period last year.

The number of directly registered customers has increased by approx. 100 to 26,200 since the turn of the year. During the second quarter it became possible to save in mutual funds through HQ.SE's Internet service. Many customers have since chosen to transfer their fund shares to an account with HQ.SE Fondkommission in order to use this service. Thus the number of directly registered fund customers has been reduced but the customers remain in the funds through HQ.SE Fondkommission.

The first choice of funds in the new premium pension system (PPM), which commenced in September, had by October 20 furnished HQ.SE Fonder with more than MSEK 40. This corresponds to a share of 1.1% of the total PPM inflow, compared to HQ.SE's market share which amounts to 0.9% of the total fund market.

During the fourth quarter additional developments of HQ.SE's Internet service will take place in order to further improve the service for the fund customers. Work is also under way to develop new distribution channels and products.

Prospects for the fourth quarter of 2000

The prospects for the fourth quarter depend on the market development. However there is usually a seasonal increase in the stock market activity and net inflow of capital in December. So far during October the net inflow into HQ.SE Fonder has been very positive, and not only due to PPM.

The commission income for 2000 is expected to amount to MSEK 125-130, provided a normal stock market development. Significant marketing costs during the fourth quarter will affect the result with approx. MSEK 13-14. Due to the acquisitions of Aktiespar and PFK, restructuring costs will also affect the forth quarter result.

Other

Redemption and distribution of shares in Hagströmer & Qviberg
In June the distribution of shares in the subsidiary Hagströmer & Qviberg AB was concluded and in September the redemption was finalized in which in total MSEK 203, including accrued interest, was distributed to the shareholders.

New issue and partner program

In order to finance the acquisition of Aktiespar, an extraordinary general meeting in HQ.SE Holding AB decided upon a new issue of shares amounting to a total of MSEK 221, whereof MSEK 161 is distributed on a preferential issue and MSEK 60 on an issue in kind corresponding to 1,715,000 shares to Aktiesparinvest AB.

The preferential issue is realized on the terms 1:2 at SEK 25 per share, which means that a maximum of 6,424,857 shares will be issued at SEK 25 per share and HQ.SE will be furnished with a maximum of MSEK 161 before costs. HQ.SE's largest shareholder, TMT One, has announced their intention to participate in the new issue in equivalence of their ownership share. The last day of subscription is November 10, 2000.

In connection with the new issue a decision was also taken to establish a partner program directed to all employees in the HQ.SE Group. The program is made at market price and includes warrants that in total entitles to the issue of 1,528,470 new shares, which corresponds to a dilution of approx. 6.8% after the inclusion of the warrants. The duration of the warrants is until February 2003 and the exercise price is SEK 43.23.

After the proposed issues the number of outstanding shares will amount to 20,989,571 and the number of warrants entitling to the issue of an additional 1,528,470 shares.

Future reports

Preliminary report full year 2000

February 8, 2001

Annual Report 2000

March, 2001

Stockholm on October 26, 2000



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Statistics

	30 Sept. 2000	30 June 2000	31 Mar. 2000	31 Dec. 1999
HQ.SE				
Number of customers	43,600	41,500	37,900	27,300
Number of employees	45	53	41	30
HQ.SE Fondkommission				
Number of registered customers	17,400	14,700	11,400	1,200
Number of active customers	8,800	6,900	5,000	100
Number of employees	23	25	18	9
HQ.SE Fonder				
Assets under management, MSEK	8,300	8,300	8,700	7,500
Net flow per quarter, MSEK	0	+140	+380	+90
Number of customers	26,200	26,800	26,500	26,100
Number of employees	20	25	22	20

The Group's development per quarter

MSEK	00:3	00:2	00:1
Commission income			
HQ.SE Fondkommission	5	3	2
HQ.SE Fonder	27	27	28
Total comission income	32	30	30
Operating income	29	24	27 *
Operating expenses	-23	-35	-31 *
Profit/loss before tax	6	-11	-4

* Relates to pro forma figures.

Review report for HQ.SE Holding AB

We have reviewed the Interim Report for the period January 1 – September 30, 2000. In doing so, we have followed the recommendation of the Swedish Institute of Authorized Public Accountants (FAR). A review is substantially more limited than an audit. Nothing has emerged that indicates that this Interim Report does not fulfil the requirements of the Securities Exchange and Clearing Operations Act and the Annual Accounts Acts.

