



Sjötte AP-fonden

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The Sixth Swedish National Pension Fund Annual Report 2006

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The Sixth AP Fund's mission

The Sixth Swedish National Pension Fund (the Sixth AP Fund) manages public pension funds in order to create high long-term returns and maintain satisfactory risk diversification by investing in small and medium-sized Swedish growth companies, thus contributing to the development of Swedish industry.

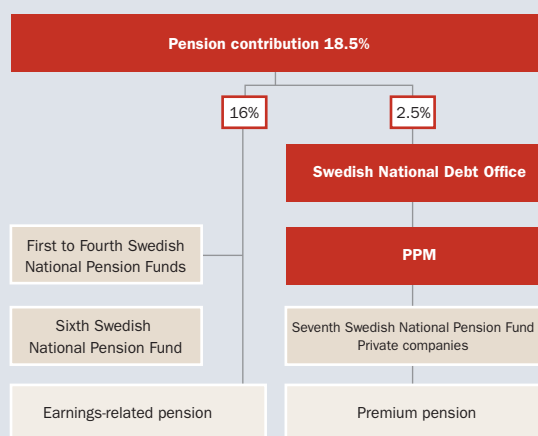
The Sixth AP Fund is an independent owner that invests in a selection of private equity funds and directly owns shares in a number of small and medium-sized unlisted companies.

The role of the Sixth AP Fund in the pension system

The earnings-related pensions of people in Sweden are managed by the five buffer funds – the First to Fourth Swedish National Pension Funds and the Sixth AP Fund.

For each of the five buffer funds, the goal is to ensure that their funds are invested in a manner that meets the demands for high long-term returns and satisfactory risk diversification.

The role of the Sixth AP Fund in the Swedish pension system is to create returns by investing long-term growth capital in unlisted small and medium-sized Swedish companies.



The basic principle for the income pension system is that pension payments made to today's pensioners are financed by continuous contributions (corresponding to 16 per cent of salary) from today's salary earners.

The year in brief

Total return 16.1%

The Sixth AP Fund reported a total return before costs of 16.1 per cent for 2006 (11.0%).

Profit SEK 2,064 million

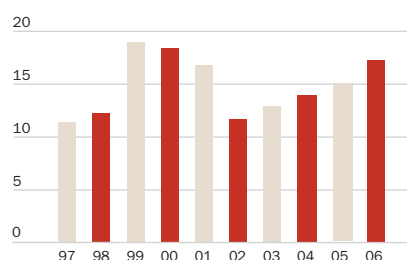
The Sixth AP Fund's profit for 2006 was SEK 2,064 million (1,241m). The return, calculated after costs, was 13.8 per cent (8.9%).

Fund capital SEK 17.2 billion

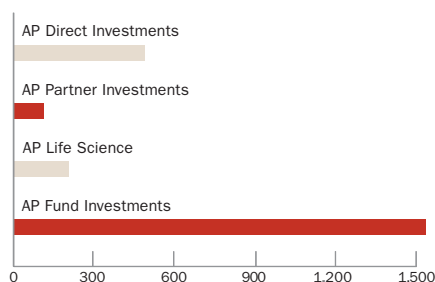
The Sixth AP Fund's fund capital at the year-end amounted to SEK 17.2 billion (15.1bn).

- The value of the fund capital increased by SEK 2.1 billion during the year.
- Since the Sixth AP Fund's inception in 1996, the value of the fund capital has risen by SEK 6.8 billion.

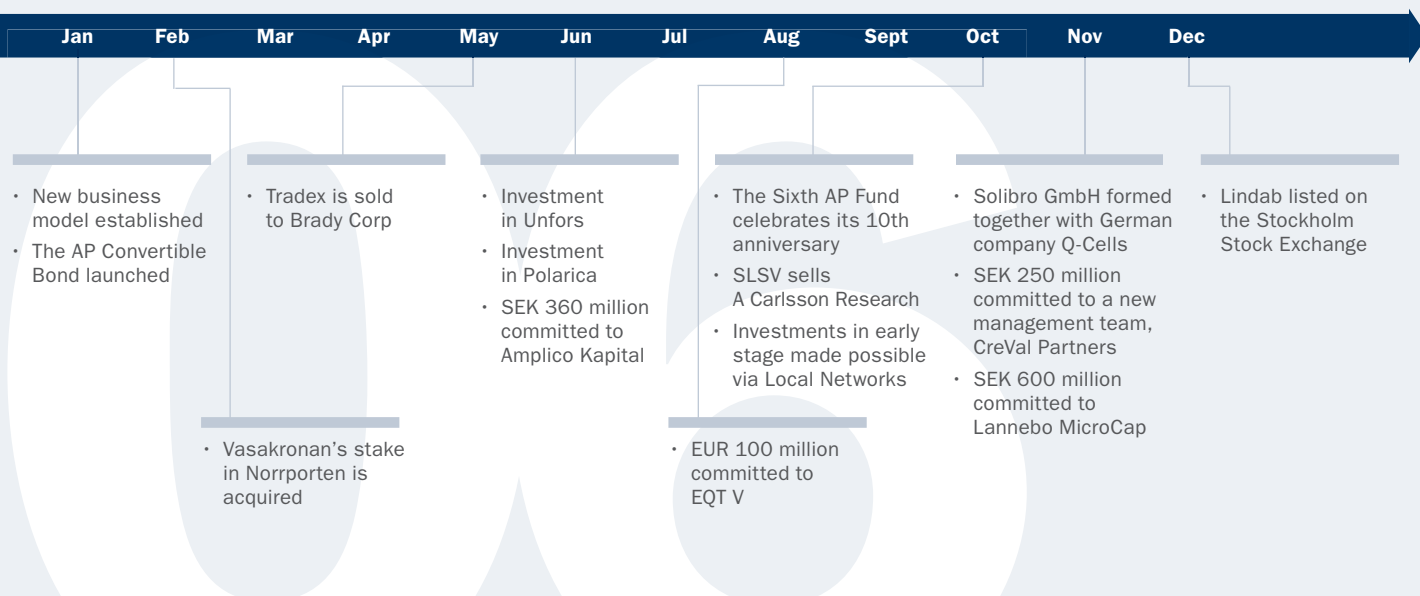
Fund capital growth, SEK bn



Profit before costs in 2006, SEKm



Key events during the year



Strong performance on a rising market

The profit reported by the Private Equity operation was the best since the inception of the Sixth AP Fund in 1996. Many of our portfolio companies met their business targets during the year and several of them were sold. With a business model that has been finely tuned to accommodate different types of investment, we are now ready to undertake greater commitments. By maintaining a tight control we can increase the risk and thus improve the opportunities for higher returns.

As we approached 2006, we were convinced that we would be able to continue delivering good results. The progress reported by our portfolio coupled with favourable market prospects instilled in us an optimism that proved to be justified. For 2006, the Sixth AP Fund reported a profit after costs of SEK 2,064 million (1,241m), which corresponds to a net return of 13.8 per cent (8.9%). This exceeds the target of 7.2 per cent (6.1%) set by the Board.

For the Private Equity operation, the profit after management costs was the best ever reported by the Sixth AP Fund since its inception in 1996, SEK 1,296 million (755m). This corresponds to a return of 13.4 per cent (8.6%) which also exceeds the target. The profit is attributable to changes in the value of portfolio companies and to profits realised from the sale of companies.

Our balance sheet is characterised by cautious valuations. Companies are valued according to EVCA's principles, even if we estimate that their value at the time of a future exit could be significantly higher.

Our fund capital at the year-end totalled SEK 17.2 billion. Investments in unlisted companies correspond to 55.3 per cent of the fund capital.

Very active buyout segment

The trend of strong performance in the buyout segment continued in 2006, with both market activity and portfolio activity reaching record highs. Contributory factors were strong economic growth, both in Sweden and abroad, coupled with low interest rates and an ever improving market for exits.

Many of the Sixth AP Fund's portfolio companies, both those in funds and direct investments, met their business targets during the year and some were sold off. The payback of capital from our funds and direct investments totalled SEK 4,197 million in 2006. The largest single payback occurred in connec-

tion with the listing in December of the directly owned building supplier Lindab.

It takes about five years to develop companies in the buyout segment. We were careful with our investment and commitment of capital during 2002–2003 because of the assessment of the market at that time. In light of this, we can expect to see lower levels of activity and profitability in the buyout portfolio over the next few years.

Brighter outlook for venture segment

It takes approximately twice as long to develop companies in the venture segment as it does to develop companies in buyout. For this reason, the Sixth AP Fund's portfolio, which started to be put together around the turn of the millennium, has a couple of years to go before it reaches maturity and the majority of holdings can be sold off.

There have been some bright spots for the segment. Several exits were completed and some of the funds reported profitability. However, we chose to reduce the value of our investments in several venture funds in 2006 as well. We are now focusing our strategy on fewer funds with a clear potential.

To create returns requires a long-term holding in the portfolio companies. It is doubtful whether those fund structures currently available in the market are always optimum for the segment. There is still a need for a secondaries market for fund units and more annex funds.

Finely tuned business model

Our business model clarifies our offerings to the market and highlights our skills. It enables us to follow companies from the early stage through to the mature stage. We have the resources to engage in direct ownership and to invest in those funds that fulfil our criteria.



“Our long-term and closely knit commitment with the companies has given us credibility in the market.”

Investments are made through the four business areas: AP Direct Investments, AP Partner Investments, AP Life Science and AP Fund Investments. Parallel to the investment activities of our business areas, we are active in the early stage through our Local Networks. With the AP Convertible Bond, we are able to offer a more long-term solution to acquisition financing.

Nowadays, many company owners are aware of the alternative forms of ownership available and often have specific demands. The Sixth AP Fund's business model means that we can satisfy these demands while also being able to consistently offer a long-term perspective to our undertakings.

Networks create credibility

Since 2002, the Sixth AP Fund has been visiting a number of Sweden's regions to meet entrepreneurs and various advisors who are able and willing to influence local business development in their region. The contacts made during these roadshows have resulted in Local Networks and have provided us with a platform for creating lasting credibility in the market.

The initiative is an important part of day-to-day business, leading to deals and business partners. The Sixth AP Fund's investment in Polarica AB is the result of the network in the Norrbotten region in the north of Sweden. Through its Local Networks, the Sixth AP Fund has also made contact with companies that have been offered financing in the form of the AP Convertible Bond.

Key events

The listing of Lindab in December marked the end of a successful and eventful year with a number of important milestones. The sale of A Carlsson Research AB, in which the Sixth AP Fund has been involved since 1999, to Danish company

NeuroSearch A/S, was a significant and profitable exit for the AP Life Science business area.

Solibro AB, one of the companies in the AP Partner Investments business area, set up a joint venture with German company Q-Cells AG, one of the world's largest solar cell companies, to develop and manufacture solar cells based on Solibro's unique environment-friendly technology.

During the year we integrated Mixed Equity into the AP Fund Investments business area and built up a portfolio comprising both small listed companies and unlisted holdings. This portfolio has a higher liquidity than those in venture and buyout. We have also set up the AP Convertible Bond as an attractive form of acquisition financing for small and medium-sized businesses that are preparing for a handover to a new generation of owners.

Ready for greater commitments

Over the years we have built up a successful methodology for working with companies at different stages of development. Our long-term and closely knit commitment with the companies has given us credibility in the market.

The portfolio of the Sixth AP Fund is today a portfolio with a balanced risk, but one which still shows traces of the cautious investment strategy we adopted at the beginning of the decade. The platform provided by our business model, a well-developed business structure, committed employees and an efficient network means that we are now well equipped to undertake greater commitments with a higher risk and to cope with the eventuality of a declining market in the future.

Gothenburg, 22 February 2007

Erling Gustafsson

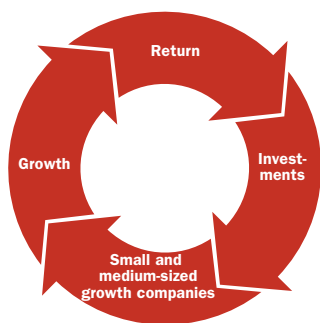
Mission, goals and strategy

A requirement common to all the Sixth AP Fund's strategies is that every undertaking in a portfolio company should have a clearly defined owner directive with set objectives. The owner directive outlines the basis of the commission issued by the owners to the company's Board.

Goals

The annual return on the total fund capital over five years shall correspond to the risk-free interest rate plus a risk premium of 4.5 per cent.

The Sixth AP Fund's short-term goal is formulated as an absolute return target and is set each year by the Board. The goal is calculated once the Board has determined the allocation of the Sixth AP Fund's capital. Each asset class is allocated a risk premium which is then added to the applicable repo rate. The portfolio's various return targets are then appraised to arrive at an overall return target for the Sixth AP Fund. The return target for the 2006 financial year was 7.2 per cent.



Mission

The Sixth AP Fund manages public pension funds in order to create high long-term returns and maintain satisfactory risk diversification by investing in small and medium-sized Swedish growth companies, thus contributing to the development of Swedish industry.

Core values

The Sixth AP Fund has played an active part in the Swedish private equity market since 1996. In view of its mission and taking into consideration the Sixth AP Fund's role in the private equity market, the Fund has established the following core values:

The Sixth AP Fund is aware that it is dealing with public pension funds and stands for high ethical standards and is actively committed to environmental awareness.

The Sixth AP Fund creates value

- contributes to profitable expansion in growth companies
- is an active and committed owner with clearly defined return targets
- is capable of turning away from bad deals.

The Sixth AP Fund is professional

- develops and systematises skills
- sets ambitious targets and assumes responsibility for reaching them
- works with personal commitment.

The Sixth AP Fund takes a long-term approach

- understands those companies and funds in which it invests
- puts the company's development ahead of personal gain.



Magnus Dahlgren and Cecilia Gross Friberger, Sixth AP Fund, in conference with Per Rinder (in the foreground), Sixth AP Fund.

Allocation of the Sixth AP Fund's capital

The role of the Sixth AP Fund is to be an active and committed owner and investor in the Swedish private equity market.

- The Sixth AP Fund strives for optimum allocation in the investment portfolio, taking into consideration returns, risk, segment and vintage year.
- The Sixth AP Fund invests in funds and investment companies with experienced management teams who invest in small and medium-sized Swedish and Nordic businesses in venture capital, buyout and mixed equity.
- The Sixth AP Fund invests in unlisted small and medium-sized Swedish companies through direct investments and joint investments with business partners.

The Sixth AP Fund's market strategy

The Sixth AP Fund's mission demands a thorough market analysis and clearly defined investment models.

The field of private equity investment for small and medium-sized businesses comprises four distinct market segments.

