



Sixth Swedish National Pension Fund

ANNUAL REPORT 2003



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The Swedish pension system

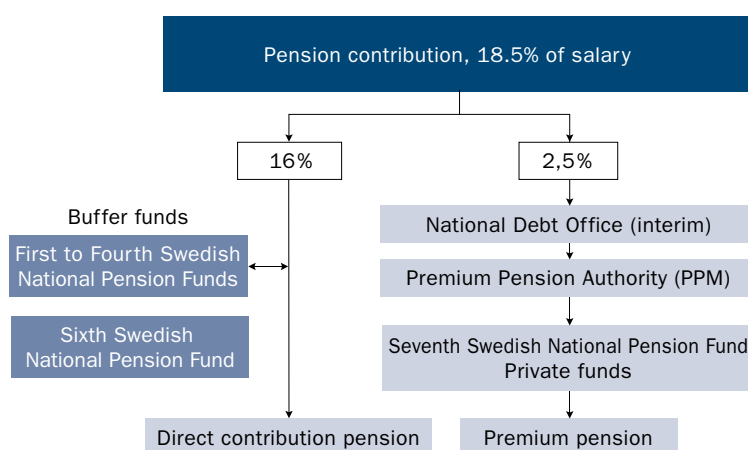
The reformed Swedish pension system is divided into two parts, a direct contribution pension and a premium pension. Sixth Swedish National Pension Fund (the Fund) is one of five buffer funds in the new Swedish pension system.

Annual outlays of earnings-related pensions to today's pensioners are financed through fee payments corresponding to 16% of earnings by today's income earners. The size of outlay and contributions varies over time, due to demographic changes and salary increases among other factors. The role of the buffer funds is partly to act as a buffer and smooth out temporary variations in outlay and contributions, and partly to manage the general pension fund in the buffer so as to generate the highest possible return. Unlike the other buffer funds, the Fund does not have regular flows into or out of the

direct-contribution pension system.

The premium pension system is based on the individual's own fund holdings which are based on a contribution of 2.5% of salary. The premium reserve is managed by private fund managers and by the

Seventh Swedish National Pension Fund. If a person's direct-contribution pension does not meet a guaranteed minimum level, top-up payments are made in the form of a guaranteed minimum benefit, financed from the State budget.



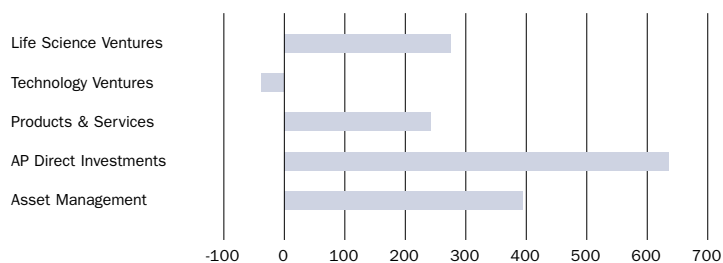
The Swedish national pension system

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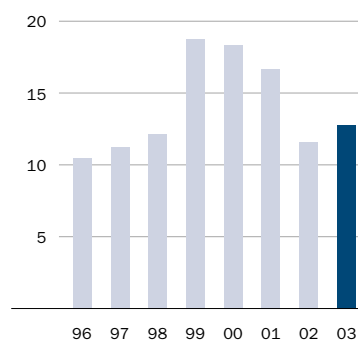
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Year in summary

- The overall return of Sixth Swedish National Pension Fund in 2003 was 10.7%, which was 3.3 percentage points above target.
- The Fund made a profit in 2003 of SEK 1 153 million (-5 107).
- The Fund's fund capital amounted to SEK 12.8 billion (11.6) on 31 December 2003.
- The value of the Private Equity operation's portfolios at year-end was SEK 7.3 billion (5.9). The return was 14.6% (-21.7).
- The value of the Asset Management portfolio at year-end was SEK 5.5 billion (5.7). The return was 6.7% (-34.7).
- During 2003 the Fund made new and additional investments in the Private Equity operation amounting to around SEK 1.4 billion.
- Holdings in Nordisk Renting, Vitea, Biora, Thoreb, Polyplank, Z-Invest and Zodiak were sold during the year.



Earnings in 2003 (SEK million)



Fund capital (SEK billion)

SIXTH SWEDISH NATIONAL PENSION FUND

The role of the Fund is to create good long-term returns and maintain satisfactory risk diversification by investing risk capital in small and medium-sized Swedish growth companies and thus contributing to the development of Swedish business.

The Fund is an independent owner that invests in a selection of private equity funds and directly owns shares in a limited number of growth companies.

Focus on creating value – improved profits



A sluggish economic recovery began in 2003 as the world's stock markets rallied. Following the fast growth at the turn of the new century, the private equity markets in Sweden continued their consolidation. Sixth Swedish National Pension Fund continued to refine its activities and its fund capital increased to SEK 12.8 billion. The return of 10.7% was 3.3 percentage points above the target.

The role of the Fund is to create a high return over the long term by investing risk capital in small and medium-sized unlisted Swedish growth companies. The Fund's special position amongst Sweden's national pension funds, with its focus on private equity and the prohibition on investing in foreign shares, affects both the risk profile and the return potential. The Fund's target rate of return is set to outpace the prevailing repo rate plus a risk premium of 4.5%, which in 2003 meant 7.4%. The long-range target, once most of the capital has been invested, is risk-free interest plus a risk premium of 7%.

NORM-BASED RETURNS

The Private Equity operation is based on attracting capital for investment and acquiring unlisted businesses, developing them by creating new value, and then selling them. Private equity contributes to growth through the development of small and medium-sized businesses, restructuring of units within large companies and the

import of capital for business investment. In Sweden, the influx of capital into private equity has increased significantly over the past 15 years. This sector is currently worth SEK 215 billion in committed capital, which represents one tenth of the total value of the Swedish stock market. One half of this sum is invested capital.

However, most of the capital in Swedish private equities is immature and represents investment under development. Experience from the more mature private equity market in the US suggests that only a few funds can be expected to provide sustainable high returns above the stock exchange index. As the Swedish market matures and becomes more industrialised, many funds are likely to generate average returns comparable with stock market results. Funds producing high returns are usually more focused on the long term, they create value by growing businesses rather than just realising existing value and the management teams

that direct the funds have a strong track record. The Fund's strategy is to follow the above-named values in its investments as this historically produces most value.

PROFESSIONALISM AND ETHICS

The Swedish private equity market has a mixed reputation. There are examples of highly successful investments. A thorny issue is emerging, however. Entrepreneurs running small and medium-sized businesses increasingly are averse to private equity investors, which often are perceived as opportunists with opaque strategies, overly complicated transactions and tangled company structures.

Most sales of portfolio companies involve industrial acquisitions, but a stock market launch has very high value for the class of assets as a sign of successful value creation. When launches fail, however, the ability of private equity investors to create long-term value is put in question.

Shareholders and the general public now expect much more from the corporate governance and ethics – especially in terms of transparency – of listed companies, and similar demands are being placed on unlisted companies.

In the current situation the private equity sector needs to become more competitive. Business models have to be reinforced with greater professionalism in business development and value creation and there is a need for expanded opportunities for liquidity in investments. Legitimacy can be boosted through clearer management principles, including better monitoring for investors in management companies and portfolio companies as well as increased opportunity for exerting influence in the funds. High ethical standards and transparency regarding the chief actors are essential throughout the entire value chain, although strict business confidentiali-

ty must of course be observed when handling ownership issues in unlisted companies, which is a distinguishing feature of private equity.

The leading players can make these changes and the Fund intends to be among them. This annual report therefore contains both an overview of the sector's methods and a review of how the Fund is focusing and developing its business model as well as its principles concerning corporate governance and transparency.

REFINED BUSINESS MODEL

To achieve its return target the Fund focuses on investments in businesses in their value creation phase. The focus is thus on the expansion period with some investment in the late start-up and early-maturity phase. The seed phase requires greater business-linked competence – mere board attendance is not sufficient.

Primarily for efficiency reasons, the Fund works through investment and participation in private equity funds run by external management teams. A portfolio of direct investments complements the equity fund activity. The focus is on life science, technology, products and services. As a complement to this strategy the Fund invests directly in a limited number of portfolio companies via AP Direct Investments.

While the Fund's capital grows solely through the returns it generates, most of the Fund's capital is allocated with identified funds or investments. In order to significantly raise the portion of invested capital, the Fund is working to increase the liquidity of investments in private equity funds and thus reduce the need for liquidity buffers in the Fund.

CRITICAL SUCCESS FACTORS

The Fund has identified critical success factors for the development of its business model. One of these is

focused marketing – increasing knowledge about the Fund and its methods – among suitable management teams and especially among selected segments and phases. Another key factor is the establishment of a structural capital in the form of methodology and instruments for business development and ownership controls.

The Fund is an active owner via ownership plans with fixed targets for each investment. The plans are set out in the form of assignments that govern the activities of the management teams or board of directors. These ownership plans form the basis for the business plans that the board of directors draw up together with senior executives. These business plans are a way of confirming that the owners' assignment has been accepted.

The assignment and the specified targets are an expression of the Fund's ambition regarding the focus on creating value instead of merely realising the company's existing value. Creating value requires professional business development, mutual respect among the partners and accepting responsibility.

SATISFACTORY RESULTS

There were few exits in 2003 but there was an increase in the number of investments in the Swedish private equity market. Following the strong expansion of the late 1990s, consolidation led to further players leaving the market during the year. Foreign interest in the Swedish private equity market has continued. Capital flows from foreign investors have increased and more foreign players have established themselves in the Nordic region.

In 2003 the Fund's overall return was 10.7% and the profit was SEK 1 153 million. This was a vast improvement on the loss of SEK 5 107

million in the previous year. The return target of 7.4% was reached and, against the background of a sluggish economic climate, this must be considered satisfactory. The overall value of the fund capital at the end of the year was SEK 12.8 billion, up 23% on the value of the Fund when it started up in 1996.

The Private Equity operation reported a profit before expenses of SEK 1 099 million (-1 276). The return after expenses was 14.6% (-21.7). The strong return meant that this part of the business exceeded its target by 4.9 percentage points.

The improved economic climate has enabled increased investments. In total during the year the Fund invested around SEK 1.4 billion, which is SEK 425 million higher than the previous year.

The Asset Management reported a profit before expenses of SEK 394 million (-3 529). The return after expenses was 6.7% (-34.7), which meant that this activity, too, exceeded its return target.

OUTLOOK FOR 2004

The economic upturn is expected to continue in Sweden in 2004, although at a weak rate. The private equity sector is already showing signs of increased activity and there are expectations of higher investment volumes and more exits, including stock market launches, while consolidation within the sector continues.

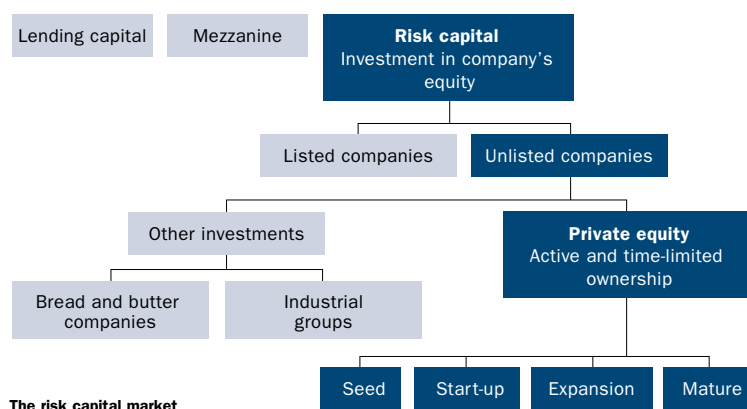
Considering the current market situation and the increasing effects of the Fund's refined strategy, I look forward with optimism to reaching the return targets set for the Fund during 2004.



Erling Gustafsson
President

The private equity market

Both the European and Swedish private equity markets are young and growing strongly. Since the mid-1990s the total amount of capital available on European markets has increased seven-fold.



PRIVATE EQUITY

Risk capital is the name given to investments in shareholders' equity of both listed and unlisted companies. Investment in unlisted companies, where the ownership is both active and limited in time, is called private equity. Private equity is thus not only a question of capital. It also involves the investor playing an active role as an owner. Investments are limited in time and the private equity owner aims to sell the investment within the foreseeable future, usually five to seven years.

Investments are made in small and medium-sized fast-growing companies that are in the seed, start-up or expansion phases, as well as in mature businesses. Investment in the three early phases of seed, start-up and expansion are also called venture capital, while investment in the mature phase is called buy-out.

The capital injected into a company as private equity is used for various purposes, depending on the phase the company is in, as described below.

Seed financing

This is capital that is supplied to an inventor or entrepreneur and used to test a concept or idea for the development of a product prior to a company being formed. This can include financing a research project with commercial potential.

Start-up financing

Finance for a business to be used for product development or initial marketing. The company is usually relatively young and the products have not been commercially tested. This category also includes financing for businesses that have used their original start-up capital and require further funding to begin commercial production and sales.

Expansion financing

This includes both early and late expansion phases. Financing is provided to businesses in the early stages of expansion, when production and sales are steadily rising and there is a need for additional working capital. The company has probably not yet started reporting profits. In the later

phase of expansion, financing is supplied to profitable companies growing strongly. This capital is normally used for build-up, marketing, working capital or product improvements.

Financing in the mature phase

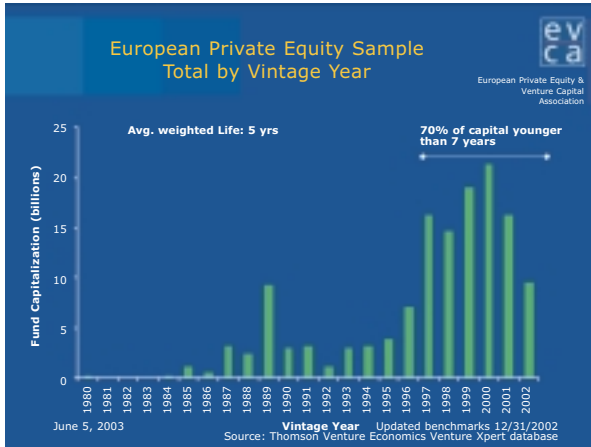
Companies reach the mature phase after they have passed their initial growth period and have started to stabilise or consolidate. This can include financing of businesses that need help with reconstruction.

Source for financing phases:
Swedish Private Equity & Venture Capital Association

THE INTERNATIONAL PRIVATE EQUITY MARKET

The largest and most established private equity market is in the US. It went through its first industrialisation phase in the early 1970s and has grown dynamically since then. Over SEK 5 000 billion is currently invested in private equity in the US. The most important sources of capital are the state and private pension funds that supply over 50% of funding.

The much younger European private equity market accounted for around SEK 1 200 billion of funding in 2002. The market has grown strongly in the past decade and the amount of capital available has increased seven-fold since the mid-1990s. The flow of capital reached its peak in 2000 and has fallen back slightly since then, as the graph on the right shows. The good supply of capital has also speeded up the pace of investment. Because private equity investments are usually held for five to seven years, this means there are many relatively young portfolios.



