



Sjötte AP-fonden



Sixth Swedish National Pension Fund
Annual Report 2007

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 small and medium-sized companies and in a selection of private equity funds, equity funds and investment companies.

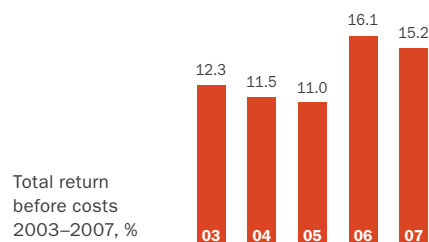
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The year in brief

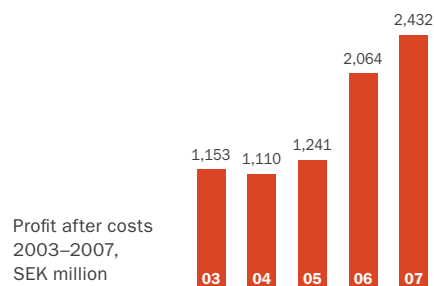
Total return 15.2 per cent

The Sixth AP Fund reported a return before costs of 15.2 per cent (16.1%).



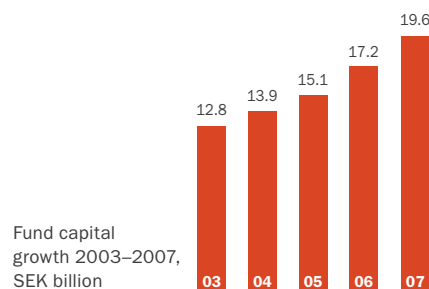
Profit SEK 2,432 million

The Sixth AP Fund's profit after costs was SEK 2,432 million (2,064m), which corresponds to a return of 13.1 per cent (13.8%).



Fund capital SEK 19.6 billion

The Sixth AP Fund's fund capital increased by SEK 2.4 billion during 2007 and amounted to SEK 19.6 billion (17.2bn) at the year-end. Since the formation of the Sixth AP Fund in 1996, the value of the fund capital has risen by SEK 9.2 billion.



A strong performance

For the Sixth AP Fund, 2007 was a successful year. Our profit after costs totalled SEK 2,432 million. Some 86 per cent of the fund capital has now been invested in small and medium-sized companies in various stages, sectors and regions.

Over the past five years, the Sixth AP Fund has reported stable and positive growth. Since 2003 we have invested SEK 13,757 million of private equity in small and medium-sized companies and had returns of SEK 8,389 million from exits. During this five-year period, the fund capital has grown from SEK 11.6 billion to SEK 19.6 billion.

The SEK 6.8 billion profit reported on investment activity over the past five years corresponds to an annual return of 13.9 per cent. This exceeds the target set by the Board by 3.7 percentage points per year.

Strong performance in 2007

The Sixth AP Fund reported a profit after costs of SEK 2,432 million for 2007, which corresponds to a net return of 13.1 per cent. This exceeds the required return of 9.0 per cent set by the Board.

The profit after costs reported on investment activity, SEK 2,443 million, was the best since the Sixth AP Fund's inception in 1996. The profit is attributable to changes in the value of portfolio companies and to profits realised from the sale of companies.

Our fund capital at the year-end totalled SEK 19.6 billion. Of this, some 86 per cent has been invested in small and medium-sized companies in various stages, sectors and regions. The valuation of these companies in our balance sheet is a cautious one. The companies are valued according to standard industry practice, even if we estimate that their value at the time of a future exit could be higher.

Unique mission

The Sixth AP Fund has been an active player in the Swedish private equity market for just over eleven years. The purpose of the Sixth AP Fund is described in the government bill 1995/96:171 and can be summarised in three points:

- To maximise the long-term returns on assets for the benefit of the pension system.
- To promote growth and employment by ensuring that Swedish industry has access to capital.
- To create the scope for independent and long-term ownership, with a focus on Swedish companies, both listed and unlisted, while allowing for the possibility of investment in smaller, newly formed companies.

By giving the Swedish market access to private equity and taking a patient, assertive and responsible approach, the Sixth AP Fund is realising its goal of contributing to the development of Swedish industry.

Since 1 November 2007, the Sixth AP Fund is also able to invest a modest proportion of its capital abroad, primarily in the Nordic region.

Finely tuned business model

The Sixth AP Fund's unique mission – to create good returns for the Swedish pension system in a limited and niched area of investment – demands a great deal of our business model.

However, using the experience and knowledge acquired since the inception in 1996, we have developed a business model that



can effectively implement the investment and marketing strategies of the Sixth AP Fund. We are an active owner that invests in all stages of a company's development, from formation to stock exchange listing, and as the range of companies is so broad, over time, it creates the prerequisites for good, stable returns.

Investment activities are divided up into fund investments and company investments and the investment strategy is implemented by an organisation that comprises six business areas.

High level of investment activity

In 2007, the level of activity has been high in all business areas, and in line with our strategy, we have undertaken greater commitments.

AP Fund Investments has invested in three new venture capital funds and in four new buyout funds. Moreover, a number of follow-on investments have been made in existing funds. In the Listed Small Cap portfolio, a major new investment has been made in SEB MicroCap, which invests in Nordic small cap.

AP Life Science focuses much of its work on realising the value of the business area's largest fund, SLS Venture. In 2007, two of the fund's holdings, Exiqon and Aerocrine, were listed on the stock exchange. AP Life Science is also looking into the possibility of increasing the number of direct investments.

Other company investments by the Sixth AP Fund are made according to four investment models aimed at different segments of the private equity market:

AP Direct Investments operates primarily in the buyout segment and has during the year increased its invested capital by acquiring 40 per cent of the shares in Volvofinans and by increasing its ownership in Polarica. Other holdings in the business area developed in line with their respective owner directives.

AP Partner Investments, formed in 2006 as a new player in the venture capital segment, has grown considerably during the year and has now invested a total of SEK 1.5 billion in 22 companies in the expansion stage. Investments are made together with a business partner.

AP Convertible Bond, a business area established in 2007 in order to broaden the range of financing solutions offered by the Sixth AP Fund, made its largest investment at the end of the year, in the Gnosjö Group. As a result, the Swedish company's senior management was able to proceed with a management buyout of the company from its Dutch owner, Kendrion.

AP Network Investments, a new business area as of 1 January 2008, operates according to a model that enables it to combine local capital with local know-how to create commercial opportunities in the early stage. The business area has completed eight investments in young, local companies.

Outlook for 2008

As a result of the growing uncertainty in financial markets at the end of 2007 and beginning of 2008, it may be more difficult to realise the value of the portfolios. However, the situation also enhances our opportunities for acquiring new companies and complementing these with additional acquisitions.

The Sixth AP Fund's current portfolio has a balanced risk and we are prepared for more difficult market conditions. Aided by a solid foundation of structural capital, skilled staff and an extensive and efficient network, we will be able to continue developing small and medium-sized companies in the Swedish market in order to create the greatest possible value for the pension system.

Gothenburg, 21 February 2008

Erling Gustafsson

Mission, return targets and strategy

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.

Mission

The Sixth AP Fund has played an active part in the Swedish private equity market since 1996 and the basis for its mission can be found in the Sixth Swedish National Pension Funds Act (2000:193).

This mission is centred around three cornerstones: the overall goal of generating high, long-term returns for the benefit of the Swedish public pension system, taking into account the need

for satisfactory risk diversification and an investment focus on small and medium-sized companies.

The Sixth AP Fund focuses on generating high returns on the capital invested and takes into account the need for satisfactory risk diversification by investing in companies which operate in different sectors and are in different stages of development. The focus on small and medium-sized companies is

Mission – Targets – Strategy

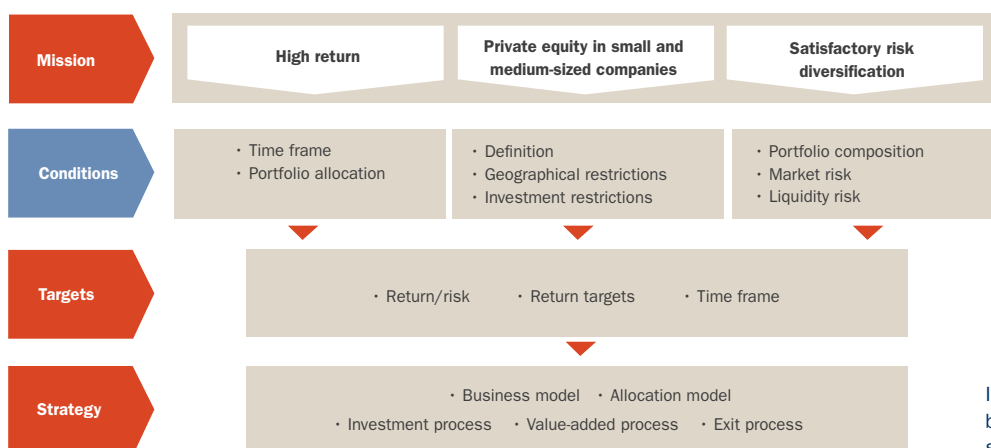


Illustration describing the link between the Sixth AP Fund's strategies and its mission.

primarily achieved by two investment strategies: direct investment in companies or indirect investment through private equity funds, equity funds and investment companies. Investments are made in both unlisted and listed holdings.

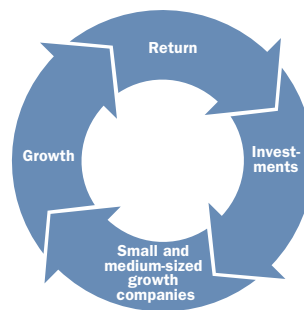
The Sixth AP Fund contributes to Swedish industry by providing access to capital while taking into consideration the need for a long-term and assertive approach, but also by providing various skills through the formation of networks consisting of people with a broad range of skills who are capable of working in or close to companies in need of growth.

Evergreen fund

Unlike the four other Swedish National Pension funds, the Sixth AP Fund is what is known as an evergreen fund, which means that there are no regular payments to or withdrawals from the Sixth AP Fund. This means that the returns from previous investments are re-invested as new private equity in other companies with the aim of providing growth and of generating continued high returns. The liquidity reserve maintained for

completing new and follow-on investments and for covering other capital requirements in existing companies is managed by the Sixth AP Fund's Treasury.

At the inception of the Sixth AP Fund in 1996, it received an initial capital of SEK 10.4 billion. This capital has grown over time and at the end of 2007 stood at SEK 19.6 billion.



The Sixth AP Fund's returns from previous investments are re-invested as new private equity in new companies with the aim of providing growth and generating continued high returns.

Core values

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's organisation is aware that it is dealing with public pension funds and stands for high ethical standards, working on the basis of clearly defined processes and striving for environmental and risk awareness.

The Sixth AP Fund creates value by

- contributing to profitable expansion in and development of growth companies
- being an active and committed owner with an assertive approach and clearly defined return targets
- being able to turn away from deals that are not deemed to be capable of value creation.

The Sixth AP Fund demonstrates its professionalism by

- providing, developing and systematising skills through an extensive network of people who can offer a variety of skills
- setting ambitious targets and assuming responsibility for reaching them
- working with considerable personal commitment.

The Sixth AP Fund demonstrates its long-term approach and staying power by

- understanding the companies and funds in which it invests
- putting the company's development ahead of personal gain or the length of its own ownership period.



Annika Ahl Åkesson and Fabian Dahl, Sixth AP Fund

Return targets

The business targets are decided by the Sixth AP Fund's Board and consist of a long-term target and a short-term requirement. The definition of the long-term target is that the annual return on the total fund capital shall correspond to the risk-free interest rate plus a risk premium of 4.5 per cent over five years. The short-term requirement is formulated as an absolute required return and is set each year by the Board. The risk-free interest rate is defined as the applicable repo rate.

The return targets are calculated once the Board has determined the long-term 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 risk premium is formulated on the basis of the sector and growth stage of the investment. The portfolio's return targets are then appraised to arrive at an overall return target for the Sixth AP Fund. The required return for the 2007 financial year was 9.0 per cent and the target for the five-year period 2003–2007 was 7.3 per cent.

Strategy

The Sixth AP Fund's business model has been designed to ensure the efficient implementation of the Sixth AP Fund's market and investment strategies. With effect from 2008, the organisation is divided into six business areas, each of which has a clearly defined investment strategy. As the Sixth AP Fund is an evergreen fund, sound liquidity management coupled with efficient methods and processes are required for cash flow forecasts.

Market strategy

The Sixth AP Fund's mission demands a thorough market analysis and clearly defined investment models. In the field of private equity investment for small and medium-sized businesses, the Sixth AP Fund has defined four distinct market segments:

- Early stage
- Venture
- Buyout
- Listed small cap

Early stage

For the Sixth AP Fund, the early stage refers to the first part of the seed and start-up stages. 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 has chosen not to invest in the non-commercial, very early stage, on the grounds that investments in this stage are associated with a risk that the Sixth AP Fund regards as far too high in view of its mission. However, the Sixth AP Fund is evaluating alternative models for investing in the close-to-market segment in the early stage of development. These models are based on advice given to the entrepreneur rather than on the examination and evaluation of a business model or idea. The Sixth AP Fund participates in investments in companies in the early stage through Local Networks and AP Network Investments.

Venture

In the venture 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 segment includes capital allocated by private individuals and institutional investors, both Swedish and international. Investments are made mainly through private equity funds, which are handled by management teams who work in close co-operation with the management of the portfolio companies.

In venture, the business strategies may differ 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 may focus on the development of products rather than companies. In the more traditional manufacturing and service sectors, the tendency may lean more towards thorough and long-term initiatives aimed at developing the company.

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

The buyout market segment includes investments made in portfolio companies in the late expansion or 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 segment has historically generated a high average return.

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

Listed small cap

Alongside the venture and buyout market segments, the Sixth AP Fund has defined an additional segment which invests in

listed small cap. Investments are principally made through the following types of player in the segment:

- 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.

The view is that investments in listed small cap can offer a higher degree of liquidity than that seen in venture and buyout as well as opportunities to create high returns.

Investment and allocation strategy

The role of the Sixth AP Fund is to be an active and committed owner and investor in the Swedish private equity market. Investments are made with the aim of achieving optimal allocation in the investment portfolio, taking into consideration the potential returns, risk, segment and stage of development of the portfolio companies. The Sixth AP Fund's investment activities are divided up into company investments and fund investments, and are implemented by an organisation that comprises six business areas. The liquidity reserve maintained for carrying out new and follow-on investments and for covering other capital requirements in existing companies is managed by the Sixth AP Fund's Treasury.

