





Contents

Carnegie in brief	2	Remuneration	62
In focus 2004	3	Statutory consolidated income statement	64
Events in 2004	4	Statutory consolidated balance sheet	65
The CEO's comments	6	Change in shareholders' equity, Group	66
		Income statement of Parent Company	67
ADMINISTRATIVE REPORT		Balance sheet of Parent Company	68
5-year financial overview, income statement and definitions	10	Change in shareholders' equity, Parent Company	70
5-year financial overview, operating data and key ratios	11	Statement of changes in financial position – Group and Parent Company	71
Share information and ownership structure	12	Accounting policies	72
Strategic aim	16	Notes to financial statement – Group	76
The Carnegie Group 2004	22	Notes to financial statement – Parent Company	87
Business areas		Appropriation of profit	89
Securities	27	Auditors' report	90
Investment Banking	35	Glossary	91
Asset Management & Private Banking	41	Carnegie Art Award	92
Employees	49	Carnegie Social Initiative	94
Corporate governance	51	Addresses	95
Board of Directors	58	Carnegie historical flashback	96
Executive officers	60		

Financial calendar 2005

Last day for trading in the Carnegie share including dividend	17 March
Annual General Meeting	17 March
Distribution of dividend	29 March
Interim report January – March	27 April
Interim report January – June	14 July
Interim report January – September	26 October

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

Annual General Meeting

The Annual General Meeting (AGM) will be held on 17 March, 2005, at 3 pm, at Solliden, Skansen, Stockholm. The CEO speech will also be available as a live audio web cast at www.carnegie.se/ir.

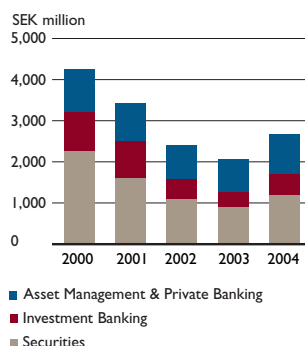
Please note that

- shareholders wishing to attend the meeting must be registered on 7 March, 2005, in the share register maintained by VPC AB,
- in order to be entitled to participate at the AGM, shareholders whose shares are nominee-registered must ensure, well before 7 March, 2005, that the nominee temporarily registers the shares in the shareholder's own name in the share register, and
- a notification of participation must be submitted no later than on 11 March, 2005, 4 pm to D. Carnegie & Co AB (publ), Västra Trädgårdsgatan 15, 103 38 Stockholm, Sweden, or by telephone on +46 8 58 86 90 75, by fax to +46 8 20 57 83, or at www.carnegie.se/ir

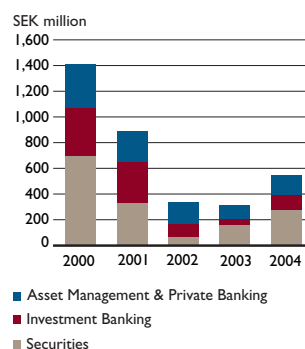
Please note that proxies must be submitted to D. Carnegie & Co in original and not by fax or via Internet

Carnegie in brief

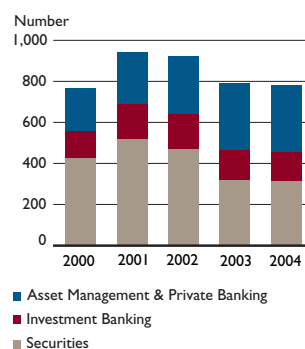
Income by business area



Profit before taxes by business area



Average number of employees by business area



Carnegie is an independent Nordic investment bank operating in Securities, Investment Banking, Asset Management and Private Banking. Carnegie provides a wide array of 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.



Securities

Research and brokerage services for institutional investors with Nordic securities in their portfolios

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

Investment Banking

Specialist advice and support in private and public mergers & acquisitions, equity capital markets transactions, as well as structured financial products

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

Asset Management & Private Banking

Asset Management – top class actively managed products based on a research-driven, structured and focused investment strategy.

- Mutual funds
- Discretionary asset management services

Private Banking – personal and dedicated service based on a comprehensive service offering, including both internally and externally managed products

- Securities brokerage
- Tax advice
- Tax return services
- Succession planning advice
- Legal and insurance advice

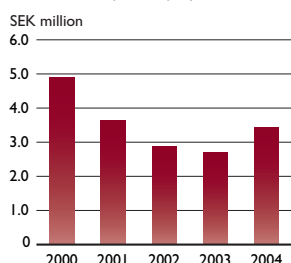
Carnegie Group

Total income, SEKm	Profit before taxes, SEKm
1,202	273
511	124
959	149
2,672	535*

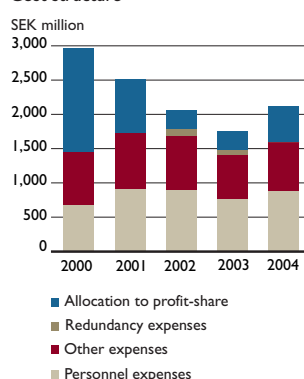
* The result from principal investments and the effect on total allocation to profit-share (net effect SEK –11 million) are not allocated to the business areas.

In focus 2004

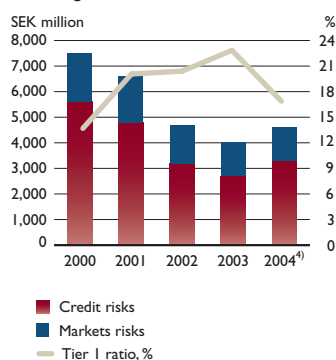
Total income per employee



Cost structure



Risk-weighted assets and Tier I ratio



Pay-out ratio



- Improved market confidence was reflected in Nordic turnover and index development
- Consolidated market position resulted in improved income
- Profitability was substantially improved showing the leverage in Carnegie's business model
- Proposed dividend SEK 5.93, corresponding to a 100 per cent pay-out ratio

Operating data and key ratios 2000 – 2004¹⁾

SEK million unless otherwise stated	2000	2001	2002	2003	2004
Total income	4,247	3,440	2,392	2,081	2,672
Total operating expenses excl. profit-share	-1,450	-1,738	-1,786	-1,472	-1,591
Operating profit before profit-share	3,047	1,636	616	603	1,059
Profit before taxes	1,533	852	339	315	535
Net profit	1,090	572	250	211	396
Earnings per share (SEK)	17.21	8.76	3.75	3.17	5.93
Earnings per share, fully diluted (SEK)	17.21	8.76	3.75	3.14	5.87
Dividend per share (SEK)	13.57	8.57	8.93	3.16	5.93 ²⁾
Pay-out ratio, %	79	98	238	100	100
Cost/income ratio, %	66	75	86	85	80
Operating margin, %	34	25	14	15	20
Tier I ratio, %	10.0	20.0	20.4	22.7	16.8 ^{3) 4)}
Number of full-time equivalent employees, average	765	941	924	793	791
Total income per employee, average (SEK million)	5.6	3.7	2.6	2.6	3.4
Period-end assets under management (SEK billion)	72	67	47	55	62

1) For definitions, see page 10.

2) Proposed dividend.

3) After deduction of proposed dividend.

4) New definition of regulatory capital from 2004. The Tier I ratio for 2003 was 18.0 per cent using the current definition.

Events in 2004

Best broker in Denmark

- **JANUARY** For the fifth consecutive year, the Danish Investor Relations Society named Carnegie as the best broker in Denmark. In a survey conducted by Euromoney, Carnegie was ranked 7th best European private bank. In the Luxembourg ranking, Carnegie was ranked as the 8th best private bank, giving Carnegie the top position among Nordic private banking suppliers.

TOP POSITION

- **MARCH** Carnegie's top position in the Equity Capital Markets segment was further underlined through the successful completions of the two largest initial public offerings in the Nordic region in the first half year 2004. Carnegie acted as joint global co-ordinator and joint book-runner in the IPO's of Oriflame Cosmetics (SEK 5.1 billion) on the Stockholm Stock Exchange and Aker Kvaerner (NOK 2.1 billion – April) on the Oslo Stock Exchange.

Furthermore Carnegie acted as sole manager and book-runner in the secondary placing of NOK 1.2 billion of shares in Norway-based savings and life insurance group Storebrand, equating to some 10 per cent of the company's capital.

Carnegie also advised the leading Danish energy company DONG in the acquisition of a shareholding in Elsam, the first of a number of Elsam share acquisitions DONG would make during the year, with Carnegie as adviser.

In Sweden, Carnegie broadened its product portfolio with put and call warrants, that were introduced on the Stockholm Stock Exchange.

- **APRIL** To focus further on adding value to clients, it was decided to separate Carnegie's combined business area Asset Management & Private Banking into two separate business areas. Niklas Ekvall was subsequently appointed Head of Asset Management and Lars Bjerrek Head of Private Banking.



Adding value to clients

- **MAY** The Carnegie share was included in Morgan Stanley's Standard Country Index (MSCI Sweden). The index is designed to capture 85 per cent of the free float adjusted market capitalisation of each industry group in each country.
- **JUNE** In a survey conducted by StarMine, Carnegie was ranked the No 1 Nordic research house. Carnegie took the top spot with a total of 15 awards, with the largest number of analysts among the top 10.

Internally, Stiftelsen D. Carnegie & Co (a foundation) was launched. The aim of the foundation is to support Carnegie employees wishing to develop themselves further and gain broader experience in addition to, and aside from, their employment at Carnegie. The foundation is a unique structure which will provide new opportunities for Carnegie employees.

Carnegie advised Volvo in the transfer of Volvo's entire SEK 6.2 billion holding of truck and bus manufacturer Scania's A shares to a newly created Volvo subsidiary, Ainax AB. Ainax was then spun off to Volvo's shareholders and listed on the New Market of Stockholmsbörsen. At the end of October, Ainax was then the subject of a public bid by Scania, an assignment in which Carnegie had an advisory role for Ainax.

no. 1
Nordic
research
house



Pan-Nordic transactions

- **JULY** Carnegie acted as adviser to credit services group Aktiv Kapital ASA in the acquisition of Olympia Capital ASA and was sole manager and book-runner in the new share issue of NOK 1.15 billion.

Carnegie advised the A.P. Møller – Maersk Group in the divestment of the, at that time, largest Danish-owned IT services company, Maersk Data, to IBM.

Carnegie acted as sole financial adviser to TeliaSonera in the acquisition of France Telecom's Danish mobile telecom subsidiary Orange A/S, in a transaction valued at more than EUR 600 million.

- **AUGUST** Carnegie was the largest market participant in the Nordic region with an aggregated share of turnover on the Nordic stock exchanges above 9 per cent.
- **SEPTEMBER** Banque Carnegie Luxembourg incorporated a subsidiary in Switzerland to further improve its business and the services it provides to a primarily international Nordic client base. In Sweden a team was recruited to develop a long-term real estate-oriented investment product, adding a new asset class to Carnegie's client offering.
- **NOVEMBER** In Swedish business weekly Affärsvärlden's annual ranking of the Swedish research houses, Carnegie was for the first time ever ranked in all categories. Carnegie further improved its position in seven sectors and lost position in only one, by far the best improvement of all research houses.

Following a number of cost-efficiency projects and streamlining of the organisation, as well as the development of business area Asset Management & Private Banking into two separate units, Carnegie announced a staff reduction in Sweden of 20 employees.

Carnegie acted as joint lead manager in the USD 210 million directed new share issue for Millicom International Cellular.

Nordic M&A Award

- **DECEMBER** Carnegie was named Nordic M&A House of the year in the Financial News, London, annual ranking for 2004. During the last three years, Carnegie has been among the three largest players in the Nordic region when it comes to guidance and corporate business, according to statistics from Thompson Financial.

Carnegie European Equity took the gold position by a wide margin in the category European Funds, in a survey conducted by Morningstar. The fund has 25 to 30 companies in its portfolio, mainly larger well-established companies. One of the trends Carnegie has followed is the structural change in Eastern Europe.



Switzerland

“... a substantial improvement in profitability due to hard work, competence and vigour ...”

The CEO's comments

Dear Shareholders,

I take great pleasure in reporting to you that we have consolidated our market position significantly during the year through a combination of hard work, competence and vigour. Consequently, we have substantially improved our results for 2004, and our net profit increased by 87 per cent.

To summarise 2004, the year began with good market activity and the first quarter saw financial markets recover after years in the doldrums. However, global concerns over interest rates and the lack of stronger US employment numbers contributed to a more lacklustre market environment during the second quarter. This sentiment continued into the second half of the year and was fuelled by the high price of oil, rapid growth in China and India, as well as uncertainty surrounding the US election. Despite this background, companies reported strong results and we continued to receive positive economic statistics, reflecting improved market sentiment and activity towards the end of the year. In the Nordic region, stock markets outperformed global indices, and ECM activity improved dramatically from last year. The total transaction value in the Nordic M&A market was slightly below 2003 while the number of transactions increased substantially. The net flow to equity funds was still on hold.

I cannot summarise 2004 without mentioning the catastrophe in Southeast Asia that has affected so many lives and families around the world – a tragedy where words cannot express the pain that so many will have to live with for years to come. This event is a reminder to us all that we need to divert some of our time and attention to those suffering as a result of both natural and man-made disasters. We all have a responsibility to show empathy and to do what we can to reach out and support through whatever means we have.

Carnegie 2004

Our income trend was positive in 2004: total income of SEK 2,672 million was up by 28 per cent from 2003. Our total expenses before profit share were up by 8 per cent to SEK 1,591 million and our cost/income ratio trended in the right direction. Our net profit of SEK 396 million for 2004 represents a substantial improvement; an 87 per cent increase in profits on a 28 per cent increase in income shows the leverage in Carnegie's business model.

Following the change programme, One Carnegie, a new way of working implemented during the past few years, we have achieved a relative cost base that is roughly in line with our current strategic objectives. This is of course not a static situation, some initiatives are still being implemented and will continue to contribute to cost efficiency. We also anticipate growth in some areas that will impact the cost base over time. All in all, our cost base gives us good flexibility and leverage – should market conditions improve, Carnegie can take on larger volumes without increasing costs significantly. With the current outlook we expect to keep our cost range for 2005 unchanged between SEK 1.5 and 1.6 billion.





Securities showed the potential of our leverage in the substantial improvement in profitability, due to a pick-up in volumes in the first quarter and a relatively stable cost base. Investment Banking's result showed a similar picture, despite low activity in primary equity offerings, with a strong market position in the M&A-market. In Asset Management & Private Banking, the result reflects the strong performance and the improved market valuation in the latter part of 2004.

In terms of the development of teams, service and products, we further strengthened our Asset Management operation during the year with a new Group Head of Asset Management. The already strong team has also been joined by new competence in structured asset management and real estate, where we are introducing new products to our portfolio. Investment Banking's strong position was further consolidated as a result of strong client relationships. This was recognised in it being named "Nordic M&A House 2004" by Financial News, London. Private Banking finally got off the ground as a separate business area and a new Group Head of Private Banking and new Heads for our offices in Copenhagen, Stockholm and Malmö have been recruited. Securities has continued to develop the Nordic research product and has introduced other innovative financial products that have further strengthened its position with targeted clients in all relevant markets.

The Carnegie strategy

Today's competitive environment is global rather than local, which has led to clients becoming more sophisticated with greater demand placed on products and services. Clients' trust is gained only by delivering high-quality and innovative financial products and services. Leading positions within our chosen segments are crucial to achieving long-term profitability in the tough international competitive environment. The Nordic markets are still relatively fragmented compared with other financial markets globally.



“The circle of trust is fuelled by the continuous development of employee competence to meet client needs...”

This will most likely lead clients to concentrate their business on the top-quality investment banks in our region. Carnegie is well positioned versus the competition to take advantage of this trend, both domestically and internationally.

The core of our long-term strategy as the leading independent Nordic investment bank remains intact. Our vision, to achieve long-term profitability by being our clients' first choice, is unchanged. Our strategy is not unique but the way in which we work is. Our ability to deliver profitability to our shareholders depends on the competence and commitment of our people working towards the same goals and sharing the same values to be our clients' first choice. This is supported by our profit-share model, ensuring the same objectives for shareholders and employees.

The circle of trust

Our success depends on a circle of trust between Carnegie's stakeholders represented by shareholders-employees-clients:

- client satisfaction determines the revenue stream and basis for profitability – *Clients' 1st choice*
- employees' commitment and competence to meet client demands – *One Carnegie*
- shareholder investment in a profit-share model and organisation characterised by transparency, where investors and employees share the same interest; clients' first choice – *Profitability and shareholder value*

The circle of trust is fuelled by the continuous development of employee competence to match client needs and by setting clear goals and objectives to provide a blueprint for profitability and shareholder value. My personal mission is to ensure that Carnegie becomes our clients' first choice. Through strong leadership we will unleash the potential in our organisation so that our competitive lead will grow in the year ahead. My ultimate aim is for the circle of trust to become self-perpetuating to achieve superior profitability for our shareholders.

Challenges ahead

Our constant challenge is attracting and retaining the best people. Following the significant changes implemented during the past few years, just as important as keeping an organisation vital and continuously embracing the changing demands of the environment, is stability and continuity. The challenge lies in striking the right balance between stability and vitality. Stability and continuity are key to developing client relationships, as is the experience required to best serve our clients.

Objectives for 2005

We will continue to build on our success as an independent Nordic investment bank and we are ready to set our sights higher and aim to become world-leading in our field. In our Securities and Investment Banking business areas, we have a position as a world-leading investment bank with a Nordic focus. The strong market positions in



“...and by setting clear goals and objectives to provide a blueprint for profitability and shareholder value”

these areas will be used to build close client relationships and ensure leading positions in all markets and product areas. In 2005, special focus will be on growth and gaining market share in the recently established business areas Asset Management and Private Banking. This will be achieved by building on our strong brand name and strengthened teams. Developing these two areas will also provide diversity and balance in our revenue stream.

Healthy global financial markets will be an important component in our ability to achieve improved financial results but we will in any case concentrate on gaining market share and therefore developing relative to the market. Macroeconomic developments at the end of 2004 provide a promising foundation for improved market conditions in 2005.

Finally, I am pleased to inform you of the Board of Directors' decision to propose to the AGM a dividend of SEK 5.93 per share. Factors taken into account by the Board when determining the proposal for dividend included the result, changes in regulatory requirements and goals and objectives for 2005.

Together with my colleagues, I look forward to continue building Carnegie in the year ahead.

Stockholm, February 2005

A handwritten signature in black ink, appearing to read 'Karin Forseke', with a long horizontal line extending from the end.

Karin Forseke
CEO

5-year financial overview

Income statement¹⁾

Group (SEK million)	2000	2001	2002	2003	2004
Securities	2,261	1,615	1,106	915	1,202
Investment Banking	961	901	467	368	511
Asset Management & Private Banking	1,024	924	819	798	959
Total income ²⁾	4,247	3,440	2,392	2,081	2,672
Personnel expenses	-680	-906	-902	-779	-883
Redundancy expenses	-	-	-92	-61	-
Other expenses	-770	-829	-789	-634	-710
Net provisions for credit losses	0	-3	-3	1	1
Total expenses excluding profit-share	-1,450	-1,738	-1,786	-1,472	-1,591
Operating profit before result from principal investments and profit-share	2,796	1,702	606	608	1,081
Results from principal investments ²⁾	251	-65	9	-6	-21
Operating profit before profit-share	3,047	1,636	616	603	1,059
Allocation to profit-share system	-1,514	-784	-277	-287	-524
Total expenses	-2,964	-2,522	-2,063	-1,760	-2,115
Profit before taxes	1,533	852	339	315	535
Taxes	-443	-280	-89	-104	-139
Net profit	1,090	572	250	211	396

¹⁾ Prior to the merger with Carnegie Holding in 2001, the operations of D. Carnegie & Co have principally been limited to holding shares in Carnegie Holding. Therefore, the financial information presents consolidated financial information of Carnegie Holding and its subsidiaries for the year 2000.

²⁾ Result from principal investments includes the result from Carnegie's holding in Orc Software (2000–2002) and the result from other shares and participations. Total income as reported in the statutory income statement may thus differ from the information presented above.

Carnegie is a financial company with a large part of income generated from equity-related fees and commissions. Income from trading activities represents a low proportion of the total business, leading to low capital requirements. Excess capital is distributed to shareholders, after considering prudent capital requirements. In the present regulatory framework the target for the Tier I ratio is 15%. Key ratios primarily focused are thus cost/income ratio and Tier I ratio while return on equity is of secondary focus.

Definitions of key ratios

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

Earnings per share, fully diluted: Net profit for the period divided by the average number of shares, fully diluted, including the effect of issued warrants (see page 14).

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

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

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

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

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

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

Average number of shares: For the period up to 30 June 2001, the average number of shares is calculated as the number of shares outstanding immediately after merger and split, excluding the new share issue, in connection with the IPO in 2001.

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

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

Operating data and key ratios

Key data	2000	2001	2002	2003	2004
Earnings per share (SEK)	17.21	8.76	3.75	3.17	5.93
Earnings per share, fully diluted (SEK)	17.21	8.76	3.75	3.14	5.87
Book value per share (SEK)	25	28	24	17	20
Dividend per share (SEK)	13.57	8.57	8.93	3.16	5.93 ¹⁾
Pay-out ratio, %	79	98	238	100	100
Share price (SEK)	—	131	56	71	86
Total return, %	—	14 ²⁾	–51	43	26
Price/earnings multiple	—	14.9	14.9	22.4	14.5
Price/book multiple	—	4.6	2.4	4.1	4.3
Average number of shares (000')	63,367	65,267	66,702	66,702	66,702
Number of shares at period-end (000')	63,367	66,702	66,702	66,702	66,702
Number of shares related to total number of warrants outstanding (000')	—	—	2,400	4,800	7,200
Total number of shares, including effect of issued warrants (000')	63,367	66,702	66,702	67,243	67,471
Cost/income ratio, %	66	75	86	85	80
Compensation/income ratio, %	49	50	49	51	53
Income per employee, average (SEKm)	5.6	3.7	2.6	2.6	3.4
Operating margin, %	34	25	14	15	20
Profit margin, %	24	17	10	10	15
Return on equity, %	85	38	16	17	33
Total assets (SEKm)	18,553	19,129	12,444	14,618	23,009
Margin lending (SEKm)	4,250	2,409	2,820	3,120	6,612
Deposits and borrowing from general public (SEKm)	6,469	5,561	5,016	5,145	5,424
Shareholders' equity (SEKm)	1,605	1,880	1,568	1,145	1,325
Total regulatory capital base (SEKm)	973	1,308	956	918	774
–Shareholders' equity	1,605	1,880	1,568	1,145	1,325
–Goodwill	–2	–1	–17	–17	–12
–Dividends	–860	–572	–596	–211	–396 ¹⁾
–Subordinated loan	230	—	—	—	—
Total risk-weighted assets (SEKm)	7,461	6,545	4,690	4,037	4,601
Risk-weighted assets (Credit risks)	5,570	4,784	3,214	2,710	3,274
Risk-weighted assets (Market risks)	1,892	1,761	1,476	1,327	1,327
Tier I ratio, %	10.0	20.0	20.4	22.7	16.8 ³⁾
Capital adequacy, %	13.0	20.0	20.4	22.7	16.8 ³⁾
Number of employees, average	765	941	924	793	791
Number of employees, period-end	864	943	835	774	779
Period-end assets under management (SEK billion)	72	67	47	55	62

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

³⁾ After deduction of proposed dividend. New definition from 2004. The Tier I ratio for 2003 was 18.0 per cent using the current definition.

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

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

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

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

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

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

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

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

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

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

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

Analysts covering Carnegie

ABG Sundal Collier
Sigmund Håland
+47 22 01 60 00

Cazenove
Robert Sage
Gorm Thomassen
+44 20 7588 28 28

Cheuvreux
Fredrik Gutenbrant
+46 8 723 51 00

Enskilda Securities
Thomas Johansson
+46 8 52 22 95 00

Fox-Pitt, Kelton
Garth Leder
+44 20 7933 4000

Goldman Sachs International
Christoffer Malmer
Sasu Jarvinen
+44 20 7774 10 00

Handelsbanken Capital Markets
Peter Grabe
+46 8 701 10 00

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

IR objective

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

Share information and ownership structure

Share capital

At 31 December 2004, the share capital of Carnegie amounted to SEK 133,403,200 distributed among 66,701,600 shares, each at par value SEK 2. The Carnegie share was listed on the O-list at Stockholmsbörsen in June 2001 and since January 2002 it is traded at the Attract 40 section of that list.

Key data	2002	2003	2004
Earnings per share (SEK)	3.75	3.17	5.93
Earnings per share, fully diluted (SEK)	3.75	3.14	5.87
Dividend per share (SEK)	8.93	3.16	5.93 ¹⁾
Book value per share (SEK)	24	17	20
Share price (SEK)	56	71	86
Price/earnings multiple	14.9	22.4	14.5
Price/book multiple	2.4	4.1	4.3
Number of shares at period-end (000')	66,702	66,702	66,702
Average number of shares (000')	66,702	66,702	66,702
Number of shares related to warrants outstanding (000')	2,400	4,800	7,200
Total number of shares, including effect of issued warrants (000')	66,702	67,243	67,471
Total return, including reinvested dividend, %	-51	43	26
Total return, Stockholmsbörsen, %	-36	34	21

¹⁾ Proposed dividend

Shareholders

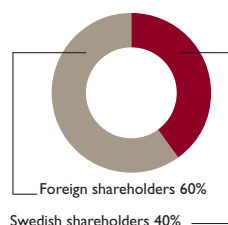
15 largest holders

31 December 2004	Number of shares	Votes and capital, %
Burdarás HF	13,405,880	20.1%
Carnegie employees ¹⁾	10,670,000	16.0%
Didner & Gerge aktiefonder	2,840,000	4.3%
Schroder Investment Management Ltd	2,500,000	3.7%
Robur fonder	2,337,248	3.5%
Andra AP-fonden	1,714,571	2.6%
SHB/SPP Fonder & Livförsäkringar	1,484,005	2.2%
Carnegie Personal AB (net) ²⁾	1,422,761	2.1%
Firstnordic fonder	1,265,068	1.9%
Första AP-fonden	1,052,900	1.6%
Lannebo fonder	779,400	1.2%
Skandia	694,900	1.0%
Länsförsäkringar	549,000	0.8%
United National Joint Staff Pension Fund	426,000	0.6%
Baillie Gifford European Small Cap Fund	423,000	0.6%
Sub-total	41,564,733	62.3%
Other	25,136,867	37.7%
Total	66,701,600	100.0%

Source: SIS Aktieägarservice.

