



*The independent Nordic investment bank*

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## Financial calendar 2004

Last day for trading in the Carnegie share including dividend	18 March
Annual General Meeting	18 March
Distribution of dividend	26 March
Interim report January – March	22 April
Interim report January – June	15 July
Interim report January – September	21 October

Additional information is available at [www.carnegie.se/ir](http://www.carnegie.se/ir)

## Annual General Meeting

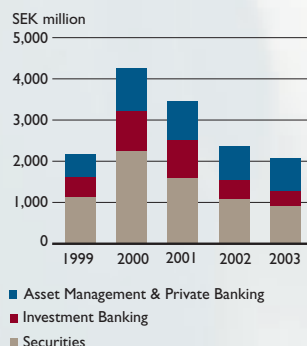
The Annual General Meeting will be held on 18 March at 3.00 pm at Berns, Berzelii Park, Stockholm. The CEO speech will also be accessible as a live audio web cast at [www.carnegie.se/ir](http://www.carnegie.se/ir). Please note that shareholders wishing to attend the meeting must

- be registered on 8 March 2004 in the share register maintained by VPC AB; and
- notify their intention to participate no later than on 12 March 2004 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](http://www.carnegie.se/ir).

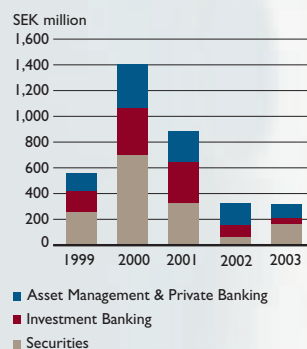
Please note that proxies must be submitted to the Company in original and not by fax or via Internet. In order to be entitled to participate at the AGM, shareholders whose shares are nominee-registered must ensure, well before 8 March 2004, that the nominee temporarily registers the shares in the shareholder's own name in the share register.

## Carnegie in brief

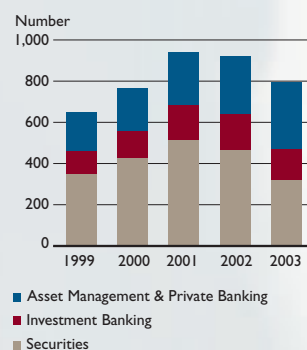
Income by business area



Profit before taxes by business area



Average number of employees by business area



*Carnegie is an independent Nordic investment bank operating in Securities, Investment Banking and Asset Management & Private Banking. Carnegie provides a wide array of financial products and services to Nordic and international clients from offices in seven countries: Sweden, Denmark, Norway, Finland, Luxembourg, the UK and the US.*



SEK million

### D. Carnegie & Co AB

Total income 2,081

Profit before taxes 315 \*)

#### Securities

Denmark  
Finland  
Norway  
Sweden  
United Kingdom  
United States

Equity research  
Equity securities brokerage  
Equity derivatives brokerage  
Equity trading  
Fixed income sales  
and trading

Total income 915  
Profit before taxes 162

#### Investment Banking

Denmark  
Finland  
Norway  
Sweden

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

Total income 368  
Profit before taxes 53

#### Asset Management & Private Banking

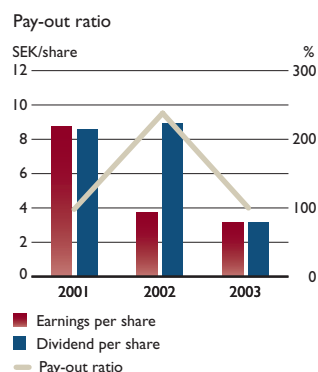
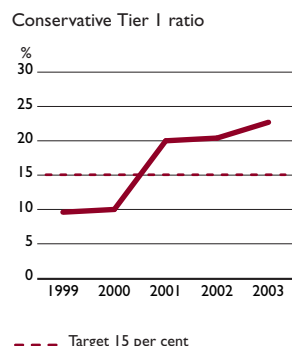
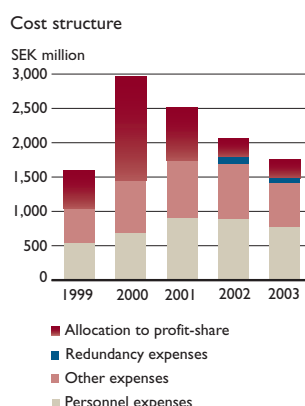
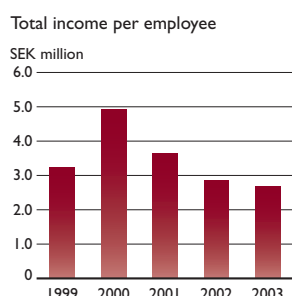
Denmark  
Finland  
Luxembourg  
Norway  
Sweden  
United Kingdom

Mutual funds  
Discretionary asset  
management  
Private Banking  
Pension consulting

Total income 798  
Profit before taxes 103

\*) The result from principal investments and the effect on total allocation to profit-share (net effect SEK -3 million) are not allocated to the business areas.

## In focus 2003



- A weak start was followed by a recovery in the equity markets in the second half of the year
- Carnegie's position as the leading independent Nordic investment bank was retained
- Total income of SEK 2,081 million, down 13 per cent from last year
- Personnel reduction and streamlining of processes generated a decrease in expenses of 18 per cent
- Net profit SEK 211 million (SEK 250 million)
- Proposed dividend SEK 3.16, corresponding to a 100 per cent pay-out ratio

### Operating data and key ratios 1999 – 2003<sup>1)</sup>

SEK millions unless otherwise stated	1999	2000	2001	2002	2003
Total income	2,157	4,247	3,440	2,392	2,081
Total operating expenses excl. profit-share	-1,055	-1,450	-1,738	-1,786	-1,472
Operating profit before profit-share	1,101	3,047	1,636	616	603
Profit before taxes	560	1,533	852	339	315
Net profit	405	1,090	572	250	211
Earnings per share (SEK)	6.39	17.21	8.76	3.75	3.17
Earnings per share, fully diluted (SEK)	6.39	17.21	8.76	3.75	3.14
Dividend per share (SEK)	6.04	13.57	8.57	8.93	3.16 <sup>2)</sup>
Pay-out ratio, %	95	79	98	238	100
Cost/income ratio, %	74	66	75	86	85
Operating margin, %	26	34	25	14	15
Tier I ratio, %	9.6	10.0	20.0	20.4	22.7 <sup>3)</sup>
Number of full-time equivalent employees, average	649	765	941	924	793
Total income per employee, average (SEK million)	3.3	5.6	3.7	2.6	2.6
Period-end assets under management (SEK billion)	64	72	67	47	55

1) For definitions, see page 10.

2) Proposed dividend

3) After deduction of proposed dividend.

## Events in 2003



- **FEBRUARY** Carnegie was awarded advisory roles in two public offers in Sweden. Carnegie advised Europolitan Vodafone, Sweden, in the SEK 4.9 billion public offer from Vodafone UK, one of the world's largest mobile telephone companies, to acquire the 25 per cent of Europolitan Vodafone that it did not already own. Carnegie also advised Volvo, in the company's SEK 718 million offer to the shareholders in Sweden's Bilja to acquire Bilja's truck and construction equipment businesses, through the acquisition of the newly spun-off Bilja KFAB.

- **MARCH** Karin Forseke was appointed Chief Executive Officer and Managing Director of Carnegie. Lars Bertmar, CEO since 1990, was elected Chairman of the Board. Furthermore, Karin Forseke and Fields Wicker-Miurin were elected to the Board of Directors.

Carnegie was joint adviser to DnB Holding in the NOK 39 billion public merger with Gjensidige NOR, the largest M&A transaction in Norway during the year.

- **APRIL** April saw the initiation of the "One Carnegie" project, which focuses on developing Carnegie's operations to meet clients' future needs. The project comprises continued operational rationalisation, organisational changes following an evaluation of the IT function and post-trade system, a review of the legal structure as well as organisational changes in relation to the application for a banking licence in Sweden.


In connection with the quarterly report, Carnegie announced a personnel reduction of in total 55 people owing to the continued negative trend in stock market activity. Restrictions with regard to the personnel reduction related to the level of service to clients being maintained and the strategic personnel base in each prioritised market segment being kept.

Carnegie was again awarded advisory mandates in two public offers. In Norway, Carnegie advised World Nordic, a company controlled by the Sohmen family of Hong Kong, in its NOK 10.3 billion public offer to acquire the Norwegian shipping company Bergesen. In Denmark, Carnegie was adviser to CVC Capital Partners in the company's DKK 6.2 billion public bid for Danske Traelast, the leading retailer and wholesaler of materials for building and refurbishment in the Nordic countries.

- **MAY** Carnegie, which has one of Sweden's oldest trademarks, celebrated its 200-year anniversary. It marked the occasion in Gothenburg at the opening of the Carnegie Art Award. In connection with the anniversary, a book on Carnegie's history was published in November.







- **JUNE** Following Carnegie European Equity receiving an AA rating from Standard & Poor's, a total of four Carnegie funds now have AA ratings: Carnegie Medical, Carnegie Nordic Markets, Carnegie World-Wide and Carnegie European Equity. Standard & Poor's bases its assessments on a very detailed review of the fund managers and their teams.

- **AUGUST** Carnegie signed a Letter of Intent with Alfred Berg ABN Amro and EDS to join forces in finding a new common solution for securities post-trade processing.

- **SEPTEMBER** Following a co-operation agreement, Carnegie's private clients gained access to Russell's multi-manager funds. Russell is a global leader within multi-manager investing. Multi-manager funds are run by leading fund managers on a global basis, which are continuously reviewed in accordance with Russell's evaluation model.

Carnegie also received a banking licence in Sweden and informed the market that the Asset Management & Private Banking business area was to be split into two separate business areas. The process will bring clients added value by allowing for the continued development of products and services.

- **DECEMBER** The Danish Securities operations climbed to a no. 1 position (shared no. 1 in 2002) in overall performance. In the equity research, Carnegie had top rankings in both Denmark and Sweden.



- **NOVEMBER** Singer & Friedlander had been the largest owner of Carnegie since 1995, and in November, it sold the majority of its holding. The placing attracted substantial interest and demand was twice the size of the offering. The shares were sold at a price of SEK 74 and were acquired by a large number of Swedish and international investors.

Carnegie Global Healthcare had the best 5-year performance of all pharmaceutical funds in the world. According to statistics from Morningstar and Micropal, Carnegie Global Healthcare was the fund that had showed the best performance among all pharmaceutical funds in the US and Europe during the past five years. Carnegie Global Healthcare had increased by 350 per cent, compared with 60 per cent for its benchmark index. During the year, the fund had increased by 75 per cent, which was also a top position.

#### KARIN FORSEKE

##### Professional background:

Karin Forseke has extensive experience from the US and the UK financial markets, including assignments for Prudential-Bache, California, OM London, Westpac Banking Corporation (London), London Financial Futures and Options Exchange (LIFFE). In 1998, she was recruited to Carnegie's branch office in London, and was appointed head of Carnegie's London and New York branches from 2000 to 2002.

##### Personal facts: Born in

Sweden 1955 and returned to Stockholm after almost 29 years abroad in connection with being appointed CEO of Carnegie in 2003.

## The CEO's comments

### Dear Shareholders,

It was with pride and respect I took over as CEO at the Annual General Meeting in March 2003. My predecessor of twelve years, Lars Bertmar, has built the only independent Nordic investment bank, that today represents a key element in financial services in the Nordic region. In a year signified by change, my colleagues and I have continued to build and strengthen Carnegie's market position.

In the first quarter of the year the outlook for the economy, financial markets and indeed the world was at the lowest point in many decades. Economic activities were at low levels and deflation was a general concern. The second half saw global stock markets trending higher on the back of improving macro signals, better than expected corporate results and strong liquidity. In the Nordic region, the second half of the year also saw an increase in both value and turnover in the equity markets, an increase of flows into equity funds and some M&A activity. However, the year passed without any IPOs in our region but the market outlook is relatively optimistic for 2004.

Although our quarterly income trend was positive in 2003, total income of SEK 2,081 million was down by 13 per cent from last year. We reduced our total expenses before profit-share by 18 per cent to SEK 1,472 million and our cost/income ratio trended in the right direction. Our financial result of SEK 211 million for the year 2003 is not good enough, but includes a significant recovery in the second half of the year when net profit actually doubled.

**Securities** showed a substantial improvement in profitability, due to a pick-up in volumes in the second half-year and a distinct cost reduction. **Investment Banking's** result reflected the low activity in equity offerings. In **Asset Management & Private Banking**, the result followed the improved market valuation in the latter part of 2003 and the changes made to establish the new Private Banking service concept.

### 2003 – a year of change

In difficult times it is our responsibility first and foremost to understand our clients and respond to their needs. We did exactly this by focusing our efforts on initiatives and projects that would improve our product and service to our clients.

In Securities, our market position was retained in 2003. The renewal of the research team capabilities was completed in 2003 and had short-term effects on rankings, but we now feel confident that we have built a team well equipped for future challenges. Carnegie's strong position in Nordic M&A is a reflection of the close client relations developed over a long period of time, and is now an excellent platform for further growth when the market activity increases. In Asset Management & Private Banking, we have improved our fund performance in targeted funds, which has received recognition. This is a process that will continue in 2004 and there are also other areas that will be addressed.

This performance had to be achieved while adjusting to a new and different environment. Three years of turmoil in the global financial markets and, at Carnegie, a change in leadership, prompted a turning point in our development cycle. We have used this as a trigger to build for the challenges of tomorrow. This has included taking difficult





“...our mission is to create long-term profitability by making Carnegie our client’s first choice.”

decisions and we are now well into positioning our organisation for the future. We have reduced our cost base by almost 20 per cent from the peak in the first quarter 2002. This has included over 200 redundancies, a 20 per cent reduction in staff. We have also reorganised in a number of areas, which will enable us to focus on income generation and continue to seek out cost and operating efficiencies going forward.

**Market confidence – there are no easy cures, only hard work by individuals**

As well as geopolitical difficulties, the corporate sector has been under the spotlight for various confidence damaging activities again. Much of the criticism is of course justified but unfortunately, the debate has not always been well balanced.

The damage done by a few is significant and can have a detrimental impact on the financial markets, let alone the economy as a whole. The reason for people losing confidence in the equity markets and reducing investments in equities and equity-related securities in recent years was not lack of regulation but rather breaking of existing rules. This was coupled with a severe value decline in global markets.

This is of course complicated and there are several aspects to this. Confidence is earned, not given, and it is only business leaders themselves that can boost investor confidence by taking greater responsibility for their own actions. If we do not succeed in this, then we will not have any clients, irrespective of regulations. No clients – no revenues. This is the case for all private companies, including us in the financial sector.

Carnegie wants to operate in an environment characterised by a well-balanced regulatory framework, transparency and good leadership and all three go hand in hand. Carnegie has built a successful firm based on a few fundamental building blocks that are transparent. This allows clients, staff and shareholders the possibility, and indeed the right, to judge for themselves if it is a model appropriate for them or not.

Those building blocks encompass our client focus, our values and our model of profit-share between shareholders and employees of Carnegie. As all professional services firms, our people are the creators of everything we do for our clients, delivering unique products and services to them. Our model allows shareholders to have the same objective as employees. It is transparent and a key to managing a professional services firm.

### **Our strategy**

Carnegie's ambition is to build an even stronger independent investment bank in the Nordic region. Our mission is to achieve long-term profitability only through being our client's 1st choice, which will provide our shareholders with a quality investment. We have a clear and focused strategy and ongoing review process of how to accomplish this. We aspire to be number one in all aspects of our business where we provide our clients with products and services. Our Nordic focus is for us natural and allows us to focus on our strengths which is part in providing quality.

“A Carnegie that, right to its core, is built on integrity, inspires passion and achieves success through total teamwork”

Carnegie has built a platform predominantly as a leading equity specialist in the Nordic region with a global reach to clients of highest quality. The means of measuring our performance are several from surveys and rankings to results. Most important to us is how each and every client values us, and what confidence they entrust upon us to advise on and execute their investment decisions. This should, coupled with good management, ultimately be reflected in our results.

Our core values are purposefully designed to support how we want to achieve our objectives and we believe this will enable us to continue to build this firm for the future and fulfill our mission.

### **Challenges ahead**

As the only independent international Nordic investment bank we have a unique market position. Our long-term strategy has stood the test of time and remains intact. Nevertheless, Carnegie is an integrated part of providing a cost effective capital market in the Nordic region. To this extent we are naturally subject to economic activity and other environmental aspects of the Nordic financial markets. In 2004, a focus will be on the revival of the Nordic IPO market. Other external factors could include possible repercussions from recent corporate scandals. There are of course other external factors that are beyond our ability to influence or control but we must manage our business in such a manner that we are prepared to maximise our potential in all events. In addition to being flexible in meeting external eventualities we are responsible for managing our internal challenges. The greatest challenge is to achieve our mission, vision and related objectives. Successful implementation depends on a detailed and prioritised step-by-step approach. In

Securities and Investment Banking this means deepening our existing client relationships and in Asset Management & Private Banking, both deepening and broadening our client base. This requires strong leadership ranging from skill development and motivation to living according to our values and creating the Carnegie culture.

Our unique market position is due to our professionals having the expertise, experience and network necessary to create and develop our products and services. Operating in markets meeting the demands of our clients globally, we must provide an environment and culture attracting and retaining the best people in the relevant markets – a challenge I feel well positioned to meet.

#### **Objectives for 2004**

Carnegie's objectives will focus activities on being our client's first choice and gaining further market share. We will continue to build "One Carnegie" that will make us



“Our vision is to create added value for our clients, to be number one in targeted segments and to stay Nordic”

the most efficient firm leveraging on our assets, our people, for the benefit of our clients. This, along with our continued focus on cost efficiency, will deliver superior profitability for our shareholders.

The continuation of a recovery in global financial markets will of course be an important element in our ability to achieve financial results, but wherever the performance is related to the best people, excelling at doing their best, we aim to be at the forefront. And the developments in the second half of 2003 provide a promising foundation for a positive outlook in 2004.

Finally, I am pleased to inform you of the Board of Directors' decision to propose to the AGM a dividend of SEK 3.16 per share. When taking this decision the Board's deliberation included the year past, as well as goals and objectives for 2004.

Along with my colleagues, I look forward to continue building Carnegie in years to come.

Stockholm in January 2004

A handwritten signature in black ink, appearing to read 'Karin Forseke', written over a light blue background.

Karin Forseke  
CEO

## 5-year financial overview

### Income statement<sup>1)</sup>

Group (SEK million)	1999	2000	2001	2002	2003
Securities	1,131	2,261	1,615	1,106	915
Investment Banking	483	961	901	467	368
Asset Management & Private Banking	543	1,024	924	819	798
<b>Total income<sup>2)</sup></b>	<b>2,157</b>	<b>4,247</b>	<b>3,440</b>	<b>2,392</b>	<b>2,081</b>
Personnel expenses	-549	-680	-906	-902	-779
Redundancy expenses	-	-	-	-92	-61
Other expenses	-499	-770	-829	-789	-634
Net provisions for credit losses	-8	0	-3	-3	1
<b>Total expenses excluding profit-share</b>	<b>-1,055</b>	<b>-1,450</b>	<b>-1,738</b>	<b>-1,786</b>	<b>-1,472</b>
<b>Operating profit before result from principal investments and profit-share</b>	<b>1,101</b>	<b>2,796</b>	<b>1,702</b>	<b>606</b>	<b>608</b>
Results from principal investments	-	251	-65	9	-6
<b>Operating profit before profit-share</b>	<b>1,101</b>	<b>3,047</b>	<b>1,636</b>	<b>616</b>	<b>603</b>
Allocation to profit-share system	-542	-1,514	-784	-277	-287
<b>Total expenses</b>	<b>-1,597</b>	<b>-2,964</b>	<b>-2,522</b>	<b>-2,063</b>	<b>-1,760</b>
<b>Profit before taxes</b>	<b>560</b>	<b>1,533</b>	<b>852</b>	<b>339</b>	<b>315</b>
Taxes	-155	-443	-280	-89	-104
<b>Net profit</b>	<b>405</b>	<b>1,090</b>	<b>572</b>	<b>250</b>	<b>211</b>

<sup>1)</sup> Prior to the merger with Carnegie Holding, the operations of D. Carnegie & Co have principally been limited to holding shares in Carnegie Holding. Therefore, the financial information presents the historical consolidated financial information of Carnegie Holding and its subsidiaries.

<sup>2)</sup> Result from principal investments includes the result from Carnegie's holding in Orc Software and the result from other shares and participations. Total income as reported in the statutory income statement may thus differ from the information presented above.

Carnegie is a financial company with a large part of income generated from equity-related fees and commissions. Income from market making and proprietary trading represents a low proportion of the total business, leading to low capital requirements. Excess capital is distributed to shareholders, after considering an acceptable Tier I ratio. The Tier I ratio is expected to be 15 % in the medium term. Key ratios primarily focused are thus cost/income ratio, Tier I ratio and pay-out ratio while return on equity is of secondary focus.

### Definitions of key ratios

**Earnings per share:** Net profit for the period divided by the average number of shares.

**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 15).

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

**Pay-out ratio:** Dividend per share as a percentage of earnings per share.

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

**Total return:** Share price at year-end, plus paid dividend per share as a percentage of the share price at 1 January.

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

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

**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 merger and split, excluding the new share issue, in connection with the IPO in 2001.

**Total number of shares, including the effect of issued warrants:** Total number of shares including the number of shares to be issued corresponding to the calculated net present value (at current share price) of issued warrants.

**Cost/income ratio:** Total expenses, including allocation to profit-share, as a percentage of total income including principal investments.

**Compensation/income ratio:** Personnel expenses plus allocation to profit-share as a percentage of total income including principal investments.

## Operating data and key ratios

Key data	1999	2000	2001	2002	2003
Earnings per share (SEK)	6.39	17.21	8.76	3.75	3.17
Earnings per share, fully diluted (SEK)	6.39	17.21	8.76	3.75	3.14
Book value per share (SEK)	–	25	28	24	17
Dividend per share (SEK)	6.04	13.57	8.57	8.93	3.16 <sup>1)</sup>
Pay-out ratio, %	95	79	98	238	100
Share price (SEK)	–	–	131	56	71
Total return, (%)	–	–	14 <sup>2)</sup>	–51	43
Price/earnings multiple	–	–	14.9	14.9	22.4
Price/book multiple	–	–	4.6	2.4	4.1
Average number of shares (000')	63,367	63,367	65,267	66,702	66,702
Number of shares at period-end (000')	63,367	63,367	66,702	66,702	66,702
Number of shares related to total number of warrants outstanding (000')	–	–	–	2,400	4,800
Total number of shares, including effect of issued warrants (000')	63,367	63,367	66,702	66,702	67,243
Cost/income ratio, %	74	66	75	86	85
Compensation/income ratio, %	51	49	50	49 <sup>3)</sup>	51 <sup>3)</sup>
Income per employee (average) (SEKm)	3.3	5.6	3.7	2.6	2.6
Operating margin, %	26	34	25	14	15
Profit margin, %	19	24	17	10	10
Return on equity, %	58	85	38	16	17
Total assets (SEKm)	10,327	18,553	19,129	12,444	14,618
Margin lending (SEKm)	3,007	4,250	2,409	2,820	3,120
Deposits and borrowing from general public (SEKm)	4,358	6,469	5,561	5,016	5,145
Shareholders' equity (SEKm)	846	1,605	1,880	1,568	1,145
<b>Total regulatory capital base (SEKm)</b>	<b>610</b>	<b>973</b>	<b>1,308</b>	<b>956</b>	<b>918</b>
–Shareholders' equity	846	1,605	1,880	1,568	1,145
–Goodwill	–3	–2	–1	–17	–17
–Dividends	–383	–860	–572	–596	–211 <sup>1)</sup>
–Subordinated loan	150	230	–	–	–
<b>Total risk-weighted assets (SEKm)</b>	<b>4,789</b>	<b>7,461</b>	<b>6,545</b>	<b>4,690</b>	<b>4,037</b>
Risk-weighted assets (Credit risks)	3,615	5,570	4,784	3,214	2,710
Risk-weighted assets (Market risks)	1,174	1,892	1,761	1,476	1,327
Tier I ratio, %	9.6	10.0	20.0	20.4	22.7 <sup>4)</sup>
Capital adequacy, %	12.7	13.0	20.0	20.4	22.7 <sup>4)</sup>
Number of employees, average	649	765	941	924	793
Number of employees, period-end	665	864	943	835	774
Period-end assets under management (SEK billion)	64	72	67	47	55

<sup>1)</sup> Proposed dividend    <sup>2)</sup> Total return in 2001 is calculated from the IPO of 1 June, share price SEK 115.

