



INFORMATION BOOKLET

Information about Carnegie Investment Bank AB (publ)

Carnegie Investment Bank AB ("Carnegie" or the "Bank"), registration number 516406-0138, with its registered office in Stockholm, may be contacted by post, telephone, fax or email at the following addresses/numbers:

HEAD OFFICE	LOCAL OFFICES		
CARNEGIE INVESTMENT BANK AB 103 38 STOCKHOLM	Box 2143 403 13 GOTHENBURG	Tanneforsgatan 3 582 24 LINKÖPING	Stortorget 9 211 22 MALMÖ
OFFICE ADDRESS Regeringsgatan 56	OFFICE ADDRESS Sankt Eriksgatan 6	OFFICE ADDRESS Tanneforsgatan 3	OFFICE ADDRESS Stortorget 9
TEL +46 8 5886 88 00 FAX +46 8 5886 91 38	TEL +46 31 743 08 80 FAX +46 31 13 54 02	TEL +46 13 36 91 90 FAX +46 13 36 91 93	TEL +46 40 665 52 00 FAX +46 40 665 52 01

Special terms and conditions apply when placing orders regarding financial instruments (see the General Terms and Conditions for Trading in Financial Instruments).

Carnegie is subject to the supervision of the Swedish Financial Supervisory Authority (*Finansinspektionen*), Box 7821, 103 97 Stockholm, www.fi.se, Tel +46 8 787 80 00.

Carnegie is a limited company which is authorised by the Swedish Financial Supervisory Authority to conduct banking business in accordance with the Banking and Financing Business Act (SFS 2004:297). In addition, Carnegie has been granted a licence by the Swedish Financial Supervisory Authority to conduct securities operations in accordance with the Securities Market Act (SFS 2007:528) and insurance distribution in accordance with the Insurance Distribution Act (SFS 2018:1219).

Carnegie engages in the provision of non-independent advice which, among other things, means that under certain conditions Carnegie may accept and retain compensation from third parties (inducements).

THE LICENCE COVERS THE FOLLOWING:

- Banking licence
- Receipt and transmission of orders regarding one or more financial instruments
- Execution of orders regarding financial instruments on behalf of clients
- Trading in financial instruments on its own account
- Portfolio management with respect to financial instruments
- Investment advice to clients with respect to financial instruments
- Underwriting of financial instruments and placement of financial instruments with firm undertakings
- Placement of financial instruments without firm undertakings
- Management of fund units
- Insurance distribution

In contacts with the Bank, Swedish or English may be used. These languages are also used in documentation and other information from the Bank.

AS A CLIENT YOU MUST BE AWARE OF, AMONG OTHER THINGS, THE FOLLOWING

- that investments and other positions in financial instruments take place at your own risk
- that, as a client, you must personally thoroughly familiarise yourself with the Bank's general terms and conditions for trading in financial instruments and other information regarding the relevant financial instrument, its features and risks
- that, when trading in financial instruments, it is important to verify the correctness of contract notes and other reporting regarding your investments and immediately submit a notice of complaint to the Bank in the event of any error
- that it is important to regularly monitor changes in the value of holdings of, and positions in, financial instruments
- that, as a client, you must personally initiate any measures required to reduce the risk of losses on your own investments or other positions
- that trading in derivative instruments is associated with specific risks.

PROTECTION OF THE CLIENT'S ASSETS

In order to protect the client's securities, the Bank's own securities and securities held by the Bank on behalf of clients are held separately. Further information is contained in section 2 of the General Terms and Conditions regarding Custody Accounts/Cash Accounts.

POTENTIAL CONFLICTS OF INTEREST

The Bank provides a number of different financial services both to clients and market counterparties. When providing these services, there are situations in which conflicts of interest may arise which are difficult to avoid in certain cases. Conflicts of interest may arise between the Bank and its clients/market counterparties or between the Bank's clients. Presented below is information regarding how the Bank handles conflicts of interest.

The Bank takes all reasonable measures to identify conflicts of interest and to prevent such conflicts having a negative impact on the interests of clients. By applying established procedures, the Bank endeavours to avoid conflicts of interest between the Bank and its clients or between the Bank's clients. These procedures are documented in the Bank's policy regarding the management of conflicts of interest. The aim of the procedures is to ensure fair treatment of the Bank's clients. If the routines and the measures taken by the Bank to avoid conflicts of interest in a specific situation are insufficient to prevent the possibility that the client's interests might be prejudiced, the Bank shall inform the client of the nature or source of the conflict of interest. Through the information, the client shall have the possibility to take decisions regarding the Bank's services and products in light of the identified conflict of interest.

The policy includes, among other things, provisions governing how conflicts of interest are to be identified and handled, the procedures and measures to be applied to enable the Bank and its employees to conduct the activities with an appropriate degree of independence, how conflicts of interest which arise are to be documented, and special rules regarding the Bank's analysis work.

However, you should also be aware that, in its offers of various types of services to its clients, the Bank may, in addition to other activities:

- act as a financial adviser to companies in whose shares (or other financial instruments) a client instructs the Bank to execute securities

transactions. The advice may relate to the Bank's assistance to the company in raising capital, tender offers, or equivalent.

- trade on its own account (including market maker obligations) in the financial instruments in which a client instructs the Bank to execute securities transactions. This entails, among other things, that the Bank may:
 - hold positions in the instrument in question and may also act as counterparty to the client in trades;
 - may aggregate a client's order with other clients' orders or orders on the Bank's own account. Aggregation of orders takes place in accordance with the Bank's Policy for order execution, and aggregation and allocation of orders in effect from time to time.

Any conflicts of interest are dealt with in accordance with the procedures referred to above and the Bank's policy regarding the handling of conflicts of interest. Examples of measures that the Bank regularly takes when dealing with conflicts of interest include:

- training of personnel;
- follow-up and monitoring as well as limitations on securities transactions by staff on own account;
- limitations on the possibility to exchange sensitive information between business areas or between divisions within a business area;
- special assessment of the employee's engagements outside his/her work; and
- special information regarding relevant conflicts of interest in, among other things, the Bank's research products.

Handling conflicts of interest is a part of the Bank's regular work, in which the need for changes to procedures is regularly assessed. The Bank's policy regarding conflicts of interest is thus reviewed as required.

