

# Oslo Børs Holding ASA – second quarter 2003

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## Second quarter 2003 highlights:

- **Increased market activity**
  - **Continued reduction in operating expenses**
  - **Profit: 2nd qtr NOK 15.8m (12.0m); 1st half NOK 26.1m (25.1m)**
  - **Earnings per share: 2nd qtr NOK 3.17m (2.40m); 1st half NOK 5.22m (5.01m)**
  - **Return on equity (ann.): 2nd qtr 27.1% (16.4%) ; 1st half 22.8% (17.6%)**
  - **The OM/HEX merger puts further focus on the Nordic collaboration**
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## Business activities in the second quarter of 2003 (2nd quarter 2002 figures in parenthesis)

### Introduction

Oslo Børs Holding ASA achieved a second-quarter post-tax profit of NOK 15.8 (12.0) million. So far this year post-tax profit comes to NOK 26.1 (25.1) million

After bottoming out at the turn of the month February/March 2003, global equities markets have progressively picked up. The index has climbed substantially and trading in terms of both transaction numbers and daily volume has also risen. The increase in activity has been particularly marked in the latter half of the quarter under review.

Shares and primary capital certificates worth NOK 134 (111) billion changed hands in the second quarter. So far this year trading totals NOK 237 (240) billion. The number of transactions shows the same trend at about 536,000 (417,000) in the second quarter and about 1,000,000 (1,044,000) in the first half-year.

Activity in the business area Fixed Income Markets remained high in the second quarter. At quarter-end 849 (844) bonds were quoted. Trading in the derivatives market showed a positive trend compared with last year. The number of traded contracts totalled about 803,000 (762,000) in the second quarter compared with about 870,000 in the first quarter of 2003. Premium averaged NOK 7.7 in the first half-year compared with NOK 6.4 in the same period of 2002.

Activity in the primary market for shares remained low. Shares worth NOK 0.4 (2.4) billion were issued in the second quarter. At quarter-end 189 companies were listed on Oslo Børs. Seven were delisted during the quarter, 15 during the first half-year.

The number of terminals with access to market data from Oslo Børs dropped by about 4% in the second quarter and by 8.5% in the year to date.

By 30 June the Oslo Børs Benchmark Index had risen by 16.5% since 1 January 2003. In the second quarter this index rose from 104.03 to 134.2, an increase of 29%.

### Revenues

Second quarter 2003 revenues totalled NOK 55.3 (56.9) million. The reduction from last year's second quarter is largely due to lower revenues from sales of financial market data. So far this year revenues total NOK 108.2 (116.5) million. This reduction is chiefly ascribable to lower revenues from sales of market data and reduced listing fee receipts from listed companies due to lower market capitalisation and a reduction in the number of listed companies.

## Costs

Oslo Børs's costs continued their positive trend. Total operating expenses were reduced from NOK 41.7 million in the second quarter of 2002 to NOK 35.8 million in the quarter under review, a decline of NOK 5.9 million. The reduction from the first quarter of 2003 was about NOK 4.6 million.

Salary and staff costs were about NOK 2.9 million down on the second quarter of 2002. This was essentially due to savings achieved via the collaboration with the other Norex bourses and to a reduction in project expenditure.

Other operating expenses show a reduction of the order of NOK 4.7 million compared with the second quarter of 2002. Rehabilitation of the stock exchange building entailed costs of NOK 4.1 million in the quarter under review.

The Saxess trading system went live in May 2002. As described in the report on the first quarter, Oslo Børs has discussed with the tax authorities the issue of correct tax treatment of payments received for access to the Saxess system. The authorities' conclusion is that access to the system comes under the Value Added Tax Act's exemptions in respect of financial services, and that VAT is not payable on the fees received for such services. In 2002 and in the first quarter of 2003 VAT was expensed in an amount of NOK 1.3 million and NOK 1.1 million respectively. These amounts were reversed in the second quarter of 2003.

Fees to OM Technology (OMT) were expensed in an amount of NOK 5.3 million in the second quarter of the current year. Corresponding expenses on the earlier trading system and lease of Saxess in the second quarter of 2002 came to NOK 2.3 million. Net system expenses were NOK 0.6 million higher in the second quarter of 2003 than in the same period of 2002.

