


















ANNUAL REPORT 2007

CARNEGIE IN BRIEF

Carnegie is a leading independent investment bank with a Nordic focus. Carnegie created added value for institutions, companies and private clients in the areas of securities trading, investment banking, asset management, private banking and pension advisory services. The number of employees is about 1,100 in eight countries: Sweden, Denmark, Norway, Finland, Luxemburg, Switzerland, the UK and the US. The Carnegie share is listed on the Nordic Exchange.

BUSINESS AREA	SHARE OF INCOME	SHARE OF PROFIT*	SHARE OF PERSONNEL	MARKETS
SECURITIES Carnegie Securities focuses on institutional clients and offers services in analysis, brokerage, sales trading, equity-market related transactions and finance.	 35 %	 24 %	 35 %	Denmark, Finland, Norway, UK, Sweden and US
INVESTMENT BANKING Carnegie Investment Banking offers qualified advisory services in public and private acquisitions, mergers and divestments (M&Q), as well as equity-market related transactions and structured financial products.	 16 %	 20 %	 13 %	Denmark, Finland, Norway and Sweden
ASSET MANAGEMENT Carnegie Asset Management offers high-quality, actively managed asset management products to institutional asset managers and mutual funds.	 26 %	 37 %	 13 %	Denmark, Finland, Norway and Sweden
PRIVATE BANKING Carnegie Private Banking offers independent financial advisory services in an open architecture primarily to individuals with high net worth.	 13 %	 11 %	 17 %	Denmark, Luxemburg, Switzerland and Sweden
MAX MATTHIESSEN Max Matthiessen is Sweden's leading advisor with respect to pension insurance and long-term savings and administers a significant pension capital on behalf of clients.	 10 %	 9 %	 22 %	Sweden.
CARNEGIE TOTAL	SEK 4,340m	SEK 2,105m	1,035 persons	Sweden, Denmark, Norway, Finland, Luxemburg, Switzerland, UK and US

* Operating profit before profit share

INSTRUCTIONS FOR READERS

D. Carnegie & Co AB is a Swedish company subject to Swedish law. The annual report is produced in Swedish and English. In the event of differences in the texts, the reader is referred to the Swedish text. All amounts are expressed in Swedish krona unless specified otherwise. Millions of krona are abbreviated as SEKm. Figures in parentheses refer to 2006. The name "Carnegie" in the annual report refers to the Group, unless otherwise specified. Data on markets and competitive conditions represent Carnegie's own assessments, unless a specific source is cited. These assessments are based on the most recently available facts from published sources in the financial industry.

WEB REFERENCE

Read more about D. Carnegie & Co AB on our web site at www.carnegie.se, where you can view our interim reports, read and subscribe to press releases, monitor the share-price development and find more information about Carnegie's business.

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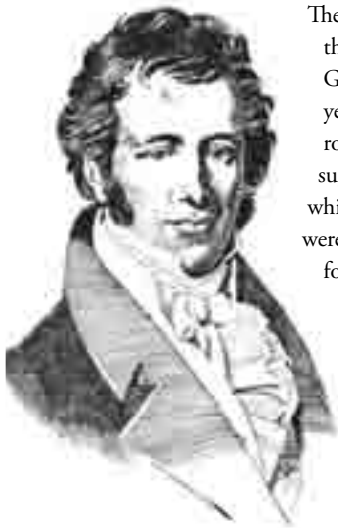
MORE THAN 200 YEARS IN THE SERVICE OF INDUSTRY

Carnegie is one of Sweden's oldest brands, with a history intimately entwined with the Swedish welfare society's development from the commercial and industrial capitalism of the 1800s to the new millennium's service economy.

DAVID CARNEGIE 1803

The Scotsman David Carnegie Sr. founded the merchant firm D. Carnegie & Co in Gothenburg in 1803. During the first 40 years, the company played a significant role in the establishment of the Swedish sugar and brewing industry. Its plants, which included the famous porter brewery, were among Gothenburg's largest industries for a long time.

When David Carnegie Jr. died in 1890, majority ownership passed on to Oscar Ekman, whose son-in-law Karl Langenskiöld took over the company in 1907. He restructured the business, selling sugar production operations to Svenska Sockerbolaget and eventually also divesting the brewery.



BANKING FIRM LANGENSKIÖLD 1932

In the wake of the Kreuger crash, Karl Langenskiöld's son Carl Gustaf founded the banking firm Langenskiöld in 1932. The objective was to rationalize the equity portfolio, along with properties and operations in the packaging industry, that now comprised the family's wealth.

The bank quickly grew to become the third largest securities broker in the Swedish market after its competitors Alfred Berg and Öhmans Fondkommission. The outbreak of World War I in 1939 resulted in a sharp decline in securities trading. The bank's business was then focused on managing the family's assets.

After the war, Langenskiöld gradually regained its position as one of the leading securities brokers in the shadow of the major banks. For several decades, the stock market was characterized by low turnover and weak dynamics until Langenskiöld in the late 1960s became the leading brokerage firm thanks to a number of young and daring stockbrokers who actively sought out clients with investment proposals. Langenskiöld thus came to lead the way towards the tremendous growth in the Swedish stock market over the past decades.

CARNEGIE 1980

In 1980, the banking firm Langenskiöld changed its name to Carnegie, when one of the dynamic brokers, Erik Penser, became its principal owner. Sales increased very sharply during the 1980s. International expansion began with offices in Denmark, London, New York and southern Europe. In 1988, Carnegie was sold to PK Bank, which later became Nordbanken.

During the 1990s, Carnegie grew to become the leading investment bank in the Nordic region. In the mid-1990s, a decision was taken to focus on the Nordic region, since operations had been expanded to Finland and Norway. The southern European operations were sold. The focus on investment banking was very successful, resulting in a leading position by the end of the decade. Establishment of asset management and private banking operations was initiated.

In 1994, the British company Singer & Friedländer acquired a majority ownership share from Nordbanken. Development of insurance broking and pension advisory services gained momentum. All employees became Carnegie shareholders. The brokerage and investment banking operations in the other Nordic countries began to attain significant shares in their local markets.

EXCHANGE LISTING 2001

In 2000, net profit exceeded SEK 1 billion. The following year, Carnegie was listed on the Stockholm Stock Exchange as one of the few listed investment banks in Europe. Globalization and deregulation had made non-Nordic investors equally important for the business as Nordic investors.

LEADING INVESTMENT BANK IN THE NORDIC REGION

In 2004, the market picked up, and over the following years, Carnegie strengthened its position as the leading independent investment bank in the Nordic region, with net profit in 2006 once again around SEK 1 billion.

The year 2007 was a record year in terms of income for Carnegie, despite the uncertainty in the financial market and despite the turbulence that followed from the disclosure that the trading portfolio had been incorrectly valued. Carnegie received confirmation from several external surveys indicating high client appreciation.

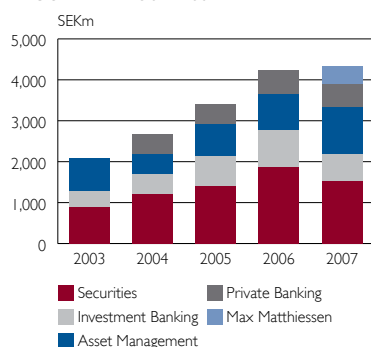
SIGNIFICANT EVENTS IN 2007

- Carnegie retained or improved its market positions.
- Record profit in the Asset Management business area.
- Total income increased by 3 per cent and amounted to SEK 4,340m (4,225).
- Profit after tax amounted to SEK 601m (923), corresponding to earnings per share of SEK 7.90 (13.36).
- The Board of Directors propose a dividend of SEK 7.50 (10.50) per share.

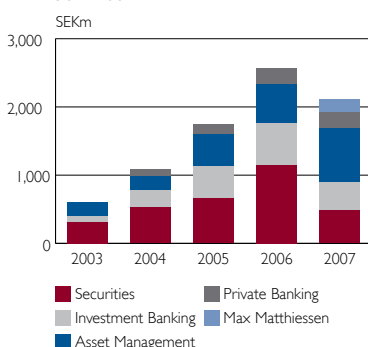
FINANCIAL KEY DATA

	2003	2004	2005	2006	2007
Total income, SEKm	2,081	2,672	3,414	4,225	4,340
Total expenses, SEKm	-1,473	-1,587	-1,674	-1,659	-2,235
Operating profit before profit share, SEKm	602	1,064	1,740	2,567	2,105
Allocation to profit-share system, SEKm	-287	-524	-859	-1,265	-1,250
Profit for the year, SEKm	211	401	631	923	601
Earnings per share, SEK	3.17	6.01	9.44	13.36	7.90
Dividend per share, SEK	3.16	5.93	9.19	10.50	7.50
Average number of shares, SEK thousands	66,702	66,702	66,800	69,090	76,092
Expense ratio, %	85	80	74	69	80
Average income per employee, SEKm	2.6	3.4	4.6	5.5	4.2
Profit margin, %	10	15	18	22	14
Return on equity, %	17	33	47	55	22

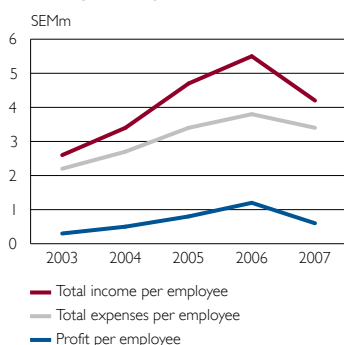
INCOME BY BUSINESS AREA



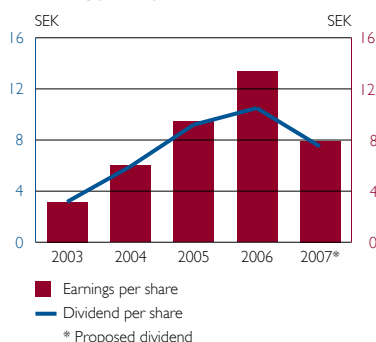
OPERATING PROFIT BEFORE PROFIT SHARE BY BUSINESS AREA



LEVERAGE EFFECT



EARNINGS PER SHARE AND DIVIDEND



WE HAVE A STRONG MANDATE FOR THE FUTURE

Carnegie continues to have a strong mandate for the future, despite extraordinary challenges in 2007. Our strength comes from the loyalty of our highly competent employees and the support of our clients. We have an important task ahead of us.

In today's society, individuals bear more responsibility for the growth and security of their savings. Large volumes of private equity and venture capital must be matched with sound ideas, entrepreneurship and wise leadership in business and in politics. With our Nordic expertise and independence, Carnegie is well positioned to contribute to these solutions and to create value for clients and shareholders.

I would like to begin this CEO's message by thanking you, our clients. Your trust is the clearest proof of the quality of Carnegie's performance. Leading international entrepreneurs and corporate managements, private and institutional investors continued to execute significant transactions with Carnegie as the primary advisor during 2007. I feel confident that we succeeded in living up to your expectations in a market in which competition is intense.

I also thank all of our employees. Competence, skill and business acumen are always personal qualities but are best developed in a team setting. We are proud to be able to offer a working atmosphere and the intellectual and material stimulants that enabled Carnegie's employees to con-

tinued high performance in 2007. Under great pressure, we were able to retain and recruit highly competent professionals, something which says a lot about the culture within Carnegie.

The year 2007 was one of the most demanding in Carnegie's long history. Serious regulatory violations in the trading department resulted in a revaluation of the trading portfolio and was the start of a chain of events that put our shareholders and employees under considerable strain.

This should never have happened, and it damaged our brand. However, we have worked hard to change internal routines and strengthen controls and follow-ups.

Despite these difficulties, Carnegie delivered excellent results and retained a top position among capital market players. This shows that we have a very strong mandate in the market.

Now, we must set our sights on the future. Continuing to improve our services is our obligation to clients and shareholders.

A MANDATE FOR THE FUTURE

Carnegie will continue to be a catalyst for development. We must channel capital into the best ideas and entrepreneurial companies. These needs increase in pace with the many challenges that face our society, from climate issues to an aging population.

In a market economy, the financial sector is at the core of allocating capital and setting prices in order to solve these problems.

INCREASED FOCUS ON THE SAVINGS SECTOR

Individual responsibility for long-term savings is increasingly needed to meet the demands of the welfare and demographical challenges.

Becoming an even larger player in the savings sector is thus one of Carnegie's greatest priorities.

Carnegie currently manages more than SEK 200 billion, which makes us one of the largest independent fund managers in the Nordic region. Given the success of the active investment philosophy within Asset Management, the unique private client offering within Private Banking and Max Matthiessen's extremely strong position in long-term savings our growth prospects are favourable. Our goal is to double assets under management over the next few years. A clear benefit of increasing the share of income from these businesses in the savings segment, is the increasing proportion of recurring income, thus reducing dependency on fluctuations in the stock markets.

To achieve these goals, Carnegie will seek to enhance its



distribution channels, invest more in market communication, develop innovative new products and work in a more integrated manner in the savings segment to achieve the significant synergies that we have identified.

TWO UNIQUE COMPETITIVE FACTORS

A number of global trends suggest that long-term demand for Carnegie's services will be favourable and provide the foundation for our future growth. This gains further legitimacy from two unique competitive factors: our independence and our Nordic focus.

Knowledge of Nordic business makes Carnegie an attractive partner in M&A transactions in the Nordic region, but also in international transactions in which a Nordic party is involved. Carnegie has long been ranked as a leader with respect to analysis and knowledge of Nordic equities. Carnegie sells this knowledge to institutional clients all over the world that then execute equity trades with us. This international focus is strengthened by the global fund management products and comprehensive services in asset management that we sell not only in the Nordic region but also elsewhere.

Carnegie is also the only investment bank in the Nordic region that is completely independent in relation to banks, ownership spheres and other party interests.

These are advantages that are difficult to measure but which are very evident for clients. Carnegie does not need to take other considerations than what is the best solution to the client's problem here and now. This is precisely the core of our commercial culture. The current assignment is always core business. We have specialist expertise on par with that of much larger competitors.

SOCIAL RESPONSIBILITY

Our favourable earnings have long enabled Carnegie to also contribute to the society around us in other ways. Carnegie Art Award is one example of a long-term commitment that benefits artists and art appreciation in the Nordic region and which has become one of the world's most well-respected art awards.

The 2008 Carnegie Art Award exhibition was opened in October 2007 at the Kiasma Art Museum in Helsinki by Finland's President Tarja Halonen. Another example of a long-term commitment is the Carnegie Social Initiative. Together with our employees, Carnegie has been contributing since 2001 to providing children and young people a better future. You can read more about these projects on pages 104-105.

OUTLOOK FOR 2008

The new year began with concern in the world's financial markets for a recession in the US and its consequences in other countries. At press time, it was difficult to assess these risks and their effects for Carnegie and our clients. After a year such as 2007, we will also be able to weather a more uncertain economic climate during 2008. Our relative position is strong, and we are fully focused on continuing to enhance the business areas. We have therefore initiated a process to streamline operations into two strong and independent units for Wealth Management and Investment Banking. This will better prepare Carnegie to leverage the opportunities and meet the challenges in these areas. There are many opportunities for improving profitability through greater business focus and for taking clearer responsibility for reducing expenses. We are also working to formulate a new long-term incentive programme that will better align the interests of shareholders and employees.

This work has now begun and will be continued by Mikael Ericson, who will take over as new CEO in the spring of 2008. With his extensive experience in Nordic and international investment banking, he has the right background to drive future value creation in Carnegie. It is with great pleasure that the Board of Directors, I and all employees welcome him to the team. For my part, I wish to extend my thanks for the confidence placed in me to lead Carnegie during a short but challenging period.

As I said at the outset, Carnegie has a mandate for the future. We have our clients' and partners' trust. We have the competence, loyalty and commitment of our employees, creating a stimulating environment to continue to grow, capture market shares and create value for our clients and shareholders.

Stockholm, March 2008



Anders Onarheim

CARNEGIE'S ROLE IN THE ECONOMY

Carnegie, as other investment banks, plays an important role in a vital part of the market economy by contributing to channelling savings in an efficient manner to productive investments that increase welfare in society.

Two tasks are most important. The first is to manage capital for private individuals and institutions in various risk-bearing assets that over time generate the highest possible return. Management is custom-tailored to suit different individual preferences and to identify efficient solutions that enable purchasing power to be shifted between different periods of life, such as to a secure retirement.

The other task concerns entrepreneurs and companies that need private equity and venture capital. By encouraging individuals and institutions to invest in equities and other asset types, companies gain access to capital and thus the ability to develop and grow. This facilitates the important structural transformation through which capital and resources are transferred over time to the most productive sectors of the economy. Balancing these two needs among households and companies requires both financial markets and specialized players, such as Carnegie.

CREATING RESOURCES

The first task, which is to create resources for all phases of life through savings and investments, has perhaps never been as important as it is today. The world's population is growing, the standard of living is improving and life expectancy is increasing. Life expectancy for the average European is estimated to increase from 74 in the year 2000 to 82 in the year 2050. In our part of the world, there were six persons employed for each pensioner in 1960. Today the figure is three to one, and by 2030, it is estimated that there will be one person employed for every pensioner in Sweden. The need for long-term savings is thus increasing strongly. The trend is also towards increased saving in such assets as equities that are considered to provide favourable long-term returns.

The services that Carnegie offers in the Asset Management, Private Banking and Max Matthiessen business areas provide

significant efficiency gains for society. Professional advisory services and customized investment alternatives provide significant benefits for savers who would otherwise themselves be forced to learn about all investment options, analyze them, make selections, monitor their development and execute all transactions in direct contact with buyers and sellers. As an independent player, Carnegie can offer the market's best products, regardless of supplier.

GROWING PENSION SAVINGS

Institutional investors' share of the savings generated by the household sector is gradually increasing. During the ten-year period from 1995 to 2005, household saving via institutions rose from 36 to 44 per cent of the world's total financial assets. The primary reason is increased pension savings.

Insurance companies and pension funds are the world's dominant category of institutional investors, followed by mutual fund companies. Together, they have assets of nearly USD 50,000 billion. Carnegie has traditionally had a very strong position among institutional investors in the Nordic region and to a growing extent in the rest of the world.

The wealth of private individuals is also increasing. Price increases for fixed property, such as housing, is a contributing factor. Another factor is favourable economic development that is increasing the value of companies. This wealth also needs to be managed in an efficient manner, for which asset managers such as Carnegie offer assistance.

CHANNELLING CAPITAL

The second primary task for an investment bank such as Carnegie is to channel venture capital to productive investments. This is an area that is growing in importance with globalization and market deregulation. Rising wealth in the world means that capital available for investment is increasing rapidly.

Entrepreneurs and companies need the advisory and other services of an investment bank for efficient capital procurement. They seek capital with long-term risk-willingness. They also want the best price for the securities they sell and want to market them at the lowest possible cost. They need advice on interest rates and other macro-

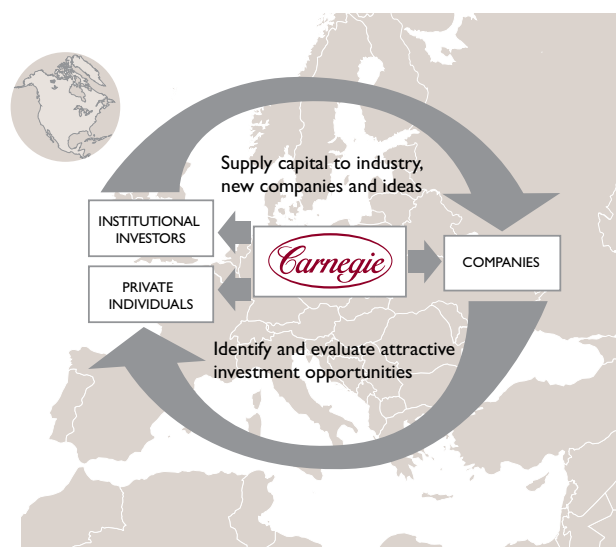
economic trends, industrial development, competitive conditions and market behaviour. Companies that are growing need advice and guidance in conjunction with company acquisitions and mergers.

This demands substantial resources in the form of specialist expertise and knowledge of investor behaviour and preferences. Carnegie can assist in these areas through its Securities and Investment Banking business areas.

Mutual funds and investment companies can find solutions to their investment needs in the form of customized portfolios of opportunities and risks. Owners and companies can obtain customized advisory services for company purchases, sales and mergers. Carnegie and other investment banks increase the efficiency of the economy, thus contributing to the society's development and growth.

GREATER OPPORTUNITIES FOR CARNEGIE

A company such as Carnegie with its focus on growing companies, institutional investors and individuals with high asset value is particularly well suited to take advantage of current trends. Globalization is often described as a mixture of threats and opportunities. For Carnegie, the opportunities are much greater than the threats. At the same time, competition and capital flows increasingly transcend national borders. Only by supplying the market's best solutions will Carnegie be able to retain its leading position and further strengthen it over the coming years.



Carnegie is an important link between companies and investors.

IMPORTANT MILESTONES WITHIN CARNEGIE

Carnegie has grown in symbiosis with modern financial markets in the Nordic region. The major steps have been:

- In 1990, opportunities for foreign share ownership increased when Sweden eliminated unrestricted and restricted shares. Carnegie saw the potential in this and other deregulatory changes and developed a significant business with international investors within the Securities business area driven primarily through offices in London and New York.
- The Nordic specialist competence was strengthened by building up extensive analyses of leading Nordic listed companies.
- Based on its knowledge of Nordic business, Carnegie then invested heavily in the early 1990s in building up its advisory services for mergers and acquisitions. During the same period, the first steps were taken within Asset Management through an acquisition in Denmark.
- By the mid-1990s, a comprehensive organization had been built up in all Nordic capitals and with sales offices in London and New York. Asset Management in Sweden grew through acquisitions.
- During the late 1990s, Carnegie grew to become one of the leaders in Securities and Investment Banking. Independence was a key component in this success.
- At the beginning of the 2000s, the savings market experienced strong growth, and pension savings ranked high on the public agenda. Carnegie expanded within Asset Management and Private Banking. The acquisition in 2007 of Max Matthiessen, a specialist in insurance solutions and long-term savings, created prerequisites for offering the market's leading savings concept.

Sources: BIS, Goldman Sachs

Driving forces for growth

GLOBALIZATION

Demand for savings solutions and venture capital are increasing as the global economy becomes more integrated and efficient. Never before have so many people in such a short time achieved welfare and growing incomes that result in savings, asset ownership and the need for financial investments.

AN INCREASINGLY OLDER POPULATION

The world's population is becoming increasingly older, which is most evident in the Western world. The result is a growing need for savings solutions that guarantee a secure retirement. The inadequate financing in the public social security systems increases the individual's responsibility and the need for private solutions.

DEREGULATION

Deregulation of the financial markets is ongoing, particularly within the EU, where the objective is to create equal conditions for all players across national borders. Privatization of public assets also continues, resulting in greater efficiency and expanding the offering and the demand for financial solutions and products for both savers and companies.

TECHNICAL DEVELOPMENT

The global economy faces significant challenges in solving such problems as global warming, finding new energy sources, curing diseases and extending welfare to an even greater number of individuals. Larger amounts of capital than ever before must be transformed into venture capital for technical development.

Strategic strengths

KNOWLEDGE AND PEOPLE

Carnegie's expertise resides with and is mediated by its employees. The level of their knowledge and experience determines our competitiveness. Carnegie has a total of slightly more than 1,100 employees in eight countries who collectively have access to a network that encompasses all significant players in the Nordic region and globally the most important players with interests in the Nordic markets. This collective knowledge culture is strengthened by a compensation philosophy that promotes teamwork and performance.

NORDIC FOCUS IN A GLOBAL MARKET

Thanks to its in-depth knowledge of Nordic business and strong market positions, Carnegie has clients all over the world. The Securities and Investment Banking business areas have created human capital in the form of experience and trust based on participation in a large number of mergers and acquisitions with Nordic components. In the savings segment, Carnegie employs an open architecture that provides investors with access to unique combinations of own products, as well as knowledge and products from other suppliers.

INDEPENDENT AND BEST-IN-CLASS

Carnegie is the only independent investment bank with a Nordic focus. Carnegie is independent in relation to banks, ownership spheres and other party interests. This constitutes a guarantee for independent analysis, more innovative solutions focused on the client's best interests and a favoured position as a partner in many transactions with a Nordic orientation. Carnegie's open architecture means that our own solutions and products can be combined with solutions and products from other suppliers in a client offering that is best-in-class.

COMMITTED EMPLOYEES CREATE VALUE FOR CLIENTS

A STRONG COMPANY CULTURE

Carnegie's core values are dedication, team spirit, development, participation and motivation. A clear message based on distinct values makes it easier to see what Carnegie stands for as a company and what clients can expect of us. This requires a strong company culture.

ENTREPRENEURIAL SPIRIT AND BUSINESS FOCUS

Carnegie's culture is characterized by goal-oriented employees with an entrepreneurial spirit and a business focus. An important driving force is the opportunity to influence earnings through the employee's own efforts. A competitive incentive system is therefore critical in being able to attract and retain the best employees. It also offers opportunities to reward ideas, creativity and motivation and results in increased productivity and performance, which creates value for clients and shareholders.

ACTIVE LEADERSHIP IS IMPORTANT FOR SUCCESS

To be able to attract and retain the most qualified personnel, active leadership with clear goals and incentives is essential. The quality of leadership is also a key factor in achieving our common goal – to be the first choice for our clients, thus creating long-term profitability.

TRUST AND RESPONSIBILITY

Trust is just as fundamental in Carnegie's operations as knowledge. The largest part of Carnegie's value is its employees' knowledge. Our credibility thus depends on the integrity and ethics of our employees. In each contact with clients, we must act professionally and responsibly and always put the client's interests first.

Strategic goals



SECURITIES shall be number one in all Nordic markets in analysis and trading of Nordic equities targeted to local and international investors.



INVESTMENT BANKING shall retain and enhance its leading position as advisor in company mergers and acquisitions with Nordic components, through close client relationships, competence in advisory services and executions and a fundamental understanding of Nordic business and capital market.



ASSET MANAGEMENT shall be a leading independent supplier within active asset management through a focused and structured investment process and a product offering with a high service content that is well matched to client requirements.



PRIVATE BANKING shall be the leader in wealth management by offering personal and dedicated service in combination with the best product mix for prioritized private clients and funds.



MAX MATTHIESSEN shall retain the position as the leading independent financial advisor focused on pension insurance and long-term savings in Sweden.

Value creation

Carnegie creates added value for its customers by being the leading independent investment bank with a Nordic focus. Carnegie always strives to be its clients' first choice.

CLIENTS

Institutions and companies have access to analysis and trading services, advisory services in acquisitions and divestment and capital procurement. Investors, foundations and private persons are offered asset management products and personal advisory services.

SHAREHOLDERS

Carnegie offers competitive value creation based on a favourable long-term share-price trend and a high dividend share.

SOCIETY

Carnegie contributes to society's development through advancement of knowledge and advisory services to encourage savings that are transformed in an efficient manner into investments for a growing and welfare-creating industry in the Nordic region.

BUSINESS CONCEPT

Carnegie's business concept is to create added value for its clients by being the leading independent investment bank with a Nordic focus.

- A leading position in selected segments is essential for Carnegie to be able to create long-term profitability in intense international competition.
- By being independent, Carnegie can offer impartial analysis and advisory services free from ties to commercial banks, ownership spheres and other party interests, thus guaranteeing the client's interests.
- Carnegie's focus allows us to concentrate our efforts, resulting in higher quality in the service and product concepts that we offer.

VALUE CREATION FOR CLIENTS AND SHAREHOLDERS

All business value creation begins with creating value for the client. For Carnegie, this means that clients must achieve or exceed their business goals with the support of Carnegie's services.

Client value is created using the knowledge and experience that employees acquire. Increasing income is therefore a leading variable in Carnegie's own value creation. The more business we generate, the greater the opportunities for creating valuable expertise and greater resources for even more assignments.

This positive spiral has given Carnegie a leading position in the markets in which the Group has chosen to compete. These belong to service sectors that show a growth trend that has been faster than the global economy as a whole. The market for capital procurement to companies is exposed to fluctuations that strongly influence business and capital markets, while saving services provide more stable income.

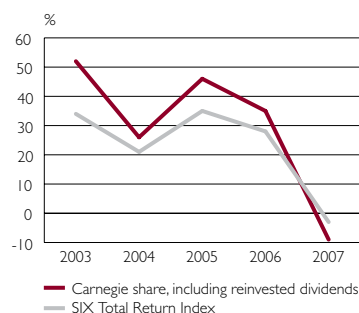
EMPLOYEES SHARE THE SHAREHOLDERS' INTERESTS

Most of Carnegie's cost base, which is its personnel, is also its greatest potential source of income and thus also relatively stable. Incentive systems with profit share are designed so that there is a strong mechanism for influencing total costs both upward in prosperous times and downward in response to setbacks. Employee interests are thus linked to shareholder interests.

Operations consist of commission and advisory-related income and are characterized by low capital requirements. In conjunction with the exchange listing in 2001, the Carnegie Board of Directors therefore decided that all capital apart from a suitable capital coverage level shall be distributed to the shareholders. When the Board of Directors takes decision on dividends, consideration is given to such factors as distributable funds, market conditions, future capital requirements and other factors deemed relevant.

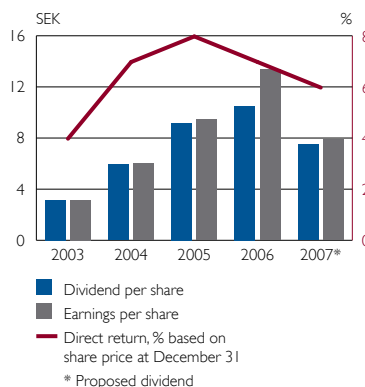
This dividend policy has resulted in one of the highest dividend shares among Swedish companies, with a high direct return averaging 7.8 per cent since the listing in 2001. In total, SEK 2,649m has been distributed to the shareholders.

ANNUAL TOTAL RETURN



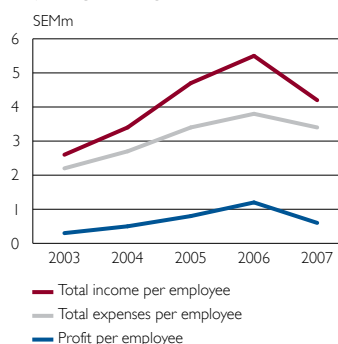
Carnegie's dividend policy, combined with favourable price trends, has resulted in high total return over time. Carnegie's total return (meaning share-price trend plus reinvested dividends) has exceeded total return on the OMX Nordic Exchange Stockholm in four of the past five years. Measured over the most recent five-year period, Carnegie's total return amounted to 240 per cent, compared with the Stockholm Stock Exchange, which increased by 175 per cent over the same period. (SIX Total Return Index).

EARNINGS PER SHARE AND DIVIDEND



Carnegie's dividend policy is based on distributing all capital not needed for operations to the shareholders. The annual direct return over the past five years amounted to between 4 and 8 per cent.

LEVERAGE EFFECT



Over the past five years, income per employee increased sharply, while total costs did not rise to the corresponding extent. In 2007, income amounted to SEK 4.2m per employee, while profit per employee amounted to SEK 0.6m.



THOMAS SEGELL,
HEAD OF CUSTODY SERVICES, BUSINESS SUPPORT

“Carnegie gives people an opportunity to perform, and it is up to each employee to take advantage of that opportunity. For those who enjoy challenges and are prepared to work a little harder, it is a very rewarding place to work.”

A professional portrait of Ann-Charlotte Byström-EEK, a woman with long blonde hair, wearing a grey blazer over a light blue button-down shirt. She is holding a black folder with a red spine and a white document. The background is a dark wood-paneled office with a desk lamp and a laptop visible on the right.

ANN-CHARLOTTE BYSTRÖM-EEK,
HEAD OF CARNEGIE FOND AB, ASSET MANAGEMENT

“What makes working at Carnegie so stimulating is all the individuals with whom we work and the strategies we use in performing our work in managing the shareholders’ and the clients’ money in the best possible manner.”

STRATEGIC GOALS

THREE CHALLENGES IN FOCUS 2008

Carnegie's fundamental goal is to grow faster than its competitors with high profitability. For 2008, the focus is on three strategic challenges.

INITIATIVES IN THE SAVINGS MARKET

One strategic priority for 2008 is to intensify efforts in the savings market with the objective of increasing managed assets. At the end of 2007, Carnegie had slightly more than SEK 200 billion under management, and within the existing framework, there is capacity to more than double this amount over a period of three to five years.

- In collaboration with Asset Management and Private Banking, Max Matthiessen will expand its offering to increase its profile as a one-stop shop for financial services such as equity trading, PPS, mutual funds, insurance and investment advisory services that span virtually the entire personal finance sector.
- Within Asset Management, Carnegie will increase efforts to market the fund products based on Carnegie's unique investment philosophy with actively managed capital management products targeted to institutions and private individuals. Institutional sales will be expanded to new markets, such as Germany and Austria.
- Within Private Banking, the focus will be on upgrading the client offering through such measures as launching several new customized products that are better matched to client preferences and market trends. As part of this effort, client communication will be improved with new publications and better web services.

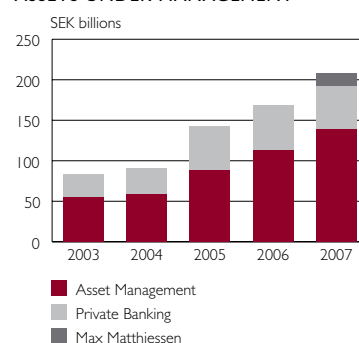
EQUITY TRADING, CORPORATE FINANCING AND MERGERS AND ACQUISITIONS

Another strategic priority is to strengthen Carnegie's position in the markets for equity trading, corporate financing and mergers and acquisitions. Nordic companies and institutions all over the world with interests in Nordic equities have great confidence in Carnegie, as is confirmed by independent rankings. Further strengthening these relations to win a greater share of these clients' business is important. At the same time, ties with Nordic businesses and companies with interests in transactions with Nordic components must be strengthened. Carnegie must also better utilize its strong position in analysis and invest more actively in market communication to increase market share in advisory services for IPOs, acquisitions, divestments and mergers of companies.

ENSURING A CONTROL ENVIRONMENT OF THE HIGHEST CLASS

Carnegie must have a control environment of the highest class in all respects. The banking business is about taking calculated risks, and the ability to measure and control risks in the best possible manner is therefore a prerequisite for Carnegie's business operations. In May 2007, an extensive programme was initiated to review and improve the existing control system in the wake of the events relating to Carnegie's trading operations (see pages 22–23). As part of the action programme that was initiated, responsibilities were clarified, control functions improved, more stringent routines introduced and additional resources added. The entire trading process was strengthened. The trading policy was revised, and external experts validate the portfolio's value. The newly elected Board of Directors continuously monitors the action programme and continues to strive for constant improvement of the control environment in all business units.

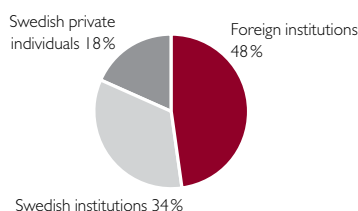
ASSETS UNDER MANAGEMENT



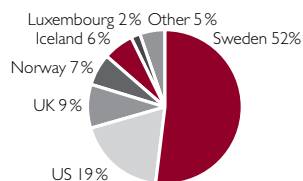
Carnegie currently manages a total of more than SEK 200 billion within the Asset Management, Private Banking and Max Matthiessen business areas, making us one of the largest independent asset managers in the Nordic region. In the diagram, the assets are shown in gross amounts per business area. The overlap between the business areas was about SEK 19 billion in 2007.

HIGH LIQUIDITY IN THE CARNEGIE SHARE

OWNERSHIP STRUCTURE AT 31 DECEMBER 2007



GEOGRAPHIC DISTRIBUTION OF OWNERSHIP AT 31 DECEMBER 2007



INVESTOR RELATIONS

Investor Relations within Carnegie is responsible for providing relevant information and being available for telephone calls and meetings with shareholders, investors, analysts and the media.

HEAD OF COMMUNICATIONS AND INVESTOR RELATIONS

Andreas Koch
Telephone: +46 8 676 86 39
E-mail: andreas.koch@carnegie.se

OPEN PERIODS FOR EMPLOYEE TRADING IN 2008

- 8 February – 29 February
- 26 April – 31 May
- 19 July – 31 August
- 25 October – 30 November

THE SHARE

The Carnegie share was listed in June 2001 and has been traded since October 2006 on the Large Cap list of the OMX Nordic Exchange.

SHARE PRICE DEVELOPMENT IN 2007

The Carnegie share, just as the OMX Nordic Exchange as a whole, showed a negative trend during 2007. The Carnegie share fell by 14.9 per cent, while the OMX Nordic Exchange declined by 6.8 per cent. Carnegie is included in the Financials sector index, which declined by 7.9 per cent in 2007. If the dividend is included, total return for the Carnegie share was a negative 9.0 per cent in 2007. Turnover for the Carnegie share was high during the year. Total turnover amounted to 217 million shares with a value of SEK 29 billion, an increase of slightly more than 36 per cent in terms of value since 2006.

DIVIDEND

In conjunction with the exchange listing in 2001, Carnegie established a dividend policy that all capital above a desired and appropriate capital coverage level shall be distributed to the shareholders. When the Board of Directors takes a decision on a proposed dividend, such factors are taken into consideration as distributable funds, market conditions and other capital requirements, as well as other factors that the Board considers relevant.

The Board of Directors proposes to distribute SEK 582m for the fiscal year 2007, corresponding to SEK 7.50 per share. The total number of shares entitled to a dividend amounted to 77,543,956 at 31 December 2007.

SHARE CAPITAL

In accordance with Carnegie's 2004/2007 warrants program, 1,836,330 shares were issued in January 2007 and an additional 140,200 were issued in May, resulting in an increase of the share capital during 2007 by a total of SEK 16m to SEK 155m. The number of common shares increased through these issues by 1,976,530 shares plus a non-cash issue of 6,042,356 shares to a total of 77,543,956 shares.

In addition, 935,000 preferential shares were issued. The preferential shares are registered and were intended for inclusion in the 2008 Share Programme, which is not expected to be implemented, however. The preferential shares are owned by the Parent Company, do not carry rights to dividends and are not included in the reported share capital.

OWNERSHIP STRUCTURE

The ten largest shareholders controlled 37 per cent of the voting rights and capital at 31 December 2007. The 100 largest shareholders controlled 57 per cent. The foreign ownership share in Carnegie amounted to 48 per cent at 31 December, with the US and the UK as the largest ownership countries outside Sweden with 18 and 9 per cent of the share capital, respectively.

EMPLOYEE SHAREHOLDINGS AND TRADING REGULATIONS

Employee shareholdings amounted to about 10 per cent of the outstanding shares at 31 December 2007. Carnegie employees must comply with external and internal regulations for trading. Trading in Carnegie shares is only permitted during open periods, which begin the day after publication of Carnegie's interim reports and end on the last day of the month before the last month of the reporting period.