Early stage

For the Sixth AP Fund, the early stage refers to the seed and start-up stages in venture capital. The seed stage includes a non-commercial element in which investments motivated primarily by economic policy factors are made, e.g. in basic research or in companies that are in need of different forms of financial contribution. The seed stage also includes a more developed market segment that allows for the commercialisation of research results, business concepts and products.

The Sixth AP Fund is of the view that the investments in the non-commercial segment are associated with an unacceptably high risk for the Sixth AP Fund. However, the Sixth AP Fund does consider it appropriate to make investments on a smaller scale in businesses in the close-to-market segment in the early stage of development.

Venture capital

In the venture capital segment, investors focus on developing businesses in the seed, start-up and expansion stages. The development of the companies demands significant changes and an initial national or Nordic restructuring process.

The capital invested in this segment comes from private individuals and numerous institutional investors, both Swedish and international.

Investments are made mainly through private equity funds. They are handled by management teams who work in close co-operation with the management of the portfolio companies.

In venture, the business logic differs from sector to sector. In technology, the focus is often on companies that are keen to take a leap forward through technological development or mergers and acquisitions. In pharmaceuticals and medical technology, the investments tend to be in the development of products rather than companies. In the more traditional manufacturing and service sectors, the focus tends to be more on thorough and long-term initiatives aimed at developing the company.

The Sixth AP Fund is of the view that investments in venture capital involve significant risk, but can yield high returns. ►

Investments in venture capital take a long time to develop and require significant input in the form of capital and ownership skills. It is therefore important that investors take a long-term approach and have staying power to be able to create good returns.

Buyout

This segment includes investments in portfolio companies in the mature stage. The companies should have an established market position and a positive cash flow. Parties involved in buyout develop the companies by helping them grow in new and existing markets at the same time as measures are taken to improve the business. This approach helps create larger, more profitable companies.

Buyout is one of the market segments that in recent years has attracted considerable capital. Most of this capital has come from international institutional investors.

In the Nordic region, the buyout market segment has generated a high average return.

The Sixth AP Fund is of the view that the portfolio company risk in the segment is low, whilst the financial risk is relatively high as the portfolio companies are often leveraged. The assessment is that buyout can deliver high and steady returns over time.

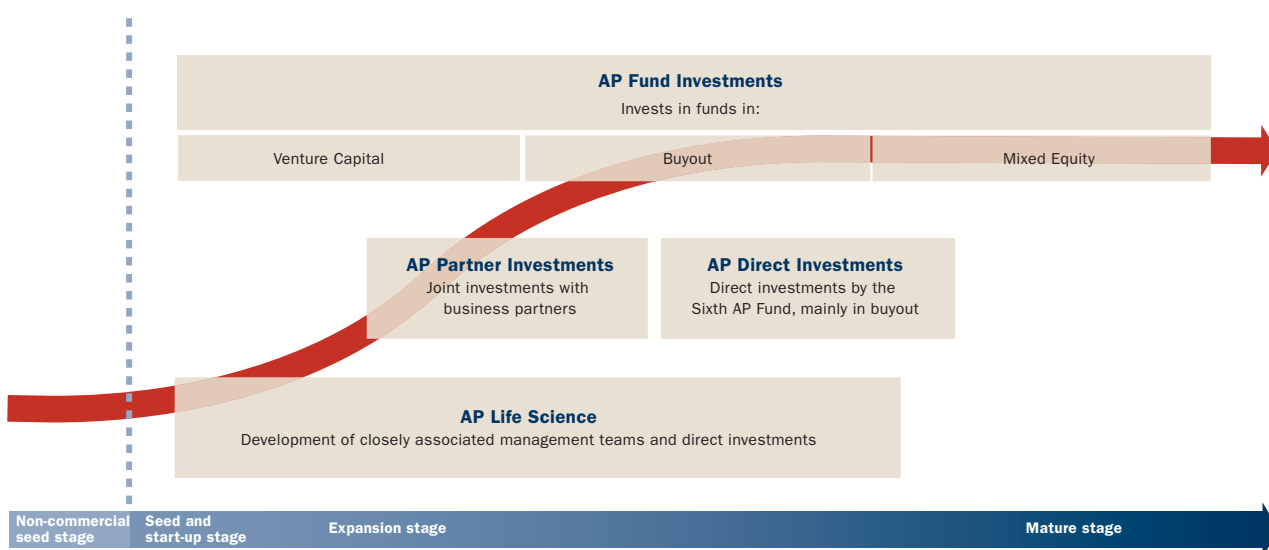
Mixed equity

Alongside the traditional segments, a new market segment has made an appearance, which the Sixth AP Fund has chosen to call mixed equity. The mixed equity market segment consists of both listed and unlisted holdings and is thus active in both the listed market and the private equity market.

The Sixth AP Fund has identified the following types of player in the segment, among others:

- Listed investment companies, which assume an active ownership role in their portfolio companies. These portfolio companies may be listed or unlisted companies.
- Equity funds, which invest mainly in listed holdings. As part of an increasingly common trend, some fund managers have focused on acquiring larger stakes in companies and combined this with a more active ownership role.

Business model and a description of the various stages of investment



The Sixth AP Fund’s business model has been designed to ensure the efficient implementation of the Sixth AP Fund’s market and investment strategy. The business has been organised into four business areas, as

described above. Each business area has a clearly defined investment strategy. A company’s development can be illustrated by an S-curve, which provides a schematic view of how companies grow over time.

The Sixth AP Fund is of the view that mixed equity offers a higher degree of liquidity than that seen in venture capital and buyout as well as opportunities to create high returns.

Three investment strategies

The Sixth AP Fund pursues three main strategies: fund investments, development of closely associated management teams in life science and making direct investments through its own management teams or joint investments with business partners.

These investment strategies each place distinct demands on behaviour towards other investors, management teams and portfolio companies. A requirement common to all these strategies is that every undertaking in a portfolio company should have a clearly defined owner directive with set objectives. The owner directive outlines the basis of the commission issued by the owners to the company's Board.

Fund investments

The Sixth AP Fund invests in funds and investment companies with professional management teams in the venture capital, buyout and mixed equity segments.

The Sixth AP Fund

- chooses experienced managers who are judged to be capable of generating sustained high returns
- acts as an active investor when evaluating, monitoring and controlling the funds
- considers each fund on its own merits when determining an appropriate degree of influence and participation in the decision-making process
- seeks to strike a balance between investors and management teams in its distribution of returns.

Development of closely associated management teams in life science

The Sixth AP Fund participates in the development of private equity funds in the venture segment, with an emphasis on pharmaceuticals, biotechnology and medical technology.

The Sixth AP Fund

- plays an active role in the development of management teams and portfolio companies
- invests in private equity funds in the fields of pharmaceuticals, biotechnology and medical technology, areas in which the Sixth AP Fund can contribute with specialist knowledge.
- seeks to strike a reasonable and appropriate balance of influence and returns between investors and management teams.

Direct investments by the Sixth AP Fund

The Sixth AP Fund makes direct investments in small and medium-sized unlisted companies in the venture and buyout segments. These investments are made through its own direct investments or through joint investments with business partners.

The Sixth AP Fund

- is very active in the development of portfolio companies, primarily through owner directives, board participation and by acting as an advisor to company management teams
- makes the most of a strong brand and the ready availability of expertise
- is capable of considerable staying power as a fund not restricted by time
- safeguards low management costs.

Investments which the Sixth AP Fund eschews

In view of its mission and market analysis, the Sixth AP Fund has chosen not to invest in the non-commercial, very early stage. However, the Sixth AP Fund is evaluating alternative models for investing in the close-to-market segment in the early stage. These models are based on the assessments made by and advice given to the entrepreneur rather than on the examination of a business model or idea.

How does the Sixth AP Fund invest?

The Sixth AP Fund operates as an investor partly by direct investments in unlisted companies and partly as an investor in private equity funds. Investments are made through the four business areas AP Direct Investments, AP Partner Investments, AP Life Science and AP Fund Investments. Alongside these forms of investment, a long-term financing alternative exists since 2006, namely the AP Convertible Bond, which is part of the fixed income management operation of the Sixth AP Fund's Treasury. The following section provides an overview of the investment process for the different areas.

	AP Direct Investments Team: Urmas Kruusval, Håkan Bohlin, Christina Brinck, Per Lindahl	AP Partner Investments Team: Mats Augurell, Annika Ahl Åkesson
How does the Sixth AP Fund come into contact with potential targets for investment?	Business opportunities are generated by our own analyses and via a broad network.	Most contacts are made through the Sixth AP Fund's own network. The business partner tends to be the one to present an investment proposal.
Which investments are of interest?	AP Direct Investments has adopted an independent investment perspective with no particular industry focus, although there is an emphasis on four areas: automotive, retail, energy and property. Investments are made in mature and established companies which have a strong market position, predictable cash flows and good growth potential and which are preparing for a new stage in their development, or which operate in an industry that is in need of restructuring.	Investments are always made together with a business partner. The investment focus is on companies in the expansion stage with a turnover of SEK 10–300 million. Investments are made independent of industry in companies that need to renew their business model in order to grow. The companies should have a neutral cash flow and have overcome any technology risk.
How is a new investment assessed?	Various criteria in the following areas are taken into consideration: <ul style="list-style-type: none"> • the nature of the industry and the development opportunities it offers • the company's position and status in its industry • the ownership structure and management • what the Sixth AP Fund can offer the company. 	Business partners and companies are regarded as a unit. The first stage is to assess the business model and the partner's ability to reach the deal's targets. The next stage is negotiation and a due diligence of the company.
How is active ownership exercised?	An owner directive set by the owners forms the basis for an investment. Active ownership is exercised above all through board representation. Depending on the company's requirements in terms of skills, the board may be strengthened with directors from outside the company. The owner's representative takes part in the work of the board and monitors the company closely.	The prerequisites for active governance are created by drafting an owner directive and reporting requirements. Through active participation in the work of the board, the business partner should develop the company on the basis of a mutually agreed owner directive and through personal investment in the company.

The Sixth AP Fund handles several hundred investment opportunities every year. For more information, the relevant business area can be contacted directly. For questions of a more general nature regarding the Sixth AP Fund's investment process and questions regarding investments in the early stages, please contact Susanne Olofsson, Local Network Co-ordinator.

AP Life Science Team: Lars Ingelmark, Carina Langeland	AP Fund Investments Team: Per Rinder, Magnus Dahlgren, Cecilia Gross Friberger, Alexandra Nilsson, Karin Osslind	The AP Convertible Bond Team: Stefan Holmgren, Fabian Dahl
<p>Dialogues are constantly ongoing with universities, other academic institutions and market players and these generate numerous investment opportunities. Further, the industry is continuously undergoing thorough analysis.</p>	<p>The emphasis is on investing in new funds established by management teams that the Sixth AP Fund is already co-operating with. New teams can be added on a selective basis.</p>	<p>The product is being marketed primarily through contacts with banks, audit firms and law firms all over the country.</p>
<p>AP Life Science covers the pharmaceuticals, biotechnology and medical technology sectors. The size, stage of development and financial position of the companies can vary.</p>	<p>Investments are made in funds and investment companies with a focus on businesses in the start-up, expansion, mature and listed stages. AP Fund Investments also makes co-investments with the management teams.</p>	<p>The AP Convertible Bond has been designed for companies seeking a complement to bank financing to help cope with situations such as transferring the business to a future generation of owners. The product is aimed at mature companies with a steady turnover and positive cash flows. The Sixth AP Fund does not handle investments of less than SEK 10 million and anticipates that new owners are able to provide a capital base corresponding to at least 25 per cent of equity.</p>
<p>If, after an initial meeting with the company or fund, the parties are still interested, a thorough analysis is carried out of the company's/fund's business case, market position, ownership structure and management. This is followed by more in-depth discussions and further analyses before negotiations begin.</p>	<p>AP Fund Investments is looking for skilled and experienced management teams who are judged to be capable of generating sustained high returns. When evaluating new investments, particular emphasis is placed on the following areas:</p> <ul style="list-style-type: none"> • investment strategy • internal processes • management team • historical returns. • fund terms 	<p>The evaluation process, which among other things includes due diligence carried out by a third party, examines the growth potential of the company and its ability to generate the future cash flows required to manage its acquisition financing.</p>
<p>The Sixth AP Fund shall have board representation in funds in which it holds a large stake and in directly owned companies. In other funds, the Sixth AP Fund may have a representative on the investment or follow-up committee.</p>	<p>The Sixth AP Fund acts as an active investor when evaluating and monitoring the funds. AP Fund Investments considers each fund on its own merits when specifying requirements and determining an appropriate degree of influence.</p>	<p>All convertible instruments are managed by the Sixth AP Fund's Treasury. The Sixth AP Fund shall be entitled to appoint one full board member and one deputy to the company's board.</p>

The private equity market

The buyout segment in Sweden grew further in 2006, due to a high level of capital commitment and the favourable climate for investments and exits. The level of annual committed capital for buyout investments also increased sharply in Europe. The conditions for positive growth in the Swedish venture market continue to improve and there are clear signs of an increase in annual committed capital.

Sweden a major force in private equity

The size of the private equity market is usually measured in terms of total committed capital. In Sweden, total committed capital amounted to around SEK 290 billion in September 2006. This corresponds to around 10 per cent of the value of the Stockholm Stock Exchange and to just under one-sixth of total committed capital to private equity in Europe. The investment capacity of private equity market players is higher than the amount of capital committed, particularly in the buyout segment, where the possibility of leveraging exists. Measured as a percentage of GDP, the only country in Europe with a higher level of private equity investment than Sweden is the UK. In the Nordic region, Sweden is by far the largest market.

Sharp increase in committed capital

The European private equity market should now be regarded as an established market. Following a decline in 2002 and a couple of years to return to stability, annual committed capital in Europe rose by 157 per cent in 2005. This development can

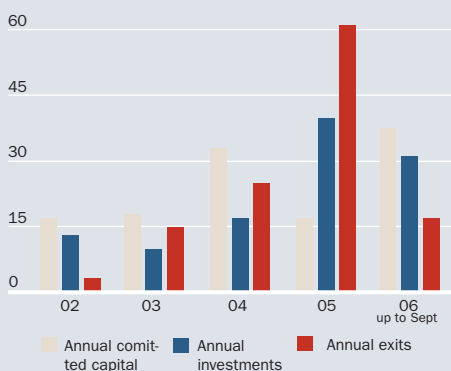
be attributed to the establishment of a number of large buyout funds in the European market. New committed capital remained at a high level in Europe throughout 2006.

In Sweden, annual committed capital declined in 2005 at the same time as investments and exits rose drastically. Annual committed capital in the Swedish market can fluctuate considerably since only a few teams operate in the larger buyout segment. During the first three quarters of 2006, committed capital has once again risen in connection with the setting up of new major buyout funds.