THIRD-PARTY COMPENSATION TO AND FROM THE BANK

The Bank has entered into agreements with various suppliers of financial products and services, according to which compensation is paid to or from the Bank, referred to as inducements. As a result, when the Bank provides financial products and services to a client, part of the compensation paid by the client to the Bank may be passed on to such suppliers. This means also that, in certain cases, in conjunction with the brokering of financial

products the Bank may receive compensation from, for example, fund management companies or other issuers of the products. Third-party compensation may only occur if the intention is to increase the quality of the service to the client and on condition that it does not prevent the Bank from protecting the client's interests. A description is provided below of the Bank's principles for receiving and paying third-party compensation.

1. COMPENSATION TO THE BANK

1.1 Distribution of fund units

The funds which can be purchased through the Bank are managed by different fund management companies. The Bank receives compensation from the relevant fund management company in conjunction with the distribution of fund units. Such compensation may also be payable in those cases where the fund is included in a portfolio-managed custody account, but in such cases the compensation is returned to the client's custody account. The compensation can be calculated as:

- a single payment on the sale based on a percentage of the amount invested;
- annual compensation based on a percentage of the managed capital; or
- a combination of the above.

The compensation may vary between different fund management companies and between different funds managed by the same company. However, the client only pays the management fee to the fund management company at the rate set forth in the key investor information document for each fund. Thus, the compensation that the Bank receives never constitutes an additional cost for the client.

1.2 Distribution of structured products

The structured products which can be purchased through the Bank are issued by different issuers. The Bank acts both as an agent on behalf of issuers and as a distributor of the issuer's products. The Bank receives compensation for the work which the Bank performs. This is intended, among other things, to cover the Bank's costs for risk management, production and distribution. The compensation is stated in the prospectus for the relevant security and is stated as a percentage of the invested amount. The calculation is normally made based on the assumption that the product is held until the redemption date. The compensation varies depending on both the product and issuer.

2. COMPENSATION FROM THE BANK

2.1 Client recommendation

The Bank may compensate a third party where that party has recommended a client to the Bank. The compensation is calculated as:

- a single payment;
- annual compensation based on a percentage of the managed capital;
- annual compensation based on paid commission;
- annual compensation based on funds available for deposit; or
- a combination of the above.

3. MINOR NON-MONETARY BENEFITS

In addition to the compensation to and from the Bank as described above, occasionally the Bank receives or gives various kinds of minor non-monetary benefits to third parties. Such benefits may, for example, comprise the following:

- Information documentation regarding a financial instrument or an investment service which is general in nature or has been adapted to a client's circumstances.
- Written material of a marketing nature which is available to other securities institutions and to clients.
- Participation at events such as conferences, seminars and suchlike concerning financial instruments or a particular investment service.
- Certain hospitality on a reasonable scale.

4. FURTHER INFORMATION

If you want further information, please contact the Bank.

INFORMATION REGARDING THE BANK'S PROCESSING OF PERSONAL DATA

Personal data which is provided in an application or agreement, for example contact information and personal identification number, or which is otherwise recorded in connection with the preparation or administration of an engagement (e.g. a credit reference or evaluation of a transaction), is processed by the Bank, as a controller of personal data, for the administration and performance of agreements entered into, for the execution of orders, and for taking measures which have been requested before or after an agreement is entered into. Processing of personal data also takes place to enable the Bank to comply with its statutory duties.

The personal data may also constitute the basis for the Bank's direct marketing and client analyses, business development and the development of processes, and statistics and risk management, e.g. in risk calculation models which the Bank uses to satisfy capital adequacy rules.

In banking matters, such as the purchase and sale of securities, which are conducted by telephone, personal data is also processed through the recording of telephone conversations.

In order to provide good service to clients and to maintain various registers, the Bank may supplement the personal data by collecting data from private and public registers, e.g. updating address details with the assistance of the Swedish Population Address Register ("SPAR").

Personal data may for a defined purpose, in observance of bank secrecy rules, occasionally be disclosed to other companies within the Carnegie Group or to undertakings which co-operate with the Bank, within and outside the EU/EEA in accordance with EU's approved and appropriate protective measures. In certain cases, the Bank is also under a statutory duty to provide information, e.g. to the Swedish Financial Supervisory Authority, the Swedish Tax Agency and the Swedish Social Insurance Agency. Personal data may not be sold to marketing companies or other recipients outside the Carnegie Group.

Following a balancing of interests and in accordance with applicable personal data regulations, the Bank may, with legal basis in its legitimate interests, share personal data with a third party if this would be required for the completion of a merger, acquisition, or disposal of the whole or parts of the Bank's operations. In the event of such situation, the affected persons will be informed as soon as possible and the personal data will continue to be processed for the same purposes as described in this information booklet, unless other information is disclosed.

Similarly to the Securities Market Act, the Banking and Financing Business Act contains confidentiality provisions according to which all of the Bank's employees are bound by a duty of confidentiality with regard to clients of the Bank and other parties to whom services are provided. As a result, the Bank never discloses information concerning its clients other than in the cases described above. The duty of confidentiality also applies between and within the various companies in the Carnegie Group.

Information concerning what personal data is processed by the Bank, a request to block direct marketing, deletion of personal data, limitations on the processing of personal data, data portability or the rectification of personal data can be requested from Carnegie's Data Protection Officer. Clients can also contact the Data Protection Officer to obtain further information about how the Bank processes personal data. The Data Protection Officer can be contacted through email: dpo@carnegie.se. If the client wishes to make a complaint regarding the Bank's processing of personal data, the client is entitled to turn to the Swedish Data Protection Authority in its capacity as supervisory authority.

Personal data shall be deleted if it is no longer needed for the purposes for which it was originally collected or otherwise processed, provided that the Bank has no legal obligation to preserve the personal data. The normal storage time for personal data is 11 years after termination of the engagement with the Bank.

