



The leading Nordic investment bank

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Financial calendar 2003

Last day for trading in the Carnegie share including dividend	13 March
Annual General Meeting	13 March
Distribution of dividend	21 March
Interim report January – March	16 April
Capital markets day (to be announced at www.carnegie.se/ir)	
Interim report January – June	16 July
Interim report January – September	15 October

Additional information is available at www.carnegie.se/ir

Annual General Meeting

The Annual General Meeting will be held on 13 March at 3.00 pm at Berns, Berzelii Park, Stockholm. The CEO speech will also be accessible as a live audio web cast at www.carnegie.se/ir. Please note that shareholders wishing to attend the meeting must

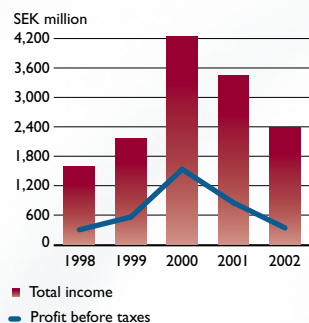
- be registered on 3 March 2003 in the share register maintained by VPC AB; and
- notify their intention to participate no later than on 7 March 2003 16.00 to D. Carnegie & Co AB (publ), Västra Trädgårdsgatan 15, 103 38 Stockholm, Sweden, or by telephone on +46-8-58 86 90 75, by fax to +46-8-20 57 83, or at www.carnegie.se/ir.

Please note that proxies must be submitted to the Company in original and not by fax or via Internet. In order to be entitled to participate at the AGM, shareholders whose shares are nominee-registered must ensure, well before 3 March, that the nominee temporarily registers the shares in the shareholder's own name in the share register.

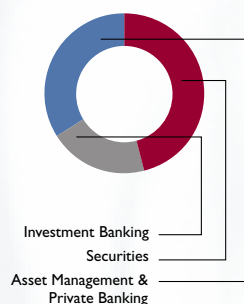
Carnegie in brief

Carnegie is the leading Nordic investment bank and asset management firm operating in three principal business areas; Securities, Investment Banking and Asset Management & Private Banking. Carnegie provides a wide array of services and products to Nordic and international clients from offices in seven countries.

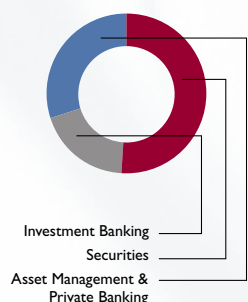
Income and profit



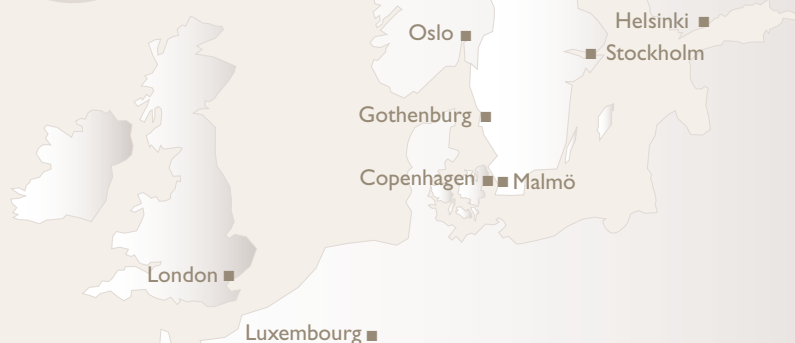
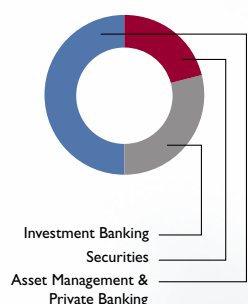
Income by business area 2002



Employees by business area 2002



Profit before taxes by business area 2002



SEK million

D. Carnegie & Co AB

Total income 2,392

Profit before taxes 339 ^{*)}

Securities

Denmark
Finland
Norway
Sweden
United Kingdom
United States

Equity research
Equity securities brokerage
Equity derivatives brokerage
Equity trading
Deposits and margin lending
Fixed income sales and trading

Total income 1,106
Profit before taxes 69

Investment Banking

Denmark
Finland
Norway
Sweden

Equity capital markets services
Merger & acquisitions advisory services
Structured finance products and services

Total income 467
Profit before taxes 96

Asset Management & Private Banking

Denmark
Finland
Luxembourg
Norway
Sweden

Mutual funds
Discretionary asset management
Private Banking
Pension consulting

Total income 819
Profit before taxes 168

^{*)} The result from principal investments and the bonus effect from the result (net effect SEK 6 million) are not allocated to the business areas.

In focus 2002

- A dramatic year in the financial markets
- Confirmed position as the leading Nordic investment bank – No 1 in the Nordic securities markets, top-ranked research, top-three in M&A ranking and top-ranked asset management products
- Personnel reduction of 129 employees, mainly in Securities
- Net profit of SEK 250 million, corresponding to a return on equity of 16 per cent
- Well positioned to take advantage of any improvement in the markets

Operating data and key ratios 1998 – 2002¹⁾

SEK millions unless otherwise stated	1998	1999	2000	2001	2002
Total income	1,597	2,157	4,247	3,440	2,392
Total operating expenses excluding bonus	–960	–1,055	–1,450	–1,738	–1,786
Operating profit before bonus	637	1,101	3,047	1,636	616
Operating profit before taxes	300	560	1,533	852	339
Net profit	199	405	1,090	572	250
Earnings per share (SEK)	3.13	6.39	17.21	8.76	3.75
Cost/income ratio, %	81	74	66	75	86
Operating margin, %	19	26	34	25	14
Capital adequacy, %	18	13	13	20	20 ²⁾
Number of full-time equivalent employees, year end	589	665	864	943	835
Total income per employee, average (SEK million)	2.8	3.3	5.6	3.7	2.6
Period-end assets under management (SEK billion)	42	70	79	73	51

1) For definitions, see page 14.

2) After deduction of proposed dividend.

The CEO's comments

Dear Shareholder,

2002 summarises the largest value decline in the equity markets since the great depression 70 years ago. Stock markets have declined during three consecutive years and the Nordic index is down by a total of 68 per cent since the peak in early 2000. Only in 2002, the index is down 37 per cent, the second largest decline in 100 years (1931 was worse).

The dramatic fall in equity markets have created substantial losses for many of our clients. Many institutional clients have seen their portfolios deteriorate and many have been forced to reduce their staffing. Many corporate clients have not been able to pursue what they had hoped for, since the equity markets haven't allowed it. Many private clients have seen their savings reduced to levels where they fear for their quality of life.

The fall in the markets has been accompanied by corporate scandals and accounting sleaze. Especially the US markets have suffered from many high-profile cases. The reputation of the markets have therefore been hurt and many new initiatives have been taken in the US and in the EU on trying to improve the way markets work. These initiatives are very important and relevant to Carnegie and our clients and I look forward to a process which is guided by wisdom and thoughtfulness.

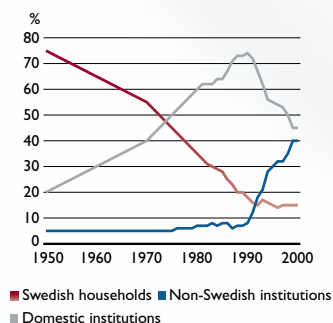
The dramatic downfall has taught many lessons. For example how wrong the markets were at the peak. But in retrospect, the markets today will also be judged wrong two years down the road. We might think that now, all of a sudden, when the IT-bubble has collapsed, we are back to normal. We have certainly added a lot of combined wisdom from falling markets, but what is "normal"? Well it certainly isn't a situation where the equity markets have stopped, more or less, to perform one of their more fundamental contributions in a market economy: to allocate capital from those who have to those who need. True, the new issue in Ericsson went ahead in the Nordic markets, but that was a very special situation.

One of the key wisdoms from the falling markets has been their international character. There might still be decision makers that wish that a country or an area should be kept apart from the rest of the world. It doesn't work that way any longer. The world goes together. There might be local differences in the make-up of the markets, but the underlying key trends are shared.

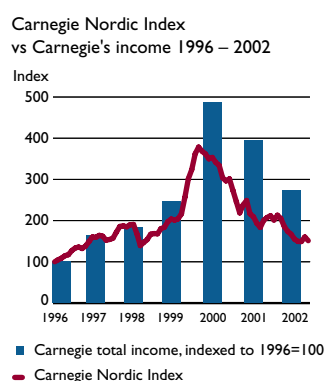
This understanding is actually the key consideration behind Carnegie's strategy to be the leading Nordic investment bank. In a world that goes more and more hand in hand, one has to be very clear on what is the long-term competitive advantage. In our case, it is to be the leading Nordic investment bank. With this focus we define our market as clients in the Nordic region and clients outside the Nordic region that want to make Nordic-related business.

As a matter of fact, the relative importance of non-Nordic clients in our strategy has continued to grow over the years. The graph to the left illustrates this phenomenon with respect to Swedish shares.

Stockholmsbörsen (the Stockholm Stock Exchange): Non-Swedish institutions increased their holdings in the 90's



The Swedish Association for Share Promotion, Jan 2003



Further, we have defined our key competence as being mainly attributed to equity markets. For sure, we have a very profitable fixed income operation in Denmark, which is a leader in the local market with respect to index mortgage bonds, and we do structured financial products and we also provide some fixed income products and provide advice on pension liabilities in our asset management service, but the general pattern is that we are specialised on different forms of equity products. This focus has meant that we belong to those investment banks that have been most severely hit by the markets.

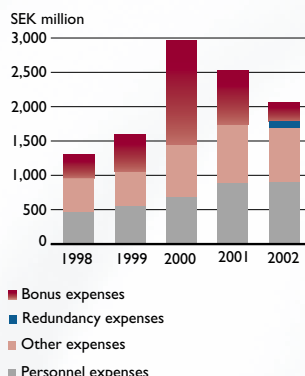
On the back of falling equity markets, in value as well as in transaction volumes in primary and secondary markets, our focus on equity products has meant that our revenues have fallen substantially. In 2001 they were SEK 3.4 billion, down 19 per cent from 2000 (SEK 4.2 billion) and in 2002 they were further reduced by 30 per cent to SEK 2.4 billion. However, even though we can't do anything about the markets, we have set the target of trying to focus on what we can do something about, i.e. to improve our competitive position within the overall market. Many measures can be used to illustrate our achievements in this respect (see the presentations on pages 19 to 43), but one overall illustration can be achieved by comparing the overall Nordic equity index – which can be used to indicate the level of business in the market – with our revenues. This is done in the graph to the left, which illustrates that we have grown our revenues relative to the overall market.

This relative growth is partly a reflection of the performance in three targeted areas. The first is our service to non-Nordic institutional clients in our Securities business, i.e. our service based in London and New York. In 2002, the commission income from this client base was as big as the income from Nordic institutional clients and we are now firmly established among the top two in this important segment.

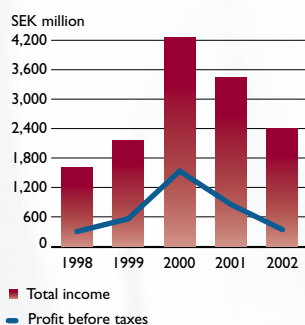
The second targeted area is to improve our relative position in large cap investment banking transactions – in addition to retaining our strong position in medium-sized transactions. In an overall market that has shrunk substantially in 2002, it is of course difficult to tell. But the fact that we are now ranked number 3 in Nordic M&A transaction volumes (behind Goldman Sachs and UBS Warburg, but well ahead of all regional competitors), with our lead position in Telia's acquisition of Sonera as the most visible example, is very encouraging.

The third targeted area, private client services, has had a different pattern during the year. On the one hand, private clients have suffered badly from the downturn in the equity markets and our business flow, especially our commission income, in local markets from this segment illustrates this fact. On the other hand, our private banking concept in Luxembourg has continued to prove very competitive and we have gained market share and kept our revenues almost intact. Also our pension and insurance advisory service has kept up.

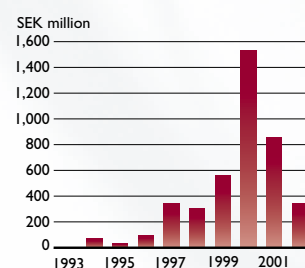
Bonus system acts as a cost-buffer



Income and profit



Profit before taxes 1993–2002



This pattern for private client services is one of the reasons for a major change in our ambition when it comes to serving private clients. Thus, we will introduce a more fully-fledged private banking service also to clients in the local markets – not only clients based outside the region and served from Luxembourg. We have taken critical organisational steps to realize our efforts and during the course of 2003 the clients in Sweden, to start with, will begin to notice the additions.

The fall in revenues has caused a reduction in costs. In total, the costs (excluding tax) were SEK 2,063 million, down 18 per cent from 2001. This is first of all a consequence of our business model, which means that half of the profit (pre bonus and after adjusting for return on capital) is allocated to the bonus pool. In 2002 the bonus cost thus amounted to SEK 277 million, down by 65 per cent from 2001.

In the bad markets of 2002, however, it has also been necessary to reduce staff. In total, 129 persons have been asked to leave the company. This corresponds to 14 per cent of the staff at the start of the year. The net effect (i.e. after accounting for new recruits) is a reduction from 943 persons at the start of the year to 835 persons at the end of the year – a reduction of 11 per cent. The costs for the redundancies amount to SEK 92 million and have been accounted for in 2002.

In addition, other costs have been reduced from SEK 829 million in 2001 to SEK 789 million in 2002, a reduction of 5 per cent. Therefore, in total we expect that the cost base which we start 2003 with is SEK 1,550–1,650 million, down 8–13 per cent from 2002.

All in all, in the bad markets of 2002, Carnegie produced a net profit of SEK 250 million, down 56 per cent from 2001. This corresponds to a rate of return on equity of 16 per cent (38 per cent 2001) and a profit per share of 3.75 (8.76 for 2001). Compared to the industry, this is a highly competitive performance also in 2002. Further, the falling markets have caused a substantial decline in risk-weighted assets. Carnegie's dividend policy means that the company should not accumulate capital which is not needed to run the day-to-day business. We have defined that as a long-term Tier 1 capital of 15 per cent to start with each year. This is why the board is proposing a dividend of SEK 8.93 per share (SEK 8.57), which means that all available non-restricted equity is distributed and a Tier 1 ratio of 20.4 per cent is established.

On a more personal note, 2002 concludes my term as CEO of Carnegie. I started in September 1990 when president George Bush led the war against Iraq following Saddam Hussein's invasion of Kuwait. I leave my position more than twelve years later when president George W Bush is leading the world in its struggle with Iraq and Saddam Hussein. Seems like a blink, but what a dramatic period for the markets, for Carnegie and for me personally.

In my last letter to you as CEO, let me also include a quick run-through of important – small or big – learning events during my tenure as CEO. Maybe there are some details that can serve as food for thought.

1990

The concept of restricted/free shares in Sweden was abolished. This and other deregulations in Sweden and abroad formed the basis for substantial reallocations of equity portfolios and we learned the strategic necessity of being present – and leading – in London and New York to serve international institutional clients. • Carnegie's owner at the time, Nordbanken, accepted to establish a holding company for the ownership of Carnegie. We learned the importance of a legal structure that serves the business, since the design allowed the bank to treat Carnegie at arms length rather than being forced to intervene in operational issues. • The crisis in especially the Swedish financial system started to evolve and after having been forced to realise very large credit losses, we learned the importance of very prudent credit policies.

1991

The concept of an integrated investment bank started to evolve and we learned that you have to take it step by step in a very long-term commitment. We introduced equity research as a key competitive service to our equity clients and we started building our investment banking and asset management services. We knew the importance of Chinese walls from the very start. We learned to put quality first. • In order to form a group wide discretionary financial incentive system, we started to tear apart the old structure of local schemes. In the process, we had major defections of key staff. We learned that forming one company out of a basket of companies isn't easy. We learned the importance of corporate culture and we realised that how you do things is at least as important as what you want to achieve. • Carnegie reopened in Gothenburg. We learned that it pays to stick to your roots.

1992

The Swedish currency was defended at a very high price. Carnegie made big profits in the turmoil and we learned the huge impact the markets can have - and that you need the tools to take advantage of them. • The financial crises in Sweden turned very bad and we agreed with Nordbanken that a new ownership structure should be established for Carnegie, since they had to change their strategy. We learned that managing a process of finding a new ownership structure is very delicate, to say the least. • We made our first large cap investment banking deal when we managed to place a large stake of Swedish shares in the Nordic and international market on behalf of Danish and Norwegian investors. We learned the importance of being independent.

1993

We acquired in Norway and finalised our acquisition of what is today our Danish operations; we acquired the private banking operations of Nordbanken in Luxembourg; we also bought the embryo of our asset management service in Sweden; we learnt that sometimes you have to move fast. • In order to establish a stable long-term financial incentive scheme we introduced the simple concept of sharing the profit 50/50 between the owner and staff. We learned that simple might be more practical than what might be theoretically correct. • Markets started their seven-year bull walk; we learned that you don't always notice when you are out of the tunnel.

1994

Carnegie incurred a huge loss in our newly established fixed income operation in Norway. As a consequence, our rating in equity research in Norway dropped dramatically – the biggest drop ever measured anywhere. And we learned that reputational risk is extremely important and takes forms that you might not expect. • Singer & Friedlander PLC in London acquired the majority stake in Carnegie from Nordbanken. We learned that trust pays off. • We made our first divestment by selling our fixed income operation in Sweden back to Nordbanken. We learned that what seems as a dramatic change is quickly absorbed if it makes sense. But we also established our insurance broking and pension consulting business in Sweden and learned that with proper focus, you can always deepen your service.

1995

After the new platform created together with Singer & Friedlander, all staff became shareholders in the company. This was initiated by Singer & Friedlander as a component in managing the risk in their investment. We learned that shared risk might prove to be reduced risk. • With the new ownership structure we could start working more proactively. We learned that key individuals want stable platforms in order to build a prosperous business. And the platforms were used to establish cross-border business areas throughout the group with respect to securities and investment banking – and later also asset management and private banking. • As a part of the sale from Nordbanken, the capital was substantially reduced. We learned to always try to put capital at it's best use.

1996

The market continued to reward specialisation and the latest trend was sector. Our coverage of southern Europe, with offices in Milan, Madrid and Lisbon and with a leading European emerging markets operation in London became too risky and we started divesting. We learned to focus on areas where we can become the number one. We decided to aim for becoming the leading Nordic investment bank – no more, no less. • Because of the divestments, the staff was reduced to approximately 300. We learned that growing comes not only from growing markets, but from growing relative to competition. • We established ourselves properly in Finland and we learned that it takes a lot of time and efforts to be regarded as the local among internationals and the international among locals.

1997

We were still behind major competitors, but coming closer. We learned that the future was in the hands of our clients and ourselves – not in the hands of “the markets” or something else untouchable. We can make it! • The “Asian crises” hit the markets and prices dropped. We learned that big moves in the market come because they are unexpected, not because they are expected. • We started our first major cross-border IT project, Camra. We learned that maybe the most important events are those behind the scene.

1998

Also our investment banking business in Norway, Denmark and Finland was starting to make impact in the local markets. We learned that focus always pays. • The equity business in Sweden had its first top-ranking in local polls. This was the business that formed the first starting block in the build-up of Carnegie. This was the entity where investment in research was made early on. We learned that pride stays when it comes from your own efforts. • The preparations for the “millennium bomb” started to occupy everyone, also Carnegie. We learned that all bombs don’t explode.

1999

This was the year when markets started to boom. The IT-rally left all previous experience irrelevant. We published a highly sceptical research report on the IT-sector. We learned that making noise doesn’t matter if the market rally is against you. • We passed our first billion target – SEK one billion in profit before bonus. We learned that breaking one goal creates another. • In Sweden, the Stockholm Stock Exchange introduced Euro as an additional currency – along with SEK – in trading on the Stockholm Stock Exchange. The demand from listed companies and other participants in the markets turned out to be nil. We learned, one more time, that markets are focused on what is important.

2000

This was the year when the markets peaked – when trading volumes were unheard of by historical comparison, when new issues, stock market listings and other investment banking business was flourishing, when the money flow to asset management services was huge and our performance fees were substantial. We learned that business can be fantastic – a knowledge to remember during rainy days. • In Sweden, the government introduced PPM, a scheme for “ordinary people” to save to their pensions by selecting funds in a pension program. The introduction came at what was later acknowledged as a peak in the equity markets, but the system serves as a model for Europe in managing the “pension bomb” through individual schemes. We learned that governments are prepared to take constructive actions. • Carnegie’s long-term efforts to become the leading Nordic investment bank paid off also financially, with our first year with a net profit in excess of SEK 1 billion. We learned that being best in what you do is almost always the best strategy.

2001

Carnegie was listed on the Stockholm Stock Exchange as one of the few independent investment banks in Europe. We learned that institutional investors in Europe and US appreciated our business model. • Because of the major reallocations of equity portfolios worldwide over the last decade, non-Nordic investors had become as important as Nordic investors with respect to Nordic shares. We learnt that commitment pays. • Despite falling markets, our assets under management continued to grow because of large inflows from clients. We learned that “five star quality” is your best competitive tool in whatever you do.

2002

The equity markets had their second worst year in 100 years and the markets ended down the third consecutive year. Many clients suffered badly and we learned that risk has a prize. • Our industry had to reduce staff substantially. Also Carnegie had to reduce for the first time in a decade. We learned that saying goodbye might be painful for those who leave – but also for those who stay. • Despite the poor markets, the second largest Nordic M&A-transaction ever, TeliaSonera, was completed successfully with Carnegie as the lead adviser to Telia. We learned that expertise and commitment pays.

Let me conclude by thanking all the clients for their commitments to Carnegie, for their loyalty also in such bad times as 2002 and for their many contributions to making Carnegie the leading Nordic investment bank. Our breathing space is with our clients and it is with sadness we notice the suffering – both in terms of lost fortunes, but also in lost opportunities – that the bad market have caused. It has been a privilege and an honour for me during all these years to lead Carnegie in trying to serve your needs in the most competitive way we can.

Finally, it is expected from me to thank the staff of Carnegie – CEO's always do. But since this is my last letter as CEO I want to take the opportunity to be a little bit stronger: Carnegie has a fantastic staff! It is because of them that clients increasingly want to work with Carnegie rather than other firms. It is they who form the corporate culture that allow talent and ambition to grow. It is their hard work, high ethics, loyalty and strong dedication that make Carnegie different. Because we have no big brother or big balance sheet to help us out – it is solely the work of the many individuals, the Carnegie Ambassadors – that make us the leader! I want to thank them all for yet another outstanding year!

