Carnegie

Annual Report 2005

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Carnegie in brief

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.

Carnegie Group

Total income:	SEK 3,514 million
Profit before taxes:	SEK 931 million

Securities

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

Total income:	SEK 1,503 million
Profit before taxes:	SEK 391 million

Investment Banking

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

Total income:	SEK 733 million
Profit before taxes:	SEK 236 million

Asset Management

Top class asset management services based on a research-driven, structured and focused investment strategy

Total income:	SEK 791 million
Profit before taxes:	SEK 235 million

Private Banking

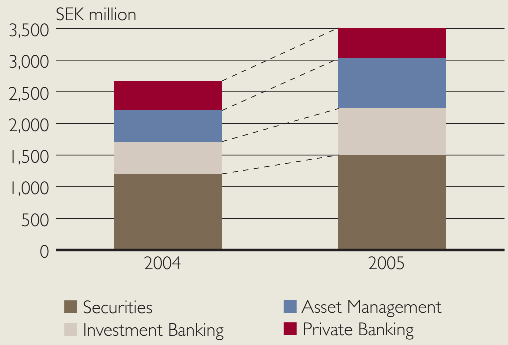
Personal and dedicated service to high-net-worth individuals, foundations and family-owned businesses based on a comprehensive service offering, including internally as well as externally managed products

Total income:	SEK 486 million
Profit before taxes:	SEK 69 million

2005

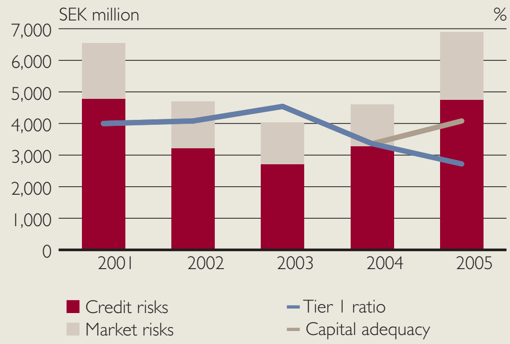
- Carnegie's position as the leading independent Nordic investment bank was reaffirmed
- Total income increased by 32 per cent to SEK 3,514 million
- Net profit increased by 66 per cent to SEK 667 million
- The Board has proposed a dividend corresponding to SEK 9.19 per share outstanding at the record date

INCOME BY BUSINESS AREA 2004–2005



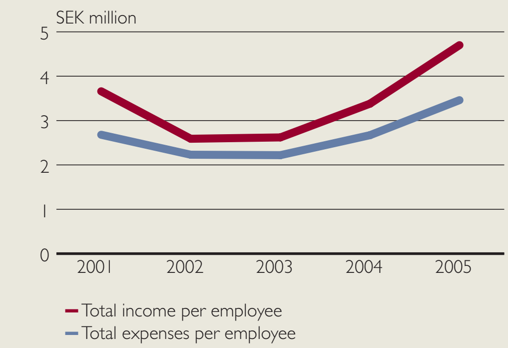
In favourable market conditions, Carnegie's strong market position generated substantial growth in all business areas.

CAPITAL STRUCTURE 2001–2005



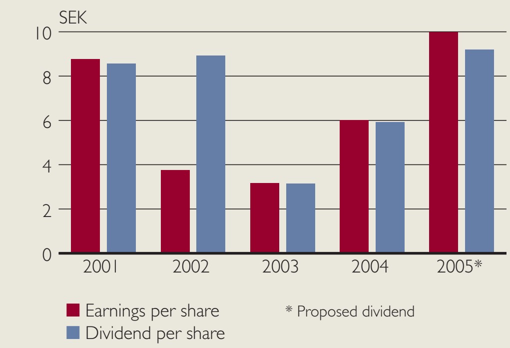
The new capital adequacy regulation was addressed in 2005 through the issue of a subordinated loan.

LEVERAGE EFFECT 2001–2005



Operating profit per employee (total income reduced by total expenses including profit-share) in 2005 has increased by 300 per cent from the low point in 2003.

EARNINGS PER SHARE AND DIVIDEND 2001–2005



After considering prudent capital requirements, excess capital is distributed to shareholders, generating a pay-out ratio close to 100 per cent.

The power of our brand allows us to grow to a level determined only by our own limitations

Dear Shareholder,
It is with pleasure I can inform to you that we have delivered a net profit of SEK 667 million, an improvement of 66 per cent over 2004. Maybe more important is that we have simultaneously moved our market positions forward and strengthened our brand name for the future.

The result follows the implementation of a strategy and leadership to equip the organisation with the tools to maximise the benefits for both shareholders and clients in all market conditions. This report will provide you with an insight into that hard work, with the right focus, for the right reasons, with the right people, will deliver superior result. Always easy to say but harder to achieve. Our result has of course also been helped by healthy financial markets. Over and above this, we have concentrated our work on attitudes towards embracing change in an ever increasing competitive environment.

Significant for the 2005 result is the leverage of a cost efficient organization coupled with highly skilled and motivated employees driving development towards a common strategy. In Securities and Investment Banking, as the financial markets have been healthy, we have had the market position to capture the business on a stable cost base delivering strong financial results. The separation of Asset Management and Private Banking into two business areas has enabled each business area to focus on their respective key strengths. As a result, they have developed along the lines our competence and brand can deliver.

The year 2005 has seen a number of unexpected events impacting on the financial markets including an exceptional number of natural catastrophes, continued low levels of interest rates and unprecedented increases in oil prices. Regardless of how macro and micro economic events will affect the markets in 2006, the long-term drivers for our industry will overshadow short term events. Two long-term drivers in financial markets are globalisation and changing demographics. Firstly, globalisation is a process whereby the elimination of barriers creates room for business prospects and challenges internationally in both inward and outward investment opportunities for our clients. Secondly, demographic changes with an increasing aging population will drive the need for individuals to care for personal financial wellbeing across the western world, leading to private clients' need to maximise personal financial security for longer life expectancy. Both trends continue to provide our industry with vast opportunities in the foreseeable future.

The Carnegie strategy
Carnegie's long term strategy as the leading independent Nordic investment bank remains, but the manner in which we implement the strategy develops with changes in our environment. Our vision, to achieve long-term profitability through being our client's first choice remains unchanged.

The value of a brand name is important to all companies but for us the brand is our people and how we apply ourselves in business. The power of a brand is subtle and hard to put a value on but it is at the very heart of our attractiveness. There is no numeric line to draw between a strong and weak brand name but there is a distinct difference in results between the two. A strong brand opens doors, makes people

"The long term drivers for our industry – globalisation and demographic changes – will overshadow short-term events"

want to be associated with it and generates goodwill in decision making. Today, Carnegie has a brand that attracts clients and employees alike. The strength of our brand allows us to grow to a level determined only by our own limitations.

It is not our strategy that is unique but the way in which we work. 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. This is supported by our profit share model ensuring the same objectives for shareholders and employees.

Our success depends on a circle of trust between Carnegie's stakeholders: shareholders – employees – clients. Client satisfaction determines the revenue stream and basis for profitability and shareholders invest in a business model

“It is not our strategy that is unique but the way in which we work”

illustrated by transparency - transparency is at the centre of gaining client confidence.

Our ability to retain and attract the right people remains at the core of our challenges ahead to be able to deliver a superior service and product to our clients. The power of our brand name and focus on staff and leadership development is the foundation for staying ahead and to continue to gain market share.

Objectives in 2006

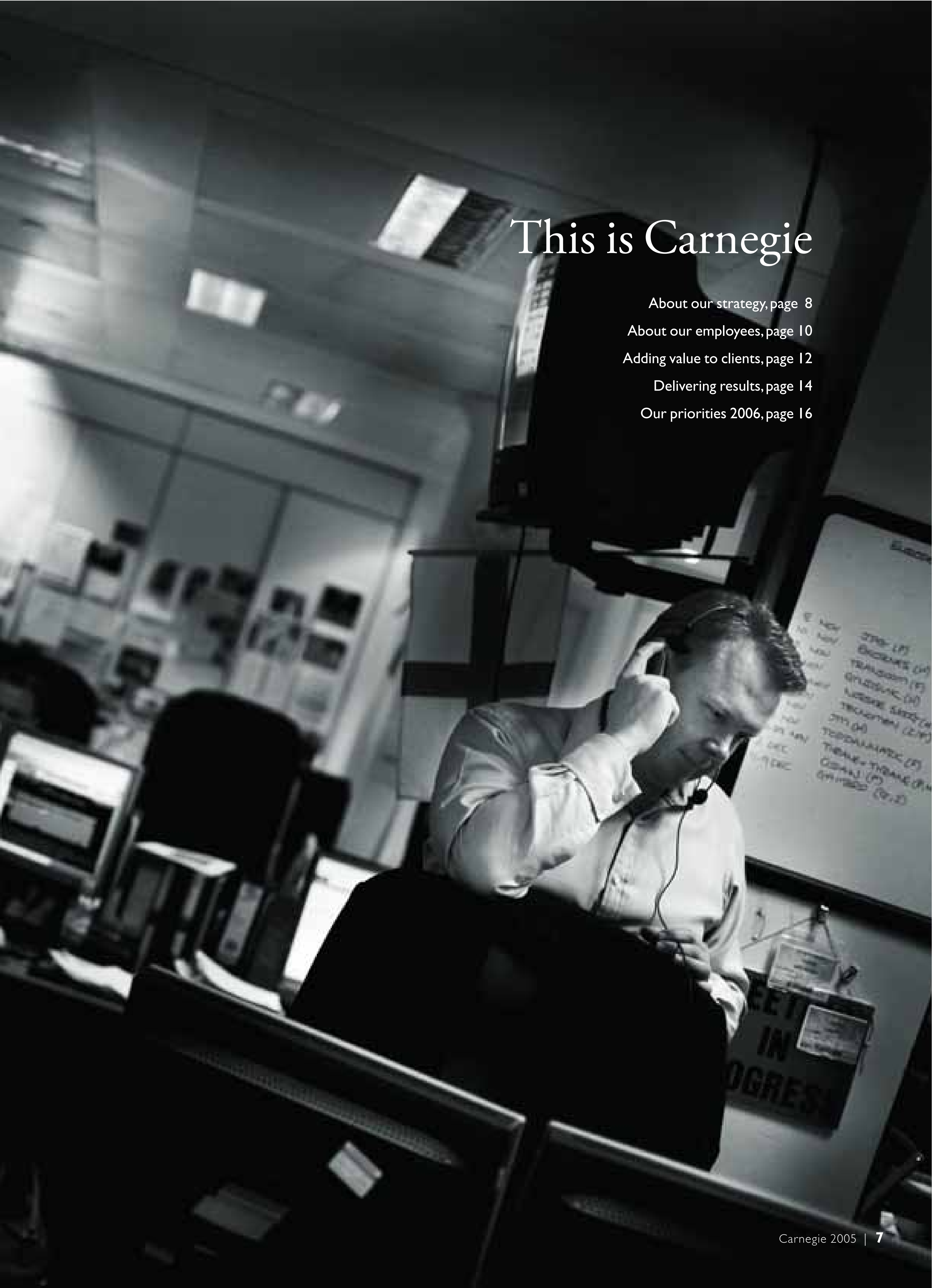
In our determination to become all our client’s first choice, we will continue to build Private Banking and Asset Management, and retain our strong positions in Securities and Investment Banking. Continued growth and profitability in our business is clearly supported by the overriding long-term trends of globalisation and demographic changes. Our aim is to drive this change and enable our clients to participate in the opportunities that are provided. This provides our employees and shareholders an excellent opportunity to participate in an industry with continued growth potential. All this will of course only be possible provided we can continue to grow the circle of trust between us, our clients and our shareholders.

Finally, I am pleased to inform you of the Board of Directors’ decision to propose to the AGM a dividend of SEK 9.19 per share. The Board’s deliberation to determine the dividend included the result, changes in regulatory requirements as well as goals and objectives for 2006.

Together with my colleagues, I am delighted that we have enhanced our business in 2005. And we have only started to develop the potential in our brand – Carnegie.

Stockholm in February 2006

Karin Forseke
Chief Executive Officer



This is Carnegie

About our strategy

In order to succeed, we have to focus on our strengths.

STRONG FOCUS – NO COMPROMISES. This is one of the reasons Carnegie has achieved the position as the leading independent investment bank in the Nordic region. We do the right things, at the right time and, most importantly, with the right people.

We are among the world leaders in our field

At Carnegie we take extreme care in deciding which sectors, products and market segments to work with. We only operate in areas where we are, or have the potential to become, world leaders. Our Nordic focus allows us to concentrate our resources in the areas we know the best – we are among the world leaders when it comes to the Nordic region. Few investment banks in the world concentrate as many resources on analysing Nordic companies as we do. Our focus has given us a solid understanding of Nordic business and stock markets and placed us in a very strong position in an attractive region. This makes us the obvious choice for our clients as partners in business transactions with a Nordic connection.

We have strong client relationships

Our clients are becoming increasingly well-informed and demanding. At the same time, competition is becoming tougher, especially from the big international investment banks. And in order to become more efficient, clients are concentrating their business with fewer players. This makes it even more important to be Number One. Strengthening our relationships with clients and having them trust us with a larger portion of their business are therefore important objectives for us to work towards.

Our culture

Our flat and decentralised organisation, together with well-developed teamwork, are the major reasons we are succeeding in our objectives. The way we work enables our employees to develop trusting relationships with our clients. The personal commitment and interest in Carnegie's long term success is promoted through the profit-sharing system, improving productivity and performance for both clients and shareholders.

Our strong results

Carnegie has a history of high profitability, and we are currently one of the most profitable investment banks in the Nordic region. Over the past year, we have managed to benefit from the leverage in our business model – we have increased income, while our cost base, excluding profit-share, has remained relatively unchanged. The strong increase in profitability is a clear indication that our strategy has been correct.

But strong profitability is also crucial for other reasons. It enables us to maintain our long-term strategies and ensure that we are able to deliver quality. We have greater freedom to choose our assignments, our employees and the way in which we work. And, not least, it means that, over time, we can develop into an even stronger Carnegie.

Our mission

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

Our vision

To create long-term profitability by making Carnegie the clients' first choice.

Our business idea

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

Securities aims to be number one in all of the Nordic markets through high-quality service to local and international investors with exposure to Nordic securities. Institutional investors are reducing the number of brokers they use for their Nordic investments, making it increasingly important to achieve and maintain a market-leading position.

Investment Banking aims to maintain and develop its leading position as a specialist consultant in business transactions with a Nordic connection. This position is based on close relationships with clients, expertise in consulting and execution, and a thorough understanding of Nordic business and capital markets.

Asset Management aims to be the leading independent supplier of asset management services in the Nordic region. Within selected areas, Asset Management shall be the first choice for institutional clients and aims for a leading position among independent asset managers. This will be achieved through a targeted and structured investment process and a product offering with high service content that is in line with the clients' needs.

Private Banking aims to achieve a leading position by offering dedicated personal service combined with the best product mix to prioritised private clients.

About our employees

Like our clients, we are seeking the best.

OUR BRAND IS SYNONYMOUS WITH QUALITY and continuity, and generates expectations for extraordinary performance. This is why we attract skilful and target-oriented individuals who focus on delivering.

People who can deliver a little more
By utilising the individual drive of our employees, we create the best possible conditions for professional and personal development. And in doing so, we earn the long-term loyalty and trust of the individuals we employ.

People who go the extra mile
Our employees choose Carnegie just as much as we choose them. One important reason for this is our entrepreneurial corporate culture, which promotes responsibility combined with a high degree of freedom. We put a premium on ideas, creativity and drive, and we therefore attract individuals who are already very business-minded. But talent alone is not enough – we are convinced that team spirit and cooperation generate better results than the sum of individual efforts.

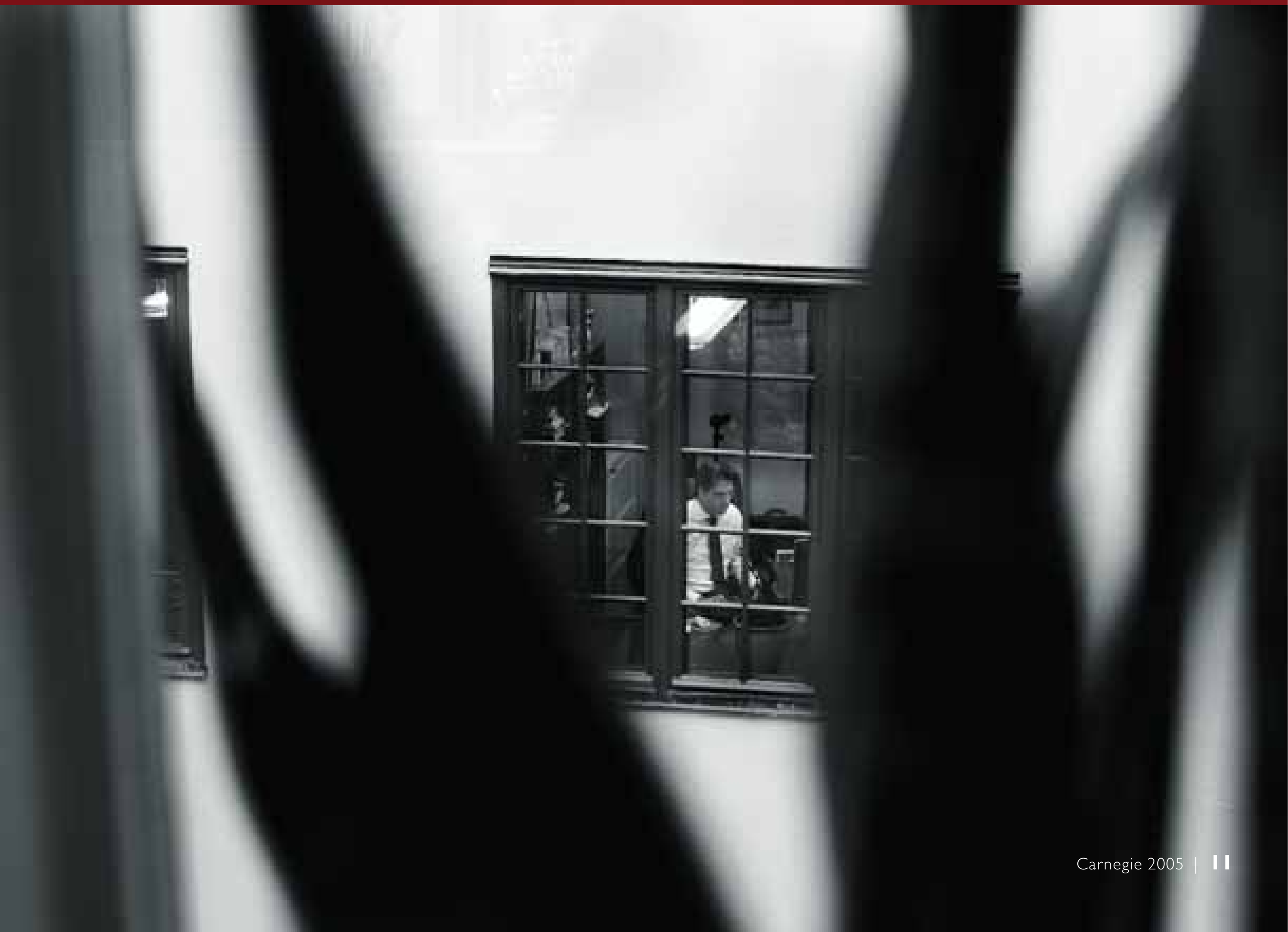
Another reason to choose Carnegie is our incentive system. We believe that personal commitment and interest in Carnegie's total progress, promoted through our profit-share system, plays a major role in increasing productivity and improving performance. It creates value for clients and shareholders' alike.

People who lead with passion
One fundamental aspect of our development over the past few years is strong leadership. Our leadership style is characterised by knowledge, clear objectives and a common approach. An organisation designed to cope with the most complex business challenges cannot be based on unwieldy and hierarchical structures, but must instead prioritise inspiring passion and involvement.

Teamwork, integrity and passion are core values that contribute to the open atmosphere that we enjoy at Carnegie. Together with our clients, we believe that the most outstanding performances need scope to develop fresh ideas.

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 2002. Carnegie's support to the organisation ensures that employee contributions benefit selected projects in full.

Stiftelsen Carnegie & Co
The foundation Stiftelsen Carnegie & Co was initially formed in 1994 with the purpose of administering the employee shareholding in Carnegie. The foundation's annual return is earmarked for the benefit of Carnegie employees. From 2004 the aim of the foundation is to support financially individual Carnegie employees who want to develop themselves further in addition to and aside from their efforts at Carnegie. The foundation is separate from the Carnegie Group and has its own board with members representing Carnegie employees as well as external members.



Adding value to clients

All development starts with a different view.

An important part of Carnegie's client offering to clients outside the Nordic region is to provide access to Nordic company managements. In 2005, the Events Co-ordination team in London arranged company road shows for Nordic managements comprising around 2,800 meetings with institutional investors. In addition to this, over 100 client trips to the Nordic region were organised.

AT CARNEGIE WE HAVE A TRADITION of going our own way – both as a company and as an adviser. When others chose increased globalisation, we chose to strengthen our Nordic focus. When others sought alliances, we decided to remain independent. We want to represent an alternative approach to our clients and present them with new opportunities.

An approach that makes the impossible possible

We know that Carnegie's position today is closely linked to the way we think and approach our work. By delivering alternative solutions, we have generated value for our clients and established a strong position. With the power of execution that our focused organisation has, we are creating the conditions and climate for business transactions that would not otherwise have been possible.

Carnegie's position as the only independent investment bank with a Nordic focus gives us more power to achieve this ambition. Since we are independent of banks, ownership spheres and other stakeholders, we can guarantee impartial analysis and advice. This also makes our overall offering unique. The combination of knowledge and independence gives us the freedom to focus on the solutions that are optimal for our clients.

Today Carnegie plays an important role in attracting risk capital on competitive terms to the Nordic market. This is also in line with our mission – to contribute to the development of the financial markets in the Nordic countries. And we intend to continue on this path.

Unique offering in all business areas

In the Securities business area our goal is to offer the market's most qualified advice and best service to institutional investors that have Nordic securities exposure. Naturally, we are always looking for the unique case; the one that will generate the greatest value for the clients. Our thorough knowledge of Nordic commerce & industry and stock markets, combined with our close contacts and access to company managements make this possible.

Within the Investment Banking business area we have gained experience from the most complex business transactions. The types of transactions that demand extremely detailed knowledge, many years of experience, and not least, a creative approach. Our documented ability to execute these transactions is one of the main reasons for Carnegie's strong position as adviser in corporate transactions with Nordic connections.

Within the Asset Management business area, we have a clear and well-established investment style that differs from that of others. We offer our clients active management with focused portfolios and highly niched products. And we deliver top results; over 95 per cent of the assets we manage in rated equity funds have received four or five star ratings from the mutual fund rating company Morningstar (2005).