FINANCIAL CALENDAR 2008

Event	Date
Annual General Meeting	7 April
Last date for trading with Carnegie shares including dividend rights	7 April
Record date for dividend	10 April
Payment date for dividend	15 April
Interim report January – March	25 April
Interim report January – June	18 July
Interim report January – September	24 October

SHARE DATA

	2007	2006	Change, %
Market value at 31 Dec., SEKm	9,732	10,255	-5.1
Share price at 31 Dec., SEK	125.50	147.50	-14.9
Year high, SEK	162.50	188.00	-13.6
Year high, date	2 Feb.	6 Apr.	
Year low, SEK	111.25	112.50	-1.1
Year low, date	30 Aug.	13 Jun.	
Turnover rate	280	211	

Introduction price at 1 June 2001: SEK 115.00

All-time high at 25 April 2006: SEK 188.00

Listing: OMX Nordic Exchange

Sector categorization: Large cap, financials

ISIN code: SE0000798829

Round lot: 100 shares

Symbol: CAR

OWNERSHIP STRUCTURE AT 31 DECEMBER

No. of shares	No. of shareholders	No. of shares	Share of voting rights and capital, %	Market value, SEKm
1–500	4,314	821,903	1.1	103
501–1,000	1,006	893,128	1.2	112
1,001–5,000	942	2,359,412	3.1	296
5,001–10,000	152	1,213,794	1.6	152
10,001–20,000	106	1,548,876	2.0	194
20,001–50,000	121	3,952,973	5.1	496
50,001–	195	66,755,876	86.1	8,378
Total	6,837	77,543,956	100.0	9,732

KEY DATA PER SHARE

	2003	2004	2005	2006	2007
Earnings per share, SEK	3.17	6.01	9.44	13.36	7.90
Earnings per share after full dilution, SEK	3.14	5.94	9.41	13.25	7.90
Carrying amount per share, SEK	17	20	25	29	38
Dividend per share, SEK	3.16	5.93	9.19	10.50	7.50 ¹⁾
P/E ratio	22.4	14.3	12.4	11.0	15.9
Price/equity ratio	4.1	4.3	4.7	5.0	3.3
No. of shares at 31 Dec., SEK thousands	66,702	66,702	67,730	69,525	77,544
Average number of shares, SEK thousands	66,702	66,702	66,800	69,090	76,092
No. of shares with dividend rights (pro forma), SEK thousands	66,702	66,702	69,040	71,361	77,544
No. of shares attributable to subscription warrants, SEK thousands	4,800	7,200	3,772	1,977	–
No. of shareholders	4,282	4,616	4,946	7,351	6,837
Total no. of shares, incl. effects of warrants, SEK thousands	67,243	67,471	67,083	69,645	77,544
Total return, incl. reinvested dividends, %	52	26	43	34	-9
Total return, SIX Total Return Index, %	34	21	35	28	-3
Direct return, %	4	7	8	7	6

1) Proposed dividend

MAJOR SHAREHOLDERS AT 31 DECEMBER 2007

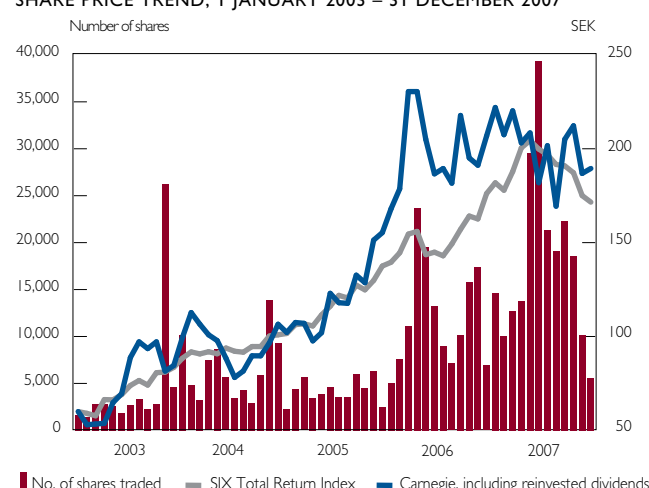
Owner	Share of voting rights and capital, %	No. of shares
Franklin-Templeton Funds	7.8	6,081,241
Catella fonder	5.5	4,252,500
ABG Sundal Collier ASA	5.4	4,200,000
Moderna Fonder ¹⁾	4.9	3,800,000
Swedbank Robur fonder	4.7	3,610,719
Första AP-fonden	2.4	1,856,800
SEB fonder	1.6	1,242,811
Nordea fonder	1.6	1,225,199
Radar fond	1.5	1,168,069
Skandia Liv	1.3	987,400
Others	63.3	49,119,217
Total	100.0	77 543 956

Source: SIS-Ägarservice

1) According to information received, the shares are controlled by Invik & Co. AB. Invik & Co. AB controls a total of 10.2 per cent of the capital through direct share ownership or indirectly via options, according to a flagging notification at 16 November 2007.

Employee shareholdings, including the holdings of Max Matthiessen's former owners, are estimated at 10 per cent of the total number of outstanding shares at 31 December 2007.

SHARE PRICE TREND, 1 JANUARY 2003 – 31 DECEMBER 2007



A portrait of a man with short, light brown hair and blue eyes, wearing a dark grey blazer over a light pink button-down shirt. He is standing in front of a server rack with multiple horizontal slots. Some slots have labels, including "Lindqvist, Robert", "Lindqvist, Nils", "Lindqvist, Emma", and "Westergren, Jennie". The lighting is soft, highlighting his face and the texture of his clothing.

HENRIK BERTMAR,
IT PROJECT MANAGER, BUSINESS SUPPORT

“Carnegie is a company with skilled, proud and positive people. Working together with them to continue developing Carnegie into an even better company motivates me.”

BOARD OF DIRECTORS' REPORT

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BOARD OF DIRECTORS' REPORT FOR D. CARNEGIE & CO AB (PUBL)

CORPORATE REGISTRATION NUMBER 556498-9449 WITH REGISTERED OFFICE IN STOCKHOLM

The Board of Directors and the CEO of D. Carnegie & Co AB (publ) hereby submit the annual accounts for the Parent Company and the Group for the fiscal year 2007. D. Carnegie & Co AB is the Parent Company in the Carnegie Group and is listed in the OMX Nordic Exchange Stockholm with registered office in Stockholm.

Carnegie is an independent Nordic investment bank with operations in the business areas Securities, Investment Banking, Asset Management, Private Banking and Max Matthiessen pursuant to banking licenses issued by the financial supervisory bodies in the markets in which Carnegie is active. Carnegie offers financial products and services to Nordic and international clients from offices in eight countries: Sweden, Denmark, Norway, Finland, Luxembourg, Switzerland, the UK and the US. Operations are conducted in various legal entities that are subsidiaries and branches of Carnegie Investment Bank AB and Max Matthiessen Holding AB. Branches include operations in London (Carnegie Investment Bank UK Branch), Norway (Carnegie Investment Bank Norway Branch) and Finland (Carnegie Investment Bank Finland Branch).

INCOME – STRONG GROWTH IN ASSET MANAGEMENT

Income for the full-year 2007 amounted to SEK 4,340m (4,225), an increase of 3 per cent, compared with 2006. Max Matthiessen, which was consolidated at 1 April, contributed SEK 428m to the year's income. The Asset Management business area increased income by 26 per cent to SEK 1,126m (891) driven by high performance-based income and an increase in assets under management. The Private Banking business area's income rose by 3 per cent and amounted to SEK 581m (563). Within Securities, income declined by 19 per cent to SEK 1,521m (1,886), which was related to trading operations. On 8 May, trading income was adjusted by SEK 280m (250), and for the full-year 2007, Securities recorded a loss of SEK 317m (profit: 66). Customer-related income within Securities was unchanged and amounted to SEK 1,729m (1,730). Income from the Investment Banking business area fell to SEK 683m (885) or by 23 per cent in relation to the very strong income in 2006.

EXPENSES – MANY ITEMS AFFECTING COMPARABILITY

Expenses before profit share for the full-year 2007 amounted to SEK 2,235m (1,659). Expenses for 2007 include expenses for the new Max Matthiessen business area during three quarters totalling

SEK 247m, credit provisions of SEK 95m, fines to the Financial Supervisory Authority and the OMX Nordic Exchange amounting to SEK 57m, a provision of SEK 25m for client-related disputes and other items affecting comparability amounting to about SEK 50m. Adjusted for these items, expenses rose by about 6 per cent in relation to the full-year 2006.

ALLOCATION TO THE PROFIT-SHARE SYSTEM

Compensation to employees consists of a fixed and a variable component. The fixed component consists of salary and a salary-based allocation to the pension system. The variable component consists of a profit share. Allocation to the profit-share system is calculated at a fixed rate of 50 per cent of the Group's operating profit before profit share and after reduction for capital costs. During 2007, Carnegie deviated from this 50-per cent principle, since the shareholders decided that the profit-share system should not be affected by the downward adjustment of trading income. See also pages 22–23.

Costs for the profit-share system in 2007 amounted to SEK 1,250m (1,265). Costs for 2007 include a write-down of a claim of SEK 175m on the profit-share system for the period from 2005 to 2006. Remaining funds available for payment to the employees thus totalled SEK 1,075m. The management group's decision to forego¹⁾ its profit share reduced costs in the profit-share system by SEK 68m.

INCOME

Income before tax for the full-year 2007 amounted to SEK 854m (1,302). The effects of the reduction of trading profits by SEK 280m and the impairment of a claim of SEK 175m on the profit-share system for the period from 2005 to 2006 were charged against earnings. The total effects of the trading events thus amounted to SEK 455m for the full-year 2007. The corresponding effect of the reduction of trading profits for 2006 amounted to an expense of SEK 125m. Tax expenses for 2007 amounted to SEK 254m, corresponding to a recognized tax rate of 30 per cent.

Net profit for 2007 amounted to SEK 601m (923). Return on equity amounted to 22 per cent (55).

For further information on financial development in the respective business areas, see pages 28–47. A five-year overview is presented on pages 20–21.

1) On 11 June 2007, the management group at that time decided to forego its profit share for 2007. This decision reduced Carnegie's expenses for 2007 by SEK 68m.

LIQUIDITY, FINANCING AND INVESTMENTS

Carnegie's principal need for liquidity is to support day-to-day operations, through secured and unsecured short-term funding. The need for long-term funding is relatively low. The main part of Carnegie's assets are marketable securities inventories (marked-to-market or at theoretical values), lending to the public and loans to credit institutions. As a consequence of this, Carnegie's working capital fluctuates significantly between the financial statement dates. In 2007, the change in working capital was SEK 1,244m (neg: 1,406). A more relevant measure of liquidity is the cash flow from operations before changes in working capital, which was SEK 476m in 2007 (1,013). The difference compared with 2006 is mainly attributable to lower operating profit.

Investments affecting cash flow were attributable to the acquisition of Max Matthiessen totalling SEK 134m (0), sale of the subsidiary Capital C amounting to SEK 10m (0), acquisition of intangible assets corresponding to an expense of SEK 23m (expense:1) and acquisition of tangible assets corresponding to an expense of SEK 43m (expense:34).

Redemption of subscription warrants during the year increased shareholders' equity by SEK 200m (142), while the dividend approved by the 2007 Annual General Meeting reduced shareholders' equity by SEK 813m (634). After adjustment for exchange-rate differences of SEK 265m (loss: 90) in cash and cash equivalents, the effect was that cash flow increased by SEK 1,295m (decline: 921).

MARKET DEVELOPMENT

After a strong first six months, the stock market trend was significantly weaker and more volatile in most markets during the second half of the year, which was a result of rising concern in credit markets, combined with increased uncertainty regarding global economic trends. For the full-year 2007, the Nordic index fell by 12 per cent, which was 6 percentage points better than the world market index. The value of the OMX Nordic Exchange Stockholm declined by 7 per cent, while the Helsinki exchange rose by 25 per cent, the Oslo exchange rose by 14 per cent and the Copenhagen exchange by 7 per cent. Total turnover on the Nordic exchanges rose by 28 per cent during 2007 to a record level of SEK 15.8 billion.

The market for mergers and acquisitions (M&A) was strong at the beginning of 2007 but weakened during the third and fourth quarters. Viewed over the full-year 2007, the value of publicly announced deals in the Nordic region declined to USD 102 billion (122) or by 16 per cent in relation to 2006. The market for equity capital market (ECM) transactions weakened during the latter part of the year, but overall, 2007 was a very strong year for ECM transactions, with growth 40 per cent higher than 2006 and a total volume of USD 26 billion (18).

ACQUISITION OF MAX MATTHIESSEN

On 12 January 2007, Carnegie announced its acquisition of Max Matthiessen, Sweden's leading independent advisor in pension insurance. On 20 March, Carnegie acquired all shares and voting rights in Max Matthiessen Holding AB (Max Matthiessen). The acquisition was financed through a non-cash issue of 6,042,356 new shares in Carnegie directed to the sellers of the shares in Max

Matthiessen. The acquisition value was based on shares valued at the closing price of the Carnegie share at 20 March 2007 plus transaction costs of SEK 10m for a total of SEK 906m. Max Matthiessen was consolidated in Carnegie with an earnings effect as of 1 April 2007. Thereafter, the acquisition contributed SEK 428m to consolidated income and SEK 100m to profit after tax. For further information regarding the Max Matthiessen business area, see pages 44-47 and Note 30 on page 78. The shares issued in conjunction with the acquisition are subject to a lock-in programme that extends over a three year period. Upon completion of the acquisition, 10 per cent became available to the holders for sale. The remaining 90 per cent will become available for sale in increments of 30 per cent at 20 March in the years 2008, 2009 and 2010.

THE BOARD OF DIRECTORS' STATEMENT REGARDING THE PROPOSED DIVIDEND

Carnegie's Board of Directors propose that the Annual General Meeting approve a cash dividend of SEK 7.50 (10.50) per share, corresponding to a total dividend of SEK 582m (813).

Carnegie's dividend policy is that all capital above a desirable and appropriate capital adequacy level shall be distributed to the shareholders. The Board of Directors' proposed dividend must take into consideration such factors as funds available for distribution, market conditions and other capital requirements. In the Board's view, the proposed dividend is well motivated in consideration of the above. Carnegie's capitalization after the proposed dividend is expected to remain satisfactory and well matched to the requirements that the nature and scope of operations and the associated risks place on shareholders' equity and the Group's consolidation requirements, liquidity and financial position in other respects.

The proposed record date for the dividend is 10 April 2008. The last date for trading in Carnegie shares with dividend rights will thus be 7 April. If the Annual General Meeting approves the Board's proposal, the dividend is expected to be paid through the Swedish Central Securities Depository on 15 April.

APPROPRIATION OF PROFITS

At the disposal of the Annual General Meeting, SEK	
Unrestricted shareholders' equity	1,721,730,909
The Board of Directors and the CEO propose that profits be disposed such that	
A dividend of SEK 7.50 be paid per dividend-entitled share	581,579,670
To be brought forward	1,140,151,239
Total	1,721,730,909

EMPLOYEES

At 31 December, Carnegie had 1,135 employees in eight countries. Detailed information on the number of employees, salaries and other compensation for the Group and the Parent Company is presented in Note 7 on page 65. Carnegie's constant challenge is to recruit and retain the best employees by continuing to work with active leadership, clear goals and competitive incentives to create a working environment that provides the very best opportunities for personal and professional development. Carnegie's overriding goal for working environment work is to promote physical and mental health among its employees. All employees have access to

preventative company health care. Carnegie encourages meaningful leisure activities, such as sports, cultural activities and social gatherings. By actively working with working environment qualities, job satisfaction is increased, which reduces absence due to illness and improves availability for Carnegie's clients.

COMPENSATION TO SENIOR EXECUTIVES

Because employees are one of Carnegie's most important assets, it is important to have a clear and distinct incentive system. A profit-share system for management and other employees was therefore already introduced in the early 1990s. Profit share is based on a set formula: 50 per cent of the Carnegie Group's profit before profit share after deduction of a yield requirement on shareholders' equity, shall be allocated to the employees. During 2007, the shareholders approved an exception from the 50-per cent principle as described under the heading Allocation to the profit-share system for 2008 on page 17. The Board of Directors' proposal to the 2008 Annual General Meeting is that profit share 2008 shall follow the 50-per cent principle as previously applied.

During 2001 to 2004, employees were invited to participate in long-term incentive programmes in the form of subscription warrants. In 2007, the most recent of the three subscription warrants programmes expired. At the 2007 Annual General Meeting, a proposal was approved to introduce a share programme (2008 Share Programme) targeted to some 100 key persons. However, the Board of Directors' proposal to the 2008 Annual General Meeting is that this programme shall be discontinued and replaced by a new long-term incentive programme that will be presented to shareholders later in 2008. For more detailed information on compensation, see Note 7 on pages 67–68 and the Corporate Governance report on pages 95–96.

THE SHARE

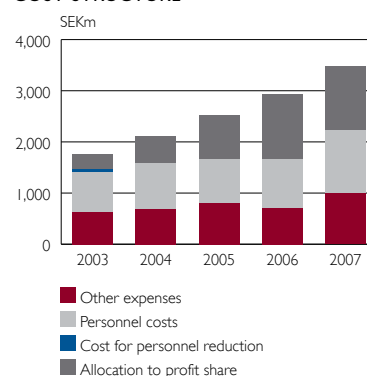
At 31 December 2007, the total number of shares was 77,543,956 of a single share class. One share entitles the holder to one vote, and all shares have equal right to dividends. In addition, 935,000 preferential shares were issued. The preferential shares are registered and were intended for inclusion in the 2008 Share Programme, which is not expected to be implemented, however. The preferential shares are owned by the Parent Company, do not carry rights to dividends and are not included in the reported share capital. There are no limits for how many votes a shareholder may exercise at a general meeting, and apart from the previously described lock-in programme applying to shares issued in conjunction with the acquisition of Max Matthiessen – see page 17 under the heading Max Matthiessen – there are no agreements between shareholders known to Carnegie that entail restrictions on the transfer of shares. For additional information on the Carnegie share, see pages 12–13.

ENVIRONMENTAL WORK

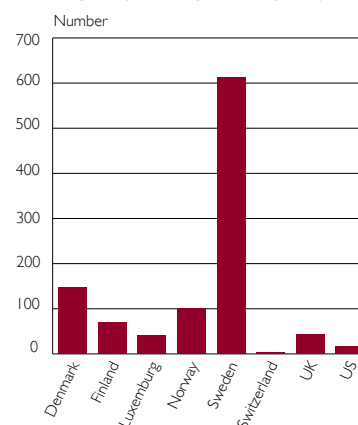
Carnegie's ambition is to strive for a sustainable environment that in turn can create pre-requisites for a better society for coming generations. Environmental work is performed through continuous adaptation of operations, improved routines and constant updating of knowledge and information processes relating to environmental issues. Carnegie's core business does not have a direct impact on the environment, although the business does result in certain activities that have an effect on the environment. Employee requirements for office premises, IT equipment, consumables, travel and energy consumption are examples of the environmental impact resulting from Carnegie's business.

Carnegie has established an environmental policy for all operations in Sweden, of which certain relevant portions are also applied in Carnegie's other operations. The policy's two main areas concern evaluation and reduction of Carnegie's environmental impact and employee training and commitment on environmental issues. Carnegie conducts an environmental audit each year to follow up these guidelines. The measures taken to date include paper recycling in office premises, electricity consumption and environmentally friendly alternatives in purchasing.

COST STRUCTURE



AVERAGE NUMBER OF EMPLOYEES BY COUNTRY



At 31 December, the number of employees was 1,135, an increase of 337 persons. The increase was the result of the acquisition of Max Matthiessen, where the number of employees amounted to 325.

CORPORATE GOVERNANCE REPORT

The Corporate Governance Report is presented on pages 88–101.

SIGNIFICANT EVENTS AFTER THE CLOSING DATE**MIKAEL ERICSON NEW PRESIDENT AND CEO OF CARNEGIE**

On 17 January 2008, the Board of Directors of D. Carnegie & Co AB appointed Mikael Ericson new President and CEO. Mikael Ericson will assume his position on 1 April.

Mikael Ericson comes from Handelsbanken where he has been Vice President since 2006 and Head of Handelsbanken Capital Markets since 2003. From 1987 to 1993, he worked with fixed-income trading at Carnegie. He has been the Chairman of the Swedish Securities Dealers Association since 2006. Anders Onarheim will remain acting CEO of Carnegie until Mikael Ericson assumes his position.

INCOME STATEMENT 2007

SEKm	Jan.-Mar.	Apr.-Jun.	Jul.-Sep.	Oct.-Dec.	Full-year 2007
Securities	354	310	430	426	1,521
Investment Banking	119	199	139	225	683
Asset Management	202	281	226	417	1,126
Private Banking	144	145	138	154	581
Max Matthiessen	–	136	133	159	428
Total income	819	1,072	1,067	1,382	4,340
Personnel costs	–248	–314	–325	–339	–1,227
Other expenses	–209	–210	–254	–243	–914
Credit provisions, net	–	–	–50	–45	–95
Total expenses before profit share	–455	–524	–629	–627	–2,235
Operating income before profit share	364	548	438	754	2,105
Costs of profit-share system	–172	–577	–206	–295	–1,250
Total expenses	–672	–1,100	–835	–923	–3,485
Profit before tax	192	–29	232	459	854
Tax	–60	11	–80	–124	–254
Profit for the period	132	–18	151	335	601
Earnings per share, SEK	1.84	–0.23	1.95	4.32	7.90
Earnings per share after dilution, SEK	1.84	0.23	1.95	4.32	7.90
Average number of employees during the period	805	1,104	1,106	1,126	1,035
Number of employees on the closing date	808	1,106	1,109	1,135	1,135

FIVE-YEAR SUMMARY

INCOME STATEMENT¹⁾

Group, SEKm	2003	2004	2005	2006	2007
Securities	915	1,202	1,403	1,886	1,521
Investment Banking	368	511	733	885	683
Asset Management ²⁾	798	492	791	891	1,126
Private Banking	–	467	486	563	581
Max Matthiessen					428
Total income³⁾	2,081	2,672	3,414	4,225	4,340
Personnel expenses	–779	–883	–812	–952	–1,227
Expenses for personnel reductions	–61	–	–	–	–
Other expenses	–634	–705	–857	–708	–914
Net provisions for credit losses	1	1	–5	0	–95
Total expenses before profit share	–1,473	–1,587	–1,674	–1,659	–2,235
Operating profit before income from associated companies, significant holdings and profit share	608	1,085	1,740	2,567	2,105
Income from associated companies and other significant holdings ³⁾	–6	–21	–	–	–
Operating profit before profit share	602	1,064	1,740	2,567	2,105
Allocation to profit-share system	–287	–524	–859	–1,265	–1,250
Total expenses	–1,760	–2,111	–2,533	–2,923	–3,485
Profit before tax	315	540	881	1,302	854
Tax	–104	–139	–250	–379	–254
Profit for the year	211	401	631	923	601

1) Financial information for 2004 was restated in accordance with IFRS. Financial information for 2003 was not restated as a result of the transition to IFRS, since the effects would have been insignificant.

2) Asset Management's income for 2003 included income from the Private Banking business area.

3) Income from associated companies and significant holdings includes income from Carnegie's holding in Orc Software (2003) and income from associated companies. Total income as reported above may therefore differ from the legal income statement.

FIVE-YEAR SUMMARY

FINANCIAL KEY DATA

	2003	2004	2005	2006	2007
Profit per share, SEK	3.17	6.01	9.44	13.36	7.90
Profit per share after dilution, SEK	3.14	5.94	9.41	13.25	7.90
Equity per share, SEK	17	20	25	29	38
Dividend per share, SEK ¹⁾	3.16	5.93	9.19	10.50	7.50
Share price, SEK	71	86	117	148	126
Dividend ratio, %	100	99	97	79	95
Total return incl. reinvested dividends, %	52	26	43	34	-9
Direct return, %	4	7	8	7	6
P/E ratio	22.4	14.3	12.4	11.0	15.9
Average number of shares, SEK thousands	66,702	66,702	66,800	69,090	76,092
Number of shares at 31 Dec., SEK thousands	66,702	66,702	67,730	69,525	77,544
Number of shares entitled to dividend, SEK thousands	66,702	66,702	69,040	71,361	77,544
Number of shares attributable to outstanding warrants, SEK thousands	4,800	7,200	3,772	1,977	–
Total number of shares, incl. effect of issued warrants, SEK thousands	67,243	67,471	67,083	69,645	77,544
New shares issued in January 2007, SEK thousands				1,836	
New shares issued for acquisition of Max Matthiessen, SEK thousands				6,071	
Total no. of shares eligible for dividend at AGM 2007, SEK thousands				77,433	
Expense ratio, %	85	80	74	69	80
Income per employee, average, SEKm	2.6	3.4	4.6	5.5	4.2
Profit margin, %	10	15	18	22	14
Return on equity, %	17	33	47	55	22
Total assets, SEKm	14,618	22,839	30,854	44,077	45,089
Margin lending, SEKm	3,120	6,612	4,428	8,403	7,897
Deposits and borrowing from general public, SEKm	5,145	5,424	6,893	8,093	9,918
Tier I capital					
Shareholders' equity, SEKm	1,145	1,330	1,685	2,042	2,975
–Goodwill, SEKm	–17	–17	–8	–9	–381
–Intangible fixed assets, SEKm	–	–28	–20	–10	–577
–Deferred tax assets, SEKm	–	–115	–119	–124	–273
–Dividends ¹⁾	–211	–396	–634	–813	–582
Tier I capital, SEKm	918	774	904	1,086	1,163
Tier II capital					
Subordinated loans up to 50% of Tier I capital	–	–	469	476	487
Risk-weighted assets	4,037	4,601	6,888	12,925	–
Credit risks, SEKm	2,710	3,274	4,745	7,970	–
Market risks, SEKm	1,327	1,327	2,143	4,955	–
Operative risks, SEKm					
Tier I Ratio, % ²⁾	22.7	16.8	13.1	8.4	–
Capital adequacy, multiple, % ²⁾	22.7	16.8	19.9	12.6	–
Tier II ratio, % ³⁾				1.51	1.59
Average number of annual employees	793	791	747	775	1,035
Number of employees at 31 Dec.	774	779	741	798	1,135
Assets under management within Asset Management at 31 Dec., SEK billions	55	62	92	114	139

1) Proposed dividend excluding new shares issued in conjunction with the acquisition of Max Matthiessen. (Including the acquisition, the dividend amounts to SEK 813m.)

2) New definition of regulatory capital as of 2004.

3) Tier II ratio is calculated as the ratio between the capital base and capital requirements according to new capital coverage requirements (Basel II).

EVENTS RELATING TO TRADING OPERATIONS IN 2007

In May 2007, it was discovered that the valuation of portions of Carnegie's trading portfolio were overstated during 2005 to 2007, in part through violations of internal valuation rules and in part by manipulation of market prices. The effect on income of the incorrectly valued positions amounted to SEK 630m. Carnegie implemented an extensive action programme to create a strong control environment. In the wake of these events, fines were levied on Carnegie Investment Bank AB by the Financial Supervisory Authority and the OMX Nordic Exchange Stockholm.

BACKGROUND

Within the Securities business area, Carnegie conducts trading on own account or what is called proprietary trading. This means that Carnegie takes positions in various securities, primarily shares and derivative instruments.

The positions that Carnegie takes in proprietary trading must be valued at market value. If there is no clear market value, for example because the market for the instrument in question is not sufficiently liquid a theoretical valuation is performed according to established models.

COURSE OF EVENTS

On 8 May 2007, Carnegie announced that certain positions in the trading department in Sweden were incorrectly valued. After an initial investigation, it was concluded that the trading positions were incorrectly valued by a total of SEK 370m in 2007.

The investigation continued with a review of the period prior to 2007. On 24 May, Carnegie was able to conclude, after completing its investigation, that the trading portfolio was overvalued by a total of SEK 630m during the years 2005-2007. This amount was verified by external international expertise within option valuation and accounting. The investigative work was continuously monitored and reviewed by Carnegie's external auditor. Since the discovery of these events, the value of the trading portfolio has been regularly reviewed by the external accountant in conjunction with each interim report.

Three employees ("the traders") in the trading department were involved in the manipulations. Put briefly, the manipulations were performed by deliberately using incorrect parameters in valuing options with limited liquidity, i.e. options that should have been valued using a theoretical model, primarily by entering incorrect volatility assumptions. With the objective of misleading regular internal controls, the traders also manipulated certain market prices on the OMX Nordic Exchange Stockholm and the Eurex derivatives market.

The three traders in question left the company in May 2007. One of the individuals had already resigned his employment when the regulatory transgressions were discovered, and the other two individuals were dismissed in conjunction with the discovery. All three were reported to the police. The legal processes surrounding these events had not been concluded when this annual report was published.

At the end of 2006, the OMX Nordic Exchange Stockholm called attention to the fact that it was possible that the pricing of certain instruments on the market was being manipulated by traders from Carnegie. At that time, Carnegie conducted an internal investigation, which was discontinued, however, when the explanations that the traders presented on that occasion were deemed acceptable.

ACTION PROGRAMME

Immediately after these events were discovered in May 2007, work was initiated on an extensive action programme intended to strengthen the risk and control environment. Carnegie presented the action programme to the Swedish Financial Supervisory Authority in June. The action programme included a general review of trading operations with respect to organization, routines, including control systems, and written instructions. In addition, the quality of the control environment was significantly strengthened. The Middle Office was given expanded responsibilities that include advanced controls of positions and income calculations. Additional qualified resources were allocated to the Risk Management function, and system support was improved. International external expertise was employed to independently validate the valuation of the options portfolio. A separate function was created for Operational Risk Management and to further strengthen security. The Compliance and Internal Audit functions also received additional resources.

REVIEWS BY THE FINANCIAL SUPERVISORY AUTHORITY AND OMX

In May 2007, the Financial Supervisory Authority initiated an investigation of Carnegie as a result of the events in the trading department.

On 27 September, the Financial Supervisory Authority presented its report and its ruling in which strong criticism was directed towards the company. There were sanctions on five counts such that Carnegie Investment Bank AB received warnings supported by two different laws (the Banking Business Act and the Securities Business Act), that the CEO Stig Vilhelmson was ordered to leave the company within three months, that the Board of Directors of Carnegie Investment Bank AB should convene an Extraordinary General Meeting and that Carnegie was obligated to pay a penal charge of SEK 50m. In addition, with the objective of assessing the composition of the Board of Directors, the Financial Supervisory Authority reported Carnegie's former auditor, as well as the auditor appointed by the authority, to the Supervisory Board of Public Accountants. However, the Financial Supervisory Authority was positive in its assessment of Carnegie's action programme.

CEO Stig Vilhelmson left Carnegie immediately following the Financial Supervisory Authority's ruling. He was replaced by Anders Onarheim, who was appointed acting CEO. An Extraordinary General Meeting of the listed company was held on 21 November with the objective of reviewing the composition of the Board of Directors. The meeting elected a new Board which, with one exception, consisted of new members.

Following a decision by the Board of Directors at the time, Carnegie Investment Bank AB appealed portions of the Financial Supervisory Authority's ruling.

In addition to the Financial Supervisory Authority's review, OMX Nordic Exchange in Stockholm initiated its own investigation, which was conducted to examine Carnegie in its capacity as an exchange member based on suspicion of market manipulation on the part of the three traders and in its capacity as a listed company based on disclosure of information. On 28 November 2007, after completing its investigation, the Disciplinary Committee of the OMX Nordic Exchange Stockholm levied a penal charge of SEK 5m on Carnegie Investment Bank AB for market manipulation and of SEK 1.8m on D. Carnegie & Co AB for deficiencies in the initial disclosure of information relating to the events.

CONSEQUENCES OF THE EVENTS

The events following the discovery of the incorrectly valued trading positions were extensive and were a strain on Carnegie as a company. The substantial impairment affected the shareholders, while the extensive publicity and criticism were a strain on employees and naturally had an impact on Carnegie's brand. In October 2007, Carnegie decided to withdraw from its assignments from the Swedish government as a result of the negative effect of the examination on both Carnegie and its client.

At the same time, the process had as its result that Carnegie now has conducted a thorough examination of all processes relating to risk control and control systems to ensure that the company has a control environment of the highest class.

No clients were affected by the events in the trading department. Both clients and employees also showed great loyalty towards Carnegie during several turbulent months. The legal processes resulting from the event will continue for some time, but with the closing of the fiscal year, Carnegie can put these events in the past.

EFFECTS ON PROFIT SHARE

The reduction of trading income by SEK 630m had an effect on Carnegie's profit-share system in which half of profit is allocated for profit share for the employees according to what is termed the 50 per cent principle. (See also page 95.) Because the reduction affected income for 2005-2006 in an amount of SEK 350m, a deficit arose in the profit share already paid for 2005 and 2006 that amounted to SEK 175m. In addition, a deficit arose in the profit share already allocated for 2007 that amounted to SEK 140m. In total, the deficit in the profit-share system thus amounted to SEK 315m.

A competitive compensation system with ample opportunity for profit share is of critical importance for Carnegie in a competitive labour market for being able to attract and retain the best expertise. This was the primary argument when Carnegie's Board of Directors decided to write off the entire deficit in the profit-share system on 11 June.

This decision, which constituted an exception from the 50-per cent principle, was confirmed by an Extraordinary General Meeting on 23 August at which more than 90 per cent of the shareholders supported the Board's decision.

On 11 June 2007, Carnegie's Group Management at that time decided to forego its profit share for 2007 to the benefit of the shareholders. This profit share corresponded to 6.8 per cent of the total profit share, and in the fourth quarter of 2007, its value was established at SEK 68m.

EFFECTS ON INCOME AND PROFIT SHARE

SEKm	2005	2006	2007Q1	2007Q2	Total
Reduction of trading income	-100	-250	-220	-60	-630
Write-off of previous years' deficit in profit share	-	-	-	-175	-175
Write-off current year's profit share	-	-	-	-140	-140
Effect on profit after tax assuming 28% standard tax	-36	-90	-79	-248	-454

A portrait of a man with short, dark hair and light-colored eyes, looking directly at the camera. He is wearing a dark, textured blazer over a light gray turtleneck sweater. A light-colored pocket square is visible in the blazer's breast pocket. The background is a neutral, light gray wall.

DANIEL DAHLSTEDT,
SALES, PRIVATE BANKING

“Having an opportunity to work every day with pleasant and skilled colleagues and having daily contacts with clients is to me what makes a stimulating working environment.”

RISK AND CAPITAL MANAGEMENT

Carnegie's business operations mean that the Group is exposed to market, credit, liquidity and operational risks. Operations are therefore conducted in a clear organization with delegated responsibilities and efficient processes for each risk area.

Carnegie operates according to the principle that the line organization has the primary responsibility for internal control; the first line of defense. Responsibility for risk control thus lies where the risk arises. As a second line of defence, the risk control functions are responsible for verifying that the business areas handle risk control in a competent and adequate manner. In the third and final line of defence, internal and external auditors are responsible for verifying that the line organization and the control functions fulfil their assignments.

The goal for Carnegie's risk control organization is to check and in other ways contribute to ensuring that the line organization handles business risks in a satisfactory manner. Guidelines and routines for risk control are established with the objective of identifying, measuring, controlling and following up the most important risk areas. Taking

and exposing the business to risks is an important part of Carnegie's business operations. Carnegie is therefore constantly developing clear and practical methods to ensure that risk exposure at any given time is within established limits and mandates.

Preventative actions are a central component in the Group's work with risk control. Both business managers and the risk control functions act to instil high awareness of guidelines and routines among Carnegie's employees that include how they must measure, monitor and evaluate Carnegie's risk profile and maintain it within the prescribed limits.

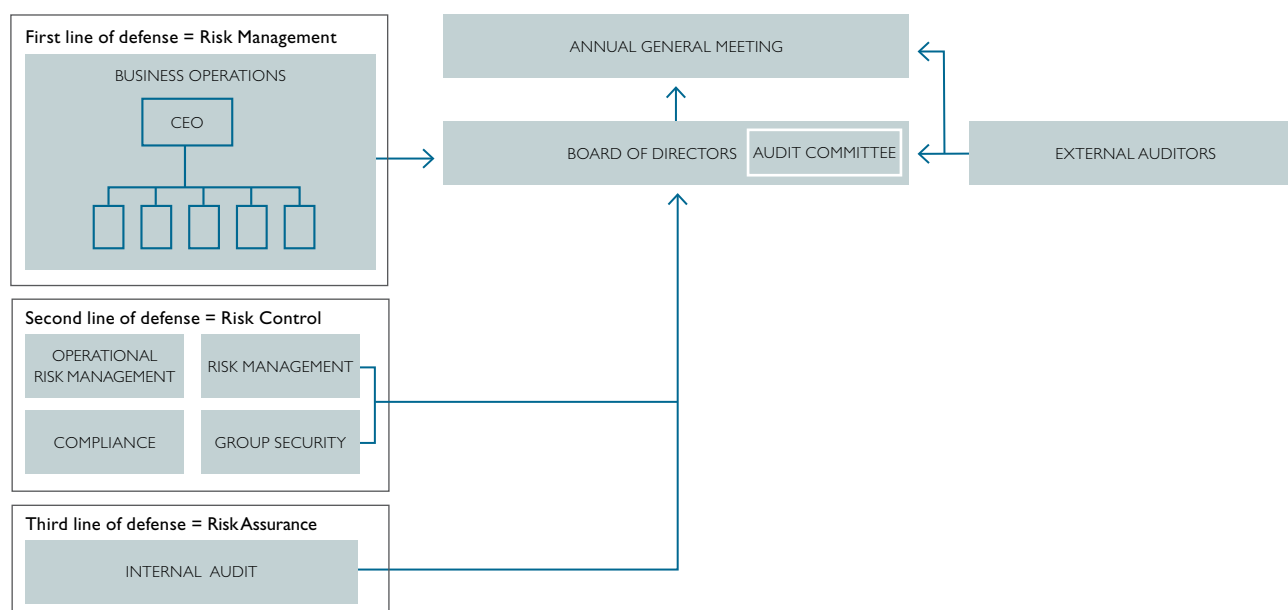
RISK CONTROL ORGANIZATION

Carnegie's control functions consist of Risk Management, Operational Risk Management, Compliance, Group Security and Internal Audit functions. Internal Audit has a clear independent role, since it also reviews the other control functions.

BOARD OF DIRECTORS

The Board of Directors of D. Carnegie & Co AB is ultimately responsible for the Group's risk control. The Board takes decisions on the Group's risk strategy and the internal rules and principles that

CARNEGIE'S MODEL FOR MANAGEMENT AND INTERNAL CONTROL SHOWING THE MOST IMPORTANT FUNCTIONS AND THEIR REPORTING



supplement the general external rules that regulate operations. These documents are updated regularly and at least once a year.

AUDIT COMMITTEE

The Audit Committee is appointed by the Board of Directors and assists the Board in fulfilling its responsibility for reviewing:

- financial and operative information reported to shareholders and other stakeholders
- the organization for risk control and internal control
- internal and external auditing work.

RISK MANAGEMENT AND OPERATIONAL RISK MANAGEMENT

This control function is divided into two areas of responsibility, Group Risk Manager and Group Operational Risk Manager. The Group Risk Manager is responsible for credit, market and liquidity risks, while the Group Operational Risk Manager is responsible for the operational risks within the Group. Their areas of responsibility primarily comprise monitoring to ensure that risk exposure is within approved limits and that the line organization controls operations in the intended manner. This also includes reporting relevant risk information to management and the Board of Directors. In addition, they are responsible for coordinating and advising on risk control issues and for training employees. The Group Risk Management functions report directly to the Boards of Directors of D. Carnegie & Co AB and Carnegie Investment Bank AB.