When corrected for these items, the remaining segment of other operating expenses was about NOK 1.3 million lower in the current year's second quarter than in the same period last year.

For comparison purposes, the table below corrects the capitalisation of internal resources employed in projects, costs of rehabilitating the stock exchange building and of leasing the trading system or the equivalent, thereby providing a picture of the trend in other expenses. The table shows that the other expenses were reduced by just over NOK 1.5 million in the second quarter and by NOK 7.5 million in the first half-year. This is in keeping with Oslo Børs's focus on reducing its own costs.

<b>Operating expenses (NOK million)</b>	<b>Q2 2003</b>	<b>Q3 2002</b>	<b>30 June 2003</b>	<b>30 June 2002</b>
Booked	35,8	41,7	76,2	86,1
- capitalisation of internal resources (+)		-0,9		2,4
- maintenance of building (-)		4,1		9,8
- trading system lease/charges (-)	2,9	2,3	9,3	4,3
<b>Other expenses</b>	<b>32,9</b>	<b>34,4</b>	<b>66,9</b>	<b>74,4</b>

## EU Financial Services Action Plan

Oslo Børs's report on the first quarter of 2003 described the EU Financial Services Action Plan in general terms, and the expected regulation of prospectus control in greater detail.

The EU Commission has now decided that prospectus control should be assigned to a competent, independent body in each country. In cases where entities other than this body are responsible for prospectus control, the national body can delegate this responsibility for a transitional period of eight years. After five years, however, a new assessment will decide whether the delegatory powers are to be prolonged or remain permanent.

The protracted transitional period is a clear indication that the EU Commission acknowledges the drawbacks of dispensing with smoothly functioning local practices. Moreover, the Commission has shown much appreciation for the competence synergies enjoyed by small bourses that can exploit the same competence in different fields. In the view of Oslo Børs, it is inappropriate to shift responsibility for prospectus control to another entity, thereby risking both doubling the work and raising outlays for issuers without resultant improvements.

## Outlook

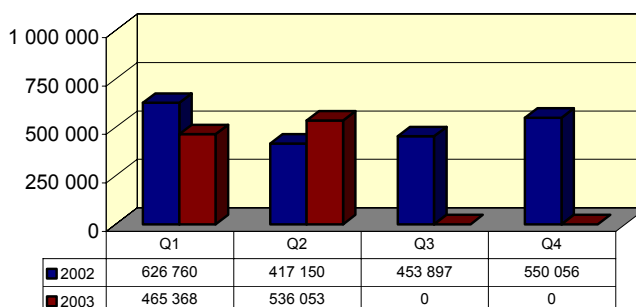
The increased market activity is expected to produce somewhat higher revenues than were expected at the end of the first quarter. However, the market outlook must continue to be regarded as uncertain.

Given its continued focus on cost-effectiveness, Oslo Børs anticipates operating expenses of just over NOK 155 million and, all told, a post-tax profit on a par with or slightly better than 2002.

## Market development

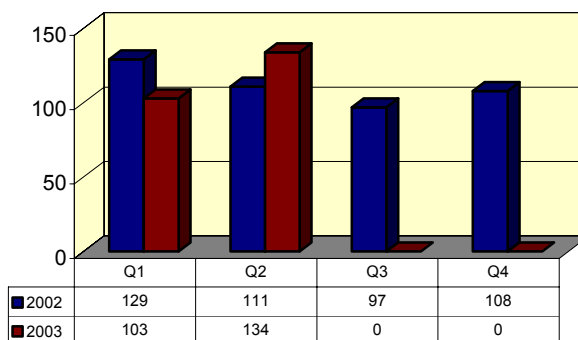
The number of share transactions was about 15% higher in the second quarter than in the first quarter of 2003, and 28% up on the figure for last year's second quarter.

Equity market - number of transactions



The value of equity market trades was 30% higher than the previous quarter, and about 20% higher than in the same period last year.