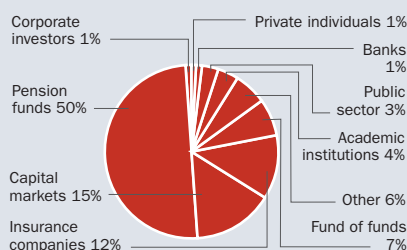
Capital contributions from many types of investor

Most of the private equity market players in Sweden are structured in funds in which mainly institutional investors such as pension funds, insurance companies and banks invest. There are also listed private equity companies such as Ratos and companies which are owned and financed by major industrial companies. The diagram below illustrates how new capital committed in Sweden was distributed during the third quarter

Market growth, Sweden, SEK bn



Capital committed in Sweden in Q3, 2006, by type of investor



IRR*, for private equity funds as at 30 June 2006 (%)

Recording period	1 year	3 years	5 years	10 years
Europe				
Buyout	22.6	10.1	5.7	13.5
Venture	8.9	6.2	-1.2	7.3
USA				
Buyout	27.3	16.3	6.6	8.9
Venture	16.2	9.0	-3.5	20.8

* IRR = Internal rate of return

of 2006 by type of investors. Pension funds are the largest source of capital. Pension capital and insurance capital together with fund of funds account for just over two-thirds of the capital in the Swedish private equity market.

High rate of investment and exits

In Sweden, just over half the total committed capital has been invested, around SEK 150 billion. Buyout investments account for around two-thirds of the capital invested, while venture accounts for the remaining third. In 2005, investments of around SEK 40 billion were made in the Swedish private equity market, which is more than twice as much as in 2004. Buyout investments accounted for around 90 per cent of this capital. In 2006, the rate of investment in Sweden has been on a par with that in 2005. Up to and including the third quarter of 2006, around SEK 31 billion had been invested.

In Sweden, some 230 companies were sold off in 2005 for an overall deal value of around SEK 61 billion. This was the highest value ever and the result of rising values and a buoyant economy. In the first three quarters of 2006, 116 companies were sold off for an overall deal value of around SEK 17 billion. The number of exits and the average deal value have both declined compared to 2005.

High level of activity in buyout

Over the past two years, there has been a sharp increase in the level of activity in the buyout segment. After a year with many major and profitable exits, management teams started 2006 with the aim of raising new capital for new funds. Although the new funds that were set up in 2006 were considerably larger than in the past, the raising of funds went much quicker than expected. The access to capital throughout Europe is considerable, due in part to the large influx of capital from US pension funds.

At the end of the year, EQT closed its latest fund, EQT V, having raised EUR 4.25 billion in committed capital. Nordic investors accounted for a quarter of this capital and a similar amount came from US investors, while the UK and the rest of Europe provided around 30 per cent. Earlier in the year, Nordic Capital raised EUR 1.9 billion for its Nordic Capital VI fund.

The competition for investment targets is severe and the scope for leverage can be regarded as good. At the same time, factors such as a strong stock market and buoyant economy have contributed to a continued favourable climate for exits.

Venture awakens

The Swedish and Nordic venture market is still young and needs time to develop into an established market that is capable of creating high returns over a sustained period of time. In 2006, the market for exits has continued to improve. Companies with clear potential are often bought up at an early stage by foreign investors and foreign funds have invested in several Swedish know-how companies close to a breakthrough. The ever improving climate for IPOs has also improved exit opportunities. Annual committed capital to venture amounted to no more than around SEK 1 billion in 2005, but has risen in 2006. Investors want to see more profitable exits before they increase their exposure in the segment. The Swedish venture market is still suffering from the large number of funds set up at the turn of the millennium, which in most cases have generated weak returns. The trend elsewhere in Europe indicates a growing interest in investments in venture. The prerequisites for positive growth in the segment also exist in Sweden, as the more experienced management teams start to divest portfolio companies with good returns.

Returns in private equity funds

The statistics for the returns of private equity funds are based on voluntary reporting. The reliability of the figures will improve as the asset class matures, but there is still a need for overall statistics on returns for the Swedish market. The most common measure of return is the annual net return measured as the IRR (internal rate of return). Industry statistics are often presented as IRR for different periods of time.

The table on the previous page shows the annual average IRR for private equity funds in the USA and Europe as at 30 June 2006, which is the latest available information for both markets.

In the USA, venture has produced better returns than buyout over a ten-year period. Looking at the past five years, however, buyout has generated higher returns than venture in the USA. In Europe, the buyout segment has generated better returns regardless of the recording period. If Europe is to follow the more developed US private equity market, investments in venture will generate increasingly higher returns in the years to come. At the same time, the level of returns in buyout will probably fall slightly.

When analysing the statistics on returns, it is important to draw attention to the considerable variation in returns between different funds.

Source: SVCA, EVCA, Thomson Venture Economics and press releases.

AP Direct Investments

AP Direct Investments has a long-term ownership perspective and the value of the portfolio rose by 11.0 per cent in 2006. The listing of Lindab on the Stockholm Stock Exchange in December marked the end of a very active year.

AP Direct Investments makes investments directly in unlisted companies. Investments are made in well-established businesses in the goods and services sector, where financial and structural changes create conditions conducive to growth. Investments are also made in structures where there is a need for a strategic financial partner.

Very active market

There has been a high degree of activity in AP Direct Investments' market. Price levels for available investments have continued to rise and many international players have been active in the Swedish market. During the year, AP Direct Investments has taken part in several negotiations regarding both new investments and existing portfolio companies, and has also evaluated a considerable number of investment opportunities.

AP Direct Investments takes a positive view of the business opportunities in coming years. In 2007, the aim is to make a number of new investments, primarily in AP Direct Investments' four areas of focus: automotive, retail, property and energy. These are areas of which AP Direct Investments has a good knowledge and in which the business opportunities are thought to be favourable. Moreover they offer scope for developing existing portfolio companies to exploit their potential to the full.

Long-term investments

AP Direct Investments has invested around SEK 4 billion in Swedish unlisted companies and the portfolio currently comprises seven investments. In all these investments, AP Direct Investments has a long-term ownership perspective that creates the prerequisites for business development and value creation. An owner directive provides the platform for developing the business.

Very active portfolio

Tradex, in which the Sixth AP Fund invested in 1997, was sold to the US company Brady Corp during the year. The Sixth AP Fund sold half of its holding in Lindab in connection with the latter's listing on the Stockholm Stock Exchange in December. Since the buyout of Lindab from the stock exchange in 2001, the company has developed its business operations and market position.

Polarica, one of Scandinavia's leading companies in wild game and berries, began preparations for the handover of the business to a new generation of owners in 2006, with the result that the Sixth AP Fund became a minority owner in the company. In February, Vasakronan's ownership interests in Norrporten were acquired by the Sixth AP Fund and the Second AP Fund, who now each own a 50 per cent stake in the company. Norrporten's business concept, to strengthen its business operations in prioritised locations, remains unchanged. Meca's subsidiary Dawa Däck became an independent portfolio company of AP Direct Investments during the year with the aim of improving the company's business potential.

Financial results

The market value of the portfolio at the year-end was SEK 4,308 million. The profit before costs was SEK 485 million, which corresponds to a return of 11.0 per cent.

Outlook

The business opportunities in 2007 are expected to be good, both in terms of new investments and for growth in value in existing portfolio companies.

AP Direct Investments	2006
Market-valued capital invested, SEKm	4,308
Profit/loss*, SEKm	485
Return*, %	11.0
Committed capital, SEKm	3,807

* before costs

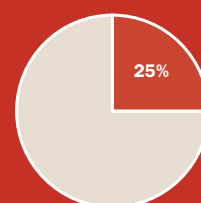


Lindab's Ventilation Business Area produces circular air ducts that are used in the construction of ventilation systems.

Events during the year








- New investment in Polarica, one of Scandinavia's leading companies in wild game and berries. The deal was generated by the Sixth AP Fund's co-operation with the Local Network.
- Tradex, in which the Sixth AP Fund had a 20 per cent stake, was sold to the US company, Brady Corp.
- Vasakronan's ownership interests in Norrporten were acquired by the Sixth AP Fund and the Second AP Fund, providing them each with a 50 per cent stake in Norrporten.
- Lindab was listed on the Stockholm Stock Exchange in December. The Sixth AP Fund sold nine million shares in connection with the listing and now owns 11.1 per cent of the shares in the company.
- Dawa Däck was hived off from its parent company Meca Invest in order to develop Dawa Däck into Sweden's leading force in tyre logistics. The Sixth AP Fund owns 100 per cent of Dawa Däck.

Share of the Sixth AP Fund's fund capital



AP Direct Investments – summary of holdings

Directly owned companies

<p>DAWA DÄCK is a major tyre wholesaler with a wide network of resellers in primarily the Swedish market. Dawa is the general agent for Kuhmo, General Tire and Nankang. Ongoing changes in the automotive industry since the EU's block exemption ceased to apply are creating good</p>	<p>opportunities for both tyre workshops and car repair shops to expand their product offerings with new products and services. The company has excellent potential for expanding its business operations through, among other things, forward integration.</p>	<p>Sales approx. SEK 350m Managing Director Ulf Wahlström www.dawadack.se</p>	
<p>JOHANNEBERG CAMPUSBO In co-operation with Chalmersfastigheter, an apartment block with 479 student flats has been built on the Chalmers Campus.</p>	<p>Tenants began moving in during the summer of 2006. The flats will be leased under a long-term lease to Stiftelsen Chalmers Studenthem.</p>	<p>Sales approx. SEK 6m</p>	
<p>LINDAB is a world-leader in its field and develops, manufactures, markets and distributes products and systems solutions in thin sheet for an improved indoor climate and simplified construction. The Ventilation business area focuses on the ventilation industry and offers a wide range of products that includes everything from ventilation components to comprehensive indoor climate solutions. The Profile busi-</p>	<p>ness area offers customers a wide range of efficient, economic and aesthetically pleasing building solutions for residential accommodation and commercial properties. The Head Office is situated in Grevie on the outskirts of Båstad and the Group has more than 4,500 employees in 28 countries. Lindab was listed on the Stockholm Stock Exchange in December 2006.</p>	<p>Sales approx. SEK 7,600m Managing Director Kjell Åkesson www.lindab.com</p>	
<p>MECA is one of Scandinavia's leading companies in the spare parts and accessories market, supplying mainly to non-brand workshops. Meca operates in Sweden, Denmark and Norway. In addition to its role as an efficient supplier of products to workshops, Meca can offer sophisticated workshop and service concepts – MECA Car Service and Bosch Car</p>	<p>Service. The car spare parts market is undergoing change, due, among other things, to technological developments and revised playing rules now that the EU's block exemption has ceased to apply. This creates an excellent opportunity for the further development of Meca's business opportunities and market position.</p>	<p>Sales approx. SEK 1,450m Managing Director Hans Kron Dahl www.meca.se</p>	
<p>NORRPORTEN is a property company that acquires, develops and manages centrally located commercial properties of a high standard, with long leases and attractive tenants. Its property holdings are situated in places that offer long-term development potential along the E4 corridor. The prop-</p>	<p>erties have an overall surface area of 1.2 million sq.m., a rental value of SEK 1.4 billion and a total property value of SEK 15 billion. Norrporten aims to seek further growth in the framework of its chosen strategy at the same time as the streamlining of the business will continue.</p>	<p>Property value approx. SEK 15,000m Managing Director Anders Wiklander www.norrporten.se</p>	
<p>POLARICA operates in the food industry and is a market leader in wild game and berries in Scandinavia. The company's head office is in Haparanda and its business operations in Sweden are complemented by operations in Finland, Poland and Russia. Polarica's customers are the berry industry, restaurant and catering wholesalers and</p>	<p>the non-durables sector, which serves as an interface between consumers and processed products. The company offers a unique range of products from the Norrbotten region, such as reindeer meat and healthy blueberries rich in antioxidants, as well as a wide selection of berries, mushrooms, wildfowl and meat products.</p>	<p>Sales approx. SEK 600m Managing Director Tommy Innala www.polarica.com</p>	
<p>SPORTEX is a bicycle and sports retailer with a market-leading position in bicycles. Sportex is to expand its operations by setting up new outlets and by making acquisitions in order to become a leading retailer in sport and outdoor life. The Sportex Group comprises around 70 out-</p>	<p>lets – including 22 operated under the Sportex brand – located all over the country. The objective is to create a national chain of outlets that consumers perceive as being "a genuine sports shop" with a wide range of products for sport and leisure.</p>	<p>Sales approx. SEK 325m Managing Director Lars-Åke Tollemark www.sportex.se</p>	

AP Direct Investments portfolio

COMPANY	Share %	Line of business
Andra & Sjätte Fastigheter	50.0	Properties
Dawa Däck	100.0	Tyre supplier
Johanneberg Campusbo	80.0	Student accommodation
Lindab	11.1	Supplies ventilation and profile systems to the construction industry
MECA Invest	100.0	Provides a modern workshop concept for independent car repair shops
NS Holding	50.0	Manages and develops commercial, centrally located properties
Polarica	5.0	Wild game and berries
Sportex	100.0	Sports retailer

AP Partner Investments

A positive market climate underpinned by strong economic growth contributed to a good first year for the new business area AP Partner Investments. There was a conscious increase in the rate of investments during the latter part of 2006, with a number of investments being made and several more being investigated.

AP Partner Investments creates the prerequisites for business partners to make investments, together with AP Partner Investments, in companies that need to renew their business model in order to grow. The business partner must be willing and able to share risk, to take an active part in the company's business development and to share views on the terms and values involved.

Strong economic growth

A positive market climate underpinned by strong economic growth in Sweden and abroad contributed to a good first year for the new business area AP Partner Investments. Good relations have been formed with new business partners and the quality of the investment targets and companies presented to

AP Partner Investments has been steadily improving. For this reason, there was a conscious increase in the rate of investments during the latter part of 2006.

Active business partner

The investments are made together with a business partner. Through active participation in the work of the board, the partner should be involved in developing the company on the basis of a mutually agreed owner directive and through personal investment in the company. The advantage of the Sixth AP Fund's ownership is above all the long-term perspective. The Sixth AP Fund retains its interest in the company for as long as it is appropriate and consistent with the portfolio in general. The ownership is based on the needs and opportunities of the portfolio company.

AP Partner Investments	2006
Market-valued capital invested, SEKm	524
Profit/loss*, SEKm	110
Return*, %	31.2
Committed capital, SEKm	452

* before costs

The portfolio in 2006

Although AP Partner Investments is a new business area, its portfolio contains both old and new investments. This is ►

Events during the year

- Solibro AB set up a joint venture with the German company Q-Cells AG to further develop and commercialise Solibro's unique, environment-friendly technology for the manufacture of solar cells. In addition to 33 per cent of the shares in the new company Solibro GmbH, Q-Cells AG made a cash payment of SEK 200 million to Solibro AB.
- Gothenburg-based company Unfors Instruments was acquired by Unfors Holding, a consortium made up of the Sixth AP Fund, the business partner Layline Partners and some members of the company management team.
- The Sixth AP Fund became a majority owner of STT Care System AB in order to strengthen the company's market presence in the field of municipal health care.
- The Sixth AP Fund invested in Nordia Innovation during the year.
- The portfolio company United Logistics acquired TUAB, Primelog and Axido Consulting during the year.