In the various subsidiaries, there are local Risk Managers who work independently of business operations. They report directly to the Board of Directors of the company in question and to the Group Risk Manager and Group Operational Risk Manager. Local Risk Managers work in the same manner as the Group Risk Manager with respect to ongoing control and reporting of market, liquidity, credit and operational risks in local operations.

COMPLIANCE

Compliance refers to compliance with external and internal regulations. The Compliance function has an important preventative responsibility with respect to regulatory compliance by ensuring that changes in laws and regulations are implemented in operations and that they are respected. This also includes ensuring that employees are trained so that all personnel have the necessary knowledge of the implications of various regulations.

INTERNAL AUDIT

The Internal Audit function reviews and evaluates the processes for risk management, governance and control in the Group with a focus on operational risks. Internal Audit is independent of business operations and reports directly to the Board of Directors of D. Carnegie & Co AB. The audit plan, as well as prioritized focus areas for the Internal Audit function, are established by the Audit Committee. The reports prepared by Internal Audit are submitted to the units affected by the audit and to the Audit Committee. The Internal Audit function audits both ongoing operations in the

line organization and the Group's various functions for risk control. Internal Audit also provides guidance for business operations with respect to operational risks.

Internal Audit consists of two employees and three employees as of 1 January 2008. In addition to internal resources, Internal Audit also employs external resources for certain specific assignments.

The work of the Internal Audit function is based on an annual audit plan that has its roots in a risk-based evaluation of the business and the Group's processes for risk management, governance and control. The plan defines the most probable risks and goals for the audit. The audit plan including the risk analysis is approved by the Audit Committee.

The Internal Audit function's report is reviewed by the Audit Committee before each Board meeting.

The Internal Audit function is directed by the Group Policy for the Internal Audit Function.

SECURITY

An investment bank's business is strongly linked to its employees and the relation between employees and clients. To be able to maintain client confidence in the bank, it is important to have the best possible information and IT security. In work within this area, Carnegie applies ISO/IEC 17799/27001/27002. To protect employees, it is also necessary to address issues relating to their personal safety and possible threats. The Security function also investigates external factors that can affect business operations.

The Security function is managed by the Head of Group Security, who reports to the Board of Directors and the CEO. Before each Board meeting, the Security report is reviewed by the Audit Committee. Security issues are handled locally by designated personnel within IT and administration who report to the Head of Group Security.

Security work is conducted primarily by establishing guidelines, checking compliance with regulations and employee training. Control is exercised by the Head of Group Security in close cooperation with the Internal Audit function in conjunction with its audit.

The Security function is directed by the "Group Policy for the Security Function".

CREDIT AND RISK COMMITTEE

Credit and risk committee is defined as the risk of loss for Carnegie in its relation to a counterparty as a result of the counterparty failing to fulfil its obligations. This risk arises as a result of exposure in conjunction with issuing of credit, investing, securities trading and issuing of guarantees, for example.

Carnegie only accepts low credit risk and primarily lends against collateral in the form of liquid securities. Issuing of credit is based on the counterparty's financial position and payment capacity, as well as whether the counterparty can be reasonably expected to fulfil its obligations to Carnegie.

Carnegie's credit policy describes the approach, organization and responsibility, as well as the process, required for a credit decision. In this respect, the Group is divided into credit units in

which each board of directors is responsible for ensuring that credit processing proceeds according to prevailing rules. This policy is based on the judgment that credit decisions require local competence and are therefore best handled in a decentralized manner. The credit units' operations differ in their nature in several respects, and there are also differences in the respective legal environments. The credit unit's Board of Directors may therefore take decisions on specific application instructions, subject to the condition that more general requirements are satisfied.

The credit process is initiated when a proposal for a credit decision is submitted by a business or account manager within a credit unit. A credit decision is then taken, and execution may take place in accordance with the decision. Regular follow-ups of counterparty exposure are performed by the credit manager within each credit unit and by the credit unit's board of directors. At the Group level, follow-ups are performed by the CFO and the Group Risk Manager.

CREDIT AND RISK COMMITTEE

The Credit and Risk Committee takes decision regarding credit and other types of counterparty risks within the mandate established by the Board of Directors. The Committee consists of three persons, of whom the Group's Chief Operating Officer (COO) is the Chairman. The Group's CFO and the Group's Risk Manager are presenters in credit and risk matters. The Credit and Risk Committee is guided by instructions from the Board of Directors of Carnegie Investment Bank AB.

MARKET RISKS

Market risk is defined as the risk of loss as a result of changes in share prices, interest rates and exchange rates.

Market risk constitutes a natural and significant component in operations. Carnegie employs recognized quantitative models for measuring and evaluating market risks and simulating the effects of price movements and volatility fluctuations in the market. Carnegie restricts the ability to take market risks by establishing limits. These limits are designed to limit the maximum loss in the event of large market movements.

Market risk is checked daily by the line organization and monitored by Risk Management. Any transgression limits are identified and reported to business managers and management for immediate action. Income in the trading portfolio is calculated daily and reported to management and Risk Managers, who follow up the reports and perform the necessary reasonability assessments and analyses. International expertise is commissioned to independently validate the valuation of the option portfolio.

LIQUIDITY RISKS

Liquidity risk is defined as the risk of negative effects on income for ensuring that the Group's payment commitments are met on time.

The risk that Carnegie would not be able to meet its payment obligations is considered low. Carnegie has distributed its financing to a number of banks in different countries. The company has thus reduced the risk that a single institution might reduce its lend-

ing to the company. Carnegie also works continuously to reduce the liquidity risk by matching maturity periods for borrowing and lending, for example, and by actively managing and curbing counterparty limits for investments in times of financial unrest.

OPERATIONAL RISKS

Operational risk is defined as the risk of losses as a result of inappropriate internal processes, human error, system faults or external events.

Carnegie has conducted internal development over a long period to optimize internal processes, thus reducing the risk of operative incidents. This work includes a methodology for identifying and reporting operational risks. In addition, internal development is in progress within the framework of Operational Risk Management that is intended to provide a qualitative assessment of risk according to the guidelines set forth in the Basel II capital coverage regulations. During 2007, a new Group Operational Risk Manager function was established that is specially focused on development and implementation of these measures. Ultimately, the responsibility for managing operational risks rests with business managers in each unit.

CAPITAL ADEQUACY

On 1 February 2007, new capital adequacy regulations were introduced in what are called the Basel II rules. The new rules resulted in changes in how Carnegie calculates the capital requirement. The overall effect of the calculated capital requirement, however, is limited for Carnegie, due to the fact that the effect of a reduced capital requirement for credit risks is offset by the new capital requirement for operational risks.

The new regulations have three components. The first relates to how the minimal capital requirements are satisfied and calculated, while the second involves evaluation and management of capital and risks, as well as supervision by the authorities. The final component addresses disclosure of information regarding risk control and capital adequacy.

Work to adapt Carnegie's risk management to Basel II has been in progress for several years, with a principal focus on the rules regarding the minimum legal capital requirement. During 2007, work continued in adapting Carnegie's routines to the regulations and focused primarily on processes and methods for implementing what is called Internal Capital Adequacy Assessment Process (ICAAP) in operations. Internal Capital Adequacy Assessment Process entails a review of Carnegie's entire business operation with the objective of determining if the existing capital base is adequate for Carnegie's risk profile and ensuring that there are processes and an organization for managing these risks.

FOR FURTHER INFORMATION REGARDING RISK AND CAPITAL MANAGEMENT, SEE NOTE 33.

SECURITIES



AKTIEBREF
AKTIEBOLAGET
KRONOR 800 KRONOR
Nº 51
EN AKTIE

AKTIEBREF Nº 51

TOP-RANKED RESEARCH AND INCREASED COMMISSION INCOME

Activity within Carnegie Securities was high during the year, with increased income from client-driven equity trading. Proprietary trading income was significantly undermined as a result of the discovery that the trading portfolio was substantially incorrectly valued. It was therefore gratifying that client confidence and appreciation of the business area's services was verified during the year through various surveys and awards. Carnegie was ranked in 2007 as the best equity research firm in Sweden and the rest of the Nordic region.

PROFIT FOR THE YEAR

Carnegie Securities' income for the full-year 2007 amounted to SEK 1,521m (1,886), a decline of 19 per cent, compared with 2006. Income from equity capital market (ECM) transactions fell but was offset by higher commission income. The share of commission income from non-Nordic clients has risen in recent years and accounted for 45 per cent of total commission income in 2007. The adjustment of the trading position had a negative effect on income of SEK 280m (250).

For the full-year 2007, expenses before profit share amounted to SEK 1,025m (737). The increase was primarily related to the following items: a provision of SEK 25m attributable to customer-related disputes, credit provisions of SEK 95m, fines to the Financial Supervisory Authority and the OMX Nordic Exchange Stockholm totalling SEK 57m and a greater average number of employees within the business area.

The loss before tax for the full-year 2007 amounted to SEK 40m (profit: 584). The effects on profit of the downward adjustment of the trading result by SEK 280m and a write-off of a claim on the profit-share system for the period from 2005 to 2006 of SEK 175m were charged against profit before tax for 2007. In total, the effects of the trading events amounted to an expense of SEK 455m for the full-year 2007. The corresponding effect on the adjusted trading result for 2006 was an expense of SEK 125m.

MARKET DEVELOPMENT AND MARKET POSITION

The financial markets were turbulent in 2007. Internationally, the world felt the effects of a crisis in the US credit system within the home mortgage sector (sub-prime crisis). This, in combination with increased international concern regarding the global economy, also resulted in increased turbulence in the equity markets. The first half of 2007 was characterized by a positive share-price trend in most markets that reversed during the latter part of the year. Overall, global markets showed an increase of 5 per cent in relation to year-end 2006. The Nordic exchanges showed different trends, with increases of 25 per cent in the Finnish market, 14 per cent in the Norwegian market and 7 per cent in the Danish market, while the Swedish market declined by 7 per cent. A composite weighted average of the Nordic markets showed an increase of 12 per cent (MSCI Nordic).

GROUP HEAD OF SECURITIES

Jim Cirenza

BUSINESS

Carnegie Securities focuses on institutional clients and offers services in research, brokerage, sales trading, ECM-related (equity capital market) transactions and equity finance. Strong local market positions allow Carnegie to offer a comprehensive Nordic product to local and international investors.

PRODUCTS AND SERVICES

Equity research, exchange listing, investor meetings with Nordic corporate managers, equity and equity derivative brokerage (including warrants and freight derivatives), proprietary trading and brokerage and trading in fixed-income instruments.

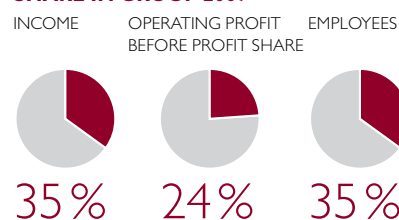
CLIENTS

Nordic and international institutional investors.

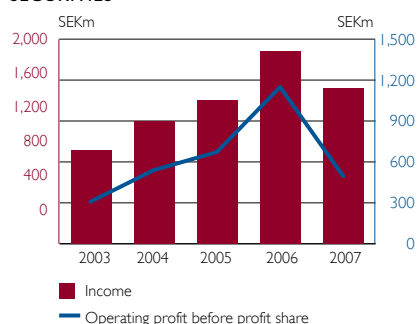
MARKETS

Denmark, Finland, Norway, UK, Sweden and US.

SHARE IN GROUP 2007



SECURITIES



Turnover in the Nordic markets increased 28 per cent to SEK 16 billion, compared with 2006. In recent years, the exchanges in Helsinki and Oslo have reported the strongest growth in trading, but the Stockholm exchange remains the largest in the Nordic region and accounts for about 40 per cent of total trading.

Carnegie has a very strong position in institutional client-driven trading on the Nordic exchanges, and it is estimated that Carnegie has a fifth of the Swedish market, for example, and is thus the market leader. Overall, Carnegie was the third largest player in terms of trading, with a Nordic market share of 5.3 per cent. In relation to 2006, the market share declined by 1.6 percentage points, due to lower trading volumes and an increase in the number of institutions with direct market access (DMA), which is a service that Carnegie does not offer.

Although the market for initial public offerings (IPOs) was weak during 2007, Carnegie was successful with several transactions, which confirms the company's strong placement capacity. Despite a decline in the number of ECM transactions, where the number of IPOs in Sweden was lower in 2007 than in 2006, Carnegie is the player with the overall greatest placement capacity of all Nordic finance companies. Successful transactions in which Carnegie participated during 2007 were East Capital Explorer (Sweden) and Pronova (Norway).

EXTERNAL CUSTOMER SURVEYS

Carnegie is a much respected supplier of equity brokerage services for Nordic companies, which is confirmed by both internal and customer surveys and external evaluations. In Prospera's Nordic survey in 2007, Carnegie received an overall ranking of number one and was pleased to retain the top position in Sweden and the rest of the Nordic region. In the same survey, Carnegie topped 13 of 15 sectors in Sweden in equity research services (strategy, macro, banking and insurance, pharmaceuticals, telecom operators, telecom, IT, steel, property, engineering, automotive, retail and SMEs) and was ranked number two in the remaining two sectors. In Financial

Hearing's 2007 survey of brokerages in Sweden, Carnegie was ranked as number one.

Carnegie attained an overall number two position in Norway and in Denmark Carnegie was ranked number two in the category large institutions, according to Prospera.

CLIENT OFFERING

Carnegie's business philosophy is basically simple. It involves leveraging knowledge and market position to help our clients do profitable business. Carnegie's offering spans the entire chain of financial market services – from research to execution. Carnegie values companies, contributes to bringing buyer and sellers together and takes responsibility for executing transactions. The offering includes equity and derivative broking, trading in fixed-income instruments, equity analysis, IPOs and ECM transactions, proprietary trading and equity finance. Carnegie offers the Nordic market the most extensive analysis service in combination with placement capacity that is greater than any other single player.

Carnegie Securities has relations with more than 500 clients, of which 200 in the Nordic region and 300 in the rest of the world. Half of these are in North America. The trend, which continued in 2007, is that the share of non-Nordic clients is increasing. This reflects the interest that institutional investors around the world show for the Nordic market, which is attractive from both a growth and a return perspective.

Carnegie's approximately 55 analysts monitor more than 350 companies in the Nordic region that together account for more than 95 per cent of the value of the Nordic exchanges. The fact that Carnegie is ranked as the leading research firm in the Nordic region is proof of our analysts' ability to interpret and summarize information about companies, markets and competitive factors and their ability to deliver added value to clients.

A much appreciated service in Carnegie's offering is Corporate Access, which is the team that organizes investor conferences and road shows. Institutional investors are thus given an opportunity to



SUCCESSFUL PARTNERSHIPS FOR IPOs

Carnegie has long held a top position in IPOs and other ECM-related transactions. Attaining such a position requires maintaining a very strong analyst team in combination with an extensive international network of institutional investors.

In November 2007, Carnegie was the joint global co-ordinator and joint book runner in East Capital Explorer AB's introduction on the OMX Nordic Exchange in Stockholm. Including over-subscription, the total offer amounted to EUR 391 m. East Capital Explorer AB is a newly established Swedish investment company focused on fast-growing industries in the eastern European markets.

meet company management for Nordic companies. During 2007, Carnegie organized some 400 road shows and a number of investor conferences. Carnegie's Nordic Small and Mid Cap and Nordic Large Cap Conferences were both very well attended events with a total of some 80 companies and more than 600 investors.

Within Equity Finance, Carnegie Securities offers custom-tailored solutions for client requirements for equity financing, buybacks and swaps. In Sweden, buy and sell warrants issued by Carnegie are offered. Securities also has extensive operations in the market for freight derivatives in Norway.

Trading operations in Carnegie include market making and proprietary trading, meaning trading of own inventories of primarily equities, derivatives and bonds. Trading contributes to increasing market liquidity and thus facilitates client trading, while contributing to increasing expertise and strengthening Carnegie's weighted market shares. It must also contribute positively to Carnegie's income and generate favourable returns in relation to the capital that is tied up.

FUTURE VALUE CREATION

Carnegie Securities will continue to be the leading independent player in the Nordic region. To be able to retain and strengthen the current position, Carnegie will further enhance the existing offer and broaden the product range. Examples of expanded products are corporate bonds and convertibles. Carnegie has an ambition to increase sales of derivative instruments to certain client categories, such as hedge funds. Hedge funds are also a prioritized client group for initiatives in the area of equity finance. Carnegie has a very strong position in equity trading on behalf of institutional clients, which will be ensured through an even higher level of service and a more complete offering.

SECURITIES

SEKm	2003	2004	2005	2006	2007
Client-related income	713	932	1,209	1,730	1,729
Net interest items	95	75	61	90	110
Trading income	106	187	133	66	-317
Other income	-	8	-	-	-
Total income	915	1,202	1,403	1,886	1,521
Personnel costs	-344	-358	-376	-421	-477
Other expenses	-262	-303	-349	-315	-454
Credit provisions, net	1	-	-5	-1	-95
Total operating expenses before profit share	-606	-661	-730	-737	-1,025
Operating profit before profit share	309	541	673	1,150	496
Costs for profit-share system	-147	-267	-332	-566	-535
Total expenses	-753	-928	-1,062	-1,302	-1,560
Profit before tax	162	274	341	584	-40
Operating margin, %	17.7	22.7	24.3	31.0	-2.6
Average number of annual employees	322	320	313	336	360
Number of employees at 31 December	318	314	317	349	360

AWARDS

PROSPERA

Equity Trade Sweden

No. 1 – most appreciated brokerage in Sweden

Best equity research in 13 of 15 sectors

PROSPERA

Equity Trade Norway

No. 2 – the second most respected brokerage

in Norway

FINANCIAL HEARINGS

No. 1 in Sweden

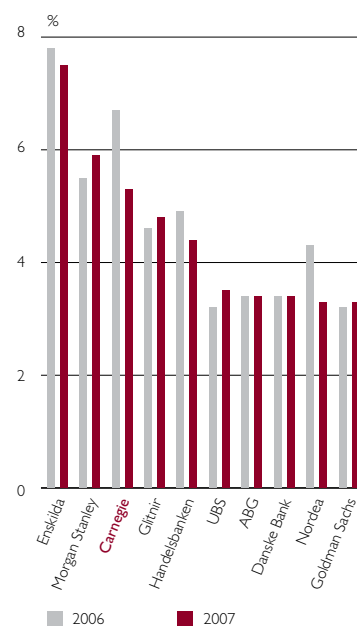
Best equity research team

INSTITUTIONAL INVESTOR

No. 1 in the Nordic region

Best Nordic equity research

SHARE OF TURNOVER IN THE NORDIC STOCK MARKETS



Carnegie is the third largest player in the Nordic stock markets with a weighted share of 5.3 per cent (6.6) of sales.



INVESTMENT
BANKING

MOST RESPECTED INVESTMENT BANK IN THE NORDIC REGION

The market for mergers and acquisitions (M&A) showed strong growth during the first six months but slowed down during the latter part of 2007. Carnegie's activity in the M&A market was satisfactory, although the level was lower than in the very strong year of 2006. Within the markets for IPOs and other ECM-related transactions, Carnegie retained its strong position. Carnegie was recognized during the year as the most respected investment bank in the Nordic countries in a customer survey by Prospera.

PROFIT FOR THE YEAR

Income for 2007 amounted to SEK 683m (885), a decline of 23 per cent, compared with the very strong 2006. The change was due to lower income from advisory services for M&A transactions and IPOs and other ECM transactions.

Total expenses before profit share amounted to SEK 268m (269), which was unchanged from the previous year.

Profit before tax amounted to SEK 231m (312), a decline of 28 per cent.

MARKET DEVELOPMENT

The Nordic M&A market was strong during the first half of 2007, in line with the trend in the rest of the world, driven by strong economic development and rising share prices. Increasing concern in the credit markets and higher interest rates, however, slowed activity significantly during the second half of the year. The total transaction volume in the Nordic markets amounted to USD 102 billion, a decline of 16 per cent compared to 2006. The number of publicly announced transactions was 576, which was unchanged, compared to 2006.

The Nordic market for ECM transactions was strong during 2007. The total volume was USD 26 billion, corresponding to a volume increase of 40 per cent compared to 2006.

According to statistics for 2007 from Thomson Financial Securities Data, 65 IPOs were carried out in the Nordic countries with a total value of USD 5.3 billion.

MARKET POSITION

Carnegie Investment Banking has for many years held an established position among the very top players in the Nordic markets.

During 2007, Carnegie was the second largest player in the Nordic region in IPOs and other ECM transactions in terms of both transaction value and the number of transactions. In total, Carnegie participated in 31 ECM transactions during 2007, with a transaction value corresponding to USD 2.8 billion. During the same period, Carnegie executed eight IPOs with a total value of USD 770m.

GROUP HEAD OF INVESTMENT BANKING

Anders Onarheim

BUSINESS

Carnegie Investment Banking offers qualified advisory services in company mergers and acquisitions (M&A) and in equity capital market (ECM) transactions, as well as structured financial products. Local presence gives Carnegie a unique understanding and expertise in Nordic industries and equity markets, as well as invaluable access to key persons and information flows.

PRODUCTS AND SERVICES

Qualified advisory services in M&A, divestments and ECM-related transactions, such as IPOs, new share issues, secondary placements, buy-back and redemption programmes, spin-offs and private placements, as well as structured financial products.

CLIENTS

Companies and investors based in the Nordic countries, as well as international companies and investors active in the Nordic markets.

MARKETS

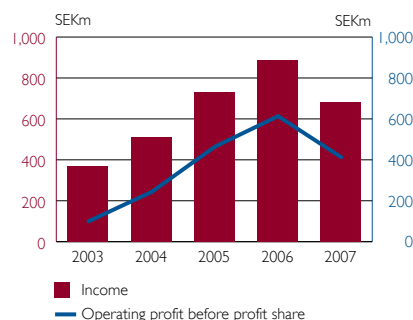
Denmark, Finland, Norway and Sweden.

SHARE IN GROUP 2007

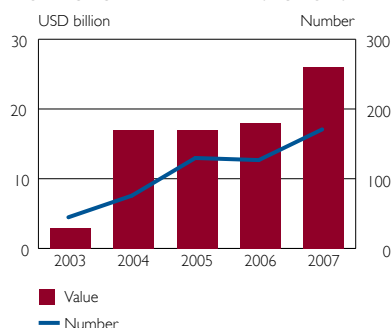
INCOME OPERATING PROFIT EMPLOYEES
BEFORE PROFIT SHARE



INVESTMENT BANKING



NORDIC ECM-RELATED TRANSACTIONS

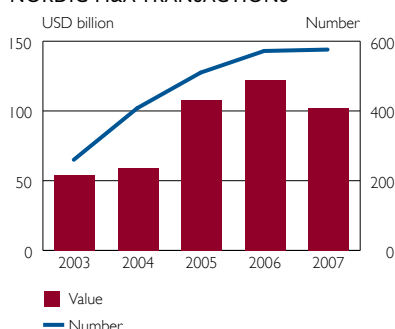


In the Nordic M&A market, Carnegie Investment Banking had an advisory role in 33 public transactions, corresponding to a fourth place in the Nordic region. Measured in value, these transactions amounted to USD 8.9 billion, resulting in an eleventh place.

Viewed in terms of the total value of corporate transactions in the Nordic region, Carnegie's share of the market declined in 2007, compared with 2006. There were two reasons for this. A number of significant transactions in which Carnegie had an advisory role were not implemented, since the bidding processes did not run to completion. In addition, Carnegie Investment Banking withdrew from its assignments as advisor to the Swedish government in the sale of SBAB and OMX due to the publicity in the media surrounding the events originating in Carnegie's trading department in Sweden.

During 2007, Carnegie's strong position was confirmed by several external client surveys. In the market-leading survey by Prospera, Carnegie was ranked in first place overall in the Nordic region and locally achieved a first place in Sweden.

NORDIC M&A TRANSACTIONS



CLIENT OFFERING

Investment Banking's core offering to clients is extensive and in-depth knowledge of industry and venture capital markets in the Nordic countries. By virtue of its top ranking in research and its independence from banks, ownership spheres and other interested parties, Carnegie is a very competitive partner for all clients wishing to execute transactions with a Nordic component.

Investment Banking bases its expertise on the entire Nordic industrial spectrum. An important competitive advantage for clients is the ability to discern new investment trends at an early stage. For example, Carnegie has created a strong position as advisor in Nordic transactions within such sectors as oil and gas, renewable energy, biotechnology and IT, as well as Nordic M&A transactions with links to Russia and parts of Eastern Europe.

To this, Investment Banking adds a network of contacts with investors with Nordic interests all over the world. This gives Carnegie a very competitive placement capacity, meaning the ability to quickly and efficiently seek international capital to execute transactions.



HIGH ACTIVITY IN MARITIME AND OFF-SHORE

Carnegie has in-depth knowledge of Nordic industry and has succeeded in identifying sectors with high growth potential and/or a need for restructuring. In recent years, Carnegie has executed many transactions in the maritime and off-shore industries, for example.

Carnegie acted as joint bookrunner when BW Offshore implemented a new issue of 173 million shares in March 2007. The transaction value was USD 736m. BW Offshore is the world leader in the fast-growing international FPSO (Floating Production Storage and Offloading of oil and gas) market. BW Offshore is listed on the Oslo exchange.

FUTURE VALUE CREATION

Increased global competition, rapid growth of welfare in major new markets, development of new technology and solutions for overcoming the climate threat are examples of challenges that are placing great demands for renewal and adaptation on today's society and industry. The need for venture capital to nurture new ideas has perhaps never been greater.

These challenges create a growing need for qualified advisory services such as those offered by Carnegie. Over the next few years, Carnegie's focus will be on further strengthening expertise in those industries that show the best opportunities for creating value through structural transactions. A cornerstone in this work will be to better leverage Carnegie's extensive international distribution network.

Another area of strategic focus is to expand the product offering. Examples include convertibles and corporate bonds.

Carnegie's ambition is to be the primary advisor over time in medium and large transactions in the Nordic countries and to be the Nordic region's most respected advisor in all categories.

INVESTMENT BANKING

SEMM	2003	2004	2005	2006	2007
Income from ECM transactions	67	139	137	398	294
Return on financial positions	21	8	40	3	–
Income from advisory services	281	363	556	484	388
Total income	368	511	733	885	683
Personnel costs	–162	–162	–156	–167	–166
Other expenses	–104	–103	–111	–102	–102
Total operating expenses before profit share	–266	–265	–267	–269	–268
Operating profit before profit share	102	246	467	616	415
Costs for profit-share system	–49	–122	–231	–304	–184
Total expenses	–315	–386	–497	–573	–453
Profit before tax	53	124	236	312	231
Operating margin, %	14.5	24.3	32.2	35.3	33.8
Average number of annual employees	148	139	127	128	133
Number of employees at 31 December	141	141	124	132	132

AWARD

PROSPERA

Corporate Finance Nordic

Tied for no. 1 – the most respected bank for advisory services for large customers in corporate transactions in the Nordic region.

NORDIC ECM TRANSACTIONS 2007

Advisor	USDm	Number
1 SEB Enskilda	3,138	40
2 Carnegie	2,832	31
3 UBS	2,252	4
4 ABG Sundal Collier	1,670	21
5 Deutsche Bank	1,331	1
6 Pareto Securities	1,123	19
7 JP Morgan	788	2
8 Goldman Sachs	623	5
9 Evli Bank	498	4
10 Lehman Brothers	496	3

NORDIC IPOs 2007

Advisor	USDm	Number
1 ABG Sundal Collier	794	9
2 Carnegie	769	8
3 SEB Enskilda	711	10
4 JP Morgan	416	1
5 Öhman	355	3
6 Pareto Securities	316	8
7 Lehman Brothers	282	2
8 UBS	248	1
9 Handelsbanken	204	2
10 Morgan Stanley	191	1

NORDIC M&A TRANSACTIONS 2007

Advisor	USDm	Number
1 Goldman Sachs	213,336	14
2 Handelsbanken	17,111	36
3 SEB Enskilda	16,030	50
4 Citibank	15,454	11
5 Morgan Stanley	15,117	15
6 Merrill Lynch	14,229	10
7 Deutsche Bank	13,401	9
8 JP Morgan Chase	12,262	18
9 RBC Capital Markets	10,172	2
10 ABG Sundal Collier	10,166	20
11 Carnegie	8,938	33

Source: Thomson Financial

ASSET MANAGEMENT



WORLD-CLASS GLOBAL FUNDS

With a focused and well-structured investment strategy, Carnegie has generated favourable returns over time in its asset management. During a challenging year in the financial markets, Carnegie Asset Management reported favourable performance-based income and its funds received top rankings in external assessments. Income increased strongly as a result of a greater volume of assets under management and high income from performance-based fund products.

PROFIT FOR THE YEAR

Income for Asset Management amounted to SEK 1,126m (891) for 2007, an increase of 26 per cent, driven by sharply increased performance-based income and by an increase in assets under management.

Fund performance-based income amounted to SEK 769m (662), an increase of 16 per cent. Of this amount, performance-based income accounted for SEK 188m (150), an increase of SEK 38m compared with the preceding year. Income from discretionary management increased to SEK 357m (228) during the year, of which SEK 177m (71) was attributable to performance-based management. About 25 per cent of managed assets, both discretionary and in mutual funds, have a performance-based fee structure, a proportion that has increased successively in recent years.

Total expenses before profit share amounted to SEK 343m, an increase of 10 per cent.

Profit before tax amounted to SEK 435m, up 48 per cent.

MARKET DEVELOPMENT

The world's financial markets were very turbulent in 2007. A favourable market for equities during the beginning of the year reversed and became the opposite during the autumn. The world equity index (MSCI) rose by 5 per cent during the year. The strongest market growth was attributable to growth markets, such as India, China, Eastern Europe and Latin America.

The inflow of capital to equity funds was strong in the Nordic region during the beginning of the year, but as a consequence of increased market unrest, this was reversed and became a net outflow during the second half of 2007. Overall, the flow to equity funds in Sweden was negative but was offset somewhat by the inflow to PPS savings. Carnegie, similar to the market as a whole, noted a strong inflow of capital during the first half of the year, which then abated during the second half. Interest in actively managed mutual fund products continued to increase, which favoured Carnegie's Asset Management business.

CLIENT OFFERING

Asset Management offers discretionary asset management and mutual fund management within equity-based and fixed-income securities. Equity-related assets comprise about 80 per cent of managed assets. The foundation for Asset Management's offering consists of some 15 Carnegie public mutual funds that are managed solely by Carnegie. Discretionary management, which is custom-tailored to meet the requirements of large clients, is also primarily based on Carnegie's mutual fund products, although they may be modified in different respects, depending on such client preferences as an ethical or environmental orientation.

GROUP HEAD OF ASSET MANAGEMENT

Per Axman

BUSINESS

Carnegie Asset Management offers high-quality asset management products to institutional fund managers and mutual funds. Carnegie's strength lies in a long tradition of active asset management, experienced investment teams and strong products based on an analysis-driven, structured and focused investment strategy.

PRODUCTS AND SERVICES

Discretionary asset management, fund management products, structured fund-of-funds products and other asset management services.

CLIENTS

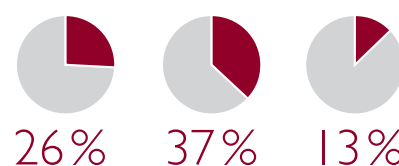
Institutional investors in and outside the Nordic region and mutual funds to which sales are through external distribution channels.

MARKETS

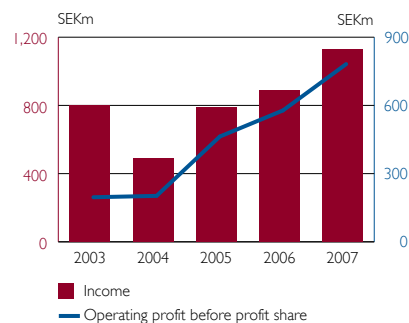
Denmark, Finland, Norway and Sweden.

SHARE IN GROUP 2007

INCOME OPERATING PROFIT BEFORE PROFIT SHARE EMPLOYEES



ASSET MANAGEMENT



Carnegie strives to outperform the market and to deliver risk-weighted returns that exceed the benchmark index by a margin of 3-5 per cent annually. Carnegie thus focuses on what in investment contexts is called alpha for its clients, meaning a return that exceeds that contributed by general market growth. Over many consecutive years, Carnegie has shown that it is successful in this respect. Carnegie has elected to focus its offering in the management areas in which the company has unique expertise. Carnegie's clients shall perceive that the company stands for the highest quality and knowledge in each selected area.

Some 95 per cent of assets under management in Asset Management are in funds that are top-ranked and have received four- or five-star ratings from such independent rating firms as Morningstar and Fondmarknaden. An additional mark of quality is that Standard & Poor's gave two of Carnegie's mutual funds the highest AAA ranking and one fund an AA rating. The Carnegie WorldWide fund is one of 13 global funds that received an AAA rating in an evaluation of 1,119 funds. This shows that Carnegie's funds are among the best in the world in their focus areas. Carnegie was named Mutual Fund Manager of the Year 2007 and the fund Carnegie WorldWide was named as Global Fund of the Year 2007 by the Swedish business magazine Privata Affärer, and the Swedish mutual funds exchange Fondmarknaden.se also named our largest equity fund, Carnegie WorldWide, as Fund of the Year for 2007.

MUTUAL FUND DEVELOPMENT

Carnegie's mutual funds continued to develop relatively favourably compared with their benchmarks. More than 70 per cent of all funds and more than 85 per cent of the managed assets generated a return that exceeded the relevant benchmark during 2007. Carnegie's single largest mutual fund, the global Carnegie WorldWide fund (registered in Luxembourg) generated a return of 28 per cent during the year, a full 19 percentage points above the benchmark. The Carnegie WorldWide Long/Short hedge fund exceeded its benchmark index by 11 per cent and achieved growth of 15 per cent during the year. Carnegie East European (registered

in Denmark) reported a gain of 22 per cent. The weakest growth was reported by the Sweden-oriented mutual funds Carnegie Small Cap (-9 per cent) and Carnegie Sweden (-5 per cent), which reflected the general market trend.

CLIENTS

Carnegie's client base consists of institutional investors and mutual fund companies outside the Nordic region, to which sales are primarily through external distribution channels. A certain share of mutual funds is sold directly by Carnegie and by the Group's Max Matthiessen business area, but most sales are via third parties, such as SEB and SkandiaLink in Sweden, Fennia in Finland and Danske Bank in Denmark.

Carnegie was successful in improving distribution to institutional owners. The proportion of European clients outside the Nordic region increased. Carnegie's ambition is to sharply increase sales of mutual fund products to private individuals, and the number of partners was increased during the year. As one example, as of 2007 Carnegie is able to offer selected funds through Swedbank's newly established Mutual Fund Market.

ASSETS UNDER MANAGEMENT

Total assets under management increased during the year by SEK 25 billion to SEK 139 billion. This included SEK 75 billion in discretionary management assignments and SEK 64 billion in mutual fund products. The increase during the year consisted of value growth amounting to about SEK 15 billion and a capital inflow of about SEK 10 billion. About SEK 1.5 billion of assets under management were attributable to discretionary assignments within Carnegie Private Banking.

Carnegie's strong market position was confirmed during 2007, since the company was able to report favourable inflow of capital, extensive new international assignments and increased international recognition. Notable among significant assignments in the international market were an extensive discretionary contract with the Swedish pension fund Second AP Fund. Morgan Stanley also elected to include several of Carnegie's mutual funds in its offering.



GROWTH MARKETS FUELLED GROWTH OF GLOBAL CARNEGIE WORLDWIDE MUTUAL FUND

India's leading mortgage institution HDFC was one of the global Carnegie WorldWide fund's holdings during 2007 and also the largest position in the emerging markets area. HDFC's share price rose by 62 per cent and was part of the reason for Carnegie WorldWide's success during the year.

The company is well-managed and has a nationwide office network that serves the large Indian middle class. Mortgages account for a very small portion of the economy, compared with other countries in Asia and Europe, meaning that HDFC has very great potential.

FUTURE VALUE CREATION

Carnegie believes in active management with the objective of creating added value for the client. Current trends indicate increased demand for managers that can deliver true alpha, meaning surplus return over and above market gains and losses. Carnegie's ambition is to continue delivering the market's best products within each selected segment. New funds will be launched in 2008, including hedge fund products.

Carnegie strives to increase the proportion of assets managed using a performance-based fee structure. Several mutual funds, including Carnegie WorldWide Long/Short, already have such a fee structure. Institutional management mandates are also to an increasing extent offered with a similar fee structure. An increased proportion of performance-based income makes Carnegie's management more profitable, assuming that Carnegie is able to generate surplus returns for its clients.

Given the favourable management results that Carnegie has delivered over time, the prospects are favourable for attracting significantly more capital to the funds. Carnegie will devote substantial resources to improving distribution and sales to be able to increase sales to both private individuals and institutions.

ASSET MANAGEMENT

SEKm	2004	2005	2006	2007
Regular fees	349	401	512	581
Performance-based income	17	209	150	188
Total income from mutual funds	366	610	662	769
Income from discretionary fund management	91	103	157	180
Performance-based income from discretionary fund management	18	59	71	177
Total income from discretionary fund management	109	162	228	357
Income from advisory services	17	20	–	–
Total income	492	791	891	1,126
Personnel costs	–156	–165	–173	–199
Other expenses	–132	–162	–139	–144
Total operating expenses before profit share	–288	–327	–312	–343
Operating profit before profit share	203	464	579	783
Costs for profit-share system	–99	–229	–286	–348
Total expenses	–387	–556	–597	–691
Profit before tax	105	235	293	435
Operating margin, %	21.3	29.7	32.9	38.6
Managed assets at 31 December, SEK billions	62	92	114	139
- of which mutual funds	29	48	56	64
- of which discretionary management	33	44	59	75
Average number of annual employees	133	135	134	138
Number of employees at 31 December	132	133	137	143

CARNEGIE'S TEN LARGEST FUNDS IN 2007

Ranking ²⁾	AUM, SEKm	Fund	Fund Performance in 2007 ¹⁾
★★★★★	15,321	Carnegie WorldWide (Lux)	28.5%
★★★★★	9,178	Carnegie WorldWide (Den)	16.5%
not ranked	5,260	Carnegie WorldWide Long/Short	15.5%
★★★★	3,559	Carnegie Medical	–3.5%
★★★★★	3,372	Carnegie European Equities (Lux)	–1.5%
★★★★	3,237	Carnegie East European (Den)	22.5%
★★★★	3,036	Carnegie Norway	14.5%
★★★	2,187	Carnegie Small Cap	–8.5%
★★★★★	2,125	Carnegie Global Healthcare	4.5%
★★★★	1,272	Carnegie Euro Likvid	4.5%

1) Fund performance is measured in the base currency for each fund.

2) More than 95 per cent of the capital in Carnegie's ranked equity funds has a four- or five-star ranking. The ranking is awarded by one of the independent ranking companies Morningstar or Fondmarknaden (January 2008). Five stars is the highest ranking.