Stockholm, 26 October 2000
KPMG
Caj Nackstad
Authorized Public Accountant

Consolidated Income Statement (MSEK)

	Jan. 1, 2000- Sept. 30, 2000	Jan. 1, 1999- Sept. 30, 1999	Jan. 1, 1999- Sept. 30, 1999
	Pro forma		
Operating income			
Commission income	92.4	47.4	339.5
Commission expenses	-25.6	-9.8	-37.4
Interest income	17.0	1.9	83.0
Interest expenses	-4.1	—	-35.0
Dividends received	0.0	8.1	25.2
Net result of financial transactions	0.1	1.6	187.4
Participations in results of affiliated companies	—	—	0.5
Total operating income	79.8	49.2	563.2
Operating expenses			
General administration expenses	-51.5	-29.0	-321.4
Depreciation of tangible and intangible fixed assets	-2.5	-0.3	-30.8
Depreciation of financial fixed assets	—	-15.8	—
Other operating expenses	-34.4	-12.3	-93.5
Net credit losses	—	—	-1.2
Total operating expenses	-88.4	-57.4	-446.9
Operating profit/loss	-8.6	-8.2	116.3
Tax	—	-0.9	-45.6
Profit/loss from distributed operations	Note 1 82.5	—	—
Profit/loss for the period	73.9	-9.1	70.7

Notes

The interim report is prepared in accordance with the Annual Reports (Credit Institutions and Securities Companies) Act (SFS 1995:1559) and the regulations of the Financial Supervisory Authority (FFFS 1999:14).

Note 1 – Result from distributed operations

In accordance with the resolution accepted by the 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 – Changes in equity, January 1–September 30, 2000 (MSEK)

	Share capital	Restricted assets	Unrestricted equity	Total equity
Equity, December 31, 1999	41	243	367	651
Cash dividend			-100	-100
Dividend, Hagströmer & Qviberg			-269	-269
Reduction in share capital	-5			-5
Reduction in statutory reserve		-180	180	—
Redemption	-4		-199	-203
New issue, subordinated stock	4			4
Transfer between restricted and unrestricted shareholders' equity		-45	45	—
Profit for the period			74	74
Equity, September 30, 2000	36	18	98	152

Definitions

Pro forma reporting

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

Earnings per share after tax

Operating profit/loss less 28 percent tax in relation to the average number of shares during the period (13,553,561).

Equity per share

Equity in relation to the number of ordinary shares at the end of the period, 12,849,714 (14,257,408).

Return on equity

The result before tax less 28 percent tax in relation to average equity during the period.

Capital adequacy ratio

The capital base in relation to risk-weighted capital.

Operating margin

Operating profit/loss as percentage of operating income.

Consolidated Balance Sheet (MSEK)

	Sept. 30, 2000	Dec. 31, 1999	Dec. 31, 1999
	Pro forma		
Assets			
Lending to credit institutions	210.1	158.4	678.5
Lending to the public	55.5	—	1,366.6
Shares and participations	1.7	2.5	2,328.1
Participations in affiliated companies	—	—	28.3
Other assets	84.8	525.2	626.8
Total assets	352.1	686.1	5,028.3
Liabilities, provisions, and equity			
Deposits and borrowing from the public	93.4	—	2,142.1
Other liabilities	107.0	222.4	2,235.6
Equity	Note 2 151.7	463.7	650.6
Total liabilities, provisions, and equity	352.1	686.1	5,028.3

Consolidated Cash Flow Statement (MSEK)

	Jan. 1, 2000- Sept. 30, 2000	Jan. 1, 1999- Sept. 30, 1999
Cash flow from ongoing operations	-141	119
Cash flow from ongoing operations, assets and liabilities	450	950
Cash flow from ongoing operations	309	1 069
Cash flow from investing operations	-13	-7
Cash flow from financing operations	-200	-73
Distributed operations	-555	—
Cash flow for the period	-459	989
Liquid funds* at the beginning of the year	669	73
Liquid funds* at the close of the period	210	1,062
Cash flow for the period	-459	989

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

Key Ratios for the Group

	Jan.-Sept. 2000	Jan.-Sept. 1999*	1999*
Operating income, MSEK	80	49	53
Operating expenses MSEK	-89	-57	-26
Profit/loss before tax, MSEK	-9	-8	27
Earning per share, SEK	-0.64	-0.58	1.34
Equity per share, SEK	11.81	32.52	26.75
Return on equity %	neg.	neg.	4
Capital adequacy ratio, %	135	—	—

*Relates to pro forma figures.

More info at www.hq.se