Funds for investment are allocated on the basis of three strategies and take into consideration the level of risk and the management responsibility of internal and external fund managers:

- Direct investments through its own management teams or joint investments with business partners.
- Indirect investments through funds and investment companies with external management teams.
- Indirect investments through funds active in life science and in which the Sixth AP Fund plays an active role in the development of management teams and portfolio companies.

Direct investments

Investments are made directly in Swedish small and medium-sized companies, unlisted and listed, through direct investments or through joint investments with business partners.

The Sixth AP Fund

- is 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 an extensive network of experts in various fields
- is capable of considerable staying power compared with a fund limited in time
- safeguards efficient management costs.

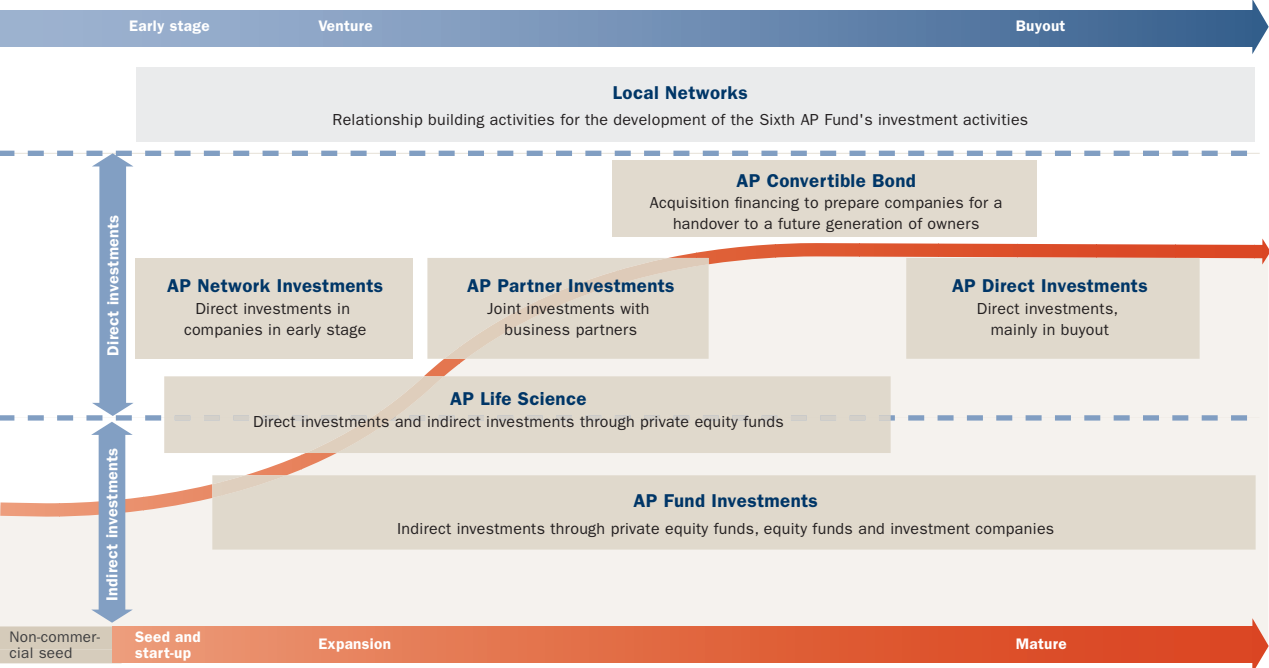
Indirect investments

Investments are made indirectly through private equity funds, equity funds and investment companies with experienced management teams. These invest in Swedish and Nordic small and medium-sized companies in the market segments venture, buyout and listed small cap.

The Sixth AP Fund

- chooses experienced management teams 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
- invests in private equity funds in life science, an area in which the Sixth AP Fund is able to provide specialist knowledge and contribute by playing an active role in the development of management teams and portfolio companies.

The Sixth AP Fund's business model



Funds for investment are allocated on the basis of strategies and take into consideration the level of risk and the management responsibility of internal and external fund managers: direct investments through its own management teams or joint investments with partners, as well as indirect investments through funds and investment companies with external management teams.

The Swedish National Pension Funds in the pension system

The public pension system consists of two parts: earnings-related pension and premium pension. Payments of earnings-related pensions made to today's pensioners are financed by contributions, corresponding to 16 per cent of salary, from today's salary earners. Any surplus resulting from the contri-

butions paid in and pensions paid out is transferred to the Swedish National Pension Fund system, whereas any deficit must be covered by funds from the Swedish National Pension Funds.

The Sixth AP Fund is one of the five buffer funds in the Swedish pension system and the task of the

The Swedish National Pension Funds manage the pension buffer on behalf of the Swedish people

The Swedish National Pension Fund system was formed in connection with the introduction of the system that included the national supplementary pension (ATP) in 1960. The purpose was to create a buffer between contributions paid in and pensions paid out, with the task of investing capital in interest-bearing assets and shares. The ATP system was based on the principle that the Swedish people's pension payments were funded by compulsory employer and individual contributions.

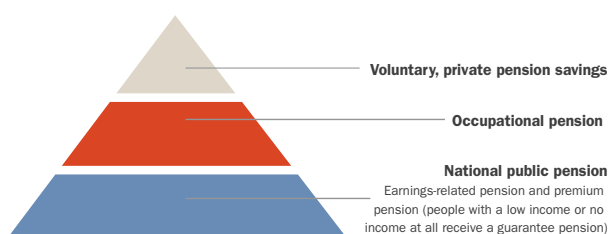
In June 1998, the Swedish parliament decided to reform the pension system owing to the inadequacy of the ATP system in view of future changes in the social economy and demographic developments.

The new pension reform came into force on 1 January 1999 and payments made under the new rules began in 2001. The new system is based on the principle that the pension is determined by the contributions paid throughout a person's working life.

Future pensions based on three components

For individuals, future pensions can be divided into three components: national public pension, occupational pension and voluntary, private pension savings. The base consists of the public pension, which accounts for the main source of income for most pensioners. The public pension consists of earnings-related pension and premium pension. Each month, the employer pays in 18.5 per cent of the employee's pensionable income to the public pension system via the employer's contribution. Of this, 16 percentage points go towards the earnings-related pension, which is administered by the Swedish Social Insurance Agency and 2.5 percentage points go towards the premium pension, which is administered by the Premium Pension Authority (PPM). In addition to the earnings-related pension, there is also what is known as a guarantee pension, a supplement intended for people with a low income or no income at all. The guarantee pension is financed by tax revenues through the national budget and not via the pension system. The earnings-related elements – the earnings-related pension and the premium pension – are financed solely through the contributions paid in and the returns from the buffer funds (Swedish National Pension Funds). This is also the case with the earnings-related supplementary pension that corresponds to the ATP under previous regulations.

The Swedish pension system – a three-part pyramid



The Swedish pension system can be described as a pyramid where the national public pension, which accounts for the main source of income for most pensioners, forms the base.

Source: Swedish Social Insurance Agency

Swedish National Pension Funds is to manage those public pension funds that represent the difference between contributions paid in and pensions paid out in respect of earnings-related old-age pension. However, unlike the four other Swedish National Pension Funds, the Sixth AP Fund is what is known

as an evergreen fund, which means that there are no regular payments to or withdrawals from the fund. At the inception of the Sixth AP Fund in 1996, it received an initial capital of SEK 10.4 billion. This capital has grown over time and at the end of 2007 stood at SEK 19.6 billion.

Contributions for the occupational pension are paid in by the employer and are determined by collective bargaining agreement or individual agreements negotiated with the individual. Provisions for occupational pension are not managed through the public pension system.

Two components of the national public pension system

The individual's future pension from the public pension system is based on two components: earnings-related pension and

premium pension. The size of the earnings-related pension is based on the pensionable income earned during the individual's working life, known as the life income. However, the contributions based on this income and paid by the employer through the employer's contribution are not physically managed from an account pending the individual's retirement. Instead, the pay-as-you-go system is structured so that current contributions finance the payments made to today's pensioners. Any surplus resulting from the contributions paid in and pensions

The national public pension – the foundation of the Swedish pension system

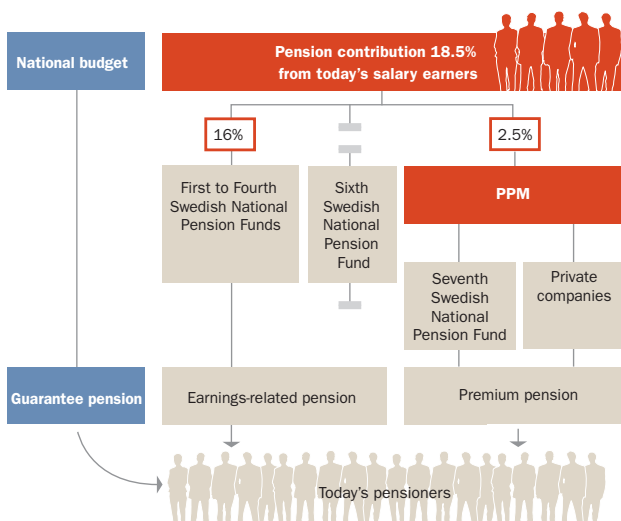
The current national public pension system consists of two components: earnings-related pension and premium pension. The First to Fourth Swedish National Pension Funds manage any differences that arise between the payments made by today's salary earners and those made to today's pensioners in respect of the earnings-related pension.

The Sixth AP Fund is an evergreen buffer fund, which means that there are no payments to or from the fund. This means that returns are re-invested in line with the mission of the Sixth AP Fund.

The guarantee pension is a supplement to the earnings-related pension intended for

people with a low or non-existent income and it is financed by tax revenues through the national budget and is thus separate from the pension system.

Provisions for the premium pension are administered by the Premium Pension Authority (PPM) and the capital is invested in mutual funds that are managed by private fund managers which the individual is able to choose. If the individual does not actively choose a private fund manager, the premium pension is managed by the Seventh Swedish National Pension Fund in what is known as the Premium Savings Fund.



paid out is transferred to the Swedish National Pension Fund system, whereas any deficit must be covered by funds from the Swedish National Pension Funds. In order to be able to calculate the earnings-related pension of each and every individual, the pension entitlement earned is registered and the amount reported is revised upwards annually using an index which measures average income growth in Sweden. When pensions are withdrawn, the payment is being financed by the current working population through their pension contributions.

The annual allocation made to the premium pension is saved in an individual premium reserve account at the PPM and the size of future premium pensions is determined by the growth of those mutual funds chosen by the individual and managed by private fund managers. If the individual does not make an active choice of fund manager, the money is invested in the Premium Savings Fund, a global equity fund managed by the Seventh Swedish National Pension Fund. The Seventh Swedish National Pension Fund also manages the Premium Choice Fund, which can be chosen actively in competition with the private fund managers. The value of the fund units, regardless of whether the individual has made a choice or not, is registered in the premium reserve account at the PPM.

Swedish National Pension Funds provide balance

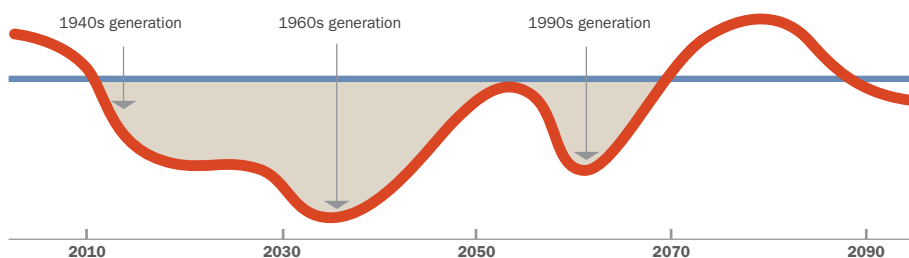
The Swedish National Pension Funds (First, Second, Third, Fourth and Sixth Swedish National Pension Funds) operate as a financial buffer and are known as buffer funds. Their mission is to invest the managed capital and create high long-term returns taking into account the need for a satisfactory risk diversification. As regards the First, Second, Third and Fourth

Swedish National Pension Funds, any surplus resulting from the contributions paid in and pensions paid out is managed by the Swedish National Pension Funds, whereas any deficit must be covered by funds from the Swedish National Pension Funds. In practical terms, this means that the earnings-related pension contributions paid in each month by all employers are transferred to the First to Fourth Swedish National Pension Funds. Each fund receives a quarter of the contributions and finances a quarter of the pension payments. The monthly pension payments in the pension system are thus made using money from these buffer funds.

The Sixth AP Fund also manages a degree of buffer capital, but, unlike the other Swedish National Pension Funds, is what is known as an evergreen fund. Its primary mission, like that of the other Swedish National Pension Funds, is to manage public pension funds with the goal of creating high, long-term returns, taking into account the need for a satisfactory risk diversification. However, the investment regulations differ in that the Sixth AP Fund has the mission of investing in small and medium-sized Swedish growth companies, by direct or indirect ownership, thus contributing to the development of Swedish industry. The investments in the Sixth AP Fund are of a more long-term nature, which makes greater demands on the business model and liquidity planning.

The amount of pension payments is not expected to exceed pension contributions until 2010 at the earliest, according to calculations by the Swedish Social Insurance Agency, but this will then put pressure on the buffer funds to provide an annual net injection of capital. At the end of 2006, the total capital in the buffer funds amounted to approximately SEK 850 billion.

The impact of retirement pensions on the pension system's buffer



Source: Swedish Social Insurance Agency

The amount of pension payments is not expected to exceed pension contributions until 2010 at the earliest, according to calculations by the Swedish Social Insurance Agency. This will put pressure on the buffer funds to provide an annual net injection of capital. At the end of 2006, the total capital in the buffer funds amounted to approximately SEK 850 billion.