¹⁾ Shares held by employees are individual holdings. Group management; Lars Bjerrek, Mats Bremberg, Niklas Ekvall, Karin Forseke, Matti Kinnunen, Mats-Olof Ljungkvist, Anders Onarheim, Stig Vilhelmson and Mark Walker; represent a total of 1,495,000 shares, corresponding to 2.2% of the shares outstanding.

²⁾ The number of shares reflects the net position held by Carnegie Personal AB, a company owned by the foundation Stiftelsen D. Carnegie & Co. Carnegie Personal AB previously administered the lock-up and lock-in agreements related to the transfer-restricted shares held by employees



Shareholder structure

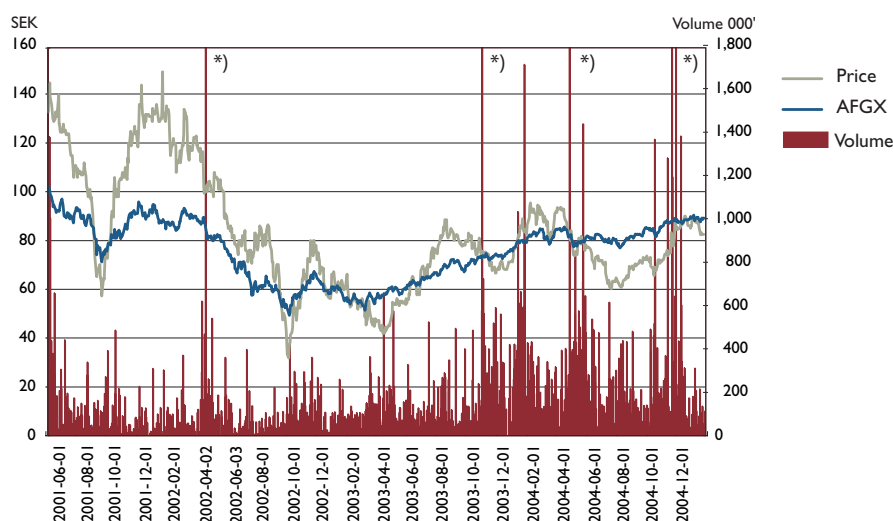
31 December 2004	No of	No of	Capital (%)	Votes (%)	Market value
No of shares	shareholders	shares			(SEKm)
1 – 500	2,929	562,582	0.8	0.8	48
501 – 1,000	617	548,639	0.8	0.8	47
1,001 – 5,000	602	1,572,094	2.4	2.4	135
5,001 – 10,000	134	1,042,262	1.6	1.6	90
10,001 – 20,000	82	1,287,401	1.9	1.9	111
20,001 – 50,000	104	3,497,982	5.2	5.2	301
50,001 –	148	58,190,640	87.2	87.2	5,004
Total	4,616	66,701,600	100.0	100.0	5,736

31 December 2004	Number of shares	Votes and capital, %
Foreign institutions	34,733,849	52
Swedish institutions	17,100,219	26
Carnegie employees	10,670,000	16
Private individuals excluding employees	4,197,532	6
Total	66,701,600	100

Share information (SEK)

Market value 31 December 2004 (SEK million)	5,736
Share price 31 December 2004	86
Share price 31 December 2003	71
Year high	96.50
Year low	59.50
All time high	149.50
All time high date	23 January 2002

Share price 1 June 2001 – 31 January 2005

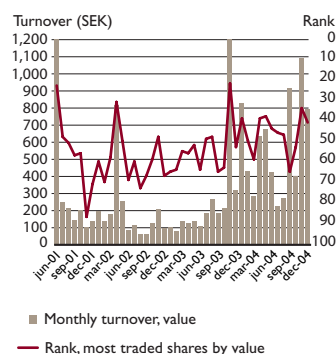


^{*)} Larger placings: Singer & Friedlander sale of 17.5 million shares (Nov 2003) and 3.5 million shares (April 2004), placing of employee holdings of 3.5 million shares (April 2003) and Burdarás acquisitions of 13.3 million shares (Nov-Dec 2004).

Turnover and market capitalisation of free float

The average monthly turnover in the Carnegie share in 2004 was SEK 580 million (SEK 255 million). The increase includes the effect from the release of transfer restricted employee shares in January 2004 (which resulted in a free float of 100 per cent), as well as a number of larger placings. On 30 April 2004, Singer & Friedlander divested the remaining part of its Carnegie shares in a placing of about 3 million shares. During November and December 2004, Icelandic investment company Burdarás acquired a

Carnegie is the 40th most traded share at Stockholmsbörsen



Open periods 2005, all dates inclusive

4 February – 28 February

28 April – 31 May

15 July – 31 August

27 October – 30 November

total of 13.3 million shares, corresponding to 20 per cent of the shares outstanding, making Burdarås Carnegie's largest shareholder.

In early 2004, Carnegie was added to the Morgan Stanley Standard Country Index, designed to capture 85 per cent of the free float adjusted market capitalisation of each industry group in each country. Carnegie's weight is estimated at 0.3 per cent.

Employee shareholding and employees' trading rules

Total shareholding by employees was estimated at 16 per cent of the total number of shares outstanding at 31 December, 2004. All previously locked-in shares were released on 1 January, 2004, and employee shareholding is no longer subject to any transfer restrictions other than those applying to the employees' trading rules, e. g. concerning open and closed periods and the minimum holding period of one month.

Employees in Carnegie have to comply with internal rules for trading. Employee trading in the Carnegie share is only allowed during open periods, starting the day after the announcement of an interim report and closing the day before the first day of the reporting month.

Warrant programmes

At year-end, there were three warrant programmes outstanding: 2002/2005, which was approved by the EGM on 28 November 2001, 2003/2006, approved by the AGM on 14 March, 2002, and 2004/2007, approved by the AGM on 13 March, 2003. The value of the warrants issued during 2004 was SEK 15.2 million (the value of the warrants issued in 2003 was 11.8 million), as estimated by external advisors at issuance using a Black-Scholes formula. Total social security expenses related to the warrant programme in 2004 amounted to SEK 2.2 million (SEK 1.6 million).

Warrant programme	No of warrants	Strike price (SEK)	Subscription period	Increased equity (SEKm)	Corresponding share of capital
2002/2005	2,400,000	158	1 April 2003 – 29 April 2005	379	3.6%
2003/2006	2,400,000	72	1 April 2004 – 28 April 2006	173	3.6%
2004/2007	2,400,000	101	1 April 2005 – 27 April 2007	242	3.6%

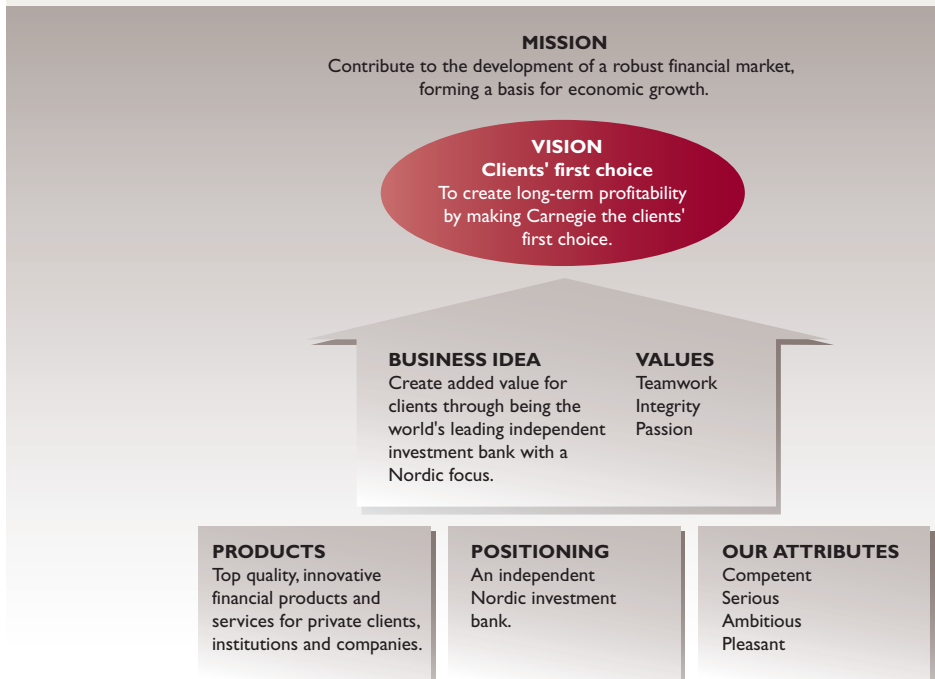
The aggregate dilution effect in terms of profit per share is calculated in accordance with the Swedish Financial Accounting Standards Council's recommendation (RR18). The net profit is divided by the total number of shares including the number of shares to be issued corresponding to the calculated net present value (at current share price) of issued warrants. The aggregate dilution effect in terms of profit per share of issued warrants is 1 per cent, based on the share price at 31 December 2004 (SEK 86).

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

Programme	Number of warrants	Strike price(SEK)	Subscription period
2002/2005	116,950	158	1 April 2003 – 29 April 2005
2003/2006	10,000	72	1 April 2004 – 28 April 2006
2004/2007	69,900	101	1 April 2005 – 27 April 2007

All warrants will be distributed to employees. The aggregate market value of the holding of warrants is estimated to SEK 0.4 million, and the holding represents SEK 0 in the Group balance sheet.

Strategic aim



Carnegie's products, positioning and attributes define the platform and the starting point for achieving the vision – to create long-term profitability by making Carnegie the clients' first choice. Carnegie's business idea and values describe how the vision will be achieved. The mission describes Carnegie's role in society at large.

Mission

A robust financial market – in terms of both risk capital supply and measures for improving shareholder value – is a prerequisite for competitive capital supply for business and for growth of new companies and ideas. A robust capital market is also a prerequisite for attractive investment opportunities to private and institutional investors.



Carnegie will – through creativity and competence – contribute to the development of the financial market.

The mission describes Carnegie's role in society at large

The vision describes Carnegie's goal

Vision

“To create long-term profitability by making Carnegie the clients’ first choice.”

Carnegie’s future progress rests on the ability to show and make plain Carnegie’s unique features and thus the added value of being a Carnegie client. In those cases where Carnegie already is the clients’ first choice the target is to maintain this position – and to increase the gap from the number two. In many cases, this requires at least as great an effort as reaching the number one position in the first place. Focusing on delivering the highest possible value added for the clients creates long-term profitability and shareholder value.

The business idea describes how the vision will be achieved

Business idea

“Carnegie will create added value for clients through being the world’s leading independent investment bank with a Nordic focus”

Clients’ trust is attained by delivering high-quality and innovative financial products and services. Leading positions within our chosen segments are crucial to achieving long-term profitability among the tough international competition. Due to the Nordic focus, Carnegie can concentrate on its strengths, which results in higher quality in the service and product concept offering. By being independent, Carnegie can offer autonomous analysis and advice, free from ties to commercial banks, ownership spheres or other interested parties, ensuring the best for Carnegie’s clients.

Securities is to achieve leading positions in all of the Nordic markets through high-quality service to both local and international institutional investors with exposure to Nordic equities. Institutional investors are continuously reducing the number of service providers for their Nordic investments. It is therefore strategically important to sustain or achieve a leading market position.

Investment Banking is to maintain and develop the leading position within providing specialist advice in corporate transactions with a Nordic slant. This position rests on strong client relationships as well as a combination of corporate advisory and execution skills and a profound understanding of Nordic industries and capital markets.

Asset Management is to become the leading untied supplier of asset management services in the Nordic region. It is to be the first choice for institutional clients in certain areas and to achieve a leading position in the Nordic fund markets. This will be achieved through high-quality asset management products based on a structured and focused investment strategy, a product range that is well adapted to clients’ needs as well as first-class service.

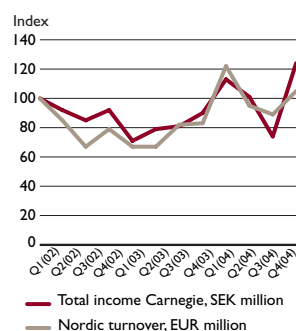
Private Banking is to achieve a leading position by offering dedicated personal service combined with the best product mix to prioritised private clients in accordance with the clients’ wishes and needs.

Carnegie's values describe how the employees will work together to achieve the vision.

Growth drivers in the short term:

- turnover in the Nordic stock markets
- corporate activity in the Nordic region
- the capital flows into equity funds
- demand for new investment products

Carnegie total income and Nordic turnover



Values

Carnegie's company culture is based on the core values of teamwork, integrity and passion. Values are important as the glue in the organisation to ensure how to deliver services to clients, and how to interact with colleagues in the everyday work. Carnegie believes that **teamwork** and co-operation lead to better results than the sum of individual efforts. In order to be able to meet the clients' future needs, all employees have to act together as one firm – One Carnegie. This is a way to ensure leverage on the competence across the organisation. **Integrity** is defined as an open atmosphere, where respect, honesty and courage are decisive for giving clients the best service and the highest quality. **Passion** and commitment - dedicated employees who thrive create more added value for clients and strengthens the prospects of achieving the vision.

Growth drivers

The long term growth drivers of the financial markets include:

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

Demographic changes and a growing need to save – the growing average life expectancy is adding pressure on national pension systems in most of the western world. This has been particularly visible in the Nordic countries, where the national systems are largely based on the working population supporting a growing number of pensioners through taxes. Consumers are thus being required to take increasing responsibility for their long-term savings and to become more proactive in financing their future needs. People are also increasingly living active lives after retirement, which has raised the awareness of making personal pension plans at an early stage. This adds to the likelihood that consumers will need to save a greater proportion of their income for their retirement. The emphasis on long-term investment horizons will continue to stimulate demand for advisory services.

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

In a shorter perspective, turnover and performance in the Nordic equity markets are important factors for Carnegie's growth possibilities. Carnegie's income is to a large extent generated from fees and commissions related to equity-oriented products and services. In **Securities** the correlation is strong between commission income and turnover in the Nordic stock markets. **Investment Banking** income is dependent on the valuation of the equity markets as well as the corporate activity level, and in **Asset Management** and **Private Banking**, the performance in the equity markets has a substantial impact on capital flows into assets under management and client volume.

Positioning

Among the competitors active in the Nordic markets, Carnegie faces investment banks with a domestic, pan-Nordic or global focus. The domestic actors have strong positions in specific markets, but do not offer a full range of investment banking services across the Nordic region. The global investment banks are substantially larger than Carnegie, and have a wider product range. Among the actors with a pan-Nordic perspective Carnegie's positioning is unique, being the only independent investment bank with a Nordic focus.

Carnegie's objectives 2005

Carnegie's objectives for 2005 are aligned with the vision, to create long-term profitability through being our clients' first choice.

Securities – further deepening and strengthening of the existing relationships with institutional investors with exposure to Nordic equities. In the Nordic domestic markets, the aim is to keep the position in the very top among the local institutions, whereas the potential for increasing the share with existing clients in the US, the UK and Central Europe is larger.

Investment Banking – building on strong and broad relationships, Carnegie will continue to leverage resources and market intelligence to deliver innovative, comprehensive solutions to help its clients to succeed with their goals. Carnegie has during the years earned a strong reputation for excellence in financial advice and market execution. To help clients achieve superior results, Carnegie constantly develops new insights into capital markets and Nordic industries. In 2005, Carnegie will continue to focus on further deepening and strengthening relationships with investment banking clients engaged in transactions involving the Nordic region.

Asset Management – Carnegie's strong brand name as an active manager with a number of strong teams and products is key to being the first choice for institutional clients and to achieve a leading position in the Nordic fund markets. In order to continue to deliver top-ranked, high-performance products in the long term, focus will be on further improving product quality and to expand the product range. The aim is to strengthen the client relationships in the institutional client segment and to improve the distribution capacity through further development of the third-party distribution networks.

Private Banking – by further building on the private banking concept developed in the international operations, Carnegie aims to deepen as well as broaden the client base within targeted areas of the Nordic private client segment. Internationally, the service to private banking clients with a Nordic background has been strengthened by Banque Carnegie Luxembourg's new subsidiary in Switzerland. In the Nordic region Carnegie's market share in the private client segment is currently low, and in 2004 the service concept offering has been further developed. The aim in 2005 is to deepen and broaden the client base as well as widen the product range in all the markets where Private Banking operates.

Dividend policy

Carnegie's operations mainly involve commission- and advisory-related income, with a relatively low share of total income from trading activities, leading to low capital requirements. It is Carnegie's intention, in the long term, to pay dividends that allow for a conservative Tier 1 ratio (based on the current definition of risk-weighted assets) at the beginning of each new financial year. A conservative Tier 1 ratio is considered to be 15 per cent in the medium term. When deciding the proposal for dividend, the Board also takes into account distributable funds, the market situation and other capital requirements, as well as any other factors it may consider relevant.

Effects from the Basel II Accord

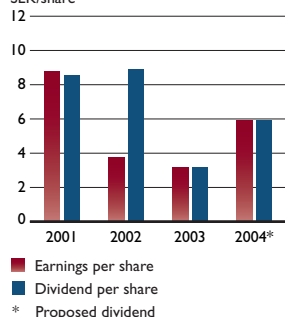
A new regulatory framework for capital adequacy has been presented in the Basel II Accord. The new regulation is expected to be implemented at the end of 2006, following new local directives from the Swedish Financial Supervisory Authority to be issued mid-2006. Carnegie's dividend policy will remain unchanged until such time that new regulation takes effect.

The new regulation suggests a wider definition of risk-weighted assets, which in addition to measuring credit risks and market risks would also measure operational risks. Carnegie's existing target of 15 per cent Tier 1 ratio is based on the current definition of risk-weighted assets, and is set well above the regulatory requirement in order to capture not only credit risks and market risks but also the operational risks. A change of definition of risk-weighted assets will require a change of Carnegie's definition of the target for the regulatory capital, but it is the Board's current assessment that this will not have a material impact on dividends.

It is the Board's view that the principles behind Carnegie's dividend policy should remain intact, also when Basel II is implemented at the end of 2006, i.e. that excess capital above a desired and prudent level of regulatory capital should be distributed as dividend. With existing knowledge about the future regulatory framework and subject to changes following the local implementation, it is the Board's intention to substitute the current Tier 1 target for a capital adequacy target, thus enabling supplementary capital in addition to the primary capital. The capital adequacy target in the new regulatory environment is anticipated to be lower than 15 per cent, and it is the Board's intention to adjust to the new regulatory environment primarily through using subordinated debt.

Pay-out ratio

SEK/share



Dividend proposal

Having taken into consideration the current Tier 1 ratio target and the goals and objectives for 2005, the Board proposes to the AGM a dividend of SEK 5.93 (SEK 3.16) per share. The proposed dividend corresponds to a pay-out ratio of 100 per cent (100 per cent). The Tier 1 ratio as of 31 December 2004, anticipating the proposed dividend, was 16.8 per cent, as compared to 18.0 per cent at the end of 2003, using the same definition of regulatory capital.

The Carnegie share's total annual return for 2004 (including reinvested dividend) was 26 per cent (43 per cent) which can be compared with 21 per cent (34 per cent) in total annual return for SIXRX 2004, corresponding to a portfolio of all shares at Stockholmsbörsen.

Total annual return including reinvested dividend¹⁾, %

	2001	2002	2003	2004
Carnegie	14	-51	43	26
Stockholmsbörsen, SIXRX	-7	-36	34	21

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

Carnegie Nordic index



The Carnegie Group 2004

Improved market confidence

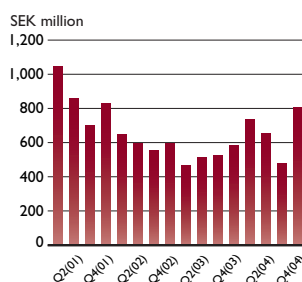
The positive market sentiment in the global stock markets in the beginning of 2004 was in the second half year replaced by a more cautious view, mainly on the back of a higher bond yield, higher oil prices and a weaker USD. During the fourth quarter, renewed strong stock market performance could be seen after the drop in the oil price and the future prospects of a stabilising USD.

The Nordic stock markets outperformed the global indices, and Carnegie Nordic index was up by 17 per cent. Equity turnover in the Nordic stock markets increased by 37 per cent from last year, mainly due to the sharp increase in the first part of the year. The Nordic ECM volume increased to USD 15.7 billion in 2004, from USD 2.8 billion for the full year 2003, with the main part of the volume generated in the first part of 2004. The transaction volume in the Nordic M&A-market was 10 per cent below last year, while the number of transactions increased substantially. The net flow to equity funds in Sweden was SEK 20 billion (SEK 29 billion).

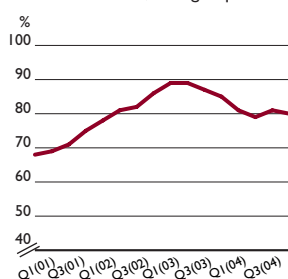
Strengthened or retained market position

Carnegie's share of the aggregate turnover on the Nordic Stock Exchanges was 7.8 per cent in 2004, ranking Carnegie as the second largest market participant in the Nordic region. According to external client surveys, Carnegie strengthened or retained its position in all Nordic markets¹⁾. In Nordic M&A, Carnegie was ranked number 1 (1) in terms of number of announced transactions in 2004. In terms of transaction value, Carnegie was ranked number 4 (2), highest ranked among the Nordic investment banks²⁾. In Asset Management, over 80 per cent of the assets under management in rated equity mutual funds held 4- or 5-star rankings³⁾ at year-end.

Quarterly income



Cost/income ratio, rolling 4-quarters



Income up by 28 per cent

Total income was SEK 2,672 million (SEK 2,081 million) and included an unrealised gain of SEK 48 million related to Carnegie's holding of 3.8 per cent in Copenhagen Stock Exchange, following the bid from OMX Group. Total income increased by 28 per cent from the previous year. Income in Securities was SEK 1,202 million, up 31 per cent from 2003 including the effect from the CSE-holding. Income in Investment Banking was up 39 per cent for the full year 2004 to SEK 511 million, after a strong fourth quarter. Asset Management & Private Banking income was up 20 per cent to SEK 959 million in 2004, and included performance fees of SEK 48 million (SEK 10 million), of which SEK 35 million were recorded in the last quarter (SEK 10 million).

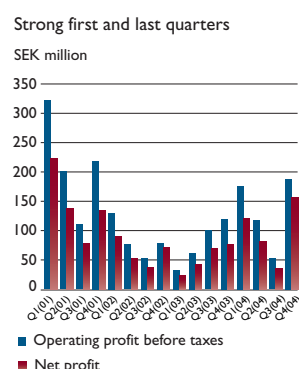
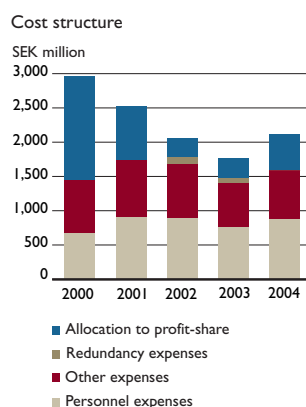
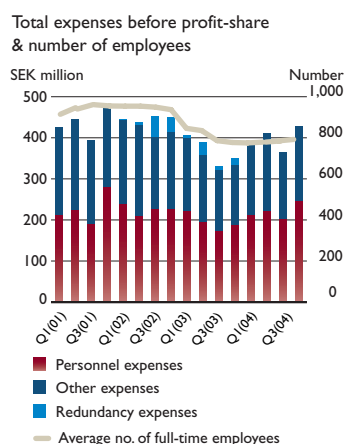
Total expenses and estimated cost base for 2005

Total expenses before profit-share was SEK 1,591 million (SEK 1,472 million), up 8 per cent from last year. Personnel expenses included non-recurring expenses of SEK 60 million. Excluding non-recurring expenses, personnel expenses in 2004 reflected an underlying increase in personnel expenses of around 5 per cent. Although the average number of employees was unchanged from the previous year, personnel turnover increased during 2004, and the net change includes a total of about 120 new recruitments.

¹⁾ Source: Prospera, January 2005.

²⁾ Source: Thomson Financial Securities Data, January 2005.

³⁾ Morningstar, Fondmarknaden and VV-rating, January 2005.



Other expenses increased by 12 per cent in 2004 and included the depreciation of Carnegie's commitment in Capital C of a total of SEK 32 million. Capital C is a software development company and a supplier of after-trade solutions for the securities industry, owned 50/50 by Carnegie and Alfred Berg ABN Amro. After an evaluation of a potential outsourcing cooperation with Alfred Berg ABN Amro and EDS, the outcome was to continue the long-standing collaboration without entering into a partnership with EDS. In connection with this, Capital C decided to develop a modified version of the after-trade system, which resulted in a redundancy programme in Capital C. Carnegie's total net commitment at 31 December 2004 amounts to a total of SEK 89 million, and will be depreciated over the next three years.

