



The Sixth Swedish National Pension Fund Annual Report 2004



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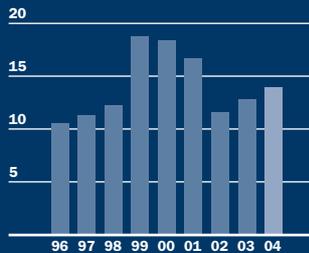
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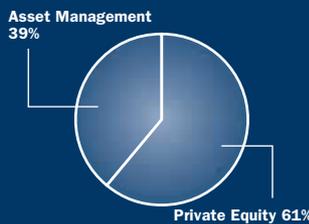
The Sixth Swedish National Pension Fund (the Sixth AP Fund) manages public pension funds in order to create high long-term returns and maintain satisfactory risk diversification by investing in Swedish small and medium-sized growth companies, thus contributing to the development of Swedish industry.

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

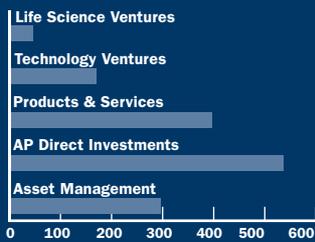
Fund capital, SEK bn



Allocation of fund capital



Results by portfolio before expenses, SEKm



The Sixth AP Fund uses standard terms to describe those parts of the market in which it operates. For further explanation, please refer to the glossary on page 31.

2004 in brief.

Total return 8.6%

The Sixth AP Fund reported a total return after costs of 8.6 per cent for 2004 (10.7%). The return before costs was 11.5 per cent.

Profit SEK 1,110 million

The Sixth AP Fund made a profit of SEK 1,110 million in 2004 (1,153m).

Fund capital SEK 13.9 billion

The Sixth AP Fund's fund capital at the year-end amounted to SEK 13.9 billion (12.8bn).

- The value of the fund capital rose by SEK 1.1 billion during the year.
- Since the Sixth AP Fund's inception in 1996, the value of the fund capital has risen by SEK 3.5 billion.

The Sixth AP Fund operates two distinct lines of business: Private Equity and Asset Management.

Private Equity

For its Private Equity operation, the Sixth AP Fund reported a profit after costs of SEK 867 million for 2004, which corresponds to a return of 11.9 per cent.

The value of the Private Equity operation's portfolios at the year-end was SEK 8.5 billion.

In 2004, the Sixth AP Fund made new and follow-on investments in companies and fund units totalling SEK 1,300 million. A total of SEK 1,200 million has been paid back into the Sixth AP Fund in connection with the sale of holdings in private equity funds and directly-owned companies.

Some SEK 12.1 billion of the Sixth AP Fund's total capital was committed at the year-end. Of this committed capital, around SEK 3.6 billion has not yet been paid out.

Asset Management

For its Asset Management operation, the Sixth AP Fund reported a profit after costs of SEK 243 million for 2004, which corresponds to a return of 4.4 per cent.

At 31 December 2004, the value of the Asset Management portfolio was SEK 5.4 billion.

Satisfactory profit – streamlining a structured market.

In 2004, many of the Sixth AP Fund's holdings reported positive trends. The value of the fund capital at the year-end was SEK 13.9 billion, of which investments in unlisted companies accounted for SEK 8.5 billion, or 61 per cent. The Sixth AP Fund made a profit of SEK 1,110 million, which represents a total return of 8.6 per cent.

I am pleased to report that this return exceeds our target of 6.4 per cent, which corresponds to SEK 775 million. The profit for our Private Equity operation amounted to around SEK 900 million, corresponding to a return of 11.9 per cent, which is also better than our target. The profit is attributable to changes in value of portfolio companies and to profits realised from the sale of companies. The portfolio of unlisted investments represents a significant value which will be realised in the years to come.

Adapting to a rapidly changing market

Our mission is to invest public pension funds in the market for private equity, adhering to strict requirements for returns. The private equity market is changing rapidly. In view of our mission, our organisation must be able to cope with the considerable demands that these changes imply. We must be responsive and capable of adapting our actions to changes in market conditions, while continuing to develop active ownership and demanding high ethical standards in those businesses in which we participate.

In 2004, we noted a recovery in the market for private equity for small and medium-sized businesses in Sweden at the same time as the differences between the various market segments were accentuated. It is therefore vital that the Sixth AP Fund is clear about its position and its strategies.

Stable growth for buyout segment

The first Swedish private equity funds in the buyout segment were formed during the latter part of the 1980s and, over the past fifteen years, these funds have shown relatively stable growth. The segment is dominated by a few major private equity funds that are well established and highly professional. This is confirmed by the significant amount of capital attracted by these funds in recent years, mainly from international institutional investors. The returns from these funds are the highest average returns in private equity. One of the challenges facing this segment in the future will be to create greater credibility for the rest of the private equity market.

AP Direct Investments operates in the buyout segment. Here, the Sixth AP Fund operates as a private equity company for selected companies.

Rationalisation in venture capital

Compared to the buyout segment, the trend for the venture capital segment has in parts been chaotic. This market developed largely during the bubble economy at the end of the 1990s. It led to the introduction of contractual terms, business models and investment strategies that, with the benefit of hindsight, we can see were rather less successful than one might have hoped. The segment was characterised by the availability of

vast amounts of capital in combination with limited experience in many management teams. Portfolio companies that had been promised active owners were hard hit as a result. Since the beginning of 2000 the venture capital segment has therefore experienced severe rationalisation. Many market players, including both management teams and investors, have left the segment.

During 2001–02 we noted that some of our funds' portfolio companies in the venture capital segment had not performed in line with our expectations. We also noted that we were effectively restricted by ten-year contracts with the funds, that we had relatively little scope to influence matters and that several decisions required unanimous agreement, e.g. the amendment of contracts entered into by the parties. In such circumstances, we felt that voting with our feet was not an alternative. We took a strategic decision and decided to assume our responsibility by aiming to address the faults in this segment. This compelled us to take some tough decisions, something which has understandably caused irritation among certain market players.

However, we can now see signs of more stable growth and certain management teams in the venture capital segment now compare favourably with some of the better teams in the buyout segment. We will continue to develop



“The market is changing rapidly. In view of our mission, our organisation must be able to cope with the considerable demands that these changes imply.”

our management and monitoring mechanisms in close co-operation with our partners in the venture capital segment. Due to the need for specialist know-how in life science and technology, and the importance of proximity to the portfolio companies, we will continue to co-operate closely with the private equity funds.

Committed capital

Of the Sixth AP Fund's SEK 13.9 billion, some SEK 12.1 billion is committed to investments in private equity.

Venture capital accounts for a third of the committed capital, with buyout accounting for the remaining two-thirds. This split is in line with our long-term allocation plan for investments in private equity. Of this committed capital, around SEK 3.6 billion has not yet been paid out, but has been invested mainly in interest-bearing assets. Maintaining committed capital in readiness has an impact on the Sixth AP Fund's total return. However, our work on liquidity forecasts means that we will be able to reduce our liquidity reserve in the future.

Management costs

In the private equity sector, management costs are a significant cost item. Costs for the management teams account for two-thirds of the Sixth AP Fund's overall management costs of SEK 340 million. At present, it is too early to draw any conclusions regarding the relevance of these costs in relation to expected returns, but we can say that our current management costs are lower than the market average for comparable management.

Continued streamlining

In 2005 we will continue to pursue ways of developing the Sixth AP Fund's structural capital. This will involve continued initiatives in the development of companies and private equity funds.

To achieve a high level of returns with balanced risk, in line with our mission, we will concentrate our focus on three mutually complementary investment strategies:

- Investments in well established private equity funds in the venture capital and buyout segments. With the right mix of assertiveness, advice and participa-

tion in the decision-making process, we can contribute to value creation. We will steer clear of purely discretionary investments.

- Development of private equity funds. For life science and technology and for the formation of specialised management teams in venture capital, it is vital to establish even closer co-operation ties between investors and management teams.
- Direct ownership in companies in the buyout segment. By combining our unique position with low management costs, we will continue to create value through direct ownership.

The Sixth AP Fund, which has a specific mission and a rather unusual position as a manager of pension funds in an ever-green fund, has undergone considerable changes since its inception. It is my view that the pace of change in our business will remain high. The substantial amount of capital flowing into the private equity market, combined with the conditions now being applied, has prepared the ground for an entirely new brand of business logic. Among other things, we have noted a rise in the number of investment consultants for institutional investors, an increase in the number of project-oriented private equity companies and a slow, but nevertheless awakening second-hand market for fund units.

We will naturally be monitoring these developments very closely to ensure that we are prepared to make investments in any new business models that might be capable of generating high returns with balanced risk.

Gothenburg, 23 February 2005

Erling Gustafsson, Managing Director

The Sixth AP

This is the Sixth AP Fund.

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

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

The Sixth AP Fund creates growth in value by promoting the long-term, sustainable development of companies in sectors where the Fund's network and know-how can be put to good use.

The Sixth AP Fund focuses on the following sectors:

- pharmaceuticals, biotechnology and medical technology
- IT, telecommunications, media and entertainment
- industrial and service companies

The Sixth AP Fund has the following portfolios in its Private Equity operation:

- Life Science Ventures
- Technology Ventures
- Products & Services
- AP Direct Investments

The Sixth AP Fund's mandate includes an Asset Management operation. Asset Management manages committed capital that has not yet been invested in the Private Equity operation.

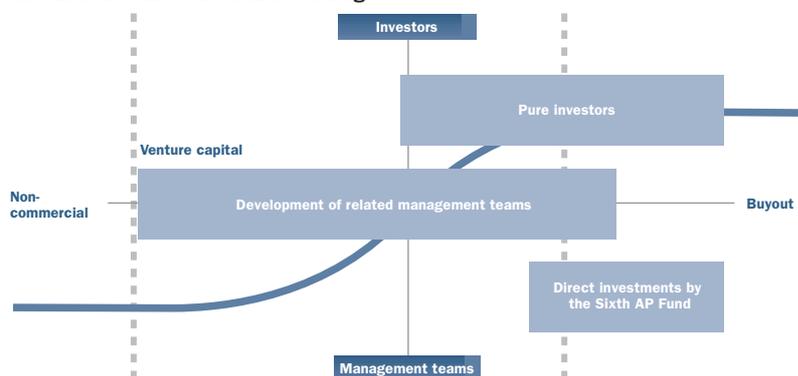
The Sixth AP Fund invests in private equity.

For small and medium-sized companies, two market segments exist for private equity: buyout and venture capital. Buyout is associated with mature companies, whereas venture capital is provided to companies in earlier phases of development.

The Sixth AP Fund operates in both these segments and has chosen to pursue the following investment strategies: investment in private equity funds for the purposes of buyout and venture capital, and direct investment in medium-sized unlisted companies.