Capital in the European private equity market by vintage year

THE SWEDISH PRIVATE EQUITY MARKET

The Swedish private equity market has at its disposal around SEK 215 billion, of which half is invested in businesses in the seed, start-up and expansion phases and half in the mature phase. Swedish and foreign pension funds are the principal source of capital and, together with insurance companies, account for around 60% of invested funds.

Capital flows in recent years in Sweden have followed the same pattern as Europe. At most SEK 26 billion was invested in 2000. Amounts have fallen since then and the estimated total investment in 2003 was SEK 15 billion.

At the end of the 1990s a large number of new Swedish private equity funds were formed. The sector

became very unstructured with large differences in quality, size and financial sustainability. The economic downturn in recent years has led to many of the smaller private equity funds disappearing.

Despite the fact that the amount of new investment has almost halved, new players still establish themselves in Sweden. Several foreign private equity businesses have opened offices in the country, such as Pernira, APAX and Doughty Hanson. Their ambition is to have a presence on the key markets, and they count Sweden as one of them.

Foreign interest in the Swedish market is also evident in flows of capital from foreign investors. In 2001 the foreign share of invested capital was 65%. A year later this share had risen further and the trend

for 2003 suggests that the share of foreign capital will continue to grow. Foreign capital is primarily allocated to established management teams and funds in mature phases.

RETURNS FROM PRIVATE EQUITY FUNDS

There is some uncertainty concerning the statistics given for returns from private equity funds. This is partly because several markets have brief histories and partly because information is based on voluntary reporting. American statistics are considered to be the most reliable as they cover a longer period and a large portion of US private equity funds.

The table below shows that capital invested in US private equity funds, both short and long term, has yielded a higher average return than the stock market index. The table also shows corresponding statistics for European private equity funds, although only over a 10-year period. There are no statistics available for returns from Swedish private equity funds.

Even though the American statistics show that average annual returns exceed the stock market index, a comprehensive survey* of the US private equity market has shown that more than half of private equity funds produce returns that are lower than the stock market index. Funds that perform better than the index, however, produce such high returns that they lift the average considerably. The survey shows, therefore, that investors must be highly selective when choosing funds because returns vary significantly.

Returns from private equity funds as of 31 December 2002, %

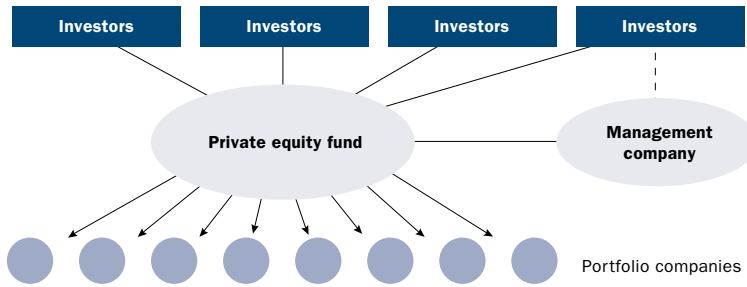
Period	1 year	3 years	5 years	10 years	20 years
USA					
Venture capital	-23.3	-6.8	28.3	26.3	16.6
Buy-out	-5.5	-5.6	1.1	8.7	12.3
Europe					
Venture capital	-27.6	4.1	10.6	13.6	E/T
Buy-out	-1.6	5.2	13.4	14.8	E/T
NASDAQ	-31.6	-31.0	-3.2	7.0	7.1

* Private Equity Returns: Persistence and Capital Flows, Steve Kaplan and Antoinette Schoar, October 29, 2002

The table shows the annual net return measured as IRR for private equity funds in the US and Europe as well as NASDAQ as of 31 December 2002. Source: Thomson Venture Economics.

Example of an organisation model for a private equity fund

There are various models for how to organise a private equity fund. The most common form both in Sweden and abroad is the limited partnership. A management team that is usually employed by a separate management company manages the fund.



The relationships between investors, management company, private equity funds and portfolio companies

PRIVATE EQUITY FUND

When a private equity fund is formed it is usually the management team who invites investors to take a stake in the fund. When funds are raised the management team and the investors agree on the overall direction of the fund and other terms, which are then formalised in a contract.

Funds usually have several investors who are independent of each other. These investors are generally institutions such as pension funds, banks and insurance companies. Investors commit themselves to investing a certain sum in the fund, which is their committed capital. The management team also invests in the fund, generally around 1-2% of the total capital. Payment of committed capital takes place gradually as the fund invests in portfolio companies or to cover the fund's costs.

In general a private equity fund lasts for about ten years. The fund's investment period, the time when investments are made in new portfolio companies, is in general the first three to five years. After this phase, no new investments are made, although additional investments in existing portfolio companies can be

made. When all holdings in portfolio companies are sold, the fund is liquidated.

MANAGEMENT TEAMS

Management teams are responsible for identifying, analysing, making investments and then selling investments financed with the fund's capital. The management teams of private equity funds engage in active ownership to grow their investments, for instance, through board directorships at portfolio companies.

Private equity funds pay an annual management fee to the management team. This fee covers the team's costs and salaries. The size of the management fee is usually 1.5-3% of the committed capital. After the investment period the management fee is reduced gradually as the fund divests its portfolio companies.

A management team often runs several funds in parallel. When the investment period ends within one fund the management team can establish a new private equity fund.

ADVISORY BOARDS

Many private equity funds have scientific or industrial advisory boards who provide essential contacts with

experts and branch networks and who give briefings for specific investments.

THE INVESTORS' ROLE

Investors do not take part in the day-to-day running of the fund or of the portfolio companies. Instead, investors exert influence via committees that deal with topics like investments, exits, valuations and conflicts of interest. The degree of influence varies between funds. In general, investors have greater influence in funds investing in early stages and in funds managed by a new established management team.

Management teams are responsible for continuously informing investors about the development of the fund and the portfolio. This normally takes place quarterly. Furthermore, the management team often organises investor meetings once or twice a year to present and discuss performance.

PROFIT SHARING IN PRIVATE EQUITY FUNDS

The management team takes a share of the profit generated from the sale of the fund's investments. This is called carried interest. There is a wealth of different profit-sharing models, but in general, profit sharing occurs after investors have received their invested capital plus a return, the so-called hurdle rate. Any profit above this rate is normally divided with 80% to investors and 20% to the management team.

Strategic focus of the Fund

The role of the Fund is to create good long-term returns and maintain satisfactory risk diversification by investing risk capital in small and medium-sized Swedish growth companies and thus contributing to the development of Swedish business.

The Fund is an independent owner that invests in a selection of private equity funds and directly owns shares in a limited number of growth companies.

ASSIGNMENT

The Fund's assignment is to manage the allocated public pension funds and returns on these funds by investing in the private equity market. The Fund shall invest in private equity in either funds or operating companies. As support to the Private Equity operation the Fund maintains appropriate investment readiness through asset management.

VISION

The vision of the Fund is to provide high, long-term returns and thus generate good pensions, and to be a respected, long-term, industry-based investor in Swedish private equity.

VALUES

The Fund aims to achieve the overall targets set by the owners within the framework of the assignment set for the Fund. This shall be done by following the fundamental values of the Fund:

The Fund creates value

- Contributes to profitable expansion of growth companies
- Is an active and committed owner with distinct return targets
- Is courageous enough to avoid bad business deals

The Fund is professional

- Develops competence within systematic routines
- Sets ambitious targets and assumes personal responsibility for their attainment
- Has high personal commitment and allows people to learn from mistakes

The Fund shows respect

- Understands the companies it invests in
- Puts business development ahead of personal gain
- Shows respect for the challenges facing itself and others

The Fund takes responsibility

- Remembers at all times that it is managing general pension funds
- Stands for good ethics
- Is environmentally aware

OVERALL TARGET – RETURNS FROM BALANCED RISK

The private equity portfolio is currently being built up which means that the Fund must maintain a high level of investment readiness. The annual return target for the joint fund capital is the repo rate plus 4.5% over five years.

The long-range objective is to develop the Fund's business model so that the annual return requirement can be raised to the repo rate plus 7.0% over five years. The Fund has identified the key factors for success that make the largest strategic contribution and represent the strategic focus for the Fund.

Repo rate
+ Risk premium, share risk in listed and unlisted companies
+ Liquidity risk, risk of investing in less liquid private equity
– Costs for investment readiness for investments carried out
= Absolute return target

STRATEGIC FOCUS

The strategic factors that have most significance for developing Sixth Swedish National Pension Fund's business and thereby enable increased returns can be summarised as follows:

Focused marketing

- Increase knowledge about the market segments the Fund is active in to create the conditions for better deal flow
- Structure and develop market-places for exits
- Create second-hand market for fund shares and derivatives

Optimum mix

- Optimum allocation per sector and phase
- Development of fund investment criteria

Build-up of structural capital

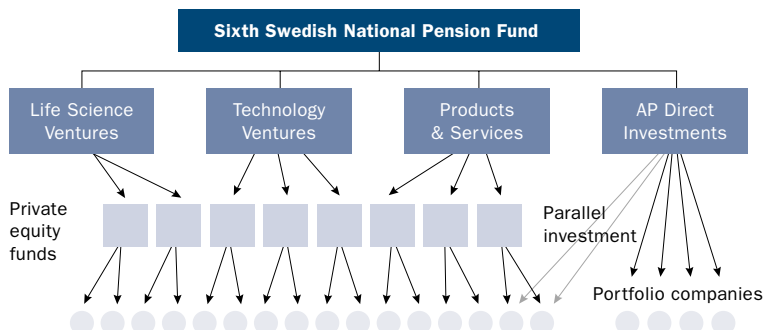
- Refine instruments for ownership plan, business plan and competence provisioning in portfolio companies

Optimised liquidity

- Improve efficiency of investment and exit forecasts

Cost-efficiency

- Continuous control of internal and external management costs



The Fund's business model

BUSINESS MODEL

The Fund has chosen to be an active investor on the private equity market. Investments are made primarily in private equity funds. The Fund's portfolio for direct investments, AP Direct Investments, enables the Fund to participate directly with a large commitment in buy-outs, i.e. investments in companies in the mature phase, which is a good complement to investments in private equity funds.

The Fund shall achieve its return by creating value with its investments. Creating value requires professional business development, mutual respect between the partners involved and joint responsibility. The Fund aims to be an active and responsible owner that promotes efficient board practices among the management teams, private equity funds and portfolio companies. Ownership influence includes crafting clear ownership plans featuring a set of targets for directors, addressing remuneration issues and aiming for transparency between partners and,

as suitable, among other stakeholders. The forms of influence are agreed in each case and can thus vary.

INVESTMENT RULES

The Fund follows the rules laid down in the Swedish law governing the Fund (Lag 2000:193), which gives the Fund a mandate to invest in unlisted Swedish shares without restriction regarding ownership amount for each investment, listed Swedish shares up to a maximum of 30% of the capital and votes in each

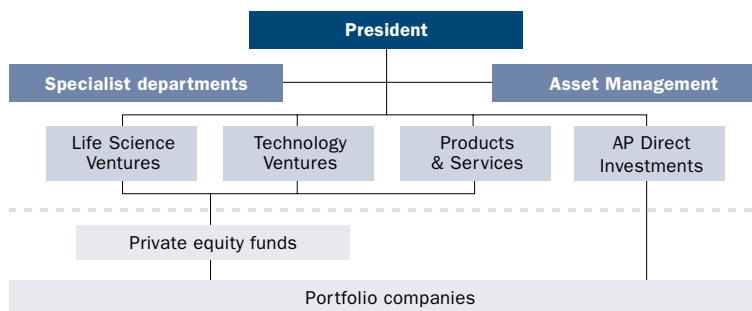
individual holding, interest-bearing instruments and standard derivative instruments. There are no restrictions concerning allocations among different classes of assets.

ORGANISATION

The Fund's organisation consists of the Private Equity operation and several specialist departments.

The Private Equity operation comprises the following portfolios, each of which invests in private equity funds: Life Science Ventures, Technology Ventures and Products & Services. The Private Equity operation also includes a portfolio with an internal management team, AP Direct Investments, which is responsible for most of the companies where the Fund has a direct ownership commitment.

The Asset Management is responsible for supplying the liquidity requirements of the Private Equity operation.



The Fund's organisation

The Fund's principles for corporate governance

As an investor in other private equity funds and as a direct investor in companies, the Fund shall meet the highest demands regarding responsibility and openness. To ensure that these demands are met and contribute to the increased competitiveness of private equity as an asset, the Fund has established a set of principles for corporate governance.

RISK CAPITAL MARKET FOR GROWTH

Growth is created when businesses develop and expand. This requires business innovation, skills, risk capital and a well-established risk capital market that acts as a forum.

On the risk capital market, business innovators and investors meet to build value in unlisted companies, thus boosting economic growth. The market itself organises a sensible division of responsibility, legitimate influence and value growth between capital and skills. The starting point for the Fund is that owners shall control businesses so that value is created by developing new business models and the improved efficiency of activities.

Establishing private equity as a competitive asset requires high ethical standards, strict confidentiality in business matters concerning the ownership of unlisted companies and a high level of transparency among the players. This safeguards the ability to attract investors, increases opportunities for successful acquisitions and exits of portfolio companies and builds trust in relationships with the general public.

PRIVATE EQUITY FOR BUSINESS DEVELOPMENT

Private equity funds produce returns for investors by creating value in a

shareholding. Creating value requires professional business development, mutual respect between the parties and sharing of responsibility.

It is essential that each private equity fund includes investors that practise active ownership. The forms of influence can vary, from active directorships to opportunity to exit an investment and should be made systematic in terms of the fund's size and focus and the experience of the management team.

In management teams, private equity funds and portfolio companies, active board membership should be based on openness between the parties and ownership responsibility in matters concerning remuneration to managers.

As an investor in private equity funds and as a direct investor in companies, the Fund shall meet the highest demands regarding openness and responsibility with clearly stated principles for ownership responsibility, ownership control and transparency.

INFORMATION

Transparency is the decisive factor for securing control and ethics. A person who is responsible for making statements that must be examined publicly or by a client, tends to make responsible decisions within the framework of strong ethics. Within private equity, therefore, there needs

to be a good understanding of the requirements and scope of transparency.

The Fund believes that the following principles should guide the supply of information concerning private equity:

Complete information to investors

The management team should supply investors with comprehensive information so that they can take responsibility for their investment.

Confidentiality

Strict confidentiality is required to protect the core private equity ownership issues concerning unlisted portfolio companies – acquisitions, structures, development, ownership issues in board activities, valuations and sales.

Openness

To prevent unhealthy practices, create trust and boost the competitive strength of private equity there needs to be public openness about the structures and players on the private equity market. Information should be given about legal structures, fund investors, the activities and economic conditions of the management teams and the funds, and clear descriptions of the activities of the portfolio companies.

The Fund as active investor and owner

The Fund contributes as an investor with capital, skills and networks. As an active owner the Fund sets clear demands for structural capital that include ownership plans and business plans that meet the Fund's demands for growth through business development and that can be used to monitor progress.

