Carnegie Investment Bank AB (publ)

(Corp. reg. no. 516406-0138)

Interim report

1 January- 30 June 2009

Interim report January – June 2009

Gradual improvement

- Altor and Bure new owners of Carnegie Investment Bank AB. The new ownership situation enabled a positive business flow.
- Weak beginning of the year with gradually increasing revenues during the second quarter.
- Total income amounted to SEK 881m (1,559).
- Previous and current cost-saving measures resulted in a gradually lower cost base. Adjusted for items affecting comparability, expenses amounted to SEK 899m (1,165).
- Profit before tax amounted to SEK 41m (394), adjusted for items affecting comparability.
- High financial strength with a Tier I ratio of 22 per cent. Market and credit risks were reduced as illustrated by the sharp reduction in total assets to SEK 15 billion (45) at the end of the period.
- Several key recruitments were implemented during and after the end of the period.
- High activity in Investment Banking relating to raising of capital.
- Increased customer volumes and high client activity within Private Banking.
- New joint ownership program to be launched during autumn.

President's comments

In times characterized by great uncertainty, the need for advisory services is great, and Carnegie has a unique position as an independent investment bank with extensive experience of Nordic industry and strong international placing power through its offices in New York and London. Carnegie's new owners, Altor and Bure, have an expressed ambition to develop Carnegie into the leading independent investment bank in the Nordic region.

The beginning of 2009 was characterised by great uncertainty regarding development of the global economy, which resulted in declining share prices. Declining asset values and low activity in the equity markets, in combination with the fact that the company was in the midst of a sales process resulted in low revenues for Carnegie during the first quarter of the year.

In February, Altor and Bure reached an agreement with the National Debt Office to purchase all shares in Carnegie, and the transfer of ownership took place in May. With a long-term ownership structure, an improved cost base and a recovering equities market, income and profit have gradually increased. As we now summarise the first six months of 2009, three of four business areas report an operating profit, and the second quarter was stronger than the first.

Within the Investment Banking business area, activity in raising capital was high, and Carnegie had about a dozen mandates during the first quarter from such clients as Eniro, PA Resources and Alliance Oil. The Securities business area had low transaction volumes in the beginning of the year, but activity has increased in pace with increased activity on the Nordic exchanges. Private Banking showed a stable trend during the first six months of the year, with high client activity and positive capital inflow. Asset Management experienced a weak trend in the beginning of 2009 but showed positive inflows during the latter part of the period.

Carnegie is now a financially strong company with total assets of SEK 15 billion (45) and a high Tier I ratio of 22 per cent (11). There are thus excellent prerequisites for capitalising on improved market conditions, and as part of its future-oriented initiatives, Carnegie implemented a number of recruitments of key personnel during the summer.

Niklas Johansson,
President and CEO

Important events during and after the period

Altor and Bure new owners of Carnegie

On 11 February 2009, the National Debt Office entered into an agreement to sell all shares in Carnegie Investment Bank AB (publ) to Altor Fund III ("Altor") and Bure Equity AB ("Bure"). The shares were transferred to the new owners on 19 May 2009 after the relevant authorities in the countries in which Carnegie operates, granted the necessary permits following the ownership assessment.

New Board of Directors in Carnegie

At an Extraordinary General Meeting in conjunction with the change of ownership on 19 May 2009, a new Board of Directors was appointed. The Board consists of Arne Liljedahl (Chairman), Björn Björnsson, Fredrik Cappelen, Harald Mix, Fredrik Strömholm and Patrik Tigerschiöld.

Strategic recruitments during and after the period

- **Frans Lindelöw new President and CEO**
  On 26 May 2009, the Board of Directors appointed Frans Lindelöw as new President and CEO. Frans Lindelöw will assume his position on 14 September. Until that time, Niklas Johansson will remain as President. Frans Lindelöw comes from the Nordea Group, where he was Executive Vice President, responsible for Nordea's Swedish operations and a member of Group Executive Management.
- **Anders Karlsson new CFO**
  Anders Karlsson assumed his position as CFO of Carnegie on 21 August 2009. Anders Karlsson worked previously as Chief Risk Officer at Swedbank and Carnegie.
- **Björn Jansson and Henric Falkenberg new Co-heads of Securities**
  Björn Jansson and Henric Falkenberg have been appointed Co-heads of the Securities business area. Björn Jansson and Henric Falkenberg come from SEB and will assume their positions during the month of October.