The strategic focus of the Sixth AP Fund is different for each segment. Most investments in Life Science Ventures and Technology Ventures are characterised by investments in venture capital and co-operation with external management teams. In the venture phase, the Sixth AP Fund has chosen not to pursue a strategy of direct investment. The Sixth AP Fund invests in the buyout phase through its portfolios Products & Services and AP Direct Investments.

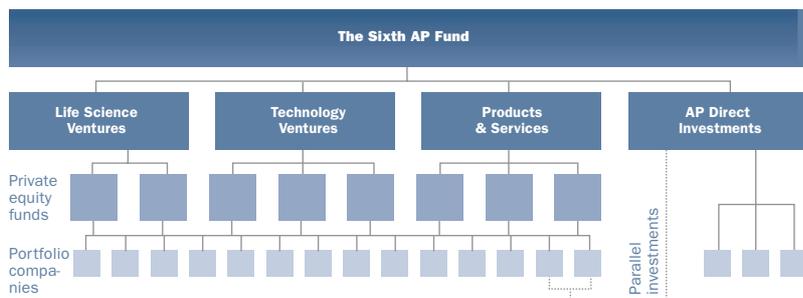
The Sixth AP Fund's investment strategies



Investments made by the Sixth AP Fund in the private equity market

Fund in brief.

How the Sixth AP Fund creates value.



The capital invested by the Sixth AP Fund is used to develop several hundred small and medium-sized businesses. In some companies, the Sixth AP Fund has made a direct investment, although most of the Sixth AP Fund's capital has been committed to private equity funds, which have in turn invested in companies. Value is created as the portfolio companies grow and the private equity funds produce returns.

When selecting private equity funds and companies, the Sixth AP Fund uses a systematic process of search and investment. The management teams responsible for handling the private equity funds need to have assertive investors who can make

demands. In turn, the portfolio companies in the funds need dedicated and active owners, who can combine skills in business development with experience of board assignments and of working closely with company management.

The Sixth AP Fund concentrates its focus on three mutually complementary investment strategies:

- Investments in well established private equity funds – the role of an active investor involves being assertive and making demands and following up the management teams through the various channels in which the Sixth AP Fund participates.

- Development of private equity funds – through active participation as an owner and as an investor in management teams that are either relatively inexperienced or operate in special market niches.
- Direct ownership in companies – active ownership through board assignments and by providing advice to company managements.

The role of the Sixth AP Fund in the pension system.

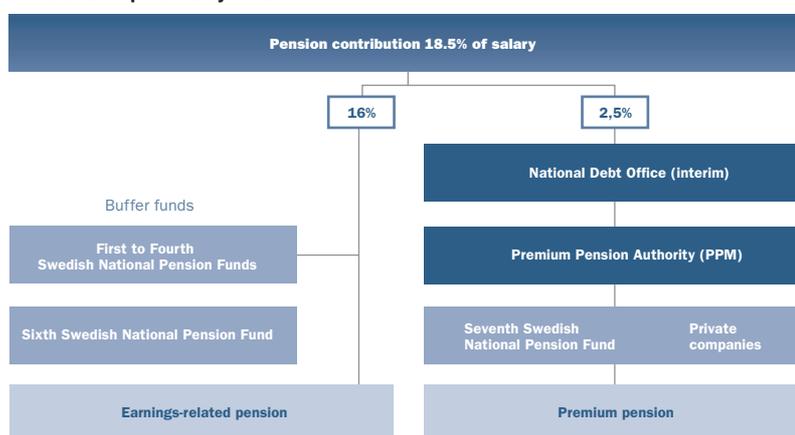
The Swedish pension system consists of two parts: earnings-related pension and premium pension. The assets for earnings-related pension are managed by the five buffer funds, the First to Fourth Swedish National Pension Funds and the Sixth AP Fund.

Payments made to today's pensioners are financed by contributions made by today's salary earners, corresponding to 16 per cent of salaries. The size of incoming and outgoing payments varies over time, depending on factors such as demographic changes and the rate of salary increases. The role of the buffer funds is to even out any temporary variations in incoming and outgoing payments and to manage the public pension funds in the buffer to achieve the highest possible return.

The premium pension system is based on the individual's own invested funds. Premium pension contributions correspond to 2.5 per cent of the salary. The premium reserve is managed by private fund managers and by the Seventh Swedish National Pension Fund.

Those people whose earnings-related pension fails to reach the guaranteed minimum level will receive a supplement in the form of a guarantee pension that will be financed by the national budget.

The Swedish pension system



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

The role of the Sixth AP Fund

The Sixth AP Fund's fund capital consists of initial capital and retained earnings. The initial capital consists of a transfer from the boards of the former First to Third Swedish National Pension Funds and the capital remaining from the Winding-up Board for Fund 92-94.

The Sixth AP Fund is not required to make payments on an annual basis to balance the cash flows of the public pension system. This means that profits can be reinvested, but also that losses must be covered by the fund capital.

The Sixth AP Fund's mission, goals and strategies.

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

Goals

The Sixth AP Fund's goal is formulated as an absolute return target and is set each year by the Board. The goal is calculated once the Board has determined the allocation of the Sixth AP Fund's assets. Each class of asset is allocated a risk premium which is then added to the applicable repo rate. The portfolio's various return targets are then appraised to arrive at an overall return target for the Sixth AP Fund. The return target for the 2004 financial year was 6.4 per cent.

Strategies

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

- The Sixth AP Fund strives for optimum allocation in its investment portfolio, taking into consideration returns, risk, sector, phase and vintage.
- The Sixth AP Fund invests in private equity funds in the venture capital and buyout segments.
- The Sixth AP Fund invests in medium-sized unlisted companies.
- The Sixth AP Fund is a player in the second-hand market for fund units in private equity funds.

The Sixth AP Fund's role as an owner

Since its inception in 1996, the Sixth AP Fund has played an active part in the Swedish private equity market.

Its work as an active owner has been based on the following values:

The Sixth AP Fund takes a long-term approach

- invests in sustainable capital
- understands industrial business development

The Sixth AP Fund assumes responsibility

- is aware that it is dealing with public pension funds
- stands for high ethical standards
- strives for an active environmental awareness

The Sixth AP Fund is professional

- develops and systematises skills
- sets ambitious targets and assumes personal responsibility for reaching them

The Sixth AP Fund creates value

- contributes to profitable expansion
- is capable of turning away from bad deals

The Sixth AP Fund shows respect

- has knowledge and experience of the activities of investment companies
- puts the company's development ahead of personal gain

Calculating the absolute return target

Repo rate

- + Risk premium, equity risk in listed and unlisted companies
- + Liquidity risk, risk of investing in smaller unlisted investments
- Cost of investment readiness for investment commitments made

= **Absolute return target**

The Sixth AP Fund's organisation.

The Sixth AP Fund operates as an investor in private equity funds and invests directly in companies. The Sixth AP Fund contributes with capital, skills and networks. The organisation is tailored to drive and monitor the complex investment flows and business flows that the Sixth AP Fund's activities generate.

Private Equity operation

The Sixth AP Fund's Private Equity operation is divided into portfolios which are responsible for the investments made. The investment activities of these portfolios include the analysis and review of potential and existing investments in private equity funds and companies. The analysis covers the main areas of strategy, market, product, technology, sector and positioning.

Investor in private equity funds

The Sixth AP Fund engages in active ownership in private equity funds. The Sixth AP Fund's role as an investor involves being assertive and making demands on the management teams. This is achieved by ensuring the participation of Fund representatives on boards and committees.

The most important tool used in monitoring and steering the develop-

ment of a fund's portfolio is the owner directive drafted by the management team for its portfolio companies. These plans describe how the management team will develop the company and create value.

The method of combining owner directive and business plan ensures that the company's owners, board and management all pull in the same direction. These working practices also clarify the different roles of owner, board and management and create a common language for communication.

The Sixth AP Fund has also decided to invest in some management companies which are relatively newly-formed or which manage funds in which the Sixth AP Fund has made significant investments. Ownership influence in management companies is exerted through board work and regular contacts

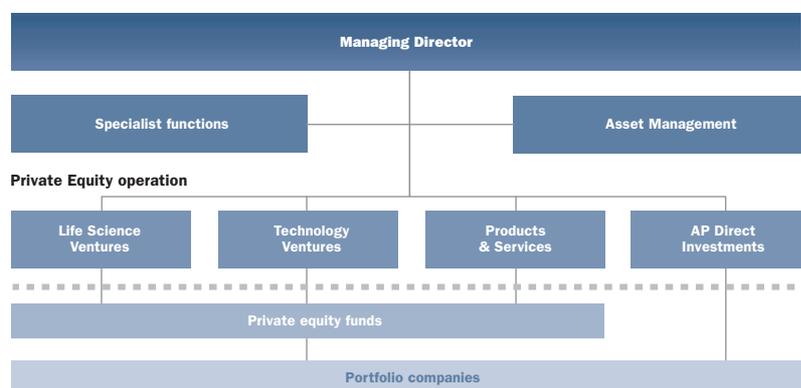
with the management team. The Sixth AP Fund's role includes taking the initiative to ensure that the management company develops effective processes, with particular focus on creating value in the portfolio companies.

Active ownership in directly-owned companies

Active ownership in the Sixth AP Fund's direct investments is achieved through board participation and by providing advice to the management of the portfolio companies. Each undertaking has a clearly defined owner directive with set objectives. Above all, active ownership is about promoting value creation by developing new business models and improving the efficiency of the operative business of companies. The Sixth AP Fund's contribution includes identifying business models, supporting acquisitions with business know-how and analytical tools, as well as developing strategies for value creation.

Asset Management

The Sixth AP Fund's liquid assets are managed in a separate portfolio. The task is to secure payment readiness in financial undertakings and expected future outward flows in its Private Equity operation. Asset Management entails daily decisions regarding the Sixth AP Fund's



The Sixth AP Fund's organisation

risk exposure to interest rate and stock markets. Its positions and returns are evaluated and monitored continuously. Asset Management is also responsible for handling the Sixth AP Fund's relations with other parties in the financial markets.

Specialist functions

Legal department

The Sixth AP Fund's Legal department is an integral part of business projects in all phases of the investment process. The Sixth AP Fund's lawyers have extensive experience of the terms and structures used for various business transactions on the private equity market. In business projects, the Legal department has a specific responsibility for the management, co-ordination and quality assurance of external legal services.

Finance department

The Finance department is responsible for the Sixth AP Fund's internal and external reporting, including related tax issues. The accounting function oversees payments by the Sixth AP Fund and is responsible for administering the investment process in terms of the flows and monitoring of financial data.

IT department

This department is responsible for the day-to-day operation and maintenance of the Sixth AP Fund's IT infrastructure

and systems architecture. The IT department is, in co-operation with the rest of the organisation, responsible for delivering IT systems to improve and simplify the Sixth AP Fund's internal operational processes, particularly business processes. In 2004, a development project resulted in a new system for activities aimed at supporting the investment process.