The increase in other expenses also reflects that all IT investments were temporarily put on hold during the group-wide IT review conducted in 2003, resulting in lower cost levels during that year. The change programme, One Carnegie, that was introduced in 2003 in order to develop Carnegie's business to meet clients' future needs, is still in the process of being implemented and will continue to contribute to cost efficiency, while growth in some areas will over time have an impact on the cost base. Based on the current market outlook, management's estimated cost range excluding profit-share for 2005 is SEK 1,500–1,600 million.

Allocation to the profit-share system for 2004 was SEK 524 million (SEK 287 million), following the fixed formula for profit-share allocation.¹⁾

Result from principal investments

Result from principal investments of a total of SEK –21 million in 2004 includes Carnegie's share in result from associated companies. Carnegie's 50 per cent share of the result in Capital C was SEK –12 million in 2004 (SEK –6 million). The negative result in 2004 reflected mainly redundancy expenses in Capital C in the third quarter. After the redundancy programme, total expenses and income in Capital C will break even.

The result from principal investments in 2004 also included write-offs of SEK 7 million related to the shareholding in Startupfactory, and SEK 2 million related to the divestment of Carnegie Investimentos, an asset management company in Portugal.

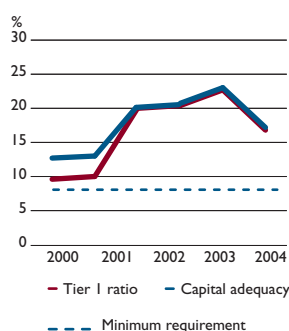
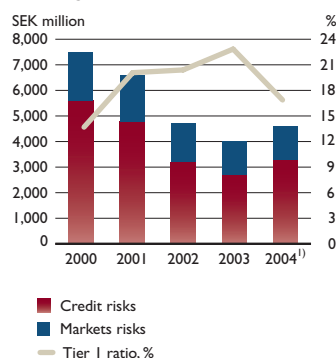
Considerable improvement in operating profit

The operating profit before profit-share improved to SEK 1,059 million (SEK 603 million). The Y/Y increase in income of 28 per cent generated an increase in operating profit of 76 per cent, reflecting the considerable leverage in the business. Especially the last quarter of the year showed a considerable improvement in operating profit of SEK 370 million, mainly due to strong Investment Banking income, the effect of the Danish gain and recorded performance fees in some of the investment products in asset management.

¹⁾ The formula states that 50 per cent of the Group's operating profit before profit-share, after deduction of a STIBOR-related return on shareholders' equity, is allocated to the profit-sharing system. Allocation to the profit-sharing system is accounted for in each business area on a fixed percentage basis, for the purpose of segmental analysis. Actual profit-share allocation is based on the full year results and distributed to employees on a discretionary basis.

Current capital adequacy regulation

Swedish securities firms must satisfy the legal requirements on capital adequacy and large exposures. The capital adequacy is monitored in relation to the risk of the businesses, i.e. the risk-weighted assets. Capital is divided into two main categories: primary capital (Tier 1) and supplementary capital (Tier 2). Tier 1 consists primarily of shareholders' equity, and Tier 2 capital also includes subordinated loans and preference shares. The Tier 1 ratio measures the Tier 1 capital as a percentage of risk-weighted assets. The regulatory capital adequacy also includes the Tier 2 capital and the minimum regulatory requirement is 8.0 per cent. According to existing regulation, dated subordinated debt (which is what is relevant for Carnegie) can be included in the total regulatory capital up to a maximum of 50 per cent of the Tier 1 capital.

Tier 1 ratio and capital adequacy**Risk-weighted assets and Tier 1 ratio****Net profit positively affected by lower tax rate**

Total taxes in 2004 amounted to SEK 139 million, corresponding to a tax rate of 26 per cent (33 per cent). The tax rate for 2004 was estimated at 31 per cent and the deviation reflects a tax-free gain as well as a larger share of earnings generated in countries with lower corporate tax rates. The net profit for 2004 increased by 87 per cent to SEK 396 million (SEK 211 million), corresponding to a return on equity of 33 per cent (17 per cent).

Risk-weighted assets and Tier 1 ratio

Carnegie's risk-weighted assets increased by 14 per cent from 2003 to SEK 4.6 billion in 2004. Credit risks accounted for about 70 per cent of total risk-weighted assets. The regulatory capital base at 31 December 2004 was SEK 774 million. From 1 January 2004 the Swedish Financial Authorities' definition of regulatory capital is changed and the Tier 1 ratio at 31 December 2004 was 16.8 per cent (22.7 per cent) excluding proposed dividend. Using the current definition of regulatory capital the Tier 1 ratio at December 2003 was 18.0 per cent.

Proposed new regulation according to the Basel II Accord

The current dividend policy states that it is Carnegie's intention, in the long term, to pay dividends that allow for a conservative Tier 1 ratio at the beginning of each new financial year. A conservative Tier 1 ratio is considered to be 15 per cent in the medium term.

A new regulatory framework for capital adequacy has been presented in the Basel II Accord. The new regulation is expected to be implemented at the end of 2006, following new local directives from the Swedish Financial Supervisory Authority to be issued mid 2006. The new regulation suggests a wider definition of risk-weighted assets, which in addition to measuring credit risks and market risks would also measure operational risks. The operational risk is calculated using a capital requirement of 8 per cent of an amount corresponding to a percentage of the average total income over the last three years. For Carnegie, this implies that risk-weighted assets at 31 December 2004 could be doubled.

It is the Board's view that the principles behind Carnegie's dividend policy should remain intact, also when Basel II is implemented in Sweden at the end of 2006, i.e. that excess capital above a desired and prudent level of regulatory capital should be distributed as dividend. With existing knowledge about the future regulatory framework, and subject to changes following the local implementation, it is the Board's intention to substitute the current Tier 1 target with a capital adequacy target, thus enabling supplementary capital in addition to the primary capital. The capital adequacy target in the new regulatory environment is anticipated to be lower than 15 per cent, and it is the Board's intention to adjust to the new regulatory environment primarily through using subordinated debt.

The Board's proposal to the Annual General Meeting is a dividend of SEK 5.93 (SEK 3.16), which corresponds to a pay-out ratio of 100 per cent (100 per cent).

¹⁾ New definition of regulatory capital from 2004. The Tier 1 ratio for 2003 was 18.0 per cent using the current definition.

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 majority of Carnegie's assets are marketable securities inventories (marked-to-market daily), margin lending and short-time deposits. As a consequence of this, Carnegie's working capital fluctuates significantly between the financial statement dates. In 2004, the change in working capital was SEK -2,325 million (SEK 2,627 million). A more relevant measure of the liquidity is the cash flow from operations before changes in working capital, which was SEK 469 million in 2004 (SEK 210 million). Capital expenditure in 2004 amounted to SEK 18 million (SEK 37 million). See page 71 for further information.

Related party transactions

In 2004, Carnegie's payments for services from Capital C, owned by Carnegie and Alfred Berg ABN Amro, amounted to SEK 39 million (SEK 7 million). Carnegie's total commitment to Capital C at year-end 2004 was SEK 89 million. See further page 23 and note 14.

The parent company in summary

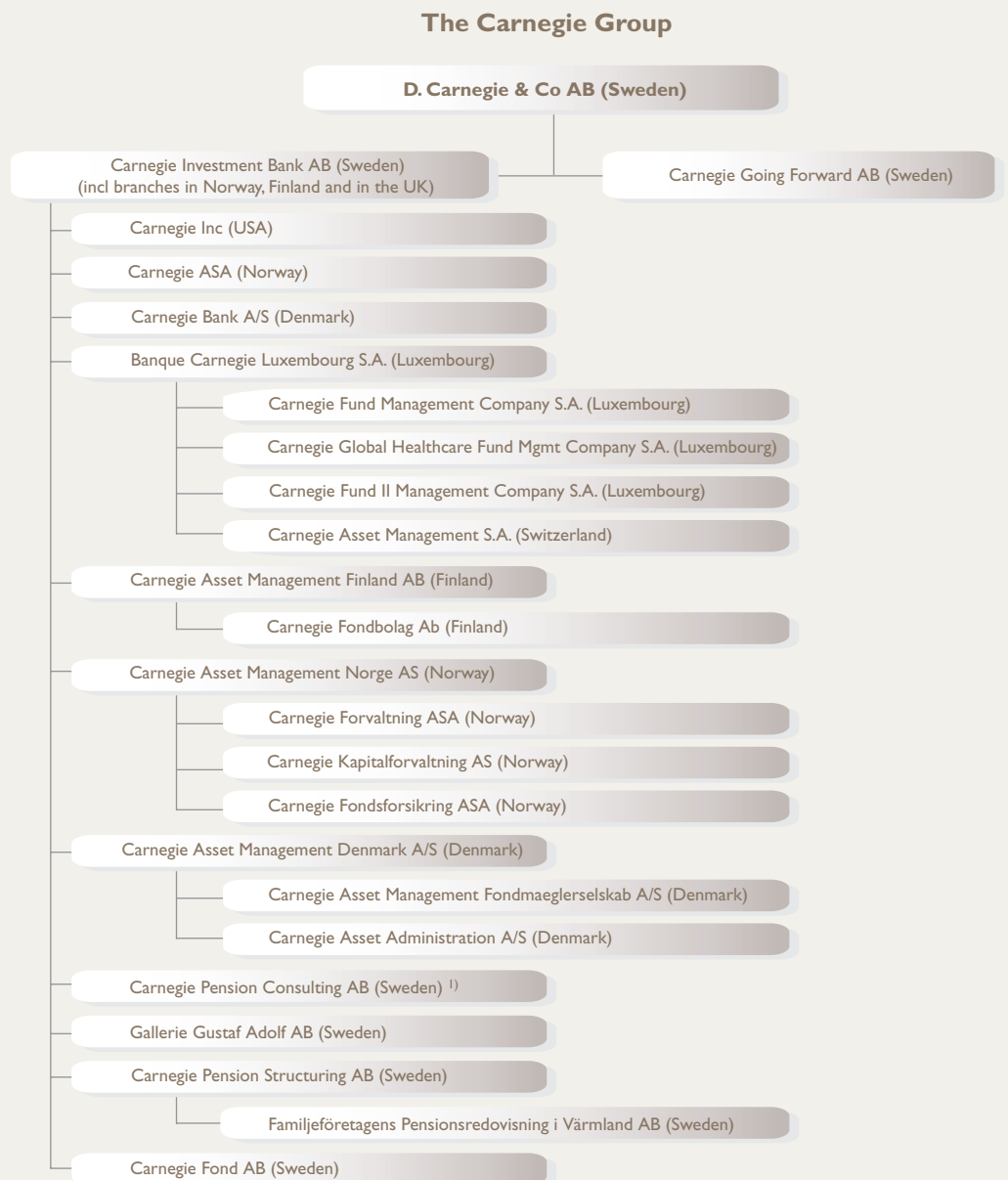
Total income in the parent company D. Carnegie & Co AB in 2004 was SEK 0 million (SEK 4 million), and the company was showing a loss before financial items of SEK -10 million (SEK -46 million). Including an anticipated dividend of SEK 396 million (SEK 225 million), the profit before taxes was SEK 458 million (SEK 249 million). At 31 December 2004, cash and liquid assets amounted to SEK 91 million (SEK 133 million). No capital expenditure was made during the period (SEK 0.4 million). Shareholders' equity adjusted for the equity part (72 per cent) of untaxed reserves at 31 December 2004 was SEK 1,120 million (SEK 991 million).

Group structure

The Carnegie Group includes the parent company D. Carnegie & Co AB, Carnegie Investment Bank AB (name changed from D. Carnegie AB, 1 January 2004) and a number of wholly-owned subsidiaries in Denmark, Finland, Norway, Sweden, Luxembourg, Switzerland and the United States, as well as branches in Finland, Norway and the United Kingdom.

As a result of a review of the legal structure Carnegie Kapitalförvaltning AB was in 2004 merged into Carnegie Investment Bank AB. Further, Carnegie Investment Bank AB acquired Banque Carnegie Luxembourg from Carnegie Bank AS, Denmark.

In September 2004 Banque Carnegie Luxembourg S.A. incorporated a subsidiary in Switzerland, Carnegie Asset Management SA, as part of its strategy to grow its business and the services it provides to a primarily international Nordic private client base. Following the co-operation agreement between Carnegie and Max Matthiessen, Carnegie Pension Consulting AB will be transferred to Max Matthiessen from 2005.



¹⁾ Divested to Max Matthiessen in the beginning of 2005

Securities

- *Strengthened position in all Nordic markets*
- *Increased stock market turnover was reflected in strong income improvement*
- *Substantial improvement in operating profit showed the potential of the leverage in the business*



Business

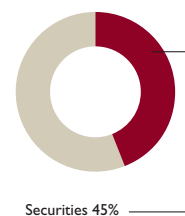
Products and services: Equity research, equity brokerage, equity derivatives brokerage, equity trading, fixed income sales and trading.

Competitive strength: Carnegie's strong local position and large market share in all Nordic markets is reflected in its comprehensive Nordic product offered to both local and international investors.

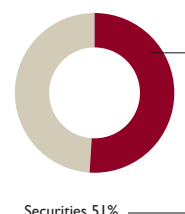
Clients: Nordic and international institutional investors.

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

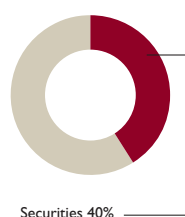
Share of income 2004



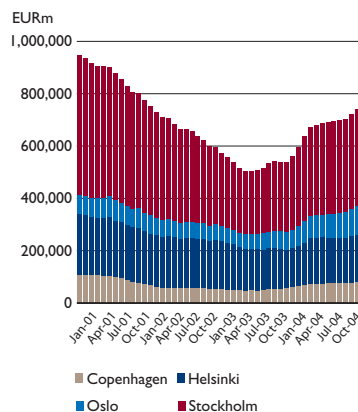
Share of profit before taxes 2004



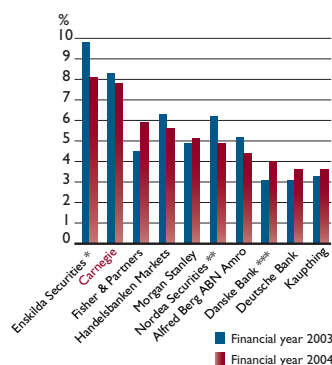
Share of employees 2004



Turnover in the Nordic stock exchanges, rolling 12 months



Share of turnover in the Nordic stock markets



* Includes SEB entities
** Includes other Nordea entities
*** Includes other Danske Bank entities
Source: Nordic stock exchanges, data compiled by Carnegie

Business environment and market position

The global stock markets were strong in Q1 supported by unexpected improvements in corporate earnings on both sides of the Atlantic. After the positive start, concerns rose about substantially tighter monetary policy, particularly in the US, and fear of negative effects on growth and inflation from the surging oil prices. Leading economic indicators also started to drop, foreshadowing a moderate GDP growth. The stock markets therefore performed poorly in Q2 and Q3. In Q4, the strong stock market performance re-emerged on the back of sharply dropping oil prices and easing fears of hard landings in the US and China. Overall for 2004, the Nordic stock markets outperformed the global indices. Carnegie Nordic Index was up 17 per cent. The Norwegian market was the star performer, supported by high oil prices and surging shipping rates. Totalindeks in Oslo was up 38 per cent, the Swedish SAX index rose 18 per cent, and the KFX in Denmark gained 8 per cent. The HEX in Finland saw the smallest increase of 4 per cent due to the unimpressive performance in Nokia. Nordic equity turnover for the full year rose 37 per cent Y/Y.

Nordic stock exchanges, 2004	Market cap (EUR bn)	Turnover (EUR bn)	Turnover rate (12M), %	Carnegie share of turnover, %	Prospera ranking
Denmark	115	80	73	5.8	1
Finland	159	180	114	4.3	4
Norway	113	108	109	10.3	2
Sweden	299	371	133	8.6	2
Total Nordic	686	739	118	7.8	2

Source: Norex, Copenhagen Stock Exchange, OMX Exchanges, Oslo Børs and Prospera.

Carnegie's share of the total turnover on the Nordic stock exchanges was 7.8 per cent in 2004, a decline from 8.3 per cent in 2003. Discount brokers gained market share in relation to the full service firms, especially in the beginning of the year. In the full service segment however, Carnegie strengthened its relative position. Recent external client surveys indicate improved or retained positions in all Nordic markets, with rankings in the very top.

Rankings

External rankings 2004 (2003)

Ranking institute	Position	Country	Description
Affärsvärlden	2(2)	Sweden	Best research house and best on communication
Institutional Investor; All-Europe Research Team	3 (2)	Nordic	Best Team, Nordic countries
Dansk Investor Relations Forening	1	Denmark	Best broker
Euromoney Global Brokers Survey	1 (2)	Nordic	Most useful Nordic broker
Financial Hearings	2	Sweden	Best brokerage firm
Prospera	1* (1) 4* (4) 2* (4*) 2 (2)	Denmark Finland Norway Sweden	Overall performance Overall performance Overall performance Overall performance
StarMine	1	Nordic	Best Nordic research house
	1	Denmark	Earnings accuracy: Small caps
	1	Finland	Earnings accuracy: Small and Large caps
	1	Norway	Earnings accuracy: Small and Large caps
	1	Sweden	Top stock picker for large caps and earnings accuracy for small caps

*) Shared position

The external ranking institutes carry out surveys based on quantitative data analysis or investor interviews based on qualitative methods. As an example, StarMine's surveys are based on daily information from the research houses regarding the return of stock recommendations and accuracy of earnings estimates. Prospera's surveys are carried out by investor interviews covering a large number of parameters, such as analytical competence, sales' and sales traders' performance and general features of the organisation.

Carnegie's position in external rankings indicated an overall ranking at the very top, varying between number 1 and number 4 positions in the Nordic region. The re-organisation of Carnegie's research department in the last couple of years and further improvement of the teamwork between sales and research are therefore beginning to show. In the local markets, the Danish Securities operation was named Denmark's best broker for the sixth consecutive year in a survey from The Danish Investor Relations Society. In Financial Hearings' Swedish ranking, Carnegie received the number one position in ten out of nineteen sectors, as well as a large number of second and third positions. Carnegie was thus top three in a total of 17 out of 19 sectors, which all together gave Carnegie the best average sector score of all brokerage firms.

Clients

Securities offers high-quality research and brokerage services to institutional investors with Nordic securities in their portfolios. Of the total net commission income of SEK 840 million, 46 per cent was generated by institutional clients outside the Nordic region. In Fixed Income in Denmark, client focus has primarily been major institutions, which, in 2004, was broadened also to comprise smaller institutions and companies in the Danish market.

Targeted segments and key focus

Carnegie Securities' long-term vision is to become the top Nordic player through high-quality services offered both to local and international institutional investors with exposure to Nordic equities. The competitive edge of Securities is based on superior knowledge of the Nordic companies and a strong local presence. Carnegie is a research driven investment bank with superior execution capabilities that allow it to provide value added services for its clients.

In 2005, focus is still to strengthen the relationships with existing clients, thereby obtaining a larger part of their business. Clients are still cutting back on the number of brokerage contacts – typically down to two or three, in some cases even down to one. It is therefore strategically important to sustain or achieve a leading market position. In 2004, strengthened co-operation between the sales and research teams resulted in further progress among a number of targeted institutional clients as well as an improved position in client reviews. In the Nordic region, Carnegie typically has a number one or two position with the largest local institutions and the target is to strengthen or retain these positions. The potential for improving income is, however, greater in the international client segment where Carnegie still has a smaller part of its targeted client business.

Carnegie Securities operates in a mature market, where the growth potential mainly reflects in stock market turnover. One of the targeted areas of Securities in 2005 is Equity Finance, where Carnegie sees growth potential with limited competition.

Products and services

The services and products provided through Carnegie Securities are based on a high-quality Nordic research product, the very best execution capabilities and a high quality back-office service.

In the research product, Carnegie's rating system is based on differentiation between sector view and stock rating. Sectors are rated relative to each other from a strategic macro view. Within the respective sectors, analysts rate the stocks relative to other stocks. At the end of 2003 the Carnegie Movers concept was introduced in connection with the transition to a Nordic strategy report from domestic reports. This was made on the back of the changed rating structure from a domestic to a Nordic sector view. The Nordic strategy report is distributed quarterly, exclusively to Securities' clients. Carnegie Movers make up a shortlist of Carnegie's favourite stocks, rated relative to the MSCI Nordic Index. Between 15 November 2003 and 17 January 2005 Carnegie Movers increased by 29 per cent, compared to the MSCI Nordic index, which rose by 14 per cent.

To meet demand for research on companies in the Baltic region from international institutional clients, Carnegie has decided to take up coverage of a limited number of Baltic companies from 2005.

In 2004, Carnegie Securities held three larger Nordic seminars in Stockholm and London for institutional clients. Companies were invited to present their business ideas and strategies, focusing on relevant technology, product or market areas – adding value to investors by outlining the key success factors behind their strategies. The companies that presented themselves at the seminars were from the small cap, healthcare, telecom, media and technology sectors. Well over 200 one-on-one meetings were arranged in connection with the seminars, and they were attended by over 300 institutional investors, mainly from Nordic and other European countries.

In 2004 Carnegie broadened its product portfolio by issuing a large number of both put and call warrants on Swedish stocks. During the year, Carnegie's warrants were gradually introduced on the Stockholm Stock Exchange and as of November on the Nordic Derivatives Exchange.

Carnegie published about 2,400 research reports in 2004, distributed to institutional clients. Carnegie's research is mainly distributed electronically through Carnegie Edge, a research database comprising over 15,000 research reports by Carnegie. This service aggregates data on markets and sectors and provides information about over 300 companies. In 2005, Carnegie Edge is being developed further to meet client demand for user simplicity, capacity, enhanced support for mobile terminals, and personalising the information according to areas of interest.

Code of conduct

In order to ensure the most appropriate handling of price sensitive information and potential conflicts of interest between the investment banking and the research organisations, Carnegie has a Code of Conduct. The Code is also intended to ensure a high level of professionalism and integrity towards clients. In accordance with the Code of Conduct and NASD/SEC rules, Carnegie has an Investment Recommendation Committee to supervise equity research ratings in order to attain the highest objectivity and integrity. Any change of rating has to be approved by the committee.

Securities research

Equity research

Pan-Nordic sector research is the foundation of Carnegie's market position. Carnegie's research team is one of the highest ranked globally on Nordic equities. On 31 December 2004, Securities had a team of about 60 analysts including five strategy and macro analysts. The equity research analysts are locally based and provide in-depth research, including sector and company reports, overall recommendations, and strategic guidance. The macro and strategy team produces strategy reports on a quarterly basis, working closely with the equity analysts. They cover more than 300 Nordic companies in 12 sectors as well as their relevant international peers. The market capitalisation of the companies covered by Carnegie's research team corresponds to about 95 per cent of the total Nordic market capitalisation.

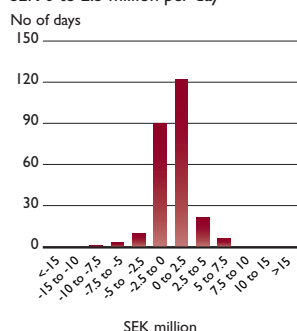
Fixed income research

The fixed income research in Carnegie is concentrated in three main areas: quantitative analysis of Danish mortgage bonds, inflation-indexed bonds, and strategic research covering global macro economics and financial markets. The Danish mortgage market consists of very complex, structured bonds, often with embedded options, and requires in-depth quantitative modelling and analysis.

Sales and sales trading

The sales and sales trading operation includes around 80 professionals. In both sales and sales trading, the aim is to develop long-term client relationships through a comprehensive understanding of client investment objectives and demands, while ensuring smooth execution and liquidity of a wide range of Nordic equities and derivatives. In Denmark, Carnegie also executes transactions in fixed income securities.

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



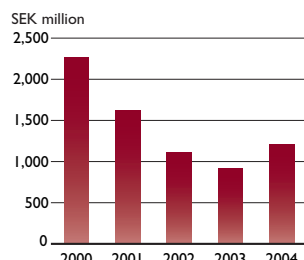
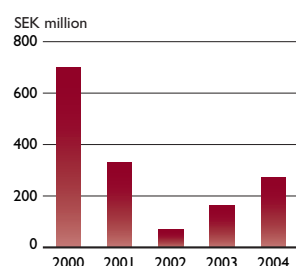
Market making and proprietary trading, 2004

Proprietary trading

Carnegie's proprietary trading activity in Denmark, Finland, Norway and Sweden is trading both cash instruments and derivatives. In some markets Carnegie also acts as market maker in the derivatives markets. In Denmark the trading activities include cash instruments and fixed income. The objective is to identify and exploit market opportunities, mainly through intra-day positions, under limited market risks. The chart presents a summary of the daily income generated by the trading departments, reflecting a combination of realised profits, marked-to-market valuations of securities portfolios, dividends and coupon income for 2004. The average daily trading income was SEK 0.7 million (SEK 0.3 million).

Equity Finance

The Equity Finance team offers tailor-made solutions, mainly for hedge funds and alternative investment management services, including stock lending, repos and swaps. Equity Finance also promotes front office business ideas that will enable Carnegie to provide a complete service, from the development and execution of ideas to managing all other aspects of this type of business. The equity finance team will be centralised to Stockholm during 2005.