NOTICES OF COMPLAINT

If a client is dissatisfied with the way in which the Bank has handled a securities transaction or the way in which custody account management or other similar services have been performed, it is important that the client immediately contacts the Bank about this (notice of complaint). In order to facilitate the handling of such matters, the client should state the name of the employee at the Bank with whom the client has been in contact and when this took place. The client should contact this person in the first instance. If the client is still dissatisfied following such contact, the client may contact the Bank by submitting a letter addressed to: Carnegie Investment Bank AB, Complaints Manager, 103 38 Stockholm. Please append copies of any documentation in the matter, e.g. contract notes.

If the client does not feel that an oral or written complaint has resulted in satisfactory rectification by the Bank, the client may contact the Banks Department of the National Board for Consumer Complaints ("ARN") or, alternatively, commence proceedings in a court of general jurisdiction. A determination by ARN may be made where the value of the matter is less than a certain threshold amount. Notification must be provided to ARN within a certain time period, decided by ARN, from the date on which the customer first submitted the complaint to the Bank. ARN provides recommendations as to how the dispute should be resolved. As regards proceedings in courts of general jurisdiction, the client should first consider engaging a lawyer, who can conduct an assessment of the matter and the prospects of success in the dispute.

Guidance for consumers on issues concerning financial services may be obtained from the Swedish Consumers Banking and Finance Bureau (*Konsumenternas Bank- och finansbyrå*) and the Swedish Consumers Insurance Bureau (*Konsumenternas Försäkringsbyrå*) and through municipal consumer advocates.

INFORMATION ABOUT THE STATE DEPOSIT INSURANCE

Funds on account are covered by the State Deposit Insurance pursuant to the Deposit Insurance Act (1995:1571). The public authority that handles matters relating to the Deposit Insurance, the Swedish National Debt Office (*Riksgäldskontoret*), has approved the Bank's account terms and conditions. The State Deposit Insurance entails that if a bank is placed into bankruptcy or a decision referred to in section 9 of the Deposit Insurance Act is made, each client is guaranteed compensation for his or her aggregate balance held by the Bank on accounts which are covered by the Deposit Insurance. The maximum compensation is SEK 1 050 000.

In addition, the depositor may apply for additional compensation up to SEK 5 000 000 for deposits linked to certain life events, for example a real estate transaction. If the depot is opened in the name of two or more people, the State Deposit Insurance will compensate each person individually. The compensation is paid by the Swedish National Debt Office within seven (7) business days of the date on which the Bank is placed into bankruptcy or a decision as referred to above is made.

The State Deposit Insurance applies, as a general rule, to all Clients, both natural persons, companies and other legal entities. Certain categories of depositors, such as insurance companies and public authorities, however, are by law excluded from the State Deposit Insurance.

INFORMATION ABOUT THE INVESTOR PROTECTION ACT

According to the Investor Compensation Act (1999:158), if the client is unable to withdraw his financial instruments held by the Bank due to the Bank's bankruptcy, the client shall be entitled to special statutory compensation in, as of 1 July 2009, a maximum amount of SEK 250,000. This compensation may also cover funds received by the Bank for which the Bank has a reporting duty. Clients who wish to receive compensation must – not later than one year from the date of the granting of the bankruptcy petition – submit a demand to the Swedish National Debt Office, which pays the compensation following a review.

If you would like additional information, please visit www.riksgalden.se.

INFORMATION REGARDING LEI, LEGAL ENTITY IDENTIFIER

Legal entity identifier (LEI) is a global identification code for companies and other organisations which legal entities must possess in order to be able to carry out a securities transaction. In the absence of such a code, the Bank may not carry out the transaction on behalf of the client. Therefore, commencing 3 January 2018 the Bank will require that companies, associations, foundations and, in certain cases, also sole traders, have a LEI in order to carry out a securities transaction.

More information about LEIs is available on the Swedish Financial Supervisory Authority's website, www.fi.se.

INFORMATION ABOUT SUITABILITY ASSESSMENT AND TARGET MARKET

Part of the client protection that you enjoy as a client entails that the Bank must always ensure that a financial instrument you purchase is suitable for you and that you belong to the target group for the financial instrument.



Clients who are not professional investors must generally undergo a suitability assessment before they can trade in a new financial instrument. Through the suitability assessment, the Bank must ensure that you possess sufficient experience and knowledge of the financial instrument in question to understand the risks associated with the instrument.

If you, as a client, trade in a non-complex financial instrument (e.g. shares listed on a regulated market) without the trading having been preceded by investment advice, no suitability assessment is required. On the other hand, in such a situation the Bank has been unable to make a full assessment of your knowledge and experience, ability to bear losses, risk tolerance, as well as investment objectives compared with the financial instruments target group. In such case, the Bank will be unable to assess

whether you belong to the intended target group for the financial instrument in question.

If you, as a Client, have undergone a suitability assessment you may have the possibility to trade in complex financial instruments (e.g. warrants) without such trading being preceded by investment advice. However, in such a situation the Bank has not had the possibility to make a full assessment of your knowledge and experience, ability to bear losses, risk tolerance, as well as investment objectives compared with the financial instruments target group. In such case, the Bank will be unable to assess whether you belong to the intended target group for the financial instrument in question.

INFORMATION REGARDING CHARACTERISTICS AND RISKS RELATING TO FINANCIAL INSTRUMENTS

As a client, you must be aware of and understand the following:

- that investments or other positions in financial instruments take place at your own risk
- that you, as a client, must carefully familiarise yourself with the Bank's general terms and conditions for trading in financial instruments and, where appropriate, information in any prospectus as well as other information regarding the financial instrument in question, its characteristics and risks
- that, in conjunction with trading in financial instruments, it is important to check all reporting concerning your transactions and holdings and to immediately report any errors
- that it is important to regularly monitor changes in value on holdings of, and positions in, financial instruments
- that you, as a client, must personally initiate the measures required in order to reduce the risk of losses

1. TRADING IN FINANCIAL INSTRUMENTS

Trading in financial instruments, i.e. shares in limited companies and equivalent interests in other types of undertakings, bonds, depositary receipts, fund units, money market instruments, financial derivative instruments or such other securities as may be the subject of trading on the capital market, mainly takes place in an organized manner on a trading venue. Trading is carried out through the investment firms that participate in the trading on the trading venue. As a client, you must normally contact such an investment firm in order to buy or sell financial instruments.