AWARDS

SWEDISH BUSINESS MAGAZINE

PRIVATA AFFÄRER

2007 Mutual Fund Company of the Year
2007 Global Fund of the Year

PROSPERA

Asset Management Norway

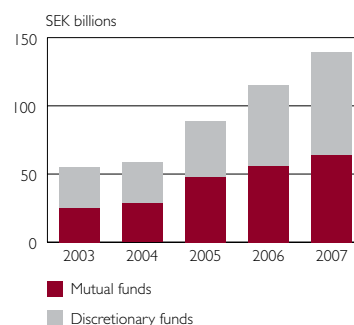
No. 1 – best mutual fund company among Norway's largest institutions

PROSPERA

Asset Management Sweden

No. 1 – best mutual fund company in the category Nordic fund managers excluding commercial banks

MANAGED ASSETS



PRIVATE BANKING



UPGRADED PRODUCT OFFERING INCREASES CLIENT ACTIVITY

Carnegie strives to be the best private bank by offering comprehensive service and the market's best products. Continued high client activity resulted in stable profit growth.

PROFIT FOR THE YEAR

Private Banking's total income during the year increased by 3 per cent to SEK 581 m. Income derives from commissions, management fees, net interest income and insurance commissions that are generated through both discretionary and advisory management. The client base was enhanced, and client activity was high during the year. Profitability improved in both Sweden and Denmark. Income from the high-return operations in Luxembourg was stable.

Total expenses before profit share during the year amounted to SEK 351 m, an increase of 3 per cent compared with the preceding year.

Profit before tax increased by 14 per cent to SEK 128 m. Private Banking showed significant stability in terms of income and profit, primarily due to a high proportion of recurring income and a stable client base.

MARKET DEVELOPMENT

The equity markets were highly volatile during 2007, particularly in the Nordic region. Growth was weakest in Sweden, where the closing OMX index for the year was down 7 per cent. The Oslo exchange gained 14 per cent, while the Copenhagen exchange rose by 7 per cent. The strongest Nordic market was the Helsinki exchange, which was up 25 per cent.

The volatile market trend resulted in many clients reducing their exposure to the equity markets in favour of short-term fixed-income investments and other assets. The US prime rate was lowered during the year as a result of the Federal Reserve's concern about weaker economic growth and continued unrest in the credit sector. The Bank of Sweden raised its rate in response to indications of some overheating and inflation.

Carnegie's clients were nevertheless highly active during this period, and their portfolios showed favourable growth relative to the market.

The market for private banking has grown in recent years. This applies not least to Private Banking's primary markets in Denmark, Luxembourg, Switzerland and Sweden. A prolonged economic upturn, rising property prices and equity market gains over several years in combination with low inflation created fertile ground for wealth accumulation. Entrepreneurs and company owners were in many cases able to sell their companies at attractive prices, and demand for acquisition targets was high, particularly in the increasingly active private equity sector. Demographic factors also played a role in that the active 1940s generation is now entering retirement.

According to Carnegie's estimates, there are currently 20,000 individuals in the Swedish market with a new worth exceeding SEK 20 m. The elimination of taxes on inheritance, gifts and wealth benefits a private bank wishing to operate "on shore," meaning in the country in which its clients reside. Harmonization within the EU, which creates opportunities for European citizens to own assets and make investments in several countries, is also a contributing factor.

GROUP HEAD OF PRIVATE BANKING

Per Axman

BUSINESS

Carnegie Private Banking offers independent financial advisory services primarily targeted to high net-worth individuals. This means that Carnegie Private Banking can offer the market's best products and services.

PRODUCTS AND SERVICES

A comprehensive offering of private banking services including wealth management, equity broking, legal advice, insurance expertise and banking.

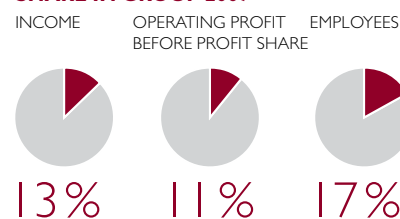
CLIENTS

High net-worth individuals in the Nordic countries or with a Nordic background, as well as foundations and family-owned companies.

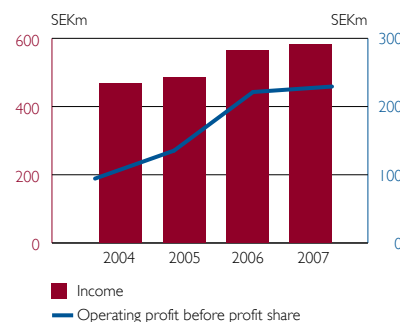
MARKETS

Denmark, Luxembourg, Switzerland and Sweden

SHARE IN GROUP 2007



PRIVATE BANKING



MARKET POSITION

Private Banking underwent a restructuring, streamlining and rationalization over the past two years. The business area was also assigned new management when Per Axman took over as business area manager in August 2007. Carnegie is not among the largest players in the private banking market, which is dominated by the Nordic commercial banks, but rather regards itself as a niche player focused on a select client segment. Private Banking is characterized by fast decisions and closeness to the customer in a flat organization.

CLIENT VOLUMES

Private Banking's client volumes consist of the gross value of all deposit accounts, including securities, equity funds, deposits and lending. At 31 December, the client volume amounted to SEK 54.2 billion, virtually unchanged since 1 January. The total client volume increased during the first half of the year but then declined somewhat toward the end of the year. Of this volume, about SEK 1.5 billion is attributable to discretionary management for which Asset Management has the advisory assignment and is therefore included in assets under management in the Asset Management business area.

OFFERING

Private Banking offers individually customized financial advisory services and management based on in-depth knowledge of its clients' circumstances, an understanding of their risk profiles and their goals for financial management. The number of clients is limited. The offering includes equity broking, wealth management, legal advisory services, insurance expertise and bank services.

In recent years, Private Banking has expanded its offering with a number of custom-tailored products. During 2007, Private Banking focused on such investment themes as environment, Eastern Europe, water and developed well-received investment products, assisted in part within Carnegie Investment Banking. Private Banking also invited its clients to participate in private equity funds and hedge funds, which are normally reserved for institutional investors.

Private Banking works with an open architecture, which means that clients are offered the market's best services, regardless of whether they are sourced from Carnegie or other suppliers.

In an effort to expand the offering and reach new client segments, Private Banking developed Private Service, a somewhat simpler management service focused on customers with less demanding requirements.

FUTURE VALUE CREATION

Carnegie Private Banking strives to be a unique advisor that offers the market's best service to a select client segment. At the same time, the business must be operated effectively and with a potential for scalability. In collaboration with Asset Management and Max Matthiessen, Carnegie has unique expertise within the entire private economic sector that will be leveraged to further develop and refine the client offering. The need for private economic advisory services and asset management will increase both within the population as a whole and in different market segments.

In an expanding total market, Private Banking will retain its prominent position. The business area also sees substantial opportunities for expansion to additional Nordic markets.



FOUNDATIONS AN IMPORTANT CLIENT SEGMENT

Carnegie Private Banking offers individually customized financial advisory and management services for such clients as foundations and non-profit organizations. One of Carnegie's clients is Lund University, which commissioned Private Banking in Malmö to assist in the management of donated funds. Klemens Ganslandt, donation manager at Lund University, describes the assignment as follows.

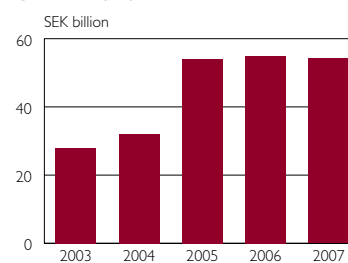
"Carnegie's equity management and advisory services in conjunction with equity investments have resulted in very favourable returns for both Swedish and global investments. We receive excellent service and quick reports. Carnegie's local presence is naturally a prerequisite for working together."

PRIVATE BANKING¹⁾

SEKm	2004	2005	2006	2007
Total income	467	486	563	581
Personnel costs	-207	-174	-191	-203
Other expenses	-166	-177	-152	-148
Credit provisions, net	1	-	1	-
Total operating expenses before profit share	-372	-350	-341	-351
Operating profit before profit share	95	136	222	230
Costs for profit-share system	-47	-67	-109	-102
Total expenses	-419	-417	-451	-453
Profit before tax	48	69	112	128
Operating margin, %	10.3	14.1	20.0	22.0
Client volume, SEK billions	31	54	55	54
Average number of annual employees	200	171	177	173
Number of employees at 31 December	192	168	180	175

1) In 2003, Private Banking was included in the Asset Management business area.

CLIENT VOLUME



MAX MATTHIESSEN



SWEDEN'S LEADING ADVISOR IN INDIVIDUAL INSURANCE AND SECURITY SAVINGS

Carnegie acquired Max Matthiessen at the beginning of 2007, and its operations were consolidated in earnings as of the second quarter of 2007. Max Matthiessen is Sweden's leading advisor for individual insurance and long-term savings. The business area's focus is to expand its offering with additional financial services, thus strengthening its market-leading position.

PROFIT FOR THE YEAR

Max Matthiessen's income for the second through the fourth quarters of 2007 amounted to SEK 428m. In terms of income, the fourth quarter of 2007 was the best-ever for Max Matthiessen, with income totalling SEK 159m. Income consists of brokerage fees for insurance and savings solutions and asset management fees. Total expenses before profit share amounted to SEK 247m. Profit before tax amounted to SEK 100m.

Max Matthiessen was consolidated in Carnegie at 31 March 2007. Pro forma income for 2007 amounted to SEK 562m, compared with SEK 516m for the corresponding period in the preceding year. Max Matthiessen strives to increase the share of income of long duration, such as income from recurring premiums or underlying capital, in order to achieve sustainable profitability.

MARKET DEVELOPMENT AND MARKET POSITION

The Swedish pension and savings market shows favourable growth. Annual growth in the savings market has been 9 per cent annually over the most recent ten-year period. For pension-related savings, growth has been faster at about 15 per cent.

Underlying this growth are such factors as demographic trends, improved living standards and a more sophisticated savings pattern with new instruments that include unit-linked insurance and the premium pension system (PPS). Public interest for insurance and savings issues has also increased, and development is being driven by increased client demands.

Max Matthiessen is Sweden's largest broker of individual insurance and long-term savings and has offices in 20 locations throughout the country. The company has approximately 150,000 individual clients who are employed by some 12,000 client companies. The potential customer base, however, is much greater, since the client companies have an additional 450,000 employees who are not currently Max Matthiessen clients. Competitors are primarily commercial banks and independent insurance advisors.

There are several clear market trends. One is that advisors are employing increasingly sophisticated business models and alternative revenue models ranging from commissions from insurance companies to fixed fees from clients. In addition, as more pensions are moving from defined-benefit to defined-contribution plans, the need for qualified advisory services is increasing, since individuals have greater responsibility and are both able and expected to influence the return on their pension funds. Consolidation is also taking place in the industry. Small brokers are forced to become part of larger networks in order to meet increased legal requirements and client demands. With its own securities company, an internal compliance function and ISO certification, Max Matthiessen is well prepared for this transition.

GROUP HEAD OF MAX MATTHIESSEN

Christoffer Folkebo

BUSINESS

Max Matthiessen is Sweden's leading independent advisor in individual insurance and long-term savings. The company administers pension funds of about SEK 90 billion on behalf of clients and has an annual premium inflow of about SEK 11 billion.

PRODUCTS AND SERVICES

Max Matthiessen works in an open architecture and offers the market's best insurance and savings products.

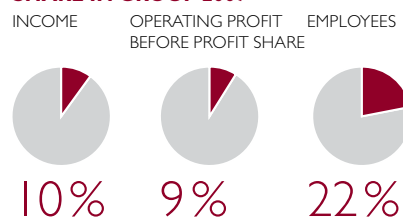
CLIENTS

Max Matthiessen has approximately 150,000 individual clients who work in about 12,000 client companies.

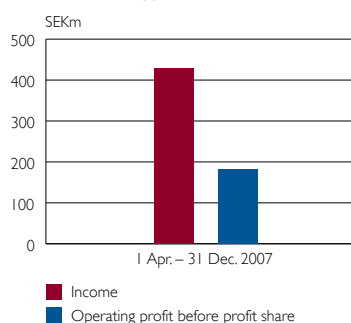
MARKETS

Sweden

SHARE IN GROUP 2007



MAX MATTHIESSEN



SECURITY ADVISORY SERVICES AND ADMINISTRATION

The client offering consists of professional advisory and information services and administration of individual security savings solutions and other financial products, frequently in the form of insurance and other long-term savings. In the most common case, Max Matthiessen signs a contract with a company to structure and administer the company's occupational pension plan, meaning the pensions that the company pays on behalf of its employees. The contract also includes other services, such as an analysis of the company's pension and insurance requirements, documentation of policy in these areas, purchasing of solutions, training, regular information and updates on changes in the pension area. Max Matthiessen then meets with each employee for individual advisory meetings. Each employee receives a custom-tailored security solution based on the options available in the company's occupational pension plan and individual supplementary products otherwise available on the market. In certain cases, advisory services are provided by telephone, while for some other individuals, only Max Matthiessen's web-based analysis and information services are available. All clients then have access via Max Matthiessen's web services to a total summary of their insurance and savings, regardless of whether the source is the government, the company or private contributions. The advisors and clients are supported by one of the industry's most advanced system for administration and analysis.

Client companies range from large, exchange-listed companies to entrepreneurial one-man companies. During 2007, a new concept was introduced called Maxplan, which is based on Max Matthiessen's successful group purchasing for large companies and which means that even small and medium-size companies can gain similar advantages.

Max Matthiessen performs regular measurements of customer satisfaction. The most recent survey showed that about 98 per cent of clients perceived Max Matthiessen's advisory services as clear, trustworthy and competent.

ADVISORY SERVICES FOR NON-INSURANCE PRODUCTS

As a result of its ambition to expand its offering to all types of financial products and to meet new legal requirements, Max Matthiessen established a securities company in 2007. Max Matthiessen is thus able to provide comprehensive advisory services and broker structured financial products, for example, and take on management assignments, such as the newly started but already successful management service for its clients' PPS funds.

ONGOING MANAGEMENT SERVICES

Max Matthiessen offers a number of products and services to facilitate the individual's financial management and planning.

Maxfonder.se is a marketplace that offers clients an opportunity to gather all savings in independent funds, structured products, individual pension savings (IPS) and endowment insurance, without regard to management company. The client can choose among 900 funds from more than 60 selected fund companies but also has access to a special selection of high-performance products and fund portfolios selected after careful analysis by the investment consulting company Wassum. Since the start, these portfolios have shown better performance than the corresponding benchmarks. Over a short period, more than 15,000 clients have chosen to start private savings in **Maxfonder.se**.

Navigera is an active asset management service in which Max Matthiessen and Carnegie Asset Management work together. A selected Navigator, in many cases Carnegie, handles the task of continuously analyzing, selecting and changing funds in the client's portfolio. Navigator is available in several insurance companies, including Danica Pension, Länsförsäkringar, Moderna Liv & Pension, SEB Trygg Liv, Skandia and SPP, as well as for PPS savings.

**TOTAL SOLUTION FOR LONG-TERM SAVINGS**

Sweden's largest electricity producer Vattenfall has chosen to employ Max Matthiessen to custom-tailor pension and insurance solutions for its employees in Sweden. Vattenfall's pension programme means that Max Matthiessen handles all advisory services, information and administration.

Chris Brandt, who is responsible for salaries and benefits at Vattenfall Sweden, describes the assignment as follows.

"We have an excellent relationship. Max Matthiessen supplies specialist expertise and provides added value for our employees."

The photo shows Wattenfall's new wind-power plant at Lillgrund in the Öresund Channel.

ASSETS UNDER MANAGEMENT

Max Matthiessen administers pension capital on behalf of clients totalling about SEK 90 billion, with annual premiums of SEK 11 billion. The inflow of capital within Max Matthiessen's own services – the Navigera allocation service (for unit-linked insurance and PPS savings) and the **Maxfonder.se** – was favourable, and the capital in these services amounted to about SEK 15 billion at 31 December 2007. This corresponded to an increase of about SEK 4 billion since 1 January.

FUTURE VALUE CREATION

In collaboration with Carnegie Asset Management and Carnegie Private Banking, Max Matthiessen will expand its offering to enhance its profile as a one-stop shop for financial services that include equity funds, fund savings, PPS, insurance and investment advisory services that span virtually the entire private finance sector. Max Matthiessen will also continue to offer an open architecture in which products from the best suppliers are available.

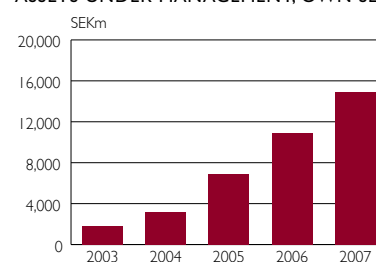
The combination of Max Matthiessen and Carnegie creates a unique, market-leading player in the growing savings sector. The potential for growth in both current clients and client segments that traditionally have not belonged to the core target groups for the two companies is significant. In addition, there are opportunities for applying Max Matthiessen's successful concept outside Sweden.

AWARD

CUSTOMER SURVEY 2007

98% satisfied or very satisfied with Max Matthiessen's advisory services.

ASSETS UNDER MANAGEMENT, OWN SERVICES



MAX MATTHIESSEN

SEKm	1 Apr.–31 Dec. 2007
Commissions	327
Fees, income from funds and management	101
Total income	428
Personnel costs	–182
Other expenses	–66
Credit provisions, net	–
Total operating expenses before profit share	–247
Operating profit before profit share	181
Allocation to profit-share system	–80
Total expenses	–328
Profit before tax	100
Operating margin, %	23.5
Average number of annual employees	309
Number of employees at 31 December	325

A portrait of Ola Brantmark, a man with short brown hair and a light beard, wearing a grey cardigan over a blue and white checkered shirt. He is sitting and looking directly at the camera. The background is a simple, light-colored wall with a vertical shadow.

OLA BRANTMARK,
MANAGED PORTFOLIOS, ASSET MANAGEMENT

“As an asset manager, I have great responsibility, which constantly drives me to deliver the best performance. Working in an organization with the professionalism that characterizes Carnegie is both educational and great fun.”

FINANCIAL ACCOUNTS

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CONSOLIDATED INCOME STATEMENT

SEK thousands	note	2007	2006
Commission income		4,446,651	3,894,248
Commission expenses		-285,436	-182,279
Net commission income	3	4,161,215	3,711,969
Interest income		967,468	665,753
Interest expenses		-1,033,468	-617,240
Net interest income	4	-66,000	48,513
Other dividend income	5	1,339	853
Net financial items at fair value	6	243,079	464,068
Total income		4,339,633	4,225,403
Personnel expenses	7	-2,477,057	-2,216,019
Other administrative expenses	8	-845,359	-644,209
Total administrative expenses		-3,322,417	-2,860,228
Write-downs, depreciation, amortization and impairment of tangible and intangible fixed assets	9	-68,226	-63,520
Total expenses		-3,390,643	-2,923,748
Income before credit provisions		948,991	1,301,655
Net credit reserves	10	-94,573	491
Operating profit		854,418	1,302,146
Taxes	11	-253,587	-379,460
Profit for the year	1,2	600,831	922,686 ¹⁾
Earnings per share	12	7.90	13.36
Earnings per share after dilution	12	7.90	13.25

1) Financial data for the preceding year were adjusted. See note 1.

CONSOLIDATED BALANCE SHEET

SEK thousands	note	2007	2006
Cash and deposits with central banks		457,230	479,610
Loans to credit institutions	13	12,556,564	7,753,185
Loans to the general public	13	7,897,418	8,402,810
Bonds and other interest-bearing securities	14, 15	983,718	1,914,996
Shares and participations	14, 15	10,939,104	15,233,720
Derivative instruments	14	2,083,236	3,214,554
Intangible fixed assets	16, 17	957,550	47,623
Tangible fixed assets	18	99,366	75,184
Current tax assets		173,110	60,223
Deferred tax assets	19	272,554	123,743
Cash and accounts receivable	20	7,864,960	6,115,071
Other assets		177,963	94,308
Prepaid expenses and accrued income	21	625,906	562,415
Total assets	26	45,088,679	44,077,442
Liabilities to credit institutions	13	12,546,939	15,762,479
Deposits and borrowing from general public	13	9,917,830	8,091,649
Short positions, financial instruments	14	7,439,928	8,036,649
Derivative instruments	14	5,943,635	7,342,269
Current tax liabilities		185,113	141,159
Deferred tax liabilities	19	139,032	22,385
Cash and accounts payable	22	3,311,810	181,679
Other liabilities		548,803	331,083
Accrued expenses and prepaid income	23	1,526,558	1,646,087
Provisions	24	67,574	3,780
Subordinated loan	25	486,838	476,250
Total liabilities	26	42,114,060	42,035,469
Share capital	12	155,088	139,050
Other capital contributions		1,748,066	668,694
Reserves		56,246	7,102
Profit brought forward		1,015,219	1,227,127
Total shareholders' equity		2,974,619	2,041,973
Total liabilities and shareholders' equity		45,088,679	44,077,442¹⁾

1) Financial data for the preceding year were adjusted. See note 1.

CHANGES IN SHAREHOLDERS' EQUITY

SEK thousands	Attributable to the Parent Company shareholders							Total
	Share capital	Other capital contributions	Redemption of subscription warrants	Hedging reserve	Translation reserve	Other reserves	Profit brought forward	
Shareholders' equity at 31 Dec. 2005	135,460	458,770	71,981	-2,500	81,942	1,002	973,914	1,720,569
Reclassification		71,981	-71,981			-1,002	1,002	-
Effect of restatement of trading income, see note 1							-50,000	-50,000
Tax effect, see note 1							14,000	14,000
Shareholders' equity at 1 January 2006	135,460	530,751	-	-2,500	81,942	-	938,916	1,684,569
Translation differences related to foreign operations					-62,840			-62,840
Hedging of net investments								
Change in fair value				-9,500				-9,500
Income and expenses for the period charged directly against shareholders' equity				-9,500	-62,840			-72,340
Profit for the year							922,686	922,686
Total income and expenses for the period				-9,500	-62,840		922,686	850,346
Redemptions in the subscription programme	3,590	137,943						141,533
Dividend							-634,475	-634,475
Closing balance at 31 December 2006	139,050	668,694		-12,000	19,102		1,227,127	2,041,973
Translation differences attributable to foreign operations					59,714			59,714
Hedging of net investments								
Change in fair value				-10,570				-10,570
Income and expenses for the period charged directly against shareholders' equity				-10,570	59,714			49,144
Profit for the year							600,831	600,831
Total income and expenses for the period				-10,570	59,714		600,831	649,975
Non-cash issue	12,085	883,695						895,780
New issue of 935,000 preference shares	1,870							1,870
Repurchase of own shares	-1,870							-1,870
Redemption in the subscription warrants programme	3,953	195,677						199,630
Dividend							-812,739	-812,739
Closing balance at 31 December 2007	155,088	1,748,066		-22,570	78,816		1,015,219	2,974,619

CASH-FLOW STATEMENTS

SEK thousands	GROUP		PARENT COMPANY	
	2007	2006	2007	2006
Cash flow from operations				
Profit after financial operations	854,418	1,302,146	518,382	574,935
Adjustments for items not included in cash flow, etc.				
Write-downs, depreciation and impairment of assets	68,226	63,520		2,605
Anticipated dividends			-582,000	-600,000
Change in reserves for balance-sheet items	2,045	-837		
Capital gains from the sale of subsidiaries	-10,718			
Paid taxes	-438,476	-351,954	-694	-40,917
Cash flow from operations before changes in working capital	475,495	1,012,875	-64,312	-63,377
Increase (-)/decrease(+) of liabilities from operating activities				
Lending to the general public	406,326	-3,997,118		
Financial assets for trading	6,305,024	-9,001,399		
Other operating assets	-5,187,231	-3,822,886	644,552	546,632
Increase (+)/decrease(-) of operating liabilities				
Borrowing from the general public	1,814,559	1,198,403		
Financial liabilities for trading	-1,999,032	8,009,012		
Other operating liabilities	-95,311	6,208,254	5,446	6,058
Cash flow from operations	1,719,830	-392,859	585,686	489,313
Investment activities				
Acquisition of subsidiaries	134,101		-10,000	
Sale of subsidiaries	10,203			
Acquisition of intangible fixed assets	-22,770	-1,252		
Acquisition of fixed assets				4,331
Acquisition of tangible fixed assets	-43,385	-34,155		
Cash flow from investment activities	78,149	-35,407	-10,000	4,331
Financing activities				
New issues	199,630	141,533	199,630	141,533
Group contributions				16,740
Dividend paid	-812,739	-634,475	-812,739	-634,475
Cash flow from financing activities	-613,109	-492,942	-613,109	-476,202
Cash flow for the year	1,184,870	-961,896	-37,423	17,442
Cash and cash equivalents on the opening date	8,232,795	9,284,418	42,667	25,225
Translation differences in cash and cash equivalents	264,920	-89,727		
Cash and cash equivalents on the closing date	9,682,585	8,232,795	5,244	42,667

For notes on the cash-flow statement, see Note 29.

PARENT COMPANY INCOME STATEMENT

SEK thousands	note	2007	2006
Administrative expenses	35	-38,885	-26,887
Operating income		-38,885	-26,887
Anticipated dividends from Group companies		582,000	600,000
Interest income from Group companies		10,774	15,548
Other interest income		283	185
Sale/write down of financial assets		-	-1,870
Other interest expenses		-868	-3
Interest expenses for subordinated loan		-24,352	-21,514
Exchange-rate differences		-10,571	9,479
Total financial items		557,267	601,825
Income after financial items		518,382	574,938
Taxes	36	17,057	-4,704
Profit for the year		535,438	570,234

PARENT COMPANY BALANCE SHEET

SEK thousands	note	2007	2006
Shares and participations in Group companies	37	2,129,919	1,224,140
Deferred tax assets	38	13,411	13,868
Total financial fixed assets		2,143,330	1,238,008
Receivables from Group companies		762,187	750,015
Other receivables		35	989
Prepaid expenses and accrued income	39	4,808	5,440
Total current receivables		767,030	756,444
Cash and bank balances		5,244	42,667
Total current assets		772,274	799,111
Total assets		2,915,603	2,037,119
Share capital	12	155,088	139,050
Reserve fund		530,751	530,751
Total restricted equity		685,839	669,801
Premium fund		1,217,315	137,943
Profit brought forward		504,417	736,682
Total unrestricted equity		1,721,732	874 625
Total shareholders' equity		2,407,571	1,544,426
Subordinated loan	25	486,838	476,250
Total provisions and long-term liabilities			476,250
Accounts payable		4,242	931
Current tax liability		–	694
Other liabilities		135	84
Prepaid income and accrued expenses	40	16,817	14,734
Total current liabilities		21,194	16,443
Total liabilities		508,032	492,693
Total liabilities and shareholders' equity		2,915,603	2,037,119
Pledged assets		None	None
Contingent liabilities		None	None

CHANGES IN PARENT COMPANY EQUITY

SEK thousands	Attributable to the Parent Company's shareholders				Total
	Share capital	Statutory reserve	Premium reserve	Profit brought forward	
Shareholders' equity at 31 December 2005	135,460	530,751		784,183	1,450,394
Income and expenses for the period charged directly against shareholders' equity					
Profit for the year				570,234	570,234
Total income and expenses for the period				570,234	570,234
Group contributions received				23,250	23,250
Tax effect of Group contributions				-6,510	-6,510
Redemptions in subscription warrants programme	3,590		137,943		141,533
Dividend				-634,475	-634,475
Closing balance at 31 December 2006	139,050	530,751	137,943	736,682	1,544,426
Income and expenses for the period charged directly against equity					
Profit for the year				535,438	535,438
Total income and expenses for the period				535,438	535,438
Group contributions received				62,550	62,550
Tax effect of Group contributions				-17,514	-17,514
Non-cash issue	12,085		883,695		895,780
New issue of 935,000 preference shares	1,870				1,870
Repurchase of own shares	-1,870				-1,870
Redemptions in subscription programme	3,953		195,677		199,630
Dividend				-812,739	-812,739
Closing balance at 31 December 2007	155,088	530,751	1,217,315	504,417	2,407,571

ACCOUNTING PRINCIPLES

GENERAL INFORMATION

D. Carnegie & Co AB with corporate registration number 556498-9449 (Carnegie or the Group) is an independent Nordic investment bank and insurance broker with operations in Securities, Investment Banking, Asset Management, Private Banking and Insurance Brokerage. Carnegie offers financial products and services to Nordic and international customers from offices in eight countries: Sweden, Denmark, Norway, Finland, Luxemburg, Switzerland, the UK and the US. Carnegie has its registered offices in Stockholm, Sweden at Västra Trädgårdsgatan 15. The Parent Company's share is listed on the OMX Nordic Exchange. Major shareholders are presented on page 13 of this annual report.

BASIS FOR PREPARING FINANCIAL REPORTS

The consolidated accounts were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and are approved by the European Commission for application within the EU. In addition, the Act on Annual Reports of Credit Institutes and Securities Companies (1995:1559), Recommendation RR 30:06 Supplementary Accounting Regulations for Corporate Groups issued by the Swedish Financial Accounting Standards Council and the regulations 2006:16, 2007:6 and 2007:13 issued by the Swedish Financial Supervisory Authority were applied.

The consolidated accounts were prepared in accordance with the purchase method with the exception of those financial instruments that are valued at fair value or accrued acquisition value. No business unit was divested during the year, meaning that all figures presented pertain to remaining operations.

The financial reports for the Group and the Parent Company are presented in thousands of Swedish krona (SEK thousands). SEK is the Parent Company's functional currency.

The Parent Company's income statement, balance sheet, cash-flow statement and associated notes are prepared in accordance with the Annual Accounts Act (1995:1554) and Recommendation RR 32:06 Reporting of Legal Entities issued by the Swedish Financial Accounting Standards Council. RR 32:06 means that the Parent Company in its annual account for the legal entity must apply all IFRS and statements adopted by the EU as far as possible within the framework of the Annual Accounts Act and with consideration taken to the relation between accounting and taxation. There are therefore no significant differences between the accounting principles for the Group and the Parent Company.

NEW AND AMENDED STANDARDS AND INTERPRETATIONS

As of 1 January 2007, Carnegie applied IFRS 7 Financial Instruments: Disclosures. This standard did not result in any effects on reported income or the financial position but did entail supplementary disclosure requirements, compared with the financial reports for 2006.

The International Accounting Standards Board (IASB) issued a new standard, IFRS 8 Operating Segments, that must be applied as of 1 January 2009. IFRS 8 was adopted by the EU and replaces IAS 14. Carnegie has not yet determined if IFRS 8 will affect the Group's segment reporting. IASB also issued the following standards which were significantly amended, compared with the current standard: IAS 1 Presentation of Financial Statements (applicable as of 1 January 2009), IAS 23 Borrowing Costs (applicable as of 1 January 2009), IAS 27 Consolidated and Separate Financial Statements (applicable as of 1 January 2009), IAS 28 Investment in Associates (applicable as of 1 January 2009), IAS 31 Interests in Joint Ventures (applicable as of 1 January 2009), IAS 32 Financial Instruments: Disclosure and Presentation (applicable as of 1 January 2009) and IFRS 3 Business Combinations (applicable as of 1 January 2009). Carnegie has not yet determined what consequences these new standards would have on the Group's financial reporting. None of these amended standards have been adopted by the EU.

The International Financial Reporting Interpretations Committee (IFRIC) has issued the following interpretations: IFRIC 11: IFRS 2 Group and Treasury Share Transactions, including internal transactions (applicable as of 1 March 2007, which in practice means 1 January 2008 for Carnegie), IFRIC 12 Service Concession Arrangements and IFRIC 14: IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IFRIC 12 and IFRIC 14 apply as of 1 January 2008) and IFRIC 13 Customer Loyalty Programs (applicable as of 1 July 2008). According to Carnegie's preliminary assessment, these interpretations will not have any significant effect on the Group's financial reporting.

CONSOLIDATED ACCOUNTS

CONSOLIDATION PRINCIPLES

The consolidated accounts comprise the Parent Company and all companies over which the Parent Company directly or indirectly exercises a controlling influence. A controlling influence means that the Carnegie has the right to establish financial and operative strategies intended to achieve economic benefits. Controlling influence is assumed to pertain when the ownership share amounts to at least 50 per cent of the voting rights in the subsidiary but may also be achieved if a controlling influence is exercised in some other manner than share ownership. In all cases, the Parent Company owns directly or indirectly shares and/or participations in the companies included in the consolidated accounts. Subsidiaries are included in the consolidated accounts as of the date at which the controlling influence was attained and are eliminated as of the date at which the controlling influence ceased.

All internal transactions between subsidiaries, as well as intra-Group transactions, are eliminated in the consolidated accounts. When necessary, the accounting principles for subsidiaries are modified in order to achieve greater agreement with the Group's accounting principles. The equity portion of untaxed reserves is

recognized in equity as profit brought forward. The tax portion of untaxed reserves is recognized as a deferred tax liability based on the current tax rate in each country.

Subsidiaries are reported according to the purchase method. This means that identifiable acquired assets, liabilities and contingent liabilities are valued at fair value on the acquisition date. The surplus comprising the difference between the acquisition value of the acquired shares and the sum of the fair value of the identifiable acquired net assets is recognized as goodwill. If the acquisition value is less than the fair value of the acquired subsidiary's net assets, the difference is recognized directly in the income statement. The acquisition value of a subsidiary corresponds to the sum of the fair value of purchased assets, accrued or assumed liabilities, the equity instruments that the purchaser has issued in exchange for the controlling influence in the company plus costs directly attributable to the acquisition. Minority owners' interests in the acquired company are initially calculated as the minority share of the net fair value of the recognized assets, liabilities and contingent liabilities.

EQUITY INSTRUMENTS

Equity instruments issued by the Group are recognized in the amount received less direct issue costs.

FOREIGN CURRENCY AND HEDGE ACCOUNTING OF NET INVESTMENTS IN FOREIGN SUBSIDIARIES

The accounts of foreign subsidiaries are stated in their functional currencies, which in Carnegie's case is the same as local currency, meaning the currency used in the primary economic environment in which the subsidiary operates. Transactions in foreign currency are translated at average rates. Monetary assets and liabilities in foreign currency (such as accounts receivable and accounts payable) are translated at the closing-date rate, and the exchange-rate differences thus arising are recognized in the income statement. Exchange-rate differences recognized in the income statement are included in the item Net income from financial transactions at fair value.

In preparing the consolidated accounts, the balance sheets of foreign subsidiaries are translated to SEK at the closing-date rate, while the income statements are translated based on the average rate for the period. The translation differences thus arising are booked directly against a translation reserve in shareholders' equity. A certain portion of Carnegie's net investments in foreign subsidiaries is hedged through borrowing in foreign currency. The translation differences thus arising and reported in the Parent Company are eliminated in the consolidated accounts by offsetting the translation of net assets in subsidiaries and booked against the translation reserve in shareholders' equity. In cases in which hedging is not effective, the ineffective portion is recognized in the income statement.

INCOME RECOGNITION

Income is recognized in the income statement when it is probable that future economic benefits will be received and these benefits can be calculated in a reliable manner. Income is normally

recognized during the period in which the service was performed. Performance-based fees and commissions are recognized when the income can be calculated reliably and are recognized in income in conjunction with capitalization. This is normally on a quarterly basis but may also be solely on an annual basis.

Commission income from banking operations includes brokerage fees, management income from discretionary asset management and fund management and advisory income.

Commission income also includes commissions for brokerage of individual insurance and security savings products. This income is received from insurance companies when the insurance premium is paid by the client company. Earned but not yet received commission income is calculated and recognized as income in the period in which it is earned.

In insurance brokerage, Carnegie receives sales compensation from the insurance company. The Group has cancellation liability for three years for some sales, which entails a repayment obligation to the insurance company if the client cancels the insurance. Estimated repayments of received commission income as a result of cancellation of insurance are recognized through a reduction of income when commission income is reported. There is a provision for this in the balance statement.

In the consolidated accounts, fees relating to advisory services are recognized as commission income. These fees are attributable to insurance advisory services and to advisory services within Private Banking and Investment Banking. These services are reported in the income statement when the services have been performed and when it is probable that the future economic benefits will accrue to the company and the benefits can be calculated reliably.

Interest income is recognized over the maturity period according to the effective-rate method.

The net result of financial items consists of realized and unrealized changes in the value of financial instruments based on the fair value of shares, participations, bonds, derivatives and other securities. The net amount also includes interest, share dividends and exchange-rate changes. The principles for income recognition for financial instruments are also described below under the heading Financial assets and liabilities.

Dividend income is recognized when the right to receive payment is established.

EXPENSE RECOGNITION

Operating and administrative expenses, compensation to employees, other personnel costs and borrowing costs are expensed in the period to which they are attributable.

COMPENSATION TO EMPLOYEES

Compensation to employees in the form of salaries, paid holidays, paid absence due to illness, other current compensation and similar items, as well as pensions, are recognized at the rate it is earned. Any other compensation after termination of employment is classified and reported in the same manner as pension commitments.

Share-related compensation – incentive programme

Share-related compensation to employees and others who perform services that is regulated using equity instruments is valued at fair value for equity instruments on the issue date. Expenses for share-related compensation are recognized at the rate it is earned. Fair value is calculated according to the Black & Scholes model. All share-related compensation was allocated before 2 November 2002 or awarded after that date but not fully earned before 1 January 2005, meaning that by application of the exception rules in IFRS 1, IFRS 2 is not applicable with respect to the accounting rules and only applies with respect to disclosure requirements.

All outstanding subscription warrant programmes for employees expired during the year. See separate note.

Profit share

The Group reports an expense for profit share, which is recognized as an accrued expense. This expense is recognized at the rate it is earned, meaning that when it is linked to a contract or when there is an established practice that creates an informal obligation.

Severance pay

Severance pay is paid when employment is involuntarily terminated prior to reaching retirement age or when an employee voluntarily resigns in exchange for severance pay. The Group reports an expense for severance pay when it is clear that it is a case of either termination of employment as part of an established formal plan that cannot be revoked or an offer of severance pay to encourage voluntary resignation and which is accepted by the employees who receive the offer. Benefits falling due for payment more than 12 months after the closing date are discounted to the current value if they are significant.

Pension commitments

A defined-contribution plan is a pension plan according to which a company pays fixed fees to a separate legal entity. Thereafter, the company has no legal or informal obligations to pay additional fees related to the employee's pension entitlement. A defined-benefit plan is a pension plan that guarantees the employee a certain amount as a pension upon retirement that is normally based on several different factors, including final salary and length of employment. The Group only has defined-contribution pension plans. Costs for defined-contribution pension plans are recognized in the income statement at the rate benefits are earned, which normally coincides with the date on which pension premiums are paid. Costs for special employer's contribution are expensed at the rate at which pension expenses arise.

LEASING

Financial lease contracts are contracts according to which the economic benefits and risks associated with ownership of the leased object are transferred in all significant respects from the lessor to the lessee. Lease contracts that are not financial are classed as operational.

At present, Carnegie only has operational lease contracts.

Leasing fees paid for operational lease contracts are expensed straightline over the lease period. Variable fees are recognized as expenses in the period in which they arise. In cases where the Group receives benefits (such as rent rebates) upon entering an operational lease contract, such benefits are initially recognized as a liability and thereafter as a reduction straightline over the leasing period, unless some other systematic method better reflects the benefit to the Group over time.