Risk Management department

The Risk Management department is an independent unit for monitoring the risks and returns of the Sixth AP Fund in its Asset Management and Private Equity operations. The department ensures an independent control and reporting of the Sixth AP Fund's exposure to price risk, interest rate risk, currency risk, liquidity risk, credit risk and operational risk.

The department's responsibility also includes the continuous measurement and evaluation of the time-weighted return (TWR) and Internal Rate of Return (IRR, or average yield) and forecasting the Sixth AP Fund's cash flows.

Information department

This department ensures that those disclosure requirements applying to the Sixth AP Fund, as a part of the Swedish public pension system, are met. The Information department is also responsible for market communications, as well as press and media relations.

Regional networks

Since early 2002, the Sixth AP Fund has been setting up regional networks all over Sweden. These networks are based on relations with entrepreneurs, academics, banks, accountants, lawyers, public institutions and other parties interested in enterprise and the development of industry.

These networks provide the Sixth AP Fund with an opportunity to spread the word about the private equity market. They also give the Sixth AP Fund an opportunity to make a long-term impact on attitudes to entrepreneurial spirit, enterprise and growth.

The networks are an important instrument for providing the Sixth AP Fund with a solid and sustainable platform of regional support. They also help the Sixth AP Fund convey its interest in investment to suitable companies all over the country. Investment decisions are then taken in the order defined by each of the investment fund's own criteria.

Important pre-requisites for the success of the network initiative are a two-way exchange of information, the flexibility of the parties involved and the absence of bureaucracy. This demands a long-term approach that allows patience and perseverance to demonstrate confidence and honest intentions. The Sixth AP Fund aims to continue its network initiative in this vein.

For more information, please visit www.apfond6.se

The private equity market.

Investment in unlisted companies where the ownership commitment is active and limited over a period of time is referred to as private equity. The rate of investment in Sweden rose in 2004.

This is private equity

Equity investments is an umbrella term for investments in a company's equity and covers both listed and unlisted companies. Investment in unlisted companies where the ownership commitment is active and limited over a period of time is referred to as private equity. Invest-

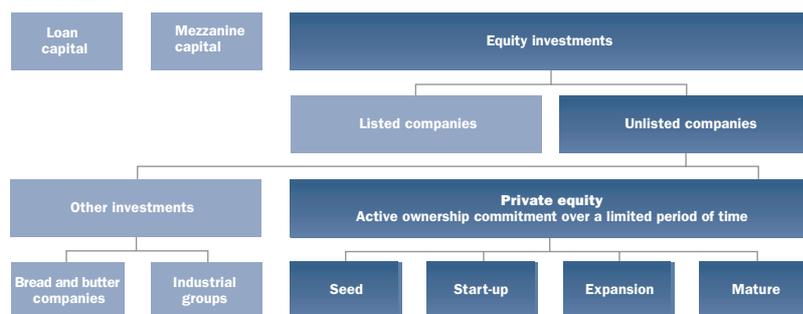
ments are made in small and medium-sized growth companies in the seed, start-up or expansion phase of development, or in mature companies. In the three earlier phases, the investments are usually referred to as venture capital, whereas in the mature phase they are termed buyout.

Stable flow of capital

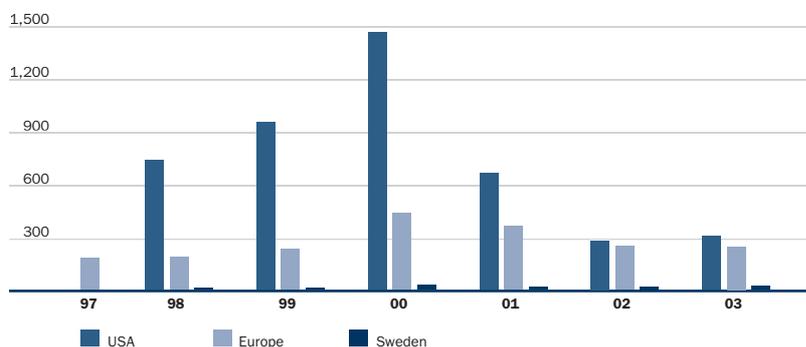
The size of the private equity market is usually measured in terms of total committed capital. In Sweden, total committed capital amounts to around SEK 220 billion. This corresponds to around 15 per cent of the European market, which is valued at an estimated SEK 1,400 billion. The U.S. market is four times the size of its European counterpart.

Annual committed capital rose from the mid-1990s and reached a peak in 2000. Since then it has declined. As shown in the diagram at the bottom left of the page, the decline in Sweden and Europe has not been as sharp as that noted for the USA. Since 2002, the flow of new capital has stabilised and a certain increase can be discerned. The European private equity market should still be regarded as a young market. According to EVCA statistics for annual committed capital during the period 1980-2002, 70 per cent of the total amount of capital allocated was committed during the last seven years of the period.

The market



Committed capital per year and by market, SEK bn



Source: Thomson Venture Economics & National Venture Capital Association
 EVCA Survey of Pan-European Private Equity and Venture Capital Activity 2003
 SVCA/NUTEK The activities of venture capital companies, Fourth Quarter 2003

Higher proportion of capital from fund of funds

Institutional investors such as pension funds, insurance companies and banks are the most important source of capital for private equity. The diagram to the right illustrates the distribution of new

capital committed in Sweden during 2003 from different types of investors.

Compared to 2002, the proportion of committed capital from fund of funds has risen at the same time as the proportion of capital originating from pension funds has declined to the same extent. One explanation for this is that international pension funds are more likely to commit capital to private equity outside their domestic markets through a fund of funds.

Higher rate of investment in Sweden

In Sweden, half the total committed capital, around SEK 110 billion, has been invested. Buyout investments account for two-thirds of the capital invested and venture capital accounts for one third.

During 2003 investments of around SEK 10 billion were made in the Swedish private equity market. The corresponding figure for Europe was around SEK 260 billion and for the USA around SEK 800 billion. In 2004, the rate of investment in Sweden was higher than in 2003. Up to and including the third quarter of 2004, invested capital amounted to around SEK 10.4 billion.

In Sweden, some 200 companies were sold off in 2003 for an overall deal value in excess of SEK 15 billion. In the first three quarters of 2004, 127 companies were sold, with an overall deal value of more than SEK 13 billion.

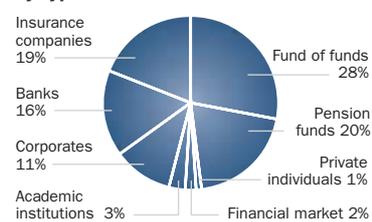
Returns from private equity funds

Uncertainty continues to prevail regarding the available statistics over the returns of private equity funds. This uncertainty originates partly from the fact that the availability of information relies on voluntary reporting, partly because several markets have a short history. U.S. statistics are thought to be among the most reliable, as they have been recorded over a relatively long period of time and cover a large proportion of U.S. private equity funds.

The most common measure of return is the annual net return measured as the Internal Rate of Return (IRR). Industry statistics are often presented as IRR for different periods of time. The table to the right shows annual average IRR for private equity funds in the USA and Europe as at 31 December 2003. The returns are presented for one, three, five and ten years. There are no accumulated statistics for the returns of Swedish private equity funds.

When analysing the statistics, it is important to draw attention to the considerable variation in returns between different funds. Investors should therefore be selective in their choice of private equity fund.

Capital committed in 2003 in Sweden, by type of investor



Source: SVCA June 2004

IRR, %, for private equity funds at 31 December 2003

Recording period	1 year	3 years	5 years	10 years
Europe				
Venture capital	-7.5	-9.0	2.3	8.3
Buyout	1.6	1.0	9.6	12.7
USA				
Venture capital	8.1	-18.9	22.8	25.4
Buyout	24.1	-2.1	2.2	7.8

Source: Thomson Venture Economics

Text sources: SVCA quarterly reports 2003 and 2004

MoneyTree Survey by PricewaterhouseCoopers/ Thomson Venture Economics/NVCA

SVCA/NUTEK The activities of venture capital companies, Fourth Quarter 2003

EVCA Survey of Pan-European Private Equity and Venture Capital Activity 2003

Global Private Equity, PricewaterhouseCoopers

ORGANISATIONAL MODEL FOR A PRIVATE EQUITY FUND

The life of a private equity fund is normally around ten years.

The most common type of legal structure for a private equity fund is a limited partnership. A management team is put in charge of the fund's operations and is responsible for identifying, analysing, completing and subsequently exiting investments that are financed with the fund's capital.

The first phase of setting up a private equity fund is fund-raising. A management team will present a fund product to different investors, who will then begin to evaluate the management team and the product offered. One important part of the evaluation is making sure that the management team and investors agree on the focus of the fund and other terms – all of which should be formalised in an agreement. The setting up of a fund is a time-consuming process which usually takes between six and eighteen months.

Legal structures

Various legal company structures may be used to organise a private equity fund.

The most common form, both in Sweden and abroad, is the limited partnership. Other legal structures include limited companies and non-registered partnerships.

A fund usually has several investors, each independent of one another. They are largely institutional investors such as pension funds, banks and insurance companies. The investors undertake to invest a certain amount in the fund, known as committed capital. The management team also invests in the fund, usually around one to two per cent of the fund's total capital. The committed capital is paid in gradually as the fund invests in portfolio companies or to cover the fund's expenses.

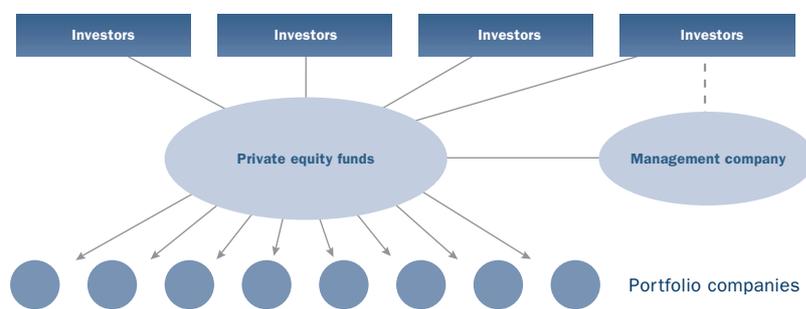
Investment period from three to five years

The life of a private equity fund is normally around ten years. The investment period of a fund, i.e. the period during which investments are made in new portfolio companies, usually covers the first three to five years. After this time, no investments are made in new portfolio companies. However, follow-on investments may be made in existing portfolio companies. When investments are sold off, the profits remaining after any profit-sharing schemes are shared among the investors. When all portfolio companies have been exited, the fund is dissolved.

Management team to develop investments

The management team is responsible for identifying, analysing, completing and, at a later stage, exiting investments financed with the fund's capital. The management team takes an active role during the ownership phase to develop the investments, e.g. by taking up positions on the boards of the portfolio companies.