Share of the Sixth AP Fund's fund capital





Götaverken Miljö AB is a high-quality environmental company that specialises in emissions control and energy recovery. Stefan Holmgren, Sixth AP Fund and Chairman of the Board of Götaverken Miljö AB, shares a few words with Lennart Gustafsson, Managing Director.

because AP Partner Investments has taken over the management of the directly owned companies formerly under the business areas Technology Ventures and Products & Services, which no longer exist.

In 2006, AP Partner Investments reviewed a considerable number of proposals for investments, most of which came via the Sixth AP Fund's networks. A number of investments have been made and several more are being investigated. No particular sectors are being given priority; of greater importance is that the market in which the company operates offers adequate potential.

International opportunities

AP Partner Investments' portfolio includes a number of companies which offer unique products with considerable international potential. Gothenburg-based company Unfors Instruments, whose export sales account for 98 per cent of total turnover, has developed a series of patented products that offer a simple and cost-efficient way of measuring exposure to potentially harmful radiation. STT Care, which is based in Malmö, develops and supplies carephones for the Swedish market and for export. STT System, which is based in Umeå, develops and sells planning and quality assurance systems for municipal health care to health care providers in Sweden and abroad. STT System and STT Care merged at the beginning of 2007. The business will in future operate under the name STT Care.

Solibro AB, in which the Sixth AP Fund invested as long ago as 2000, has developed a unique, environment-friendly technology for the manufacture of solar cells. In 2006, Solibro AB set up a joint venture with the German company Q-Cells AG, one of the world's largest solar cell companies, to develop and manufacture solar cells based on Solibro's technology.

Important performance monitoring

Every month, the portfolio companies submit their key performance indicators to the Sixth AP Fund, together with market data, product data and organisational data, for performance monitoring and analysis. This is done to identify signals and trends, both positive and negative, sufficiently well in advance to allow time for the Sixth AP Fund to respond. With efficient procedures for performance monitoring and analysis, it is also possible to invest in more companies.

Financial results








The market value of the portfolio at the year-end was SEK 524 million. The profit before costs was SEK 110 million, which corresponds to a return of 31.2 per cent.

Outlook

A continued positive growth is anticipated for those companies in which investments have been made and in new investments with new and existing business partners.

AP Partner Investments – summary of holdings

Directly owned companies

<p>GÖTAVERKEN MILJÖ is a high-quality environmental company that specialises in emissions control and energy recovery. The company delivers turnkey facilities, supplies the products ADIOX and MercOx and provides services, as well as undertaking engineering and consultancy assignments.</p>	<p>Its core business focuses on wet flue gas cleaning systems for separating heavy metals, sulphur, hydrochloric acid, ammonia, dioxin and mercury to levels far below legal requirements.</p>	<p>Sales approx. SEK 100m Managing Director Lennart Gustafsson www.gmab.se</p>	
<p>NORDIA INNOVATION operates through the wholly owned subsidiary company Network Automation mxc AB and offers solutions for the automation of switching processes in the final stage between user and operator in the copper-based wire line network. This part of the telecommunications process currently uses copper wires aided by out-</p>	<p>dated technology which requires, among other things, extensive on-site technical support, e.g. when switching between operators or when setting up new installations. The company offers the market a remote-controlled automatic electromechanical switch, NeXa, which effectively eliminates the need for on-site support.</p>	<p>Sales approx. SEK 200m Managing Director Göran Wågström www.networkautomation.se</p>	
<p>SOLIBRO develops thin-film solar cells on glass to extract solar energy. The company is a spin-off company from Ångström Solar Center, which has performed world-leading research into solar cells for many years. The efficiency of Solibro's thin-film cells is on a par with the more common crystalline silicon solar cell modules currently available, but can be produced at a much lower cost. In</p>	<p>October 2006, Solibro set up a joint venture, Solibro GmbH, with the German company Q-Cells AG. The new company will start production in eastern Germany, based on Solibro's CIGS technology for thin-film solar cells. Solibro's research and development facility adjoining the Ångström Laboratory in Uppsala will undergo expansion.</p>	<p>Sales approx. SEK 2m Managing Director Lars Stolt www.solibro.se</p>	
<p>STT CARE offers the elderly care sector care and safety systems as well as a full range of related services. STT Care covers the entire chain – from development and production, to marketing, sales, installation and service. The company's range of products consists of carephones and accessories, internal systems, management of alarm events and care systems. The products are equally well suited to home use and those with special living arrange-</p>	<p>ments and can easily be adapted to suit individual needs. STT Care's care management system, known as TES in Swedish or the 3 S's in English (Security, Simplicity, Safety), combines the management of social alarms, response registration, quality assurance, optimisation/planning and performance management, all in a single system. The head office is situated in Umeå and the company currently has around 40 employees.</p>	<p>Sales approx. SEK 100m Managing Director Mats Lindberg www.sttcare.com</p>	
<p>TDS TODOS DATA SYSTEM offers security solutions for remote authentication and operates mainly in Europe and Asia. Todos currently focuses on solutions for e-banking, fixed and mobile telephony, payment solutions for e-commerce and smart card-readers for electronic banking</p>	<p>transactions. Todos has experience of developing cost-efficient smart card-based security solutions for mass markets. These developments are made possible by a combination of in-house expertise and close co-operation with its customers and strategic partners.</p>	<p>Sales approx. SEK 50m Managing Director Maw-Tsong Lin www.todos.se</p>	
<p>UNFORS HOLDING Unfors Instruments develops meters for measuring exposure to radiation. Its main product is an X-ray meter. The company's latest product, the PDM or Personal Dose Meter, measures personal radiation levels, giving both accumulated levels and instant readings, which no</p>	<p>other meter currently available is able to do. The meter is particularly well-suited for use by hospital staff and people working in the emergency services, such as firefighters. The company, which was started in 1994 in Billdal on the outskirts of Gothenburg, currently has around 35 employees.</p>	<p>Sales approx. SEK 75m Managing Director Carsten Browall www.unfors.se</p>	
<p>UNITED LOGISTICS TSGS (Unilog) operates as a partner to companies that need to assess and develop some or all of their logistics processes with regard to the flow of physical products. The company has seven offices on three continents and currently has representation in New York, Shanghai, Helsinki, Stockholm, Norrtälje, Helsing-</p>	<p>borg and Malmö. Through its subsidiary companies Axido, Establish, Primelog and United Logistics Operations, United Logistics aims to develop and implement, and in some cases provide, the best logistics solutions for every customer.</p>	<p>Sales approx. SEK 230m Managing Director Carl Erik Sars www.unitedlog.com</p>	

AP Partner Investments portfolio

DIRECTLY OWNED COMPANIES	Share, %	Line of business
Aumar	70.0	Invests in companies in the early stage
Göta Verken Miljö	100.0	Flue gas cleaning and energy recovery
Kanal Lokal i Gbg AB	9.9	Local television broadcasts using the digital terrestrial network
Nordia Innovation	3.3	Solutions for the automation of switching processes in the final stage between user and operator in the copper-based wire line network
Solibro	43.9	Development and production of solar cells for generating electricity
STT Care System	69.4	Offers care and safety systems for care of the elderly
TDS Todos Data System	88.6	Supplies security solutions for remote authentication
Unfors Holding	59.8	Develops meters for measuring ionised radiation
United Logistics TSGS	42.0	Partner to companies that need to assess and develop their logistics processes

AP Life Science

During the first quarter of 2006, investments of USD 20 billion were made in life science, corresponding to more than 50 per cent of the entire capital raised in 2005. The funds of AP Life Science sold seven portfolio companies during the year. The most important of these was the sale of A Carlsson Research AB to the Danish company NeuroSearch A/S.

AP Life Science invests in companies and private equity funds in pharmaceuticals, biotechnology and medical technology. This area of investment often requires special solutions. AP Life Science is therefore evaluating different investment models. The investments are long-term, typically eight to ten years.

Positive start to the year

The year began well for the life science market in both Europe and the USA. During the first quarter alone, investments totalled USD 20 billion, which corresponds to just over 50 per cent of the total capital raised in 2005. The performance for life science was noticeably better than for the market overall in the first quarter. During the second quarter, life science felt the impact of the extensive turbulence on the world's stock markets and the decline was severe, particularly in the USA. The latter part of 2006 showed strong growth in Europe and Sweden, while in the USA, market developments remained weak. Affärsvärlden's Biotech index rose by 13.8 per cent in 2006, while the Pharmaceuticals index rose by a mere 9.3 per cent, due in part to a weak performance from AstraZeneca.

Several mergers and acquisitions

Access to capital for investment purposes declined during the year and the market adopted a more selective approach to IPOs. There were, however, several mergers and acquisitions. AstraZeneca acquired KuDOS Pharmaceuticals and Cambridge

Antibody Technology, Amgen acquired Abgenix and Merck acquired Abmaxis and GlycoFi. During the second half of 2006, UCB and Schwarz Pharma merged, as did Merck KGaA and Serono.

Focus on the exit process

The investment philosophy of AP Life Science, in addition to its long-term perspective and focus on Scandinavia, includes actively influencing the growth of portfolio companies through close co-operation with the management teams of the private equity funds. During the year, together with the management teams, much effort has been devoted to increasing the value of the portfolio companies and intensifying the focus on the exit process. In 2006, seven portfolio companies were sold, two of which, Biovitrum and XCounter, were IPOs. One of the more significant exits as far as AP Life Science is concerned was the sale of A Carlsson Research AB to the Danish company NeuroSearch A/S. The Sixth AP Fund has been involved in A Carlsson Research since 2000. The sales proceeds have been divided into tranches related to the future successes of the company, but the first two payments have already yielded high returns on the capital invested.

Financial results

The market value of the portfolio at the year-end was SEK 1,679 million. The profit before costs was SEK 204 million, which corresponds to a return of 12.9 per cent.

Outlook

Several profitable exits of mature portfolio companies are planned for 2007 and these are expected to yield good returns for AP Life Science.

AP Life Science	2006
Market-valued capital invested, SEKm	1,679
Profit/loss*, SEKm	204
Return*, %	12.9
Committed capital, SEKm	2,966

* before costs

Jonas Frick and Ulrika Wedén, SLS Venture, talking to Lars Ingelmark (middle), Sixth AP Fund.



Events during the year

- A Carlsson Research AB, a major holding in Scandinavian Life Science Venture, was sold to the Danish company NeuroSearch A/S.
- Karo Bio AB signed a favourable agreement with Radius and the agreement with Wyeth was extended.
- Lars Ingelmark, Sixth AP Fund, was elected to the Board of BioInvent International in the spring.
- IPOs for Arpida, Biovitrum and XCounter.

Share of the Sixth AP Fund's fund capital



AP Life Science – summary of holdings

The management team of a private equity fund is responsible for the entire process, from the investment to the sale of a portfolio company. The composition, experience and skills of the management team are therefore key to the success of every private equity

fund. A brief presentation of a selection of the management teams with whom the Sixth AP Fund has chosen to work and the funds in which the Sixth AP Fund has invested follows below.

Management teams

GZ GROUP

www.hbcapital.se

Investment stage	Venture
Sector preference	Life science
Investment region	Nordic region
Capital under mgmt.	SEK 1,500m
Managing Director	Lars Gatenbeck

H&B CAPITAL

KI MANAGEMENT

www.karolinskafund.com

Investment stage	Venture
Sector preference	Pharmaceuticals, biotechnology and medical technology
Investment region	Nordic region
Capital under mgmt.	SEK 600m
Managing Director	Kjell Simonsson

Karolinska
INVESTMENT FUND

ODLANDER, FREDRIKSON & CO

www.ofco.se

Investment stage	Venture
Sector preference	Biotechnology and medical technology
Investment region	Global
Capital under mgmt.	SEK 7,400m
Managing Director	Björn Odlander

HealthCap

SCANDINAVIAN LIFE SCIENCE VENTURE

www.slsventure.com

Investment stage	Venture
Sector preference	Pharmaceuticals, biotechnology and medical technology
Investment region	Nordic region
Capital under mgmt.	SEK 2,500m
Managing Director	Jonas Frick

Scandinavian
Life Science
Venture

AP Life Science portfolio

FUNDS	Operative* share, %	Managed by	Vintage year	Committed capital, SEKm
Carnegie Global Healthcare Fund	7.9	Carnegie fonder	n.a.	26
H&B IIS Sweden	15.8	GZ Group	1999	135
HealthCap	12.1	Odlander, Fredrikson & Co	1997	31
HealthCap 1999	10.0	Odlander, Fredrikson & Co	2000	200
HealthCap Annex Fund I-II	38.9	Odlander, Fredrikson & Co	2003	100
HealthCap CoInvest	24.4	Odlander, Fredrikson & Co	1997	100
HealthCap III Sidefund	22.7	Odlander, Fredrikson & Co	2004	50
Innoventus Life Science I	32.7	Scandinavian Life Science Venture	2001	100
Karolinska Investment Fund	24.0	KI Management	2000	144
Medicon Valley Capital	43.3	Scandinavian Life Science Venture	2000	243
Medicon Valley Capital Two	65.7	Scandinavian Life Science Venture	2002	197
Scandinavian Life Science Venture	98.5	Scandinavian Life Science Venture	2002	944
Scandinavian Life Science Venture Two	70.4	Scandinavian Life Science Venture	2002	500
Swedestart Life Science	16.3	CapMan, see AP Fund Investments	2001	75
DIRECTLY OWNED COMPANIES				
	Share, %	Line of business		
BioInvent International	2.7	Develops new protein-based pharmaceuticals		
Innoventus Project	49.0	Invests in life science projects, mainly early biotech projects		
KaroBio	2.3	Develops nuclear receptors for disease treatment		

* See definitions on page 27

AP Fund Investments

AP Fund Investments reported a very good performance for 2006. The year has been characterised by several new capital commitments and a high degree of activity in the portfolio. AP Fund Investments focuses on funds and investment companies with management teams that have the prerequisites to create sustained high returns.

AP Fund Investments invests in funds and investment companies with a focus on businesses in the start-up, expansion, mature and listed stages. The portfolio is divided into three market segments: Venture Capital, Buyout and Mixed Equity.

AP Fund Investments develops long-term relations with skilled and experienced management teams who are judged to be capable of generating sustained high returns. AP Fund Investments places considerable emphasis on evaluating new investments and is selective in its choice of management team. AP Fund Investments also makes co-investments with the management teams.