New ownership program

Altor and Bure will offer a group of employees to invest in shares in ABCIB Holding AB, the company that owns Carnegie Investment Bank AB, during the autumn. Up to 25 percent of all shares will be offered to employees.

Skrindan Group demerged from Carnegie

As of 29 June 2009, Carnegie sold the company that owns the Skrindan Group. Altor and Bure will own the group in which Skrindan is included via a separate company.

Government guarantee program

Carnegie was included in the government's guarantee program and in April 2009 issued a bond loan with a nominal value of SEK 935m and a maturity of three years.

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Income

Revenues during the first half of 2009 amounted to SEK 881m (1,559). The decline derived primarily from lower activities on the Nordic exchanges, lower average values within Asset Management and lower M&A activity. Income amounted to SEK 411m during the first quarter of 2009 and SEK 470m during the second quarter.

Expenses and profit before tax

Expenses during the first six months amounted to SEK 981m (1,295). Expenses for 2009 included items affecting comparability amounting to SEK 82m, primarily related to costs for personnel reductions and restructuring. Expenses for the comparison period in 2008 included credit reserves totalling SEK 130m. Adjusted for these items, expenses amounted to SEK 899m (1,165). Carnegie initiated a cost-savings programme during the third quarter of 2008 with measures implemented in stages during 2008 and 2009. Savings from the programme reduced the cost base during 2009 and will achieve full effect during the second half of 2009. Work to increase the efficiency of operations will continue during the second half of 2009.

The company reported a loss before tax for the first six months of 2009 of SEK 101m (profit: 264). Items relating to Carnegie's special commitments (bad bank) amounting to SEK -60m and other items affecting comparability with a negative impact of SEK 82m were charged against earnings for 2009. For the first six months of 2008, credit reserves of SEK 130m were charged against earnings. Adjusted for special commitments, credit reserves and other items affecting comparability, profit before tax amounted to SEK 41m (394).

Employees

The number of employees at the end of the period was 400 (493) for the Parent Company and 701 (835) for the Group.

Risks and uncertainties

General information on risks and uncertainties

The business activities of the Carnegie Group expose Carnegie to market, credit, liquidity 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 defaults on loans. Credit risk mainly arises as a consequence of loans to clients using shares as collateral. Liquidity risk is related to the need for liquidity in the day-to-day operations. Operational risk is the risk of loss resulting from inadequate or failed internal processes and systems, alternatively human error or external events. A more detailed description of the Carnegie Group's risk management is presented in the 2008 Annual Report on pages 7-9 and in Note 30 on pages 40-42.

Market risks

Carnegie's own exposure towards equities and equity-related instruments includes items both on the asset side of the balance sheet and the liability side. As of 30 June 2009, the gross value of such assets and liabilities amounted to SEK 3,662m (SEK 5,515m at 31 December 2008), of which SEK 2,230 m consisted of shares and SEK 1,432 m consisted of derivative instruments. Financial assets and liabilities are reported at fair value. The shareholdings consist of both short and long positions in shares listed in Sweden and on international markets. Derivative positions consisted of holdings of and issued forward contracts, call options, put options and warrants. Of the total position, 83 percent was valued at market prices at the end of the period and 17 percent based on theoretical prices. Theoretical prices are used if market prices are unavailable or of poor quality.

As of 30 June 2009, the maximum maturity period for derivative instruments included in the trading portfolio was 2012. Some 77 percent of derivative instruments had a maturity period of less than one year, while 20 percent had a maturity period of between one and two years and 3 percent had a longer maturity period.

Carnegie's trading portfolio, in respect to derivative instruments, was valued by an external party during the quarter. The valuation supported Carnegie's valuations.

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Capital requirements and capital quotient

Capital requirements and the capital quotient are listed in the table below in accordance with the Swedish Financial Supervisory Authority's regulations FFFS 2007:5 regarding disclosure of information about capital requirements. The capital quotient is calculated as the quotient between the capital base and capital requirements. The capital quotient may not be less than 1. As of 30 June 2009, Carnegie had a capital quotient of 2.77, far above the legal requirement. The capital quotient of 2.77 is equivalent to a Tier 1 ratio of 22.15 (11.47).