Many management teams have scientific or industrial committees, known as advisory boards, to assist them in their task. These serve as important channels to scientific and industry networks, and operate as advisors to the management team regarding investment matters.



A management team often manages several funds simultaneously. When the investment period of one fund ends, the management team may set up a new fund.

Several funds in parallel

A management team often manages several funds simultaneously. When the investment period of one fund ends, the management team may set up a new fund.

The role of investors

The role of investors and their influence in a private equity fund varies between funds. Generally, investors do not take part in the day-to-day management of private equity funds or in the daily work with portfolio companies. Investor influence is exerted through participation in various boards, committees and investor meetings.

Most funds have a committee, appointed by the investors, which handles conflicts of interest and the valuation of portfolio companies. In some funds, a committee may also be involved in decisions regarding investments and divestments. Influence can be exerted by an actual right to make decisions or a right of veto, or by offering opinions on proposed investments or divestments.

In recent years, investors have demanded greater insight and influence in matters that result in significant changes in the fund or management team. Examples of significant changes are when key men leave or join the team or if the management team fails to handle the administration in a loyal manner in accordance with the terms of the agreement. In such circumstances, investors may have the right to take certain decisions. They can decide that the investment period should come to an end, that the fund should be liquidated or that the management team should be removed and a new manager appointed. It is also common for agreements to entitle investors – subject to a

qualified majority – to take a decision to liquidate the fund prematurely or to remove the management team without cause.

Continuous information

The management team is responsible for continuously informing investors about the performance of the fund and the portfolio companies. This information is usually provided in written quarterly reports. Once or twice a year, the management team also arranges an investors' meeting with presentations and discussions about the performance of the fund.

Focus on management costs

The private equity fund pays an annual management fee to the management company. This management fee must cover the costs of administration, e.g. personnel costs, office expenses and other costs.

In recent years, investors have focused particular attention on management costs. This has led to slightly lower management fee levels for funds set up during this period. It has also become more common for investors to want to see a budget for the management company as a basis for assessing the level of the management fee.

The management fee is calculated during the investment period, usually expressed as a percentage of committed capital, i.e. it is determined independently of the amount of capital invested in the portfolio companies. The level of the fee is 1.5–2.25 per cent for buyout funds and 2–3 per cent for venture capital funds. The difference between buyout and venture capital arises primarily from the fact that buyout funds will in most cases have a higher total committed cap-

ital and that the amount of work involved does not increase in proportion to the amount of managed capital. There are also other methods for calculating the management fee. An example of an alternative method would be a budget-based management fee that is set annually following investor approval.

Gradual reduction in workload

At the end of the fund's investment period, the management fee is gradually reduced as the fund's portfolio companies are sold off. The reason for this is partly that the management team no longer evaluates new investments on behalf of the fund, partly because the workload is gradually reduced as the portfolio companies are sold off.

The trend is towards reducing the management fee at a faster rate. The reason for this change is above all that the management team sets up a new fund at the end of the investment period. This means that the general expenses of the management company can be divided among several funds.

Profit-sharing

The management team receives a share of the profits generated by the divestment of the private equity fund's investments. This is known as the carried interest. There are numerous profit-sharing models. The trend has moved towards sharing the profits after the investors have received all the capital they paid into the fund plus a certain return on their investment, known as the hurdle rate or preferred return. Any profit in excess of this level of return is usually shared, normally by distributing 80 per cent among the investors and 20 per cent to the management team.

THE SIXTH AP FUND'S MARKET SEGMENT

The Sixth AP Fund's market strategy.

Three market segments stand out in the field of private equity for small and medium-sized businesses in Sweden. Buyout refers to investments in more mature companies, whilst venture capital refers to investments in companies in the expansion phase. The third segment is a non-commercial segment, in which the investments made are primarily motivated by economic policy factors. In buyout and venture capital, the Sixth AP Fund pursues three mutually complementary investment strategies.

The mission of the Sixth AP Fund is to invest public pension funds in the market for private equity, adhering to strict requirements for returns. This demands a thorough market analysis and clearly defined investment models.

Three different market segments

The logic in business sectors and the terms between investors and funds are determined by the respective development phases of the management teams and portfolio companies.

The market comprises the segments buyout, venture capital and non-commercial investments. For each of these segments, the roles of the investors and the management teams are entirely different.

Buyout

This segment includes financing expansion of portfolio companies in mature phases, often for global restructuring.

This is one of the market segments in private equity that in recent years has attracted considerable new capital to the Swedish market, most of which has come from international institutional investors.

In buyout, the private equity funds consist of a limited number of major Swedish market players, at a time when an increasing number of international private equity funds are setting up operations in Sweden. These specialised buyout funds are in practice parent companies in major groups of a type akin to conglomerates. The funds can be likened to listed investment companies, who work

with boards and managements in professional portfolio companies.

The buyout market segment reports the highest average returns and the lowest spread in the level of return. Many management teams and some investors regard investments in late buyout funds as virtually discretionary.

The assessment of the Sixth AP Fund is that the portfolio company risk is low, whilst the financial risk is relatively high as the portfolio companies often have a degree of leverage in connection with buyouts. The terms for fund investments are characterised by high expenses, particularly for the management fee.

Venture capital

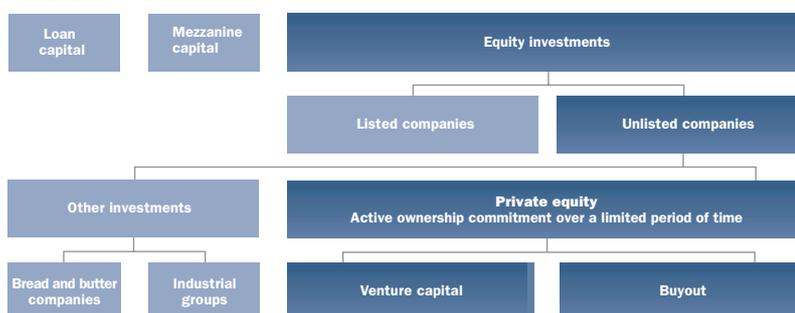
This segment focuses on expansion financing in portfolio companies, often for local growth. The development of, above all, the companies themselves rather than the products, demands sig-

nificant changes and an initial national or Nordic restructuring process. The capital invested comes from private individuals and numerous institutional investors, both Swedish and international.

Investments are mainly made through private equity funds. They are handled by increasingly specialised and professional management teams, who work in close co-operation with the management of the portfolio companies. The restructuring of the segment has not yet been completed; there are still management teams with limited experience, which gives some scope for the development of management teams or the setting up of new private equity funds.

In venture capital, the business logic differs from sector to sector. In technology, the focus is often on companies that are keen to take a leap forward through development or structural deals. In pharmaceuticals and medical technology, the

The market



Investment in unlisted companies where the ownership commitment is active and limited over a period of time is referred to as private equity.

investments tend to be in product development rather than companies. In the more traditional industrial and service segments, the focus, as a rule, tends to be more on thorough and long-term initiatives aimed at developing the company.

The Sixth AP Fund's assessment is that investments in venture capital involve significant risk, but can yield high returns. The terms for fund investments generate substantial costs that do not always grant the corresponding level of influence.

Non-commercial segment

This segment comprises the initial stages of commercialising research results, business concepts and products.

The investments made here consist primarily of government funds allocated for reasons of economic policy coupled with a very limited element of investment by private individuals. These investments are very personnel-intensive.

The investments in this segment are associated with a risk deemed by the Sixth AP Fund to be too high.

Three investment strategies

In buyout and venture capital, the Sixth AP Fund applies three main strategies - operating purely as an investor in private equity funds, developing management teams with which it is closely associated

and making direct investments through its own management team.

These investment strategies place individual demands on behaviour towards other investors, management teams and portfolio companies. One thing in common for all the strategies is that each undertaking in a portfolio company should have a clearly defined owner directive with set objectives.

Pure investor

In this role, the Sixth AP Fund invests in professional private equity funds in the buyout and venture capital segments.

The Sixth AP Fund:

- Chooses well established managers with a proven track record.
- Acts as an active investor when evaluating, monitoring and controlling the funds.
- Adapts the type of demands, advice and participation in the decision-making process to suit individual funds and other parties.
- Seeks to strike a balance between investors and management teams in its distribution of returns.

Development of related management teams

In this role, the Sixth AP Fund participates in the development of private

equity funds, mainly in the venture capital segment.

The Sixth AP Fund:

- Invests in newly started private equity funds and management teams in the pharmaceuticals, medical technology and technology segments, or in other areas in which the Sixth AP Fund is able to provide special skills.
- Helps establish new managers with focused investment strategies.
- Plays an active role in the development of management teams and portfolio companies.
- Seeks to strike a reasonable and appropriate balance of influence and returns between investors and management teams.

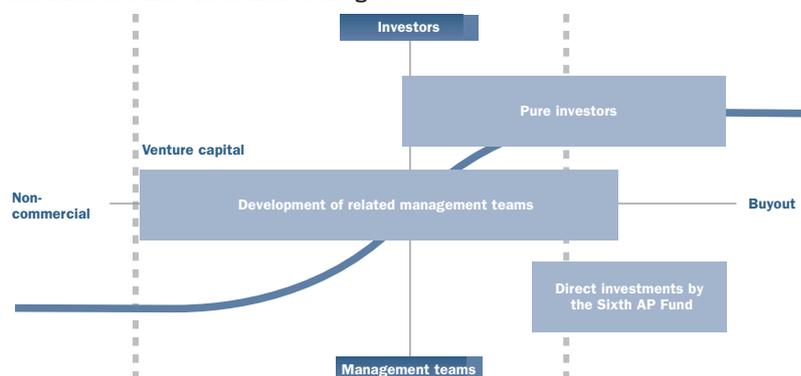
Direct investments by the Sixth AP Fund

In this role, the Sixth AP Fund invests directly in medium-sized unlisted companies, mainly in the buyout segment.

The Sixth AP Fund:

- Is very active in its development of portfolio companies, primarily through board participation and by acting as an advisor to company management teams.
- Makes the most of a strong brand and the ready availability of expertise.
- Is capable of considerable staying power as an evergreen fund not restricted by time.

The Sixth AP Fund's investment strategies



The Sixth AP Fund pursues three mutually complementary investment strategies on the private equity market.

Investments which the Sixth AP Fund avoids

In view of its mission and market analysis, the Sixth AP Fund has chosen to avoid certain investment strategies.

Three areas have been identified:

- Investments in the non-commercial, very early stages of the market.
- Direct investments in venture capital.
- Discretionary investments, with no form of influence. These are usually seen in the late buyout stages.

Portfolio manager Lars Ingelmark



Life Science Ventures

Cautious attitudes prevail.