INCOMETAX

Tax expense/income for the period consists of current and deferred tax. Tax is recognized in the income statement except when the underlying transaction is charged directly against equity.

Current tax is the tax that is calculated on taxable income for the period. Taxable income for the year differs in comparison with reported income before tax, since taxable income is adjusted for non-tax deductible expenses and non-tax deductible income and other adjustments as a result of double-taxation agreement with other countries, for example, The Group's current tax is calculated according to the tax rates established or in practice approved (announced) on the closing date in each country.

Deferred tax is reported according balance-sheet method, by which deferred tax liabilities are recognized on the balance sheet for all taxable temporary differences based on differences between carrying amounts and values for taxation of all assets and liabilities. Deferred tax assets are recognized on the balance sheet for tax-deductible loss carryforwards and tax-deductible temporary differences to the extent that it is probable that these amounts may be used against future taxable surplus amounts. The reported value of deferred tax assets is assessed at each closing date and reduced to the extent that it is not probable that there will be sufficient taxable surpluses available in the future which can be used against tax-deductible loss carryforwards and/or tax-deductible temporary differences. Deferred tax is reported based on the tax rates expected to apply for the period in which the debt is eliminated or the asset reclaimed.

Tax assets and tax liabilities are recognized in net amounts on the balance sheet where there is a legal right to offset them and when the intention is either to receive or pay a net amount or to receive payment for the claim and pay the debt at the same time.

FINANCIAL ASSETS AND LIABILITIES

Financial assets recognized in the balance sheet include cash and cash equivalents, accounts receivable, shares and other equity instruments, loan and bond receivables and derivatives. Liabilities include accounts payable, issued debt instruments, loan obligations, derivative instruments and sort positions in various forms of spot instruments.

Financial assets and financial liabilities are recognized in the balance sheet when the company becomes a party to the instrument's contractual terms. Accounts receivable are included on the balance

sheet when an invoice has been issued. A liability is included when the counterparty has performed a service and there is a contractual payment obligation, even if an invoice has not yet been received. Accounts payable are included when an invoice is received. A financial asset is eliminated from the balance sheet when the contractual rights have been realized or have expired or when the company loses control over them. The same applies for portion of a financial asset. A financial liability is eliminated from the balance sheet when the contractual obligation is fulfilled or otherwise expires. The same applies to a portion of a financial asset.

Transaction-date accounting is employed for derivative instruments, as well as the sale and purchase of bond and equity instruments on the spot market.

Financial assets and financial liabilities in the trading portfolio are valued at fair value on the balance sheet, while changes in value are recognized in the income statement. If market prices in established marketplace are available, they are used for valuation. In cases where there is no active market or listed prices are temporarily unavailable, Carnegie establishes the fair value using various valuation methods. These methods include models based on observable market data, as well as models in which certain parameters are not observable. A number of parameters are included in these models, such as volatility assumptions. Changing the assumptions with regard to these parameters may affect the reported value of the financial instrument.

The valuation methods are primarily used to value derivative instruments. All valuation models are regularly validated at random intervals by both the internal Risk Control function and external independent parties. The models are also reconciled regularly against quoted market prices.

The above models are applied consistently from one period to the next to ensure comparability and continuity of valuations over time.

Each new validation model is approved by the Group's Risk Management, and all models are reviewed regularly.

For financial instrument for which the fair value deviates from the carrying amount, information regarding the fair value is provided in a note.

The classification of financial assets and liabilities depends on the intention with the acquisition of the financial item. The categories within IAS 39 applied by Carnegie are as follows:

- Assets for trading
- Fair value option
- Loan receivables and accounts receivable
- Assets available for sale
- Other financial liabilities
- Financial liabilities for which hedge accounting is applied

Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances with central banks, lending to credit institutions and current investment-swaps with a maturity from the acquisition date of less than three months and which are not exposed to significant risk of changes in value.

Cash and central bank balances

Cash and bank balances with central banks are categorized as loan and accounts receivables and valued at accrued acquisition value.

Lending to credit institutions

Lending to credit institutions consists of loan receivables that are payable on demand and which are not listed on an active market. These are categorized as loan and accounts receivable and valued at accrued acquisition value. Reserves are allocated for probable credit losses after individual assessment. Reserves for probable credit losses are allocated in cases where collateral, commitments or other guarantees are not expected to cover the payment due. The principle for what is classed as a actual credit loss is that they are losses that are fixed through bankruptcy procedures or composition agreements. A decline in value attributable to a debtor's payment capacity is reported under Net credit reserves.

Lending to the public

Lending to the public consists of loan receivables that are payable on demand and which are not listed on an active market. These are categorized as loan and accounts receivable and valued at accrued acquisition value. Reserves are allocated for probable credit losses after individual assessment. Reserves for probable credit losses are allocated in cases where collateral, commitments or other guarantees are not expected to cover the payment due. The principle for what is classed as a actual credit loss is that they are losses that are fixed through bankruptcy procedures or composition agreements. A decline in value attributable to a debtor's payment capacity is reported under Net credit reserves.

Bonds and other interest-bearing securities

Bonds and other interest-bearing securities consist of chargeable government bonds, housing bonds and other interest-bearing instruments. These are categorized as Assets for trading and valued at fair value, with changes in fair value are recognized in the income statement under Net income from financial transactions.

Shares and participations

Shares and participations consist mainly of shareholdings intended for trade and are categorized as assets for trade valued at fair value. Shares and participations not held for trade are categorized as financial instruments, which are identified on the first reporting date as an item valued at fair value via the income statement using what is called the fair value option. The fair value option is employed to eliminate the accounting volatility that would otherwise arise as a result of different valuation principles according to IAS 19. Changes in fair value for shares and participations are recognized in the income statement under Net income from financial items at fair value.

Derivative instruments

All derivative instruments are classified as assets held for trading. Derivative instruments are valued at fair value with changes in fair value recognized in the income statement under Net income from financial items at fair value.

In cases where the fair value is positive, it is recognized as an asset. In cases where the fair value is negative, it is recognized as a liability.

Liabilities to credit institutions

Liabilities to credit institutions consist mainly of short-term borrowing and are categorized as Other financial liabilities and valued at fair value. For financial liabilities in foreign currencies that satisfy the requirements for hedge accounting of net investments in foreign currency, exchange-rate changes are charged against equity.

Deposits and borrowing from the public

Deposits and borrowing from the public consists primarily of short-term borrowing from the public. These liabilities are categorized as Other financial liabilities and valued at accrued acquisition value.

Lending of securities and short equity positions

The securities that Carnegie lends remain on the balance sheet. Borrowed securities are not included as assets on the balance sheet. In cases in which a borrowed security is sold in a process known as short-selling, a liability is reported corresponding to the divested security's fair value. Received collateral in the form of cash is reported under Liabilities to credit institutions or under Borrowing and lending from the public, depending on the counterparty. Pledged collateral in the form of cash is reported on the balance sheet under Lending to credit institutions or under Lending to the public, depending on the counterparty.

Buy-back transactions

Buy-back transactions, which are also called repo transactions, refer to the sale of securities in conjunction with the parties reaching an agreement that the security will be repurchased at a pre-determined price. Securities that Carnegie sells in a repo transaction remain on the balance sheet, while securities that Carnegie buys in a repo transaction are not included on the balance sheet. The payment that Carnegie must make in a repo transaction is recognized as a fund cash liability. The payment that Carnegie receives in a reverse repo transaction is recognized as a fund cash claim. Amounts with the same counterparty are reported as net amounts in the consolidated accounts.

INTANGIBLE ASSETS

Intangible assets consist of goodwill, client relations, brands, acquired IT systems and internally accrued expenses for the development of IT systems.

Goodwill

Goodwill is initially recognized as an asset valued at acquisition value and is thereafter carried at acquisition value less any accumulated impairment. Gains or losses arising from the divestment of an operation include the remaining carrying amount of goodwill attributable to the divested unit. Goodwill has an indeterminate useful lifetime and is distributed among cash-generating units within the Group that are expected to benefit from the synergy effects

arising in conjunction with the acquisition. Cash-generating units to which goodwill is distributed are assessed annually, or more frequently when there are indications that an impairment requirement may pertain. Impairment arises when the carrying amount exceeds the recovery value. The recovery value corresponds to the higher of value in use and the net sale value. If the cash-generating unit's recovery value is lower than the carrying amount, the impairment is first distributed to reduce the carrying amount of any goodwill attributed to the unit and thereafter to the unit's other assets pro-rated based on the carrying amount of each asset in the unit. An impairment of goodwill may not be reversed in a later period.

For goodwill arising in conjunction with acquisitions that took place prior to 1 January 2004, Carnegie has chosen to apply the option granted in IFRS 1 to not recalculate acquisition balance sheets, meaning that goodwill for these acquisitions was fixed as of 1 January 2004.

Other intangible assets

The acquisition value of intangible assets that were acquired separately corresponds to the actual acquisition cost, including directly attributable expenses for preparing the asset for its intended use.

Internally developed intangible assets, including IT systems

An internally developed intangible asset, meaning development expenses, is reported as an asset only if the following conditions are satisfied:

- The asset is identifiable
- It is probable that the asset will provide economic benefits
- The acquisition cost can be calculated in a reliable manner

Internally developed intangible assets are initially reported as the sum of expenses as of the first date on which the intangible asset satisfies the above criteria up until the date on which the asset can be used.

Internally developed intangible assets are amortized linearly over their estimated useful life, which amounts to three to five years.

Intangible assets acquired in conjunction with company acquisitions – brands, customer relations and IT systems

Intangible assets acquired through company acquisitions and mergers are identified and reported separately from goodwill when they satisfy the conditions for intangible assets and the fair value can be calculated in a reliable manner. The acquisition value for such intangible assets corresponds to the fair value at the acquisition date.

For brands, the useful life is considered to be indeterminate. This means that after the acquisition date, the intangible asset is recognized at acquisition value less accumulated impairment. The intangible asset is not subject to annual amortization but is instead tested for impairment each year in the same manner as described above for goodwill.

After establishing the acquisition value for intangible assets with a determinable useful life acquired through company acquisitions – customer relations and IT systems – the assets are then reported at acquisition value less accumulated amortization and any accumulated

impairment. The useful life of customer relations has been estimated at 15 years, while acquired IT systems have an estimated useful life of five years. The gain or loss that arises from divestment or scrapping of intangible assets is recognized in the income statement.

TANGIBLE FIXED ASSETS

Tangible fixed assets are reported at acquisition value less accumulated depreciation and any impairments. Tangible fixed assets consist of capitalized renovation costs, computer equipment and fixtures.

Depreciation according to plan is based on the asset's acquisition value and estimated useful life. Capitalized renovation costs are depreciated according to plan by 5 to 10 per cent per year. Computer equipment and fixtures are depreciated according to plan by 20 to 33 per cent per year.

The gain or loss that arises from divestment or scrapping of tangible fixed assets is recognized in the income statement.

IMPAIRMENT OF INTANGIBLE FIXED ASSETS AND WRITE-DOWNS OF TANGIBLE FIXED ASSETS WITH DETERMINABLE USEFUL LIFE

Impairment or write-downs are recognized in cases in which the carrying amount of an intangible asset or a tangible fixed asset exceeds its recovery value. The carrying amounts for fixed assets are established on each closing date to determine if there is a need for a write-down. If there is such an indication, the asset's recovery value is calculated. The recovery value is the higher of the value in use and fair value less selling costs.

In calculating the value in use, future cash flows are discounted at an interest rate before tax that is intended to take into account to the market's expectations for a risk-free interest rate associated with the asset in question. For an asset that does not generate cash flows independently of other assets, the recovery value is calculated for the cash-generating unit to which the asset belongs.

SEGMENT REPORTING

The Group's business areas are reported according to the internal organization.

The Group's business areas are defined as primary segments, meaning that the Group's primary segments consist of operating units. In addition to the income statement, assets, liabilities, provisions and investments attributable to the primary segments are reported. Furthermore, figures are provided for income, assets and liabilities distributed by geographic areas, which are defined as secondary segments.

Reporting by segment is based on directly attributable income, expenses, assets and liabilities. The allocation of joint expenses per business area is based on an estimated degree of usage. Allocations to the profit-share system are distributed by business area according to a fixed percentage rate to facilitate analysis by business area. The actual distribution in the profit-share system is based on income for the full year and distributed on a discretionary basis.

Non-allocated items are associated companies and other significant holdings.

PROVISIONS

A provision is reported when there is a formal or informal commitment arising from an event that has taken place and the occurrence of which will only be confirmed by one or more uncertain future events or when it is probable that an outflow of resources will be required to settle the commitment and it is possible to estimate the amount of the commitment in a reliable manner.

RESERVES FOR CANCELLATION RISK REGARDING COMMISSION INCOME AND CONTINGENT LIABILITIES

Sales compensation is received for new sales of insurance. Normally there is a cancellation liability if the client cancels the insurance. The insurance companies have a right to reduce commission payments to Carnegie for cancellation arising during the period, regardless if the insurance broker is a Carnegie employee or an independent agent. For its own employees, Carnegie makes provisions for this cancellation liability based on estimated repayment claims from received commission income due to cancellation of insurance. With regard to independent agents, Carnegie has a contractual right of regress to charge the agents for costs for cancellations attributable to their sales. If Carnegie is unable to exercise this right, Carnegie bears the cancellation cost. The company's cancellation liability with respect to independent agents is calculated according to the same principles as for Carnegie's own employees and is reported as a contingent liability.

CRITICAL ASSESSMENT PARAMETERS

FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities in the trading portfolio are valued at fair value on the balance sheet while changes in value are recognized in the income statement.

Critical parameters that affect the accounting principles relate to how fair value is determined for these assets and liabilities.

If market prices are available on an established marketplace, they are used for the valuation. When there is no active market or when quoted prices are temporarily unavailable, Carnegie determines the fair value using various valuation techniques.

These techniques include models based on observable market data, as well as models in which certain parameters are not observable. A number of parameters are included in these valuation models, such as time and volatility values. Changing assumptions with respect to these parameters in the valuation models can affect the reported value of the financial instrument.

All non-observable parameters used in the valuation models must be approved by Carnegie's Credit Risk Committee.

The valuation methods are primarily used to value derivative instruments. All valuation models are regularly validated at random intervals by both the internal Risk Control function and independent external parties. The models are also reconciled regularly against quoted market prices.

The above models are applied consistently from one period to the next to ensure comparability and continuity in valuations over time.

IMPAIRMENT OF GOODWILL

To determine if there is a need to recognize an impairment of the value of goodwill, an evaluation of the value of goodwill is performed based on the value in use in the cash-generating units. The evaluation entails estimating future cash flows from the cash generating units and a suitable discount rate for calculating the current value. The reported value of goodwill on the closing date was SEK 576,699 (8,809) thousand. Further information of impairment testing is provided in Note 16.

REPORTING OF DEFERRED TAX ASSETS

Carnegie reported a net deferred tax asset of SEK 272,554 thousand attributable to temporary differences and tax-deductible deficits. The largest deferred tax assets are in Sweden and have an unlimited useful life, meaning that there is no expiration date. The ability to utilize deferred tax assets depends on Carnegie's capacity to report taxable profits in the future. Based on Carnegie's future prospects and historically favourable earnings capacity, Carnegie deems that the company will be able to report taxable profits within the foreseeable near future and in sufficient extent to be able to utilize the benefits related to the tax-deductible deficits and thus the recognized receivable.

REPORTING OF ENDOWMENT INSURANCE

Certain individual pension commitments are guaranteed through what is called endowment insurance. Because Carnegie does not have any additional commitments to cover any declines in endowment insurance or to pay any amount above the paid premium, Carnegie considers these pension plans as defined-contribution plans. Accordingly, the premium payments correspond to final settlement of the commitment to the employee. In accordance with IAS 19 and the rules for defined-contribution pension plans, Carnegie therefore reports neither assets nor liabilities with the exception of the special payroll tax related to this endowment insurance.

PARENT COMPANY ACCOUNTING PRINCIPLES

The Parent Company's annual accounts were prepared in accordance with the Annual Accounts Act and Recommendation RR 32 Reporting of Legal Entities issued by the Swedish Financial Accounting Standards Council. As well as applicable statement from its Urgent Issues group. RR 32 means that the Parent Company in its annual accounts for the legal entity must apply all IFRS and interpretations approved by the EU as far as possible within the framework of the Annual Accounts Act and the Act on Safeguarding of Pension Commitments and with consideration taken to the relationship between accounting and taxation. This means that the Parent Company applies the same accounting principles as the Group with the exceptions noted below.

FINANCIAL FIXED ASSETS

The Parent Company's holdings of shares in foreign subsidiaries and associated companies are reported according to the purchase method.

ANTICIPATED DIVIDEND

Anticipated dividends from subsidiaries are reported in cases where the decision is taken in the subsidiary or where the Parent Company otherwise has full control over the decision process before the Parent Company publishes its financial reports.

GROUP CONTRIBUTIONS AND SHAREHOLDER CONTRIBUTIONS

Group contributions and shareholder contributions in both legal entities and the Group are reported in accordance with the principles specified by the Swedish Financial Accounting Standards Council's Urgent Issues group. Group contributions (including tax effects) and shareholder contributions are as a general rule recognized directly in shareholders' equity. Shareholder contributions received are recognized as an increase in the Parent Company's investment.

DEFERRED TAX IN RELATION TO UNTAXED RESERVES

Due to the relation between accounting and taxation, the Parent Company does not separately report deferred tax liabilities attributable to untaxed reserves. These liabilities are thus reported as gross amounts on the balance sheet, which also applies to appropriations in the income statement. Any amounts allocated to untaxed reserves consist of temporary differences.

FINANCIAL GUARANTEES

The Parent Company applies the exception provision in RR 32 and thus does not apply the rules in IAS 39 with respect to financial guarantees relating to guarantee agreements entered on behalf of subsidiaries and associated companies. In these cases, the rules in IAS 37 are applied, meaning that such guarantee agreements must be recognized as a provision on the balance sheet when the Parent Company has a legal or informal commitment as a result of a previous event and it is probable that an outflow of resources will be required to settle the commitment and it is possible to reliably estimate the commitment.

NOTES

INSTRUCTIONS FOR READERS

All amounts in SEK thousands unless otherwise specified.

NOTE I ADJUSTMENT OF FINANCIAL DATA PERTAINING TO THE PRECEDING YEAR

As a result of a breach of the internal rules for valuation of holdings of financial instruments in Carnegie's trading portfolio and in violation of the rules for valuation of financial instruments according to IAS 39, reported income for 2005 and 2006 was overstated. Holdings in the trading portfolio include various combinations of spot and derivative instruments. The positions are valued based on market prices when such are available (observable market data). In situations where market prices are lacking or are considered unreliable, valuations are performed according to market practice by applying relevant theoretical models and reasonable assumptions. In May, Carnegie's management discovered that these valuations were based historically on incorrect assumptions not only with respect to observable market data but also in cases where reliable market data was lacking, which resulted in income for 2005 and 2006 being overstated. See also the section Events relating to trading operations for further information.

The adjustment of historical financial data primarily affected the income statement items Net income from financial items valued at fair value, Personnel costs (allocation

to the profit-share system) and Taxes. On the balance sheet, the items primarily affected were Derivative instruments, Taxes and Profit brought forward. For 2006, this resulted in a reduction of total assets by SEK 22m.

In addition, a change was made in the reporting of net and gross positions in shares and derivatives that affected the comparison figures for 2006. This resulted in total assets increasing by SEK 2,584m. As of 2007, shares and derivatives are reported in net amounts only in cases in which there is a legal right of offset and where Carnegie intends to settle the item with a net amount or settle the debt at the same time the asset is realized. This was primarily motivated by Equity Finance transactions in which clients are offered such solutions as share lending, repo transactions and swaps. This normally takes place without market risk, and Carnegie therefore previously reported such positions in net amounts regardless of the counterparty. In addition, other reclassifications between shares and derivatives resulted in a reduction of total assets for 2006 by SEK 73m. The effects of the above adjustments of historical financial reports are presented in the table below.

Capital adequacy was not affected by these reclassifications. The adjustments described above resulted in no changes in the Parent Company.

In addition, Other reserves within Shareholders' equity were reclassified as Profit brought forward within Shareholders' equity and Redemption of subscription warrants, which was previously reported separately within Shareholders' equity was reclassified as Other capital contributions.

CONSOLIDATED INCOME STATEMENT

SEKm	2005			2006				
	Reported	Trading portfolio adjustment	After adjustment	Reported	Adjustment reclassification	Adjustment net/gross reporting	Trading portfolio adjustment	After adjustment
Net commission income	2,959		2,959	3,712				3,712
Net interest income	76		76	49				49
Other dividend income	2		2	1				1
Net gain/loss from financial items at fair value	478	-100	378	714			-250	464
Total income	3,514	-100	3,414	4,475			-250	4,225
Personnel costs	-1,721	50	-1,671	-2,341			125	-2,216
Other administrative expenses	-802		-802	-644				-644
Total administrative expenses	-2,523	50	-2,473	-2,985			125	-2,860
Depreciation, amortization and impairment of tangible and intangible fixed assets	-55		-55	-64				-64
Total expenses	-2,578	50	-2,528	-3,049			125	-2,924
Income before credit reserves	936	-50	886	1,427			-125	1,302
Net credit reserves	-5		-5	1				1
Operating profit	931	-50	881	1,427			-125	1,302
Taxes	-264	14	-250	-415			35	-380
Profit for the year	668	-36	632	1,013			-90	923
Earnings per share (SEK)	9.98	-0.54	9.44	14.66			-1.30	13.36
Earning per share after dilution (SEK)	9.94	-0.53	9.41	14.54			-1.29	13.25

CONSOLIDATED BALANCE SHEET

SEKm	2005			2006				
	Reported	Trading portfolio adjustment	After adjustment	Reported	Adjustment reclassification	Adjustment net/gross reporting	Trading portfolio adjustment	After adjustment
Shares and participations	7,096		7,096	14,173	-421	1,482		15,234
Derivative instruments	2,379	-5	2,374	1,786	348	1,102	-22	3,214
Total other assets	21,384		21,384	25,629				25,629
Total assets	30,859	-5	30,854	41,588	-73	2,584	-22	44,077
Short positions, shares				9,419	-568	-814		8,037
Derivative instruments	2,645	95	2,740	3,121	495	3,398	328	7,342
Current tax liability	140	-14	126	190			-49	141
Accrued expenses and prepaid income	1,222	-50	1,172	1,821			-175	1,646
Shareholders' equity	1,721	-36	1,685	2,168			-126	2,042
Total other liabilities	25,132		25,132	24,869				24,869
Total liabilities and shareholders' equity	30,859	-5	30,854	41,588	-73	2,584	-22	44,077
Return on equity, %	49		47	58				55

NOTE 2 SEGMENT INFORMATION

PRIMARY SEGMENT – BUSINESS AREAS	Total		Securities		Investment Banking		Asset Management		Private Banking		Max Matthiessen	
SEKm	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007 ¹⁾	2006
Client-related income	2,637	2,293	1,729	1,730	–	–	–	–	581	563	327	–
Income from ECM transactions	294	398	–	–	294	398	–	–	–	–	–	–
Income from fund management	769	662	–	–	–	–	769	662	–	–	–	–
Income from discretionary management	357	228	–	–	–	–	357	228	–	–	–	–
Advisory income	489	484	–	–	388	484	–	–	–	–	101	–
Net interest income	110	90	110	90	–	–	–	–	–	–	–	–
Net financial items	–317	69	–317	66	0	3	–	–	–	–	–	–
Other income	–	–	–	–	–	–	–	–	–	–	–	–
Total income	4,340	4,225	1,521	1,886	683	885	1,126	891	581	563	428	
Personnel expenses excl. profit share	–1,227	–952	–477	–421	–166	–167	–199	–173	–203	–191	–182	–
Other administrative expenses	–845	–644	–440	–304	–98	–96	–133	–125	–123	–119	–52	–
Depreciation, amortization and impairment	–68	–64	–13	–11	–5	–6	–11	–13	–25	–32	–14	–
Net credit reserves	–95	0	–95	–1	–	–	–	–	0	1	–	–
Expenses sub-total	–2,235	–1,659	–1,025	–737	–268	–269	–343	–312	–351	–341	–247	
Operating profit before profit share	2,105	2,567	496	1,150	415	616	783	579	230	222	181	
Expenses for profit-share system	–1,250	–1,265	–535	–566	–184	–304	–348	–286	–102	–109	–80	–
Total expenses	–3,485	–2,923	–1,560	–1,302	–453	–573	–691	–597	–453	–451	–328	
Profit before tax	854	1,302	–40	584	231	312	435	293	128	112	100	
Taxes	–254	–379	–	–	–	–	–	–	–	–	–	–
Profit for the year	601	923	–40	584	231	312	435	293	128	112	100	
Average number of employees	1,035	775	360	336	133	128	138	134	173	177	231	–
Total assets	45,089	44,077	31,886	32,471	1,468	1,614	3,137	1,473	7,182	8,518	1,416	–
Total liabilities and provisions	42,114	42,035	31,146	32,804	1,527	1,386	2,718	720	6,394	7,126	330	–
Investments per business area	1,002	33	0	–5	6	7	16	–8	15	39	965	–

SECONDARY SEGMENT – GEOGRAPHIC AREAS	Total		Nordic region		Outside Nordic		Eliminations	
SEKm	2007	2006	2007	2006	2007	2006	2007	2006
Commission income	4,447	3,894	3,868	3,256	632	695	–53	–57
Commission expenses	–285	–182	–290	–177	–4	–5	8	0
Interest income	967	666	743	493	250	204	–26	–32
Interest expenses	–1,033	–617	–903	–520	–157	–129	26	32
Other dividend income	1	1	1	1	–	–	–	–
Net financial items at fair value	243	464	191	433	42	42	11	–12
Total net income	4,340	4,225	3,610	3,486	764	808	–34	–69
Personnel expenses, incl. profit share	–2,477	–2,216	–2,183	–1,858	–294	–358	–	–
Other administration expenses	–845	–644	–777	–575	–95	–98	26	29
Depreciation, amortization and impairment	–68	–64	–90	–86	–6	–6	28	29
Net credit reserves	–95	0	–95	0	–	–	–	–
Total expenses	–3,485	–2,923	–3,144	–2,519	–395	–462	54	57
Operating profit	854	1,302	466	967	369	347	19	–11
Taxes	–254	–379	–139	–268	–115	–111	–	–
Profit for the year	601	923	327	699	254	235	19	–11
Total assets	45,089	44,077	58,339	47,418	5,278	4,470	–18,529	–7,811
Total liabilities and provisions	42,114	42,035	51,962	42,284	4,559	3,891	–14,407	–4,140
Investments	1,002	33	1,002	32	0	1	–	–

Expenses that do not correspond to payments are depreciation and any credit reserves.

1) Refers to the period 1 April – 31 December 2007

NOTE 3 NET COMMISSION INCOME

	2007	2006
Brokerage fees	2,620,675	2,409,131
Other commission income	1,825,976	1,485,116
Total commission income	4,446,651	3,894,248
Other commission expenses	–285,436	–182,279
Total commission expenses	–285,436	–182,279
Net commission income	4,161,215	3,711,969

NOTE 4 NET INTEREST INCOME

	2007	2006
Lending to credit institutions	479,860	271,507
Lending to the public	435,117	340,824
Interest-bearing securities	52,490	33,523
Other interest income	–	19,898
Total interest income ^{1) 2)}	967,468	665,753
Liabilities to credit institutions	–765,816	–452,583
Deposits and borrowing from the public	–238,055	–152,297
Other interest expenses	–29,597	–12,361
Total interest expenses ¹⁾	–1,033,468	–617,240
Net interest income ³⁾	–66,000	48,513
1) of which amounts for balance sheet items not valued at fair value:	967,468	665,753
	–1,033,468	–617,240
	–66,000	48,513
2) of which interest on doubtful receivables	–	–

3) Net interest income valued at fair value is included in the item Net financial items at fair value

NOTE 5 OTHER DIVIDEND INCOME

	2007	2006
Dividends received on shares and participations	1,339	853
- of a fixed-asset nature ¹⁾	–	–

1) Dividends from trading operations are included in the item Net financial items valued at fair value

NOTE 6 NET PROFIT FROM FINANCIAL ITEMS AT FAIR VALUE

2007	Realized changes in value	Unrealized changes in value				Effect of exchange-rate changes	Total
		Market price	Observable market data	Non-observable market data	Other method		
Bonds and other interest-bearing securities and attributable derivatives	15,942	–2,949	45	–335	–	–	12,703
Shares and participations and attributable derivatives	329,507	194,519	–336,103	2,667	–	–	190,590
Other financial instruments and attributable derivatives	56,788	–2,131	3	–213	–	–	54,446
Exchange-rate changes in branches	–	–	–	–	–	–8,257	–8,257
Other exchange-rate changes ¹⁾	–	–	–	–	–	–6,403	–6,403
Net financial items at fair value	402,237	189,439	–336,056	2,119	–	–14,660	243,079
1) of which inefficiency in hedge accounting	–	–	–	–	–	0	–

2006	Realized changes in value	Unrealized changes in value				Effect of exchange-rate changes	Total
		Market price	Observable market data	Non-observable market data	Other method		
Bonds and other interest-bearing securities and attributable derivatives	20,697	–3,982	–	110	–	–	16,825
Shares and participations and attributable derivatives	721,626	–193,009	–114,185	0	–	–	414,432
Other financial instruments and attributable derivatives	53,759	544	19	408	–	–	54,729
Exchange-rate changes in branches	–	–	–	–	–	–11,730	–11,730
Other exchange-rate changes ¹⁾	–	–	–	–	–	–10,189	–10,189
Net financial items at fair value	796,082	–196,447	–114,166	518	–	–21,919	464,068
1) of which inefficiency in hedge accounting	–	–	–	–	–	0	–

Unrealized gains/losses are attributable to financial items valued at fair value. Fair value is based on one of the following valuation methods:

MARKET PRICE

The value is based on a price listed on an exchange or other marketplace.

OBSERVABLE MARKET DATA

The value is based on a price that was calculated with a valuation technique using assumptions consisting of observable market data.

NON-OBSERVABLE MARKET DATA

The value is based on a price that was calculated with a valuation technique using assumptions that were not based on observable market data.

OTHER METHOD

The value is based on a price that was established using another method (e.g. cost method).

NOTE 7 PERSONNEL EXPENSES

	2007	2006
Salaries and fees	-829,961	-662,345
Social insurance fees	-185,676	-133,646
Allocation to profit-share system	-1,250,390	-1,264,509
Personnel expenses for Board of Directors and CEO	-1,640	-1,279
Personnel expenses for other employees	-109,494	-90,743
Other personnel expenses	-99,896	-63,497
Total personnel expenses	-2,477,057	-2,216,019

Salary and compensation to other employees not included in the Board of Directors of Group Management

	2007	2006
Sweden	-399,839	-265,361
Norway	-92,321	-75,698
Denmark	-168,072	-146,174
Finland	-44,443	-45,984
Luxembourg	-32,992	-30,955
UK	-46,877	-44,634
US	-22,193	-20,728
Total	-806,735	-629,534

Salary and compensation to Boards of Directors and CEOs

	2007	2006
Sweden	-12,559	-16,462
Norway	-3,697	-3,315
Denmark	-2,234	-8,313
Finland	-2,250	-2,153
Luxembourg	-1,471	-1,462
UK	-	-
US	-1,014	-1,106
Total	-23,225	-32,811

Average no. of employees (of whom women)	2007	2006
Sweden	612 (277)	376 (105)
Norway	101 (25)	95 (25)
Denmark	148 (44)	139 (42)
Finland	69 (27)	69 (28)
Luxembourg	41 (10)	40 (11)
UK	44 (15)	38 (15)
US	16 (4)	14 (4)
Switzerland	4 (-)	4 (-)
Total	1,035 (402)	775 (230)

ABSENCE DUE TO ILLNESS

During 2007, absence due to illness for employees in Swedish companies was 1.2 per cent (1.4 per cent in 2006) of ordinary working time, of which 0.5 per cent (0.8) was consecutive absence of 60 days or more. Absence due to illness was 2.1 per cent (0.6) for women and 0.8 per cent (0.9) for men. The age distribution was 0.7 per cent (0.7) 29 years or younger, 1.2 per cent (1.3) between 30 and 49 years and 2.3 per cent (3.2) 50 years or older.

GENDER DISTRIBUTION

The current Board of Directors consists of 33 per cent (14) women and 66 per cent (86) men. The current management group consists of 100 per cent (100) men.

COMPENSATION TO BOARD MEMBERS IN 2007

At the 2007 Annual General Meeting it was decided that the annual compensation to Board members who are not employed by Carnegie would amount to SEK 4.1m (3.75). At the Extraordinary General Meeting on 21 November 2007 the composition of the Board of Directors was changed and only one member, Mai-Lill Ibsen, remained from the previous Board of Directors. Given these changes, it was decided on 21 November 2007 that fees would be paid to Board members according to the decision by the 2007 Annual General Meeting but that the fees to newly elected Board members would be adjusted in proportion to the remaining period of office. It was also decided that the Board members would each receive SEK 250 thousand for the period up until the next Annual General Meeting. Total compensation to Board members amounted to SEK 5,537 thousand in 2007. Of total compensation, SEK 4,305 (3,517) thousand corresponded to Board fees in D. Carnegie & Co AB and SEK 1,000 (650) thousand corresponded to fees for committee work. In addition, SEK 1,033 (1,350) thousand was paid to Board members for their work on the Board of Directors of Carnegie Investment Bank AB and other Boards of Directors within the Carnegie Group. Variable compensation was paid to the Board member Dag Sehlén in an amount of SEK 0.9m (0.5) for his work on the Credit and Risk Committee and on the Internal Audit Committee.

BOARD FEES	Total compensation		Board fees		Committee work		Group company Board of Directors		of which D. Carnegie & Co AB	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Compensation to former Board of Directors										
Christer Zetterberg, Chairman	1,198	1,250	888	1,000	178	100	133	150	1,065	1,100
Hugo Andersen	444	700	311	350	-	-	133	350	311	350
Niclas Gabrån	577	600	311	350	133	100	133	150	444	450
Anders Ljungh	755	850	311	350	311	250	133	250	621	600
Dag Sehlén	577	700	311	350	133	100	133	250	444	450
Stig Vilhelmson	-	-	-	-	-	-	-	-	-	-
Fields Wicker-Miurén	577	600	311	350	133	100	133	150	444	450
Kjartan Gunnarsson	-	167	-	117	-	-	-	50	-	117
Total	4,128	4,867	2,441	2,867	888	650	799	1,350	3,329	3,517
Compensation to current Board of Directors										
Anders Fällman, Chairman	225	-	186	-	22	-	17	-	209	-
Jan Kvarnström, Deputy Chairman	164	-	113	-	34	-	17	-	147	-
Mai-Lill Ibsen	591	-	424	-	17	-	150	-	441	-
Björn C Andersson	152	-	113	-	22	-	17	-	136	-
Catharina Lagerstam	147	-	113	-	17	-	17	-	130	-
Patrik Tigerschiöld	130	-	113	-	-	-	17	-	113	-
Total	1,409	-	1,062	-	112	-	234	-	1,174	-

Note 7, cont.

SENIOR EXECUTIVES' TERMS OF EMPLOYMENT AND COMPENSATION	Gross salary and benefits		Profit share		Pensions and similar benefits		Severance pay	
Personnel expenses, CEO, Deputy CEO and other senior executives ²⁰⁰⁷	2006	2007	2006	2007	2006	2007	2006	
resigning CEO Karin Forseke	–	900	–	–	–	–	–	3,600
resigning CEO Stig Vilhelmson ¹⁾	3,651	2,800	–	15,100	237	4,000	8,113	–
current CEO Anders Onarheim ²⁾	855	–	13,439	–	14	–	–	–
current Deputy CEO Matti Kinnunen ³⁾	628	–	–	–	64	–	–	–
Other resigning senior executives, 7 persons ^{4) 6)}	7,862	9,687	13,439	25,743	1,320	9,916	9,367	–
Other current senior executives ^{5) 6)}	13,082	2,213	5,022	21,657	523	184	–	–

1) Stig Vilhelmson resigned as CEO on 27 September 2007. The amounts refer to the total cost for 2007.

2) Anders Onarheim's compensation includes the period from when he became CEO on 28 September until 31 December 2007. The profit share is attributable to Anders Onarheim's participation in Det Indre Selskapet in Carnegie ASA in Norway.

3) Matti Kinnunen's compensation includes the period from when he became Deputy CEO on 28 September until 31 December 2007.

4) The amounts are for the period during which they held a position in the category other senior management.

5) The amounts are for the period during which they held a position in the category other senior management. Those persons who held such positions in 2006 decided to forego the bonus in 2007.

6) The comparison figures for 2006 include persons who were senior executives in 2006.

The table above specifies compensation for other resigning senior executives and includes Niklas Ekvall (1 Jan. – 31 July), Mats-Olof Ljungkvist (1 Jan. – 28 Feb.), Peter Bäärnheim (1 Jan. 30 June), Lars Bjerrek (1 Jan. – 31 July), Matti Kinnunen (1 Jan. – 27 Sept.), Anders Onarheim (1 July – 27 Sept.) and Ulf Fredrixon (1 March – 3 Oct.).

The category other senior management includes Christoffer Folkebo (1 April – 31 Dec.), Per Axman (13 Aug. – 31 Dec.), Bo Haglund (4 Oct. – 31 Dec.) and Jim Cirenza (1 Jan. 31 Dec.).

COMPENSATION

The Remuneration Committee reviews the CEO's salary and benefits in accordance with his contract. The committee also establishes principles and general policy for salaries, benefits and pensions for the firm's senior executives. Anders Onarheim, who was appointed on 28 September, received compensation in his capacity as CEO of SEK 869 thousand for the period ending 31 December 2007. See separate table. In addition, Anders Onarheim received a profit share of SEK 13.4m for his participation in Det Indre Selskapet in Carnegie ASA in Norway. Stig Vilhelmson, who resigned as CEO on 27 September 2007, received a total of SEK 11,764 thousand, of which SEK 8,113 thousand was severance pay. See separate table.

DECISION TO FOREGO PROFIT SHARE

In conjunction with the decision by the Board of Directors on 11 June 2007 regarding the write-off in the profit-share system and its effects on Carnegie's profit-share system, Carnegie's group management at that time decided to forego their profit share for 2007 to the benefit of the shareholders. The decision involved the following persons: Stig Vilhelmson, Lars Bjerrek, Peter Bäärnheim, Jim Cirenza, Niklas Ekvall, Ulf Fredrixon and Matti Kinnunen. None of these persons received a profit share during 2007. In conjunction with the decision by the group management, it was specified that the value of the decision would amount to 6.8 per cent of the total bonus pool. During the fourth quarter, the Group's expenses for the profit-share system were reduced by 6.8 per cent, corresponding to SEK 68m.

NOTICE PERIOD AND SEVERANCE PAY

There are no agreements on severance pay for Board members who are not employed by the Group. The notice period if employment is terminated by the CEO is twelve months and 24 months if terminated by Carnegie. In the event of immediate termination by Carnegie, the CEO receives 24 months' severance pay and compensation for the loss of other benefits during 24 months. Senior executives within Carnegie have notice periods that vary between three and 24 months, of which only the CEO has a 24-month notice period.