Total income
SecuritiesProfit before taxes
Securities

Income statement, operating data and key ratios

Securities (SEK million)	2000	2001	2002	2003	2004
Net commission income	1,453	1,056	894	695	840
Underwriting fees	191	142	70	18	92
Net interest income	153	178	150	95	75
Proprietary trading and market making	560	311	94	166	239
Net interest income from financial positions	-121	-82	-105	-70	-52
Other income from financial positions	-	0	2	10	1
Net income from financial positions	439	229	-8	160	187
Other fees	26	11	0	0	8
Total income ¹⁾	2,261	1,615	1,106	915	1,202
Personnel expenses	-389	-516	-468	-319	-358
Redundancy expenses	-	-	-58	-25	-
Other expenses	-480	-464	-452	-262	-304
Net provisions for credit losses	0	-3	-3	1	0
Total operating expenses excluding profit-share	-869	-983	-980	-606	-662
Operating profit before profit-share	1,392	632	126	309	540
Allocation to profit-share system ²⁾	-692	-303	-57	-147	-267
Total expenses	-1,561	-1,286	-1,037	-753	-929
Profit before taxes	700	329	69	162	273
Cost income ratio, %	69%	80%	94%	82%	77%
Operating margin, %	31%	20%	6%	18%	23%
Number of employees, average	430	518	470	322	320
Number of employees, period-end	468	517	402	318	314

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

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

For definitions, see page 10.

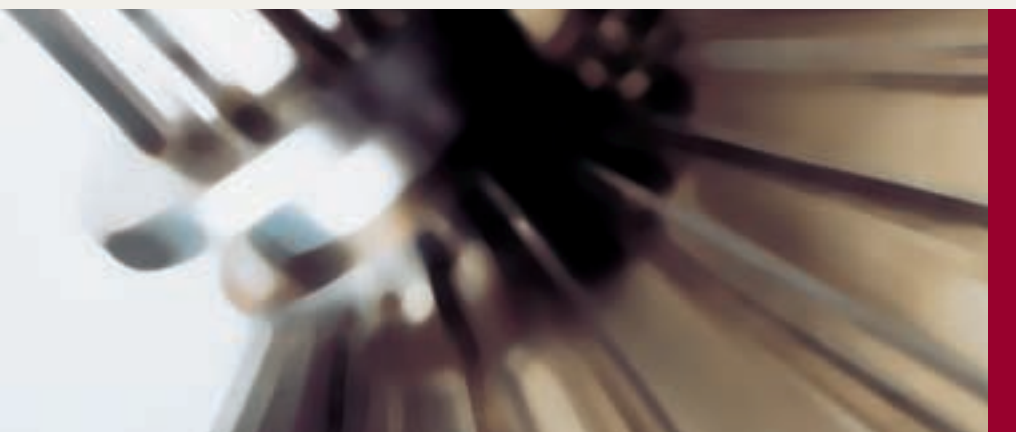
Securities income in 2004 increased by 31 per cent Y/Y to SEK 1,202 million. Commission income accounted for SEK 840 million and increased by 21 per cent from last year. Net commission generated from non-Nordic clients in 2004 accounted for around 46 per cent of the total commission volume from institutional clients. Income from proprietary trading and market making was SEK 239 million in 2004 (SEK 166 million), and included an unrealised gain of SEK 48 million related to Carnegie's holding of 3.8 per cent in Copenhagen Stock Exchange, following the offering presented by OMX Group in December 2004. The book value of the holding was at 31 December SEK 58 million. The fixed income operations accounted for 10 per cent of total income from proprietary trading and market making excluding the unrealised gain from the

holding in Copenhagen Stock Exchange. Underwriting fees increased substantially in 2004 and amounted to SEK 92 million (SEK 18 million), reflecting completed IPOs and secondary placings mainly in the first half of the year.

Total expenses before profit-share amounted to SEK 662 million in 2004, up 9 per cent from the previous year. Operating profit before profit-share was SEK 540 million (SEK 309 million), an increase of 75 per cent from 2003. The business area profit before taxes increased by 69 per cent Y/Y to SEK 273 million in 2004.

Investment Banking

- *Carnegie Investment Banking Nordic M&A House of the year*
- *M&A market activity recovering; primary equity offering activity on hold*
- *Increased income and stable cost level led to considerable improvement in operating profit*



Business

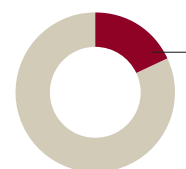
Products and services: Specialist advice and support in private and public Mergers & Acquisitions (M&A), Equity Capital Market (ECM) transactions and Structured Financial Products.

Competitive strengths: Close client relationships, product and sector expertise, a deep understanding of local Nordic business and stock markets, excellent execution skills.

Clients: Companies and investors predominantly headquartered or residing in the Nordic region, and international companies and investors engaged in transactions involving the Nordic markets.

Operations in: Denmark, Finland, Norway and Sweden.

Share of income 2004



Investment Banking 19%

Share of profit before taxes 2004



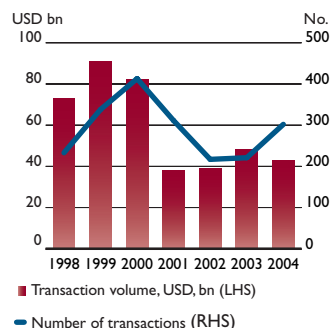
Investment Banking 23%

Share of employees 2004

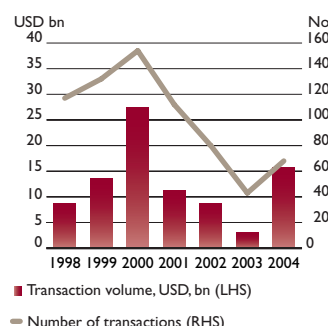


Investment Banking 18%

Announced Nordic M&A-transactions



Nordic ECM market



Business environment and market position

The European M&A market surged at the end of 2004 with the total value of announced M&A transactions involving European counterparts leaping to USD 694 billion ¹⁾, an increase of 37 per cent on 2003, making 2004 the best M&A year in Europe since 2000, in terms of volume. The number of transactions, however, recorded a more steady increase, up 5 per cent on the previous year. Much of the increased volume came in the fourth quarter of 2004.

In the Nordic M&A market, the number of Nordic M&A deals announced increased significantly over 2003, up some 37 per cent, though total recorded Nordic M&A volume declined somewhat (down 10 per cent) compared to 2003.

The year 2004 as a whole was the strongest for several years for European equity offering activity. The aggregate value of equity offerings was USD 174 billion, some 50 per cent higher than in 2003 and the best year since 2000. The number of European equity offerings also increased substantially, up 29 per cent.

The Nordic equity offerings market was very much characterised by a fleeting revival of the market for initial public offerings (IPO) in the first half of the year and a number of large-size block transactions. Aggregate transaction value in the Nordic region increased dramatically, though from a very low level, to USD 15.7 billion in 2004, as compared to USD 2.8 billion in 2003. The top five transactions together represented more than half the aggregate transaction value. There were a total of 12 IPOs in the Nordic region: seven in Norway, three in Sweden and two in Finland, all completed in the first half of 2004.

Announced M&A-transactions by volume in 2004 and 2003

2004 Adviser	USD billion	Number of transactions	2003 Adviser	USD billion	Number of transactions
1. JP Morgan Chase	10.2	20	1. Danske Markets	11.1	3
2. Goldman Sachs	9.3	10	2. Carnegie	8.5	36
3. UBS	8.8	19	3. Enskilda	8.0	35
4. Carnegie	6.2	36	4. ABG Sundal Collier	6.9	17
5. Morgan Stanley	5.3	8	5. Nordea	6.2	20
6. Lehman Brothers	4.4	4	6. Deutsche Bank	5.5	13
7. Deutsche Bank	4.1	11	7. JP Morgan Chase	4.6	5
8. Lazard	3.7	7	8. Merrill Lynch	4.5	6
9. SHB	3.7	27	9. ABN Amro	4.1	13
10. ABG Sundal Collier	3.5	13	10. UBS	3.9	4
Total market with advisers	43.0	302	Total market with advisers	47.8	221

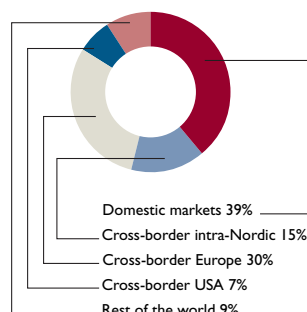
Source: Thomson Financial Securities Data, 4 Jan 2005. Transactions with Nordic target or acquirer.

Carnegie's position as the leading Nordic M&A-house was further confirmed in 2004. Carnegie was the No 1 (1) adviser with 36 (36) assignments, corresponding to a transaction value of USD 6.2 billion (USD 8.5 billion). Carnegie was furthermore named **Nordic M&A House** of the year in the Financial News annual ranking for 2004.

In the IPO-market, Carnegie acted as joint global co-ordinator and joint bookrunner in the two largest transactions of the year (Oriflame in Sweden and Aker Kvaerner in Norway) which led to the No 1 position in the Nordic IPO market.

¹⁾ All market statistics and league tables taken from Thomson Financial, January, 2005.

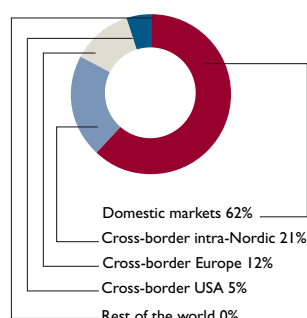
Nordic M&A total, 2004 (by number)



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

Thomson Financial Securities Data

Carnegie M&A transactions, 2004 (by number)



Clients and key focus

Investment Banking's main client focus is predominantly companies and investors headquartered or residing in the Nordic region, and international companies and investors engaged in transactions involving the Nordic markets.

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

The combination of corporate advisory and execution skills and a profound understanding of Nordic industries and capital markets give Carnegie a distinct competitive edge. This structure keeps Carnegie very close to its clients, which facilitates, inter alia, the early identification of investment banking business opportunities as well as personal relationships with our clients.

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

Targeted segments

Building on strong and broad relationships, Carnegie will continue to leverage resources and market intelligence to deliver innovative, comprehensive solutions to help clients to succeed with their goals. Carnegie has during the years earned a strong reputation for excellence in financial advice and market execution. To help clients achieve superior results, Carnegie constantly develops new insights into capital markets and Nordic industries. In 2005, Carnegie will continue to focus on further deepening and strengthening relationships with investment banking clients engaged in transactions involving the Nordic region.

Services

Investment Banking provides clients with specialist advice and support in private and public Mergers & Acquisitions as well as in Equity Capital Markets transactions, such as initial public offerings, buyback and redemption programmes, spin-offs and private placements. In addition, Investment Banking offers and markets structured financial products.

Mergers & Acquisitions

Assignments announced in 2004 include the following:

- Carnegie acted as adviser to Danish state-owned energy group DONG in its acquisitions of Elsam shares during the year and in relation to the proposed merger with Elsam, which was announced by the Danish Ministry of Finance in December.
- Carnegie acted as sole financial adviser to A.P. Møller – Maersk in the divestment of Denmark's then largest Danish owned IT services company Maersk Data to IBM.

- Carnegie was sole financial adviser to 3i in the more than EUR 70 million acquisition of Kemira Fine Chemicals, a tier 1 supplier of fine chemicals for both agrochemical and pharmaceutical applications.
- Carnegie advised Altor Equity Partners in the acquisition of Bravida Telecom, a division of Norway's largest telecommunications network contractor, Bravida.
- Carnegie was sole financial adviser to TeliaSonera in the EUR 600 million acquisition of France Telecom's Danish mobile subsidiary, Orange.

Capital Markets Services

Equity assignments in 2004 include the following:

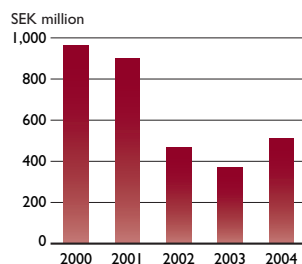
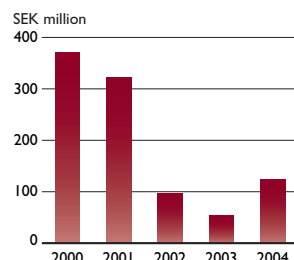
- Carnegie acted as joint lead manager in the NOK 2.1 billion IPO of Aker Kvaerner ASA on the Norwegian Stock Exchange. The IPO was one of the results of a major reorganisation of the operations of Kvaerner Group into two industrial groups and a single industrial holding company, also jointly advised by Carnegie.
- Carnegie acted as joint global co-ordinator and joint book-runner in the SEK 5.1 billion IPO of international cosmetics company, Oriflame, on Stockholmsbörsen.
- Carnegie advised Volvo in the transfer of the company's entire SEK 6.2 billion holdings of truck and bus manufacturer Scania's series A shares to a wholly owned Volvo subsidiary, Ainax AB. Ainax was subsequently spun off to Volvo's shareholders and listed on Stockholmsbörsen, following which a public bid was launched for Ainax by Scania. Carnegie had an advisory role to the board of directors of Ainax in relation to the bid.
- Carnegie acted as sole manager and book-runner in the secondary placing of 27.7 million shares in Storebrand, equating to some 10 per cent of the company's capital with a value of NOK 1.2 billion.

Structured Financial Products arranged during 2004 include the following:

- 4% Fund Linked Notes due 2010 issued by Ireland based Ask Capital plc. The total return on the Notes is linked to the total return on Sydinvest Højrentelande, an Emerging Market Bond Mutual Fund. The exposure is collateralised by Cloverie plc. Credit Linked Notes rated AAA by Standard and Poor's.
- Hedge Fund Linked Certificates due 2007. The return is calculated as 300 per cent of the performance of the Rye Global Fund, a fund of hedge funds managed by Tremont Capital Management.
- CPI-referenced Credit Linked Notes due 2009 issued by Ireland based Cloverie plc. Investors in Swedish Government Inflation Linked Bonds switched their holdings against Cloverie plc. issued bonds with a nominal yield pick-up.

A selection of assignments

 <p>Public offer for Radiometer by Danaher Corporation</p> <p>DKK 4.4 billion</p> <p>Adviser to Radiometer January, 2004</p>	 <p>Divestment of DSV's division DSV Miljø to Triton Managers</p> <p>DKK 1.15 billion</p> <p>Adviser to DSV February, 2004</p>	 <p>IPO</p> <p>SEK 5.1 billion</p> <p>Joint global co-ordinator March, 2004</p>	 <p>Secondary placing of Skandia Liv's shareholding in Storebrand</p> <p>NOK 1.2 billion</p> <p>Sole manager March, 2004</p>
 <p>Divestment of Hörnell International to 3M</p> <p>SEK 750 million</p> <p>Adviser to the sellers March, 2004</p>	 <p>IPO</p> <p>NOK 2.1 billion</p> <p>Adviser to Aker Kvaerner April, 2004</p>	 <p>Divestment of If shareholding by Skandia Liv to Sampo</p> <p>SEK 2.4 billion</p> <p>Adviser to Skandia Liv April, 2004</p>	 <p>Redemption programme</p> <p>SEK 800 million</p> <p>Adviser to Eniro May, 2004</p>
 <p>Spin-off from Volvo of Scania A shares through Ainax</p> <p>SEK 6.2 billion</p> <p>Adviser to Volvo June, 2004</p>	 <p>Acquisition by Aktiv Kapital of Olympia Capital ASA and new share issue</p> <p>NOK 2.3 billion</p> <p>Adviser to Aktiv Kapital July, 2004</p>	 <p>Divestment of Bostream to Bredbandsbolaget</p> <p>Amount not disclosed</p> <p>Adviser to the sellers August, 2004</p>	 <p>Acquisition of Kemira Fine Chemicals by 3i</p> <p>EUR 70 million</p> <p>Adviser to 3i September, 2004</p>
 <p>Directed new share issue and issue of senior debt for Intenia</p> <p>SEK 365 million</p> <p>Adviser September, 2004</p>	 <p>Divestment of 20% of the shares in Dampskibsselskabet Norden to Rasmussengruppen</p> <p>DKK 1.1 billion</p> <p>Adviser to the sellers October, 2004</p>	 <p>Acquisition of Orange by TeliaSonera</p> <p>EUR 606 million</p> <p>Adviser to the buyer October, 2004</p>	 <p>Divestment of Maersk Data to IBM by A P Møller – Maersk Group</p> <p>Amount not disclosed</p> <p>Adviser to the seller November, 2004</p>
 <p>Acquisition of Bravida Telecom by Altor Equity Partners</p> <p>Amount not disclosed</p> <p>Adviser to Altor Equity Partners December, 2004</p>	 <p>Directed new share issue in Millicom International Cellular S.A.</p> <p>SEK 1.3 billion</p> <p>Joint Lead Manager December, 2004</p>	 <p>Acquisitions of shares in Elsam by DONG</p> <p>DKK 3.2 billion</p> <p>Adviser to DONG 2004</p>	 <p>Public offer for Finnveden by Nordic Capital</p> <p>SEK 2.0 billion</p> <p>Adviser to Finnveden February, 2005</p>

Total income
Investment bankingProfit before taxes
Investment Banking

Income statement, operating data and key ratios

Investment Banking (SEK million)	2000	2001	2002	2003	2004
Underwriting fees	401	225	133	67	139
Net income from financial positions	5	7	-6	21	8
Advisory fees	555	669	340	281	363
Total income	961	901	467	368	511
Personnel expenses	-121	-155	-167	-146	-162
Redundancy expenses	-	-	-13	-16	-
Other expenses	-104	-126	-112	-104	-103
Total expenses excluding profit-share	-225	-281	-292	-266	-265
Operating profit before profit-share	736	619	175	102	246
Allocation to profit-share system ¹⁾	-366	-297	-79	-49	-122
Total expenses	-591	-578	-370	-315	-386
Profit before taxes	370	323	96	53	124
Cost/income ratio, %	61%	64%	79%	85%	76%
Operating margin, %	39%	36%	21%	15%	24%
Number of employees, average	129	170	173	148	139
Number of employees, period-end	162	173	161	141	141

¹⁾ In the presentation, the result from principal investments and the profit-share effect from the result are not allocated to business areas.

For definitions, see page 10.

Income for 2004 increased by 39 per cent to SEK 511 million. Underwriting fees increased substantially during 2004 to SEK 139 million (SEK 67 million), due to the increased activity in the first half of the year. Advisory fees amounted to SEK 363 million (SEK 281 million), an increase of 29 per cent, after a strong last quarter.

In 2004, Carnegie launched a total of 38 structured financial products, linked to different assets (including equities, fixed income, credit and hedge funds) and with different risk profiles. The aggregate transaction value amounted to SEK 5.3 billion.

Total expenses before profit-share in 2004 were SEK 265 million, unchanged from the previous year. Operating profit before profit-share was SEK 246 million (SEK 102 million), a substantial increase of 141 per cent. The business area increased profit before taxes by 133 per cent to SEK 124 million (SEK 53 million).

Asset Management & Private Banking

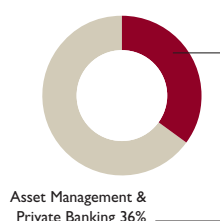
- *New business area heads of Asset Management and Private Banking in place in the second half of 2004*
- *Strong performance in Carnegie's investment products*
- *Strengthening of the international Private Banking operations through establishment of operations in Switzerland*

The separation into two new business areas was initiated in 2004, and the financial reporting of the business areas will be separate from 2005.



Asset Management

Share of income 2004

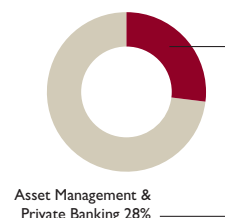


Products and services: Discretionary asset management services, mutual fund products, asset allocation products and other asset management-oriented services.

Competitive strengths: Carnegie Asset Management is a provider of top class actively managed products based on a research-driven, structured and focused investment strategy.

Clients: Institutional investors and retail investors, reached through external distribution channels and through Carnegie Private Banking.

Share of profit before taxes 2004



Operations in: Sweden, Denmark, Norway and Finland.

Private Banking

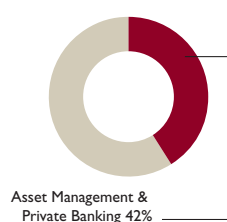
Products and services: Full service concept in Private Banking, a comprehensive product offering including both internally and externally managed products.

Competitive strengths: Personal and dedicated high-quality service for selected private clients.

Clients: High-net worth individuals in the Nordic region as well as Nordic expatriates living abroad.

Operations in: Sweden, Denmark, Luxembourg, Switzerland and the UK.

Share of employees 2004



Business environment

Global stock markets were strong in the first quarter, supported by unexpected improvements in corporate earnings on both sides of the Atlantic. After the positive start of the year, concerns rose about the surging oil prices and stock markets performed poorly in the second and third quarter. In the last quarter, renewed strong stock market performance could be seen on the back of sharp drop in oil prices and eased fears for hard landings in the US and China. There were large differences in performance in different sectors, and large flows from sector rotation could be seen, mainly in the first part of the year. The net flow into equity funds in Sweden was SEK 20 billion in 2004 (SEK 29 billion), with a large part of the inflow in the first half of the year.

Organisational changes

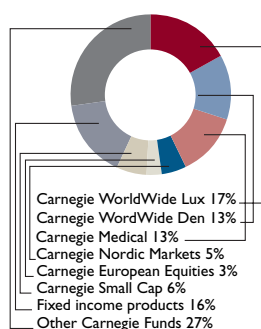
During 2004, the separation of the business area into two new entities was initiated. From the first quarter 2005, Asset Management and Private Banking will report as separate business areas.

Asset Management

Products

Asset Management provides high-quality asset management products based on a focused investment strategy. All products aim to bring high value to the clients by providing high return potential and innovatively constructed portfolios tailored to the clients' needs. Clients are mainly institutional investors as well as retail investors, reached primarily through external distribution networks.

AUM in mutual fund products 2004



The product range includes discretionary asset management products, mutual fund products and managed and structured portfolios ("fund of funds"). The strength of the products derives from a strong performance culture and long tradition in active portfolio management, as well as experienced investment teams. Of the total assets under management, about 80 per cent is invested into equity-oriented products. The equity products are focused in terms of number of stocks and the investment style is founded on a thematic view to investments, combined with stock picking based on in-depth knowledge of each single company.

Assets under management (AUM) in mutual fund products (SEK bn)	2002	2003	2004
Carnegie WorldWide Lux	4.0	4.8	5.1
Carnegie WorldWide Den	4.0	4.2	3.7
Carnegie Medical	2.8	3.5	3.7
Carnegie Nordic Markets	0.5	0.6	1.0
Carnegie Small Cap	0.4	1.2	1.8
Carnegie Sweden	0.2	0.3	0.4
Carnegie Norway	0.4	0.5	0.5
Subtotal, representing appr. 75% of AUM in equity mutual funds	13.3	16.5	17.7
Fixed income products	3.0	4.0	4.7
Other Carnegie funds	3.8	4.9	7.1
Total	20.0	25.4	29.4

During 2004 the product range was expanded and a team was recruited for the development of a long-term real estate oriented investment product, adding a new asset

class in Carnegie's client offering. The new team brings extensive experience from the Nordic real estate sector as well as from the financial markets. Further, quantitative and structured asset management products were added to the product range. In December, the co-operation with Max Matthiessen, leading in pension advisory services in Sweden, was further strengthened through a new agreement, in which Carnegie will provide fund products and tailored investment solutions to Max Matthiessen and Carnegie's fund products will be offered through Max Matthiessen's sales organisation, reaching 135,000 clients in Sweden.

Clients

The discretionary services are directed to institutional clients, mainly in the Nordic countries. Asset management products are distributed to institutional investors as well as to retail investors through external networks, such as SkandiaLink and PPM ¹⁾ in Sweden, Fennia in Finland, Nordea Unit Link in Norway and Danske Bank in Denmark and through Carnegie's Private Banking organisation.

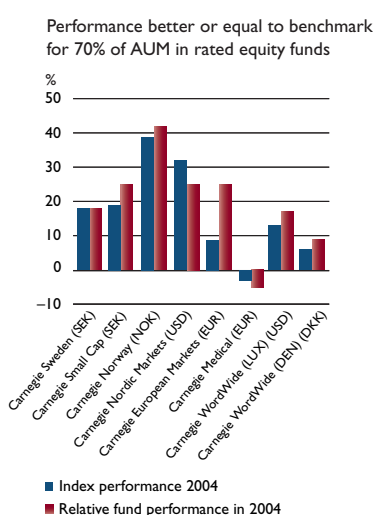
Targeted segments and key focus

Carnegie Asset Management is to become the leading untied supplier of asset management services in the Nordic region. It is to be the first choice for institutional clients in certain areas and to achieve a leading position in the Nordic fund markets. This will be achieved through high-quality asset management products based on a structured and focused investment strategy and a product range that is well adapted to its clients' needs.

Carnegie's strong brand name as an active manager with a number of strong teams and products is key to be the first choice for institutional clients and to achieve a leading position in the Nordic fund markets. In order to continue to deliver top-ranked, high-performance products in the long term, focus will be on further improving product quality and to expand the product range. The aim is to strengthen the client relationships in the institutional client segment and to improve the distribution capacity through further development of the third-party distribution networks to reach the targeted audience.

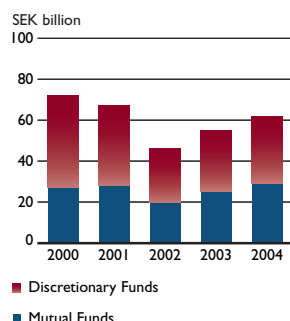
Rating

Carnegie Asset Management aims to develop attractive investment products. Long-term performance is key for a successful operation, as Carnegie relies on distribution through external networks. The overall performance in Carnegie's investment products was strong in 2004. At the end of the period, mutual funds representing approximately 80 per cent of Carnegie's total assets under management in rated equity funds held 4- or 5-star ratings. Performance was better or equal to benchmark for about 70 per cent of the assets under management in Carnegie's rated mutual funds. During 2004, the largest product, Carnegie WorldWide, outperformed more than 3 per cent, and European Equities outperformed with 15 per cent, which rendered an award in Morningstar's ranking. The hedge fund product (Carnegie WorldWide Long/Short) had an outstanding performance with 19 per cent for 2004.