A detailed description of the Carnegie Group's capital quotient is provided in the 2008 Annual Report on page 9 and in Note 30 on pages 40-42, as well as on Carnegie's web site at www.carnegie.se.

Capital adequacy

	30 Jun		31 Dec
(SEKm)	**2009**	**2008**	**2008**
Capital			
Equity capital	2 424	1 779	2 413
This years net result	-115		-
Equity capital in the capital base	**2 309**	**1 779**	**2 413**
Goodwill	-9	-8	-9
Intangible assets	-9	-9	-9
Deferred tax assets	-106	-241	-102
Tier 1 capital	**2 185**	**1 521**	**2 293**
Tier II capital (subordinated dept)	-	-	-
Total capital base	**2 185**	**1 521**	**2 293**
Capital requirement			
Capital requirement for credit risk , standardized method	182	262	152
Capital requirement for equity- and interest rate risk	30	184	23
Capital requirement for currency risk	31	36	32
Capital requirement for operational risk, base method	545	579	545
Total capital requirement	**789**	**1 061**	**752**
Surplus capital	1 396	460	1 541
Tier I capital quotient	2.77	1.43	3.05
Capital quotient	2.77	1.43	3.05
Tier 1 ratio %	22.15	11.47	24.39

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Cash, cash equivalents, financing and investments

Carnegie's liquidity needs result primarily from its daily operations, and they are satisfied by means of short-term borrowing against collateral. Cash flow from operations before changes in working capital was negative in an amount of SEK 445m (neg. 529) during the first six months and consisted of a loss before tax of SEK 101m (profit: 264), tax payments of SEK 137 m (expense: 163) and adjustments for non-cash items corresponding to an expense of SEK 207m (expense: 630). Of these adjustment items, SEK -177m (-657) was an unrealised gain on financial instruments. Since most of Carnegie's working capital consists of market-listed securities (long and short positions), lending and borrowing to and from the public, and loans to and from credit institutes, Carnegie's working capital fluctuates significantly between reporting dates.

Changes in working capital during the first six months had a positive effect on cash flow of SEK 1,034m (986). Investments in fixed assets had a negative effect of SEK 29m (negative: 12) and sale of subsidiary had a negative effect on cash flows from investing activities, consisting of divestment of cash and cash equivalents. Cash flow from financing activities amounted to SEK 0m (expense: 527) during the first six months of 2009. Cash flow from financing activities in the comparison period (expense: 527) conisted entirely of dividend payments. After adjustment for exchange-rate differences in cash and cash equivalents of SEK 26m (expense: 38), the effect was that cash and cash equivalents increased by SEK 550m (decrease: 81) during the first six months of 2009. The Group's borrowing increased SEK 34m (2,025) during the period, while lending increased by SEK 1,706m (decrease: 1,792) during the corresponding period.

Summary of the Parent Company

Total income in the Parent Company amounted to SEK 393m (754) during the period. The Parent Company reported a loss before tax during the period of SEK 139m (profit: 14). Net investments during the period amounted to SEK 19m (3) for the Parent Company. Cash and cash equivalents, defined as cash and lending to credit institutions, amounted to SEK 2,426m (7,532) for the Parent Company on 30 June 2009. Shareholders' equity amounted to SEK 2,405m (1,941) on 30 June 2009.

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Consolidated statements of comprehensive income

(SEKm)	Jan-Jun 2009	Jan-Jun 2008	Full year 2008
Comission income	838	1 505	2 664
Comission expenses	-118	-140	-291
Net comission income	**720**	**1 365**	**2 373**
Interest income	103	476	851
Interest expenses	-81	-391	-778
Net interest income	**22**	**84**	**73**
Other dividend income	1	1	1
Net profit financial items at fair value	137	109	276
Other income	-	-	20
Total income	**881**	**1 559**	**2 742**
Personnel expenses	-566	-762	-1 517
Other administrative expenses	-395	-385	-1 152
Amortisation of intangible assets and depreciation of tangible fixed assets	-20	-18	-35
Total expenses	**-981**	**-1 165**	**-2 704**
Profit/loss before provisions for credit reserves	**-100**	**394**	**38**
Provisions for credit reserves, net	0	-130	-1 956
Profit/loss before taxes	**-101**	**264**	**-1 918**
Taxes	-14	-81	-300
Profit/loss for the period	**-115**	**184**	**-2 218**
Other comprehensive income:			
Translation differenses, net after tax	11	-9	95
Comprehensive income for the period	**-104**	**175**	**-2 123**