<sup>3)</sup> Excluding redundancy expenses    <sup>4)</sup> After deduction of proposed dividend.

**Operating margin:** Profit before taxes as a percentage of total income including principal investments.

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

**Return on equity:** Net profit as a percentage of average shareholders' equity.

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

**Risk-weighted assets:** The book value of the assets valued in accordance with the capital adequacy rules of the Swedish FSA (Finansinspektionen).

**Tier I ratio:** Primary capital as a percentage of risk-weighted assets.

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

**Number of full-time equivalent employees, average:** Aggregate number of paid working hours for all employees divided by a redefined 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.*

**Analysts following Carnegie**

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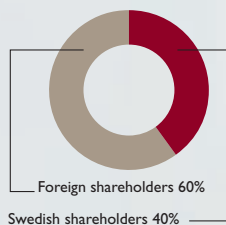
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Listing: Stockholmsbörsen (SWE), List O  
Code: SE0000798829  
Listed since: 2001-06-01  
Trading lot: 100 shares  
Symbol: CAR



## Share information and ownership structure

### Listing

D. Carnegie & Co AB was listed on the O-list at Stockholmsbörsen in June 2001. The offering comprised 18 per cent of the shares outstanding and the market capitalisation at the offering price of SEK 115 was SEK 7.7 billion. Since January 2002, Carnegie's shares have been traded at Attract 40, a section of the O-list of Stockholmsbörsen consisting of the 40 most actively traded shares on that list.

Key data	2001	2002	2003
Earnings per share (SEK)	8.76	3.75	3.17
Earnings per share, fully diluted (SEK)	8.76	3.75	3.14
Dividend per share (SEK)	8.57	8.93	3.16 <sup>1)</sup>
Book value per share (SEK)	28	24	17
Share price (SEK)	131	56	71
Price/earnings multiple	14.9	14.9	22.4
Price/book multiple	4.6	2.4	4.1
Number of shares at period-end (000')	66,702	66,702	66,702
Average number of shares (000')	65,267	66,702	66,702
Number of shares related to warrants outstanding (000')	—	2,400	4,800
Total number of shares, including effect of issued warrants (000')	—	66,702	67,243
Total return, including reinvested dividend, % <sup>2)</sup>	14	-51	43
Total return, Stockholmsbörsen, % <sup>2)</sup>	-7	-36	34

<sup>1)</sup> Proposed dividend.

<sup>2)</sup> Total return in 2001 is calculated from the IPO of 1 June, share price SEK 115.

### Shareholder structure

31 December 2003	No of shares	Votes and capital
<i>Shares held by Carnegie employees<sup>1)</sup></i>		
Transfer restricted shares	6,140,000	9%
Free float	8,000,000	12%
<b>Shares held by employees</b>	<b>14,140,000</b>	<b>21%</b>
Foreign institutions	32,061,000	48%
Swedish institutions	13,600,000	21%
Private individuals, excluding employees	6,900,600	10%
<b>Sub-total</b>	<b>52,561,600</b>	<b>79%</b>
<b>Grand total</b>	<b>66,701,600</b>	<b>100%</b>

<sup>1)</sup> Shares held by employees are individual holdings.

No of shares	No of shareholders	No of shares	Holding (%)	Votes (%)	Market value (MSEK)
1 – 500	2,728	507,367	0.8%	0.8%	36
501 – 1,000	537	479,556	0.7%	0.7%	34
1,001 – 5,000	530	1,483,707	2.2%	2.2%	105
5,001 – 10,000	116	921,078	1.4%	1.4%	65
10,001 – 20,000	89	1,399,669	2.1%	2.1%	99
20,001 – 50,000	107	3,722,448	5.6%	5.6%	264
50,001 –	175	58,197,765	87.2%	87.2%	4,132
<b>Total</b>	<b>4,282</b>	<b>66,701,600</b>	<b>100.0%</b>	<b>100.0%</b>	<b>4,736</b>



**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.

**15 largest holders<sup>1)</sup>**

<b>31 December 2003</b>	<b>Number of shares</b>	<b>Votes and capital, %</b>
Fidelity Funds	4,894,370	7.3%
Singer & Friedlander Securities Ltd	3,079,440	4.6%
Schroder Investment Management Ltd	2,560,000	3.8%
Robur Fonder	2,390,943	3.6%
Didner & Gerge Fonder	2,310,000	3.5%
Group management	1,980,000	3.0%
Carnegie Personal AB <sup>2)</sup>	1,422,761	2.1%
Lannebo Fonder	1,268,800	1.9%
Pensioenfonds PGGM (Netherl.)	758,400	1.1%
SHB/SPP Fonder & Livförsäkringar	627,538	0.9%
Lazard	452,630	0.7%
Första AP-Fonden	460,000	0.7%
FirstNordic Fonder	429,268	0.6%
United National Joint Staff Pension Fund	426,000	0.6%
Länsförsäkringar	394,050	0.6%
<b>Sub-total</b>	<b>23,454,200</b>	<b>35.2%</b>
Other	43,247,400	64.8%
<b>Total</b>	<b>66,701,600</b>	<b>100.0%</b>

<sup>1)</sup> Source: SIS Aktieägarservice. Please note that information regarding nominee-registered shareholdings owned by foreign shareholders may not be complete.

<sup>2)</sup> Carnegie Personal AB, owned by the foundation Stiftelsen D. Carnegie & Co, administered the lock-up and lock-in agreements earlier related to the transfer-restricted shares held by personnel. The number of shares reflects the net position held by Carnegie Personal AB.

**Employee shareholding**

The total shareholding by employees was estimated at 21 per cent of the total number of shares outstanding at end of December 2003. Employee shareholding in Carnegie has been included in one or both of two agreements concerning transfer restrictions, lock-up and lock-in shares. The lock-up agreement included about 40 per cent of the total shares outstanding and was released in four equal portions, in April and October 2002 and 2003. The lock-in programme comprised holdings of around 10 per cent of the shares outstanding, held by 200 key individuals in Carnegie. The lock-in shares have been subject to option agreements, according to which Carnegie Personal AB, (an affiliate owned by the foundation Stiftelsen D. Carnegie & Co), has had the right to purchase the shares at a price that equals the price originally paid by the employee, should the employee decide to terminate his/her employment at Carnegie. The lock-in shares were released 1 January 2004.

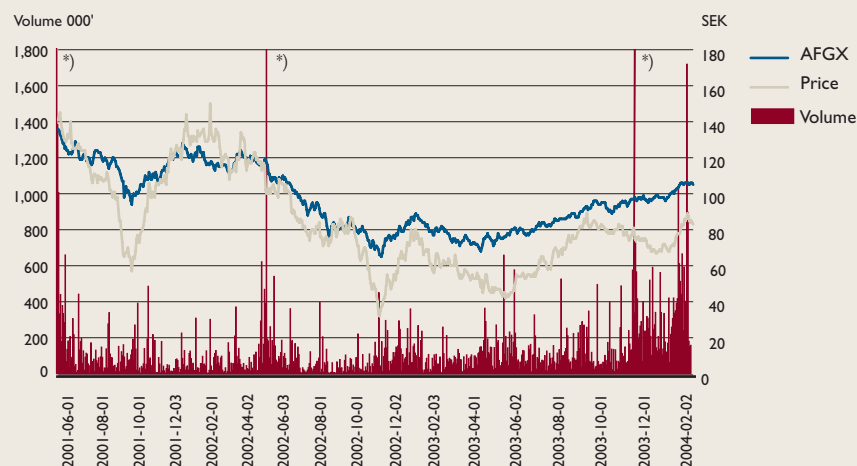
**Open periods 2004, all dates inclusive**

30 January – 27 February  
23 April – 28 May  
16 July – 31 August  
22 October – 30 November

**Open and closed periods and employees' trading rules**

After the release of the lock-up and lock-in agreements, 100 per cent of Carnegie's shares are defined as free float. Employee shareholdings in Carnegie have to comply with internal rules for trading, including rules for open and closed periods. Employee trading in the Carnegie share is only allowed during open periods, starting the day after the announcement of an interim report and closing the first day of the reporting month.

## Share price 1 June 2001 – 4 February 2004



\*) Average turnover is affected by a number of larger placings. On 4 November 2003, Singer & Friedlander divested 17.5 million shares in a secondary placing to institutional investors. On 19 April 2002, a placing of 3.5 million shares was made of employee holdings. The aggregate turnover in the first two weeks after the initial public offering in June 2001 amounted to 12.5 million shares.

### Share information (SEK)

Market value 31 December 2003 (SEK million)	4,736
Share price 31 December 2003	71
Share price 31 December 2002	56
Share price at the IPO	115
Year high	87
Year low	45
All time high	149.5
All time high date	23 January 2002

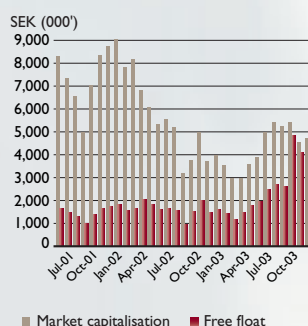
### Turnover improved substantially after placing of shares held by Singer & Friedlander

On average, 221,000 Carnegie shares were traded per day in 2003, an increase from 88,000 last year. This ranked Carnegie as number 57 (57) in terms of turnover of all listed companies at Stockholmsbörsen. The turnover increase is partly an effect of the placing of 17.5 million shares, held by Carnegie's former major shareholder, Singer & Friedlander, in November to over 130 institutional investors. The placing corresponded to 26 per cent of the total shares outstanding. The average daily turnover excluding the placing was 141,000 shares. The increase also reflects the release of the transfer-restricted shares (lock-up), which until October 2003 was attached to the employee's shares.

### Market capitalisation of free float

Although the total market capitalisation has fluctuated since the listing, the market capitalisation of the free float (the total number of shares outstanding without transfer restrictions) has been relatively stable in absolute numbers, around SEK 2 billion. The free float increased during the last quarter after the divestment of shares held by Singer & Friedlander in November, and due to the release of transfer restricted employee shares.

Total market capitalisation and market value of free float, period-end



Total turnover 2003 amounted to SEK 3,796 million (SEK 2,332 million). The average market cap of the free float was SEK 2,408 million (SEK 1,638 million). Carnegie's turnover rate in relation to free float was 157 per cent, compared to 124 per cent for Stockholmsbörsen as a whole. (The turnover rate in relation to the free float excluding the placing was 104 per cent).

## Warrant programmes

After the IPO of Carnegie in 2001, a new scheme for equity participations was introduced in the form of warrant programmes.

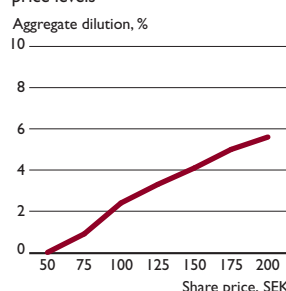
Warrant programme	No of warrants	Strike price (SEK)	Subscription period	Increased equity (MSEK)	Corresponding share of capital
2002/2005	2,400,000	158	I April 2003 – 29 April 2005	379	3.6%
2003/2006	2,400,000	72	I April 2004 – 28 April 2006	173	3.6%
2004/2007	2,400,000	— <sup>1)</sup>	I April 2005 – 27 April 2007	— <sup>2)</sup>	3.6%

<sup>1)</sup> The strike price will be set to 120% of the average share price the week after publication of the year-end report for 2003.

<sup>2)</sup> Strike price in January 2004 x 2.4 million shares.

At year-end there were two programmes outstanding – Warrant programme 2002–2005, which was approved by the EGM on 28 November 2001, and Warrant programme 2003–2006, approved by the AGM 14 March 2002. At the AGM on 13 March 2003 it was decided to approve the Warrant programme 2004–2007. These warrants will be offered to personnel without charge following the publication of Carnegie's results for the full year 2003. The value of the warrant programme issued during 2003 was SEK 11.8 million (35.4 million), as estimated by external advisors at issuance using a Black-Scholes formula. Total social security expenses related to the warrant programme in 2003 amounted to SEK 1.6 million (SEK 5.6 million).

Aggregate dilution effect in terms of earnings per share at different share price levels



The aggregate dilution effect in terms of profit per share is calculated in accordance with the Swedish Financial Accounting Standards Council's recommendation (RR18). The net profit is divided by the total number of shares including the number of shares to be issued corresponding to the calculated net present value (at current share price) of issued warrants. The aggregate dilution effects in terms of profit per share of issued warrants is 1 per cent, based on the share price at 31 December 2003 (SEK 71).

When the warrant programme was introduced at the Extraordinary General Meeting in 2001 a decision was taken to evaluate the programme after a three-year period. The evaluation will take place during 2004 and no new incentive programme will be proposed to the shareholders at the Annual General Meeting in 2004.

Carnegie owns through its subsidiary Carnegie Going Forward AB, a number of warrants in D. Carnegie & Co AB:

Programme	Number of warrants	Strike price	Subscription period
2002/2005	346,950	158	I April 2003–29 April 2005
2003/2006	64,300	72	I April 2001–28 April 2006
2004/2007	2,400,000	— <sup>1)</sup>	I April 2005–27 April 2007

<sup>1)</sup> The strike price will be set to 120% of the average share price the week after publication of the year-end report for 2003.

All warrants will be distributed to employees. Warrants 2004/2007 will be distributed in February 2004. The aggregate market value of the holding of Warrants 2002/2005 and 2003/2006 is estimated to below SEK 1 million, and the holding represents SEK 0 in the group balance sheet.

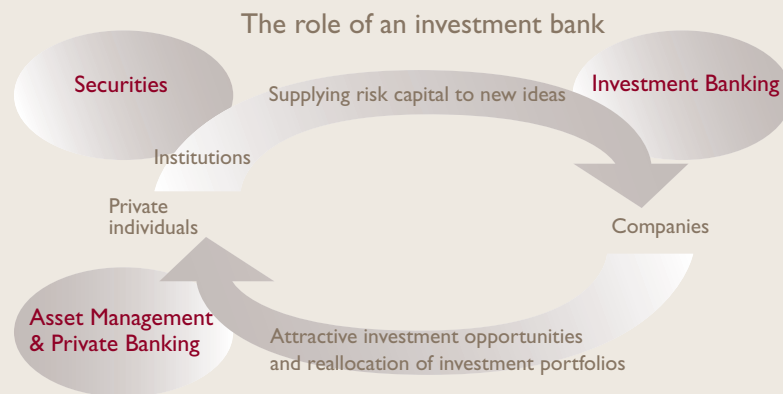
## Strategic aim

### Mission

“To create long-term profitability by making Carnegie our client’s first choice.”

A thriving financial market is essential for supplying competitive capital to business, new companies and ideas. Carnegie aims to be one of the driving forces in the Nordic region.

Carnegie aims to be its client’s first choice. This creates long-term profitability. Carnegie builds client confidence by delivering high quality, innovative financial products and services through its creative and committed employees.



### The growth drivers of the financial markets

A large part of Carnegie’s income is generated from fees and commissions related to equity-oriented products and services; in Securities the correlation is strong between commission income and turnover in the stock markets. Investment Banking income is dependent on the valuation of the equity markets as well as the activity level, and in Asset Management & Private Banking the performance in the equity markets has a substantial impact on assets under management. Turnover and performance in the equity markets is therefore an important factor for Carnegie’s future growth possibilities. Growth drivers of the financial markets include:

**Globalisation** – growing competition has created a need for international presence and scale, one of the forces behind cross-border acquisitions and mergers. The globalisation trend has also brought a global perspective to the allocation of household savings.

**Demographic changes and a growing need to save** – the growing average life expectancy is adding pressure on national pension systems in most of the western world. This has been particularly visible in the Nordic countries, where the national systems are largely based on the working population supporting a growing number of pensioners through taxes. People are also increasingly living active lives after retirement, which has raised the awareness of making personal pension plans at an early stage. The emphasis on long-term investment horizons will continue to stimulate demand for investment alternatives such as equity-related products and services.

**Increasing demand for efficient risk capital supply** – a condition for continued growth in Nordic industry, particularly for medium-sized companies, is a competitive supply of capital – both in the form of risk capital and measures for strengthening shareholder values. Demand for equity market transaction advice will therefore continue to be high.

## Vision

- To create added value for our clients
- To be Number 1
- To have a Nordic focus

Carnegie aims to be the leading independent Nordic investment bank that creates the best added value for its clients, inside and outside the Nordic area. Carnegie's position is based on a unique knowledge of Nordic companies, a strong sector focus, an international horizon, and a strong local presence in each of the Nordic markets.

## How does Carnegie create added value for clients?

Carnegie works with its clients for the long term and develops strong relationships by understanding the clients' business conditions and objectives. Client confidence is achieved by delivering high quality, innovative financial products and services through creative and dedicated employees.

## Why is it important to be number one?

As an example in Securities, institutions have reduced the number of service providers for their Nordic investments; international institutions are now down to using three or fewer Nordic investment banks. It is therefore strategically important to sustain or achieve a leading market position. Carnegie aims to achieve this through a strong local presence, by targeting the number one position in all Nordic markets, and by delivering high quality products and services to prioritised clients. The number one position in the Nordic markets is essential also in Investment Banking, where services are offered in a highly competitive international environment. The combination of corporate advisory and execution skills and a profound understanding of Nordic industries and capital markets gives Carnegie a distinct competitive edge. Also in Asset Management & Private Banking, Carnegie's success will be dependent on the ability to deliver top-ranked, high-performance products in the long-term.

## What is a Nordic focus?

Carnegie's market position in Securities is based on thorough research and knowledge of Nordic companies and this creates added value for Nordic and international investors with exposure to Nordic equities. In Investment Banking, a clear sector focus, knowledge about the prerequisites and business conditions of the Nordic markets, a local presence and close client relationships have created a very strong market position in business advice with a Nordic slant. Asset Management and Private Banking offer a wide portfolio of investment options for Nordic clients domiciled inside or outside the Nordic region.

## Carnegie's core values

Carnegie's growth is based on a strong business culture. Employee commitment is strengthened through a remuneration philosophy that furthers teamwork and initiative. Carnegie's core values permeate the entire organisation and are important parameters of the employee appraisal system.

- **Teamwork** – Carnegie believes that true teamwork improves performance
- **Integrity** – an open atmosphere, where respect, honesty and courage are decisive for giving clients the best service and the highest quality
- **Passion** – dedicated employees who thrive create more added value for clients

## Carnegie's objectives

### Objectives for 2004

In a market that is expected to grow in the long term, Carnegie's strategy is to grow faster than the competition. The objective is to be the leading investment bank through being the clients' first choice. A leading position will be achieved by focusing on the following areas in 2004:

- **Creating added value** products and services for clients
- **One Carnegie** – a group-wide project to adapt Carnegie's operations to meet the future demands of our clients. The project includes a number of measures regarding organisation, infrastructure, staff development and work methods.
- **Profitability** – the objective of all measures is to raise profitability and create shareholder value.

### Added value strategies for key client segments

Besides improving Carnegie's strong market position among Nordic companies and institutional investors, three areas with long-term growth potential have been identified:

#### Securities – deepening client relationships

Carnegie has during 2003 fulfilled its aim to increase the number of institutional relationships among investors in Nordic securities outside the Nordic region, and the focus has now shifted to a further deepening and strengthening of the existing relationships to achieve a larger share of their business.

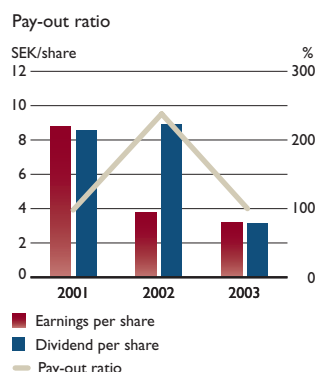


### Investment Banking – strengthening client relationships

Carnegie has achieved a strong market position with investment banking clients engaged in transactions involving the Nordic region and aims to leverage on this position as transaction volumes increase. Carnegie focuses on further expanding its share of the Nordic M&A market and aims to leverage on its strong equity franchise for winning and executing capital markets related transactions.

### Asset Management & Private Banking – deepening and broadening of the client base

Carnegie's market share within the private client segment on a Nordic basis is currently low. By further building on the private banking concept in Luxembourg, Carnegie is aiming to deepen as well as broaden the client base within targeted areas of the Nordic private client segment.



#### Total annual return including reinvested dividend <sup>1)</sup>, %

	2001	2002	2003
Carnegie	14	-51	43
Stockholmsbörsen, SIXRX	-7	-36	34

<sup>1)</sup> Total return in 2001 is calculated from the IPO of 1 June, share price SEK 115

### Dividend policy

Carnegie's operations mainly involve commission- and advisory-related income, with a relatively low share of total income from market making and proprietary trading, leading to low capital requirements. It is Carnegie's intention, in the long term, to pay dividends that allow for a conservative Tier 1 ratio at the beginning of each new financial year. A conservative Tier 1 ratio is considered to be 15 per cent in the medium term. However, when deciding the annual dividend, the board also takes into account distributable funds, the market situation and other capital requirements, as well as any other factors it considers relevant.

Having taken into consideration the Tier 1 ratio target and the goals and objectives for 2004, the Board proposes to the AGM a dividend of SEK 3.16 (SEK 8.93) per share. The proposed dividend corresponds to a pay-out ratio of 100 per cent. The pay-out ratio for 2002 was 238 per cent, due to the decision to distribute all available non-restricted equity. The primary capital ratio as of 31 December 2003, following the proposed dividend was 22.7 per cent. Applying the new regulation from 1 January 2004 from the Swedish FSA (Finansinspektionen), the adjusted Tier 1 ratio would be 18.0 per cent.

## Economic overview

### The global perspective

#### From pessimism to optimism

2003 started with widespread pessimism regarding the economic outlook on both sides of the Atlantic. The prospects of an imminent conflict in Iraq were a distinct negative factor, as was the fact that most business cycle indicators showed that the US as well as the Euro zone were flirting with recession. In addition, there were widespread concerns about global deflation, which would have had a severe negative impact on corporate earnings.

There was, however, a marked revaluation of growth prospects during the course of the year. Leading economic indicators firmed considerably and the fears of deflation receded. In addition, economic policies were highly expansionary, particularly in the US and to some extent also in the Euro zone, with record low interest rates and substantial fiscal boosts, which supported consumer spending. Thus, the year ended on a positive note, and it seemed clear that the recovery forces had the upper hand.

#### Corporate profits recover

Along with stronger demand and intense cost-cutting, which boosted productivity, US corporate profits improved markedly during the course of 2003. The improvements were broadly based and most industries made progress. This was particularly the case for the technology sectors, which were helped by a rebound in technology investments in the US. With this favourable profit trend, analysts' profit estimates for 2003 were in general easily met, and there were steady upgrades of estimates over the course of the year.

#### Strong stock markets

After a weak start, global stock markets rebounded markedly during 2003. This was the first year with positive returns in global markets since 1999. Drivers of the revaluation included the low valuations at the beginning of the year, improving economic outlook, strong profit growth, eased fears of deflation and reduced risk premiums. The gains were broadly based, both in terms of regions and in terms of the various industries. The MSCI global index was up 22 per cent, the S&P 500 rose by 26 per cent and the EuroStoxx50 gained 16 per cent. Technology stocks outperformed the broad indices, and the Nasdaq Composite was up 50 per cent.

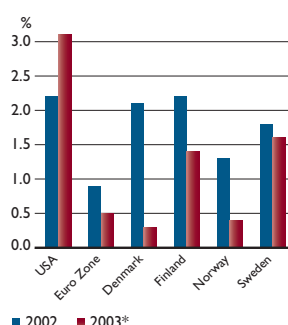
#### Recovering flows to equity funds

Net flows to equity funds are sensitive to current trends in the market. As a consequence, inflows to equity funds in the US as well as the Euro zone were soft at the beginning of the year, but in line with the recovery in the equity markets, the appetite for risk increased and net inflows to equity funds picked up. In the US, net inflows to equity funds amounted to USD 128.9 billion (up to November), the best year since 2000. Both value and growth funds saw substantial inflows.