In the Private Banking business area, we have one of the market's most advanced offerings. Our decision to focus on the upper segments of the market means that we must deliver comprehensive advice with personal and dedicated service. Since we are independent, we can always offer the most beneficial solution for the client, combining our products with those of others.

Carnegie's aim is to continue to contribute to new, innovative types of business. This is how we will defend our leading position.

Delivering results

Leverage is at the heart of our business model. Our results 2005 show that we are on the right track.

Leverage effect

The leverage effect in our business model can be illustrated by the sharp increase in income per employee, while the increase in total expenses per employee has been lower. Since the downturn in 2003, operating profit per employee has increased by over 300 per cent to SEK 1.2 million.

ALTHOUGH OUR BASIC STRATEGY has remained the same, we have undergone significant changes in the last years. We have a new organisation, renewed management, and we have improved efficiency in our work processes. The overall goal has not only been to reduce expenses, but also to build a stronger Carnegie for the long term – from the ground up.

We are profitable

The changes we have made have had very good results. We have reaffirmed or advanced our market positions in all business areas, and we presented a net profit in 2005 of SEK 667 million. This places us in the top bracket among the most profitable investment banks in the Nordic region.

This year's profits are also the best in our history as a listed company. Our investment case is clear – a focused exposure to Nordic equities combined with strong leverage potential. In a growing market, Carnegie can take on more business volume without sharp increases in the cost base. The targeted cost range excluding profit-share for 2006 is SEK 1,700 to 1,800 million. The effect of the profit-sharing system is that a large portion of compensation is variable, and swift cost adjustments can be made when market conditions change.

And the leverage effect in 2005 was unmistakable. Since the downturn in 2003, income per employee has almost doubled, to SEK 4.7 million, and operating profit per employee has increased by more than 300 per cent to SEK 1.2 million. This is a clear indication that we are on the right track and that Carnegie's strategy is the correct one.

We deliver double-digit growth figures

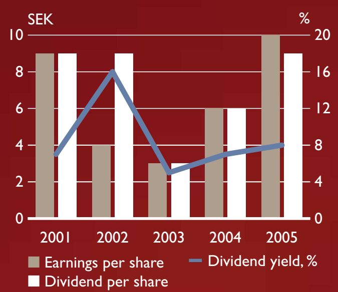
We have also achieved what we set out to do at the end of 2004, namely to increase growth and market share for our Asset Management and Private Banking business areas. Since

Dividend

Carnegie has distributed over 100 per cent of the profits since 2001 (including the adjustment of the capital structure in 2002) corresponding to a dividend yield between 5 and 16 per cent, at year end.

Total return

In 2005 total return to Carnegie's shareholders including dividend was 43 per cent, well above Stockholmsbörsen including reinvested dividend at 36 per cent.



the split, both of these business areas have presented double-digit growth, comparing like-for-like. Asset Management has delivered a fantastic result, owing to the top-ranked performance in its products. During 2005, Carnegie received an award as best fund management company in Europe, a solid ground for continued strong inflows. Another aspect of the growth in Asset Management and Private Banking is that it also has further strengthened and diversified our cash flows.

We deliver dividends to our shareholders

Carnegie's dividend policy is based on distributing all excess capital that is not needed for the future growth of the business. Over the past four years, which were characterised by declining stock market turnover and corporate activity, we have distributed more than 100 per cent of our profits. Today we are experiencing strong growth in the market and new business opportunities, and this will require a little more capital than in the past. For this reason, and in order to adjust to the new regulatory framework for capital adequacy, we have strengthened our capital base by issuing a subordinated loan amounting to SEK 486 million at year-end. The Board of Directors' proposal to distribute SEK 9.19 per share means that we have room for further expansion, at the same time as we can deliver a dividend yield to our shareholders well above the average.

We never sit back and relax

The fact that Carnegie is stronger than ever does not mean that we will relax our focus on profitability. A business model with good leverage requires strict cost controls. And with the continued focus on business and our clients, there is still room for improved profits.

Our priorities 2006

No shortcuts, just target-oriented, hard work.

WE ALREADY KNOW TODAY what 2006 will involve for Carnegie. More hard work.

The market development over the past few years have included difficult decisions. But now we are stronger than before, well positioned to continue to take a greater share of the markets and increase our profitability.

The next step is many small steps

As we move into 2006 there are no sweeping changes in the immediate future. We will make gradual improvements within all areas. But many small steps can be just as challenging as one big stride. This is how we are realising our vision of being the first choice of our clients.

Our priorities 2006

Carnegie's strong Nordic market position will make it easier for us to stay on top in 2006. And it is fair to say that the significance of being number one is becoming even greater in our industry. Relationships with clients will therefore be the most important aspect of our work in 2006.

Our aim in the Securities business area is to strengthen existing client relationships and thereby secure a bigger portion of their business. In the international client segment, where we have grown considerably over the past few years, there is still great potential, and in 2006 we will continue to develop this client category.

In our Investment Banking business area, we will continue to improve and develop relationships with clients involved in corporate transactions in the Nordic countries. Investment Banking will continue to benefit from the resources, market expertise and capacity to deliver innovative and competitive solutions that we possess in this business area.

Within our Asset Management business area, the top priorities for 2006 are to keep the performance culture in the organisation and continue to deliver top-ranked high-quality investment products, as well as broaden the client base and improve the distribution capacity in the Nordic countries and in international networks.

After a strong first year as an independent business area, Private Banking will develop its offering further as a quality brand, continue to forge close relationships with clients, attract new clients and improve the margin of the client volume.

Carnegie's constant challenge – recruiting and retaining the most talented individuals – will be particularly important in 2006. We will continue to work with active leadership, clear objectives and competitive incentives to create a working environment that provides the best possible opportunities for personal and professional growth.

In other words: No shortcuts, just target-oriented, hard work.

Growth drivers in Carnegie's environment:

Growth drivers in the long term:
GLOBALISATION is one of the driving forces for mergers and acquisitions across national borders. Globalisation has also brought a global dimension to the allocation of household savings.

DEMOGRAPHIC CHANGES, among them the rising average age, are putting pressure on the national pension systems, which places more pressure on individuals to take a greater share of the responsibility for their financial well-being.

EFFECTIVE RISK CAPITAL PROCUREMENT is essential for growth. There will therefore continue to be a great need for advice in connection with stock market transactions.

Growth drivers in the short term:
- turnover development in the Nordic stock markets
- corporate activity in the Nordic region
- the capital flows into equity funds
- demand for new investment products

Financial overview

5-year financial overview

Income statement [1)]

Group (SEK million)	2001	2002	2003	2004	2005
Securities	1,615	1,106	915	1,202	1,503
Investment Banking	901	467	368	511	733
Asset Management [2)]	924	819	798	492	791
Private Banking	–	–	–	467	486
Total income [3)]	**3,440**	**2,392**	**2,081**	**2,672**	**3,514**
Personnel expenses	–906	–902	–779	–883	–870
Redundancy expenses	–	–92	–61	–	–
Other expenses	–829	–789	–634	–705	–799
Net provisions for credit losses	–3	–3	1	1	–5
Total operating expenses excluding profit-share	**–1,738**	**–1,786**	**–1,472**	**–1,586**	**–1,674**
Operating profit before result from principal investments and profit-share	**1,702**	**606**	**608**	**1,086**	**1,840**
Result from principal investments [3)]	–65	9	–6	–21	0
Operating profit before profit-share	**1,636**	**616**	**603**	**1,064**	**1,840**
Allocation to profit-share system	–784	–277	–287	–524	–909
Total expenses	**–2,522**	**–2,063**	**–1,760**	**–2,111**	**–2,583**
Profit before taxes	**852**	**339**	**315**	**540**	**931**
Taxes	–280	–89	–104	–139	–264
Net profit	**572**	**250**	**211**	**401**	**667**

1) Financial information has been restated for 2004 according to IFRS. Financial information for 2001–2003 has not been restated due to the transition to IFRS. Should it have been restated, the impact would have been immaterial.
2) Asset Management income includes income from business area Private Banking 2001–2003.
3) Result from principal investments includes the result from from Carnegie's holding in Orc Software (2001–2002) 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.

Definitions

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 39). 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.

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

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

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

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

Dividend yield: Dividend per share as a percentage of the share price at year-end.

Price/earnings multiple: Share price divided by earnings per share.

Average number of shares: Total number of shares, including any new share issues, as a weighted average over the period.

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.

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.

Total regulatory capital base: Tier 1 capital + Tier 2 capital.

Tier 1 capital: Shareholders' equity plus equity portion of untaxed reserves, minus goodwill, any proposed dividend, deferred tax assets, intangible fixed assets and any repurchased shares.

Tier 2 capital: Subordinated indebtedness, eligible up to 50% of Tier 1 capital.

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

Tier 1 ratio: Tier 1 capital as a percentage of risk-weighted assets.

Capital adequacy ratio: Total regulatory capital base (Tier 1 + Tier 2 capital) 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 pre-defined number of working hours per employee for the entire period.

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

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

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 1 ratio is 15%. Key ratios primarily focused are thus cost/income ratio and Tier 1 ratio while return on equity is less relevant.

Operating data and key ratios

Key data	2001	2002	2003	2004	2005
Earnings per share (SEK)	8.76	3.75	3.17	6.01	9.98
Earnings per share, fully diluted (SEK)	8.76	3.75	3.14	5.94	9.68
Book value per share (SEK)	28	24	17	20	25
Dividend per share (SEK)	8.57	8.93	3.16	5.93	9.19[1)]
Share price (SEK)	131	56	71	86	117
Pay-out ratio, %	98	238	100	99	95
Total return, %	14[2)]	–51	43	26	43
Dividend yield, %	6.5	15.9	4.5	6.9	7.9[1)]
Price/earnings multiple	14.9	14.9	22.4	14.3	11.7
Average number of shares (000')	65,267	66,702	66,702	66,702	66,800
Number of shares at period-end (000')	66,702	66,702	66,702	66,702	67,730
Number of shares entitled to dividend (000')	66,702	66,702	66,702	66,702	69,040
Number of shares related to outstanding warrants (000')	–	2,400	4,800	7,200	3,772
Total number of shares, incl effect of issued warrants (000')	66,702	66,702	67,243	67,471	68,856
Cost/income ratio, %	75	86	85	80	74
Income per employee, average (SEKm)	3.7	2.6	2.6	3.4	4.7
Profit margin, %	17	10	10	15	19
Return on equity, %	38	16	17	34	49
Total assets (SEKm)	19,129	12,444	14,618	22,839	30,859
Margin lending (SEKm)	2,409	2,820	3,120	6,612	4,428
Deposits and borrowing from general public (SEKm)	5,561	5,016	5,145	5,424	6,893
Total regulatory capital base (SEKm)	**1,308**	**956**	**918**	**774**	**1,408**
– Shareholders' equity	1,880	1,568	1,145	1,330	1,721
– Goodwill	–1	–17	–17	–17	–8
– Intangible fixed assets	–	–	–	–28	–20
– Deferred tax assets	–	–	–	–115	–119
– Dividends	–572	–596	–211	–396	–634[1)]
Tier I capital	**1,308**	**956**	**918**	**774**	**939**
Tier II capital					
– Eligible part of subordinated loan (max. 50% of Tier 1 capital)	–	–	–	–	469
Total risk-weighted assets (SEKm)	**6,545**	**4,690**	**4,037**	**4,601**	**6,888**
– Risk-weighted assets (Credit risks)	4,784	3,214	2,710	3,274	4,745
– Risk-weighted assets (Market risks)	1,761	1,476	1,327	1,327	2,143
Tier I Ratio, %	20.0	20.4	22.7	16.8[3)]	13.6[4)]
Capital adequacy, %	20.0	20.4	22.7	16.8[3)]	20.4[4)]
Number of employees, average	941	924	793	791	747
Number of employees, period-end	943	835	774	779	741
Period-end assets under management (SEK billion)	67	47	55	62	92

1) Proposed dividend
2) Total return in 2001 is calculated from the IPO of 1 June, share price 115.
3) New definition of regulatory capital from 2004. Using the current definition, the Tier 1 ratio 2003 was 18%.
4) Based on the dividend proposed of SEK 634 million, including the new share issue in January 2006, the Tier 1 ratio was 15% and the corresponding capital adequacy ratio was 22%.

The Carnegie Group 2005

Favourable market environment

Looking back at 2005, we see a year characterised by a strong development of stock markets globally. The world economy continued to grow and at a faster pace than expected, despite the fact that oil prices continued to climb and passed USD 70 during the second half of the year. In the Nordic region, favourable conditions prevailed with good economic growth combined with continuously low interest rates. The boom in industrial earnings proved stronger and longer lasting than expected, resulting in record profit levels for many companies. The Nordic stock markets ended 2005 on a strong note, with the MSCI Nordic index up 32 per cent, outperforming most other markets. Aggregate turnover in the Nordic stock exchanges was up 28 per cent. The turnover increases in the Norwegian and Danish markets were especially strong, while the increase in the Swedish market was modest.

Turnover development in the Nordic stock markets	2005
Stockholm	9%
Helsinki	24%
Copenhagen	58%
Oslo	74%
Aggregate Nordic	**28%**

The volume of announced mergers and acquisitions (M&A-transactions) in the Nordic region took off in 2005 and reached USD 101 billion for the full year, an increase of 80 per cent from last year, surpassing the record levels in 1999 and 2000. The total Equity Capital Markets (ECM) volume was unchanged from last year, but the higher activity could be seen in the increase of over 50 per cent in number of deals. The favourable environment could also be seen in the increased number of initial public offerings (IPOs). According to Thomson Financial Securities Data, 26 (15) IPOs were launched in the Nordic region during 2005, with an aggregate value of USD 5 billion, the highest level since 2000. The Norwegian market accounted for a large part of the ECM market.

Strengthened or retained market position

Carnegie continues to strengthen or retain its position as the leading independent investment bank in the Nordic region. Carnegie's share of the aggregate turnover on the Nordic Stock Exchanges was 7.1 per cent in 2005, ranking Carnegie as the second largest market participant in the Nordic region. In Investment Banking, Carnegie was ranked No 9 (No 4) in terms of volume of Nordic M&A transactions and No 1 (No 6) in the Nordic ECM market. In Asset Management, funds representing over 95 per cent of the assets under management in rated equity funds held 4- or 5-star rankings, and based on average performance Carnegie Asset Management received awards as Best European Fund company[1] and the Swedish Fund Management Company of the Year[2]. In Private Banking, sales activities generated a continued inflow of new funds.

Income increased due to strong performance across the board

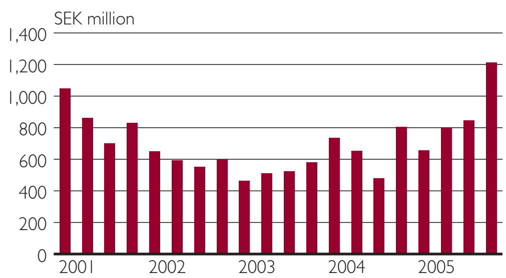
Total income in 2005 was SEK 3,514 million (SEK 2,672 million), an increase of 32 per cent from last year, due to

1) Global Investor Magazine and Morningstar, June 2005.
2) Swedish Dagens Industri and fund evaluation company Morningstar, January 2006.

CARNEGIE NORDIC INDEX 2001–2005

30 June 1999 = 100
Source: Carnegie Research

TOTAL QUARTERLY INCOME



strong income generation across the board. The year reflected the favourable market conditions and included Carnegie's best quarter ever, showing income of SEK 1,213 million in the fourth quarter 2005. Securities income in 2005 was up 25 per cent to SEK 1,503 million, reflecting the increase in turnover on the Nordic equity markets of 28 per cent and a good trading result. Investment Banking had a strong second half of 2005 and generated SEK 733 million for the full year, mainly reflecting strong markets in Norway and Denmark. Asset Management income increased by 61 per cent to SEK 791 million in 2005, reflecting an underlying increase of 48 per cent in assets under management as well as a considerable increase in performance fees. Funds and discretionary mandates with performance-related fee structures generated performance fees of SEK 268 million (SEK 35 million). Private Banking income for 2005 was SEK 486 million, 4 per cent above last year. On a like-for-like basis, reflecting structural changes, Private Banking income increased by 18 per cent.

Cost base unchanged in 2005 – increased cost range for 2006

Carnegie's cost base is mainly related to the number of employees. Total expenses before profit-share in 2005 were SEK 1,674 million (SEK 1,586 million), 5 per cent above the estimated cost range for the year of SEK 1,500 to 1,600 million.

Total personnel expenses amounted to SEK 870 million, slightly lower than last year, reflecting a reduction in average number of employees of 5 per cent to 747, in part due to the transfer of the pension advisory operations in Sweden to Max Matthiessen. Total personnel turnover increased during 2005 and the net change included a total of 150 new recruitments.

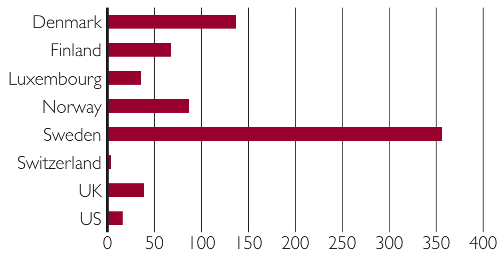
Other expenses included a provision of SEK 64 million corresponding to Carnegie's commitment to Capital C, a software development company and a supplier of after-trade solutions for the securities industry, jointly owned by Carnegie and Alfred Berg ABN Amro. In 2005, Carnegie decided to undertake a preliminary design study with a third party provider of after-trade solutions and also decided to acquire the remaining 50 per cent of the shares from Alfred Berg ABN Amro. Capital C is consolidated in Carnegie's accounts from 31 December 2005.

Based on current market conditions, the range for total expenses before profit-share for 2006 is estimated to SEK 1,700–1,800 million.

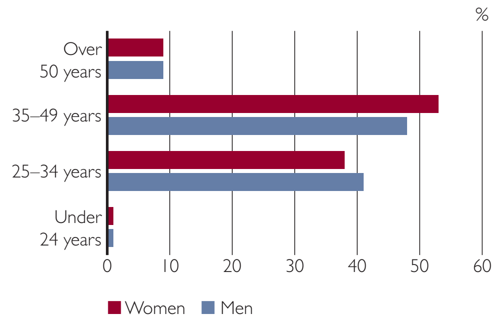
Operating profit increase shows the leverage in the business model

The operating profit before profit-share increased in 2005 by 73 per cent to SEK 1,840 million, reflecting the leverage in Carnegie's business model. The leverage effect can be illus-

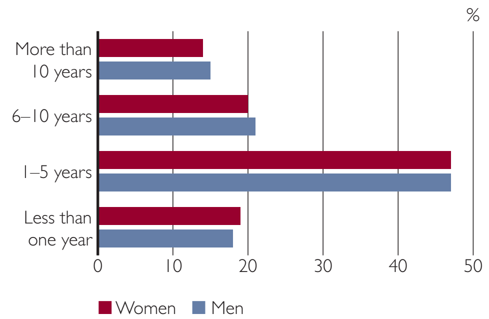
NUMBER OF EMPLOYEES BY COUNTRY



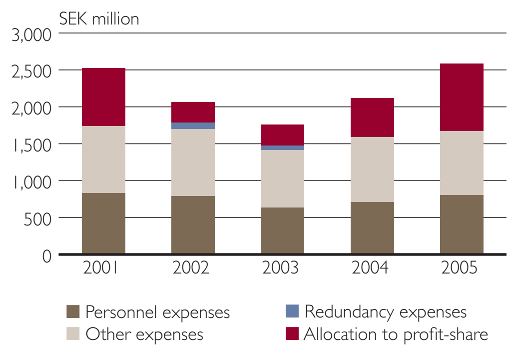
EMPLOYEE AGE STRUCTURE



YEARS OF EMPLOYMENT



COST STRUCTURE



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, if any. 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 can be included in the total regulatory capital up to a maximum of 50 per cent of the Tier 1 capital.

trated in the development of income per employee versus expenses excluding profit-share per employee. In the beginning of 2003, income per employee was SEK 2.6 million and total expenses excluding profit-share amounted to SEK 2 million, generating an added value per employee (measured as operating profit before profit-share) of SEK 0.6 million. In 2005, income per employee has increased to SEK 4.7 million. This has been achieved under a modest increase of expenses per employee, resulting in an increased added value per employee of 400 per cent to SEK 2.5 million.

Profit-share allocation

Total compensation to employees is composed of a fixed part and a variable part. The fixed part consists of salaries and salary-based premium payments for pension insurance. The variable part is the profit-share allocation, following a fixed formula of 50 per cent of the Group's operating profit before profit-share after deduction of capital cost. The profit-share system is a key component for fast adjustment of the total expenses. Allocation to profit-share in 2005 was SEK 909 million (SEK 524 million).

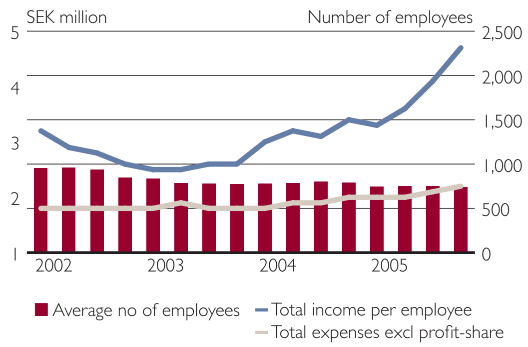
Profit before taxes increased by 72 per cent to SEK 931 million. The net profit for 2005 was SEK 667 million (SEK 401 million), up 66 per cent from last year, of which SEK 267 million was generated in the fourth quarter, the best quarter in Carnegie's history as a listed company. The return on equity increased from 34 per cent last year to 49 per cent in 2005.

Dividend proposal

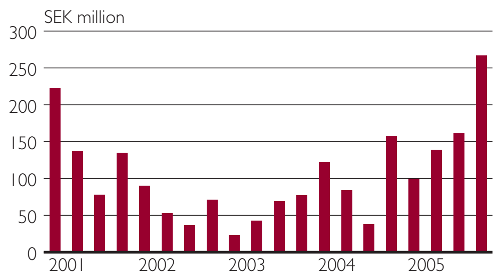
It is Carnegie's intention to pay dividend that allow for a conservative Tier 1 ratio, which is considered to be 15 per cent in the medium term, i.e. well above the legal requirement of 8 per cent. Excess capital above the level of desired and prudent regulatory capital should be distributed as dividend. A new regulatory framework for capital adequacy has been presented in the Basel II Accord, suggesting a wider definition of risk-weighted assets, which in addition to measuring credit risks and market risks would also measure operational risks. 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. It is the Board's assessment that the adjustment to the new regulatory environment has been addressed during 2005 through the issue of a subordinated loan.