AP Fund Investments	2006
Market-valued capital invested, SEKm	8,519
Profit/loss*, SEKm	1,530
Return*, %	18.9
Committed capital, SEKm	10,234

* before costs

Financial results

The market value of the portfolio at the year-end was SEK 8,519 million. The profit before costs was SEK 1,530 million, which corresponds to a return of 18.9 per cent. The results have been affected by the management of the equity market risk.

The strong performance is the result of investments in Buyout and Mixed Equity.

Outlook

In 2007, AP Fund Investments will continue to develop the portfolio through long-term investments in funds and investment companies with management teams who are judged to be capable of generating high returns. After a year of very good profits, the assessment is that the prerequisites exist for continued growth in value in the portfolio. The profits delivered by Buyout in 2006 can be regarded as very good and

Events during the year

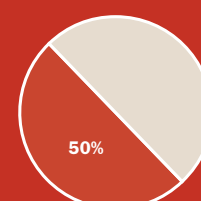
- EUR 100 million was committed to the buyout fund EQT V.
- SEK 250 million was committed to CreVal I, a new buyout fund in the Swedish market.
- SEK 360 million was committed to Amplico Kapital.
- SEK 600 million was committed to Lannebo MicroCap.
- A co-investment was completed in the portfolio company Mobeon together with BrainHeart Capital.

- An investment was made in Carnegie Småbolag.

Significant events since the turn of the year

- SEK 300 million has been committed to Creandum II.
- EUR 45 million has been committed to CapMan Technology 2007.

Share of the Sixth AP Fund's fund capital



should be seen in the context of the prevailing market climate and strong economic growth. The assessment is that Buyout in the future will continue to generate high returns, albeit at a lower level than those seen in 2006. In Venture Capital, the prerequisites exist to reverse the negative results of recent years as the portfolio matures. In Mixed Equity, the search continues for investments with active management and where the fund managers adopt an active ownership role in the portfolio companies.

Buyout

The buyout segment was very active during the year. Access to capital for Nordic buyout funds remained very good and competition was fierce for the opportunity to commit capital to funds with a history of high returns. Competition in connection with the acquisition of portfolio companies was keen, with auctions even being held for smaller companies. The stock exchange provided an increasingly popular exit route for portfolio companies in 2006 while industrial and financial buyers continued to be active in the market.

There have been a number of significant and very profitable exits in the Buyout portfolio. These include Kapp Ahl, Paroc, Hydrauto, ComHem and Ahlsell. The strong performance in the buyout segment can also be attributed to the growth in value of existing portfolio companies.

During the year, the portfolio has been expanded with a fund with a new management team – CreVal – which invests in smaller and medium-sized Swedish and Nordic companies with development and growth potential. As many of the established funds are making larger and larger investments, AP Fund Investments will monitor with interest the arrival of new players in the segment for small and medium-sized companies.

The market value of the portfolio at the year-end was SEK 2,260 million. The profit before costs was SEK 1,097 million, which corresponds to a return of 49.1 per cent.

Venture Capital

Investments in the venture capital segment take a long time to develop and require significant input in the form of capital and ownership skills. It is therefore important that investors take a long-term approach and have staying power to be able to create good returns. The Nordic market for venture investments has matured and the active management teams are becoming more experienced.

Several Nordic venture funds have been successful in raising capital during the year. In February 2007, the Sixth AP Fund committed SEK 300 million to Creandum II. The Sixth AP

Fund is the lead investor and initiator behind Creandum, whose first fund was set up in 2003.

In 2006, the Sixth AP Fund has written down the value of its Venture Capital portfolio owing to uncertainty regarding the value of some holdings. This cautious valuation has led to a weak result for the Venture Capital portfolio. However, a number of profitable exits have been made during the year. These include the divestment of Distocraft, Tradera and Essnet.

The Sixth AP Fund is focusing on funds and investment companies with experienced management teams who are judged to be capable of generating high returns. In combination with an improved market climate, this will provide more favourable conditions for value creation in the portfolio companies. The overall assessment is that the portfolio does offer scope for long-term positive growth in value.

The market value of the portfolio at the year-end was SEK 747 million. The profit/loss before costs was SEK –382 million, which corresponds to a return of –35.4 per cent.

Mixed Equity

The Mixed Equity market segment is active in both the listed market and the private equity market. Investments are made in listed investment companies, which adopt an active ownership role in their portfolio companies and in equity funds which are actively managed and which include a high proportion of small and medium-sized companies.

In 2006, the Sixth AP Fund increased its allocation to the small cap segment, among other things through an investment in Carnegie Småbolagsfond and an increased share of private equity through further investments in Ratos and Investor. Further, Mixed Equity has entered into an agreement to invest SEK 600 million in Lannebo MicroCap, a new fund in which the fund manager will adopt an active ownership role in small listed Swedish companies. The investors in MicroCap have tied up their capital over a number of years to ensure that the fund manager can take a long-term approach in the undertakings.

The market value of the portfolio at the year-end was SEK 5,512 million. The profit before taking into account the effect of managing the equity market risk amounted to SEK 1,312 million, which corresponds to a return of 32.2 per cent. The profit after taking into account the effect of managing the equity market risk amounts to SEK 815 million, which corresponds to a return of 17.0 per cent.

The profits for the Mixed Equity portfolio have been positively affected by the choice of fund managers and by the increased allocation to the small cap segment and private equity.

AP Fund Investments – summary of holdings

The management team of a fund or investment company is responsible for the entire investment process, including the evaluation, investment, development and sale of portfolio companies. The composition, experience and skills of the management team are

therefore key to the development of the fund or investment company. A brief presentation of a selection of the management teams with whom the Sixth AP Fund has chosen to work follows below.

ACCENT EQUITY www.accentequity.se Investment stage Buyout Sector preference None Capital under mgmt. SEK 4,500m Managing Director Jan Ohlsson		INNOVATIONSKAPITAL www.innkap.se Investment stage Venture Sector preference ICT and life science Capital under mgmt. SEK 2,900m Managing Director Staffan Ingeborn	
AMPLICO www.amplico.se Investment stage Buyout Sector preference None Capital under mgmt. SEK 400m Managing Director Peter Björnram		INVESTOR www.investorab.com Investment stage Listed, buyout and venture Sector preference Technology, engineering, health care and financial services Capital under mgmt. SEK 160,000m* Managing Director Börje Ekholm	
BRAINHEART CAPITAL www.brainheart.com Investment stage Venture Sector preference Wireless technologies Capital under mgmt. SEK 1,500m Managing Director Ulf Jonströmer		LANNEBO FONDER www.lannebofonder.se Investment stage Listed Sector preference None Capital under mgmt. SEK 12,000m Managing Director Göran Espelund	
CAPMAN www.capman.com Investment stage Venture and buyout Sector preference Technology, life science and buyout Capital under mgmt. SEK 24,000m Managing Director Heikki Westerlund		NORDEA PRIVATE EQUITY www.nordea.com Investment stage Buyout and venture Sector preference None Capital under mgmt. SEK 4,500m Managing Director Lauge Sletting	
CREANDUM www.creandum.com Investment stage Venture Sector preference Innovations involving a high degree of technology and global competitiveness Capital under mgmt. SEK 1,050m Managing Director Staffan Helgesson		NORDIC CAPITAL www.nordicapital.com Investment stage Buyout Sector preference None Capital under mgmt. SEK 32,500m Managing Director Robert Andreen	
CREVAL www.crevalpartners.com Investment stage Buyout Sector preference None Capital under mgmt. SEK 700m Founders Nils Forsberg, Per Forsberg		ODIN FÖRVALTNING www.odinfond.no Investment stage Listed Sector preference None Capital under mgmt. SEK 48,000m Managing Director Leif Ola Rød	
CARNEGIE FONDER www.carnegie.se Investment stage Listed Sector preference None Capital under mgmt. SEK 52,000m Managing Director Håkan Telander		PROVIDER VENTURE PARTNERS www.providerventure.com Investment stage Venture Sector preference IT and technology Capital under mgmt. SEK 3,000m Managing Director Jonas Nygren	
DIDNER & GERGE FONDER www.dgfonder.se Investment stage Listed Sector preference None Capital under mgmt. SEK 11,000m Managing Director Adam Gerge		RATOS www.ratos.se Investment stage Buyout Sector preference None Capital under mgmt. SEK 9,700m* Managing Director Arne Karlsson	
ENGELSBERG www.engelsberg.se Investment stage Buyout Sector preference None Capital under mgmt. SEK 300m Managing Director Lars Lindgren		SEB FONDER www.seb.se Investment stage Listed Sector preference None Capital under mgmt. SEK 260,000m Managing Director Cecilia Lager	
ENTER FONDER www.enterkapital.se Investment stage Listed Sector preference None Capital under mgmt. SEK 5,400m Managing Director Henrik Lindquist		SIMPLICITY www.simplicity.se Investment stage Listed Sector preference None Capital under mgmt. SEK 2,700m Managing Director Ulf Ingemarson	
EQT www.eqt.se Investment stage Buyout Sector preference None Capital under mgmt. SEK 95,000m Managing Director Conni Jonsson		VISION CAPITAL www.visioncap.com Investment stage Venture Sector preference IT and technology Capital under mgmt. SEK 1,200m Managing Director Dag Syrrist	

* Refers to net worth

AP Fund Investments

AP Fund Investments portfolio

FUNDS	Operative share, %*	Managed by	Vintage year	Committed capital, SEKm
Buyout				
Accent Equity 2003	20.0	Accent Equity	2003	451
Amplico I	93.8	Amplico	1999	150
Amplico Kapital	90.0	Amplico	2006	360
Baltic Rim Fund	22.8	Euroventures	1997	88
CapMan Buyout VIII	18.2	CapMan	2005	722
CreVal I	37.6	CreVal	2006	250
Engelsberg Industriutveckling	50.0	Engelsberg	2004	150
EQT II – initial fund	3.5	EQT	1998	200
EQT II – follow-on fund	21.9	EQT	2002	100
EQT III	3.4	EQT	2001	605
EQT IV	2.0	EQT	2004	451
EQT Opportunity	10.8	EQT	2006	361
EQT V	2.4	EQT	2006	903
Industrial Development & Investment Equity	14.7	Industrial Development & Investment Equity	1997	150
Nordic Capital III	9.4	Nordic Capital	1998	300
Nordic Capital IV	7.1	Nordic Capital	2000	500
Nordic Capital V	3.3	Nordic Capital	2003	451
Nordic Capital VI	3.4	Nordic Capital	2006	587
Nordico II	37.1	Accent Equity	2000	124
Nordico III	99.3	Accent Equity	2002	543
NPE II – Nordic Secondaries	100.0	Nordea Private Equity	2005	250
Venture Capital				
BrainHeart Capital	39.2	BrainHeart Capital	2001	507
BrainHeart Capital ANX	53.6	BrainHeart Capital	2005	90
CapMan VII	21.3	CapMan	2002	584
Creandum	49.3	Creandum	2003	148
InnKap 2 Co Investment Scheme	5.4	InnovationsKapital	2003	2
InnKap 2 Partners	5.4	InnovationsKapital	1999	19
InnovationsKapital Fond I	28.6	InnovationsKapital	1997	50
InnovationsKapital Fond I – follow-on fund I	40.0	InnovationsKapital	2000	10
InnovationsKapital Fond I – follow-on fund II	40.0	InnovationsKapital	2002	12
IT Provider Century Fund	32.5	Provider Venture Partners	2001	163
IT Provider Fund IV	25.2	Provider Venture Partners	2003	300
NthPower Technologies	7.9	NthPower Technologies	1997	34
Slottsbacken Fund Two	37.5	Slottsbacken Fund II 2003	2000	133
Swedestart II	21.1	CapMan	1998	50
Swedestart Tech	20.6	CapMan	2000	150
V2 Co-investment Alfa	50.0	ITACT	2002	18
V2 Fund	18.0	ITACT	2000	50
Vision Capital III	18.8	Vision Capital	2001	68
Vision Extension	6.1	Vision Capital	1999	46
Mixed Equity				Market value, SEKm
Carnegie Småbolag		Carnegie Fonder		288
Didner & Gerge Aktiefond		Didner & Gerge Fonder		268
Enter Sverige Fokus		Enter Fonder		743
Lannebo Småbolag		Lannebo Fonder		736
Lannebo Total		Lannebo Fonder		613
Odin Sverige II		Odin Forvaltning		832
SEB Sverigefond Småbolag Chans/Risk		SEB Fonder		468
Simplicity Norden		Simplicity		85
CO-INVESTMENTS				
	Share, %	Line of business		
Mobeon	30.5	Text message services for mobile telephones		
Disab Vacuum Technology	4.0	Vacuum systems for environment-friendly collection and materials transport		

* See definitions on page 27

The AP Convertible Bond

The AP Convertible Bond makes it possible for potential owners to develop a long-term financing solution and in doing so facilitate handovers to future generations of owners in Sweden.

Treasury

The activities of the Treasury focus on that part of the Sixth AP Fund's capital that has not yet been invested in the business areas, known as excess liquidity. They cover the management of capital in interest-bearing assets, hedge funds and the acquisition of convertible bonds in connection with financing the handover of a business to a future generation of owners.

The Treasury is also responsible for managing the market risk and foreign exchange risk that arise from the business areas' trading in listed equities.

The market value of the Treasury's portfolio at the year-end amounted to SEK 2,168 million. The return was 4.1 per cent.

The AP Convertible Bond

Many small and medium-sized Swedish family businesses are facing a change of ownership in the coming years and many of these companies are looking for potential new owners who are keen to continue running the business. This has led to a considerable need of capital for long-term ownership.

As a complement to traditional sources of capital, the Sixth AP Fund now offers the Swedish market a new alternative for long-term acquisition financing – the AP Convertible Bond.

The purpose of the AP Convertible Bond is to help potential owners secure long-term financing with an amortisation period of up to ten years, and in doing so facilitate the handover to future generations of owners in Sweden.

The AP Convertible Bond is structured as a bond in relation to bank financing with the conversion right to the shares in the company as collateral. For medium-sized company acquisitions, the AP Convertible Bond offers a long-term form of financing that is currently unparalleled on the Swedish market.

Considerable interest

The AP Convertible Bond was launched in January 2006. During the year, the Sixth AP Fund has given around 50 presentations of the product all over the country and has received enquiries from more than 200 companies. Around 30 of these companies have been analysed and half of them have proven to be suitable candidates for the AP Convertible Bond as a financing solution. At the year-end, three company acquisitions had been completed with the help of the AP Convertible Bond and a few others will soon be completed. The minimum investment is SEK 10 million.

What types of company make suitable candidates for the AP Convertible Bond?