#### Sharp swings on currency markets

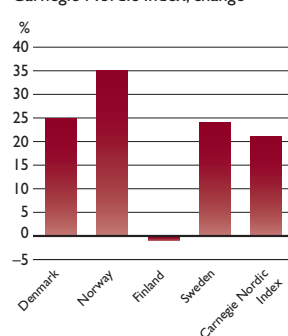
The US dollar weakened markedly against the European currencies during 2003, on the back of concerns for the widening US current account and federal budget deficits. In addition, the low US interest rates made it unattractive to buy US interest bearing

Growth in GDP

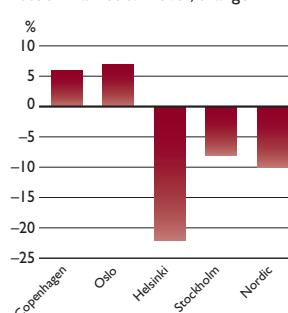


\* Carnegie Economic Research, estimates for 2003

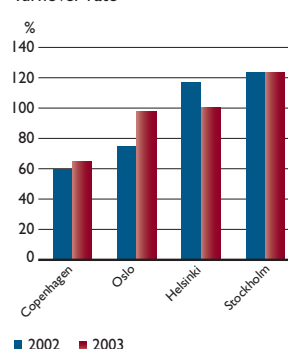
Carnegie Nordic Index, change



Stock market turnover, change



Turnover rate



securities, which added to the downward pressure on the USD. It dropped 15 per cent versus the EUR, while it was down 18 per cent versus the SEK and 4 per cent versus the NOK. It is, however, important to note that the dollar trend has weak correlation with the Nordic stock market performance over time. There are often other factors, such as GDP growth, interest rates, companies' sales and earnings growth that are of more importance for the trend on the equity markets and the sector performance.

## The Nordic perspective

### Soft growth in the Nordic countries

GDP growth softened in all Nordic countries in 2003 compared with 2002 on the back of continued soft demand in the important export markets in the EU and a slowdown in consumer spending. However, during the latter part of the year, there were more signs of a coming export-led recovery, boosted by improving growth in the US and in Asia. In addition, the telecom sector, which is important for the Finnish and Swedish economies, stabilised and showed clear signs of a coming recovery.

### Recovery in the Nordic markets

There was a sharp recovery in all Nordic markets, and 2003 turned out to be the best year since 1999. Carnegie Nordic Index rose by 21 per cent. The Norwegian market outperformed, and the index was up an impressive 35 per cent, while the Swedish index was up 24 per cent. The less business cycle sensitive Danish market still managed to register a rise of 25 per cent. The Finnish market was subdued due to the poor performance of the Nokia shares and index was down 1 per cent.

### Turnover still subdued

Despite the sharp gains in the markets, turnover in the Nordic markets remained subdued and aggregate turnover declined by 10 per cent. One reason for this is that market capitalisation remains far below the historical peak after the weak performance in previous years. Another is the effect of continued soft inflows to the Nordic equity markets. The turnover on the Swedish market dropped by another 8 per cent compared with 2002, and the turnover in Finland was down 22 per cent. The turnover in the Norwegian and Danish markets, however, actually rose by 7 per cent and 6 per cent, respectively, compared with 2002.

### Modest equity fund inflows

Flows to equity funds improved in all Nordic countries in 2003 compared with 2002, but the levels remained unimpressive. In addition, a large part of the inflows seems to have been directed to mutual funds for international equities, which means that added liquidity to the Nordic markets was small. In Sweden, which is the biggest market in the Nordic region, the inflows amounted to SEK 27 billion, and in Finland, they amounted to EUR 1 billion. In Denmark and Norway, the inflows were only slightly positive.

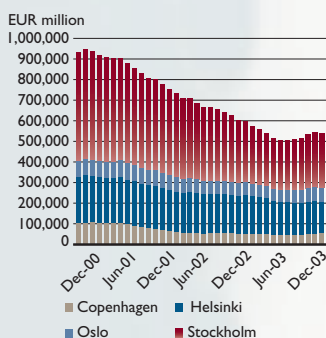
Source: Carnegie Economic Research, 2004.

Nordic index back at '99 level

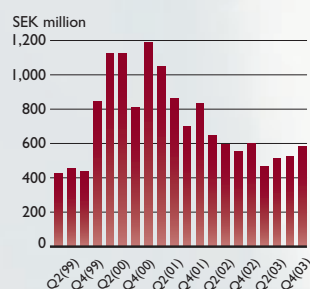


Source: Carnegie Nordic Index

Turnover rolling 12 months, 2000–2003



Positive quarterly income trend in 2003



## The Carnegie Group 2003

### Market environment – upturn from a low point

The global economy started the year on a weak note. Economic activities were at low levels and deflation was a general concern. However, global stock markets trended higher on the back of improving macro signals, better than expected corporate results and strong liquidity. After the recovery in the second half of the year, indices in the Nordic stock markets, except in Finland, showed a double-digit positive development in 2003. The aggregate Nordic Index was up by 21 per cent for the full year. Turnover in the Nordic stock exchanges was at its lowest point in the first quarter of 2003, and despite a strong recovery in the third quarter total turnover was down 10 per cent from last year. The volume of announced M&A-transactions in the Nordic region increased by 10 per cent from 2002, with one single transaction making up 22 per cent of the total volume. Equity offering volumes were very depressed, only two minor Initial Public Offerings reached the market, but a positive sign was that a number of secondary offerings were well received by the market in the second half of 2003. Retail mutual fund clients increased their savings in funds. In Sweden, equity funds reported a net inflow in 2003 of SEK 27 billion (SEK 17 billion).

### Carnegie's market position was retained

Carnegie's share of the aggregate turnover on the Nordic Stock Exchanges was 8.3 per cent for 2003, a decline from last year (9.3 per cent). Based on client reviews, however, Carnegie retained its market share of institutional commission-bearing volume. In Investment Banking, Carnegie had a top position, as verified in the Nordic M&A-advisory league tables. In Asset Management & Private Banking, the market position is closely connected to the performance of the products. At year-end, Carnegie funds representing about 50 per cent of the assets under management in equity mutual funds held 4- or 5-star rankings.<sup>1)</sup> In January 2004 a survey from Euromoney ranked Banque Carnegie Luxembourg as number 8 among private banks and number 1 among Nordic banks in Luxembourg.

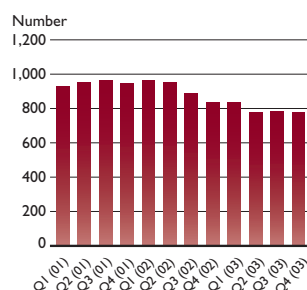
### Income down by 13 per cent

Total income in 2003 was SEK 2,081 million (SEK 2,392 million). Despite a positive quarterly income trend, income for the full year was down by 13 per cent from 2002. In 2003, the Private Sales operations, offering securities broking services to private clients, were integrated into business area Asset Management & Private Banking.<sup>2)</sup> After this reorganisation, business area Securities' targeted client segment is entirely institutional. Securities income was SEK 915 million, down by 9 per cent on a like-for-like basis, mainly reflecting lower commission income. Investment Banking income was SEK 368 million, down by 21 per cent Y/Y, reflecting the difficult market conditions for equity offerings. Asset Management & Private Banking income was SEK 798 million, down 14 per cent on a like-for-like basis, reflecting a decline in commission income combined with the value decline in the beginning of the year.

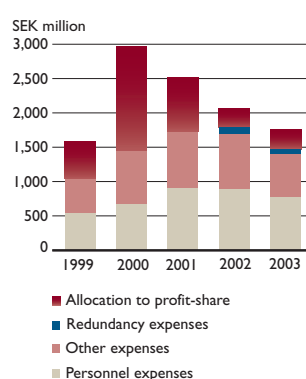
<sup>1)</sup> Stock market turnover: Aggregated data from the Nordic Stock Exchanges compiled by Carnegie, M&A-transactions: Thomson Financial Securities Data, Fund rating: Morningstar, Fondmarknaden and VV-rating, December 2003.

<sup>2)</sup> The Private Sales operations were transferred from Securities to Asset Management & Private Banking from 1 January 2003. Historical figures have not been restated.

Number of employees reduced by 20% from the peak in Q1-02

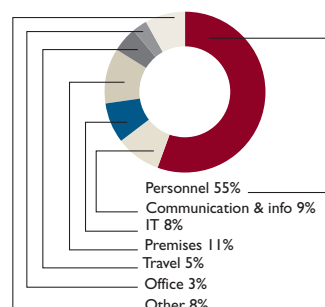


Cost structure



Cost base – excluding profit-share and redundancy costs

Total: SEK 1,412 million



## Cost base down by 18 per cent

Total expenses before allocation to profit-share for 2003 were SEK 1,472 million, down by 18 per cent Y/Y. Total personnel expenses excluding redundancies were 14 per cent below last year, following the net personnel reduction of 7 per cent in 2003. Other expenses were down by 20 per cent, and were related to a number of ongoing initiatives in the One Carnegie project.

From the peak in the first quarter of 2002, the number of employees has now been reduced by 20 per cent. The personnel reduction comprised about 200 employees, of which the largest part (129 employees) in 2002. Redundancy costs amounted to SEK 61 million in 2003 (SEK 92 million).

Allocation to profit-share increased by 4 per cent.<sup>1)</sup> The profit-share allocation follows a fixed formula, 50 per cent of the Group's operating profit before profit-share, after deduction of a STIBOR-related return on shareholders' equity. In 2003 the deduction for return on equity was lower, due to the decrease in shareholders' equity after the dividend of SEK 596 million, which was distributed to shareholders in the beginning of the year, and to the decline in interest rates.

Number of employees per business area	2002	Transfer from Securities to Private Banking	Number of employees, change	2003	Chg, %
Securities	402	-55	-29	318	-21
Investment Banking	161		-20	141	-12
Asset Management & Private Banking	272	55	-12	315	16
End of year	835	0	-61	774	-7

## Important steps taken in the One Carnegie project during 2003

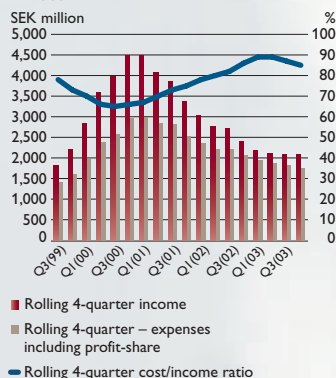
During 2003, the project One Carnegie was introduced, in order to develop Carnegie's business to meet clients' future needs. The total effect on costs from the One Carnegie project is long-term, and includes a number of different components, both related to work methods (development and teamwork across the group) and infrastructure. The project includes further streamlining of operations, organisational changes in post-trade processing, a review of the legal structure and organisational changes required for a banking licence.

### Streamlining of operations

To be able to offer a cost-efficient service to clients, Carnegie is now further developing a common administrative platform. The streamlining of operations includes a number of projects reviewing all administrative processes in order to find the best practice, to be implemented across the organisation.

<sup>1)</sup> Allocation to the profit-sharing system is accounted for in each business area on a fixed percentage basis, for the purpose of segmental analysis. Actual allocation to individuals, however, is made on a discretionary basis and the total amount allocated to individuals in a specific business area can therefore differ from the fixed percentage used in the segmental analysis.

Cost/income ratio trended downwards in 2003



### Post-trade processing – outsourcing discussions involving Capital C

Carnegie's aim is to have efficient systems supporting the business processes. An important factor for continued growth is thus the development of sales, execution and support services. Carnegie has therefore made strategic investments in information technology support such as the Moonray system, which has been developed by Capital C, a software development company and a supplier of after-trade solutions for the securities industry, owned 50/50 by Carnegie and Alfred Berg ABN Amro.

During the third quarter 2003 Carnegie, Alfred Berg ABN Amro and EDS, the world's largest outsourcing services company, signed a letter of intent with the aim of forming a partnership, to create a common solution for securities post trade processing. Negotiations are progressing in a positive manner, aiming at presenting a solution in the first quarter 2004. A successful implementation of the system could attract other parties, which would also benefit Carnegie.

At 31 December 2003, the total commitment attributed to Capital C amounted to SEK 114 million, consisting of book value of share capital and shareholders' contribution, a loan outstanding and a guarantee commitment to Capital C AB. The total commitment in Capital C would be depreciated over the next five years as the software systems are implemented in the group-wide operations. However, the benefits to the business by the systems in Capital C are estimated to offset the depreciation, leading to a neutral effect on total expenses in the next five years. In the long term, the annual decrease in expenses is estimated to about SEK 15–20 million.

### Application for a banking licence and review of the legal structure

Carnegie received a banking licence in Sweden in November 2003, which enables Carnegie to offer a full range of private banking services to clients, including securities broking, asset management, pension consulting, deposits, lending, mortgage lending, tax advice and more.

In connection with this, a review of the legal structure was conducted with the purpose of reducing the number of entities and reducing administrative costs. All Carnegie business units are now organised as subsidiaries or branches under Carnegie Investment Bank AB.

### Development in 2004

Carnegie's income is to a large extent generated from fees and commissions from equity-related products and services. The development of the equity markets is thus the largest uncertainty factor for Carnegie's future income generation.

Based on current market conditions, estimated total expenses before profit-share in 2004 will be in the range of SEK 1,400 to 1,500 million.

### Cost/income ratio

After a turning point in the second quarter, the cost/income ratio (including allocation to profit-sharing system and result from principal investments) continued its downward trend and was 79 per cent in the last quarter of 2003, corresponding to an operating margin of 21 per cent.



## Result from principal investments

Result from principal investments in 2003 was SEK –6 million (SEK 9 million), of which shares and participations accounted for SEK –8 million (Capital C AB, Sweden, and Carnegie Portugal) and the effects of the marked-to-market valuation of Carnegie's holding in Orc Software accounted for SEK 2 million. The total holding in Orc Software was divested in 2003.

## Quarterly operating profit

Following the improvements in the markets and after the recent cost-reductions, the quarterly operating profit before profit-share improved considerably in 2003 from SEK 56 million in the first quarter to SEK 232 million in the last quarter.

## Net profit and return on equity

The net profit for 2003 was SEK 211 million (SEK 250 million), corresponding to a return on equity for 2003 of 17 per cent (16 per cent). The tax rate was 33 per cent (26 per cent), reflecting a larger part of the result generated in countries with higher corporate tax rates. The normal tax rate is estimated at 31 per cent.

## Risk-weighted assets and Tier 1 ratio

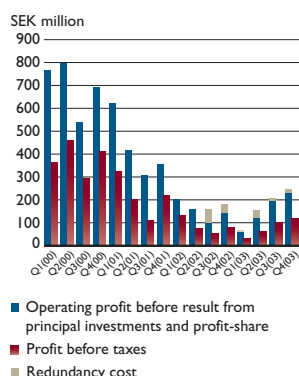
Swedish securities firms must satisfy the legal requirements on capital adequacy and large exposures. The capital adequacy is monitored in relation to the risk of the businesses, measured as a function of asset quality and liquidity, i.e. the risk-weighted assets. Capital is divided into two main categories: 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 regulatory requirement of 4.0 per cent. The regulatory capital adequacy also includes the Tier 2 capital and the minimum ratio is 8.0 per cent.

Risk-weighted assets decreased by 14 per cent from 2002 to SEK 4 billion. Of the total risk-weighted assets, 67 per cent was attributed to credit risks and 33 per cent to market risks. The regulatory capital base was SEK 918 million at year-end, after deduction of the anticipated dividend of SEK 211 million, leading to a Tier 1 ratio of 22.7 per cent. Using the new regulation from 1 January 2004, from the Swedish FSA (Finansinspektionen), the regulatory capital base would be SEK 728 million, due to deduction of deferred tax assets and of intangible assets. The Tier 1 ratio, adjusted according to the new regulation, would be 18.0 per cent at 31 December 2003.

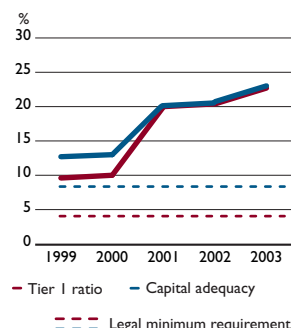
## Liquidity, financing and investments

Carnegie's principal need for liquidity 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-term deposits. As a consequence of this, Carnegie's working capital and cash flow fluctuate significantly between the financial statement dates. In 2003, the change in working capital was SEK 2,608 million (SEK –2,749 million). A more relevant measure of the liquidity is the cash flow from operations before changes in working capital, which was SEK 302 million in 2003 (SEK 355 million). Capital expenditure is mainly related to office equipment and IT-systems

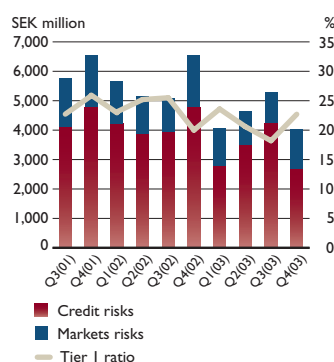
Improvement of quarterly operating profit



Tier 1 ratio and capital adequacy



Quarterly fluctuations in risk-weighted assets and Tier 1 ratio



and amounted to SEK 37 million in 2003 (SEK 77 million). See page 71 for further information.

## Group structure

Parent company in the Carnegie Group is D. Carnegie & Co AB (publ), listed on the O-list at Stockholmsbörsen. The Carnegie Group includes a number of wholly-owned subsidiaries in Denmark, Finland, Norway, Sweden, Luxembourg and the United States, as well as branches in Finland, Norway and the United Kingdom. During 2003 a review was made of the legal structure and all Carnegie business units are now organised as subsidiaries or branches under D. Carnegie AB, which changed its name to Carnegie Investment Bank AB effective from 1 January 2004. The Group structure is described in note 27.

## The parent company in summary

Total income in the parent company D. Carnegie & Co AB for 2003 was SEK 4 million (SEK 6 million), and the company was showing a loss before financial items of SEK 46 million (SEK 67 million). The profit before taxes was SEK 249 million (SEK 176 million) including anticipated dividends from subsidiaries of SEK 225 million (SEK 279 million). At 31 December 2003, cash and liquid assets were SEK 133 million (SEK 329 million). Capital expenditure of SEK 0.4 million was made during the period (SEK 1.0 million). Shareholders' equity adjusted for the equity part (72 per cent) of untaxed reserves was SEK 991 million (SEK 1,412 million) at 31 December 2003.

## Development of share capital

Shareholders' equity amounted to SEK 1,145 million at 31 December 2003, after distribution of dividend of SEK 596 million, following the decision by the AGM in 2003 to distribute all available equity. Shareholders' equity also includes the negative currency effect from translation differences related to holdings in subsidiaries in Norway and Denmark.

### Changes in shareholders' equity (SEK millions)

	Dec 31 2002	Dec 31 2003
Shareholders' equity – opening balance	1,880	1,568
Dividend (Q1)	–572	–596
Translation differences	10	–39
Net profit for the period	250	211
Shareholders' equity – closing balance	1,568	1,145

## Related party transactions

In 2003, Carnegie's payments for services from Capital C, owned by Carnegie and Alfred Berg ABN Amro, amounted to SEK 7 million (SEK 11 million). Carnegie's total commitment to Capital C at year-end 2003 was SEK 114 million, see further page 24 and note 14.

## Securities

- *Market position retained despite organisational changes*
- *Substantially lowered cost base*
- *Substantially improved profit before taxes*

## Business

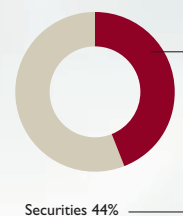
*Products and services:* Equity research, Equity brokerage, Equity derivatives brokerage, Proprietary trading, Fixed income sales and trading.

*Competitive strength:* Carnegie's Nordic presence, with a strong local position and high market share in all Nordic markets, gives Carnegie the possibility to offer a broad and deep Nordic product to both local and international investors.

*Clients:* Nordic and international institutional investors

*Operations in:* Sweden, Denmark, Norway, Finland and in the UK and the US.

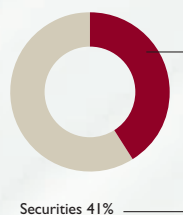
Share of income 2003



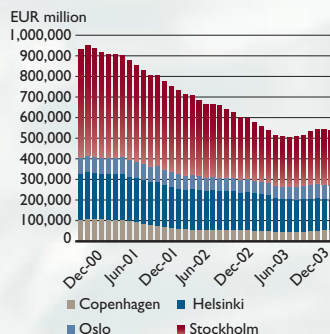
Share of profit before taxes 2003



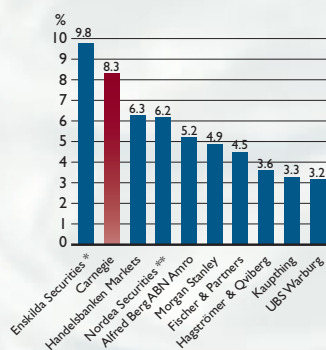
Share of employees 2003



Turnover rolling 12 months, 2000–2003



Share of turnover in the Nordic stock markets, 2003



\* Includes SEB entities  
 \*\* Includes other Nordea entities  
 \*\*\* Includes other Danske Bank entities

Source: Nordic stock exchanges, data compiled by Carnegie

## Business environment and market position

The Carnegie Nordic Index rose by 21 per cent in 2003. Nordic equity turnover for the full year was down by 10 per cent from last year, after a downturn in the first half of the year, with volumes down by 28 per cent Y/Y. In the second half, turnover was boosted mainly by increased retail and trading flows.

Nordic stock exchanges, 2003	Market cap (EUR bn)	Turnover (EUR bn)	Turnover rate (12m),%	Carnegie share of turnover, %	Prospera ranking
Denmark	96	56	65	7.1	1
Finland	158	146	101	4.1	4
Norway	82	65	98	12.5	4
Sweden	256	270	124	8.7	2
<b>Total Nordic</b>	<b>592</b>	<b>537</b>	<b>108</b>	<b>8.3</b>	<b>2</b>

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

Carnegie's share of the total turnover on the Nordic stock exchanges was 8.3 per cent in 2003, a decline from 9.3 per cent in 2002. Total turnover in the Nordic stock exchanges is composed of commission-bearing client volumes and proprietary trading volume. The decline in Carnegie's share of turnover is mainly related to lower trading activities, which has an effect on the total share of turnover but does not have any impact on the actual market share of commission-bearing client volume.

Based on client reviews, Carnegie has retained its market share of institutional commission-bearing volume. 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 2003. Being number one requires top research, excellent client relationships with portfolio managers, the very best execution capabilities as well as high quality and a high service level within the back-office organisation.

## Organisation

On 1 January 2003 the Private Sales operations within Securities, offering stock broking services to private clients, was transferred to the new Private Banking organisation within business area Asset Management & Private Banking, in order to be able to serve private clients in a more coordinated way. This means business area Securities' service concept will be totally focused on institutional clients. During 2003 a further personnel reduction of 55 employees was announced as a consequence of the continued decline in market activity. Out of this reduction around 50 per cent was related to the business area Securities. The personnel reduction, which primarily affected the Swedish operations, was made to the point of not impacting negatively on the service level to targeted clients, and to keep a strategic personnel base. The personnel reduction in Securities involved both front office and support personnel. Despite the personnel reduction, Carnegie's position among international institutional clients, which is one of Carnegie's targeted growth segments, developed positively during 2003.

## Rankings

### External rankings 2003 (2002)

Ranking institute	Position	Country	Description
Affärsvärlden	2	Sweden	Best research dept., best strategy report, best at Small Caps
Institutional Investor;			
All-Europe Research Team	2 (2)	Nordic	Best Team, Nordic countries
Prospera	1 (1) <sup>*)</sup>	Denmark	Overall performance
	4 (2) <sup>*)</sup>	Finland	Overall performance, Tier I
	4 <sup>*)</sup> (4) <sup>*)</sup>	Norway	Overall performance
	2 (2)	Sweden	Overall performance
Thomson Extel Pan European Survey			
(Mid & Small Caps)	2 (1)	Nordic	In the categories: Primary Access, Research Service, Sales,
(Mid & Small Caps)	1 (1)	Nordic	In the category Trading/Execution
(overall)	5 (2)	Nordic	Overall Position, Nordic Countries
Euromoney, Global inv European			
Brokers Survey	2 (1)	Nordic	Best in Nordic region

\*) Shared position

Carnegie's position in external rankings indicated an overall ranking as number two in the Nordic region 2003, from a shared No 1 position last year. Taking into consideration the personnel reduction during the last two years as well as the renewal of the research department, Carnegie is well positioned for 2004.

## Equity research

Research on Nordic companies is the foundation of Carnegie's market position. Carnegie's research team is one of the highest ranked globally on Nordic equities. At 31 December 2003, Securities had a team of about 55 analysts, a decrease of 8 per cent from last year. The equity research analysts are locally based and provide in-depth research including industry and company reports, overall recommendations and strategic guidance. In addition, a team of three economists covers general economic conditions and gives economic forecasts, working closely with the analysts. The analysts cover over 300 Nordic companies in 12 sectors, redefined during 2003 in line with the Global Industry Classification Standard structure (GICS). The number of companies covered has been reduced from close to 400 companies last year, following the overall decline in market capitalisation in the Nordic market, resulting in many companies becoming too small, as well as structural changes such as mergers and acquisitions. The market conditions in the last couple of years have resulted in an outflow, but no inflow of companies to the stock market. The market capitalisation of the companies covered by Carnegie's research team still corresponds to about 95 per cent of the total Nordic market capitalisation.