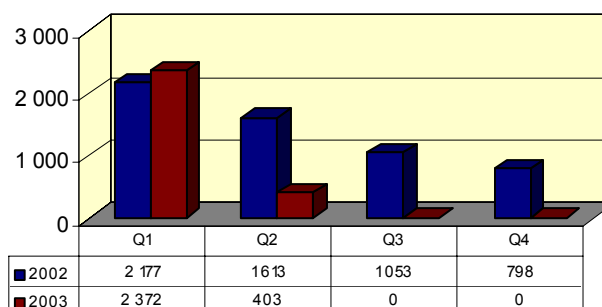
Equity market - value of trades Billion NOK



The second quarter of 2003 saw a modest number of issues in the primary equity market compared with the first quarter. The second-quarter value of new issues totalled NOK 0.4 billion compared with NOK 2.4 billion in the first quarter of 2003.

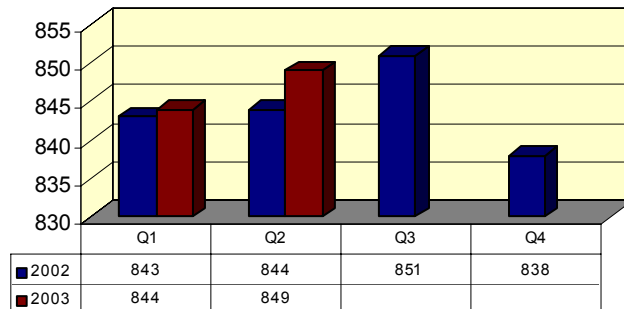
Trading volume was also lower than in the same period of last year which saw share issues worth NOK 1.6 billion.

Equity market - value of new issues Million NOK



The number of listed issues in the fixed income market was marginally higher than at the end of the previous quarter and compared with the same period last year.

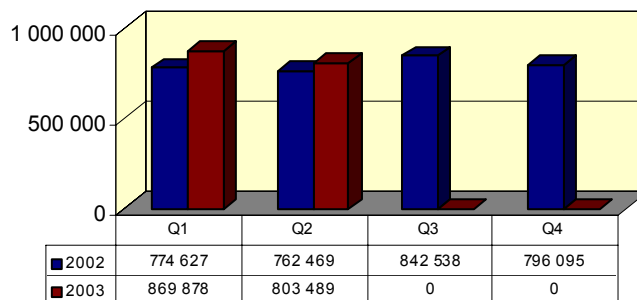
**Bond market - number of listed issues**



Activity in the derivative market was somewhat lower than in the first quarter of 2003 (7%). Compared with the same period last year there was an increase of about 5%.

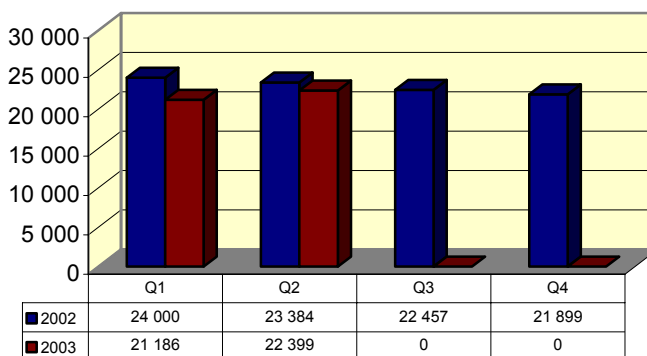
Premiums so far this year have averaged NOK 7.7 compared with NOK 6.4 in the same period of 2002.

**Derivatives market - number of contracts traded**



Revenues from sales of financial market data rose in the second quarter. This is due to a change in the price structure with effect from the second quarter of 2003. Revenues show a reduction of about 6% on the second quarter of 2002.

**Revenues from sales of financial market data**




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Please see [www.oslobors.no/ob/ir](http://www.oslobors.no/ob/ir) for additional key operating figures. All figures are in NOK 1000, and concerns the Oslo Børs Holding ASA Group unless otherwise is specified. The Group consist of Oslo Børs Holding ASA, Oslo Børs ASA and Oslo Børs Informasjon AS.