Lisbeth Ekelund and Per Lindmark, Sixth AP Fund

Investment approach of the Sixth AP Fund

AP Direct Investments	AP Partner Investments	AP Life Science
<p>Share of capital 33.1%</p>  <p>Investment team Urmas Kruusval Christina Brinck Håkan Bohlin</p>	<p>Share of capital 7.6%</p>  <p>Investment team Mats Augurell Annika Ahl Åkesson</p>	<p>Share of capital 10.7%</p>  <p>Investment team Lars Ingelmark Carina Langeland</p>
<p>Investment focus</p> <p>Business opportunities are generated by our own analyses and via a broad network. AP Direct Investments invests 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.</p>	<p>Most contacts are made through the Sixth AP Fund's own network. An investment is always made together with a business partner. The business partner tends to be the one to present an investment proposal.</p> <p>The investment focus is on companies in the expansion stage with a turnover of SEK 20–500 million. Investments are made regardless 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.</p>	<p>Dialogues are constantly ongoing with universities, other academic institutions and market players and these generate numerous investment opportunities. Further, the industry is undergoing continuous and thorough analysis.</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>How is a new investment assessed?</p> <p>Various criteria in the following areas are taken into consideration:</p> <ul style="list-style-type: none"> • the nature of the industry and the development opportunities it offers • the company's position and standing in its industry • the ownership structure and management • what the Sixth AP Fund can offer the company. 	<p>The business partner and the company 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. A due diligence process precedes any negotiations.</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>How is active ownership exercised?</p> <p>An owner directive set by the owners forms the basis for an investment. Active ownership is adapted to the company's current situation and requirements. The owner's representatives take part in the work of the board and monitor the company closely.</p>	<p>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 also invest in the company.</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>

Local Networks

Local Networks is responsible for the Sixth AP Fund's relationship building activities in the Swedish market. This involves meeting entrepreneurs, business developers and advisors with the aim of creating business opportunities and contributing to the develop-

ment of the Sixth AP Fund's investment activities. Through Local Networks, the Sixth AP Fund can actively seek and nurture regional and local contacts. It may also serve as a platform where new deals can be initiated as an idea or investment proposal.

Local Networks Co-ordinator Susanne Olofsson

AP Fund Investments	AP Convertible Bond	AP Network Investments
<p>Share of capital 34.4% </p> <p>Investment team Alexandra Nilsson Cecilia Gross Friberger Magnus Dahlgren</p>	<p>Share of capital 0.9% </p> <p>Investment team Fabian Dahl</p>	<p>Share of capital 0.1% </p> <p>Investment team Not yet appointed</p> <p>New business area as of 2008</p>
<p>The emphasis is on investing in funds and investment companies managed by management teams that the Sixth AP Fund is already co-operating with. Other teams may be added to the portfolio on a selective basis.</p> <p>Investments are made in funds and investment companies with a focus on unlisted companies in the start-up, expansion and mature stages, as well as listed small and medium-sized companies. The funds and investment companies should be managed by experienced management teams with extensive experience of the industry.</p>	<p>The AP-konvertibel™ is being marketed in the Sixth AP Fund's networks and through contacts with banks, audit firms and law firms all over the country. The bond has been designed for companies seeking a complement to bank financing when transferring the business to a future generation of owners. The product is aimed at mature companies with a steady turnover and positive cash flows. AP Convertible Bond does not handle investments of less than SEK 10 million and anticipates that new owners are able to provide a capital base corresponding to a minimum of around 25 per cent of equity.</p>	<p>AP Network Investments invests in small companies which have taken the first steps towards development and which have actively started to work up their markets. Investments are made regardless of industry and in companies with a strong entrepreneurial spirit and a business case with considerable potential. The company must have started selling its products or services and should need no more than SEK 5 million in investment capital.</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 • investment process • management team • historical returns • fund terms 	<p>The evaluation process, which among other things includes due diligence carried out together with a third party, assesses the growth potential of the company and its ability to generate the future cash flows required to manage its acquisition financing.</p>	<p>The entrepreneur and business case are evaluated, usually by a third party. Priority is given to companies originating from Local Networks. In addition to an assessment of turnover and capital requirement, the company must have a local mentor/board member who has been approved by AP Network Investments. The entrepreneur/founders must be majority shareholders in the company and the number of partners should be limited.</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>The Sixth AP Fund is entitled to appoint one full board member and one deputy to the company's board.</p>	<p>When an investment is made, an owner directive for the company is drafted and milestones for its development are set. AP Network Investments plays an active role, through shareholder agreements, board representation and participation in Annual General Meetings. Occasionally, staff appointments are made to ensure that the company achieves the desired development. If the company develops according to plan, it can continue growing within the Sixth AP Fund.</p>

Local Networks

Local Networks is responsible for the Sixth AP Fund's relationship building activities in the Swedish market. This involves meeting entrepreneurs, business developers and advisors with the aim of creating business opportunities and contributing to the development of the Sixth AP Fund's investment activities.

Since 2002, the Sixth AP Fund has been visiting various regions to meet entrepreneurs and advisors who are able and willing to influence the development of industry in their region. These relationship building activities are referred to as Local Networks and the purpose is to reinforce the Sixth AP Fund's brand through exposure and local initiatives. 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 identify good investment opportunities and in doing so enhance the Sixth AP Fund's opportunities for contributing to the development of Swedish industry.

Regions rich in entrepreneurs

Since 2006, the Sixth AP Fund has focused its attention on seven regions for relationship building, following up and deals – the counties of Kalmar, Blekinge, Jönköping, Värmland and Norrbotten, as well as the regions of Siljan and Skellefteå/ Umeå. These regions, which from the north to the south of Sweden cover those areas away from inner city and university areas, have plenty of entrepreneurs and companies with good growth potential. The long-term approach of the Sixth AP Fund is a prerequisite for working with local entrepreneurs and family businesses whose origins date back several generations.

Local investment companies – a model for investing in young companies

Together with local private investors, the Sixth AP Fund has invested in two small, local investment companies, one of which is based in the county of Blekinge, the other in the county of Jönköping. The first investment company, Krigskassa i Blekinge, started operating in 2006 and in 2007 an investment was made in Jönköping Business Development. Drawing on these experiences, the investment model has been developed to produce a set-up which the Sixth AP Fund is keen to evaluate in other regions.

Small local companies need capital from close and committed sources and would moreover have access to the Sixth AP Fund's networks and experience from working with private equity investment. The boards of the investment companies in co-operation with the local incubator can help young companies with potential gain access to both capital and skills. The investment companies, which should be made up of around 50 per cent local private capital, invest SEK 300,000–500,000 in each company. After around two years, each investment is evaluated in order to plan the next stage of the company's development. If the company has developed in line with its business plan, it should be possible for the capital invested to be

repaid to the local investment company with a reasonable return, when a new investor steps in.

It is important to note that one of the Sixth AP Fund's criteria for investing in these young companies is that the company has started to sell its products and/or services and that its own customer financing can help to finance the company's business activities.

New products and deals created

The long-term approach of Local Networks provides many advantages. The Sixth AP Fund gains considerable market insight and knowledge from these local contacts, which helps create deals and develop the Sixth AP Fund's investment model. A number of activities were carried out in 2007:

- Together with local private capital, the Sixth AP Fund has invested in Jönköping Business Development AB, an investment company for investing in young companies in the county of Jönköping.
- The business model for network investments has been developed and resulted in the formation of a new business area, AP Network Investments, a stage of investment between the small local investment companies and AP Partner Investments.

AP Network Investments – new business area in 2008

The Sixth AP Fund has developed a method for completing and following up investments in small companies which have taken the first steps towards development. The method and strategy are based on the knowledge and experience that the Sixth AP Fund has acquired in its work with Local Networks. This has resulted in the formation of a new business area, AP Network Investments.

AP Network Investments offers growth capital and skills support to companies which have moved beyond the stage of incubation and investment from small local investment companies, and which are now at a mature enough stage to launch their products/services on the market.

In 2007, the Sixth AP Fund invested a total of around SEK 22 million in four companies. These investments are evaluated by and made together with local private partners from the Sixth AP Fund's networks. In the longer term, the goal is to source the majority of investments from small regional investment companies and from IQube.

AP Network Investments

- works actively with investments from Local Networks.
- evaluates and makes investments together with partners from Local Networks and IQube.
- invests in companies with a turnover of up to SEK 20 million.
- invests up to roughly SEK 5 million per company.

- Activities to target local markets and local players have increased the deal flow to AP Partner Investments, AP Direct Investments and AP Convertible Bond.
- The company Senior Work has started operating. The company supplies management and development skills as well as board expertise and helps strengthen a company's human resources. For more information, visit www.seniorwork.se.
- With the experience gained from the work in Local Networks, the Sixth AP Fund has developed its system for managing investment proposals in order to acquire greater market expertise.

- A regional development project on how the Sixth AP Fund could invest in the tourist industry is under way in Pajala.
- Co-operation with the private business incubator IQube has continued and will be developed further in 2008.

Long-term focus

In 2008 the Sixth AP Fund will continue its long-term initiatives in the seven regions. Plans are being made for more small local investment companies and a major follow-up visit in all seven regions.

AP Network Investments is being set up and will operate as a separate business area of the Sixth AP Fund in 2008.

Activities carried out in 2007

20 February	Älvdalen	9 May	Karlskrona
13 March	Jönköping	4 June	Kalmar
26 March	Siljan region	26 June	Pajala
11 April	Trångsviken	26 September	Haparanda

During the autumn of 2007, Local Networks also focused on individual meetings and contacts in the seven regions around the country.

Local Networks – summary of holdings

SENIOR WORK was established at the beginning of 2007 and the company's business concept is to supply companies and organisations with senior management skills and experience. During the year, Senior Work built

up a database comprising some 500 advisors, consultants and board members, all with a proven track record in their fields.

Managing Director Satish Sen

www.seniorwork.se



DIRECTLY OWNED COMPANIES

	Share, %	Line of business
Iqube Holding	5.9	Business incubator
Jönköping Business Development	32.0	Investment
Krigskassa Blekinge	50.0	Investment
Senior Work Sverige	40.0	Senior management skills



Jonas Lidholm and Charlotte André Karlsson, Sixth AP Fund

AP Direct Investments

The capital invested by AP Direct Investments increased in 2007, due in part to the acquisition of 40 per cent of the shares in Volvofinans. The holdings in Norrporten and Lindab accounted for the most significant contributions to the profits reported by AP Direct Investments during the 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.

Long-term strategy

Each new investment in AP Direct Investments should be considered in relation to the composition of the rest of the portfolio. Industry diversification is important. The current portfolio composition consists primarily of companies in three areas: automotive, retail and property – and includes the requirement that the business has a direct link to end-customers, in other words, consumers. Of the existing portfolio companies, Norrporten,

Volvofinans and Lindab can be regarded as mature, whereas Sportex, Dawa Däck and Meca are in the development stage. For all companies in the portfolio, the emphasis is on establishing strong brands. 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 the work involved and the Sixth AP Fund has board representation, often in the role of chairman.

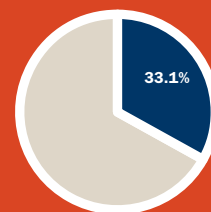
A growing portfolio

The capital invested in the portfolio of AP Direct Investments rose by SEK 1.2 billion in 2007. No exits were made. During the year, the Sixth AP Fund acquired a stake in Volvofinans, one of Sweden's largest financing companies in the automotive industry, with total loan assets of around SEK 25 billion. This

Events during the year

- Acquired 40 per cent of the shares in Volvofinans after taking over more than 80 per cent of Ford Credit's stake in the company.
- Increased its stake in Polarica from 5 per cent to 15 per cent.
- Norrporten made its first investment outside the Nordic region, a property project in Hamburg worth approximately SEK 300 million.

Share of the Sixth AP Fund's fund capital



was a strategic investment which will generate a long-term surplus for the Sixth AP Fund's business activities. In the short-term, the emphasis will be on developing Volvofinans' market strategies.

Norrporten, which since its start in 1993 has increased its property holdings from SEK 700 million to around SEK 15 billion, continued to show strong growth. At the end of 2007, a new property project was launched in Hamburg, the first of its kind outside the Nordic region. The Sixth AP Fund has had ownership interests in Norrporten since 2000. As with Volvofinans, the holding helps balance the rest of the portfolio in the Sixth AP Fund.

Polarica, the Scandinavian market leader in wild game and berries, continued its positive development. The emphasis now is on identifying suitable acquisition targets to enable Polarica to take an even bigger step forward in its development. The Sixth AP Fund increased its stake in the company from 5 per cent to 15 per cent during the year.

Lindab continued to report strong organic growth, with the result that the company raised its target margins for the coming years at the end of 2007.

The work to develop the three wholly owned portfolio companies Meca, Sportex and Dawa Däck continued during the year and resulted in improved margins. The emphasis now is on continuing to implement measures already decided in accordance with owner directives.

Meca was acquired by the Sixth AP Fund in 2000. During the first six years, a series of company deals were carried out to enable the business to reach a critical mass. At the beginning of 2007, a three-year consolidation plan was launched with the aim of developing and rationalising the business. Following major losses in 2006, three of the four companies in the Group reported profits for 2007. The Danish operation continued to report a loss due to non-recurring costs incurred in connection with a major action plan. These measures include the closure of the Danish central warehouse in Viborg and the transfer of those operations to the central warehouse in Eskilstuna. Meca's Swedish and Norwegian operations showed strong growth and



During the year, the Sixth AP Fund increased its stake in Polarica, a market leader in wild game and berries in Scandinavia.

captured market share. Meca, which has around 800 affiliated workshops, is currently one of the main players in the Scandinavian aftermarket for automotive spare parts, tyres, tools and accessories.

Financial results









The market value of the portfolio at the year-end was SEK 6,502 million. The profit before costs was SEK 1,156 million, which corresponds to a return of 21.6 per cent. A strong performance by Norrporten and the change in value of Lindab were the most significant contributions to the profits reported by AP Direct Investments in 2007. The portfolio's market value, which was around SEK 6.5 billion at the year-end, included an unrealised increase in value of SEK 958 million.

Outlook

The business opportunities continue to be regarded as good despite greater uncertainty over the economic climate. While investments in new companies will still be evaluated, efforts in 2008 will first of all focus on developing existing portfolio companies.