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

Events during the year

- Sale of 50 per cent of the holding in the Carnegie Global Health Care Fund.
- Mölnlycke Health Care improved its cash flow considerably in 2004. A successor to CEO Finn Johnsson was recruited.
- Active participation in the work to complete a new share issue in Karo Bio.
- To exploit the potential of promising portfolio companies in Scandinavian Life Science KB and Medicon Valley Capital KB, additional capital has been committed together with the other investors.
- The structure of the Health & Brands fund has been streamlined.
- Life Science Ventures has invested in HealthCap's annex funds.

In 2004, the trend for life science was poor, both in the USA and in Europe. In Sweden, the Affärsvärlden Healthcare Index fell by 10.6 per cent. Several major pharmaceutical companies suffered setbacks. These setbacks have been in the form of both unexpected side effects shown by registered pharmaceuticals and unfavourable reactions to applications submitted to the U.S. Food and Drug Administration (FDA). In the USA, a number of acquisitions were completed, whereas in Sweden, market activity was subdued.

Prices have fallen for unlisted life science companies in Sweden. This is partly because investors have been cautious, partly because several private equity funds and companies have had poor liquidity. One reason for this is that the exit

processes have taken longer than planned. Several funds that have had insufficient capital available for second and third rounds of investment have started annex funds. Others that have lacked liquidity have seen their holdings diluted when they have been unable to invest their pro rata share. The shortage of capital has led to financial difficulties and reduced values for portfolio companies in 2004. Less successful companies are even in danger of being liquidated.

Financial results

At the end of the year, the market value of the portfolio was SEK 2,331 million. The profit before costs was SEK 47 million. This corresponds to a return of 2.1 per cent.



Financial results for Life Science Ventures

	2004	2003
Market-valued capital invested, SEKm	2,331	2,220
Profit/loss, SEKm*	47	274
Return, %*	2.1	14.4
Committed capital, SEKm	3,189	3,047

* before costs

The management team of a private equity fund is responsible for the entire process, from the investment to the sale of a portfolio company. The composition, experience and skills of the management team are therefore key to the success of every private equity fund. A presentation of the management teams with whom the Sixth AP Fund has chosen to work and the funds in which the Sixth AP Fund has chosen to invest follows below.

Management team

GATENBECK, ZACKRISSON & PARTNERS www.hbcapital.se

Investment phase Venture
Sector preference Life science
Investment region Nordic region **H & B CAPITAL**
Managed capital SEK 1,500m
Managing Director Lars Gatenbeck

KAROLINSKA INVESTMENT FUND www.karolinskafund.com

Investment phase Venture
Sector preference Pharmaceuticals, biotechnology and medical technology
Investment region Nordic region
Managed capital SEK 600m
Managing Director Kjell Simonsson



ODLANDER, FREDRIKSSON & CO www.ofco.se

Investment phase Venture
Sector preference Biotechnology and medical technology
Investment region Global
Managed capital SEK 6,344m **HealthCap**
Managing Director Björn Odlander

SCANDINAVIAN LIFE SCIENCE VENTURE www.slsventure.com

Investment phase Venture
Sector preference Pharmaceuticals, biotechnology and medical technology
Investment region Nordic region
Managed capital SEK 2,500m
Managing Director Jonas Frick



Directly-owned companies

MÖLNLYCKE HEALTH CARE has a long and prestigious history in the professional health care sector. An international group, the company develops, produces and markets single-use surgical and wound care solutions for health care professionals.

The company's Surgical business area manufactures and sells single-use surgical products under the Barrier®, Klinidrape® and ProcedurePak™ brands.

The Wound Care business area markets its products under the Tendra® brand. The product range consists primarily of sophisticated dressings for the treatment of chronic and traumatic wounds.

Mölnlycke Health Care AB, which has around 3,800 employees in some 30 countries, has its Head Office in Gothenburg.



Sales 2003 SEK 4,246m
Managing Director Finn Johnsson
Deputy Managing Director Ulf Mattsson
www.molnlycke.net

Life Science Ventures portfolio

FUNDS	Share %	Managed by	Vintage	Committed capital, SEKm
Carnegie Global Healthcare Fund	9.3	Carnegie	E/T	26
H&B II:s Sweden	15.7	Gatenbeck, Zackrisson & Partners	1999	134
HealthCap	12.1	Odlander, Fredriksson & Co	1997	31
HealthCap 1999	10.0	Odlander, Fredriksson & Co	2000	200
HealthCap Annex Fund I-II	38.9	Odlander, Fredriksson & Co	2003	100
HealthCap ColInvest	24.4	Odlander, Fredriksson & Co	1997	100
HealthCap III Sidefund	22.7	Odlander, Fredriksson & Co	2004	50
Innoventus Life Science I	32.7	Scandinavian Life Science Venture	2001	100
Karolinska Investment Fund	24.0	Karolinska Investment Fund	2000	144
Medicon Valley Capital	43.3	Scandinavian Life Science Venture	2000	219
Medicon Valley Capital Two	65.7	Scandinavian Life Science Venture	2002	197
Scandinavian Life Science Venture	98.5	Scandinavian Life Science Venture	2002	944
Scandinavian Life Science Venture Two	70.4	Scandinavian Life Science Venture	2002	500
Swedestart Life Science	16.3	CapMan, see Technology Ventures	2001	75
DIRECTLY-OWNED COMPANIES				
	Share %	Activity		
A+ Science	36.7	Commercialisation of university research	—	—
Biolvent International	2.7	Develops new protein-based pharmaceuticals	—	—
Karo Bio	2.4	Develops nuclear receptors for disease treatment	—	—
Mölnlycke Health Care	19.1	Single-use products for surgical and wound care applications	—	—
Tripep	1.1	Develops pharmaceutical candidates for treatment of HIV, etc.	—	—



Technology Ventures

Trend towards higher values.

The Technology Ventures portfolio invests in venture capital funds that specialise in early-phase development activities in IT, telecommunications, media and entertainment. Technology Ventures aims to be the lead investor in its various holdings and through active ownership, seeks to develop strong venture capital funds in order to generate high returns.

Events during the year

- Higher sales and improved market positions for the portfolio companies.
- Changes in value in the portfolio companies yielded positive results.
- Strong international progress for the portfolio companies.
- The portfolios are starting to enter the mature phase of development – more exits in the coming years.

The Nordic market for technological investments picked up during the year. International trends have also improved. Market trends saw a slight rise in the valuation of portfolio companies in the USA and Europe. The Swedish market has developed into an important market for new technology. Together with Finland, the USA and Israel, Sweden is one of the most innovative countries in the world.

High quality

Fund holdings include CapMan, IT Provider and BrainHeart Capital – which invest mainly in the expansion phase – as well as Creandum and Företagsbyggarna, which focus on investments in the start-up phase.

Most of the portfolio companies are quality investments and at the end of 2004, these companies had generally increased sales and improved their market positions. In 2005, the potential for a number of exits is promising. This is probably a trend that will continue to prevail as the portfolios begin to mature.

Financial results

At the end of the year, the market value of the portfolio was SEK 1,372 million. The profit before costs was SEK 170 million. This corresponds to a return of 17.0 per cent. The profit was largely attributable to changes in the value of the portfolio holdings.



Financial results for Technology Ventures

	2004	2003
Market-valued capital invested, SEKm	1,372	840
Profit/loss, SEKm*	170	-46
Return, %*	17.0	-6.4
Committed capital, SEKm	2,721	2,411

* before costs

The management team of a private equity fund is responsible for the entire process, from the investment to the sale of a portfolio company. The composition, experience and skills of the management team are therefore key to the success of every private equity fund. A presentation of the management teams with whom the Sixth AP Fund has chosen to work and the funds in which the Sixth AP Fund has chosen to invest follows below.

Management team

BRAINHEART CAPITAL www.brainheart.com

Investment phase	Venture	
Sector preference	Wireless technologies	
Investment region	Nordic region	
Managed capital	SEK 1,500m	
Managing Director	Ulf Jonströmer	

INNOVATIONSKAPITAL www.innkap.se

Investment phase	Venture	
Sector preference	ICT and life science	
Investment region	Nordic region	
Managed capital	SEK 1,800m	
Managing Director	Staffan Ingeborn	

CAPMAN www.capman.com

Investment phase	Venture and buyout	
Sector preference	Technology, life science and buyout	
Investment region	Nordic region	
Managed capital	SEK 10,520m	
Managing Director	Ari Tolppanen	

ITACT www.itact.com

Investment phase	Venture	
Sector preference	IT and technology	
Investment region	Sweden	
Managed capital	SEK 300m	
Managing Director	Fredric Gunnarson	

CREANDUM www.creandum.com

Investment phase	Venture	
Sector preference	Innovations involving a high degree of technology and global competitiveness	
Investment region	Nordic region	
Managed capital	SEK 300m	
Managing Director	Staffan Helgesson	

IT PROVIDER www.itprovider.com

Investment phase	Venture	
Sector preference	IT and technology	
Investment region	Nordic region	
Managed capital	SEK 3,000m	
Managing Director	Johan Hernmarck	

FÖRETAGSBYGGARNA www.foretagsbyggarna.se

Investment phase	Venture	
Sector preference	IT, telecommunications, media and life science	
Investment region	Sweden	
Managed capital	SEK 900m	
Managing Director	Lars Lindgren	

VISION CAPITAL www.visioncap.com

Investment phase	Venture	
Sector preference	IT and technology	
Investment region	Europe, with an emphasis on the Nordic region, Ireland, Scotland and the Alps region	
Managed capital	USD 200m	
Managing Director	Dag Syrrist	

Directly-owned companies

TODOS offers security solutions for remote authentication and operates mainly in Europe and Asia.

Todos currently focuses on solutions for e-banking, fixed and mobile telephony, payment solutions for e-commerce and smart card-readers for electronic banking trans-

actions. Todos has experience of developing cost-efficient smart card-based security solutions for mass markets.

The company achieves this through a combination of in-house expertise and close co-operation with its customers and strategic partners.



Sales 2003 SEK 20m
Managing Director Per Jacobsson
Managing Director Todos Asia and company founder Maw Tsong-Lin
www.todos.se

Technology Ventures portfolio

FUNDS	Share %	Managed by	Vintage	Committed capital, SEKm
BrainHeart Capital	39.2	BrainHeart Capital	2001	507
BrainHeart Capital Annex	53.6	BrainHeart Capital	2005	90
CapMan Equity Sweden	21.3	CapMan	2002	583
Creandum	49.3	Creandum	2003	148
FöretagsByggarna	N.A.	FöretagsByggarna	2002	N.A.
InnKap 2 Partners	5.4	InnovationsKapital	1999	19
InnKap 2 Co Investment Scheme	5.4	InnovationsKapital	2003	2
InnovationsKapital Fond I	28.6	InnovationsKapital	1997	50
InnovationsKapital Fond I – follow-on fund I	40.0	InnovationsKapital	2000	10
InnovationsKapital Fond I – follow-on fund II	40.0	InnovationsKapital	2002	12
IT Provider Century Fund	32.5	IT Provider	2001	163
IT Provider Fund IV	25.2	IT Provider	2003	300
Nth Power Technologies	7.9	Nth Power Technologies	1997	33
Slottsbacken Fund Two	37.5	FöretagsByggarna	2000	133
Slottsbacken Venture Capital	100.0	FöretagsByggarna	1996	178
Swedestart II	21.1	CapMan	1998	50
Swedestart Tech	20.6	CapMan	2000	150
V2 Co-investment Alfa	50.0	ITACT	2002	18
V2 Fund	18.0	ITACT	2000	50
Vision Capital	6.0	Vision Capital	1997	17
Vision Capital III	18.8	Vision Capital	2001	66
Vision Extension	6.2	Vision Capital	1999	28
DIRECTLY-OWNED COMPANIES	Share %	Activity		
Logitall	7.1	Purchasing portal for IT and IT-related products	—	—
Solibro	32.5	Development and production of solar cells for generating electricity	—	—
TDS Todos Data System	84.4	Supplies security solutions for remote authentication	—	—



Products & Services

New funds set up in 2004.