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## Profit and loss account

The profit and loss account has been prepared based on the same accounting policies as the annual accounts.

	<b>2nd Quarter 2003</b>	<b>2nd Quarter 2002</b>	<b>30 June 2003</b>	<b>30 June 2002</b>	<b>2002</b>
<b>Operating revenues</b>	<b>55 290</b>	<b>56 894</b>	<b>108 173</b>	<b>116 505</b>	<b>222 296</b>
<b>Operating expenses</b>					
Salary and other personnel expenses	17 668	20 573	37 069	37 504	73 187
Depreciation	5 200	3 455	9 755	8 032	16 439
Other operating expenses	12 922	17 665	29 379	40 617	80 179
<b>Total operating expenses</b>	<b>35 790</b>	<b>41 694</b>	<b>76 203</b>	<b>86 153</b>	<b>169 806</b>
<b>Operating profit</b>	<b>19 500</b>	<b>15 201</b>	<b>31 970</b>	<b>30 351</b>	<b>52 490</b>
Net financial items	2 508	1 459	4 281	4 471	8 670
<b>Ordinary pre-tax profit</b>	<b>22 008</b>	<b>16 660</b>	<b>36 251</b>	<b>34 823</b>	<b>61 160</b>
Tax	6 162	4 665	10 150	9 750	18 168
<b>Earnings for the period</b>	<b>15 846</b>	<b>11 995</b>	<b>26 101</b>	<b>25 072</b>	<b>42 992</b>
<b>Earnings per share (NOK)</b>	<b>3,17</b>	<b>2,40</b>	<b>5,22</b>	<b>5,01</b>	<b>8,60</b>

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## Balance sheet

The balance sheet has been prepared based on the same accounting policies as the annual accounts.

At the end of the second quarter short-term receivables totalled NOK 41.9 million. Of this, prepaid expenses totalled NOK 18 million of which fees paid to OMT accounted for just under NOK 18 million.

Cash and cash equivalents totalled NOK 135.4 million at end-quarter.

Short-term liabilities totalled about NOK 69.2 million at end-quarter. NOK 37.7 million refers to accrual accounting of listing fees and annual licence fees. A tax charge of NOK 11.6 million is included.

	<b>30 June 2003</b>	<b>30 June 2002</b>	<b>2 002</b>
<b>Fixed assets</b>			
IT systems	52 898	58 749	57 857
Deferred tax assets	30 363	38 132	30 363
Tangible assets	42 328	31 355	44 350
Financial fixed assets	23 414	41 371	23 738
<b>Current assets</b>			
Receivables	41 876	48 749	35 848
Cash and liquid assets	135 410	172 149	112 766
<b>Assets</b>	<b>326 289</b>	<b>390 506</b>	<b>304 922</b>
<b>Equity</b>	242 239	298 222	216 139
<b>Liabilities</b>			
Provisions for liabilities	14 913	12 494	13 484
Current liabilities	69 138	79 790	75 300
<b>Equity and liabilities</b>	<b>326 289</b>	<b>390 506</b>	<b>304 922</b>

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## Cash flow

The Oslo Børs Group recorded a negative cash flow of NOK 45.5 million, net, in the second quarter. The negative cash flow from operational activities is due prepayment of fees to OMT for access to the Saxess trading system. Cash flows from financing activities are related exclusively to payment of dividends. Oslo Børs had no major system projects in the second quarter and cash flows from investment activities are consequently substantially lower than in 2002 when the implementation of Saxess and development of a new website were ongoing projects.

Cash and cash equivalents held at the end of the quarter came to NOK 135.4 million. Due to substantial prepayments from the bourse's customers at the start of the year, cash flow was highest in the first quarter.