AP Direct Investments – summary of holdings

Directly owned companies

<p>DAWA DÄCK Dawa Däck is a major tyre wholesaler which has 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</p>	<p>are creating good 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 260m Managing Director Jan Sand</p> <p>www.dawadack.se</p>	
<p>JOHANNEBERG CAMPUSBO Has in co-operation with Chalmersfastigheter built an apartment block with 479 student flats on the Chalmers Campus. Tenants began</p>	<p>moving in during the summer of 2006 and the flats are leased under a long-term lease to Stiftelsen Chalmers Studenthem.</p>	<p>Sales approx. SEK 17m</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 offers a wide range of products that includes everything from ventilation components to comprehensive indoor climate solutions. The Profile business area</p>	<p>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 9,280m Managing Director Kjell Åkesson</p> <p>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.</p> <p>In addition to its role as an efficient supplier of products to workshops, Meca can offer sophisticated work-</p>	<p>shop and service concepts – MECA Car Service and Bosch Car Service. The car spare parts market is undergoing change, due, among other things, to technological developments and revised playing rules.</p>	<p>Sales approx. SEK 1,420m Managing Director Hans Kron Dahl</p> <p>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.</p>	<p>The properties have an overall surface area of 1.0 million sq.m., a rental value of SEK 1.3 billion and a total property value of SEK 15 billion. Norrporten's business operations are expected to achieve further growth in the framework of its chosen strategy.</p>	<p>Property value approx. SEK 15bn Managing Director Anders Wiklander</p> <p>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 the</p>	<p>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 blueberries, as well as a wide selection of berries, mushrooms, wildfowl and meat products.</p>	<p>Sales approx. SEK 720m Managing Director Tommy Innala</p> <p>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</p>	<p>outlets – 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 275m Managing Director Lars-Åke Tollemark</p> <p>www.sportex.se</p>	
<p>VOLVOFINANS is an authorised credit market company with two main lines of business. The largest in terms of lending volume is its sales financing operation through Swedish Volvo dealers. In this line of business, the company is the largest player in the Swedish market for</p>	<p>vehicle financing. The Volvo card is an important aid for the service market business of Volvo dealers in Sweden and the majority of transactions in terms of volume derive from customers who use the card when filling up at the Volvo dealers' chain of petrol filling stations, TANKA.</p>	<p>Lending volume approx. SEK 25bn Managing Director Bert Björn</p> <p>www.volvofinans.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 Scandinavia	100.0	Provides a modern workshop concept for independent car repair shops
Norrporten	50.0	Manages and develops commercial, centrally located properties
Polarica	15.0	Wild game and berries
Sportex	100.0	Sports retailer
Volvofinans	40.0	Financing sales through Volvo dealers in Sweden

AP Partner Investments

AP Partner Investments has invested a total of around SEK 1.5 billion and at the year-end its portfolio consisted of 22 companies which are being developed in line with the respective owner directive. In 2007 Marratech was sold to Google, earning a good return.

AP Partner Investments creates the prerequisites for making investments, together with a business partner, 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.

Ample targets for investment

The weaker economic outlook has not yet had an impact on AP Partner Investments' market. In 2007, there were plenty of companies which had considerable potential, but lacked the necessary capital and knowledge, for example to expand into international markets. At the same time, the higher risk premium on the market has benefited AP Partner Investments, which does not leverage its investments.

22 companies and 15 business partners

Investments are made together with a business partner in companies in the expansion stage with a turnover of SEK 20–500 million.

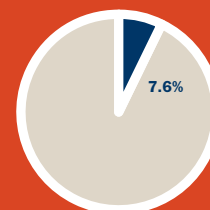
The companies should have a neutral cash flow and have overcome any technology risk. No particular sectors are being given priority; of greater importance is that the market in which the company operates offers adequate potential. The participating interest should be at least 25 per cent.

At the year-end, AP Partner Investments had invested around SEK 1.5 billion in 22 companies. A total of 15 business partners were involved, some with commitments in more than one company. Through active participation in the work of the board, always as chairman, the business partner should be involved in developing the company on the basis of a mutually

Events during the year

- Marratech was sold to Google.
- More than SEK 800 million was allocated to new and follow-on investments in the portfolio.
- Twelve new company investments were made:
 - C.N.S Systems
 - Energy Potential
 - Enmesh
 - KVD Kvarndammen
 - Lokalmedia i Sverige
 - NGB Next Generation Broadcasting
 - Prosilient Technologies
 - Red Pill
 - Seabased
 - Sportmanship Invest
 - Synergica Group
 - Xelerated Holding

Share of the Sixth AP Fund's fund capital



agreed owner directive. These investments are long-term in nature and 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 Sixth AP Fund's efficient procedures for performance monitoring and analysis make it possible to invest in many companies.

One exit reported for the portfolio

Twelve new investments were made in 2007. All portfolio companies, both new and existing, reported positive developments in line with their respective owner directives. During the year, Marratech, a portfolio company indirectly owned by Aumar, was sold to Google. The exit generated a good return on invested capital.

Portfolio with considerable potential

The companies in the portfolio of AP Partner Investments reported a strong performance. One of the earlier investments was in Unfors Instruments, whose products for measuring harmful radiation have encountered a growing market. Last year, turnover increased from SEK 55 million to SEK 90 million and a new business area was formed.

One of the new investments made in 2007 was in Red Pill, which sells service support for freeware, or software which uses open source code. Turnover rose from SEK 2 million in 2004 to SEK 50 million in 2007, and this fast rate of expansion seems likely to continue in the years to come.

Other investments made in 2007 included the Linköping company C.N.S. Systems, which, based on a Håkan Lans invention, supplies navigation systems for the aviation industry and other markets. The technology allows for what is known as a green approach, which could open up an extremely lucrative market worth billions.

In one of the companies in the portfolio, TDS Todos Data System, the Sixth AP Fund made its first investment in 2000 and has since then increased its ownership through buyouts and investment in the company's market expansion and technology

development. The company is now owned by the Sixth AP Fund together with its founders and employees. In 2007 Todos made its market breakthrough in Europe and Asia and the company currently has 36 bank customers in Europe and 23 in Asia. The company is currently the technology leader in its market and offers solutions which are easy to implement whilst being the most sophisticated in the segment. The company is expected to treble its turnover in 2008.

The development of Todos illustrates the need for long-term capital and an investor with staying power who can adopt a patient approach with companies operating in markets which clearly have growth potential, but where demand might not develop at the rate initially anticipated.

Financial results

The market value of the portfolio at the year-end was SEK 1,500 million. The profit before costs was SEK 198 million, which corresponds to a return of 25.1 per cent. The profit can largely be attributed to the sale of Marratech. The remainder of the portfolio is valued according to capital invested, unless the completion of a share-related transaction has revealed another valuation. For instance, shares in Solibro were sold during the year and the Sixth AP Fund has chosen to value the holding in Solibro at the same level that applied for these transactions.

Outlook









In 2008, AP Partner Investments will focus on implementing previously agreed owner directives together with the business partners of the respective portfolio companies. A series of follow-on investments and consolidations will be carried out in the portfolio pending continued expansion.

Events since the end of 2007










Four more investments have been made since the end of 2007. These investments have been in the companies Atlas Design, Repairshop Sweden, Xeratech Holding and Berazy Mobile Entertainment/mBiljett.

AP Partner investments – summary of holdings






Directly owned companies

<p>ATLAS DESIGN in accessories for men and women and focuses on garments "from the hip and up", namely underwear, ties and shirts/blouses. The company designs, produces and sells its own brands as well as a number of other licensed brands. The company also has private</p>	<p>label operations, involving the design and manufacture of garments for third-parties. Atlas Design has subsidiaries in Germany, the UK, Denmark and Norway and has approximately 50 employees. The head office is situated in Gothenburg.</p>	<p>Sales approx. SEK 280m Managing Director Allan Ladow www.atlasdesign.net</p>	
<p>BERAZY MOBILE ENTERTAINMENT/MBILJETT operates in the sector for the development and sale of multimedia content for mobile platforms. Its subsidiary mBiljett AB markets and sells tickets and vouchers using its own systems and licensed systems. mBiljett aims to</p>	<p>become the leading Nordic player in mobile tickets/multi-tickets while keeping up with developments in the closely related market for mobile entertainment.</p>	<p>Sales approx. SEK 6m Managing Director Niclas Josefsson www.berazy.com www.mbiljett.se</p>	
<p>C.N.S. SYSTEMS supplies solutions for communication, navigation and surveillance in the maritime and aviation sectors, solutions that help improve safety and maximise</p>	<p>capacity for the efficient use of airports and air space. C.N.S. delivers standard products.</p>	<p>Sales approx. SEK 25m Managing Director Stefan Nilsson www.cns.se</p>	
<p>ENERGY POTENTIAL was founded in 2001 by employees at the Department of Electricity at Uppsala University. At the time, the company was intended for the patents that resulted from the research carried out at the department. The first patents regarding linear generators for wave power, vertical axis wind turbines, electrical power generation and electrical power transmission are therefore</p>	<p>owned by the company. The company is now operating as an investment company, with holdings in the separate companies that were formed by the first patents, but it also invests in companies in the energy sector which have the capacity to be developed into future industries with a global market.</p>	<p>Sales approx. SEK 0m Managing Director Jan Sundberg www.energypotential.se</p>	
<p>ENMESH develops and sells next-generation software systems for producing real-time simulations in industrial applications. Customers are offered the following advantages: shorter product development cycles, less need for user training/skills, greater precision in the simulation process and accordingly a more reliable system, the pos-</p>	<p>sibility of running several simulation processes simultaneously and of validating products prior to production. At present, most of the company's customers represent the automotive industry. The company's head office is situated in Gothenburg.</p>	<p>Sales approx. SEK 1m Managing Director Mats Larsson www.enmesh.se</p>	
<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 con-</p>	<p>sultancy assignments. 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>KVD KVARNDAMMEN's business operations comprise Internet auctions and the valuation of cars and other vehicles for companies and public authorities. With annual sales in excess of 10,000 vehicles, KVD is Sweden's leading auction company. The company has approximately</p>	<p>75 employees and is represented at eight locations in Sweden. The head office is situated in Gothenburg and the company's own auction facilities in Stockholm, Landskrona, Gothenburg and Linköping are complemented by partner-run facilities in the remaining locations.</p>	<p>Sales approx. SEK 100m www.kvardammen.se</p>	
<p>LOKALMEDIA NU I SVERIGE The Lokalmédia Group focuses on the production and distribution of local free newspapers financed by advertising using a performance management system that is unique to the newspaper market. The system uses co-ordinated clusters or "hubs" and by employing new technology, it can offer free news-</p>	<p>papers to 100 per cent of all households in a specific target area. The business currently has one cluster in Jönköping/the district of Sjuhäradsbygden with a total of six newspapers that cover Borås, Värnamo and Jönköping, among other locations.</p>	<p>Sales approx. SEK 60m Managing Director Anna Bansell</p>	
<p>NEXT GENERATION BROADCASTING NGB was founded in 2006 and offers consulting and advisory services in the fields of media, telecommunications and data communication, focusing primarily on digital terrestrial television in growing markets in Africa, Asia and South America – markets where economic developments have meant</p>	<p>that the demands for media service made by the population cannot be met by the analogue terrestrial television network. NGB will partner, own and operate together with local interests to develop digital terrestrial television which offers greater opportunities.</p>	<p>Acting Managing Director Ulf Wallin www.ngbroadcasting.com</p>	
<p>NORDIA INNOVATION operates through the wholly owned subsidiary company Network Automation mxc 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</p>	<p>outdated 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 170m Managing Director Göran Wågström www.networkautomation.se</p>	

Directly owned companies

<p>PROSILIENT TECHNOLOGIES was founded in 2003 and supplies equipment for measuring the quality of data transmission using IP technology. The company's market consists of both corporate customers and operators. Corporate customers are interested in acquiring greater knowledge about the efficiency and quality of data transmission by IP and its constituent parts. This is so the appropriate</p>	<p>measures can be taken in stage two to improve data transmission quality. Operators use the company's product to enhance their own offerings, avoid liability issues when the customer and not the operator causes service problems and to get closer to the customer by offering a tool for managing and checking IP quality.</p>	<p>Sales approx. SEK 30m Managing Director Bo Söderberg</p>	
<p>RED PILL is one of the Nordic region's leading suppliers of services for open source software used in business critical environments. The company was established in 2003 by people with many years' experience of component-based systems development and implementation of major systems in business critical environments. Red</p>	<p>Pill's business strategy is to supply services that facilitate and develop the use of open source products and thereby reduce the IT costs of organisations in the public and private sector, while improving control and security. The company has offices in Stockholm, Gothenburg, Karlstad and Oslo.</p>	<p>Sales approx. SEK 50m Managing Director Anders Liling</p>	
<p>REPAIRSHOP SWEDEN was founded in 2005 and its vision is to become Sweden's leading consumer chain for the service, assembly under warranty and delivery of bicycles, mopeds and fitness equipment bought from supermarkets, by post order or on the Internet. In the spring of 2007, two pilot shops were opened to test the business case. One shop was opened in Halmstad and another</p>	<p>one in Gothenburg and these were complemented with a technical development centre in Kinna. Through the change and development of the traditional cycle market, Repairshop can offer entirely new business opportunities throughout the value chain, from consumer to supplier, agent and manufacturer. Repairshop's head office is situated in Varberg.</p>	<p>Sales approx. SEK 2m Managing Director Klas Karlsson</p>	
<p>SEABASED develops, manufactures and markets products and systems for the conversion of ocean wave energy. The potential for this form of renewable energy has yet to be fully exploited, but it could develop into a globally viable form of energy conversion. Wave energy could become a very important cog in electricity production in Sweden and abroad in view of the substantial</p>	<p>resources available, the low cost and the positive environmental aspects. Seabased's technology has been patented in many of those countries which offer favourable conditions for the use of wave power. The aim is to create lasting value for consumers, customers, partners, shareholders and society in general.</p>	<p>Sales approx. SEK 7m Managing Director Billy Johansson</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.</p>	<p>In 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. Sales approx. SEK 2m</p>	<p>Sales approx. SEK 2m Managing Director Lars Stolt</p>	
<p>SPORTMANSHIP INVEST The Group was formed in Gothenburg in 1985 and currently comprises ten companies with different types of business, both in terms of their product range and their position in the value chain. Common to all the companies within the Group is that they sell, market and distribute internationally leading brands in Sweden in sport and leisure with a focus on ready-made clothing, electronics and marine products.</p>	<p>The company also owns and sells its three own brands: Sailracing, Robship Marine Supply and Berkeley, all of which have been launched on the Swedish market and are on the threshold of international expansion. Distribution is organised through established market channels. The Sportmanship Group has approximately 140 employees and its head office is situated in Billdal.</p>	<p>Sales approx. SEK 700m Managing Director Christer Johansson</p>	
<p>STT CARE SYSTEM offers the elderly care sector care and safety systems as well as a full range of related services. STT 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</p>	<p>special living arrangements and can easily be adapted to suit individual needs. STT'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</p>	
<p>SYNERGICA GROUP acquired in 2004 all the rights to a software-based collaboration tool – Team Engine – the purpose of which is to rationalise how companies and organisations collaborate in sales teams, management teams, board work, diaries, file management, etc. Since</p>	<p>the acquisition, Synergica has made further developments to the product and its functions. The launch of Team Engine has been successful and Synergica currently has 30–35 customers.</p>	<p>Sales approx. SEK 14m Managing Director Anders Velander</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 transac-</p>	<p>tions. 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 customers and strategic partners.</p>	<p>Sales approx. SEK 75m Managing Director Maw-Tsong Lin</p>	