PENSIONS

Carnegie makes salary-based provisions for pension insurance (payments are based on total salary excluding any allocation to profit share) in accordance with customary rules in each country. These provisions amounted to 13 per cent (14) of total salary costs. All pension commitments consist of defined-contribution pension plans and are reinsured with external parties. Carnegie has no outstanding pension commitments. Carnegie makes no pension provisions for Board members who are not employed by Carnegie. The CEO is entitled to retire at 60, and the company also has the right to request retirement. Other senior executives are covered by the terms prevailing in each country and may retire at the age of 65–67. Reaching retirement age does not entail any further costs for the company.

ENDOWMENT INSURANCE

Individual pension commitment, which are fully guaranteed through endowment insurance and for which Carnegie does not have any further obligation to cover any losses on such insurance or to additional payment obligation above the premiums already paid are treated according to the rules for defined-contribution plans. The total market value amounted to SEK 359m (301), of which premiums paid during the year amounted to SEK 65m (55).

2008 SHARE PROGRAMME

Carnegie's shareholders decided at the 2007 Annual General Meeting to introduce a share programme (2008 Share Programme) directed to some 100 key persons. In conjunction with the Extraordinary General Meeting on 21 November 2007, it was decided that the Board of Directors would be requested to study how the programme should be revised in the wake of the downward adjustment of the trading portfolio. Thereafter, the Board of Directors considered the matter and proposes to the 2008 Annual General Meeting that the 2008 Share Programme be discontinued and replaced with a new incentive programme that will be presented to the shareholders later in 2008.

NOTE 8 OTHER ADMINISTRATIVE EXPENSES

	2007	2006
Other administrative expenses	-845,359	-644,209
Other administrative expenses include:		
Auditing fees		
Deloitte	-10,480	-2,620
Grant Thornton	-3,084	-3,446
KPMG	-2,625	-6,306
PricewaterhouseCoopers	-221	-
Other auditing firms	-1,230	-663
Total	-17,640	-13,035
Other fees to auditing firms		
PricewaterhouseCoopers	-1,234	-
Ernst & Young	-596	-
Deloitte	-558	-327
KPMG	-73	-738
Grant Thornton	-	-367
Other auditing firms	-1,015	-2,195
Total	-3,476	-3,627

NOTE 9 DEPRECIATION AND AMORTIZATION OF FIXED ASSETS

	2007	2006
Data equipment and other equipment	-28,893	-24,054
Renovations	-2,313	-770
Other intangible items	-37,021	-38,696
Total	-68,226	-63,520

NOTE 10 NET CREDIT RESERVES AND PROVISIONS FOR DOUBTFUL RECEIVABLES

	2007	2006
Provisions for doubtful receivables on the opening date	-30,868	-33,768
Effect on income of individually valued credits included in the income statement (minus is increased provision)		
Reversals of previous reserves	655	629
Reserves for the year	-96,283	-523
Reversals of reserves no longer required	1,055	385
Total net credit reserves	-94,573	491
Exchange-rate differences	1,178	2,093
Total items affecting income	-93,395	2,584
Previously reported doubtful receivable now eliminated as actual	787	316
Provisions for doubtful receivables on the closing date	-123,476	-30,868

Provisions for doubtful receivables on the closing date are attributable to the item Lending to the public within the Nordic region. Impairments for the year relating to credit losses, reserves and reversals of impairments are attributable to the item Lending to the public. The balance on the closing date is included as a reduction of assets in the balance-sheet item Lending to the public.

NOTE 11 TAXES

	2007	2006
Current tax expense		
Tax expense for the year	-333,449	-419,009
Adjustment of tax attributable to prior years	845	2,543
Total	-332,604	-416,466
Deferred tax expense (-) / income (+)		
Deferred tax related to temporary differences	18,589	37,802
Deferred tax income in the tax value of loss carryforwards capitalized during the year	60,428	-
Deferred tax expense as a result of utilization of the tax value in previously capitalized loss carryforwards	-	-796
Total	79,017	37,006
Total recognized tax expense in the Group	-253,587	-379,460

Reconciliation of effective tax	Tax rate, %	Amount	Tax rate, %	Amount
Profit before tax		854,418		1,302,146
Tax according to prevailing tax rate for the Parent Company	28.0	-239,237	28.0	-364,601
Effect of tax rates for foreign subsidiaries ¹⁾	0.7	-6,271	1.2	-16,980
Tax effect of non-deductible expenses	2.4	-20,591	1.0	-13,264
Tax effect of non-deductible income	-1.6	13,517	-0.1	1,121
Increase in loss carryforwards without corresponding capitalization of deferred tax	0.0	-	-0.9	11,721
Tax attributable to previous years	-0.1	845	-0.2	2,543
Other	0.3	-1,850	0.0	0
Reported effective tax	29.7	-253,587	29.1	-379,460

1) Taxable income multiplied by the current tax rate for each subsidiary. Denmark reduced corporate tax from 26 to 25 per cent, resulting in a reduction of tax expenses by SEK 4m.

NOTE 12 EARNINGS PER SHARE AND NUMBER OF SHARES

	2007	2006
Earnings per share, SEK	7.90	13.36
Earnings per share after dilution, SEK	7.90	13.25
Number of common shares at 1 January	69,525,070	67,729,900
Issues according to subscription programme	1,976,530	1,795,170
Non-cash issue	6,042,356	
Number of common shares at 31 December	77,543,956	69,525,070
Average number of shares	76,092,096	69,090,025
Number of shares with dividend rights	77,543,956	77,432,827
Profit for the year, SEK thousands	600,831	922,686
Dividend per share, proposed, SEK	7.50	10.50
Par value SEK 2 per share		
All shares are fully paid		

According to the Swedish Companies Office, 935,000 preference shares were also issued. These shares were registered with the intention of including them in a share-savings programme that has not yet been implemented. The shares were repurchased by the Parent Company and are not included in the share capital of the number of shares.

There is only one class of shares that entitles the holder to one vote per share and has equal rights to dividends.

DEFINITIONS

Earnings per share

Profit for the period divided by the average number of shares.

Average number of shares: The total number of shares, including any new issues, as a weighted average during the period.

NOTE 13 MATURITY INFORMATION

	31 Dec. 2007	31 Dec. 2006
Payable on demand	9,225,354	5,402,173
Remaining maturity period less than three months	3,326,685	2,351,012
Remaining maturity period greater than three months but at most one year	4,524	–
Lending to credit institutions	12,556,564	7,753,185
of which repo transactions	427,322	1,034,920
Payable on demand	6,766,319	7,215,590
Remaining maturity period less than three months	753,996	1,162,790
Remaining maturity period greater than three months but at most one year	376,755	23,683
Remaining maturity period greater than one year but at most five years	347	747
Lending to the public	7,897,418	8,402,810
of which repo transactions	–	–
Payable on demand	11,745,600	14,492,740
Remaining maturity period less than three months	801,339	1,269,739
Remaining maturity period greater than three months but at most one year	–	–
Liabilities to credit institutions	12,546,939	15,762,479
of which repo transactions	292,745	1,046,231
Payable on demand	7,592,389	6,577,879
Remaining maturity period less than three months	2,311,462	1,504,150
Remaining maturity period greater than three months but at most one year	13,979	9,620
Remaining maturity period greater than one year	–	–
Deposits and borrowing from the public	9,917,830	8,091,649
of which repo transactions	–	–

**NOTE 14 FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING –
INFORMATION ON VALUATION METHOD AND MATURITY PERIOD**

	Valuation method ¹⁾					Remaining maturity period				
	Market price	Observable market data	Non-observable market data	Other method	Total	At most 1 year	Between 1 and 2 years	More than 2 years	Not applicable	Total latest due date if more than 2 years
31 Dec. 2007										
Bonds and other interest-bearing securities	982,783			935	983,718	100,114	240,882	564,883	77,838	983,718 2038-01-01
Shares and participations	10,865,639	3,658	63,683	6,126	10,939,105	614,993	28,757	12,034	10,283,321	10,939,105 2016-01-25
Equity-related derivative instruments	1,143,151	940,085			2,083,236	1,553,290	423,750	106,196		2,083,236 2010-12-17
Total financial assets	12,991,573	943,743	63,683	7,061	14,006,058	2,268,397	693,389	683,113	10,361,159	14,006,058
Bonds and other interest-bearing securities	471,520				471,520			471,520		471,520 2038-01-01
Short positions, equities	6,968,408				6,968,408	272,184			6,696,224	6,968,408
Equity-related derivative instruments	1,276,132	4,640,975	26,528		5,943,635	3,914,361	1,159,182	870,092		5,943,635 2012-10-16
Total financial liabilities	8,716,060	4,640,975	26,528		13,383,563	4,186,545	1,159,182	1,341,612	6,696,224	13,383,563
31 Dec. 2006										
Bonds and other interest-bearing securities	1,911,839			3,158	1,914,996	377,584	82,926	1,454,487		1,914,996 2038-01-01
Shares and participations	15,174,250	2,811	54,188	2,471	15,233,720	410,167	7,436	47,492	14,768,625	15,233,720 2012-08-10
Equity-related derivative instruments	519,098	2,695,456			3,214,554	2,819,883	248,962	145,709		3,214,554 2009-12-18
Total financial assets	17,605,187	2,698,267	54,188	5,629	20,363,270	3,607,634	339,324	1,647,687	14,768,625	20,364,706
Bonds and other interest-bearing securities	880,262				880,262		11,796	868,465		880,262 2038-01-01
Derivatives attributable to bonds and other interest-bearing securities	290,446				290,446		290,446			290,446
Short positions, equities	6,865,941				6,865,941		88,048		6,777,893	6,865,941
Equity-related derivative instruments	753,901	6,588,368			7,342,269	5,103,630	1,436,537	802,101		7,342,269 2011-01-18
Total financial liabilities	8,790,550	6,588,368			15,378,918	5,482,125	1,448,334	1,670,567	6,777,893	15,378,918

1) For information on valuation methods, see Note 6.

NOTE 15 INFORMATION ON OTHER FINANCIAL ASSETS

	31 Dec. 2007	31 Dec. 2006
Bonds, listed	904,945	1,849,333
Bonds, unlisted	78,773	65,663
	983,718	1,914,996
Swedish government	217,854	–
Foreign governments	135,502	89,439
Other foreign issuers	630,362	1,825,557
	983,718	1,914,996
Shares, listed	10,865,656	14,728,860
Shares, unlisted	73,448	504,860
	10,939,104	15,233,720

NOTE 16 GOODWILL

	31 Dec. 2007	31 Dec. 2006
Acquisition value on the opening date	8,809	28,229
Acquisitions during the year	567,890	618
Divestments during the year	–	–20,038
Acquisition value on the closing date	576,699	8,809
Amortization on the opening date	–	–20,038
Accumulated amortization for divestment	–	20,038
Amortization on the closing date	–	–
Carrying amount	576,699	8,809

Acquisitions for the year comprise goodwill in amount of SEK 567,492 related to the acquisition of Max Matthiessen and a supplementary purchase payment of SEK 397 related to Familjeföretagens Pensionsredovisning i Värmland AB. See Note 30 for an analysis of the acquisition of Max Matthiessen. The table below presents goodwill distributed by cash-generating units:

Cash-generating unit

	31 Dec. 2007	31 Dec. 2006
Max Matthiessen	567,493	–
Familjeföretagens Pensionsredovisning i Värmland AB	9,206	8,809
Total	576,699	8,809

Impairment testing of goodwill is performed each year, regardless of whether there is any indication that the carrying amount is in need of impairment. Carnegie also performs impairment testing each year of intangible assets with indeterminate useful life. Currently there is only one such asset, which is the Max Matthiessen brand, which was recognized in an amount of SEK 252,000 at 31 December 2007 (0 in 2006). This goodwill item was allocated to the Max Matthiessen cash-generating unit and was tested with goodwill attributable to Max Matthiessen. The impairment tests within Carnegie are based on the value in use for each cash-generating unit.

IMPAIRMENT ASSESSMENT OF MAX MATTHIESSEN

In impairment testing, a discount rate before tax of 20 per cent was applied. Cash flows for the first year were based on company management's budget for 2008. Cash flows for business operations in the subsequent period were extrapolated with a sustainable nominal growth rate of 2 per cent and included a detailed plan for synergies prepared by management for the period from 2008 to 2011, which assumed nominal growth of 2 per cent annually thereafter. The long-term growth rate is based on management's experience, as well as external information sources regarding long-term growth in this sector. The most important assumptions for the forecast cash flows, apart from the yield requirement and growth expectations as described above, are that the business unit's margins are retained and that planned synergies are achieved. Company management's assessment is that no reasonable changes in the essential assumptions would result in the estimated value on use being lower than carrying amount for Max Matthiessen.

IMPAIRMENT ASSESSMENT OF FAMILJEFÖRETAGENS

PENSIONSREDOVISNING I VÄRMLAND AB

The estimated value in use of Familjeföretagens Pensionsredovisning i Värmland AB is deemed to exceed the carrying amount, and no reasonable changes in the essential assumptions are considered to result in the estimated value in use becoming lower than the carrying amount for Familjeföretagens Pensionsredovisning i Värmland AB.

NOTE 17 OTHER INTANGIBLE ASSETS

	31 Dec. 2007	31 Dec. 2006
Acquisition value on the opening date	193,083	195,091
Exchange-rate changes	2,803	–2,027
Acquisitions during the year	387,306	1,154
Through acquisition of subsidiaries	889	–
Divestments during the year	–190,606	–1,135
Acquisition value on the closing date	393,475	193,083
Amortization on the opening date	–154,269	–118,215
Exchange-rate changes	–2,803	1,507
Accumulated amortization for divestment	181,469	1,135
Amortization for the year	–37,021	–38,696
Amortization on the closing date	–12,624	–154,269
Carrying amount ¹⁾	380,851	38,814
1) Other intangible assets consist of:		
Max Matthiessen brand		
Acquisition value on the opening date	–	–
Acquisitions during the year	252,000	–
Acquisition value on the closing date	252,000	–
Max Matthiessen carrying amount	252,000	–

The brand has an indeterminate useful life. Other intangible assets have a defined useful life, which is described in the section Accounting principles.

Max Matthiessen client relations

Acquisition value on the opening date	–	–
Acquisitions during the year	104,400	–
Acquisition value on the closing date	104,400	–
Amortization on the opening date	–	–
Amortization for the year	–6,109	–
Amortization on the closing date	–6,109	–
Client relations carrying amount	98,291	–

Max Matthiessen IT systems

Acquisition value on the opening date	–	–
Acquisitions during the year	25,000	–
Acquisition value on the closing date	25,000	–
Amortization on the opening date	–	–
Amortization for the year	–3,750	–
Amortization on the closing date	–3,750	–
IT systems carrying amount	21,250	–

Note 17, cont.	31 Dec. 2007	31 Dec. 2006
Other systems		
Acquisition value on the opening date	193,083	195,091
Exchange-rate differences	2,803	-2,027
Acquisitions during the year	5,906	1,154
Through acquisitions of subsidiaries	889	–
Divestments during the year	-190,606	-1,135
Acquisition value on the closing date	12,075	193,083
Amortization on the opening date	-154,269	-118,215
Exchange-rate differences	-2,803	1,507
Accumulated amortization for divestment	181,469	1,135
Amortization for the year	-27,162	-38,696
Amortization on the closing date	-2,765	-154,269
Other systems carrying amount	9,310	38,814

See Note 30 Acquisition of Max Matthiessen for more information on acquisitions during the year.

NOTE 18 TANGIBLE ASSETS

	31 Dec. 2007	31 Dec. 2006
Computer equipment and other equipment		
Acquisition value on the opening date	255,435	246,149
Exchange-rate changes	5,560	-10,073
Acquisitions during the year	43,385	38,618
Through acquisitions of subsidiaries	12,535	–
Divestments during the year	-15,697	-19,259
Acquisition value on the closing date	301,218	255,435
Accumulated depreciation on the opening date	-190,630	-191,445
Exchange-rate changes	-5,559	8,425
Divestments during the year	15,164	16,444
Depreciation for the year	-28,893	-24,054
Accumulated depreciation on the closing date	-209,918	-190,630
Computer equipment and other equipment carrying amount	91,300	64,805

Note 19, cont.

Changes for the year in deferred tax assets	Value on the opening date	Deferred tax in income statement (minus) is income	Charged against equity, exchange-rate differences and acquisitions and eliminations	Value on the closing date (minus is liability)
Intangible assets	3	–	–	3
Pensions	84,372	-16,114	24,339	124,825
Capitalized loss carryforwards	11,763	-60,428	49,000	121,191
Other	27,605	37	-1,033	26,535
Total	123,743	-76,505	72,306	272,554
Deferred tax liabilities				
Intangible assets	–	-2,512	-106,792	-104,280
Untaxed reserves	–	–	-13,846	-13,846
Other	-22,385	–	1,479	-20,906
Total	-22,385	-2,512	-119,159	-139,032
Net deferred tax assets/liabilities	101,358	-79,017	-46,853	133,522

At 31 December 2007, Carnegie had unutilized loss carryforwards for tax purposes of SEK 435,292 (45,242) thousand of which 0 (0) thousand were attributable to the Parent Company. Carnegie has recognized a deferred tax asset of SEK 121,191 (11,763) thousand relating to these tax-deductible loss carryforwards. Of the total tax-deductible loss carryforwards, SEK 34,538 thousand expire in 2009, while the remaining SEK 400,754 thousand can be utilized over an unlimited period. There are no other unrecognized deferred tax assets.

NOTE 20 CASH AND ACCOUNTS RECEIVABLE

	31 Dec. 2007	31 Dec. 2006
Fund cash receivables	7,603,830	5,857,247
Accounts receivable	261,131	257,824
Total ¹⁾	7,864,960	6,115,071
I) Of which the remaining maturity period is less than one year:	7,857,489	6,115,071

NOTE 21 PREPAID EXPENSES AND ACCRUED INCOME

	31 Dec. 2007	31 Dec. 2006
Accrued interest	47,426	48,770
Rent	28,052	24,281
Fees	342,099	295,889
Pensions	15,092	4,819
Other	193,236	188,656
Total ¹⁾	625,906	562,415
I) Of which the remaining maturity period is less than one year:	625,906	562,415

NOTE 22 CASH AND ACCOUNTS PAYABLE

	31 Dec. 2007	31 Dec. 2006
Fund cash debts	3,030,055	68,311
Accounts payable	281,755	113,368
Total ¹⁾	3,311,810	181,679
I) Of which the remaining maturity period is less than one year:	3,308,655	181,679

NOTE 23 ACCRUED EXPENSES AND PREPAID INCOME

	31 Dec. 2007	31 Dec. 2006
Rent	3,172	9,829
Accrued interest	33,153	96,102
Fees	151,953	196,765
Personnel-related	965,769	1,205,628
Pensions	15,600	27,600
Other	356,911	110,163
Total ¹⁾	1,526,558	1,646,087
I) Of which the remaining maturity period is less than one year:	1,526,558	1,646,087

NOTE 24 PROVISIONS

	Cancellation reserves	Other provisions	Total
Balance on the opening date	–	3,780	3,780
Through acquisition of subsidiaries	61,749	–	61,749
Utilized amounts	–3,000	–	–3,000
Additional provisions	502	4,543	5,045
Balance on the closing date	59,251	8,323	67,574

See additional information regarding cancellation reserves in the section Accounting principles under the headings Income recognition and Reserves for cancellation risk relating to commission income and contingent liabilities.

NOTE 25 SUBORDINATED DEBT

On 12 October 2005, the Parent Company raised a time-limited subordinated loan. Such loans are subordinated in relation to other liabilities. The loan is divided into two tranches.

Amount	SEK 250m	EUR 25m
Due date	12 October 2015	12 October 2015
Right of redemption	12 October 2010 and annually thereafter	12 October 2010 and annually thereafter
Interest	SEK MS + 1.5%	3 month Euribor + 1.65%
Interest from first redemption date	3 month Euribor + 3%	3 month Euribor + 3.10%

The cost for the subordinated debt amounts to SEK 24,352 (21,514).

NOTE 26 CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

31 December 2007	Held for trade	Fair value option	Loan and accounts receivable	Other financial liabilities	Financial liabilities with hedge accounting	Non-financial assets/liabilities	Total
Cash and balances with central banks			457,230				457,230
Lending to credit institutions			12,556,564				12,556,564
Lending to the public			7,897,418				7,897,418
Bonds and other interest-bearing securities	983,718						983,718
Shares and participations	10,649,170	289,934					10,939,104
Derivative instruments	2,083,236						2,083,236
Intangible fixed assets						957,550	957,550
Tangible fixed assets						99,366	99,366
Current tax assets						173,110	173,110
Deferred tax assets						272,554	272,554
Cash and cash equivalents			7,864,960				7,864,960
Other assets			177,963				177,963
Prepaid expenses and accrued income						625,906	625,906
Total assets	13,716,124	289,934	28,954,135			2,128,486	45,088,679
Liabilities to credit institutions				12,546,939			12,546,939
Deposits and borrowing from the public				9,917,830			9,917,830
Short positions in financial instruments	7,439,928						7,439,928
Derivative instruments	5,943,635						5,943,635
Current tax liabilities						185,113	185,113
Deferred tax liabilities						139,032	139,032
Cash and accounts payable				3,311,810			3,311,810
Other liabilities				10,768		538,035	548,803
Accrued expenses and prepaid income						1,526,558	1,526,558
Provisions						67,574	67,574
Subordinated loan				250,000	236,838		486,838
Total liabilities	13,383,563			26,037,347	236,838	2,456,312	42,114,060
Shareholders' equity						2,974,619	2,974,619
Balance sheet total	13,383,563			26,037,347	236,838	5,430,931	45,088,679

Note 26, cont.

31 December 2006	Held for trade	Fair value option	Loan and accounts receivable	Other financial liabilities	Financial liabilities with hedge accounting	Non-financial assets/liabilities	Total
Cash and balances with central banks			479,610				479,610
Lending to credit institutions			7,753,185				7,753,185
Lending to the public			8,402,810				8,402,810
Bonds and other interest-bearing securities	1,914,996						1,914,996
Shares and participations	14,952,741	280,979					15,233,720
Derivative instruments	3,214,554						3,214,554
Intangible fixed assets						47,623	47,623
Tangible fixed assets						75,184	75,184
Current tax assets						60,223	60,223
Deferred tax assets						123,743	123,743
Cash and cash equivalents			6,115,071				6,115,071
Other assets			94,308				94,308
Prepaid expenses and accrued income						562,415	562,415
Total assets	20,082,291	280,979	22,844,984			869,188	44,077,442
Liabilities to credit institutions				15,762,479			15,762,479
Deposits and borrowing from the public				8,091,649			8,091,649
Short positions in financial instruments	8,036,649						8,036,649
Derivative instruments	7,342,269						7,342,269
Current tax liabilities						141,159	141,159
Deferred tax liabilities						22,385	22,385
Cash and accounts payable				181,679			181,679
Other liabilities				11,424		319,660	331,083
Accrued expenses and prepaid income						1,646,087	1,646,087
Provisions						3,780	3,780
Subordinated loan				250,000	226,250		476,250
Total liabilities	15,378,918			24,297,231	226,250	2,133,070	42,035,469
Shareholders' equity						2,041,973	2,041,973
Balance sheet total	15,378,918			24,297,231	226,250	4,175,043	44,077,442

NOTE 27 PLEDGED ASSETS AND CONTINGENT LIABILITIES

	31 Dec. 2007	31 Dec. 2006
Assets pledged for own debt		
Own securities	11,185,681	14,374,130
Client securities	3,074,713	8,718,780
Other assets	9,768,766	5,176,906
Standardized options		
Blocked assets belonging to clients	106,770	122,057
Lent securities	3,972,411	14,102,936
Contingent liabilities	4,472	73,168
Guarantees	285,888	193,918
Borrowed securities	3,109,489	17,618,559

Pledged assets are at the disposal of the counterparty, and in the event that Carnegie does not fulfil the terms of the contract, the counterparty has no obligation to return the collateral.

NOTE 28 OPERATIONAL LEASING AGREEMENTS

	31 Dec. 2007	31 Dec. 2006
Contracted payments relating to land and buildings		
Within one year	93,848	90,968
Latter than one year but within five years	353,031	160,546
Later than five years	265,716	–
Other contracted payments		
Within one year	16,063	1,837
Latter than one year but within five years	16,962	30,606
Later than five years	–	3,718

The amounts in the table primarily relate to rent for premises. Leasing contracts are indexed. The current value was not calculated.

NOTE 29 INFORMATION REGARDING CASH-FLOW STATEMENTS

	Group		Parent Company	
	31 Dec. 2007	31 Dec. 2006	31 Dec. 2007	31 Dec. 2006
Interest paid	–1,095,912	–542,834	–24,381	–20,834
Interest received	966,643	621,249	11,057	15,733
Acquisition of subsidiaries				
Intangible fixed assets including goodwill	947,991			
Tangible fixed assets	12,534			
Other operating assets	114,305			
Cash and cash equivalents	144,101			
Total assets	1,218,931			
Provisions	180,845			
Other operating liabilities	132,307			
Total provisions and liabilities	313,152			
Purchase price: Non-cash issue	905,779			
- of which cash payment	–10,000		–10,000	
Cash and cash equivalents in acquired operations	144,101			
Effect on cash and cash equivalents in the cash-flow statement	134,101		–10,000	
Sale of subsidiaries				
Intangible fixed assets	23,813			
Tangible fixed assets	532			
Other operating assets	5,106			
Cash and cash equivalents	13,980			
Total assets	43,431			
Operating liabilities	29,966			
Total provisions and liabilities	29,966			
Sale price and purchase payment	24,183			
Less cash and cash equivalents in divested operations	–13,980			
Effect on cash and cash equivalents in the cash-flow statement	10,203			
The following components are included in cash and cash equivalents:				
Cash and balances with central banks	457,231	479,610	5,244	
Lending to credit institutions	12,556,564	7,753,185		42,667
Lending to credit institutions but not immediately due for payment	–3,331,210			
Cash and cash equivalents on the closing date	9,682,585	8,232,795	5,244	42,667

NOTE 30 ACQUISITION OF MAX MATTHIESSEN HOLDING AB

Max Matthiessen was founded in 1889, and the brand is strongly associated with high-quality advisory services to employers and their employees in the areas of pension insurance and long-term savings. The continuity in brand building means that the brand currently has a clear profile and a strong position in its markets. Through consistent and long-term brand building, the Max Matthiessen brand has held for a very long time and continues to hold a very strong position in its markets. Carnegie's assessment is thus that the Max Matthiessen brand has an indeterminate useful life.

On 20 March 2007, Carnegie acquired all shares and voting rights in Max Matthiessen Holding AB (Max Matthiessen). The acquisition was financed through a non-cash issue of 6,042,356 new Carnegie shares directed to the sellers of the shares in Max Matthiessen. The acquisition was valued at the Carnegie share's closing price at 20 March 2007 plus transaction costs of SEK 10m and totalled SEK 906m.

Max Matthiessen was consolidated in Carnegie as of the acquisition date and subsequently contributed SEK 73m to consolidated income after tax during 2007. If the acquisition had occurred on 1 January 2007, consolidated income would have been SEK 141m higher, and profit after tax would have increased by SEK 4m.

In 2007, Max Matthiessen reported sales of SEK 562m (516), profit after financial items of SEK 86m (45) and profit after tax of SEK 60m (32). Total assets at 31 December 2007 amounted to SEK 617m (365).

As shown in the following table, the adjustments of fair values amounting to SEK 381m that were applied are attributable to identified intangible assets. The deferred tax liability was SEK 107m. Consolidated goodwill arose in an amount of SEK 568m. The value of goodwill reflects a well-functioning organization with coordinated and competent personnel, as well as a strong market position with substantial potential for improved profitability through synergies with respect to income and expenses.

EFFECT OF THE ACQUISITION ON CONSOLIDATED ASSETS AND LIABILITIES, SEKm

	Carrying amount in the company prior to acquisition	Adjustments	Fair value in the consolidated accounts
Cash and cash equivalents	144		144
Brand		252	252
IT systems		25	25
Client relations		104	104
Other assets	208		208
Liabilities	-288		-288
Deferred tax liabilities		-107	-107
Net assets	64	274	338
Consolidated goodwill			568
Purchase price including acquisition costs, non-cash issue			906
- of which cash payment			-10
- acquired cash and cash equivalents			144
Net cash flow			134

The intangible asset client relations is deemed to have a remaining useful life of 15 years, while IT systems are deemed to have a remaining useful life of five years. The remaining useful life of the Max Matthiessen brand, as well as goodwill, are considered to have an indeterminate useful life.

Certain adjustments were performed in the above table, compared with the corresponding table in the year-end report. This did not have any effect on any reported balance sheet item in either the income statement or the balance sheet and thus had no effect on the accounts during 2007.

NOTE 31 SUBSCRIPTION WARRANT PROGRAMME FOR EMPLOYEES

All warrants programmes expired during 2007. The warrants programmes were allocated prior to 7 November 2002 and/or allocated after that date but not earned in full prior to January 2005, meaning that IFRS 2 is not applicable with respect to the accounting rules, but only with respect to disclosure requirements.

All employees were offered subscription warrants without charge and without any terms of entitlement regarding the employee's right to the instrument. A value for the subscription warrants was calculated on the issue date using the Black & Scholes formula for calculating the value of options.

The total dilution effect in terms of earnings per share was calculated in accordance with IAS 33. Profit for the period was divided by the total number of shares, including newly issued shares corresponding to the calculated value (at the average share price) of the issued subscription warrants. The total dilution effect calculated on earnings per share of the issued subscription warrants amounted to 1 per cent at the average share price.

The number of outstanding warrants at 31 December 2007 was 0. Carnegie does not have any outstanding debts as a result of these programmes, and there were also no costs associated with them during 2007.

Programme	2004/2007	Subscription price, SEK	Increase in shareholders' equity	Of which share capital
Outstanding at 1 January	1,976,530			
Redeemed during January 2007	-1,836,330	101	185,469,330	3,672,660
Redeemed during April 2007	-140,200	101	14,160,200	280,400
Outstanding at 31 December	0		199,629,530	3,953,060

NOTE 32 RELATED-PARTY TRANSACTIONS

The information below is presented from Carnegie's perspective, meaning how Carnegie's figures were affected by transactions with related parties. Information on compensation to key persons in executive positions is presented in Note 7.

Group	Board members, CEO and Deputy CEO	
	31 Dec. 2007	31 Dec. 2006
Lending	3,950	–
Pledged assets and guarantees	–	–
Income	1	–

Parent Company	Board members, CEO and Deputy CEO	
	31 Dec. 2007	31 Dec. 2006
Lending	–	–
Pledged assets and guarantees	–	–
Income	–	–

NOTE 33 RISK AND CAPITAL MANAGEMENT

CARNEGIE'S CREDIT EXPOSURE AND EXPOSURE CLASSES	Sweden	Denmark	Norway	Luxembourg	Finland	Other	Total
Governments and central banks	395,943	337,384	–	92,082	9,272	–	834,681
Local governments and authorities	–	–	–	–	–	–	–
Institutions	12,679,586	1,149,143	1,235,979	2,413,442	349,772	382,654	18,210,576
Corporates	7,157,450	835,354	1,623,866	1,887,417	0	130,066	11,634,152
Retail	475,460	12,913	–	–	23,660	–	512,033
Exposures secured by real estate properties	–	–	–	–	2,434	–	2,434
High-risk exposure	–	–	–	–	–	–	–
Mutual funds	–	–	–	–	–	–	–
Other items	373,819	451,552	16,276	63,320	28,071	22,602	955,641
Total	21,082,257	2,786,346	2,876,122	4,456,261	413,208	535,321	32,149,516

SHARE PRICE RISK

Definition: The risk of losses due to changes in share prices.

Carnegie's own exposure to equities and equity-related instruments consists of items on both the assets and liabilities sides of the balance sheet. At 31 December 2007, the total value of these assets and liabilities amounted to SEK 25,934m, of which SEK 17,908m was attributable to shares and SEK 8,027m to derivative instruments. The net exposure was SEK 110m. Assets and liabilities are valued at fair value, which is thus the same as the carrying amount. Equity positions consisted of both long and short positions in shares, primarily listed in Sweden and on international markets. A simultaneous price drop of 3 per cent for all shareholdings in the Group's trading portfolio would have resulted in a reduction of income by SEK 2m at December 31, while an increase of 3 per cent for all shareholdings in the Group's trading portfolio would have resulted in an increase in income of SEK 5.5m. Derivative positions consisted of held and issued forwards, call options, put options and warrants.

VOLATILITY RISK

Definition: The risk of losses as a result of the magnitude of price movements changing.

Volatility risk derives from Carnegie's positions in held and issued options and warrants. Exposure to volatility risk is normally measured as Vega, which describes the position's change in value if volatility in the option in question changes by one percentage point. At December 31, 2007, Carnegie had a volatility risk of Vega negative SEK 7m. Exposure is the net of positions with positive and negative Vega exposures.

SCENARIO ANALYSIS

Risks in Carnegie's trading departments consist primarily of share price risk and volatility risk. The effect on income of combined changes in share prices and volatility are therefore simulated. Carnegie focuses on and has limits for the maximum potential loss for two specific scenarios, which are medium and stress scenarios. The medium scenario entails share-price changes in the entire stock market of +/- 3 per cent and a change in market volatility of +/- 10 per cent. The greatest potential loss in such a scenario is designated Medium Max Loss and was SEK 28m at 31 December 2007. The stress scenario entails share-prices changes of +/- 10 per cent, while market volatility changes by +/- 30 per cent. Such sharp changes in share prices and volatility in a single day are extremely rare. The largest potential loss in such a scenario is designated Stress Max Loss and was SEK 81m at 31 December.

INTEREST RISK IN THE BALANCE SHEET

Definition: The risk that net interest income is negatively affected by changes in market interest rates.

Most deposits and borrowing are on demand at floating interest rates, thus entailing a marginal interest risk. During the third quarter of 2005, Carnegie raised a subordinated loan in two tranches, of which one was a loan with floating interest, while the other had a fixed-interest rate that totalled SEK 468m at 31 December 2007. Carnegie regularly performs interest-rate risk calculations of the sensitivity for interest-rate changes in the balance sheet. At 31 December 2007, the loss risk for a sudden and permanent upward shift in the yield curve of 1 per cent was SEK 10.4m.

INTEREST RISK IN THE TRADING PORTFOLIO

Definition: The risk of a decline in value of financial instruments whose value is affected by changes in interest rates.

Carnegie's trading portfolio is affected by interest-rate changes through its holdings of bonds and derivative instruments. At 31 December 2007, the effect on income in the trading portfolio of an increase in interest rates of 1 percentage point was a loss of SEK 13.9m.

CURRENCY RISK

Definition: The risk of losses as a result of the value of assets and liabilities being affected by exchange-rate fluctuations.

Currency risks arise in part when Carnegie hold position in financial instruments listed in foreign currency and in part in that business is conducted in different currencies. This applies, for example, to investments in foreign subsidiaries that are not financed in the same currency. The objective of Carnegie's currency management is to reduce currency costs for various operations within the bank, such as in trading operations, brokerage, foreign shares and equity finance. Carnegie has limited currency exposure to only include liquid currencies.

LIQUIDITY RISK

Definition: Liquidity risk is defined as the risk of a negative effect on income for ensuring that the Group's payment obligations are fulfilled on time.

The table below provides a maturity analysis of contractual payment obligations.

	Payable on demand	Up to 3 months	3-12 months	Over 1 year
Debts to credit institutions	11,779,257	805,656	–	–
Deposits and borrowing from the public	7,592,389	2,323,742	50,980	743,358
Short positions	–	6,968,408	–	474,025
Interest-related derivatives	–	–476	–1,697	17,043

Note 33, cont.

CAPITAL ADEQUACY ANALYSIS

Capital adequacy rules reflect governments' views on how large capital base a bank must have in relation to the risks that the bank takes. On 1 February 2007 new capital adequacy rules called Basel II took effect. According to the Capital Adequacy and Large Exposures Act (2006:1371), the capital base must at least correspond to the sum of the capital requirements for credit risks, market risks and operative risks. The Pillar II ratio, meaning the capital base divided by the capital requirement must thus exceed 1. The rules apply for both individual institutions and financial company groups. Detailed information (Pillar III) regarding Carnegie's capital adequacy in 2007 is available at carnegie.se.

According to Carnegie's capital policy, the goal is to optimize the capital structure with respect to Pillar I and Pillar II. The policy also states that the capital adequacy ratio must be at least 1.5 according to Basel II or 12 per cent according to the previous Basel rules.

Carnegie's profit-share system means that profit is divided equally between the shareholders and the employees. According to Carnegie's profit-share policy, all capital that is not required in business operations is distributed to the shareholders. When the Board of Directors takes decisions on dividends, consideration is taken to distributable funds, market conditions and other capital requirements and other factors that the Board considers relevant. Business requirements for risk capital are determined through Carnegie's internal business planning process.

Carnegie's managed assets are presented in the following tables.

Minimum requirements – Pillar I

The legal requirements for credit risks, market risks and operational risks are described in Pillar I.

Credit risks – Carnegie applies the standard method for calculating credit risk and the complete method for financial collateral.

Operational risks – Carnegie applies the base model, which means that the capital requirement is calculated as 15 per cent of the average of income in the preceding three years.

Market risks – There were only relatively minor changes in the new rules, and Carnegie applies the Swedish Financial Supervisory Authority's standardized model.

Capital assessment and risk management – Pillar II

The Pillar II rules specify that an institution must have a process for assessing its total capital requirement in relation to its risk profile and a strategy for maintaining the capital level, whereby the Board of Directors is responsible for establishing the institution's risk tolerance. The process is called Internal Capital Adequacy Assessment Process (ICAAP). All significant risks must be identified, measured and reported in the ICAAP. The evaluation must focus specially on the risks not managed under Pillar I. Certain risks must be covered by capital, meaning that the institution is expected to maintain a larger capital base than the minimum level specified by Pillar I.

Pillar III – Public disclosure

Information that must be published primarily includes more detailed information regarding credit risks and information regarding models and data used to calculate the requirements in Pillar I.

Capital adequacy	2007	2006
Capital base	1,649,773	1,562,693
Capital requirement	1,037,845	1,033,997
Surplus capital	611,928	528,655
Tier II Capital ratio	1.59	1.51
Tier I ratio	1.12	1.05
Capital base	2007	2006
Share capital	155,088	139,050
Other capital contributions	1,748,066	668,694
Reserves	56,246	7,102
Profit brought forward	1,015,219	1,227,127
Anticipated dividends	-581,580	-812,739
Deducted items		
Goodwill and intangible assets	-957,550	-19,048
Deferred tax assets	-272,554	-123,743
Total core (Tier I)	1,162,935	1,086,443
Secondary capital (subordinated loans)	486,838	476,250
Total capital base	1,649,773	1,562,693

CREDIT RISKS

Carnegie applies the basic indicator method for calculating credit risks.