	<b>2nd Quarter 2003</b>	<b>2nd Quarter 2002</b>	<b>30 June 2003</b>	<b>30 June 2002</b>	<b>2002</b>
<b>Cash flow from</b>					
- operational activities	-14 720	-7 440	55 419	54 397	65 528
- investment activities	-799	-21 861	-2 775	-37 170	-37 684
- financing activities	-30 000	-20 000	-30 000	-20 000	-90 000
<b>Cash and liquid assets at the start of the period</b>	180 929	221 450	112 766	174 922	174 922
Change in cash and liquid assets	-45 519	-49 301	22 644	-2 773	-62 156
<b>Cash and liquid assets at the end of the period</b>	135 410	172 149	135 410	172 149	112 766
<b>Cash flow per share before financing activities (NOK)</b>	<b>-3,10</b>	<b>-5,86</b>	<b>10,53</b>	<b>3,45</b>	<b>5,57</b>
<b>Cash flow per share (NOK)</b>	<b>-9,10</b>	<b>-9,86</b>	<b>4,53</b>	<b>-0,55</b>	<b>-12,43</b>

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## Equity

At quarter-end equity amounted to NOK 242.4 million, and the equity ratio was approximately 74 per cent.

	<b>2nd Quarter 2003</b>	<b>2nd Quarter 2002</b>	<b>30 June 2003</b>	<b>30 June 2002</b>	<b>2002</b>
<b>Equity at the start of the period</b>	226 394	286 227	216 139	273 149	273 149
Profit for the period	15 846	11 995	26 101	25 072	42 992
Dividend	0	0	0	0	-30 000
Reduction of capital	0	0	0	0	-70 000
<b>Equity at the end of the period</b>	242 239	298 222	242 239	298 222	216 139
<b>Equity ratio</b>	74 %	76 %	74 %	76 %	71 %

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## Segment information

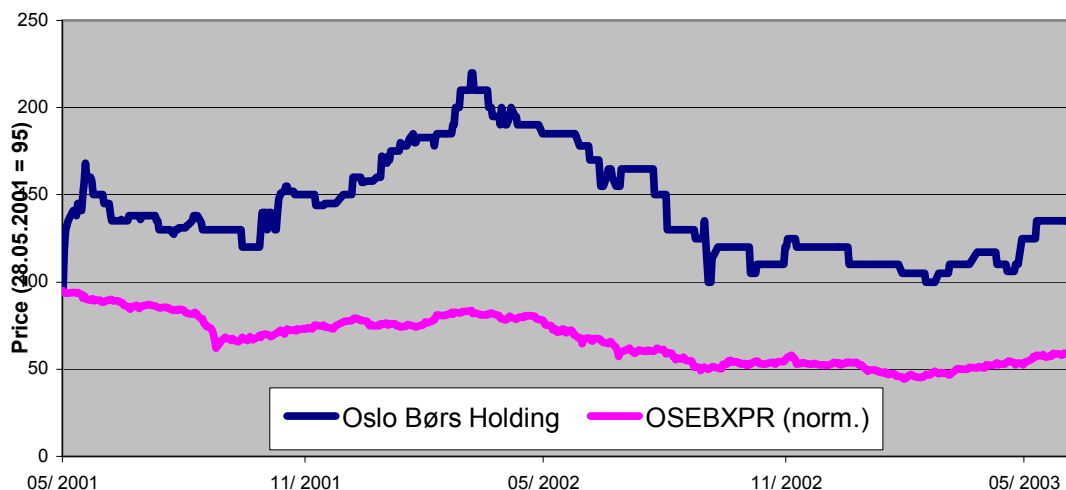
The segmental overview shows revenues from the bourse's business areas together with operating expenses distributed on the respective areas. "Other" includes the bourse's course programmes (Oslo Børs Institute).

Revenues from derivatives cover direct costs and to some extent overheads.