ASSESSMENT CRITERIA FOR PRIVATE EQUITY FUNDS

Certain criteria must be met before the Fund decides to invest in a private equity fund. Assessments are made according to a model developed by the Fund, which covers the following areas:

Management team

An assessment is made of the personnel in the team, their experience and competence and their contacts with relevant networks. The success of the team, measured as return (IRR), is compared with other teams. The composition of the team is also assessed to ensure that the individuals complement each other.

Investment focus

An assessment is made of the market segment and phase. The Fund does not invest in the seed phase. An assessment is made of the private equity fund's investment policy including size of investment, ownership share and planned ownership period. An assessment is also made of how the private equity fund differs from other funds.

Investment, ownership and exit process

These are the key processes and special focus during assessment is placed on the ability of the management team to build functional processes and structural capital. Assessments

also cover the ability to create deal flow, the degree of activity during the ownership phase and knowledge and experience of relevant exit markets.

Other investors

An assessment is made of the other investors in the private equity fund, how many they are, their contact networks and credit worthiness. They are judged on whether they are active or passive and on their time perspective for the investment, i.e. whether they are long- or short-term investors.

Fund terms

An assessment is made concerning the private equity fund's focus on market segment and phase and the historic performance of the management team. The Fund's views of key fund terms are presented below.

FUND TERMS – FUNDAMENTALS

The overall objective for a private equity investor is achieving a high return within the framework for assessed risk. To achieve this it is essential that:

- management has proper incentives and shared interests with investors
- investors have the possibility to take responsibility for their capital

Based on the above the Fund has formulated basic principles for the terms of a private equity fund:

Profit sharing model

- Portfolio base
- Share of net profit

Management fee

- The management fee shall in principle correspond to actual costs for the management of the fund
- Market-based salaries and remuneration to management
- Transparency

Management's capital investment

- Ensure that management feels like an investor and that the result of the investment is of great importance for management

Influence of investors

- Investors should receive good information regularly via committees, meetings, reports, etc.
- Investors must be able to intervene when necessary

Management team

- Structural capital
 - Rules regarding how individuals join and leave the management team
 - Well-balanced allocation of profit within the management team
 - Transparency

Reporting and valuations

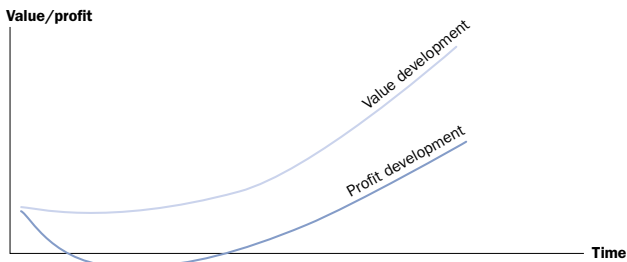
- Must follow EVCA principles

Transfer of fund shares

- It must be possible to transfer shares in funds

Fund structures

- Should promote transparency



Business development that creates value. Value development is created as the value of the company increases through business development. Profit development is created as the company generates profits. Value and profit development do not occur in parallel.

OWNERSHIP PLAN FOR VALUE DEVELOPMENT

It is important for the Fund to reach agreement with other owners concerning the strategies that will lead to the development in value of the portfolio companies. Owners must agree that value creation is achieved via long-term business development and not through short-term profits.

The Fund has designed a tool for business development that includes an ownership plan, undertakings of board members and a business plan. The method clarifies the division of roles between owners, board members and executives.

Ownership plans, undertakings and business plans are designed to be used by owners and board members to ensure that value creation is given priority in daily work.

An ownership plan is formulated for each holding. The plan becomes an assignment with specific objectives that the board undertakes to achieve. Using the ownership plan the board and senior executives in the portfolio company establish strategic plans for the company.

Based on the strategic plans, executives craft the business plan. This shows how the company will develop and achieve the future business model. The business plan then acts as a receipt that the assignment has been accepted and that the board is fully committed to it.

ACTIVE OWNERSHIP IN PRIVATE EQUITY FUNDS

The Fund's involvement as an active

owner in various private equity funds depends among other factors on the ownership share and agreed rules regarding influence. Representatives of the Fund can participate in boards and committees, e.g. investment committees, that make decisions based on proposals from the management team and give advice about investments and exits of portfolio companies, while not being involved in operational matters.

Perhaps the most common instrument for active ownership are ownership plans and business plans which indicate how value in the portfolio company is expected to grow during the planned investment period as the company develops its business through, for example, exports, product development and improved efficiency. Through continuous monitoring of the activities of the portfolio company in relation to the ownership plans and business plans a focus can be kept on the factors that are crucial for value development.

A fault line is discernible between funds led by more discreet management teams and those where investors have greater influence and demand greater transparency. As more funds are led with increased investor influence and transparency, trust in private equity as an asset increases, which in turn increases trust and potential for new investment and exits.

Furthermore there is greater possibility that liquidity improves within private equity via a vibrant second-hand market for fund shares.

ACTIVE OWNERSHIP IN MANAGEMENT COMPANIES

The Fund has chosen to be a part-owner of management companies that are relatively new start-ups or in whose funds the Fund has made significant investments. Ownership influence in management companies is exerted through board membership and regular contacts with management teams. One of the main tasks of the Fund is to build structural capital. In recent years the Fund has been involved in the formation of new management teams, such as Creandum, and by participating in the merger and development of management teams such as Accent Equity Partners and Scandinavian Life Science Venture.

ACTIVE OWNERSHIP IN DIRECTLY OWNED COMPANIES

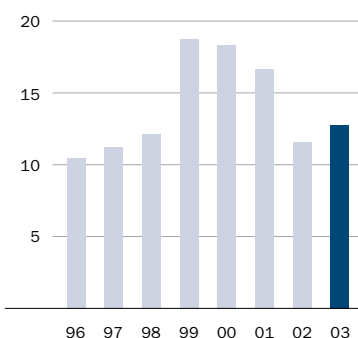
Active ownership in companies directly owned by the Fund is exerted via board membership and advice to the senior executives of the company. A clear ownership plan and fixed targets are set for each company. Active ownership primarily entails efforts aimed at creating value through the development of new business models and improving the efficiency of operations. The Fund contributes by identifying business models, supplying business know-how and analytical tools for acquisitions and developing strategies for value creation.

The Fund is a stable and long-term player. The time perspective for investments depends on which phase the company is in. Consequently, investments are not designed to generate short-term profits for the Fund but to create growth and long-term value by developing successful, competitive businesses.

Portfolio contribution analysis

FUND CAPITAL

On 31 December 2003 Sixth Swedish National Pension Fund's fund capital amounted to SEK 12.8 billion. Since the Fund was founded in 1996 the fund capital has increased from SEK 10.4 billion to SEK 12.8 billion.



Fund capital, SEK billion

The Fund's fund capital consists of the market value of the unlisted and listed shareholdings of the Fund's Private Equity operation and the Asset Management's portfolios.

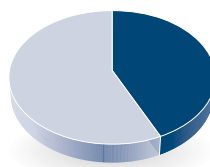
The Private Equity operation's portfolio of private equity funds and directly-owned companies has grown consistently since the Fund was started. From having a portfolio consisting exclusively of interest-bearing securities at its start-up, investments in private equity funds and unlisted directly-owned companies now represent over half of the Fund's portfolio. At the end of 2003 the capital invested by the Fund in private equity funds and directly owned companies amounted

to SEK 7.3 billion, which corresponds to 57% of the total capital. During 2003 new and additional investments totalled SEK 1.4 billion. By the end of 2003 the Fund owned an interest in around 350 companies, of which the majority were owned by the 43 private equity funds that the Fund has invested in. Remaining capital, amounting to SEK 5.5 billion, is managed by the Asset Management.

At the end of 2003 a total of SEK 11.3 billion was invested in private equity funds and directly-owned companies. Of this committed capital around SEK 2.9 billion has not yet been paid out.

Fund capital distribution

- Private Equity operation, 57%
- Asset Management, 43%



Portfolio	SEK billion
Life Science Ventures	2.2
Technology Ventures	0.9
Products & Services	1.9
AP Direct Investments	2.3
Asset Management	5.5
Total fund capital	12.8

RESULTS

The Fund made a profit in 2003 of SEK 1 153 million (-5 107).

The results of the Fund consist of changes in value – realised and unrealised – in the Fund's assets, returns

in the form of interest, dividends and option premiums, as well as costs consisting of administration costs and fees to external managers. Unrealised market value changes accounted for SEK 2 852 million (-3 286) and realised market value changes -1 358 million (-1 519) of the overall profit.

The year's profit before costs is divided between SEK 1 099 million for the Private Equity operation and SEK 394 million for Asset Management.

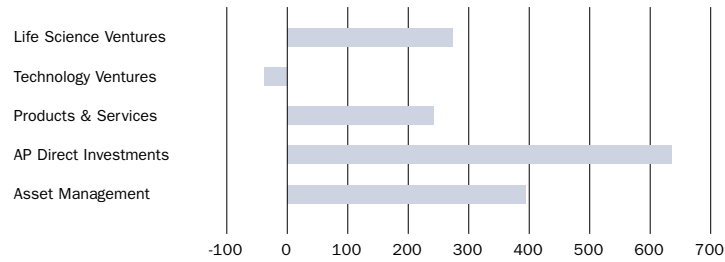
RETURN

The Fund's total return for 2003 was 10.7%, which exceeded the target by 3.3 percentage points. The Private Equity operation had a return of 14.6% and Asset Management a return of 6.7%. Both Private Equity and Asset Management achieved their targets for 2003.

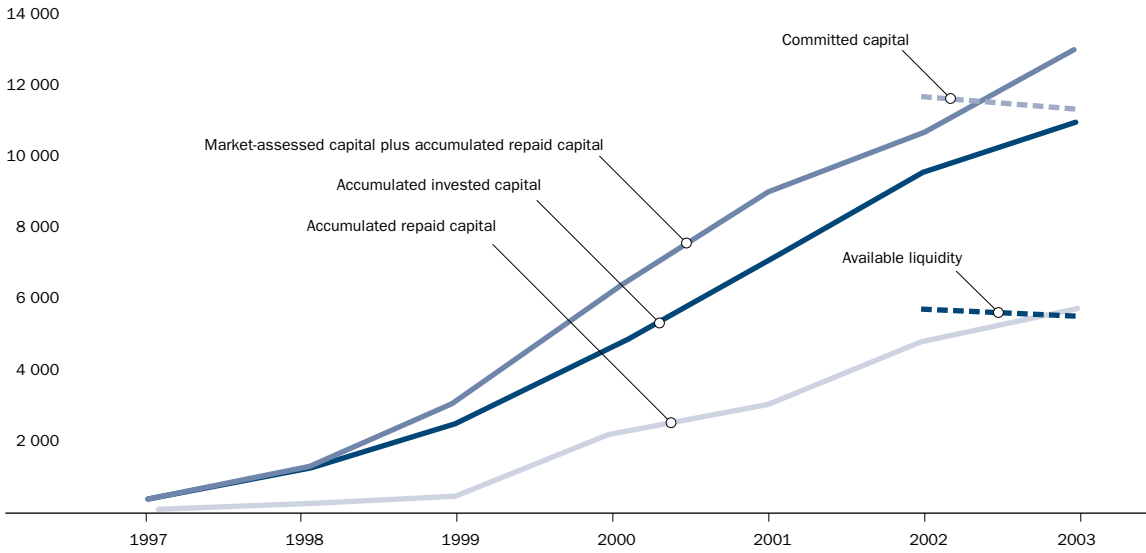
Starting in 2003 the return target for the Fund is absolute. The target is based on risk-free interest, defined as the repo rate, plus a risk premium. The risk premium varies from sector to sector and depends on the level of maturity plus the class of asset. This means that the return target for the Fund is dependent on the current allocation within the portfolios. As a result the targets will differ over time.

In 2003 the absolute return target was 7.4%. The repo rate was 3.2% on average and the risk premium in the portfolios was 4.2%. The return target was 9.7% for the Private

Equity operation and 4.9% for Asset Management. All return figures, except for the four Private Equity portfolios, are calculated after costs.



Earnings in 2003 (SEK million)



Capital development within the Private Equity operation, 1997-2003 (SEK million)

Results summary (SEK million)	1996	1997	1998	1999	2000	2001	2002	2003
Private Equity operation	0	0	-23	504	624	503	-1 276	1 099
Asset Management	124	853	967	6 283	-870	-1 911	-3 529	394
Management costs	-4	-35	-63	-78	-122	-148	-150	-153
Fees to external managers	0	-2	-21	-37	-60	-124	-152	-187
Profit/loss for the year	120	816	860	6 672	-428	-1 680	-5 107	1 153

Life Science Ventures

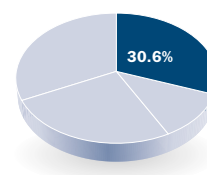
Portfolio manager: Lars Ingelmark



Life Science Ventures	2003	2002
Market-valued capital, SEK m	2 220	1 830
Profit/loss*, SEK m	274	-526
Return*, %	14.4	-26.2
Committed capital, SEK m	3 047	3 248

* before costs

Life Science Ventures' share of the Private Equity operation capital



Life Science Ventures invests in private equity funds and companies focused on pharmaceuticals, bio-technology and medical technology. These segments are research-intensive and Life Science Ventures therefore works closely with the science and medical faculties at Sweden's universities.

MARKET TRENDS

The NASDAQ Biotech Index climbed 45.8% in 2003 while the Swedish Affärsvärlden HealthCare index rose 22.1%. No less than USD 19 billion was invested in the life science market during the year – one of the highest figures for several years. USD 15 billion of this sum was invested in the US, with the rest going to Europe and the rest of world. Around USD 3.7 billion was invested in unlisted companies in their early phases of development. In the past year several mergers and acquisitions have taken place in this sector, but only nine IPOs took place in the US and just a few in Europe.

Despite the strong growth of listed life science companies, price performance for unlisted businesses has been weak, not least in Sweden. The underlying cause is partly that risk capital players have been cautious and partly that several private equity funds and companies have poor liquidity. One of the reasons for the capital shortage is that the exit process for most funds has been more complicated and time-consuming

than originally planned. Some funds that have had insufficient capital for second and third rounds of investment have started annex funds that specialise in top-up investments in existing portfolios. Others have seen their holdings diluted significantly when they were unable to invest their pro rata share. The shortage of capital brought economic difficulties for portfolio companies and led to reduced values in 2003.

THE PORTFOLIO

The Life Science Ventures portfolio comprises holdings in private equity funds focused on life science as well as a limited number of direct investments. With an overall value of SEK 2 220 million, Life Science Ventures is one of the largest players in both the Swedish and Nordic life science markets.

The largest fund investment is Scandinavian Life Science Venture. Formed in 2002 following the merger of parts of Sixth Swedish National Pension Fund life science holding with Medicon Valley Capital and Innoventus Life Science, the

fund has around SEK 1 400 million to invest in new and follow-up ventures. At present the portfolio comprises companies in their early stages of development. The focus in 2003 was on making investments of around SEK 50 million in companies entering maturity. Within the existing portfolio tough prioritisations have been made and several less promising companies were exited.