## Development of services and products

Carnegie has during the last two years made a reorganisation of the research department with new analysts responsible for some sectors, and also some younger analysts getting a more prominent role, which has improved the ranking in these sectors. To further strengthen Carnegie's research product, and to better take advantage of Carnegie's overall Nordic knowledge, a team has been appointed during the year with the responsibility to further develop Carnegie's pan-Nordic strategy (including macro research) and valuation platform. During 2003 Carnegie also changed its rating structure from an absolute rating structure to a relative system with the aim to provide greater consistency and transparency. The new rating system is based on a differentiation between sector view and stock rating. Sectors are rated relative to each other from a strategic macro view. Within the respective sectors, analysts then rate the stocks relative to other stocks in their sector. The change has partly been driven by the international development on compliance issues, but it is also a function of Carnegie's efforts to improve the pan-Nordic sector research, and to be able to offer a system more in line with how institutional clients work.

## Code of conduct

The debate concerning the independence of analysts and the importance of maintaining a sharp dividing line (Chinese wall) between the investment banking and the research functions in an integrated investment bank has continued during 2003. In order to ensure the most appropriate handling of price sensitive information and potential conflicts of interest between the investment banking organisation and the research organisation, the Carnegie Code of Conduct was drawn up. The Code of Conduct is also aimed at ensuring a high level of professionalism and integrity towards clients. According to the Code of Conduct and NASD/SEC rules an Investment Recommendation Committee has been established to supervise equity research ratings in order to attain the highest objectivity and integrity. The committee consists of the local head of research, local head of institutional sales, the sector analyst and the respective company analysts. This means that any change of rating has to be approved by the committee.

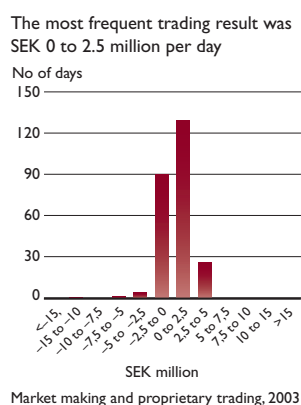
## Fixed income research

The fixed income research in Carnegie is concentrated in three main areas: Quantitative analysis of Danish mortgage bonds and inflation-indexed bonds, as well as strategic research covering global macro economics and financial markets. The Danish mortgage market consists of highly complex, structured bonds, often with embedded options, and hence requires in-depth quantitative modelling and analysis. The research team was ranked No 1 among Danish institutional clients in the following four-out-of-five-research categories in the 2003 survey from Økonomisk Ugebrev: Asset-allocation, daily consultancy (research and dealers), macro economic research and interest-rate forecasts.



## Sales and sales trading

Carnegie's securities sales and sales trading operation include about 100 professionals. 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 equities and derivatives. Institutional equity sales trading involve executing transactions in Nordic equities for Nordic and international clients, and providing these clients with research and investment advice, liquidity and trading expertise. The reorganisation in 2003 resulted in a generation shift within the sales and sales trading organisations, which has led to a revitalisation of these teams. In Denmark, Carnegie also executes transactions in fixed income securities, where the sales and sales trading teams include 9 professionals.



## Proprietary trading

Carnegie's proprietary trading activity in Sweden, Norway and Finland, with about 10 traders, includes trading in cash instruments as well as being market maker in the derivatives market. In Denmark the trading activities include cash instruments and fixed income. The objective is to identify and exploit market opportunities, mainly through intra-day positions, under limited market risks. 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 2003. The average daily trading income was SEK 0.3 million (SEK 0.4 million).

## Equity Finance

The establishing of an Equity Finance team in 2002, to increase the service level towards hedge funds and alternative investment management services, was proven to be very successful in 2003. 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.

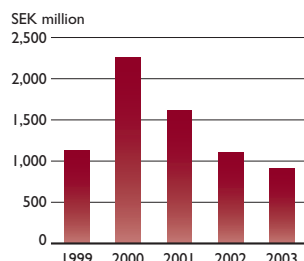
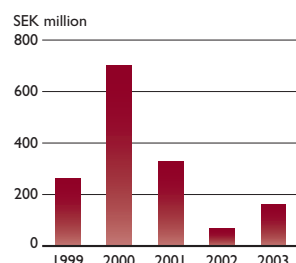
## Clients and key focus

All Private Sales operations were transferred to business area Asset Management & Private Banking from January 2003, which means that the equity client base is now institutional investors only. Out of total commission, 47 per cent was generated from institutional clients outside the Nordic region. Within fixed income in Denmark the client focus is primarily major institutions, which will be broadened to smaller institutions, companies and large private clients in the Danish market.

## Targeted segments

It is Carnegie's aim to strengthen the position among domestic market participants and international institutions focused on Nordic securities, and to achieve a number one position with targeted clients. In 2004 these targets remain, but the focus has shifted towards deepening and further developing the relationships and businesses with existing 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 2003.

Total income  
SecuritiesProfit before taxes  
Securities

## Income statement, operating data and key ratios

Securities (SEK million)	1999	2000	2001	2002	2003
Net commission income	779	1,453	1,056	894	695
Underwriting fees	79	191	142	70	18
Net interest income	48	153	178	150	95
Proprietary trading and market making	192	560	311	94	166
Net interest income from financial positions	-48	-121	-82	-105	-70
Other income from financial positions	74	-	0	2	10
<b>Net income from financial positions</b>	<b>218</b>	<b>439</b>	<b>229</b>	<b>-8</b>	<b>160</b>
Other fees	7	26	11	0	0
<b>Total income<sup>1)</sup></b>	<b>1,131</b>	<b>2,261</b>	<b>1,615</b>	<b>1,106</b>	<b>915</b>
Personnel expenses	-310	-389	-516	-468	-319
Redundancy expenses	-	-	-	-58	-25
Other expenses	-295	-480	-464	-452	-262
Net provisions for credit losses	-8	0	-3	-3	1
<b>Total operating expenses excluding profit-share</b>	<b>-612</b>	<b>-869</b>	<b>-983</b>	<b>-980</b>	<b>-606</b>
<b>Operating profit before profit-share</b>	<b>518</b>	<b>1,392</b>	<b>632</b>	<b>126</b>	<b>309</b>
Allocation to profit-share system <sup>2)</sup>	-255	-692	-303	-57	-147
<b>Total expenses</b>	<b>-867</b>	<b>-1,561</b>	<b>-1,286</b>	<b>-1,037</b>	<b>-753</b>
<b>Profit before taxes</b>	<b>263</b>	<b>700</b>	<b>329</b>	<b>69</b>	<b>162</b>
Cost income ratio, %	77%	69%	80%	94%	82%
Operating margin, %	23%	31%	20%	6%	18%
Number of employees, average	350	430	518	470	322
Number of employees, period-end	355	468	517	402	318

<sup>1)</sup> 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.

<sup>2)</sup> In the presentation, the result from principal investments and the profit-share effect from the result are not allocated to business areas.

For definitions, see page 10.

## Income

Business area Securities' total income in 2003 was SEK 915 million, down 17 per cent Y/Y. When including the income generated in the private sales operations, which was transferred to business area Asset Management & Private Banking from the beginning of the year<sup>1)</sup>, the decline was 9 per cent. Commission income of SEK 695 million accounted for about 75 per cent of total income, and was down by 22 per cent (Y/Y), down by 15 per cent on a like-for-like basis. Commissions generated from non-Nordic clients in 2003 amounted to close to half of the total commission volume.

Due to improved market conditions, income from proprietary trading and market making substantially improved to SEK 166 million in 2003 (SEK 94 million). About 70 per cent of the income was generated in equity trading and in the Equity Finance operations, and about 30 per cent was generated in fixed income trading in the Danish operations.

<sup>1)</sup> See table at next page

## Expenses and profit before taxes

Total expenses before profit-share in 2003 amounted to SEK 606 million, down 38 per cent Y/Y, and included the transfer of direct and indirect expenses of SEK 106 million related to the Private Sales operations to business area Asset Management & Private Banking<sup>1)</sup>. On a like-for-like basis, total expenses before profit-share were down by 27 per cent Y/Y, and reflected the personnel reduction in 2003 and a substantial decline in other expenses. Total expenses included redundancy expenses of SEK 25 million as well as a positive effect from a refund of VAT costs of SEK 15 million (generated in the second quarter).

The business area showed an operating profit before allocation of profit-share of SEK 309 million for 2003, up 145 per cent Y/Y, after a sharp improvement in the second half-year, reflecting the improved income from proprietary trading and market making and a distinctly lower cost-base. The average number of employees in the business area in 2003 was 322, down by 26 per cent on a like-for-like basis. The profit before taxes in 2003 was SEK 162 million (SEK 69 million).

<sup>1)</sup> The Private Sales operations were transferred from Securities into Asset Management & Private Banking from 1 January 2003. Historical figures have not been restated. The table below shows the net effects on income and expenses for 2003.

Private Sales operations (SEKm)	Q1	Q2	Q3	Q4	2003
Total income	17	22	27	29	95
Total expenses before profit-share	-30	-28	-25	-23	-106
Net effect	-13	-6	2	6	-11

# Investment Banking

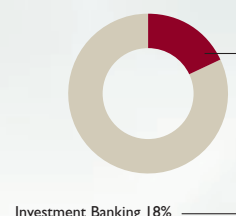
- *Very strong position in Nordic investment banking market*
- *Depressed volumes in equity capital market transactions*
- *Profitable in a low-activity market*



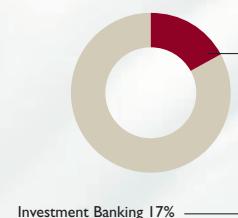
## Business

- Products and services:* Equity capital markets services, Mergers and acquisitions advisory services, Structured finance products and services.
- Competitive strengths:* A full-service financial adviser with strong execution teams, cross-border capabilities and sector expertise, extensive local knowledge and access to key individuals.
- Clients:* Predominantly companies headquartered in the Nordic region and international companies engaged in transactions involving the Nordic region.
- Operations in:* Denmark, Finland, Norway and Sweden.

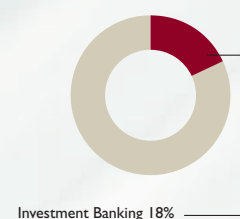
Share of income 2003



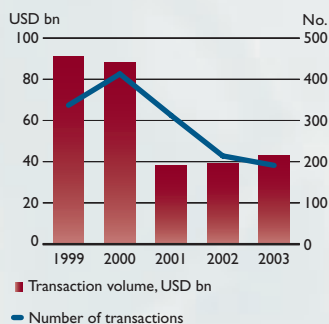
Share of profit before taxes 2003



Share of employees 2003



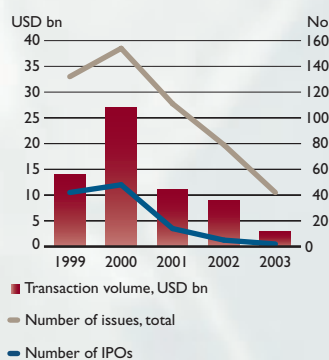
Announced Nordic M&amp;A-transactions in 2003



Announced transactions with financial adviser.  
Nordic target or acquirer.

Thomson Financial Securities Data

ECM market lowest in 10 years



Thomson Financial Securities Data

## Business environment

Corporate activity in the financial markets started on a weak note, on the back of unsteady equity markets and uncertain macroeconomic prospects putting especially equity offerings on hold. This also had a negative impact on the M&A-market as it reduced access to primary equity capital for acquisition finance. However, in the second half of 2003, the recovery in the equity markets proved to be relatively stable, and corporate activity increased whereby business development and restructuring processes were being brought back on the agendas.

The Nordic Mergers & Acquisitions volume was well below the previous year in the first three quarters, but the announcement of a few large transactions towards the end of the year resulted in a total volume of announced Nordic M&A-transactions of USD 43.1 billion, an increase of 10 per cent from the previous year. The Danish market accounted for a large part of the volume, with one single transaction, the USD 9.8 billion-merger of D/S 1912 and D/S Svendborg, making up for 22 per cent of the total Nordic volume in 2003. There were 191 transactions in total, a decline of 10 per cent. The volume of completed transactions was down by 17 per cent.

Equity offerings in the Nordic region reported the lowest volumes in 10 years, with very few large-size offers and only two minor initial public offerings (IPO) in the region. However the increased stability in the equity markets during the last half-year triggered the reinitiating of a number of IPO processes.

## Very strong position in M&A

Carnegie retained its strong position as a leading M&A adviser in the Nordic market, as evidenced from the league tables from Thomson Financial Securities Data. Carnegie was ranked as No 2 for the full year in terms of announced transaction volume with USD 8.6 billion. In terms of number of transactions, Carnegie ranked No 1 with 36 transactions. In the ECM segment, volumes were very depressed. Out of the few transactions that were completed, Carnegie was well represented in a number of successful secondary offerings and rights issues during the year.

### Announced M&A-transactions by volume in 2003 and 2002

2003 Adviser	USD billion	Number of transactions	2002 Adviser	USD billion	Number of transactions
1. Danske Markets	11.4	3	1. Goldman Sachs	19.3	15
2. Carnegie	8.6	36	2. UBS	13.4	10
3. Deutsche Bank	7.8	14	3. Carnegie	11.7	28
4. Enskilda	7.8	34	4. Deutsche Bank	11.5	5
5. ABG Sundal Collier	5.0	15	5. Lehman Brothers	11.0	7
6. Lazard	4.9	7	6. Merrill Lynch	9.8	8
7. JP Morgan Chase	4.6	5	7. Lazard	9.3	6
8. ABN Amro	4.1	13	8. CSFB	6.7	14
9. Lehman Brothers	3.9	8	9. Nordea	5.5	19
10. Merrill Lynch	3.8	5	10. PVC	3.2	9
<b>Total market with advisers</b>	<b>43.2</b>	<b>191</b>	<b>Total market with advisers</b>	<b>39.2</b>	<b>213</b>

Source: Thomson Financial Securities Data, Announced transactions, Nordic target or acquirer 2002 and 2003.



## Services

Carnegie has a dedicated team of investment banking professionals located throughout the Nordic region. Carnegie is providing clients with specialist advice and support in a broad range of situations and transactions, including inter alia, private and public M&A, primary and secondary equity offerings, structured financial products, capital structure optimisation advice and company valuations.

## Mergers & Acquisitions

In 2003 Carnegie's M&A announced assignments were to a large extent domestic, accounting for over half of the number of transactions. The Danish market was by far the most active; about half of the announced transactions included a Danish party. Examples of assignments announced in 2003 include the following:

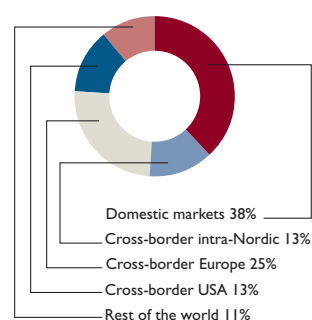
- Carnegie acted as adviser to the Board of Directors of mobile telecommunication network company Europolitan Vodafone AB in the SEK 4.9 billion public offer to shareholders whereby Vodafone Group PLC unconditionally offered to acquire the 25 per cent of Europolitan which it did not already own.
- Carnegie acted as joint adviser to DnB Holding ASA in the merger with Gjensidige NOR ASA. Through the NOK 39 billion merger, the combined DnB NOR group became the largest financial services group in Norway.
- Carnegie acted as adviser to the Board of Directors of Radiometer in the DKK 4.5 billion tender offer from Danaher Corporation to acquire Radiometer. Radiometer develops and produces advanced medical instruments that measure blood gases and other parameters used to diagnose critically ill patients.
- Carnegie acted as adviser to World Nordic in the NOK 10.3 billion mandatory offer for all outstanding shares in Bergesen d.y., Norway's largest shipping group. World Nordic is controlled by the Hong Kong based Sohmen family, controlling one of the world's largest privately held shipping fleets under the name World-Wide Shipping.
- Carnegie acted as adviser to AB Volvo in Volvo's SEK 718 million public offer for the truck and construction equipment operations of Bilia AB.

## Capital Markets Services

The types of 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, buy-back and redemption programmes, incentive programmes, spin-offs and secondary offerings. Carnegie also structures and markets structured financial products that are marketed towards financial investors. Examples of assignments in 2003 include the following:

- Rights issues, totalling approximately SEK 1.2 billion, in Intentia, Karo Bio, Metro and Micronic.
- Sole bookrunner in the SEK 440 million placement of Teleca shares for Bure.
- Redemption programmes totalling approximately SEK 1.8 billion in Elekta, Eniro and Teligent.

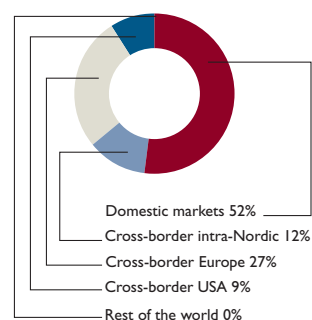
Nordic M&A total, 2003 (by number)



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

Thomson Financial Securities Data

Carnegie transactions, 2003 (by number)



- Credit linked notes due 2009 issued by AB Svensk Exportkredit, paying interest of 10.7 per cent linked to a portfolio of corporate investment grade credits. Payment of interest is reduced in case of defaults in the corporate debt portfolio.

## Clients and key focus

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

Carnegie has local Investment Banking operations in each of the Nordic countries. The strong local presence with excellent local networks, combined with Carnegie's cross-border Nordic focus, facilitates knowledge sharing, permits the leverage of ideas and execution capacity 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 corporate advisory and execution skills and a profound understanding of Nordic industries and capital markets gives Carnegie a distinct competitive edge. This structure keeps Carnegie very close to its clients which facilitates inter alia, the early identifying of investment banking business as well as personal relationships with our corporate clients.

This structure is an important pillar for securing the strategic goal of being our clients' first choice, ensuring that Carnegie Investment Banking is best positioned to win and successfully execute new mandates.

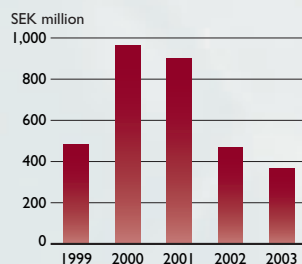
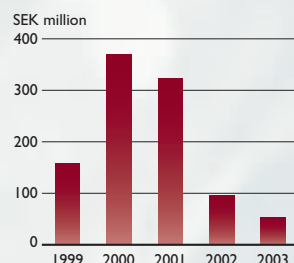
## Targeted segments

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 and more qualified advice and to compete for transactions of a more complex nature, comprising value added services which command a premium.

Carnegie has achieved a strong market position with investment banking clients engaged in transactions involving the Nordic region and aims to leverage on this position as transaction volumes increase. Carnegie focuses on further expanding its share of the Nordic M&A market and aims to leverage on its strong equity franchise for winning and executing capital markets related transactions.

## A selection of assignments

 <p>A.P. Møller's divestment of its wholly owned subsidiary Mærsk Medical to Nordic Capital</p> <p>Adviser to A.P. Møller March, 2003</p>	 <p>Public offer to the shareholders of Europolitan by Vodafone Group</p> <p>SEK 4.9 billion</p> <p>Adviser to Europolitan Vodafone March, 2003</p>	 <p>Divestment of Devi to Danfoss</p> <p>Adviser to owners of Devi March, 2003</p>	 <p>Acquisition of Respons</p> <p>SEK 900 million</p> <p>Adviser to Eniro May, 2003</p>
 <p>Public offer to the shareholders of Danske Trælast by CVC Capital Partners</p> <p>DKK 6.2 billion</p> <p>Adviser to CVC Capital Partners May, 2003</p>	 <p>Public offer to the shareholders of Bergesend.y. by World Nordic</p> <p>NOK 10.3 billion</p> <p>Adviser to World Nordic June, 2003</p>	 <p>Public offer to the shareholders of Realia by Welkins Intressenter</p> <p>SEK 957 million</p> <p>Adviser to Realia July, 2003</p>	 <p>Public offer to the shareholders of Bilja for shares in Kommersiella Fordon Europa</p> <p>SEK 718 million</p> <p>Adviser to Volvo July, 2003</p>
 <p>Rights issue</p> <p>SEK 327 million</p> <p>Sole Manager July, 2003</p>	 <p>Magazine printing of Alma Media merged into Edita Acta</p> <p>Adviser to Alma Media July, 2003</p>	 <p>Rights issue</p> <p>SEK 252 million</p> <p>Joint Lead Manager August, 2003</p>	 <p>Secondary Placement of shares in Teleca on behalf of Bure</p> <p>SEK 440 million</p> <p>Sole Bookrunner September, 2003</p>
 <p>Acquisition of Personal Chemistry</p> <p>SEK 253 million</p> <p>Adviser to Personal Chemistry September, 2003</p>	 <p>Cibor Linked Notes</p> <p>DKK 405 million</p> <p>September, 2003</p>	 <p>Share issue</p> <p>NOK 180 million</p> <p>Lead Manager October, 2003</p>	 <p>Divestment of Gefion Portfolio to DAI Fordringer</p> <p>Adviser to Alm. Brand November, 2003</p>
 <p>Merger of Den norske Bank and Gjensidige NOR</p> <p>NOK 39 billion</p> <p>Adviser to DnB December, 2003</p>	 <p>Divestment of ErgoBluegarden to Ratos</p> <p>NOK 355 million</p> <p>Adviser to Posten Norge December, 2003</p>	 <p>Public offer to the shareholders of Radiometer by Danaher Corporation</p> <p>DKK 4.5 billion</p> <p>Adviser to Radiometer January, 2004</p>	 <p>Divestment of Pharmadule Emtunga to 3i Group</p> <p>Adviser to IDI February, 2004</p>

Total income  
Investment BankingProfit before taxes  
Investment Banking

## Income statement, operating data and key ratios

Investment Banking (SEK million)	1999	2000	2001	2002	2003
Underwriting fees	133	401	225	133	67
Net income from financial positions	-1	5	7	-6	21
Advisory fees	351	555	669	340	281
<b>Total income<sup>1)</sup></b>	<b>483</b>	<b>961</b>	<b>901</b>	<b>467</b>	<b>368</b>
Personnel expenses	-98	-121	-155	-167	-146
Redundancy expenses	-	-	-	-13	-16
Other expenses	-75	-104	-126	-112	-104
<b>Total expenses excluding profit-share</b>	<b>-173</b>	<b>-225</b>	<b>-281</b>	<b>-292</b>	<b>-266</b>
<b>Operating profit before profit-share</b>	<b>310</b>	<b>736</b>	<b>619</b>	<b>175</b>	<b>102</b>
Allocation to profit-share system <sup>2)</sup>	-152	-366	-297	-79	-49
<b>Total expenses</b>	<b>-325</b>	<b>-591</b>	<b>-578</b>	<b>-370</b>	<b>-315</b>
<b>Profit before taxes</b>	<b>158</b>	<b>370</b>	<b>323</b>	<b>96</b>	<b>53</b>
Cost/income ratio, %	67%	61%	64%	79%	85%
Operating margin, %	33%	39%	36%	21%	15%
Number of employees, average	111	129	170	173	148
Number of employees, period-end	119	162	173	161	141

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 profit-share effect from the result are not allocated to business areas.

For definitions, see page 10.

## Income

Total income in 2003 decreased by 21 per cent to SEK 368 million, reflecting the decrease in completed M&A-volume and the lack of equity offerings. Advisory fees, accounting for over 75 per cent of total income, decreased by 18 per cent, and underwriting fees were halved.

## Expenses and profit before taxes

Total operating expenses before profit-share in 2003 were SEK 266 million, down by 9 per cent from 2002, and included redundancy expenses of SEK 16 million (SEK 13 million) related to the personnel reduction of 14 per cent. The business area made an operating profit before taxes of SEK 53 million for 2003, down by 45 per cent from 2002.

# Asset Management & Private Banking

- *Increased inflow towards the end of the year*
- *Private Banking to form separate business area from 2004*
- *Profit before taxes down by 35 percent*

## Business

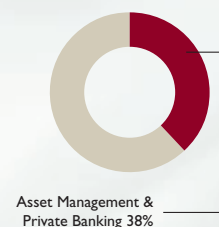
*Products and services:* Discretionary asset management, Mutual fund products, pension consulting services and private banking services.

*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 and London, newly launched private banking concept in Sweden and Denmark.

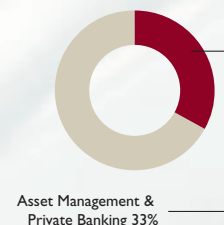
*Clients:* Institutional investors, private clients and retail clients.

*Operations in:* Sweden, Denmark, Luxembourg, Norway, Finland. and the United Kingdom.