The Board's assessment regarding the dividend proposal to the AGM 2006 is that Carnegie's dividend policy should remain unchanged until new local directives regarding new regulation are issued, and the target of 15 per cent for the Tier 1 capital ratio remains intact. When deciding on the dividend proposal, the Board has also taken into consideration the new issue in January 2006 related to the Warrant programme 2003/2006. A Tier 1 ratio of 15 per cent, including the new issue in January 2006, is achieved through retaining SEK 32 million of the net profit for 2005.

INCOME AND EXPENSES BEFORE PROFIT-SHARE PER EMPLOYEE, ROLLING 4-QUARTERS



QUARTERLY NET PROFIT



Taken into consideration the current market conditions and the growth opportunities in the operations, the Board of Directors proposes to the AGM a dividend of SEK 634 million, corresponding to SEK 9.19 (SEK 5.93) per share, as of the record date in March 2006.

Capital adequacy improved through issue of subordinated loan

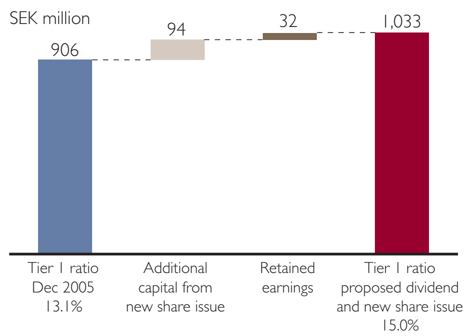
Total risk-weighted assets, as defined by the Swedish FSA, fluctuate substantially over the quarters, and have increased by 50 per cent from the beginning of the year to SEK 6.9 billion at 31 December 2005, due to the increased business activity. Credit risks increased by 45 per cent to 4.7 billion and market risks increased by 61 per cent to SEK 2.1 billion. The dividend proposal of SEK 634 million, leads to a Tier 1 ratio of 13.6 per cent at year-end. When including the new share issue of SEK 94 million in January 2006 from exercised warrants under programme 2003/2006, the Tier 1 ratio is 15 per cent.

In order to support further growth in the operations of the Carnegie Group and to address future changes in the regulatory environment resulting from the proposed Basel II Accord, Carnegie closed a dual-tranche subordinated loan in the third quarter 2005, amounting to SEK 486 million at 31 December 2005. When calculating the capital adequacy, dated subordinated debt may be included as Tier 2 capital up to 50 per cent of the total Tier 1 capital. As of 31 December 2005, anticipating the dividend proposal of SEK 634 million, the capital adequacy was 20.4 per cent.

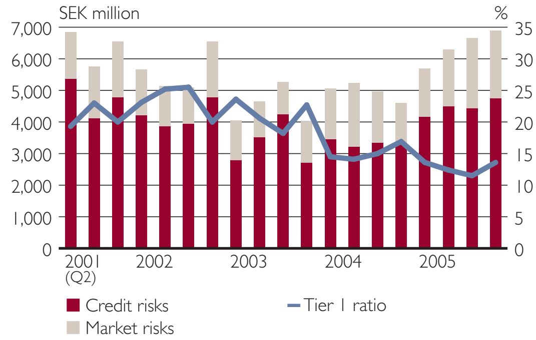
Liquidity, financing and investments

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 has been addressed through the issue of the subordinated loan during 2005. 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 2005, the change in working capital was SEK 5,252 million (SEK -2,325 million). A more relevant measure of the liquidity is the cash flow from operations before changes in working capital, which was SEK 675 million in 2005 (SEK 469 million). Capital expenditure in 2005 amounted to SEK 85 million (SEK 18 million).

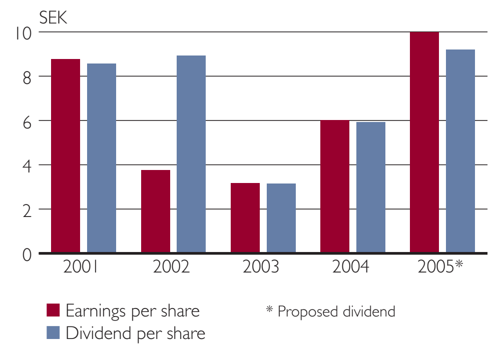
TIER 1 CAPITAL



RISK-WEIGHTED ASSETS AND TIER 1 RATIO



PAY-OUT RATIO



Securities

Strong year

- Nordic stock market indices outperform most other markets
- Strong positions in all Nordic markets
- Profit before taxes increased by 43 per cent

Business

The Securities business area offers research, brokerage, sales trading and equity finance services to institutional investors. With a Nordic focus and strong positions in all Nordic markets Carnegie is able to offer a comprehensive Nordic product to both local and international investors. Carnegie is among the highest ranked in the Nordic region with a market share of 7.1 per cent in 2005.

Products and services

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

Clients

Nordic and international institutional investors.

Operations in

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

Market environment

Share price trends have been positive in 2005, with the Nordic indices developing well also in an international context, due to low interest rates combined with continued growth and positive company reports. The MSCI Nordic index increased by 32 percent.

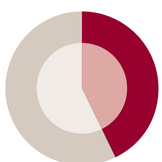
In 2005, aggregate equity turnover on the Nordic stock exchanges increased by 28 per cent. The Norwegian and Danish markets showed the strongest increases and were up 58 and 74 per cent respectively in 2005. The aggregate Nordic turnover is now at an annual level of over EUR 900 billion, which is the highest level since 2000.

Market position

Carnegie's strong market position in Nordic securities is illustrated in market share statistics as well as in external and internal client surveys. The external ranking institutes carry out surveys based on quantitative data analysis or investor interviews based on qualitative methods. Internal client surveys are important tools in efforts to strengthen the client relationships and are carried out continuously. Altogether, the results from external and internal surveys in 2005 indicate that Carnegie's market position was strengthened or reaffirmed in the Nordic market.

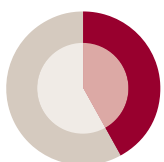
Carnegie is the second largest player in the Nordic stock market with a total share of turnover of 7.1 per cent (7.8 per cent).

SHARE OF TOTAL INCOME 2005



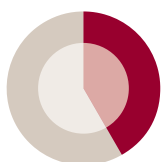
43%

SHARE OF PROFIT BEFORE TAXES 2005



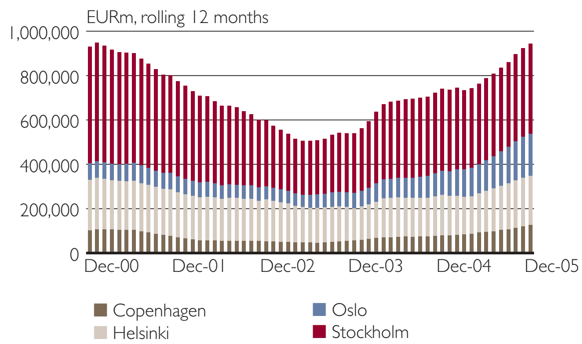
42%

SHARE OF NUMBER OF EMPLOYEES



42%

TURNOVER IN THE NORDIC STOCK MARKETS, ROLLING 12 MONTHS



Source: NOREX and Carnegie Research

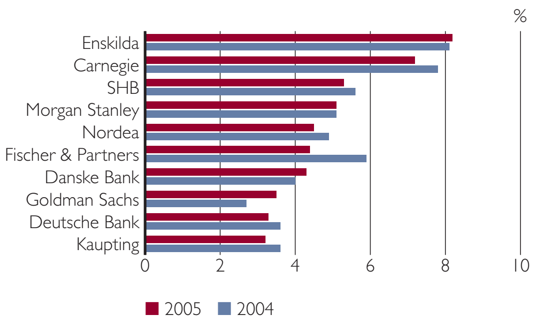
Nordic stock exchanges, 2005	Market cap EURbn	Turnover EURbn	Turnover rate (12m), %	Carnegie's market share, %
Denmark	156.2	125.7	91	4.8
Finland	203.1	223.4	124	4.5
Norway	175.6	189.5	128	8.3
Sweden	371.4	405.2	124	8.7
Total	**906.3**	**943.8**	**120**	**7.1**

Source: NOREX and Carnegie Research, January 2006

A selection of external rankings 2005

Ranking institute	Position	Country	Description
Prospera	2 1 2 3 4	Nordic Norway Sweden Denmark Finland	Stockbroker ranking, overall performance
Institutional Investor	2	Nordic	All European research team
StarMine	1	Finland	Recommendations Mid-Small cap stocks Earnings forecasts Mid-Small cap stocks
StarMine	1	Norway	Earnings forecasts Mid-Small cap stocks
StarMine	1	Nordic	Industry Stock Picker in Health Care Industry Stock Picker in Materials Industry Stock Picker in Real Estate Industry Earnings Forecaster in Software & Services
Financial Hearings	2	Sweden	Best research
Financial Hearings	1	Sweden	Best in communication

SHARE OF TURNOVER IN THE NORDIC STOCK MARKETS



Carnegie is the second largest player in the Nordic stock market with a total share of turnover of 7.1 per cent (7.8 per cent).

Carnegie Securities in 2005

Carnegie Securities offers high-quality research and brokerage services to institutional investors with Nordic securities in their portfolios.

Carnegie's research team covers around 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 represents about 95 per cent of the total Nordic capitalisation. The Carnegie Movers concept, a selection of stock recommendations rated relative to the MSCI Nordic Index, continued to develop positively and was highly appreciated among clients.

An important part of the client offering is providing access to company managements for institutional investors. In 2005, Carnegie arranged company roadshows comprising approximately 2,800 meetings between institutional investors and Nordic company managements. In addition, more than 100 client trips to the Nordic region were organised.

Carnegie also provides opportunities for investors to meet company managements in annual seminars – the Carnegie Health Care, the Carnegie Nordic Small Cap and the Transport seminars. In 2005, Carnegie also hosted focused seminars in areas like Finnish Telecom Operators, Oil & Gas field, Wind energy and Smaller Health Care companies.

Carnegie's trading activities comprise market making and proprietary trading in cash instruments and derivatives in all Nordic countries. In Denmark, Carnegie also is active in fixed income trading. The objective in proprietary trading is to identify and exploit market opportunities mainly through intra-day positions under limited market risks. Through its large presence in the equity markets, trading contributes to creating liquidity and facilitates trading for clients.

The equity finance team creates tailor-made solutions for clients, often including stock-lending, repos and swaps and continued to develop positively during 2005.

As from 2004, Securities also offers warrants issued by

Income statement, operating data and key ratios [1)]

Securities (SEK million)	2001	2002	2003	2004	2005
Net commission income	1,056	894	695	840	982
Underwriting fees	142	70	18	92	132
Net interest income [2)]	178	150	95	75	61
Market making and proprietary trading	311	94	166	239	395
Net interest income from financial positions	–82	–105	–70	–52	–66
Other income from financial positions	–	2	10	1	–1
Net income from financial positions	**229**	**–8**	**106**	**187**	**329**
Other fees	11	0	0	8	0
Total income	**1,615**	**1,106**	**915**	**1,202**	**1,503**
Personnel expenses	–516	–468	–319	–358	–376
Redundancy expenses	–	–58	–25	–	–
Other expenses	–464	–452	–262	–303	–349
Net credit losses	–3	–3	1	0	–5
Total operating expenses excluding profit-share	**–983**	**–980**	**–606**	**–661**	**–730**
Operating profit before profit-share	**632**	**126**	**309**	**541**	**773**
Allocation to profit-share system	–303	–57	–147	–267	–382
Total operating expenses	**–1,286**	**–1,037**	**–753**	**–928**	**–1,112**
Profit before taxes	**329**	**69**	**162**	**274**	**391**
Cost/income ratio, %	80	94	82	77	74
Number of employees, average	518	470	322	320	313
Number of employees, period-end	517	402	318	314	317

1) Financial information has been restated for 2004 according to IFRS. Financial information for 2001-2003 has not been restated due to the transition to IFRS. Should it have been restated, the impact would have been immaterial.

2) Includes interest expenses on subordinated loans, allocated in full to business area Securities.

Carnegie, and in Sweden, Carnegie's share of the warrant market increased from 3 per cent to 15 per cent in 2005.

Objectives 2006

Securities aims to be number one in all of the Nordic markets through high-quality service to local and international investors with exposure to Nordic securities. Institutional investors are reducing the number of brokers they use for their Nordic investments, making it increasingly important to achieve and maintain a market-leading position.

Strong leverage in the business model

Securities' total income in 2005 was SEK 1,503 million, up 25 per cent from 2004, reflecting the turnover increase on the Nordic stock exchanges of 28 per cent. Commission income was SEK 982 million, an increase of 17 per cent from 2004. Net commission generated from non-Nordic clients accounted for 46 per cent of the total commission volume from institutional clients. Underwriting fees amounted to SEK 132 million, reflecting a number of successfully completed secondary placings, initial public offerings and new share issues. Income from trading-related activities increased by 76 per cent to SEK 329 million (SEK 187 million), generated mainly in the equity trading and equity finance operations.

Total expenses before profit-share increased by 10 per cent from 2004 to SEK 730 million in 2005. Profit before taxes increased by 43 per cent from 2004 to SEK 391 million in 2005, reflecting the strong leverage in the business model.

Investment Banking

Strong income and high leverage

- Nordic M&A market achieved record levels
- Nordic IPO market recovery gained pace
- Profit before taxes increased by 90 per cent

Business

Carnegie Investment Banking offers specialist advice and support in private and public Mergers & Acquisitions as well as in Equity Capital Markets transactions, and markets structured financial products. A long-established local presence in each market gives Carnegie a thorough understanding of Nordic business and stock markets as well as unparalleled access to key individuals and information flows.

Products and services

Specialist advice in private and public Mergers & Acquisitions, Equity Capital Markets transactions, such as initial public offerings, rights and directed new share issues, secondary offerings, buyback and redemption programmes, spin-offs and private placements, and structured financial products.

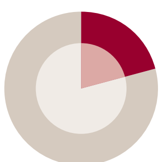
Clients

Predominantly companies and investors headquartered or residing in the Nordic region, and international companies and investors engaged in transactions involving the Nordic markets.

Operations in

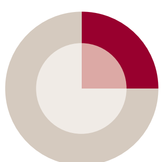
Denmark, Finland, Norway and Sweden.

SHARE OF TOTAL INCOME 2005



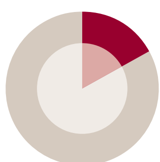
21%

SHARE OF PROFIT BEFORE TAXES 2005



25%

SHARE OF NUMBER OF EMPLOYEES



17%

Market environment

Nordic Merger & Acquisitions, M&A, activity surged in 2005, achieving a record volume of announced transactions, jumping 80 per cent from 2004 to reach USD 101 billion[1)], partly boosted by the USD 15 billion bid for Danish telecom operator TDC . The number of M&A transactions announced during the year also approached record levels, increasing by 16 per cent over the previous year.

Volumes in the Nordic market for Equity Capital Markets, ECM, transactions showed only a marginal increase from 2004 to USD 16 billion, although the number of transactions leapt by over 50 per cent, with the greatest activity taking place in the Norwegian market. In 2005, according to Thomson Financial Securities Data, 26 initial public offerings were completed in the Nordic region, with an aggregate value of USD 5 billion, again the Norwegian market being the most active.

Market position

Carnegie's market position is illustrated in league tables showing transaction volumes and number of transactions as well as in client surveys by independent market research institute Prospera.

In the Nordic M&A league table, Carnegie was ranked No 9 (No 4) in volume terms, and No 2 (No 1) in number of transactions.

In the Nordic ECM market, Carnegie achieved the No 1 placing in both volume and number of transactions. Carnegie acted as joint global co-ordinator in eight initial public offerings during the year, of which six in Norway and two in Sweden.

The 2005 Prospera Corporate Finance survey ranked Carnegie Investment Banking sole No 1 (2004 shared No 1) in Sweden and No 2 – No 4 in the other Nordic countries.

Carnegie Investment Banking in 2005

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 Nordic companies and Nordic markets. Carnegie Investment Banking combines corporate advisory and execution skills with a profound understanding of Nordic industries and capital markets. Co-operation across borders facilitates knowledge sharing and permits the leverage of ideas for transactions across the Nordic region.

1) All market statistics provided by Thomson Financial Securities Data.

Nordic M&A transactions

Adviser	USD m	No
1. Goldman Sachs	39,576	16
2. JP Morgan	39,340	29
3. Deutsche Bank	35,259	25
4. Enskilda	30,987	59
5. Citigroup	19,720	14
6. Morgan Stanley	19,040	24
7. ABN AMRO	15,172	28
8. Merrill Lynch	13,282	7
9. Carnegie	12,172	45
10. Lazard	10,800	9

Nordic ECM transactions

Adviser	USD m	No
1. Carnegie	1,969	32
2. Merill Lynch	1,825	2
3. Goldman Sachs	1,572	7
4. Citigroup	1,544	3
5. Enskilda	1,338	30
6. ABN AMRO	921	7
7.Nordea	700	3
8. Morgan Stanley	690	2
9. UBS	516	2
10. First Securities ASA	364	8

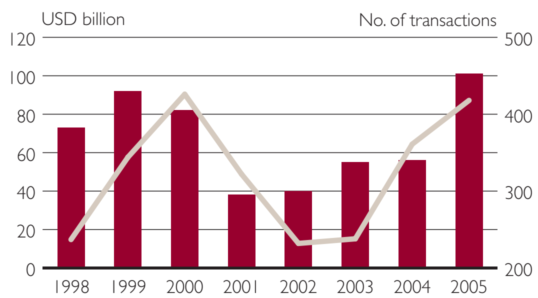
Source: Thomson Financial Securities Data, January 2006.

In 2005, Investment Banking conducted 45 M&A transactions with a total value, where the transaction values were disclosed, of USD 12.1 billion. Transactions included the Danish energy company DONG's USD 4 billion acquisition of the remaining shares in Elsam which it did not already hold, including Sweden's Vattenfall's approximately 35 per cent stake, the USD 1.4 billion divestment of Denmark's Chr. Hansen Holding's food ingredients business to Paris based PAI Partners and the divestment of Sweden's Bredbandsbolaget to Telenor, Norway.

In the Nordic ECM market, Carnegie was adviser in 32 transactions with a corresponding total transaction value of SEK 2 billion. In the initial public offerings market, Carnegie had a lead manager role in eight initial public offerings during the year. The IPOs were; Kongsberg Automotive, Polimoon, the spin-off of Exploration Resources, Bergesen Worldwide Gas, Cermaq, Eastern Drilling and Funcom in Norway, and Orexo and Tradedoubler in Sweden. In the Nordic IPO league table Carnegie was ranked No 1 (No 1) for volume of transactions, calculated with equal credit to joint book runners.

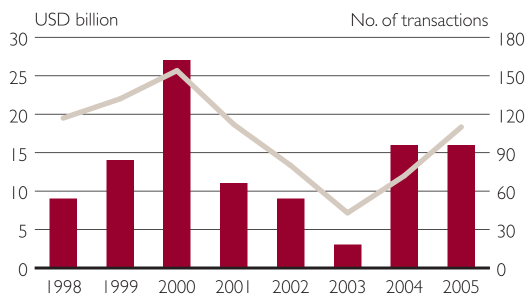
Carnegie Structured Finance arranged and placed a total

NORDIC M&A VOLUME



Value — Number of transactions

NORDIC ECM VOLUME



Value — Number of transactions

Income statement, operating data and key ratios [1)]

Investment Banking (SEK million)	2001	2002	2003	2004	2005
Underwriting fees	225	133	67	139	137
Advisory fees	669	340	281	363	556
Net income from financial positions	7	–6	21	8	40
Total income	**901**	**467**	**368**	**511**	**733**
Personnel expenses	–155	–167	–146	–162	–156
Redundancy expenses	–	–13	–16	–	–
Other expenses	–126	–112	–104	–103	–111
Total operating expenses excluding profit-share	**–281**	**–292**	**–266**	**–265**	**–267**
Operating profit before profit-share	**619**	**175**	**102**	**246**	**467**
Allocation to profit-share system	–297	–79	–49	–122	–231
Total operating expenses	**–578**	**–370**	**–315**	**–386**	**–497**
Profit before taxes	**323**	**96**	**53**	**124**	**236**
Cost/income ratio, %	64	79	85	76	68
Number of employees, average	170	173	148	139	127
Number of employees, period-end	173	161	141	141	124

1) Financial information has been restated for 2004 according to IFRS. Financial information for 2001-2003 has not been restated due to the transition to IFRS. Should it have been restated, the impact would have been immaterial.

of 62 structured financial products in the primary market during 2005 with a corresponding total value of SEK 3,3 billion. Instruments placed include principal protected leverage loan CLO´s, FX Alpha linked notes, leveraged fund of hedge fund certificates and leveraged yield curve steepening notes.

Objectives 2006

Investment Banking aims to maintain and develop its leading position as a specialist consultant in business transactions with a Nordic connection. This position is based on close relationships with clients, expertise in consulting and execution, and a thorough understanding of Nordic business and capital markets.

Profit improvement 90 per cent

Investment Banking's total income increased by 44 per cent in 2005 to SEK 733 million. Advisory fees, mainly generated in M&A-assignments, accounted for 75 per cent of total income. Net income from financial positions of SEK 40 million (SEK 8 million) included part of the income generated from structured financial products.

The business area made a profit before taxes of SEK 236 million for the year (SEK 124 million), an improvement of 90 per cent.

Asset Management

Excellent performance generated strong improvement in results

- Strong performance increased income by 61 per cent
- Carnegie was awarded Best European Fund company and Fund managerment company of the year in Sweden
- Progress in aims to strengthen distribution capacity in channels outside the Nordic region

Operations

Business area Asset Management is a provider of top-class actively managed asset management products to institutional fund managers and to retail investors. Carnegie has been able to differentiate itself through a combination of strong performance history, based on a research-driven, structured and focused investment strategy, and highly professional client service.

Products and services

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

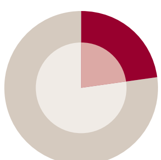
Clients

Institutional and retail investors, the latter mainly reached through external distribution channels.

Operations in

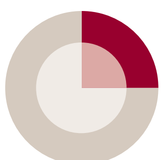
Denmark, Finland, Norway and Sweden.

SHARE OF TOTAL INCOME 2005



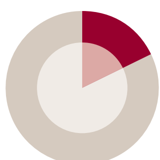
23%

SHARE OF PROFIT BEFORE TAXES 2005



25%

SHARE OF NUMBER OF EMPLOYEES



18%

Market environment

The market conditions were favourable in 2005 in the global equity markets, supported by strong growth in the global economy and low interest levels. The development was strong also in the European equity markets, and in the Nordic region market indices rose by over 30 per cent. Competition has increased from international as well as from local players. The demand from investors for specialist managers with an alfa-oriented approach to asset management has increased, making Carnegie Asset Management well positioned.