Life Science Ventures has also invested in HealthCap, the leading healthcare fund in the Nordic region. The total amount of committed capital is around SEK 500 million. During the investment period the returns have been strong.

Life Science Ventures' investment in Karolinska Investment Fund provides direct access to projects resulting from the Karolinska Institute's research.

Among direct investments special mention should be given to Mölnlycke Health Care, a medicine technology company that is reporting solid sales and profits. Active ownership through board membership and participation in, for example, the remuneration and auditing committees, characterises the Fund's role in its direct investments in companies such as Karo Bio, Mölnlycke Health Care and A+ Science.

EVENTS DURING 2003

The year was turbulent but in many ways successful for Life Science Ventures.

The best performing fund was Carnegie Global Healthcare Fund.

The Karolinska Investment Fund was restructured during the autumn and managers were invited to be part-owners of the management company. Alecta has reduced its role and an independent chairman is to be appointed. This will give Life Science Ventures a more prominent position in the fund and provide greater opportunity to exert influence over the direction and activity of the fund.

At H&B Capital discussions have been held with the management team and owners in order to refine the organisation and increase possibilities for active control.

At Scandinavian Life Science Venture a major strategy-setting effort has been implemented. Ownership plans have been set for all companies in the portfolio and more distinct guidelines for ownership control have been set up.

During the first third of 2003 Life Science Ventures was actively involved in a new share issue from Karo Bio. The share issue, which was over-subscribed, was completed during May. Life Science Ventures invested its pro rata share, corresponding to SEK 3 million.

In the summer Biora was acquired by the Swiss dental company, Straumann AG, at a price 50% above the stock market price at that time. The sale was important for Biora because the company was too small and required a major international dental base to work with.

Intensive efforts were channelled into preparing Mölnlycke Health Care for a stock market launch. The company is well-prepared for a listing in 2004 if the present positive market trends continue.

RESULTS

The value of the Fund's holdings in Mölnlycke Health Care and Carnegie Healthcare Fund has seen very positive growth. The sales of the holding in Biora resulted in a capital

gain of SEK 20 million this year.

Karo Bio has not performed so strongly, like several of the private equity funds within Life Science Ventures. Limited access to capital brought down the value of many portfolio companies.

At the end of the year the market value of the portfolio was SEK 2 220 million. The profit before costs was SEK 274 million, representing a return of 14.4%.

OUTLOOK FOR 2004

The market for listed life science companies is expected to develop positively in 2004, although not as well as in 2003. This should raise prospects for investment in unlisted companies and the value of the Fund's portfolio companies should therefore improve. Rigorous prioritising will be needed in 2004 and it is highly likely that restructuring of both funds and individual businesses will continue. Life Science Ventures intends to lead this process in Sweden.

LIFE SCIENCE VENTURES PORTFOLIO

Funds	Share, %	Activity	Ownership in management company	Fund representation	Start year	Committed capital, SEK m
Carnegie Global Healthcare Fund	20.9	Invests in healthcare and biomedicine	No	No	E/T	50
H&B II:s Sweden	15.8	Invests in healthcare and brands	No	Yes	1999	137
HealthCap	12.1	Invests in biomedicine and biotechnology branch	No	Yes	1997	55
HealthCap 1999	10.5	Invests in biomedicine and biotechnology branch	No	Yes	2000	200
HealthCap Annex Fund I-II	38.9	Invests in biomedicine and biotechnology branch	No	Yes	2003	100
HealthCap ColInvest	24.4	Invests in biomedicine and biotechnology branch	No	Yes	1997	100
Innoventus Life Science I	32.7	Commercialisation of university research	Yes	Yes	2001	100
Karolinska Investment Fund	24.0	Invests in research results from Karolinska Institutet	No	Yes	2000	144
Medicon Valley Capital	43.3	Invests in life science in Öresund region	Yes	Yes	2000	173
Medicon Valley Capital Two	65.7	Invests in life science in Öresund region	Yes	Yes	2002	197
Scandinavian Life Science Venture	98.5	Invests in medical technology, biotechnology and pharmaceuticals	Yes	Yes	2002	794
Scandinavian Life Science Venture Two	70.4	Invests in medical technology, biotechnology and pharmaceuticals	Yes	Yes	2002	500
Swedestart Life Science	16.3	Invests in unlisted companies active in life science	No	No	2001	75
Company						
A+ Science	36.7	Commercialisation of university research	-	Yes	-	-
Biolinvent International	2.7	Develops new protein-based pharmaceuticals	-	No	-	-
Karo Bio	2.6	Develops nuclear receptors for disease treatment	-	Yes	-	-
Mölnlycke Health Care	19.1	Disposable products for surgical and wound care applications	-	Yes	-	-
Q-Med	0.2	Develops, produces and markets medicinal implants	-	No	-	-
Tripep	1.1	Develops pharmaceutical candidates for treatment of HIV, etc.	-	No	-	-

Technology Ventures

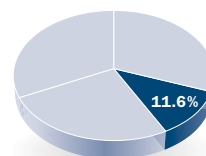
Portfolio manager: Mats Augurell



Technology Ventures	2003	2002
Market-valued capital, SEK m	840	642
Profit/loss*, SEK m	-46	-201
Return*, %	-6.4	-29.9
Committed capital, SEK m	2 411	2 575

* before costs

Technology Ventures' share of the Private Equity operation capital



Technology Ventures invests in private equity funds focused on technology-intensive sectors, mainly specialists in early-phase development active in IT, telecom, media and entertainment.

Technology Ventures' strategy is to be the lead investor in its holdings and through pro-active ownership to develop strong private equity funds within the IT sector in order to create high returns from investments.

MARKET TRENDS

International market trends for technology investments are lacklustre and portfolio companies still garner low valuation in syndications. However, there were some positive signs in the US and Europe in the autumn.

The Nordic market has picked up slightly and several new and top-up investments and sales were completed during the year. In the autumn several companies held negotiations with multinationals concerning acquisitions. This reinforces the trend shift and indicates that many companies are performing well and are looking to the market for expansion and sales.

The restructuring of the Swedish and Nordic markets continues. Low market values create opportunities for many Technology Ventures funds to do good business that matches Fund requirements for returns.

Interest in Swedish technology among international investors remains strong. The Swedish market has developed as an important mar-

ket for new technology and it has a world-leading position within research and development in key growth areas. Sweden is one of the most innovative countries in the world in new technology, together with Finland, the US and Israel.

THE PORTFOLIO

Technology Ventures has a strong but still young portfolio. Technology Ventures has investments in 18 funds, which have holdings in around 140 small and medium-sized companies in technology-intensive sectors. The aim is to be either the lead investor or one of the lead investors in partly-owned private equity funds in order to boost the fund's development.

EVENTS DURING 2003

The weak market for IT companies has led to increased consolidation among Swedish private equity funds in the IT sector and made it difficult for new funds to get established.

Technology Ventures' work during the year was affected by these changes.

In 2003 Technology Ventures initiated moves to increase the professionalism of the Nordic Venture Network, which is a voluntary grouping of 14 Nordic private equity funds. The Nordic Venture Network has developed processes for widening the international work of portfolio companies and for increasing opportunities for syndication of risk capital among international players on the private equity markets.

Also during the year, Technology Ventures took the lead in the restructuring of the risk capital company, Slottsbacken. This change was a pioneering move as it is the first time in the history of European private equity that a management team has been replaced. Technology Ventures worked with the management company ACR Capital in order to create appropriate control of the funds and portfolio companies. During this work it became apparent that the restructuring of Slottsbacken was the most suitable alternative. Slottsbacken Venture Capital has SEK 300 million in committed capital in nine holdings and has the Fund and Telia as investors. A new management team has taken over the fund. Slottsbacken Fund Two, which has both a Swedish and Finnish legal

entity, has a total of SEK 800 million in committed capital and around SEK 200 million invested in seven holdings. The investors in the Swedish fund are Sixth Swedish National Pension Fund, Telia, AFA, Alecta and Sampension of Denmark. The Swedish fund will be taken over by new managers. New ownership plans have been drawn up and approved by the boards of these funds.

Technology Ventures' aim of developing CapMan into a Nordic player has succeeded. CapMan, which previously had activities in Finland, Sweden and Denmark, opened for business in Norway during the year.

Technology Ventures has driven the development of Creandum, a fund focused on early phase investment. During 2003 an experienced management team was established with four investment managers and analysts who will lead Creandum. Three investments were completed.

To further strengthen investment in companies in their start-up phases, Technology Ventures has teamed up

with FöretagsByggarna. This partnership has resulted in five investments.

During the year Technology Ventures worked to introduce ownership plans for all portfolio companies. BrainHeart Capital is one of the first private equity funds on the market to draw up ownership plans for all its companies and base its return and liquidity targets on these plans.

RESULTS

The market value of the portfolio at the end of the year was SEK 840 million. The fund made a loss before costs of SEK -46 million, which represents a return of -6.4%.

The loss is explained primarily by the adjustment in value of portfolio companies due to the general fall in values. The write-downs that have taken place are linked to three holdings that are being restructured or closed down. During the autumn of 2003 the other portfolio companies strengthened their sales and market positions.

OUTLOOK FOR 2004

Technology Ventures has a strong portfolio and looks positively to the future. During the year work will continue on the investment committees, advisory boards and boards of directors. The focus will be on developing ownership plans and gaining quality assurance for these plans with the overall aim of boosting the return on investment.

There should be opportunities for completing sales in 2004 and the following year. Technology Ventures expects the pace of investment to increase in 2004.

The Technology Ventures portfolio is still young and the oldest holdings, which are around six years old, are expected to become mature for selling soon. The markets in the US and Europe started to pick up at the end of the year in both the listed and unlisted segments. The Asian market became increasingly important for technology-intensive companies during 2003. This international development bodes well for the performance of the portfolio companies and the markets for these companies' shares.

TECHNOLOGY VENTURES PORTFOLIO

Funds	Share, %	Activity	Ownership in management company	Fund representation	Start year	Committed capital, SEK m
BrainHeart Capital	23.2	Invests in wireless IT and telecom solutions	No	Yes	2001	300
CapMan Equity Sweden	20.0	Invests in products and services based on IT, telecom and media	No	Yes	2002	593
Creandum	49.3	Invests in early phases within the technology sector	Yes	Yes	2003	150
FöretagsByggarna	n/a	Invests in young technology companies	No	Yes	2002	E/T
InnKap 2 Partners	5.4	Invests in early phases within IT and life science	No	Yes	1999	21
InnovationsKapital Fond I	31.5	Invests in early phases within IT and life science	No	Yes	1997	72
IT Provider Century Fund	32.8	Invests in early phases within IT, telecom and media	No	Yes	2001	163
IT Provider Fund IV	25.2	Invests in early phases within IT, telecom and media	No	Yes	2003	300
Nth Power Technologies	7.9	Invests in new technology companies within environment and energy	No	Yes	1997	40
Slottsbacken Fund Two	25.0	Invests in IT-related growth companies	Yes	Yes	2000	89
Slottsbacken Venture Capital	50.0	Invests in IT start-ups	Yes	Yes	1996	165
Swedestart II	21.1	Invests in start-ups with unique products	No	Yes	1998	50
Swedestart Tech	20.6	Invests in start-ups and small growth companies within the IT and telecom sectors	No	Yes	2000	150
V2 Co-investment Alfa	50.0	Invests in hardware and software for data transfer	No	Yes	2002	18
V2 Internet Fund	15.9	Invests in hardware and software for data transfer	No	Yes	2000	50
Vision Capital	6.1	Invests in expansive start-ups within IT	No	Yes	1997	24
Vision Capital III	18.8	Invests in expansive start-ups within IT	No	Yes	2001	81
Vision Extension	6.2	Invests in expansive start-ups within IT	No	Yes	1999	32
Company						
Logitall	7.1	Purchasing portal for IT products	-	Yes	-	-
MultiQ International	5.6	IT products based on flat screen technology	-	No	-	-
Solibro	3.3	Development and production of solar cells for generating electricity	-	Yes	-	-
TDS Todos Data System	31.4	Supplies security solutions for remote identification	-	Yes	-	-

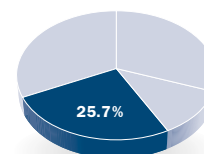
Products & Services Portfolio manager: Per Rinder



Products & Services	2003	2002
Market-valued capital, SEK m	1 867	1 544
Profit/loss*, SEK m	235	-443
Return*, %	13.8	-22.2
Committed capital, SEK m	3 573	3 610

* before costs

Products & Services' share of the Private Equity operation capital



Products & Services invests in private equity funds focused on industrial and service companies. These portfolio companies are in a phase of expansion or maturity and have considerable development and growth potential.

MARKET TRENDS

In recent years the large Swedish private equity funds have, with a few exceptions, been able to attract mainly international capital into new funds. This trend continued in 2003. For smaller and medium-sized private equity funds active in the mid-size segment, finding capital has been tougher. Conditions improved during the year, however, as some funds boosted their structural capital.

During the year the funds received more and better quality proposals concerning company acquisitions on the Nordic market. Generation shifts account for most of these proposals. Competition has got tougher, mainly for large acquisitions, as international private equity players become enthusiastic about the Nordic market and seek to open offices in Sweden. More and more business is being performed via regulated bidding processes.

No stock market launches were carried out by the Swedish private equity funds in 2003, despite the fact that several portfolio companies are mature and well-prepared for exits

through stock market launches. However, several exits took place to industrial and financial buyers. Capital was also released and paid back after refinancing.

The consolidation within the Swedish private equity market continued during the year.

THE PORTFOLIO

With an overall market value of around SEK 1.9 billion, Products & Services is one of the major Swedish investors focused on industrial and service companies. The largest investments are in funds managed by Accent Equity Partners, EQT and Nordic Capital, which account for by far the largest portion of the portfolio.

The funds invest exclusively in companies in their expansion and mature phases and which have on average high quality.

The Products & Services portfolio was refined during the year through the sale of non-strategic holdings.

EVENTS DURING 2003

There are signs that the market bottomed out in 2003 and increased

business activity is now expected. Products & Services' holdings have generally developed positively in terms of value over the past year.

Products & Services was actively involved in the formation of Accent Equity Partners. A strong management team focused on the mid-size segment was formed through the merger of Nordico and Euroventures. This team has good prospects for becoming a leading player on the Nordic market. Products & Services is a part-owner of the management team and works on the board to develop Accent's structural capital. Together with Dansk Kapitalanlaeg the Fund became a lead investor in a new fund, Accent Equity, in 2003.

EQT and Nordic Capital have worked hard to prepare the sale of mature portfolio companies. During the year EQT sold TAC, completed a major refinancing of Dahl and acquired ComHem. Nordic Capital sold Hilding Anders and acquired Uno Medical and Canal+.