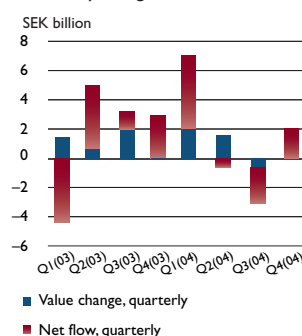


¹⁾ The PPM-system: In accordance with the Swedish national pension system, 2.5% of an employee's salary is invested on his/her behalf as specified by the employee. Approximately 4 million individuals are currently eligible to participate in the scheme, which has been applied from 2000.

Assets under management



Quarterly change in AUM, SEKbn



Assets under management

Assets under management (AUM) includes discretionary managed portfolios and mutual funds, and amounted to SEK 62 billion at 31 December 2004. From the beginning of the year, the increase in AUM of SEK 7 billion reflected a net inflow of SEK 3 billion, and a value increase of SEK 4 billion.

Asset management investment disciplines, year-end 2004

Investment disciplines	Mutual funds	Discretionary funds	Total
Domestic Equities	10%	13%	23%
Nordic equities	2%	2%	4%
European equities	3%	2%	6%
Global equities	15%	23%	38%
Healthcare equities	8%	0%	8%
Technology equities	0%	1%	1%
Fixed income	8%	13%	21%
Total	47%	53%	100%

Asset Management pro forma result 2004

Total pro forma income in Asset Management in 2004 was SEK 492 million. The pro forma income from mutual fund products was SEK 366 million in 2004 and included SEK 17 million in performance fees. Income from mutual funds is generated from funds distributed through external networks (such as SkandiaLink, Fennia and Danske Bank) as well as from products sold through Carnegie's organisation. Fund products distributed through third parties generate a net fee after distribution costs.

Income from discretionary mandates was SEK 109 million and included performance fees of SEK 18 million. About 12 per cent of the total assets under management (discretionary mandates as well as mutual funds) have a performance-related fee structure. Other income in 2004 of SEK 17 million was mainly generated from asset management advisory services.

Asset Management (SEK million)	pro forma 2004
Income from mutual funds	366
-of which performance fees	17
Income from discretionary asset management	109
-of which performance fees	18
Other income	17
Total income	492
Expenses before profit-share	-292
Operating profit before profit-share	200
No of employees at year-end	132
AUM at year-end:	
Mutual fund products	29 billion
Discretionary mandates	33 billion
Total assets under management	62 billion

The organisation comprises 132 employees in Denmark, Sweden, Norway and Finland. Total expenses before profit-share was SEK 292 million, and the pro forma operating profit before profit-share was SEK 200 million.

Private Banking

Clients

Carnegie has been providing Nordic expatriates a full range of private banking services through Banque Carnegie Luxembourg for more than ten years. All activities involving private banking clients outside the Nordic region are coordinated through Banque Carnegie Luxembourg, and are also conducted through offices in London and, from 2004, in Switzerland.

Carnegie's private banking concept in the Nordic region was initiated in 2003 when a private banking organisation was established in Denmark and Sweden. On 1 January 2004, Carnegie Investment Bank AB received a banking licence, which makes it possible to provide private banking clients with a wider range of financial services in Sweden, where the concept is relatively new. Carnegie's targeted clients in Private Banking comprise high-net-worth individuals, foundations and family-owned companies.

Targeted segments

The demographic structure, combined with an increasing proportion of the elderly population living more active lives after retirement, has raised the awareness of making personal pension plans at an early stage. The emphasis on long-term investment horizons will continue to stimulate the demand for dynamic investment alternatives that take the comprehensive picture of a client's situation – such as lifestyle and age – into consideration in the allocating process. These factors, together with the change in inheritance and tax regulations in Sweden are important for Private Banking. Carnegie Private Banking is to become the independent premium private banking provider for high-net-worth individuals in the Nordic region as well as for Nordic expatriates living abroad.

Internationally, services for private banking clients with a Nordic background have been strengthened by Banque Carnegie Luxembourg's new subsidiary in Switzerland. In the Nordic region, Carnegie's market share in the private client segment is currently low and in 2004, the service concept offering was further developed. The aim in 2005 is to deepen and broaden the client base as well as to widen the product range in all the markets in which Private Banking operates.

Products and services

Carnegie's private banking concept is based on an open architecture environment, including both internally and externally managed products. From this, well-diversified portfolios are created with varying risk profiles – depending on clients' needs. Carnegie assists clients in protecting and enhancing the value of their wealth, either through tailor-made discretionary account management or personalised advisory services, including securities brokerage, tax advice and tax return services, succession planning as well as legal and insurance advice. Private Banking offers a high-quality, personal and dedicated service to high-net-worth individuals. In 2005, Carnegie will broaden the product offering to private clients in Sweden, to include services such as credit cards and mortgage lending.

All Private Banking advisers in Sweden are licensed by SwedSec to comply with the new regulations regarding advisory responsibility that came into force in Sweden on

1 July 2004. The licensing shows that the advisers have the knowledge required by SwedSec and have pledged to comply with the rules. To further enhance the quality of Private Banking's service offering, all Private Banking employees in Sweden have training in civil and tax law and in the regulations governing the provision of financial advice.

At the end of September, a new fund of funds was launched in Sweden, adding value to Carnegie's discretionary service in Private Banking. The launch was made in response to increased demand for an efficient allocation solution and an international fund of funds. This follows Carnegie's open architecture strategy and the addition of Russell funds to the product offering. Carnegie Private Banking's Fund of Funds International is a global fund investing in both Carnegie and Russell funds. This gives Carnegie a competitive offering based on Carnegie's global specialist and sector expertise together with the 100 best regional fund managers in the world, included in Russell's fund offering.

Carnegie Private Banking also manages three portfolio funds: Conservative Portfolio, Balanced Portfolio and Capital Growth Portfolio. The funds are managed at three different risk levels. The components in the funds are chosen from an open architecture of funds, globally as well as locally, and from other financial products. The ambition and main objective is to achieve good, absolute risk-adjusted return on active asset and fund allocation. An advantage of the portfolio funds is that because of their size, they can invest in funds not normally open to private clients, such as hedge funds and structured products.

Through Carnegies co-operation with Max Matthiessen, a targeted segment of Max Matthiessen's client base will be able to take part in a broader offering of financial services through Carnegie's private banking offering.

Private client volume

The Private Banking client volume represents the gross value of all portfolios managed on behalf of private clients, both discretionary and advisory accounts, and also includes all types of securities, mutual funds, borrowing and lending. The Private Banking client volume amounted to SEK 31 billion at 31 December 2004, up 3 billion from the beginning of the year, and included SEK 6 billion in Carnegie's discretionary mandates or mutual funds, included in the AUM figure presented by Asset Management.

Private Banking pro forma result 2004

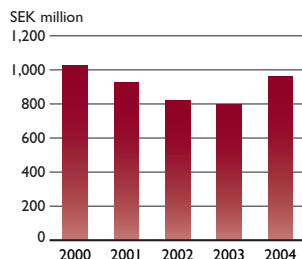
Private Banking income is generated from commission from advisory accounts, discretionary fees, mutual fund fees, interest net and advisory fees from legal and insurance advice. Total income in 2004 was SEK 467 million.

Private Banking (SEK million)	pro forma 2004
Total income	467
Expenses before profit-share	-372
Operating profit before profit-share	95
No of employees, year-end	192
Client volume, year-end (SEK billion)	31

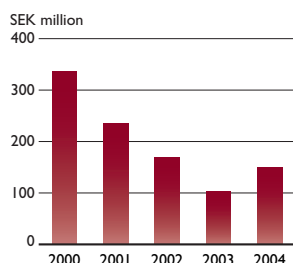
Total expenses before profit-share was SEK 372 million and included redundancy expenses following the reorganisation of the operations in Sweden in the second half of 2004. The number of employees in Private Banking was 192 at year-end. From 2005 the operations in Carnegie Pension Consulting, comprising pension-related advisory services with 12 employees, will be transferred to Max Matthiessen, Sweden's leading pension adviser.

The pro forma operating profit before profit-share in 2004 was SEK 95 million.

Total income
Asset Management & Private Banking



Profit before taxes
Asset Management & Private Banking



Income statement, operating data and key ratios

Asset Management & Private Banking (SEK million)	2000	2001	2002	2003	2004
Net commission income	271	276	259	265	304
Net interest income	70	78	101	86	109
Net income from financial positions	62	73	38	42	36
Total fees from mutual funds	378	321	251	240	308
Total fees from discretionary fund management	173	112	80	78	103
Advisory fees	70	64	90	88	99
Total income	1,024	924	819	798	959
Personnel expenses	-170	-234	-267	-314	-363
Redundancy expenses	-	-	-22	-19	-
Other expenses	-185	-239	-226	-268	-303
Net provisions for credit losses	-1	0	0	0	1
Total expenses excluding profit-share	-356	-473	-514	-601	-665
Operating profit before profit-share	668	451	305	197	294
Allocation to profit-share system ¹⁾	-332	-216	-137	-94	-146
Total expenses	-688	-689	-651	-695	-810
Profit before taxes	336	235	168	103	149
Cost/income ratio, %	67%	75%	79%	87%	84%
Operating margin, %	33%	25%	21%	13%	16%
Period-end assets under management (SEK billion)	72	87	47	55	62
– whereof mutual funds	27	28	20	25	29
– whereof discretionary fund management	45	39	26	30	33
Number of employees, average	206	253	281	323	332
Number of employees, period-end	234	253	272	315	324

¹⁾ In the presentation, the result from principal investments and the profit-share effect from the result are not allocated to business areas.

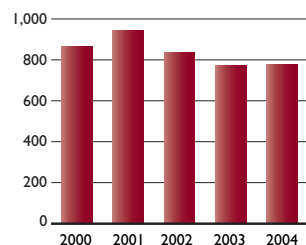
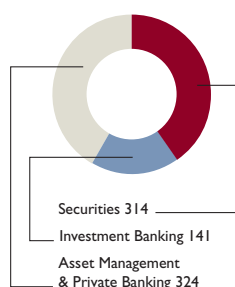
For definitions, see page 10.

Income for the total business area Asset Management & Private Banking in 2004 was SEK 959 million, up 20 per cent from the previous year, mainly reflecting the increase in assets under management of 13 per cent and related performance fees, and increased commission generated in the private banking brokerage activity in the first part of 2004.

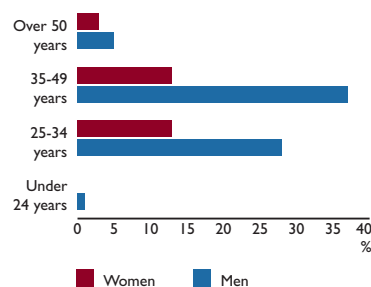
Total expenses before profit-share for 2004 amounted to SEK 665 million, up 11 per cent from the previous year. Profit before taxes in 2004 was SEK 149 million, up by 44 per cent Y/Y.

Employees

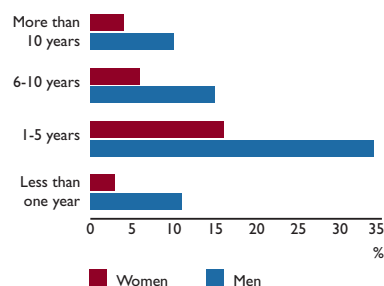
Year-end number of employees

Employees per business area
Total 779

Age distribution



Years of employment



Employee structure

At year-end 2004, the number of employees was 779, an increase of 5 from 2003.

Although the average number of employees was more or less unchanged from previous year, personnel turnover increased during 2004 and the net change included a total of about 120 new recruitments.

In addition, the announcement in December of a cooperation agreement with Max Matthiessen involved the divestment of Carnegie Pension Consulting, with 12 people employed, to Max Matthiessen. This came into effect in the beginning of 2005.

Employees	2000	2001	2002	2003	2004
Average no of employees	765	941	924	793	791
Employees at period-end	864	943	835	774	779
Net change	199	79	-108	-61	5

In 2004, sick leave among employees in Swedish companies constituted 1 per cent of total regular working hours. About one third thereof related to employee sick leave exceeding 60 days.

Corporate culture and incentive programmes

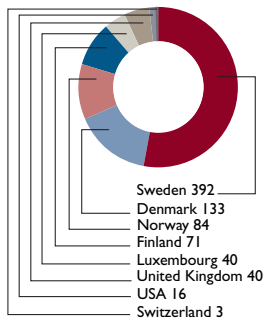
A strong culture is essential in bringing together all employees towards the shared mission, to create long-term profitability by making Carnegie the clients' first choice. The quality and dedication of the staff and the shared sense of being part of a team are part of Carnegie's strengths. This is expressed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

In order to attract and keep those best qualified, it is important to have active leadership with clear targets and incentives. Good leadership is also a prerequisite for individual development for all Carnegie employees. In 2004, the staff evaluation programme was implemented throughout the organisation offering all employees the opportunity to further develop their skills. The purpose of this evaluation is to review the employees according to the following parameters; professional competence, leadership skills, achievement of previously set objectives and corporate values. The evaluation processes ranged from full 360° evaluations, based on input from superiors, peers and subordinates, to individual appraisals based on feedback from the team leader.

Personal commitment and interest in Carnegie's total progress are also promoted by the personal economic motivation of the profit-sharing system and share-related programme. Carnegie is confident that this contributes to increased productivity and performance, which in turn creates value for the client. A transparent compensation system tied to Carnegie's results is therefore advantageous for both clients and shareholders.

Carnegie's profit share system, which was introduced in the early 1990's, calculates profit-share as a fixed formula, 50 per cent of the Group's operating profit, before profit-share, after a deduction of an amount equal to 12-months STIBOR (Stockholm Interbank Offered Rates) on the opening balance of the shareholders' equity for the year, adjusted for any dividends distributed to shareholders. The profit-share is only distributed following a positive result (after deduction for 12-months STIBOR on shareholders' equity) for the full year, and zero or negative results therefore leads to zero profit-share.

Employees per country
Total 779



Total compensation to employees is thus composed of a fixed part and a variable part, i.e. profit-share. The fact that part of total compensation is totally variable enables a fast cost adjustment in weaker markets.

A large part of Carnegie's employees are shareholders in Carnegie following the shareholding scheme, which was applied until 1999. At year-end 2004, Carnegie employees held 16 per cent of Carnegie's total shares outstanding. In addition, there are three warrant programmes running. For further information on these programmes please refer to page 14.

Stiftelsen Carnegie & Co

Stiftelsen Carnegie was first formed in 1994 with the purpose of administering the employee shareholding in Carnegie. Stiftelsen Carnegie's annual return is earmarked for the benefit of Carnegie employees.

From 2004, the aim of Stiftelsen Carnegie is to support Carnegie employees who want to develop themselves further and gain further experience in addition to and aside from their efforts at Carnegie. The following areas have been defined and endorsed: education, international relations/community work, sports/culture.

Stiftelsen Carnegie is separate from the Carnegie Group and has its own board with members representing Carnegie employees as well as external members.

Corporate governance

Carnegie will apply The Swedish Code for Corporate Governance from 1 July 2005

Corporate governance development

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

A Swedish Code for corporate governance was presented in December 2004, to be implemented for the larger companies listed at Stockholmsbörsen from 1 July 2005. It is Carnegie's intention to act according to the Code, and any deviations from the Code will be described in full in a document presented on Carnegie's website under Investor Relations, www.carnegie.se/ir. In 2004, Carnegie complied to a large extent with the Swedish code.

The Board of Directors

All of Carnegie's Directors of the Board are elected by resolution of the AGM. Carnegie's directors serve terms that last until the next AGM, but may serve any number of consecutive terms. Shareholders may remove Carnegie's directors from office at a general meeting of shareholders at any time, and vacancies on the Board of Directors may only be filled by shareholder resolution. Carnegie's Board of Directors should consist of not less than five and not more than nine members.

Board of Directors elected by the AGM in 2004

The nomination committee's aim was to establish a Board of Directors reflecting the different areas of expertise, the market position and the different cultures represented in an international investment bank in the Nordic region. Important parameters were competence, experience, time available and dedication. The AGM 2004 approved in full of the proposal presented by the nomination committee.

The AGM 2004 decided to elect eight Board members. The Board of Carnegie includes representatives from four different nationalities and has extensive industrial and financial backgrounds from the Nordic region and internationally, as well as expertise from the global financial services industry and the regulatory environment in the EU.

All members, except the CEO, are non-executive. Of the Board's 8 members, 6 members are considered independent from the company, from the management as well as from larger shareholders. The female representation in Carnegie's board is 25 per cent.

Of the Board's eight members, six are considered independent from the company, its management as well as from its larger share-holders.

Board member	Born	Member since	Nationality	Function	Independence *)
Hugo Andersen	1946	2004	Danish	Non-Executive Director	Independent
Lars Bertmar	1945	1990	Swedish	Chairman, Non-Executive Director	Former CEO (2003)
Karin Forseke	1955	2003	Swedish/ American	Chief Executive Officer	Employed by Carnegie
Anders Ljungh	1942	2001	Swedish	Non-Executive Director	Independent
Vesa Puttonen	1966	2004	Finnish	Non-Executive Director	Independent
Dag Sehlin	1945	2004	Swedish	Non-Executive Director	Independent
Fields Wicker-Miurin	1958	2003	American/ British	Non-Executive Director	Independent
Christer Zetterberg	1941	2001	Swedish	Vice Chairman, Non-Executive Director	Independent

*) Independence is defined as independence from the company, its management as well as from its larger shareholders. As a leading Nordic investment bank, Carnegie may take on assignments involving companies in which members of Carnegie's Board, directly or indirectly, have economic or other interests. To the extent that the Board members' interests are not significant, Carnegie will regard these Board members as independent. According to the Swedish Code of Corporate Governance, a Board member is considered dependent 5 years following the assignment as CEO of the company, or if the person has been a Board member of the company for more than 12 years. Mr Lars Bertmar has been CEO of Carnegie from 1990 to 2003 and has also served as a Board member during that period, and is thus not considered to be independent from Carnegie.

The Board's tasks

The Board's main tasks are:

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

The Board's activities during 2004

The Board held 12 meetings in 2004. All Board members elected on the AGM in 2004 attended all board meetings. The Board has handled various strategic business matters during the year. Two full day meetings have been allocated to discuss the business strategy of Carnegie. The business planning process has been discussed and the 2004 business goals and objectives of Carnegie have been discussed and approved. The Board has also handled different strategic business projects.

The restructuring of the legal structure of the group has been further discussed. In line with the overall strategy to make the organisation even more efficient, the ownership of Banque Carnegie Luxembourg has been transferred from Carnegie Bank AS in Denmark to Carnegie Investment Bank in Sweden. The Board has also passed a resolution to divest the Swedish insurance brokerage firm Carnegie Pension Consulting AB to Max Matthiessen Liv & Finansmäklare AB.

One field of discussion has been the changing framework of rules in different areas affecting Carnegie, the investment banking and asset management industry in Sweden, Europe and globally. Especially the amended capital adequacy requirements according to the Basel II CAD Directive, and different alternatives to handle the amended requirements going forward, have been discussed. Further new regulation regarding accounting, i.e. IAS/IFRS, has also been discussed, as well as the development of the

Swedish Code for Corporate Governance. The Board has also adopted a set of Group Policies in different areas, to be complied with by all entities in the Carnegie Group.

An evaluation of the Board's work and its individual Board members was conducted with external support and has also been submitted to the Nomination committee.

Compliance and risk management organisation

Compliance

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

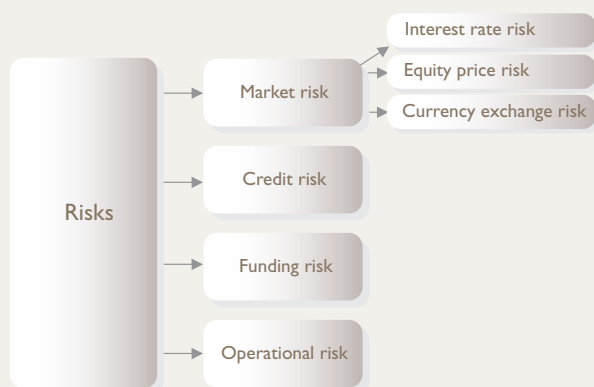


Internal audit

Carnegie's internal audit function is designed to operate independently from Carnegie's management and reports directly to relevant boards. The internal audit function evaluates and reports on the state of internal control within Carnegie. It also issues recommendations to correct any weaknesses or failings in Carnegie's control systems. Internal audit evaluates Carnegie's internal procedures to monitor quality, provide accurate information on risk exposure and prevent fraud and operational error. By maintaining an effective internal audit mechanism, Carnegie seeks to comply with regulatory requirements and reduce the risk to the company, its shareholders and clients.

Risk management

Carnegie's business activities by their nature expose Carnegie to market, credit, funding and operational risks. Market risk is defined as the risk of loss due to changes in market prices, e.g. changes in equity prices, interest rates, or currency exchange rates. Credit risk is defined as the risk of loss due to counterparty default on loans or other counterparty exposure. Funding risk is related to the need for liquidity in the day-to-day operations. Operational risk is the risk of loss resulting from inadequate and/or failed internal processes, people and systems, human error or external events.



The objective of the Carnegie risk management organisation is to assist in controlling risks that are inherent in the business. Comprehensive risk management policies and procedures are established to identify, control and monitor each major risk area. Managing risk includes a combination of the expertise and experience of brokers, traders, investment bankers, asset managers, private bankers and support staff. Employees in each department, from senior management through to individual employees, have knowledge of the markets and activities in which they do business. Their experience and insight are supplemented by risk management policies and procedures intended to monitor and evaluate the risk profile and keep it within prescribed limits.

The risk managers are independent of the business areas and report directly to the senior management, the Group risk manager and respective Board of Directors. The Group risk manager reports to the Board of Carnegie. The Credit and Risk Committee (including the CFO, the COO and one Board member) decides on the credit and market risks according to limits set by the Board. The goals of the risk managers are to understand the risk profile of each instrument, trading and credit portfolio, and make relevant risk assessments for the business, also with respect to operational risk.

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

The local treasury and finance functions and/or credit departments and local risk managers carry out the local **credit risk** management functions. This includes reviewing

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

The Group treasury and finance functions monitor Carnegie's cash flow situation and manage the **funding risk**. Carnegie's principal needs for liquidity are to support the day-to-day operations, through secured and unsecured short-term funding. The need for long-term funding is relatively low. The majority of Carnegie's assets are marketable securities inventories, margin lending and short time deposits. As a consequence of this, the balance sheet fluctuates significantly between the financial statement dates, but the funding risks are low.

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

Security issues

Security issues focus on internal and external security in terms of information security, IT-systems, accidents and external threats and personal security for Carnegie's employees. The Carnegie Group uses the ISO/IEC 17799 standard as a tool when working with different aspects of information security. The security work in Carnegie is mainly conducted via implementation of policies, control of compliance with the policies and training of relevant staff. Head of Security reports directly to senior management and relevant boards.

Committees and policies

Committees

Nomination committee 2005

Members: Mats Lagerqvist (Robur), chairman, Anders Lannebo (Lannebo Fonder), Mikael Nordberg (Firstnordic Fonder), Lars Bertmar (co-opted member).

The Annual General Meeting 2004 decided that the Chairman of the Board would contact representatives for Carnegie's larger shareholders in the third quarter 2004 in order to establish a nomination committee, consisting of not less than two and not more than four representatives. It was also decided that the Chairman of the Board would be co-opted to the committee. The committee presented a proposal regarding Board members to the AGM in February 2005.

Remuneration committee 2004

Members: Lars Bertmar, Chairman, Anders Ljungh and Hugo Andersen.

The remuneration committee reviews the salary and benefits of the CEO in accordance with her/his contract; it also establishes principles and overall policy for the salaries, benefits and pensions of the executive officers of the Carnegie Group. The committee reviewed and approved the evaluation process, which is the basis for the profit-share allocation process. Group Management, including the CEO, was evaluated through a 360° evaluation, based on input from superiors, peers and subordinates, and reviewed according to the following parameters: professional competence, leadership skills, achievement of previously set objectives and corporate values. In addition to this, the Chairman of the Board also held individual discussions with members of Group management in order to evaluate the CEO.

Audit committee 2004

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

The Audit committee assists the Board of Directors in fulfilling its responsibilities to review

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

Further, the committee is currently updated on Group corporate risks and general operational risk issues through information provided from the Group Risk Assessment committee.

Policies

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

Environmental policy

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

Carnegie Code of Conduct – Rules governing potential conflicts of interest

The Carnegie Code of Conduct is a separate set of rules for the management of potential conflicts of interest primarily between investment banking and equity research activities. The rules encompass the following main principles:

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

The Carnegie Code of Conduct shall regularly be reviewed by the Code of Conduct Committee with the aim to maintain further development and updating of the Code. The Committee consists of the Group Compliance Officer together with representatives from business area Securities and Investment Banking.

Board of Directors

Changes in the Board of Directors

Three new board members were elected at the AGM in 2004, Mr Hugo Andersen, Mr Vesa Puttonen and Mr Dag Sehlin.