1.1 Trading venues and systematic internalisers

"Trading venue" means a regulated market and the two types of trading platforms – MTF platforms (multilateral trading facilities) and OTF platforms (organised trading facilities). In addition, the client's trading can be carried out via the Bank, which acts as a systematic internaliser (SI) or otherwise carries out trading within itself against its own proprietary stock or another client.

Various types of financial instruments are traded on a regulated market. In relation to shares, only shares in public companies can be listed and traded on a regulated market and there are stringent requirements imposed on such companies, among other things, regarding the company's size, operational history, concentration of ownership and public reporting of the company's finances and operations.

A multilateral trading facility (MTF) can be described as a trading system that is organised and provided by an exchange or investment firm. Typically, less stringent requirements, such as the provision of information and operational history, are imposed in respect of financial instruments traded on a multilateral trading facility compared to financial instruments traded on a regulated market.

An organised trading facility (OTF) is in many ways similar to an MTF, but on an OTF only financial instruments that are not shares or share-related (such as bonds and derivative instruments) may be traded. In addition, OTFs have more liberal rules regarding trading, including order matching, than with regulated markets and MTFs.

A systematic internaliser (SI) is an investment firm which, in an organised, frequent and systematic manner, trades on its own account by executing client orders outside a regulated market or a multilateral trading facility. A

systematic internaliser is obligated to publish buy and/or sell quotes on prices that correspond to the market price for liquid shares which are traded on a trading venue and for which the systematic internaliser carries out systematic internal trading.

Trading can also take place at the Bank without systematic internalisation being involved, against the Bank's own trading stock or against orders from the Bank's other clients.

There are currently two regulated markets in Sweden: Nasdaq Stockholm AB (referred to below as the "Stockholm Stock Exchange") and Nordic Growth Market NGM AB (referred to below as "NGM"). In addition, organised trading takes place on other trading venues, e.g. First North and Nordic MTF (both of which are MTFs). For more information about how the Bank executes your orders, see the 'Policy for order execution, and aggregation and allocation of orders' in force from time to time.

Trading on regulated markets, trading facilities and other trading venues constitutes a secondary market for financial instruments which a company has already issued. Where the secondary market functions well, i.e. it is easy to find buyers and sellers and there is continuous quotation of bid prices from buyers and sellers, as well as transaction prices for completed transactions, the companies are also at an advantage because it is easier, when required, to issue new instruments, thereby raising more capital for the company's operations. The **primary market** is the market on which the purchase/subscription of newly issued instruments takes place.

1.2 Trading/quoting lists

The trading venues usually divide shares into different lists which are published, e.g. on the trading venue's website, in daily newspapers and other forms of media. A deciding factor in relation to the list on which the company's shares are traded may be the company's market value (e.g., Stockholm Stock Exchange's Large, Mid and Small cap). The shares with the highest turnover may also be on a special list. Some investment firms also publish their own lists of financial instruments which are traded through the firm, prices at which the instruments are traded, etc., e.g. via the firm's website. Shares quoted on lists subject to stringent requirements and with a high turnover are generally deemed to involve a lower risk than shares on other lists.

Information regarding prices, etc. in respect of shares as well as other types of financial instruments, such as fund units, options and bonds, are also published regularly on, e.g. the trading venues' websites, in daily newspapers and other media.

2. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS AND TRADING IN FINANCIAL INSTRUMENTS

2.1 Generally regarding risks

Financial instruments usually provide a return in the form of dividends (shares and funds) or interest (fixed income instruments). In addition, the price of the instrument may rise or fall compared to the price when the investment was made. In the description below, the word "investment" also means any negative positions (negative holdings) in the instrument (compare e.g. that which is stated in section 7 below regarding short selling). The total return is the sum of the dividends/interest and price change for the instrument.

Naturally, an investor seeks a total return that is positive, i.e. yields a profit, preferably as high as possible. However, there is also a risk that the total return will be negative, i.e. that there will be a loss on the investment. The risk of loss varies between different instruments. Normally, the chance of making a profit on an investment in a financial instrument is linked to the risk of incurring a loss. The longer the investment is held, the greater the opportunity for a profit or the risk of a loss.

In an investment context, the word "risk" is used to express both the risk of loss and the opportunity for profit. However, in the description below, the word "risk" is used solely to designate the risk of loss. There are various ways to reduce the risk when investing. It is normally regarded as preferable not to invest in a single or only a few financial instruments but, instead, to invest in several different financial instruments. These instruments should then offer an opportunity to spread the risks and avoid concentrating risks that can be triggered simultaneously. Normally, spreading the investments to include foreign markets also reduces the risk in the total portfolio, even if there is also a currency risk when trading in foreign financial instruments.

Investments in financial instruments are associated with economic risks, which will be described in greater detail in this information booklet. The client is personally liable for the risk and must, therefore, at the Bank, read and thereby acquire knowledge of the terms and conditions, in the form of general terms and conditions, key investor information documents, prospectuses and suchlike, which apply to trading in such instruments and the characteristics of the instruments and risks associated therewith. The client must also regularly monitor investments in such instruments. This is the case even if the client has received investment advice in conjunction with the investment. The client should, in his own interests, be prepared to take measures promptly where such prove necessary, for example by selling investments that have performed negatively or by providing additional security in conjunction with investments financed through loans and where the value of the security has fallen.

It is also important to consider the risks involved in trading in financial instruments on a trading venue other than a regulated market, where the requirements imposed are generally less stringent.

2.2 Different types of risk concepts, etc.

In conjunction with the risk assessment which you should carry out when, as a client, you make an investment in a financial instrument, and also regularly during the holding period, there are many different risk concepts and other factors to consider and weigh against each other. A short description of some of the most common risk concepts is set out below.

- Market risk – the risk that the market as a whole, or a particular part of the market in which you as a client have your investment, e.g. the Swedish stock market, will fall.
- Credit risk – the risk of e.g. an issuer or a counterparty being unable to make payment¹.
- Price volatility risk – the risk of substantial fluctuations in the price of a financial instrument negatively affecting the investment.
- Price risk – the risk that the price of a financial instrument will fall.