It is with great enthusiasm and confidence that I hand over the role as CEO to Karin Forseke as from 2003. I know that the Board has appointed an excellent new leader and from the bottom of my heart I wish her all success in her new position.

Stockholm in January 2003

Yours sincerely

A handwritten signature in black ink, appearing to read 'Lars Bertmar', with a stylized, flowing script.

Lars Bertmar
Chief Executive Officer

Economic overview

A dramatic year

2002 was another dramatic year for the global economy and the financial markets. The year started with cautious optimism regarding the prospects for the economy. As important economic indicators on both sides of the Atlantic continued to improve, optimism increased that 2002 would be a really good year in terms of the economy. However, these hopes were dashed during the summer when the upturn was exchanged for a marked fall in the majority of economic indicators. It is now clear that the economic upturn in both the USA and Europe was interrupted before it managed to get a proper foothold.

Profits disappoint again

Despite improvement in the economy at the start of the year, particularly in the USA, profits did not live up to the overly high expectations of a rapid increase. The disappointing profits contributed to a general reduction in profit estimates and therefore to poor performance on the world's stock markets. Once again it proved that the prospects of growth – particularly for global technology and telecom products – were far too optimistic.

Substantial stock market falls

Despite a certain amount of recovery towards the end of the year, 2002 was a very poor year on the world's stock markets and prices on the leading stock markets fell for the third year in succession. Not only were economic performance and profits during the year disappointing, but there was also considerable focus on the continued problems of telecom suppliers and operators as well as a number of corporate scandals in the USA which attracted attention. The Morgan Stanley World index fell by 25 per cent, Standard&Poor's 500 index was down 23 per cent, while the EuroStoxx50 was down no less than 37 per cent. The technology-dominated NASDAQ also performed poorly, with the index down 32 per cent over the year.

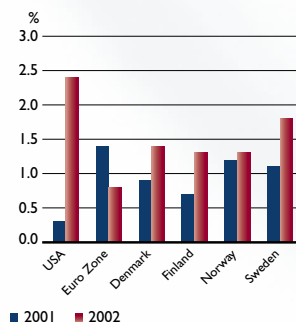
Outflow from equity funds

Inflows to equity funds are very sensitive to the prevailing trend on the stock market. As a result of the positive start to the year, there were net inflows into equity funds in both the USA and Europe. As the stock market climate deteriorated, however, inflows tailed off and turned into significant outflows. Viewed over the year as a whole a full USD 7 bn was withdrawn from equity funds in the USA, which is very unusual. Not since 1988 has a net outflow from equity funds been recorded.

Better growth in Nordic countries

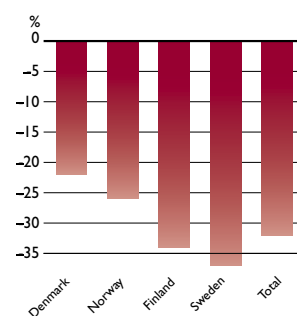
The Nordic economies are highly dependent on exports and the poor growth in the global economy contributed to generally moderate growth. Since private consumption was held up by continued expansive financial policies and good real wage increases, however, all the Nordic countries were able to report higher growth in 2002 than in 2001.

Growth in GDP higher in 2002 in the Nordics



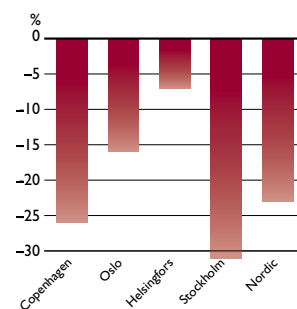
Carnegie Economic Research, estimates for 2002

Share indices fell dramatically...



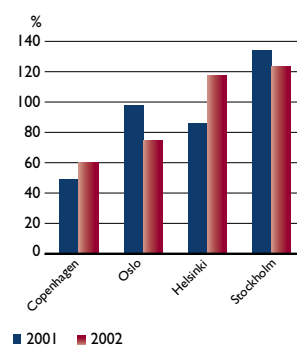
Carnegie Nordic Index, change

...and resulted in a turnover decline



Stock market turnover, change

Turnover rate was virtually unchanged



■ 2001 ■ 2002

Terrible year on Nordic stock markets

The Nordic stock markets had a terrible year with substantial drops in all countries. The Swedish market suffered the biggest fall, being highly affected by the continued collapse of telecom stocks, leaving the Carnegie Nordic Index – Sweden down by a full 37 per cent over the year. The Finnish stock market was affected by the same factors and the index was down 34 per cent. Stock markets in Denmark and Norway – which are less sensitive to the business cycle and less exposed in respect of the telecoms sector – coped somewhat better, but both the Norwegian and the Danish index fell by about 22–25 per cent.

Lower turnover

The substantial fall in stock prices led to a further fall in trading on the Nordic exchanges. Stockholmsbörsen – the Stockholm Stock Exchange – was particularly hard hit, with trading down by 32 per cent compared with 2001. However, the other Nordic exchanges also saw substantial declines in trading. The Helsinki stock exchange put in the best performance, with the decline stopping at just 7 per cent compared with 2001.

Capital flow into the stock markets declined on all the Nordic markets during 2002. Although Sweden – the most highly developed Nordic market for investment in equity funds – saw another year of net inflow, at SEK 17.3 bn the level was the lowest since 1995. Fund flows were also weak in the other Nordic countries, in particular in Norway where a net outflow was recorded.

5-year financial overview

Income statement

Group (SEK million)	1998	1999	2000	2001	2002
Securities	870	1,131	2,261	1,615	1,106
Investment Banking	346	483	961	901	467
Asset Management & Private Banking	381	543	1,024	924	819
Total income¹⁾	1,597	2,157	4,247	3,440	2,392
Personnel expenses	-469	-549	-680	-906	-902
Redundancy expenses	-	-	-	-	-92
Other expenses	-486	-499	-770	-829	-789
Net provisions for credit losses	-5	-8	0	-3	-3
Total expenses excluding bonus	-960	-1,055	-1,450	-1,738	-1,786
Operating profit before result from principal investments and bonus	637	1,101	2,796	1,702	606
Results from principal investments	-	-	251	-65	9
Operating profit before bonus	637	1,101	3,047	1,636	616
Bonus expenses ²⁾	-337	-542	-1,514	-784	-277
Total expenses	-1,297	-1,597	-2,964	-2,522	-2,063
Profit before taxes	300	560	1,533	852	339
Taxes	-101	-155	-443	-280	-89
Net profit	199	405	1,090	572	250

1) In order to improve the description of the business, the marked-to-market valuation of Carnegie's holding in Orc Software and the result from associated companies are included in the result from principal investments in the operational reporting. Thus, total income in the operational reporting may differ from total income as presented in the statutory income statement.

2) In the presentation, the result from principal investments and the bonus effect from the result are not allocated to business areas.

Definitions of key ratios

Earnings per share: Net profit for the period divided by the average number of shares. For the period up to 30 June 2001, the average number of shares is calculated as the number of shares outstanding immediately after the restructuring (merger and split) but before the new share issue.

Earnings per share, fully diluted: Net profit for the period divided by the average number of shares, fully diluted, including the effect of issued warrants (see page 54).

Book value per share: Shareholders' equity at period-end divided by total number of shares.

Share price: Share price (closing price) at year end.

Price/earnings multiple: Share price divided by earnings per share for the last 12-month-period.

Price/book multiple: Share price end of period divided by book value per share.

Compensation/income ratio: Personnel expenses plus bonus expense as a per centage of total income including principal investments.

Cost/income ratio: Total expenses, including bonus expenses, as a per centage of total income including principal investments.

Operating margin: Profit before taxes as a per centage of total income including principal investments.

Operating data and key ratios

Key data	1998	1999	2000	2001	2002
Earnings per share (SEK)	3.13	6.39	17.21	8.76	3.75
Earnings per share, fully diluted (SEK)	3.13	6.39	17.21	8.76	3.75
Book value per share (SEK)	–	–	25	28	24
Share price (SEK)	–	–	–	131	56
Price/earnings multiple	–	–	–	14.9	14.9
Price/book multiple	–	–	–	4.6	2.4
Number of shares at period-end	63,366,600	63,366,600	63,366,600	66,701,600	66,701,600
Average number of shares	63,366,600	63,366,600	63,366,600	65,267,093	66,701,600
Number of shares related to outstanding warrants	–	–	–	–	2,400,000
Compensation/income ratio, %	50%	51%	49%	50%	49% ¹⁾
Cost/income ratio, %	81%	74%	66%	75%	86%
Operating margin, %	19%	26%	34%	25%	14%
Profit margin, %	12%	19%	24%	17%	10%
Return on equity, (12 mo) %	45%	58%	85%	38%	16%
Total assets (SEK million)	8,548	10,327	18,553	19,129	12,444
Margin lending (SEK million)	2,399	3,007	4,250	2,409	2,820
Deposits and borrowing from general public (SEK million)	3,740	4,358	6,469	5,561	5,016
Shareholders' equity (SEK million)	559	846	1,605	1,880	1,568
Total regulatory capital base (SEK million)	608	610	973	1,308	956
–Shareholders' equity	559	846	1,605	1,880	1,568
–Goodwill	–5	–3	–2	–1	–17
–Dividends	–96	–383	–860	–572	–596 ²⁾
–Subordinated loan	150	150	230	–	–
Total risk-weighted assets (SEK million)	3,336	4,789	7,461	6,545	4,690
Risk-weighted assets (Credit risks)	2,364	3,615	5,570	4,784	3,214
Risk-weighted assets (Market risks)	972	1,174	1,892	1,761	1,476
Tier I ratio, %	13.7%	9.6%	10.0%	20.0%	20.4% ³⁾
Capital adequacy, %	18.2%	12.7%	13.0%	20.0%	20.4% ³⁾
Number of employees, average	577	649	765	941	924
Number of employees, period-end	589	665	864	943	835
Period-end assets under management (SEK billion)	42	70	79	73	51

1) Excluding redundancy expenses 2) Proposed dividend 3) After deduction of proposed dividend.

Profit margin: Net profit as a percentage of total income including principal investments.

Return on equity: Net profit for the last 12-months-period as a per centage of average shareholders' equity.

Regulatory capital base: Shareholders' equity plus equity portion of untaxed reserves, minus goodwill, any proposed dividend and any repurchased shares.

Tier I ratio: Regulatory capital base as a per centage of risk-weighted assets.

Capital adequacy ratio: Total regulatory capital base (regulatory capital base plus eligible subordinated indebtedness) as a per centage of risk-weighted assets.

Number of full-time equivalent employees, average: Aggregate number of paid working hours for all employees divided by a pre-defined number of working hours per employee for the entire period.

Number of full-time equivalent employees, at period-end: Aggregate number of paid working hours for all employees divided by a pre-defined number of working hours per employee at period-end.

Note that certain numerical information presented in millions may not sum due to rounding.

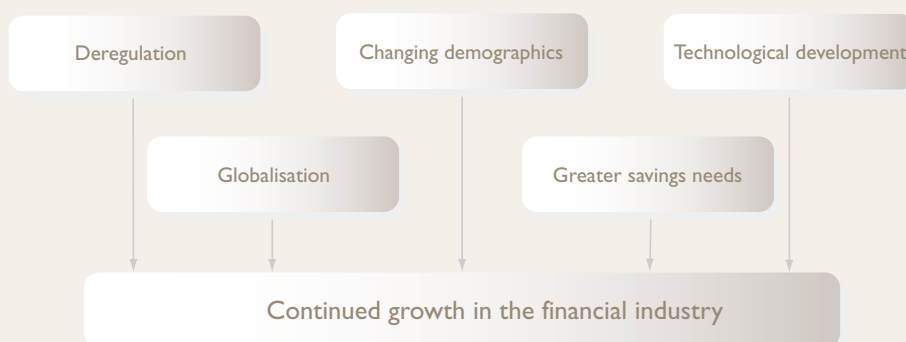
Business idea and strategy

Business idea

Carnegie's objective is **long-term profitability** through being **our clients' first choice**, which will bring value to the shareholders. Growth in all business areas will be achieved through continued emphasis on high quality products and services provided by creative, dedicated professionals.

Business environment

Despite the dramatic downturn in the last three years, the fundamental factors for growth in the financial industry remain intact. Growth is driven by the following key factors:



Deregulation – During the last decade, a variety of industries have been deregulated, including the telecommunications, financial services and power industries. This has created new business opportunities, heightened competition and increased demand for raising capital and other financial advisory services.

Globalisation – Heightened competition has created a need for international capabilities and scale, resulting in increased mergers & acquisitions and joint venture activity, a long-term trend that is expected to continue. The globalisation trend has also brought a global perspective to the allocation of household savings.

Changing demographics and greater savings needs – The aging population has put pressure on existing national pension systems throughout most of the developed world, which has resulted in changes in these systems that may result in increasing investment flexibility for participants. Among individuals, this has created more awareness of the need to save for long-term retirement and increased demand for investment alternatives such as equity-related products and services. This has been pronounced in the Nordic region, where the national pension systems to a large degree are based on a “pay-as-you-go” philosophy. The working population will therefore have to support a growing number of pensioners, and there are growing doubts that sufficient funds will be available to cover adequate pension benefits in the future.

Technological development – The markets for telecommunication, information technology and biotechnology will, in a long-term perspective, show growth. With a long history of technological expertise within these sectors, companies in the Nordic region are expected to stay at the forefront of these industries. The recent

decline in technology share prices notwithstanding, this implies continued high demand in the Nordic region for capital from fast growing information technology, telecommunications and biotechnology companies and for mergers and acquisitions advisory services.

Business model

Carnegie's competitive strengths can be described in a business model, which has proven to be successful over a long period of time. By building on these competitive strengths, Carnegie will be able to capitalise on opportunities for growth.



Competitive strengths

Long-term client relationships – By more fully understanding the clients' businesses and investment goals, Carnegie has developed deep client relationships, which in turn generate recurring business.

Premier quality – The focus on creating long-term client relationships has set high standards for Carnegie's products and services across all businesses. The quality of these products and services has helped to build and sustain Carnegie's brand name.

Superior profitability – Carnegie aims at maximising long-term profitability, which is only possible to achieve through being our targeted clients' first choice. Good profitability is also in the interest of clients, as it allows the organisation to recruit and retain the best people.

Market leadership – Market leadership is often a prerequisite for superior profitability. Carnegie's position as the leading Nordic investment bank was confirmed during 2002.

Nordic focus – To remain a leading investment bank, Carnegie is pursuing a strategy of growth in the Nordic region, based on a strong sector focus, an international outlook, and a committed presence in each Nordic market.

Distinctive culture – Carnegie's growth is built on a distinctive corporate culture. The employee commitment is reinforced through a compensation philosophy that rewards teamwork and initiative.

Growth strategies

In an industry, that is expected to grow in the long term, Carnegie's strategy is to grow relative to competition. In addition to further improving its strong market positions with Nordic institutional clients and corporations, Carnegie will focus on three segments of special importance for the long-term growth prospects:

- further expansion of its market positions with non-Nordic institutional clients investing in Nordic securities,
- further improvement of its position with investment banking clients engaged in transactions involving the Nordic region with special emphasis on further expanding the share of larger transactions and senior positions, and
- further expansion of its business with selected groups of private clients by establishing a concept for private banking.

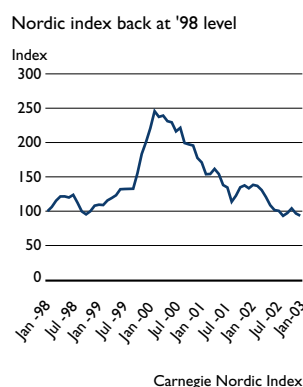
Dividend policy

Carnegie's business is largely fee and commission based, with a relatively low proportion generated from market making and proprietary trading, and the business is characterised by low capital requirements. As was outlined in the prospectus in connection with the initial public offering in 2001, Carnegie intends, over the long term, to declare dividend amounts that will allow the company to maintain an acceptable Tier 1 ratio at the beginning of each fiscal year. An acceptable Tier 1 ratio is expected to be 15 per cent in the medium term.

In making the proposal of the yearly dividend, however, the Board of Directors will take into account other relevant matters such as the availability of funds for dividends, general business conditions, other capital requirements and other such factors as the Board of Directors may deem relevant.

In view of the Tier 1 ratio target and the current Tier 1 ratio, the Board of Directors will propose a dividend of SEK 8.93 (SEK 8.57) per share. The Tier 1 ratio after deduction of the proposed dividend will be 20.4 per cent at 31 December 2002 (20.0 per cent), which well exceeds the target, leaving room for expansion of the business.

The Carnegie Group



Difficult market conditions

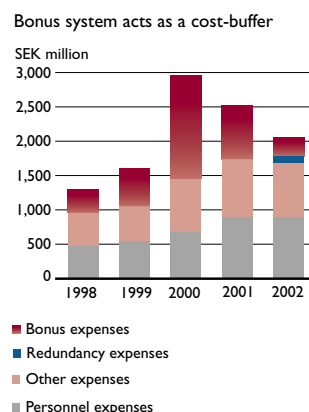
Carnegie Nordic Index fell 32 per cent in 2002 after a small recovery from –40 per cent at the beginning of the last quarter. Equity turnover for 2002 ended 23 per cent below 2001. The volume of M&A transactions in the Nordic region was virtually unchanged from 2001, announced as well as completed, mainly due to a few large transactions. In 2002 there were 5 (15 in 2001) Nordic IPOs, of which all were taken to the market in the first half of the year. Swedish equity funds reported a net inflow of SEK 17 billion in total for 2002.

Market position confirmed

In 2002 Carnegie confirmed its position as the leading Nordic investment bank. Carnegie was number one in 2002 in terms of trading volume on the Nordic stock exchanges, and received top rankings for equity research¹⁾. Carnegie was also among the top three in the Nordic M&A-advisory league table in terms of completed as well as announced assignments²⁾. Carnegie now holds 4- or 5-star rankings³⁾ for funds representing 75 per cent of the assets under management in equity mutual funds.

Income fell by 30 per cent

Carnegie's total income for 2002 fell by 30 per cent to SEK 2,392 million (SEK 3,440 million). Income in the largest business area, Securities, declined 32 per cent to SEK 1,106 million. The decline reflects lower commission income, down 15 per cent to SEK 894 million, and substantially lower income from proprietary trading and market making, down 70 per cent to SEK 94 million. In Investment Banking, total income of SEK 467 million was down by 48 per cent from 2001. In Asset Management & Private Banking, total income was SEK 819 million, a decline of 11 per cent from last year, mainly reflecting the continuing decline in market values in managed portfolios.



Fast cost adjustment through effects of the bonus system

Total expenses for 2002 were SEK 2,063 million, down 18 per cent from last year, reflecting total operating expenses before bonus of SEK 1,786 million, increasing by 3 per cent from last year (down by 3 per cent excluding redundancy costs), and a 65 per cent decline in bonus expenses.

About half of the non-bonus expenses, excluding redundancy costs, are personnel costs (SEK 902 million), and the other half is mainly costs for premises, information systems and office equipment (SEK 792 million). The bonus is calculated as a fixed formula, 50 per cent of the Group's operating profit before bonus after deduction of a STIBOR-related return on the shareholders' equity.⁴⁾

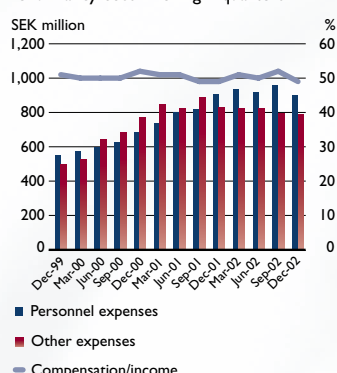
1) Global Investor/Euromoney, September, 2002; shared no 1 in Best local market research (Nordic), Affärsvärlden (Sweden), September, 2002; Best Research House, Prospera, December 2002; No 1 in Denmark, No 2 in Sweden, No 4 in Norway and No 2 in Finland.

2) Thomson Financial Securities Data, January, 2003.

3) Morningstar, Fondmarknaden and VV-rating, January 2003.

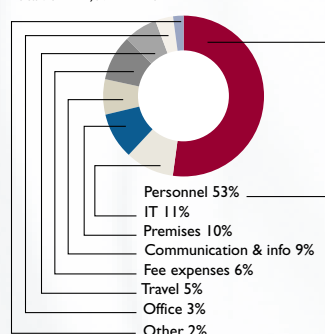
4) Although bonus expenses are allocated to each business area on a fixed percentage basis for the purpose of segmental analysis, actual bonus payments are made on a discretionary basis.

Personnel vs other expenses excluding redundancy cost – rolling 4 quarters

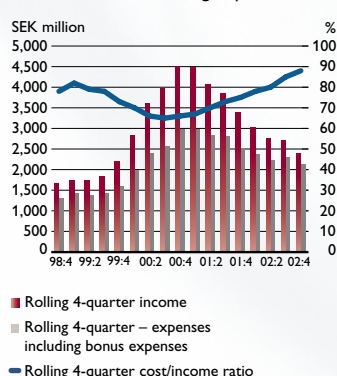


Head count driven cost base 2002 pre-bonus breakdown excluding redundancy costs

Total: SEK 1,694 million



Income and costs – rolling 4 quarters



Personnel reduction and redundancy costs

As a consequence of the declining market activity and the focus on cost-efficiency, a personnel reduction of a total of 129 employees was made in 2002, of which 49 in the last quarter. The short-term effect is a redundancy cost of SEK 92 million for 2002, of which SEK 36 million in the last quarter. The reduction of personnel included 60 per cent front office personnel and 40 per cent administrative personnel, mainly in Securities.

Number of employees per business area	2001	Personnel reduction	Net chg*	2002	Chg, %
Securities	517	-71	-115	402	-22
Investment Banking	173	-19	-12	161	-7
Asset Management & Private banking	253	-31	19	272	8
Total	943	-129	-108	835	-11

*) Including other personnel changes and the effects of reallocation of administrative personnel per business area.

Due to recruitments made in 2002, the net decrease in number of employees for 2002 was 108. The total of 835 employees at 31 December 2002 thus corresponds to a decrease of 11 per cent from year-end 2001. The compensation/income ratio for 2002 increased to 53 per cent including the redundancy costs for 2002, but remained stable at 49 per cent excluding the one-off items.