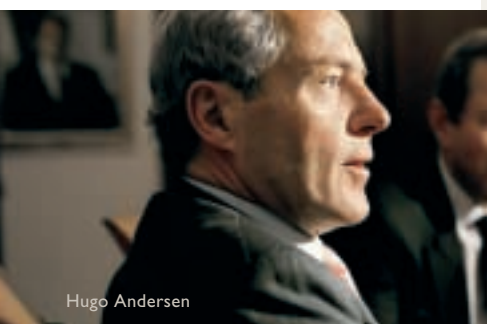
Mr Lars Berg announced that he was not available for re-election in view of his new responsibilities at Eniro AB. Mr Sigurd Astrup announced his resignation from the Board as he will be retiring. Finally, Mr John Hodson, CEO of Singer & Friedlander PLC (S&F) was not available for re-election, since S&F no longer is a major shareholder in Carnegie.

Hugo Andersen, born 1946. New member in 2004. Mr Andersen has served in many leading roles in the Nordic financial and insurance sector. Until his retirement in 2003 he was CEO of Tryg Vestas Group for two years, having been managing director of Tryg-Baltica from 1997 and of Unibank/Nordea companies in Denmark from 1999. In 1989–1997, he was managing director at Nykredit and before that he held several positions in various Danish banks with special focus on investment management and investment banking. Hugo Andersen is a board member of The Employees' Capital Fund (Lønmodtagernes Dyrtidsfond) and chairman of the board of Simon F Hartmann's Family Fund. He holds an MSc in economics. Carnegie shares: 5,000. No warrants.

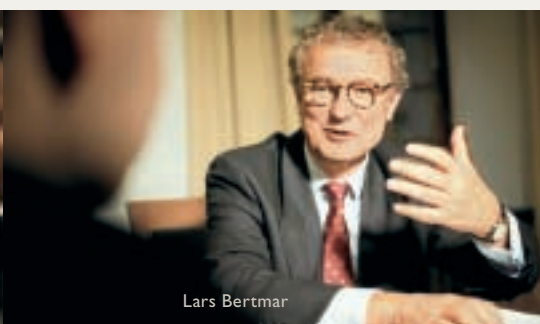
Lars Bertmar, born 1945. Chairman since 2003, member since 1990. Mr Bertmar has extensive knowledge of and experience in the Nordic financial industry and from his twelve years as CEO of Carnegie. He was CEO of the Carnegie Group from 1990 to 2003, deputy CEO of Industrivärden AB in 1988–90, and executive vice president at Svenska Handelsbanken in 1984–88. He holds a PhD and is Docent at the Stockholm School of Economics. He is chairman of the boards of Arts and Business Sweden, Social Initiative AB and Stockholm Institute for Financial Research (SIFR) and board member of Swedish Association for Share Promotion and Stockholm Chamber of Commerce. He is also a technical expert to the International Monetary Fund (IMF) and a member of the Royal Swedish Academy of Engineering Sciences (IVA). Carnegie shares: 300,000. No warrants.

Karin Forseke, born 1955. Member since 2003. She has been CEO of the Carnegie Group since March 2003. Ms Forseke has extensive experience of the UK and US financial markets. She was head of International Sales and Sales Trading at Carnegie between 1998 and 2002. She was COO of the London International Financial Futures and Options Exchange (LIFFE) from 1993 to 1998. From 1992 through 1993 she was responsible for client relations and sales/distribution at Westpac Banking Corporation's Financial Markets Group. From 1989 to 1992 she was director of business development in establishing The OMLX exchange in London. Ms Forseke studied economics, sociology and marketing at UCLA, Los Angeles, California. She is a member of the board of The Financial Services Authority (FSA) in the United Kingdom. Carnegie shares: 305,000. No. of warrants 2003/2006: 25,000 and warrants 2004/2007: 25,000.

Anders Ljungh, born 1942. Member since 2001. Mr Ljungh has in-depth knowledge and experience from the financial industry and particularly from investment banking services, internationally as well as in the Nordic markets. Until 2000, he served as senior adviser to Morgan Stanley Dean Witter. Between 1991 and 1994, he was CFO of the European Bank for Reconstruction and Development. He previously worked as head of Svenska Handelsbanken International in Stockholm and for the World Bank. Mr Ljungh holds a PhD from the Royal Institute of Technology, Stockholm. He is chairman of HiQ and Lunarworks. Carnegie shares: 2,000. No warrants.



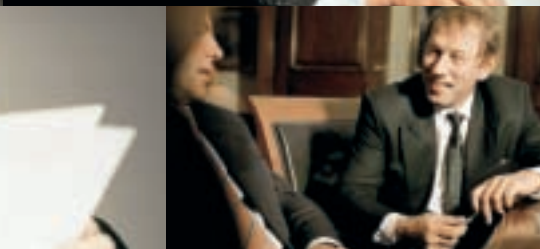
Hugo Andersen



Lars Bertmar



Dag Sehlin



Vesa Puttonen, born 1966. New member in 2004. Mr Puttonen is an academic with extensive experience in financial risk management and fund management. At present, he is professor in finance, Helsinki School of Economics. He has written extensively for Finnish and international academic publications. He has also held several teaching and consulting positions in Finland and internationally. In 1999–2001, he was the managing director of Conventum Fund Management Ltd and in 1998–99 he was senior vice president, Equity Products & Markets at HEX, Helsinki Exchanges. Vesa Puttonen is presently member of the board of Orion Ltd, Suomi Mutual Assurance and Oras Ltd, and chairman of the board of JOKO Executive Education Oy. He holds a DSc (Econ.), accounting and finance, from University of Vaasa, Finland. No shares/warrants in Carnegie.

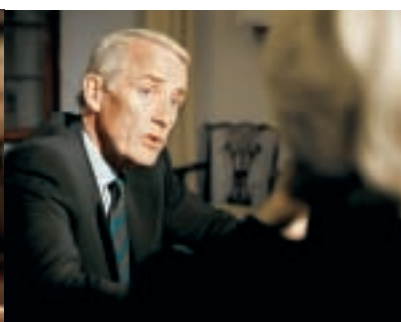
Dag Sehlin, born 1945. New member in 2004. Mr Sehlin has extensive experience from leading positions in the Swedish financial sector. Since 1997 he has worked as a consultant and in 1992–97 he was chief financial officer and deputy chief executive officer at Posten AB (the Swedish Postal Services Group including PostGiro Bank). In 1986–92 he was executive vice president at OM Group and before that he held positions in accounting and finance with several Swedish companies. Dag Sehlin is a member of the boards of Tredje AP-fonden, BTS Group AB (chairman), ProAct IT Group AB and Utfors AB (Telenor AB). He has served as a board member in D. Carnegie AB/Carnegie Investment bank AB since 1997. Mr Sehlin has a MSc in business administration from the Stockholm School of Economics. Carnegie shares: 2,000. No warrants.

Fields Wicker-Miurin, born 1958. Member since 2003. Ms Wicker-Miurin has more than 20 years experience in the global financial services industry and is also an adviser to the UK government on regulatory financial industry issues. She is co-founder and partner of Leaders Quest. She was chief financial officer and director of strategy of the London Stock Exchange between 1994 and 1997. She is a member of the Nasdaq Technology Advisory Council in New York and one of ten members of the Panel of Experts selected to advise the EU Parliament on issues related to the financial services industry in the EU. Ms Wicker-Miurin has an international education with degrees from the University of Virginia, l'Institut d'Etudes Politiques in Paris, and the Johns Hopkins School of Advanced International Studies in Bologna and Washington D.C. No shares/warrants in Carnegie.

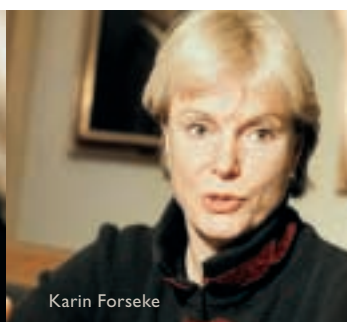
Christer Zetterberg, born 1941. Vice Chairman, chairman 2001–02. Mr Zetterberg has a background in the Swedish paper and pulp and manufacturing industry as well as the financial sector. Between 1990 and 1992, he was president and chief executive officer of the Volvo Group. In 1988–90 he was chief executive officer of PKbanken AB. In 1983–88 he was chief executive officer of Holmens Bruk AB. He is chairman of Mekonomen AB and a board member of Micronic Laser Systems (vice chairman), L E Lundberg Group, CashGuard AB, Boo-Forssjö AB, Swedefund AB and Camfil. He is a member of the Royal Swedish Academy of Engineering Sciences (IVA). Mr Zetterberg has a BSc in business administration. Carnegie shares: 2,000. No warrants.



Anders Ljungh



Karin Forseke



Fields Wicker-Miurin



Christer Zetterberg



Vesa Puttonen



Changes in the executive management

In April, Mr Lars Bjerrek was appointed head of Private Banking and Mr Niklas Ekvall head of Asset Management. Both joined Carnegie in August and became part of the Group Management.

Executive officers

Lars Bjerrek, born 1963. Group head of Private Banking since August 2004. From 2000 to 2004 managing director and head of international Private Banking of SEB Private Bank S.A., Luxembourg. Prior to that head of Private Banking and deputy managing director. From 1997 and to 1998 head of commercial banking at SEB's Singapore Branch with overall responsibility for relationships with corporate clients. From 1994 to 1997 head of the corporate division at SEB, Oslo Branch, with responsibility for Norwegian medium-sized companies and SEB's international subsidiaries. No shares in Carnegie. No. of warrants 2004/2007: 25,000.

Mats Bremberg, born 1963. Group head of Investment Banking since April 2003. Head of Carnegie's Investment Banking business in Sweden since March 2001. Before rejoining Carnegie in March 2001, Mats Bremberg was an executive director at Morgan Stanley & Co Limited in London, in the European investment banking division, with primary focus on business origination and project management related to the European telecommunications sector, covering most disciplines of investment banking. He originally joined Carnegie in 1990 after three years with PKbanken (currently Nordea). No. of shares in Carnegie: 100,000. No. of warrants 2002/2005: 10,000, warrants 2003/2006: 20,000, warrants 2004/2007: 25,000.

Niklas Ekvall, born 1963. Group head of Asset Management since August 2004. Prior to joining Carnegie he was deputy CEO and Chief Investment Officer of Tredje AP-fonden (AP3), responsible for the overall investment activities of funds, including long-term asset allocation, portfolio structure, and risk allocation. Before that he held various positions at Handelsbanken Markets. He is chairman of the board of The Swedish Society of Financial Analysts (SFF) and an Adjunct Professor in Finance at the Stockholm School of Economics. He has a PhD in Finance from the Stockholm School of Economics, where he also is an honorary docent, and has an MSc in Industrial Engineering and Management from the Linköping Institute of Technology. No shares in Carnegie. No. of warrants 2004/2007: 25,000.

Karin Forseke, born 1955. CEO of the Carnegie Group since March 2003. Ms Forseke has extensive experience of the UK and US financial markets. She was head of International Sales and Sales Trading at Carnegie between 1998 and 2002. She was COO of the London International Financial Futures and Options Exchange (LIFFE) from 1993 to 1998. From 1992 through 1993 she was responsible for client relations and sales/distribution at Westpac Banking Corporation's Financial Markets Group. From 1989 to 1992 she was director of business development in establishing The OMLX exchange in London. Ms Forseke studied economics, sociology and marketing at UCLA, Los Angeles. She is a member of the board of The Financial Services Authority (FSA) in the United Kingdom. No. of shares in Carnegie: 305,000. No. of warrants 2003/2006: 25,000 and warrants 2004/2007: 25,000.

Anders Onarheim

Stig Vilhelmsson

Niklas Ekvall

Matti Kinnunen

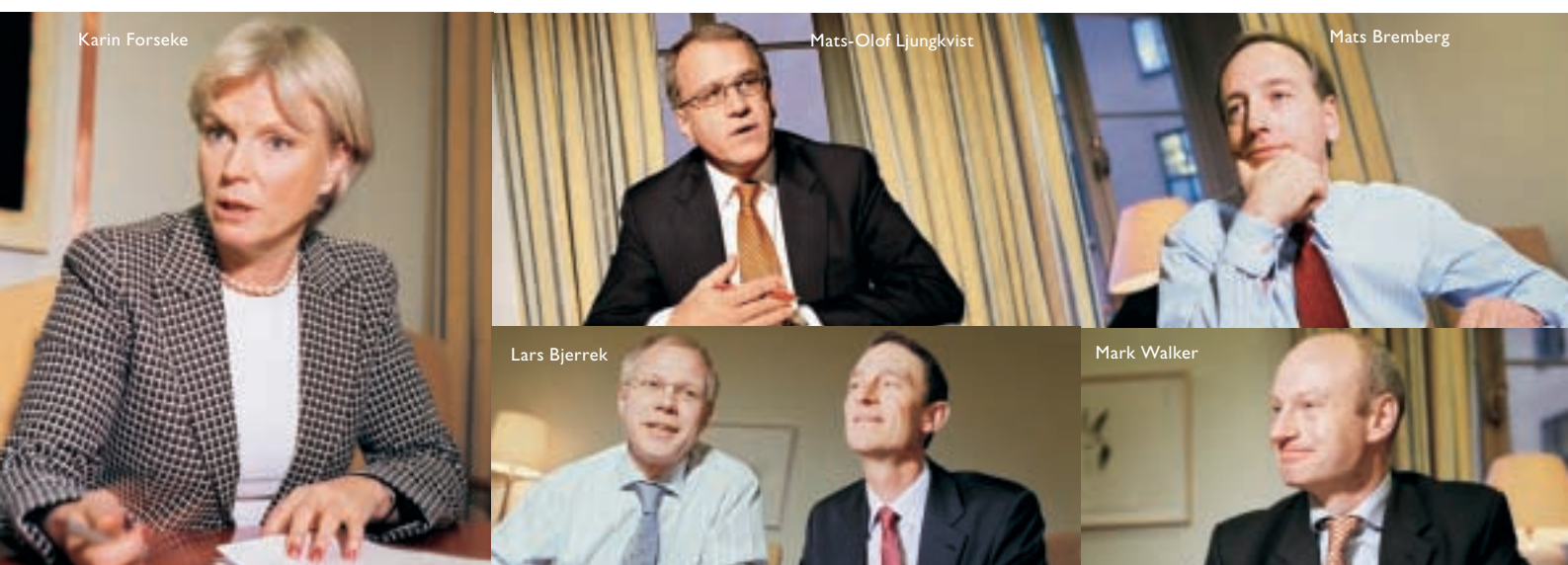
Matti Kinnunen, born 1958. Appointed chief operating officer in 2002. Mr Kinnunen joined Carnegie in 1990 and worked as managing director of D. Carnegie AB between 1992 and 2002. Chairman of some of Carnegie's subsidiaries in the Nordic countries and in the UK and the US. Board member of OMX Exchanges Ltd and chairman of the Swedish Association of Securities Dealers. No. of shares in Carnegie: 300,000. No. of warrants 2003/2006: 25,000, warrants 2004/2007: 25,000.

Mats-Olof Ljungkvist, born 1951. Carnegie's CFO since 1998. Prior to joining Carnegie, managing director of Aragon Holding AB and Aragon Fondkommission AB from 1995 to 1997. From 1985 to 1995, CFO of Apoteksbolaget AB, a Swedish pharmacy company. No. of shares in Carnegie: 110,000. No. of warrants 2003/2006: 25,000, warrants 2004/2007: 25,000.

Anders Onarheim, born 1959. Managing director of Carnegie ASA in Oslo since 1996. Prior to joining Carnegie, head of equities at Enskilda Securities Norway from 1994 to 1996. From 1990 to 1994, executive director in the investment banking division of Goldman Sachs in the UK, and from 1986 to 1990, vice president of institutional sales at Merrill Lynch in the US and the UK. No. of shares in Carnegie: 313,000. No. of warrants 2003/2006: 25,000, warrants 2004/2007: 25,000.

Stig Vilhelmson, born 1956. Joined Carnegie in 1991 and served in various positions within Securities before his appointment as group head of Securities in 1995. Prior to joining Carnegie, head of Securities at Öhman Fondkommission AB from 1984 to 1990. Member of the board of directors of Orc Software AB. No. of shares in Carnegie: 305,000. No. of warrants 2003/2006: 25,000, warrants 2004/2007: 25,000.

Mark Walker, born 1964. Group head of business support since 1 January 2004. Mr Walker joined Carnegie as head of operations at Carnegie's UK Branch in 1998 and was appointed managing director of the UK Branch in 2000. From 1992 to 1998, various roles within London International Financial Futures and Options Exchange (LIFFE). In 1997, appointed director for strategic systems development at LIFFE. No. of shares in Carnegie: 80,000. No. of warrants 2002/2005: 7,000, warrants 2003/2006: 7,500, warrants 2004/2007: 25,000.



Remuneration

Remuneration to the Board of Directors for 2004

The Annual General Meeting 2004 decided that SEK 3,150,000 was to be allocated among those Directors who were not employed by the Company or any of its subsidiaries. Of the total remuneration, SEK 1,950,000 concerns remuneration for the work in the Board of D. Carnegie & Co AB, SEK 500,000 concerns work in the Board committees and SEK 700,000 concerns work in the Board of Carnegie Investment Bank AB as well as in other Boards in the Carnegie Group.

Remuneration to Board members

SEK 000'	D. Carnegie & Co AB	Board committees	Internal boards	Total
Hugo Andersen	300	100	100	500
Lars Bertmar	—	—	—	0
Karin Forseke	—	—	—	0
Anders Ljungh	300	200	200	700
Vesa Puttonen	300	—	100	400
Dag Sehlin ¹⁾	300	—	100	400 ¹⁾
Fields Wicker-Miurin	300	100	100	500
Christer Zetterberg	450	100	100	650
Total	1,950	500	700	3,150

¹⁾ In addition to the remuneration described above, Dag Sehlin has, through a wholly-owned company, received a total of SEK 248,000 for his assignments in Carnegie's credit and risk committee and the internal audit committee.

Mr Lars Bertmar was CEO of Carnegie until March 2003 and finished his employment in July 2003. In 2003, Lars Bertmar received SEK 0.7 million as CEO and as Executive Chairman of the Board he received SEK 1.2 million. In 2003, it was also decided that remuneration would not be allocated to Lars Bertmar as non-executive member of the board in 2003 or 2004, following the agreement including a one-off contribution of SEK 7.7 million to his pension benefits.

Remuneration to the CEO and Executive officers

The Remuneration committee reviews the remuneration for the CEO according to her contract, and also establishes principles and overall policies for the remuneration to the Executive officers. For further description, please see page 56.

The total remuneration to Carnegie's CEO Karin Forseke amounted to SEK 16.2 million for 2004, of which the salary was SEK 3.6 million (SEK 2.4 million for 10 months in 2003). The profit-share allocation for 2004 was SEK 12.4 million, of which a payment of SEK 6.4 million (SEK 3.9 million) was made to a pension insurance to the benefit of the CEO. The CEO also received other benefits of SEK 158,000 (SEK 123,000), related to the corresponding benefit value of received warrants.

(SEK million)					
Remuneration to the CEO and Executive Officers	Salary	Profit-share payment	Payment to pension insurance	Other benefits	Total
Remuneration to the CEO	3.6	6.0	6.4	0.2	16.2
Remuneration to other Executive Officers (8 individuals)	14.1	27.8	18.7	1.0	61.6
Total remuneration to the CEO and Executive Officers	17.7	33.9	25.1	1.2	77.8

The 8 (7) executive officers, excluding the CEO, received a total remuneration of SEK 61.6 million in 2004 (SEK 26.9 million). The profit-share allocation was SEK 46.5 million (SEK 15 million), of which 18.7 million (–) concerned payments to pension insurances to the benefit of the Executive officers. The Executive officers also received other benefits of SEK 1 million (SEK 1 million), related to the corresponding value of received warrants.

Pensions

Carnegie makes salary-based premium payments for pension insurance (based on salaries excluding profit-share) on behalf of all employees in accordance with standards in each country, corresponding to 15.4 per cent (13.1 per cent) of the total salary expenses. All of Carnegie's pension obligations are based on defined contribution plans and are reinsured with external parties.

Carnegie has no pension obligations outstanding and makes no payments for pension insurance to the non-executive Board members. No pension premiums were paid to the chairman of the Board in 2004.

The CEO (or the company) has the right to activate the retirement at the CEO's age of 60. Other members of Group Management are covered by customary terms in each country and have a retirement age of 65 to 67 years of age. The retirement does not trigger any additional expenses for the company.

Notice of termination and severance pay

No agreement on severance pay has been made with any of the non-executive Board members. The CEO must give 12 months' notice to terminate her employment; Carnegie must give 24 months' notice. In the event of a termination with immediate effect by Carnegie, the CEO will receive a severance pay amounting to 24 months' salary, as well as compensation for other benefits for a 24-months' period.

Carnegie's executive officers must comply with notice periods for termination of employment that range from 3 to 12 months, while the company must provide a period of notice of between 3 and 24 months. Only the CEO has a period of notice provided by the company of 24 months.

Statutory consolidated income statement

(SEK thousands)	Note	2004	2003
Commission income	1,2	2,247,880	1,730,899
Interest income		326,047	296,338
Interest expenses		–198,891	–188,876
Net interest income	3	127,156	107,462
Dividend received	4	4,608	582
Net profit from financial transactions	5	283,968	243,759
Other income		8,480	0
Total income		2,672,092	2,082,702
General administrative expenses	6, 21	–2,053,805	–1,682,589
Depreciation of tangible and amortisation of intangible fixed assets	7	–63,111	–77,932
Total expenses		–2,116,916	–1,760,521
Operating profit before provisions for credit losses		555,176	322,181
Provisions for credit losses, net	8	1,454	827
Write-down of financial fixed assets	10	–7,305	–
Operating profit		549,325	323,008
Result from associated companies	14	–14,174	–7,583
Profit before taxes		535,151	315,425
Taxes	9	–139,314	–104,065
NET PROFIT		395,837	211,360
Earnings per share (SEK)		5.93	3.17
Earnings per share, fully diluted (SEK)		5.87	3.14
Average number of shares		66,701,600	66,701,600
Number of shares related to outstanding warrants		7,200,000	4,800,000
Total number of shares, incl effect of issued warrants		67,470,558	67,242,860
Dividend per share (SEK)		5.93 ¹⁾	3.16

¹⁾ Proposed dividend

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

Statutory consolidated balance sheet

Assets (SEK thousands)	Note	31 Dec 2004	31 Dec 2003
Cash and bank deposits in central banks		127,545	225,618
Loans to credit institutions	12	2,960,516	4,963,520
Loans to general public	12, 13	6,611,647	3,120,195
Bonds and other interest bearing securities	10, 11	1,304,788	1,027,306
Shares and participations	10	6,576,409	3,338,378
Shares and participations in associated companies	14	5,159	4,834
Intangible fixed assets	15	39,615	58,618
Tangible fixed assets	16	77,498	107,645
Other assets	10, 17	5,102,121	1,529,116
Prepaid expenses and accrued income	19	203,950	243,161
TOTAL ASSETS		23,009,247	14,618,391
Collateral pledged for own liabilities			
Securities		7,048,047	3,808,954
Securities owned by customers		3,471,040	1,745,772
Other assets		2,377,595	1,041,916
Standardised options			
Blocked assets in customer accounts		905,475	130,809
Securities loaned			
		494,040	509,259
Liabilities and shareholders' equity (SEK thousands)	Note	31 Dec 2004	31 Dec 2003
Liabilities to credit institutions	12	7,397,322	3,208,082
Deposits and borrowing from general public	12	5,423,974	5,144,827
Other liabilities	10, 18	7,821,735	4,329,919
Accrued expenses and prepaid income	20	800,816	536,304
Total liabilities		21,443,846	13,219,131
Provisions			
Deferred taxes		64,532	93,597
Pension obligations		176,307	160,470
Total provisions		240,839	254,067
Shareholders' equity			
Share capital		133,403	133,403
Restricted reserves ¹⁾		590,638	644,286
Unrestricted reserves ²⁾		204,683	156,143
Net profit		395,837	211,360
Total shareholders' equity		1,324,561	1,145,192
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		23,009,247	14,618,391
Contingent liabilities		3,562	7,189
Guarantees		59,662	84,272
Guarantee of liabilities in associated companies		–	70,731
Securities borrowed			
		2,279,942	2,078,279

¹⁾ Reserves that can not be distributed to shareholders.

²⁾ Accumulated net profit.