¹ An issuer or counterparty's lack of payment capability may entail bankruptcy or a company reorganisation with a statutory composition (reduction in claim amounts). Banks, other credit institutions and investment firms may, instead, be the subject of bank crisis management entailing that the State may take over control of the

- Tax risk – the risk that the tax rules and/or tax rates are unclear or may be changed.
- Currency risk – the risk that a foreign currency to which a holding is related (e.g. fund units in a fund which invests in US securities listed in USD) will be weakened.
- Risk of leverage effect – the construction of a derivative instrument which means that there is a risk that the price of the underlying asset will have a greater negative effect on the price of the derivative instrument.
- Legal risk – the risk that relevant legislation and rules are unclear or may be changed.
- Company-specific risk – the risk that a certain company will perform worse than expected or be affected by a negative event and the financial instruments related to the company may thereby decline in value.
- Sector-specific risk – the risk that a certain sector will perform worse than expected or be affected by a negative event and the financial instruments related to companies within the sector may thereby decline in value.
- Liquidity risk – the risk that you will be unable to sell or buy a financial instrument at a certain desired time.
- Interest risk – the risk that the financial instrument in which you have invested will decline in value due to changes in the market interest rate.

3. SHARES AND EQUITY-RELATED INSTRUMENTS

3.1 Generally regarding shares

3.1.1 Shares and limited companies

Shares in limited companies entitle the owner to a portion of the company's share capital. Where the company makes a profit, the company usually pays dividends on the shares. Shares also entitle the holder to voting rights at general meetings of the company, which is the highest-ranking decision-making body in the company. The more shares the shareholder owns, the greater the portion of the capital, dividends and votes that inure to him. Voting rights may vary depending on the class of shares concerned. There are two types of companies: public and private. Only public companies may cause their shares to be traded on a trading venue.

3.1.2 The share price

The price of a share is affected mainly by the supply and demand relating to the relevant share which in turn, at least in the long term, is affected by the company's future prospects. A share is valued upwards or downwards depending primarily on the investors' analyses and assessments of the company's possibilities to make future profits. Future external developments regarding the global economy, technology, legislation, competition, etc. determine the demand for the company's products or services and, consequently, are of fundamental importance to changes in the price of the company's shares.

Current interest rate levels also play a large role in the pricing. Where the market interest rates increase, fixed income financial instruments that are issued at the same time (newly issued) provide a better return. In such

institution and that its losses may be addressed through its shareholders and creditors being required to write down their holdings and/or creditors having their claims converted into shareholdings (referred to as debt write-down or bail-in).

cases, the prices of shares which are regularly traded normally fall, as well as those already outstanding fixed income instruments. The reason is that the increased return on the newly issued fixed income instruments becomes, relatively speaking, better than the return on shares, as well as on already outstanding fixed income instruments. In addition, share prices are negatively affected by the fact that the interest payments on the company's debts increase when market interest rates increase, a factor which reduces the scope for profits in the company.

Also, other factors directly related to the company, e.g. changes in the company's management and organisation, disruptions in production, etc. may adversely affect the company. In the worst case, a company may perform so poorly that it has to be placed into bankruptcy. The share capital, i.e. the capital invested by the shareholders, is the capital that is used first to pay the company's debts. This often results in the shares of the company becoming worthless.

Even prices on major foreign regulated markets or trading venues affect the prices in Sweden, among other things, since many Swedish limited companies are also listed on foreign trading venues and price equalisation takes place between the different trading venues. Prices of shares in companies that belong to the same industrial sector are often affected by changes in the prices of shares in other companies within the same sector. This effect can also apply with respect to companies in other countries.

Investors on the market have different needs for investing cash (liquid funds) or obtaining liquid funds. In addition, they often have different opinions as to how the price will change. These factors, which also include how the company is valued, contribute to there being both buyers and sellers. On the other hand, if the investors have the same opinion regarding price trends, they will either wish to buy, thereby creating buying pressure from many buyers, or they will wish to sell, thereby creating selling pressure from many sellers. The prices increase in the event of buying pressure and fall in the event of selling pressure.

Turnover, i.e. the quantity of a certain share which is bought and sold, in turn affects the share price. In the event of high turnover, the difference (referred to as the 'spread') is reduced between the price buyers are prepared to pay (the bid price) and the price demanded by sellers (the ask price). A share with a high turnover, where large amounts can be traded without significantly affecting the price, enjoys good liquidity and is therefore easy to buy or sell. Companies on the regulated markets' lists often have greater liquidity. During a given day or during longer periods, different shares can exhibit different movements in their prices (volatility), i.e. rises and declines, as well as in size of the price changes.

The prices at which shares are traded (transaction prices), such as highest/lowest/most recently paid during the day, as well as the last quoted bid/ask prices and further information regarding traded volume in kronor is published, among other things, in most major daily newspapers, on text-TV and on various websites maintained by trading venues, investment firms and media companies. How current such price information is can vary depending on the manner in which it is published.

3.1.3 Different classes of shares

There are various classes of shares, commonly Class A and B shares which normally refer to voting rights. Class A shares normally entitle the holder to one vote while Class B shares entitle the holder to a restricted voting right, often one-tenth of a vote. The differences in voting rights are due to,

among other things, the fact that in conjunction with a diversification of ownership the original founders or owners of the company wish to maintain their influence in the company by being given stronger voting rights. Therefore, newly issued shares are accorded a lower voting value than the original Class A shares and are designated with the letters B, C or D, etc.

3.1.4 Quotient value of shares, share splits and consolidation of shares

A share's quotient value is the portion of the company's share capital that each share represents. A company's share capital is obtained by multiplying the total number of shares in the company by the quotient value of each share. Occasionally, companies wish to change the quotient value, e.g. because the price, i.e. the market price of the share, has risen significantly. By dividing up each share into two or more shares through a so-called share split, the quotient value is reduced and at the same time the price per share is reduced. However, after a share split, the shareholder's capital remains unchanged, but it is divided up into a greater number of shares each with a lower quotient value and a lower share price.

Conversely, a consolidation of shares (a reverse share split) can be carried out where the price has fallen significantly. In such case, two or more shares are merged into one share. However, after a consolidation of shares, the shareholder's capital remains unchanged, but it is divided up into a fewer number shares each with a higher quotient value and a higher share price.