Product development and new distribution channels

Carnegie Asset Management aims to be the leading independent supplier of asset management services in the Nordic region. The objectives for 2005 has been to further improve the quality in the products and to strengthen the distribution channels.

Carnegie's product range includes discretionary asset management services, mutual fund products and managed and structured portfolios ("fund of funds"). The product range comprises products within three asset classes – equities, fixed income and real estate. At year-end 2005 about 80 per cent of the total assets under management were invested into equity-oriented products. During 2005, sales activities were intensified towards an international client base as well as towards domestic institutions, which resulted in an inflow and a migration towards higher-margin products as well as performance-fee related products. The share of assets under management with a performance-fee-related structure increased from 12 to 22 per cent during the year. Carnegie's hedge fund, Carnegie Long/short had a very good year and generated a significant inflow, mainly from international clients.

In the second quarter, Carnegie closed the real estate fund, which was launched in March this year. The fund attracted large interest from top tier institutional investors and raised about SEK 900 million, generating an acquisition capacity of the fund of around SEK 3 billion. The product range was further developed through a new structured product, Carnegie Safety 90, an equity fund with built-in support levels.

Income from mutual funds is generated from funds sold through Carnegie's organisation and distributed through external networks (such as SkandiaLink and Max Matthiessen in Sweden, Fennia in Finland and Danske Bank in Denmark). During 2005, one of the aims has been to widen the distribution channels also outside the Nordic region. Carnegie has been able to differentiate itself through a combination of strong performance history, highly professional client servicing and infrastructure and focused relationships and progress of the efforts can now be seen in a high quality international client base including well-established fund-of-funds.

Rating and product performance

The key to long-term success is to be able to offer products with superior performance. Overall performance in Carnegie's investment products was exceptionally strong in 2005. Performance was better than benchmark index for close to 90 per cent of the assets under management in equity funds. To highlight some of the top-performing products, it can be mentioned that the largest products, Carnegie WorldWide in Denmark and Luxembourg, outperformed their indices by 13 percentage points respectively. Carnegie's hedge fund WorldWide Long/Short, continued to be successful and generated an absolute return of 27 per cent for 2005. Also the products managed by the Medical-team were very successful, Carnegie Medical and Carnegie Global Healthcare outperformed their benchmark indices by 7 and 23 percentage points respectively.

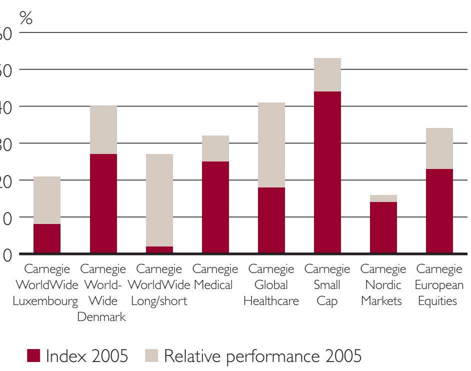
The ability to continuously show superior performance is reflected in the rating of fund products by independent research companies such as Morningstar. Over 95 per cent of Carnegie's total assets under management in rated equity funds held 4- or 5-star ratings at year-end.[1] The strong performance of Carnegie's funds was recognised internationally as well as in the local markets. In June 2005, Global Investor Magazine and Morningstar ranked Carnegie as the best fund company in Europe among all equity fund companies with more than 20 rated funds, based on average performance and ratings. In Sweden, Carnegie was awarded The Fund Management Company of the Year 2005 by Swedish Dagens Industri and Morningstar, making it the second time in 5 years that Carnegie receives this prestigious award.

Assets under management

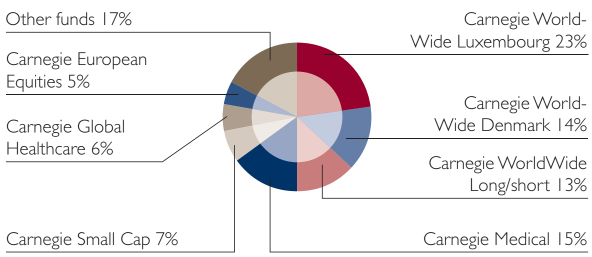
Assets under management (AUM) include discretionary managed portfolios and mutual funds, and amounted to SEK 92 billion at 31 December 2005, an increase of SEK 30 billion from the beginning of the year, due to increasing asset values of SEK 19 billion and a net inflow of SEK 11 billion. About SEK 6 billion of AUM represents advisory mandates

[1] Source: A rating of 4 or 5 stars by any of Morningstar, Fondmarknaden and W-rating, January 2006. Five stars is the maximum rating.

FUND PERFORMANCE VS BENCHMARK INDICES



SHARE OF AUM IN EQUITY FUNDS

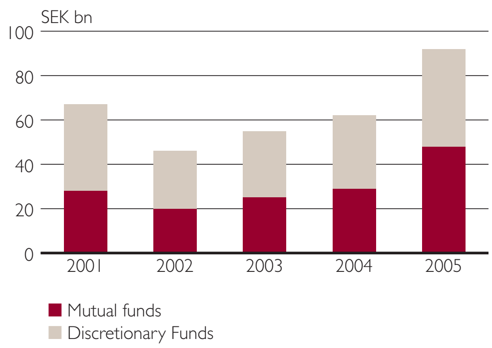


Over 95 per cent of AUM in rated equity funds hold a 4- or 5-star rating [1]

Carnegie WorldWide Luxembourg	5 stars
Carnegie WorldWide Denmark	5 stars
Carnegie Medical	5 stars
Carnegie Global Healthcare	5 stars
Carnegie European Equities	5 stars
Carnegie Swedish Small Cap	5 stars
Carnegie Fund-of-Funds	5 stars

Source: Morningstar, Fondmarknaden and W-rating, January 2006

ASSETS UNDER MANAGEMENT



Asset Management Summary Financial Data [1)]

Year Ended December 31 (SEK million)	2004	2005
Income from mutual funds excl performance fees	349	401
Performance fees from mutual funds	17	209
Total income from mutual funds	**366**	**610**
Income from discretionary asset management excl performance fees	91	103
Performance fees from discretionary asset management	18	59
Total income from discretionary asset management	**109**	**162**
Advisory fees	17	20
Total income	**492**	**791**
Personnel expenses	–156	–165
Other expenses	–132	–162
Total operating expenses excluding profit-share	**–288**	**–327**
Business area operating profit before profit-share	**203**	**464**
Allocation to profit-share system	–99	–229
Total operating expenses	**–387**	**–556**
Business area profit before taxes	**105**	**235**
Cost/income ratio, %	79	70
Assets under management at period end (SEK billion)	62	92
– whereof mutual funds	29	48
– whereof discretionary funds	33	44
Number of employees, average	133	135
Number of employees, year-end	132	133

1) Financial information for 2004 has been restated according to IFRS. The split of business area Asset Management & Private Banking into two separate business areas was initiated during the second half of 2004. Financial information for the full year 2004 is based on a pro forma calculation.

relating to discretionary assignments for Private Banking clients. The migration towards fund products continued during the year and assets under management in mutual funds represented 52 per cent of the total AUM at year-end.

Objectives 2006

Within Asset Management, the top priorities for 2006 are to keep the performance culture in the organisation and continue to deliver top-ranked high-quality investment products, as well as broaden the client base and improve the distribution capacity in the Nordic countries and in international networks.

Excellent profitability due to strong performance across the board

Total income in Asset Management in 2005 was up 61 per cent to SEK 791 million (SEK 492 million), mainly related to total assets under management increasing by 48 per cent from the beginning of the year, and to the sharp increase in performance fees. The underlying growth in total income excluding performance fees was 14 per cent. Income from mutual fund products was up 67 per cent to SEK 610 million (SEK 366 million), corresponding to an increase of assets under management in mutual funds of 65 per cent from beginning of the year. Fund products distributed through third parties generate a net fee after distribution costs. Income from discretionary mandates was SEK 162 million (SEK 109 million), an increase of 48 per cent corresponding to an increased assets under management in discretionary funds of 33 per cent.

Around 22 per cent (12 per cent) of Carnegie's assets under management (discretionary mandates as well as mutual funds) have performance-related fee structures. The performance fees are realised and recognised partly at year-end and partly on a quarterly basis according to the terms of the client agreements. In 2005, total performance fees amounted to SEK 268 million (SEK 35 million), of which 69 per cent was recognised in the last quarter. Other income of SEK 20 million (SEK 17 million) was mainly generated from asset management advisory services.

Total expenses before profit-share in 2005 of SEK 327 million were up 13 per cent and profit before taxes improved by 124 per cent to SEK 235 million (SEK 105 million).

Private Banking

Continued good inflow

- Stable growth in international and Nordic private banking
- Improved client offering and favourable market conditions resulted in a good net inflow
- Improved in profitability

Operations

Carnegie Private Banking is a premium brand in wealth management to high-net-worth individuals. As an independent adviser, Carnegie Private Banking offers tailor-made solutions according to the clients' needs, providing a superior product range in an open architecture environment.

Products and services

Complete private banking services, including asset management products, legal advice, insurance services and banking services, based on inhouse products and services as well as external suppliers.

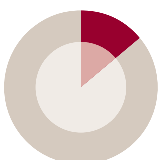
Clients

High-net-worth individuals in the Nordic region, or, with a Nordic background living abroad, foundations and family-owned businesses.

Operations in

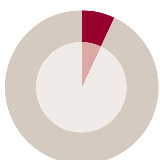
Sweden, Denmark, Luxembourg, Switzerland and the United Kingdom.

SHARE OF TOTAL INCOME 2005



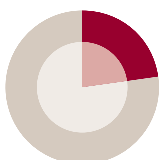
14%

SHARE OF PROFIT BEFORE TAXES 2005



7%

SHARE OF NUMBER OF EMPLOYEES



23%

Market environment

Activity in the private banking sector in 2005 was boosted by continued strong equity markets. In a market characterised by increasing competition, both from domestic and international actors, Carnegie's Private Banking sales activities to existing and new clients generated a good inflow during the year. In the Nordic Private Banking Award ranking from Euromoney (published in the beginning of 2006), Carnegie improved its position from No 6 last year to No 3.

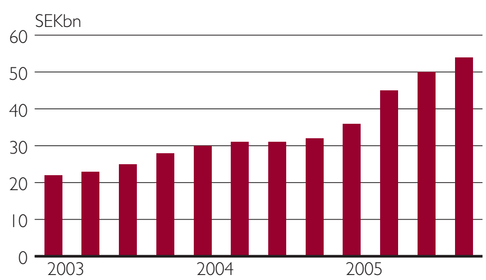
Client volume

The Private Banking client volume represents the gross value of all private client accounts, including discretionary and advisory accounts, as well as all types of securities, mutual funds, deposits and lending. The Private Banking client volume amounted to SEK 54 billion at 31 December 2005, an increase of SEK 23 billion from the beginning of the year. The increase reflects an underlying increase in asset values and a good inflow from new clients as well as increased share of existing clients' total assets. About SEK 6 billion of the client volume relates to discretionary assignments for which Asset Management has advisory mandates, and is also included in Assets under Management as presented by business area Asset Management.

Clients and products

Carnegie's Private Banking services was established in Banque Carnegie Luxembourg over ten years ago. Today, the international Private Banking operations also comprises offices in Geneva and in London, and wealth management operations have also been established in Denmark and Sweden. The number of clients is limited in order to have the resources to create tailor-made solutions according to each client's needs. During 2005, the client offering was further developed, including a specialised service concept for foun-

CLIENT VOLUME



Private Banking Summary Financial Data [1)]

Year Ended December 31 (SEK million)	2004	2005
Total income	467	486
Personnel expenses	–207	–174
Redundancy expenses	–	–
Other expenses	–166	–177
Net provisions for credit losses	1	–
Total operating expenses excluding profit-share	–372	–350
Business area operating profit before profit-share	95	136
Allocation to profit-share system	–47	–67
Total operating expenses	–419	–417
Business area operating profit before taxes	48	69
Cost/income ratio, %	90	86
Client volume, SEK billion	31	54
Number of employees, average	200	171
Number of emploees, year-end	192	168

1) Financial information for 2004 has been restated according to IFRS. The split of business area Asset Management & Private banking into two new business areas was initiated in the second half of 2004. Financial information for the full year 2004 is based on a pro forma calculation.

dations, a number of new investment products as well as development of a powerful financial planning platform including legal and tax advice, insurance services etc. In Sweden, the cooperation with a number of new partners, most notably Max Matthiessen, leading in pension advisory services, generated a good inflow of new clients. The team has also been strengthened through the recruitment of a number of senior advisers.

Objectives 2006

After a strong first year as a separate business area, Private Banking will continue to develop its client offering as a premium brand. The aim is to further deepen existing client relationships as well as to attract new clients using the full range of Private Banking services, in order to increase profitability in relation to client volume.

Good inflow and cost reduction improved profitability

Private Banking income is generated as fees from discretionary asset management and mutual fund management, brokerage commission from advisory accounts, sales provision from distribution of Carnegie's and external mutual funds, interest net from lending and deposits and advisory fees from legal and insurance advice. Total income in 2005 was up 4 per cent from previous year to SEK 486 million. Adjusted for structural changes in connection with the transfer of the pension advisory operations to Max Matthiessen and effects of the separation of the business areas, Private Banking income increased by 18 per cent from last year. The main part of income was generated from advisory accounts and fees from discretionary asset management and mutual fund management.

Total expenses before profit-share declined by 6 per cent to SEK 350 million. The decline was mainly related to personnel expenses decreasing by 16 per cent, reflecting the reorganisation of the operations in Sweden at the end of 2004 and the transfer of the pension advisory operations, which resulted in a personnel reduction of 15 per cent. Profitability was substantially improved as profit before taxes in 2005 increased by 43 per cent to SEK 69 million.

Share information and ownership structure

Share capital

At 31 December 2005, the share capital of Carnegie amounted to SEK 135,459,800 distributed among 67,729,900 shares. In January 2006, another 1,309,800 shares were issued in accordance with Carnegie's 2003/2006 warrant programme, increasing the share capital by SEK 2,619,600 to SEK 138,079,400 and the number of shares outstanding to 69,039,700.

The Carnegie share was listed on the O-list at Stockholmsbörsen (today OMX) in June 2001 and since January 2002 it is traded at the Attract 40 section of that list.

Key data	2001	2002	2003	2004	2005
Earnings per share, SEK	8.76	3.75	3.17	6.01	9.98
Earnings per share, fully diluted, SEK	8.76	3.75	3.14	5.94	9.68
Dividend per share, SEK	8.57	8.93	3.16	5.93	9.19[1)]
Book value per share, SEK	28	24	17	20	25
Share price 31 December, SEK	131	56	71	86	117
Price/earnings multiple	14.9	14.9	22.4	14.3	11.9
Price/book multiple	4.6	2.4	4.1	4.3	4.6
Number of shares at period-end, 000'	66,702	66,702	66,702	66,702	67,730
Average number of shares, 000'	65,267	66,702	66,702	66,702	66,800
Number of shares entitled to dividend, 000'	66,702	66,702	66,702	66,702	69,040
Number of shares related to warrants outstanding, 000'	–	2,400	4,800	7,200	3,772
Total number of shares including effect of issued warrants, 000'	66,702	66,702	67,243	67,471	68,856
Total return, including reinvested dividend, %	14	–51	43	26	43
Total return, Stockholmsbörsen, %	–7	–36	34	21	36
Dividend yield, %	6.5	15.9	4.5	6.9	7.9[1)]

1) Proposed dividend

Ownership structure

In August 2005, Carnegie's major shareholder Burdaràs announced its merger with Landsbanki Islands and Straumur Investment Bank whereby its 20.4 per cent holding in Carnegie was to be transferred to Landsbanki Islands, and Landsbanki Islands became major shareholder in Carnegie.

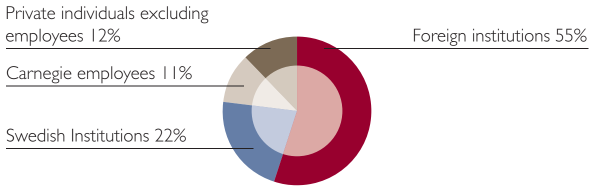
Ownership structure 31 December 2005 Number of shares	No of shareholders	No of shares	Votes and capital, %	Market value SEKm
1–500	3,154	642,252	0.9	75,143,484
501–1,000	672	599,036	0.9	70,087,212
1,001–5,000	623	1,610,956	2.4	188,481,852
5,001–10,000	148	1,153,557	1.7	134,966,169
10,001–20,000	100	1,545,404	2.3	180,812,268
20,001–50,000	91	2,936,555	4.3	343,576,935
50,001–	158	59,242,140	87.5	6,931,330,380
Total	**4,946**	**67,729,900**	**100.0**	**7,924,398,300**

Larger shareholders, 31 December 2005	No of shares	Votes and capital, %
Landsbanki Islands	13,797,780	20.4
Carnegie employees[1]	7,537,000	11.1
Robur funds	3,020,490	4.5
Didner & Gerge funds	2,640,000	3.9
Franklin-Templeton Funds	2,074,041	3.1
Danske Capital funds	1,720,370	2.5
Carnegie Personal AB (net)[2]	1,422,761	2.1
SHB/SPP	1,406,811	2.1
Nordea funds	1,293,450	1.9
Hermes Investment Mgmt Ltd	589,909	0.9
First Swedish National Pension Fund	517,100	0.8
Second Swedish National Pension Fund	511,231	0.8
Lannebo funds	469,900	0.7
Abu Dhabi Investment	432,900	0.6
UN Joint Staff Pensionfund	426,000	0.6
Sub-total	**37,859,743**	**55.9**
Other	29,870,157	44.1
Total	**67,729,900**	**100.0**

1) Shares held by employees are individual holdings. Group management; Lars Bjerrek, Mats Bremberg, Niklas Ekvall, Karin Forseke, Matti Kinnunen, Mats-Olof Ljungkvist, Stig Vilhelmson and Mark Walker, represents a total of 1,170,000 shares, corresponding to 1.7% of the shares outstanding, included in the total employee shareholding.

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.

VOTES AND CAPITAL, 31 DECEMBER 2005, %



Employee shareholding and employees' trading rules

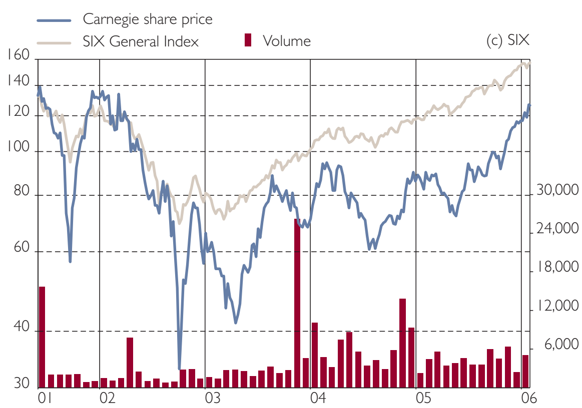
Total shareholding by employees is estimated at 11 per cent of the total number of shares outstanding at 31 December 2005.

Employees in Carnegie have to comply with external and 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.

Open periods 2006, all dates inclusive

3 February – 28 February
27 April – 31 May
14 July – 31 August
19 October – 30 November

Share price 1 June 2001 – 31 January 2006



Share information

Market value 31 December 2005, SEKm	7,924
Share price 31 December 2005, SEK	117
Share price 31 December 2004, SEK	86
Year high 2005, SEK	118.50
Year low 2005, SEK	70.80
All time high, SEK	150
All time high date	7 June 2001

Listing

Stockholmsbörsen (SWE), List O, Attract40

Code:	SE0000798829
Listed since:	1 June, 2001
Trading lot:	100 shares
Symbol:	CAR

Turnover and market capitalisation of free float

The average monthly turnover in the Carnegie share in 2005 was SEK 385 million (SEK 580 million). The decrease as compared to previous year reflects the acquisitions in November and December 2004 of 20 per cent of the shares in Carnegie by Burdaràs.

Warrant programmes

Warrant programme	No. of warrants	Of which exercised as per 31 Dec 2005	Exercise price[1] (SEK)	Subscription period	No. of warrants outstanding at 31 Dec 2005	Increased equity if fully subscribed (SEKm)	Corresponding share of capital
2002/2005	2,400,000	0	158	1 Apr 2003 – 29 Apr 2005	Expired	–	–
2003/2006	2,400,000	1,028,300	72	1 Apr 2004 – 28 Apr 2006	1,371,700[2]	173	3.6%
2004/2007	2,400,000	0	101	1 Apr 2005 – 27 Apr 2007	2,400,000	242	3.6%

[1] The exercise prices have been set to 120% of the average share price the week after publication of the year-end reports.
[2] In January 2006, 1,309,800 warrants were exercised, leaving 61,900 warrants outstanding.

At 31 December 2005 there were two warrant programmes outstanding, distributed to Carnegie employees in 2003 and 2004. Under the 2003/2006 programme 1,028,300 shares have been subscribed for in 2005 at the exercise price of SEK 72, which has increased the total equity by SEK 74 million in total and the total number of shares outstanding at year-end were 67,729,900. In January 2006, another 1,309,800 shares were issued, adding SEK 94 million and the number of shares outstanding increased to 69,039,700, which number has formed the basis of the Board's dividend proposal for 2005. All outstanding warrant programmes were granted before 7 November 2002, or granted after this date but fully vested before 1 January 2005. Accordingly, IFRS 2 is not applicable regarding the accounting requirements, but the disclosure requirements apply.

The aggregate dilution effect in terms of profit per share is calculated in accordance with IAS 33. 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 the remaining issued warrants is 3 per cent, based on the share price at 31 December 2005 (SEK 117).

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

Programme	No. of warrants	Exercise price SEK	Subscription period
2004/2007	66,400	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 1.2 million, and the holding represents SEK 0 in the Carnegie Group balance sheet.