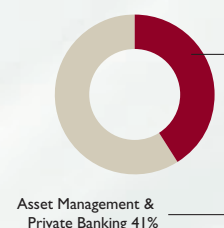
Share of income 2003



Share of profit before taxes 2003



Share of employees 2003



### Carnegie Global Healthcare – the best pharmaceutical fund in Europe and in the US

**Type of fund:** Investing in pharmaceutical, biotech, medical technology and healthcare companies globally. The focus is to identify small growth companies. The fund is registered in Luxembourg.

**Performance, 5 years:** +350%

**Inception date:** 1998-08-03

**Benchmark index performance, 5 years:** +60%, Russell 2000 Healthcare Index (EUR)

## Business environment

Market signals remained uncertain in 2003, albeit with a positive undertone towards the end of the year. The down-weighting of equities by institutions stopped and was followed by a shift back into equities. Private clients became more active in the equity markets although the risk-willingness is lower, which is manifested in an increased interest in diversified portfolios with lower overall risk levels. No recovery was seen in the single premium insurance market.

Retail mutual fund clients increased their savings in funds in 2003, although a large part of savings was directed to fixed income funds. In Sweden, the total net inflow to funds was SEK 70 billion, of which inflow to equity funds accounted for SEK 29 billion (17 miljarder kronor).

## Market position

For the full year 2003, some of Carnegie's asset management fund disciplines lagged their comparable indices, while others were well ahead. Carnegie's fund products mirror the discretionary portfolios. On average, the mutual funds were downgraded in rankings from research institutes, which are mainly based on the last three years' performance. At 31 December 2003, mutual funds representing over 50 per cent of the total assets under management in equity funds held 4- or 5-star rankings<sup>1)</sup> (75 per cent at the end of 2002).

### Mutual fund rating and market value 31 December 2003

	Value SEKm	Morningstar	Fondmarknaden	W-rating
Carnegie Sweden	340	2	2	2
Carnegie Small Cap	1,150	2	1	2
Carnegie Norway	470	4		
Carnegie Nordic Markets	1,400	3	5	4
Carnegie European Equity	600	4	4	3
Carnegie Medical	3,500	4	3	
Carnegie WorldWide Lux	4,800	3	2	5
Carnegie WorldWide Den	4,200	3		

The selected funds represent approximately 80 per cent of the capital in Carnegie's equity funds

In 2003, Carnegie's fund products also reached a number of acknowledgements.

Carnegie Global Healthcare showed the best performance among all pharmaceutical funds in the US and Europe over the past five years, based on statistical evidence from Micropal and Morningstar. In 2003, the fund increased 75 per cent, which is also a top position.

In the third quarter Carnegie Small Cap was selected by SkandiaLink, one of Carnegie's most important distribution channels in Sweden, which generated a substantial inflow to the fund in the last quarter. Carnegie was also selected as external manager of Swedish securities for Andra AP-fonden. Andra AP-fonden's strategy is to run a large part of its asset management through external managers to attain lower risk and to achieve a positive return in the long term.

In January 2004 a survey from Euromoney ranked Banque Carnegie Luxembourg as number 8 among private banks and number 1 among Nordic banks in Luxembourg.

<sup>1)</sup> The rating is made on a scale from 1 to 5, where 5 is the best rating. The evaluation criteria are mainly based on the performance in the last three-year-period.



### Relative performance of Carnegie mutual funds<sup>1)</sup>

	Benchmark index	Launch date	Relative perf. since inception	Relative perf. during 2003
Carnegie Sweden	SEK	Oct 1996	25%	4%
Carnegie Small Cap	SEK	Nov 1996	20%	9%
Carnegie Norway	NOK	Jul 1995	105%	-7%
Carnegie Nordic Markets	USD	Apr 1996	88%	-3%
Carnegie European Equity	EUR	Aug 1999	31%	0%
Carnegie Medical	EUR	Dec 1998	99%	20%
Carnegie WorldWide (Lux)	USD	Dec 1995	71%	-1%
Carnegie WorldWide (Den)	DKK	Jul 1990	223%	-4%

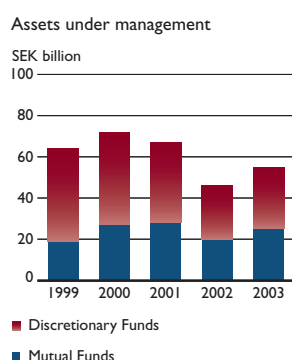
<sup>1)</sup> Selected funds represent approximately 80 per cent of the capital in Carnegie's equity funds.

## Business area reorganisation

The business area Asset Management & Private Banking was formed in 1996 with the purpose of coordinating and developing the asset management and private banking businesses in the Group. At that point in time assets under management amounted to SEK 12 billion for the whole Group, and Banque Carnegie Luxembourg represented a unique private banking competence in Carnegie.

Today, the business area represents close to 40 per cent of revenues and of Carnegie's employees. Carnegie manages a number of top-quality products, and is represented in some of the most important distribution channels in the Nordic region. Carnegie's Pension Consulting operation has established itself as an important market participant in its market segments. Parallel to the private banking operation in Luxembourg and in the UK, private banking operations are being established in Sweden and Denmark.

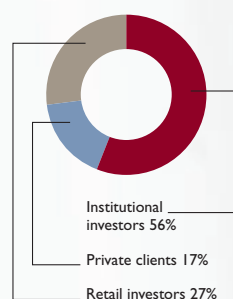
The Asset Management and Private Banking businesses are by definition quite different in nature. While asset managers focus on specific strategies and products, private bankers are service providers, working in an open-architecture environment. To further enhance Carnegie's service to clients, a decision was taken to split the business area into an Asset Management Group and a Private Banking Group, planned to take place in 2004.



## Assets under management

In 2003 assets under management were redefined as a consequence of the integration of all private banking business into the business area. Assets under management now only include discretionary managed portfolios and mutual funds, and exclude advisory managed funds. Assets under management at year-end 2003 were SEK 55 billion, due to net inflow of SEK 4 billion and increased asset valuation of SEK 4 billion. A number of Carnegie's funds are denominated in USD and EUR. Total performance in 2003 included negative currency effects of around SEK 2 billion.

Assets under management from mostly institutional clients



### Asset management investment disciplines

Investment disciplines SEK billion	Mutual funds		Discretionary funds		Total	
	AUM	%	AUM	%	AUM	%
Domestic equities	5	9	10	18	15	27
Nordic equities	1.5	3	1	2	2.5	5
European equities	1.5	3	1	2	2.5	5
Global equities	9	16	11.5	21	20.5	37
Healthcare equities	4	7	—	—	4	7
Technology equities	—	—	0.5	1	0.5	1
Fixed income	4	7	6	11	10	18
Total	25	45	30	55	55	100

### Clients

Asset Management & Private Banking offers services to institutions, private clients and retail investors. About 300 institutional investors represent 56 per cent of assets under management. About 3,000 private clients, primarily in Stockholm and the private banking operations in Luxembourg, represent 17 per cent. About 43,000 retail investors investing directly in Carnegie products, together with clients reached through third-party-distribution networks, represent 27 per cent. External distribution networks include insurance brokers, unit-linked insurance companies (such as SkandiaLink) the PPM-system<sup>1)</sup> 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.

### Development of services and products

Carnegie's role as a provider of strategic and tactical allocation services is being further developed. Banque Carnegie Luxembourg has integrated this into its private client offering for a number of years. Carnegie's pension structuring operation has developed ALM-techniques (Asset Liability Management) as a tool in serving its institutional clients, to achieve optimal allocation of managed funds considering the company's risk profile and the specifics of the pension liabilities. In Sweden, Carnegie offers an allocation service for managed fund portfolios linked to unit-link insurances. This service covers the universe of funds available in the respective open architecture link scheme. Swedish private banking clients are now being offered a complete financial analysis in the CIM-model (Carnegie Investment Management) as a base for strategic and tactical allocation. Three new allocation funds were launched in Sweden.

In the first half of 2003, Carnegie successfully launched its first hedge fund, Carnegie WorldWide Hedge. The product was marketed in Denmark as the first domestic hedge fund product.

A market place for endowment insurances was launched by Carnegie Pension Consulting in Sweden during 2003. The market place aims to enable trading in endowment insurances to increase the liquidity in this type of assets.

<sup>1)</sup>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 scheme, applied from 2000.

## Asset Management

The business area Asset Management will during 2004 include discretionary services to institutional clients, development, marketing and administration of mutual fund products and services mainly to corporate clients in Pension Consulting.

**Discretionary services** – Discretionary asset management services to institutional clients include portfolio management in accordance with the stated guidelines and Carnegie's investment strategy.

**Mutual funds** – Management of Carnegie's mutual funds is based on the same investment strategy as for discretionary assets.

**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.

## Private Banking

As from 1 January 2003, all private client business was integrated within the business area Asset Management & Private Banking. The Private Banking client volume represents the gross value of all portfolios managed on behalf of private clients, both discretionary and advisory accounts, and also includes all types of securities, mutual funds, borrowing and lending. On 31 December 2003 the private client volume amounted to SEK 28 billion, of which SEK 5 billion represents Carnegie's discretionary mandates or mutual funds, included in the assets under management figure above.

## Luxembourg

For many years, Banque Carnegie in Luxembourg has provided a broad range of private banking services principally to Nordic expatriates. The bank offers tailor-made investment services and comprehensive banking services. Specialists in equity, fixed income, derivative markets and currencies provide active management or discretionary asset management. In addition to this the bank offers cash-management facilities, as well as custody and administrative services to Luxembourg-based funds.

## Sweden and Denmark

In 2003, the Private Banking organisation in Sweden and Denmark was formed and the private client operations in Securities was transferred into business area Asset Management & Private Banking.

In November 2003, the Swedish subsidiary D. Carnegie AB received a banking licence from the Swedish Financial Supervisory Authority, which will enable Carnegie to provide a full service concept to clients, including stock broking, discretionary fund management and mortgage lending. In connection with becoming a bank, the name of D. Carnegie AB was changed, as of 1 January 2004, to Carnegie Investment Bank AB. The business area Private Banking will from 2004 focus on the development, marketing and administration of a full service concept to private clients also in the other Nordic domestic markets.

### **Development of open architecture concepts**

One essential ingredient in a developed private banking concept is to offer clients portfolios consisting of both in-house products and externally managed products. Through this, the best products and portfolio compositions, based on an independent evaluation, can be presented to the client, irrespective of who is managing the product. For Carnegie, being an equity-focused asset manager, additional “building blocks” are required to be able to build well-diversified portfolios for different risk profiles and client preferences. In 2003, a team was formed with the task to establish and continuously develop the selection of external products meeting Carnegie’s quality requirements.

In line with this intention, Carnegie signed a cooperation agreement with Russell, global leaders in multi-manager investing. Russell’s suite of funds covers the full range of asset classes and investment styles. Using its global research capabilities, Russell blends leading managers into funds provided to Carnegie’s clients alongside Carnegie’s in-house fund products.

### **Targeted segments**

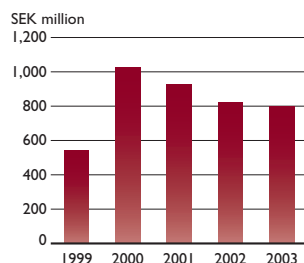
#### **Private Banking**

Carnegie’s market share within the private client segment on a Nordic basis is currently low. The aim is to increase the market share and income generation in this client segment through the development of the Private Banking service concept.

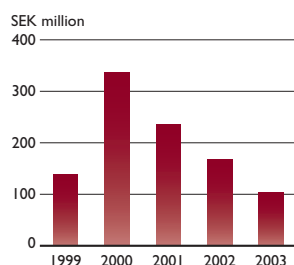
#### **Asset Management**

Institutional clients are core to the asset management business, and Carnegie’s market penetration in this segment is high in the Nordic region. Carnegie’s aim is to continue to strengthen the client relations in this segment. Serving institutional clients demands top-quality services, which can be capitalised on in other market segments. Carnegie’s development of pension related services in Pension Consulting is an example of this and the intention is to further expand the market share among institutional and corporate clients. Carnegie has a market share of about 1-2 per cent of mutual fund stock in the Nordic market. Carnegie’s target in the mutual fund segment is to increase the market share through offering top-quality products, mainly through third-party distribution. Carnegie would therefore benefit from a continued break-up of the existing mutual fund distribution oligopoly.

Total income  
Asset Management & Private Banking



Profit before taxes  
Asset Management & Private Banking



## Income statement, operating data and key ratios

Asset Management & Private Banking (SEK million)	1999	2000	2001	2002	2003
Net commission income	162	271	276	259	265
Net interest income	51	70	78	101	86
Net income from financial positions	15	62	73	38	42
Total fees from mutual funds	125	378	321	251	240
Total fees from discretionary fund management	133	173	112	80	78
Advisory fees	57	70	64	90	88
<b>Total income<sup>1)</sup></b>	<b>543</b>	<b>1,024</b>	<b>924</b>	<b>819</b>	<b>798</b>
Personnel expenses	-141	-170	-234	-267	-314
Redundancy expenses	-	-	-	-22	-19
Other expenses	-129	-185	-239	-226	-268
Net provisions for credit losses	0	-1	0	0	0
<b>Total expenses excluding profit-share</b>	<b>-270</b>	<b>-356</b>	<b>-473</b>	<b>-514</b>	<b>-601</b>
<b>Operating profit before profit-share</b>	<b>273</b>	<b>668</b>	<b>451</b>	<b>305</b>	<b>197</b>
Allocation to profit-share system <sup>2)</sup>	-135	-332	-216	-137	-94
<b>Total expenses</b>	<b>-405</b>	<b>-688</b>	<b>-689</b>	<b>-651</b>	<b>-695</b>
<b>Profit before taxes</b>	<b>138</b>	<b>336</b>	<b>235</b>	<b>168</b>	<b>103</b>
Cost/income ratio, %	75%	67%	75%	79%	87%
Operating margin, %	25%	33%	25%	21%	13%
<b>Period-end assets under management (SEK billion)</b>	<b>64</b>	<b>72</b>	<b>87</b>	<b>47</b>	<b>55</b>
– whereof mutual funds	19	27	28	20	25
– whereof discretionary fund management	45	45	39	26	30
Number of employees, average	188	206	253	281	323
Number of employees, period-end	191	234	253	272	315

<sup>1)</sup> 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.

<sup>2)</sup> In the presentation, the result from principal investments and the profit-share effect from the result are not allocated to business areas.

For definitions, see page 10.

## Income

Total income for 2003 was SEK 798 million, down 3 per cent Y/Y including income generated in the Private Sales operations, transferred from business area Securities.<sup>1)</sup>

On a like-for-like basis, income was down by 14 per cent Y/Y, primarily reflecting a decrease in commission income, which is mainly generated in Private Banking. Fees from mutual funds for 2003 were SEK 240 million, down 5 per cent Y/Y. Total fees from mutual and discretionary fund management included performance fees amounting to SEK 10 million (no performance fees were recorded in 2002), reflecting the value increase towards the end of the year. Fees from discretionary fund management were SEK 78 million, a decline of 3 per cent Y/Y.

<sup>1)</sup> See table at next page

Out of total income in 2003, Private Banking (including the operations in Sweden, Denmark, UK and Luxembourg) accounted for SEK 346 million.

### Expenses and profit before taxes

Total expenses before profit-share in 2003 amounted to SEK 601 million, an increase of 17 per cent Y/Y including transferred direct and indirect costs for the Private Sales operations of SEK 106 million<sup>1)</sup>. On a like-for-like basis, total expenses before profit-share were SEK 495 million, down by 4 per cent Y/Y.

Private Banking accounted for SEK 250 million of the total costs in 2003, of which SEK 56 million in the last quarter.

Profit before allocation of profit-share for 2003 was SEK 197 million, including a negative contribution from the Private Sales operations of SEK 11 million and redundancy costs of SEK 19 million. The profit before taxes was SEK 103 million, down by 35 per cent from last year on a like-for-like basis.

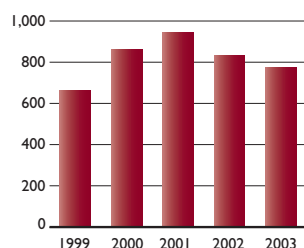
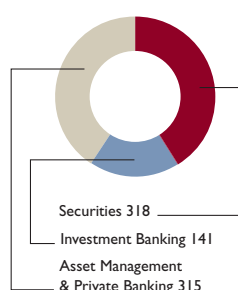
<sup>1)</sup> The Private Sales operations were transferred from Securities into Asset Management & Private Banking from 1 January 2003. Historical figures have not been restated. The table below shows the net effects on income and expenses for 2003.

Private Sales operations (SEKm)	Q1	Q2	Q3	Q4	2003
Total income	17	22	27	29	95
Total expenses before profit-share	-30	-28	-25	-23	-106
Net effect	-13	-6	2	6	-11

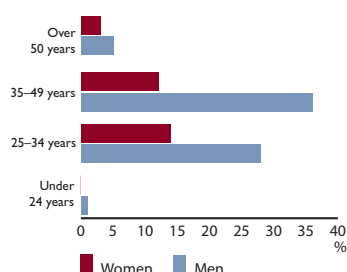


# Employees

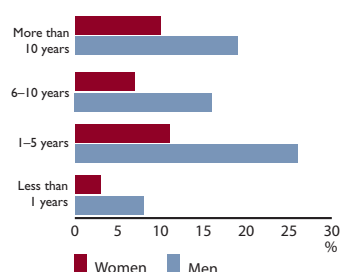
Year-end number of employees

Employees per business area  
Total 774

Age distribution



Number of years of employment



More than 50 per cent has been employed for more than 6 years

## Employee structure

In response to declining markets the number of employees has been reduced by 200, about 20 per cent, since the peak in the beginning of 2002. At year-end 2003 the number of employees was 774, a decline of 7 per cent from 2002. The reduction of employees has been made with the purpose of keeping the strategic base in all business areas, in order to be able to handle larger volumes with existing capacity, when the market activity returns. Excluding internal transfers between business areas, the reduction from the peak was about 25 per cent in Securities and about 20 per cent in Investment Banking, while the number of employees has been unchanged in Asset Management & Private Banking.

Employees	1999	2000	2001	2002	2003
Average no of employees	649	765	941	924	793
Employees at period-end	665	864	943	835	774
Net change	76	199	79	-108	-61

Over 90 per cent of the employees in Carnegie are between 25 to 49 years old and about 50 per cent are 35 to 49 years old. Over half of the employees have been in the company for 6 years or more, and 29 per cent have been employed over 10 years.

In 2003, sick leave among employees in Swedish companies constituted 2 per cent of total regular working hours, of which about 50 per cent exceeded 60 days.

## Corporate culture and incentive programmes

Carnegie believes that a strong culture is essential in bringing together all employees towards the shared mission, to create long-term profitability by making Carnegie our clients' first choice. The quality and dedication of the staff and the shared sense of being part of a team are part of Carnegie's strengths. This is expressed in Carnegie's core values:

**Teamwork** – true teamwork improves performance

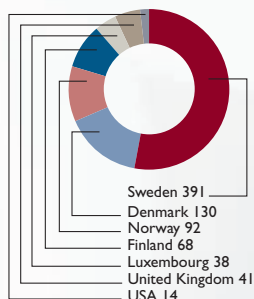
**Integrity** – a work environment that fosters high ethical standards, mutual respect, honesty and courage

**Passion** – dedicated employees who thrive create more added value for clients

Essential in fulfilling the mission and keeping the position as the leading independent Nordic investment bank, is active leadership, with clear targets and incentives. This is also a prerequisite for attracting and retaining the most qualified people. During 2003 Carnegie's commitment to leadership issues has been reinforced and the leadership programme for managers and team leaders has been further developed.

It is also Carnegie's belief that clear financial incentives foster commitment and personal interest in the success of Carnegie as a whole, creating value added to clients through increased productivity and performance. A transparent compensation system tied to the company's performance in the form of profit-sharing, is therefore in best interest of both clients and shareholders.

Employees per country  
Total 774



Carnegie's profit-share system was introduced in the beginning of the 90's, with the purpose to create a long-term, stable and transparent system. The profit-share is calculated as a fixed formula, 50 per cent of the Group's operating profit, after a deduction of an amount equal to 12-months STIBOR (Stockholm Interbank Offered Rates), on the opening balance of the shareholders' equity for the year, adjusted for any dividends distributed to shareholders. The profit-share is only distributed following a positive result (after deduction for 12-months STIBOR on shareholders equity) for the full year, and zero or negative results therefore leads to zero profit-share.

Total compensation to employees is thus composed of a fixed part and a variable part, i.e. the profit-share. The fact that part of total compensation is totally variable enables a fast cost adjustment in weaker markets. The total compensation constitutes about 50 per cent of total income for the Carnegie Group – a ratio which is quite stable over the years, and is comparable to the leading international investment banks. Profit-share is distributed to individuals on a discretionary basis, following a thorough process in evaluating performance and other relevant criterias. The process is guided by the remuneration committee which also decides upon the remuneration for Group Management. In 2003 Group Management, including the CEO, was evaluated through a 360° evaluation model. This model is based on input from superiors, peers and subordinates, and reviewed management according to the following parameters: professional competence, leadership skills, achievement of previously set objectives and corporate values. In addition to this, the Chairman of the Board also held individual discussions with members of Group management in order to evaluate the CEO.

A large part of Carnegie's employees are shareholders in Carnegie following the shareholding scheme, which was applied until 1999. At year-end 2003, Carnegie employees held 21 per cent of Carnegie's total shares outstanding. After the IPO of Carnegie 2001 a scheme for equity participations was introduced in the form of warrant programmes. A decision was taken to evaluate the programmes after a three-year-period. The evaluation will take place during 2004 and no new scheme for equity participations will be proposed to the AGM in 2004.

## Corporate governance

Carnegie's operations cover a number of geographical markets, which have adopted different corporate governance regulations, recommendations or policies. Carnegie has adopted a corporate governance approach that complies with existing laws and recommendations in relevant countries and also takes into account the special situations relevant for a Nordic investment bank.

### The Board of Directors

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. One director is also elected Vice Chairman of the Board.

According to the Articles of Association the Board should consist of not less than five and not more than nine members. In March 2003 the AGM decided that the Board should consist of nine members. Re-election was agreed of Lars Bertmar (elected as Chairman of the Board), Christer Zetterberg (elected as Vice Chairman of the Board), Sigurd Astrup, Lars Berg, Michael Gibbins, John Hodson, and Anders Ljungh. Karin Forseke (CEO) and Fields Wicker-Miurin were elected as new board members.

Of the nine members of the board, eight are non-executives. Lars Bertmar, Chairman of the Board, has been the CEO of Carnegie from 1990 until March 2003, and finished his employment with the company when he turned 58 years in July 2003. As from that date, Mr Bertmar has served as a non-executive member of the Board. Two members of the Board are female.

Carnegie's Board includes representatives from four different nationalities: American, British, Norwegian and Swedish. The Board members have industrial and financial backgrounds, bringing a broad industrial experience from the Nordic region and internationally, as well as expertise from the global financial services industry and the regulatory environment in the EU.

Name	Born	Nationality	Function	Director since
Lars Bertmar	1945	Swedish	Chairman, Non-Executive Director	1990
Christer Zetterberg	1941	Swedish	Vice Chairman, Non-Executive Director	2001
Sigurd Astrup	1937	Norwegian	Non-Executive Director	2002
Lars Berg	1947	Swedish	Non-Executive Director	2001
Karin Forseke	1955	Swedish/American	Chief Executive Officer	2003
John Hodson	1946	British	Non-Executive Director	1995
Michael Gibbins <sup>*)</sup>	1943	British	Non-Executive Director	1999
Anders Ljungh	1942	Swedish	Non-Executive Director	2001
Fields Wicker-Miurin	1958	American/British	Non-Executive Director	2003

<sup>\*)</sup> In November 2003 Mr Michael Gibbins announced his resignation from the Board, due to the fact that he will retire from his position at Singer & Friedlander Group PLC.

## The Board's tasks

The Board's main tasks are:

- Overall responsibility for the ultimate direction of the business of Carnegie and the giving of necessary directives, ensuring value for shareholders,
- to ensure that the organisation complies with all relevant laws and regulations and internal policies,
- to understand risks and how they are managed and to apply a rigorous process for evaluating the performance of the CEO.

## The Board's activities in 2003

The Board held 12 meetings in 2003. At the statutory board meeting in March the Board appointed Ms Karin Forseke CEO of the company. Further it allocated the remuneration to the Board. Remuneration was only allocated to the Non-Executive officers of the Board. Further it decided Rules of Procedure for the Board, Terms of Reference for the CEO and an Instruction for the reporting of information in respect of the financial situation. One of the Board's meetings was devoted entirely to discussing the strategic development of the company and one meeting was devoted to discussing risks and regulation. Several strategic decisions were passed during the year, including but not limited to, the restructuring of the Carnegie Group and the filing of an application to obtain a banking licence in Sweden with the Swedish Financial Supervisory Authorities (refer to page 24).