Estimated cost interval for 2003

Other expenses for 2002 amounted to SEK 792 million of which SEK 190 million in the last quarter, including net provision for credit losses of SEK 3 million. Assuming no further changes in number of employees from year-end, the cost level excluding bonus for 2003 is estimated at SEK 1,550–1,650 million, down 8–13 per cent from 2002.

Cost/income ratio

Due to declining income, the cost/income ratio (including bonus costs and result from principal investments) increased to 86 per cent for 2002, corresponding to an operating margin of 14 per cent. The cost/income ratio excluding redundancy expenses was 82 per cent.

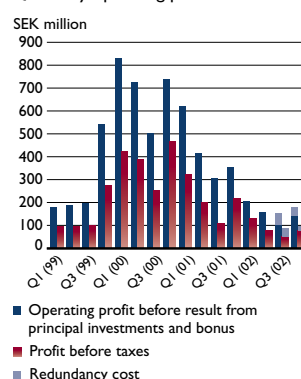
Results from principal investments

Results from principal investments in 2002 totalled SEK 9 million (SEK –65 million), of which SEK –3 million from associated companies (see note 14 for a description) and SEK 11 million from the marked-to-market valuation of Carnegie's holding in Orc Software. Carnegie's net position in Orc Software at year-end corresponded to 28,875 shares or 0.2 per cent of the total shares outstanding (4 per cent in 2001).

The value of Carnegie's 3.8 per cent holding in Startupfactory BV has been estimated at SEK 15 million, resulting in a write-down of SEK 29 million. Startupfactory is an early stage Nordic venture capital firm, investing in Nordic companies in the IT, datacom and telecom industries.

Results from principal investments in 2002 also includes a positive net effect of SEK 31 million related to the divestment of the preference share held in Aragon Fondkommis-sion AB. The amount includes previously received dividend.

Quarterly operating profit



Net profit and return on equity

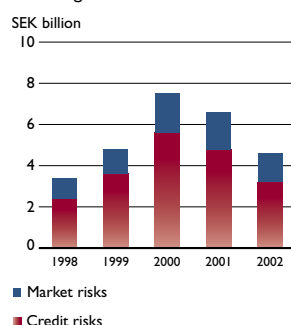
The net profit for 2002 was SEK 250 million, including a tax refund of SEK 15 million in the last quarter related to expenses in connection with the initial public offering in 2001. Therefore the total tax cost as a percentage of the result before taxes was 26 per cent for the full year 2002, which was lower than the estimated tax cost of 31 per cent. The net profit corresponded to a return on equity for 2002 of 16 per cent (38 per cent).

Liquidity, financing and investments

Carnegie's principal need for capital is to support the day-to-day operations, through secured and unsecured short-term funding. The need for long-term funding is relatively low. The majority of Carnegie's assets are marketable securities inventories (marked-to-market daily), margin lending and short time deposits. As a consequence of this, Carnegie's working capital fluctuates significantly between the financial statement dates. The change in working capital for 2002 was SEK -2,749 million and for 2001 SEK -374 million. The cash flow from operations before changes in working capital was positive, SEK 355 million for 2002 (SEK 633 million).

For the year 2002, capital expenditure was 3.2 per cent of total income (4.4 per cent). Capital expenditure amounted to SEK 77 million (SEK 150 million), mainly attributed to office equipment (47 per cent) and information systems (27 per cent).

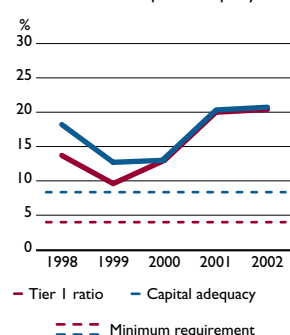
Risk weighted assets



Risk-weighted assets and Tier 1 ratio

Swedish securities firms must satisfy the legal requirements on capital adequacy and large exposures. The capital adequacy is monitored in relation to the risk of the businesses, measured as a function of asset quality and liquidity, i.e. the risk-weighted assets. Capital is divided into two main categories: primary capital (Tier 1) and supplementary capital (Tier 2). Tier 1 consists primarily of shareholders' equity, and Tier 2 capital also includes subordinated loans and preference shares, if any. The Tier 1 ratio measures the Tier 1 capital as a percentage of risk-weighted assets, with a minimum requirement of 4.0 per cent. The capital adequacy also includes the Tier 2 capital and the minimum ratio is 8.0 per cent.

Tier 1 ratio and capital adequacy



Risk-weighted assets at year-end 2002 fell 28 per cent from 2001 to SEK 4.7 billion, of which 69 per cent was attributed to credit risks and 31 per cent to market risks. The decrease reflects lower credit risks and lower utilisation of the trading risk mandates. The proposed dividend of SEK 8.93 per share corresponds to a dividend of SEK 596 million, leading to a Tier 1 of 20.4 per cent at 31 December 2002 (20.0 per cent in 2001).

Development of share capital

The shareholders' equity amounted to SEK 1,568 million at 31 December 2002, including distribution of dividend of SEK 572 million, corresponding to 100 per cent of net profit in 2001. During 2001, additional capital of SEK 556 million was provided through the merger of D. Carnegie & Co AB and Carnegie Holding, which generated SEK 228 million, and the net proceeds of SEK 328 million from the new share issue in connection with the initial public offering. The proceeds were in part used for repayment of subordinated loans amounting to SEK 230 million.

Changes in shareholders' equity

SEK million	2002	2001
Shareholders' equity – opening balance	1,880	1,605
Dividend (Q1)	-572	-861
Additional capital through merger (Q2 & Q3)	–	228
New share issue, net (Q2 – Q4)	–	328
Foreign exchange difference	10	8
Net profit for the period	250	572
Shareholders' equity – closing balance	1,568	1,880

Group structure

The Group's parent company is D. Carnegie & Co AB (publ), which is listed on the Stockholm Stock Exchange's O-list. The Group includes a number of wholly owned subsidiaries and their subsidiaries in Denmark, Finland, Norway, Sweden, Luxembourg and the United States, as well as branches in Finland, Norway and Great Britain. The companies in the Group and the ownership structure of these companies are described in Note 28.

The parent company in summary

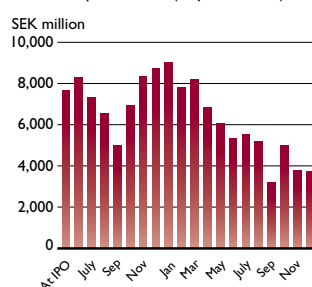
Total income in the parent company D. Carnegie & Co AB was SEK 6 million (SEK 8 million), and the company was showing a loss before financial items of SEK 67 million (SEK -74 million). The net profit before taxes was SEK 176 million, including anticipated dividends from subsidiaries of SEK 276 million. At 31 December 2002, cash and liquid assets were SEK 329 million (SEK 197 million) and capital expenditure during the period amounted to SEK 1 million (SEK 4 million). Shareholders' equity at 31 December was SEK 1,412 million (SEK 1,709 million).

Related party transactions

Capital C, owned to 50 per cent by Carnegie, is a software development company and supplier of after trade solutions for the securities industry, including Carnegie. In 2002, Carnegie's payment for services from Capital C amounted to SEK 11 million. At 31 December 2002, Carnegie had a credit facility amounting to SEK 4 million, and a guarantee commitment of SEK 67 million (SEK 33 million). In January 2003, a decision was taken to convert the credit facility to a shareholders' contribution of SEK 4 million and to provide a new credit facility of SEK 15 million.

Share information and ownership structure

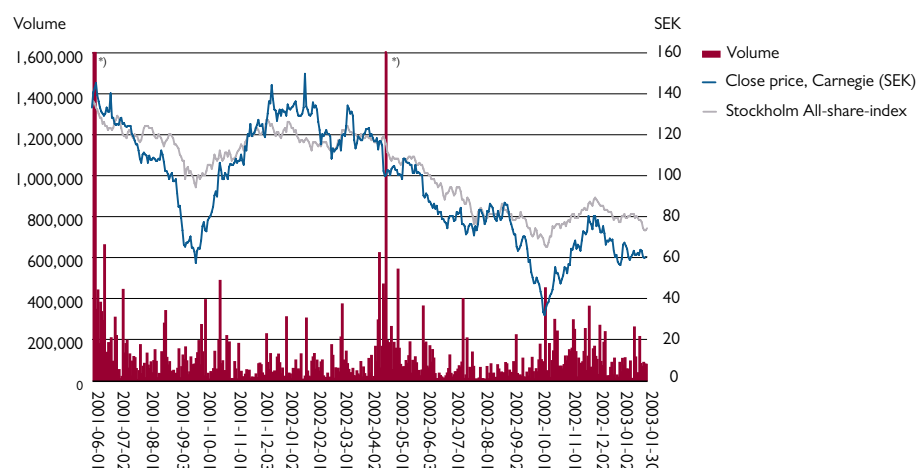
Market capitalisation (at period end)



Key data	2000	2001	2002
Earnings per share (SEK)	17.21	8.76	3.75
Dividend per share (SEK)	13.57	8.57	8.93 ^{*)}
Book value per share (SEK)	25	28	24
Share price (SEK)	–	131	56
Price/earnings multiple	–	15	15
Price/book multiple	–	5	2
Number of shares at period-end	63,366,600	66,701,600	66,701,600
Average number of shares	63,366,600	65,267,093	66,701,600

^{*)} Proposed dividend

Share price 1 June 2001 – 31 January 2003



^{*)} Turnover for the first two weeks after the initial public offering in June 2001 amounted to 12.5 million shares. The turnover on 19 April 2002 was 3.5 million shares, and included the coordinated placing of released lock-up shares held by current and former employees.

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Listing: Stockholmsbörsen (SWE), List O
Code: SE0000798829
Listed since: 2001-06-01
Trading lot: 100 shares
Symbol: CAR

Share information (SEK)

Market value 31 December 2002 (SEK million)	3,735
Share price 31 December 2002	56
Share price 31 December 2001	131
Share price at the IPO	115
Year high	149.5
Year low	31.5
All time high	149.5
All time high date	23 January 2002

Turnover in the Carnegie share

D. Carnegie & Co AB has been listed on the O-list at Stockholmsbörsen (Stockholm Stock Exchange) since 1 June 2001. The offering comprised 18 per cent of the shares (19 per cent including over-allotment) and the market capitalisation at the offering price SEK 115 was SEK 7.7 billion. Since January 2002, Carnegie's shares have been traded at Attract 40, a special section of the O-list of Stockholmsbörsen consisting of the 40 most actively traded shares on that list.

The share turnover is an indication of the liquidity in the share. On average, 88,000 Carnegie shares were traded daily in 2002. The turnover rate shows the total turnover in relation to the average market capitalisation, based on the total number of shares outstanding. The turnover in Carnegie shares at Stockholmsbörsen amounted to SEK 2,332

IR objective

Carnegie's objective is long-term profitability through being the clients' first choice, which will bring value to shareholders. Investor Relations will support this by providing adequate information and keeping an open and continuous dialogue with investors, analysts and news media, and thus avoid unnecessary volatility in the share price.

million for 2002, corresponding to a turnover rate of 44 per cent, which can be compared with the overall turnover rate at Stockholmsbörsen of 123 per cent.

In Carnegie's case, a more relevant ratio is the turnover rate in relation to the average market capitalisation of the free float. The free float at 31 December 2003 was 40 per cent of the total shares outstanding, and excluded shares held by the largest owner, Singer & Friedlander (31 per cent), as well as transfer restricted shares held by current and former personnel (29 per cent). The turnover rate based on the free float was 110 per cent for 2002.

Return

The share price decreased in 2002 from SEK 131 to SEK 56 at year-end, a decline of 57 per cent. The total annual return including reinvested dividend corresponded to –51 per cent for 2002.

Shareholder structure

31 December 2002	Number of shares	Votes and capital, %
Transfer restricted shares¹⁾		
Carnegie current and former personnel ²⁾	19,255,750	28.9%
Singer & Friedlander Securities Ltd.	20,579,440	30.9%
Sub-total transfer restricted shares	39,835,190	59.7%
Free float³⁾		
Institutional investors		
– Non-Swedish	14,372,900	21.5%
– Swedish	7,400,947	11.1%
Private investors	5,092,563	7.6%
Sub-total free float	26,866,410	40.3%
Grand total	66,701,600	100.0%

15 largest shareholders

31 December 2002	Number of shares	Votes and capital, %
Singer & Friedlander Securities Ltd	20,579,440	30.9%
Non-Swedish institutional investors ³⁾	12,429,632	18.6%
Group management	2,225,000	3.3%
Didner & Gerge Fonder	1,500,000	2.2%
Robur fonder	1,473,228	2.2%
Carnegie Personal AB ⁴⁾	1,282,761	1.9%
Baillie Gifford European Small Cap Fund	484,000	0.7%
SHB Fonder & Livförsäkringar	454,208	0.7%
Lazard International Small Cap	452,100	0.7%
United National Joint Staff Pension Fund	434,000	0.7%
Östersjöstiftelsen	411,500	0.6%
Andra AP-fonden	373,232	0.6%
BT Pension scheme	288,360	0.4%
Principal Group	282,700	0.4%
Sjätte AP-fonden	229,000	0.3%
Sub-total	42,899,161	64.3%
Others	23,802,439	35.7%
Total	66,701,600	100.0%

1) Transfer restrictions refer to lock-in and lock-up agreements, see below. Other shares held by current and former personnel are included under "Private investors".

2) Shares held by current and former personnel are individual shareholdings.

3) Revised figures from year-end report 2002 due to changes in classifications from the shareholders' register VPC.

4) Nominee-registered shares held by unidentified institutional investors.

5) Carnegie Personal AB administers the lock-up and the lock-in agreements related to the transfer-restricted shares held by current and former personnel. The number of shares refers to the net position held by Carnegie Personal AB.

Ownership structure, 31 December 2002

No of shares	No of shareholders	No of shares	Holding (%)	Votes (%)	Market value (KSEK)
1 – 500	2,045	342,229	0.5%	0.5%	19,165
501 – 1,000	269	238,029	0.4%	0.4%	13,330
1,001 – 5,000	342	996,524	1.5%	1.5%	55,805
5,001 – 10,000	83	662,246	1.0%	1.0%	37,086
10,001 – 15,000	29	365,109	0.6%	0.6%	20,446
15,001 – 20,000	32	605,038	0.9%	0.9%	33,882
20,001 –	241	63,492,425	95.2%	95.2%	3,555,576
Total	3,041	66,701,600	100.0%	100.0%	3,735,290

Transfer restricted shares**Lock-in shares**

D. Carnegie & Co AB became parent company of the Carnegie Group on 6 June, 2001, through a merger with Carnegie Holding AB. In August 2000, 200 key employees entered into a binding agreement to purchase 11 per cent of the shares in D. Carnegie & Co AB, leading to an ownership structure immediately prior to the initial public offering of 44 per cent owned by Singer & Friedlander, and 56 per cent owned by current and former employees. This 11 per cent interest is subject to certain restrictions according to a “lock-in-agreement”. The shares may not be transferred prior to 1 January 2004. In addition, these shares are subject to option agreements pursuant to which Carnegie Personal AB (wholly owned by the foundation “Stiftelsen D. Carnegie & Co”) has the right, upon the termination of employment of the employee, to purchase the shares at a price that equals the price originally paid by the employee.

Lock-up shares

Almost all of Carnegie’s current or former employees, who hold ordinary shares, are included in a lock-up agreement. Under this agreement, the shares held by the employees can be released in four equal tranches (each release corresponding to approximately 10 per cent of the total shares outstanding). The dates for release of the lock-up were set to one day after the release of Carnegie’s first and third quarter reports in 2002 and 2003. The two lock-up releases in 2002 comprised over 13 million shares (appr. 20 per cent of the total shares), of which 3.5 million were included in a coordinated placing to institutional and private investors.

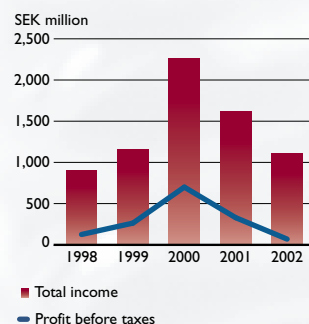
Shares held by Singer & Friedlander

Singer & Friedlander’s shares (30.9 per cent of the total number of shares outstanding) were released from lock-up in connection with the first quarter report 2002. Singer & Friedlander has stated that it is not a long-term holder of its remaining stake in Carnegie, and that a disposal would be dependent on appropriate market conditions. Singer & Friedlander has agreed not to transfer any shares without the prior consent of Carnegie Personal AB, subject to certain exceptions.

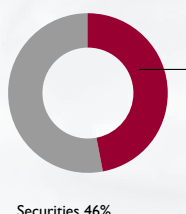
Warrant programme

In order to achieve a long-term commitment from the employees, it is of great importance that all employees are also offered the possibility to become shareholders. In line with this strategy Carnegie has introduced warrant programmes for employees. See details on page 54.

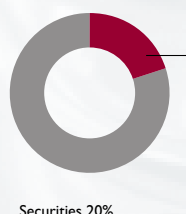
Income and profit



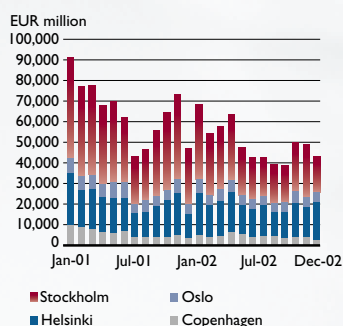
Share of income 2002



Share of profit before taxes 2002



Aggregate monthly turnover on the Nordic stock exchanges



Securities

- *Falling share prices and turnover decline reduced income*
- *Personnel reduction of 21 per cent*
- *Maintained client focus – well positioned to improve market shares*

Business

Products and services: Equity research, Equity securities brokerage, Equity derivatives brokerage, Equity trading, Deposits and margin lending, Fixed income sales and trading.

Competitive strength: Carnegie's Nordic equity sales force consists of about 100 professionals. Equity sales are supported by a research organisation covering close to 400 companies in the Nordic region. Carnegie's Securities business also covers market making and proprietary trading of equity securities and related products.

Clients: Nordic institutional and private investors, and international investors, most of which are institutional.

Operations in: Sweden, Denmark, Norway and Finland, as well as sales and sales trading operations in London and New York.

Business environment and market position

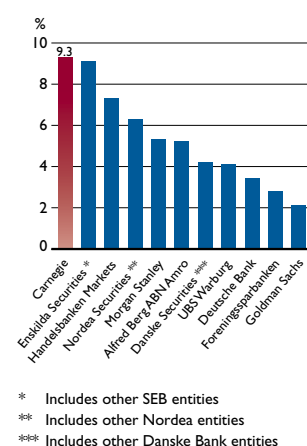
The Carnegie Nordic Index fell by 32 per cent in 2002, reaching its lowest point at –40 per cent in September. The aggregate turnover on the stock exchanges ended down 23 per cent for 2002. In these difficult markets, the key focus on staying close to clients and maintaining or improving service levels has shown to be the right strategy. Carnegie maintained or strengthened its positions in the markets for Nordic equities and its position as a top Nordic equity house was confirmed by external surveys. The target to be number one in Nordic equities is essential, as institutional clients are reducing the number of service providers, which has been even clearer during 2002.

Carnegie's market share of the total turnover on the Nordic stock exchanges was 9.3 per cent for 2002. Total turnover also includes the volume generated in trading activities, why the official market share is only an indication of the market share in the underlying commission-bearing turnover.

Nordic stock exchanges, 2002	Market cap (EUR bn)	Turnover (EUR bn)	Turnover rate (12 m)	Carnegie mkt share	Ranking
Denmark	76	53	60.0	9.3%	3
Finland	151	189	117.2	8.6%	1
Norway	69	61	74.7	10.2%	2
Sweden	194	295	123.4	9.4%	2
Total Nordic	490	598	104.3	9.3%	1

Source: Copenhagen Stock Exchange, Helsinki Stock Exchange, Oslo Stock Exchange and Stockholmsbörsen.

Market share 2002 – Nordic stock exchanges



Carnegie's market position has been achieved through the continuous efforts to service the targeted clients in the best possible way. The personnel reduction in business area Securities has thus been made with the constraint that the service level to the clients must remain unchanged. The personnel reduction in Securities involved, to a large extent, front office and support personnel directed towards serving the private client segment, as a result of the sharply declining transaction volumes in that segment.

The key focus for Carnegie Securities is to reinforce its institutional client relationships. The position among international institutional clients, which is one of Carnegie's targeted growth segments, developed positively during 2002. Commissions from the non-Nordic institutional clients increased to 40 per cent of total commissions during 2002 (from 33 per cent in 2001). The aim to strengthen the positions among domestic institutions continues, especially in Norway and Finland.

Equity research

Research on Nordic companies is the foundation of Carnegie's strong position. Carnegie's research team is one of the highest ranked on Nordic equities. At 31 December 2002, Securities had a team of about 60 analysts, a decrease of 10 since last year. The analysts cover approximately 400 Nordic companies in 19 industries, which is more than 95 per cent of the total Nordic market capitalisation. The equity research analysts are locally based and provide in-depth research including economic forecasts, industry and company analyses and overall recommendations and strategic guidance. In addition, a team of three economists covers general economic conditions working closely with the analysts.

External rankings 2002 (2001)

Ranking institute	Position	Country	Description
AQ	1 (new)	Nordic	Most accurate broker in the Nordic region ¹⁾
Affärsvärlden	1 (1)	Sweden	Best investment bank
Institutional Investor	2 (2)	Nordic	#1 in UK and #1 in US
Børsens Nyheds Magasin	1 (1)	Denmark	Best research
Prospera	1* (1)	Denmark	Overall performance
	2* (3)*	Finland	Overall performance, Tier 1
	4* (2)	Norway	Overall performance
	2 (2)*	Sweden	Overall performance
Primark, Thomson Extel Survey	1 (1)	Nordic	Best Mid & Small Cap research
Euromoney, Global investor	1 (1)	Scandinavia	Best local market research

*) Shared position

The performance of the stock market in 2002 turned out to be weaker than was expected at the beginning of the year. As a consequence of that, many of Carnegie's buy-rated shares performed weaker than expected in absolute terms. However, looking at the long-term performance, a portfolio of Carnegie's core recommendations for large caps²⁾ since 1997, included in the strategy report, would show a performance of +4 per cent, which is +19 percentage points relative to index (AFGX –15 per cent). For the small cap³⁾ core recommendations, the performance since 1998 is +106 per cent, which is more than +100 percentage points relative to index (Carnegie Small Cap Index –8 per cent).