Analysts covering Carnegie

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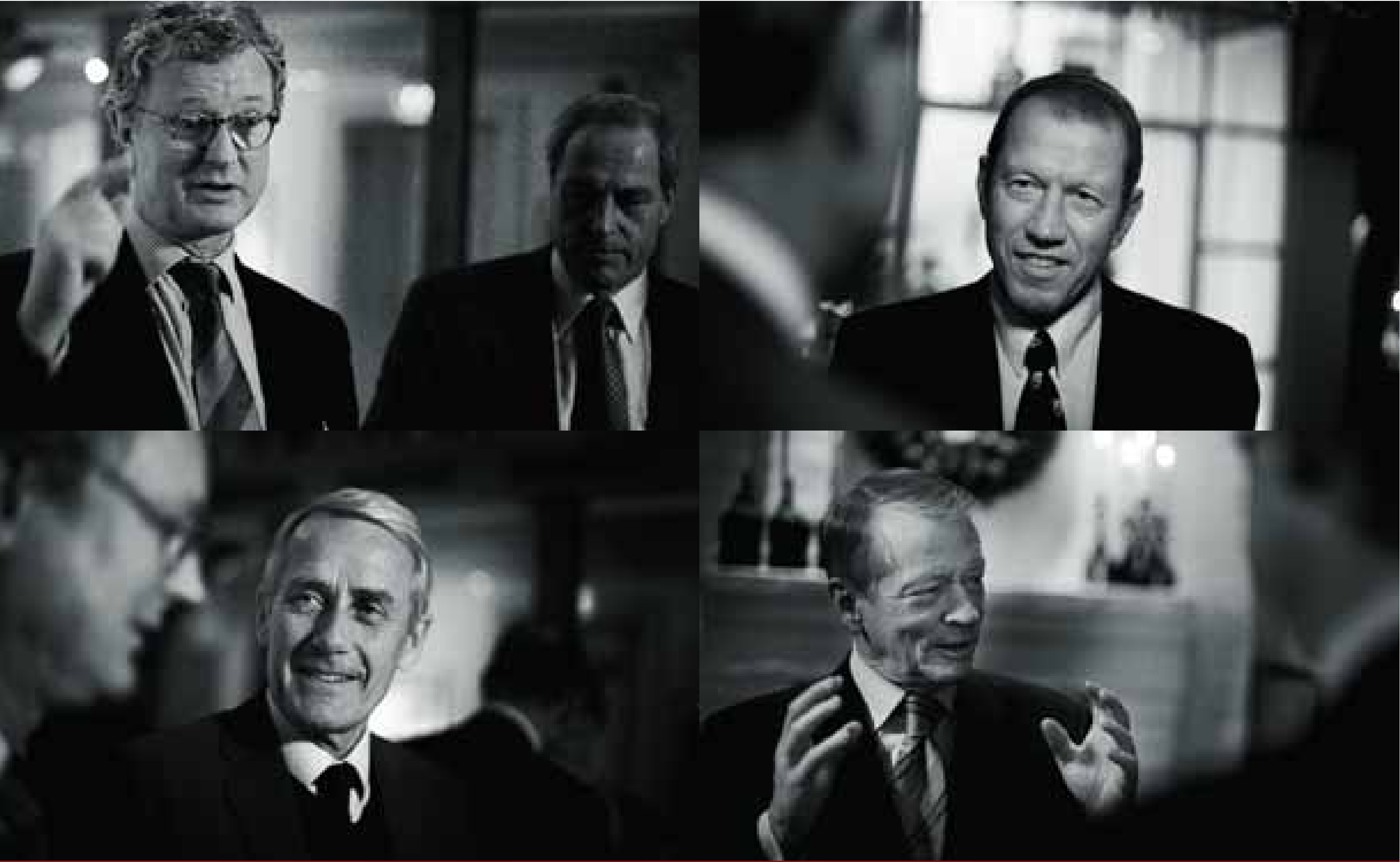
Investor Relations objective

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.



Lars Bertmar
Anders Ljungh

Dag Sehlin
Christer Zetterberg

Board of Directors

Hugo Andersen, Director. Born 1946. Board member since 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 a number of other board positions, and chairman of the board of Simon F Hartmann's Family Fund. He holds an MSc in economics. No. of shares in Carnegie: 5,000. No warrants.

Lars Bertmar, Chairman of the Board since 2003. Born 1945. Board 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 Swedish 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). No. of shares in Carnegie: 300,000. No warrants.

B. Thor Bjorgolfsson, Director. Born 1967. Board member since 2005. Mr Bjorgolfsson has a broad experience as an active financial investor in different international industries such as beverages, pharmaceutical, financial services and telecom. Since 2002 Mr Bjorgolfsson is, through Samson Holding, a major shareholder of Landsbanki Islands, the largest deposit bank in Iceland. Mr Bjorgolfsson is chairman of the boards of Samson Holding, Straumur-Burdarás Investment Bank and Actavis Group (previous Pharmaco). He holds a degree in finance from New York University's Leonard N Stern School of Business. No personal shareholding in Carnegie. No warrants.

Karin Forseke, Director. Born 1955. Board 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. No. of shares in Carnegie: 305,000. Number of warrants 2004/2007: 25,000.

Niclas Gabrán, Director. Born 1967. Board member since 2005. Niclas Gabrán has extensive experience from international investment banking and from 1999 to 2005 he was a partner of Soros Private Equity Partners Limited in London. From 1992 to 1999 Niclas Gabrán held various positions within Goldman Sachs, mainly in Mergers & Acquisitions but also in Principal Investments. In 1998-1999, Gabrán was Business Unit Manager and Executive Director at Goldman Sachs in Frankfurt. Since April 2005, Niclas Gabrán is Managing Director of TowerBrook Capital Partners (UK) LLP in London. He is member of the Boards of Tradedoubler AB (2000–) and PolymerLatex GmbH (2003–). He has a MSc from the Helsinki University of




Hugo Andersen
Niclas Gabrán

Karin Forseke
Fields Wicker-Miurin

Technology as well as a MSc from the Swedish School of Economics and Business Administration in Finland. Niclas Gabrán holds no Carnegie shares or warrants.

Anders Ljungh, Director. Born 1942. Board 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, Lunarworks, Living Capital Management Ltd and Reformed Spirits Ltd. No. of shares in Carnegie: 2,000. No warrants.

Dag Sehlin, Director. Born 1945. Board member since 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 PostGirot Bank). In 1986–92 he was executive vice president at OM Group (today OMX) 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), and ProAct IT Group AB. He served as member of the board of D. Carnegie AB in 1997-2003. Mr Sehlin has a MSc in business administration from the Stockholm School of Economics. No. of shares in Carnegie: 2,000. No warrants.

Fields Wicker-Miurin, Director. Born 1958. Board member since 2003. Ms Wicker-Miurin has more than 20 years experience in the global financial services industry and is also an adviser 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, Vice Chairman of the Board. Chairman 2001–02. Born 1941. 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, Boo-Forssjö AB, Nike Hydraulics AB (chairman) and Camfil. He is a member of the Royal Swedish Academy of Engineering Sciences (IVA). Mr Zetterberg has a BSc in business administration. No. of shares in Carnegie: 2,000. No warrants.

Additional information from Carnegie's nomination committee

In 2006, the nomination committee has been informed that neither Lars Bertmar, nor Thor Bjorgolfsson, will be available for re-election by the Annual General Meeting to be held 2006.




Karin Forseke
Niklas Ekvall

Mats Bremberg
Stig Vilhelmson

Executive officers

Lars Bjerrek, born 1963. Group head of Private Banking since August 2004. From 1999 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. Number of warrants 2004/2007: 25,000.

Mats Bremberg, born 1963. Group head of Investment Banking since 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. He originally joined Carnegie in 1990 after three years with PKbanken (currently Nordea). Number of shares in Carnegie: 100,000. Number of 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 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. Number of warrants 2004/2007: 25,000.

Karin Forseke, born 1955. Appointed board member in 2003. CEO of the Carnegie Group since March 2003. Ms Forseke has a long background and substantial experience in the UK and US financial markets. From 1998 to 2002, head of international sales and sales trading at Carnegie. From 1993 to 1998, COO of the London International Financial Futures and Options Exchange (LIFFE). From 1992 to 1993, responsible for client relations and sales/distribution at Westpac Banking Corporation's Financial Markets Group. From 1989 to 1992, director of business development in establishing the OMLX exchange in London. Ms Forseke is a member of the board of the Financial Services Authority (FSA) in the UK. She studied economics, sociology and marketing at UCLA, Los Angeles, California. Number of shares in Carnegie: 305,000. Number of warrants 2004/2007: 25,000.

Lars Bjerrek
Mats-Olof Ljungkvist

Mark Walker
Matti Kinnunen

Matti Kinnunen, born 1958. Appointed head of operations in 2002. Mr Kinnunen joined Carnegie in 1990 and has worked as managing director of D. Carnegie AB since 1992. Chairman of some of Carnegie's subsidiaries in the Nordic countries and in the UK and the US. Board member of OMX Exchanges Ltd and chairman of the Swedish Association of Securities Dealers. Number of shares in Carnegie: 300,000. Number of 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. Number of shares in Carnegie: 80,000. Number of 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. Number of shares in Carnegie: 305,000. Number of warrants 2004/2007: 25,000.

Mark Walker, born 1964. Group head of business support since 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. Number of shares in Carnegie: 80,000. Number of warrants 2004/2007: 25,000.

Group Management – change in 2005

During 2005, Anders Onarheim decided to resign from Group Management to focus on the operations of Carnegie ASA, Norway.

Corporate governance report

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.

Carnegie acts according to the Swedish Code for corporate governance, applicable for the larger companies listed at Stockholmsbörsen and complied in full with the Code in 2005, except for that the Board of Directors will not express an opinion on how well the internal control is organised nor will the external auditors review the report on internal control concerning financial reporting (with reference to the statement from The Swedish Corporate Governance Board on December 15, 2005).

Review
As a supplementary assignment from the Board of Directors, we have reviewed the Corporate Governance report (page 44–50) for D. Carnegie & Co AB for 2005. The Corporate Governance report has been established according to the guidelines presented in the Swedish Code for corporate governance.

KPMG Bohlins AB
Anders Ivdal
Authorised Public Accountant

The Annual General Meeting
The Annual General Meeting (AGM) is the decisionmaking body in which all shareholders can participate. Carnegie's AGM is held annually in Stockholm. The AGM is to report on financial performance and make decisions on a number of central issues, such as dividend, changes to the Articles of Association, the appointment of auditors, compensation for the board and auditors, discharging the board of liability for the fiscal year and approving the new board for the period up to the next AGM. Information on the shareholders' right to have a matter considered at the AGM, and the time when such a request must reach the company in order to guarantee its inclusion in the notice of meeting, is presented on Carnegie's website. Due to low demand Carnegie has not considered it cost-effective to make the complete AGM available through a live webcast. According to the new Companies Act, which entered into force on 1 January 2006, the Board of Directors has been given the opportunity to collect proxies for voting at the AGM on behalf of the company, provided that the articles of association contain a provision hereabout. The new procedure for voting by proxy will make it easier for shareholders to be a part of the decision-making. If such provision is stated in the articles of association, the Board of Directors will decide whether or not to utilise it.

Appointment of the Board and auditors
The AGM decides on the nomination process. The Annual General Meeting 2005 decided that the Chairman of the Board would contact representatives for Carnegie's larger shareholders in the third quarter 2005 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 members of the nomination committee 2006 were announced in September 2005. In 2006, the nomination committee has been informed that Mr Lars Bertmar, the present Chairman of the Board will not be available for re-election by the AGM 2006. The nomination committee was also informed that Mr Thor Bjorgolfsson, representing Landsbanki Islands, will not be available for re-election.

The auditors are appointed by the AGM every four years. Carnegie has engaged the services of KPMG Bohlins AB, who were last re-elected at the AGM in 2003. Remuneration to auditors is shown in note 6.

Nomination committee 2006
Members: Kjartan Gunnarsson (Landsbanki Islands), chairman, Mats Lagerqvist (Robur), Mikael Nordberg (Danske Capital), Lars Bertmar (co-opted member). Henrik Didner (Didner & Gerge Fonder) left the nomination committee in January 2006.

Name	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)
B.Thor Bjorgolfsson	1967	2005	Icelandic	Non-Executive Director	Landsbanki Islands
Karin Forseke	1955	2003	Swedish /American	Chief Executive Officer	Employed by Carnegie
Niclas Gabrán	1967	2005	Finnish	Non-Executive Director	Independent
Anders Ljungh	1942	2001	Swedish	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 of Directors

All of Carnegie's Directors of the Board, including the Chairman of the Board, are elected by resolution of the AGM. Carnegie's directors serve terms that last until the next AGM. 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 2005

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 2005 approved in full of the proposal presented by the nomination committee.

The AGM 2005 decided to elect 9 Board Members. The Board of Carnegie includes representatives from six 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 9 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 22 per cent.

For a presentation of the individual Board members, see page 40–41. Remuneration to the Board is presented in note 6.

The Board's tasks

The Board's main tasks are:

- to establish the overall goals for the company and decide the company's strategy for achieving these goals,
- evaluate the company's operative management on an ongoing basis and, if necessary, appoint or dismiss the managing director,
- ensure that there is an effective system for follow-up and control of the company's operations and financial position vis-à-vis the established goals,
- ensure that the company's external communications are open, objective and appropriate for the targeted audience,
- ensure that there is a satisfactory process for monitoring the company's compliance with laws and other regulations that apply to the company's operations, and
- ensure that the necessary guidelines governing the company's ethical conduct are established.

The Board's activities during 2005

The Board held 10 meetings in 2005. With few exceptions, all Board members attended all board meetings. Immediately after the AGM 2005, a statutory Board meeting was held. At that meeting remuneration to the Board decided by the AGM was allocated among the Board Members, according to the instructions by the AGM. Members to the Remuneration Committee and Audit Committee were appointed. The Board further adopted Rules of Procedure for the Board, an instruction for the Managing Director, an instruction for the reporting of information in respect of the financial situation, Terms of Reference for the Remuneration Committee and Terms of Reference for the Audit Committee. Finally, the board appointed persons to sign on behalf of the company.

The Board has handled various strategic business matters during 2005. Two full day meetings have been allocated to discuss the business strategy of Carnegie. The business planning process has been discussed and the 2005 business goals and objectives of Carnegie have been approved. Further the framework for the goals and objectives 2006 has been discussed and approved.The Board has also handled different strategic business projects. The discussion regarding the amended CAD ratio requirements according to the Basel II CAD Directive and different alternatives to handle the amended requirements going forward continued also in 2005. In order to further support growth in Carnegie's operations, and considering the future changes in the regulatory framework, the Board resolved to issue a subordinated loan.

The Board regularly receives updates in relation to the development of the macroeconomic development. One field of discussion has been the changing framework of rules in different areas affecting Carnegie, the investment banking industry in the Nordic region, Europe and globally, e.g. the Directive on Markets in Financial Instruments, MiFiD. Further the development of the International Accounting standards, IAS and IFRS has been discussed. On 1 July 2005, the Swedish Code of Corporate Governance entered into force. The Swedish Code on Corporate Governance has been discussed and Carnegie's compliance with the Code has been followed up continuously.

At each quarterly Board meeting, reports are provided to the Board in different areas such as reports regarding the work of the Board Committees, i.e. the Audit Committee and the Remuneration Committee, report from the CEO and the CFO, interim reports and year-end reports as well as reports from the internal control functions.

An evaluation of the Board has been made and has also been submitted to the Nomination Committe. The work of the CEO has been evaluated and the remuneration of the CEO has been discussed. Further, Carnegie's policy on remuneration and other terms of employment for senior management has been discussed and a proposal in this matter will be submitted to the Annual General Meeting for approval.

Committees and policies

As part of the aim to increase efficiency in the Board's work, certain tasks are handled by committees, such as the Remuneration committee and the Audit committee.

Remuneration committee 2005

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

The remuneration committee is appointed each year by the Board. The committee held 5 meetings in 2005, all meetings, with few exceptions, attended by all committee members. The committee reviews the salary and benefits of the CEO in accordance with her/his contract; it also establishes Carnegie's principles on remuneration and other terms of employment for senior management and submit it to the Board, which in its turn submit the principles to the annual general meeting for approval. The principles are further described below.

A clear and stable incentive structure is important in order to attract and retain the best employees, as the personal commitment and interest in Carnegie's total progress plays a major role in increasing productivity and improving performance. The personal commitment is promoted through Carnegie's profit-share system, which was introduced in the 1990's and was described in the IPO prospectus in 2001, and through share-related incentive programmes, comprising all employees.

Total compensation to employees is composed of a fixed part and a variable part. The fixed part consists of salaries and salary-based premium payments for pension insurance. All of Carnegie's pension obligations are based on defined contribution plans and are reinsured with external parties. The variable part is the profit-share, calculated 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. Profit-share is only distributed following a positive result (after deduction for return on shareholders' equity) for the full year, and zero or negative results therefore leads to zero profit-share.

Profit-share is allocated to employees on a discretionary basis. The basis for the allocation of profit-share to individuals is a company wide evaluation process, including Group Management and the CEO, with the purpose to review the employees according to professional competence, leadership skills, achievement of previously set objectives and corporate values. A majority of the employees are evaluated through a 360° evaluation, based on input from superiors, peers and subordinates. The remuneration committee has also reviewed and approved the evaluation process. 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 2005

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 risk management and internal control, and
- the audit process.

Further, the committee is currently updated on group corporate risks and general operational risk issues through information provided from the internal control organisation. The audit committee held 5 meetings in 2005. Reports from both internal and external auditors are subject to review by the Audit Committee. In 2006, it was resolved that the internal control functions Compliance, Risk management and Security also shall submit their reports to the Audit committee for more detailed review. Internal audit continues to report directly to the Board of Directors. See further under Risk management and internal control organisation.

Risk management and internal control organisation

The business activities of the Carnegie Group, 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, systems, human error or external events.

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.

Internal control is a process carried out by the Group's Boards of Directors, the Audit Committee, management and other staff within Carnegie, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations
- Reliability of operational and financial reporting
- Compliance with external and internal regulations
- Safeguarding of assets, including management of risks in operations

Internal control is based on the control environment which includes the following elements: values and management culture, goal orientation and follow-up, a clear and transparent organisational structure, segregation of duties, quality and efficiency of internal communication, and an independent evaluation process.

The framework for internal control aims at creating the necessary preconditions for the whole organization to contribute to the effectiveness and the high quality of internal control, based on clear definitions, assignments of roles and responsibilities, common tools and procedures, and is expressed in a common language.

The responsibility to operate efficient internal control, as noted above, rests with management and other staff within Carnegie. With regards to independent monitoring of the efficiency of this internal control environment, and internal control concerning operational risk in general, there are procedures in place for risk assessment, providing assurance that the risks for which the company is exposed to are handled within the established framework. Four independent control functions have been established consisting of Internal Audit, Compliance, Risk Management and Security. The four independent control functions represent an important element of the Corporate Governance environment of Carnegie. Independent monitoring activities are coordinated in a Group Risk Assessment Committee (including the CFO, the COO together with the four independent control officers) which meets monthly to handle operational risk issues identified in the Group.

By maintaining an effective internal control organisation, Carnegie seeks to comply with regulatory requirements and reduce the risk to the company, its shareholders, clients and other stakeholders.

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 reviews the internal control in general focused on operational risks, and is working according to a plan which is approved by the Board's audit committee.

Internal audit evaluates the state of internal control within Carnegie and issues recommendations to correct any weaknesses or failings in Carnegie's control systems. Internal audit also evaluates Carnegie's internal procedures to monitor quality, provide accurate information on risk exposure, prevent fraud, and operational error. The result of the internal audit reviews, the steps to be taken and their status are reported on a regular basis to the Audit Committee. Head of Group Internal Audit reports directly to the Board of Directors.

In addition to the above, in order to further improve the efficiency of the internal audit activities and as a quality assurance measure, an Internal Audit Committee is established in Carnegie Investment Bank AB, the operative parent company of the Carnegie Group. The Committee consists of one Board member of Carnegie Investment Bank and an external representative together with the CFO, the COO and the Head of Group Internal Audit. Four meetings per year are held where the status of the organisation and the audit activities are discussed.

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 to the Audit committee and to relevant Boards.

Risk management

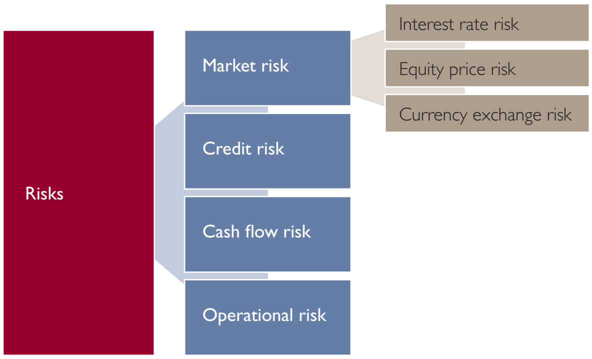
The objective of the Carnegie risk management organisation is to assure that risks that are inherent in the business are controlled. Comprehensive risk management policies and procedures are established to identify, control and monitor each major risk area. Managing risk includes a combination of the 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 Audit committee.

A Credit & Risk Committee in Carnegie Investment Bank AB (including the CFO, the COO and one Board member of Carnegie Investment Bank AB) 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 one important factor for the local risk level. The local risk management functions measure the market risks, apply the limits, as set up by its Board or the Managing Director, and report regularly to the Group Risk Manager, senior management and at relevant local board meetings.

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 through reporting and attending meetings of the Credit & Risk Committee. 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 addressed through the issue of a subordinated loan. 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.

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 security function also focuses on external factors that may have an impact on business, such as travel security and monitoring of events world wide that can create business implications to the group or local entities.

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. Control of compliance is conducted in close cooperation with Internal audit i.e. the Head of Group Security takes part in the audits. Head of Group Security reports to the Audit committee and to relevant boards.

Policies and instructions

The Board of Directors has implemented a number of group wide policies in order to facilitate the compliance with relevant laws and regulations, to be complied with by all entities in the Carnegie Group. The policies are available internally and are supplemented by more detailed instructions issued by the CEO and by policies and instructions issued in the respective local entities. The group wide policies, of which some are commented more in detail below, cover areas such as:

- Business Conduct and Ethics;
- Handling of Conflicts of Interest;
- Prevention of Money Laundering, Financing of Particularly Serious Crimes and other Criminal Activities;
- Internal Audit, Risk Management and Compliance;
- Personal Account Dealing; and
- Information security.

Code of Business Conduct and Ethics

The Carnegie Code of Business Conduct and Ethics contains certain fundamental guidelines for all individuals working in Carnegie. The Code e.g. provides that we shall conduct our business in a sound manner, act in an honest and equitable manner and with due care and diligence, collect relevant and sufficient information from our customers, not accept, offer or provide gifts or other considerations or benefits on legally or morally dubious grounds, comply with applicable rules and regulations, and observe the principles of equal treatment and diversity.

Handling of Conflicts of Interest

The Group policy regarding the handling of conflicts of interest contain rules applicable to all entities within Carnegie, as well as rules applicable primarily to the business areas Investment Banking and Securities including Research. The rules relate e.g. to the application of "Chinese walls" primarily around the business unit Investment Banking, the use of a "Watch list/Restricted list" classification system applicable to investment banking clients aimed at avoiding and limiting the effects of possible conflicts of interest, the membership of Carnegie employees in external boards, and rules specifically aimed at safeguarding the independence of research analysts.

Prevention of Money Laundering, Financing of Particularly Serious Crimes and other Criminal Activities

With the aim of preventing that entities with the Carnegie Group is used for the purpose of money laundering, terrorist financing and other criminal activities (money laundering), the Board of Directors has in a Group policy appointed a central functional manager with general responsibility for ascertaining that control systems, decision-making and reporting routines, work routines and training programmes are applied in an adequate manner within Carnegie in respect of money laundering issues. The policy also contains rules to be applied on a Group wide basis e.g. regarding customer identification procedures and relations, decision making and reporting routines and reporting to concerned financial intelligence units.