Directly owned companies

<p>UNFORS HOLDING Unfors Instruments develops meters for measuring exposure to radiation. Its main product is an X-ray meter.</p> <p>Its most recently developed product, Unfors Alert, which is ready for launch in 2008, measures personal radiation levels, giving both accumulated levels and</p>	<p>instant readings, which no other meter currently available is able to do. The meter is particularly well suited for use by staff who are exposed to harmful radiation.</p> <p>The company, which was started in 1994 in Billdal on the outskirts of Gothenburg, currently has around 70 employees.</p>	<p>Sales approx. SEK 90m Managing Director Carsten Browall</p> <p>www.unfors.se</p>	
<p>UNITED LOGISTICS TSGS is a company that offers Supply/Demand chain services. The company has offices in Stockholm, Norrtälje, Helsingborg, Malmö, New York, Shanghai, Helsinki and Lausanne. United Logistics has organised its operations under three business areas: Establish, which offers strategic logistics consulting services; United Solutions, which offers Supply Chain-</p>	<p>related IT solutions and United Operations, which offers operative and outsourced logistics services. All services are provided as a comprehensive package for the market, the Demand Chain Control Center (DCC), which enables customers to receive help with the entire chain, from the strategic design of logistics solutions via process development and IT support to transport operations.</p>	<p>Sales approx. SEK 350m Managing Director Anders Tormod</p> <p>www.unitedlog.com</p>	
<p>XELERATED HOLDING is a global supplier of network processors. The company develops programmable network processors which can handle very high data speeds and which are adapted for new services that are partly carried by the telecommunications and internet networks at present but more importantly are also expected to</p>	<p>be carried there in the future – driven by demand from end-customers. The company started in August 2000 and its head office is situated in Stockholm. Its offices in Sweden are complemented by offices in the USA, Israel and China. The company has 60 employees, including 45 people in Sweden.</p>	<p>Sales approx. SEK 20m Managing Director Thomas Axelsson</p> <p>www.xelerated.com</p>	
<p>XERATECH HOLDING is a hi-tech Swedish IT company that offers a total concept for document solutions in addition to document-based information and transaction solutions. Xeratech is a generic term for the overall responsibility we take to simplify and minimise the management of a company's information flows. This is</p>	<p>equally true for the physical and digital management of documents as well as the rationalisation of equipment. Xeratech head office in Karlstad is complemented by offices in locations such as Gothenburg, Stockholm, Linköping, Warsaw and Moscow.</p>	<p>Sales approx. SEK 80m Managing Director Stefan Nilsson</p> <p>www.xeratech.se</p>	
<p>ZTORM offers a full service solution for the digital distribution of programmes, films, games, etc. The offering is aimed at both resellers and product owners. The service includes marketing, sale, payment and direct delivery via the Internet. The market for the company's</p>	<p>services is currently being driven by the rapidly rising number of end-customers, the launch of digital television and the efforts being made to deal with illegal distribution of services.</p>	<p>Sales approx. SEK 1m Managing Director Peter Svanfeldt</p> <p>www.ztorm.se</p>	

AP Partner Investments portfolio

DIRECTLY OWNED COMPANIES	Share, %	Line of business
Atlas Design*	23.0	Design, production and sale of accessories
Aumar	70.0	Develops companies in the early stage, manages Advoco Software, General Wireless Scandinavia, Group Systems, Ludesi, Replisaurus, Secode, Time Care and Xlent
Berazy Mobile Entertainment/mBiljett*	55.0	Platform for mobile tickets, (mBiljett) and sale of multimedia content for mobile platforms, (Berazy)
C.N.S. Systems	10.8	Develops and sells products for communication, navigation and surveillance in the maritime and aviation sectors
Energy Potential	14.0	Analyses innovations and supports the start-up of new companies in the production of renewable electrical energy
Enmesh	36.0	Development of software for real-time simulation
Götaverken Miljö	100.0	Flue gas cleaning and energy recovery
Kanal Lokal i Gbg	9.9	A local television channel that broadcasts using the digital terrestrial network
KVD Kvarndammen Bilauktioner	60.0	Sale and valuation of vehicles and machinery via Internet-based online auctions
Lokalmedia Nu i Sverige Holding	43.0	Production and distribution of local free newspapers financed by advertising
Next Generation Broadcasting NGB	49.0	Management company that organises national digitalisation of television media, principally in emerging markets
Nordia Innovation	12.9	Solutions for the automation of switching processes in the final stage between user and operator in the copper-based wire line network
Prosilient Technologies	34.7	Supplier of monitoring systems for networks
Red Pill	29.1	Supplier of services for open source software used in business critical environments
Repairshop Sweden*	49.0	Chain operating in the service and repair of cycles, mopeds and fitness equipment
Seabased	2.9	Development company that promotes the use of wave power to generate electricity
Solibro	45.6	Development and production of solar cells for generating electricity
Sportmanship Invest	49.0	Sells, markets and distributes leading brands (own brands and brands under licence)
STT Care System	83.1	Offers care and safety systems for care of the elderly
Synergica Group	40.0	Develops and sells collaboration tools for projects, file management and decision support
TDS Todos Data System	90.8	Supplies security solutions for remote authentication, primarily to banks
Unfors Holding	59.8	Develops and sells meters for measuring ionised radiation
United Logistics TSGS	52.6	Partner to companies that need to assess and develop their logistics processes
Xelerated Sweden Holding	57.0	Develops and sells network switches for metro networks
Xeratech Holding*	35.0	Control, storage, transfer and printing of digital documents
Ztorm	65.8	Full service supplier of products and services for digital distribution

*Holding added to the portfolio in 2008.

AP Convertible Bond

AP Convertible Bond, a new business area formed in 2007, is responsible for a financial product put together by the Sixth AP Fund, the AP-konvertibeln™, which offers companies long-term acquisition financing and financing to help prepare for a handover to a future generation of owners.

As a complement to traditional sources of capital, the Sixth AP Fund offers the Swedish market an opportunity for long-term acquisition financing – the AP-konvertibeln™. The purpose of the AP-konvertibeln™ is to help potential company owners secure a more long-term form of financing and in doing so facilitate the handover of businesses in Sweden to a future generation of owners.

The AP-konvertibeln™ is structured as a convertible bond with the conversion right to the shares in the company as collateral. For medium-sized company acquisitions, the AP-konvertibeln™ offers one of the longest terms of financing currently available on the Swedish market.

New business area in 2007

The AP-konvertibeln™ has been well received and this, in combination with the fact that the product is consistent with the mission of the Sixth AP Fund, has led to the formation of a new business area, AP Convertible Bond, which has been assigned the task of managing all investments in the AP-konvertibeln™. In 2007, the progress of the

AP-konvertibeln™ has been good in both volume and profit terms.

Financial results

Commitments at the end of 2007 amounted to around SEK 180 million. The profit before costs was SEK 5 million, which corresponds to a return of 9.4 per cent. One investment was prematurely redeemed during the year and some new deals were completed. The portfolio is in a developmental phase and profits are expected to grow favourably in line with positive volume growth.

Outlook for 2008

The benefits of the AP-konvertibeln™, particularly as a complement to traditional bank financing, have become more widely known among market players. The prevailing credit concerns will consolidate the position of the AP-konvertibeln™ since it can be compared to equity. The number of enquiries has been increasing and AP Convertible Bond is currently working with several potential deals.

Opportunities provided by the AP-konvertibeln™

In 2006 and 2007, the Sixth AP Fund completed several deals using the AP-konvertibeln™ as a complement to equity and bank financing. Two examples of such deals were the acquisition financing of the Gnosjö Group and Bruske Måleri.

Gnosjögruppen – a management buyout

The Gnosjö Group is an international engineering group which designs and manufactures products based mainly on sheet metal, in close collaboration with its customers. The Group employs around 700 people in Sweden, Germany, Slovakia and Hong Kong. Turnover is just over SEK 1 billion.

The Group's principal customers operate in the European automotive and engineering industries which demand high standards of quality assured production. The Group has its own product range that designs, manufactures and markets harness systems for child seats.

The company was previously a subsidiary

of the listed Dutch group Kendrion under the name of Kendrion Automotive Metals, KAM. In 2007, Kendrion commenced proceedings to sell KAM in order to streamline its operations. In connection with this, the company's senior management contacted the Sixth AP Fund to discuss the possibility of financing a management buyout.

After discussion and the completion of due diligence, the company's management was able to complete the acquisition at the end of 2007, after securing financing from equity, a bank partner and the AP-konvertibeln™. In connection with the deal, the company



reverted to its former name, Gnosjögruppen, to emphasise the company's local roots.

Bruske Måleri – handing over to a new generation of owners

Bruske Måleri AB is one of Sweden's oldest painting and decorating businesses. Based on the island of Lidingö it operates throughout the Stockholm area. The company had been a family business owned by the Bruskes since its formation in 1936.

In the spring of 2006, the company's owner, Esbjörn Bruske, decided to sell the business. Kenneth Ekebon, Managing Director of Bruske Måleri AB, who had been employed by the company since the end of

the 1970s and held a number of positions, expressed an interest in acquiring the company. To ensure the financial viability of the business transaction, traditional forms of financing such as equity and bank loans needed to be complemented by further financing. The Sixth AP Fund was contacted and a financial review of the company established that its cash flows were stable, its profitability was historically sound and that an opportunity had arisen to hand over to a

new owner with a long-term interest, some of the criteria required for a financial arrangement involving the AP-konvertibeln™. The deal was completed in June 2006. Since the acquisition, profitability has improved considerably and this has contributed to a further consolidation of the company's financial situation and made it possible to complete an additional minor acquisition.

In what circumstances and for which type of company is the AP-konvertibeln™ suitable?

- Companies whose new owners do not intend to sell in the foreseeable future.
- Mature companies with a steady turnover, profitability and positive cash flows.
- Companies with a turnover in excess of SEK 50 million.
- Acquisition financing, e.g. to facilitate a handover to a future generation of owners.
- Financing management buyouts.
- Buyout of company partners.
- Companies who are positively disposed to the idea of complementing their boards with professional expertise from the Sixth AP Fund's network.

Share of the Sixth AP Fund's fund capital



AP Life Science

Many of the portfolio companies in AP Life Science are mature enough to be listed on the stock exchange or sold to industrial buyers, and this is expected to have a positive impact on profits in the coming years.

AP Life Science invests directly in companies and private equity funds in pharmaceuticals, biotechnology and medical technology, with a focus on Scandinavia. The investments are long-term, typically eight to ten years, and new committed capital in funds and companies is offset against the cash flow from exits.

Continued consolidation

Even if the major global pharmaceutical companies continue to be profitable and have vast capital resources, the weakness of future product portfolios and the size of the companies limit long-term organic growth. For these companies, it is not enough to develop products from their own research and

development to achieve adequate growth – they must now focus more than ever on acquiring other businesses and projects in their sector. It is therefore likely that there will be continued consolidation in the industry over the coming years.

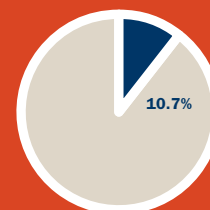
High level of market activity

A buoyant stock market during the first half of the year combined with numerous mergers and acquisitions in the sector led to good business opportunities for the Nordic life science funds. Despite several IPOs, acquisitions and mergers during the spring and summer, a large proportion of the Swedish funds' portfolio companies are still not mature for exit. It has taken a long time to develop the companies, which causes cer-

Events during the year

- SLS Venture's portfolio company Biolipox was sold to Orexo during the year.
 - Per Carendi was appointed as the new Managing Director for SLS Venture on 1 October 2007.
 - SLS Venture's portfolio company Aerocrine was listed on the Stockholm Stock Exchange in June.
 - Aerocrine received the SwedenBio* Award 2007 for its pioneering research in asthma diagnosis.
 - SLS Venture's portfolio company Exiqon was listed on the Copenhagen Stock Exchange in May.
 - BioInvent signed an extensive research and marketing agreement with Genentech at the beginning of 2007.
 - SLS III was raised with SEK 400 million in committed capital.
- * SwedenBIO is the trade association for Swedish life science and represents in the region of 150 companies.

Share of the Sixth AP Fund's fund capital



tain difficulties in those funds that are to be closed a decade after being raised. The portfolio companies must either be divided among the fund's owners or be actively sold off – with the risk that some or all of the profits are lost.

Focus on SLS Venture

Together with the management teams, efforts to increase the value of the portfolio companies and to intensify the focus on the exit process continued. Many of the portfolio companies were acquired at the end of the 1990s and are now approaching the stage when they are mature enough to be listed on the stock exchange or sold to industrial buyers. This is true of the portfolio companies in the funds of Scandinavian Life Science (SLS) Venture, among others. The Sixth AP Fund is the largest investor in SLS Venture and its holding corresponds to around half the invested capital in AP Life Science. The proceeds from these exits will have a significant impact on the profits of AP Life Science in the coming years. In 2007, two of SLS Venture's portfolio companies, Exiqon and Aerocrine, were listed on the stock exchange. Further, the portfolio company Biolipox was sold to the listed medical technology company Orexo. The exit was made through a non-cash issue to Biolipox owners, who own 39 per cent of the shares in Orexo following the deal.

At present, AP Life Science has no intention of increasing the number of management teams or funds, although the possibility of increasing the number of direct investments is being considered. AP Life Science also takes part in discussions that could lead to a concentration of the life science sector in Scandinavia.



Carina Langeland, Sixth AP Fund

Financial results

The market value of the portfolio at the year-end was SEK 2,100 million. The profit before costs was SEK 192 million, which corresponds to a return of 10.5 per cent. Despite favourable market conditions, the number of portfolio company exits was slightly lower than planned. This, combined with the fact that the value of a few portfolio companies was written down, had a negative impact on expected profits.

Outlook

Many of the portfolio companies in AP Life Science are approaching the exit stage, which is expected to generate good returns for AP Life Science over the next three years.