3.1.5 IPOs, privatisation and company acquisitions

An initial public offering (IPO) entails that shares in a company are listed on the stock market, i.e. are admitted to trading on a regulated market or a multilateral trading facility (MTF). The public is then invited to subscribe for (purchase) shares in the company. Most often, an IPO is carried out by an existing company which has not previously been traded on a regulated market or other trading venue, and the owners have decided to expand the number of shareholders and facilitate trading in the company's shares. Where a state-owned company is listed on the market, this is called privatisation.

A company acquisition normally involves one or more investors making an offer to the shareholders of a company to sell their shares on certain terms and conditions. Where the buyer obtains 90% or more of the shares in the target company, the buyer can request compulsory purchase of the remaining shares from the shareholders who have not accepted the offer. These shareholders are then obliged to sell their shares to the buyer for a purchase price which is determined through an arbitration proceeding.

3.1.6 New share issues

Where a company wishes to expand its operations, additional share capital is often required. The company raises additional capital by issuing new shares. The existing shareholders often receive subscription rights entailing pre-emptive rights to subscribe for the new shares in a new share issue.

The number of shares that may be subscribed for is normally established in relation to the number of shares previously held by each shareholder. The subscriber must pay a certain price (the issue price), which is often lower than the market price, for the newly issued shares. Immediately after the subscription rights (which normally have a certain market value) are detached from the shares, the price of the shares normally declines but, at the same time, shareholders who have subscribed for shares have a larger

number of shares. During the subscription period, which often lasts for a few weeks, those shareholders who do not subscribe for shares may sell the subscription rights on the marketplace on which the shares are traded. Upon the expiry of the subscription period, the subscription rights lapse and thus become unexercisable and worthless.

A limited company can also carry out a directed rights issue (a kind of private placement), which is carried out as a new issue of shares but which is directed solely to a limited group of investors. The limited company can also carry out a non-cash issue of new shares in order to acquire other companies, business operations, or assets other than with cash. In both private placements and non-cash issues, the proportion of voting capital and share capital in the company held by an existing shareholder is diluted, but the number of shares held and the market value of the invested capital is normally not affected.

If the assets or the reserve funds in a limited company have greatly increased in value, the company can transfer part of the value to its share capital through what is referred to as a bonus issue. In a bonus issue, consideration is given to the number of shares already held by each shareholder. The number of new shares that inure through the bonus issue is established in proportion to the number of shares previously held by each shareholder. Through the bonus issue, the shareholder receives more shares but the proportion of the company's increased share capital held by the shareholder remains unchanged. The price of the shares declines in conjunction with a bonus issue but, through the increase in the number of shares, the shareholder retains an unchanged market value for his or her invested capital. Another method of carrying out a bonus issue is for the company to redenominate the quotient value of the shares. Following a redenomination, the number of shares held by a shareholder and the market value of his or her invested capital remains unchanged.

3.2 Generally regarding equity related instruments

Some instruments often closely connected to shares are: equity-linked notes, depositary receipts, convertible securities, equity options and equity index options, equity futures and equity index futures, warrants and leveraged certificates.

3.2.1 Index-linked notes/Equity-linked notes

Index-linked notes/equity-linked notes are bonds where the yield, instead of interest, is based on, e.g. a share index. Where the index performs well, so does the yield. In the event of a decline in the index, there may be no yield. However, on the maturity date the nominal value of the bond is always repaid, which may be lower than the invested amount, and therefore there is a limited risk of loss compared to e.g. shares and fund units. The risk associated with an investment in an equity-linked note can, in addition to any premium paid and cost, be defined as the alternative yield, i.e. the yield the investor would have received on the amount invested with an alternative investment. Index-linked notes can have different names, such as equity index-linked notes, SPAX, equity-linked notes, credit-linked notes, interest-rate linked notes, currency-linked notes, etc. depending on the type of underlying asset that determines the yield on the bond. Index-linked notes are usually referred to as capital-protected products. This concept is intended to describe, as stated above, that irrespective of whether or not the product yields a profit, the nominal amount is repaid, i.e. normally the same amount as the amount invested less any premium paid. It should be noted that the capital protection does not apply if the issuer is placed into bankruptcy or becomes the subject of

a company reorganisation with a statutory composition (reduction of the claim amount).

3.2.2 Depositary receipts

Depositary receipts are evidence of a right to foreign shares which the issuer of the receipt lodges in safekeeping/holds on behalf of the e holder. Depositary receipts are traded just like shares on a regulated market or trading venue and the price normally follows the price on the foreign trading venue on which the share is traded. In addition to the general risks associated with trading in shares or other types of participating interests, any currency risks should be considered.

3.2.3 Convertible securities

Convertible securities (convertible securities, convertible debentures or convertible bonds) are fixed income securities (loans to the issuer of the convertible security) which may be exchanged for shares within a certain period of time. The return on the convertible securities, i.e. the coupon rate, is normally higher than the dividend on the shares received in exchange. The price of the convertible security is expressed as a percentage of the nominal value of the convertible security.

3.2.4 Reverse convertible securities

Reverse convertible securities are a cross between a fixed income investment and an equity investment. The reverse convertible security is linked to one or more underlying equities or indexes. This investment yields interest, i.e. a fixed, guaranteed return. Where the underlying equities or indexes perform well, the amount invested is repaid plus the fixed return. However, where the underlying equities or indexes fall, there is a risk that, instead of the amount invested, in addition to a predetermined yield the holder may receive one or more equities included in the reverse convertible security or the equivalent amount in cash.

3.2.5 Equity options and equity index options

There are various types of equity options. Call options entitle the holder to buy (already issued) shares at a predetermined price within a specific period of time. Conversely, put options entitle the holder to sell shares at a predetermined price within a specific period of time. There is an issued option corresponding to each acquired option. The risk for the person who acquires an option is, unless measures are undertaken to limit the risks, that the option will decrease in value or become worthless on the expiry date. In the latter case, the premium paid when the option is purchased is lost in its entirety. The issuer of an option runs a risk which, in certain cases, unless measures are undertaken to limit the risks, may be unlimited in scope. The price of options is normally affected by the price of the underlying shares or indexes, but usually with greater price volatility and price influence than the latter.