Personal Account Dealing

Most entities within Carnegie are subject to local rules and restrictions relating to personal account dealing. The Board of Directors has as a complement to such rules and regulations, adopted a policy containing Group wide minimum rules e.g. prohibiting Carnegie employees being subject to a conflict of interest or having access to certain sensitive information from entering into personal account transactions affected by such conflicts of interest or sensitive information, from participating in IPOs handled by Carnegie, and prescribing a minimum holding period of one month for all employees in relation to financial instruments issued by Nordic companies or traded on a stock exchange or other market place in any Nordic country. It also contains restrictions and pre-approval rules, to a certain extent depending on business unit, in regard to securities trading generally, and restrictions applicable to all employees in the trading of shares and financial instruments in Carnegie. The latter is as a rule only permitted during so called "open periods" normally commencing the day after the release of a financial report and closing on the first day of the third month in each calendar quarter.

Organisation of the internal control concerning the financial reporting

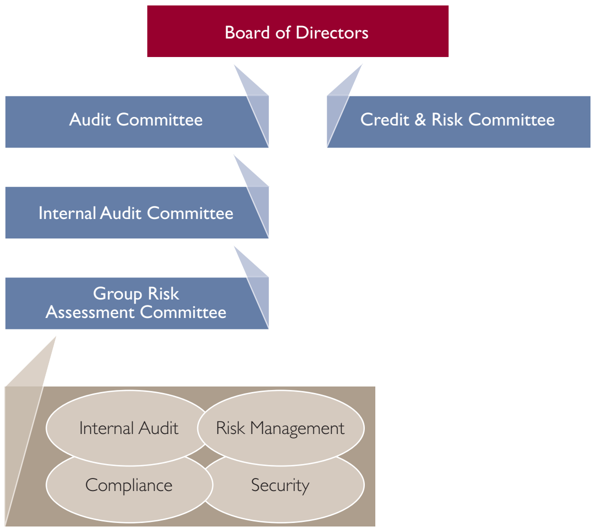
With regards to internal control concerning the financial reporting, the basis is the control environment documented and communicated in guiding documents such as internal policies, guidelines, manuals and codes. The risks identified concerning the financial reporting are dealt with via the Carnegie's control structures which are documented in the Financial Manual on a group level (Carnegie Group instructions for accounting and financial reporting), complemented with local descriptions of processes and internal control. Carnegie has introduced specific procedures concerning IFRS requirements and a Group Accounting Committee appointed by management is responsible for compliance with the requirements in the financial reporting.

The Board of Directors receives regular financial reports and at each board meeting the financial situation of the company and the group is discussed. In addition hereto, the various committees of the Boards of Directors in the Carnegie Group fulfill important functions in the follow-up.

With reference to the statement from The Swedish Corporate Governance Board on 15 December, 2005, the Board of Directors will not express an opinion on how well the internal control is organized nor will the external auditors review the report.

Internal control environment information flow

Information flow regarding operational risk in the internal control organisation can be visualised according to the following.



Accounts

Administrative report D. Carnegie & Co AB

The Board of Directors and Managing Director of D. Carnegie & Co AB submit herewith the annual accounts and consolidated financial statements for the operations during the 2005 financial year. D. Carnegie & Co AB is the parent company in the Carnegie Group, listed on Stockholmsbörsen's O-list (Attract 40), with registered office in Stockholm. Major shareholders at 31 December 2005 were Landsbanki Islands (20.4 per cent), Robur Funds (4.5 per cent), Didner & Gerge Mutual funds (3.9 per cent) and Franklin-Templeton Funds (3.1 per cent). About 11 per cent of the shares outstanding are held by Carnegie's employees on an individual basis.

Carnegie is an independent Nordic investment bank operating in Securities, Investment Banking, Asset Management and Private Banking pursuant to licences from the Financial Supervisory Authority in countries where Carnegie is active. 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. The operations are conducted in different legal forms, such as subsidiaries and branch offices to Carnegie Investment Bank AB.

Market development

The Nordic markets ended 2005 on a strong note, with the MSCI Nordic index up 32 per cent, and aggregate turnover in the Nordic stock exchanges rose by 28 per cent. The volume of announced M&A-transactions in the Nordic region reached USD 101 billion for the full year, an increase of 80 per cent, surpassing the record levels in 1999 and 2000. While the ECM market was unchanged in terms of volume, a total of 26 (15) initial public offerings were launched in the Nordic region during 2005, with an aggregate value of USD 5 billion, the highest level since 2000. Especially the Norwegian market accounted for a large part of the IPO market. In Sweden, inflow to mutual funds reached record levels.

Market position

Carnegie's share of the aggregate turnover on the Nordic Stock Exchanges was 7.1 per cent 2005, ranking Carnegie as the second largest market participant in the Nordic region. In Investment Banking, Carnegie was ranked No 9 (No 4) in terms of volume of Nordic M&A transactions and No 1 (No 6) in the Nordic ECM market. In Asset Management, Carnegie's fund performance was better than its benchmark indices for around 90 per cent of assets under management in mutual equity funds.

Result and significant events

Total income for 2005 was SEK 3,514 million, an increase of 32 per cent from last year, reflecting a strong equity market and good performance across all business areas. Total expenses increased by 22 per cent to SEK 2,583 million (SEK 2,111 million) and included a provision of SEK 64 million corresponding to Carnegie's total commitment to software company Capital C. The profit before taxes increased by 72 per cent to SEK 931 million. Net profit increased by 66 per cent from last year to SEK 667 million. Capital C is consolidated in Carnegie's accounts from 31 December, following the acquisition of the remaining 50 per cent of the shares outstanding from Alfred Berg ABN Amro. Other changes of the legal structure in 2005 were the divestment of the Swedish pension advisory services to Max Matthiessen in the beginning of the year, and the establishment of a new company, administrating Carnegie's property fund.

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 has been addressed through the issue of a subordinated loan amounting to SEK 486 million at year-end 2005. 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 2005, the change in working capital was SEK 5,252 million (SEK –2,325 million). A more relevant measure of the liquidity is the cash flow from operations before changes in working capital, which was SEK 675 million in 2005 (SEK 469 million). Capital expenditure in 2005 amounted to SEK 85 million (SEK 18 million).

Important events after 31 December 2005

In January 2006, a total of 1,309,800 warrants were exercised under the 2003/2006 warrant programme distributed to employees. Total proceeds amounted to SEK 94 million. The total number of shares outstanding following the new share issue is 69,039,700, and is also the total number of shares outstanding entitled to dividend for 2005.

Employees and salaries

The average number of employees, salaries and compensation in the Group and Parent Company are set forth in note 6.

Capital Base and dividend proposal

As communicated in connection with the IPO in 2001, it is Carnegie's intention to pay dividend that allow for a conservative Tier 1 ratio, which is considered to be 15 per cent in the medium term, i.e. well above the legal requirement of 8 per cent. Excess capital above the level of desired and prudent regulatory capital should be distributed as dividend. When deciding the proposal for dividend, the Board also takes into account distributable funds, the market situation and other capital requirements, as well as other factors it may consider relevant.

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. It is the Board's assessment that the adjustment to the new regulatory environment has been addressed during 2005 through the issue of a subordinated loan.

The Board's assessment regarding the dividend proposal to the AGM 2006 is that Carnegie's dividend policy should remain unchanged until new local directives regarding new regulation are issued, and the target of 15 per cent for the Tier 1 capital ratio remains intact. When deciding on the dividend proposal, the Board has also taken into consideration the new issue in January 2006 related to the Warrant programme 2003/2006. A Tier 1 ratio of 15 per cent, including the new issue in January 2006, is achieved through retaining SEK 32 million of the net profit for 2005.

The Board of Directors proposes to the AGM a dividend of SEK 634 million, corresponding to SEK 9.19 (SEK 5.93) per share, as of the record date in March 2006. Taken into consideration the current market conditions and the potential growth opportunities in the operations, the assessment is that the proposed dividend does not limit the company to fulfil its obligations nor to carry out the business plan.

Corporate Governance

The Board of Directors and its work are described in the Corporate Governance Report on page 44–50.

Accounting policies

Applicable to legislation and accounting standards
The consolidated income statement and balance sheet and the disclosures relating to these have been prepared in accordance with International Financial Reporting Standards (IFRS) published by International Accounting Standards Board (IASB) and all interpretations from Financial Reporting Interpretations Committee (IFRIC), which have been endorsed by the EU Commission for adoption within EU. This annual report includes the first comprehensive financial statements that have been prepared in accordance with IFRS. IFRS 1 have been applied in the transition from previous accounting policies to IFRS. IFRS 1 is the standard that describes the transition and initial recognition for first time adoption to IFRS. The financial statements also comply with the Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559), the Swedish Financial Accounting Standards Council accounting standard RR30, Supplementary Accounting Regulations for Groups and the regulations of Swedish Financial Supervisory Authority (2004:20).

The income statements, balance sheets and disclosures for the parent company have been prepared in accordance with the Annual Accounts Act (1995:1554) and accounting standard RR 32 Accounting for Legal Entities issued by the Swedish Financial Accounting Standards Council. According to RR 32, the parent company shall apply all IFRSs and all interpretations endorsed by the EU Commission for adopting within EU, as long as these do not interfere with local accounting and tax policies. Therefore, no significant differences exist between the group and parent company's accounting policies.

The financial statements are presented in Swedish crowns (SEK), which is also the parent company's functional currency.

Changed accounting policies and reclassifications
The transition to IFRS has been prepared in accordance with IFRS 1. Interim reports for 2005, the comparative information for 2004 and the Groups opening balance as at 1 January 2004 have been prepared in accordance with all IFRS Standards. For Carnegie, the most significant effect from the transition relates to goodwill. Goodwill acquired in business combinations is no longer amortised. Impairment tests are performed at least once a year, or more frequently, if circumstances occur that indicate a value decline.

The total amortisation of goodwill for the full year 2004, which amounted to SEK 5 million, was tested with no write-down requirement, and then restated in the opening balance of 1 January, 2004. The total effect from the transition is that Carnegie's net profit for 2004 increased by SEK 5 million to SEK 401 million and earnings per share increased to SEK 6.01. Shareholder's equity consequently increased to SEK 1,330 million. The transition had no impact on cash-flows for 2004.

Translation differences that arise in connection with translation of foreign net investments and the related effects of hedging the net investments are from 2005 recognised directly in the translation difference reserve included in shareholders' equity. This hedging is done for foreign currency translation differences on a subordinated loan in euro raised by the parent company in October 2005, and for this reason, there is no effect on the opening balance of shareholders' equity.

The transition to IFRS has also caused some reclassifications in the balance sheet of 2004. Provisions for deferred taxes have been reclassified to "Other liabilities". Certain individual pension obligations are covered by endowment insurances and have previously been recognized at fair value among "Other assets" and with the corresponding value as "Pension obligations". These pension obligations are covered by insurance policies and Carnegie does not have any legal or constructive obligation to cover any losses on the policies or any obligations to pay additional benefits to the employees. The payment of fixed premiums under such contracts is the settlement of the employee benefit obligation, rather than an investment to meet the obligation. Consequently, according to IAS 19, Carnegie has no longer an asset or a liability and therefore treats such payments as contributions to a defined contribution plan.

All comparative information from 2004 in this report has been restated in accordance with the new accounting policies, except for the implementation of IAS 39 and 32.

IAS 39 and 32 are adopted effective from 1 January 2005. The comparative information for 2004 has not been restated according to the exemption from the requirement to restate such information in IFRS 1. As Carnegie has previously measured all financial assets and liabilities at fair value, there are no major effects on the Groups Income statement or Equity so it will only have impacts on some comparative disclosures.

The Group
Consolidation policies
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 and the subsidiaries' financial reports are included in the Group consolidation as from the acquisition date and are included until the controlling influence ceases.

The consolidated financial statements have been prepared in SEK. The current method is used when translating the financial statements of the subsidiaries into SEK from their functional currency. Foreign subsidiaries' assets and liabilities have been translated at the closing exchange rates. The income statement has been translated at the average exchange rates for the accounting year. Translation differences are charged or credited directly to the shareholders' equity of the Group. Accumulated translation differences are included in shareholders' equity as a foreign currency translation reserve.

Translation differences that arise in connection with translation of foreign net investments and the related effects of hedging the net investments are from 2005 recognised directly in the foreign currency translation reserve included in shareholders' equity.

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. The equity method is applicable until the controlling influence ceases.

Foreign net investments

Investments in foreign subsidiaries have to a certain extent been hedged through foreign currency loans. At the closing day, such loans have been translated at the closing date exchange rate. Translation differences related to loans in the parent company, recognised in profit or loss of the parent company, have been eliminated in the consolidated accounts against translation of the subsidiary's net assets, and then transferred to the foreign currency translation reserve included in shareholders' equity of the Group. In cases where the hedge is not effective, the ineffective portion is recognised in the income statement.

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 as part of other reserves including net profit. The deferred tax liability has been calculated using the tax rate applicable in the jurisdictions involved.

Measurement Policies Applied

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 business areas Investment Banking, Asset Management and Private Banking business have been recognised in accordance with the terms of the client agreements. Net profit from financial transactions includes realised gains and losses and unrealised gains arising from changes in fair values of shares, bonds, derivatives and other securities. Amounts in foreign currencies have been translated on demand. Assets and liabilities in foreign currencies have been translated at the closing exchange rate. Translation differences are charged in the income statement to "Net result from financial transactions".

Expenses

General administrative expenses, employee's benefits, other personnel expenses and borrowing costs are expensed in the period in which they have occurred.

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

Incentive programmes

All outstanding employee incentive programmes are warrant programmes. All warrants were distributed free of charge, without any vesting conditions regarding the employee's rights to the instrument. At grant date, the value of the warrants was calculated by using the Black Scholes formula for option valuation. These valuations were carried out by external advisors. The valuations are also the basis for the calculation of social security expenses. In Sweden and Luxembourg social security expenses are charged at grant date. In other countries where Carnegie has employees, social security expenses are charged when the warrants are sold or exercised by the employee. Carnegie has not granted any loans or guarantees with respect to the incentive programmes, nor entered into any hedging transactions for changes in the value of payments that may arise from these programmes.

All outstanding warrants programmes were granted before 7 November 2002 or granted after this date but fully vested before 1 January 2005. Accordingly, IFRS 2 is not applicable regarding the accounting requirements, but the disclosure requirements apply.

Allocation to profit-share system

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

Pension obligations

All pension obligations within the Group are defined contribution plans. Special employer's contribution is provided for in the same period as it has occurred. Certain individual pension obligations are covered by endowment insurances and have previously been recognized at fair value among "Other assets" and with the corresponding value as "Pension obligations". These pension obligations are covered by insurance policies and Carnegie does not have any legal or constructive obligation to cover any losses on the policies or any obligations to pay additional benefits to the employees. The payment of fixed premiums under such contracts is the settlement of the employee benefit obligation, rather than an investment to meet the obligation. Consequently, according to IAS 19, Carnegie has no longer an asset or a liability and therefore treats such payments as contributions to a defined contribution plan.

Income taxes

Income taxes include current tax and deferred tax recognised as income or expense. The tax effect from capitalised loss carry forwards and deductible temporary differences (between the tax base of an asset or a liability and its carrying amount in the balance sheet) are deferred to the extent they are related to deductions, approved by the tax authorities, and are deemed to be used. Deferred tax asset/-liability is recognised for all temporary differences. The measurement of deferred taxes is based on how the temporary differences can be utilised. Deferred tax calculations are based on standard tax rates and rules applicable in the jurisdictions involved and decided at reporting date.

Cash and cash equivalents

Cash and cash equivalents consist of cash, balances with central banks, loans to credit institutions payable on demand and short-term liquid investments with a maturity less than three months from the date of acquisition, and which are only exposed to an insignificant risk of changes in value.

Loans to general public

Loans to general public have been tested for impairment and uncollectability individually. Assets in this category are measured at accrued acquisition value. Provisions for uncollectability have been recognised when the pledges, undertaking or other guarantees are estimated not to cover the amounts due. The criteria's for write-down of a confirmed credit loss is losses confirmed due to bankruptcy or arrangement of composition.

Other financial instruments

Financial instruments are measured and recognised in the Group's accounts in accordance with the rules specified in IAS 39. Financial instruments that are recognised in the balance sheet include, on the assets side, liquid funds, accounts receivable, shares and other equity instruments, loan receivables, bond premiums and derivatives. Liabilities and shareholders' equity include accounts payable, issued debt and equity instruments, borrowing and derivatives. Financial instruments are initially recognised at cost which corresponds to the instrument's fair value plus transaction costs for all instruments except those classified as financial assets, which are recognised at fair value in the Income Statement. Fair values are mainly determined by reference to published price quotations in an active market or are estimated using a valuation technique. The way in which they are recognised depends on how the financial instruments are classified, as described below.

A financial asset or financial liability is entered in the balance sheet when the company becomes engaged by contract. Accounts receivable are entered in the balance sheet when an invoice has been issued. Liabilities are entered when the counterparty has performed and the agreed liability is due for payment, even if an invoice has not yet been received. Accounts payable are entered when an invoice is received. A financial asset is removed from the balance sheet when the rights in the agreement are realised, expires or ceases. The same applies for a portion of a financial asset. A financial liability is removed from the balance sheet when the undertakings in the agreement have been fulfilled or extinguished. The same applies to a portion of a financial liability.

IAS 39 places financial instruments in different categories. The classification of financial instruments depends on the reason for their acquisition. The categories are as follows:

Financial assets recognised at fair value in the Income Statement

This category consists of two sub-groups: financial assets held for trading and other financial assets that the company initially decided to invest in this category. Derivatives that are independent and embedded derivatives are classified as held for trading, except when they are used in hedge accounting. Assets in this category are measured at fair value and changes in fair value are recognised in the Income Statement.

Financial liabilities recognised at fair value in the Income Statement

This category consists of financial liabilities held for trading and derivatives that are not used for hedge accounting. Liabilities in this category are measured at fair value and changes in fair value are recognised in the Income Statement.

Loan receivables and accounts receivable

This category consists of financial assets that are non-derivatives with fixed payments, that are not quoted on an active market and that are not intended for trading. Assets in this category are measured at the accrued acquisition value.

Other financial liabilities

Financial liabilities not held for trading are measured at their accrued acquisition value. The accrued acquisition value is based on the effective rate of interest determined when the liability originated. Gains or losses, as well as direct issue costs are allocated over the life of the liability.

Derivatives used in hedge accounting

All derivatives are recognised at fair value in the balance sheet. Changes in fair value are recognised in the Income Statement when the fair value is hedged. When net investments in foreign currencies are hedged, changes in the fair value are recognised in equity until the hedged item is recognised in the Income Statement.

Intangible fixed assets

Intangible fixed assets consist of goodwill and capitalised expenses relating to software development.

Goodwill acquired in business combinations before 1 January 2004 has not been adjusted according to IFRS. Goodwill is measured at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is no longer amortised; instead the impairment requirement is tested annually. Accordingly, the recognised amounts will be measured at every balance sheet date to determine whether there is an indication that the asset may be impaired. If there is such an indication, the asset's recoverable value is assessed as the higher of its value in use and net selling price. The asset is written down if the recoverable amount is less than the carrying amount.

Amortization of capitalised expenses is carried out according to plan based on the asset's value at acquisition and assessed useful life. Capitalised software development costs are amortised at a rate of 20–33 per cent per year.

Tangible fixed assets

Tangible fixed assets are measured at acquisition value less accumulated depreciation and impairment losses. Tangible fixed assets consist of refurbishment costs, IT equipment and other office equipment.

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

Investments in subsidiaries

The holdings of the parent company in foreign subsidiaries are recognised at cost less accumulated write-downs.

Anticipated dividend

The anticipated dividend from subsidiaries is recognised in cases where formal decisions have been made by the Annual General Meetings or where the parent company, in some other way, has full control over the decision process before the parent company publishes its financial reports.

Group contributions and shareholders' contributions

The accounting for Group and shareholders' contributions is in accordance with the standards issued by the Swedish Financial Accounting Standards Council's Emerging Issues Task Force pronouncements. Thus, capital contributions (including their tax effects) between Group entities are recognised in accordance with their economic substance, i.e. as changes in equity. Shareholders' contributions are recognised 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 on a discretionary basis.

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

Contingent liabilities

A contingent liability is recognised when there is a possible obligation arising from past events and if its existence will be confirmed by one or more uncertain future events only, or when there is a commitment that is not recognised as a liability because it is not likely that an outflow of resources will be required.

Statutory consolidated income statement

(SEK thousands)	Note	2005	2004
Commission income		3,121,592	2,347,813
Commission expense		–162,774	–99,933
Net Commission income	2	**2,958,818**	**2,247,880**
Interest income		364,265	326,047
Interest expenses		–288,414	–198,891
Net interest income	3	**75,851**	**127,156**
Dividend received	4	1,677	4,608
Net profit from financial transactions	5	478,336	283,968
Other income		0	8,480
Total income	1	**3,514,682**	**2,672,092**
General administrative expenses	6, 21	–2,523,373	–2,053,805
Depreciation of tangible and amortisation of intangible fixed assets	7	–55,176	–58,230
Total expenses		**–2,578,549**	**–2,112,035**
Operating profit before provisions for credit losses		**936,133**	**560,057**
Provisions for credit losses, net	8	–4,860	1,454
Write-down of financial fixed assets	10, 31	–719	–7,305
Operating profit		**930,554**	**554,206**
Result from associated companies	14	68	–14,174
Profit before taxes		**930,623**	**540,032**
Taxes	9	–263,822	–139,314
Net profit		**666,801**	**400,718**

Earnings per share (SEK)		9.98	6.01
Earnings per share, fully diluted (SEK)		9.68	5.94
Average number of shares		66,799,744	66,701,600
Number of shares entitled to dividend		69,039,700	66,701,600
Number of shares related to outstanding warrents		3,771,700	7,200,000
Total number of shares, incl effect of issued warrants		68,856,137	67,470,558
Dividend per share (SEK)		9.19[1)]	5.93

[1)] Proposed dividend

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

Statutory consolidated balance sheet

(SEK thousands)	Note	31 Dec 2005	31 Dec 2004
Assets			
Cash and bank deposits in central banks		316,126	127,545
Loans to credit institutions	12	8,968,292	2,960,516
Loans to general public	12, 13	4,428,032	6,611,647
Bonds and other interest bearing securities	10, 11	1,827,667	1,304,788
Shares and participations	10	7,095,658	6,576,409
Shares and participations in associated companies	14	–	5,159
Intangible fixed assets	15	85,067	44,496
Tangible fixed assets	16	65,853	77,498
Other assets	10, 17	7,618,999	4,925,814
Prepaid expenses and accrued income	19	453,504	203,950
Total assets		**30,859,197**	**22,837,821**
Liabilities and shareholders' equity			
Liabilities to credit institutions	12	8,830,110	7,397,322
Deposits and borrowing from general public	12	6,893,246	5,423,974
Other liabilities	10, 18	11,707,756	7,886,267
Accrued expenses and prepaid income	20	1,221,766	800,816
Total liabilities		28,652,878	21,508,379
Subordinated loan	32	485,750	–
Shareholders' equity			
Share capital		135,460	133,403
Share premium reserve and other additions [1)]		531,754	593,225
Other reserves including net profit [2)]		1,053,355	602,814
Total shareholders' equity		1,720,569	1,329,442
Total liabilities and shareholders' equity		**30,859,197**	**22,837,821**

[1)] Amount paid in above par value, statutory reserve and other additions
[2)] Accumulated net profits and profit for the year

For information on pledged assets, contingent liabilities, guarantees and securities borrowed, see note 23.