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

<p>GZ GROUP www.gzgroup.se</p> <p>Investment stage: Venture Sector preference: Life science Investment region: Nordic region Capital under management: SEK 1,500m Managing Director: Lars Gatenbeck</p>		<p>KI MANAGEMENT www.karolinskafund.com</p> <p>Investment stage: Venture Sector preference: Pharmaceuticals, biotechnology and medical technology Investment region: Nordic region Capital under management: SEK 600m Managing Director: Kjell Simonsson</p>	
<p>ODLANDER, FREDRIKSON & CO www.healthcap.se</p> <p>Investment stage: Venture Sector preference: Biotechnology and medical technology Investment region: Global Capital under management: SEK 7,500m Managing Director: Björn Odlander</p>		<p>SCANDINAVIAN LIFE SCIENCE VENTURE www.slsventure.com</p> <p>Investment stage: Venture Sector preference: Pharmaceuticals, biotechnology and medical technology Investment region: Nordic region Capital under management: SEK 2,700m Managing Director: Per Carendi</p>	

AP Life Science portfolio

FUNDS	Operative share %	Managed by	Vintage year	Committed capital SEKm
Carnegie Global Healthcare Fund	7.9	Carnegie fonder, see AP Fund Investments	n.a.	26
H&B IIS Sweden	15.8	GZ Group	1999	142
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
Scandinavian Life Science Venture Three	99.0	Scandinavian Life Science Venture	2007	198
Swedestart Life Science	16.3	CapMan, see AP Fund Investments	2001	75

DIRECTLY OWNED COMPANIES	Share, %	Line of business
Bioinvent International	2.3	Develops new protein-based pharmaceuticals
Innoventus Project	49.0	Invests in life science projects, mainly early biotech projects
Karo Bio	2.4	Develops nuclear receptors for disease treatment

AP Fund Investments

AP Fund Investments reported a return of just over 14 per cent for 2007. This performance was mainly attributable to the unlisted portfolios – Buyout and Venture Capital – which together generated returns of over 33 per cent.

AP Fund Investments invests in funds and investment companies with a focus on unlisted companies in the start-up, expansion and mature stages, as well as listed small and medium-sized companies. The business area is divided into three portfolios: Venture Capital, Buyout and Listed Small Cap.

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 is selective in its choice of management teams and aims for a focused portfolio. AP Fund Investments also makes co-investments with the funds.

Financial results

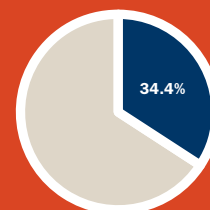
The market value of the portfolio at the year-end was SEK 6,750 million. The profit before costs was SEK 1,224 million, which corresponds to a return of 14.1 per cent.

This performance is mainly attributable to the unlisted portfolios Buyout and Venture Capital, which together generated returns of over 33 per cent. The portfolio Listed Small Cap generated a positive return of 1.9 per cent, which should be seen as acceptable given that the small cap segment of the Stockholm Stock Exchange was down for the year as a whole.

Capital committed during the year

- EUR 15 million was committed to Intera Fund I, a new buyout fund in the Finnish market.
- EUR 60 million was committed to the buyout fund Accent Equity 2008.
- EUR 20 million was committed to the EQT Expansion Capital II fund.
- EUR 65 million was committed to the buyout fund Nordic Capital VII.
- SEK 300 million was committed to Creandum II, which invests in companies in the early stage.
- EUR 45 million was committed to CapMan Technology 2007.
- EUR 25 million was committed to Scope Growth II.
- SEK 400 million was invested in SEB MicroCap Fund.

Share of the Sixth AP Fund's fund capital



Outlook

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.

Taking into account indications suggesting the start of an economic slowdown coupled with stock market volatility, the assessment is that the level of activity in the underlying portfolio will decline. Uncertainty in financial markets will probably mean that it will take longer to highlight the values in the portfolio. In recent years, there have been a considerable number of very profitable exits for portfolio companies. There are fewer companies in line for the exit route in 2008, which means that the profits for unlisted portfolios are expected to be lower than the profits reported for 2007. Overall, however, the view is that the existing portfolio is stable and will in the long term generate a good return.

Buyout

In the Buyout portfolio, investments are made in private equity funds which invest in portfolio companies in the late expansion and mature stages. Co-investments with the funds are also made in the Buyout portfolio.

Access to capital for Nordic buyout funds with a history of high returns remained very good. Much of the capital committed to the Swedish buyout segment comes from non-Nordic investors.

The buyout market was very active during the year, in terms of both new investments and exits. However, credit concerns coupled with stock market volatility led to a more cautious climate during the latter part of 2007.

The Buyout portfolio gained a new management team during the year, Intera, which invests in small and medium-sized companies, principally Finnish businesses with development and

growth potential. Capital was also committed to the three funds Accent Equity 2008, EQT Expansion Capital II and Nordic Capital VII during the year.

At the year-end, the portfolio consisted of 23 funds managed by eight different management teams. The number of portfolio companies in these funds was around 80.

The market value of the portfolio at the year-end was SEK 2,893 million. The profit before costs was SEK 871 million, which corresponds to a return of 33.1 per cent.

The strong performance in Buyout can be attributed to the successful exit of portfolio companies and to a positive growth in value in the remainder of the portfolio.

Venture Capital

In the Venture Capital portfolio, investments are made in private equity funds which invest in portfolio companies in the start-up and expansion stages. Venture Capital does not invest in funds with a focus on life science or on seed investments. Co-investments with the funds are also made in the Venture Capital portfolio.

The Nordic market for venture investments has matured and the management teams are becoming more experienced. However, the market is still affected by the often weak returns reported by funds raised at the turn of the millennium. While the venture funds sell portfolio companies with good returns, there has been a growing interest from investors to commit capital to the segment. Several Nordic venture funds were successful in raising capital during the year, with most of the capital coming from Nordic investors.

The year has been characterised by the continued development of the existing portfolio and by new capital commitments. At the beginning of 2007, SEK 300 million was committed to Creandum II, which invests in technology companies in the early stage. The Sixth AP Fund is the lead investor and

initiator behind Creandum. A co-investment with Creandum was made in the portfolio company Norstel, which develops and manufactures silicon carbide, which contributes to energy savings for hybrid cars and base stations for mobile telephone networks.

The portfolio gained an additional management team during the year, following the investment in the Scope Growth II fund, which invests in growth companies. Capital was also committed to the expansion fund CapMan Technology 2007.

Investments in the venture 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. After a few years of losses in the portfolio, the tide has turned and the assessment is that it offers scope for long-term positive growth in value. The portfolio currently consists of 18 funds managed by seven management teams. Overall, the portfolio includes around 100 portfolio companies.

The market value of the portfolio at the year-end was SEK 850 million. The profit before costs was SEK 250 million, which corresponds to a return of 34.4 per cent. The year's profits are largely attributable to exits for portfolio companies such as Spotfire, Mobeon, Drutt and Moventas.

Listed Small Cap

The Listed Small Cap portfolio invests in small and medium-sized companies, primarily through various external managers. Investments are made primarily in equity funds with a distinct active management profile and in investment companies, which adopt an active ownership role in their portfolio companies.

The streamlining of the portfolio previously referred to as Mixed Equity, which focused on investments in small and medium-sized companies, was completed in 2007. The propor-

tion of investments in small cap increased following the completion of an investment of SEK 600 million in Lannebo MicroCap and an investment of SEK 400 million in SEB MicroCap. The Microcap funds adopt an active ownership role in the companies and focus on Swedish and Nordic small cap companies with an index weight of less than 0.1 per cent. The investors in the microcap funds tie up their capital over a number of years, enabling fund managers to take a long-term approach in portfolio company undertakings. The investment in the listed private equity company Ratos was also increased during the year. Exits have been completed for a number of funds and investment companies whose main investment focus was on large cap.













The market value of the portfolio at the year-end was SEK 3,007 million. The profit before costs was SEK 103 million, which corresponds to a return of 1.9 per cent.

The stock market performance was very weak during the second half of 2007 and the small cap segment of the Stockholm Stock Exchange was down for the year as a whole. This was primarily due to the sub-prime mortgage crisis in the USA, which it was feared would lead to a significant economic slowdown. In the light of this development, the profits for the Listed Small Cap portfolio should be seen as acceptable.

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 management SEK 5,900m Managing Director Jan Ohlsson		LANNEBO FONDER www.lannebofonder.se Investment stage Listed Sector preference None Capital under management SEK 11,000m Managing Director Göran Espelund	
AMPLICO www.amplico.se Investment stage Buyout Sector preference None Capital under management SEK 400m Managing Director Peter Björnram		NORDIC CAPITAL www.nordiccapital.com Investment stage Buyout Sector preference None Capital under management SEK 30,000m Managing Director Morgan Olsson	
BRAINHEART CAPITAL www.brainheart.com Investment stage Venture Sector preference Wireless technologies Capital under management SEK 1,500m Managing Director Ulf Jonströmer		PROVIDER VENTURE PARTNERS www.providerventure.com Investment stage Venture Sector preference IT and technology Capital under management SEK 3,000m Managing Director Jonas Nygren	
CAPMAN www.capman.com Investment stage Venture and buyout Sector preference Technology, life science and buyout Capital under management SEK 36,000m Managing Director Heikki Westerlund		RATOS www.ratos.se Investment stage Buyout Sector preference None Capital under management SEK 11,600m* Managing Director Arne Karlsson	
CARNEGIE FONDER www.carnegie.se Investment stage Listed Sector preference None Capital under management SEK 62,000m Managing Director Håkan Telander		SCOPE www.scope.se Investment stage Venture Sector preference Growth Capital under management SEK 1,100m Managing Director Anders Rundgren	
CREANDUM www.creandum.com Investment stage Venture Sector preference Innovations involving a high degree of technology and global competitiveness Capital under management SEK 1,050m Managing Director Staffan Helgesson		SEB WEALTH MANAGEMENT www.seb.se Investment stage Listed Sector preference None Capital under management SEK 476,000m Managing Director Fredrik Boheman	
EQT www.eqt.se Investment stage Buyout Sector preference None Capital under management SEK 105,000m Managing Director Conni Jonsson		VALEDO www.valedopartners.com Investment stage Buyout Sector preference None Capital under management SEK 1,000m Founders Nils Forsberg, Per Forsberg	
INTERA www.interapartners.fi Investment stage Buyout Sector preference None Capital under management SEK 1,200m Managing Director Tuomas Lang		VISION CAPITAL www.visioncap.com Investment stage Venture Sector focus IT and technology Capital under management SEK 1,200m Managing Director Dag Syrrist	
INNOVATIONSKAPITAL www.innkap.se Investment stage Venture Sector preference ICT and life science Capital under management SEK 3,000m Managing Director Staffan Ingeborn			

*Refers to equity.

AP Fund Investments portfolio

FUNDS	Operative share %	Managed by	Vintage year	Committed capital, SEKm
Buyout				
Accent Equity 2003	20.0	Accent Equity	2003	472
Accent Equity 2008	15.8	Accent Equity	2007	566
Amplico I	93.8	Amplico	1999	150
Amplico Kapital	90.0	Amplico	2006	360
Baltic Rim Fund	22.8	Euroventures	1997	82
CapMan Buyout VIII	18.2	CapMan	2005	755
EQT Expansion Capital II	4.2	EQT	2007	189
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	632
EQT IV	2.0	EQT	2004	472
EQT Opportunity	10.8	EQT	2006	377
EQT V	2.4	EQT	2006	944
Industrial Development & Investment Equity	14.7	Industrial Development & Investment Equity	1997	150
Intera Fund I	12.0	Intera Equity Partners	2007	142
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	471
Nordic Capital VI	3.4	Nordic Capital	2006	613
Nordic Capital VII	*	Nordic Capital	2008	613
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
Valedo Partners Fund I	25.0	Valedo	2006	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	610
CapMan Technology Fund 2007	31.6	Capman	2007	425
Creandum	49.3	Creandum	2003	148
Creandum II	40.5	Creandum	2007	300
InnKap 2 Co Investment Scheme	5.4	InnovationsKapital	2003	2
InnKap 2 Partners	5.4	InnovationsKapital	1999	19
InnKap 2 Additional Investment Pool	8.4	InnovationsKapital	2007	4
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 Century Annex Fund	49.2	Provider Venture Partners	2007	25
IT Provider Fund IV	25.2	Provider Venture Partners	2003	300
Nth Power Technologies	7.9	NthPower	1997	32
Scope Growth II	23.8	Scope	2007	236
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	16.0	Vision Capital	2001	64
Vision Extension	6.1	Vision Capital	1999	43
				Market value, SEKm
Listed Small Cap				
Carnegie Småbolag		Carnegie Fonder		266
Lannebo MicroCap		Lannebo Fonder		602
Lannebo Småbolag		Lannebo Fonder		649
Ratos		Ratos		597
SEB Sverige Småbolag Chans Risk		SEB Wealth Management		493
SEB MicroCap		SEB Wealth Management		400
CO-INVESTMENTS				
	Share, %	Line of business		
Mobeon	30.5	Text message services for mobile telephones		
Norstel	3.6	Manufacture of silicon carbide for the semiconductor industry		

*Not determined

Directors' report

The Board of Directors and 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 2007 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 net profit for 2007 was SEK 2,432 million (2,064m) with a profit before costs of SEK 2,829 million (2,395m), which corresponds to a return of 13.1 per cent (13.8%) after costs and 15.2 per cent (16.1%) before costs. This can be compared to the required rate of return set by the Board for 2007, which was 9.0 per cent. The return thus exceeded the target by 4.1 percentage points.

The Sixth AP Fund's current business model and investment strategy were introduced in 2003 and the average annual return during the five-year period 2003 to 2007 amounts to 11.1 per cent. During this time, the fund capital has grown from SEK 11.6 billion to SEK 19.6 billion.

The Sixth AP Fund's required return is an absolute requirement that is based on the risk-free interest rate, defined as the repo rate, plus a risk premium. The repo rate has averaged 3.5 per cent in 2007 and the risk premium in the portfolio has averaged 5.5 per cent, resulting in an overall required return of 9.0 per cent.

The Sixth AP Fund's profits represent 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 2007 amounted to SEK 397 million (331m), of which SEK 331 million were attributable to investment activities (263m) and SEK 66 million to shared costs (68m). External management costs amounted to SEK 252 million (200m) and comprised 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, although a holding may, in exceptional cases and based on individual assessments and circumstances, be valued at a lower value. Unlisted holdings are valued using EVCA's 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.