IDI reached an agreement concerning the sale of Pharmadule/Emtunga to the UK risk capital fund 3i on terms that provide an excellent return on the investment. IDI is closing down this fund.

Products & Services has completed a restructuring of Götaverken Miljö. This means that the company

is now fully focused on marketing and selling a world-leading product for dioxin treatment – Adiox.

Three non-strategic holdings were sold during the year. The holding in Z-Invest has been transferred to owners based in the Jämtland region. The minority holding in Thoreb has been sold to the main owner and a smaller holding in Polyplank was sold to Industrifonden.

Products & Services has started discussions with large management teams active within the buy-out phase in order to achieve greater openness within the private equity market. There is agreement that increased transparency is needed to improve trust and that this is crucial for the future progress of the sector. It is equally important to protect the special features of private equity so that conditions for building long-term value remain positive. Ahead of the formation of new funds, Products & Services has also presented the Fund's principles regarding fund conditions.

RESULTS

The market value of the Products & Services portfolio reached SEK 1 867 million at the end of the year. The profit for the year before costs, which includes capital gains and losses and re-valuations of portfolio companies, was SEK 235 million, which represents a return of 13.8%.

Around 97%, or SEK 1.8 billion, of the market value of the Products & Services portfolio comes from investments in private equity funds. The profit from investment in private equity funds was SEK 252 million.

The profit came mainly from IDI's sale of Pharmadule/Emtunga, EQT's sale of TAC and the refinancing of Dahl, Nordic Capital's sale of Hilding Anders and an additional payment from the earlier sale of Nycomed, and the changes in value of portfolios at EQT, Nordic Capital and Accent.

The restructuring of Götaverken Miljö and the sale of the non-strategic holdings had a one-off negative impact of around SEK 7 million.

OUTLOOK FOR 2004

The brighter signals discerned towards the end of 2003 suggest that the market will gradually improve in 2004.

It is also expected that the buy-out funds will work very actively to achieve stock market launches and that Products & Services will see the fruits of these efforts by the end of 2004.

A priority in 2004 will be continued work on drawing up the ownership plans in the private equity funds and portfolio companies in which Products & Services has holdings. The purpose is to secure a sharp focus on growing value in portfolio companies.

During the coming year Products & Services will evaluate new investments, preferably in the new funds set up by the management teams that Products & Services has built relations with.

PRODUCTS & SERVICES PORTFOLIO

Funds	Share, %	Activity	Ownership in		Start year	Committed capital, SEK m
			management company	Fund representation		
Accent Equity 2003	33.9	Invests in small and medium-sized companies	Yes	Yes	2003	228
Amplico I	93.8	Invests in and reconstructs companies with profitability problems	No	Yes	1999	150
Baltic Rim Fund	22.8	Invests in small and medium-sized companies	Yes	Yes	1997	105
EQT Scandinavia II	4.8	Invests in industrial structural projects	No	No	1998	300
Industrial Development & Investment Equity	14.7	Invests in medium-sized companies	No	Yes	1997	150
Nordic Capital III	9.4	Invests in industrial structural projects	No	Yes	1998	300
Nordic Capital IV	7.1	Invests in industrial structural projects	No	Yes	2000	500
Nordic Capital V	3.3	Invests in industrial structural projects	No	Yes	2003	456
Nordico I	24.8	Invests in industrial products and services	Yes	Yes	1999	E/T
Nordico II	37.1	Invests in industrial products and services	Yes	Yes	2000	124
Nordico III	99.2	Invests in industrial products and services	Yes	Yes	2002	547
Northern Europe Private Equity	3.4	Invests in industrial structural projects	No	No	2002	611
Company						
Aspen Invest	35.0	Environmentally adapted fuel and chemical products	-	No	-	-
Ekström Management and Investment	20.0	Venture capital company within IT and telecom	-	Yes	-	-
Enhancer Consulting	20.0	Consultancy	-	Yes	-	-
Götaverken Miljö	100.0	Flue gas treatment and energy recycling	-	Yes	-	-
Norr Sædd Holding	33.3	Invests in seed companies at universities and colleges in Norrland	-	Yes	-	-
Adiox Miljö	100.0	Flue gas treatment and energy recycling	-	Yes	-	-

AP Direct Investments

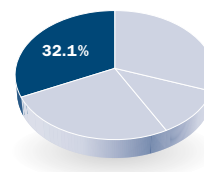
Portfolio manager: Urmas Kruusval



AP Direct Investments	2003	2002
Market-valued capital, SEK m	2 330	1 837
Profit/loss*, SEK m	636	-106
Return*, %	39.0	-6.7
Committed capital, SEK m	2 223	2 146

* before costs

AP Direct Investments' share of the Private Equity operation capital



Unlike the other business areas of the Fund, AP Direct Investments invests directly in companies. Investments are made in well-established businesses producing products and services that have a strong growth potential due to changed financial or structural conditions.

MARKET TRENDS

Activities picked up during 2003 in the markets where AP Direct Investments has its business focus. The overall amount of business opportunities has increased, but only a limited number of them met the criteria set for the AP Direct Investments profile.

Several of the market's major players have the good financial resources needed to acquire businesses with good potential. Competition will be tough for high quality investments and capital will not be the only decisive factor for securing an acquisition. Investors will have to prove that they have the ability to develop a business and create growth in value.

The private equity players active in the same segment as AP Direct Investments have been affected by

the negative publicity in the Swedish media about the lack of sustainable value being created and the shortage of long-term planning. AP Direct Investments differs from other private equity players in that it has a long-term perspective that ensures sustainable growth in value. This latter issue is a matter of trust, especially for Swedish family-run businesses, many of whom are looking for solutions that safeguard the future of their companies and solve problems of succession.

THE PORTFOLIO

AP Direct Investments is the only business area within the Fund that invests directly in unlisted companies exclusively. At the end of the year the market value of the portfolio was around SEK 2.3 billion. The largest holdings are in Lindab, Norrporten

and MECA. The portfolio also includes parallel investments, such as Findus and Nybron International Flooring.

Norrporten, a real estate company, which was bought out from the stock exchange in 2000, has performed well and increased the real estate investments from SEK 3 billion to approximately 11 billion. Norrporten represents a business producing a good, stable long-term return.

Lindab, which was bought out from the stock exchange in 2001, has advanced its position geographically and plans to expand in Eastern Europe and the US.

The investment in the car spare parts company, MECA, which was made at the end of 2000, is a good example of how value can be created in connection with the restructuring of a sector. MECA is today a Scandinavian player and number two in its sector.

EVENTS DURING 2003

Within AP Direct Investments business areas activities have picked up from a relatively low level.

In January AP Direct Investments sold its holding in Nordisk Renting to Nordea and made a capital gain of SEK 220 million.

During the year Norrporten made extensive acquisitions of property in Helsingborg, Uppsala, Linköping and Umeå.

As planned a new CEO has been appointed for Lindab and a new division of business areas was completed.

MECA continues its swift programme of acquisitions in Sweden and Denmark. In Denmark a large number of acquisitions was made of profitable and well-run businesses such as Midtjysk Reservdelslager and PAJO. This is in accordance with plans to make MECA a leading Scandinavian player. Acquisitions made in Denmark and Sweden during the year marked the achievement of this objective.

No new investments were made during the year. The focus of efforts, alongside the identification and

assessment of potential new investments, has been on the development of existing portfolio companies. For the most part this development has been positive and has followed the business plans. A total of nearly SEK 500 million was invested in the portfolio, principally in Norrporten and MECA. The refinement of the portfolio that started in 2002 was completed in 2003.

RESULTS

The market value of the portfolio at the end of the year was SEK 2 330 million. The profit before costs was SEK 636 million, which represents a return of 39.0%.

OUTLOOK FOR 2004

AP Direct Investments looks forward positively to 2004. The climate has improved and openness in discussing business has led to a better flow of deals and means that interesting business proposals are back on the agenda. Several leading Swedish

family-run businesses are facing crucial decisions about succession order and the company's future prospects. Some of them can play a leading role in making necessary changes in the sectors in which they are active.

AP Direct Investments has good prospects for making new business deals in 2004. There will also be opportunities to make top-up investments in existing portfolio companies.

AP DIRECT INVESTMENTS PORTFOLIO

Company	Share, %	Activity	Fund representation
NS Holding (Norrporten)	33.3	Manages and develops commercial, centrally located property	Yes
Lindab Intressenter	23.9	Supplies ventilation and profile systems to the construction industry	Yes
MECA Invest	85.1	Provides a modern workshop concept for independent car workshops	Yes
Tradex Holding	20.0	Supplies systems based on self-adhesive components to the telecom industry	Yes
Nybron International Flooring	23.1	Produces hard floors under brands such as Bauwerk, Kährs and Marty	No
Findus	7.9	Deep frozen food products	No

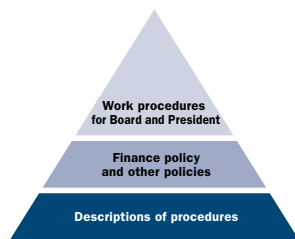
Risk Management

A new, more extensive finance policy was drawn up and adopted for Sixth Swedish National Pension Fund in 2003. As a result the Private Equity operation has been further integrated in the overall risk management activities of the Fund.

Several new tools have been developed which will enable more professional handling of risks within the Private Equity operation. These tools include risk premium and allocation models and a tool for managing liquidity forecasts.

THE FUND'S POLICY STRUCTURES

The Fund's finance policy contains guidelines and investment rules for the Fund's management organisation. On top of these guidelines and rules, which are directly related to daily activities, there is also a more general description of the principles behind the organisation, the distribution of responsibility, follow-up and reporting. The purpose is to provide an overall picture of risk management within the Fund.



The policy structure of the Fund

The finance policy is part of the overall policy structure of the Fund. The principal document in this structure, the Work procedures for Board and President, sets the distribution of responsibility between those actors. Below this document in the hierarchy is the finance policy along with other policies set by the Board, such as the ownership policy, working environment policy and the equality policy.

ALLOCATIONS

In accordance with the assignment of the Fund the principle is that available funds shall be invested in private equity. However, large changes in liquidity requirements make it necessary to have a liquidity buffer managed by the Asset Management. The amount kept in this buffer depends on expected payments in and out of existing private equity funds, the desired level of risk taking, existing liquidity and the Fund's overall view of the market.

By allocating funds among various sectors and phases of development that are assessed as having the greatest potential, and by aiming for an even spread of investment opportunities (different years), the prospects for high returns are optimised. Diversification among sectors, development phases and investment times reduces the risks associated with excessive concentration.

LIQUIDITY FORECASTS

Liquidity forecasts play a central role in assessments of available investment scope and asset allocation. The

key to good liquidity planning and optimising investment scope is to make continuous liquidity forecasts regarding expected flows in and out of the private equity funds and direct investments.

Liquidity forecasts are also central for the Asset Management, because they affect the commitment structure and define the time horizon for the management of liquidity. They therefore also have a large impact on allocations among various classes of assets.

Investments in the liquidity portfolio are divided into three categories depending on which commitment they are intended to safeguard. Short-term liquidity requirements are intended to cover forecast net outward flows over 24 months and should be invested in a low-risk asset class. A reserve covers possible increases in net outward flows over 24 months, should the risk scenario occur. This portion is invested in assets with limited risk. The strategic buffer is designed to balance long-term variations in liquidity requirements and can therefore be invested with greater freedom to enhance prospects of higher returns.

THE RISK PREMIUM MODEL

A risk premium model has been established in order to grade risk in individual investments and thus set relevant return targets for them. The risk premium model is a tool that enables relevant return targets to be set for

The Private Equity operation's capital on 31 December 2003 divided by sector and phase

	Property/Other financial assets	Life Science	Products & Services	Technology	Total
Seed	0%	0%	0%	0%	0%
Start-up	0%	0%	0%	0%	0%
Expansion	0%	15%	1%	12%	28%
Mature	9%	15%	44%	0%	68%
Listed	4%	0%	0%	0%	4%
Total	13%	30%	45%	12%	100%

investments in private equity funds and direct investments.

The model is also a tool for setting the level of the absolute return target for the entire Private Equity activity.

The basis for the model is that the risk level and the expected return are different for different investments depending on the sector and phase of development. In general the risk level is higher for investments in their early development phase than for mature objects. The risk level is higher for fast-growing and research-intensive sectors such as technology and biotechnology than it is for mature sectors such as property and industry.

The return requirement for investments is based on risk-free interest, which is defined as the repo

rate. The risk premium is then set for the share market as a whole. This is done based on statistics and the market consensus on the current risk premium.

Analysis of different sectors' stock market beta values is used to set return targets for these sectors using the link that describes the expected return as a function of beta. Furthermore a general assessment is made of risk in unlisted early-phase investments. Using statistics and other data the return target is fixed for each sector and phase.

The return targets set for the various classes of assets within the Asset Management must also stand in relation to the risk and expected return associated with the investment. A special allocation model has

been produced to determine the expected return and risk for the total Asset Management portfolio.

OPERATING AND LEGAL RISKS

Investments in unlisted businesses are associated with real legal and operational risks. The Fund's legal advisors have extensive knowledge of the contracts required for buying and selling unlisted businesses and investments in private equity funds. Investments require extensive legal work and the Fund uses well-established models to eliminate legal risks. The Fund's back office functions adhere to a clear set of routines for handling and controlling monetary and securities transactions. The Fund's risk management ensures that procedures are followed correctly.

<p>Creandum FöretagsByggarna</p> <p>Start-up</p>	<p>Baltic Rim Fund BrainHeart Capital CapMan Equity Sweden H&B II:s Sweden HealthCap HealthCap Colinvest HealthCap 1999 HealthCap Annex Fund I-II InnKap 2 Partners InnovationsKapital Fond I Innoventus Life Science I IT Provider Century Fund IT Provider Fund IV Karolinska Investment Fund Medicon Valley Capital Medicon Valley Capital Two Nth Power Technologies Scandinavian Life Science Venture Scandinavian Life Science Venture Two Slottsbacken Fund Two Slottsbacken Venture Capital Swedestart II Swedestart Life Science Swedestart Tech V2 Co-Investment Alfa V2 Internet Fund Vision Capital Vision Capital III Vision Extension</p> <p>Expansion</p>	<p>Accent Equity 2003 Amplico I Carnegie Global Healthcare Fund EQT Scandinavia II Northern Europe Private Equity Industrial Development & Investment Equity Nordic Capital III Nordic Capital IV Nordic Capital V Nordico I Nordico II Nordico III</p> <p>Mature</p>
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The Fund's investments in private equity funds divided by phase

Specialist departments



A series of specialist departments support and develop the work of Sixth Swedish National Pension Fund's investments and oversee the internal controls of the Fund. These departments work actively in business projects while also taking responsibility for the Fund's administrative procedures.

RISK MANAGEMENT

The Fund's Risk Management department is responsible for monitoring, measuring and reporting the Fund's risk exposure and return performance. Risk monitoring is based on the results of the Fund's risk premium model and checks against the guidelines established in the Fund's finance policy. Responsibility also includes ongoing measurement and assessment of the return performance of the Fund's investment via IRR and TWR.