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Consolidated statements of financial position

(SEKm)	30 Jun 2009	30 Jun 2008	31 Dec 2008
Assets			
Cash and bank deposits with central banks	475	340	265
Negotiable government securities	437	633	477
Loans to credit institutions	6 349	11 182	4 337
Loans to general public	3 098	7 311	3 404
Bonds and other interest-bearing securities	563	639	625
Shares and participations	1 504	9 526	1 220
Derivative instruments	679	1 565	1 892
Intangible assets	21	17	21
Tangible fixed assets	105	81	93
Current tax assets	140	107	139
Deferred tax assets	106	241	102
Trade and client receivables	199	10 145	1 209
Other assets	605	157	414
Prepaid expenses and accrued income	230	3 176	318
Total assets	**14 511**	**45 121**	**14 517**
Liabilities and shareholders' equity			
Liabilities to credit institutions	614	15 494	1 449
Deposits and borrowing from general public	7 520	9 214	6 651
Bonds and other interest-bearing securities	935	-	-
Short positions, financial instruments	726	5 210	960
Derivative instruments	752	3 937	1 443
Current tax liabilities	-	48	116
Deferred tax liabilities	14	14	11
Trade and client payable	620	8 280	407
Other liabilities	424	408	283
Accrued expenses and prepaid income	494	560	629
Provisions	103	1	156
Shareholders' equity	2 309	1 954	2 413
Total liabilities and shareholders' equity	**14 511**	**45 121**	**14 517**

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Consolidated statements of changes in equity

(SEKm)	30 Jun 2009	30 Jun 2008	31 Dec 2008
Shareholders' equity - opening balance	2 413	2 307	2 307
Dividend	-	-527	-527
Shareholders' contribution	-	-	2 757
Comprehensive income for the period	-104	175	-2 123
Shareholders' equity - closing balance	**2 309**	**1 954**	**2 413**

Consolidated statements of cash flows

	Jan-Jun		Full year
(SEKm)	**2009**	**2008**	**2008**
Cash flows from operations before changes in working capital	-445	-529	-1 384
Changes in working capital	1 034	986	-5 261
Cash flows from operating activities	**589**	**457**	**-6 645**
Sale of subsidiary	-10	-	-
Acquisition of intangible and tangible fixed assets	-29	-12	-41
Cash flows from investing activities	**-39**	**-12**	**-41**
Shareholders' contribution	-	-	2 283
Dividend paid		-527	-527
Cash flows from financing activities	**-**	**-527**	**1 756**
Cash flows for the period	**550**	**-81**	**-4 930**
Cash and cash equivalents at opening balance	5 038	9 518	9 518
Exchange rate differences on cash and cash equivalents	26	-38	450
Cash and cash equivalents at closing balance	**5 615**	**9 400**	**5 038**

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Income statement of Parent Company

(SEKm)	Jan-Jun 2009	Jan-Jun 2008	Full year 2008
Comission income	368	660	1 107
Comission expenses	-44	-44	-93
Net comission income	**324**	**616**	**1 014**
Interest income	55	299	524
Interest expenses	-60	-270	-558
Net interest income	**-4**	**29**	**-34**
Net profit financial items at fair value	74	110	253
Total income	**393**	**754**	**1 232**
Personnel income	-292	-358	-760
Other administrative expenses	-232	-245	-848
Amortisation of intangible assets and depreciation of tangible assets	-8	-8	-15
Total expenses	**-532**	**-611**	**-1 624**
Profit/loss before provisions for credit reserves	**-139**	**144**	**-391**
Provisions for credit reserves, net	0	-130	-1 956
Operating profit/loss	**-139**	**14**	**-2 347**
Impairment of shares in subsidiaries	-	-	-25
Anticipated dividends	-	-	351
Taxes	4	-11	-158
Profit/loss for the period	**-135**	**3**	**-2 180**

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Balance sheet of Parent Company