## Compliance and risk management organisation



### 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.

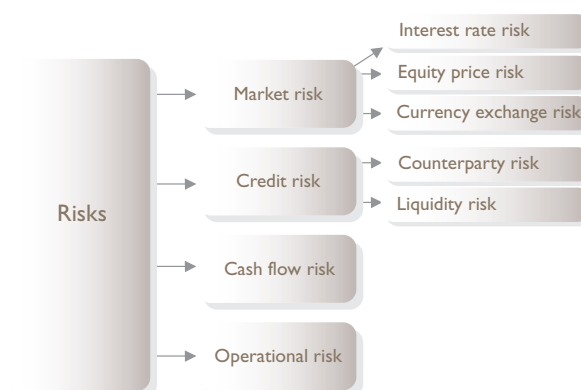
### Internal audit

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, cash flow and operational risks. Market risk is defined as the risk of loss due to changes in market prices, e.g. changes in equity prices, interest rates, or currency exchange rates. Credit risk is defined as the risk of loss due to counterparty default on loans or other counterparty exposure. Credit risk also includes liquidity risk, e.g. risks arising when lending and funding are not matched. As Carnegie does not provide any long-term loan facilities, liquidity risks are not of significant size. 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 also provide assistance relating to the technical and regulatory aspects of the trading activities.

The Board of Directors of the subsidiaries establish limits for **market risks**. 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/or credit departments 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.

The Group treasury and finance functions monitor Carnegie's cash flow situation and manage the **cash flow risk**. Carnegie's principal needs for liquidity are 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, margin lending and short time deposits. As a consequence of this, the balance sheet fluctuates significantly between the financial statement dates, but the cash flow risks are very low.

**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. Head of Security reports directly to senior management and relevant boards.



## Committees and policies

The Board's activities are coordinated through committees and policies. In 2003 the Board established three committees: the Nomination Committee, the Remuneration Committee and the Audit Committee, and adopted Terms of References for the Committees. The Board also decided or updated several Group Policies and Terms of Reference. In 2003 a Code of Conduct Committee was established, aiming at maintaining the further development and updating of the Code, a separate set of rules for the management of potential conflicts of interest between investment banking and equity research activities. The Committee consists of the Group Compliance Officer together with representatives from business area Securities and Investment Banking.

## Committees

### Nomination committee

Members: Lars Bertmar, Chairman, Mats Lagerqvist, Robur, and Anders Lannebo, Lannebo Fonder.

The Chairman of the Board establishes a nomination committee, consisting of two representatives for Carnegie's larger shareholders. The members of the nomination committee are presented during the last quarter of the year. In conjunction with the publication of Carnegie's year-end report, the proposal for the next election of Board members is presented.

The members of the nomination committee were announced in December 2003. The proposal for the next nomination of Board members was presented in connection with the announcement of year-end report for 2003.

### Remuneration committee

Members: Lars Bertmar, Chairman, Lars Berg and Anders Ljungh.

The remuneration committee reviews the salary and benefits of the CEO in accordance with her/his contract; it also establishes principles and overall policy for the salaries, benefits and pensions of the executive officers of the Carnegie Group.

The remuneration committee held 5 meetings in 2003. The committee reviewed and approved the evaluation process, which is the basis for the profit-share allocation process. Group Management, including the CEO, was evaluated through a 360° evaluation, based on input from superiors, peers and subordinates, and reviewed management according to the following parameters: professional competence, leadership skills, achievement of previously set objectives and corporate values. In addition to this, the Chairman of the Board also held individual discussions with members of Group management in order to evaluate the CEO.

### **Audit committee**

Members: Christer Zetterberg, Chairman, Anders Ljungh and Fields Wicker-Miurin.

The Audit committee assists 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.

Further, the committee is currently updated on group corporate risks and general operational risk issues through information provided from the Group Risk Assessment committee. The audit committee held 6 meetings in 2003.

### **Policies**

The Board of Directors has implemented a number of group wide policies in order to facilitate the compliance with the relevant laws and regulations, e.g. the Carnegie Code of Conduct, Personal account dealing rules, Information security policy, Crisis management policy, Communication Strategy and Environmental policy (in Sweden). The policies are available internally and are reviewed annually.

### **Environmental policy**

Carnegie has adopted an environmental policy applicable to all Swedish operations of which relevant areas shall be recognised in all of Carnegie's operations. The two main areas identified for further activities are assessment and reduction of Carnegie's environmental impact, together with training and encouragement of staff. Carnegie conducts on an annual basis environmental reviews in order to follow up the policy. Measures that have been taken so far include office premises waste management, energy consumption and procurement.

### **Carnegie Code of Conduct – Rules governing potential conflicts of interest**

The Carnegie code of conduct is 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, the Sector Analyst and the Company Analyst 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. 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.

In 2003 a Code of Conduct Committee was established, aiming at maintaining the further development and updating of the Code. The Committee consists of the Group Compliance Officer together with representatives from business area Securities and Investment Banking.

## Board of Directors

**Sigurd Astrup**, Director. Born 1937. Board member since 2002. Mr Astrup has a broad experience from the Norwegian industry and business leadership. Chairman and sole owner of Astrup & Son AS in Norway. Member of several boards in Norway, several 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, –, 2003/2006, –.

**Lars Berg**, Director. Born 1947. Board member since 2001. Mr Berg has vast experience from Swedish and international telecom sector. Mr Berg was in December 2003 appointed CEO of Eniro AB. 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



Lars Bertmar



Karin Forseke



Lars Berg



Sigurd Astrup

### Changes in the Board of Directors

Two new board members were elected at the AGM, Ms Karin Forseke and Ms Fields Wicker-Miurin.

In November 2003, Mr Michael Gibbins announced his resignation from the Board due to the fact that he was to retire from his position at Singer & Friedlander Group PLC at year-end 2003.

Ericsson. Board member of: Telefonica Moviles S.A., Eniro AB, Förvaltnings AB Ratios, Net Insight AB (Chairman), Anoto Group, Ledstiernan AB and Schibsted ASA. No. of shares in Carnegie, 2,000. No. of warrants 2002/2005, –, 2003/2006, –.

**Lars Bertmar**, Chairman of the board. Born 1945. Board member since 1990. Mr Bertmar has deep knowledge and experience from the Nordic financial industry and from his twelve years as CEO of Carnegie. CEO of the Carnegie Group between 1990 and 2003. Deputy CEO of Industrivärden AB 1988–90. Executive vice president at Svenska Handelsbanken 1984–88. PhD and Docent at the Stockholm School of Economics. Chairman of the Board of Arts and Business Sweden, Board member of Swedish Association for Share Promotion and Swedish Institute for Financial Research (SIFR). No. of shares in Carnegie, 300,000. No. of warrants 2002/2005, –, 2003/2006, –.

**Karin Forseke**, Director. Born 1955. Board member since 2003. CEO of the Carnegie Group since March 2003. Ms Forseke has a long background and experience in the UK and the US financial markets and many years of client relationships. Head of International Sales and Sales Trading at Carnegie between 1998 and 2002. COO of the London International Financial Futures and Options Exchange (LIFFE) from 1993 to 1998. From 1992 through 1993 responsible for client relations and sales/distributions in Westpac Banking Corporation's Financial Markets Group. From 1989 to 1992 director of business development in establishing the OMLX exchange in London. No. of shares in Carnegie, 305,000. No. of warrants 2003/2006, 25,000.



**John Hodson**, Director. Born 1946. Board member since 1995. Mr Hodson has many years of experience from the British merchant banking industry. 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, –, 2003/2006, –.

**Anders Ljungh**, Director. Born 1942. Board member since 2001. Mr Ljungh has an in-depth knowledge and experience from the financial industry and particularly from investment banking services, internationally as well as from the Nordic markets. 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



Fields Wicker-Miurin



John Hodson



Christer Zetterberg



Anders Ljungh

International in Stockholm and for the World Bank. PhD Royal Institute of Technology, Stockholm. Chairman of HiQ. No. of shares in Carnegie, 2,000. No. of warrants 2002/2005, –, 2003/2006, –.

**Christer Zetterberg**, Vice chairman of the board. Chairman 2001-2002. Born 1941. Mr Zetterberg has a genuine background from the Swedish paper and pulp and manufacturing industry as well as from the financial sector. 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, Boo-Forsjö AB, Swedefund 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, –, 2003/2006, –.

**Fields Wicker-Miurin**, Director. Born 1958. Board member since 2003. Ms Wicker-Miurin has more than 20 years experience in the global financial services industry and is also an adviser in regulatory financial industry issues. Executive Director of Leaders Quest. Chief Financial Officer and Director of Strategy of the London Stock Exchange between 1994 and 1997. Member of the Nasdaq Technology Advisory Council in New York and one of 10 members of the Panel of Experts selected to advise the EU Parliament on the harmonisation of financial services across the EU. No. of shares in Carnegie, –. No. of warrants 2002/2005, –, 2003/2006, –.

## Executive officers

**Mats Bremberg**, born 1963. Appointed Nordic Head of Investment Banking in April 2003 and has prior to that been heading Carnegie's Investment Banking business in Sweden since March 2001. Executive Director at Morgan Stanley & Co Limited in London, where he spent five years at the European investment banking division. No of shares in Carnegie, 100,000. No. of warrants 2002/2005: 10,000, 2003/2006: 20,000.

**Karin Forseke**, born 1955. CEO of the Carnegie Group since March 2003. Head of International Sales and Sales Trading at Carnegie between 1998 and 2002. COO of the London International Financial Futures and Options Exchange (LIFFE) from 1993 to 1998. From 1992 through 1993 responsible for client relations and sales/distributions in Westpac Banking Corporation's



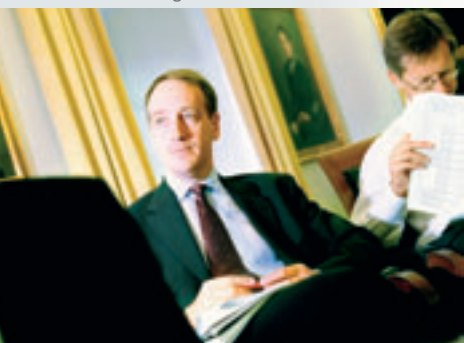
Stig Vilhelmson



Mats-Olof Ljungkvist



Bertil Hult



Mats Bremberg



Anders Onarheim



### Changes in the executive management

In April 2003 Mats Bremberg was appointed Nordic Head of Investment Banking and also became part of the Management Group. Mark Walker, Managing Director of Carnegie's UK office was appointed Group Head of Administration as of 1 January 2004 and is then also becoming part of the Management Group.

From 2004, Mr Bertil Hult, Head of business area Asset Management & Private Banking, will leave Carnegie in connection with the split of the business area into one Asset Management part and one Private Banking part.

Mr Niels Roth announced that he will leave the Company in February 2004.

Financial Markets Group. From 1989 to 1992 director of business development in establishing The OMLX exchange in London. No of shares in Carnegie, 305,000. No. of warrants 2002/2005: —, 2003/2006, 25,000.

**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, 275,000. No. of warrants 2002/2005: —, 2003/2006: 25,000.

**Matti Kinnunen**, born 1958, was appointed Head of Operations in 2002. Mr Kinnunen joined Carnegie in 1990 and worked as Managing Director of D. Carnegie AB between 1992 and 2002. 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: —, 2003/2006: 25,000.

**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, 110,000. No. of warrants 2002/2005: —, 2003/2006: 25,000.



**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, 313,000. No. of warrants 2002/2005: –, 2003/2006: 25,000.

**Niels Roth**, born 1957. Mr Roth has been with Carnegie between 1989 and 2004. Mr Roth joined Carnegie when Leif Jensen, a private stock broking company of which he was a MD,



Mats Bremberg och Niels Roth



Karin Forseke



Matti Kinnunen



co-founder and partner, was acquired by Carnegie. Since the acquisition, Mr Roth has been the Managing Director of Carnegie Bank A/S. From 2000 to 2002 he was Head of Investment Banking. 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, 150,000. The shares are held indirectly. No. of warrants 2002/2005: –, 2003/2006: 25,000.

**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, 305,000. No. of warrants 2002/2005: –, 2003/2006: 25,000.

**Mark Walker**, born 1964, was appointed Group Head of Administration as of 1 January 2004. Mr Walker joined Carnegie as Head of Operations at Carnegie's UK Branch in 1998 and was appointed Managing Director of the UK Branch in 2000. Mr Walker had between 1992 and 1998 various roles within London International Financial Futures and Options Exchange (LIFFE). In 1997 he was appointed Director for Strategic Systems Development at LIFFE. No. of shares in Carnegie, 80,000. No. of warrants 2002/2005: 7,000, 2003/2006: 7,500.



## Compensation

### Compensation to Board members and CEO

At the Annual General Meeting, it was resolved to pay SEK 1.65 million (SEK 2.25 million) to Board members in D. Carnegie & Co AB, not employed by Carnegie or Singer & Friedlander. The Vice Chairman of the Board (in 2002 Chairman of the Board) will receive SEK 450,000 (SEK 750,000) and the other Board members will each receive SEK 300,000 (500,000). Board members elected to committees receive SEK 100,000 (–) for each assignment, in total amounting to SEK 500,000 (–).

During 2003 Mr Zetterberg was also a Board member in D. Carnegie AB, for which he received SEK 100,000 (–). Mr Ljungh receives SEK 200,000 for his assignments as Board member in D. Carnegie AB and Banque Carnegie in Luxembourg. Mr Ljung completed his assignment as senior adviser to Carnegie in 2002. Therefore, he received no compensation for 2003 (SEK 2,8 million). Sigurd Astrup is also a Board member in Carnegie Asset Management Holding Norge AS and Carnegie Forvaltning ASA, from which he receives SEK 46,000 (SEK 43,000).

#### Non-executive Board members (excluding the Chairman of the Board)

SEK 000'	D. Carnegie & Co AB	Board committees	Internal boards	Total
Christer Zetterberg	450	100	100	650
Sigurd Astrup	300	–	46	346
Lars Berg	300	100	–	400
Anders Ljungh	300	200	200	700
Fields Wicker-Miurin	300	100	–	400
John Hodson	–	–	–	–
Michael Gibbins	–	–	–	–
<b>Total</b>	<b>1,650</b>	<b>500</b>	<b>346</b>	<b>2,496<sup>1)</sup></b>

<sup>1)</sup> In addition to this Dag Sehlin, proposed new Board member for D. Carnegie & Co AB for 2004, receives SEK 150,000 for his assignments in D. Carnegie AB and an internal credit committee, leading to a total compensation to Board members of SEK 2,646,000.

### Compensation to former CEO

Mr Lars Bertmar was CEO of Carnegie until March 2003 and finished his employment in July 2003. As CEO Lars Bertmar received remuneration amounting to SEK 0.7 million (SEK 3.6 million) and as Executive Chairman of the Board he received remuneration in the amount of SEK 1.3 million (–). Other benefits, including a company car, amounted to SEK 35,000 (SEK 84,000). No profit-share was allocated to Mr Bertmar in 2002 or in 2003.

As from July 2003, Mr Bertmar serves as a non-executive Chairman of the Board. On leaving his employment, Mr Bertmar received a one-off contribution of SEK 7.7 million to his pension benefits. In terms of expenses for the company, this corresponds to two years salary. It was also agreed that Mr Bertmar would not receive any compensation as member of the board in 2003 or, if re-elected, 2004.

### Compensation to current CEO

Karin Forseke was appointed as new CEO in March 2003, and received an annual remuneration of SEK 2.9 million for 2003 of which SEK 2.4 million (–) as CEO. The CEO's profit-share allocation for the operating year 2003 was paid as a payment to a pension insurance to the benefit of the CEO and amounted to SEK 3.9 million (–).

The CEO also received other benefits of SEK 123,000 (–), related to the corresponding benefit value of received warrants.

## Compensation to Executive officers

The total compensation to Executive officers, including the former and the current CEO, amounted to SEK 34 million in 2003 (SEK 34 million), of which SEK 15 million (SEK 11 million) was attributed to profit-share allocation. The executive management's share of the total allocation to profit-share including payroll taxes, corresponded to 8 per cent (6 per cent). The Executive officers also received other benefits of SEK 1 million (–), related to the corresponding value of received warrants.

## Pensions

Carnegie makes compensation-based premium payments (the payments are based on total salary and excludes any potential profit-share allocation) for pension insurance in accordance with standards in each country, corresponding to 9.2 per cent (8.2 per cent) of the total personnel 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 non-executive Board members. In 2003, pension premiums of SEK 61,500 (SEK 447,000) were paid on behalf of the former CEO, and as Executive Chairman of the Board he received SEK 153,500 (–). For the current CEO, pension premiums amounted to SEK 790,000 (–). 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. Other members of Group Management are covered by customary terms in each country.

## 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 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 other benefits for a 24-months' period. 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.

## Related party transactions

There were no related party transactions in 2003, except the transactions involving Capital C described on page 24.

## Statutory consolidated income statement

(SEK thousands)	Note	2003	2002
<b>Commission income</b>	1, 2	<b>1,730,899</b>	<b>2,113,841</b>
Interest income		296,338	422,350
Interest expenses		–188,876	–281,379
<b>Net interest income</b>	3	<b>107,462</b>	<b>140,971</b>
Dividend received	4	582	3,672
Net profit from financial transactions	5	243,759	171,226
Other income		0	3,875
<b>Total income</b>		<b>2,082,702</b>	<b>2,433,585</b>
General administrative expenses	6, 21	–1,682,589	–1,986,329
Depreciation of tangible and amortisation of intangible fixed assets	7	–77,932	–73,267
<b>Total expenses</b>		<b>–1,760,521</b>	<b>–2,059,596</b>
<b>Operating profit before provisions for credit losses</b>		<b>322,181</b>	<b>373,988</b>
Provisions for credit losses, net	8	827	–3,085
Write-down of financial fixed assets	10	–	–29,219
<b>Operating profit</b>		<b>323,008</b>	<b>341,684</b>
Result from associated companies	14	–7,583	–2,698
<b>Profit before taxes</b>		<b>315,425</b>	<b>338,987</b>
Taxes	9	–104,065	–88,881
<b>NET PROFIT</b>		<b>211,360</b>	<b>250,106</b>
Earnings per share (SEK)		3.17	3.75
Earnings per share, fully diluted (SEK)		3.14	3.75
Average number of shares		66,701,600	66,701,600
Number of shares related to outstanding warrants		4,800,000	2,400,000
Total number of shares, incl effect of issued warrants		67,242,860	66,701,600
Dividend per share (SEK)		3.16 <sup>1)</sup>	8.93

<sup>1)</sup> Proposed dividend

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

# Statutory consolidated balance sheet

Assets (SEK thousands)	Note	31 Dec 2003	31 Dec 2002
Cash and bank deposits in central banks		225,618	81,541
Loans to credit institutions	12	4,963,520	2,955,145
Loans to general public	12, 13	3,120,195	2,820,316
Bonds and other interest bearing securities	10, 11	1,027,306	1,883,630
Shares and participations	10	3,338,378	763,518
Shares and participations in associated companies	14	4,834	4,788
Intangible fixed assets	15	58,618	57,115
Tangible fixed assets	16	107,645	162,785
Other assets	10, 17	1,529,116	3,491,523
Prepaid expenses and accrued income	19	243,161	223,634
<b>TOTAL ASSETS</b>		<b>14,618,391</b>	<b>12,443,996</b>
<b>Collateral pledged for own liabilities</b>			
Securities		3,808,954	1,931,952
Securities owned by customers		1,745,772	682,793
Other assets		1,041,916	813,739
<b>Standardized options</b>			
Blocked assets in customer accounts		130,809	259,283
<b>Securities loaned</b>			
		509,259	743,243
Liabilities and shareholders' equity (SEK thousands)	Note	31 Dec 2003	31 Dec 2002
Liabilities to credit institutions	12	3,208,082	1,870,071
Deposits and borrowing from general public	12	5,144,827	5,016,159
Other liabilities	10, 18	4,329,919	2,881,989
Accrued expenses and prepaid income	20	536,304	804,973
<b>Total liabilities</b>		<b>13,219,131</b>	<b>10,573,192</b>
<b>Provisions</b>			
Deferred taxes		93,597	143,097
Pension obligations		160,470	159,712
<b>Total provisions</b>		<b>254,067</b>	<b>302,809</b>
<b>Shareholders' equity</b>			
Share capital		133,403	133,403
Restricted reserves <sup>1)</sup>		644,286	679,611
Unrestricted reserves <sup>2)</sup>		156,143	504,875
Net profit		211,360	250,106
<b>Total shareholders' equity</b>		<b>1,145,192</b>	<b>1,567,996</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>14,618,391</b>	<b>12,443,996</b>
<b>Contingent liabilities</b>			
Guarantees		7,189	4,942
Guarantee of liabilities in associated companies		84,272	220,149
		70,731	66,625
<b>Securities borrowed</b>			
		2,078,279	1,753,572

<sup>1)</sup> Reserves that can not be distributed to the shareholders.

<sup>2)</sup> Accumulated net profits.

## Change in shareholders' equity, Group

(SEK thousands)	RESTRICTED RESERVES			UNRESTRICTED RESERVES		
	Share Capital	Restricted reserves <sup>1)</sup>	Translation differences	Translation differences	Unrestricted reserves including net profit	Total
Opening balance 2002	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
<b>Closing balance 2002</b>	<b>133,403</b>	<b>653,820</b>	<b>25,792</b>	<b>48,153</b>	<b>706,828</b>	<b>1,567,996</b>
Dividend					-595,645	-595,645
Changes in equity method reserve		-1,300			1,300	-
Transfers between restricted and unrestricted reserves		-7,539			7,539	-
Foreign exchange difference			-26,487	-12,032		-38,519
Net profit					211,360	211,360
<b>Closing balance 2003</b>	<b>133,403</b>	<b>644,981</b>	<b>-695</b>	<b>36,121</b>	<b>331,382</b>	<b>1,145,192</b>

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

	2003	2002
Dividend per share (SEK)	3.16 <sup>1)</sup>	8.93

<sup>1)</sup> Proposed dividend

## Income statement of Parent Company

(SEK thousands)	Note	2003	2002
Operating income		4,308	5,684
Administrative expenses	23	-50,352	-72,818
<b>Operating profit</b>		<b>-46,044</b>	<b>-67,134</b>
<b>Financial items</b>			
Anticipated dividend from Group companies		225,000	279,200
Interest income from Group companies		18,956	31,058
Other interest income		6	598
Write-down of financial fixed assets	28	-	-29,219
Interest expenses on subordinated loan		-7	-11
Interest expenses to Group companies		-403	-
Other interest expenses		-1	-25,822
Foreign exchange differences		-238	-6,063
<b>Profit after financial items</b>		<b>197,277</b>	<b>182,607</b>
Appropriations	24	51,899	-6,945
<b>Profit before taxes</b>		<b>249,169</b>	<b>175,662</b>
Taxes	25	-8,159	40,732
<b>NET PROFIT</b>		<b>241,010</b>	<b>216,394</b>

## Balance sheet of Parent Company

Assets (SEK thousands)	Note	31 Dec 2003	31 Dec 2002
<b>Fixed assets</b>			
<b>Tangible assets</b>			
IT equipment and other machinery	26	–	8,363
<b>Financial assets</b>			
Shares in Group companies	27	724,490	627,784
Receivables from Group companies		–	241,750
Shares in associated companies	14	11,550	5,050
Other shares and participations	28	14,610	14,610
Receivables from associated companies		27,500	4,000
Deferred taxes recoverable		21,640	15,814
Other financial assets		36,241	27,261
<b>Total financial assets</b>		<b>836,031</b>	<b>936,269</b>
<b>Total fixed assets</b>		<b>836,031</b>	<b>944,632</b>
<b>Current assets</b>			
<b>Current receivables</b>			
Receivables from Group companies		218,877	612,425
Prepaid tax		48,949	–
Other receivables		75	41,525
Prepaid expenses and accrued income		397	1,474
<b>Total current receivables</b>		<b>268,298</b>	<b>655,424</b>
<b>Cash and bank</b>		<b>1,889</b>	<b>1,331</b>
<b>Total current assets</b>		<b>270,186</b>	<b>656,755</b>
<b>TOTAL ASSETS</b>		<b>1,106,217</b>	<b>1,601,387</b>
Asset pledged		None	None



Shareholders' equity and liabilities (SEK thousands)	Note	31 Dec 2003	31 Dec 2002
<b>Shareholders' equity</b>			
<b>Restricted equity</b>			
Share capital (66,701,600 shares, par value SEK 2)		133,403	133,403
Statutory reserve		579	579
Share premium reserve <sup>1)</sup>		458,191	458,191
<b>Unrestricted equity</b>			
Retained earnings <sup>2)</sup>		-28,333	379,708
Net profit		241,010	216,394
<b>Total shareholders' equity</b>		<b>804,850</b>	<b>1,188,276</b>
<b>Subordinated loan</b>	29	<b>240</b>	<b>240</b>
<b>Provisions</b>			
Pension obligations		36,241	27,261
Tax allocation reserve	30	259,167	311,066
<b>Total provisions</b>		<b>295,408</b>	<b>338,326</b>
<b>Current liabilities</b>			
Accounts payable		694	2,201
Loans to Group companies		7	–
Tax liabilities		–	7,944
Other liabilities		–	49,976
Accrued expenses and prepaid income		5,018	14,424
<b>Total current liabilities</b>		<b>5,719</b>	<b>74,545</b>
<b>Total liabilities</b>		<b>5,719</b>	<b>74,545</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>1,106,217</b>	<b>1,601,387</b>
Guarantee of liabilities in associated companies		70,731	66,625

<sup>1)</sup> Amount paid in above par value.