1) Quantitative analysis of brokers' research, Carnegie's analysts were the most accurate at estimating earnings per share figures for 100 Nordic Stocks.

2) Companies with a market capitalisation over SEK 15 billion

3) Companies with a market capitalisation below SEK 4.3 billion

In 2002, Carnegie published over 2,000 research reports that were distributed to more than 1,600 clients, most of whom were institutional. Carnegie makes its research available through external electronic distributors such as FirstCall, Multex, Reuters, Bloomberg and Investext, as well as through proprietary services such as Carnegie Edge, a service provided to institutional clients, and Carnegie Pulse, a service for private clients. Carnegie Edge contains over 10,000 research reports compiled by Carnegie and external sources. This service aggregates data on markets and sectors and provides information for about 400 companies. Carnegie Pulse provides similar services to private clients.

There was intense debate in 2002 concerning the independence of analysts and the importance of maintaining a sharp dividing line between the investment banking and the research function in an integrated investment bank. With the purpose of formalising the independence of analysts, and thus facilitating compliance with the rules, the Carnegie Code of Conduct was drawn up during the year. For a further description, see under Corporate Governance, page 44.

Clients and key focus

Carnegie's clients are Nordic institutional and private investors, and international investors, most of which are institutional.

To further strengthen the position among hedge funds and alternative investment management services, Equity finance was established during the second half of 2002. The team offers equity finance, including stock lending, repos and swaps and promotes front office business ideas that will enable Carnegie to provide a complete service, from the development and execution of ideas to managing all other aspects of this type of business. The equity finance team is based in Stockholm, Oslo and London.

The private client business has been exceptionally low during 2002, even though increased activity from the clients could be seen towards the end of 2002. The private clients are still a targeted segment.

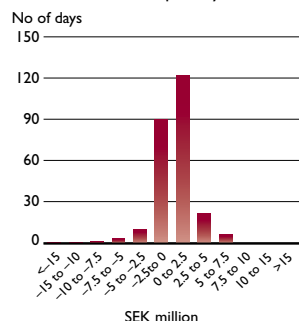
Sales and sales trading

In both sales and sales trading, the aim is to develop long-term relationships through a comprehensive understanding of client investment objectives, while ensuring smooth execution and liquidity in a wide range of Nordic equity securities and derivatives.

Institutional equity sales involve executing transactions in Nordic equity securities for Nordic and international clients, and providing these clients with research and investment advice, liquidity and trading expertise. Carnegie also serves the investment needs of private clients by providing them with Nordic equity and derivative products.

In Denmark, Carnegie also executes sales transactions in fixed income securities.

The most frequent trading result is SEK 0 to 2.5 million per day



Market making and proprietary trading, 2002

Market making and proprietary trading

Carnegie's trading activities cover market making and proprietary trading in Sweden, Norway and Finland and trading in fixed income products in Denmark. The objective is to identify and exploit market opportunities. The chart presents a summary of the daily income generated by the trading departments, reflecting a combination of realised profits, marked-to-market valuations of securities portfolios, dividends and coupon income for 2002. The average daily trading income was SEK 0.4 million (SEK 1.25 million).

Targeted segments

In Securities, Carnegie's two main segments are institutional clients and private clients. Among Nordic institutional clients, it is Carnegie's aim to strengthen the positions among domestic players, especially in Norway and Finland. Carnegie's target for non-Nordic institutions is to achieve a number one position with the prioritised clients in the UK, Continental Europe, the US and the rest of the world. The position among especially clients in the UK and the US improved during 2002.

The long-term aim is to continue to strengthen Carnegie's position with private clients. In order to further develop and coordinate Carnegie's service to private clients in Sweden, Carnegie's private client business has been formed into a private banking organisation, including private sales and the private client operations within Asset Management and Pension Consulting. The service to private clients outside the Nordic region will be coordinated from Banque Carnegie in Luxembourg.

Income statement data and key ratios

Securities (SEK million)	1998	1999	2000	2001	2002
Net commission income	728	779	1,453	1,056	894
Underwriting fees	58	79	191	142	70
Net interest income	94	48	153	178	150
Proprietary trading and market making	-27	192	560	311	94
Net interest income from financial positions	-82	-48	-121	-82	-105
Other income from financial positions	51	74	-	0	2
Net income from financial positions	-58	218	439	229	-8
Other fees	48	7	26	11	0
Total income¹⁾	870	1,131	2,261	1,615	1,106
Personnel expenses	-278	-310	-389	-516	-468
Redundancy expenses	-	-	-	-	-58
Other expenses	-326	-295	-480	-464	-452
Net provisions for credit losses	-5	-8	0	-3	-3
Total operating expenses excluding bonus	-609	-612	-869	-983	-980
Operating profit before bonus	261	518	1,392	632	126
Bonus expenses ²⁾	-136	-255	-692	-303	-57
Total expenses	-745	-867	-1,561	-1,286	-1,037
Profit before taxes	125	263	700	329	69
Cost income ratio, %	86%	77%	69%	80%	94%
Operating margin, %	14%	23%	31%	20%	6%
Lending (SEK million)	1,520	2,098	3,057	1,427	1,347
Deposits (SEK million)	1,543	2,482	3,228	3,012	2,977
Number of employees, average	330	350	430	518	470
Number of employees, period-end	334	355	468	517	402

1) In order to improve the description of the business, the marked-to-market valuation of Carnegie's holding in Orc Software and the result from associated companies are included in the result from principal investments in the operational reporting. Thus, total income in the operational reporting may differ from total income as presented in the statutory income statement.

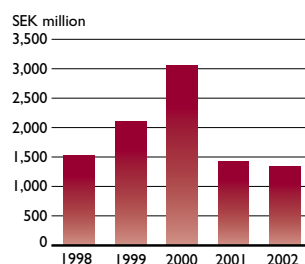
2) In the presentation, the result from principal investments and the bonus effect from the result are not allocated to business areas.

For definitions, see page 14.

Income

Carnegie Securities' total income for 2002 was SEK 1,106 million, down 32 per cent from 2001. Commission income including commission from the fixed income operations in Denmark, accounted for 81 per cent of total income for 2002, and was down 15 per cent from last year. Underwriting fees are generated in connection with placements in the primary and secondary market. They halved from last year to SEK 70 million, of which the major part was generated in the first half of the year. Trading activity was low and income from proprietary trading and market making in 2002 amounted to SEK 94 million, compared to SEK 311 million last year. Net income from financial positions also includes interest expenses attributable to trading positions and showed a negative result, SEK -8 million, for 2002 (SEK 229 million).

Margin lending is halved from 2000

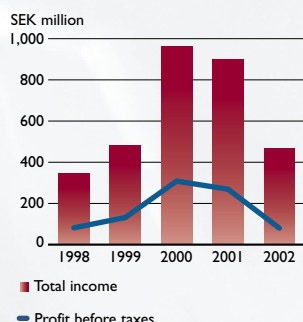


Margin lending, which is closely related to market activity, decreased by 6 per cent to SEK 1,347 million. Net provisions for credit losses were SEK –3 million (SEK –3 million) corresponding to 0.2 per cent of average lending. Deposits from clients were SEK 2,977 million, virtually unchanged from last year. Net interest income was SEK 150 million, down by 15 per cent from 2001.

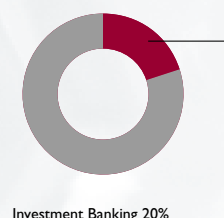
Expenses and profit before taxes

Total expenses fell 19 per cent for 2002, reflecting unchanged operating expenses and a decline in bonus expenses by 81 per cent from 2001. Operating expenses include redundancy costs of SEK 58 million, attributed to the personnel reduction of 79 employees. The number of employees in the business area at period-end was 402, down by 22 per cent from year-end 2001, including effects from changes in the allocation of administrative personnel per business area. Excluding redundancy costs, expenses were down by 6 per cent for 2002 and corresponded to a profit before bonus adjusted for redundancy expenses of SEK 184 million. The business area showed an operating profit of SEK 126 million in 2002, down 80 per cent from 2001. The profit before taxes was SEK 69 million, down by 79 per cent (Y/Y).

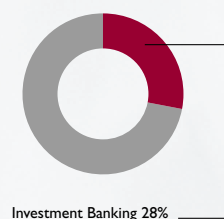
Income and profit



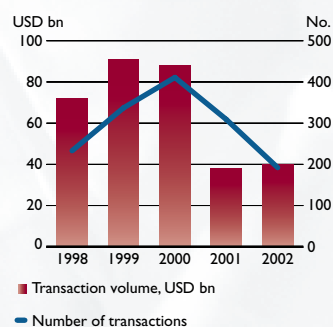
Share of income 2002



Share of profit before taxes 2002



Announced Nordic M&A volume unchanged from 2001



Announced transactions with financial adviser.
Nordic target or acquirer.

Thomson Financial Securities Data

Investment Banking

- *Income halved due to unfavourable market conditions*
- *Leading roles in larger M&A assignments*
- *Low activity in the ECM segment*

Business

Products and services: Equity capital market services, Mergers and acquisitions advisory services, Structured finance products and services.

Competitive strength: A full service financial advisor with strong execution teams, cross-border capabilities and sector expertise.

Clients: Companies headquartered in the Nordic region and international companies engaged in transactions involving the Nordic region.

Operations in: Sweden, Denmark, Norway and Finland.

Business environment

2002 was another year characterised by falling asset values and increasing uncertainty, which had substantial negative impact on corporate activity in the financial markets worldwide. Following on from the sharp reduction in Nordic mergers & acquisitions activity in 2001, the number of announced transactions continued to fall, in 2002 by a further 36 per cent¹⁾. The fact that the volume of announced M&A transactions with financial advisers was marginally higher in 2002 was due primarily to the merger of Telia with Sonera.

The market for equity offerings in 2002 was characterised by a high level of uncertainty from the outset, which increased even further later in the year. By the end of the year, the volume of Nordic ECM transactions had reduced by half, compared with 2001, with even in this case a single transaction, the rights issue by Ericsson, making up a significant part of the annual volume.

The 5 (15 in 2001) Nordic initial public offerings which were completed in 2002 all took place in the first half of the year. Of these offerings, four were introductions on the Stockholm stock exchange and one small offering was completed on the Helsinki exchange.

Market position

Based on the number of announced Nordic M&A transactions during 2002, Carnegie was ranked joint No 1 (No 1) with 28 (45) transactions²⁾. In terms of deal value, Carnegie was ranked No 3 (No 3) with a transaction value corresponding to USD 11.7 billion (USD 8.4 billion). Measured on completed M&A transaction volume, Carnegie was also ranked No 3 (No 1) with a transaction volume corresponding to USD 13.6 billion (USD 11.6 billion).

1) Market statistics and rankings taken from Thomson Financial Securities Data.

2) M&A rankings are in respect of Nordic target company or acquirer.

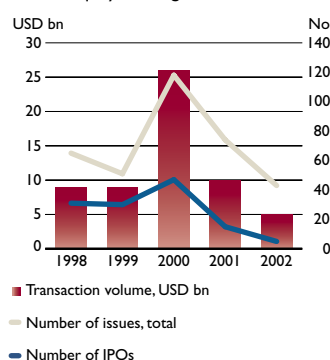
Top 10 advisers, announced Nordic M&A transactions

2002

Adviser	USD million	No.
1. Goldman Sachs	19.8	16
2. UBS Warburg	13.4	10
3. Carnegie	11.7	28
4. Deutsche Bank	11.5	5
5. Lehman Brothers	11.0	7
6. Merrill Lynch	9.8	8
7. Lazard	9.3	5
8. CSFB	6.8	14
9. Morgan Stanley	3.5	7
10. Nordea	3.4	16

Source: Thomson Financial Securities Data, Announced transactions, Nordic target or acquirer, 2003.

Nordic equity offerings

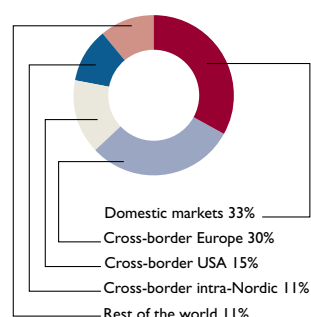


Carnegie also acted or is acting as adviser on assignments not reflected in the rankings mentioned above, owing to the fact that the companies concerned are not headquartered in the Nordic region. Principal among these are two transactions in which Carnegie is adviser to Pharmacia: i) the USD 57 billion announced merger of Pfizer with Pharmacia, the largest M&A transaction announced globally in 2002; and ii) the USD 3.7 billion spinoff of Monsanto by Pharmacia, announced in 2001 and completed in 2002.

During the year, Carnegie also acted as adviser to Telia in the merger of Telia and Sonera, the second largest M&A transaction ever in the Nordic region. The role as sole adviser to Telia, together with the advisory mandates for Pharmacia, can thus be seen as important strategic achievements in the continuous efforts to obtain leading roles in larger transactions.

Of the 5 (15) initial public offerings completed in the Nordic region in 2002, Carnegie had a lead manager and bookrunner role in 2; the kitchen manufacturing group Nobia and receivables management group Intrum Justitia, with an aggregate transaction value of USD 337 million, giving Carnegie a shared number one position in terms of number of assignments (number 3 in terms of volume).

Distribution of Nordic M&A transactions 2002



Nordic M&A transactions with deal value exceeding USD 25 million.

Thomson Financial Securities Data

Mergers & Acquisitions

Carnegie has a dedicated specialist team of mergers & acquisitions professionals located throughout the Nordic region. Within advisory services, Carnegie focuses on providing clients with advice and support in privately negotiated acquisitions, mergers and divestments, as well as take-overs of publicly listed companies.

The number of assignments in which Carnegie had an advisory role fell by 38 per cent to 28 whereas the aggregate value of assignments increased by almost 40 per cent. This was accomplished against the backdrop of a reduction of 36 per cent in the number of transactions in the Nordic M&A market and almost flat volumes.

Examples of M&A transactions conducted by Carnegie during 2002 include the following:

- Adviser to Telia in the cross border public bid for Sonera, the second largest M&A assignment ever to take place in the Nordic region
- Adviser to Pharmacia in the proposed merger with Pfizer, the largest M&A transaction to be announced globally during the year
- Adviser to Pharmacia in the spin-off of Monsanto to Pharmacia's shareholders
- Adviser to Outokumpu in the acquisition of shares in AvestaPolarit from Corus, and the subsequent public bid for the remainder of the AvestaPolarit shares
- Adviser to Ramirent in the cross border acquisition of Bautas

Equity Capital Markets Services

The types of equity capital markets transactions for which Carnegie provides services include initial public offerings, private placements of shares that are not listed on a stock exchange, rights and directed issues, spin-offs, secondary offerings and valuation assignments.

2002 was an extremely difficult year in the equity capital markets. Carnegie was one of the very few firms to launch a successful IPO in the Nordic markets during the year. Given that very few transactions took place, comparisons with 2001 are of limited value, but Carnegie again accounted for approximately half of the Nordic IPOs (2 of 5) successfully completed during the year (2001, 7 of 15).

Examples of equity capital markets transactions conducted by Carnegie during 2002 include the following:

- Joint global lead manager and joint bookrunner in the SEK 4.6 billion global placement of Nordea shares for Tryg i Danmark
- Joint lead manager in the NOK 1.5 billion rights issue by Kvaerner
- Joint lead manager and joint bookrunner in the initial public offering of Nobia
- Joint lead manager and joint bookrunner in the initial public offering of Intrum Justitia

Structured Finance

In Structured Finance, Carnegie advises corporations on financing and other issues in relation to capital structure optimisation and corporate incentive programmes, as well as structured financial products to financial investors. Structured Finance products are conducted both stand-alone and as an integrated part of other Investment Banking services such as acquisitions or IPOs.

Notwithstanding the nature of the financial markets in 2002, a large number of Structured Finance assignments were conducted, although average deal size decreased. Structured Finance products in general are more adaptive to different market environments than traditional Investment Banking products.

Examples of Structured Finance transactions conducted during 2002 include the following:

- Carnegie arranged and placed DKK 206 million of 3 per cent Credit Linked Notes in the Danish market. The Notes were listed on the Copenhagen Stock Exchange
- Adviser to Svenska Statoils Pensionsstiftelse in respect of asset allocation and investment. The assets increased in value in excess of 10 per cent during the approx. 8 months from the investment date to year end
- A total of 13 incentive programmes for stock exchange listed companies

Clients and key focus

Carnegie has local Investment Banking operations in each of the Nordic countries. The strong local presence, combined with Carnegie's cross border Nordic focus, facilitates knowledge sharing, permits the leverage of ideas across the Nordic region, and provides a seamless transaction structure from first identification of the potential assignment to closing, with in-house execution teams.

The combination of product and industry expertise with corporate advisory and execution skills throughout the Nordic region gives Carnegie a distinct competitive edge. This structure keeps Carnegie close to clients not only in times of high corporate and economic activity, but perhaps even more importantly when markets are depressed, such as today and facilitates *inter alia*, the spotting of opportunities for strategic investments or divestments or advising on capital structures appropriate to today's markets.

This structure will secure the strategic goal of maintaining top market position, ensuring that Carnegie Investment Banking is best positioned to offer service to clients and key industry sectors, and furthermore provides a strategically powerful platform for when the markets recover.

Targeted segments

Carnegie's clients comprise companies and investors headquartered or residing in the Nordic region and international companies and investors engaged in transactions involving the Nordic region.

Carnegie intends to continue its Nordic strategy, building on the local presence in each of the Nordic markets to make the most of its unparalleled access to key business individuals and information flows. The expert knowledge built up over many years enables Carnegie to offer clients better qualified advice and to compete for transactions of a more complex nature, comprising value added services which command a premium.

With its leading position in both Nordic mergers and acquisitions and IPOs, Carnegie aims to continue to expand the share of larger transactions and senior positions and to be prepared to take full advantage of the revival of the equity markets as and when it happens.

Carnegie Code of Conduct

During 2002, there was an intense debate internationally, driven principally from the US, in respect of the strict separation of the roles of research analysts and investment bankers. As more fully explained in the Corporate Governance section of this report (p 48), Carnegie has adopted the Carnegie Code of Conduct. Much of the Code is a recapitulation and reaffirmation of principles already in effect, though some of the provisions are new or more strict than those previously in force. From the point of view of Investment Banking, the aim is that the Code will help to assure clients and the general public that Carnegie lives up to the highest standards of corporate conduct.

Income statement and operating data

Investment Banking (SEK million)	1998	1999	2000	2001	2002
Underwriting fees	125	133	401	225	133
Net income from financial positions	-10	-1	5	7	-6
Advisory fees	231	351	555	669	340
Total income¹⁾	346	483	961	901	467
Personnel expenses	-79	-98	-121	-155	-167
Redundancy expenses	-	-	-	-	-13
Other expenses	-56	-75	-104	-126	-112
Total expenses excluding bonus	-135	-173	-225	-281	-292
Operating profit before bonus	211	310	736	619	175
Bonus expenses ²⁾	-113	-152	-366	-297	-79
Total expenses	-248	-325	-591	-578	-370
Profit before taxes	98	158	370	323	96
Cost/income ratio, %	72%	67%	61%	64%	79%
Operating margin, %	28%	33%	39%	36%	21%
Number of employees, average	86	111	129	170	173
Number of employees, period-end	91	119	162	173	161

1) In order to improve the description of the business, the marked-to-market valuation of Carnegie's holding in Orc Software and the result from associated companies are included in the result from principal investments in the operational reporting. Thus, total income in the operational reporting may differ from total income as presented in the statutory income statement.

2) In the presentation, the result from principal investments and the bonus effect from the result are not allocated to business areas.

For definitions, see page 14.

Income

Total income for 2002 declined by 48 per cent (Y/Y) to SEK 467 million. The relative distribution of income between underwriting fees and advisory fees remained stable, with advisory fees again accounting for close to three quarters of the income. Advisory fees in the last quarter of 2002 were SEK 129 million and included the total advisory fees related to the Telia/Sonera merger.

Expenses and profit before taxes

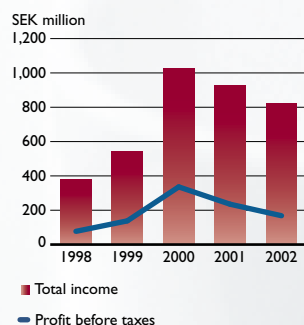
Total operating expenses declined by 36 per cent from last year, reflecting a 4 per cent increase in non-bonus expenses and a decline of bonus expenses by 73 per cent. The cost level was virtually unchanged from 2001, when redundancy costs of SEK 13 million are excluded.

Profit before taxes for 2002 was SEK 96 million, down 70 per cent (Y/Y). The number of employees at period-end was 161, corresponding to a decline of 7 per cent from year-end 2001, including the effect of reallocation of administrative personnel over the business areas.