Change in shareholders' equity, Group

(SEK thousands)	RESTRICTED RESERVES			UNRESTRICTED RESERVES		
	Share capital	Restricted reserves ¹⁾	Translation differences	Translation differences	Unrestricted reserves including net profit	Total
Opening balance 2003	133,403	653,820	25,792	48,153	706,828	1,567,996
Dividend					-595,645	-595,645
Changes in equity method reserve		-1,300			1,300	-
Transfers between restricted and unrestricted reserves		-7,539			7,539	-
Foreign exchange difference			-26,487	-12,032		-38,519
Net profit					211,360	211,360
Closing balance 2003	133,403	644,981	-695	36,121	331,382	1,145,192
Dividend					-210,777	-210,777
Transfers between restricted and unrestricted reserves		-51,756			51,756	-
Foreign exchange difference			-1,893	-3,798		-5,691
Net profit					395,837	395,837
Closing balance 2004	133,403	593,225	-2,588	32,323	568,197	1,324,561

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

	2004	2003
Dividend per share (SEK)	5.93 ¹⁾	3.16

¹⁾ Proposed dividend

Income statement of Parent Company

(SEK thousands)	Note	2004	2003
Operating income		6	4,308
Administrative expenses	23	-9,848	-50,352
Operating profit		-9,842	-46,044
Financial items			
Anticipated dividend from Group companies		395,755	225,000
Interest income from Group companies		2,611	18,956
Other interest income		1,577	6
Write-down of financial fixed assets	28	-7,305	-
Interest expenses on subordinated loan		-	-7
Interest expenses to Group companies		-5	-403
Other interest expenses		-545	-1
Foreign exchange differences		-3	-238
Profit after financial items		382,242	197,270
Appropriations	24	76,017	51,899
Profit before taxes		458,259	249,169
Taxes	25	-17,113	-8,159
NET PROFIT		441,146	241,010

Balance sheet of Parent Company

Assets (SEK thousands)	Note	31 Dec 2004	31 Dec 2003
Fixed assets			
Tangible assets			
IT equipment and other machinery	26	–	–
Financial assets			
Shares in Group companies	27	724,490	724,490
Shares in associated companies	14	–	11,550
Other shares and participations	28	7,305	14,610
Receivables from associated companies		–	27,500
Deferred taxes recoverable		20,172	21,640
Other financial assets		35,520	36,241
Total financial assets		787,487	836,031
Total fixed assets		787,487	836,031
Current assets			
Current receivables			
Receivables from Group companies		419,212	218,877
Prepaid tax		1,365	48,949
Other receivables		9	75
Prepaid expenses and accrued income		342	397
Total current receivables		420,927	268,298
Cash and bank		1,317	1,889
Total current assets		422,244	270,186
TOTAL ASSETS		1,209,732	1,106,217
Asset pledged		None	None

Shareholders' equity and liabilities (SEK thousands)	Note	31 Dec 2004	31 Dec 2003
Shareholders' equity			
Restricted equity			
Share capital (66,701,600 shares, par value SEK 2)		133,403	133,403
Statutory reserve		579	579
Premium reserve ¹⁾		458,191	458,191
Unrestricted equity			
Retained earnings ²⁾		-45,501	-28,333
Net profit		441,146	241,010
Total shareholders' equity		987,818	804,850
Subordinated loan	29	–	240
Provisions			
Pension obligations		35,520	36,241
Tax allocation reserve	30	183,150	259,167
Total provisions		218,670	295,408
Current liabilities			
Accounts payable		145	694
Loans to Group companies		–	7
Other liabilities		113	–
Accrued expenses and prepaid income		2,986	5,018
Total current liabilities		3,244	5,719
Total liabilities		3,244	5,719
TOTAL SHAREHOLDERS' EQUITY LIABILITIES		1,209,732	1,106,217
Guarantee of liabilities in associated companies		–	70,731

¹⁾ Amount paid in above par value.

²⁾ Accumulated net profit.

Change in shareholders' equity, Parent Company

(SEK thousands)	RESTRICTED RESERVES		UNRESTRICTED RESERVES		Total
	Share capital	Restricted reserves	Retained earnings	Net profit	
Opening balance 2003	133,403	458,770	379,708	216,394	1,188,275
Appropriation of profit			216,394	-216,394	–
Dividend			-595,645		-595,645
Group contribution			-39,986		-39,986
Group contribution's tax effect			11,196		11,196
Net profit				241,010	241,010
Closing balance 2003	133,403	458,770	-28,333	241,010	804,850
Appropriation of profit			241,010	-241,010	–
Dividend			-210,777		-210,777
Group contribution			-65,835		-65,835
Group contribution's tax effect			18,434		18,434
Net profit				441,146	441,146
Closing balance 2004	133,403	458,770	-45,501	441,146	987,818

	2004	2003
Dividend per share (SEK)	5.93 ¹⁾	3.16

¹⁾ Proposed dividend

Statement of changes in financial position, Group and Parent Company

(SEK thousands)	Group		Parent	
	2004	2003	2004	2003
Current operations				
Profit before taxes ^{*)}	535,151	315,425	458,259	249,169
Adjustment for items not included in cash flow				
Result from associated companies	14,174	7,583	—	—
Amortisation, depreciation and write-down	70,416	77,932	7,305	611
Other items	—	—	-76,017	-52,038
Other taxes	—	—	-1,467	5,825
Current taxes	-150,365	-190,542	2,788	-2,788
	-65,775	-105,028	-67,391	-48,390
Cash flow from operations before changes in working capital	469,376	210,398	390,868	200,779
Increase (-)/decrease (+) in operational assets				
Loans to general public	-3,490,091	-296,452	—	—
Securities inventory	-3,521,104	-1,714,490	—	—
Current receivables	-3,558,990	1,978,234	-152,630	387,126
Increase (+)/decrease (-) in operational liabilities				
Borrowing from general public	280,625	134,530	—	—
Liabilities to credit institutions	4,190,724	1,340,941	—	—
Current liabilities	3,774,120	1,184,197	-2,475	-68,826
	-2,324,716	2,626,960	-155,105	318,300
Cash flow from operations	-1,855,340	2,837,357	235,763	519,079
Investment activities				
Sale of fixed assets	3,325	7,103	—	8,280
Investment/acquisition of associated and other companies	-6,000	-7,650	11,550	138,794
Acquisition of fixed assets	-17,614	-36,921	—	-438
Cash flow from investment activities	-20,289	-37,468	11,550	146,636
Financing activities				
Shareholders' contribution	—	—	—	-242,000
Group contribution	—	—	-65,835	-39,986
Change in long-term receivable	—	—	29,688	203,494
Change in long-term liabilities	—	—	-961	8,980
Distributed dividend	-210,777	-595,645	-210,777	-595,645
Cash flow from financing activities	-210,777	-595,645	-247,885	-665,157
CASH FLOW FOR THE YEAR	-2,086,406	2,204,244	-572	558
Liquid funds at the beginning of the year	5,189,138	3,036,686	1,889	1,331
Exchange differences in liquid funds	-14,672	-51,792	—	—
LIQUID FUNDS AT THE END OF THE YEAR^{**)}	3,088,060	5,189,138	1,317	1,889
Notes to statement of changes in financial positions				
^{*)} Interest paid:	260,399	187,555	551	410
Interest received:	392,910	298,169	4,188	18,962
^{**) Liquid funds:}				
Cash and bank deposits in central banks	127,545	225,618	—	—
Loans to credit institutions	2,960,516	4,963,520	1,317	1,889
Available liquidity	3,088,060	5,189,138	1,317	1,889

Accounting policies

Applicable to legislation and accounting standards

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

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

The financial statements comply with the accounting standards and recommendations issued by the Swedish Financial Accounting Standards Council and its Emerging Issues Task Force pronouncements and the regulations of Swedish Financial Supervisory Authority.

Swedish Financial Accounting Standards Council – new standard 2004

RR29 Employee benefits

This accounting standard effective from 1st January 2004 and the comparative figures are restated in accordance with the accounting standard. The new accounting standard had no effect on the result or shareholders' equity, so the adoption has only resulted in additional information.

The Group

Consolidated financial statements

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

The consolidated financial statements have been prepared in Swedish crowns (SEK). The current method is used when translating the financial statements of the subsidiaries into SEK. Foreign subsidiaries' assets and liabilities have been translated at the closing rate. The income statement has been translated at the average rate for the accounting year. Translation differences are charged or credited directly to the shareholders' equity of the Group.

Associated companies

In the consolidated financial statements investments in associated companies, i.e. all companies in which the parent company, without owning a company as a subsidiary, direct or indirect has a controlling influence have been accounted for in accordance with the equity method. Thus, the investment is carried at an amount equal to the ownership interest in the associate's equity adjusted for unamortised positive or negative differences between the cost of acquisition and the fair value of the net assets acquired. In the consolidated income statement the Group's share of the associate's results of operations and net finance income/cost is accounted for as "result from associated companies". The Group's share of the associates' tax expense is included in the tax expense accounted for in the consolidated income statement. Post acquisition changes in associates' net assets that have not been realised through dividends received have been classified as restricted equity.

Untaxed reserves

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

Revenue recognition

All purchases and sales are recognised using trade date accounting. Commissions include commission income, underwriting fees and advisory fees and are recognised on a continuous basis. Performance fees and fixed fees regarding the Investment Banking and Asset Management & Private Banking business have been recognised as they are accounted for in accordance with the terms of the client agreements.

Net profit from financial transactions includes realised gains and losses and unrealised gains (net) arising from changes in fair values of shares, bonds, derivatives and other securities whereby unrealised gains (net) have been recognised as restricted equity.

Expenses

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

Operating lease commitments are expensed continuous over the period of contract and relate mainly to rental of premises. The agreements are not recalculated to net present value. There are no finance lease commitments within the group.

Incentive programme

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

Pension obligations

The Group recognises the obligations and expenses for pension obligations, based on defined contribution plans, as determined by the assessment made by insurance which insures the pension benefits in accordance with established actuarial conventions and regulation. The Group recognises certain individual pension obligations as Provisions. These obligations are covered by endowment insurances recognized among Other assets in the consolidated Group and among Financial assets in the Parent company. The pension obligations are recognized at the value of the endowment insurances.

Allocation to profit-share system

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

Taxes

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

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

Measurement Policies Applied

Liquid funds

Liquid funds are Cash and bank deposits in central banks and Loans to credit institutions.

Receivables and liabilities

Loans to general public have been assessed for impairment and uncollectability individually. Reserves for uncollectability have been recognised when the pledges, undertaking or other guarantees are estimated not to cover the amounts due. The item writedown of confirmed credit losses specified in Note 8 and Note 13, includes losses confirmed due to bankruptcy or arrangement of composition.

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

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

Tangible and intangible fixed assets

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

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

Balanced refurbishment costs are depreciated at 5–10 per cent per year. IT equipment and other office equipment are depreciated at 20–33 per cent per year.

Goodwill is amortised at 20 per cent per year. Capitalised expenses regarding system development are amortised at 20–33 per cent per year.

Financial assets

The shareholdings of the parent company in foreign subsidiaries and associated companies are valued at the historical rate of exchange. Hedge accounting has not been applied.

Group contributions and shareholders' contributions

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

Segmental reporting

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

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

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

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

New accounting standards from 2005

IAS/IFRS standards

It is Carnegie's opinion that the transition to IAS/IFRS standards will not have any material effect on Carnegie's reporting. For Carnegie, the most significant effect from the transition relates to goodwill. According to IAS/IFRS, amortization of goodwill will not be allowed. An impairment test is to be made with regard to the goodwill amount at least once a year, or more frequently, if circumstances exist that indicate a value decline. The total amortisation of goodwill for 2004, which amounted to SEK 5 million, was restated and no write-down was required. The total effect from the transition would be that Carnegie's net profit for 2004 would increase by SEK 5 million to SEK 401 million, and earnings per share would increase to SEK 6.01. Shareholders' equity will then be SEK 1,330 million. The adoption would not have any impact on cash-flow.

Carnegie's first financial report in accordance with IAS/IFRS standards will be the Interim Report for the first quarter 2005. The effects of the transition to IFRS that are accounted for are preliminary and based on the current International Financial Reporting Standards, IFRS, as endorsed by the European commission (EC), which may change up and until 31 December, 2005.

Notes to financial statement – Group

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

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

	Total		Principal investments		Securities		Investment Banking		Asset Management & Private Banking	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Net commission income	1,144	960	—	—	840	695	—	—	304	265
Underwriting fees	231	85	—	—	92	18	139	67	—	—
Net interest income	184	182	—	—	75	95	—	—	109	86
Net income from financial positions	231	171	—	2	187	106	8	21	36	42
Fees from mutual funds	308	240	—	—	—	—	—	—	308	240
Fees from discretionary fund management	103	78	—	—	—	—	—	—	103	78
Advisory fees	462	368	—	—	—	—	363	281	99	88
Other fees	8	0	—	—	8	0	—	—	—	—
Total income	2,672	2,083	—	2	1,202	915	511	368	959	798
Personnel expenses	–883	–779	—	—	–358	–319	–162	–146	–363	–314
Redundancy expenses	—	–61	—	—	—	–25	—	–16	—	–19
Other expenses	–710	–634	—	—	–304	–262	–103	–104	–303	–268
Net provisions for credit losses	1	1	—	—	0	1	—	—	1	0
Total operating expenses excluding profit-share	–1,591	–1,472	—	—	–662	–606	–265	–266	–665	–601
Operating profit before result from principal investments and profit-share	1,081	610	—	2	540	309	246	102	295	197
Write-down of financial fixed assets ¹⁾	–7	—	–7	—	—	—	—	—	—	—
Result from associated companies	–14	–8	–14	–8	—	—	—	—	—	—
Operating profit before profit-share	1,059	603	–21	–6	540	309	246	102	295	197
Allocation to profit-share system	–524	–287	11	3	–267	–147	–122	–49	–146	–94
Total expenses	–2,115	–1,760	11	3	–929	–753	–386	–315	–810	–695
Operating profit before taxes	535	315	–10	–3	273	162	124	53	149	103
Taxes	–139	–104	—	—	—	—	—	—	—	—
NET PROFIT	396	211	—	—	—	—	—	—	—	—
No. of full-time equivalent employees, average	791	793	—	—	320	322	139	148	332	323
Assets	23,004	14,613	—	—	15,913	7,483	1,262	637	5,829	6,493
Proportion of equity in associated companies	5	5	5	5	—	—	—	—	—	—
Total assets	23,009	14,618	5	5	15,913	7,483	1,262	637	5,829	6,493
Liabilities and provisions	21,685	13,473	—	—	15,796	7,768	800	377	5,089	5,329
Investments per business area	117	166	—	—	47	63	17	20	54	83
Depreciations per business area	63	78	—	—	21	30	12	12	30	36
Total income by geographical area										
Nordic clients	2,019	1,616	—	—	—	—	—	—	—	—
Non-Nordic clients	653	467	—	—	—	—	—	—	—	—
Total income	2,672	2,083	—	—	—	—	—	—	—	—
Assets by geographical area										
Nordic	20,038	11,553	—	—	—	—	—	—	—	—
Non-Nordic	2,972	3,064	—	—	—	—	—	—	—	—
Total assets	23,009	14,618	—	—	—	—	—	—	—	—
Investments by geographical area										
Nordic	108	155	—	—	—	—	—	—	—	—
Non-Nordic	9	11	—	—	—	—	—	—	—	—
Total investments	117	166	—	—	—	—	—	—	—	—

There are no income-generating transactions between the business areas of any significance and costs without corresponding payments are depreciation and credit provisions, these amounts are not significant.

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

Note 2 — Commission income

	2004	2003
Commission income		
Commission equities	1,417,012	1,101,688
Other commission income	881,282	672,617
Market fees	–50,415	–43,405
Total commission income	2,247,880	1,730,899

Note 3 — Net interest income

	2004	2003
Interest income		
Interest on loans to credit institutions	176,419	147,722
Interest on loans to general public	119,474	110,881
Interest on interest-bearing securities	21,671	34,253
Other interest income	8,483	3,482
	326,047	296,338
Interest expenses		
Interest on liabilities to credit institutions	–108,116	–60,408
Interest expenses for deposits and borrowing from general public	–80,864	–113,420
Other interest expenses	–9,912	–15,048
	–198,891	–188,876
Total net interest income	127,156	107,462

Note 4 — Dividends received

	2004	2003
Dividends on shares and participations – long-term investments	4,608	582
Total dividends received	4,608	582

Note 5 — Net profit from financial transactions

	2004	2003
Capital gains/losses on securities		
Shares and participations	543,301	227,957
Interest-bearing securities	19,341	62,257
Other financial instruments	76,616	37,877
Unrealised gains/losses on securities		
Shares and participations	–331,321	–61,818
Interest-bearing securities	2,572	409
Other financial instruments	–18,943	1,424
Exchange rate differences branch accounts	–9,333	–5,375
Other changes in foreign exchange rates	1,734	–18,971
Total net profit from financial transactions	283,968	243,759

Note 6 — General administrative expenses

	2004	2003
Salaries and other remuneration paid to Boards of Directors and Managing Directors in:		
Denmark	-17,433	-7,920
Finland	-2,696	-2,682
Luxembourg	-1,425	-1,399
Norway	-6,803	-4,130
Sweden	-7,810	-9,465
Switzerland	—	—
United Kingdom	—	—
United States	-1,102	-1,213
Salaries and other remuneration paid to other employees in:		
Denmark	-117,806	-102,811
Finland	-49,921	-44,678
Luxembourg	-23,780	-24,970
Norway	-55,415	-60,953
Sweden	-252,729	-268,096
Switzerland	-1,884	—
United Kingdom	-49,079	-41,940
United States	-20,239	-18,329
Payroll overheads	-128,214	-125,416
Pension premium costs for Boards of Directors and Managing Directors	-1,761	-2,766
Pension premium costs for other employees	-91,642	-74,235
Allocation to profit-share system	-524,205	-287,209
Remuneration to KPMG for audit services	-3,297	-4,486
Remuneration to Grant Thornton for audit services	-2,711	-2,978
Remuneration to Deloitte & Touche for audit services	-698	-2,403
Remuneration to other audit firms for audit services	-1,070	-917
Other remuneration to KPMG	-1,049	-632
Other remuneration to Grant Thornton	-1,398	-2,029
Other remuneration to Deloitte & Touche	-1,696	-1,187
Other remuneration to other audit firms	-552	-942
Other administrative expenses	-687,390	-588,803
Total general administrative expenses	-2,053,805	-1,682,589

Sick leave

In 2004, sick leave among employees in Swedish companies constitutes 1% (2%) of total regular working hours, of which 30% (49%) exceeding 60 days. Sick leave distributed by gender is female 70% (45%) and male 30% (55%), and the distribution by age is 11% (16%) less than or 29 years, 76% (57%) between 30–49 years and 13% (27%) among employees 50 years or older.

Distribution by gender

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

The Group Managements' distribution by gender is female 11% (14%) and male 89% (86%).

Terms of employment and remuneration to Board of Directors and Executive officers

Remuneration to Board of Directors

The Annual General Meeting 2004 decided that 3,150 (2,496) was to be allocated among those Directors that were not employed by the Company or any of its subsidiaries. Of the total remuneration, 1,950 (1,650) concerns remuneration for the work in the Board of D. Carnegie & Co AB, 500 (500) concerns work in the Board committees and 700 (346) concerns work in the Board of Carnegie Investment Bank AB as well as in other Boards in the Carnegie Group.

The Vice Chairman of the Board will receive 450 (450) and the other Board members will each receive 300 (300). Board members elected to committees receive 100 (100) for each assignment, in total amounting to 500 (500). Board member also elected to the Board of Carnegie Investment Bank AB as well as in other Boards in the Carnegie Group receive 100 (100) for each assignment, in total amounting to 700 (346). In addition to the compensation described above, Dag Sehlin has, through a wholly-owned company, received a total of SEK 248,000 for his assignments in Carnegie's credit and risk committee and the internal audit committee.

Mr Lars Bertmar was CEO of Carnegie until March 2003 and finished his employment in July 2003. For 2003, Lars Bertmar received 713 as CEO and as Executive Chairman of the Board he received 1,247. Other benefits, including a company car, amounted to 35 for 2003.

It was decided that remuneration would not be allocated to Lars Bertmar as non-executive member of the board in 2003 or 2004, following the agreement from 2003 including a one-off contribution of SEK 7.7 million to his pension benefits.

Remuneration to the CEO and Executive officers

The Remuneration committee reviews the remuneration for the CEO according to her contract, and also establishes principles and overall policies for the compensation to the Executive officers. For a further description, please see page 56.

The total remuneration to Carnegie's CEO Karin Forseke amounted to SEK 16.2 million (SEK 6.4 million), of which the salary was SEK 3.6 million (SEK 2.4 million for 10 months in 2003). The profit-share allocation for 2004 was SEK 12.4 million (SEK 3.9 million), of which a payment of SEK 6.4 million (SEK 3.9 million) was made to a pension insurance to the benefit of the CEO. The CEO also received other benefits of 158 (123), related to the corresponding benefit value of received warrants.

(SEK million)					
Remuneration to the CEO and Executive Officers	Salary	Profit-share payment	Payment to pension insurance	Other benefits	Total
Remuneration to the CEO	3.6	6.0	6.4	0.2	16.2
Remuneration to other Executive Officers (8 individuals)	14.1	27.8	18.7	1.0	61.6
Total remuneration to the CEO and Executive Officers	17.7	33.9	25.1	1.2	77.8

The 8 (7) executive officers, excluding the CEO, received a total remuneration of SEK 61.6 million in 2004 (SEK 26.9 million). The profit-share allocation was SEK 46.5 million (SEK 15 million), of which 18.7 million (–) concerned payments to pension insurances to the benefit of the Executive officers. The Executive officers also received other benefits of SEK 1 million (SEK 1 million), related to the corresponding value of received warrants.

Pensions

Carnegie makes salary-based premium payments for pension insurance (based on salaries excluding profit-share) on behalf of all employees in accordance with standards in each country, corresponding to 15.4 per cent (13.1 per cent) of the total salary expenses. All of Carnegie's pension obligations are based on defined contribution plans and are reinsured with external parties.

Carnegie has no pension obligations outstanding and makes no payments for pension insurance to the non-executive Board members. No pension premiums were paid to the chairman of the Board in 2004.

The CEO (or the company) has the right to activate the retirement at the CEO's age of 60. Other members of Group Management are covered by customary terms in each country and have a retirement age of 65 to 67 years of age. The retirement does not trigger any additional expenses for the company.

Notice of termination and severance pay

No agreement on severance pay has been made with any of the non-executive Board members. The CEO must give 12 months' notice to terminate her employment; Carnegie must give 24 months' notice. In the event of a termination with immediate effect by Carnegie, the CEO will receive a severance pay amounting to 24 months' salary, as well as compensation for other benefits for a 24-months' period.

Carnegie's executive officers must comply with notice periods for termination of employment that range from 3 to 12 months, while the company must provide a period of notice of between 3 and 24 months. Only the CEO has a period of notice provided by the company of 24 months.

Average number of employees (of which women)	2004	2003
Denmark	132 (37)	129 (37)
Finland	70 (27)	71 (27)
Luxembourg	40 (11)	38 (12)
Norway	88 (25)	93 (27)
Sweden	404 (121)	406 (128)
Switzerland	1 (–)	– (–)
United Kingdom	41 (14)	42 (14)
United States	15 (4)	14 (3)
Total	791 (239)	793 (248)

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

	2004	2003
IT equipment and other machinery	-35,061	-50,693
Leasehold improvements	-7,860	-7,861
Goodwill	-4,881	-3,878
Other intangible fixed assets	-15,310	-15,500
Total depreciation of tangible and amortisation of intangible fixed assets	-63,111	-77,932

Note 8 — Provisions for credit losses, net

	2004	2003
Net credit losses		
Write-down of confirmed credit losses	—	-11
Reversals of previous provisions for anticipated credit losses	1,463	1,233
Provisions for anticipated credit losses	-9	-395
Result of individually assessed credits	1,454	827

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

Note 9 — Taxes

	2004	2003
Current taxes		
Income tax	-177,883	-121,368
Other taxes		
Tax on result from associated companies	—	-21
Deferred taxes	19,013	54,761
Tax from previous years assessments	19,556	-37,437
Total taxes	-139,314	-104,065
Tax assets		
Prepaid taxes included in Other assets	128,883	217,940
<i>of which deferred tax assets</i>	<i>114,921</i>	<i>147,864</i>
Tax liabilities		
Tax liabilities included in Other liabilities	81,376	112,922
Provision for deferred tax liability (refers to untaxed reserves)	64,532	93,597

Deferred tax assets on capitalised loss carryforwards that probable will be utilized in future periods is 14,809 (19,632), of which -1,709 is the effect of changed tax rate in Finland. Deferred tax assets on endowment insurances amounts to 48,684 (45,023).

The average tax rate for the group is 26.0 % (33.0%). Profit before taxes multiplied by each country's standard rate of taxation, result in taxes amounts to 163,680 (104,497). The difference between the applicable tax rate in Sweden of 28 per cent and the actual tax rate of 26 per cent, is due to foreign taxes in countries where the tax rate is higher than in Sweden, also due to tax on non-deductible costs, tax on non-taxable income and also due to utilization of tax loss carryforward.

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

	31 Dec 2004	31 Dec 2003
Current assets		
Bonds		
Listed bonds	1,254,893	990,721
Unlisted bonds	49,895	36,585
	1,304,788	1,027,306
Non-Swedish Government	47,245	156,392
Other non-Swedish issuer	1,257,543	870,914
	1,304,788	1,027,306
Shares		
Shares, warrants — listed	5,430,158	3,273,615
Shares, warrants — unlisted	1,138,946	50,153
	6,569,104	3,323,768
Other assets		
Derivative instruments	963,209	530,294
	963,209	530,294
Other liabilities		
Derivative instruments	-2,736,085	-907,239
Short positions in shares	-4,540,675	-2,200,486
	-7,276,760	-3,107,725
Total securities, current assets	1,560,340	1,773,643
Fixed financial assets		
Shares, warrants — listed	—	—
Shares, warrants — unlisted	—	—
Shares in Startupfactory B.V., unlisted *	7,305	14,610
Total securities, fixed financial assets	7,305	14,610
Total securities	1,567,645	1,788,253

* The acquisition value of Carnegie's 3.8 per cent holding in Startupfactory BV is 43,829, reduced by a write-down in June 2002 of 29,219 and a write-down in December 2004, by 7,305.