Risk Management also forecasts the Fund's ongoing cash flow, information that helps the Fund's Asset Management create the best possible return on capital not invested in private equity.

*Head of Risk Management:
Annika Ahl Åkesson*

FINANCE

This department is responsible for the Fund's accounts and external

reports such as the interim reports and annual accounts. The department also oversees payments by the Fund and has process responsibility for the Fund's administration in the investment process in terms of the flow of financial data.

A section of this department is also responsible for operation and maintenance of the Fund's IT system.

*Head of Finance and IT:
Ulrika Drotz Molin*

LEGAL DEPARTMENT

The Fund's legal department is an integrated part of business projects in all phases of the investment process. The Fund's corporate lawyers have extensive experience of the business terms and structures of the private equity sector and ensure that this experience benefits the Fund's projects.

A priority is developing new forms and structures for private equity funds, through which the internatio-

nal contacts of the Fund can supply information from markets outside Sweden.

In business projects the legal department has special responsibility for the management, co-ordination and quality assurance of external legal services.

*Head of Legal Department:
Alexandra Nilsson*

FUND PROPOSAL DEPARTMENT

In accordance with the Fund's strategy a large portion of capital is invested in private equity funds. The investment is divided among 43 different funds.

The department is responsible for proposals until investment is started in a business project in a private equity fund.

The department is also responsible for monitoring the market development of private equity funds.

*Head of Fund Proposal Department:
Cecilia Gross Friberger*

REGIONAL NETWORKS

Since the start of 2002 the Fund has established a regional network across Sweden. The network explains to entrepreneurs how they can co-operate with a private equity fund.

The Fund's strategy is based on active ownership in private equity funds and in a few companies directly owned by the Fund. To ensure a well-controlled flow of direct investments proposals the department guides proposals for risk capital to suitable partners with whom the Fund works on the market.

*Head of Regional Network:
Susanne Olofsson*

Asset Management

The role of Asset Management is to maintain payment readiness for financial activities and expected future outflows within the Private Equity operation. This is achieved by good forward planning via liquidity forecasts and low overall risks across the portfolios. The department also targets a good return on the capital.

OBJECTIVES AND STRATEGY

The Asset Management manages the part of the Fund's capital that is not invested in private equity (henceforth called liquid funds). This department's main objective is to ensure preparedness for financial commitments and expected future outflows among the various investment areas within private equity. Another objective is to exceed the return target without taking too much risk.

To maintain payment readiness, reserves are set aside for expected future outflows as well as a reserve for cases when outflows are larger than expected. A major effort is put into forecasting liquidity flows within the Fund. This part of the liquid funds is invested in low-risk interest-bearing instruments.

Liquid funds not in reserves can be invested in interest-bearing securities, equities or hedge funds. Fixed income management is pursued actively, mainly by varying durations within the portfolio. Equities are managed in two different portfolios. The portfolio Broad Liquid Equities is managed internally and invests primarily in index related instruments such as index baskets, index futures and index options. The portfolio's main objective is to adjust Asset Management's stock market exposure, and thus make directional bets on the stock market. The portfolio Absolute Return Equities invests in externally managed mutual funds which ideally ignore stock market indices and instead focus on equities

judged to have a good risk-adjusted absolute return. Asset Management can also use derivatives to reduce stock market exposure in this portfolio.

Each investment must have a predicted return that exceeds the absolute return target for each portfolio. Hence in a period when interest rates are expected to rise, short-duration interest-bearing investments are given priority. Similarly, when the stock market is expected to perform weakly, the stock market exposure is reduced.

The larger part of liquid funds are managed externally, and an important part of Asset Management's work, therefore, is evaluating external managers and following up investments.

EVENTS DURING 2003

The Asset Management spent most of 2003 being formed. Work focused on identifying methods for determining the best possible allocation among different asset classes, and for evaluating and following up external managers.

During the year the department invested in several fixed income funds, mainly of short duration and thus associated with little risk. Investment was also made in a tailor-made fund-in-fund with focus on active absolute return based equity management. At the end of the year the department had seven external managers.

The stock market exposure is the principal explanation for the department's return, and is thus a key parameter when making investment deci-

sions. During the first year of operation a relatively low stock market exposure was chosen to keep the risk low but still high enough to ensure that the return target was exceeded. The stock market exposure was highest during the beginning of the year and significantly lower at the end of the year.

RESULTS

The market value of the portfolio on 31 December 2003 was SEK 5 516 million (5 748) and the profit before costs was SEK 394 million (-3 529).

The Asset Management exceeded the absolute return target in 2003. The department's portfolios generated an overall return after costs of 6.7 %.

Asset Management	2003	2002
Market-valued capital, SEK m	5 516	5 748
Profit/loss*, SEK m	394	-3 529
Return*, %	6.7	-34.7

*before costs

Directors' report

The Fund reported a profit in 2003 of SEK 1 153 million, which represents a return of 10.7%. Since its start the fund capital has increased by SEK 2.4 billion to SEK 12.8 billion.

RETURN AND RESULTS

The Fund made a profit in 2003 of SEK 1 153 million (-5 107).

The overall return for all investments was 10.7% (-30.9). The absolute return target for 2003 was 7.4%, so the actual return exceeded the target by 3.3 percentage points.

The return target for the Fund became an absolute target in 2003. This target is based on risk-free interest, defined as the repo rate, plus a risk premium. The average repo rate was 3.2% and the risk premium in the portfolio was 4.2%.

Of the profit before costs, SEK 1 099 million (-1 276) came from the Private Equity operation and SEK 394 million (-3 529) from the

Asset Management. The return after costs for the Private Equity operation was 14.6% (-21.7) and for Asset Management 6.7% (-34.7). The return thus exceeded the absolute return target by 4.9 percentage points for the Private Equity operation and by 1.8 percentage points for Asset Management. All reported target and result figures for 2003 are calculated after costs, except for the four Private Equity operation's portfolios.

The profit represents growth in value – realised and unrealised – in the Fund's assets, return in the form of interest, dividends and options premiums. Costs comprise administration costs and fees to external

managers. The share dividend amounted to SEK 71 million (297).

The Fund's total management costs in 2003 were SEK 340 million (302). The Fund paid SEK 187 million (152) to external managers as remuneration for their management of private equity funds and externally managed funds within the Asset Management.

The Fund assesses the market value of its investment assets. Listed holdings are valued at the closing pay price on the closing day, while unlisted holdings are valued using EVCA principles (see Note 1 Accounting Principles, page 32). This means that in addition to realised profit/loss the Fund also reports unrealised change in value that arises during the period in question.

Return trend 1999-2003 (%)	1999	2000	2001	2002	2003
Private Equity operation	33.3	17.0	11.1	-21.7	14.6
Asset Management	60.4	-6.3	-13.8	-34.7	6.7
Total, Fund	55.8	-1.3	-8.0	-30.9	10.7
SIX return index, 1999-2002. Absolute return target 2003	67.4	-11.9	-14.2	-35.7	7.4

Profit/loss (SEK m)	1996	1997	1998	1999	2000	2001	2002	2003
Private Equity operation	0	0	-23	504	624	503	-1 276	1 099
Asset Management	124	853	967	6 283	-870	-1 911	-3 529	394
Management costs	-4	-35	-63	-78	-122	-148	-150	-153
Fees to external managers	0	-2	-21	-37	-60	-124	-152	-187
Profit/loss for the year	120	816	860	6 672	-428	-1 680	-5 107	1 153

FUND CAPITAL

Sixth Swedish National Pension Fund's fund capital increased by SEK 1.2 billion during the year.

Since its start in 1996 the fund capital has risen by SEK 2.4 billion to reach SEK 12.8 billion by the end of 2003.

Since the start the invested capital has grown in value by 23%.

Starting with an interest-bearing portfolio the capital had been invested fully in equities and equity-related instruments by the end of 1998. In the autumn of 2002 the allocation within the Asset Management was changed towards a greater portion of interest-bearing instruments. This increased payment readiness for the Private Equity operation and also adapted the allocation towards new return targets.

The Fund does not have an annual requirement to make pay-

ments to balance the general pension system's flows. This means that profits can be re-invested and losses must be covered by the fund capital. The Fund's investments are financed by the fund capital, which means that the portfolio has low risk and the Fund has the strength to act over the long term.

At the end of 2003 SEK 11.3 billion of the Fund's capital was committed to investments in private equity funds or directly-owned companies. Of the committed capital around SEK 2.9 billion has not been paid out.

PRIVATE EQUITY OPERATION

The Fund's Private Equity operation has four portfolios, each with a different focus. At the end of 2003 the Fund had shares in over 350 companies, of which the majority were owned by private equity funds that

the Fund invests in. The market value of the Private Equity operation was SEK 7.3 billion (5.9) on 31 December 2003. During the year the Fund made new and top-up investments amounting to around SEK 1.4 billion.

Fund capital (SEK billion)	1996	1997	1998	1999	2000	2001	2002	2003
Private Equity operation	-	0.4	0.9	2.6	3.7	6.0	5.9	7.3
Asset Management	10.5	10.9	11.3	16.2	14.7	10.7	5.7	5.5
Total capital	10.5	11.3	12.2	18.8	18.4	16.7	11.6	12.8

The above table represents the internal portfolio composition. The amounts are not shown in the balance sheet.

Private Equity operation as of 31 December 2003	Capital, SEK m	Profit/loss*, SEK m	Return, %
Life Science Ventures	2 220	274	14.4
Technology Ventures	840	-46	-6.4
Products & Services	1 867	235	13.8
AP Direct Investments	2 330	636	39.0
Total	7 257	1 099	

* before costs

LIFE SCIENCE VENTURES

At the end of the year the market value of the portfolio was SEK 2 220 million. The profit before costs was SEK 274 million, which represents a return of 14.4%.

Growth in the holdings of Mölnlycke Health Care and Carnegie Healthcare Fund was very positive. Karo Bio developed poorly during the year, like several of the private equity funds. The limited availability of capital has reduced the value of many portfolio companies.

The holding in Biora was sold and produced a capital gain of SEK 20 million in 2003.

Life Science Ventures	2003	2002
Market-valued capital, SEK m	2 220	1 830
Profit/loss*, SEK m	274	-526
Return*, %	14.4	-26.2
Committed capital, SEK m	3 047	3 248

TECHNOLOGY VENTURES

At the end of the year the market value of the Technology Ventures portfolio was SEK 840 million. The loss before costs was SEK -46 million, which represents a return of -6.4%.

The loss is explained primarily by value adjustments in the fund's portfolio companies which were made to reflect the downward trend in value assessments. The write downs come from three holdings which are being

restructured or sold. Other companies generally improved sales and market positions during the autumn.

Technology Ventures	2003	2002
Market-valued capital, SEK m	840	642
Profit/loss*, SEK m	-46	-201
Return*, %	-6.4	-29.9
Committed capital, SEK m	2 411	2 575

PRODUCTS & SERVICES

At the end of the year the market value of the Products & Services portfolio was SEK 1 867 million. The profit before costs, which comprises realised gains and losses and re-evaluations of portfolio companies, was SEK 235 million, which represents a return of 13.8%.

Around SEK 1.8 billion, or 97%, of the market value of the Products & Services portfolio is investment in private equity funds. The profit from this investment was SEK 252 million.

The profit was mainly due to IDI's sale of Pharmadule/Emtunga, EQT's sale of TAC and the refinancing of Dahl, Nordic Capital's sale of Hilding Anders and the top-up payment from the completed sale of Nycomed, as well as changes in value of the EQT, Nordic Capital and Accent portfolios.

The restructuring of Götaverken Miljö and the disposal of Products & Services' non-strategic holdings had a

one-off negative effect of around SEK 7 million in 2003.

Products & Services	2003	2002
Market-valued capital, SEK m	1 867	1 544
Profit/loss*, SEK m	235	-443
Return*, %	13.8	-22.2
Committed capital, SEK m	3 573	3 610

AP DIRECT INVESTMENTS

The market value of the AP Direct Investments portfolio at the end of the year was SEK 2 330 million. The profit before costs was SEK 636 million, which represents a return of 39.0%.

Nordisk Renting was sold at the beginning of the year, with a capital gain of SEK 220 million, equal to an IRR of 27%. During the summer a new share issue in Bure Equity was fully subscribed, with the Fund taking a 16.4% share.

AP Direct Investments	2003	2002
Market-valued capital, SEK m	2 330	1 837
Profit/loss*, SEK m	636	-106
Return*, %	39.0	-6.7
Committed capital, SEK m	2 223	2 146

* before costs

ASSET MANAGEMENT

The Asset Management invested in various fixed income funds in 2003. These were mainly low interest risk funds of short duration. There was also an investment in a tailor-made absolute return fund-in-fund which focuses on active equity management.

The department has had a relatively low stockmarket exposure in the portfolio in order to minimise risk, but it was high enough to help the overall return exceed the target. The stockmarket exposure was highest during the beginning of the year and much lower at the end.

The department exceeded the absolute return target set for 2003 and the portfolios produced an overall return after costs of 6.7%.

Asset Management	2003	2002
Market-valued capital, SEK m	5 516	5 748
Profit/loss*, SEK m	394	-3 529
Return*, %	6.7	-34.7

MANAGEMENT COSTS

The management costs of the Fund in 2003 reached SEK 340 million (302), which is divided into staff costs of SEK 62 million (56), other management costs of SEK 91 million (94) and fees to external managers totalling SEK 187 million (152). As of 31 December 2003 the total number of employees was 32, which was 10 fewer than in 2001. The fall

in staff numbers is explained by the change in the Fund's business model, which means that investments are primarily made via private equity funds. Other management costs refer mainly to costs for rents, consultants, travel, IT and general office costs. In the spring of 2004 the Fund will move to smaller offices, better suited to activities.

The year's other management costs included SEK 27 million due to the resolution of previously activated costs.

Fees to external managers represent management fees paid to the teams who manage the funds that the Fund invests in. The agreed fee is normally 1.5–3.0% of the capital committed to the fund. The increase in costs from 2002 to 2003 is explained by the fact that fees to funds started in 2002 first had a full impact on results in 2003.

Within the Fund work has begun aimed at drawing up an index for comparing the Fund's overall cost level (external and internal management costs) with comparable funds. The Fund's capital has been divided into different types of assets. Based on sector reports a current fee level is established for each class of asset and a comparison index is created based on the division of assets. This index shows the current, market-related fee level for a portfolio with a similar composition to the Fund. In 2003

the Fund's costs represented 2.8% of the managed capital, compared with 3.2% for the index.

STAFF

At the end of the year the Fund had 32 employees (37). Further details about staff and a description of the Fund's rewards scheme can be found in note 6.