The Products & Services portfolio invests in private equity funds that focus on industrial enterprises and service companies. The portfolio companies in which the funds invest are in the expansion or mature phase of development and have significant development and growth potential.

Events during the year

- Extensive purchases and sales in the funds.
- Accent Equity Partners set up a new fund with EUR 250 million, of which the Sixth AP Fund committed EUR 50 million.
- Engelsberg Industriutveckling was founded by the Sixth AP Fund and Nordstjernan, with committed capital of SEK 300 million.
- EQT set up EQT IV, with EUR 2,500 million, of which the Sixth AP Fund committed EUR 50 million.

There is a good supply of capital in private equity funds that invest in Swedish growth companies and mature companies. International capital sources have expressed considerable interest in entering the Swedish buyout market. In Accent Equity Partners' new fund, more than half the committed capital came from abroad. In the early growth phase, however, there is a shortage of both capital and management resources. Engelsberg Industriutveckling is a joint venture by the Sixth AP Fund and Nordstjernan that aims to develop companies in this phase of development.

Long-term value creation

The focus in buyout funds has shifted from a short-term deal-oriented business to a long-term source of value creation through the development of portfolio companies. Increasingly fierce competition

for acquisitions has led to funds keeping their portfolio companies longer and taking part in more stages of development than previously.

The buyout funds' buyout of listed companies creates the scope to carry out capital-intensive measures for long-term development.

Stock exchange listings have not been a particularly successful exit route in 2004. Industrial and financial buyers have generally valued the portfolio companies higher.

Financial results

At the end of the year, the market value of the portfolio was SEK 2,017 million. The profit before costs was SEK 398 million. This corresponds to a return of 22.1 per cent. Portfolio companies were generally sold for higher prices than previous market valuations.



Financial results for Products & Services

	2004	2003
Market-valued capital invested, SEKm	2,017	1,867
Profit/loss, SEKm*	398	235
Return, %*	22.1	13.8
Committed capital, SEKm	4,327	3,573

* before costs

The management team of a private equity fund is responsible for the entire process, from the investment to the sale of a portfolio company. The composition, experience and skills of the management team are therefore key to the success of every private equity fund. A presentation of the management teams with whom the Sixth AP Fund has chosen to work and the funds in which the Sixth AP Fund has chosen to invest follows below.

Management team

ACCENT EQUITY PARTNERS www.accentequity.se

Investment phase Buyout
Sector preference None
Investment region Nordic region
Managed capital SEK 3,000m
Managing Director Jan Ohlsson



EQT www.eqt.se

Investment phase Buyout
Sector preference None
Investment region Northern Europe with emphasis on the Nordic region
Managed capital SEK 51,000m
Managing Director Conni Jonsson



AMPLICO KAPITAL AB www.amplico.se

Investment phase Reconstruction and buyout
Sector preference None
Investment region Sweden
Managed capital SEK 160m
Managing Director Mats Lindahl



NORDIC CAPITAL www.nordiccapital.com

Investment phase Buyout
Sector preference None
Investment region Nordic region
Managed capital SEK 22,000m
Managing Director Robert Andreen



ENGELSBERG www.engelsberg.se

Investment phase Venture
Sector preference Industrial solutions involving a high degree of technology
Investment region Sweden
Managed capital SEK 300m
Managing Director Mats Kraitsik Kalvik



Directly-owned companies

GÖTAVERKEN MILJÖ AB is a high-quality environmental company that specialises in emissions control and energy recovery. The company delivers turnkey facilities and provides services, as well as undertaking engineering and consultancy assignments.

Its core business focuses on wet flue gas cleaning systems for separating HCl, SO₂, HF and NH₃, as well as heavy metals, and includes world-leading technologies for dioxin and mercury separation.



Sales 2004 approx. SEK 100m
Managing Director Lennart Gustafsson
www.gmab.se

Products & Services portfolio

FUNDS	Share %	Managed by	Vintage	Committed capital, SEKm
Accent Equity 2003	20.0	Accent Equity Partners	2003	450
Amplico I	93.8	Amplico Kapital AB	1999	150
Baltic Rim Fund	22.8	Accent Equity Partners	1997	85
Engelsberg	40.0	Engelsberg	2004	150
EQT II – initial fund	3.5	EQT	1998	200
EQT II – follow-on fund	21.9	EQT	2002	100
EQT III	3.4	EQT	2001	603
EQT IV	2.0	EQT	2004	450
Industrial Development & Investment Equity	14.7	Industrial Development & Investment Equity	1997	150
Nordic Capital III	9.4	Nordic Capital	1998	300
Nordic Capital IV	7.1	Nordic Capital	2000	500
Nordic Capital V	3.3	Nordic Capital	2003	450
Nordico I	24.8	Accent Equity Partners	1999	N.A.
Nordico II	37.1	Accent Equity Partners	2000	124
Nordico III	99.3	Accent Equity Partners	2002	543
DIRECTLY-OWNED COMPANIES				
	Share %	Activity		
Ekström Management and Investment	20.0	Venture capital company in IT and telecommunications	—	—
Gar Förvaltnings	100.0	Flue gas cleaning and energy recovery	—	—
Götaverken Miljö	100.0	Flue gas cleaning and energy recovery	—	—



AP Direct Investments

Increasing market activity in 2004.

AP Direct Investments only invests directly in companies. Investments are made in well-established businesses in the goods and services sector, which, aided by changes in the financial or structural conditions, offer strong growth potential.

Events during the year

- Follow-on investment in MECA amounting to SEK 100 million.
- New investment in Sportex amounting to SEK 36 million.

Financial results for AP Direct Investments

	2004	2003
Market-valued invested capital, SEKm	2,749	2,330
Profit/loss, SEKm*	537	636
Return, %*	23.3	39.0
Committed capital, SEKm	1,844	2,223

* before costs

Market activity picked up in 2004. The price levels on available investments have risen considerably due to the vast amount of available capital and the fact that the number of auctions has risen in connection with the sale of companies. The limited scope for listing companies on the stock exchange has resulted in sales transactions between private equity investors becoming more common. Several companies have been the object of buyout bids.

Successful family-run businesses

AP Direct Investments has invested more than SEK 2 billion in Swedish unlisted companies. Common to all holdings is the long-term development perspective. The focus is on creating long-term value growth. Investments are made in compa-

nies with a strong market position and good growth potential. Among those companies well-poised to develop larger and stronger business constellations are the many successful family-run businesses which are preparing for a generation shift. A succession plan in which the entrepreneur remains part of the equation has several advantages. Firstly, family ties can be loosened. Secondly, there is scope for development while maintaining a long-term perspective to ownership.

Financial results

At the end of the year, the market value of the portfolio was SEK 2,749 million. The profit before costs was SEK 537 million. This corresponds to a return of 23.3 per cent.



AP Direct Investments portfolio

COMPANY	Share %	Activity
Lindab Intressenter	23.9	Supplies ventilation and profile systems to the construction industry
MECA Invest	91.7	Provides a modern workshop concept for independent car repair workshops
NS Holding (Norrporten)	33.3	Manages and develops commercial, centrally located properties
Sportex	60.0	Sports retailer
Tradex Holding	20.0	Supplies systems based on self-adhesive components for the telecommunications industry

Directly-owned companies

LINDAB is a world-leader in its field and develops, manufactures, markets and distributes products and systems solutions in thin sheet for an improved indoor climate and simplified construction. The Ventilation business area focuses on the ventilation industry and offers a wide range of products that includes everything from ventilation components to comprehensive indoor

climate solutions. The Profile business area offers customers a wide range of efficient, economic and aesthetically pleasing building solutions for residential accommodation and commercial properties.

The Head Office is situated in Grevie on the outskirts of Båstad and the Group has more than 3,700 employees in 26 countries.



Sales approx. SEK 5,500m
Managing Director Kjell Åkesson
www.lindab.se

MECA is one of Scandinavia's leading companies in the car spare parts and accessories market, supplying mainly to non-brand workshops. MECA operates in Sweden, Denmark and Norway. In addition to its role as an efficient supplier of products to workshops, MECA can offer workshop and service concepts – MECA Car Service and Bosch Car Service. The car

spare parts market is undergoing change, due, among other things, to technological developments and revised rules now that the EU's block exemption will cease to apply. This creates an excellent opportunity for the further development of MECA's business opportunities and market position.



Sales approx. SEK 1,400m
Managing Director Rickard Grann
www.meca.se

NORRPORTEN'S business case is to acquire, develop and manage properties in areas of regional importance in Sweden. Its holdings comprise centrally located properties – primarily commercial – of a high standard, with long leases and attractive tenants. Norrporten's 200 or so properties are in Luleå, Umeå, Sundsvall, Gävle, Uppsala,

Karlstad, Örebro, Linköping, Jönköping, Växjö, Kristianstad and Helsingborg. The properties have an overall surface area of 1.3 million sq.m., a rental value of SEK 1.4 billion and a total value of SEK 12 billion. Norrporten aims to seek further growth in the framework of its chosen strategy at the same time as the streamlining of the business will continue.



Managed capital SEK 12bn
Managing Director Anders Wiklander
www.norrporten.se

SPORTEX is a bicycle and sports retailer with a market-leading position in bicycles. Sportex is to expand its operations by setting up new outlets and by making acquisitions in order to become a leading retailer in sport and leisure activities. As part of this development, Sportex has acquired the voluntary chain of specialist retailers, Sportringen. The

Sportex Group comprises around 70 outlets – including 23 stores operated under the Sportex brand – located all over the country. The objective is to create a national chain of outlets that consumers perceive as being "a genuine sports shop" with a wide range of products for sport and leisure.



Sales approx. SEK 300m
Managing Director Lars-Åke Tollemark
www.sportex.se

TRADEX is a world-leading company that focuses on the development and manufacture of self-adhesive components and systems for assembling mobile telephones and similar products. The company's manufacturing units are located in Sweden, China and South Korea and it

operates dedicated sales offices in the USA, Singapore and Japan. It co-operates closely with its largest customers, Nokia, Motorola and Siemens, in order to be able to live up to the mobile telephone market's demands for innovation and flexibility.