- Companies whose new owners have no intention of selling in the foreseeable future.
- Mature companies that have a history of stability in sales, profitability and positive cash flows.
- Companies with a turnover of SEK 50–500 million.
- Companies who are positively disposed to the idea of complementing their boards with professional expertise from the Sixth AP Fund's network.

Outlook for 2007

For 2007, there are plans to embark on an information campaign involving a nationwide roadshow that will include presentations with more extensive and clearer information material. The Sixth AP Fund intends to collaborate with other players on the financial market who see the advantages of the AP Convertible Bond and the opportunities it creates.

Local Networks

The Sixth AP Fund's Local Network is based on active local contacts for promoting an exchange of knowledge and business. The Local Network provides the Sixth AP Fund with access to new deals and knowledge for developing the business model.

Local contacts become networks

Since 2002, the Sixth AP Fund has been visiting a number of Sweden's regions to meet entrepreneurs and various other advisors who are able and willing to influence the development of industry in their region. These contacts have come to be known as Local Networks.

The objective is to invest

Developing closer relations and contacts helps create profitable deals that have a favourable impact on local growth and employment. This is a long-term initiative and the objective is to invest.

A source of business and product development

Regular contacts and dialogue are essential to create a dynamic network. The Sixth AP Fund arranges local activities at its own initiative as well as in response to local demand and interest. All contacts and local activities are continuously followed up and evaluated. The Sixth AP Fund gains considerable market insight and knowledge from these local contacts. This knowledge is used to develop the Sixth AP Fund's business model. The AP Convertible Bond and new models for investment in the early stage are examples of the Sixth AP Fund's product development. Information to the network is provided in the Sixth AP Fund's newsletters and on its website.

Focus on seven regions in 2006

In 2006, attention was focused on the counties of Jönköping, Kalmar, Blekinge, Värmland, Norrbotten, Västerbotten and Dalarna. Examples of regional activities are:

- Larger meetings with a heavy emphasis on and dialogue about the needs and prerequisites of the region in question.
- The Sixth AP Fund's own survey on the growth areas in the above-mentioned regions.
- Entrepreneurs have on several occasions had an opportunity to meet representatives of the Sixth AP Fund and learn about the Sixth AP Fund's methods for evaluating and investing in early-stage projects led by entrepreneurs.

- Individual and group meetings based on the theme of "Handing over to a new generation of owners" and how the AP Convertible Bond can be used as a financing solution.
- Individual meetings concerning specific investments.

Growth theme for 2007

In 2007, the activities of the network will focus on the theme "Growth in local companies". Sweden needs more medium-sized companies that can operate in global markets. The Sixth AP Fund can provide support to existing companies in the form of capital and expertise to create necessary growth. Many traditional Swedish industries are in need of restructuring to be able to cope with increasing international competition. The Sixth AP Fund is keen to play its part in changing Swedish industry from a local and regional perspective.

Long-term approach yields results

Building a network requires patience and a long-term approach. The work starts to yield results after five years of activity. The Sixth AP Fund's investment in Polarica AB has its origins in the network in Norrbotten. In Blekinge, Krigskassa i Blekinge AB was established together with local private capital for investments in companies in Blekinge Business Incubator and after the first year, investments have been made in three small local companies. Other investments have been made together with entrepreneurial partners and through the network, the Sixth AP Fund has come into contact with companies that have been offered acquisition financing with the AP Convertible Bond.

Activities carried out in 2006

18 January	Norrbotten	10–12 May	Siljansregionen
21 February	Karlstad	15 May	Jönköping
2–3 March	Vansbro	29 May	Kalmar
6 March	Karlstad	20 June	Karlstad
23 March	Sundsvall	8 November	Leksand
24 April	Luleå	16 November	Skellefteå
26 April	Tällberg		

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Definitions

Business area return

Profit/loss before costs divided by average capital.

Equity investments

An umbrella term for investments in a company's equity that covers both listed and unlisted companies.

Financial results (profit/loss)

The total change in value – both realised and unrealised – of assets, returns in the form of interest and dividends, minus costs and external management fees.

Fund capital

The initial capital that was allocated to the Sixth AP Fund at the beginning together with the profit brought forward and profit/loss for the year. Corresponds to shareholders' equity in a limited company.

Investment activities

An umbrella term for the capital managed by the Sixth AP Fund's business areas and Treasury.

Market-valued capital

Listed securities valued at market value at the year-end and unlisted securities valued according to EVCA principles.

Net return

The return after costs measured in SEK or as a percentage of the original investment sum.

Operative share %

Specifies the participating interest in a private equity fund, regardless of its legal structure. Legal ownership is reported in a separate note.

Private equity investment

Investments in unlisted companies where the ownership commitment is active and limited over a period of time.

Private Equity operation

The Sixth AP Fund's capital in Investment activities minus the capital managed in Mixed Equity and by the Treasury.

Total return

Time-weighted return (TWR) before costs calculated on a daily basis.

Directors' report

The Board of Directors and the Managing Director of the Sixth Swedish National Pension Fund (the Sixth AP Fund) herewith present their annual report of the Sixth AP Fund's operations for the 2006 financial year. The income statement, balance sheet and notes to the accounts following this report constitute an integral part of the annual report.

Profits and returns

The profit for the year amounted to SEK 2,064 million (1,241m). The Sixth AP Fund's total return was 16.1 per cent (11.0%) and the return after costs was 13.8 per cent (8.9%). This can be compared to the absolute return target for 2006, which was 7.2 per cent. The return thus exceeded the target by 6.6 percentage points.

The Sixth AP Fund's return target is an absolute return target that is based on the risk-free interest rate, defined as the repo rate plus a risk premium. The repo rate has averaged 2.2 per cent and the risk premium in the portfolio has averaged 5.0 per cent, resulting in an absolute return target of 7.2 per cent.

The return represents realised and unrealised changes in the value of the Sixth AP Fund's assets and returns in the form of interest and dividends. The realised profit consists of the difference between sales proceeds and book value at the exit of holdings and of any write-downs of acquisition

value, where applicable. The costs comprise external management costs and internal costs attributable to investment activities and the Sixth AP Fund's shared costs.

The Sixth AP Fund's total management costs for 2006 amounted to SEK 331 million (326m), of which SEK 263 million were attributable to investment activities (261m) and SEK 68 million to shared costs (65m). External management costs amounted to SEK 200 million (201m) and comprises remuneration to external managers of the Sixth AP Fund's holdings in funds.

Valuation

The Sixth AP Fund's investment assets are valued according to their fair value. Listed holdings are valued at the closing price at the year-end, while unlisted holdings are valued using EVCA principles (see Note 1). This means that the Sixth AP Fund reports both realised profit/loss and any unrealised change in value that arises during the reporting period in question.

Fund capital

Since the Sixth AP Fund's inception in 1996, the value of its fund capital has risen by SEK 6.8 billion, and at the end of 2006, it totalled SEK 17.2 billion. This represents an overall growth of 65 per cent in the value of initial invested

Sixth AP Fund's performance 1996–2006

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Return trend, (%)	—	8.1	8.4	55.8	-1.3	-8.0	-30.9	10.7	8.6	8.9	13.8
Benchmark index											
Six Return index 99–02				67.4	-11.9	-14.2	-35.7	7.4	6.4	6.1	7.2
Absolute return target 03–06	—	—	—	67.4	-11.9	-14.2	-35.7	7.4	6.4	6.1	7.2
Fund capital, (SEK bn)	10.5	11.3	12.2	18.8	18.4	16.7	11.6	12.8	13.9	15.1	17.2
Profit/loss summary (SEKm)											
Profit/loss before costs	124	853	944	6,787	-246	-1,408	-4,805	1,493	1,450	1,567	2,395
External management costs	0	-2	-21	-37	-60	-124	-152	-187	-219	-201	-200
Internal costs	-4	-35	-63	-78	-122	-148	-150	-153	-121	-125	-131
Profit/loss for the year	120	816	860	6,672	-428	-1,680	-5,107	1,153	1,110	1,241	2,064

capital. The Sixth AP Fund is not required to make payments or receive funds on an annual basis to balance the cash flows of the public pension system. This means that profits can be reinvested and that losses must be covered by the fund capital. The Sixth AP Fund's investments are financed by the fund capital, which means that the portfolio has a low financial risk and that the Sixth AP Fund has the strength to take a long-term approach.

At the end of the financial year, SEK 17.5 billion was committed to investments in funds or companies owned directly by the Sixth AP Fund. Of this committed capital, SEK 4.2 billion has not yet been paid out.

Organisation

The Sixth AP Fund adopted a new business model in 2006, comprising four Business Areas and a Treasury, which has the task of managing excess liquidity and coping with any financial risks that arise in the business.

AP Direct Investments

Some of the holding in Lindab was sold during the year in connection with the company's listing on the Stockholm Stock Exchange. Following this sale, the Sixth AP Fund's holding stands at 11.1 per cent. Tradex, in which the Sixth AP Fund invested in 1997 and which in recent years has reported strong growth in sales and profits, was sold to the

US company, Brady Corp. The Sixth AP Fund has acquired a minority holding in Polarica in connection with the pending handover of this family business to a new generation of owners.

Further interests in the property company Norrporten were acquired at the beginning of 2006 as Vasakronan's holding was bought. Following this deal, the Second and Sixth Swedish National Pension Funds each hold a 50 per cent stake in Norrporten.

AP Partner Investments

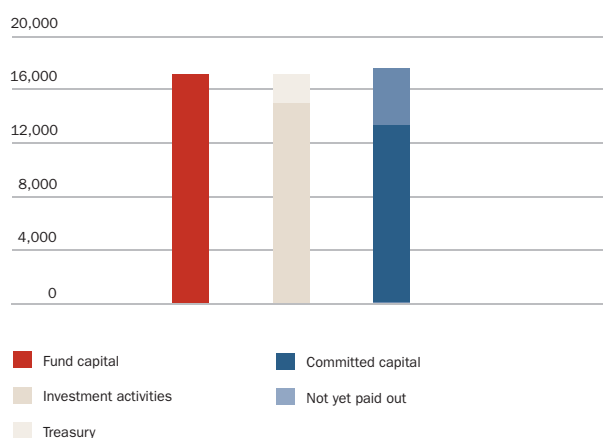
It has been an intensive year for the business area, which involved many investment proposals being received and evaluated in 2006. During the year, Unfors Instruments was acquired by a consortium that included the Sixth AP Fund together with the business partner Layline Partners and members of the company's management. The Sixth AP Fund also became a majority owner of STT Care System in order to strengthen the company's market presence in the field of municipal health care. The business operations of Solibro AB were expanded as the result of a joint venture with the German company Q-Cells AG to further develop and manufacture solar cells based on Solibro's technology.

AP Life Science

The business area AP Life Science makes long-term investments in companies and private equity funds in pharmaceuticals, biotechnology and medical technology. The life science market showed strong growth at the beginning of the year but also felt the impact of the sharp decline on stock markets in mid-2006. The market made a strong recovery at the end of the year.

The holding in A Carlsson Research AB was sold off during the year with the sales proceeds being made conditional in part payments related to future growth. The two first payments have generated a good return on the capital invested. Other events in 2006 included listings for three of the business area's portfolio companies, Arpida, Biovitrum and XCounter.

Fund capital, portfolios and committed capital, SEKm



AP Fund Investments

The buyout segment was very active during the year. There have been a number of significant and very profitable exits in the buyout portfolio. These include KappAhl, Paroc, Hydrauto, ComHem and Ahlsell. The strong performance in Buyout can also be attributed to the growth in value of existing portfolio companies.

In 2006, the Sixth AP Fund has written down the value of its Venture Capital portfolio owing to uncertainty regarding the value of some holdings. This cautious valuation has led to a weak result for the Venture Capital portfolio. The Sixth AP Fund is focusing on funds and investment companies with experienced management teams who are judged to have the potential to generate high returns. In combination with an improved market climate, this will provide more favourable conditions for value creation in the portfolio companies. The overall assessment is that the prerequisites do exist for long-term positive growth in value for the portfolio.

In Mixed Equity, the Sixth AP Fund increased its allocation to the small cap segment in 2006, partly through its investment in Carnegie Småbolagsfond, and also increased its share of private equity with further investments in Ratos and Investor.

Treasury

The Treasury manages capital which has not yet been allocated to investments in the business areas. This is known as excess liquidity. Investments are made in interest-bearing assets, hedge funds and the acquisition of convertible debt instruments used to finance the handover of businesses to a new generation of owners, notably the AP Convertible Bond.

The aim of the AP Convertible Bond, which was launched at the beginning of 2006, is to make it possible for potential owners to create a more long-term form of financing and amortisation and in doing so to facilitate the handover to a new generation of owners. The AP Convertible Bond is structured as a subordinated loan in relation to bank financing with a conversion right to the shares in the company as collateral. At the end of the year, three deals had been financed with the help of the AP Convertible Bond and several more deals are in the final stages. The minimum financing amount is SEK 10 million.

SEKm	Market-valued capital invested	Profit/loss	Return (%)*	Committed capital
AP Direct Investments	4,308	485	11.0	3,807
AP Partner Investments	524	110	31.2	452
AP Life Science	1,679	204	12.9	2,966
AP Fund Investments	8,519	1,530	18.9	10,234
Treasury	2,168	66	4.1	—
External management costs	—	-200	—	—
Internal costs	—	-63	—	—
Shared costs	—	-68	—	—
Total	17,198	2,064		17,459

* before costs

Management costs

The Sixth AP Fund's management costs comprise internal costs and external management costs. The internal costs are made up of personnel costs and other shared costs. The personnel costs are made up of the costs for the management of the Sixth AP Fund's investments in funds and directly owned companies, the Treasury, fund management and shared specialist functions. The other shared costs are related mainly to the cost of premises, consultants, IT and

general office expenses. As the Sixth AP Fund's operations are not subject to VAT, input VAT cannot be deducted. This is routinely written off as an expense and taken up under internal costs.

External management costs are related to the management fees paid to management teams who manage funds and other holdings in which the Sixth AP Fund invests. The management fee covers the fund's current expenses for management and normally corresponds to 1.5–3.0 per cent of the capital committed to the funds. At the end of a fund's investment period, the management fee is gradually reduced as the fund's portfolio companies are sold off. Unlike some other market players, the Sixth AP Fund has chosen to routinely write off all management costs as an expense.

The management of the Sixth AP Fund resembles a fund of funds in terms of its structure. To be able to monitor its cost levels and compare them with other fund managers, an index for management costs has been drawn up. Comparison against this index reveals that the Sixth AP Fund's costs are considerably lower than those of other comparable funds when measured in relation to the amount of capital under management.

Employees

At the end of the year, the Fund had 29 employees (28). Further personnel details are given in Note 8, along with a description of the Sixth AP Fund's incentive scheme. For more information about the Sixth AP Fund's organisation and employees, please refer to the website, www.apfond6.se.