* before costs

Income Statement

SEK m	Note	2003	2002
Private Equity operation			
Capital loss		-442	260
Unrealised profit/loss	2	1 465	-1 789
Dividend		21	98
Interest income		72	174
Other financial expenses	3	-17	-19
Private Equity operation total		1 099	-1 276
Asset Management			
Capital loss	4	-1 113	-2 273
Unrealised profit/loss	5	1 386	-1 497
Dividend		50	199
Interest income		71	42
Asset Management total		394	-3 529
Expenses			
Own management expenses			
Personnel expenses	6	-62	-56
Other management expenses	7	-91	-94
Remuneration to external managers		-187	-152
Total expenses		-340	-302
Profit/loss for the year		1 153	-5 107

Balance Sheet

SEK m	Note	31 Dec 2003	31 Dec 2002
ASSETS			
Investment assets			
Shares and holdings in listed companies	8	2 658	2 701
Shares and holdings in unlisted companies	9	6 337	5 342
Shares and holdings in unlisted subsidiaries	10	1 400	763
Other interest-bearing assets	11	2 740	2 303
Total investment assets		13 135	11 109
Receivables and other fixed assets			
Inventories and other tangible assets		2	14
Other current receivables		497	445
Liquid assets		6	919
Accrued earnings and deferred charges	12	31	111
Total receivables and other fixed assets		536	1 489
TOTAL ASSETS		13 671	12 598
FUND CAPITAL AND LIABILITIES			
Fund capital			
Start-up capital		10 366	10 366
Profit brought forward		1 256	6 362
Profit/loss for the year		1 153	-5 107
Total fund capital		12 775	11 621
Current liabilities			
Accrued expenses		37	43
Other current liabilities	13	859	934
Total current liabilities		896	977
TOTAL FUND CAPITAL AND LIABILITIES		13 671	12 598
Committed securities		23	418
Contingent liabilities		19	17
Commitments, - Contractual commitments for capital contribution		2 939	4 867

Notes (All figures are in SEK million unless otherwise stated)

NOTE 1: Accounting Principles

Sixth Swedish National Pension Fund follows the rules laid down in the Swedish Law governing the Fund (Lag (200:193) om Sjätte AP-fonden) of 1 January 2001. The annual report has been produced in accordance with generally accepted auditing standards in Sweden.

Due to the law governing Sixth Swedish National Pension Fund, investments shall be market valued in the Fund's accounts.

ACCOUNTING FOR AND VALUING INVESTMENTS IN UNLISTED SECURITIES

When setting the market value for unlisted securities, EVCA principles (European Private Equity & Venture Capital Association, www.evca.com) are applied, which normally entail using the acquisition value until a partial sale takes place, a new share issue is made with independent parts at a changed value, or a substantial change occurs which permanently reduces its value.

Profit-making companies with positive cash flow, where no new share issues are made, can, according to the EVCA principles, be reported using an independent valuation from a third party.

Purchases and sales of securities are accounted for on the trading day.

Convertible loans are included in the item "Shares and holdings in unlisted companies".

Positions in unlisted derivative instruments where a premium has been paid have been entered as a liability.

Valuation occurs along with the instrument's underlying asset and is accounted for in the same way.

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

The capital gain/loss is the difference between sales revenue and acquisition cost. The capital gain/loss concerns profits from sales of invested assets.

The acquisition value of a fund concerns all payments made excluding a management fee.

ACCOUNTING FOR AND VALUING INVESTMENTS IN LISTED SECURITIES

The assets in which funds are invested are taken up in the annual accounts at their market value. The market value is based on listed prices at the close of trading on the closing day.

Purchases and sales of all securities are accounted for on the trading day. This principle includes transactions on the money and bond markets, plus the equity market. Transactions concerning calls, warrants, forwards and swaps are accounted for on the day of the serious risks and rights transfer between parties i.e. on the trading day.

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

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

Interest-bearing securities are accounted for at the market value with reference to allocation over time of premiums and discounts over the remaining life of the security.

The market value is primarily set to the final buy-rate during the final trading day of the year. If during certain conditions on certain markets it is considered that the final rate (pay price) is not representative, then a different rate may be used for calculating the actual value.

The positions of the derivative instruments are valued at the market value and are reported together with the respective instruments' underlying type of asset.

Changes in values, realised and unrealised, are accounted for in the income statement and are included in the profit/loss for the year. The capital gain/loss is the difference between sales revenue and acquisition cost. The capital gain/loss concerns profits from sales of invested assets.

REMUNERATION TO EXTERNAL MANAGERS

Management expenses in private equity funds are accounted for as continuous expenses, no matter what choice of management, payment method or how the legal agreement has been formulated. These expenses are accounted separately from the Fund's own management expenses.

GENERAL ACCOUNTING PRINCIPLES

Group accounts have not been prepared as the subsidiaries are of little importance with regard to the demand for a correct representation and shares and participations in subsidiaries are valued at market values.

Receivables are entered at the amount at which they are expected to be received.

The depreciation period for inventories and other tangible assets is three to five years.

The Fund is exempt from Swedish income tax.

The Fund's capital comprises the basic capital and booked result. The basic capital comprises a transfer from the 1st-3rd Fund Boards and SEK 366 million remaining from the closing down board for Fund 92-94. There are no demands on the Fund for payments to or from the National Social Insurance Board.

MEMORANDUM ITEMS

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

NOTE 2: Unrealised profit/loss Private Equity operation

	2003	2002
Change in value for the period	887	-1 624
Return of previous change in value	578	-165
TOTAL	1 465	-1 789

**NOTE 3: Other financial expenses
Private Equity operation**

	2003	2002
Conditional shareholders' contribution paid	17	19
TOTAL	17	19

NOTE 4: Capital gain/loss Asset Management

	2003	2002
Capital gain, net		
Bonds and other interest-bearing securities	8	-
Total	8	-
Capital loss, net		
Shares and participations	-897	-2 098
Derivative instruments	-224	-175
Total	-1 121	-2 273
TOTAL	-1 113	-2 273

NOTE 5: Unrealised profit/loss Asset Management

	2003	2002
Unrealised profit/loss, net		
Shares and participations	1 385	-1 508
Bonds and other securities	1	11
TOTAL	1 386	-1 497

NOTE 6: Administration expenses/personnel

	2003	2002
Salaries and remuneration		
Chairman	0.1	0.1
President	2.2	1.9
Board, excluding Chairman	0.2	0.3
Senior management team excluding President	8.2	8.3
Other employees	17.5	23.0
Total	28.2	33.6
Incentive scheme		
President	1.0	-
Senior management team excluding President	3.7	-
Other employees	4.1	-
Total	8.8	-
Social costs		
Chairman	0.0	0.0
(of which pension costs)	(0.0)	(0.0)
President	2.3	1.1
(of which pension costs)	(1.3)	(0.5)
Board, excluding Chairman	0.1	0.1
(of which pension costs)	(0.0)	(0.0)
Senior management team excluding President	6.0	4.3
(of which pension costs)	(3.5)	(2.3)
Other employees	13.5	12.8
(of which pension costs)	(7.4)	(7.2)
Total	21.9	18.3
(of which pension costs)	(12.2)	(10.0)
Other staff costs	3.0	3.8
TOTAL	61.9	55.7

NOTE 6: Administration expenses/personnel (cont.)

	2003	2002
Average number of employees	30	38
(of whom women)	(16)	(17)
No. of employees on 31 December	32	37
(of whom women)	(22)	(19)

The President's employment contract contains provisions for retirement benefits and severance pay, including retirement age of 65, the right of severance pay for 18 months, and a period of notice of six months. Settlements will be made for other remuneration entitled to by the President. The results of incentive schemes will not count as additional pension benefits.

The joint remuneration to the Fund's management group, including the President but excluding results from the incentive scheme, was SEK 10,354,000. The management group has pension agreements individually negotiated to include fixed pension payments from their wages until employment ceases. The Fund has no undertakings for future pensions and pension provisions. The results of incentive schemes will not count as additional pension benefits. The average period of notice for the management team is 11 months.

All employees of the Fund, including the President, are included in an incentive scheme. The scheme is linked to return targets for the entire Fund. The maximum payment of the incentive scheme is limited to six months' salary and individually adapted to position at the Fund. The Fund's incentive scheme is payable if the return exceeds the absolute return target. The Fund's total return for 2003 was 10.7%, meaning that the absolute return target was exceeded by 3.3 percentage points, and that the incentive scheme will be paid out in full.

The Fund's results included an SEK 8,835,000 charge (excluding social costs) for payments made by the incentive scheme, corresponding to an average of 3.4 monthly salaries per employee. The President's share of the incentive scheme was SEK 990,000 (excluding social costs), corresponding to 6 months' salary.

No additional payments were made to Board members beyond their normal fees. During the year the amount of sick leave taken by the Fund's staff was 49.5 days in total. To protect the integrity of the individual, no division is made in terms of gender or age regarding sick leave statistics.

Planning and decision-making process

Board fees are set by the government. The Board sets the President's salary each year and the general development of staff wages. Any incentive scheme is set by the Board each year.

NOTE 7: Other management expenses

	2003	2002
Property expenses	8	8
Information and computer expenses	7	8
Services bought	39	35
Other	37	43
TOTAL	91	94
Services bought includes remuneration to auditors (excluding VAT)		
Audit fee		
KPMG	0.7	1.1
Öhrlings PricewaterhouseCoopers	0.3	0.1
Total	1.0	1.2
Other assignments to auditing firms		
KPMG	0.2	0.5
Öhrlings PricewaterhouseCoopers	0.1	0.1
Total	0.3	0.6
TOTAL	1.3	1.8

NOTE 8: Shares and holdings in listed companies

Company	No. of shares	Market value, SEK m	Share capital, %	Voting rights, %
Biolvent International	792 949	8	2.7	2.7
Bure Equity	53 255 940	55	15.7	15.7
Karo Bio	439 325	13	2.6	2.6
MultiQ International	1 245 460	5	5.6	5.6
Q-Med	53 337	9	0.2	0.2
Svolder A	437 900	20	13.6	29.3
Svolder B*	1 302 900	60		
Tripep	147 231	1	1.1	1.1
Derivatives		77		
Total		248		
Funds				
Lannebo Total	1 831 327	2 200		
Lannebo Vision Select	111 289	28		
Merlin	3 890	45		
RAM Rational Asset Management	151 992	137		
Total		2 410		
TOTAL		2 658		

* Voting rights and capital held are part of the A-share listing.
Commission for 2003 amounts to around SEK 7.8 million.

NOTE 9: Shares and holdings in unlisted companies

Company	Co.Reg.No.	Registered office	No. of shares	Votes, %	Share capital, %	Acquisition value
A+ Science AB	556544-2521	Göteborg	26 677 283	36.7*	36.7	47
Accent Equity Partners AB	556601-2315	Stockholm	1 000	10.0	10.0	0
Aspen Invest AB	556446-5937	Göteborg	452	35.0*	35.0	14
CashCap AB	556533-1930	Stockholm	12 062	12.1	12.1	0
Cognition AB	556520-8930	Göteborg	1 300 000	0.8	0.4	0
Creandum Advisor AB	556644-0300	Stockholm	33 577	30.3*	30.3	1
DISAB Vacuum Technology AB	556421-2941	Eslöv	29 700	4.0	4.0	2
Ekström Management and Investment AB	556540-2889	Umeå	10 160	20.0*	20.0	25
Enhancer Consulting AB	556624-4314	Stockholm	250	20.0*	20.0	10
Findus AB	556571-2709	Bjuv	17 733 989	7.9	7.9	120
InnovationsKapital Management i Gbg AB	556541-0064	Göteborg	1 300	13.0	13.0	0
Innoventus AB	556602-2728	Uppsala	4 200	30.0	30.0	3
Kreatel Communications AB	556518-5831	Linköping	10 906	0.5	0.4	22
Lindab Intressenter AB	556606-5446	Båstad	238 610	23.9*	23.9	525
Logitall AB	556493-9535	Stockholm	869 564	7.1	7.1	20
Medicon Valley Capital Management AB	556581-4307	Göteborg	1 890	40.1*	40.1	2
MVC Holding AB	556623-1816	Göteborg	66 667	66.7*	66.7	0
Mölnlycke Health Care AB	556547-5489	Göteborg	15 756 426	19.1	19.1	304
NE Advisory AB	556577-4493	Stockholm	18 422	18.4	18.4	0
Norr Sædd Holding AB	556599-8233	Luleå	25 670	33.3*	33.3	5
NS Holding AB	556594-3999	Sundsvall	1 213 256	33.3*	33.3	1 027
Nybron International Flooring			2 305 182	23.1*	23.1	128
Simpleworld AB 1)	556399-2790	Stockholm	30 000	8.5	8.5	0
Grundstenen AB 98969						
changing name to Slottsbacken Fund II 2003 AB	556648-9729	Stockholm	364	35.8*	35.8	0
SLS Venture GP AB	556628-4641	Göteborg	6 856	83.9*	83.9	6
SLS Venture Two GP AB	556628-4674	Göteborg	962	39.5*	39.5	1
Solibro AB	556603-1596	Uppsala	4 545	3.3	3.3	1
TDS Todos Data System AB	556343-7218	Göteborg	1 169 112	31.5*	31.4	54
Textile Solutions GTS AB 1)	556572-0322	Göteborg	182 200	6.2	6.2	0
Tradex Holding AB	556523-6881	Kungälv	2 690 559	20.0*	20.0	85
Volcano Communications Technologies AB	556551-3503	Göteborg	750	4.8	4.8	5
Total, companies						2 407
Funds						
Accent Equity 2003 KB	969694-7739	Stockholm			51.5 *	22
AEP 2003 KB	969694-5196	Stockholm			10.0	0
Amplico I KB	969656-4088	Göteborg			93.8 *	49
Baltic Rim Fund Ltd					22.8 *	42
BrainHeart Capital KB	969674-4102	Stockholm			23.2 *	188
CapMan Equity Sweden KB	969683-1321	Stockholm			96.5 *	181
Creandum KB	969690-4771	Stockholm			49.3 *	4
EQT Scandinavia II					4.8	144

Continued on next page

NOTE 9 continued: Shares and holdings in unlisted companies

Company	Co.Reg.No.	Registered office	Share capital, %	Acquisition value
Femfond KB	969687-5062	Stockholm	3.3	0
H&B II:s Sweden KB	969664-6570	Stockholm	15.8	85
HealthCap 1999 KB	969656-1647	Stockholm	10.5	154
HealthCap Annex Fund I-II KB	969690-2049	Stockholm	38.9 *	43
HealthCap CoInvest KB	969625-6255	Stockholm	24.4 *	92
HealthCap KB	969614-4162	Stockholm	12.1	26
Industrial Development & Investment Equity KB	969640-9631	Stockholm	14.7	117
InnKap 2 Partners KB	969661-4735	Göteborg	5.4	10
InnovationsKapital Fond I AB	556541-0056	Göteborg	31.5 *	48
Innoventus Life Science I KB	969677-8530	Uppsala	32.7 *	24
IT Provider Century Fund KB	969673-0853	Stockholm	98.5 *	75
IT Provider Fund IV KB	969687-5468	Stockholm	25.2 *	10
Karolinska Investment Fund KB	969665-3444	Solna	24.0 *	68
Medicon Valley Capital KB	969657-5886	Göteborg	43.3 *	122
Medicon Valley Capital Two KB	969680-3056	Göteborg	65.7 *	10
Nordic Capital III Limited			9.4	215
Nordico I KB	969660-1518	Stockholm	37.1 *	18
Nordico II KB	969660-1500	Stockholm	37.1 *	97
Nordico III KB	969680-3007	Stockholm	99.2 *	457
Northern Europe Private Equity KB	969670-3405	Stockholm	3.4	376
Scandinavian Life Science Venture KB	969680-2991	Göteborg	98.5 *	596
Scandinavian Life Science Venture Two KB	969680-5291	Göteborg	70.4 *	26
Slottsbacken Fund Two KB	969660-9875	Stockholm	35.7 *	36
Slottsbacken Venture Capital AB	556531-2245	Stockholm	50.0	0
Slottsbacken Venture Capital KB	969626-1313	Stockholm	49.5 *	99
Swedestart II KB	969648-6431	Stockholm	21.1 *	30
Swedestart Life Science KB	969675-2337	Stockholm	16.3 *	17
Swedestart Tech KB	969674-7725	Stockholm	20.6 *	40
V2 Co-investment Alfa KB	969677-6989	Stockholm	50.0 *	14
V2 Internet Fund KB	969665-1281	Lund	15.9	36
Total funds				3 571
Total acquisition value				5 978
TOTAL MARKET VALUE				6 337