Change in shareholders' equity, Group

	Share capital	Share premium reserve and other additions	Translation differences	Exercised warrants	Hedging reserve	Translation differences	Other reserves	Other reserves including net profit	Total
Opening balance 2004-01-01; previous GAAP	**133,403**	**644,981**	**–695**			**36,121**		**331,382**	**1,145,192**
Adjustments due to IFRS transition									
Adjustment of goodwill							4,881		4,881
Reclassification of translation differences			695			–695			–
Adjusted opening balance 2004-01-01	*133 403*	*644 981*	*0*			*35,426*	*4,881*	*331,382*	*1,150,073*
Dividend								–210,777	–210,777
Appropriations to other reserves		–51,756						51,756	–
Foreign exchange difference						–5,691			–5,691
Net profit								395,837	395,837
Closing balance 2004-12-31	**133,403**	**593,225**	**0**			**29,735**	**4,881**	**568,198**	**1,329,442**
Dividend								–395,540	–395,540
Hedge of currency risk in foreign business					–2,500				–2,500
Exercised warrants	2,057			71,981					74,038
Appropriations to other reserves		–133,452						133,452	–
Write-down of goodwill							–3,879		–3,879
Foreign exchange difference						52,207			52,207
Net profit								666,801	666,801
Closing balance 2005-12-31	**135,460**	**459,773**	**0**	**71,981**	**–2,500**	**81,942**	**1,002**	**972,911**	**1,720,569**

	2005	**2004**
Dividend per share (SEK)	9.19[1)]	5.93

[1)] Proposed dividend

Income statement of Parent Company

(SEK thousands)	Note	2005	2004
Operating income		719	6
Administrative expenses	27	–13,528	–9,848
Operating profit		**–12,809**	**–9,842**
Financial items			
Anticipated dividend from Group companies		660,000	395,755
Interest income from Group companies		3	2,611
Other interest income		4,090	1,577
Write-down of financial fixed assets	31	–719	–7,305
Interest expenses on subordinated loan		–4,350	–
Interest expenses to Group companies		–	–5
Other interest expenses		–1	–545
Foreign exchange differences		–2,500	–3
Profit after financial items		**643,714**	**382,242**
Appropriations	28	183,150	76,017
Profit before taxes		**826,864**	**458,259**
Taxes	29	–42,964	–17,113
Net profit		**783,900**	**441,146**

Balance sheet of Parent Company

(SEK thousands)	Note	31 Dec 2005	31 Dec 2004
Assets			
Fixed assets			
Financial assets			
Shares in Group companies	30	724,490	724,490
Other shares and participations	31	6,586	7,305
Deferred tax assets		24,785	20,172
Total financial assets		755,861	751,967
Total fixed assets		755,861	751,967
Current assets			
Current receivables			
Receivables from Group companies		1,203,552	419,212
Tax receivable		–	1,365
Other receivables		1,291	9
Prepaid expenses and accrued income		7,730	342
Total current receivables		1,212,573	420,928
Cash and bank		25,225	1,317
Total current assets		1,237,798	422,245
Total assets		**1,993,659**	**1,174,212**
Asset pledged		None	None

(SEK thousands)	Note	31 Dec 2005	31 Dec 2004
Shareholders' equity and liabilities			
Shareholders' equity			
Restricted equity			
Share capital (67,729,900/66,701,600 shares, par value SEK 2)		135,460	133,403
Statutory reserve [1]		530,751	458,770
Unrestricted equity			
Retained earnings [2]		283	–45,501
Net profit		783,900	441,146
Total shareholders' equity		**1,450,394**	**987,818**
Subordinated loan	32	485,750	–
Provisions			
Tax allocation reserve	33	–	183,150
Total provisions		**–**	**183,150**
Current liabilities			
Accounts payable		178	145
Tax liabilities		47,646	–
Other liabilities		63	113
Accrued expenses and prepaid income		9,628	2,986
Total current liabilities		**57,515**	**3,244**
Total liabilities		**57,515**	**3,244**
Total shareholders' equity and liabilities		**1,993,659**	**1,174,212**
Contingent liabilities		None	None

[1] Amount paid in above par value and statutory reserve
[2] Accumulated net profits.

Change in shareholders' equity, Parent Company

	Share capital	Statutory reserve	Retained earnings	Net profit	Total
Opening balance 2004-01-01	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 2004-12-31	**133,403**	**458,770**	**–45,501**	**441,146**	**987,818**
Appropriation of profit			441,146	–441,146	–
Dividend			–395,540		–395,540
Group contribution received			248		248
Group contribution's tax effect			–70		–70
Exercised warrants	2,057	71,981			74,038
Net profit				783,900	783,900
Closing balance 2005-12-31	**135,460**	**530,751**	**283**	**783,900**	**1,450,394**

	2005	2004
Dividend per share (SEK)	9.19[1)]	5.93

1) Proposed dividend

Cash-flow statements, Group and Parent Company

(SEK thousands)	Group		Parent	
Current operations	**2005**	**2004**	**2005**	**2004**
Profit before taxes[1]	930,623	540,032	826,864	458,259
Adjustment for items not included in cash flow				
Result from associated companies	–68	14,174	–	–
Amortisation, depreciation and write-down	55,176	65,535	719	7,305
Other items	0	0	–183,150	–76,017
Other taxes	0	0	0	–1,467
Current taxes	–310,305	–150,365	–47,577	2,788
	–255,197	**–70,656**	**–230,008**	**–67,391**
Cash flow from operations before changes in working capital	**675,426**	**469,376**	**596,856**	**390,868**
Increase (-)/decrease (+) in operational assets				
Loans to general public	2,172,871	–3,490,091	–	–
Securities inventory	–1,058,482	–3,521,104	–	–
Current receivables	–3,003,913	–3,558,990	–791,646	–152,630
Increase (+)/decrease (-) in operational liabilities				
Borrowing from general public	1,457,285	280,625	–	–
Liabilities to credit institutions	1,416,996	4,190,724	–	–
Current liabilities	4,268,102	3,774,120	54,271	–2,475
	5,252,860	**–2,324,716**	**–737,375**	**–155,105**
Cash flow from operations	**5,928,285**	**–1,855,340**	**–140,519**	**235,763**
Investment activities				
Sale of fixed assets	6,250	3,325	–	–
Investment/acquisition of associated and other companies	–621	–6,000	–	11,550
Acquisition of fixed assets	–85,223	–17,614	–	–
Cash flow from investment activities	**–79,594**	**–20,289**	**–**	**11,550**
Financing activities				
Exercised warrants	74,038	–	74,038	–
Group contribution	–	–	179	–65,835
Change in long-term receivable	–	–	0	29,688
Change in long-term liabilities	485,750	–	485,750	–961
Distributed dividend	–395,540	–210,777	–395,540	–210,777
Cash flow from financing activities	**164,248**	**–210,777**	**164,427**	**–247,885**
Cash flow for the year	**6,012,939**	**–2,086,406**	**23,908**	**–572**
Liquid funds at the beginning of the year	**3,088,060**	**5,189,138**	**1,317**	**1,889**
Exchange differences in liquid funds	142,731	–14,672	–	–
Liquid funds at the end of the year[2]	**9,243,730**	**3,088,060**	**25,225**	**1,317**

Notes to statement of changes in financial positions

[1] Interest paid:	340,712	260,399	1	551
Interest received:	361,423	392,910	4,093	4,188
[2] Liquid funds:				
Cash and bank deposits in central banks	316,126	127,545	–	–
Loans to credit institutions	8,968,292	2,960,516	25,225	1,317
Liquid funds with maturities exceeding three months	–40,688	–	–	–
Available liquidity at the end of the year	**9,243,730**	**3,088,060**	**25,225**	**1,317**

Notes to the 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	
	2005	**2004**	**2005**	**2004**	**2005**	**2004**	**2005**	**2004**	**2005**	**2004**	**2005**	**2004**
Net commission income	982	840	–	–	982	840	–	–	–	–	–	–
Underwriting fees	269	231	–	–	132	92	137	139	–	–	–	–
Net interest income	61	75	–	–	61	75	–	–	–	–	–	–
Net income from financial positions	369	195	1	–	329	187	40	8	–	–	–	–
Income from mutual funds	610	366	–	–	–	–	–	–	610	366	–	–
Income from discretionary fund management	162	109	–	–	–	–	–	–	162	109	–	–
Private Banking income	486	467	–	–	–	–	–	–	–	–	486	467
Advisory fees	575	381	–	–	–	–	556	363	19	17	–	–
Other fees	0	8	–	–		8	–	–	–	–	–	–
Total income	**3,514**	**2,672**	**1**	**–**	**1,503**	**1,202**	**733**	**511**	**791**	**492**	**486**	**467**
Personnel expenses	–870	–883	–	–	–376	–358	–156	–162	–165	–156	–174	–207
Redundancy expenses	–	–	–	–	–	–	–	–	–	–	–	–
Other expenses	–799	–705	–	–	–349	–304	–111	–103	–162	–132	–177	–166
Net provisions for credit losses	–5	1	–	–	–5	0	–	–	–	–	0	1
Total operating expenses excluding profit-share	**–1,674**	**–1,586**	**–**	**–**	**–730**	**–662**	**–267**	**–265**	**–327**	**–288**	**–350**	**–372**
Operating profit before result from principal investments and profit-share	**1,841**	**1,086**	**1**	**–**	**773**	**540**	**467**	**246**	**463**	**203**	**136**	**95**
Write-down of financial fixed assets[1)]	–1	–7	–1	–7	–	–	–	–	–	–		
Result from associated companies	–	–14	–	–14	–	–	–	–	–	–	–	–
Operating profit before profit-share	**1,840**	**1,064**	**–**	**–21**	**773**	**540**	**467**	**246**	**463**	**203**	**136**	**95**
Allocation to profit-share system	–909	–524	–	11	–382	–267	–231	–122	–229	–99	–67	–47
Total expenses	**–2,583**	**–2,110**	**–**	**11**	**–1,112**	**–929**	**–497**	**–386**	**–556**	**–387**	**–417**	**–419**
Operating profit before taxes	**931**	**540**	**–**	**–10**	**391**	**273**	**236**	**124**	**234**	**105**	**69**	**48**
Taxes	–264	–139										
Net profit	**667**	**401**										
No. of full-time equivalent employees, average	747	792	–	–	313	320	127	139	135	133	171	200
Assets	30,859	22,833	–	–	19,536	15,742	2,686	1,262	1,673	972	6,965	4,857
Proportion of equity in associated companies	–	5		5	–	–	–	–	–	–		
Total assets	**30,859**	**22,838**	**–**	**5**	**19,536**	**15,742**	**2,686**	**1,262**	**1,673**	**972**	**6,965**	**4,857**
Liabilities and provisions	**28,653**	**21,508**	**–**	**–**	**18,993**	**15,620**	**2,227**	**800**	**1,091**	**380**	**6,342**	**4,709**
Investments per business area	151	117	–	–	89	47	9	17	36	38	18	16
Depreciations per business area	55	58	–	–	15	21	10	12	22	12	9	14
Total income by geographical area												
Nordic clients	2,410	2,019										
Non-Nordic clients	1,105	653										
Total income	**3,514**	**2,672**										
Assets by geographical area												
Nordic	26,796	19,866										
Non- Nordic	4,063	2,972										
Total assets	**30,859**	**22,838**										
Investments by geographical area												
Nordic	141	108										
Non- Nordic	10	9										
Total Investments	**151**	**117**										

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 31.
Note that certain numerical information presented in millions may not sum due to rounding.

Note 2 Commission income

	2005	2004
Commission equities	1,690,246	1,417,012
Other commission income	1,516,585	981,216
Commission expense	–162,774	–99,933
Market fees	–85,239	–50,415
Total commission income	**2,958,818**	**2,247,880**

Note 3 Net interest income

	2005	2004
Interest income		
Interest on loans to credit institutions	159,454	176,419
Interest on loans to general public	162,297	119,474
Interest on interest-bearing securities	18,007	21,671
Other interest income	24,507	8,483
	364,265	**326,047**
Interest expenses		
Interest on liabilities to credit institutions	–172,258	–108,116
Interest expenses for deposits and borrowing from general public	–98,686	–80,864
Other interest expenses	–17,470	–9,912
	–288,414	**–198,891**
Total net interest income	**75,851**	**127,156**

Note 4 Dividends received

	2005	2004
Dividends on shares and participations – long-term investments	1,677	4,608
Total dividends received	**1,677**	**4,608**

Note 5 Net profit from financial transactions

	2005	2004
Net realised gains/losses on items at fair value		
Shares and participations	724,240	543,301
Interest-bearing securities	25,694	19,341
Other financial instruments	–71,852	76,616
Net unrealised gains/losses on items at fair value		
Shares and participations	–162,297	–331,321
Interest-bearing securities	650	2,572
Other financial instruments	–44,182	–18,943
Exchange rate differences branch accounts	11,972	–9,333
Other changes in foreign exchange rates	–5,889	1,734
Total net profit from financial transactions[1]	**478,336**	**283,968**

[1] Financial assets and liabilities held for trading measured at fair value through income statement.

Note 6 General administrative expenses

	2005	2004
Salaries and other remuneration paid to Boards of Directors and Managing Directors in;		
Denmark	–7,974	–17,433
Finland	–1,429	–2,696
Luxembourg	–1,477	–1,425
Norway	–4,509	–6,803
Sweden	–7,819	–7,810
Switzerland	–	–
United Kingdom	–	–
United States	–1,122	–1,102
Salaries and other remuneration paid to other employees in;		
Denmark	–135,582	–117,806
Finland	–46,651	–49,921
Luxembourg	–25,276	–23,780
Norway	–66,762	–55,415
Sweden	–237,964	–252,729
Switzerland	–3,963	–1,884
United Kingdom	–45,557	–49,079
United States	–20,586	–20,239
Payroll overheads	–121,282	–128,214
Pension premium costs for Boards of Directors and Managing Directors	–1,706	–1,761
Pension premium costs for other employees	–82,635	–91,642
Allocation to profit-share system	–909,109	–524,205
Remuneration to KPMG for audit services	–6,249	–3,297
Remuneration to Grant Thornton for audit services	–2,574	–2,711
Remuneration to Deloitte & Touche for audit services	–2,513	–698
Remuneration to other audit firms for audit services	–1,466	–1,070
Other remuneration to KPMG	–986	–1,049
Other remuneration to Grant Thornton	–413	–1,398
Other remuneration to Deloitte & Touche	–153	–1,696
Other remuneration to other audit firms	–571	–552
Other administrative expenses	–787,045	–687,390
Total general administrative expenses	**–2,523,373**	**–2,053,805**

Sick leave

In 2005, sick leave among employees in Swedish companies constitutes 1.1 per cent (1.1 per cent) of regular working hours, of which 0.4 per cent (0.3 per cent) exceeding 60 days. Sick leave distributed by gender is female 0.5 per cent (0.8 per cent) and male 0.6 per cent (0.3 per cent), and the distribution by age is 0.1 per cent (0.1 per cent) less than or 29 years, 0.8 per cent (0.8 per cent) between 30–49 years and 0.2 per cent (0.1 per cent) among employees 50 years or older.

Distribution by gender

The Board of Directors' distribution by gender is female 22 per cent (25 per cent) and male 78 per cent (75 per cent).

The Ececutive Officers' distribution by gender is female 13 per cent (11 per cent) and male 87 per cent (89 per cent).

Remuneration

Remuneration to the Board of Directors for 2005

The Annual General meeting 2005 decided that SEK 3.95 million (SEK 2.45 million) was to be allocated among those Directors that were not employed by Carrnegie. Of the total remuneration, SEK 3.25 million (SEK 1.95 million) concerns remuneration for the work in the Board of D. Carnegie & Co AB and SEK 0.7 million (SEK 0.5 million) concerns work in the Board's committees.

Further, SEK 1.4 million (0.7 million) concerns remuneration for the work in the Board of Carnegie Investment Bank AB and other Boards in the Carnegie Group.

Compensation to Board members in 2005	D. Carnegie & Co AB	Board Com-mittees	Internal Boards	Total
Hugo Andersen	300	100	250	650
Lars Bertmar	1,000	100	150	1,250
B.Thor Bjorgolfsson	300	100	150	550
Karin Forseke	–	–	–	–
Niclas Gabràn	300	–	150	450
Anders Ljungh	300	200	250	750
Dag Sehlin*	300	–	150	450
Fields Wicker-Miurin	300	100	150	550
Christer Zetterberg	450	100	150	700
Total	**3 250**	**700**	**1,400**	**5,350**

* In addition to this, Dag Sehlin has, through a wholly-owned company, received a total of SEK 0.4 million (SEK 0.2 million) for his assignments in Carnegie's credit and risk committee and the internal audit committee.

Remuneration to the CEO and Executive officers

The remuneration for the CEO, and the principles and overall policies for the remuneration to the Executive Officers are established and reviewed by the Remuneration Committee. The total remuneration to Carnegie's CEO Karin Forseke amounted to SEK 17.3 million for 2005 (SEK 16.2 million), of which the salary was SEK 3.6 million (SEK 3.6 million). The profit-share allocation for 2005 was SEK 13.6 million (SEK 12.4 million), of which a payment of SEK 7.0 million (SEK 6.4 million) was made to a pension insurance to the benefit of the CEO. The CEO received no other benefits in 2005 (SEK 0.2 million during 2004 related to the corresponding benefit value of received warrants).

Remuneration to the CEO and the Executive Officers	Salary	Profit-share	Pay-ment to pension insur-ance	Other bene-fits	Total
Remuneration to the CEO	3.6	6.6	7.0	0.0	17.3
Remuneration to other Executive Officers	15.4	30.6	19.3	0.0	65.3
Total remuneration	**19.0**	**37.2**	**26.4**	**0.0**	**82.6**

The 7 (8) executive officers, excluding the CEO, received a total remuneration of SEK 65.3 million in 2005 (SEK 61.6 million). The profit-share allocation was SEK 49.9 million (SEK 46.5 million), of which 19.3 million (SEK 18.7 million) concerned payments to pension insurances to the benefit of the Executive officers. The Executive officers received no other benefits (SEK 1 million during 2004 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 13.9 per cent (15.4 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 2005.

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)	2005	2004
Denmark	137 (36)	132 (37)
Finland	68 (29)	70 (27)
Luxembourg	40 (11)	40 (11)
Norway	87 (23)	88 (25)
Sweden	355 (103)	404 (121)
Switzerland	4 (–)	1 (–)
United Kingdom	39 (14)	41 (14)
United States	16 (4)	15 (4)
Total	**746 (220)**	**791 (239)**

Note 7 Depreciation of tangible and amortisation of intangible fixed assets

	2005	2004
IT equipment and other machinery	–27,135	–35,061
Leasehold improvements	–5,036	–7,860
Goodwill	–10,252	–
Other intangible fixed assets	–12,753	–15,310
Total depreciation of tangible and amortisation of intangible fixed assets	**–55,176**	**–58,230**

Goodwill assignable to asset management operations in Finland has been fully written down during the last quarter 2005 when tested for impairment. The write-down is based on an assessment of significantly lower expected future cash flows as a consequence of decreased assets under management.

Note 8 Provisions for credit losses, net

	2005	2004
Net credit losses		
Write-down of confirmed credit losses	–	–
Reversals of previous provisions for anticipated credit losses	–1,335	1,463
Provisions for anticipated credit losses	–3,525	–9
Funds recovered from earlier confirmed credit losses	–	–
Reversals no longer required for anticipated credit losses	–	–
Result of individually assessed credits	**–4,860**	**1,454**

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

Note 9 Taxes

	2005	2004
Current taxes		
Income tax expense for the period	–326,575	–177,883
Tax from previous years assessments	–597	19,556
Deferred taxes		
Tax on reversals of untaxed reserves	51,282	21,285
Tax on utilisation/recognition of loss carryforwards	–2,249	3,114
Tax effect on changes in standard tax rate	–	1,709
Other deferred taxes	14,317	–7,095
Total effective tax expense	**–263,822**	**–139,314**
Average tax rate	28%	26%
Reconciliation of effective tax		
Profit before taxes	930,623	540,032
Tax expense according to applicable tax rates[1]	–267,730	–163,680
Tax from previous years assessments	–597	19,556
Tax on temporary differences	–58,845	–14,203
Tax on reversals of untaxed reserves	51,282	21,285
Tax on utilisation/recognition of loss carryforwards[2]	–2,249	3,114
Tax effect on changes in standard tax rate	–	1,709
Other deferred taxes	14,317	–7,095
Total effective tax expense	**–263,822**	**–139,314**

1) The product of taxable accounting profit multiplied by the applicable tax rates in each subsidiary.
2) Deferred tax assets on remaining tax losses carryforward amounts to 12 560 (14 809).The tax losses have a 10 year limit for utilising the losses.

	2005	2004
Tax assets , included in Other assets		
Tax receivable	70,184	13,962
Deferred tax assets	119,263	114,921
Tax liabilities, included in Other liabilities		
Tax liabilities	140,052	81,376
Deferred tax liabilities	15,308	64,532

Note 10 Portfolio of shares, options and fixed income instruments

	31 Dec 2005	31 Dec 2004
Current assets		
Bonds		
Listed bonds	1,773,812	1,254,893
Unlisted bonds	53,855	49,895
	1,827,667	**1,304,788**
Swedish Government	*209,110*	–
Non-Swedish Government	*82,187*	*47,245*
Other issuer	*1,536,370*	*1,257,543*
	1,827,667	***1,304,788***
Shares		
Shares, warrants – listed	7,082,205	5,430,158
Shares, warrants – unlisted	6,867	1,138,946
	7,089,072	**6,569,104**
Other assets		
Derivative instruments	2,379,246	963,209
	2,379,246	**963,209**
Other liabilities		
Derivative instruments	–2,645,201	–2,736,085
Short positions in shares	–4,630,079	–4,540,675
	–7,275,280	**–7,276,760**
Total securities, current assets[1]	**4,020,704**	**1,560,340**
Fixed financial assets		
Shares, warrants – listed	–	–
Shares, warrants – unlisted	–	–
Shares in Startupfactory B.V., unlisted[2]	6,586	7,305
Total securities, fixed financial assets	**6,586**	**7,305**
Total securities	**4,027,290**	**1,567,645**

All financial instruments are classified in the following categories according to IAS 39:
1) Financial assets and liabilities measured at fair value through income statement, including derivatives (4,020,704)
2) Financial assets measured at amortised cost (6,586). Also see note 31.