The Sixth AP Fund's Board of Directors

The Board of the Sixth AP Fund shall, in accordance with Swedish law, consist of five members appointed annually by the government. The Board holds six ordinary board meetings a year. Six extraordinary board meetings were held in 2006. The Board follows the procedures set out in the Sixth AP Fund's Rules of Procedure for the Board. These include procedures for decision-making, follow-up and reporting.

The Board's most important steering documents are the Sixth AP Fund's business plan and activity plan, containing both an allocation plan and a budget. Policies have also been published and these, like the business plan and activity plan, are fixed on an annual basis and revised continuously whenever necessary. The Sixth AP Fund has adopted policies in areas such as finance, ownership, procurement, the environment, the working environment, equal opportunities and diversity, communications and ethical standards.

The Board also takes decisions on matters falling outside the mandate of the Managing Director, terms of employment for the Managing Director, total annual salary revisions and any bonus schemes intended for the staff of the Sixth AP Fund, and any other matters of significance to the Sixth AP Fund.

Each year, the Board shall issue an evaluation of the fund management activities of the Sixth AP Fund (to follow-up profit/loss and returns) as well as an evaluation of its own activities.

Income statement

SEKm	Note	2006	2005
Investment activities			
Realised profit/loss, net	2	1,736	712
Unrealised profit/loss, net	3	372	596
Dividend		117	125
Net interest income/expenses	4	176	135
Other financial expenses	5	-6	-1
Management costs	6, 8	-263	-261
Total Investment activities		2,132	1,306
Shared costs			
	7, 8		
Personnel costs		-25	-22
Other shared costs		-43	-43
Total shared costs		-68	-65
Profit/loss for the year		2,064	1,241

Balance sheet

SEKm	Note	31 Dec 2006	31 Dec 2005
ASSETS			
Investment assets			
Shares and participating interests in listed companies	9	6,735	5,014
Shares and participating interests in unlisted companies	10	8,605	8,762
Other interest-bearing securities	11	1,791	2,055
Total investment assets		17,131	15,831
Receivables and other assets			
Inventories and other tangible assets		—	1
Other current receivables		19	17
Liquid assets		19	15
Prepaid expenses and accrued income	12	85	50
Total receivables and other assets		123	83
Total assets		17,254	15,914
FUND CAPITAL AND LIABILITIES			
Fund capital			
Initial capital		10,366	10,366
Profit brought forward		4,760	3,519
Profit/loss for the year		2,064	1,241
Total fund capital		17,190	15,126
Current liabilities			
Accrued expenses		22	32
Other current liabilities	13	42	756
Total current liabilities		64	788
Total fund capital and liabilities		17,254	15,914
Pledged assets		—	5
Contingent liabilities		15	12
Commitments – contractual commitments for capital contribution		4,252	5,417

Notes

All figures are given in SEK million unless otherwise stated

Note 1 Accounting principles

The Sixth Swedish National Pension Fund (the Sixth AP Fund) adheres to the regulations set forth in the Sixth National Pension Fund Act (Lag (2000:193) om Sjätte AP-fonden). This Act came into force on 1 January 2001. The annual report has been prepared in accordance with generally accepted accounting principles.

As a result of the legislation which regulates the Sixth AP Fund, investments are valued according to their fair value in the Sixth AP Fund's accounts.

Change in accounting principles

With effect from 2005, all purchases of new equipment will be written off as an expense. The residual value of fixed assets acquired prior to 1 January 2005 has been written off in full in 2006.

With effect from 2006, net accounting will be applied to state realised and unrealised profit/loss in the income statement. Gross values will be stated in a separate note.

Amended presentation of items

With effect from 2005, the Sixth AP Fund has adapted the layout of its income statement for reporting management costs to conform to the presentation used for comparable organisations in Sweden and abroad.

Reporting and valuation of unlisted securities

The Sixth AP Fund values all holdings according to their fair value and applies EVCA principles (European Private Equity & Venture Capital Association, www.evca.com) as the basis for its valuation. This generally means that the holdings must present a fair value while taking into consideration principles of caution and consistency in the valuation. More recent holdings should be valued according to the acquisition cost, unless there has been a new round of financing or partial sale, in which a substantial investment has been made by a third party. In such cases, the valuation should be based on the price fixed at the time of the transaction. Another exception is where there is deemed to have been a permanent and substantial reduction in the value of the investment. These circumstances require a write-down in value to be reported. This write-down is defined as the realised profit/loss.

Purchases and sales of financial instruments are reported on the trade date.

Convertible loans are stated under the item Shares and participating interests, unlisted companies.

Premiums paid in respect of positions in unlisted derivative instruments have been recognised in the balance sheet. These premiums are reported together with the underlying value of the asset.

Changes in values of unlisted securities, realised and unrealised, are reported in the income statement and included in the profit/loss for the year.

The realised profit consists partly of the difference between sales proceeds and book value at the disposal of holdings, partly of the write-down of book value, where applicable. As a rule, write-downs are preceded by a depreciation that is defined as the unrealised profit/loss. This means that there will be a transfer of the depreciation between unrealised and realised profits. This transfer has no impact on the total profit/loss.

The acquisition value of a fund refers to all outgoing payments made, excluding external management costs, for remaining portfolio companies.

Reporting and valuation of listed securities

Those assets in which capital has been invested are reported according to their fair value in the annual report.

The fair value is based on the closing prices listed on the last trade date of the year.

Purchases and sales of financial instruments are reported on the trade date. This principle applies to transactions on the money and bond markets and on the equity market. Transactions concerning calls, warrants, forwards and swaps are reported in the accounts on the day when serious risks and rights are transferred between parties, i.e. the day the deal is completed.

The acquisition value of shares and other securities includes commissions and other direct costs incurred in relation to the purchase.

When calculating capital gains and losses, the average value method has been applied.

Interest-bearing securities are reported at their fair value with reference to allocation over time of premiums and discounts over the remaining life of the security.

Valuation is primarily made according to the final price paid on the last trading day of the year.

If, in certain conditions on a certain market, it is considered that the final rate (price paid) is not representative, then a different rate may be used for calculating the fair value.

Positions in derivative instruments are valued at their fair value and reported under the same balance sheet item as each of the respective instrument's underlying asset type.

Changes in value, realised and unrealised, are reported in the income statement and included in the profit/loss for the year.

The capital gain/loss refers to the difference between sales proceeds and acquisition cost. The capital gain/loss is the result that arises when investment assets are sold.

Management costs

External management costs in funds are reported as continuous expenses in the income statement, regardless of the type of management and method of payment chosen and regardless of the structure of the legal agreement.

With effect from 2005, internal management costs and external management costs are reported in a separate note. Performance-based remuneration is not included in external management costs but reduces the capital gain/loss in respect of the asset managed.

General accounting principles

No consolidated accounts have been prepared. Shares and participating interests in subsidiaries are valued at their fair value.

Receivables are taken up in the accounts at the amount at which they are expected to be received.

The Sixth AP Fund is exempt from income tax on its investments in Sweden and its operations are not subject to VAT. For this reason, input VAT cannot be deducted.

The fund capital consists of initial capital and retained earnings. The initial capital comprises a transfer from the former 1st–3rd Boards and SEK 366 million remaining from the Winding-up Board for Fund 92–94. The Sixth AP Fund is not under any obligations regarding payments to or from the Swedish Social Insurance Administration (Försäkringskassan).

Memorandum items

When investing in a private equity fund, a contractual commitment is made to invest a certain amount of capital. The capital is invested over time and payment made in line with the investments. The difference between committed capital and capital paid out, with the addition of possible reinvestment sums, is reported as a commitment under Memorandum items.

Note 2 Realised profit/loss, net

	2006	2005
Unlisted holdings		
Income from divestments	4,197	2,683
Capital invested	-1,915	-991
Reversal of changes in value booked previously (excluding write-downs)	-755	-712
Write-downs for the year	-14	-57
Total, unlisted	1,513	923
Listed holdings		
<i>Capital gain, net</i>		
Shares and participating interests	697	81
	697	81
<i>Capital loss, net</i>		
Bonds and other interest-bearing securities	-16	-48
Derivatives	-458	-244
	-474	-292
Total, listed	223	-211
Total realised profit/loss	1,736	712

Note 3 Unrealised profit/loss, net

	2006	2005
Unlisted holdings		
Change in the value of unrealised holdings for the year	-1,458	-782
Reversal of changes in value booked previously on holdings realised during the year	755	712
	-703	-70
Listed holdings		
Shares and participating interests	1,062	637
Bonds and other securities	13	29
	1 075	666
Total unrealised profit/loss	372	596

Note 4 Net interest income/expenses

	2006	2005
Interest income		
Convertible loans	181	109
Other interest income	21	41
	202	150
Interest expenses		
Other interest expenses	-26	-15
	-26	-15
Net interest income/expenses	176	135

Note 5 Other financial expenses

	2006	2005
Exchange rate differences	3	—
Conditional shareholders' contribution paid	3	1
Total	6	1

Note 6 Management costs

	2006	2005
External management costs		
– Unlisted holdings	180	185
– Listed holdings	20	16
Internal management costs		
– Personnel costs	39	35
– Other costs	24	25
	263	261

External management costs do not include performance-based costs. Performance-based costs for the year amounted to SEK 10.4 million and reduce the profit in respect of the asset managed. Input VAT of SEK 4 million is reported under Other costs.

Note 7 Shared costs

	2006	2005
Personnel costs	25	22
Property-related costs	3	2
Information and computer expenses	7	4
Services bought	19	20
Other costs	14	17
Total	68	65

Shared personnel costs include the costs related to the Managing Director and business support organisation. Input VAT of SEK 6 million is reported under Other costs.

Services bought include remuneration to audit firms, as follows:

	2006	2005
Audit assignments		
KPMG Bohlins AB	1.1	1.2
Öhrlings PricewaterhouseCoopers AB	0.2	0.3
Total	1.3	1.5
Other assignments		
KPMG Bohlins AB	1.0	0
Total	1.0	0
Total	2.3	1.5

Note 8 Personnel

		2006	2005
Average number of employees	Men	13	12
	Women	12	10
		25	22
Number of employees as at 31 December 2006	Men	14	14
	Women	15	14
		29	28
Salaries and fees			
Chairman of the Board		0.1	0.1
Board, excluding Chairman		0.2	0.2
Managing Director		2.6	2.5
Senior management team, excluding Managing Director		11.4	10.7
Other employees		18.6	15.3
		32.9	28.8
Incentive scheme			
Senior management team, excluding Managing Director		1.6	1.4
Other employees		2.5	2.4
		4.1	3.8
Pension costs			
Chairman of the Board		0.0	0.0
Board, excluding Chairman		0.0	0.0
Managing Director		1.3	1.4
Senior management team, excluding Managing Director		4.4	4.9
Other employees		7.8	6.9
		13.5	13.2
Social security expenses, excluding pension costs			
Chairman of the Board		0.0	0.0
Board, excluding Chairman		0.1	0.1
Managing Director		0.8	0.8
Senior management team, excluding Managing Director		5.0	4.4
Other employees		4.9	4.4
		10.8	9.7
Social security expenses – Total		24.3	22.9
Other personnel costs		2.6	1.2
Personnel costs – Total		63.9	56.7

Note 9 Shares and participating interests in listed companies

SHARE	Number of participating interests	Share of equity, %	Voting rights, %	Market value, SEKm
Biolvent International	1,268,718	2.7	2.7	14
Investor B	6,620,000	0.8	0.1	1,112
Karo Bio	1,830,520	2.3	2.3	29
Lindab	8,798,874	11.1	11.1	774
Ratos B	2,255,400	1.4	0.4	366
Carnegie Småbolag	644,753			288
Didner & Gerge Aktiefond	244,795			268
Eikos	465			97
Enter Sverige Fokus	433,485			743
Graal	592,808			88
Lannebo Småbolag	22,990,745			736
Lannebo Total	391,033			613
HQ Nordic Hedge	450,515			56
Odin Sverige II	3,727,928			832
RAM ONE	72,405			81
SEB Sverigefond Småbolag Chans/Risk	4,496,893			468
Simplicity Norden	210,101			85
Yield	71,989			85
Total				6,735

Commission paid in 2006 amounted to around SEK 6.3 million.

Pension

The Managing Director's employment contract contains specific provisions regarding retirement benefits and severance pay. The Managing Director shall be entitled to a pension at the age of 62 and annual premium payments shall be made corresponding to 42.5 per cent of the gross salary up to the age of 62.

Employees holding a position in the senior management team have pension agreements that have been negotiated individually with pension provisions that represent a proportion of the fixed salary during the period of employment. The Sixth AP Fund has no undertakings regarding future pensions and pension conditions. Remuneration from incentive schemes does not count as pensionable income.

Severance pay

Should the Sixth AP Fund serve notice to terminate employment, the Managing Director shall be entitled to severance pay corresponding to 18 months' salary in addition to salary during a six-month period of notice. Deductions are made for any other remuneration received by the Managing Director. The average period of notice for members of the management team is 12 months.

Incentive scheme

With the exception of the Managing Director, all employees of the Sixth AP Fund are included in an incentive scheme. Payments under the incentive scheme, which are limited to the equivalent of two months' salary, are subject to the return target for the entire Sixth AP Fund being exceeded. The net return for 2006 was 13.8 per cent, which means that the absolute return target was exceeded. The earnings include a charge of SEK 4.1 million (excluding social security contributions) for payments under the incentive scheme.

With the exception of the board fee, no further remuneration has been paid to the Board of the Sixth AP Fund.

Decisions regarding fees and remuneration

Board fees are set by the government. The Board sets the Managing Director's salary each year and also decides the general development of staff salary levels and any incentive schemes.

Absence due to illness

Absence due to illness totalled 23 days for the year, which corresponds to around 0.4 per cent of hours worked. To protect the integrity of individuals, these statistics have not been broken down according to age or gender.