Capital requirements from exposure to governments and central banks	2007	2006
Local governments and authorities	–	–
Institutions	102,857	–
Corporates	47,970	–
Retail	2,401	–
Exposures exposed by real estate properties	58	–
High-risk items	–	–
Mutual funds	–	–
Other items	72,632	–
Capital requirements from credit exposure in 2006 according to Basel I	–	701,023
Settlement risk	5,742	1,960
Total capital requirement for credit risks	231,660	702,983

CAPITAL REQUIREMENTS FOR RISKS IN TRADING PORTFOLIO

Share-price risk	2007	2006
Specific risk	34,290	62,467
General risk	23,477	46,079
Total capital requirement for share-price risks	57,767	108,546
Interest-rate risk	2007	2006
Specific risk	18,276	37,395
General risk	88,836	144,431
Total capital requirement for interest-rate risks	107,112	181,825
Currency risk	2007	2006
Total capital requirement for currency risks	42,416	38,684

OPERATIONAL RISKS

Operating income	2007	2006
2005	3,413,963	–
2006	4,225,403	–
2007	4,339,634	–
Income indicator		
Average of the last three years' income	3,993,000	–
Capital requirement for operational risks, 15 per cent of income indicator	598,950	–

FOR ADDITIONAL INFORMATION REGARDING RISK AND CAPITAL ADEQUACY, SEE PAGES 25-27.

NOTE 34 SIGNIFICANT EVENTS AFTER THE CLOSING DATE

The Annual Report was approved for publication by the Board of Directors of the Parent Company on 4 March 2008.

The Parent Company's Annual General Meeting is scheduled to be held on 7 April 2008.

SIGNIFICANT EVENTS AFTER 31 DECEMBER UNTIL PUBLICATION OF THE ANNUAL REPORT

In mid-January 2008, Mikael Ericson was appointed new President and CEO of Carnegie. Mikael Ericson has a successful career in the financial sector; most recently from Svenska Handelsbanken, where he was Vice President. Mikael Ericson will assume his position on 1 May 2008.

NOTE 35 ADMINISTRATION EXPENSES

	2007	2006
Salaries and compensation to the Board of Directors and CEO	-5,018	-4,610
Auditing fees		
Deloitte	-2,869	–
KPMG	–	-1,418
Other fees to auditing firms		
Deloitte	-559	–
Ernst & Young	-614	–
KPMG	–	-215
Other administrative expenses	-29,825	-20,644
Total administrative expenses	-38,885	-26,887
Average number of employees (of whom women)	– (–)	– (–)

See Note 7 for information on terms of employment and compensation to senior executives.

NOTE 36 TAXES

	2007	2006
Current tax income		
Tax income for the period	17,514	6,213
Adjustment of tax attributable to prior years	–	297
	17,514	6,510
Deferred tax expense (-)/tax income (+)		
Deferred tax relating to temporary differences	-457	-10,917
Deferred tax expenses resulting from utilization of previously capitalized tax value in loss carryforwards	–	-297
	-457	-11,214
Total recognized tax income in the Parent Company	17,057	-4,704

Reconciliation of effective tax	Tax rate, %	Amount	Tax rate, %	Amount
Profit before tax		518,382		574,938
Tax according to prevailing tax rate for the Parent Company	28.0	-145,147	28.0	-160,983
Tax effect of non-deductible expenses	0.1	-777	0.0	–
Tax effect of non-deductible income	-0.1	480	0.0	–
Tax on anticipated dividends	-31.4	162,960	-29.2	168,000
Tax attributable to prior years	0.0	–	0.1	-297
Other	0.1	-459	2.0	-11,424
Reported effective tax	-3.3	17,057	0.8	-4,704

NOTE 37 SHARES AND PARTICIPATIONS IN GROUP COMPANIES

	2007-12-31	2006-12-31
Acquisition value on the opening date	1,224,140	724,490
Acquisitions for the year	905,779	–
Transfer to Group companies	–	–350
Shareholder contributions	–	500,000
Carrying amount	2,129,919	1,224,140

	Corp. reg. no.	Registered office	No. of shares	Capital share (voting rights), %	Recognized value 2007	Shareholders' equity 2007 ¹⁾
Carnegie Investment Bank AB ²⁾	516406-0138	Stockholm	400,000	100	1,224,140	2,463,001
Subsidiaries of Carnegie Investment Bank AB						
Carnegie Inc	13-3392829	Delaware	100			
Carnegie ASA ²⁾	936 310 974	Oslo	20,000			
Carnegie Ltd	2 941 368	London	1			
Carnegie Fond AB	556527-9642	Stockholm	110,000			
Familjeföretagens Pensionsredovisning i Värmland AB	556636-7776	Karlstad	1,000			
Carnegie Properties AB	556680-5288	Stockholm	1,000			
Carnegie Asset Management Finland Ab	623.606	Helsinki	4,800			
Subsidiaries of Carnegie Asset Management Finland Ab						
Carnegie Fondbolag Ab		Helsinki				
Carnegie Asset Management Danmark Holding A/S	226.229	Copenhagen	25,000			
Subsidiaries of Carnegie Asset Management Danmark Holding A/S						
Carnegie Asset Management Fondmæglerelskab A/S		Copenhagen				
Carnegie Asset Administration A/S		Copenhagen				
Carnegie Asset Management Holding Norge AS	976 307 852	Oslo	90,000			
Subsidiaries of Carnegie Asset Management Holding Norge AS						
Carnegie Kapitalförvaltning AS						
Carnegie Bank A/S ²⁾	109.861	Copenhagen	1			
Banque Carnegie Luxembourg S.A. ²⁾	1993-2201863	Luxembourg	349,999			
Subsidiaries of Banque Carnegie Luxembourg S.A.						
Carnegie Fund Management Company S.A.		Luxembourg				
Carnegie Asset Management S.A.		Luxembourg				
Max Matthiessen Holding AB	556599-1618	Stockholm			905,779	373,866
Subsidiaries of Max Matthiessen Holding AB						
Max Matthiessen Liv- & Finansmäklare Birger Jarlsgatan AB	556360-5327	Stockholm				
Subsidiaries of Max Matthiessen Liv- & Finansmäklare Birger Jarlsgatan AB						
Max Matthiessen AB	556421-0911	Stockholm				
Max Matthiessen Pension Consulting AB	556509-7135	Stockholm				
Max M Intressenter AB	556676-0012	Stockholm				
Total Information AB	556556-8358	Stockholm				
Max Matthiessen Värdepapper AB	556523-8606	Stockholm				
Total					2,129,919	2,836,867

1) Shareholders' equity in subsidiaries is reported excluding the anticipated dividend to the Parent Company.

2) Company classified as a credit institution

NOTE 38 DEFERRED TAX ASSETS

	31 Dec. 2007	31 Dec. 2006
Pensions	13,411	13,868
Total	13,411	13,868

Change for the year in deferred tax	Balance on opening date	Recognized in income statement	Balance on closing date
Pensions	13,868	-457	13,411
Total	13,868	-457	13,411

NOTE 39 PREPAID EXPENSES AND ACCRUED INCOME

	31 Dec. 2007	31 Dec. 2006
Other prepaid expenses	1,492	1,458
Other accrued income	3,316	3,982
Total ¹⁾	4,808	5,440

1) of which remaining maturity period less than one year:	4,808	5,440
--------------------------------------------------------------	-------	-------

NOTE 40 PREPAID INCOME AND ACCRUED EXPENSES

	31 Dec. 2007	31 Dec. 2006
Accrued interest expense	5,872	5,032
Accrued Board fees	5,452	4,597
Other accrued expenses	5,493	5,105
Total ¹⁾	16,817	14,734

1) of which remaining maturity period less than one year:	16,817	14,734
--------------------------------------------------------------	--------	--------

CERTIFICATION

The Board of Directors and the CEO hereby certify that the Annual Report was prepared in accordance with the Annual Accounts Act and Recommendation RR 32 Reporting of Legal Entities and that it provides a true and fair view of the company's financial position and earnings and that the Board of Directors' report provides a true and fair overview of the Group's business, financial position and earnings and that it describes significant risks and uncertainty factors facing the company.

The Board of Directors and the CEO hereby certify that the consolidated accounts were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, that they provide a true and fair view of the Group's financial position and earnings and that the Board of Directors' report provides a true and fair view overview of the Group's business, financial position and earnings and describes significant risks and uncertainty factors facing the Group.

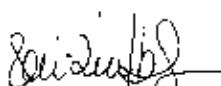
Stockholm, 4 March 2008



Anders Fällman
Chairman



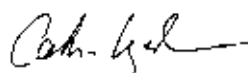
Jan Kvarnström
Vice Chairman



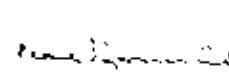
Mai-Lill Ibsen



Björn C. Andersson



Catharina Lagerstam



Patrik Tigerschiöld



Anders Onarheim
Acting President and CEO

Our auditor's report was submitted on 4 March 2008
Deloitte AB



Jan Palmqvist
Authorized Public Accountant

AUDITOR'S REPORT

To the Annual General Meeting of D. Carnegie & Co AB
Company reg. no. 556498-0440

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the CEO of D. Carnegie & Co AB for the year 2007.

The audit comprises pages 16 to 85. The Board of Directors and the CEO are responsible for these accounts and the administration of the company, as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. 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 CEO and significant estimates made by the board of directors and the CEO when preparing the annual accounts and consolidated accounts, 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 CEO. We also examined whether any board member or the CEO has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act 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 give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act and give a true and fair view of the group's financial position and results of operations. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the annual meeting of shareholders that the income statements and balance sheets of the parent company and the group be adopted, that the profit of 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 CEO be discharged from liability for the financial year.

Stockholm, 4 March 2008

Deloitte AB



Jan Palmqvist

Authorized Public Accountant

A professional portrait of Christin Bergkvist, a woman with dark, wavy hair, wearing a dark blue button-down shirt and a dark cardigan. She is standing with her arms crossed, looking directly at the camera with a slight smile. The background is a blurred office setting with bookshelves.

CHRISTIN BERGKVIST,
RECEPTIONIST, CONFERENCE HOSTESS, BUSINESS SUPPORT

“What motivates me is ensuring that clients leave here feeling that they have received friendly, professional and pleasant treatment. Client meetings, great co-workers, a fast pace and varied work assignments are what make working at Carnegie such a pleasure.”

2007 CORPORATE GOVERNANCE REPORT

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CHAIRMAN'S MESSAGE

Since the election of the new Board of Directors in November 2007, work has been focused on creating a stable platform for Carnegie's development after the extensive changes that resulted from the discovery of the events in the trading department. We have prioritized four main areas.

The first was to ensure that the action programme that was launched was sufficiently forceful to prevent anything similar from happening again. The Board of Directors considers that the implemented action programme is relevant and satisfactory. Furthermore, the Board is conducting a comprehensive review of the company, and the Audit Committee has received a special assignment to evaluate corporate governance during the spring of 2008.

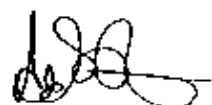
The second priority was to recruit a new CEO and CEO. We wanted an experienced, growth-oriented leader with knowledge of the industry who can drive Carnegie's development. In January, the Board was able to present Mikael Ericson, previously Vice CEO of Handelsbanken and manager of Capital Markets, as new CEO and CEO of Carnegie. Mikael is a respected manager and leader, who has all the right prerequisites for driving Carnegie's future development.

The third priority was to ensure that Carnegie has the best possible conditions for executing its growth strategies going forward and to increase shareholder value. It is important for our future to create an organization that gives the company and its employees the best

possible prerequisites for retaining and strengthening Carnegie's top positions in Securities and Investment Banking, while at the same time enabling strong expansion in the growing savings market. In this respect, management with the support of the Board of Directors has initiated work to ensure that both the investment bank and the savings operations are organized and managed in the best possible manner.

The final priority involved the structure of the incentive system. An attractive incentive system is essential for attracting and retaining the market's best employees. In the Board of Directors' view, the basic principle that Carnegie has applied since the early 1990s of distributing 50 per cent of operating profit to the employees is well-balanced, but a portion of the profit share should be in the form of shares in order to develop greater motivation for future value creation. A new system will be presented to the shareholders during 2008.

My first months as Chairman of Carnegie have been filled with many impressive experiences. It is evident that both private and institutional investors have great confidence in the company and that performance and enthusiasm among employees are at the highest level. Carnegie thus has great potential.



Anders Fällman

Chairman

CORPORATE GOVERNANCE 2007

D. Carnegie & Co AB (publ) is a Swedish limited-liability company but operates through subsidiaries, branches and international business in a number of geographic markets with different laws, recommendations and guidelines for corporate governance. As a listed company on the OMX Nordic Exchange Stockholm, Carnegie complies with the Swedish Code of Corporate Governance.

This Corporate Governance Report applies to D. Carnegie & Co AB (publ) but describes circumstances, processes and instructions that are attributable to the subsidiary Carnegie Investment Bank AB. When the report describes Carnegie Investment Bank AB, this is noted in the text.

The 2007 Corporate Governance Report was not examined by Carnegie's auditors.

It is the Board of Directors' view that there were no deviations in relation to the Code's regulations during 2007 to be reported.

EXAMINATIONS BY THE SWEDISH FINANCIAL SUPERVISORY AUTHORITY AND OMX

During 2007, the Swedish Financial Supervisory Authority directed serious criticism towards the governance and internal control of the subsidiary Carnegie Investment Bank AB. Following a decision by the Board of Directors at that time, Carnegie Investment Bank AB appealed parts of the Financial Supervisory Authority's decision. During 2007, the Disciplinary Committee of the OMX Nordic Exchange ordered D. Carnegie & Co AB (publ) to pay a penal charge of SEK 1.8m for deficiencies in the initial disclosure of information regarding the events in the trading department.

FRAMEWORK

Corporate governance refers to the decision systems through which the owners directly or indirectly control the company.

Governance, management and control is divided between the owners, the Board of Directors, its committees and the CEO.

Carnegie also has a number of internal control functions.

Carnegie's various operations comply with the regulations and recommendations that apply in the countries in which Carnegie operates. In addition to external rules, Carnegie's Articles of Association also establish a framework for the company's business. For the Articles of Association, see carnegie.se.

Governance within Carnegie is also regulated by a number of internal policy documents and instructions that are reviewed and updated each year by the Board of Directors. The regulatory framework for internal control is described in greater detail on page 97. In addition, there are detailed internal regulations that control Carnegie's business operations.

SHAREHOLDERS

At 31 December 2007, Carnegie had 6,837 shareholders. If the shareholdings of Carnegie employees are counted together, their total holding amounts to about 10 per cent of the voting rights and capital. The largest owner at the same date was Franklin-Templeton Funds with 8 per cent of the voting rights and capital. Foreign institutions owned 48 per cent of the company, while Swedish institutions owned 34 per cent and Swedish private individuals owned 18 per cent.

ANNUAL GENERAL MEETING

The shareholders' control of the company is exercised at the Annual General Meeting, which is the company's highest governing body.

MAJOR SHAREHOLDERS AT 31 DECEMBER 2007

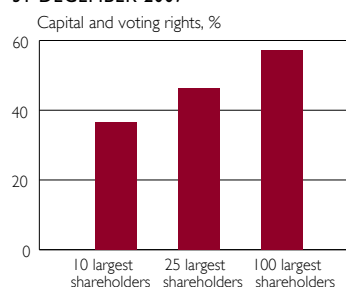
Name	Share of voting rights and capital, %	No. of shares
Franklin-Templeton Funds	7.8	6,081,241
Catella fonder	5.5	4,252,500
ABG Sundal Collier ASA	5.4	4,200,000
Moderna Fonder ¹⁾	4.9	3,800,000
Swedbank Robur fonder	4.7	3,610,719
Första AP-fonden	2.4	1,856,800
SEB fonder	1.6	1,242,811
Nordea fonder	1.6	1,225,199
Radar fond	1.5	1,168,069
Skandia Liv	1.3	987,400
Others	63.3	49,119,217
Total	100.0	77,543,956

Source: SIS-Ågarservice

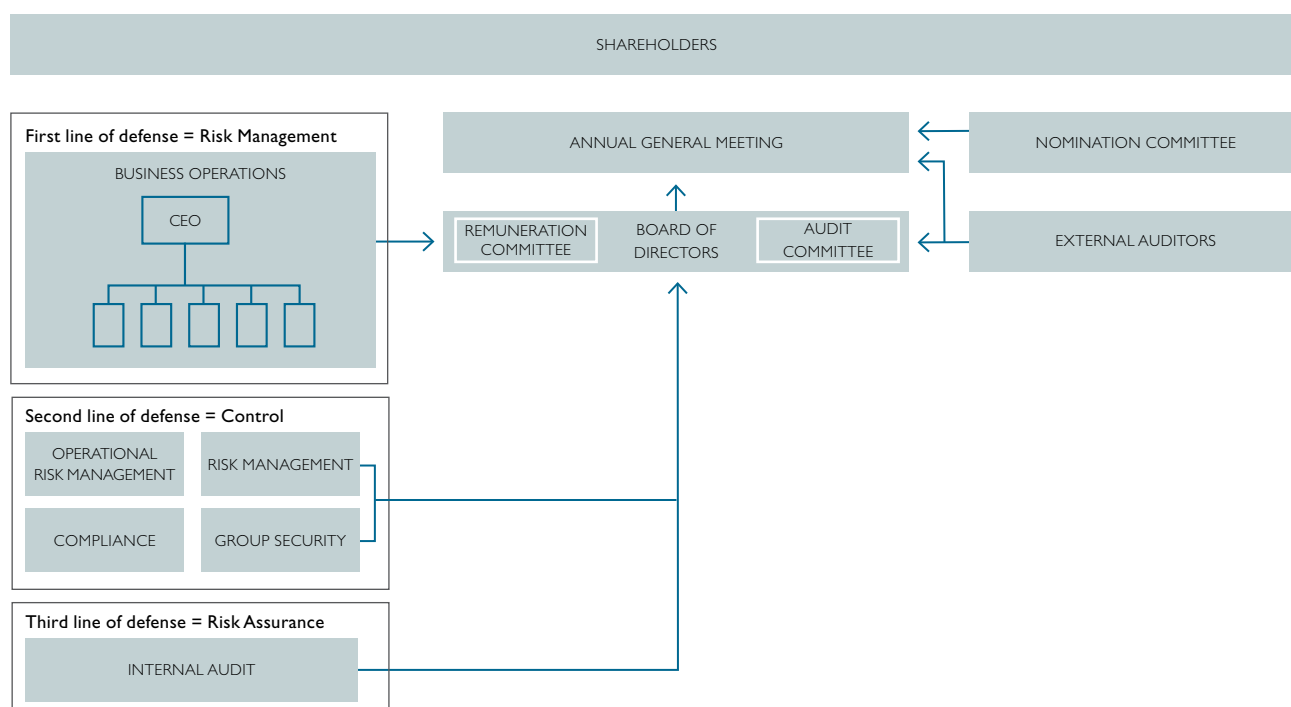
1) According to information received in a flagging notification on 16 November 2007, these shares are controlled by Invik & Co AB. Invik & Co AB controls a total of 10.2 per cent of the capital through directly owned shares or indirectly via options.

Employee shareholdings, including those of former Max Matthiessen employees, are estimated at 10 per cent of the total number of shares outstanding at 31 December 2007.

OWNERSHIP CONCENTRATION AT 31 DECEMBER 2007



CARNEGIE'S MODEL FOR CORPORATE GOVERNANCE AND INTERNAL CONTROL SHOWING THE MOST IMPORTANT BODIES AND HOW THEY REPORT



Carnegie strives to comply with the Institutional Shareholder International Corporate Governance Policy (ISS) and to conduct general meetings in such a manner that shareholders can be easily represented. Since 2006, Carnegie's Board of Directors has been able to collect proxies from the shareholders for voting at the Annual General Meeting.

The Annual General Meeting considers a number of central issues that include:

- adoption of the annual report and annual accounts
- disposition of the company's profits
- releasing the Board of Directors from liability
- election of the Board of Directors and its Chairman
- election of auditors every fourth year
- principles for compensation to the company's Group Management.

NOMINATION COMMITTEE

The Nomination Committee's task is to propose to the Annual General Meeting:

- Chairman of the Board of Directors
- Deputy Chairman of the Board of Directors
- Members of the Board of Directors
- Auditors every fourth year
- Compensation to the Board of Directors and to the auditors as appropriate
- Nomination Committee for the coming year in most cases
- Chairman of the Annual General Meeting.

The Board of Directors should reflect different areas of expertise, market positions and cultures that are represented in an international investment bank in the Nordic region. In its nominations, the Nomination Committee must take into consideration expertise, experience, available time and commitment.

BOARD OF DIRECTORS

RESPONSIBILITIES OF THE BOARD OF DIRECTORS

The overall task of the Board of Directors is to administer the company's business on behalf of the shareholders in such a manner that the shareholders' interests for favourable long-term returns are satisfied in the best possible manner. The Board of Directors shall regularly assess the financial position of the company and the Group. The Board of Directors shall also ensure that the organization is dimensioned appropriately so that accounting, funds management and other aspects for the company's finances are controlled in a satisfactory manner.

The Board of Directors' main tasks include:

- establishing the overall goals and strategies for the company's business
- ensuring that there are effective systems for follow-up and control of the company's business and financial position
- ensuring adequate control of the company's compliance with laws and regulations
- regularly evaluating the company's operative management
- ensuring that there are ethical guidelines for the company's business practices

- ensuring that the company's external information is characterized by openness, objectivity and high relevance.

In addition, The Board of Directors shall issue instructions for its own work, instructions for the CEO and other instructions and guidelines as required for operations. The Board of Directors must also ensure that the Board's work is evaluated each year.

CHAIRMAN OF THE BOARD OF DIRECTORS

The Chairman of the Board of Directors leads the work of the Board and ensures that it is conducted efficiently and that the Board performs its duties. The Chairman must maintain regular contact with the CEO, monitor the Group's development and ensure that the Board of Directors has access to relevant information for administering the company's business. The Chairman represents the company in ownership matters and is responsible for forwarding shareholder views to the Board of Directors. The current Chairman is Anders Fällman.

COMPOSITION OF THE BOARD OF DIRECTORS

Members of the Board of Directors are normally elected by the Annual General Meeting. During most of 2007, Carnegie's Board of Directors consisted of eight members, since seven members were re-elected and one member was newly elected by the 2007 Annual General Meeting. Due to the demands of the Financial Supervisory Authority following the events within trading operations in Carnegie Investment Bank AB, Stig Vilhelmson left the Board of Directors on 27 September, and a new Board of Directors was elected by the Extraordinary General Meeting in November 2007 that consisted of six members, of whom only one who had been newly elected by the 2007 Annual General Meeting remained from the former Board of Directors. The members of the former Board of Directors are presented on page 93.

The Board of Directors was assisted by a secretary with an education in law.

WORK PROCEDURE FOR THE BOARD OF DIRECTORS

Each year, the Board of Directors adopts a work procedure. The work procedure briefly describes the Board's work assignments, forms for its work and certain rules relating to the Chairman and the Deputy Chairman. Furthermore, a list of issues to be considered at regular Board meetings is prepared, and a requirement is established that the Board's work shall be evaluated after every Board meeting. In addition, the work procedure specifies that there must be an Audit Committee and describes its principal responsibilities.

During 2007, the Board of Directors held seven regular and 20 extraordinary meetings.

EVALUATION OF THE BOARD OF DIRECTORS' WORK

According to the work procedure, the quality and results of the Board's work should be evaluated directly after every meeting. The evaluation is performed by the Chairman together with a Board member who varies over the year.

During the autumn of 2007, an evaluation was conducted of the Board of Directors that was replaced in November the same year. The evaluation was based on a questionnaire completed by the former members of the Board of Directors. The following areas were included in the evaluation: the content of the Board's work, the Board size and composition, organization of the Board's work and the

Board's work methods. The evaluation was reported to the Board of Directors and Carnegie's Nomination Committee.

AUDIT COMMITTEE

The Audit Committee is appointed annually by the Board of Directors and assists the Board in fulfilling its responsibility to review:

- financial and operative information reported to the shareholders and other stakeholders
- the organization for risk control and internal control
- internal and external auditing work.

The Audit Committee holds four scheduled meetings each year in conjunction with publication of the interim reports and is convened for extraordinary meetings as required. The quarterly meetings normally take place the day before the Board meeting where the interim report is considered. At these meetings, the Audit Committee reviews the reports to the Board of Directors from the five control functions Internal Audit, Compliance, Operational Risk Management, Risk Management and Group Security. The managers for these functions are also present at the Committee's meetings, as is the elected external auditor. At the following meeting of the Board of Directors, the Chairman of the Audit Committee reports on the Committee's work, and the other Board members have an opportunity to direct supplementary questions to the Audit Committee and the managers of the control functions.

When the Audit Committee holds extraordinary meetings, the manager of the Internal Audit function also participates. Other control functions and the external auditor are represented as required.

The Audit Committee's work is reported at the next meeting of the Board of Directors.

The Audit Committee's work is directed by the instructions in the document "Terms of Reference for the Carnegie Group Audit Committee".

REMUNERATION COMMITTEE

The Remuneration Committee is appointed annually by the Board of Directors. The Committee's task is to prepare proposals in consultation with Carnegie's Group Management regarding general remuneration policies and to monitor the development and implementation of compensation programmes within Carnegie. Furthermore, the Remuneration Committee must review the CEO's salary and benefits and propose general principles for salaries, benefits and pensions for senior executives. The proposal regarding remuneration policies for senior executives is then considered by the Board of Directors, which in its turn submits a proposal to the Annual General Meeting.

The Remuneration Committee also reviews and approves proposals regarding the annual profit share among Carnegie's

employees that takes place each year and where appropriate proposals regarding incentive programmes as appropriate.

The Remuneration Committee's work is directed by the instruction in the document "Terms of Reference for the Remuneration Committee".

CEO AND GROUP MANAGEMENT

The CEO is appointed by the Board of Directors and works according to instructions from the Board of Directors, to which the CEO also reports. Carnegie's President and CEO is responsible for the ongoing administration of the company and has the operative responsibility for ensuring that its accounting is performed in compliance with laws and that capital management is handled in an appropriate manner.

To support the CEO in the CEO's work, the CEO appoints Group Management, which consists of the CEO, the Deputy CEO, who also serves as COO, the CFO and representatives for the five business areas. The members of Group Management are presented on page 101. Group Management meets weekly.

AUDITOR

Auditors are elected by the shareholders at the Annual General Meeting. The current auditing firm Deloitte AB was elected by the 2007 Annual General Meeting for a period of four years.

The external auditor focuses on reviewing Carnegie's year-end report, including internal control of financial reporting. When necessary, the auditor uses the review conducted by Carnegie's Internal Audit function, although the external auditor performs its own quality assurance and verification of this report.

INTERNAL AUDIT

See page 99 for a description of the Internal Audit function.

FINANCIAL REPORTING

The Board of Directors monitors the quality of financial reporting. The Audit Committee assists the Board of Directors in this work. In addition, the Board of Directors has established instruction for the CEO according to which the CEO together with the CFO is responsible for ensuring the quality of all external financial information. The Board of Directors receives monthly financial reports and reviews the financial position of the company and the Group in detail prior to the publication of each interim report. Furthermore, the Board of Directors approves each interim and year-end report. During 2007, Carnegie's external auditor conducted a brief review of the interim reports for the second and third quarters. This review consisted of requests for comment, primarily from the persons responsible for financial and accounting issues, in order to perform an analytic review and take other general auditing measures.

MEMBERS OF THE BOARD

Name	Elected	Position	Independence from company owners		Committees	Shareholdings in Carnegie at 31 Dec. 2007
Anders Fällman	Nov. 2007	Chairman	Independent	Dependent ¹⁾	Remuneration	0 ²⁾
Björn C. Andersson	Nov. 2007		Independent	Independent	Audit	200
Mai-Lill Ibsen	Mar. 2007		Independent	Independent	Remuneration	0
Jan Kvarnström	Nov. 2007	Deputy Chairman	Independent	Independent	Remuneration + Audit	0
Catharina Lagerstam	Nov. 2007		Independent	Independent	Audit	0
Patrik Tigerschiöld	Nov. 2007		Independent	Independent		1,000

1) Anders Fällman is considered to have a dependent position in relation to the owners, since he is CEO and CEO of Invik & Co AB, which controls 10.2 per cent of the capital and voting rights in Carnegie.

2) During 2008, Anders Fällman acquired 125,000 shares in Carnegie.

WORK DURING 2007

GENERAL MEETINGS

Carnegie held four General Meetings during 2007.

EXTRAORDINARY GENERAL MEETING 13 FEBRUARY

On 13 February 2007, Carnegie held an Extraordinary General Meeting in conjunction with the acquisition of Max Matthiessen Holding AB. The Meeting approved the following decision:

- to authorize the Board of Directors to implement a new issue of at most 6,071,427 shares to finance the acquisition of Max Mattiessen Holding AB. On full exercise of all outstanding subscription warrants, this corresponded to a dilution of 7.8 per cent of Carnegie's voting rights and capital.

The Chairman of the Meeting was attorney at law Claes Beyer. See the meeting minutes at carnegie.se

ANNUAL GENERAL MEETING 29 MARCH 2007

The 2007 Annual General Meeting approved the following decisions:

- to pay a dividend of SEK 10.50 per share to the shareholders
- to expand the Board of Directors with a new member
- to establish principles for compensation and terms of employment to group management for 2007 (see Compensation on page 95)
- to establish a long-term, performance-based share programme in 2008 (see Compensation on page 95 and decisions by the Extraordinary General Meeting in November) and in conjunction with this programme to amend the Articles of Association to introduce a new class of shares, preference shares.

The Chairman of the Meeting was attorney at law Claes Beyer. See the Meeting minutes at carnegie.se

EXTRAORDINARY GENERAL MEETING 23 AUGUST

On 23 August 2007, Carnegie held an Extraordinary General Meeting. The Meeting approved the following decision:

- to approve the Board of Directors' proposal regarding an exception from the 50-per cent principle in the profit-share system during 2007. More than 90 per cent of the voting rights exercised at the Meeting confirmed the Board's proposal. The deficit in the profit-share system arose as a result of the downward adjustment of trading income. See page 20 for more information.

The Chairman of the Meeting was attorney at law Claes Beyer. See the Meeting minutes at carnegie.se

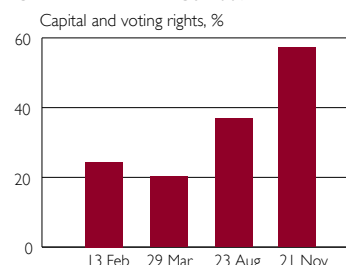
EXTRAORDINARY GENERAL MEETING 21 NOVEMBER

In view of the fact that the Financial Supervisory Authority's demanded Carnegie Investment Bank AB to hold an Extraordinary General Meeting to evaluate the composition of the Board of Directors, the Board of Directors of Carnegie also convened an additional Extraordinary General Meeting during 2007.

At this Meeting, the following decisions were approved:

- to elect a new Board of Directors consisting of six members. The number of Board members was thus reduced from eight to six. Anders Fällman was elected Chairman and Jan Kvarnström Deputy Chairman of the Board of Directors.
- to request the new Board of Directors to evaluate adjustments to the 2008 share programme

ATTENDANCE AT
GENERAL MEETINGS 2007



- to retain the decision from the Extraordinary General Meeting in August regarding the exception from the 50-per cent principle during 2007 in its current form.

The Chairman of the Meeting was attorney at law Claes Beyer. See the Meeting minutes at carnegie.se

NOMINATION COMMITTEE

During 2007, there were two Nomination Committees, one for the 2007 Annual General Meeting, which held four recorded meetings, and one whose original assignment was to submit a proposal to the 2008 Annual General Meeting. Due to the course of events during 2007 and the decision to hold an Extraordinary General Meeting to consider the composition of the Board of Directors, the latter Nomination Committee developed a proposal for a new Board of Directors for the Extraordinary Annual General Meeting on 21 November 2007. This Nomination Committee held some 30 meetings.

In conjunction with submitting its proposal for the Board of Directors, two of the members of the Nomination Committee announced that they did not support the proposed Chairman and resigned as members of the Nomination Committee. At the same time, Anders Fällman, who was proposed by the Nomination Committee as new Chairman of the Board of Directors, joined as a new member of the Nomination Committee.

No compensation was paid to the members of the Nomination Committee.

The composition of the Nomination Committee for the 2007 Annual General Meeting was presented in the 2006 Corporate Governance Report available at carnegie.se. The composition of the Nomination Committee for the Extraordinary General Meeting in November 2007 is presented on carnegie.se.

COMPOSITION OF THE NOMINATION COMMITTEE

The matter of the nomination process for the 2008 Annual General Meeting was not only considered by the 2007 Annual General Meeting, but also by the Extraordinary General Meeting on 21 November 2007, which decided on certain minor changes in Carnegie's nomination process. The Meeting authorized the Chairman of the Board of Directors to appoint not less than three and not more than five members who together with the Chairman comprise the Nomination Committee. The members of the Nomination Committee shall represent the major shareholders. Major shareholder may also be a group of shareholders who through an agreement constitute a permanent group and exercise their voting rights jointly. The Chairman of the Board of Directors may not be the Chairman of the Nomination Committee. Until a Chairman has been elected, the Chairman of the Board of Directors convenes the Nomination Committee. The names of the members of the Nomination Committee must be announced immediately following appointment of the Nomination Committee.

The Nomination Committee's proposal to the 2008 Annual General Meeting is presented in the notice of the meeting at carnegie.se.

NOMINATION COMMITTEE FOR THE 2008 ANNUAL GENERAL MEETING

Name	Representing	Ownership share in Carnegie, %
Ulf Strömsten, Chairman	Catella	5.5
Anders Fällman	Chairman of Carnegie	–
Jan Andersson	Swedbank Robur Fonder	4.7
Greger Landstedt	Owner group in Carnegie	–

BOARD OF DIRECTORS

During 2007, 27 Board meetings were held, of which the Board of Directors replaced by the Extraordinary General Meeting in November 2007 held 25. The attendance of each Board member is shown in the table below.

ATTENDANCE AT BOARD MEETINGS IN 2007

Name	Board of Directors	Audit Committee	Remuneration Committee ³⁾
Christer Zetterberg, Chairman	25/25		2/2
Hugo Andersen	18/25		
Niclas Gabrán	21/25		2/2
Anders Ljungh	25/25	10/10	2/2
Dag Sehlin	24/25	9/10	
Stig Vilhelmson ¹⁾	18/18		
Fields Wicker-Miurin	19/25	8/10	
Anders Fällman, Chairman ⁴⁾	2/2		
Björn C. Andersson ⁴⁾	2/2	1/1	
Mai-Lill Ibsen ²⁾	22/23		
Jan Kvarnström ⁴⁾	2/2	1/1	
Catharina Lagerstam ⁴⁾	2/2	1/1	
Patrik Tigerschiöld ⁴⁾	2/2		

1) Participated in fewer Board meetings since Stig Vilhelmson resigned from the Board on 27 September.

2) Elected at the 2007 Annual General Meeting resulting in lower participation.

3) Most of the work of the Remuneration Committee took place during 2006. Because the new Board of Directors was elected so late in 2007 (November), most of the work of the Remuneration Committee in preparation for the 2008 Annual General Meeting took place during 2008.

4) Elected by the Extraordinary General Meeting on 21 November, resulting in a lower total number of Committee and Board meetings.

A large part of the Board of Directors' work and many of the extraordinary Board meetings held during the year concerned the overstated valuation of the trading portfolio in Carnegie's Swedish operations during 2005–2007, and the consequences arising in various areas, as well as formulation of the action programme (see page 20). To assist in its work, the Board has consulted both internal and external experts in risk control, accounting, legal affairs, auditing and media.

Given these events, the Board of Directors decided to convene an Extraordinary General Meeting on 23 August 2007 so that the Meeting could resolve the Board's decision on the effects of the events on the profit-share programme for 2007. (See Profit share on page 95.)

In addition, the Board of Directors placed great emphasis on considering the investigation that the Swedish Financial Supervisory Authority conducted and its decision in September 2007.

Also in this regard, the Board of Directors has enlisted the assistance of external specialists in various areas to obtain an in-depth analysis before the Board decided to appeal the Authority's decision.

Another extraordinary task for the Board of Directors was the consideration of the OMX Nordic Exchange's criticism of Carnegie as a result of these events, which resulted in that the Disciplinary Committee of the OMX Nordic Exchange fined both the Carnegie Group and Carnegie Investment Bank AB.

In addition to the matters normally considered within the Board of Directors, which include such issues as short- and long-term business strategy and operational planning, ongoing internal reporting and external financial reporting, Carnegie's Board of Directors has also considered or decided on the following matters during 2007:

- acquisition of Max Matthiessen Holding AB (see Extraordinary General Meeting 13 February 2007 above)
- a new performance-based incentive programme, Share Programme 2008 (see 2007 Annual General Meeting above)
- an analysis performed by an external auditing firm regarding governance and internal control within Carnegie Investment Bank AB
- capital utilization within the Group
- implementation of the Internal Capital Adequacy Assessment Process (ICAAP) evaluation
- divestment of the subsidiary Capital C
- implementation of the MiFiD (Markets in Financial Instruments) directive within the Group
- the debate surrounding sub-prime loans and their possible consequences for Carnegie.

CEO

In conjunction with the decision by the Swedish Financial Supervisory Authority on 27 September 2007, Stig Vilhelmson resigned his position as President and CEO of Carnegie with immediate effect. The following day, Anders Onarheim, at that time manager of the Investment Banking business area and CEO of Carnegie ASA in Norway, was appointed President and CEO, while Matti Kinnunen was appointed Deputy CEO and COO.

REMUNERATION COMMITTEE

The Remuneration Committee held two recorded meetings and several telephone conferences during 2007. Its work relates to the compensation proposed at the 2007 Annual General Meeting. Special attention was devoted to the outcome of the 2006 bonus process and its consequences, the need for adjustments in the bonus pool due to the valuation differences in the trading portfolio in Stockholm and the handling of Stig Vilhelmson's resignation.

For compensation proposed to the 2008 Annual General Meeting, the Remuneration Committee has held meetings during 2008. Christer Zetterberg was Chairman of the Remuneration Committee until November 2007, when he was replaced by Anders Fällman.

AUDIT COMMITTEE

The Audit Committee held 11 recorded meetings during 2007, which was five more meetings than during 2006 and seven more than during 2005. Special attention was devoted to the acquisition of Max Matthiessen, as well as work in conjunction with the overstated valuation of the trading portfolio and the Financial Supervisory Authority's investigation. Anders Ljungh was Chairman of the Audit Committee until November 2007, when he was replaced as Chairman by Björn C. Andersson.

AUDITORS

The 2007 Annual General Meeting elected Deloitte AB as auditor of Carnegie. This decision was preceded by an extensive selection process in which the four largest auditing firms were invited to participate. The auditing firm appointed Authorized Public Accountant Jan Palmqvist as head auditor for the audit. Jan Palmqvist does not own any shares in Carnegie and is also the auditor of Swedbank, SBC Sverige BostadsrättsCentrum, HEBA Fastighets AB, the Swedish Association of Share Investors and Länsförsäkringar Stockholm.