<sup>2)</sup> Accumulated net profit.

## Change in shareholders' equity, Parent Company

(SEK thousands)	RESTRICTED RESERVES		UNRESTRICTED RESERVES		
	Share capital	Restricted reserves	Retained earnings	Net profit	Total
Opening balance 2002	133,403	458,770	581,544	316,415	1,490,132
Appropriation of profit			316,415	-316,415	–
Dividend			-571,633		-571,633
Group contribution			74,142		74,142
Group contribution's tax effect			-20,760		-20,760
Net profit				216,394	216,394
<b>Closing balance 2002</b>	<b>133,403</b>	<b>458,770</b>	<b>379,708</b>	<b>216,394</b>	<b>1,188,276</b>
Appropriation of profit			216,394	-216,394	–
Dividend			-595,645		-595,645
Group contribution			-39,986		-39,986
Group contribution's tax effect			11,196		11,196
Net profit				241,010	241,010
<b>Closing balance 2003</b>	<b>133,403</b>	<b>458,770</b>	<b>-28,333</b>	<b>241,010</b>	<b>804,850</b>

	2003	2002
Dividend per share (SEK)	3.16 <sup>1)</sup>	8.93

<sup>1)</sup> Proposed dividend

## Statement of changes in financial position, Group and Parent Company

(SEK thousands)	Group		Parent	
	2003	2002	2003	2002
<b>Current operations</b>				
Operating profit <sup>*)</sup>	323,008	341,684	197,270	182,607
Adjustment for items not included in cash flow				
Result from associated companies	-7,583	-2,698	—	—
Amortisation, depreciation and write-down	77,932	102,486	611	30,895
Other items	13,129	2,008	-139	-175
Other taxes	54,761	56,385	5,825	10,354
Current taxes	-158,826	-145,266	-2,788	9,618
	<b>-20,587</b>	<b>12,916</b>	<b>3,509</b>	<b>50,692</b>
<b>Cash flow from operations before changes in working capital</b>	<b>302,421</b>	<b>354,600</b>	<b>200,779</b>	<b>233,299</b>
<b>Increase (-)/decrease (+) in operational assets</b>				
Loans to general public	-299,879	-411,612	—	—
Securities inventory	-1,718,536	1,100,542	—	—
Current receivables	1,980,775	2,973,430	387,126	220,800
<b>Increase (+)/decrease (-) in operational liabilities</b>				
Borrowing from general public	128,668	-544,845	—	—
Liabilities to credit institutions	1,338,011	613,947	—	—
Current liabilities	1,179,261	-6,480,089	-68,826	-20,530
	<b>2,608,300</b>	<b>-2,748,627</b>	<b>318,300</b>	<b>200,270</b>
<b>Cash flow from operations</b>	<b>2,910,721</b>	<b>-2,394,027</b>	<b>519,079</b>	<b>433,570</b>
<b>Investment activities</b>				
Sale of fixed assets	7,103	1,955	8,280	—
Investment/acquisition of associated and other companies	-7,650	2,675	138,794	—
Acquisition of fixed assets	-36,921	-76,771	-438	-1,185
<b>Cash flow from investment activities</b>	<b>-37,468</b>	<b>-72,141</b>	<b>146,636</b>	<b>-1,185</b>
<b>Financing activities</b>				
Shareholders' contribution	—	—	-242,000	—
Group contribution	—	—	-39,986	74,142
Change in long-term receivable	-37,895	-49,493	203,494	105,968
Change in long-term liabilities	-48,742	37,776	8,980	-52,002
Distributed dividend	-595,645	-571,633	-595,645	-571,633
<b>Cash flow from financing activities</b>	<b>-682,282</b>	<b>-583,349</b>	<b>-665,157</b>	<b>-443,525</b>
<b>CASH FLOW FOR THE YEAR</b>	<b>2,190,971</b>	<b>-3,049,517</b>	<b>558</b>	<b>-11,140</b>
<b>Liquid funds at the beginning of the year</b>	<b>3,036,686</b>	<b>6,076,464</b>	<b>1,331</b>	<b>12,471</b>
Exchange differences	-38,519	9,739	—	—
<b>LIQUID FUNDS AT THE END OF THE YEAR<sup>**)</sup></b>	<b>5,189,138</b>	<b>3,036,686</b>	<b>1,889</b>	<b>1,331</b>
<b>Notes to statement of changes in financial positions</b>				
<sup>*)</sup> Interest paid:	187,555	218,710	410	32,297
<sup>**) Liquid funds:</sup>				
Cash and bank deposits in central banks	225,618	81,541	—	—
Loans to credit institutions	4,963,520	2,955,145	1,889	1,331
<b>Available liquidity</b>	<b>5,189,138</b>	<b>3,036,686</b>	<b>1,889</b>	<b>1,331</b>

## Accounting policies

The consolidated income statement and balance sheet and the notes relating to these have been prepared 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 prepared 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 and its Emerging Issues Task Force pronouncements and the regulations of Swedish Financial Supervisory Authority.

### Swedish Financial Accounting Standards Council – new standards 2003

RR2:02 Accounting for Inventories

RR 22 Presentation of financial report

RR 25 Segmental reporting

RR 26 Events after the balance sheet date

RR 27 Financial instruments: disclosure and classification Associated companies

## The Group

### Consolidated financial statements

The consolidated financial statements include the parent and all companies in which the parent company has, directly or indirectly, a controlling influence. The parent company owns in all cases, directly or indirectly shares and participations in the companies comprised in the consolidated financial statement. The consolidated financial statements have been prepared in accordance with the purchase method of accounting.

The consolidated financial statements have been prepared in Swedish crowns (SEK). The current method is used when translating the financial statements of the subsidiaries into SEK. 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. Translation differences are charged or credited directly to the shareholders' equity of the Group.

### Associated companies

In the consolidated financial statements investments in associated companies, i.e. all companies in which the parent company, without owning a company as a subsidiary, direct or indirect has a controlling influence have been accounted for in accordance with the equity method. Thus, the investment is carried at an amount equal to the ownership interest in the associate's equity adjusted for unamortised 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.

### **Expenses**

General administrative expenses, employee's benefits and borrowing costs are expensed in the period in which they are incurred.

Operating lease commitments are expensed continuous over the period of contract and relate mainly to rental of premises. The agreements are not recalculated to net present value.

### **Incentive programme**

The staff incentive programme is in the form of free subscription warrants without restrictions regarding the rights of the employee to the instrument. At the time of their issue, the value of the subscription warrants is calculated by using a Black Scholes formula for warrants. This is carried out by external advisors. The value is the basis for the calculation of social security expenses. In Sweden and Luxemburg these are charged at the time of issue. In other countries where Carnegie has staff they are charged when the subscription warrants are sold or exercised by the employee. Carnegie has not granted any loans/guarantees regarding the equity-related incentive programme or made guarantees for value changes in payments that may arise from the incentive programme.

### **Pension obligations**

The Group recognises the obligations and expenses for pension obligations, based on defined contribution plans, as determined by the assessment made by insurance which 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 endowment insurances recognized among Other assets in the consolidated Group and among Financial assets in the Parent company. The pension obligations are recognized at the value of the endowment insurances.

### **Allocation to profit-share system**

Allocation to profit-share system is expensed in the same period that it has incurred.

### **Taxes**

The tax expenses in the income statement consist of current tax and deferred tax. The tax effect from capitalised loss carry forwards and deductible temporary differences

(between reported and fiscal values) are capitalised to the extent they are related to deductions, approved by the tax authorities, and are deemed to be used. Deferred tax liability is reported for all taxable temporary differences between reported and fiscal values, with the exception of deferred tax on investments in Group companies, where no taxable reversals are predicted in the foreseeable future.

## **Measurement Policies Applied**

### **Liquid funds**

Liquid funds are Cash and bank deposits in central banks and Loans to general public.

### **Receivables and liabilities**

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.

The financial statements are prepared on a fair value basis for all financial asset and liabilities held for trading, i.e. securities portfolio, derivative financial instruments and interest bearing instruments. Market value, usually the most recent transaction price, has been used for liquid shares, while an average estimate has been used as a measure for less liquid securities when a fair value is not available. Any unrealized gains are transferred to restricted shareholders' equity under the heading Reserves for unrealised gains.

Receivables and liabilities denominated in foreign currency are stated in accordance with the Swedish Financial Accounting Standards Council's standard RR 8, at the exchange rate at the balance sheet date.

### **Tangible and intangible fixed assets**

The intangible asset consists of goodwill and capitalized expenses regarding systems development accounted for in accordance with the Swedish Financial Accounting Standards Council's standard RR 15. Impairment tests, according to RR17, are considered when applicable. Reported values are controlled at the closing day to find out if there is objective evidence of impairment. If any such indication exists, the assets recoverable amount is estimated. Tangible assets consist of balanced refurbishment costs, IT equipment and other office equipment.

Depreciation and amortisation charges are based on historic cost and allocated over the estimated useful life of the asset.

Balanced refurbishment costs are depreciated at 5–10% per year. IT equipment and other office equipment are depreciated 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. Hedge accounting has not been applied.

### **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 pronouncements. The standard 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.

### **Segmental reporting**

The business areas of the Carnegie Group are reported in accordance with the current internal organizational and management structure and its system of internal financial reporting.

Carnegie has defined the business areas as primary segments. The format for Note 1 in the annual report is the operational reporting. Information regarding assets, proportion of equity in associated companies, liabilities, investments and depreciations related to the primary segments is also included. In addition to this information about income, assets and liabilities are reported on the basis of geographical area, which is defined as secondary segments.

Segment revenues, results, asset and liabilities include items directly attributable to a segment as well as common resources are allocated to each business area on a reasonable basis. Allocation to the profit-sharing system is accounted for in each business area on a fixed percentage basis, for the purpose of segmental analysis. Actual profit-share allocation is based on the full year results and distributed to individuals on a discretionary basis.

Unallocated items comprise result from investment in associated companies and principal investments.

## **New accounting standards from 2004**

### **Effects of new accounting policies**

Accounting standards effective from 1st January 2004 that are applicable to Carnegie.

### **RR 29 Employee benefits**

This recommendation deals with accounting for employee benefits. The new accounting standard is not expected to have any effect on the company's income statement or shareholders' equity. Further supplementary information will be added.

## **Adoption to IAS/IFRS standards**

The adoption to IAS/IFRS standard has started, a documented consequence analysis there the differences between current accounting standard and IAS/IFRS-standard has been defined. The conclusion is that an adoption to IAS/IFRS standard is not expected to have any material effect on the company's income statement or shareholders' equity.



# Notes to financial statement – Group

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

## Note 1 — Income statement per business area and by geographical area

	Total		Principal investments		Securities		Investment Banking		Asset Management & Private Banking	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
Net commission income	960	1,153	—	—	695	894	—	—	265	259
Underwriting fees	85	203	—	—	18	70	67	133	—	—
Net interest income	182	251	—	—	95	150	—	—	86	101
Net income from financial positions	171	65	2	41	106	—8	21	—6	42	38
Fees from mutual funds	240	251	—	—	—	—	—	—	240	251
Fees from discretionary fund management	78	80	—	—	—	—	—	—	78	80
Advisory fees	368	430	—	—	—	—	281	340	88	90
Other fees	0	0	—	—	0	0	—	—	—	—
<b>Total income</b>	<b>2,083</b>	<b>2,434</b>	<b>2</b>	<b>41</b>	<b>915</b>	<b>1,106</b>	<b>368</b>	<b>467</b>	<b>798</b>	<b>819</b>
Personnel expenses	—779	—902	—	—	—319	—468	—146	—167	—314	—267
Redundancy expenses	—61	—92	—	—	—25	—58	—16	—13	—19	—22
Other expenses	—634	—789	—	—	—262	—452	—104	—112	—268	—226
Net provisions for credit losses	1	—3	—	—	1	—3	—	—	0	0
<b>Total operating expenses excluding profit-share</b>	<b>—1,472</b>	<b>—1,786</b>	<b>—</b>	<b>—</b>	<b>—606</b>	<b>—980</b>	<b>—266</b>	<b>—292</b>	<b>—601</b>	<b>—514</b>
<b>Operating profit before result from principal investments and profit-share</b>	<b>610</b>	<b>648</b>	<b>2</b>	<b>41</b>	<b>309</b>	<b>126</b>	<b>102</b>	<b>175</b>	<b>197</b>	<b>305</b>
Write-down of financial fixed assets <sup>1)</sup>	—	—29	—	—29	—	—	—	—	—	—
Result from associated companies	—8	—3	—8	—3	—	—	—	—	—	—
<b>Operating profit before profit-share</b>	<b>603</b>	<b>616</b>	<b>—6</b>	<b>9</b>	<b>309</b>	<b>126</b>	<b>102</b>	<b>175</b>	<b>197</b>	<b>305</b>
Allocation to profit-share system	—287	—277	3	—4	—147	—57	—49	—79	—94	—137
<b>Total expenses</b>	<b>—1,760</b>	<b>—2,063</b>	<b>3</b>	<b>—4</b>	<b>—753</b>	<b>—1,037</b>	<b>—315</b>	<b>—370</b>	<b>—695</b>	<b>—651</b>
<b>Operating profit before taxes</b>	<b>315</b>	<b>339</b>	<b>—3</b>	<b>5</b>	<b>162</b>	<b>69</b>	<b>53</b>	<b>96</b>	<b>103</b>	<b>168</b>
Taxes	—104	—89								
<b>Net Profit</b>	<b>211</b>	<b>250</b>								
No. of full-time equivalent employees, average	793	924	—	—	322	470	148	173	323	281
Assets	14,613	12,439	—	—	7,483	6,494	637	941	6,493	5,004
Proportion of equity in associated companies	5	5	5	5	—	—	—	—	—	—
<b>Total assets</b>	<b>14,618</b>	<b>12,444</b>	<b>5</b>	<b>5</b>	<b>7,483</b>	<b>6,494</b>	<b>637</b>	<b>941</b>	<b>6,493</b>	<b>5,004</b>
<b>Liabilities and provisions</b>	<b>13,473</b>	<b>10,876</b>	<b>—</b>	<b>—</b>	<b>7,768</b>	<b>6,407</b>	<b>377</b>	<b>594</b>	<b>5,329</b>	<b>3,87</b>
Investments per business area	166	220	—	—	63	70	20	28	83	122
Depreciations per business area	78	73	—	—	30	41	12	11	36	22
<b>Total income by geographical area</b>										
Nordic clients	1,616	2,038								
Non-Nordic clients	467	396								
<b>Total income</b>	<b>2,083</b>	<b>2,434</b>								
<b>Assets by geographical area</b>										
Nordic	11,553	9,646								
Non-Nordic	3,064	2,798								
<b>Total assets</b>	<b>14,618</b>	<b>12,444</b>								
<b>Liabilities and provisions by geographical area</b>										
Nordic	10,715	8,357								
Non-Nordic	2,758	2,519								
<b>Total liabilities and provisions</b>	<b>13,473</b>	<b>10,876</b>								

<sup>1)</sup> Write-down of Carnegie's holding in Startupfactory BV, se note 10.

## Note 2 — Commission income

	2003	2002
<b>Commission income</b>		
Commission equities	1,101,688	1,393,724
Other commission income	672,617	769,531
Market fees	–43,405	–49,414
<b>Total commission income</b>	<b>1,730,899</b>	<b>2,113,841</b>

## Note 3 — Net interest income

	2003	2002
<b>Interest income</b>		
Interest on loans to credit institutions	147,722	208,261
Interest on loans to general public	110,881	157,945
Interest on interest-bearing securities	34,253	46,180
Other interest income	3,482	9,964
	<b>296,338</b>	<b>422,350</b>
<b>Interest expenses</b>		
Interest on liabilities to credit institutions	–60,408	–95,195
Interest expenses for deposits and borrowing from general public	–113,420	–134,520
Other interest expenses	–15,048	–51,664
	<b>–188,876</b>	<b>–281,379</b>
<b>Total net interest income</b>	<b>107,462</b>	<b>140,971</b>

## Note 4 — Dividends received

	2003	2002
Dividends on shares and participations – long-term investments	582	3,672
<b>Total dividends received</b>	<b>582</b>	<b>3,672</b>

## Note 5 — Net profit from financial transactions

	2003	2002
<b>Capital gains/losses on securities</b>		
Shares and participations	227,957	191,297
Interest-bearing securities	62,257	57,362
Other financial instruments	37,877	46,646
<b>Unrealised gains/losses on securities</b>		
Shares and participations	–61,818	–111,959
Interest-bearing securities	409	–4,082
Other financial instruments	1,424	8,222
<b>Exchange rate differences branch accounts</b>	<b>–5,375</b>	<b>–11,136</b>
<b>Other changes in foreign exchange rates</b>	<b>–18,971</b>	<b>–5,124</b>
<b>Total net profit from financial transactions</b>	<b>243,759</b>	<b>171,226</b>

The comparative figures have been restated, due to reclassifications.

## Note 6 — General administrative expenses

	2003	2002
<b>Salaries and other remuneration paid to Boards of Directors and Managing Directors in:</b>		
Denmark	-7,920	-7,954
Finland	-2,682	-2,753
Luxembourg	-1,399	-3,305
Norway	-4,130	-3,507
Sweden	-9,465	-16,420
United Kingdom	—	—
United States	-1,213	-1,459
<b>Salaries and other remuneration paid to other employees in:</b>		
Denmark	-102,811	-117,607
Finland	-44,678	-48,108
Luxembourg	-24,970	-22,275
Norway	-60,953	-70,934
Sweden	-268,096	-301,432
United Kingdom	-41,940	-60,015
United States	-18,329	-21,301
Payroll overheads	-125,416	-137,785
Pension premium costs for Boards of Directors and Managing Directors	-2,766	-2,888
Pension premium costs for other employees	-74,235	-91,755
Allocation to profit-share system	-287,209	-276,696
Remuneration to KPMG for audit services	-4,486	-3,571
Remuneration to Grant Thornton for audit services	-2,978	-3,005
Remuneration to Deloitte & Touche for audit services	-2,403	-1,245
Remuneration to other audit firms for audit services	-917	-750
Other remuneration to KPMG	-632	-2,552
Other remuneration to Grant Thornton	-2,029	-692
Other remuneration to Deloitte & Touche	-1,187	-770
Other remuneration to other audit firms	-942	-1,371
Other administrative expenses	-588,803	-786,179
<b>Total general administrative expenses</b>	<b>-1,682,589</b>	<b>-1,986,329</b>

### Sick leave

In 2003, sick leave among employees in Swedish companies constitutes 2% of total regular working hours, of which 49% exceeding 60 days. Sick leave distributed by gender is female 45% and male 55%, and the distribution by age is 16 % less than or 29 years, 57% between 30–49 years and 27% among employees 50 years or older.

### Distribution by gender

The Board of Directors' distribution by gender is female 25% (0%) and male 75% (100%).

The Group management's distribution by gender is female 14% (0%) and male 86% (100%).

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

#### Compensation to Board members and CEO

At the Annual General Meeting, it was resolved to pay 1,650 (2,250) to Board members not employed by Carnegie or Singer & Friedlander. The Vice Chairman of the Board (in 2002 Chairman of the Board) will receive 450 (750) and the other Board members will each receive 300 (500). Board members elected to committees receive 100 (–) for each assignment, in total amounting to 500 (–). Mr Zetterberg is also a member of the Board of D. Carnegie AB, for which he received 100 (–). Mr Ljung received 200 for his assignments as Board member in D. Carnegie AB and Banque Carnegie in Luxembourg. Mr Ljungh completed his assignment as senior adviser to Carnegie in 2002. Therefore, he received no compensation for 2003 (2,800). Sigurd Astrup is also a Board member in Carnegie Asset Management Holding Norge AS and Carnegie Forvaltning ASA, from which he receives 46 (43).

#### Compensation to former CEO

Mr Lars Bertmar was CEO of Carnegie until March 2003 and finished his employment in July 2003. As CEO Lars Bertmar received remuneration amounting to 713 (3,595) and as Executive Chairman of the Board he received remuneration in the amount of 1,247 (–). Other benefits, including a company car, amounted to 35 (84). No profit-share was allocated to Mr Bertmar in 2002 or in 2003.

As from July 2003, Mr Bertmar serves as a non-executive Chairman of the Board. On leaving his employment, Mr Bertmar received a one-off contribution of SEK 7.7 million to his pension benefits. In terms of expenses for the company, this corresponds to two years' salary.

### Compensation to current CEO

Karin Forseke was appointed as new CEO in March 2003, and received an annual remuneration of 2,900 for 2003 (–) of which 2,401 (–) as CEO. The CEO's profit-share allocation for the operating year 2003 was paid as a payment to a pension insurance to the benefit of the CEO and amounted to SEK 3.9 million (–). The CEO also received other benefits of 123 (–), related to the corresponding benefit value of received warrants.

### Compensation to Executive officers

The total compensation to Executive officers, including the former and the current CEO, amounted to SEK 34 million in 2003 (SEK 34 million), of which SEK 15 million (SEK 11 million) was attributed to profit-share allocation. The executive management's share of the total allocation to profit-share including payroll taxes, corresponded to 8% (6%). Group Management also received other benefits of SEK 1 million (–), related to the corresponding value of received warrants.

### Pensions

Carnegie makes compensation-based premium payments (the payments are based on total salary and does not include potential profit-share allocation) for pension insurance in accordance with standards in each country, corresponding to 9.2 per cent (8.2 per cent) of the total Personnel 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 non-executive Board members. In 2003, pension premiums of 62 (447) were paid on behalf of the former CEO and as Executive Chairman of the Board he received 154. For the current CEO, pension premiums amounted to 790 (–). 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. Other members of Group Management are covered by customary terms in each country.

### 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 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 other benefits for a 24-months' period. 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.

Average number of employees (of which women)	2003	2002
Denmark	129 (37)	142 (46)
Finland	71 (27)	83 (32)
Luxembourg	38 (12)	38 (14)
Norway	93 (27)	99 (30)
Sweden	406 (128)	502 (168)
United Kingdom	42 (14)	45 (15)
United States	14 (3)	15 (3)
<b>Total</b>	<b>793 (248)</b>	<b>924 (308)</b>

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

	2003	2002
IT equipment and other machinery	–50,693	–52,624
Leasehold improvements	–7,861	–9,995
Goodwill	–3,878	–2,166
Other intangible fixed assets	–15,500	–8,482
<b>Total depreciation of tangible and amortisation of intangible fixed assets</b>	<b>–77,932</b>	<b>–73,267</b>

## Note 8 — Provisions for credit losses, net

	2003	2002
<b>Net credit losses</b>		
Write-down of confirmed credit losses	–11	–714
Reversals of previous provisions for anticipated credit losses	1,233	1,762
Provisions for anticipated credit losses	–395	–4,137
Reversals no longer required for anticipated credit losses	–	4
<b>Result of individually assessed credits</b>	<b>827</b>	<b>–3,085</b>

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

## Note 9 — Taxes

	2003	2002
<b>Current taxes</b>		
Income tax	-121,368	-150,525
<b>Other taxes</b>		
Tax on result from associated companies	-21	23
Deferred taxes	54,761	56,385
Tax from previous years' assessments	-37,437	5,236
<b>Total taxes</b>	<b>-104,065</b>	<b>-88,881</b>
<b>Tax assets</b>		
Prepaid taxes included in Other assets	217,940	128,526
of which deferred tax assets	147,864	109,606
<b>Tax liabilities</b>		
Tax liabilities included in Other liabilities	112,922	128,480
<b>Provision for deferred tax liability</b> (refers to untaxed reserves)	93,597	143,097

Deferred tax assets on capitalised loss carryforwards 19,632 (19,980) have been recognised to the extent that it is probable they will be utilised in future periods. Deferred tax assets on endowment insurances amounts to 45,023 (44,719).