Note 10 Shares and participating interests in unlisted companies

COMPANY	Org. No.	Registered office	Number of participating interests	Voting rights, %	Share of equity, %
123 Servicecenter Fastighets AB	556660-4327	Gothenburg	1,000	100.0	100.0
Accent Equity Partners AB	556601-2315	Stockholm	1,000	10.0	10.0
AEP 2003 KB	969694-5196	Stockholm			15.8
Andra & Sjätte Fastigheter AB	556694-3022	Gothenburg	2,500	50.0	50.0
AP Fordoninvest AB	556601-9757	Malmö	175,275	100.0	100.0
AP Konvertibeln AB	556703-1124	Gothenburg	1,000	100.0	100.0
AP Konvertibeln KB	969715-4061	Gothenburg			99.0
AP Riskkapital AB	556711-0407	Gothenburg	1,000	100.0	100.0
Aumar AB	556631-5932	Gothenburg	700	70.0	70.0
Auvimo AB	556587-9565	Gothenburg	1,000	100.0	100.0
Auvimo KB	969621-7729	Gothenburg			100.0
Calleo Holding AB	556520-8930	Gothenburg	40,000	0.8	0.4
CashCap AB	556533-1930	Stockholm	12,062	12.1	12.1
Creandum AB	556544-8791	Gothenburg	1,000	100.0	100.0
Creandum Advisor AB	556644-0300	Stockholm	45,232	40.7	40.7
DISAB Vacuum Technology AB	556421-2941	Eslöv	29,700	4.0	4.0
Ferox Syd AB ¹⁾	556591-2259	Malmö	1,110	100.0	100.0
Fornminnet AB	556696-0794	Gothenburg	1,000	100.0	100.0
Fornminnet KB	969712-0468	Gothenburg			99.0
Fyrfond AB	556591-7027	Gothenburg	1,000	100.0	100.0
Fyrfond KB	969661-3109	Gothenburg			100.0
Gar Förvaltnings AB	556312-2968	Gothenburg	168,182	100.0	100.0
Grönsta Lager AB	556660-5431	Gothenburg	1,000	100.0	100.0
Grönsta Lager KB	969704-9576	Gothenburg			99.0
Götaverken Miljö AB	556652-2743	Gothenburg	5,000	100.0	100.0
Healthcare Göteborg AB	556572-2088	Gothenburg	1,000	100.0	100.0
Healthcare Göteborg KB	969654-8396	Gothenburg			100.0
Ilö Förvaltnings AB	556542-6151	Gothenburg	1,000	100.0	100.0
Industrial Equity (I.E.) AB	556599-9702	Gothenburg	1,000	100.0	100.0
InnovationsKapital Management i Gbg AB	556541-0064	Gothenburg	1,300	13.0	13.0
Innoventus AB	556602-2728	Uppsala	4,662	33.3	33.3
Innoventus Project AB	556616-8356	Uppsala	176,483	49.0	49.0
Iqube Holding AB	556676-0764	Johanneshov	88,000	5.9	5.9
Johanneberg Campusbo AB	556658-6730	Gothenburg	800	80.0	80.0
Johanneberg Campusbo KB	969704-9451	Gothenburg			79.2
Kanal Lokal i Gbg AB	556608-3027	Stockholm	110	9.9	9.9
Krigskassa Blekinge AB	556709-7992	Ronneby	20,000	50.0	50.0
Medicon Valley Capital Management AB	556581-4307	Stockholm	1,975	36.8	36.8
Mobeon AB	556602-7461	Stockholm	1,462	30.5	30.5
MVC Holding AB	556623-1816	Stockholm	66,667	66.7	66.7
NE Advisory AB	556577-4493	Stockholm	18,422	18.4	18.4
NetSys Technology Group Holding AB	556550-2191	Mölnådal	100,000	100.0	100.0
Nordia Innovation AB	556228-6855	Stockholm	51,719	3.3	3.3
NS Holding AB	556594-3999	Sundsvall	1,819,884	50.0	50.0
Polarica AB	556167-2535	Haparanda	2,500	5.0	5.0
Scandinavian Life Science Ventures AB	556587-9771	Gothenburg	1,000	100.0	100.0
Simpleworld AB ²⁾	556399-2790	Stockholm	30,000	8.5	8.5
Slottsbacken Fund II 2003 AB	556648-9729	Stockholm	545	54.5	54.5
Slottsbacken Venture Capital AB	556531-2245	Stockholm	1,000	100.0	100.0
SLS Venture GP AB	556628-4641	Stockholm	8,099	82.9	82.9
SLS Venture Two GP AB	556628-4674	Stockholm	2,327	40.1	40.1
Solibro AB	556603-1596	Uppsala	351,773	43.9	43.9
Sportex AB	556220-0674	Gothenburg	102,500	100.0	100.0
STT Care System AB	556540-2889	Umeå	136,993	69.4	69.4
TDS Todos Data System AB	556343-7218	Göteborg	18,963,275	95.6	88.6
Unfors Holding AB	556701-5747	Gothenburg	65,162	59.8	59.8
United Logistics TSGS AB	556680-6914	Stockholm	13,020	42.0	42.0
Urnes KB	969700-5552	Gothenburg			99.0

The total acquisition value of shares and participating interests amounted to SEK 2,710 million.

1) The company is in liquidation

2) The company has been declared bankrupt

contd. **Note 10**

FUNDS	Org. No.	Registered office	Share of equity, %	Acquisition value, %
Accent Equity 2003 KB	969694-7739	Stockholm	63.1	154
Amplico I KB	969656-4088	Gothenburg	93.8	101
Amplico Kapital AB	556703-3161	Gothenburg	90.0	5
Baltic Rim Fund			22.8	21
BrainHeart Capital ANX KB	969703-4685	Stockholm	59.4	76
BrainHeart Capital KB	969674-4102	Stockholm	43.4	312
CapMan Buyout VIII Fund B KB	969705-5342	Stockholm	100.0	107
CapMan Equity Sweden KB	969683-1321	Stockholm	96.5	335
Creandum KB	969690-4771	Stockholm	49.3	53
CreVal Partners Fund I AB	556709-5434	Stockholm	30.0	0
Engelsberg Industriutveckling AB	556625-0923	Stockholm	50.0	58
EQT II			4.8	23
EQT IV 2004 KB	969697-5888	Stockholm	100.0	364
EQT Opportunity KB	969705-5227	Stockholm	100.0	17
EQT V 2006 KB	969705-5334	Stockholm	100.0	43
Femfond KB	969687-5062	Stockholm	100.0	343
Fysikten KB	969712-1029	Stockholm	100.0	218
H&B IIS Sweden KB	969664-6570	Stockholm	49.5	79
HealthCap 1999 KB	969656-1647	Stockholm	10.5	128
HealthCap Annex Fund I-II KB	969690-2049	Stockholm	38.9	94
HealthCap Colinvest KB	969625-6255	Stockholm	24.4	73
HealthCap III Sidefund KB	969699-4830	Stockholm	22.7	48
HealthCap KB	969614-4162	Stockholm	12.1	5
Industrial Development & Investment Equity KB	969640-9631	Stockholm	14.7	17
InnKap 2 Partners KB	969661-4735	Gothenburg	5.4	5
InnovationsKapital Fond I AB	556541-0056	Gothenburg	31.3	14
Innoventus Life Science I KB	969677-8530	Uppsala	32.7	30
IT Provider Century Fund KB	969673-0853	Stockholm	98.5	80
IT Provider Fund IV KB	969687-5468	Stockholm	59.1	108
Karolinska Investment Fund KB	969665-3444	Solna	24.0	72
Medicon Valley Capital KB	969657-5886	Stockholm	86.5	162
Medicon Valley Capital Two KB	969680-3056	Stockholm	98.5	89
Nordic Capital III			9.4	80
Nordico II KB	969660-1500	Stockholm	37.1	23
Nordico III KB	969680-3007	Stockholm	99.3	27
Northern Europe Private Equity KB	969670-3405	Stockholm	69.1	274
NPE II – Nordic Secondaries KB	969704-5756	Stockholm	100.0	0
Scandinavian Life Science Venture KB	969680-2991	Stockholm	98.5	466
Scandinavian Life Science Venture Two KB	969680-5291	Stockholm	70.4	227
Slottsbacken Fund Two KB	969660-9875	Stockholm	54.5	46
Slottsbacken Venture Capital KB	969626-1313	Stockholm	99.3	28
Swedestart II KB	969648-6431	Stockholm	21.1	2
Swedestart Life Science KB	969675-2337	Stockholm	16.3	39
Swedestart Tech KB	969674-7725	Stockholm	20.6	64
V2 Co-investment Alfa KB	969677-6989	Stockholm	50.0	5
V2 Fund KB	969665-1281	Stockholm	18.0	9
Total, funds				4,524
Total acquisition value				7,234
Total market value				8,605

Note 11 Other interest-bearing securities

	2006	2005
Bonds		
Government bonds	—	132
Total	—	132
Bond funds		
Enter Trend Råntefond	299	298
SHB Råntefond	617	508
SEB Penningmarknadsfond	529	544
Öhman Penningmarknadsfond	—	113
Total	1,445	1,463
Other		
Day-to-day loans	260	395
Pledged bank assets	—	5
Loans to unlisted companies	86	60
Total	346	460
Total	1,791	2,055

Note 12 Prepaid expenses and accrued income

	2006	2005
Accrued interest income	27	21
Prepaid management fees	45	27
Other prepaid expenses and income	13	2
Total	85	50

Note 13 Other current liabilities

	2006	2005
Loans from subsidiaries	1	37
Transactions not settled on the closing day	32	112
Other liabilities, credit institutions	—	600
Other	9	7
Total	42	756

Gothenburg, 22 February 2007

Jan-Olle Folkesson
*Chairman of the Board*Lennart Jeansson
Deputy chairman

Gunilla Almgren

Olle Larkö

Eva-Britt Gustafsson

Erling Gustafsson
Managing Director

Auditors' report

Org. no. 855104-0721

We have audited the annual accounts, the accounting records and the administration of the board of directors of the Sixth Swedish National Pension Fund for 2006. The annual accounts are presented in the printed version of this document on pages 28-39. These accounts and the administration of the Fund and the application of the Public Pension Funds Act when preparing the annual accounts are the responsibility of the board of directors. Our responsibility is to express an opinion on the annual accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts 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 sig-

nificant estimates made by the board of directors when preparing the annual accounts as well as evaluating the overall presentation of information in the annual accounts. 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 Public Pension Funds Act and give a true and fair view of the Fund's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The statutory administration report is consistent with the other parts of the annual accounts.

The audit has given no reason to qualify our opinion on the annual accounts, nor on the income statement and balance sheet contained therein, the accounting records or inventory of the Fund's assets or any other aspects of its administration.

We recommend that the income statement and balance sheet be adopted.

Gothenburg, 22 February 2007

Anders Bäckström
Authorised public accountant
*Appointed by the Swedish Government*Göran Jacobsson
Authorised public accountant
Appointed by the Swedish Government

Board of Directors



From left to right

Lennart Jeansson

Deputy chairman

b. 1941. Elected in 2004.

OTHER ASSIGNMENTS: Chairman of Stena AB, Volvo Pensionsstiftelse and BIL Sweden. Member of the Board of the Confederation of Swedish Enterprise, Volvo Lastvagnar AB, Volvo Construction Equipment AB, Stena Metall AB and Orkla ASA. Visiting professor in 2007 at the School of Business, Economics and Law at Göteborg University.

Eva-Britt Gustafsson

b. 1950. Elected in 1996.

OTHER ASSIGNMENTS: Managing Director of Venantius AB. Chairman of the Board of Specialfastigheter Sverige AB. Member of the Board of Euler-Hermes Kreditförsäkring Norden AB and JM AB. Deputy member of the Board of Botniabanan AB.

Olle Larkö

b. 1952. Elected in 2006.

OTHER ASSIGNMENTS: Assistant dean of faculty, professor, the Sahlgrenska Academy at Göteborg University. Member of the Board of the European Academy of Dermatology and Venereology, Scientific Council, the Medical Products Agency, Member of the Board of Chalmersinvest.

Gunilla Almgren

b. 1955. Elected in 2001.

OTHER ASSIGNMENTS: Deputy Chair of the Federation of Private Enterprises in Sweden. Member of the Board of the Swedish Foreign Trade Association, Swedbank in Gothenburg, Almi Företagspartner Väst AB, the Swedish Agency for Economic and Regional Growth and the Stock Exchange Society.

Jan-Olle Folkesson

Chairman of the Board

b. 1939. Elected in 1996.

OTHER ASSIGNMENTS: Chairman of the Board of Desam Fashion Group AB, CBN Chamber Business Network AB, Sporthaus Moxter AB, Neverlost AB, Handelns Forskningsstiftelse, WordFinder International AB and Robera AB. Member of the Board of Lennart Wallenstam Byggnadsaktiebolag, the Sahlgrenska Academy, Hakon Invest AB and Andra & Sjätte Fastigheter AB.

HOLDINGS IN UNLISTED COMPANIES:

22 shares in CBN AB, 70 shares in NeverLost AB and 4,266 class A preference shares in TDS Todos Data System AB.

Auditors

Anders Bäckström

Authorised public accountant

KPMG

Göran Jacobsson

Authorised public accountant

Öhrlings PricewaterhouseCoopers

Management



From top left to right

Erling Gustafsson

Managing Director

b. 1958. Joined the Fund in 1997.

Business Administration graduate

BOARD ASSIGNMENTS: Chairman of United Logistics TSGS AB. Member of the Board of MECA Scandinavia AB, Scandinavian Life Science Venture, Andra & Sjätte Fastigheter AB and Aviation Capacity Resources AB.

No holdings in unlisted companies.

Stefan Holmgren

Manager of the Treasury

b. 1961. Joined the Fund in 2000.

Law graduate

BOARD ASSIGNMENTS: Chairman of Göta-verken Miljö AB, Amplico Kapital AB, KVD Kvarndammen Bilauktioner AB and GKSS Event AB. Deputy Chairman of the Royal Gothenburg Yacht Club (GKSS).

No holdings in unlisted companies.

Urmars Kruusval

Business Area Manager

AP Direct Investments

b. 1951. Joined the Fund in 2000

Business Administration graduate

BOARD ASSIGNMENTS: Chairman of Sportex AB, MECA Scandinavia AB and DAWA Däck AB. Member of the Board of Borås Bil AB.

No holdings in unlisted companies.

From bottom left to right

Mats Augurell

Business Area Manager

AP Partner Investments

b. 1958. Joined the Fund in 2000.

BSc in Business Administration

BOARD ASSIGNMENTS: Member of the Board in Slottsbacken Venture Capital AB, Solibro AB, Aumar AB and AP Riskkapital AB.

No holdings in unlisted companies.

Lars Ingelmark

Business Area Manager

AP Life Science

b. 1949. Joined the Fund in 1998.

Medicine graduate, IFL diploma in marketing

BOARD ASSIGNMENTS: Chairman of Scandinavian Life Science Venture, Gytterp Cartridge Company AB and Svensk Våtmarksfond. Member of the Board of Karo Bio AB, BioInvent International AB, Innoventus AB, Karolinska Investment and Svenska Jägareförbundet.

No holdings in unlisted companies.

Per Rinder

Business Area Manager

AP Fund Investments

b. 1948. Joined the Fund in 2002

Law graduate, reporting clerk to court of appeal

BOARD ASSIGNMENTS: Member of the Board of Accent Equity Partners AB.

No holdings in unlisted companies.

For further information regarding the Sixth AP Fund's management and employees, please refer to the website, www.apfond6.se.

www.apfond6.se



Sjätte AP-fonden

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