2008 ANNUAL GENERAL MEETING

The Annual General Meeting will be held on 7 April 2008 at 2:00 p.m. at Nalen in Stockholm. The CEO's presentation will also be broadcast directly at carnegie.se. Shareholders wishing to participate in the Meeting must

- be registered in the share register maintained by VPC AB not later than 1 April 2008
- notify their intention to participate not later than 1 April 2008 before 4:00 p.m. to D. Carnegie & Co AB (publ), Annual General Meeting, Box 47022, SE-100 74 Stockholm, Sweden or by telephone to +46 8 775 80 24 on weekdays between 10:00 a.m. and 4:00 p.m. CET during the period from 7 March to 1 April. Private individuals may also register for the Annual General Meeting via Carnegie's website at carnegie.se.

Please note that shareholders with nominee-registered shares must ensure well advance of 1 April 2008 that the nominee has temporarily registered the shares with VPC AB in the shareholder's own name.

COMPENSATION

COMPENSATION TO THE BOARD OF DIRECTORS

Total compensation to the members of the Board of Directors is determined by the Annual General Meeting based on the proposal from the Nomination Committee. The 2007 Annual General Meeting approved compensation for the Board of Directors' work amounted to SEK 4.1m, of which SEK 1m for the Chairman and SEK 350,000 to each Board member. Due to the election of a new Board of Directors in November 2007, Board fees have been and will be paid pro rata in relation to term of office. Board members employed by the company receive no compensation. In addition, a fee of SEK 150,000 per Board member and committee is paid, plus SEK 200,000 to the Chairman of each committee.

COMPENSATION TO THE BOARD OF DIRECTORS, SEK thousands

Name	2007 ¹⁾	2006 ¹⁾
Christer Zetterberg, Chairman	1,198	1,250
Hugo Andersen	444	700
Niclas Gabrán	577	600
Anders Ljungh	755	850
Dag Sehlin	577	700
Stig Vilhelmson	–	–
Fields Wicker-Miurin	577	600
Kjartan Gunnarsson	–	167
Anders Fällman, Chairman ²⁾	225	–
Björn C. Andersson ²⁾	164	–
Mai-Lill Ibsen	591	–
Jan Kvarnström ²⁾	152	–
Catharina Lagerstam ²⁾	147	–
Patrik Tigerschiöld ²⁾	130	–
Total	5,536	4,867

1) Board fees shown are total compensation. For more detailed information on the underlying distribution of compensation, see Note 7 on page 67.

2) Elected by the Extraordinary General Meeting on 21 November 2007.

COMPENSATION TO THE CEO AND OTHER SENIOR EXECUTIVES

The 2007 Annual General Meeting approved remuneration policies for the CEO and other senior executives. The policies which applies in relation to group management are also applied to all employees within the Carnegie Group.

Total compensation to the employees consists of a fixed and a variable part. The fixed parts consists of salary plus salary-based allocations to pension insurance. All of Carnegie's pension obligations consist of defined-contribution pension plans and are re-insured with external parties. The variable portion of compensation is described below under the Profit-share programme.

Anders Onarheim, in his capacity as CEO appointed on 28 September 2007, received compensation from his appointment until year-end totalling SEK 0.9m (see separate table). In addition, Anders Onarheim has during the corresponding period received a profit share of SEK 13.4m for his participation in Det Indre Selskapet in Carnegie ASA in Norway. Stig Vilhelmson, who resigned as CEO on 27 September 2007, received a total of SEK 11.8m, of which SEK 8.1m was severance pay (see separate table).

PROFIT-SHARE PROGRAMME

Because the employees are one of the bank's most important assets, it is important to have a clear and well-defined incentive systems for all employees. For this reason, a profit-share programme was already established in the early 1990s for all employees.

The profit-share programme, which is the variable portion of the employees' total compensation, aims to increase personal commitment and interest for Carnegie's overall development and thus plays an essential role in increasing productivity and performance.

SENIOR EXECUTIVES' TERMS OF EMPLOYMENT AND COMPENSATION

	Gross salary and benefits		Profit share		Pension and similar benefits		Severance pay
	2007	2006	2007	2006	2007	2006	2007
Personnel costs, CEO, Deputy CEO and other senior executives							
Resigning CEO Stig Vilhelmson ¹⁾	3,651	2,800	–	15,100	237	4,000	8,113
Current CEO Anders Onarheim ²⁾	855	–	13,439	–	14	–	–
Current Deputy CEO Matti Kinnunen ³⁾	628	–	–	–	64	–	–
Other resigning senior executives, 7 persons⁴⁾	7,862	9,687	13,439	25,743	1,320	9,916	9,367
Other current senior executives, 4 persons⁵⁾	13,082	2,213	5,022	21,657	523	184	–

1) Stig Vilhelmson resigned as CEO on 27 September 2007. The amounts are the total costs for 2007.

2) The costs for Anders Onarheim include the period from when he became CEO on 28 September 2007 until 31 December 2007.

3) The costs for Matti Kinnunen include the period from when he became Deputy CEO on 28 September 2007 until 31 December 2007.

4) The amounts relate to the period they have held a position as other senior executive.

5) The amounts relate to the period they have held a position as other senior executive.

Of current senior executives, the person who was included in that group in 2006 refrained from the bonus in 2007.

Resigning senior executives are presented in Note 7 on page 68.

The category Other senior executives includes Christoffer Folkebo (1 April – 31 Dec.), Per Axman (13 Aug. – 31 Dec.), Bo Haglund (4 Oct. – 31 Dec.) and Jim Cirenza (1 Jan. – 31 Dec.).

GENERAL

Profit share is normally calculated according to an established formula: 50 per cent of Carnegie's operating profit before profit share after deduction of the capital return requirement (12-month STIBOR, Stockholm Offered Interbank Rate) and adjusted for dividends paid to shareholders. Profit share only takes place subject to the assumption that full-year income after deduction of the capital return requirement results in a profit.

Profit shares are distributed among the employees on a discretionary basis. The basis for profit share is an evaluation process that comprises all employees, including Group Management and the CEO, with respect to such parameters as professional competence, leadership, goal achievement and company values. The evaluation process is reviewed and approved by the Board of Directors' Remuneration Committee. In addition, the Chairman of the Board conducts individual interviews with the Board members and Group Management to assess the CEO's performance.

PROFIT SHARE IN 2007

The write-off in the trading portfolio during 2007 resulted in a deficit in the bonus pool at January 1 for profit shares paid out during 2005 and 2006, as well as a deficit in the bonus pool for 2007. During the spring, the Board of Directors at that time took a decision to write-off the accumulated deficit and to submit a proposal to the shareholders at an Extraordinary General Meeting to approve an exception to the 50-per cent principle for profit share in 2007, which was approved at the Extraordinary General Meeting in August 2007. In total, the deficit in the bonus pool amounted to SEK 315m.

In conjunction with the decision taken by the Carnegie Board of Directors at that time regarding the write-off and its effects on the profit-share system, Group Management at that time decided to forego its profit share for 2007 to the benefit of the shareholders. As a result of this decision, 6.8 per cent of the bonus pool for 2007, corresponding to SEK 68m, was returned to the shareholders.

INCENTIVE PROGRAMME

In addition to the profit-share system, all employees were invited to participate in a long-term incentive programme during 2001 to 2004 in the form of subscription warrants. The most recent of the three warrants programmes expired during 2007. For dilution effects, see Note 31 on page 78.

At the 2007 Annual General Meeting, Carnegie's shareholders approved a decision to introduce a share programme (2008 Share Programme) aimed at some 100 key persons. In conjunction with the Extraordinary General Meeting on 21 November 2007, a decision was taken to request the Board of Directors to evaluate how the programme should be adjusted in the wake of the downward adjustment of the trading portfolio. Thereafter, the Board of Directors considered the matter and proposes to the 2008 Annual General Meeting that the 2008 Share Programme be discontinued and replaced with a new incentive programme to be presented to the shareholders during 2008.

COMPENSATION TO THE AUDITOR

The 2007 Annual General Meeting decided that the fees to the auditor shall be paid according to an approved invoice. During 2007, a total of SEK 17,640m was paid for auditing services. In addition, auditing firms performed other assignments during 2007. In total, SEK 3,476m was paid for other assignments. For a more detailed description, see Note 8 on page 69.

COMPENSATION TO AUDITORS, SEKm

	2005	2006	2007
Deloitte AB			
Audit assignments	2,513	2,620	10,480
Other assignments	153	327	558
Total	2,666	2,947	11,038
KPMG Bohlins			
Audit assignments	6,249	6,306	2,625
Other assignments	986	738	73
Total	7,235	7,044	2,698

INTERNAL CONTROL

CHANGES DURING 2007

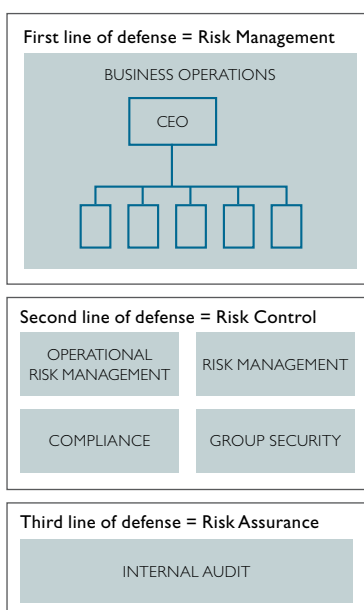
- The Risk Control function was strengthened at the Group level, and a new position was created with responsibility for operational risks.
- Resources were increased within the local risk control function in Sweden.
- Resources were increased within the Internal Audit function.
- The Board of Directors initiated work to investigate how reporting to the CEO can be strengthened.

BOARD OF DIRECTORS

The Board of Directors has the ultimate responsibility for operations and the processes for risk management, governance and control in the company. Operational managers under the leadership of the CEO are responsible for ensuring that the processes for risk management, governance and control function in accordance with the guidelines established by the Board of Directors. The Board of Directors and the CEO of Carnegie ensure satisfactory internal control through:

- adequate and efficient leadership and organization for the business
- reliable reporting
- effective information systems
- identifying, measuring, analyzing and managing risks
- complying with laws and regulations, internal instructions and generally accepted practices and standards.

INTERNAL COMPANY UNITS WORKING WITH INTERNAL CONTROL



Within an investment bank such as Carnegie, many employees have great individual responsibility for business operations. It is therefore particularly important to provide appropriate guidance for all employees, both within Group Management and throughout the Group as a whole, with respect to how to approach various situations. Such guidance is provided in the form of policies, routines and instructions at all levels within the Group.

During the past year, the Board of Directors introduced a new Group-wide policy for operational risk control. Due to the events during the year, the Board of Directors also decided on a number of revised instructions for Carnegie Investment Bank AB.

Carnegie works according to the principle that the business areas initially have the main responsibility for risk management, corporate governance and internal control within their area of operation. Responsibility for internal control thus lies where the risk arises. As a second line of defense, the risk control functions are responsible for verifying that the business areas handle risk control in a competent and satisfactory manner. The Internal Audit and external auditors are responsible in the third line of defense for verifying that the business areas and the other risk control functions perform their tasks.

BUSINESS AREAS

Each business area is responsible for managing and organizing the control of its operations and ensuring that controls are performed. Guidelines and routines within each business area must be well-defined with the objective of identifying, measuring, controlling and monitoring the most important risk areas and minimizing all risks that do not have a business purpose. Each business area is responsible for identifying, controlling and reporting risks to Group Management so that the resources required for managing these risks can be allocated to the business area.

The business area manager maintains adequate internal controls by:

- continuously monitoring the controls, thus ensuring that reporting reflects the business
- regularly checking that resources are used effectively and in line with the company's goals
- regularly documenting and updating internal instructions
- guaranteeing the duality principle, which means that a single decision-maker may not handle a transaction over the entire process
- checking that information regarding development within a business area does not deviate from Carnegie's instructions and goals
- checking that reports are complete and accurate, that transactions are reported on time and that they have taken place
- checking that information is stored in a permanent and physically secure manner to protect Carnegie's and its clients' assets
- using the information and reporting systems that ensure that information about Carnegie's business operations is updated and relevant.

CONTROL FUNCTIONS

Since 2007, Carnegie has had five control functions that divide controls based on the risks they review. To control these activities, these functions need to understand the risks, identify where they arise and have the appropriate resources for managing them. The individual risks are described in the text box below. The Operational Risk Control function is responsible for controlling the operational risks, while the Risk Control function is responsible for controlling other risks, which are market, credit and liquidity risks.

OPERATIONAL RISK MANAGEMENT

As a part of the extensive action programme described on page 22, Carnegie's risk organization was strengthened by establishing a special function for Operational Risk control at the Group level. This function was previously included in the Risk Control function.

The work of this function is led by the Group Operational Risk Manager, who is assisted by local risk managers who work with both Operational Risk control and risk control. In addition to reporting to the Group Operational Risk Manager, the local risk managers report either to the local CEO or the local Board of Directors.

The Operational Risk Control function is responsible for coordination and guidance with respect to Operational Risks, as well as employee training throughout the Group.

The Group Operational Risk Manager reports risk exposure to Carnegie's Board of Directors and CEO and informs the managers within the unit in question. Prior to Board meetings, the Audit

Committee reviews the control function's report.

The Operational Risk Control Function is directed by the Group Policy for the Operational Risk Management Function.

RISK MANAGEMENT

At the Group level, the Risk Control function controls the remaining risks, which are market, credit and liquidity risks.

The work of this function is led by the Group Risk Manager, who is assisted by the same local risk managers as mentioned above under Operational Risk Control. Again, the local risk managers report to the Group Risk Manager and to either the local CEO or the local Board of Directors.

As part of the action programme, Carnegie increased the focus on risk control in Sweden during 2007 by expanding the part-time position of Risk Manager for Sweden to a full-time position and employing an additional Risk Manager. Previously, the Group Risk Manager was also Risk Manager for Sweden, which means that the Group Risk Manager can devote full time to work at the Group level.

The Risk Control function is also responsible for coordination and guidance with respect to financial risks and for training of Group employees.

The Group Risk Manager reports risk exposure to the Board of Directors and to the CEO and informs the managers within the unit in question. Prior to Board meetings, the Audit Committee reviews the control function's report.

The Risk Control Function is directed by the Group Policy for the Risk Management Function.

RISKS

Carnegie's operations result in the Group being exposed to the following risks:

MARKET RISKS are risks of losses or declining net interest income as a result of changes in interest or exchange rates or share prices, including price risks in conjunction with the sale of assets or the closing of positions.

CREDIT RISKS are risks of losses due to a counterparty being unable to fulfil its obligations or other types of counterparty exposure.

LIQUIDITY RISKS are risks of loss or higher than expected costs for ensuring that the Group's payment obligations are met on time.

OPERATIONAL RISKS are risks of losses as a result of inappropriate or unsuccessful internal processes, human errors, faulty systems or external events. Operational Risk also includes legal risk, which is the risk of losses occurring due to not being able to enforce contractual obligations due to legal reasons. This includes such risks as insufficient documentation, insufficient authority and/or competence on the part of the counterparty and lack of clarity regarding the contract's legal status in competitive situations.

COMPLIANCE

The Compliance function is an important part of Carnegie's work to ensure satisfactory compliance with the regulations that apply for the financial market. The function's task consists primarily in assisting the Board of Directors and management in checking and regularly assessing that the established internal rules and routines for achieving satisfactory compliance with regulations are appropriate and effective. The function also evaluates the measures taken to correct any deficiencies, assists the business with advice and support regarding the development of internal rules and provides internal training and information on regulatory issues.

The Compliance function consists of the Group Compliance Officer and local compliance officers. In addition to reporting to the Group Compliance Officer, the local compliance officers report to the local CEO and Board of Directors.

The Group Compliance Officer reports to the Board of Directors and the CEO. Prior to Board meetings, the Audit Committee reviews the control function's report.

The Compliance Function is directed by the Group Policy for the Group Compliance Function.

SECURITY

An investment bank's business is strongly linked to its employees and the relation between employees and clients. To be able to maintain client confidence in the bank, it is important to have the best possible information and IT security. In work within this area, Carnegie applies ISO/IEC 17799/27001/27002. To protect employees, it is also necessary to address issues relating to their personal safety and possible threats. The Security function also investigates external factors that can affect business operations.

The Security function is managed by the Head of Group Security, who reports to the Board of Directors and the CEO. Before each Board meeting, the Security report is reviewed by the Audit Committee. Security issues are handled locally by designated personnel within IT and administration who report to the Head of Group Security.

Security work is conducted primarily by establishing guidelines, checking compliance with regulations and employee training. Control is exercised by the Head of Group Security in close cooperation with the Internal Audit function in conjunction with its audit.

The Security function is directed by the Group Policy for the Security Function.

INTERNAL AUDIT

The Internal Audit function reviews and evaluates the processes for internal control, risk management and corporate governance in the Group with a focus on operational risks. Internal Audit is independent of business operations and reports directly to the Board of Directors of D. Carnegie & Co AB. The audit plan, as well as prioritized focus areas for the Internal Audit function, are established by the Audit Committee. The reports prepared by Internal Audit are submitted to the units affected by the audit and to the Audit Committee. The Internal Audit function audits both ongoing operations in the line organization and the Group's various functions for risk control. Internal Audit also provides guidance for business operations with respect to operational risks.

Internal Audit consisted of two employees in 2007 and was increased to three employees as of 1 January 2008. In addition to internal resources, Internal Audit also employs external resources for certain specific assignments.

The work of the Internal Audit function is based on an annual audit plan that has its roots in a risk-based evaluation of the business and the Group's processes for internal control, risk management and corporate governance. The plan defines the most probable risks and goals for the audit. The audit plan including the risk analysis is approved by the Audit Committee.

The Internal Audit function's report is reviewed by the Audit Committee before each Board meeting.

The Internal Audit function is directed by the Group Policy for the Internal Audit Function.

WORKING METHODS FOR THE RISK FUNCTIONS**GROUP RISK ASSESSMENT COMMITTEE**

In order to coordinate and support the control functions in their

work, the five control functions meet in a discussion forum called the Group Risk Assessment Committee. In addition to the five managers of the control functions, the committee consists of the CFO and COO. The committee meets once each month. Minutes are recorded and distributed to the Audit Committee and the Internal Forum for Audit Advisory (see below).

INTERNAL FORUM FOR AUDIT ADVISORY

There is a corresponding supporting forum for the Internal Audit function, but this forum is intended for guidance and quality assurance and includes external parties. At present, the group has three external advisors and three internal members, who are the Head of Group Internal Audit, the CFO and the COO. The group meets four times a year and focuses on discussing the organization and auditing measures within the framework of the Internal Audit function's assignment to evaluate Carnegie's management of operational risks. Minutes are distributed to the Audit Committee for information purposes.

OFFICE VISITS

The five control functions work together in conjunction with office visits. During these visits, the greatest challenges for the local operation, the effect of organizational changes, the service offering, changes in laws and regulations, etc. are discussed. The goal, which was also achieved in 2007, is to visit each office once a year.

COORDINATED OPERATIONAL RISK EVALUATION (CORE)

Carnegie is working with an internal project called CORE in which the managers of each internal control function are included. CORE is a method that is intended to coordinate all risk assessment processes within the control function based on the COSO framework. The method prescribes that the internal control functions will also evaluate their own processes, and the result is expected to be more efficient reporting through a more uniform structure for the various reports.

AUDIT COMMITTEE

All reports from the internal control functions are submitted to the Board of Directors, but the Audit Committee has an assignment from the Board to conduct a detailed review of the reports. The Audit Committee also receives minutes from the meetings of the discussion forums. See page 91 for the Audit Committee's other assignments.

The managers of the control functions are present at the Audit Committee's quarterly meetings, which consider the interim and year-end reports. During the part of the meeting that considers the report, the CEO and the Head of Communications are also present, while the CFO and the COO participate in the entire meeting. In addition to these regular quarterly meetings, the Audit Committee holds extraordinary meetings as required at which only the Head of Group Internal Audit is present.

BOARD OF DIRECTORS

**ANDERS FÄLLMAN**

Chairman of the Board of Directors since November 2007

Born 1962

B. Law.

Anders Fällman has been CEO and CEO of Invik & Co sedan 2002. Previously he was Vice CEO of Invik, Vice CEO of Metro International S.A., Vice CEO of Investment AB Kinnevik and was active from 1987 to 2000 as corporate legal advisor and partner in the law firm of Cederquist. Anders Fällman is a Board member in a number of Swedish and European banking and insurance institutions and has previous Board experience from such exchange-listed companies as Industriförvaltnings AB Kinnevik and Metro International S.A.

Number of shares in Carnegie: 0*

* During 2008, Anders Fällman has acquired 125,000 shares in Carnegie.

**JAN KVARNSTRÖM**

Deputy Chairman of the Board of Directors since November 2007

Born 1948

B. Econ., MBA.

Jan Kvarnström has a background in the international financial sector and one of the Presidents of Dresdner Bank AG, CEO of Securum, manager of Nordea's London branch and advisor to the venture capital company 3i. Jan Kvarnström was also CEO of Esselte AB and held leading positions within the Bonnier Group. Jan Kvarnström currently has Board assignments in PA Resources AB, Collector Finance & Law and Castellum (Chairman of all Boards).

Number of shares in Carnegie: 0

**CATHARINA LAGERSTAM**

Board member since November 2007

Born 1962

B. Econ., M.Sc. Engineering, Dr. Econ.

Catharina Lagerstam has a doctorate in financial economics from the Stockholm School of Economics and previously conducted research in the area of financial risks. Currently Catharina Lagerstam works in management of the securities centre Clearstream in Luxembourg and previously held such positions as CFO of Hufvudstaden, head of financial analysis at Swedbank and as a member of the Bank Support Board in conjunction with the banking crises in the 1990s. Catharina Lagerstam is a Board member of ElektronikGruppen.

Number of shares in Carnegie: 0

**BJÖRN C. ANDERSSON**

Board member since November 2007

Born 1946

B. Econ., M. Econ., M.Sc.

Björn C. Andersson was appointed CEO of Handelsbanken in 1989. During the period from 1985 to 2004, he held various executive positions in Investment Banking and Asset Management. In recent years, he was Working Chairman in Handelsbanken's life insurance company. Björn C. Andersson is currently Chairman of Euroben Life, Nordben Life and Nordic Access Buyout Fund AB, Board member of Nordic Capital's Investment Committee and of OMX's Supervisory Committee.

Number of shares in Carnegie: 200

**MAI-LILL IBSEN**

Elected to the Board in 2007

Born 1955

B. Econ., MBA.

During 2006 and 2006, Mai-Lill Ibsen was CEO of NOS ASA, the Norwegian clearinghouse that merged with Imarex in 2006. From 2002 to 2005, she was manager of Citigroup in Norway, and from 1999-2002, she was acting CEO and CFO of Eksportfinans ASA. Other assignments include Board member of Eitzen Chemical ASA, Folketrygdfondet, ECO-Energi AS, Norsk Vekst ASA, UNIFOR and the Anders Jahre Foundation. Mai-Lill Ibsen is a member of the Oslo Stock Exchange's Nomination Committee, the Finance Committee of Norway's Cancer Foundation and the Control Committee of Bank Norwegian AS.

Number of shares in Carnegie: 0

**PATRIK TIGERSCHIÖLD**

Board member since November 2007

Born 1964

B. Econ.

Patrik Tigerschiöld has been CEO and CEO of Skanditek Industriförvaltning since 1999. Previously he worked at SEB, where he held several different leading positions in fund management and equity trading between 1991 and 1999. Prior to that, he worked as CEO of Hagströmer & Qviberg's operations in Luxembourg. Patrik Tigerschiöld has a number of Board assignments in such companies as Bure Equity, Vitrolife, Mydata Automation and PartnerTech (Chairman of all Boards).

Number of shares in Carnegie: 1,000

JAN PALMQVIST

Auditor Deloitte AB

Born 1962

B. Econ., Authorized Public Accountant. Other assignments include Swedbank, SBC Sveriges Bostadsrätts Centrum, HEBA Fastighets AB, Aktiespararna and Länsförsäkringar Stockholm.

Number of shares in Carnegie: 0

GROUP MANAGEMENT



ANDERS ONARHEIM

Born 1959

Acting CEO since September 2007 and Head of the Investment Banking business area since July 2007.

CEO of Carnegie ASA in Oslo since 1996. Before joining Carnegie, Anders Onarheim was Head of Equity Trading at Enskilda Securities in Norway between 1994 and 1996. From 1990 to 1994, he was Executive Director within Investment Banking at Goldman Sachs in London and Vice CEO Institutional Sales at Merrill Lynch in the US and the UK from 1990 to 1994.

Number of shares in Carnegie: 328,000



JIM CIRENZA

Born 1959

Head of the Securities business area since 2006.

Jim Cirenza joined Carnegie, Inc. in New York as CEO in 2001. From 1998 to 2001, he was Vice CEO European Equities at JP Morgan Securities Inc. From 1996 to 1998, he was Director of International Sales Trading at BZW Securities Inc. from 1995 to 1996, Managing Director International Equities at NatWest Markets Inc. Between 1985 and 1995, Jim Cirenza held various positions within Goldman Sachs & Co.

Number of shares in Carnegie: 150,000



BO HAGLUND

Born 1952

Acting CFO since October 2007.

Bo Haglund has held various executive positions within Carnegie over a ten-year period, most recently as one of the managers responsible for the acquisition and integration of Max Matthiessen. Previously, between 1996 and 2001, he was Vice CEO and CFO in the exchange-listed biotech company Oxigene.

Number of shares in Carnegie: 0



PER AXMAN

Born 1961

Head of the Asset Management and Private Banking business areas since 2007.

Between 1998 and 2007, Per Axman held various positions within HQ Bank, most recently as Vice CEO and manager of HQ Private Banking. Between 1986 and 1998, he held various positions within SEB Institutional Sales for derivatives, fund managers and private banking and as managers of SEB Equity Trading.

Number of shares in Carnegie: 58,000



CHRISTOFFER FOLKEBO

Born 1970

Head of the Max Matthiessen business area since 2007 when Carnegie acquired the company.

Christoffer Folkebo joined Max Matthiessen in January 2004, first as COO and then as Executive Vice CEO and became CEO in 2006. Previously he was an advisor to and partner in the consulting company Spread Corporate Advisors. Between 1994 and 1997, he worked at HSBC Investment Bank and Handelsbanken Investment Bank.

Number of shares in Carnegie: 117,126



MATTI KINNUNEN

Born 1958

COO. Appointed deputy CEO in 2007. Matti Kinnunen joined Carnegie in 1990 and worked as CEO of D. Carnegie AB between 1992 and 2002. He is Chairman of the Board of Directors in several of Carnegie's subsidiaries in the Nordic countries, the UK and the US. He is a Board member of OMX Exchanges Ltd.

Number of shares in Carnegie: 310,000



MIKAEL ERICSON

Born 1960

Appointed President and CEO of Carnegie in January 2008. Mikael Ericson will assume his position on 1 May.

He has been Vice CEO of Handelsbanken since 2006 and manager of Handelsbanken Capital Markets since 2003. Previously, from 1995 to 2002, Mikael Ericson held various executive positions within Handelsbanken in Stockholm and London. From 1987 to 1993, we worked as a trader in fixed-income instruments at Carnegie. He has been Chairman of the Swedish Association of Stockbrokers since 2006.

INCOMING CEO

DEFINITIONS OF KEY DATA

EARNINGS PER SHARE: Profit for the period divided by the average number of shares.

PROFIT PER SHARE AFTER DILUTION: Profit for the period divided by the average number of shares, including the full dilution effect of issued subscription warrants. Profit for the period is divided by the total number of shares, including the number of issued shares corresponding to the estimated current value (at the current share price) of issued subscription warrants.

AVERAGE NUMBER OF SHARES: The total number of shares, included any new issues, as a weighted average during the period.

TOTAL NUMBER OF SHARES ENTITLED TO DIVIDENDS: The total number of outstanding shares on the record date.

TOTAL NUMBER OF SHARES, INCLUDING EFFECT OF SUBSCRIPTION WARRANTS: The total number of shares including the number of issued shares corresponding to the estimated current value (at the current share price) of issued subscription warrants.

SHARE PRICE: The share price (closing price) at the end of the period.

P/E RATIO (LAST 12 MONTHS): Share price divided by earnings per share for the past 12 months.

C/R RATIO: Total costs (expenses), including allocations to the profit-share system, as a percentage of total revenues (income), including income from associated companies and other significant holdings.

PROFIT MARGIN: Profit before tax as a percentage of total income, including income from associated companies and other significant holdings.

RETURN ON SHAREHOLDERS' EQUITY: Profit for the most recent 12-month period as a percentage of average shareholders' equity.

REGULATORY CAPITAL BASE: Primary capital plus Tier II capital.

PRIMARY CAPITAL: Shareholders' equity plus the equity portion of untaxed reserves minus goodwill, any proposed dividends, deferred tax assets, intangible assets and any treasury shares.

TIER II CAPITAL: Subordinated loans up to 50 per cent of primary capital.

RISK-WEIGHTED ASSETS: The carrying amount of assets valued in accordance with the Swedish Financial Supervisory Authority's capital adequacy rules.

CAPITAL ADEQUACY RATIO: Total regulatory capital base (primary capital plus Tier II capital) as a percentage of risk-weighted assets.

TIER II RATIO: Total regulatory capital base (primary capital plus Tier II capital) divided by the total capital requirement for credit risk, market risk and operational risk.

AVERAGE NUMBER OF ANNUAL EMPLOYEES: The total number of paid working hour for all employees divided by the normal number of working hours per employee for the entire period.

AVERAGE NUMBER OF EMPLOYEES ON THE CLOSING DATE: The number of annual employees (full-time equivalent) on the closing date.

GLOSSARY

BACK OFFICE: Administrative systems and personnel.

BOOK BUILDING: The process in which interest among institutional and private clients (with respect to price and volume) is polled with the purpose of setting the price in an initial public offering or a secondary offering.

BOOK RUNNER: The lead underwriter in a book-building process.

CAPITAL ADEQUACY RATIO: Total regulatory capital base (primary capital plus Tier II capital) as a percentage of risk-weighted assets.

CARNEGIE EDGE: Internet-based service for institutional clients, containing research reports on Nordic companies.

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. See also carnegie.se.

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

CORPORATE GOVERNANCE: The shareholders' tool for identifying risks in the organization and the mechanisms for controlling them.

DISCRETIONARY ASSET MANAGEMENT: Asset management on behalf of an individual client according to specific guidelines and investment strategies.

EQUITY CAPITAL MARKETS SERVICES: Advisory services for initial public offerings, private placements, new issues, spin-offs, secondary offerings and valuation assignments relating to public transactions.

FREE FLOAT: The number of shares of a public company that are freely available to the investing public.

FRONT OFFICE: The business units that work directly with clients.

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

LARGE CAPS: Larger listed companies, with a market capitalization exceeding SEK 20 billion.

LENDING TO THE PUBLIC: Lending to the public, primarily to private clients, against collateral in the form of shares.

M&A: Mergers & acquisitions, including acquisitions and sales involving unlisted companies and public mergers and acquisitions.

MORNINGSTAR: Investment research firm providing rankings on mutual funds. See also morningstar.se.

NEW ISSUE/NON-PREFERENTIAL ISSUE: New issue directed to external parties outside the existing shareholder group.

NEW ISSUES/PREFERENTIAL ISSUE: New issue with preferential rights for existing shareholders.

PRIMARY CAPITAL RELATION: Regulatory capital (including any Tier II capital) divided by risk-weighted assets.

PRIMARY CAPITAL: Shareholders' equity reduced by goodwill, proposed dividends and treasury 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: Taking positions on own account intraday, overnight or for longer periods.

PROSPERA: Market research institute for the Nordic financial markets.

REGULATORY CAPITAL: Primary and any Tier II capital.

REPO: Repurchase agreement.

RISK-WEIGHTED ASSETS: A measure of the total risk exposure at any given time. Risk-weighted assets consist of credit risks (lending or counterparty risks) and market risks (from proprietary trading and market trading). As of February 2007, operational risks are also included.

SECONDARY MARKET: Market for existing shares.

SECONDARY PLACING: Coordinated sales procedure involving a block of shares for institutional and private investors.

SHARE TURNOVER RATIO: The value of all traded shares on a marketplace during a given period divided by the average market value to the total number of shares during the same period.

SHARE TURNOVER: The value of all traded shares on a marketplace during a given period.

SMALL CAPS: Smaller listed companies with a market capitalization less than SEK 10 billion.

STARMINE: Rates analysts based on return on share recommendations and precision in earnings forecasts.

SWAP: A contract for exchange of assets on a given date.

THOMSON FINANCIAL SECURITIES DATA: Global provider of financial statistics. See thomson.com.

TIER II CAPITAL: Shareholders' equity plus any subordinated loans.

UNDERWRITING INCOME: Income from advisory services in connection with placing of shares, e.g. initial public offerings, secondary offerings, often related to the transaction value.

CARNEGIE ART AWARD

The Carnegie Art Award was established in 1998 to support skilled artists in the Nordic countries and to promote contemporary painting. In slightly less than a decade, it has become an established and recognized part of the Nordic art scene. With a total prize sum of SEK 2.1m, the Carnegie Art Award is one of the world's largest art awards. Several of the artists recognized through the Carnegie Art Award are now known not only in the Nordic region, but also internationally.

"Having an opportunity via our exhibitions to show Nordic art also outside the Nordic region in London, for example, has without a doubt been very important," says Anne Folke, project manager for the Carnegie Art Award 2008. Future plans include investigating whether the exhibition can also be shown in other art metropolises, such as New York.

During the year, the Carnegie Art Award team worked to put together the eighth consecutive exhibition – the Carnegie Art Award 2008. The jury, under the leadership of Tuula Arkio, museum director and cultural affairs counselor from Helsinki, chose 26 Nordic artists from 143 nominees whose work is now being shown in the exhibition. This year, María de Corral, art critic and freelance curator from Madrid, was invited as an international guest member of the jury.

The Carnegie Art Award is one of the world's largest art awards in which three of the participating artists receive prizes of SEK

1,000,000, SEK 600,000 and SEK 400,000, respectively. In addition, a young artist is granted a scholarship of SEK 100,000. The first prize this year was awarded to the Swedish artist Torsten Andersson. The second prize went to Denmark's Jesper Just, while his countryman John Kønér received the third prize. The scholarship was awarded to Nathalie Djurberg of Sweden.

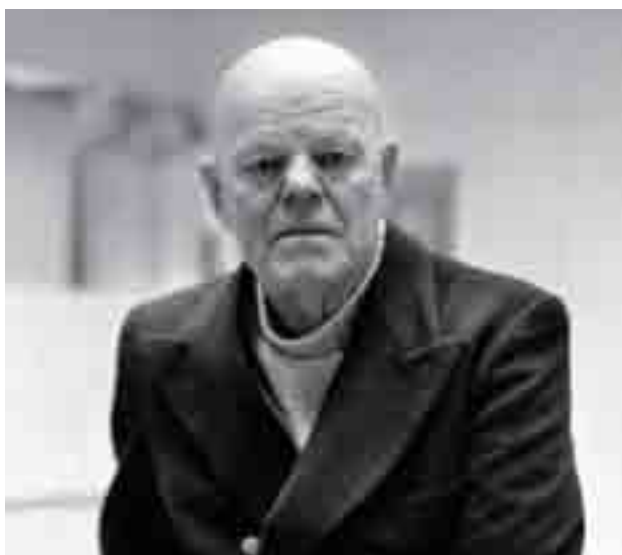
In addition to the Carnegie award and the traveling exhibition, the artists and their work are documented in an extensive book. All work was produced over the past two years, thus ensuring that the exhibition provides an excellent overview of contemporary Nordic art. At the exhibition, a film is also shown portraying the artists in their studios.

The Carnegie Art Award 2008 exhibition was inaugurated on 25 October 2007 at the Kiasma Museum of Modern Art in Helsinki by Finland's CEO Tarja Halonen. During 2008, the exhibition will move on to all Nordic capitals, London and Gothenburg, before closing in Carros outside Nice, France during the spring of 2009.

During the time the Carnegie Art Award has existed, interest in contemporary art has increased significantly among media, the public, companies, museums and auction houses. Thus far, eight annual editions of the Carnegie Art Award have been shown, resulting in 44 exhibitions in seven countries in which a total of 142 Nordic artists have participated. A total of 250,000 persons have visited the exhibitions thus far. Seminars and talks with the artists have been held in all cities and continue to be arranged in conjunction with the exhibition. The public and thousands of schoolchildren have been guided among the works.

Read more at carnegie.se.

CARNEGIE ART AWARD



The first-prize winner in 2007 was Torsten Andersson and his work *Pinnaskulptur – personality as language* from 2005 (oil on canvas, 208 x 180 cm).

CARNEGIE SOCIAL INITIATIVE

Each year, Carnegie and the company's employees contribute to giving more than 2,400 vulnerable children an opportunity to create a better future. These contributions are channelled through the Carnegie Social Initiative, which was started in 2002 and involves employees at Carnegie's offices in Sweden, the rest of Europe and the US.

The underlying theme for the Carnegie Social Initiative is to "invest in the future of vulnerable children and young people." In specially selected projects, Carnegie contributes to future-oriented initiatives for children and young people in India, Latvia and Lithuania.

Carnegie as a company values strong social commitment, but involvement in Carnegie Social Initiative projects is also a means of increasing cohesion and uniting employees from different parts of the organization. Through regular feedback, it is easy to follow how the projects are developing.

CARNEGIE'S PROJECTS

DOORSTEP SCHOOL, MUMBAI, INDIA

Thanks to the Doorstep School, children from the slums of Mumbai have an opportunity to learn to read and write. With the support of Carnegie, 480 children receive instruction in 19 classes. These are children who would otherwise remain illiterate and risk having to work at too young an age.

COMPUTER CENTRE, MUMBAI, INDIA

Computer Centre is a unique initiative in the slums of Mumbai that was made possible with support from Carnegie in 2003 and which supplements the Doorstep School. In this project, children have access to computers and basic IT instruction. During 2007, Carnegie's employees organized a collection to purchase new computers and updated software for the project. The computers are in constant use from the early morning until late at night. About 1,000 children participate in the project.

AKANKSHA, MUMBAI, INDIA

This project also provides education for children from the slums and emphasizes English and math. Learning English is the key to new opportunities in the labour market and provides a sound foundation for creating a better future.

YOUTH PSYCHOLOGICAL AID CENTRE, LITHUANIA

Suicide is a growing problem among young people in Lithuania. Through the Youth Line free telephone service, trained volunteers supported by a crisis team provide help for troubled young people.

MISSING PERSONS FAMILY SUPPORT CENTRE, LITHUANIA

The support centre works pro-actively to prevent trafficking and provides a special home for young women who have fallen victim to traffickers to help them return to a normal life.

BIG BROTHER, BIG SISTER, LITHUANIA

In this project, children in a risk zone have the support of a mentor, a big brother or big sister, who provides a role model by being a person with whom they can easily relate but who at the same time maintains an adult perspective.

CENTRE AGAINST ABUSE, DARDEDZE, LATVIA

In this project, children who have been subjected to abuse by their families are rehabilitated. The centre has a holistic perspective that provides help and support not only for the children, but also for the families.

OTHER INITIATIVES

STOCKHOLM CITY MISSION

During the autumn of 2005, a fund was established in which companies are invited to become a long-term partner in the Stockholm City Mission's work among children, young people and the elderly. Carnegie elected to contribute to this fund. Carnegie employees may also become involved through volunteer work.



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