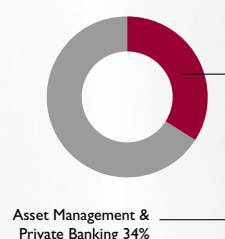
A selection of assignments

 <p>Rights issue</p> <p>NOK 1.5 billion</p> <p>Joint Lead Manager January, 2002</p>	 <p>Divestment of Amplion AB to Fastighets AB Tornet and others</p> <p>SEK 5.4 billion</p> <p>Adviser to Amplion February, 2002</p>	 <p>Public offer to the shareholders of AU-System by Teleca</p> <p>SEK 1.4 billion</p> <p>Adviser to AU-System February, 2002</p>	 <p>New share issue</p> <p>NOK 300 million</p> <p>Joint Lead Manager March, 2002</p>
 <p>Acquisition of non-life insurance portfolio of Alm Brand af 1792 A/S</p> <p>DKK 578 million</p> <p>Fairness opinion May, 2002</p>	 <p>Acquisition of Skandia Asset Management by Den norske Bank</p> <p>SEK 3.2 billion</p> <p>Adviser to DnB Holding May, 2002</p>	 <p>Acquisition of two German facilities from Haniel Bau-Industrie GmbH by H+H International A/S</p> <p>EUR 42 million</p> <p>Adviser to H+H International June, 2002</p>	 <p>Initial Public Offering</p> <p>SEK 1.7 billion</p> <p>Joint Global Co-ordinator June, 2002</p>
 <p>Merger of JOT Automation Oyj and Elektrobitt Oy</p> <p>EUR 160 million</p> <p>Adviser to JOT Automation June, 2002</p>	 <p>Initial Public Offering</p> <p>SEK 1.6 billion</p> <p>Joint Global Co-ordinator June, 2002</p>	 <p>Secondary Placement of shares in Nordea, on behalf of Tryg i Danmark smba</p> <p>SEK 4.6 billion</p> <p>Joint Global Lead Manager June, 2002</p>	 <p>Public offer to the shareholders of Esselte AB by J.W. Childs</p> <p>SEK 5.7 billion</p> <p>Adviser to J.W. Childs July, 2002</p>
 <p>New share issue</p> <p>NOK 572 million</p> <p>Joint Lead Manager July, 2002</p>	 <p>Spin-off of Monsanto Company from Pharmacia Corporation</p> <p>USD 3.7 billion</p> <p>Adviser to Pharmacia August, 2002</p>	 <p>Acquisition of Bautas AS from Veidekke ASA by Ramirent Oyj</p> <p>NOK 885 million</p> <p>Adviser to Ramirent September, 2002</p>	 <p>Call options to the Management</p> <p>September, 2002</p>
 <p>Public offer to the shareholders of AvestaPolarit Oyj by Outokumpu Oyj</p> <p>EUR 1.1 billion</p> <p>Adviser to Outokumpu October, 2002</p>	 <p>Merger of Life Science Department of 6th AP fund with Medicon Valley Capital and Innoventus</p> <p>SEK 1.7 billion</p> <p>Adviser to 6th AP fund December, 2002</p>	 <p>Public offer to the shareholders of Sonera Corporation by Telia AB</p> <p>EUR 10.3 billion</p> <p>Adviser to Telia December, 2002</p>	 <p>Acquisition of Z. Bavelloni Immobiliare S.P.A. and Glasto Holding B.V. by Kyro Oyj</p> <p>EUR 66 million</p> <p>Adviser to Kyro January, 2003</p>

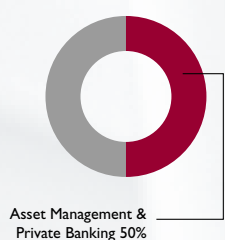
Income and profit



Share of income 2002



Share of profit before taxes 2002



Asset Management & Private Banking

- 2002 brought the second largest share price fall in 100 years, leading to a sharp decline in assets under management
- Despite difficult stock markets, flows to Carnegie's equity funds were stable
- First steps taken towards a groupwide private banking organisation

Business

Products and services: Mutual funds, Discretionary asset management, Private banking, Pension consulting.

Competitive strengths: High-quality service based on a focused investment strategy, aiming at identifying long-term general market trends. Broad range of private banking services in Luxembourg.

Clients: Institutional investors, private clients and retail clients.

Operations in: Sweden, Denmark, Luxembourg, Norway and Finland.

Business environment and market position

The value decline in the stock markets in 2002 led to low activity, both in the single-premium pension market and in the non-pension-linked savings market. Total savings in Swedish equity funds saw an inflow of SEK 17 billion, all of which in the first half of 2002. Institutional clients continued to reduce their exposure to equity markets and allocated assets to fixed income products.

Despite the dramatic development in the stockmarket, Carnegie's relative position in the mutual fund market remained stable, with continued net inflows. At the end of the year, 75 per cent of Carnegie's assets in equity funds had a ranking of 4 or 5 stars in the fund ranking by Morningstar (5 stars is the highest ranking).

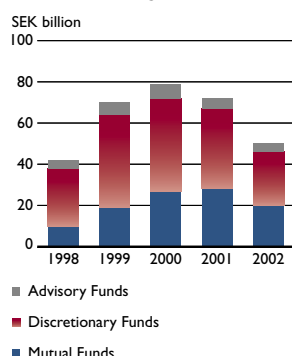
Assets under management

Assets managed by Carnegie are largely equities, comprising about 70 per cent of total assets under management at 31 December 2002. The remaining assets are fixed income products. Total assets under management fell by SEK 22 billion to SEK 51 billion during 2002, mainly due to declining asset values. For the full year 2002, the inflow in mutual funds via external distributors of about SEK 1 billion was offset by an outflow of SEK 2 billion attributed to discretionary mandates from institutional clients, mainly in Sweden. As of 31 December 2002, total assets under management (AUM) by investment discipline were:

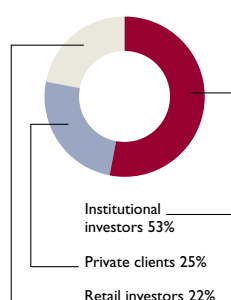
Asset management investment disciplines

Investment Disciplines SEK billion	Mutual funds		Discretionary funds		Total	
	AUM	%	AUM	%	AUM	%
Domestic equities	3	6%	6	12%	9	18%
Nordic equities	1	2%	3	6%	4	8%
European equities	1	2%	1	2%	2	4%
Global equities	8	16%	10	20%	18	36%
Healthcare equities	3	7%	—	—	3	7%
Technology equities	—	—	—	—	—	—
Fixed income	3	7%	10	20%	13	27%
Total	20	40%	30	60%	51	100%

Assets under management



Assets under management from mostly institutional clients



Assets under management by client type

Key focus

In recent years, the market conditions have not been favourable for asset managers of Carnegie's type – active management focusing on long-only equity investments, with a marginal component of fixed income products offered to clients. However, an equity investment strategy can only be evaluated in the long-term perspective. In these difficult markets, focus will also be on identifying long-term general market trends in order to create value over time.

Over the past years, Carnegie has established numerous close relationships with individuals well-positioned within various industries. They form the informal networks that can assist the asset management teams in identifying the sectors most likely to be affected by a given market trend. An example of this is the collaboration with the Swedish university for medicine, the Karolinska Institute.

Carnegie's strategy is to be a provider of high-quality products, which is a prerequisite for successfully utilising third-party distribution channels. The development of new products will be further enhanced in 2003.

Clients

Asset Management offers services to institutions, private clients and retail investors. About 500 institutional investors represent 53 per cent of assets under management. About 3,000 private clients, primarily in Stockholm and the private banking operations in Luxembourg, represent 25 per cent. About 40,000 retail investors investing directly in Carnegie products, together with clients reached through third-party-distribution networks, represent 22 per cent. External distribution networks include insurance brokers, unit-linked insurance companies (such as SkandiaLink) the PPM-system¹⁾ and commercial banks (e.g. Danske Bank). These networks are counted as single clients in Carnegie's statistics, but may in turn distribute Carnegie's fund products to a large number of individual investors, which is not reflected in the total number of retail investors.

Discretionary services

Discretionary asset management services to institutional and private clients include portfolio management in accordance with stated guidelines and Carnegie's investment strategy. Carnegie can also offer advice on tax planning related to securities or other assets and advice on endowment insurance.

Mutual funds – positive return in the long-term perspective

The management of Carnegie's mutual funds is based on the same investment strategy as for discretionary assets. The market conditions in 2002 were difficult for equity-focused funds and resulted in substantial declines in absolute terms. In the last half of 2002 the international focus on pension liabilities and effects of incentive programmes were the catalysts for Carnegie's repositioning towards investments with real cash flows and proven dividend capacity. The relative performance for 2002 thus shows a better performance (compared to index) for the largest fund, Carnegie Worldwide, for Carnegie Nordic Markets and for Carnegie European Equities, in total representing 60 per cent of the total assets in equity funds.

¹⁾ The PPM system: In accordance with the Swedish national pension system, 2.5% of an employee's salary is invested on his/her behalf as specified by the employee. Approximately 4 million individuals are currently eligible to participate in the new scheme, applied from 2000.

Relative performance of Carnegie mutual funds
From 31 December 2001 to 31 December 2002

	Base curr.	Mutual fund	Index	Diff.
Carnegie Sweden	SEK	-42%	-37%	-5%
Carnegie Small Cap	SEK	-44%	-25%	-19%
Carnegie Norway	NOK	-32%	-31%	-1%
Carnegie Nordic Markets	USD	-15%	-27%	12%
Carnegie European Equities	EUR	-23%	-32%	9%
Carnegie Medical	EUR	-43%	-33%	-10%
Carnegie WorldWide(Lux)	USD	-17%	-22%	5%
Carnegie WorldWide (Den)	DKK	-29%	-34%	5%

The long term perspective shows a positive performance also in absolute terms. The absolute return since inception is positive (for all funds started before 1999) and 80 per cent of the capital in Carnegie's equity funds have outperformed their relevant indices since launch date.

Relative performance of Carnegie mutual funds
From launch date to 31 December 2002

	Base curr.	Launch date ¹⁾	Mutual fund	Index	Diff.
Carnegie Sweden	SEK	8 Oct. 1996	32%	17%	15%
Carnegie Small Cap	SEK	7 Nov. 1996	21%	16%	5%
Carnegie Norway	NOK	7 July 1995	78%	1%	77%
Carnegie Nordic Markets	USD	1 April 1996	107%	41%	66%
Carnegie European Equities	EUR	2 Aug. 1999	-6%	-34%	28%
Carnegie Medical	EUR	15 Dec. 1998	59%	-9%	68%
Carnegie WorldWide(Lux)	USD	15 Dec. 1995	65%	9%	56%
Carnegie WorldWide (Den)	DKK	1 July 1990	318%	70%	248%

1) Selected funds represent approximately 80 per cent of the capital in Carnegie's equity funds.

Private Banking – first steps towards groupwide organisation

Carnegie provides, through Banque Carnegie in Luxembourg, a broad range of private banking services to private clients in Europe, principally to Nordic expatriates. Specialists in equity, fixed income and derivative markets provide discretionary asset management programmes adapted to the client's home currency, advice on securities and derivatives in major markets, tailor-made investment services, comprehensive banking services, cash management facilities, as well as custody and administrative services to the Luxembourg-based mutual funds.

Carnegie's private banking services in the local markets are today offered to clients from operations in business area Asset Management as well as from Securities. In December, the first steps were taken towards a groupwide private banking organisation, through the decision to integrate the Swedish Private Sales team in Securities into the Asset Management organisation. The private banking business outside the Nordic region will be co-ordinated from Banque Carnegie Luxembourg.

Pension Consulting

Pension Consulting offers a broad range of pension-related services in Sweden, including insurance policies, mutual fund investments and financial analysis of pension liabilities. Carnegie Pension Consulting is one of the leading participants in this segment of the asset management market in Sweden. Up to 2002, Carnegie has advised more than 400 companies on pension services.

By creating relationships with these companies, Carnegie also gains access to additional business with their individual employees, opening a new market segment; the “instividual clients”, representing future potential for growth. Pension Consulting today services approximately 15,000 such individuals. Carnegie also engages in pension structuring for institutions and companies in conjunction with the Investment Banking business, with an aggregate transaction value of SEK 35 billion during 1996–2002.

Carnegie’s specialist competence within pensions and insurances was a driving force in the creation of a liquid marketplace for surplus in the management of the Swedish ITP insurances. Funds from the Swedish insurance company Alecta/SPP amounting to close to SEK 75 billion were to be repaid to the companies contributing to the ITP pension system during 1994–1998. In order to facilitate for companies to use the full value of their refund, Carnegie organised a marketplace for buyers and sellers of Alecta-funds.

Targeted segments

Mutual funds

Carnegie has a market share of about 2 per cent of mutual fund stock in the Nordic market. Carnegie has targeted the mutual fund market as an area with clear potential to take market share. This opportunity is primarily given by a combination of having a top-quality product range and the continued break-up of the existing mutual fund distribution oligopoly.

Private clients

Carnegie’s penetration in the high net worth client market is low. Carnegie services some 3,000 high net worth clients in the business area, primarily in Sweden and Luxembourg, while the penetration in the other markets is low. Much attention is now paid to further developing a private banking concept, thus increasing Carnegie’s presence in the market.

Institutional and “instividual” clients

Institutional clients are core to the asset management business, and Carnegie’s market penetration in this segment is high in the Nordic region. Serving institutional clients demands top-quality services, that can be capitalised on in other market segments. As old structures and pension legislation change in the Nordic region, new market opportunities arise. It is Carnegie’s strategy to capture a part of this growing market.

Through changing pension legislation, and greater focus on pension debt, the market for Pension Consulting business is growing rapidly. Carnegie’s aim is to continue to take market share both in the institutional and “instividual” businesses.

Income statement data and key ratios

Asset Management & Private Banking (SEK million)	1998	1999	2000	2001	2002
Net commission income	110	162	271	276	259
Net interest income	51	51	70	78	101
Net income from financial positions	20	15	62	73	38
Total fees from mutual funds	93	125	378	321	251
Total fees from discretionary fund management	84	133	173	112	80
Advisory fees	23	57	70	64	90
Total income¹⁾	381	543	1,024	924	819
Personnel expenses	-112	-141	-170	-234	-267
Redundancy expenses	-	-	-	-	-22
Other expenses	-104	-129	-185	-239	-226
Net provisions for credit losses	0	0	-1	0	0
Total expenses excluding bonus	-216	-270	-356	-473	-514
Operating profit before bonus	165	273	668	451	305
Bonus expenses ²⁾	-88	-135	-332	-216	-137
Total expenses	-304	-405	-688	-689	-651
Profit before taxes	77	138	336	235	168
Cost/income ratio, %	80%	75%	67%	75%	79%
Operating margin, %	20%	25%	33%	25%	21%
Period-end assets under management (SEK billion)	42	70	79	73	51
– whereof mutual funds	10	19	27	28	20
– whereof discretionary fund management	28	45	45	39	26
– whereof advisory fund management	4	6	7	5	4
Lending (SEK million)	879	910	1,193	981	1,473
Deposits (SEK million)	2,197	1,877	3,241	2,549	2,040
Number of employees, average	161	188	206	253	281
Number of employees, period-end	164	191	234	253	272

1) In order to improve the description of the business, the marked-to-market valuation of Carnegie's holding in Orc Software and the result from associated companies are included in the result from principal investments in the operational reporting. Thus, total income in the operational reporting may differ from total income as presented in the statutory income statement.

2) In the presentation, the result from principal investments and the bonus effect from the result are not allocated to business areas.

For definitions, see page 14.

Income

Total income for 2002 declined by 11 per cent to SEK 819 million. The income decline mainly reflects the combination of declining market values in managed portfolios and stable transaction-related income.

Fees from mutual funds were SEK 251 million in 2002, a decline of 22 per cent (Y/Y), reflecting a value decline in average assets under management, combined with an increasing part of mutual funds sold through third-party distributors. In 2002 the share was 50 per cent. Fees from discretionary fund management were SEK 80 million, a decline of 28 per cent (Y/Y), reflecting a negative effect from declining values and outflow in average assets under management. In the last quarter of 2002, management fees were negatively affected by a downward adjustment of a total of SEK 20 million, due to a recalculation of third-party distributor costs (SEK 10 million) and periodic adjustments of management fees from discretionary fund management (SEK 10 million).

Net commission income is earned when Carnegie engages in securities transactions, and is primarily generated in Luxembourg, Denmark and Sweden, and was down 6 per cent to SEK 259 million in 2002. The increase in net interest income is related to foreign exchange services in connection with hedging of swap transactions. These transactions had earlier been executed through spot and forward transactions, affecting the net income from financial positions.

No performance fees were realised in 2002. In 2001, performance fees of SEK 7 million were realised.

Discretionary asset management (SEK million)	2002	Chg. %	2001
Fixed fees	80	-26%	108
Performance fees	0	–	4
Total fees from discretionary asset management	80	-29%	112
Mutual fund management (SEK million)	2002	Chg. %	2001
Entry/exit fees	13	-35%	20
Fixed fees	238	-20%	298
Performance fees	0	–	3
Total fees from mutual funds	251	-22%	321

Advisory fees amounted to SEK 90 million in 2002, mainly generated in Pension Consulting.

Expenses and profit before taxes

Total expenses in 2002 amounted to SEK 651 million, including redundancy costs of SEK 22 million. Total expenses before bonus in 2002 increased by 9 per cent, mainly reflecting the net increase in the number of employees of 8 per cent from year-end, including changes in the allocation of administrative personnel per business area. During 2002, the personnel reductions included about 31 employees in the business area, ending at 272 employees at period-end. Bonus expenses were down by 36 per cent. The profit before tax for 2002 declined by 28 per cent Y/Y to SEK 168 million.

Corporate governance

The Board

All of Carnegie's Directors of the Board are elected by resolution of the AGM.

Carnegie's directors serve terms that last until the next AGM, but may serve any number of consecutive terms. Shareholders may remove Carnegie's directors from office at a general meeting of shareholders at any time, and vacancies on the Board of Directors, may only be filled by shareholder resolution. One director is elected Chairman of the Board of Directors by a resolution of the Board of Directors. The current Board of Directors has declared that it also intends to elect one director Vice Chairman of the Board at the statutory Board Meeting, following the AGM.

Carnegie's Board of Directors has seven members. At the AGM 2002, the Board was re-elected apart from Matti Kinnunen following the decision to limit the number of Board members from Carnegie's management to one. Sigurd Astrup, Chairman and sole owner of Astrup & Søn AS in Norway, was elected new Director of the Board.

Before the AGM held in 2003, an informal election committee consisting of representatives for two of the larger shareholders of the company, Singer & Friedlander Securities Ltd and Carnegie Personal AB, was established. Also, representatives for other larger shareholders have been contacted in order to prepare the election of members to the Board.

Singer & Friedlander Securities Ltd, representing approximately 31 per cent of the votes in Carnegie, has informed the Board of Directors that it intends to vote in favour of the motion that the Board consist of not less than five and not more than nine members and is, consequently, also in favour of the motion that the Articles of Association of Carnegie be amended accordingly. At present, the Board shall consist of not less than four and not more than seven members. Furthermore, Singer & Friedlander Securities Ltd has informed the Board of Directors that it intends to vote in favour of re-election of the present Board members and of electing Karin Forseke as a new member of the Board.

Before the AGM in 2004, the Chairman will contact representatives for the larger shareholders of Carnegie, in order to prepare the next election of Directors of the Board. In conjunction with the publication of the interim report for the third quarter 2003, information about larger shareholders in favour of the proposal will be announced.

Chairman and Group Chief Executive

The current Board of Directors has stated that – if re-elected - it intends to vote that Lars Bertmar, CEO of Carnegie since 1990, be elected as new Chairman of the Board at the Statutory Board Meeting to be held immediately after the Annual General Meeting in March 2003.

Furthermore, the current Board of Directors has stated that it intends to vote that the current Chairman of the Board, Christer Zetterberg, be elected Vice Chairman of the Board. Finally, the Board of Directors has stated that it intends to vote that Karin Forseke be appointed new CEO at the Statutory Board Meeting.

The Board's activities

The Board's main tasks are to ensure that the organisation complies with all relevant laws and regulations and internal policies, to understand organisational risks and how they are managed and to apply a rigorous process for evaluating the performance of the CEO. The board's activities are coordinated through committees and policies.



Compliance

The aim of Carnegie's compliance organisation is to ensure that activities are carried out in accordance with current laws and regulations and to help ensure quality within the business as well as integrity and ethics throughout the Group. Carnegie actively works on compliance-related issues and continually pursues various methods of control and measurement of risk exposure within this area. Compliance officers report directly to relevant boards.

Internal audit

Carnegie's internal audit function is designed to operate independently from Carnegie's management and reports directly to relevant boards. The internal audit function evaluates and reports on the state of internal control within Carnegie. It also issues recommendations to correct any weaknesses or failings in Carnegie's control systems.

Internal audit evaluates Carnegie's internal procedures to monitor quality, provide accurate information on risk exposure and prevent fraud and operational error. By maintaining an effective internal audit mechanism, Carnegie seeks to comply with regulatory requirements and reduce the risk to the company, its shareholders and clients.

Risk management

Carnegie's business activities by their nature expose Carnegie to market, credit and operational risks. Market risk is defined as the risk of loss due to changes in market prices. Credit risk is defined as the risk of loss due to counterparty default on loans or other counterparty exposure. Operational risk is the risk of loss resulting from inadequate and/or failed processes and systems, human error or external events. The objective of the Carnegie risk management organisation is to assist in controlling risks that are inherent in the business. Comprehensive risk management policies and procedures are established to identify, control and monitor each major risk area.

Managing risk includes a combination of the expertise and experience of brokers, traders, investment bankers, asset managers and support staff. Employees in each department, from senior management through to individual employees, have knowledge of the markets and activities in which they do business. Their experience and insight are supplemented by risk management policies and procedures intended to monitor and evaluate the risk profile and keep it within prescribed limits.

The risk managers are independent of the business areas and report directly to the senior management, group risk managers and respective Board of Directors. The goals of the risk managers are to understand the risk profile of each instrument and trading portfolio and make relevant risk assessments for the business. In addition, the risk managers are also provide assistance relating to the technical and regulatory aspects of the trading activities.

The local Board of Directors establishes limits for **market risks**. The local capitalisation is thus one important factor for the local risk level. The local risk management functions measure the market risks, apply the limits, as set up by the Board or the Managing Director, and report regularly to senior management and at each board meeting.

The local treasury and finance functions and local risk managers carry out the local **credit risk** management functions. This includes reviewing and reporting on concentrations of credit risk and establishing documentation and credit support standards. Carnegie's group risk management monitors the volume of credit extended to Carnegie's counterparties. The local treasury and finance functions, in conjunction with local risk management, assess the quality and acceptability of collateral, measure potential credit exposures associated with certain clients, monitor compliance with credit limits, obtain appropriate legal documentation and provide comprehensive credit risk reporting for senior management.

Operational risks are less direct than market and credit risk, but managing them is critical, particularly in a rapidly changing environment with high transaction volumes. In order to reduce or mitigate these risks, an internal control environment has been established, which incorporates various control mechanisms at different levels throughout the organisation and within such departments as finance, accounting, operations, compliance, legal and internal audit. These control mechanisms are designed to help ensure that operational policies and procedures are being followed.

Security issues

Security issues focus on internal and external security in terms of information security, IT-systems, accidents and external threats and personal security for Carnegie's employees. The Carnegie group uses the ISO/IEC 17799 standard as a tool when working with different aspects of information security.

The security work in Carnegie is mainly conducted via implementation of policies, control of compliance with the policies and training of relevant staff. Security reports directly to senior management and relevant boards.