Sales approx. SEK 500m
Managing Director Hans Eriksson
www.tradex-converting.com

FINANCIAL CONTROL

Liquidity forecasts – an important part of financial control.

Liquidity forecasts play an important role in the assessment of the Sixth AP Fund's available investment scope and asset allocation. The forecasts should provide a clear view of, and plan for, expected inward and outward flows. There are two types of capital: that which has been invested in funds and that which is committed but has not yet been paid out.

Return targets

The Sixth AP Fund has an absolute return target. The target is based on the risk-free interest rate, defined as the Swedish Central Bank's repo rate, plus a risk premium.

The Sixth AP Fund has developed a risk premium model to assess the risk of individual investments and thus set relevant return targets for them. The model is also used to set the absolute return target for the entire Private Equity operation.

The model is based on the assumption that the level of risk and the expected returns are different for different investments, depending on the sector and phase of development. In general, the risk level is higher for investments in the earlier phases of development than it is for mature investments. The level of risk is also higher for fast-growing research-intensive sectors, such as technology and biotechnology, compared to mature investment sectors such as property and industry.

The structure of the target means that it will vary over time, due to the fact that interest rate levels and the Sixth AP Fund's asset allocation will change.

Liquidity forecasts – growth in value

An investment in a private equity fund involves a financial commitment over a longer period of time. The contractual

period for funds is normally around ten years. After this period, the portfolio companies should be sold off and the funds repaid to investors.

During the lifetime of a fund, there are two types of capital for investors. In addition to the capital invested in the fund, there is capital which has been committed for investments in the fund, but which has not yet been paid out. As it is important for investors to be able to plan liquidity, liquidity forecasts are made regarding the expected flows of capital in and out of the fund.

Liquidity forecasts play a central role in the Sixth AP Fund's assessment of available investment scope and asset allocation. The forecasts are also used to estimate the growth of returns for private equity funds.

Internal Rate of Return (IRR)

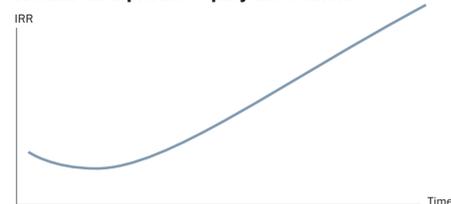
The return on a private equity investment is often measured by the IRR. The IRR describes an investment's annual return, based on its cash flows. Calculation of the IRR takes into consideration the time aspect regarding the capital that flows into and is distributed from a fund.

In order to assess the growth in value of a fund holding, the Sixth AP Fund calculates the forecast IRR based on actual performance and its liquidity forecast. The liquidity forecasts include

information about initial and follow-on investments, management costs and potential sales values. The forecast covers the contractual period of the fund, with dated cash flows. The forecast IRR indicates the growth in the value of the fund based on the exit strategies determined in the owner directive.

During a fund's initial years, the IRR is often low or negative. This is due to the payment of management fees and investments in portfolio companies. Holdings are normally valued according to their acquisition value and it may take a few years before the effects of active ownership motivate a higher valuation. Increases in the value of a portfolio are often realised in the later years of a fund's life when the portfolio companies have reached the mature phase and any premiums can be realised through sale.

Return on a private equity investment



During a fund's initial years, the IRR is often low or negative. It may take a few years before the effects of active ownership motivate a higher valuation.

Growth in value of the Sixth AP Fund's portfolio

The Sixth AP Fund's private equity portfolio has been built up gradually since 1997 and has to date consisted of relatively young holdings. The Sixth AP Fund produces ongoing liquidity forecasts for the planned investment and exit strategies of the funds. Using these as a starting point, the assessment is that significant values can be realised in the coming years as companies mature and are sold off.

It is important to remember that expected returns based on liquidity forecasts only provide an indication of what the return might be. The final outcome for a fund can only be determined once all the holdings in the fund have been sold off.

Allocation

The concept of optimum allocation is used to describe the asset portfolio that over a period of time is expected to yield the best relation between risk and return – based on the risk an investor is prepared to take. An optimum unlisted portfolio is more difficult to put together than an optimum listed portfolio, because there are no continuous quotations to rely on, so risk, return, and the correlation between the two cannot be calculated exactly. Further, private equity

is a young sector, so there is only a short history to analyse.

Based on the private equity market data available, the Sixth AP Fund has put together a private equity portfolio with optimum allocation. This has resulted in a portfolio with a large proportion of buyout investments, around 70 per cent, complemented by a smaller proportion of venture capital investments in technology and life science.

The reason for the high proportion of buyout investments is that they have historically represented a significantly lower risk than venture capital, yet offer comparable return ratios. An optimum portfolio still contains venture capital investments as the covariance between venture capital and buyout is relatively low. The overall risk of the portfolio can therefore be reduced.

Financial results

The results of the Private Equity operation comprise realised and unrealised results.

The unrealised result can be either a revaluation upwards or a depreciation of a holding's value in relation to the book value stated for the previous reporting period.

The Sixth AP Fund values all holdings according to their market value and applies EVCA guidelines (European

Private Equity & Venture Capital Association) as the basis for its valuation. This generally means that holdings are shown at their fair value while consideration is given to principles of caution and consistency in the valuations. This means that more recent holdings should be valued according to the acquisition cost, unless there has been a new round of financing or partial sale, in which a substantial investment has been made by a third party. In such cases, the valuation should be based on the price fixed at the time of the transaction. Another exception is where a permanent and substantial reduction in the value of the investment is deemed to have taken place. These circumstances require a depreciation to be reported.

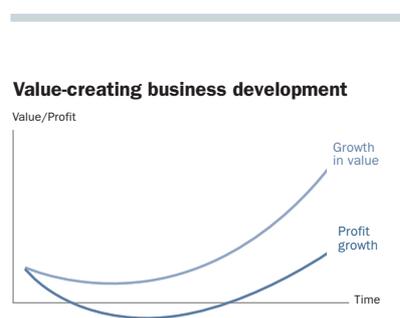
Other holdings are reported according to their fair value, which means that a market valuation is carried out in accordance with the sector's applicable valuation models.

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

CORPORATE GOVERNANCE

Value-creating business development through corporate governance.

The ownership horizon of a private equity investor is limited, ranging normally from three to seven years. Investments are made with the aim of generating returns on invested capital. The key to value creation is in understanding what drives the value of each specific company.



Growth in value is achieved as the value of the company increases through business development. Profit growth is achieved as the company generates profits. Growth in value and profit growth do not always occur simultaneously.

The conditions prevailing in the private equity market have changed over the past decade. There are more players in the market and a greater availability of capital. The market has become more exposed to competition.

One consequence of the fiercer competitive climate is that it has become considerably more difficult to buy attractive portfolio companies cheaply. To generate returns, greater demands are being placed on value creation in the portfolio companies during the ownership phase.

A key element of the process prior to an acquisition is to draft a plan for the development of the company during the ownership phase. When the acquisition is completed, this plan provides the owner with a clear picture of how the company should be developed up to the point of its sale.

Business development can be achieved if a company operating on a local market expands into a global market or changes its position in the value chain, e.g. from operating as a wholesaler to selling goods directly to end-customers by developing a distribution network.

Measuring growth in value

The growth in value of the shares in a company does not always follow the profit growth of the company. A development company in the technology or life science field will incur costs over a number of years in order to develop

a new technology or a new pharmaceutical product. During this period, the company will often report a loss. The value of the shares, on the other hand, may rise, e.g. if the product development activities in the company have produced a unique patent with considerable market potential.

The same can apply for investments in more mature companies. In the initial stages of ownership, it is not unusual to see radical changes being made, such as restructuring or rationalisation, that have a negative impact on earnings. Looking at the long-term perspective, such measures may have been absolutely necessary to create a competitive company.

In companies where share performance does not match the earnings trend, it is important to define other key ratios which illustrate whether the company is developing in a manner that is beneficial to the owners.

Methodology – owner directive and business plan

The Sixth AP Fund has drafted methods for working with the performance of holdings during the ownership phase. There are two cornerstones in this methodology: the owner directive and the business plan.

The owner is responsible for drafting an owner directive that clarifies the owner's aims with the holding. The owner directive should include the

owner's exit strategy, including an analysis of critical success factors for the selected strategy, type of buyer considered, expected value and time for exit. The plan should also specify those resources which the owner intends to contribute in the form of capital and human resources.

The owner directive outlines the basis of the commission issued by the owners to the company's board.

The board, together with company management, is responsible for drafting a business plan that is formulated in such a way that the owner's ambitions for the company can be realised. The business plan is an expression of the commitment made to the owners by the company's board and management to develop the company in line with the owner's aims for the investment.

What benefits can be achieved?

Working with owner directives is a long-term project that demands constant development. However, in a relatively short space of time, the Sixth AP Fund has already noted a positive impact from these working practices.

The Sixth AP Fund and those funds in which the Fund has invested normally own a portfolio company together with the company's founder, management or other players in the private equity market. In joint investments of this kind, it is important that the owners agree on how the company should be developed from the outset.

The method of combining owner directive and business plan ensures that the company's owners, board and management all pull in the same direction. These working practices also clarify the different roles of owner, board and man-

agement and create a common language for communication.

Greater focus on strategic issues

Working with owner directives and business plans has also resulted in a greater focus on strategic issues and measures that drive the value of the shares in the portfolio companies. As the owner directive defines those factors which create value when a company is sold, the method has also resulted in better monitoring and control.

The most important effect of the work is that the focus is being shifted from short-term profit growth to long-term value creation. The aim is to create healthy, competitive companies that future owners will be able to develop further. This is also an important element of the process to create credibility in private equity as an asset class.

Methods – owner directive and business plan



The owner directive outlines the basis of the commission issued by the owners to the company's board. The business plan outlines the undertaking given to the owners by the company's Board and management to develop the company in line with the owner's aims for the investment.

EVALUATION MODEL FOR PRIVATE EQUITY FUNDS

Fund terms ensure an alignment of interests.

The Sixth AP Fund has developed a model for evaluating private equity funds. The fund terms are a separate part of the evaluation. The fund terms should provide a reasonable balance of responsibility, influence and growth in value between the investors and the management team.

The Sixth AP Fund's model for evaluating private equity funds is used to evaluate new management teams as well as well-established management teams or teams to whom the Sixth AP Fund has previously committed capital.

The evaluation of private equity funds covers investment strategies, internal processes, management teams and fund terms.

Investment strategy

The investment focus of the private equity fund with regard to sector, phase and geographical considerations is evaluated and compared with the Sixth AP Fund's allocation plan and the Sixth AP Fund's assessment of the relevant market. An evaluation is also made of the fund's other investment criteria, such as the size of the portfolio company, participating interest and holding period. Further, the fund's position on the market is benchmarked against that of its competitors.