The most extensive trading in equity options takes place on regulated markets. Trading also takes place on these markets in equity index options. These index options yield a profit or loss directly in cash (the cash settlement) based upon the changes in an underlying index. See section 5 regarding derivative instruments for further information.

3.2.6 Equity futures, equity index futures and futures

A future means that parties enter into a mutually enforceable agreement regarding the purchase and sale of the underlying asset at a predetermined price and with delivery or other completion event, e.g. cash settlement, of the agreement at an agreed time (the closing date). No premium is paid as

the parties have corresponding obligations under the agreement. See section 5 regarding derivative instruments for further information.

3.2.7 Warrants

There is also trading in certain call and put options with longer terms until expiration, which in Sweden are normally referred to as warrants. Warrants may be exercised in order to buy or sell underlying shares or, in other cases, provide cash settlement where the price of the underlying share performs well in relation to the warrant's exercise price. Subscription warrants may be exercised within a certain period to subscribe for corresponding newly issued shares. See section 5 regarding derivative instruments for further information.

3.2.8 Leveraged certificates

A leveraged certificate, which is often just called a certificate or in certain cases a note, is often a combination of e.g. a call and put option and is based on an underlying asset, such as a share, index or commodity. A certificate has no nominal amount. A leveraged certificate should not be confused with e.g. commercial paper, which is a type of debt instrument which can be issued by a company when it borrows money on the capital market (which latter instrument is often referred to in Swedish as *certifikat*).

A significant characteristic of a leveraged certificate is that relatively small changes in the price of the underlying asset can result in significant changes in the value of the holder's investment. These changes in value may be to the investor's benefit, but may also be to the investor's detriment. An investor should be particularly aware that a leveraged certificate may fall in value and also completely lose its value resulting in all or parts of the amount invested being lost. The same reasoning may also often apply to options and warrants. See section 5 regarding derivative instruments for further information.

4. FIXED INCOME INSTRUMENTS

A fixed income financial instrument is a claim against the issuer of a loan. The return is normally paid in the form of interest. There are various types of fixed income instruments depending on the issuer of the instrument, the security provided for the loan by the issuer, the term until the maturity date, and the form of payment of interest. The interest (the coupon) is normally paid annually.

Another form of interest payment is to sell the instrument at a discount (a discount bond). Upon sale, the price of the instrument is calculated by discounting the loan amount including calculated interest to current value. The current value, or the price, is lower than the amount received upon maturity (the nominal amount).

Certificates of deposit and treasury bills are examples of discount bonds, as are zero-coupon bonds. Yet another form of fixed income bond is the State's premium bonds, where the interest on the bond is distributed by lottery among the holders of premium bonds. There are also fixed income instruments and other types of savings where the interest is protected against inflation and the investment thus yields a fixed real rate of interest.

The risks associated with fixed income instruments are based on the fact that price changes (price risk) may occur during the term of the instrument due to changes in market interest rates, and that the issuer might be unable to repay the loan (credit risk). Therefore, bonds for which satisfactory security has been provided for redemption are typically less risky than unsecured bonds. However, in purely general terms, it can be

stated that the risk of loss associated with fixed income instruments is considered lower than for shares. A fixed income instrument issued by an issuer with a high credit rating may therefore be a good alternative for those who want to minimise the risk of the capital saved declining in value and may be preferable for short-term savings. Also for long-term savings where the capital is not to be jeopardised, e.g. for pension commitments, fixed income-related investments are common. The disadvantage of a fixed income investment is that it generally yields a low increase in value. Examples of fixed income investments include savings accounts, private bonds and fixed income funds.

The prices are determined regularly both for instruments with short terms until maturity (less than one year), e.g. treasury bills, and for instruments with longer terms until maturity, e.g. bonds. This takes place on the money market and the bond market. The market interest rates are affected by analyses and assessments conducted by the Central Bank of Sweden and other major institutions on the market regarding short-term and long-term trends with respect to a number of economic factors such as inflation, the state of the global economy, and interest rate changes in Sweden and in other countries. The Central Bank of Sweden also conducts monetary policy operations in order to control changes in market interest rates to ensure that inflation remains within an established target. The financial instruments traded on the money market and bond market (e.g. treasury bills, treasury bonds and bonds issued by home loan institutions) are often traded in large quantities (multi-million amounts).

Where market interest rates rise, the price of (already issued) fixed income financial instruments will fall if they provide a fixed rate of interest, since new bonds are being issued bearing rates of interest that follow current market rates of interest and thereby provide a higher rate of interest than the already issued instruments. Conversely, the price of already issued instruments increases when market interest rates decline.

Loans issued by the State and municipalities are deemed to be risk-free with respect to repayment, which thus applies to treasury bonds and municipal bonds. Issuers other than the State and municipalities may occasionally, in conjunction with the issuance of bonds, provide security in the form of other financial instruments or other assets (security in the form of property or tangible assets).

There are also other fixed income instruments associated with a higher risk than bonds if the issuer were to encounter difficulties in repaying the loan, e.g. subordinated debentures, since the loans are repaid only after all other creditors have received payment. Contingent convertibles, referred to as 'cocos', represent another type of complex product carrying risks that can be very difficult to explain. Essentially, the bonds may be written down upon the occurrence of certain predetermined events, i.e. lose all or part of their value, or be converted into shares.

One type of fixed income-related instrument is covered bonds. These are associated with a specific priority right according to special legislation. The regulations concerning covered bonds aim at ensuring that an investor will receive payment in full according to the agreed term even where the issuer of the bond is declared bankrupt, provided that the assets which secure the bond are of a sufficient value.

5. DERIVATIVE INSTRUMENTS

Derivative instruments, such as options, futures, etc. arise with various types of underlying assets, e.g. shares, bonds, commodities, and currencies.

Derivative instruments may be utilised in order to reduce the risks associated with an investment.

The price of a derivative instrument depends on the price of the underlying instrument. A particular characteristic is that the changes in price of the derivative instrument are often much stronger than changes in price of the underlying asset. The price effect is therefore called the leverage effect and may result in a larger profit on the invested capital than if the investment had been made directly in the underlying asset.