Activities in 2002

The Board held ten meetings during 2002. One of the Board's meetings was devoted entirely to discussing the strategic development of the company. During the year, the Board was engaged in the leadership changes and the process of selecting Karin Forseke as the new CEO. The Board of Directors has carried out its work in accordance with the requirements of the law and relevant regulations. It has also established a directive for the procedures of the Board of Directors, the duties of the Managing Director, a directive about financial reporting, as well as directives for internal auditing, risk management and compliance, an information policy and policies in some other fields.

Carnegie Code of Conduct – Rules governing potential conflicts of interest

During the year, the Board also further enhanced the existing Carnegie code of conduct, a separate set of rules for the management of potential conflicts of interest between investment banking and equity research activities.

The rules encompass the following main principles:

- “Chinese walls” shall ensure that information on current assignments that is not in the public domain is not passed on from Investment Banking to other parts of Carnegie’s business.
- Committees consisting of representatives of the Research and Sales departments shall examine and approve all new and changed recommendations in Carnegie’s research reports with a view to objectivity and integrity.
- Disclosure in reports and other report products if Carnegie has received remuneration from the company or group of companies concerned, for publicly announced investment banking assignments during the past 12 months.
- Information shall be provided to the market should Carnegie cease to cover a company with research and the rationale for such a decision.
- Investment Banking shall be prohibited from influencing the remuneration paid to Carnegie’s analysts.
- Staff employed within Investment Banking and Securities must obtain permission in advance before trading in equity-related securities for their own account. With effect from 1 February 2003 no analyst is ordinarily permitted to own securities in the companies that he or she covers.

As in the case of compliance with other relevant rules, compliance with the principles in these rules shall be ensured through ongoing checks by Carnegie’s compliance functions.

Committees

Remuneration committee

Members: Lars Bertmar, Chairman, Lars Berg and Anders Ljungh. In January 2003, the Board decided to establish a remuneration committee. This committee reviews the salary and benefits of the CEO in accordance with his/her contract; it also establishes principles and overall policy for the salaries, benefits and pensions of the executive officers of the Carnegie Group.

Audit committee

Members: Christer Zetterberg, Chairman, and Anders Ljungh. During 2002, the Board decided to establish an Audit committee, with the main purpose to assist the Board of Directors in fulfilling its responsibilities to review

- financial and operational information reported to shareholders and other interested parties,
- the established systems for internal control, and
- the audit process.

Policies

The Board of Directors has implemented a number of groupwide policies in order to facilitate the compliance with the rules, e.g. the Carnegie code of conduct, Personal account dealing rules, Information security policy, Crisis management policy and Environmental policy (in Sweden). The policies are available at Carnegie's groupwide intranet.

Board of directors

Set forth below is information concerning the Board of directors of Carnegie as of 31 December 2002:

Sigurd Astrup, Director. Born 1937. Board member since 2002. Chairman and sole owner of Astrup & Son AS in Norway. Member of several boards in Norway, 17 years in the Council of Representatives of Den norske Creditbank (Den norske Bank). Investor in several Norwegian industrial and shipping ventures. Board member of different Carnegie companies in Norway since the early 1990s. No. of shares in Carnegie, —. No. of warrants 2002/2005, —.

Lars Berg, Director. Born 1947. Board member since 2001. From 1999 to August 2000, Head of Mannesmann AG's telecom operations. Between 1994 and 1999, President and CEO of Telia AB. Between 1970 and 1994, held leading positions with Ericsson. Board Member of: Telefonica Moviles S.A., Eniro AB, Förvaltnings AB Ratos, Net Insight AB (Chairman), Anoto Group, Ledstjernan AB and Schibsted ASA. No. of shares in Carnegie, 2,000. No. of warrants 2002/2005, —.

Lars Bertmar, Director. Born 1945. CEO of the Carnegie Group since 1990. Deputy CEO of Industrivärden AB 1988–90. Executive vice president at Svenska Handelsbanken 1984–88. PhD and Docent at the Stockholm School of Economics. No. of shares in Carnegie, 300,000. No. of warrants 2002/2005, —.

Michael E S Gibbins, Director. Born 1943. Board member since 1999. Appointed Finance Director of S&F Group PLC in 1998 and became its Chief Operating Officer in January 2000. Previously worked for KPMG and admitted to partnership in 1976. Appointed Comptroller to Diana, Princess of Wales, in 1996. No. of shares in Carnegie, —. No. of warrants 2002/2005, —.

John Hodson, Director. Born 1946. Board member since 1995. CEO of S&F Holdings since 1990. CEO of S&F Group PLC since 1992. Chairman of S&F Group PLC since 2000. Also a non-Executive Director of Prestbury Group PLC and Intrinsic Value PLC. No. of shares in Carnegie, —. No. of warrants 2002/2005, —.

Anders Ljungh, Director. Born 1942. Board member since 2001. Until 2000, served as senior adviser to Morgan Stanley Dean Witter. Between 1991 and 1994, CFO of the European Bank for Reconstruction and Development. Previously worked as Head of Svenska Handelsbanken International in Stockholm. Board Member of SAS International Hotels and HiQ. No. of shares in Carnegie, 2,000. No. of warrants 2002/2005, —.

Christer Zetterberg, Chairman of the board. Born 1941. Chairman of the board since 2001. Between 1990 and 1992, President and CEO of the Volvo Group. Between 1988 and 1990, CEO of PKbanken AB. 1983 to 1988 CEO of Holmens Bruk AB. Board member of: Micronic Laser Systems (Vice Chairman), L E Lundberg Group, Holmen AB, Pharmadule-Emtunga AB, SQS Security Qube System AB and Camfil. Member of Royal Swedish Academy of Engineering Sciences (IVA), Chairman of Connect Sweden. No. of shares in Carnegie, 2,000. No. of warrants 2002/2005, —.

Executive officers

Changes in the executive management

The Board of Directors has stated that it intends to vote that Karin Forseke be appointed new CEO of Carnegie at the Statutory Board Meeting following the AGM 2003.

In 2002, Sonny Lundwall, Head of Administration, left Carnegie following the reallocation of the administrative responsibility within the Group.

Karin Forseke, born 1955, has been Head of International Sales and Sales Trading at Carnegie since 1998. Prior to joining Carnegie, Ms. Forseke was COO of the London International Financial Futures Exchange, LIFFE, from 1993 to 1998. From 1992 through 1993 Ms. Forseke was responsible for client relations and sales/distributions in Westpac Banking Corporation's Financial Markets Group. From 1989 to 1992, Ms. Forseke was director of business development in establishing The OMLX exchange in London. No. of shares in Carnegie, 300,000. The shares are held indirectly. No. of warrants 2002/2005, –.

Bertil Hult, born 1956, has been the Head of Asset Management & Private Banking since 1996. He joined Carnegie in 1992 and served as its CFO before taking over his current position. Prior to joining Carnegie, Mr. Hult held positions at Independent AB, Svenska Handelsbanken AB, Ovako Steel AB and Swedish Match AB. No. of shares in Carnegie, 300,000. No. of warrants 2002/2005, –.

Matti Kinnunen, born 1958, was appointed Head of Operations in 2002. Mr Kinnunen joined Carnegie in 1990 and has worked as Managing Director of D. Carnegie AB since 1992. Chairman of some of Carnegie's subsidiaries in the Nordic countries and in the UK and the US. Board Member of Stockholmsbörsen, Chairman of the Swedish Association of Securities Dealers. No. of shares in Carnegie, 300,000. No. of warrants 2002/2005, –.

Mats-Olof Ljungkvist, born 1951, has served as Carnegie's CFO since 1998. Prior to joining Carnegie, Mr. Ljungkvist was MD of both Aragon Holding AB and Aragon Fondkommission AB from 1995 through 1997. From 1985 to 1995, Mr. Ljungkvist served as the CFO of Apoteksbolaget AB, a Swedish pharmacy company. No. of shares in Carnegie, 125,000. No. of warrants 2002/2005, –.

Anders Onarheim, born 1959, has been MD of Carnegie ASA in Oslo since 1996. Prior to joining Carnegie, Mr. Onarheim was the Head of Equities of Enskilda Securities Norway from 1994 to 1996. From 1990 through 1994, he was Executive Director in the Investment Banking division of Goldman Sachs in the UK and held a position as Vice President for institutional sales in Merrill Lynch in the US and the UK, from 1986 to 1990. Mr. Onarheim is a member of the Board of Directors of the Association of Norwegian Stockbroking Companies. No. of shares in Carnegie, 300,000. No. of warrants 2002/2005, –.

Niels Roth, born 1957, was appointed Head of Investment Banking in 2000. He joined Carnegie in 1989, when Leif Jensen, a private stockbroking company of which he was a MD, co-founder and partner, was acquired by Carnegie. Since the acquisition, Mr. Roth has been the Managing Director of Carnegie Bank A/S. Mr. Roth also serves as the Chairman of the Danish Securities Dealers Association and is a member of the Danish Securities Council. No. of shares in Carnegie, 300,000. The shares are held indirectly. No. of warrants 2002/2005, –.

Stig Vilhelmson, born 1956, joined Carnegie in 1991 and served in various positions within Securities before his appointment as Head of Securities in 1995. Prior to joining Carnegie, Mr. Vilhelmson was the Head of Securities at Öhman Fondkommission AB from 1984 to 1990. Mr. Vilhelmson is a member of the Board of Directors of Orc Software AB. No. of shares in Carnegie, 300,000. No. of warrants 2002/2005, –.

Compensation

Compensation to Board members and CEO

At the Annual General Meeting held on 14 March 2002, it was resolved to pay SEK 2,250,000 to board members not employed by Carnegie or Singer & Friedlander for 2002. No director's fee is paid to members who are employees of Carnegie or Singer & Friedlander. The Chairman of the Board of Directors received SEK 750,000 and three members of the Board each received SEK 500,000.

In 2002, Carnegie's CEO received a salary of SEK 3.6 million (SEK 5.9 million). Other benefits, including a company car, amounted to SEK 84,000. The CEO's bonus compensation for the operating year 2002 amounted to 0 (0). The Board of directors intend to vote in favour of that Karin Forseke be appointed as new CEO after the AGM in 2003, and that the new CEO will receive the same compensation as the present CEO.

Compensation to group management

The total compensation to Executive officers (p. 52), including the CEO and compensation to Board members, other than director's fees, amounted to SEK 34 million in 2002, of which SEK 11 million was attributed to bonus compensation.

Pensions

Carnegie makes compensation-based premium payments for pension insurance in accordance with standards in each country, corresponding to 8.2 per cent (7.3 per cent) of the total salary expenses. All of Carnegie's pension obligations are based on defined contribution plans and are reinsured with external parties.

Carnegie has no pension obligations outstanding and makes no payments for pension insurance to the Chairman of the Board of Directors.

In 2002, pension premiums of SEK 447,000 (SEK 399,000) were paid on behalf of the CEO. The CEO (or the company) has the right to activate the retirement at the CEO's age of 60 without additional cost for the company. No extra payment was made relating to any pension insurance to the benefit of the CEO (SEK 19.3 million).

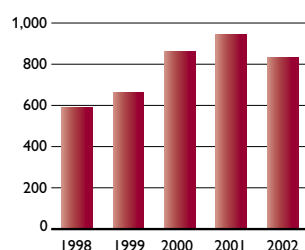
Notice of termination and severance pay

No agreement on severance pay has been made with any of the non-executive board members. The CEO must give 12 months notice to terminate his/her employment, Carnegie must give 24 months notice. In the event of a termination with immediate effect by Carnegie, the CEO will receive a severance pay amounting to 24 months' salary, as well as compensation for the loss of car and pension benefits for a 24-month period. The compensation from Carnegie can not be reduced by compensation from other employer(s). Carnegie's executive officers must comply with notice periods for termination of employment that range from 3 to 12 months, while the company must provide a period of notice of between 3 and 24 months.

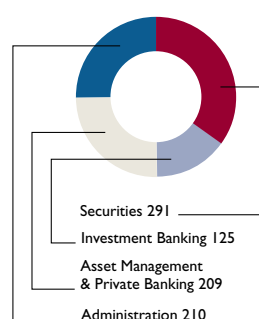
There were no related party transactions in 2002, except the transactions involving Capital C described on page 22.

Employees and incentive programme

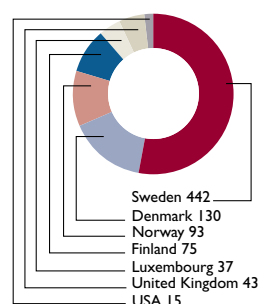
Year-end number of employees



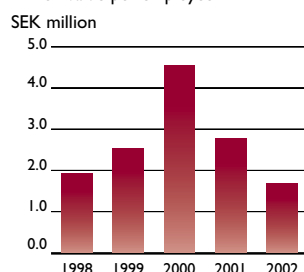
Employees per business area
administration not allocated
Total 835



Employees per country
Total 835



Added value per employee



■ Added value per employee (total income less total other expenses, divided by the average number of employees).

Employees

Carnegie's 835 employees were at year-end: 291 in Securities, 125 in Investment Banking, 209 in Asset Management & Private Banking and 210 in Administration. The administrative employees provide support for Carnegie's business areas. During 2002, the responsibility for the majority of the administrative personnel was allocated to the business areas.

Carnegie's personnel are an important component in the business model (see Business idea and strategy, page 16–18) the quality and dedication of the staff and the shared sense of being part of a team is one of Carnegie's strengths. Carnegie strives to maintain a work environment that fosters high ethical standards, mutual respect, honesty, professionalism and creativity.

Carnegie seeks to reinforce employee commitment to culture and values through training and a fair compensation philosophy that rewards teamwork and initiative. Carnegie makes attracting, hiring, educating and retaining personnel a high priority. Carnegie takes a long-term, strategic approach to hiring its employees, seeking qualified people who bring skills or special knowledge to the company while also fitting within Carnegie's corporate culture. The downturn in the market during 2002 has led to an increasing focus on cost-efficient measures and a personnel reduction of 129 employees was pursued. However, the long-term approach is manifested in keeping the high quality and to putting clients first. To be able to deliver the highest quality to clients, Carnegie's aim is to recruit and retain the most qualified people.

Bonus system

To attract the best people Carnegie's bonus system is designed to reward its employees by providing remuneration tied closely to the company's operating profit before bonus. The bonus formula is fixed for the whole Group, while the allocation of the bonus pool is discretionary among staff.

Carnegie's aggregate annual cost with respect to the bonus system is calculated as 50 per cent of operating profit before bonus expense, less an amount equal to 12-month STI-BOR (Stockholm Interbank Offered Rate, the average of the daily quotation of the rate) on the opening balance of shareholders' equity for the year, adjusted for any dividends paid to shareholders for that year. The formula is fixed regardless of the amount of Carnegie's operating profit before bonus expense. A decline or increase in the operating profit before bonus will therefore have a direct effect on the bonus allotment. Bonus is paid after year-end, which means that the bonus for 2002 will be paid during 2003.

Employee shareholding

A large portion of Carnegie's employees are shareholders in Carnegie. Carnegie believes that giving employees an equity interest in the company fosters commitment and personal interest in the success of the group as a whole. The previous method for this was through a shareholding scheme, which was applied until 1999.

Warrant programme

After the IPO of Carnegie in 2001 a new scheme for equity participation has been introduced in the form of a warrant programme.

Warrant programme	No of warrants	Strike price (SEK)	Subscription period	Increased equity (MSEK)	Corresponding share capital, %
2002/2005	2,400,000	158	1 April 2003–29 April 2005	379	3.6%
2003/2006	2,400,000	x ¹⁾	1 April 2004–28 April 2006	x ²⁾	3.6%

¹⁾ The strike price will be set to 120 per cent of the average share price during 24–31 January 2003.

²⁾ Strike price in January 2003 x 2.4 million shares.

The programme is to be renewed annually and at present there are two programmes outstanding – Warrant programme 2002/2005, which was approved by the EGM on the 28 November 2001, and Warrant programme 2003/2006, approved by the AGM on 14 March 2002 and registered 12 July 2002.

Warrant programme 2002/2005 includes 2.4 million warrants with the right to acquire 2.4 million Carnegie shares at SEK 158 each from 1 April 2003 to 29 April 2005. The programme will, assuming full exercise of the warrants, correspond to 3.6 per cent of the share capital and generate an increase in equity of SEK 379 million. The dilution effect in terms of profit per share calculated in accordance with the Swedish Financial Accounting Standards Council's recommendation (RR18), will be zero, based on the share price in January 2003.

Warrant programme 2003/2006 includes 2.4 million warrants to be distributed to personnel in 2003. Including Warrant programme 2002/2005 and assuming that the warrants are exercised in full, the share capital would increase by SEK 4.8 million shares, corresponding to a total of 7.2 per cent of the current share capital.

Carnegie's costs for each programme are estimated to be less than SEK 10 million.

Statutory consolidated income statement

(SEK thousands)	Note	2002	2001
Commission income	1, 2	2,113,841	2,863,509
Interest income		422,350	492,928
Interest expenses		-281,379	-320,778
Net interest income	3	140,971	172,150
Dividend received	4	3,672	80
Net profit from financial transactions	5	171,226	329,558
Other income		3,875	10,909
Total income		2,433,585	3,376,206
General administrative expenses	6	-1,986,329	-2,458,262
Depreciation of tangible and amortisation of intangible fixed assets	7	-73,267	-60,824
Total expenses		-2,059,596	-2,519,086
Operating profit before provisions for credit losses		373,988	857,120
Provisions for credit losses, net	8	-3,085	-2,985
Write-down of financial fixed assets	10	-29,219	-
Operating profit		341,684	854,135
Result from associated companies	14	-2,698	-1,795
Profit before taxes		338,987	852,340
Taxes	9	-88,881	-280,381
NET PROFIT		250,106	571,959
Earnings per share (SEK)		3.75	8.76
Earnings per share, fully diluted (SEK)		3.75	8.76
Average number of shares		66,701,600	65,267,093
Number of shares related to outstanding warrants		2,400,000	-

Statutory consolidated balance sheet

Assets (SEK thousands)	Note	31 Dec 2002	31 Dec 2001
Cash and bank deposits in central banks		81,541	124,147
Negotiable Government securities		—	—
Loans to credit institutions	12	2,955,145	5,952,317
Loans to general public	12, 13	2,820,316	2,408,704
Bonds and other interest bearing securities	10, 11	1,883,630	959,533
Shares and participations	10	763 518	2,817,376
Shares and participations in associated companies	14	4,788	7,463
Intangible fixed assets	15	57,115	21,065
Tangible fixed assets	16	162,785	199,296
Other assets	10, 17	3,491,523	6,409,356
Prepaid expenses and accrued income	19	223,634	229,738
TOTAL ASSETS		12,443,996	19,128,995
Collateral pledged for own liabilities			
Securities		1,931,952	4,210,047
Securities owned by customers		682,793	1,598,110
Other assets		813,739	1,419,650
Standardized options			
Blocked assets in customer accounts		259,283	350,089
Securities loaned			
		743,243	1,271,029
Liabilities and shareholders' equity (SEK thousands)			
Liabilities to credit institutions	12	1,870,071	1,256,124
Deposits and borrowing from general public	12	5,016,159	5,561,004
Other liabilities	10, 18	2,881,989	8,721,773
Accrued expenses and prepaid income	20	804,973	1,445,277
Total liabilities		10,573,192	16,984,178
Provisions			
Deferred taxes		143,097	154,814
Pension obligations		159,712	110,219
Total provisions		302,809	265,033
Shareholders' equity			
	21		
Share capital		133,403	133,403
Restricted reserves		679,611	683,633
Unrestricted reserves		504,875	490,789
Net profit		250,106	571,959
Total shareholders' equity		1,567,996	1,879,784
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		12,443,996	19,128,995
Contingent liabilities			
Guarantees		4,942	5,989
Guarantee of liabilities in associated companies		220,149	89,271
		66,625	32,756
Securities borrowed			
		1,753,572	4,537,490

Income statement of Parent Company

(SEK thousands)	Note	2002	2001
Operating income		5,684	8,278
Administrative expenses	24	–72,818	–81,953
Operating profit		–67,134	–73,675
Financial items			
Anticipated dividend from Group companies		279,200	422,815
Interest income from Group companies		31,058	26,558
Other interest income		598	680
Write-down of financial fixed assets	10	–29,219	–
Interest expenses on subordinated loan		–11	–7,435
Other interest expenses		–25,822	–29,574
Foreign exchange differences		–6,063	–837
Profit after financial items		182,607	338,531
Appropriations	25	–6,945	–62,940
Profit before taxes		175,663	275,592
Taxes	26	40,732	40,823
NET PROFIT		216,394	316,415

Balance sheet of Parent Company

Assets (SEK thousands)	Note	31 Dec 2002	31 Dec 2001
Fixed assets			
Tangible assets			
IT equipment and other machinery	27	8,363	8,679
Financial assets			
Shares in Group companies	28	627,784	627,784
Receivables from Group companies		241,750	365,830
Shares in associated companies	14	5,050	5,050
Other shares and participations	29	14,610	43,829
Receivables from associated companies		4,000	4,000
Deferred taxes recoverable		15,814	5,461
Other financial assets		27,261	19,503
Total financial assets		936,269	1,071,456
Total fixed assets		944,632	1,080,135
Current assets			
Current receivables			
Receivables from Group companies		612,425	874,456
Prepaid tax		–	886
Other receivables		41,525	3
Prepaid expenses and accrued income		1,474	879
Total current receivables		655,424	876,224
Cash and bank		1,331	12,471
Total current assets		656,755	888,695
TOTAL ASSETS		1,601,387	1,968,831
Asset pledged		None	None
Contingent liabilities		None	None

Shareholders' equity and liabilities (SEK thousands)	Note	31 Dec 2002	31 Dec 2001
Shareholders' equity	30		
Restricted equity			
Share capital (66,701,600 shares, par value SEK 2)		133,403	133,403
Statutory reserve		579	579
Premium reserve		458,191	458,191
Unrestricted equity			
Retained earnings		379,708	581,544
Net profit		216,394	316,415
Total shareholders' equity		1,188,276	1,490,132
Subordinated loan	31	240	—
Provisions			
Pension obligations		27,261	19,503
Tax allocation reserve	32	311,066	304,121
Total provisions		338,326	323,624
Liabilities			
Long-term liabilities			
Long-term loan		—	60,000
Total long-term liabilities		—	60,000
Current liabilities			
Accounts payable		2,201	3,475
Loans to Group companies		—	433
Tax liabilities		7,944	13,197
Other liabilities		49,976	1,116
Accrued expenses and prepaid income		14,424	76,854
Total current liabilities		74,545	95,075
Total liabilities		74,545	155,075
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		1,601,387	1,968,831
Guarantee of liabilities in associated companies		66,625	32,756