Note 11 Maturities

	31 Dec 2005	31 Dec 2004
Bonds and other interest-bearing securities		
Remaining maturities not exceeding one year	486,439	288,265
Remaining maturities exceeding one year but not exceeding five years	95,307	338,146
Remaining maturities exceeding five years	1,245,921	678,377
	1,827,667	**1,304,788**

Note 12 Maturities

	31 Dec 2005	31 Dec 2004
Loans to credit institutions		
Payable on demand	6,646,596	1,712,448
Remaining maturities not exceeding three months	2,281,008	1,248,068
Remaining maturities exceeding three months but not exceeding one year	40,688	–
	8,968,292	**2,960,516**
Of which, repo transactions	961,696	443,662
Loans to general public		
Payable on demand	3,152,472	4,081,476
Remaining maturities not exceeding three months	749,220	2,089,837
Remaining maturities exceeding three months but not exceeding one year	525,876	439,754
Remaining securities exceeding one year but not exceeding five years	464	579
	4,428,032	**6,611,647**
Of which, repo transactions	–	–
Liabilities to credit institutions		
Payable on demand	6,889,319	5,166,002
Remaining maturities not exceeding three months	1,912,291	2,086,107
Remaining maturities exceeding three months but not exceeding one year	–	145,212
Remaining maturities exceeding one year but not exceeding five years	28,500	–
	8,830,110	**7,397,322**
Of which, repo transactions	1,161,723	775,314
Deposits and borrowing from general public		
Payable on demand	5,421,141	3,005,657
Remaining maturities not exceeding three months	1,441,309	2,329,069
Remaining maturities exceeding three months but not exceeding one year	3,496	89,249
Remaining maturities exceeding one year but not exceeding five years	27,300	–
	6,893,246	**5,423,974**
Of which, repo transactions	–	–

Note 13 Unsettled receivable and non-performing credits

	31 Dec 2005	31 Dec 2004
Doubtful receivables for which interest is not credited prior to actual payment	33,768	29,515
Provisions for anticipated credit losses on doubtful receivables	–33,768	–29,515
Estimated value on non-performing credits after write-down from anticipated credit losses	**0**	**0**
Total provision by geographic area		
Nordic	*–33,719*	*–29,458*
Non-Nordic	*–49*	*–57*
Total	***–33,768***	***–29,515***

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 2005	Share of net result 2004	Share of equity 2005	Share of equity 2004	Book value in parent company 2005	Book value in parent company 2004
Carnegie Portugal – Sociedade Gestora de Participações Sociais, S.A.	502961368 Lissabon	75,000	50.0%	–	–1,994	–	–	–	–
Capital C AB	556560-7677 Stockholm	2,550	50.0%	68	–12,180	–	5,159	–	–
Total book value				**68**	**–14,174**	**–**	**5,159**	**–**	**–**

Capital C AB is a software development company and supplier of after trade solutions for the securities industry including Carnegie. In December 2005 Carnegie acquired ABN Amro's 50 per cent holding in Capital C. Capital C is consolidated into the Carnegie Group from 31 December 2005.

Carnegie Portugal – Sociedade Gestora de Participações Sociais, S.A. is an asset management company and the products have been discretionary managed portfolios for institutional and private investors. During 2005 the divestment of Carnegie's 50 per cent holding in Carnegie Investimentos, Portugal announced in 2004 was reversed due to unfilled conditions in the divestment agreement. The operation has been closed, all client relationships have been terminated and a liquidation of the company is now initiated.

Note 15 Intangible fixed assets

	31 Dec 2005	31 Dec 2004
Goodwill		
Acquisition value, January 1	22,148	22,333
Changes in foreign exchange rates	899	–185
Acquisitions during the year	5,182	–
Acquisition value, December 31	**28,229**	**22,148**
Amortisation, January 1	–5,316	–5,419
Adjustment of amortisation recognised in equity	–3,879	–
Changes in foreign exchange rates	–591	103
Amortisation during the year	–10,252	–
Amortisation, December 31	**–20,038**	**–5,316**
Book value	**8,191**	**16,832**
Other intangible fixed assets		
Acquisition value, January 1	73,289	80,262
Changes in foreign exchange rates	2,003	–460
Aquisition Group Companies	115,800	–
Acquisitions during the year	3,999	1,408
Disposals during the year	–	–7,921
Acquisition value, December 31	**195,091**	**73,289**
Amortisation, January 1	–45,625	–38,558
Changes in foreign exchange rates	–1,187	322
Aquisition Group Companies	–58,650	–
Accumulated amortisation disposals during the year	–	7,921
Amortisation during the year	–12,753	–15,310
Amortisation, December 31	**–118,215**	**–45,625**
Book value	**76,876**	**27,664**
Total book value intangible fixed assets	**85,067**	**44,496**

From 2004 and onwards goodwill is tested for impairment annually. All cash generating units are tested for impairment on a stand alone basis regardless of whether or not there is any indication that the asset is in need of revaluation. The test method for impairment is based on Management's judgment of the value of future expected cash flows as well as trading- and or transaction multiples for similar companies when applicable.

Currently all goodwill is assignable to an acquisition of asset management operations in Sweden at the end of 2003. The value of the operations has been tested for impairment and no indication of that the present value of expected future cash flows would be lower than the value in the balance sheet has been found.

The impairment test has been based on an assumed average growth rate in operating profit of approximately 15 per cent p.a. during the projection period and a long term growth rate of 3 per cent. Distribution of cash have been assumed to maintain the capital base to managed assets ratio at 50 basis points and dividends have been discounted with a cost of equity of 11 per cent. A corporate tax rate of 28 per cent has been applied.

Goodwill assignable to asset management operations in Finland has been fully written down during the last quarter 2005 when tested for impairment. The write-down is based on an assessment of significantly lower expected future cash flows as a consequence of decreased assets under management.

Note 16 Tangible fixed assets

	31 Dec 2005	31 Dec 2004
IT equipment and other machinery		
Acquisition value, January 1	229,803	359,635
Changes in foreign exchange rates	11,626	–1,877
Aquisition Group Companies	4,984	–
Acquisitions during the year	24,074	16,206
Disposals during the year	–24,338	–144,161
Acquisition value, December 31	**246,149**	**229,803**
Depreciation, January 1	–168,490	–276,035
Changes in foreign exchange rates	–9,187	1,770
Aquisition Group Companies	–4,732	–
Accumulated depreciation disposals during the year	18,099	140,836
Depreciation during the year	–27,135	–35,061
Depreciation, December 31	**–191,445**	**–168,490**
Book value	**54,704**	**61,313**
Leasehold improvements		
Acquisition value, January 1	64,359	64,359
Acquisition value, December 31	**64,359**	**64,359**
Depreciation, January 1	–48,174	–40,314
Depreciation during the year	–5,036	–7,860
Depreciation, December 31	**–53,210**	**–48,174**
Book value	**11,149**	**16,185**
Total book value tangible fixed assets	**65,853**	**77,498**

Note 17 Other assets

	31 Dec 2005	31 Dec 2004
Derivative instruments[1]	2,379,246	963,209
Securities settlement receivables*, [1]	4,751,966	3,668,283
Tax receivable[1]	70,184	13,962
Deferred tax assets [2]	119,263	114,921
Other assets[1]	298,340	165,439
Total other assets[3]	**7,618,999**	**4,925,814**

[1] The remaining maturities are not exceeding one year
[2] The remaining maturities are exceeding one year
[3] Other assets includes claims on associated companies of – (83 500).
Financial assets and liabilities held for trading measured at fair value through income statement.

Note 18 Other liabilities

	31 Dec 2005	31 Dec 2004
Derivative instruments[1)]	2,645,201	2,736,085
Securities settlement liabilities*,[1)]	2,629,414	16,382
Short positions in shares[1)]	4,630,079	4,540,675
Tax liabilities[1)]	140,052	81,376
Deferred tax liabilities[2)]	15,308	64,532
Other liabilities[1)]	1,647,702	447,216
Total other liabilities	**11,707,756**	**7,886,267**
* Accounted for net gross amount:		
Securities settlement receivables	11,728,172	13,241,206
Securities settlement liabilities	–9,605,620	–9,589,305

1) The remaining maturities are not exceeding one year
2) The remaining maturities are exceeding one year
Financial assets and liabilities held for trading measured at fair value through income statement.

Note 19 Prepaid expenses and accrued income

	31 Dec 2005	31 Dec 2004
Accrued interest	4,266	18,424
Rent for premises	27,922	26,009
Fees	347,663	83,508
Pensions	4,118	4,855
Other	69,535	71,154
Total prepaid expenses and accrued income[1)]	**453,504**	**203,950**

1) The remaining maturities are not exceeding one year

Note 20 Accrued expenses and prepaid income

	31 Dec 2005	31 Dec 2004
Accrued interest	21,696	12,486
Fees	95,706	66,801
Personnel related	1,005,691	611,423
Pensions	2,571	21,980
Other	96,102	88,126
Total accrued expenses and prepaid income[1)]	**1,221,766**	**800,816**

1) The remaining maturities are not exceeding one year

Note 21 Operating lease commitments

	31 Dec 2005	31 Dec 2004
Agreed payments, land and building		
Within one year	101,433	101,496
Between one to five years	378,206	329,544
Five years or more	10,639	10,960
Other agreed payments		
Within one year	8,079	7,804
Between one to five years	7,432	8,227
Five years or more	–	–

The amounts in the summary relate mainly to rental of premises. Rental agreements are indexlinked. The agreements are not recalculated to net present value. Sub-lease of premises amounts to 1,167.

Note 22 Capital adequacy ratio

	31 Dec 2005	31 Dec 2004
Regulatory capital base	1,408,371	774,185
Risk-weighted amount for credit risks	4,744,536	3,273,855
Interest-rate risk[1)]	769,438	488,762
Share-price risk	355,514	271,682
Divestment-price risk	64,025	9,193
Counterparty risk and other risk	234,661	203,293
Foreign exchange risk	719,588	354,048
Total risk-weighted amount for market risks	2,143,226	1,326,978
Total risk-weighted amount for credit risks and market risks	6,887,762	4,600,833
Capital adequacy ratio	20.45%	16.83%

1) The Group use the maturity method. Interest-rate risk can be divided into general risk, 332,294 (224,836) and specific risk 437,144 (263,926)

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

	31 Dec 2005	31 Dec 2004
General risk	332,294	224,836
Specific risk		
Remaining maturities not exceeding six months	4,412	12,105
Remaining maturities exceeding six months but not exceeding two years	26,348	10,448
Remaining maturities exceeding two years	406,384	241,373
Total specific risk	437,144	263,926
Interest-rate risk	769,438	488,762

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 140,837 (77,419). One single large exposure should never exceed 25% of the capital base 352,093 (193,546) and accumulated large exposures should never exceed 800% of the capital base 11,266,970 (6,193,480).

The transition to IFRS has not had any material impact on the regulatory capital base or capital adequacy ratio.

Note 23 Pledged assets and contingent liabilities

	31 Dec 2005	31 Dec 2004
Collateral pledged for own liabilities		
Securities	6,215,240	7,048,047
Securities owned by customers	3,521,285	3,471,040
Other assets	3,599,359	2,377,595
Standardised options		
Blocked assets in customer accounts	79,330	905,475
Securities loaned	1,720,334	494,040
Contingent liabilities	3,717	3,562
Guarantees	654,047	59,662
Securities borrowed	7,820,267	2,279,942

Note 24 Critical accounting policies involving significant management judgment

It is the managements' opinion that accounting policies involving critical judgment, and uncertainty in assumptions, mainly are related to three areas; valuation of financial instruments, goodwill and provisions for litigations.

Financial instruments are recognised at fair value, mainly determined by reference to published price quotations in an active market, and changes in value are recognised in the income statement. If Carnegie's assessment is that the market price is not valid, from liquidity or other perspective, Carnegie's own assessment of the value is applied. The recognised value of goodwill is confirmed through an impairment test at every balance date, using a number of assumptions in order to calculate the value of the underlying assets. Provisions for litigations are based on future cash flow necessary to settle the obligations.

It is the management's opinion that changes of the parameters used in the assessments mentioned above would not have any material impact on the result.

Note 25 Important events after 31 December 2005

In January 2006, another 1.3 million warrants were exercised under the 2003/2006 warrant programme distributed to employees. Total proceeds amounted to SEK 94 million. The total number of shares outstanding following the new share issue is 69 039 700, and also the number of shares that are entitled to dividend for 2005.

This annual report has been approved by the Board of Directors on 2 February 2006. The Annual General Meeting will be held on 23 March 2006.

Notes to financial statement – Parent Company

(SEK thousands)

Note 26 Information of the Parent Company

D.Carnegie & Co AB, (publ) reg. No. 556498-9449 is a Swedish public company with registered office in Stockholm. The Carnegie share was listed on Stockhomsbörsen's O-list (today OMX) in June 2001 and since January 2002 it is traded on the Attract 40 section of that list.

The address to the head office is Västra Trädgårdgatan 15, SE-103 38 Stockholm.

Note 27 Administrative expenses

	2005	2004
Salaries and other remuneration paid to Board of Directors and Managing Director	–5,385	–2,450
Salaries and remuneration paid to other employees	–	–
Payroll overheads	–150	–942
Pension premium costs for Managing Director	–	–
Pension premium costs for other employees	–	8
Remuneration for audit services	–1,570	–526
Other administrative expenses	–6,423	–5,938
Total administrative expenses	**–13,528**	**–9,848**
Average number of employees (of which women)	– (–)	– (–)

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

Note 28 Appropriations

	2005	2004
Transfer from tax allocation reserve	183,150	76,017
	183,150	**76,017**

Note 29 Taxes

	2005	2004
Income tax on Group contribution	70	–18,434
Income tax expense for the period	–47,647	–
Income tax from previous years' assesments	0	2,788
Deferred taxes	4,613	–1,467
Total taxes	**–42,964**	**–17,113**

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 30 Shares in Group companies

				31 Dec 2005	31 Dec 2004
Acquisition value, January 1				724,490	724,490
Net book value				**724,490**	**724,490**
	Corporate identity number/Reg. Office	**No. of shares**	**Proportion of equity (share of votes) %**	**Book value 2005**	**Shareholders' equity 2005***
Carnegie Investment Bank AB	516406-0138 Stockholm	400,000	100%	724,140	992,309
Subsidiaries of Carnegie Investment Bank AB					
Carnegie, Inc.					
Carnegie ASA**					
Carnegie Ltd					
Carnegie Fond AB					
Carnegie Pension Structuring AB					
Subsidiaries of Carnegie Pension Structuring AB					
Familjeföretagens Pensionsredovisning i Värmland AB					
Gallerie Gustaf Adolf AB					
Capital C AB					
Carnegie Properties AB					
Carnegie Asset Management Finland Ab					
Subsidiaries of Carnegie Asset Management Finland Ab					
Carnegie Fondbolag Ab					
Carnegie Asset Management Danmark Holding A/S					
Subsidiaries of Carnegie Asset Management Danmark Holding A/S					
Carnegie Asset Management Fondmæglerselskab A/S					
Carnegie Asset Administration A/S					
Carnegie Asset Management Holding Norge AS					
Subsidiaries of Carnegie Asset Management Holding Norge AS					
Carnegie Kapitalforvaltning AS					
Carnegie Bank A/S**					
Banque Carnegie Luxembourg S.A.**					
Subsidiaries of Carnegie Luxembourg S.A.					
Carnegie Fund Management Company S.A.					
Carnegie Asset Management SA					
Carnegie Going Forward AB	556616-8018 Stockholm	1,000	100%	350	351
Total				**724,490**	**992,660**

* Equity in subsidiaries is reported excluding proposed dividends to the Parent Company.
** Companies classified as credit institutions

Note 31 Other shares and participations

	31 Dec 2005	31 Dec 2004
Acquisition value	43,829	43,829
Accumulated write-downs	–36,524	–29,219
Write-down during the year	–719	–7,305
Net book value, December 31	**6,586**	**7,305**

	No. of shares	Proportion of equity (share of votes) %	Book value 2005	Book value 2004
Startupfactory B.V *	995,054	3.8%	6,586	7,305
Total			**6,586**	**7,305**

Note 32 Subordinated loan

On 12th October 2005 the company raised a dual-tranche subordinated Lower Tier 2 Capital loan.

Amount:	SEK 250 m	EUR 25 m
Maturity date:	12 October 2015	12 October 2015
Call Date:	12 October 2010 and on every coupon date thereafter at par	12 October 2010 and on every coupon date thereafter at par
Interest rate:	SEK MS + 150 bps	3 month Euribor + 165 bps
Coupon from First Call Date:	3-month Stibor + 300 bps	3 month Euribor + 310 bps

Note 33 Untaxed reserves

	31 Dec 2005	31 Dec 2004
Tax allocation reserve 01	–	113,265
Tax allocation reserve 02	–	62,940
Tax allocation reserve 03	–	6,945
Total untaxed reserves	**–**	**183,150**

Appropriation of profit

Parent company

At the disposal of the General Meeting (SEK):

Unrestricted Shareholders' equity	784,183,316

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

A dividend of SEK 9.19 per share entitled to dividend, total	634,474,843
To be carried forward	149,708,473
Total	**784,183,316**

The Board of Directors and the Chief Executive Officer hereby certify that to the best of their knowledge, the annual accounts have been prepared in accordance with good accounting practices for a stock market company and that the information presented is consistent with the actual conditions and that nothing of material value has been omitted that would affect the picture of the company presented in the annual report.

Stockholm, 2 February 2006

Lars Bertmar
Chairman

Hugo Andersen

Thor Bjorgolfsson

Niclas Gabrán

Anders Ljungh

Dag Sehlin

Fields Wicker-Miurin

Christer Zetterberg

Karin Forseke
Chief Executive Officer

Our auditor's report was rendered on 16 February 2006

KPMG Bohlins AB

Anders Ivdal
Authorised Public Accountant

Auditors' report

To the annual 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 2005. The Board of Directors and the Managing Director are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of International Financial Reporting Standards (IFRSs) as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain high but not absolute 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 and the consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any Board Member or the 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 give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the Annual Accounts Act for Credit Institutions and Securities Companies and give a true and fair view of the group's financial position and results of operations. The administrative report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the Annual Meeting of Shareholders that the income statements and balance sheets of the parent company and the group be adopted, that the profit of the parent company be dealt with in accordance with the proposal in the administrative 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 2006

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 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.

Starmine: Provider of analyst ratings based on return of stock recommendations and accuracy of earnings estimates.

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

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

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

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

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

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

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Carnegie Art Award

The Carnegie Art Award was launched in 1998 in order to support prominent artists in the Nordic region and promote contemporary painting.

Over the year, the Carnegie Art Award team has been working on putting together the seventh exhibition – Carnegie Art Award 2006. The jury, under the management of Lars Nittve, Director of the Museum of Modern Art in Stockholm, has selected 21 Nordic artists, out of 115 nominated, who are now displaying their works at the exhibition. This year, Museum Director Suzanne Pagé of the Musée d'Art Moderne de la Ville de Paris is the international guest member of the jury for the selection of the winner.

The Carnegie Art Award is one of the largest art prizes in the world: three of the artists taking part will receive SEK 1,000,000, SEK 600,000 or SEK 400,000 respectively. The prizewinning artists this year are Karin Mamma Andersson, Sweden, Eggert Petursson, Iceland and Petra Lindholm, Finland. This year's grant of SEK 100,000, awarded to a young artist, went to Sirous Namazi, Sweden.

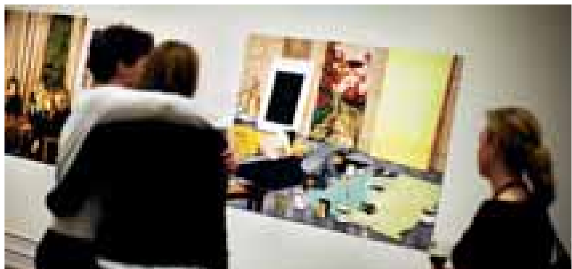
The Carnegie Art Award 2006 exhibition was inaugurated by HRH Queen Sonja of Norway at the Henie Onstad Art Centre in Høvikodden (outside Oslo) on 28 September 2005, and it was on this occasion that the award ceremony took place.

In Stockholm, the exhibition was on view at the Royal Academy of Fine Arts, and after these two venues it can be stated that more than 25,000 people have visited the exhibition. In 2006, it will be moving on to Helsinki, Reykjavik, Nice and London before concluding in Copenhagen in February 2007.

Besides the touring exhibition, the artists and their works are also included in an extensive book, and in a film portraying the artists in their studios. All works in the exhibition were produced over the last two years, and hence the exhibition provides a current view of Nordic contemporary art.

Over the years, Carnegie Art Award has taken place seven times, resulting in 37 exhibitions in six countries involving a total of 125 Nordic artists. Eight seminars and more than 20 artist talks have been arranged. The general public and hundreds of classes of schoolchildren have been guided through our exhibition.

www.carnegieartaward.com



Works by first prize winner Karin Mamma Andersson.

Site specific wall painting by Norwegian artist Josephine Lyche, "Untitled #9 (Stockholm)", filler and acrylic paint on wall, sanded down.

From the inauguration of the exhibition at the Royal Academy of Fine Arts in Stockholm.

A view from the exhibition, in the background "Milky Way" by Swedish artist Henrik Samuelsson.

As part of the prizegiving ceremony, the prizewinners will receive a miniature of the sculpture "Elliptical Cone" by Jene Highstein, New York. The City of Stockholm has placed the original, a seven-tonne black diabase sculpture, at the heart of the city, at the corner of Birger Jarlsgatan and Smålandsgatan.

Financial calendar 2006

Last day for trading in the Carnegie share including dividend	23 March
Annual General Meeting	23 March
Distribution of dividend	31 March
Interim report January – March	26 April
Interim report January – June	13 July
Interim report January – September	18 October

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

Annual General Meeting

The Annual General Meeting (AGM) will be held on 23 March 2006, at 3 pm, at Grand Hotel, Spegelsalen, 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 17 March 2006 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 17 March 2006, 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 17 March 2006, 4 pm to D. Carnegie & Co AB (publ), Västra Trädgårdsgatan 15, 103 38 Stockholm, Sweden, or by telephone on +46 8 5886 9075, 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 the Internet.

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