Conversely, the leverage effect may equally result in a greater loss on the derivative instrument compared to the change in value of the underlying asset where the price of the underlying asset is different than expected. The leverage effect, i.e. the opportunity for a profit and the risk of a loss, varies depending on the design of the derivative instrument and how it is used. Stringent requirements are therefore imposed on the monitoring of prices of derivative instruments and the underlying assets. In their own interest, investors should be prepared to act quickly, often during the day, in case their investment in the derivative instrument performs in a negative way. It is also important to consider, when making a risk assessment, that the opportunity to dispose of a holding can be more difficult where the price falls.

For further information regarding derivative instruments, see the section entitled INFORMATION REGARDING TRADING IN OPTIONS, FUTURES AND OTHER DERIVATIVE INSTRUMENTS in the master agreement concerning currency and other OTC derivative contracts (does not relate to share-related underlying assets).

6. FUNDS AND FUND UNITS

A fund is a "portfolio" of various types of financial instruments, e.g. shares and bonds. The fund is owned jointly by all those saving in the fund (the unit holders), and is managed by a fund management company. There are various types of funds with various investment strategies. Investment strategy means the type of financial instruments in which the fund invests. A brief summary is set out below of some of the most common types of funds.

For further information, see the Swedish Consumers' Bank and Finance Bureau's website, www.konsumenternas.se, and the Swedish Investment Fund Association's website, www.fondbolagen.se.

An equity fund invests all or most of the capital paid in by the unit holders in equities. There are also mixed funds that invest in both equities and fixed income instruments, and pure fixed income funds where the capital is mainly invested in fixed income instruments. There are also, for example, tracker funds which are not actively managed by a fund manager. Instead, investments are made in financial instruments which track the performance of a certain specified index.

One of the ideas underlying an equity fund is that it invests in several different shares and other equity-related financial instruments, which means that the company-specific risk for the unit holders is reduced compared with the risk faced by shareholders who invest in only one or a few different shares. In addition, the fund's unit holders do not have to deal with selecting, buying, selling and monitoring the shares and other related management work.

The principles behind fixed income funds are the same as for equity funds: investments are made in different fixed income instruments in order to

spread the risk in the fund, and the fund is managed based on an analysis of future interest rate predictions.

A fund of funds is a fund which invests in other funds. A fund of funds can be seen as an alternative to investing in several different funds yourself. With such an investment, you can spread the risk in the same way as a well-considered personal fund portfolio. There are funds of funds with various investment strategies and risk levels.

Other examples of funds include tracker funds that are not actively managed by any manager but which, instead, invest in financial instruments that track the composition of a certain specified index.

Another type of fund is a hedge fund. To hedge means to protect against. Even though hedging is meant to protect against unexpected changes in the market, a hedge fund can be associated with a high risk as such funds are often heavily leveraged. However, there are major differences between hedge funds. There are also hedge funds with low risk. Hedge funds try to yield a return regardless of whether the stock market or bond market goes up or down. A hedge fund is often a non-UCITS fund and thereby has much greater freedom in its choice of investments than traditional funds (UCITS funds). The investment strategy can be anything from shares, currencies and fixed income instruments to different types of arbitrage strategies (speculation on the changes in e.g. interest rates and/or currencies). Hedge funds often use derivative instruments in order to increase or decrease the fund's risk. Short selling (see below) is also often common.

Funds can also be divided into UCITS (Undertakings for Collective Investments in Transferable Securities) and non-UCITS funds. UCITS funds are funds which meet the so-called UCITS Directive's requirements, including the investment rules and spreading of risk. Swedish and foreign UCITS funds (which are licensed in their home country within the EEA), may be sold and marketed freely in all EEA countries. Non-UCITS funds (including called hedge funds see above) comply with the AIFM (Alternative Investment Fund Managers) Directive. Such funds deviate in some manner from the rules in the UCITS Directive and it is therefore particularly important for you, as a client, to find out which investment rules apply to a non-UCITS fund in which you intend to invest. This will be stated in the fund's prospectus and key investor information document. Each fund management company is obliged to provide each potential investor with a key investor information document regarding the fund. Non-UCITS funds may not be marketed or sold freely outside of Sweden to retail clients. An investment made in funds can rise or fall in value and you are not guaranteed to get back the full amount of the capital you invested. With respect to funds which invest in foreign financial instruments, there is also a currency risk (see section 2.2 above).

Unit holders receive the number of units in the fund which correspond to their share of invested capital in relation to the fund's total capital. The units can be purchased and redeemed through investment firms which market units in funds or directly with the fund management company.

However, it is important to note that certain funds have a predetermined period in which the fund is "open" for subscription and redemption, resulting in regular trading not always being possible. The unit's current value is regularly calculated by the fund management company and is based on the prices of the financial instruments included in the fund. The capital that is invested in a fund may increase or decrease in value and,

therefore, it is not certain that the investor will get back the entire sum invested.

7. SHORT-SELLING

Short selling means that the party who has borrowed financial instruments, and simultaneously undertaken to return the same type of instruments to the lender at a later date, sells the borrowed instruments. In making the sale, the borrower counts on being able, on the date for return of the instruments, to acquire the instruments on the market at a lower price than the price at which the borrowed instruments were sold. Where, instead, the price has increased, a loss is incurred, which can be substantial if the price has increased

8. BORROWING

In many cases, financial instruments may be purchased for partly borrowed capital. Due to the fact that your own capital as well as the borrowed capital affects the yield, as a client you can, through loan financing, obtain a higher profit where the investment performs well compared to an investment financed only with your own capital. The debt which is linked to the borrowed capital is not affected if the price of the purchased instrument increases or decreases, which is an advantage if the prices rises. Where the prices of purchased instruments fall, an equivalent disadvantage arises as the debt remains at 100 per cent, which means that the decrease, krona for krona, consumes your own capital. Therefore, upon a fall in price, your own capital may wholly or in part be lost while the debt must be paid in whole or in part by the income from the sale of the financial instruments which have fallen in value. The debt must be paid even where the income from the sale does not cover the entire debt.

Additional general information about different types of financial instruments and trading in financial instruments, as well as suggestions for additional literature in the area, are available e.g. on the website of the Swedish Consumers' Banking and Finance Bureau, www.konsumenternas.se, and on SwedSec's website, www.swedsec.se.