(SEKm)	30 Jun 2009	30 Jun 2008	31 Dec 2008
Assets			
Cash and bank deposits with central banks	18	18	13
Loans to credit institutions	2 408	7 514	1 302
Loans to general public	1 603	5 081	1 602
Bonds and other interest-bearing securities	109	111	174
Shares and participations	1 325	9 050	1 179
Shares and participations in Group companies	1 134	1 038	1 036
Derivative instruments	604	1 473	1 651
Intangible assets	10	4	8
Tangible fixed assets	60	38	43
Current tax assets	58	98	83
Deferred tax assets	98	228	97
Trade and client receivables	148	3 803	1 057
Other assets	907	463	1 055
Prepaid expenses and accrued income	122	2 961	191
Subordinated assets	312	289	310
Total assets	**8 914**	**32 168**	**9 802**
Liabilities and shareholders' equity			
Liabilities to credit institutions	788	15 350	1 415
Deposits and borrowing from general public	2 069	3 488	2 468
Bonds and other interest-bearing securities	935	-	-
Short positions, financial instruments	705	5 151	950
Derivative instruments	643	3 838	1 266
Current tax liabilities	3	23	22
Trade and client payable	422	1 438	278
Other liabilities	375	351	204
Accrued expenses and prepaid income	165	246	208
Pension provisions	325	0	321
Other provisions	78	342	131
Shareholders' equity	2 405	1 941	2 540
Total liabilities and shareholders' equity	**8 914**	**32 168**	**9 802**

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OTHER

Accounting principles

This report was prepared in accordance with IAS 34 Interim Financial Reporting, the Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559), the Swedish Financial Supervisory Authorities' regulations (FFFS 2008:25) and RFR 2.2 Accounting for Legal Entities issues by the Swedish Financial Reporting Board. The Parent Company's accounts were prepared according to the Annual Accounts Act for Credit Institutions and Securities Companies, FFFS 2008:25 and RFR 2.2. The accounting principles and calculation methods applied in this report are the same as those used in the 2008 Annual Report.

Note that rounding may result in amounts in SEK millions not agreeing when summed. All comparison figures in this report refer to the corresponding period in 2008 unless otherwise specified.

Operations

Carnegie Investment Bank AB (publ) (Carnegie) is a wholly owned subsidiary of ABCIB Holding AB (corp. reg. no. 557680-4983 with registered offices in Stockholm). Carnegie conducts securities brokerage, advisory services for M&A and ECM transactions, asset management and private banking operations in accordance with permits from the Swedish Financial Supervisory Authority. Operations are primarily focused on Nordic securities. In addition to business conducted through branch offices in Finland, Norway and the UK, the company conducts operations through foreign subsidiaries in Norway, Denmark, Finland, Luxembourg and the US.

Certification

The Board of Directors and the President hereby certify that this interim report provides a fair summary of the operations, financial position and earnings of the Parent Company and the Group and the risks and uncertainties that the Parent Company and the Group face.

Carnegie Investment Bank AB (publ)

Stockholm, 28 August 2009

Arne Liljedahl
Chairman of the Board

Björn Björnsson
Board member

Fredrik Cappelen
Board member

Harald Mix
Board member

Fredrik Strömholm
Board member

Patrik Tigerschiöld
Board member

Niklas Johansson
President

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Auditor's review report

(Translation)
We have conducted a review of the report for Carnegie Investment Bank AB (Corporate Identity Number 516406-0138) and for the Group regarding the period 1 January 2009 to 30 June 2009. The board of directors and managing director are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 and the Annual Accounts Act for Credit Institutions and Securities Companies. Our responsibility is to express an opinion regarding this interim financial information based on our review.

We conducted our review in accordance with the Swedish Standard on Review Engagements (SÖG) 2410 Review of Interim Financial Information performed by the company's chosen auditor. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is substantially more limited in scope than an audit that is conducted in accordance with Standards on Auditing in Sweden (RS) and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion that is expressed on the basis of a review does not give the same level of assurance as a conclusion based on an audit.

No circumstances have come to our attention during our review that cause us to believe that the interim report has not been prepared, in all material aspects, on behalf of the Group, in accordance with IAS 34 and the Annual Accounts Act for Credit Institutions and Securities Companies and, on behalf of the Parent Company, in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies.

Stockholm, 28 August 2009

PricewaterhouseCoopers

Michael Bengtsson
Authorised Public Accountant
Auditor-in-Charge

Sussanne Sundvall
Authorised Public Accountant