	<b>2nd Quarter 2003</b>	<b>2nd Quarter 2002</b>	<b>30 June 2003</b>	<b>30 June 2002</b>	<b>2 002</b>
<b>Equity Markets</b>					
Operating revenues	23 360	24 309	44 956	49 521	94 270
Operating profit	6 524	6 010	9 780	10 793	13 069
<b>Fixed Income Markets</b>					
Operating revenues	6 527	5 941	13 349	12 306	24 045
Operating profit	3 190	2 420	5 986	5 282	8 515
<b>Derivatives Markets</b>					
Operating revenues	2 243	1 364	4 509	3 002	6 243
Operating profit	-2 091	-2 982	-4 616	-6 650	-12 465
<b>Financial Market data</b>					
Operating revenues	22 399	23 984	43 584	48 584	91 741
Operating profit	12 263	9 605	21 361	20 103	41 710
<b>Other</b>					
Operating revenues	762	1 297	1 775	3 091	5 997
Operating profit	-386	147	-540	824	1 661
<b>Total operating revenues</b>	<b>55 290</b>	<b>56 894</b>	<b>108 173</b>	<b>116 505</b>	<b>222 296</b>
<b>Total operating profit</b>	<b>19 500</b>	<b>15 201</b>	<b>31 970</b>	<b>30 351</b>	<b>52 490</b>

## Shareholder information

### Price trend Oslo Børs Holding ASA:



The graph shows the price trend for Oslo Børs Holding ASA, unadjusted for disbrused dividends and capital reduction. The price is compared with the OSEBX price index, which is also unadjusted for dividends.

### Oslo Børs Holding ASA - 20 largest shareholders as at 4 August 2003:

Name	Nationality	No. of shares held	Ownership in %
1. FIDELITY FUND EUROPE	LUX	500 000	10,00
2. ORKLA ASA	NOR	499 500	9,99
3. GJENSIDIGE NOR	NOR	483 512	9,67
4. MORGAN STANLEY (nominee account)	GBR	479 262	9,58
5. DEN NORSKE BANK ASA	NOR	433 213	8,66
6. NORSK HYDROS PENSJONSKASSE	NOR	355 206	7,10
7. DANSKE BANK A/S (nominee account)	DNK	200 000	4,00
8. KLP FORSIKRING	NOR	200 000	4,00
9. STATE STREET BANK (nominee account)	USA	156 000	3,12
10. INDUSTRIFORSIKRING	NOR	130 000	2,60
11. BRAGANZA	NOR	150 920	3,01
12. PARETO AS	NOR	100 000	2,00
13. NORDEA LIV NORGE AS	NOR	100 000	2,00
14. PARETO SECURITIES AS	NOR	100 000	2,00
15. ERIK MUST A/S	NOR	68 824	1,37
16. VITAL FORSIKRING ASA	NOR	66 667	1,33
17. EINAR M. HANASAND	NOR	53 805	1,07
18. THE NORTHERN TRUST (nominee account)	GBR	47 000	0,94
19. ABG SUNDAL COLLIER	NOR	45 000	0,90
20. TELENOR PENSJONSKASSE	NOR	40 700	0,81
<b>20 largest</b>		<b>4 209 609</b>	<b>84,15</b>

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## Key figures

	2nd Quarter 2003	2nd Quarter 2002	30 June 2003	30 June 2002	2 002
<b>Financial</b>					
Earnings per share (NOK)	3,17	2,40	5,22	5,01	8,60
Cash flow per share before dividends and capital reduction (NOK)	-3,10	-5,86	10,53	3,45	5,57
Net cash flow per share (NOK)	-9,10	-9,86	4,53	-0,55	-12,43
Return on equity	27,1 %	16,4 %	22,8 %	17,6 %	17,6 %
Return on total capital	25,5 %	16,5 %	23,0 %	18,9 %	18,8 %
Net operating margin	35,3 %	26,7 %	29,6 %	26,1 %	23,6 %
<b>Operational</b>					
Benchmark index at end of period	134,20	148,45	134,20	148,45	115,21
Change in period	29,0 %	-17,1 %	16,5 %	-0,11	-0,31
Equities - no. of transactions (1000)	536	417	1 001	1 044	2 048
Equities - value of turnover (NOK bill)	134	111	237	240	444
Market capitalisation of listed companies (NOK bnl)			557	610	503
No. of companies listed			189	205	204
Change in period			-15	-7	-8
Bonds - no. of listed issues			849	844	838
Derivatives - no. of contracts traded (1000)	803	762	1 673	1 537	3 176

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Styret i Oslo Børs Holding ASA/Oslo Børs ASA

11 August 2003