Note 11 — Maturities

	31 Dec 2004	31 Dec 2003
Bonds and other interest-bearing securities		
Remaining maturities not exceeding one year	288,265	159,806
Remaining maturities exceeding one year but not exceeding five years	338,146	260,110
Remaining maturities exceeding five years	678,377	607,390
	1,304,788	1,027,306

Note 12 — Maturities

	31 Dec 2004	31 Dec 2003
Loans to credit institutions		
Payable on demand	1,712,448	2,763,078
Remaining maturities not exceeding three months	1,248,068	1,584,705
Remaining maturities exceeding three months but not exceeding one year	—	615,737
	2,960,516	4,963,520
Of which, repo transactions	443,662	750,835
Loans to general public		
Payable on demand	4,081,476	1,261,448
Remaining maturities not exceeding three months	2,089,837	1,705,628
Remaining maturities exceeding three months but not exceeding one year	439,754	144,301
Remaining securities exceeding one year but not exceeding five years	579	8,818
	6,611,647	3,120,195
Of which, repo transactions	—	—
Liabilities to credit institutions		
Payable on demand	5,166,002	1,564,511
Remaining maturities not exceeding three months	2,086,107	1,543,570
Remaining maturities exceeding three months but not exceeding one year	145,212	100,000
	7,397,322	3,208,082
Of which, repo transactions	775,314	693,757
Deposits and borrowing from general public		
Payable on demand	3,005,657	2,735,439
Remaining maturities not exceeding three months	2,329,069	2,304,576
Remaining maturities exceeding three months but not exceeding one year	89,249	104,812
	5,423,974	5,144,827
Of which, repo transactions	—	46,180

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

Note 13 — Unsettled receivable and non-performing credits

	31 Dec 2004	31 Dec 2003
Doubtful receivables for which interest is not credited prior to actual payment	29,515	34,835
Provisions for anticipated credit losses on doubtful receivables	–29,515	–34,835
Estimated value on non-performing credits after write-down from anticipated credit losses	0	0

Note 14 — Shares and participations in associated companies

	Corporate identity number/ Reg. Office	Number of shares	Proportion of equity (share of votes),%	Share of net result 2004	Share of net result 2003	Share of equity 2004	Share of equity 2003	Book value in parent company 2004	Book value in parent company 2003
Carnegie Portugal - Sociedade Gestora de Participações Sociais, S.A.	502961368 Lissabon	75,000	50.0%	-1,994	-2,083	—	1,994	—	—
Capital C AB	556560-7677 Stockholm	2,550	50.0%	-12,180	-5,501	5,159	2,840	—	11,550
Total book value				-14,174	-7,583	5,159	4,834	—	11,550

Capital C AB is a software development company and supplier of after trade solutions for the securities industry including Carnegie. In 2004 Carnegie's payment for services amounted to 39,298 (6,939). During 2004, Carnegie replaced the guarantee commitment of 70,731 with a loan to Capital C. At year end the credit facility amounted to SEK 83.5 million (SEK 27.5 million). In 2004, decisions were taken to provide shareholders' contribution of 14,500 (6,500).

Carnegie Portugal - Sociedade Gestora de Participações Sociais, S.A. is an asset management company and the products are discretionary managed portfolios for institutional and private investors. In 2003, a decision was taken to provide a shareholders' contribution of SEK 1,150. The net result from Carnegie Investimentos also included a write-off of 1,751 related to the divestment of Carnegie Investimentos.

Note 15 — Intangible fixed assets

	31 Dec 2004	31 Dec 2003
Goodwill		
Acquisition value, January 1	22,333	18,385
Changes in foreign exchange rates	-185	-197
Acquisitions during year	—	4,145
Acquisition value, December 31	22,148	22,333
Amortisation, 1 January	-5,419	-1,570
Changes in foreign exchange rates	103	29
Amortisation during the year	-4,881	-3,878
Amortisation, December 31	-10,197	-5,419
Book value	11,951	16,914
Other intangible fixed assets		
Acquisition value, January 1	80,262	63,589
Changes in foreign exchange rates	-460	-1,556
Transfers	—	-184
Acquisitions during year	1,408	18,413
Disposals during year	-7,921	—
Acquisition value, December 31	73,289	80,262
Amortisation, January 1	-38,558	-23,289
Changes in foreign exchange rates	322	198
Transfers	—	33
Accumulated amortisation disposals during the year	7,921	—
Amortisation during the year	-15,310	-15,500
Amortisation, December 31	-45,625	-38,558
Book value	27,664	41,704
Total book value intangible fixed assets	39,615	58,618

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

Note 16 — Tangible fixed assets

	31 Dec 2004	31 Dec 2003
IT equipment and other machinery		
Acquisition value, January 1	359,635	370,337
Changes in foreign exchange rates	-1,877	-13,941
Transfers	-	4,326
Acquisitions during year	16,206	14,363
Disposals during year	-144,161	-15,450
Acquisition value, December 31	229,803	359,635
Depreciation, January 1	-276,035	-241,573
Changes in foreign exchange rates	1,770	10,244
Transfers	-	-2,360
Accumulated depreciation disposals during the year	140,836	8,347
Depreciation during the year	-35,061	-50,693
Depreciation, December 31	-168,490	-276,035
Book value	61,313	83,600
Leasehold improvements		
Acquisition value, January 1	64,359	69,188
Changes in foreign exchange rates	-	-687
Transfers	-	-4,142
Acquisition value, December 31	64,359	64,359
Depreciation, January 1	-40,314	-35,167
Changes in foreign exchange rates	-	387
Transfers	-	2,327
Depreciation during the year	-7,860	-7,861
Depreciation, December 31	-48,174	-40,314
Book value	16,185	24,045
Total book value tangible fixed assets	77,498	107,645

Note 17 — Other assets

	31 Dec 2004	31 Dec 2003
Derivative instruments ¹⁾	963,209	530,294
Securities settlement receivables*, ¹⁾	3,668,283	328,618
Endowment insurance ²⁾	175,178	159,349
Taxation receivable ¹⁾	13,962	70,076
Deferred tax assets ²⁾	114,921	147,864
Other assets ¹⁾	166,568	292,914
Total other assets	5,102,121	1,529,116

Other assets includes claims on associated companies of 83,500 (27,727).

* Accounted for net gross amount:

Securities settlement receivables	13,241,206	11,797,494
Securities settlement liabilities	-9,589,305	-12,105,222

¹⁾ The remaining maturities are not exceeding one year.

²⁾ The remaining maturities are exceeding one year.

Note 18 — Other liabilities

	31 Dec 2004	31 Dec 2003
Derivative instruments	2,736,085	907,239
Securities settlement liabilities*	16,382	636,347
Short positions in shares	4,540,675	2,200,486
Tax liability	81,376	112,922
Other liabilities	447,216	472,925
Total other liabilities ¹⁾	7,821,735	4,329,919
* Accounted for net gross amount:		
Securities settlement receivables	13,241,206	11,797,494
Securities settlement liabilities	-9,589,305	-12,105,222

¹⁾ The remaining maturities are not exceeding one year.

Note 19 — Prepaid expenses and accrued income

	31 Dec 2004	31 Dec 2003
Accrued interest	18,424	85,287
Rent for premises	26,009	25,192
Fees	83,508	52,870
Pensions	4,855	3,054
Other	71,154	76,758
Total prepaid expenses and accrued income ¹⁾	203,950	243,161

¹⁾ The remaining maturities are not exceeding one year.

Note 20 — Accrued expenses and prepaid income

	31 Dec 2004	31 Dec 2003
Accrued interest	12,486	73,994
Fees	66,801	25,624
Personnel related	611,423	328,661
Pensions	21,980	2,341
Other	88,126	105,684
Total accrued expenses and prepaid income ¹⁾	800,816	536,304

¹⁾ The remaining maturities are not exceeding one year.

Note 21 — Operating lease commitments

	31 Dec 2004	31 Dec 2003
Agreed payments, land and building		
Within one year	101,496	100,346
Between one to five years	329,544	402,435
Five years or more	10,960	19,571
Other agreed payments		
Within one year	7,804	8,086
Between one to five years	8,227	5,984
Five years or more	—	—

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

Note 22 — Capital adequacy ratio

	31 Dec 2004	31 Dec 2003
Regulatory capital base	774,185	917,501
Risk-weighted amount for credit risks	3,273,855	2,709,925
Interest-rate risk*	488,762	453,778
Share-price risk	271,682	268,015
Divestment-price risk	9,193	19,516
Counterparty risk and other risk	203,293	252,146
Foreign exchange risk	354,048	333,803
Total risk-weighted amount for market risks	1,326,978	1,327,258
Total risk-weighted amount for credit risks and market risks	4,600,833	4,037,183
Capital Adequacy Ratio	16.83%	22.73%

* The Group use the maturity method. Interest-rate risk can be divided into general risk, 224,836 (187,121) and specific risk 263,926 (266,657).

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

	31 dec 2004	31 dec 2003
General risk	224,836	187,121
Specific risk		
Remaining maturities not exceeding six months	12,105	11,433
Remaining maturities exceeding six months but not exceeding two years	10,448	54,602
Remaining maturities exceeding two years	241,373	200,622
Total specific risk	263,926	266,657
Interest-rate risk	488,762	453,778

Large exposures

A large exposure is an exposure to one client or a closely related group of clients which amounts to more than 10% of the regulative capital base 77,419 (91,750). One single large exposure should never exceed 25% of the capital base 193,546 (229,375) and accumulated large exposures should never exceed 800% of the capital base 6,193,480 (7,340,008).

Notes to financial statement – Parent Company

(SEK thousands)

Note 23 — Administrative expenses

	2004	2003
Salaries and other remuneration paid to		
Board of Directors and Managing Director	-2,450	-3,900
Salaries and remuneration paid to other employees	–	-5,633
Payroll overheads	-942	-3,387
Pension premium costs for Managing Director	–	-365
Pension premium costs for other employees	8	-11,115
Remuneration for audit services	-526	-789
Depreciation of tangible fixed assets	–	-611
Other administrative expenses	-5,938	-24,553
Total administrative expenses	-9,848	-50,352
Average number of employees (of which women)	– (–)	8 (3)

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

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

Note 24 — Appropriations

	2004	2003
Transfer from tax allocation reserve	76,017	51,899
Total appropriations	76,017	51,899

Note 25 — Taxes

	2004	2003
Taxes on Group contribution	-18,434	-11,196
Income tax from previous years' assessments	2,788	-2,788
Deferred taxes	-1,467	5,825
Total taxes	-17,113	-8,159

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

Note 26 — IT equipment and other machinery

	31 Dec 2004	31 Dec 2003
Acquisition value, January 1	–	13,403
Acquisition during the year	–	438
Transfers to Group Company	–	-13,565
Disposals during the year	–	-276
Acquisition value, December 31	–	0
Depreciation, January 1	–	-5,040
Accumulated depreciation disposals during the year	–	221
Transfers to Group Company	–	5,430
Depreciation during the year	–	-611
Depreciation, December 31	–	0
Total book value	–	0

Note 27 — Shares in Group companies

	31 Dec 2004	31 Dec 2003
Acquisition value, 1 January	724,490	627,784
Transfers to Group Company	–	–145,294
Shareholders contribution	–	242,000
Net book value, 31 December	724,490	724,490

	Corporate identity number/Reg. Office	No. of shares	Proportion of equity (share of votes) %	Book value 2004	Shareholders' equity 2004*
Carnegie Investment Bank AB	516406-0138 Stockholm	400,000	100%	724,140	929,014
<i>Subsidiaries of Carnegie Investment Bank AB</i>					
Carnegie, Inc.					
Carnegie ASA					
Carnegie Ltd					
Carnegie Fond AB					
Carnegie Pension Consulting AB					
Carnegie Pension Structuring AB					
Gallerie Gustaf Adolf AB					
Familjeföretagens Pensionskonsult AB					
Carnegie Asset Management Finland Ab					
Carnegie Fondbolag Ab					
Carnegie Asset Management Danmark Holding A/S					
Carnegie Asset Management Fondmæglerselskab A/S					
Carnegie Asset Administration A/S					
Carnegie Asset Management Holding Norge AS					
Carnegie Forvaltning ASA					
Carnegie Kapitalforvaltning AS					
Carnegie Fondsforsikring ASA					
Carnegie Bank A/S					
Banque Carnegie Luxembourg S.A.					
<i>Subsidiaries of Carnegie Luxembourg S.A.</i>					
Carnegie Fund Management Company S.A.					
Carnegie Global Healthcare Fund Management Company S.A.					
Carnegie Fund II Management Company S.A.					
Carnegie Asset Management SA					
Carnegie Going Forward AB	556616-8018 Stockholm	1,000	100%	350	351
Total				724,490	929,365

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

Note 28 — Other shares and participations

	Number of Shares	Proportion of equity (share of votes)%	Book value 2004	Book value 2003
Startupfactory B.V.*	995,054	3.8%	7,305	14,610
Total			7,305	14,610

* The acquisition value of Carnegie's 3.8 per cent holding in Startupfactory BV is 43,829 reduced by a write-down in June 2002, of 29,219 and a write-down in December 2004, by 7,305.

Note 29 — Subordinated loan

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

Interest terms 5 percentage per year.

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

Note 30 — Untaxed reserves

	31 Dec 2004	31 Dec 2003
Tax allocation reserve 00	–	21,018
Tax allocation reserve 01	113,265	168,266
Tax allocation reserve 02	62,940	62,940
Tax allocation reserve 03	6,945	6,945
Total untaxed reserves	183,150	259,167

Appropriation of profit

Group

As shown in the consolidated balance sheet, the Group's unrestricted shareholders' equity amounted to SEK 600,520 thousand. A transfer of SEK 18 thousand to restricted reserves is proposed.

Parent Company

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

Unrestricted shareholders' equity	395,645,046
-----------------------------------	-------------

The Board of Directors and the CEO propose that the profits be allocated as follows (SEK):

A dividend of SEK 5.93 per share, total	395,540,488
To be carried forward	104,558
Total	395,645,046

Stockholm, 3 February 2005

Lars Bertmar
Chairman

Hugo Andersen

Anders Ljungh

Vesa Puttonen

Dag Sehlin

Fields Wicker-Miurin

Christer Zetterberg

Karin Forseke
Chief Executive Officer

Our auditors' report was rendered on 16 February 2005

KPMG Bohlins AB

Anders Ivdal
Authorised Public Accountant

Auditors' report

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

Corporate identity number 556498-9449

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the Managing Director of D. Carnegie & Co AB for the year 2004. These accounts and the administration of the Company and the application of the Annual Accounts Acts when preparing the annual accounts are the responsibility of the Board of Directors and the Managing Director. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the Managing Director and significant estimates made by the Board of Directors and the Managing Director when preparing the annual 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 Managing Director. We also examined whether any Board member or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act, the Annual Accounts Act for Credit Institutions and Securities Companies, or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

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

We recommend to the general 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 Managing Director be discharged from liability for the financial year.

Stockholm, 16 February 2005
KPMG Bohlins AB

Anders Ivdal
Authorised Public Accountant

Glossary

Back office: After-trade administration, settlement.

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

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

Capital adequacy: Supplementary capital/Risk-weighted assets.

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

Carnegie 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. The indices are presented at www.carnegie.se.

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

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

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

Discretionary Asset Management Services: An asset manager carries out investments in accordance with stated guidelines and investment strategies.

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

Free float: The number of shares that can be publicly traded, as a percentage of the total number of shares outstanding.

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

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

Large caps: Larger listed companies, with a market capitalisation over SEK 20 billion.

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

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

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

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

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

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

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

Prospera: Market research institute for the Nordic financial markets.

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

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

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

Secondary market: The market for existing shares and derivatives.

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

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

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

Small caps: Smaller listed companies, with a market capitalisation below 20 billion.

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

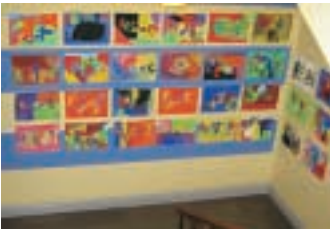
Swap: An agreement in which the parties agree to exchange securities at a stated time.

Tier 1 ratio: Primary capital/Risk-weighted assets.

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

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

Carnegie Art Award



School project, "Respect", Carlsson's School, Stockholm, January 2004.



The artists Kira Wager, NO; Nina Roos, FI; Claus Egemose, DK; Olav Christopher Jenssen, NO; and A K Dolven, NO receive flowers at the inauguration at Kunsternes Hus, Oslo, 17 March, 2004.



The Chairman of the jury, Lars Nittve, director of Moderna Museet, Stockholm, holds his inauguration speech at Victoria Miro Warehouse, London, 10 September, 2004.



Seminar in Kunsthalle Helsinki, 24 November, 2004.

The Carnegie Art Award was founded in 1998 to support skilled artists in the Nordic countries and to promote contemporary painting. So far, 111 artists have had the opportunity to show their works through the Carnegie Art Award. The Award started as an annual event, but since 2004 it takes place biennially.



The event consists of a major exhibition, an extensive book, a film portraying the artists, and awards to four of the participating artists. The works are selected by a jury, chaired by Lars Nittve, Director of Moderna Museet, Stockholm. The exhibition tours the capitals of the five Nordic countries and London.

The Carnegie Art Award is one of the largest art prizes in the world, presenting awards of SEK 1,000,000, SEK 600,000 and SEK 400,000 respectively to three of the participating artists, and a scholarship of SEK 100,000 to a young artist.

The Carnegie Art Award 2004 opened with an award ceremony in Stockholm in autumn 2003. During 2004, the exhibition has toured to Reykjavik, Oslo, Copenhagen, London, and finally, to Helsinki. Altogether, some 40,000 people visited the exhibition. This means that the participating artists have had the opportunity to show their works to a large audience and to extend their networks.

The previews and special guided tours of the exhibition have given many people a chance to learn more about the artists and their works. Seminars, which attracted large audiences, were organised in connection with the exhibitions. "The position of painting in contemporary art" was one of the themes that were discussed at these events. Thanks to extensive collaboration with local schools, thousands of pupils have had opportunities to see the exhibition and get an insight into the world of art under the guidance of qualified staff. This collaboration has initiated cultural projects in schools, focusing on the children's own creativity. Together with leading daily papers in the Nordic region, we have organised exclusive events with the artists throughout the year. Many readers have enjoyed meeting the individual artists and listening to their thoughts and experiences.

During autumn 2004, the work on the Carnegie Art Award 2006 began. Some 30 experts on Nordic contemporary art have nominated a total of 115 artists from the Nordic countries. In the spring of 2005, the Carnegie Art Award jury will select works by 20–25 of the nominated artists and appoint the award winners for 2006. The exhibition will be inaugurated with an award ceremony on 29 September, 2005, at the Henie Onstad kunstsenter in Høvikodden outside Oslo.

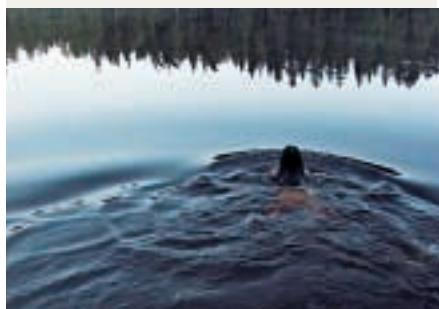
www.carnegieartaward.com



The Carnegie Art Award is open to artists whose work relates in some way to the complexities of painting. Each exhibition features some 60 works by 20-25 artists. The selection below from the 2004 exhibition highlights a few artists who work in various media.

Kaspar Bonnén, Denmark

Foreløbig titel: Køkken og andre rum/Working title: The Kitchen and Other Rooms, 2002-2003. Kaspar Bonnén uses a variety of techniques; here he is represented with an oil painting on canvas, with several overlapping perspectives of a room.



Elina Brotherus, Finland

Still from *Baigneurs*, 2003, video installation (dvd). Elina Brotherus' video work *Baigneurs* (The Bathers) deals with a classic Nordic theme: evening bathers in a romantic, enchanted Nordic natural setting.



Jorma Puranen, Finland

Shadows, reflections and all that sort of thing #21, 2003, C-print, diasec (silicon, plexiglas). In his photographs, Jorma Puranen portrays details of old portrait paintings, where our attention tends to be drawn to elements other than the original subject – the portrayed person.



Christian Schmidt-Rasmussen, Denmark

Solidarity, 2003. Christian Schmidt-Rasmussen works with several media simultaneously. In this case, he has chosen acrylic on canvas. Influenced by pop art and 1970s iconography, his text paintings confront the viewer with hard-hitting slogans.

Carnegie Social Initiative

Carnegie employees contribute on a voluntary basis to social projects in Asia and in the Baltics, through Carnegie Social Initiative. Thanks to their support, these projects can help vulnerable young people face a better future.

Carnegie Social Initiative is a non-profit organisation established in September 2002. The organisation is a separate unit from the Carnegie Group. It is financed by contributions from staff and therefore does not affect the Carnegie Group's results.

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

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



Big Brother Big Sister in Lithuania runs a mentor programme for children from difficult family backgrounds.



Akanksha, Bombay, India provides English and maths education to children from the slum areas.



Door Step Computer Centre, Bombay, India is a unique initiative to provide slum children with basic IT knowledge.

Addresses

The Carnegie Group

D. Carnegie & Co AB

SE-103 38 Stockholm
Västra Trädgårdsgatan 15
Tel +46 8 676 88 00 Fax +46 8 20 57 83
www.carnegiegroup.com

Company reg. no. 556498-9449
Registered office: Stockholm, Sweden

Denmark

Carnegie Bank A/S

PO Box 1935
DK-1023 Copenhagen K
Overgaden neden Vandet 9 B
Tel +45 32 88 02 00 Fax +45 32 96 10 22
www.carnegie.dk

Carnegie Asset Management

Fondsmæglerselskab A/S

Dampfærgevej 26
DK-2100 Copenhagen
Tel +45 35 46 35 00 Fax +45 35 46 36 00
www.carnegie.dk

Finland

Carnegie Investment Bank AB, Finland Branch

PO Box 36
FI-00131 Helsinki,
Södra Esplanaden 12
Tel +358 9 61 87 11 Fax +358 9 61 87 1720
www.carnegie.fi

Carnegie Asset Management Finland Ab

PO Box 46
FI-00100 Helsinki
Keskuskatu 1b
Tel +358 9 61 87 11 Fax +358 9 61 87 14 01

Carnegie Fondbolag Ab

PO Box 46
FI-00100 Helsinki
Keskuskatu 1b
Tel +358 9 61 87 11 Fax +358 9 61 87 14 01

Norway

Carnegie ASA

PO Box 684 Sentrum
NO-0106 Oslo
Stranden 1 Aker Brygge
Tel +47 22 00 93 00 Fax +47 22 00 94 00

Carnegie Asset Management Norway AS

PO Box 1434 Vika
NO-0115 Oslo
Fjordalleen 16, Aker Brygge
Tel +47 22 00 98 00 Fax +47 22 00 98 11

Carnegie Kapitalforvaltning AS

PO Box 1434 Vika
NO-0115 Oslo
Fjordalleen 16, Aker Brygge
Tel +47 22 00 98 00 Fax +47 22 00 98 11

Carnegie Investment Bank AB, Norway Branch

PO Box 684 Sentrum
NO-0106 Oslo
Stranden 1 Aker Brygge
Tel +47 22 00 93 10 Fax +47 22 00 94 00
www.carnegie.no

Sweden

Carnegie Investment Bank AB

SE-103 38 Stockholm
Västra Trädgårdsgatan 15
Gustav Adolfs Torg 18
Tel +46 8 676 88 00 Fax +46 8 20 52 55

Västra Hamngatan 6
SE-411 17 Gothenburg
Tel +46 31 711 34 00 Fax +46 31 10 11 80

Stortorget 9
SE-211 22 Malmö
Tel +46 40 12 00 00 Fax +46 40 12 48 00
www.carnegie.se

Carnegie Fond AB

SE-103 38 Stockholm
Västra Trädgårdsgatan 15
Tel +46 8 676 88 00 Fax +46 8 676 87 71

Familjeföretagens pensionsredovisning i Värmland AB

Box 1517
SE-651 21 Karlstad
Tel +46 54 24 06 40 Fax +46 54 24 06 41

Luxembourg

Banque Carnegie Luxembourg S.A.

PO Box 1141
LU-1011 Luxembourg
Centre Europe, 5 Place de la Gare
Tel +352 40 40 30-1 Fax +352 49 18 02
www.carnegie.lu

United Kingdom

Carnegie Investment Bank AB, UK Branch

24 Chiswell Street
London EC1Y 4UE, UK
Tel +44 20 7216 40 00 Fax +44 20 7417 94 24/26
www.carnegie.co.uk

USA

Carnegie, Inc.

20 West 55th Street
New York N.Y. 10019, USA
Tel +1 212 262 58 00 Fax +1 212 265 39 46
www.carnegieinc.com

Switzerland

Carnegie Asset Management SA

14 Rue de Rhône
CH-1204 Geneva
Tel +41 22 819 1701 Fax +41 22 819 1901

Carnegie – historical flashback

1803

The Carnegie trademark is one of the oldest in Sweden and has covered a wide variety of activities over the past 200 years. Carnegie was founded in May 1803, when the Scotsman David Carnegie established the trading house D. Carnegie & Co AB in Gothenburg.

1836

David Carnegie Jr, the 23 year old nephew of the founder, bought the Lorent sugar refinery and porter brewery at Klippan, Sweden.

1845

David Carnegie Jr returned to Scotland and employed Oscar Ekman to manage the business.

1907

Responsibility for the business was taken over by Oscar Ekman's son-in-law, Karl Langenskiöld.

1932

After the Kreuger crash, Karl Langenskiöld's son, Carl Gustaf, founded an investment bank, Bankirfirman Langenskiöld.

1980

The Langenskiöld investment bank changed name to Carnegie Fondkommission.

1988

Carnegie was sold to PK-banken (later Nordbanken).

1990

A strategic decision was made to focus on the Nordic region with the aim to become the leading Nordic investment bank in securities broking, investment banking and asset management.

1994

The newly formed company Carnegie Holding acquired the operations from Nordbanken (now Nordea).

2001

The Carnegie shares were listed on the O-list of the Stockholm Stock Exchange.



D. Carnegie & Co AB (publ)

Company. reg. no. 556498-9449

Västra Trädgårdsgatan 15 • 103 38 Stockholm • Sweden

Tel +46 8 676 88 00 • Fax +46 8 20 57 83

www.carnegiegroup.com