* Associated company

¹⁾ The company has been declared bankrupt**NOTE 10:** Shares and holdings in unlisted subsidiaries

Company	Co.Reg.No.	Registered office	No. of shares	Votes, %	Share capital, %	Acquisition value
AP Riskkapital AB	556536-4139	Göteborg	30 000	100.0	100.0	238
Aumar AB	556631-5932	Göteborg	1 000	100.0	100.0	11
Auvimo AB	556587-9565	Göteborg	1 000	100.0	100.0	0
Auvimo KB	969621-7729	Göteborg			100.0	101
Creandum AB	556544-8791	Göteborg	1 000	100.0	100.0	0
Ferox Syd AB	556591-2259	Malmö	1 110	100.0	100.0	10
Fyrfond AB	556591-7027	Göteborg	1 000	100.0	100.0	0
Fyrfond KB	969661-3109	Göteborg			100.0	285
Förvaltnings AB Casum 2)	556543-7315	Göteborg	37 500	100.0	100.0	5
Grundstenen 99808 AB						
changing name to Adiox Mijjö AB	556652-2743	Göteborg	5 000	100.0	100.0	20
Götaverken Mijjö AB	556312-2968	Göteborg	168 182	100.0	100.0	0
Flebu Ticon AS 1)	N0940592909	Norge				
Healthcare Göteborg AB	556572-2088	Göteborg	1 000	100.0	100.0	0
Healthcare Göteborg KB	969654-8396	Göteborg			100.0	50
Ilö Förvaltnings AB	556542-6151	Göteborg	1 000	100.0	100.0	0
NetSys Software Group AB 1)	556253-4015	Göteborg				
Industrial Equity (I.E.) AB	556599-9702	Göteborg	1 000	100.0	100.0	0
MECA Invest AB	556601-9757	Malmö	79 145	85.1	88.9	291
NetSys Technology Group Holding AB	556550-2191	Göteborg	100 000	100.0	100.0	0
Scandinavian Life Science Venture AB	556587-9771	Göteborg	1 000	100.0	100.0	0
Sjätte AP-fonden Syd KB	969667-4309	Göteborg			100.0	26
Unionskapital Management i Kalmar AB	556556-8333	Kalmar	1 000	100.0	100.0	1
Total acquisition value						1 038
TOTAL MARKET VALUE						1 400

¹⁾ The company has been declared bankrupt ²⁾ The company is in liquidation

NOTE 11: Interest-bearing securities

	2003	2002
Interest rate funds		
SHB Bond fund	101	-
SHB Interest rate fund	886	-
SEB Money market fund	1 088	-
Öhman Bond fund	100	-
Nektarfonden	46	-
Total	2 221	-
Other		
Day loans	380	2 160
Committed assets	23	65
Loans to unlisted companies	5	7
Other instruments, listed	111	71
Total	519	-
TOTAL	2 740	2 303

NOTE 12: Prepaid expenses and accrued income

	2003	2002
Accrued interest income	16	15
Accrued dividends	9	88
Other prepaid expenses and income	6	8
TOTAL	31	111

NOTE 13: Other current liabilities

	2003	2002
Loans from subsidiaries	225	306
Debts to credit institutions, business that was not liquid on the closing day	28	18
Other liabilities, credit institutions	600	600
Other	6	10
TOTAL	859	934

Göteborg
19 February 2004



Eva-Britt Gustafsson



Jan-Olle Folkesson
Chairman of the Board



Göran Lindén
Vice Chairman



Gunilla Almgren



Erling Gustafsson
President



Göran Axell

Auditors' Report

Co. Reg. No. 855104-0721

We have audited the annual report and accounts, as well as the board's management of Sixth Swedish National Pension Fund for 2003. The board is responsible for the accounts and its administration. 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 from 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 in order to be able to determine the reliability of the annual accounts. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual report has been prepared in accordance with the Law regulating Sixth Swedish National

Pension Fund and thereby gives an accurate picture of the Fund's results and position in accordance with generally accepted standards in Sweden.

The audit has not given rise to any qualifications regarding the annual report, nor to the income statements and balance sheets contained therein, accounts or stocktaking or any other management activity concerned.

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

Göteborg
19 February 2004



Anders Bäckström
Authorised Public Accountant
Appointed by the Swedish Government



Göran Jacobsson
Authorised Public Accountant
Appointed by the Swedish Government

Board, President and Auditors

Sixth Swedish National Pension Fund's board shall, in accordance with Swedish law, consist of five members appointed annually by the Government. From the establishment of the Fund until 2001 the board consisted of: Jan-Olle Folkesson, Chairman, Göran Lindén, vice Chairman, Eva-Britt Gustafsson, Göran Axell and Arne Johansson. Arne Johansson was replaced in 2001 by Gunilla Almgren.

The Board holds six ordinary meetings each year and extraordinary board meetings are held when necessary. The board follows the procedures set out in the Fund's rules of procedure for the board, which includes follow-up, reporting and decision-making routines. The Fund's most important steering instruments are the Fund's business plan and activity plan, which include an allocation plan and budget. The Fund is otherwise controlled by the policies set out by the board, such as finance policy, ownership policy, working environment policy and equality policy.



JAN-OLLE FOLKESSON Chairman of the Board
Born 1939. Elected 1996

Other assignments: Chairman of Desam Fashion Group AB, CBN Chamber Business Network AB, Sportheus Moxter AB, Svensk Snabbmat AB, TDS Todos Data System AB, Handelns Forskningsstiftelse, IT counsel at the IT University. Board member of Platzer Fastighets AB, Sahlgrenska Academy, Word Finder International AB, Triumf Diplom Is AB.

Shares in unlisted companies: 46 000 shares in LightLab AB, 155 000 warrants in LightLab AB, 20 000 warrants in TDS Todos Data System AB, 30 shares in CBN AB

GÖRAN LINDÉN Vice Chairman
Born 1944. Elected 1996

Other assignments: Chairman of Inspanet AB, Arca Systems AB, Flodins Filter, Alterum AB, Gurlitta AB, ACT International AB, Procordia's pension fund. Board member of Cycleurope AB, Castellum AB, Wicander förvaltnings AB, Pricer AB, Alpha Sweden AB.

Shares in unlisted companies: 74 564 shares in Inspanet AB



EVA-BRITT GUSTAFSSON
Born 1950. Elected 1996

Other assignments: President of Venantius AB and its subsidiaries. Chairman of Specialfastigheter Sverige AB. Board member of Statens Ban- och Väginvest AB, Diligentia AB and Euler-Hermes Kreditförsäkring Norden AB. Deputy of Botniabanan AB.

Shares in unlisted companies: None



GÖRAN AXELL

Born 1936. Elected 1996

Other assignments: None

Shares in unlisted companies:

500 shares in Svenska Miljöbolaget AB, 900 shares in Protegrity, Inc



GUNILLA ALMGREN

Born 1955. Elected 2001

Other assignments: President of REGAB Reglerarmatur AB.
Chairman of Företagarnas Folkhögskola. First deputy Chairman
of Företagarnas riksorganisation. Board member of Svenska allmänna
utrikeshandelsföreningen, Föreningsparbanken in Göteborg and Almi Väst AB.

Shares in unlisted companies: None



ERLING GUSTAFSSON President

Born 1958. Joined the Fund in 1997

Other assignments: Board member of Scandinavian Life Science Venture AB.

Shares in unlisted companies: None

Auditors

ANDERS BÄCKSTRÖM

Authorised Public Accountant, KPMG

GÖRAN JACOBSSON

Authorised Public Accountant, Öhrlings PricewaterhouseCoopers

Senior Management team



ERLING GUSTAFSSON President

Born 1958. Joined the Fund in 1997. Economics graduate

Previous employment: Vice President of Sixth Swedish National Pension Fund, Finance manager AB Framtiden, Finance director of BPA Group, head of administration at Securum Väst AB, Acting Finance director of Componenta AB and auditor at KPMG.

Board assignments: Board member of Scandinavian Life Science Venture AB.

Shares in unlisted companies: None



PER RINDER Head of Products & Services

Born 1948. Joined the Fund in 2002. Law graduate, reporting clerk to court of appeal

Previous employment: Head of Base Industries, Nordea Securities, Head of business development at Castellum and corporate lawyer at Boliden.

Board assignments: Chairman of MECA Invest AB, Götaverken Miljö AB and Accent Advisory AB

Shares in unlisted companies: None



LARS INGELMARK Head of Life Science Ventures

Born 1949. Joined the Fund in 1998. Medicine graduate, IFL diploma in marketing

Previous employment: Various roles in Group management teams at Kabi, Kabi-Pharmacia and Pharmacia & Upjohn including Vice President, division manager pharmaceuticals, regional manager Asia, head of Group staff and Senior Vice President Corporate Projects. Board member and later Chairman of the Swedish Pharmaceutical Industry Association and member of the European board.

Board assignments: Chairman of Scandinavian Life Science Venture AB and Svensk Vätmarksfond. Board member of Karo Bio AB, Mölnlycke Health Care AB, A Carlsson Research AB, A+ Science Invest AB, Camurus AB, Clinical Data Care in Lund AB, Innoventus AB, Karolinska Investment Fund, Cefar Medical AB and Svenska Jägarförbundet.

Shares in unlisted companies: 80 000 shares in Mölnlycke Health Care AB, 1 165 shares in Cefar Medical AB, 150 warrants in Cefar Medical AB



MATS AUGURELL Head of Technology Ventures

Born 1958. Joined the Fund in 2000. Bsc Business Administration

Previous employment: CEO of Guide IT Management and member of Guide Group management team.

Board assignments: Chairman of Investment committee/Advisory board of BrainHeart Capital. Board member of TDS Todos Data System AB, Slottsbacken Venture Capital AB, Creandum AB, SVCA, Solibro AB, IT-Provider, CapMan, Swedestart and Vision Capital.

Shares in unlisted companies: None



URMAS KRUSVAL Head of AP Direct Investments

Born 1951. Joined the Fund in 2000. Economics graduate

Previous employment: President and CEO of AB Volvofinans, CEO assignments within regional aircraft and technology sectors.

Board assignments: Chairman of AB Volvofinans and Tidningskompaniet AB. Deputy board member of Lindab AB and Lindab Intressenter AB.

Shares in unlisted companies: None



STEFAN HOLMGREN Chief Financial Officer

Born 1961. Joined the Fund in 2000. Lawyer

Previous employment: Head of SEB Commercial Banking Marketing Sverige, Head of Commercial Banking UK/London, Enskilda Corporate and acting regional manager of S-E-Banken Västsverige.

Board assignments: Chairman of Götaverken Miljö AB. Vice Chairman of Göteborgs Kungliga Segelsällskap GKSS. Board member of Enhancer Consulting AB and Riskkapitalbolaget Amplico.

Shares in unlisted companies: None

Glossary

The following glossary lists a number of common terms used on the risk capital market. The glossary is by no means complete, but provides summary guide to the annual report.

Absolute return

The return measured in SEK or percentage from the original investment sum.

Annex fund

Fund started in connection with an existing fund and which solely invests in existing funds' portfolio companies.

Beta value

A statistical measurement that confirms securities' market risk.

Buy-out

Investment in unlisted companies' shareholders' equity in the form of share purchases or acquisition of parts of the company along with the management.

Carried interest

The share of the profit in a private equity fund accrued by the management team.

Committed capital

The capital that the Fund has committed as risk capital in different funds/companies over a definite timeframe.

Deal flow

The flow of investment proposals that reaches an investor on the risk capital market.

Definite yield

Yield measured in SEK or as a percentage of the original investment sum.

Duration

The average fixed interest term – a calculated interest risk.

EVCA (European Private Equity & Venture Capital Association)

A European organisation that provides recommendations concerning reports and valuations of holdings in private equity funds.

Exit, exiting

Disposal of companies in a portfolio.

Fund-in-fund

A fund that invests in other funds that in turn invest in shares and other share related instruments.

Fund capital

The start capital that was allocated to the Fund

at the beginning together with profit brought forward and profit/loss for the year. Corresponds to shareholders' equity in a limited company.

Hedge fund

A fund with freer investment rules than a traditional fund. It is looking for definite yields.

Hurdle rate

The yield on invested amounts allocated to investors before the management team has the right to a dividend in a private equity fund.

IRR (Internal Rate of Return/Internal interest)

Describes the financial yield of an investment in terms of interest.

Life science

A combined term for the pharmaceutical, biotechnology and medical sectors.

Listed companies

Companies registered at an authorised stock exchange.

Management fee

An annual management fee for managing a fund.

Management company

The company in which the management team is employed.

Management team

A group of people who, on behalf of a fund, manage the fund's holding in portfolio companies.

Market-valued capital

Listed securities assessed at market value on the closing date and unlisted securities assessed using EVCA principles.

Portfolio company

A company which a private equity fund has a shareholding in.

Private equity

Investing in unlisted companies' shareholders' equity with active owner commitment over a limited period of time.

Private equity fund

A fund whose core operations are investments in unlisted companies and realising the value increases of these.

Pro rata

A certain shareholders' holding.

Repo rate

One of the Swedish Central Bank's key interest rates governing the short-term market rate of interest.

Results (profit/loss)

The total of changes in value – realised and unrealised – of assets, returns in the form of interest, coupons, dividends and option premiums minus management expenses and fees to external managers.

Return/Private Equity operation's portfolios

Profit/loss before expenses divided by the average capital.

Return/Total return

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

Risk capital

Investment in a company's shareholders' equity.

Risk premium

The compensation that an investor requires of an investment in, for example, shares instead of investing in risk-free assets.

Structural capital

A company's or organisation's joint know-how, gathered and documented in the company's/organisation's systems.

TWR

See return.

Unlisted companies

Companies not registered at an authorised stock exchange.

Venture capital

Risk capital invested in a company in the seed, start-up or expansion phases.



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