Sixth AP Fund's performance 1996–2007

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Return trend (%)	—	8.1	8.4	55.8	-1.3	-8.0	-30.9	10.7	8.6	8.9	13.8	13.1
Benchmark index												
Six Return index 1999–2002												
Absolute return requirement 2003–2007	—	—	—	67.4	-11.9	-14.2	-35.7	7.4	6.4	6.1	7.2	9.0
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	19.6
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	2,829
External management costs	0	-2	-21	-37	-60	-124	-152	-187	-219	-201	-200	-252
Internal costs	-4	-35	-63	-78	-122	-148	-150	-153	-121	-125	-131	-145
Profit/loss for the year	120	816	860	6,672	-428	-1,680	-5,107	1,153	1,110	1,241	2,064	2,432

Fund capital

Since the Sixth AP Fund's inception in 1996, the value of its fund capital has risen by SEK 9.2 billion, from SEK 10.4 billion to SEK 19.6 billion at the end of 2007, which corresponds to an overall growth in value of 88 per cent and an annual average return of 5.9 per cent.

The Sixth AP Fund can be described as an evergreen buffer fund, which means that it is not required to make payments or receive funds on an annual basis to balance the cash flows of the public pension system. Accordingly, profits can be reinvested, whereas 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 and demonstrate considerable staying power.

At the end of 2007, SEK 21.8 billion (17.5bn) was committed to investments in funds or companies owned directly by the Sixth AP Fund. Of this committed capital, SEK 5.6 billion has not yet been paid out (4.2bn).

Management costs

The Sixth AP Fund's costs can be divided up into external management costs, internal management costs and shared 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 under the terms of the respective agreement. 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.

Internal management costs include personnel costs related to the management of the Sixth AP Fund's investments in funds, directly owned companies and the Treasury's holdings, as well as costs directly attributable to investment activities.

Shared costs include personnel costs for the Managing Director and shared specialist functions, as well as 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 the Sixth AP Fund's costs.

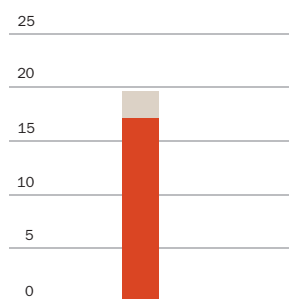
The Sixth AP Fund's Board of Directors

The Board of the Sixth AP Fund shall consist of five members appointed annually by the government. In 2007, former chairman Jan-Olle Folkesson left the Board and former deputy chairman Lennart Jeansson was appointed as new Chairman of the Board. Lars Lundquist has been appointed as a new member of the Board and new deputy chairman.

The Board holds six ordinary board meetings a year and in 2007 it held six extraordinary meetings. 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.

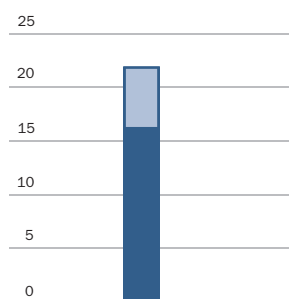
The Board's most important steering documents are the Sixth AP Fund's business plan and activity plan, containing both an allocation plan and a budget. Policies have also been published and these, like the business plan and activity plan, are fixed on an annual basis and revised continuously whenever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

Fund capital, SEK bn



■ Treasury portfolio
■ Investment activities portfolio

Committed capital, SEK bn



■ Capital not yet paid out
■ Committed capital

the working environment, communications, ethical standards, equal opportunities and diversity.

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, in accordance with the Sixth Swedish National Pension Fund Act (Lag (2000:193) om Sjätte AP-fonden), 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.

Organisation and employees

The Sixth AP Fund's investment strategy is implemented by an organisation comprising five Business Areas (six Business Areas with effect from 2008). All funds which at any given moment in time are not being used for investment activities are managed by the Sixth AP Fund's Treasury, which also has the task of coping with any financial risks that arise in the business. The investment activities are supported by administrative functions such as Legal Affairs, Finance & Accounting, Business Control, Personnel Administration and IT.

At the year-end, the Fund had 31 employees (29). 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.

AP Direct Investments

The Business Area's market-valued capital amounted to SEK 6.5 billion (4.3bn) at the end of 2007. During the year, 40 per cent of the shares in Volvofinans were acquired as part of the strategy to build a corporate structure related to the automotive industry. At the same time, this provides the Sixth AP Fund with a stronger platform, and in view of the need for balanced risk, with an additional investment that generates immediate returns, alongside the property company Norrporten. The growth in value of the shares in Lindab, which was listed at the end of 2006, has continued to be very good and the

business is achieving strong organic growth. The participating interest in Polarica was increased from 5 per cent to 15 per cent during the year. The Business Area's profit before costs amounted to SEK 1,156 million (485m).

AP Partner Investments

The rate of acquisitions in AP Partner Investments has remained high, with 12 new investments in 2007. The Business Area's market-valued capital amounted to SEK 1.5 billion (0.5bn) at the end of the year. The investments are long-term in nature and most of them are in the development stage with good growth opportunities. The profit before costs for the year was SEK 198 million and is primarily attributable to the sale of an indirect holding in the company Marratech, which was bought by the U.S. company Google. Four more investments were completed after the end of 2007.

AP Convertible Bond

AP Convertible Bond is a new Business Area that was formed in 2007. It manages those investments made by the Sixth AP Fund using the AP-konvertibel™. The purpose of the AP-konvertibel™, which is a complement to bank financing, 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 changes in a company's ownership structure, for example in connection with the handover to a new generation of owners. It is structured as a convertible bond, which means that there is a conversion right to the shares in the company as collateral. The capital invested through AP Convertible Bond amounted to SEK 178 million at the end of 2007.

AP Network Investments

(new Business Area with effect from 2008)

AP Network Investments manages investments which have primarily been sourced through the Sixth AP Fund's Local Network. The Sixth AP Fund participates as an active owner and the investments are evaluated by and made together with local private partners. Investments are made in companies with a turnover of up to around SEK 20 million and the amount invested is up to around SEK 5 million. In 2007, AP Network

Investments invested a total of around SEK 23 million in four companies, with the result that the total amount invested at the end of 2007 was SEK 26 million. Since the turn of the year, an additional two investments have been made.

AP Life Science

The Business Area makes long-term investments directly in companies and private equity funds in pharmaceuticals, biotechnology and medical technology. Although the level of market activity was high in the Swedish life science market, many of the Swedish funds' portfolio companies are still not quite mature enough for an exit. However, companies in the Sixth AP Fund's holding in Scandinavian Life Science (SLS) Venture's funds will soon be mature enough for an IPO or for sale to an industrial buyer. Even so, the fact remains that it has taken – and will continue to take – a long time to develop companies in life science, and this could lead to difficulties in funds which under the terms of the agreement have a limited life.

The Business Area's market-valued capital amounted to SEK 2.1 billion (1.7bn) at the end of 2007. The profit before costs for the year was SEK 192 million (204m) and despite the favourable market conditions, the profit was charged with write-downs for a small number of portfolio companies.

AP Fund Investments

The Business Area manages a market-valued capital of SEK 6.8 billion (8.5bn), and reported a profit before costs of SEK 1,224 million (1,530m). The profit was largely attributable to the performance of the Buyout and Venture Capital portfolios.

The buyout market remained active during the year and access to capital was very good for Nordic buyout funds with a history of high returns. However, credit concerns during the latter half of the year coupled with stock market volatility led to a more cautious climate for both new investments and exits.

The Nordic venture market has matured and the management teams are becoming more experienced. Despite this, it still takes a long time to realise the values of venture portfolios, and this trend is visible all over Europe. The Sixth AP Fund maintains a continued cautious valuation of its Venture Capital portfolio, but is of the view that the portfolio offers scope for long-term positive growth in value.

The streamlining of the portfolio previously known as Mixed Equity, which began in 2006 and involved greater allocation to small cap through investments in small cap funds and investment companies, continued in 2007. This has involved the sale of funds and undertakings that lack a focus on small and medium-sized companies. The portfolio, which changed its name to Listed Small Cap during the year, has made investments in Lannebo MicroCap and SEB MicroCap. The microcap funds focus on investments in Swedish and Nordic small cap and adopt an active ownership role in the companies.

Treasury

The Treasury manages all capital which at any given moment in time has not been invested in one of the Business Areas. Investments are made in shares and interest-bearing assets. The Treasury also manages any financial risks that arise in the business. The capital managed by the Treasury amounted to approximately SEK 2.5 billion at the end of 2007.

The Sixth AP Fund's profits and fund capital by Business Area

SEKm	Market-valued capital invested	Profit/loss	Return (%)*	Committed Capital
AP Direct Investments	6,502	1,156	21.6	5,043
AP Partner Investments	1,500	198	25.1	1,264
AP Convertible Bond	178	5	9.4	177
AP Network Investments	26	—	—	26
AP Life Science	2,100	192	10.5	3,185
AP Fund Investments	6,750	1,224	14.1	12,103
Treasury	2,547	71	3.8	
Central	19	-17		
External management costs		-252		
Internal costs		-79		
Shared costs		-66		
Total	19,622	2,432		21,798

* Before costs.

Significant events after the year-end

The sharp downturn and volatility witnessed in financial markets during the end of 2007 continued at the beginning of 2008.

Income statement

SEKm	Note	2007	2006
Investment activities			
Realised profit/loss, net	2	986	1,736
Unrealised profit/loss, net	3	1,380	372
Dividend		238	117
Net interest income/expenses	4	214	176
Other financial income and expenses	5	11	-6
Management costs	6, 8	-331	-263
Total investment activities		2,498	2,132
Shared costs			
Personnel costs	7, 8	-24	-25
Other shared costs		-42	-43
Total shared costs		-66	-68
Profit/loss for the year		2,432	2,064

Balance sheet

SEKm	Note	31 Dec 2007	31 Dec 2006
ASSETS			
Investment assets			
Shares and participating interests in listed companies	9	5,566	6,735
Shares and participating interests in unlisted companies	10	12,685	8,605
Other interest-bearing securities	11	1,381	1,791
Total investment assets		19,632	17,131
Receivables and other assets			
Other current receivables		84	19
Liquid assets		24	19
Prepaid expenses and accrued income	12	101	85
Total receivables and other assets		209	123
Total assets		19,841	17,254
FUND CAPITAL AND LIABILITIES			
Fund capital			
Initial capital		10,366	10,366
Profit brought forward		6,824	4,760
Profit/loss for the year		2,432	2,064
Total fund capital		19,622	17,190
Current liabilities			
Accrued expenses		28	22
Other current liabilities	13	191	42
Total current liabilities		219	64
Total fund capital and liabilities		19,841	17,254
Memorandum items			
Contingent liabilities		8	15
Commitments – committed capital, not yet paid out		5,702	4,252

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 Swedish 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.

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 be reported at their 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. Transactions concerning calls, warrants, forwards and swaps are reported in the accounts on the day when the material risks and rights are transferred between parties, i.e. the day the deal is completed. This principle applies to transactions on the money and bond markets and on the equity market.

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 class of asset.

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.

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. Purchases of new equipment are written off as an expense.

Realised and unrealised profit/loss are reported as a net amount in the income statement. Gross values are reported in a separate note.

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 Agency.

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

	2007	2006
Unlisted holdings		
Income from divestments	1,481	4,197
Capital invested	-615	-1,915
Reversal of changes in value booked previously (excluding write-downs)	-5	-755
Write-downs for the year	-5	-14
Total, unlisted holdings	856	1,513
Listed holdings		
<i>Capital gain, net</i>		
Shares and participating interests	0	697
Bonds and other interest-bearing securities	2	—
Derivatives	135	—
	137	697
<i>Capital loss, net</i>		
Shares and participating interests	-7	—
Bonds and other interest-bearing securities	—	-16
Derivatives	—	-458
	-7	-474
Total, listed holdings	130	223
Total realised profit/loss	986	1,736

Note 3 Unrealised profit/loss, net

	2007	2006
Unlisted holdings		
Change in the value of unrealised holdings for the year	1,122	-1,458
Reversal of changes in value booked previously on holdings realised during the year	5	755
	1,127	-703
Listed holdings		
Shares and participating interests	252	1,062
Bonds and other securities	1	13
	253	1,075
Total unrealised profit/loss	1,380	372

Note 4 Net interest income/expenses

	2007	2006
Interest income		
Convertible loans	191	181
Other interest income	40	21
	231	202
Interest expenses		
Other interest expenses	-17	-26
	-17	-26
Net interest income/expenses	214	176

Note 5 Other financial income/expenses

	2007	2006
Share in profits internal companies	8	—
Exchange rate differences	3	-3
Conditional shareholders' contribution paid	—	-3
Total	11	-6

Note 6 Management costs

	2007	2006
External management costs		
- Unlisted holdings	222	180
- Listed holdings	30	20
Internal management costs		
- Personnel costs	44	39
- Other costs	35	24
Total	331	263

External management costs do not include performance-based costs. Performance-based costs for the year amounted to SEK 5.2 million (10.4m) and reduce the profit in respect of the asset managed. Input VAT of SEK 5.2 million (4.0m) is reported under Other costs.

Note 7 Shared costs

	2007	2006
Personnel costs	24	25
Property-related costs	4	3
IT costs	7	7
Services bought	17	19
Other costs	14	14
Total	66	68

Shared personnel costs include the costs related to the Managing Director and business support organisation. Input VAT of SEK 6.4 million (6.0m) is reported under Other costs.