The average tax rate for the Group is 33.0% (26.2). The difference between the applicable tax rate in Sweden of 28.0% and the actual tax rate of 33.0%, 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 in 2002.

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 2003	31 Dec 2002
<b>Current assets</b>		
<b>Bonds</b>		
Listed bonds	990,721	1,849,495
Unlisted bonds	36,585	34,135
	<b>1,027,306</b>	<b>1,883,630</b>
<b>Shares</b>		
Shares, warrants – listed	3,273,615	729,502
Shares, warrants – unlisted	50,153	19,406
	<b>3,323,768</b>	<b>748,908</b>
<b>Other assets</b>		
Derivative instruments	530,294	495,807
	<b>530,294</b>	<b>495,807</b>
<b>Other liabilities</b>		
Derivative instruments	-907,239	-103,099
Short positions in shares	-2,200,486	-1,951,905
	<b>-3,107,725</b>	<b>-2,055,004</b>
<b>Total securities, current assets</b>	<b>1,773,643</b>	<b>1,073,341</b>
<b>Fixed financial assets</b>		
Shares, warrants – listed	–	–
Shares, warrants – unlisted	–	–
Shares in Startupfactory B.V., unlisted *	14,610	14,610
<b>Total securities, fixed financial assets</b>	<b>14,610</b>	<b>14,610</b>
<b>Total securities</b>	<b>1,788,253</b>	<b>1,087,950</b>

\* The acquisition value of Carnegie's 3.8% holding in Startupfactory BV is 43,829 and in June 2002, it is estimated at 14,610, resulting in a write-down of 29,219.

## Note 11 — Maturities

	31 Dec 2003	31 Dec 2002
<b>Bonds and other interest-bearing securities</b>		
Remaining maturities not exceeding one year	159,806	188,370
Remaining maturities exceeding one year but not exceeding five years	260,110	769,337
Remaining maturities exceeding five years	607,390	925,923
	<b>1,027,306</b>	<b>1,883,630</b>

## Note 12 — Maturities

	31 Dec 2003	31 Dec 2002
<b>Loans to credit institutions</b>		
Payable on demand	2,763,078	1,759,952
Remaining maturities not exceeding three months	1,584,705	1,113,997
Remaining maturities exceeding three months but not exceeding one year	615,737	81,196
	<b>4,963,520</b>	<b>2,955,145</b>
Of which, repo transactions	750,835	281,537
<b>Loans to general public</b>		
Payable on demand	1,261,448	2,479,571
Remaining maturities not exceeding three months	1,705,628	285,923
Remaining maturities exceeding three months but not exceeding one year	144,301	33,293
Remaining securities exceeding one year but not exceeding five years	8,818	21,529
	<b>3,120,195</b>	<b>2,820,316</b>
Of which, repo transactions	—	156,621
<b>Liabilities to credit institutions</b>		
Payable on demand	1,564,511	729,536
Remaining maturities not exceeding three months	1,543,570	1,140,535
Remaining maturities exceeding three months but not exceeding one year	100,000	—
	<b>3,208,082</b>	<b>1,870,071</b>
Of which, repo transactions	693,757	1,127,097
<b>Deposits and borrowing from general public</b>		
Payable on demand	2,735,439	3,825,866
Remaining maturities not exceeding three months	2,304,576	1,163,200
Remaining maturities exceeding three months but not exceeding one year	104,812	27,094
	<b>5,144,827</b>	<b>5,016,159</b>
Of which, repo transactions	46,180	1,056,023

There are no long-term interestbearing liabilities within the Group.

## Note 13 — Unsettled receivable and non-performing credits

	31 Dec 2003	31 Dec 2002
Doubtful receivables for which interest is not credited prior to actual payment	34,835	56,190
Provisions for anticipated credit losses on doubtful receivables	–34,835	–56,190
<b>Estimated value on non-performing credits after write-down from anticipated credit losses</b>	<b>0</b>	<b>0</b>

## Note 14 — Shares and participations in associated companies

	Corporate identity number/ Reg. Office	Number of shares	Proportion of equity (share of votes), %	Share of net result 2003	Share of net result 2002	Share of equity 2003	Share of equity 2002	Book value in parent company 2003	Book value in parent company 2002
Carnegie Portugal - Sociedade Gestora de Participações Sociais, S.A.	502961368 Lissabon	75,000	50.0%	-2,083	62	1,994	2,927	—	—
Capital C AB	556560-7677 Stockholm	2,550	50.0%	-5,501	-2,760	2,840	1,861	11,550	5,050
<b>Total book value</b>				<b>-7,583</b>	<b>-2,698</b>	<b>4,834</b>	<b>4,788</b>	<b>11,550</b>	<b>5,050</b>

Capital C AB is a software development company and supplier of after trade solutions for the securities industry including Carnegie. In 2003 Carnegie's payment for services amounted to SEK 7 million (SEK 11 million). D. Carnegie & Co AB's guarantee commitment is 70,731 (66,625) to Capital C AB. In 2003, decisions were taken to provide shareholders' contribution of 6,500. At year end the credit facility amounted to SEK 27.5 million (SEK 4 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. In 2003, a decision was taken to provide a shareholders' contribution of 1,150. The total asset under management is 100,034 (117,340) at year-end.

## Note 15 — Intangible fixed assets

	31 Dec 2003	31 Dec 2002
<b>Goodwill</b>		
Acquisition value, January 1	18,385	6,707
Changes in foreign exchange rates	-197	-161
Acquisitions during year	4,145	18,385
Disposals during year	—	-6,546
<b>Acquisition value, December 31</b>	<b>22,333</b>	<b>18,385</b>
Amortisation, January 1	-1,570	-6,065
Changes in foreign exchange rates	29	115
Accumulated amortisation disposals during the year	—	6,546
Amortisation during the year	-3,878	-2,166
<b>Amortisation, December 31</b>	<b>-5,419</b>	<b>-1,570</b>
<b>Book value</b>	<b>16,914</b>	<b>16,815</b>
<b>Other intangible fixed assets</b>		
Acquisition value, January 1	63,589	23,862
Changes in foreign exchange rates	-1,556	-706
Transfers	-184	19,723
Acquisitions during year	18,413	20,710
Disposals during year	—	—
<b>Acquisition value, December 31</b>	<b>80,262</b>	<b>63,589</b>
Amortisation, January 1	-23,289	-3,439
Changes in foreign exchange rates	198	270
Transfers	33	-11,638
Amortisation during the year	-15,500	-8,482
<b>Amortisation, December 31</b>	<b>-38,558</b>	<b>-23,289</b>
<b>Book value</b>	<b>41,704</b>	<b>40,300</b>
<b>Total book value intangible fixed assets</b>	<b>58,618</b>	<b>57,115</b>

Goodwill arising in connection with subsidiary's acquisition of a Swedish company in 2003, acquisition of the net assets of a Finnish fund company in 2002 and a Finnish fund company in 1997.



## Note 16 — Tangible fixed assets

	31 Dec 2003	31 Dec 2002
<b>IT equipment and other machinery</b>		
Acquisition value, January 1	370,337	367,612
Changes in foreign exchange rates	-13,941	-4,086
Transfers	4,326	-19,723
Acquisitions during the year	14,363	36,185
Disposals during the year	-15,450	-9,651
<b>Acquisition value, December 31</b>	<b>359,635</b>	<b>370,337</b>
Depreciation, January 1	-241,573	-210,727
Changes in foreign exchange rates	10,244	2,444
Transfers	-2,360	11,638
Accumulated depreciation disposals during the year	8,347	7,696
Depreciation during the year	-50,693	-52,624
<b>Depreciation, December 31</b>	<b>-276,035</b>	<b>-241,573</b>
<b>Book value</b>	<b>83,600</b>	<b>128,764</b>
<b>Leasehold improvements</b>		
Acquisition value, January 1	69,188	67,483
Changes in foreign exchange rates	-687	214
Transfers	-4,142	-
Acquisitions during the year	-	1,491
<b>Acquisition value, December 31</b>	<b>64,359</b>	<b>69,188</b>
Depreciation, January 1	-35,167	-25,072
Changes in foreign exchange rates	387	-100
Transfers	2,327	-
Depreciation during the year	-7,861	-9,995
<b>Depreciation, December 31</b>	<b>-40,314</b>	<b>-35,167</b>
<b>Book value</b>	<b>24,045</b>	<b>34,021</b>
<b>Total book value tangible fixed assets</b>	<b>107,645</b>	<b>162,785</b>

## Note 17 — Other assets

	31 Dec 2003	31 Dec 2002
Derivative instruments <sup>1)</sup>	530,294	495,807
Securities settlement receivables*, <sup>1)</sup>	328,618	2,240,499
Endowment insurance <sup>2)</sup>	159,349	159,712
Taxation receivable <sup>1)</sup>	70,076	18,920
Deferred tax assets <sup>2)</sup>	147,864	109,606
Other assets <sup>1)</sup>	292,915	466,979
<b>Total other assets</b>	<b>1,529,116</b>	<b>3,491,523</b>

Other assets includes claims on associated companies of 27,727 (4,000).

\*Accounted for net gross amount:

Securities settlement receivables	11,797,494	11,538,502
Securities settlement liabilities	-12,105,222	-9,777,342

1) The remaining maturities are not exceeding one year

2) The remaining maturities are exceeding one year

## Note 18 — Other liabilities

	31 Dec 2003	31 Dec 2002
Derivative instruments	907,239	103,099
Securities settlement liabilities*	636,347	479,345
Short positions in shares	2,200,486	1,951,905
Tax liability	112,922	128,480
Other liabilities	472,925	219,160
<b>Total other liabilities<sup>1)</sup></b>	<b>4,329,919</b>	<b>2,881,989</b>

\* Accounted for net gross amount:

Securities settlement receivables	11,797,494	11,538,502
Securities settlement liabilities	-12,105,222	-9,777,347

<sup>1)</sup> The remaining maturities are not exceeding one year.

## Note 19 — Prepaid expenses and accrued income

	31 Dec 2003	31 Dec 2002
Accrued interest	85,287	87,118
Rent for premises	25,192	23,576
Fees	52,870	75,970
Pensions	3,054	184
Other	76,758	36,786
<b>Total prepaid expenses and accrued income<sup>1)</sup></b>	<b>243,161</b>	<b>223,634</b>

<sup>1)</sup> The remaining maturities are not exceeding one year.

## Note 20 – Accrued expenses and prepaid income

	31 Dec 2003	31 Dec 2002
Accrued interest	73,994	72,673
Fees	25,624	75,549
Personnel related	328,661	375,534
Pensions	2,341	32,338
Other	105,684	248,879
<b>Total accrued expenses and prepaid income <sup>1)</sup></b>	<b>536,304</b>	<b>804,973</b>

<sup>1)</sup> The remaining maturities are not exceeding one year.

## Note 21 — Operating lease commitments

	31 Dec 2003	31 Dec 2002
<b>Agreed payments, land and building</b>		
Within one year	100,346	95,352
Between one to five years	402,435	341,606
Five years or more	19,571	153,168
<b>Other agreed payments</b>		
Within one year	8,086	12,755
Between one to five years	5,984	6,022
Five years or more	—	—

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

## Note 22 — Capital adequacy ratio

	31 Dec 2003	31 Dec 2002
<b>Regulatory capital base</b>	<b>917,501</b>	<b>955,558</b>
<b>Risk-weighted amount for credit risks</b>	<b>2,709,925</b>	<b>3,214,389</b>
Interest-rate risk*	453,778	369,724
Share-price risk	268,015	299,415
Divestment-price risk	19,516	36,170
Counterparty risk and other risk	252,146	432,550
Foreign exchange risk	333,803	338,031
<b>Total risk-weighted amount for market risks</b>	<b>1,327,258</b>	<b>1,475,890</b>
<b>Total risk-weighted amount for credit risks and market risks</b>	<b>4,037,183</b>	<b>4,690,279</b>
<b>Capital Adequacy Ratio</b>	<b>22.73%</b>	<b>20.37%</b>

\* The Group use the maturity method. Interest-rate risk can be divided into general risk, 187,121 (94,414) and specific risk 266,657 (275,310).

### Specification of risk-weighted amounts, interest rate risk by maturity

	31 dec 2003	31 dec 2002
<b>General risk</b>	<b>187,121</b>	<b>94,414</b>
<b>Specific risk</b>		
Remaining maturities not exceeding six months	11,433	5,648
Remaining maturities exceeding six months but not exceeding two years	54,602	49,349
Remaining maturities exceeding two years	200,622	220,312
<b>Total specific risk</b>	<b>266,657</b>	<b>275,309</b>
<b>Interest-rate risk</b>	<b>453,778</b>	<b>369,723</b>

### Large exposures

A large exposure is an exposure to one client or a closely related group of clients with amounts to more than 10% of the regulatory capital base, 91,750 (95,553). One single large exposures should never exceed 25% of the capital base 229,375 (238,884) and accumulated large exposures should never exceed 800% of the capital base 7,340,008 (7,644,288).

# Notes to financial statement – Parent Company

(SEK thousands)

## Note 23 — Administrative expenses

	2003	2002
Salaries and other remuneration paid to		
Board of Directors and Managing Director	-3,900	-7,645
Salaries and remuneration paid to other employees	-5,633	-12,724
Payroll overheads	-3,387	-5,840
Pension premium costs for Managing Director	-365	-447
Pension premium costs for other employees	-11,115	-4,783
Allocation to profit-share	-	-157
Remuneration for audit services	-789	-216
Depreciation of tangible fixed assets	-611	-1,676
Other administrative expenses	-24,552	-39,330
<b>Total administrative expenses</b>	<b>-50,352</b>	<b>-72,818</b>
Average number of employees (of which women)	8 (3)	20 (9)

In June 2003, all employees and fixed assets were transferred to D. Carnegie AB due to restructuring of the Group.

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

## Note 24 — Appropriations

	2003	2002
Transfer from/to tax allocation reserve	51,899	-6,945
<b>Total appropriations</b>	<b>51,899</b>	<b>-6,945</b>

## Note 25 — Taxes

	2003	2002
Taxes on Group contribution	-11,196	20,760
Income tax	0	-5,834
Income tax from previous years' assessments	-2,788	15,452
Deferred taxes	5,825	10,354
<b>Total taxes</b>	<b>-8,159</b>	<b>40,732</b>

The difference between the applicable tax rate in Sweden of 28% 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 in 2002.

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

## Note 26 — IT equipment and other machinery

	31 Dec 2003	31 Dec 2002
Acquisition value, January 1	13,403	12,218
Acquisition during the year	438	1,185
Transfers to Group company	-13,565	-
Disposals during the year	-276	-
<b>Acquisition value, December 31</b>	<b>0</b>	<b>13,403</b>
Depreciation, January 1	-5,040	-3,539
Accumulated depreciation disposals during the year	221	175
Transfers to Group company	5,430	-
Depreciation during the year	-611	-1,676
<b>Depreciation, December 31</b>	<b>0</b>	<b>-5,040</b>
<b>Total book value</b>	<b>0</b>	<b>8,363</b>

## Note 27 — Shares in Group companies

	31 Dec 2003	31 Dec 2002
Acquisition value, 1 January	627 784	627 784
Transfers to Group company	-145 294	—
Shareholders' contribution	242 000	—
<b>Net book value, 31 December</b>	<b>724 490</b>	<b>627 784</b>

	Corporate identity number/Reg. Office	No. of shares	Proportion of equity (share of votes) %	Book value 2003	Shareholders' Equity 2003*
<b>D. Carnegie AB</b>	556031-4576 Stockholm	400,000	100%	724,140	886,591
<i>Subsidiaries of D. Carnegie AB</i>					
Carnegie Fondkommission Finland Ab					
Carnegie, Inc.					
Carnegie ASA					
Carnegie Ltd					
Carnegie Fond AB					
Carnegie Pension Consulting AB					
Carnegie Kapitalförvaltning AB					
Carnegie Pension Structuring AB					
Gallerie Gustaf Adolf AB					
Familjeföretagens Pensionskonsult AB					
Carnegie Asset Management Finland Ab					
Carnegie Fondbolag Ab					
Carnegie Asset Management Danmark Holding A/S					
Carnegie Asset Management Fondmæglerselskab 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					
<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.					

<b>Carnegie Going Forward AB</b>	556616-8018 Stockholm	1,000	100%	350	351
<b>Total</b>				<b>724,490</b>	<b>886,942</b>

\* Equity in subsidiaries is reported excluding anticipated dividends to the Parent Company.

## Note 28 — Other shares and participations

	Number of Shares	Proportion of equity (share of votes) %	Book value 2003	Book value 2002
Startupfactory B.V	995,054	3.8%	14,610	14,610
<b>Total</b>			<b>14,610</b>	<b>14,610</b>

\* The acquisition value of Carnegie's 3.8% holding in Startupfactory BV is 43,829 and in June 2002, it is estimated at 14,610, resulting in a write-down of 29,219.

### Note 29 – Subordinated loan

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

Interest terms 5% per year.

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

### Note 30 – Untaxed reserves

	31 Dec 2003	31 Dec 2002
Tax allocation reserve 98	–	11,235
Tax allocation reserve 99	–	26,871
Tax allocation reserve 00	21,018	34,810
Tax allocation reserve 01	168,266	168,266
Tax allocation reserve 02	62,940	62,940
Tax allocation reserve 03	6,945	6,945
<b>Total untaxed reserves</b>	<b>259,167</b>	<b>311,066</b>

## Appropriation of profit

### Group

As shown in the consolidated balance sheet, the Group's unrestricted shareholders' equity amounted to SEK 367,503 thousands. A transfer of SEK 890 thousand to restricted reserves is proposed.

### Parent Company

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

Unrestricted shareholders' equity	212,676,664
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#### The Board of Directors and the CEO propose that the profits be allocated as follows (SEK):

A dividend of SEK 3.16 per share, total	210,777,056
To be carried forward	1,899,608
Total	212,676,664

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Stockholm, 29 January 2004

Lars Bertmar  
*Chairman*

Sigurd Astrup

Lars Berg

John Hodson

Anders Ljungh

Christer Zetterberg

Fields Wicker Miurin

Karin Forseke  
*Chief Executive Officer*

Our auditors' report was rendered on 18 February 2004

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 2003. 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, 18 February 2004  
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 6 indices in the Small Cap segment. Each index is calculated separately for the Nordic countries, and then combined to form an overall Nordic index.

**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 manager's 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.

**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 18 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.

**Morningstar:** Investment research firm providing rankings on mutual funds, see further [www.morningstar.se](http://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 rate:** 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 18 billion.

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

**Swap:** An agreement in which the parties agrees 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](http://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 Art Award

The Carnegie Art Award changed in 2003. A new exhibition will now open biennially instead of every year as previously. Moreover, the prizes have been doubled, making the Carnegie Art Award one of the world's largest art awards. Exhibitions have also been extended to two months in each respective country, instead of one month. In connection with the exhibition Carnegie Art Award also organises a seminar in each country and increase the number of guided tours for schools.

Lars Nittve, head of Moderna Museet in Stockholm and chairman of the jury comments: "These changes will mean that the Carnegie Art Award will be even more important to Nordic painters – and the Nordic art scene. In other words, something good has become even better."

The new Carnegie Art Award was launched in October 2003, at the Royal Swedish Academy of Fine Arts in Stockholm by H.R.H. Crown Princess Victoria. The winner of the first prize, the sum of SEK 1,000,000, was Nina Roos from Finland. Danish artist Anette H Flensburg was awarded the second prize of SEK 600,000, and the third prize of SEK 400,000 went to the well-known Norwegian artist Olav Christopher Jenssen. This year's scholarship of SEK 100,000 was awarded to Elina Brotherus from Finland.

In addition to the prizes and the touring exhibition, the artists and their works are acknowledged in an extensive book, which is published in time for the opening of each new exhibition. A film portraying the artists in their studios is also shown at the exhibition.

In each nomination process Carnegie Art Award is assisted by a new group consisting of some thirty experts on contemporary art, from all over the Nordic region. These experts each nominate five artists who are then invited to participate in the Carnegie Art Award. The works submitted by these artists must have been produced within the past two years, and hence the exhibition gives an up-to-date picture of Nordic contemporary art.

There were 122 artists nominated for the Carnegie Art Award 2004. The jury, which consists of prominent authorities on art from all the Nordic countries, selected the 24 artists included in the exhibition. As from this year, the jury also includes one international member. The first of these was American Robert Storr, art critic and professor with many years' experience from the Museum of Modern Art (MoMA) in New York.

In connection with the award ceremony, the winners receive a miniature version of the sculpture "Elliptical Cone" by the sculptor Jene Highstein, New York. The original, in black diabase and weighing seven tonnes, was erected in May 2003 by the City of Stockholm at the corner of Birger Jarlsgatan and Smålandsgatan in Central Stockholm.





### Nina Roos

First prize winner

Nina Roos was born in Borgå, Finland in 1956 and currently lives in Helsinki. She studied at the University of Helsinki from 1975–79, at the International Art School in Stockholm from 1981–82 and at the Academy of Fine Art in Helsinki from 1983–88. She taught at the Malmö Art Academy from 1996–2001, and at the Royal University College of Fine Arts in Stockholm in 1998 and has held the position of professor at the Academy of Fine Art in Helsinki since 2001.



### Anette H. Flensburg

Second prize winner

Anette H. Flensburg was born in Kolding, Denmark in 1961 and currently lives in Copenhagen. She studied drawing and graphic art at the Kolding Kunsthåndværkerskole from 1981–85, taking courses in drawing and design. Flensburg has been a member of Kunstnersamfundet (the Danish Society of Artists) since 1996.



### Olav Christopher Jenssen

Third prize winner

Olav Christopher Jenssen was born in Sortland, Norway in 1954, and currently lives in Berlin. He studied at the National College for Art and Design in Oslo from 1976–79 and at the National Academy of Fine Art in the same city from 1980–81. He went on to study in New York from 1981–82 and in Berlin from 1982–83. Jenssen has been Professor of Painting at the University College of Visual Arts in Hamburg since 1996.



## Carnegie Social Initiative

Carnegie employees contribute on a voluntary basis to development projects in Asia and in the Baltics, through Carnegie Social Initiative. With these contributions, the supported projects can provide more people with basic education and health care – people who have no access to these services today.

Carnegie Social Initiative is a non-profit organisation registered in Sweden, established in September 2002. The organisation is an entirely separate unit from the Carnegie Group. It is financed by a number of leading staff in Carnegie and does not, therefore, affect the Carnegie Group's results.

Carnegie Social Initiative finds and supports small and efficient projects run by local social entrepreneurs with excellent track record. Through monitoring and regular evaluation of project performance Carnegie's employees get feedback on what they help to achieve.

The project portfolio currently consists of three projects in India and three in Lithuania. Projects range from making children in the slums of Bombay literate to preventing trafficking of young women from Lithuania.





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## Carnegie – the first 200 years



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

**1836** 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.



**1845** 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.



**1907** 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.

**1932** After the Kreuger crash, Karl Langenskiöld's son, Carl Gustaf, founded an investment bank, Bankirfirman Langenskiöld. At the time, the porter brewery was sold. The remaining, Fastighetsbolaget D. Carnegie & Co, had an equity portfolio and operations in real estate and the packaging industry. Later on, the company sold all its direct holdings, changed its name to Investment AB D. Carnegie & Co, with the investment bank Bankirfirman Langenskiöld as its subsidiary.



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





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

**1990** In the early 1990s Carnegie expanded into Finland, Norway 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.

**1994** The newly formed company Carnegie Holding – 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).



**O-listan, Attract 40**

Rank	Company	Attract 40	Change
1	Swedish Match	100	+10
2	Volvo	95	+5
3	Ericsson	90	+15
4	Telefonaktiebolaget Lm Ericsson	85	+10
5	Skanska	80	+5
6	ABB	75	+10
7	Volvo AB	70	+5
8	Volvo Group	65	+10
9	Volvo Cars	60	+5
10	Volvo Trucks	55	+10
11	Volvo Financial Services	50	+5
12	Volvo Construction Equipment	45	+10
13	Volvo Powertrain	40	+5
14	Volvo Technology	35	+10
15	Volvo Logistics	30	+5
16	Volvo Insurance	25	+10
17	Volvo Real Estate	20	+5
18	Volvo Energy	15	+10
19	Volvo Services	10	+5
20	Volvo Consulting	5	+10

**2001** 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.

**2003** After 200 years, Carnegie is now an independent Nordic investment bank operating in Securities, Investment Banking and Asset Management & Private Banking. Carnegie offers a wide range of financial products and services to Nordic and international clients from offices in seven countries: Sweden, Denmark, Norway, Finland, Luxembourg, the UK and the US.

**D. Carnegie & Co AB (publ)**

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