Statement of changes in financial position, Group and Parent Company

(SEK thousands)	Group		Parent	
	2002	2001	2002	2001
Current operations				
Operating profit ^{*)}	341,684	854,135	182,607	338,531
Adjustment for items not included in cash flow				
Result from associated companies	-2,698	-1,795	-	-
Amortisation, depreciation and write-down	102,486	60,824	30,895	1,398
Other items	2,008	-	-175	-
Other taxes	56,385	-15,046	10,354	5,461
Current taxes	-145,266	-265,335	9,618	-52,737
	12,916	-221,352	50,692	-45,878
Cash flow from operations before changes in working capital	354,600	632,783	233,299	292,653
Increase (-)/decrease (+) in operational assets				
Loans to general public	-411,612	1,841,080	-	-
Securities inventory	1,100,542	1,409,650	-	-
Current receivables	2,973,430	-3,973,886	220,800	-489,287
Increase (+)/decrease (-) in operational liabilities				
Borrowing from general public	-544,845	-908,294	-	-
Liabilities to credit institutions	613,947	-1,259,682	-	-
Current liabilities	-6,480,089	2,517,224	-20,530	104,213
	-2,748,627	-373,908	200,270	-385,074
Cash flow from operations	-2,394,027	258,875	433,570	-92,421
Investment activities				
Sale of fixed assets	1,955	10,271	-	41
Investment/acquisition of associated and other companies	2,675	1,029	-	-676,663
Acquisition of fixed assets	-76,771	-150,072	-1,185	-10,118
Cash flow from investment activities	-72,141	-138,772	-1,185	-686,740
Financing activities				
Additional capital through merger	-	227,706	-	633,429
New share issue, net	-	328,340	-	328,340
Group contribution	-	-	74,142	314,641
Redemption	-	-	-	140,035
Change in long-term liabilities	37,776	-48,829	-52,002	60,000
Change in long-term receivable	-49,493	-	105,968	-394,793
Distributed dividend	-571,633	-860,979	-571,633	-388,056
Cash flow from financing activities	-583,349	-353,762	-443,525	693,596
CASH FLOW FOR THE YEAR	-3,049,517	-233,659	-11,140	-85,565
Liquid funds at the beginning of the year	6,076,464	6,301,942	12,471	98,036
Exchange differences in liquid funds	9,739	8,181	-	-
LIQUID FUNDS AT THE END OF THE YEAR**)	3,036,686	6,076,464	1,331	12,471
^{*)} Interest paid	218,710	322,236	32,297	37,008
^{**) Liquid funds}				
Cash and bank deposits in central banks	81,541	124,147	-	-
Loans to credit institutions	2,955,145	5,952,317	1,331	12,471
Available liquidity	3,036,686	6,076,464	1,331	12,471

Accounting policies

Applicable to legislation and accounting standards

The consolidated income statement and balance sheet and the notes relating to these have been drawn up in accordance with the regulations in the Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559) regarding financial holding companies that exclusively, or principally, manage holdings in subsidiaries that are credit institutions, securities companies or foreign companies of a comparable type.

The income statements and balance sheet and related notes for the parent company have been drawn up in accordance with the Annual Accounts Act (1995:1554).

The financial statements comply with the accounting standards and recommendations issued by the Swedish Financial Accounting Standards Council, The Swedish Accounting Standards Board, The Swedish Institute of Authorised Public Accountants (FAR) and the Swedish Financial Supervisory Authority.

New recommendations from the Swedish Financial Accounting Standards Council have had no impact on the accounts for 2002.

The Group

Consolidated financial statements

The consolidated financial statements include the parent and the subsidiaries where, directly or indirectly, the Group owns more than a 50% of the equity or the voting power. The Swedish Financial Accounting Standards Council's standard concerning the acquisitions method has been applied.

Foreign subsidiaries' assets and liabilities have been translated at the closing rate. The income statement has been translated at the average rate for the accounting year. The resulting exchange differences have been classified as shareholders' equity.

Associated companies

In the consolidated financial statements investments in associates, i.e. investments where the Group owns a minimum of 20% and a maximum of 50% of the voting power, have been accounted for under the equity method. Thus, the investment is carried at an amount equal to the ownership interest in the associate's equity adjusted for un-amortised positive or negative differences between the cost of acquisition and the fair value of the net assets acquired. In the consolidated income statement the Group's share of the associate's results of operations and net finance income/cost is accounted for as "result from associated companies". The Group's share of the associates' tax expense is included in the tax expense accounted for in the consolidated income statement. Post acquisition changes in associates' net assets that have not been realised through dividends received have been classified as restricted equity.

Untaxed reserves

In the consolidated balance sheet the untaxed reserves accounted for in the legal entities' balance sheets have been recognized as deferred tax liability and restricted equity. The deferred tax liability has been calculated using the tax rate applicable in the jurisdictions involved.

Revenue recognition

All purchases and sales are recognised using trade date accounting. Commissions include commission income, underwriting fees and advisory fees and are recognised on a continuous basis. Performance fees and fixed fees regarding the Investment Banking and Asset Management & Private Banking business have been recognised as they are invoiced in accordance with the terms of the client agreements. Net profit from financial transactions includes realised gains and losses and unrealised gains arising from changes in fair values of shares, bonds, derivatives and other securities whereby unrealised gains have been recognised as restricted equity.

Pension obligations

The Group recognises the obligations and expenses for pension obligations as determined by the assessment made by insurance who insures the pension benefits in accordance with established actuarial conventions and regulation. The Group recognises certain individual pension obligations as Provisions. These obligations are covered by capital insurances recognised among Other assets in the consolidated Group and among Financial assets in the Parent company. The pension obligations are valued at the value of the capital insurances.

Allocation to bonus system

Allocation to bonus system is expensed in the same period that it has accrued.

Taxes

The tax expenses in the income statement consist of current tax and deferred tax. The tax effect from capitalised loss carry forwards are capitalised to the extent they are related to deductions, approved by the tax authorities, and are deemed to be used and deducted from the Group tax cost. Deferred tax is reported for all positive and negative (temporary) differences between reported and fiscal values, with the exception of deferred tax on investments in group companies, where no disposals are predicted in the foreseeable future.

Measurement Policies Applied

Receivables and liabilities

The securities portfolio has been valued at market value. The most recent transactions price has been used for liquid shares, while an average estimate has been used for less liquid securities. Any unrealized gains are transferred to restricted shareholders' equity under the heading Reserves for unrealised gains .

Foreign currency monetary items have been translated using the closing rate in accordance with the Swedish Financial Accounting Standards Council's standard RR 8.

Loans to general public have been assessed for impairment and uncollectability individually. Reserves for uncollectability have been recognised when the pledges, undertaking or other guarantees are estimated not to cover the amounts due. The item write-down of confirmed credit losses specified in Note 8, includes losses confirmed due to bankruptcy or arrangement of composition.

Tangible and intangible fixed assets

The intangible asset accounted for is goodwill and capitalized expenses regarding systems development in accordance with the Swedish Financial Accounting Standards

Council's standard RR 15. Impairment tests, according to RR17, are considered when applicable. Tangible assets consist of balanced refurbishment costs, IT equipment and other office equipment.

Depreciation and amortisation charges are calculated so as to allocate historic cost over the estimated useful life.

Balanced refurbishment costs are depreciated at 5–10% per year. IT equipment and other office equipment is depreciated at 20–33% per year. Goodwill is amortised at 20% per year. Capitalised expenses regarding system development are amortised at 20–33% per year.

Financial assets

The shareholdings of the parent company in foreign subsidiaries and associated companies are valued at the historical rate of exchange.

Group contributions and shareholders' contributions

The accounting for Group and shareholders' contributions is in accordance with the recommendations issued by the Swedish Financial Accounting Standards Council's Emerging Issues Task Force. The recommended policy is applied in the consolidated financial statements as well as in the legal entities accounts. Thus, capital transactions (including their tax effects) between Group entities are accounted for in accordance with their economic substance, i.e. as changes in equity. Shareholders' contributions are accounted for as increases in carrying amount of the parent company's investment.

New accounting standards from 2003

Effects of new accounting policies

Accounting standards effective from 1 January 2003 that are applicable to Carnegie.

RR 22 Presentation of financial reports

This recommendation deals with how financial reports are to be presented and provides instructions on matters such as materiality and the going concern assumption. The recommendation contains no new forms of presentation of the financial statements. The recommendation is not expected to have any effect on the company's result or shareholders' equity. Further supplementary information will be added.

RR 25 Segmental reporting

The recommendation states how information is to be provided for business segments and geographical areas. Carnegie has reported details of income and result by segment since 2000. The recommendation will bring additional requirements in respect of certain supplementary information.

RR 26 Events after the balance sheet date

The purpose of this recommendation is to establish which events occurring after the balance sheet date are to be taken into consideration in the financial report. This recommendation is not expected to have any effect on the company's financial reports.

RR 27 Financial instruments: disclosure and classification

This recommendation deals with how financial assets and liabilities are to be classified in the balance sheet as well as the information to be disclosed. The recommendation is expected to involve additional requirements in respect of certain supplementary information.

Notes to financial statement – Group

(Note 1 in SEK millions, other notes in SEK thousands)

Note 1 — Income statement per business area

	Total		Principal investments		Securities		Investment Banking		Asset Management & Private Banking	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
Net commission income	1,153	1,331	—	—	894	1,056	—	—	259	276
Underwriting fees	203	366	—	—	70	142	133	225	—	—
Net interest income	251	256	—	—	150	178	—	—	101	78
Net income from financial positions	65	246	41	–63	–8	229	–6	7	38	73
Fees from mutual funds	251	321	—	—	—	—	—	—	251	321
Fees from discretionary fund management	80	112	—	—	—	—	—	—	80	112
Advisory fees	430	733	—	—	—	—	340	669	90	64
Other fees	0	11	—	—	0	11	—	—	—	—
Total income	2,434	3,376	41	–63	1,106	1,615	467	901	819	924
Personnel expenses	–902	–906	—	—	–468	–516	–167	–155	–267	–234
Redundancy expenses	–92	—	—	—	–58	—	–13	—	–22	—
Other expenses	–789	–829	—	—	–452	–464	–112	–126	–226	–239
Net provisions for credit losses	–3	–3	—	—	–3	–3	—	—	0	0
Total operating expenses excluding bonus	–1,786	–1,738	0	0	–980	–983	–292	–281	–514	–473
Operating profit before result from principal investments and bonus	648	1,639	41	–63	126	632	175	619	305	451
Write-down of financial fixed assets ¹⁾	–29	—	–29	—	—	—	—	—	—	—
Result from associated companies	–3	–2	–3	–2	—	—	—	—	—	—
Operating profit before bonus	616	1,636	9	–65	126	632	175	619	305	451
Bonus expense	–277	–784	–4	31	–57	–303	–79	–297	–137	–216
Total expenses	–2,063	–2,522	–4	31	–1,037	–1,286	–370	–578	–651	–689
Operating profit before taxes	339	852	5	–34	69	329	96	323	168	235
Taxes	–89	–280	—	—	—	—	—	—	—	—
Net Profit	250	572	—	—	—	—	—	—	—	—

No. of full-time equivalent employees, average 924 941 — — 470 518 173 170 281 253

Note that certain numerical information presented in million may not sum due to rounding.

1) Write-down of Carnegie's holding in Startupfactory BV, see note 10.

Note 2 — Commission income

	2002	2001
Commission income		
Commission equities	1,393,724	1,743,915
Other commission income	769,531	1,176,561
Market fees	–49,414	–56,967
Total commission income	2,113,841	2,863,509

Note 3 — Net interest income

	2002	2001
Interest income		
Interest on loans to credit institutions	208,261	195,442
Interest on loans to general public	157,945	155,538
Interest on interest-bearing securities	46,180	49,153
Other interest income	9,964	92,795
	422,350	492,928
Interest expenses		
Interest on liabilities to credit institutions	–95,195	–88,125
Interest expenses for deposits and borrowing from general public	–134,520	–181,009
Other interest expenses	–51,664	–51,644
	–281,379	–320,778
Total net interest income	140,971	172,150

Note 4 — Dividends received

	2002	2001
Dividends on shares and participations – long-term investments	3,672	80
Total dividends received	3,672	80

Note 5 — Net profit from financial transactions

	2002	2001
Capital gains/losses on securities		
Shares and participations	191,297	295,221
Interest-bearing securities	57,362	59,168
Other financial instruments	8,405	–63,734
Unrealised gains/losses on securities		
Shares and participations	–111,959	–45,530
Interest-bearing securities	–4,082	1,382
Other financial instruments	121	–5,627
Exchange rate differences branch accounts	–11,136	13,714
Other changes in foreign exchange rates	41,218	74,964
Total net profit from financial transactions	171,226	329,558

Note 6 — General administrative expenses

	2002	2001
Salaries and other remuneration paid to Boards of Directors and Managing Directors in;		
Denmark	-7,954	-6,774
Finland	-2,753	-2,798
Luxembourg	-3,305	-2,390
Norway	-3,507	-3,588
Sweden	-16,420	-13,554
United Kingdom	—	—
United States	-1,459	-3,896
Salaries and other remuneration paid to other employees in;		
Denmark	-117,607	-111,447
Finland	-48,108	-46,214
Luxembourg	-22,275	-21,290
Norway	-70,934	-70,997
Sweden	-301,432	-267,375
United Kingdom	-60,015	-47,140
United States	-21,301	-20,276
Payroll overheads	-137,785	-129,679
Pension premium costs for Boards of Directors and Managing Directors	-2,888	-3,980
Pension premium costs for other employees	-91,755	-62,428
Allocation to bonus	-276,696	-783,957
Remuneration to KPMG for audit services (of which 3 292 refers to examination of IPO prospectus 2001)	-3,571	-6,256
Remuneration to Grant Thornton for audit services	-3,005	-2,157
Remuneration to Deloitte & Touche for audit services	-1,245	-1,590
Remuneration to other audit firms for audit services	-750	-309
Other remuneration to KPMG	-2,552	-3,516
Other remuneration to Grant Thornton	-692	-523
Other remuneration to Deloitte & Touche	-770	-134
Other remuneration to other audit firms	-1,371	-864
Other administrative expenses	-786,179	-845,130
Total general administrative expenses	-1,986,329	-2,458,262

Terms of employment and remuneration to Board of Directors and Group management

At the Annual General meeting in 2002 a decision was taken to pay a total of 2,250 to Board members who are not employed by Carnegie or Singer & Friedlander. The Chairman of the Board received 750 and the other three Board members each received 500. For his work as senior advisor to Carnegie, Anders Ljungh received 2,800 (2,800). Mr Ljungh completed this assignment in 2002. Sigurd Astrup is also a Board member in Carnegie Asset Management Holding Norge AS and Carnegie Forvaltning ASA, from which he received 43(40).

The CEO, Lars Bertmar, received remuneration in the amount of 3,595 (5,863, of which 2,271 was retroactive pay). Other benefits, including a company car, amounted to 84 (94). Bonuses amounted to 0 (0).

The Chairman of the Board does not have a pension agreement. Pension premiums for the CEO, Lars Bertmar, amounted to 447 (399). The CEO or the company has the right to activate the retirement at the CEO's age of 60 without additional cost for the company. Extra pension insurance for the benefit of the CEO amounted to 0 (19,314). Other members of Group management are covered by standard terms in each country.

No agreement exists regarding redundancy pay for the Chairman of the Board. A period of notice of twelve months applies from both the present CEO's and for the new CEO's side. From Carnegie's side, the period of notice is 24 months. In the event Carnegie terminates the employment without notice, both the present CEO and the new CEO, will receive redundancy pay in the amount of 24 monthly salaries as well as compensation for loss of the company car and pension benefits for a 24-month period. The compensation from Carnegie can not be reduced by compensation from other employer(s). Carnegie's other executive officers must comply with notice periods for termination of employment that range from three to twelve months, while the company must provide a period of notice of between 3 and 24 months.

Average number of employees (of which women)	2002	2001
Denmark	142 (46)	149 (47)
Finland	83 (32)	86 (34)
Luxembourg	38 (14)	38 (15)
Norway	99 (30)	100 (29)
Sweden	502 (168)	517 (185)
United Kingdom	45 (15)	36 (11)
United States	15 (3)	15 (3)
Total	924 (308)	941 (324)

Note 7 — Depreciation of tangible and amortisation of intangible fixed assets

	2002	2001
IT equipment and other machinery	-52,624	-47,480
Leasehold improvements	-9,995	-8,307
Goodwill	-2,166	-1,318
Other intangible fixed assets	-8,482	-3,719
Total depreciation of tangible and amortisation of intangible fixed assets	-73,267	-60,824

Note 8 — Provisions for credit losses, net

	2002	2001
Net credit losses		
Write-down of confirmed credit losses	-714	-1,247
Reversals of previous provisions for anticipated credit losses	1,762	1,092
Provisions for anticipated credit losses	-4,137	-2,830
Funds recovered from earlier confirmed credit losses	—	—
Reversals no longer required for anticipated credit losses	4	—
Result of individually assessed credits	-3,085	-2,985

Write-downs of confirmed credit losses, provisions and reversals are attributable to loans to general public.

Note 9 — Taxes

	2002	2001
Current taxes		
Income tax	-150,525	-252,501
Other taxes		
Tax on result from associated companies	23	-2,446
Deferred taxes	56,385	-12,600
Tax from previous years' assessments	5,236	-12,834
Total taxes	-88,881	-280,381
Tax assets		
Prepaid taxes included in Other assets	128,526	128,958
<i>of which deferred tax assets</i>	<i>109,606</i>	<i>70,075</i>
Tax liabilities		
Tax liabilities included in Other liabilities	128,480	188,229
Provision for deferred tax liability (refers to untaxed reserves)	143,097	154,814

Deferred tax assets 19,980 (18,473) have been recognized on capitalised loss carryforwards to the extent that it is probable they will be utilized in future periods. Deferred tax assets on endowment insurances amounts to 44,719 (30,861).

The average tax rate for the group is 26.2 per cent (32.9). The difference between the applicable tax rate in Sweden of 28 per cent and the actual tax rate of 26.2 per cent, is due to foreign taxes in countries where the tax rate is higher than in Sweden and also due to tax on non-deductible costs and tax on non-taxable income and a tax refund of 15,452.

No group disposals are expected in the foreseeable future which is why no taxable temporary differences and no deferred tax assets have been included.

Note 10 — Portfolio of shares, options and fixed income instruments

	31 Dec 2002	31 Dec 2001
Current assets		
Bonds		
Listed bonds	1,849,495	956,176
Unlisted bonds	34,135	3,357
	1,883,630	959,533
Shares		
Shares, warrants – listed	729,502	2,742,650
Shares, warrants – unlisted	19,406	15,185
	748,908	2,757,835
Other assets		
Derivative instruments	495,807	698,059
	495,807	698,059
Other liabilities		
Derivative instruments	–103,099	–297,052
Short positions in shares	–1,951,905	–3,625,729
	–2,055,004	–3,922,781
Total securities, current assets	1,073,341	492,646
Fixed financial assets		
Shares, warrants – listed	–	8,693
Shares, warrants – unlisted	–	7,020
Shares in Startupfactory B.V., unlisted*	14,610	43,829
Total securities, fixed financial assets	14,610	59,542
Total securities	1,087,950	552,188

* The value of Carnegie's 3.8 per cent holding in Startupfactory BV is estimated at SEK 15 million, resulting in a write-down of SEK 29 million.

Note 11 — Maturities

	31 Dec 2002	31 Dec 2001
Bonds and other interest-bearing securities		
Remaining maturities not exceeding one year	188,370	195,437
Remaining maturities exceeding one year but not exceeding five years	769,337	307,515
Remaining maturities exceeding five years	925,923	456,581
	1,883,630	959,533

Note 12 — Maturities

	31 Dec 2002	31 Dec 2001
Loans to credit institutions		
Payable on demand	1,759,952	3,262,655
Remaining maturities not exceeding three months	1,113,997	2,689,662
Remaining maturities exceeding three months but not exceeding one year	81,196	—
	2,955,145	5,952,317
Of which, repo transactions	281,537	551,898
Loans to general public		
Payable on demand	2,479,571	2,109,845
Remaining maturities not exceeding three months	285,923	212,534
Remaining maturities exceeding three months but not exceeding one year	33,293	49,332
Remaining securities exceeding one year but not exceeding five years	21,529	36,993
	2,820,316	2,408,704
Of which, repo transactions	156,621	0
Liabilities to credit institutions		
Payable on demand	729,536	194,163
Remaining maturities not exceeding three months	1,140,535	954,867
Remaining maturities exceeding five years	—	107,094
	1,870,071	1,256,124
Of which, repo transactions	1,127,097	673,432
Deposits and borrowing from general public		
Payable on demand	3,825,866	5,540,868
Remaining maturities not exceeding three months	1,163,200	20,136
Remaining maturities exceeding three months but not exceeding one year	27,094	—
	5,016,159	5,561,004
Of which, repo transactions	1,056,023	0

Note 13 — Unsettled receivables and non-performing credits

	31 Dec 2002	31 Dec 2001
Doubtful receivables for which interest is not credited prior to actual payment	56,190	40,385
Provisions for anticipated credit losses on doubtful receivables	–56,190	–40,385
Estimated value on non-performing credits after write-down from anticipated credit losses	0	0

Note 14 — Shares and participations in associated companies

	Corporate identity number/ Reg. Office	Number of shares	Proportion of equity (share of votes), %	Share of profit 2002	Share of profit 2001	Share of equity 2002	Share of equity 2001	Book value in parent company
Eldsäl Norden AB*	556528-7520 Stockholm	0	0.0%	—	387	—	—	—
Carnegie Investimentos - Gestao de Patrimonios, S.A **	502116188 Lissabon	0	0.0%	—	-1,461	—	—	—
Carnegie Portugal - Sociedade Gestora de Participações Sociais, S.A. **	502961368 Lissabon	75,000	50.0%	62	—	2,927	2,865	—
Capital C AB	556560-7677 Stockholm	2,550	50.0%	-2,760	-721	1,861	4,598	5,050
Total book value				-2,698	-1,795	4,788	7,463	5,050

* Shares in Eldsäl Norden AB were sold during 2001.