Services bought include remuneration to audit firms, as follows:

	2007	2006
Audit assignments		
KPMG Bohlins AB	1.3	1.1
Öhrlings PricewaterhouseCoopers AB	0.3	0.2
Total	1.6	1.3
Other assignments		
KPMG Bohlins AB	1.3	1.0
Öhrlings PricewaterhouseCoopers AB	0.6	—
Total	1.9	1.0
Total	3.5	2.3

Note 8 Personnel

		2007	2006
Average number of employees	Men	14.7	13
	Women	13.1	12
		27.8	25
Number of employees as at 31 December 2007	Men	15	14
	Women	16	15
		31	29

Salaries and fees

Chairman of the Board	0.1	0.1
Board, excluding Chairman	0.2	0.2
Managing Director	2.8	2.6
Senior management team, excluding Managing Director	10.2	11.4
Other employees	21.7	18.6
	35.0	32.9

Incentive scheme

Senior management team, excluding Managing Director	1.6	1.6
Other employees	2.8	2.5
	4.4	4.1

Pension costs

Chairman of the Board	—	—
Board, excluding Chairman	—	—
Managing Director	1.8	1.3
Senior management team, excluding Managing Director	5.6	4.4
Other employees	7.7	7.8
	15.1	13.5

Social security expenses, excluding pension costs

Chairman of the Board	0.0	0.0
Board, excluding Chairman	0.1	0.1
Managing Director	0.9	0.8
Senior management team, excluding Managing Director	3.3	5.0
Other employees	7.0	4.9
	11.3	10.8

Total social security expenses 26.4 24.3

Other personnel costs 2.4 2.6

Total personnel costs 68.2 63.9

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 or 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 senior 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 2007 was 13.1 per cent, which means that the absolute return target was exceeded. The earnings include a charge of SEK 4.4 million (4.1m), 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 29 days for the year (23), 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 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	2.3	2.3	24
Karo Bio	2,745,780	2.3	2.3	12
Lindab	8,798,874	11.1	11.1	1,196
Ratos B	3,391,000	2.1	0.6	597
Carnegie Småbolag	673,111			266
Eikos	465			96
Enter Sverige Fokus	429,673			722
Graal	604,814			90
Lannebo MicroCap	600,000			602
Lannebo Småbolag	21,932,746			649
RAM ONE	76,873			86
SEBINHX	100,000,000			99
SEB MicroCap	4,000,000			400
SEB Sverige Småbolag Chans Risk	5,085,653			493
Simplicity Norden	332,179			147
Yield	73,569			87
Total				5,566

Commission paid in 2007 amounted to around SEK 11.2 million (6.3m).

Note 10 Shares and participating interests in unlisted companies

Company	Org. no.	Registered office	Number of participating interests	Voting rights, %	Share of equity, %
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	100		99.0
AP Partnerinvest Fashion AB	556742-8882	Gothenburg	1,000	100.0	100.0
AP Partnerinvest Positionering AB	556739-6857	Gothenburg	930	93.0	93.0
AP Partnerinvest Röd AB	556736-6322	Gothenburg	94,000	94.0	94.0
AP Partnerinvest Sport AB	556736-6934	Gothenburg	90,001	90.0	90.0
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 Advisor AB	556644-0300	Stockholm	45,232	40.7	40.7
Energy Potential AB	556614-9000	Uppsala	395,281	14.0	14.0
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
Innoventus AB	556602-2728	Uppsala	4,662	33.3	33.3
Innoventus Project AB	556616-8356	Uppsala	176,483	49.0	49.0
IQQU Styrelseutveckling AB	556743-8105	Gothenburg	1,000	100.0	100.0
Iqube Holding AB	556676-0764	Johanneshov	88,000	5.9	5.9

Contd. **Note 10**

Company	Org. no.	Registered office	Number of participating interests	Voting rights, %	Share of equity, %
Johanneberg Campusbo AB	556658-6730	Gothenburg	800	80.0	80.0
Johanneberg Campusbo KB	969704-9451	Gothenburg			79.2
Jönköping Business Development AB	556693-2561	Jönköping	180,000	32.0	32.0
Kanal Lokal i Gbg AB	556608-3027	Stockholm	110	9.9	9.9
Krigskassa Blekinge AB	556709-7992	Ronneby	30,000	50.0	50.0
KVD - Kvarndammen Bilauktioner AB	556583-1541	Kungälv	62,882	60.0	60.0
Lokal Media Nu i Sverige Holding AB	556724-9692	Stockholm	4,300	43.0	43.0
Medicon Valley Capital Management AB	556581-4307	Stockholm	2,293	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	Mölnadal	100,000	100.0	100.0
Next Generation Broadcasting NGB AB	556702-6173	Stockholm	490	49.0	49.0
Nordia Innovation AB	556228-6855	Stockholm	225,327	12.9	12.9
Norstel AB	556672-5346	Norrköping	2,358	2.7	2.7
NS Holding AB	556594-3999	Sundsvall	1,819,884	50.0	50.0
Polarica AB	556167-2535	Haparanda	2,500	15.0	15.0
Prosilient Technologies AB	556639-2022	Stockholm	72,444	34.7	34.7
Scandinavian Life Science Ventures AB	556587-9771	Gothenburg	1,000	100.0	100.0
Seabased AB	556617-6557	Uppsala	150,000	2.9	2.9
Senior Work Sverige AB	556727-0615	Stockholm	400	40.0	40.0
Simpleworld AB 1)	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	13,599	82.9	82.9
SLS Venture Two GP AB	556628-4674	Stockholm	2,327	40.1	40.1
SLS Venture Three AB	556730-2038	Stockholm	400	80.0	80.0
Solibro AB	556603-1596	Uppsala	364,953	45.6	45.6
Sportex AB	556220-0674	Gothenburg	102,500	100.0	100.0
STT Care System AB	556540-2889	Umeå	164,133	83.1	83.1
TDS Todos Data System AB	556343-7218	Gothenburg	26,465,917	94.6	90.8
Unfors Holding AB	556701-5747	Gothenburg	68,279	59.8	59.8
United Logistics TSGS AB	556680-6914	Stockholm	24,671	52.6	52.6
Volvofinans. AB	556069-0967	Gothenburg	400,000	40.0	40.0
Xelerated Sweden Holding AB	556726-9864	Stockholm	4,931,738	57.0	57.0

The total acquisition value of shares and participating interests amounted to SEK 5,867 million (2,710m).

1) The company has been declared bankrupt.

Funds	Org. no.	Registered office	Share of equity, %	Acquisition value
Accent Equity 2003 KB	969694-7739	Stockholm	63.1	189
AE Intressenter KB	969724-7873	Järfälla	100.0	12
Amplico I KB	969656-4088	Gothenburg	93.8	93
Amplico Kapital AB	556703-3161	Gothenburg	90.0	31
Baltic Rim Fund			22.8	13
BrainHeart Capital ANX KB	969703-4685	Stockholm	59.4	76
BrainHeart Capital KB	969674-4102	Stockholm	43.4	288
CapMan Buyout VIII Fund B KB	969705-5342	Stockholm	100.0	249
CapMan Equity Sweden KB	969683-1321	Stockholm	96.5	296
CapMan Technology Fund 2007 KB	969720-4288	Stockholm	100.0	64
Creandum KB	969690-4771	Stockholm	49.3	86
Creandum II KB	969708-0274	Stockholm	98.5	14
Engelsberg Industriutveckling AB	556625-0923	Stockholm	50.0	0
EQT II			4.8	0
EQT IV 2004 KB	969697-5888	Stockholm	100.0	359
EQT Opportunity KB	969705-5227	Stockholm	100.0	54
EQT V 2006 EQT Expansion Capital II 2007 KB	969705-5334	Stockholm	100.0	291
Femfond KB	969687-5062	Stockholm	100.0	364
Fyrsikten KB	969712-1029	Stockholm	100.0	422

Contd. **Note 10**

Funds	Org. no.	Registered office	Share of equity, %	Acquisition value
H&B IIS Sweden KB	969664-6570	Stockholm	49.5	85
HealthCap 1999 KB	969656-1647	Stockholm	10.5	111
HealthCap Annex Fund I-II KB	969690-2049	Stockholm	38.9	98
HealthCap CoInvest KB	969625-6255	Stockholm	24.4	75
HealthCap III Sidefund KB	969699-4830	Stockholm	22.7	47
HealthCap KB	969614-4162	Stockholm	12.1	2
Industrial Development & Investment Equity KB	969640-9631	Stockholm	14.7	5
InnKap 2 Partners KB	969661-4735	Gothenburg	5.4	5
InnKap 2 Partners KB - Additional Investment Pool	969661-4735	Gothenburg	8.4	2
InnovationsKapital Fond I AB	556541-0056	Gothenburg	31.3	0
Innoventus Life Science I KB	969677-8530	Uppsala	32.7	44
Intera Fund I KY			12.0	0
IT Provider Century Fund KB	969673-0853	Stockholm	98.5	62
IT Provider Century Annex Fund KB	969728-8109	Stockholm	98.5	17
IT Provider Fund IV KB	969687-5468	Stockholm	59.1	139
Karolinska Investment Fund KB	969665-3444	Solna	24.0	76
Medicon Valley Capital KB	969657-5886	Stockholm	86.5	119
Medicon Valley Capital Two KB	969680-3056	Stockholm	98.5	130
Nordic Capital III			9.4	46
Nordico II KB	969660-1500	Stockholm	37.1	0
Nordico III KB	969680-3007	Stockholm	99.3	11
Northern Europe Private Equity KB	969670-3405	Stockholm	69.1	277
Scandinavian Life Science Venture KB	969680-2991	Stockholm	98.5	532
Scandinavian Life Science Venture Two KB	969680-5291	Stockholm	70.4	329
Scandinavian Life Science Venture Three AB	556730-2046	Stockholm	99.0	11
SG Partners II KB	969724-7337	Stockholm	23.8	33
Slottsbacken Fund Two KB	969660-9875	Stockholm	54.5	40
Slottsbacken Venture Capital KB	969626-1313	Stockholm	99.3	13
Swedestart II KB	969648-6431	Stockholm	21.1	2
Swedestart Life Science KB	969675-2337	Stockholm	16.3	44
Swedestart Tech KB	969674-7725	Stockholm	20.6	58
V2 Co-investment Alfa KB	969677-6989	Stockholm	50.0	5
V2 Fund KB	969665-1281	Stockholm	18.0	9
Valedo Partners Fund I AB	556709-5434	Stockholm	20.0	22
Total, funds				5,350
Total acquisition value				11,217
Total market value				12,685

Note 11 Other interest-bearing securities

	2007	2006
Bond funds		
Enter Trend Råntefond	—	299
SHB Råntefond	551	617
SEB Penningmarknadsfond	551	529
Total	1,102	1,445
Other		
FX forwards	1	—
Day-to-day loans	194	260
Loans to unlisted companies	84	86
Total	279	346
Total	1,381	1,791

Note 12 Prepaid expenses and accrued income

	2007	2006
Accrued interest income	36	27
Prepaid management fee	52	45
Other prepaid expenses and income	13	13
Total	101	85

Note 13 Other current liabilities

	2007	2006
Loans from subsidiaries	—	1
Transactions not settled on the closing day	180	32
Other	11	9
Total	191	42

Gothenburg, 21 February 2008

Lennart Jeansson
*Chairman of the Board*Lars Lundquist
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 2007. The annual accounts are presented in the printed version of this document on pages 38-50. 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 significant 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 Fund Act and give a true and fair picture 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, 21 February 2008

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

Board of Directors



From top left to right:
Lennart Jeansson,
Gunilla Almgren,
Lars Lundquist,
Eva-Britt Gustafsson,
Olle Larkö

Lennart Jeansson
Chairman of the Board
with effect from 1 June 2007
b. 1941. Elected in 2004.

Other assignments:
Chairman of Stena AB, Volvo Pensionsstiftelse, BIL Sweden and Haléns Holding AB. Vice chairman of Mähler International AB. Member of the Board of the Confederation of Swedish Enterprise, Volvo Lastvagnar AB, Volvo Construction Equipment AB, Stena Metall AB and Orkla ASA. Member of the Council for the sale of shares in companies owned in part or in full by the Swedish state.

Eva-Britt Gustafsson
b. 1950. Elected in 1996.

Other assignments:
Chairman of Akademiska Hus AB.

Jan-Olle Folkesson,
Chairman of the Board up to
31 May 2007.

Member of the Board of Euler-Hermes Kreditförsäkring Scandinavia AB and JM AB. Member of the Fund delegation of the Legal, Financial and Administrative Services Agency.

Gunilla Almgren
b. 1955. Elected in 2001.

Other assignments:
Managing Director of REGAB Reglerarmatur AB. Chair of the Stock Exchange Society. 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 and the Swedish Agency for Economic and Regional Growth.

Olle Larkö
b. 1952. Elected in 2006.

Other assignments:
Dean and professor at the Sahlgrenska Academy at the University of Gothenburg. Member of the Board of the European Academy of Dermatology and Venereology and Chalmersinvest. Scientific Council of the Medical Products Agency.

Lars Lundquist
Deputy chairman
b. 1948. Elected in 2007.

Other assignments:
Chairman of Intrum Justitia AB, JM AB and ERIKA Försäkringsaktiebolag. Deputy chairman of Tradedoubler AB. Member and treasurer of the Swedish Heart-Lung Foundation.

Auditors

Anders Bäckström
Authorised public accountant
KPMG

Göran Jacobsson
Authorised public accountant
Öhrlings PricewaterhouseCoopers

Management



From top left to right:
Erling Gustafsson,
Adam F Laurén,
Mats Augurell,
Alexandra Nilsson,
Urmas Kruusval,
Lars Ingelmark

Erling Gustafsson

Managing Director

b. 1958. Joined the Fund in 1997. Business Administration graduate.

Board assignments:

Chairman of Svenska Skeppshypotekskassan and United Logistics TSGS AB. Member of the Board of Scandinavian Life Science Venture, ACR Aviation Capacity Resources AB and Energy Potential AB.

No holdings in unlisted companies.

Alexandra Nilsson

Business Area Manager

AP Fund Investments with effect from 1 September 2007

b. 1973. Joined the Fund in 1998.

Law degree, Diploma programme for financial analysts from the Stockholm School of Economics.

No holdings in unlisted companies.

Stefan Holmgren

Manager of the Treasury and Business Area Manager AP Fund Investments up to 31 December 2007. Left the Fund to work as a self-employed consultant with effect from 2008.

Adam F Laurén

Administrative manager

b. 1967. Joined the Fund in 2006.

Business Administration graduate. No holdings in unlisted companies.

Urmas Kruusval

Business Area Manager

AP Direct Investments

b. 1951. Joined the Fund in 2000.

Business Administration graduate.

Board assignments:

Chairman of AB Volvofinans, Sportex AB, MECA Scandinavia AB and DAWA Däck AB. Member of the Board of Borås Bil Förvaltning AB.

No holdings in unlisted companies.

Per Rinder

Business Area Manager AP Fund Investments up to 31 August 2007, and thereafter Senior Adviser.

Mats Augurell

Business Area Manager

AP Partner Investments

b. 1958. Joined the Fund in 2000.

B Sc Business Administration & Economics.

Board assignments:

Member of the Board of Solibro AB, Alektum Inkasso AB, Aumar AB and SvenskaPostkodsöreningen.

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, Gytorp 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.

Definitions

Business area return

Profit/loss before costs divided by average capital invested.

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.

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.

Total return

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

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 small and medium-sized companies and in a selection of private equity funds, equity funds and investment companies.

www.apfond6.se



Sjötte AP-fonden

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