** Restructuring has occurred 2001 in Portugal.

Capital C AB is a software development company and supplier of after trade solutions for the securities industry, including Carnegie. In 2002 Carnegie's payment for services from Capital C amounted to SEK 11 million. At 31 December, D. Carnegie & Co AB had a loan to Capital C amounting to SEK 4 million and a guarantee commitment of 66,625 (32,756). In January 2003, a decision was taken to convert the credit facility into a shareholders' contribution of SEK 4 million and to provide a new credit facility of SEK 15 million.

Carnegie Portugal - Sociedade Gestora de Participações Sociais, S.A. is an asset management company and the products are discretionary managed portfolios for institutional and private investors. The total assets under management amounted to 117,340 at year end 2002.

Note 15 — Intangible fixed assets

	31 Dec 2002	31 Dec 2001
Goodwill		
Acquisition value, January 1	6,707	6,307
Changes in foreign exchange rates	-161	400
Acquisitions during year	18,385	—
Disposals during year	-6,546	—
Acquisitions value, December 31	18,385	6,707
Amortisation, January 1	-6,065	-4,465
Changes in foreign exchange rates	115	-282
Accumulated amortisation disposals during the year	6,546	—
Amortisation during the year	-2,166	-1,318
Amortisation, December 31	-1,570	-6,065
Book value	16,815	642
Other intangible fixed assets		
Acquisition value, January 1	23,862	—
Changes in foreign exchange rates	-706	55
Transfers	19,723	—
Acquisitions during year	20,710	24,676
Disposals during year	—	-869
Acquisition value, December 31	63,589	23,862
Amortisation, January 1	-3,439	—
Changes in foreign exchange rates	270	-17
Transfers	-11,638	—
Accumulated amortisation disposals during the year	—	297
Amortisation during the year	-8,482	-3,719
Amortisation, December 31	-23,289	-3,439
Book value	40,300	20,423
Total book value intangible fixed assets	57,115	21,065

Goodwill arising in connection with a subsidiary's acquisition of a Finnish fund company in 1997 and acquisition of the net assets of a Finnish fund company in 2002.

Note 16 — Tangible fixed assets

	31 Dec 2002	31 Dec 2001
IT equipment and other machinery		
Acquisition value, January 1	367,612	285,042
Changes in foreign exchange rates	-4,086	14,504
Transfers	-19,723	—
Acquisitions during year	36,185	88,990
Disposals during year	-9,651	-20,924
Acquisition value, December 31	370 337	367,612
Depreciation, January 1	-210,727	-159,812
Changes in foreign exchange rates	2,444	-14,660
Transfers	11,638	—
Accumulated depreciation disposals during the year	7,696	11,225
Depreciation during the year	-52,624	-47,480
Depreciation, December 31	-241,573	-210,727
Book value	128,764	156,885
Leasehold improvements		
Acquisition value, January 1	67,483	31,077
Changes in foreign exchange rates	214	—
Acquisitions during year	1,491	36,406
Acquisition value, December 31	69,188	67,483
Depreciation, January 1	-25,072	-16,765
Changes in foreign exchange rates	-100	—
Depreciation during the year	-9,995	-8,307
Depreciation, December 31	-35,167	-25,072
Book value	34,021	42,411
Total book value tangible fixed assets	162,785	199,296

Note 17 — Other assets

	31 Dec 2002	31 Dec 2001
Derivative instruments	495,807	698,059
Securities settlement receivables ¹⁾	2,240,499	4,443,351
Endowment insurance	159,712	110,219
Prepaid taxes	128,526	128,958
Other assets	466,979	1,028,769
Total other assets	3,491,523	6,409,356

Other assets includes claims on associated companies of SEK 4,000 (4,000).

¹⁾ Accounted for net gross amount

Securities settlement receivables	11,538,502	18,024,312
Securities settlement liabilities	-9,777,347	-17,435,388

Note 18 — Other liabilities

	31 Dec 2002	31 Dec 2001
Derivative instruments	103,099	297,052
Securities settlement liabilities ¹⁾	479,345	3,854,427
Short positions in shares	1,951,905	3,625,729
Tax liability	128,480	188,229
Other liabilities	219,160	756,336
Total other liabilities	2,881,989	8,721,773

¹⁾ Accounted for net gross amount

Securities settlement receivables	11,538,502	18,024,312
Securities settlement liabilities	-9,777,347	-17,435,388

Note 19 — Prepaid expenses and accrued income

	31 Dec 2002	31 Dec 2001
Accrued interest	87,118	17,216
Rent for premises	23,576	22,788
Fees	75,970	121,941
Pensions	184	214
Other	36,786	67,579
Total prepaid expenses and accrued income	223,634	229,738

Note 20 — Accrued expenses and prepaid income

	31 Dec 2002	31 Dec 2001
Accrued interest	72,673	10,004
Fees	75,549	27,685
Personnel related	375,534	970,790
Pensions	32,338	40,112
Other	248,879	396,688
Total accrued expenses and prepaid income	804,973	1,445,277

Note 21 — Changes in shareholders' equity

	RESTRICTED RESERVES			UNRESTRICTED RESERVES		
	Share-capital	Restricted reserves ¹⁾	Translation-differences	Translation-differences	Unrestricted reserves including net profit	Total
Amount, January 1	133,403	663,844	19,789	44,417	1,018,331	1,879,784
Dividend					-571,633	-571,633
Changes in equity method reserve		-304			304	-
Transfers between restricted and unrestricted reserves		-9,720			9,720	-
Foreign exchange difference			6,003	3,736		9,739
Net profit					250,106	250,106
Amount, December 31	133,403	653,820	25,792	48,153	706,828	1,567,996

¹⁾ Proportion of equity in associated companies is included in restricted reserves with SEK 1,300 (1,604). Fund for unrealised gains SEK 0 (0).

Note 22 — Operating lease commitments

	31 Dec 2002	31 Dec 2001
Agreed payments, land and building		
Within one year	95,352	90,000
Between one to five years	341,606	345,814
Five years or more	153,168	296,198
Other agreed payments		
Within one year	12,755	9,557
Between one to five years	6,022	8,726
Five years or more	—	—

The amounts in the summary relate mainly to rental of premises. Rental agreements are indexlinked. The agreement is not recalculated to net present value.

Note 23 — Capital adequacy ratio

	31 Dec 2002	31 Dec 2001
Regulatory capital base	955,536	1,307,509
Risk-weighted amount for credit risks	3,214,389	4,783,910
Interest-rate risk	369,724	221,885
Share-price risk	299,415	524,895
Divestment-price risk	36,170	52,945
Counterparty risk and other risks	432,550	361,898
Foreign exchange risk	338,031	599,658
Total risk-weighted amount for market risks	1,475,890	1,761,281
Total risk-weighted amount for credit risks and market risks	4,690,279	6,545,191
Capital adequacy ratio	20.37%	19.98%

Notes to financial statement – Parent Company

(SEK thousands)

Note 24 — Administrative expenses

	2002	2001
Salaries and other remuneration paid to		
Board of Directors and Managing Director	-7,645	-10,413
Salaries and remuneration paid to other employees	-12,724	-9,064
Payroll overheads	-5,840	-4,908
Pension premium costs for Managing Director	-447	-399
Pension premium costs for other employees	-4,783	-2,428
Allocation to bonus	-157	-9,435
Remuneration for audit services	-216	-270
Other remuneration for public accountant	-	-4,015
Depreciation of tangible fixed assets	-1,676	-1,398
Other administrative expenses	-39,330	-39,623
Total administrative expenses	-72,818	-81,953
Average number of employees (of which women)	20 (9)	19 (10)

See Note 6 for Terms of employment and remuneration to Board of Directors and Group management.

Note 25 — Appropriations

	2002	2001
Transfer to tax allocation reserve	-6,945	-62,940
Total appropriations	-6,945	-62,940

Note 26 — Taxes

	2002	2001
Taxes on Group contribution	20,760	88,100
Income tax	-5,834	-52,869
Tax from previous years' assessments	15,452	132
Deferred taxes	10,354	5,461
Total taxes	40,732	40,823

The difference between the applicable tax rate in Sweden of 28 per cent and the company actual tax rate, is due to tax on non-deductible costs and tax on non-taxable income and a tax refund of 15,452.

No Group disposals are expected in the foreseeable future which is why no taxable temporary differences and no deferred tax assets have been included regarding shares in subsidiaries.

Note 27 — IT equipment and other machinery

	31 Dec 2002	31 Dec 2001
Acquisition value, January 1	12,218	7,994
Acquisition during the year	1,185	4,265
Disposals during the year	-	-41
Acquisition value, December 31	13,403	12,218
Depreciation, January 1	-3,539	-2,158
Accumulated depreciation disposals during the year	175	17
Depreciation during the year	-1,676	-1,398
Depreciation, December 31	-5,040	-3,539
Total book value	8,363	8,679

The Carnegie Group 2002

Note 28 — Shares in Group companies

	Corporate identity number/Reg. Office	No. of shares	Proportion of equity (share of votes) %	Book value	Share- holders' Equity ¹⁾
Carnegie Asset Management Holding AB	556527-9691 Stockholm	100,000	100%	75,000	155,016
<i>Subsidiaries of Carnegie Asset Management Holding AB</i>					
Carnegie Fond AB					
Carnegie Pension Consulting AB					
Carnegie Kapitalförvaltning AB					
Carnegie Program AB					
Carnegie Pension Structuring AB					
Carnegie Asset Management Finland Ab					
Carnegie Fondbolag Ab					
Carnegie Asset Management Danmark Holding A/S					
Carnegie Asset Management Fondsmæglerselskab A/S					
Carnegie Asset Administration A/S					
Carnegie Asset Management Holding Norge AS					
Carnegie Forvaltning ASA					
Carnegie Fondsforvaltning AS					
Carnegie Fondsforsikring ASA					
Carnegie Bank A/S	109.861 Copenhagen	1	100%	144,894	159,971
<i>Subsidiaries of Carnegie Bank A/S</i>					
Banque Carnegie Luxembourg S.A.					
Carnegie Fund Management Company S.A.					
Carnegie Global Healthcare Fund Management Company S.A.					
Carnegie Fund II Management Company S.A.					
D. Carnegie AB	556031-4576 Stockholm	400,000	100%	407,140	470,979
<i>Subsidiaries of D. Carnegie AB</i>					
Carnegie Fondkommission Finland Ab					
Carnegie, Inc.					
Carnegie ASA					
Carnegie Ltd					
Carnegie Going Forward AB	556616-8018 Stockholm	1,000	100%	350	351
Gallerie Gustaf Adolf AB	556047-2069 Stockholm	1,000	100%	400	408
Total				627,784	786,725

¹⁾ Equity in subsidiaries is reported excluding anticipated dividends during the year to the Parent Company.

Note 29 — Other shares and participations

	Number of Shares	Proportion of equity (share of votes)%	Book value 2002	Book value 2001
Startupfactory B.V	995,054	3.8%	14,610	43,829
Total			14,610	43,829

¹⁾ The value of Carnegie's 3.8 per cent holding in Startupfactory BV was estimated at SEK 15 million, resulting in a write-down of SEK 29 million.

Note 30 — Changes in shareholders' equity

	RESTRICTED RESERVES Share capital	RESTRICTED RESERVES Restricted reserve	UNRESTRICTED RESERVES Retained earnings	UNRESTRICTED RESERVES Net profit	Total
Amount, January 1	133,403	458,770	581,544	316,415	1,490,132
Adjusted appropriation of profit			316,415	-316,415	—
Dividend			-571,633		-571,633
Group contribution received			74,142		74,142
Group contribution's tax effect			-20,760		-20,760
Net profit				216,394	216,394
Amount, December 31	133,403	458,770	379,708	216,394	1,188,276

Note 31 — Subordinated loan

The loan meets the requirements from the Swedish Financial Supervisory Authority regarding subordinated loans.

Interest terms 5 per cent per year.

The loan is issued to a subsidiary, Carnegie Going Forward AB.

Note 32 — Untaxed reserves

	31 Dec 2002	31 Dec 2001
Tax allocation reserve 98	11,235	11,235
Tax allocation reserve 99	26,871	26,871
Tax allocation reserve 00	34,810	34,810
Tax allocation reserve 01	168,266	168,266
Tax allocation reserve 02	62,940	62,940
Tax allocation reserve 03	6,945	—
Total untaxed reserves	311,066	304,121

Appropriation of profit

Group

As shown in the consolidated balance sheet, the Group's unrestricted shareholders' equity amounted to SEK 754,981,000. A transfer of SEK 1,131,000 to restricted reserves is proposed.

Parent Company

At the disposal of the Annual General Meeting (SEK):

Unrestricted shareholders' equity	596,102,349
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The Board of Directors and the CEO propose that the profits be allocated as follows (SEK):

A dividend of SEK 8.93 per share, total	595,645,288
To be carried forward	457,061
Total	596,102,349

Stockholm, 23 January 2003

Christer Zetterberg
Chairman

Sigurd Astrup

Lars Berg

Michael Gibbins

John Hodson

Anders Ljungh

Lars Bertmar
Chief Executive Officer

Our auditors' report was rendered on 23 January 2003

KPMG Bohlins AB

Anders Ivdal
Authorised Public Accountant

Auditors' report

To the general meeting of the shareholders of D. Carnegie & Co AB

Corporate identity number 556498-9449

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the Managing Director of D. Carnegie & Co AB for the year 2002. These accounts and the administration of the Company are the responsibility of the Board of Directors and the Managing Director. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the Company in order to be able to determine the liability, if any, to the Company of any Board member or the Managing Director. We also examined whether any Board member or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act, the Annual Accounts Act for Credit Institutions and Securities Companies, or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and the consolidated accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and, thereby, give a true and fair view of the Company's and the Group's financial position and results of operations in accordance with generally accepted accounting principles in Sweden.

We recommend the general meeting of shareholders that the income statements and balance sheets of the Parent Company and the Group be adopted, that the profit for the Parent Company be dealt with in accordance with the proposal in the Administration Report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Stockholm, 23 January 2003
KPMG Bohlins AB

Anders Ivdal
Authorised Public Accountant

Glossary

AFGX: Share index, Stockholm Stock Exchange.

Back office: After trade administration, settlement.

Bookbuilding: The procedure when interests from institutional and private clients (expressing price and volume) are collected with the purpose of setting the price in an initial public offering or a secondary offering.

Book runner: The adviser responsible for the book of interests collected from the institutional and private investors in connection with an initial public offering or a secondary offering.

Capital adequacy: Supplementary capital/Risk-weighted assets.

Carnegie Edge: Internet-based service for institutional clients, containing research reports on Nordic shares.

Carnegie Pulse: Internet-based service for private clients, containing research reports on Nordic shares.

Carnegie Nordic index: A total of 20 indices in the Small Cap, Mid Cap and Large Cap segments. Each index is calculated separately for the Nordic countries, and then combined to form an overall Nordic index. The indices are presented at www.carnegie.se.

Compliance: Control function ensuring that all activities are carried out in accordance with laws and regulations.

Corporate governance: The shareholders' tools for identifying the risks in the organisation and the control mechanisms to deal with them.

Directed issue: New share issue directed to external parties that are not shareholders in the company.

Discretionary Asset Management

Services: A service for those who prefer a manager to look after their investments. The asset managers' principal responsibility is to carry out investments in accordance with stated guidelines and investment strategies.

Equity Capital Markets Services: Initial public offerings, private placements, rights and directed issues, spin-offs, secondary offerings and valuation assignments/fairness opinions regarding publicly announced transactions or involving listed companies.

Free float: The number of shares that can be publicly traded, as a percentage of the total number of shares outstanding. In Carnegie's case the free float at 31 December 2002 was 40 per cent of the total shares outstanding, excluding the shares that are subject to transfer restrictions.

Front office: Brokers, advisers and other employees with mainly direct client contact.

IPO: Initial public offering, the introduction of a company's shares on the stock exchange.

Instividual client: Private client reached through Carnegie's network of corporate clients.

Large caps: Larger listed companies, with a market capitalisation over SEK 15 billion.

M&A: Mergers & acquisitions, including negotiated M&A (transactions in which the target company is not listed), public mergers and take-overs.

Margin lending: Collateral-based (normally shares) lending to private clients.

Mid caps: Larger listed companies, with a market capitalisation in the interval SEK 4.3 to SEK 15 billion.

Morningstar: Investment research firm providing rankings on mutual funds, see further www.morningstar.se.

Primary capital: Shareholders' equity less goodwill, any proposed dividend or repurchased shares.

Primary market: The market for newly issued shares; rights and directed issues, and initial public offerings.

Private placement: Placing of unlisted shares to a smaller group of institutional and private investors.

Proprietary trading: Exploiting business opportunities through taking positions in Carnegie's name, held overnight or for longer periods.

Repo: Repurchase agreement; an investment vehicle in which the seller agrees to buy back the securities for an agreed-upon price, at a stated time.

Rights issue: New share issue directed to the existing shareholders.

Risk-weighted assets: A measure of the total risk outstanding at any given point of time. The risk-weighted assets consist of credit risks (reflecting margin lending volumes and other counterparty risks) and market risks (mainly reflecting risks in proprietary trading and market making).

Secondary market: The market for existing shares and derivatives.

Secondary placing: Coordinated placing of existing shares to a group of institutional and private investors.

Share turnover: The value of shares traded at the stock exchange during a given period.

Share turnover ratio: Total share turnover for a given period/average market value of total number of shares outstanding for the same period.

Small caps: Smaller listed companies, with a market capitalisation below SEK 4.3 billion.

Supplementary capital: Shareholders' equity plus any eligible subordinated loan.

Swap: An agreement in which the parties agree to exchange securities at a stated time.

Tier I ratio: Primary capital/Risk-weighted assets.

Thomson Financial Securities Data: Global provider of financial statistics, see www.thomson.com.

Underwriting income: Income from advisory in connection with placing of shares, e.g. initial public offerings, secondary placings, new share issues etc, often related to the transaction value.

Carnegie Social Initiative

Carnegie Social Initiative, a non-profit organisation registered in Sweden, was established in September 2002. The organisation is an entirely separate unit from the Carnegie Group.

Carnegie Social Initiative makes it possible for Carnegie employees to contribute to development projects in poor countries in Asia and in the Baltics. The strategy is to find and support small and efficient health and education projects with excellent track record. Thorough monitoring and regular feedback on project performance is an essential part of the concept. With these contributions, the supported projects can provide more people with basic education and health care – people who today have no access to these services.

The aim of Carnegie Social Initiative is to become the Nordic region's most cost-efficient way to channel private resources to high-quality development projects in poor countries.

The organisation is financed through contributions from Carnegie employees and will not, therefore, affect the Carnegie Group's results. The financial platform for Carnegie Social Initiative is provided by a number of leading staff in Carnegie, who have agreed to finance all running costs of the organisation for a two-year period.

Project Door Step provides education to over 2,500 children in the slums of Bombay – children who would otherwise remain illiterate.



Carnegie Art Award 2002

Troels Wörsel,
born 1950 in Aarhus,
Denmark. First prize winner
of the Carnegie Art Award
2002.



The Carnegie Art Award was instituted in 1998 to support skilled artists in the Nordic countries and to promote contemporary painting. This annual event consists of a touring exhibition of selected works, a documentation of the exhibition in the form of a book, and awards to four of the participating artists of SEK 500,000, SEK 300,000 and SEK 200,000 respectively, as well as a scholarship of SEK 50,000 to a young artist.

Every year some thirty experts on Nordic contemporary painting each nominate up to five talented artists to this distinction. Among the experts are representatives from art museums and art schools as well as critics and other specialists on art in the Nordic countries. Nominators are appointed for one year. All nominated artists are being invited to contribute up to five works of art to the Carnegie Art Award. The works should have been made during the last two years to reflect the present state of painting in the Nordic countries. The Carnegie Art Award is open to artists who are citizens of, or reside in, a Nordic country.

The jury, chaired by Lars Nittve, director Moderna Museet, Stockholm, compile the exhibition and appoint the winners of the awards and the scholarship, based on the works of the exhibition.

The Carnegie Art Award is financed by the Carnegie group.

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Carnegie – the first 200 years

Through a merger with Carnegie Holding, D. Carnegie & Co AB became the parent company of the Carnegie Group, and the Carnegie shares were listed on the O-list of the Stockholm Stock Exchange

2001

In 1994, the newly formed company Carnegie Holding, with 55 per cent owned by the British merchant bank Singer & Friedlander and 45 per cent by Carnegie's personnel, acquired the operations from Nordbanken (now Nordea).

1994

1990

In the early 1990's Carnegie expanded into Finland, Norway, Denmark and Luxembourg. Later, in the mid-1990s, Carnegie's Board of Directors made the strategic decision to narrow its geographic focus to the Nordic region, and between 1996 and 1997 Carnegie disposed of its southern European holdings. The strategy was to become the leading Nordic investment bank in securities broking, investment banking and asset management.

In 1988, Carnegie was sold to PKbanken (later Nordbanken)

1988

In the wake of the Kreuger crash Karl Langenskiöld's son Carl Gustaf founded an investment bank, Bankirfirman Langenskiöld. At this time, the porter brewery was sold.

1980

1932

The Langenskiöld investment bank changed name to Carnegie in 1980. Erik Penser had become its principal owner. In the late 1980's Carnegie expanded its businesses into Denmark southern Europe, London and New York.

1907

David Carnegie Jr returned to Scotland and employed Oscar Ekman to manage the business. When David Carnegie died in 1890, Oscar Ekman inherited a substantial number of shares in the companies.

1845

The responsibility for the business was taken over by Oscar Ekman's son-in-law, Karl Langenskiöld. The sugar operations were divested and became part of Svenska Sockerbolaget AB.

The Carnegie trademark has covered a wide variety of activities over the past 200 years, from import and export of Swedish iron and timber to production of sugar and porter, real estate, and trading in securities and food commodities. Carnegie was founded on 4 May 1803, when the young Scot David Carnegie established the trading house D. Carnegie & Co. in Gothenburg.

1836

1803

David Carnegie Jr, the 23 year old nephew of the founder, bought the Lorent sugar refinery and porter brewery at Klippan. They were Gothenburg's largest industries at the time.

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