Internal processes

The processes of investment, business development and exit are all key to the success of private equity funds. The evaluation pays special attention to the assessment of the ability to build wor-

king processes and to work methodically according to these processes.

Management team

The composition of the management team is evaluated by taking account of the requirement for skills that support the chosen investment strategy and skills and experience in the three key processes. The evaluation includes an assessment of the ability to create qualitative deal flows, the ability to create value during the ownership phase and a knowledge and experience of relevant exit markets. The returns (net IRR) generated by the management team's previous funds are also analysed.

Fund terms

A separate part of the Sixth AP Fund's evaluation model concerns fund terms. Terms for private equity funds are not standardised in the same way as terms for listed products. The terms are instead formulated in connection with the establishment of the fund and are agreed after negotiations between the investors and the management team. The terms can therefore vary between funds depending on factors such as the proportion of international investors and on whether the fund is over-subscribed.

The Sixth AP Fund has formulated its basic view regarding fund terms used in the evaluation of funds. The purpose of this is to ensure that agreements negotiated produce a reasonable division of responsibility, influence and growth in value between investors and management. The basic view should support the Sixth AP Fund's objective as an investor in private equity to create high returns on invested capital within the framework of calculated risk.

Alignment of interests

The purpose of fund terms is to ensure an alignment of interests for the management team and investors as concerns the activities of the fund. The management team's incentives should be expressed in a way that guides the team in its decision-making and encourages it to act in a manner that is in line with the interests of the investors.

- **Management team's capital investment**
 - The management team should invest a substantial amount in the fund. This is to ensure that the returns of the private equity fund are of considerable importance to the management team.

- **Profit sharing**

- The profit-sharing model in a fund should be based on the principle that the management team only receives a share of the profits once the investors have made a profit on the investment. Among other things, this means that all the fund's costs should be taken into consideration before profits are shared and that the profit sharing should be based on the fund's total result.

- There should be balanced principles for the distribution of profits among the management team and for the handling of succession issues.

- **Management fee**

- The management fee should in principle correspond to the actual costs of managing a fund over its life. When assessing an appropriate level for the management fee, consideration should be given to how resource-intensive the management is. Any economies of scale that arise as the result of a team managing several funds in parallel should also be taken into consideration.

- The salaries and other remuneration of the management team should be in line with market levels. This is to

ensure that the funds in which the Sixth AP Fund has invested are able to attract people with the appropriate skills.

- When evaluating a fund, the Sixth AP Fund prefers to receive a budget for the management costs of the management company. This is necessary to be able to assess a reasonable level for the management fee. The activities of the Sixth AP Fund also involve continuously monitoring actual management costs throughout the life of the private equity fund.

Responsibility for entrusted funds

Contractual terms should be formulated in such a way that the investors are able to assume responsibility for entrusted funds. An investor's commitment extends to more than ten years so it is important that there is a balance between the investors and the management during this period. In light of this, the Sixth AP Fund considers that:

- The degree of influence from investors should be adapted to each individual fund. Investors should have more influence in funds that invest in early phases of development and in funds that are managed by newly-formed management teams.

- For funds that invest in the early phases of development and funds managed by newly-formed management teams, a board or committee should be appointed by the investors to take part in decisions regarding investments in and the sale of portfolio companies.

- Investors should be able to intervene in the event of major changes to the management team or if other circumstances arise which entail material changes in the fund. Appropriate measures could be a decision to terminate the investment period, the premature liquidation of the fund or the appointment of a new fund manager.

- Investors should be kept informed on an ongoing basis by way of investor meetings and regular reports. The reporting and valuation of holdings shall comply with EVCA guidelines.

PRINCIPLES OF DISCLOSURE

Transparency crucial to ensure governance and high ethical standards.

The Sixth AP Fund is required to meet high standards of accountability and openness. To achieve this, and to contribute to improving the competitiveness of private equity as an individual class of assets, the Sixth AP Fund has formulated principles of disclosure for private equity.

The Sixth AP Fund's principles of disclosure for private equity are as follows:

Full disclosure of information to investors

Management teams should provide investors with comprehensive information to ensure that the investors have an opportunity to assume responsibility for their investment.

Confidentiality

Strict confidentiality is vital to protect the private equity operation's core of ownership issues concerning unlisted portfolio companies, i.e. acquisitions, structural and development efforts, valuations and sales.

Openness

To counteract the risk of unhealthy elements and create confidence in the sector as well as enhancing the competitiveness of the asset class, information on the private equity market's structures and players must be available to the general public. The disclosure of such information should cover, to the degree required, details of legal structures and parties who have invested in the fund, the activities and financial terms of management teams and funds, as well as a description of portfolio company operations.

Economic growth is created by companies that develop and flourish.

This requires sound business cases, skills and capital, as well as a well-developed market that operates as a forum.

The private equity market has in its midst business innovators, businessmen skilled in business development and private equity investors. They create value in unlisted companies, which in turn contributes to economic growth. The market should provide a reasonable proportion of responsibility, legitimate influence and growth in value between capital and skill. The view of the Sixth AP Fund is that owners should govern companies to ensure that value is created by developing new business models and by rationalising operations.

Private equity should be a competitive asset class. This demands high ethical standards, strict confidentiality in business matters regarding the ownership of unlisted companies and a high degree of transparency surrounding the parties involved. This will ensure that investors are attracted and increase the scope for successful acquisitions and sales of portfolio companies, whilst creating public confidence.

Private equity for business development

Private equity should provide investors with returns by creating value in holdings. Creating value requires professional

business development, mutual respect between partners and joint responsibility.

All private equity funds should have investors who exercise active ownership. The forms of influence may vary, from active board representation to the possibility of leaving the investment, and should be systematised taking into consideration the size and strategic focus of the private equity fund, as well as the experience of the management team.

In management companies, private equity funds and portfolio companies, the efficient discharge of board duties must be based on openness between the parties and on the owners assuming responsibility for management remuneration issues.

In its capacity as an investor in private equity funds that also invests directly in companies, the Sixth AP Fund is required to live up to high standards of accountability and openness.

Disclosure

Transparency is crucial for ensuring control and high ethical standards. A party responsible for adopting a position that needs to bear public scrutiny, or scrutiny by clearly-defined principals, will tend to take responsible decisions that reflect high ethical standards. For this reason, a mutual understanding of the need for and degree of transparency should be developed within private equity.

Glossary.

The following glossary explains a number of concepts that are common in the field of private equity. The glossary is not an exhaustive list of terms, but provides some guidance in the reading of the annual report.

Annex fund

A fund started in connection with an existing fund only invests in the existing fund's portfolio companies.

Buyout

An investment that involves the buyout of a business from a company or a group of owners.

Carried interest

The share of the profits in a private equity fund distributed to the management team.

Committed capital

The capital which an investor has committed to a fund or company over a specific period of time.

Direct investments

Investment made directly in a portfolio company.

EVCA

European Private Equity & Venture Capital Association. A European organisation whose activities include issuing recommendations concerning the reporting and valuation of holdings in private equity funds.

Expansion phase

See Growth phase.

Fund of funds

A fund that invests in other funds, which in turn invest in shares and other equity-related instruments.

Growth phase

The phase during which a company has products and customers, when production/sales are rising steadily, but when the company has not begun to show profits.

Hedge fund

A fund with less stringent investment rules than a traditional fund and which strives for absolute returns.

Hurdle rate

The return on amounts invested that is allocated to investors before the management team is entitled to receive carried interest in a private equity fund.

Indirect investment

Investments made in a fund or company, which in turn invests in a portfolio company.

Internal Rate of Return (IRR)

The internal rate of return describes the return on an investment in the form of an annual average rate.

J-curve

Illustrates the performance of a private equity fund's returns. The curve forms the shape of the letter J.

Listed company

A company whose shares are listed on an authorised stock exchange.

Management company

The company in which the management team is employed.

Management fee

The annual fee paid to a management team for managing a fund.

Management team

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

Mature phase

A company is said to be in a mature phase of development when it has passed its first growth period and entered a period of stabilisation and consolidation.

Portfolio company

The companies in which a private equity fund invests are often referred to as portfolio companies.

Preferred return

See Hurdle rate.

Private equity

Investment in the equity of unlisted companies with active ownership commitment over a limited period of time.

Private equity fund

A fund which invests in unlisted companies and where the ownership commitment is both active and limited in time.

Pro rata

The share of a particular owner.

Repo rate

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

Risk premium

The compensation that an investor requires from an investment in, for example, shares rather than investing in risk-free assets.

Second-hand market

Trading with shares in unlisted companies and units in private equity funds.

Seed phase

A business in the seed phase is in a very early phase of development where an inventor or innovator evaluates or tests a concept or idea in order to develop a product before the company has been set up or where a research project is deemed to have commercial potential.

Sharpe ratio

A measure of a portfolio's risk-adjusted return. It is calculated as the return in excess of the risk-free interest rate in relation to the investment's risk and defined as standard deviation.

Standard deviation

A statistical measurement that indicates the spread in a data set. The standard deviation for a series of returns is normally calculated using daily returns that are translated into an annualised figure.

Start-up phase

A newly-formed company whose product has not been commercially tested is said to be in the start-up phase. The company is preparing to prove the commercial value of its product and to actively start marketing.

Structural capital

The joint knowledge capital of a company or organisation, compiled and documented in the systems of the company/organisation.

Time-Weighted Return (TWR)

Time-weighted return calculated on a daily basis.

Unlisted company

A company whose shares are not listed on an authorised stock exchange.

Venture capital

An investment made in companies in the seed, start-up or expansion phase of development.

Directors' report.

The Board of Directors and Managing Director of the Sixth Swedish National Pension Fund (the Sixth AP Fund) herewith present their annual report of the Sixth AP Fund's operations for the financial year 2004. The income statement, balance sheet and notes to the accounts following this report constitute an integral part of the annual report.

FINANCIAL YEAR 2004

Profits and returns

The profit for the year amounted to SEK 1,110 million (1,153m). The overall return for all investment activities by the Sixth AP Fund was 8.6 per cent (10.7%). Compared to the absolute return target for 2004, 6.4 per cent, the return exceeded the target by 2.2 percentage points.

The Sixth AP Fund's return target is an absolute return target. This target is based on the risk-free interest rate, defined as the repo rate, plus a risk premium. For 2004, the absolute return target was 6.4 per cent. The average repo rate was 2.2 per cent.

Of the Sixth AP Fund's profit before costs, SEK 1,152 million (1,099m) came from the Private Equity operation and SEK 298 million (394m) from Asset Management.

The return after costs was 11.9 per cent for the Private Equity operation (14.6%) and 4.4 per cent for Asset Management (6.7%). The return thus exceeded the absolute return target by 3.2 percentage points for the Private Equity operation and by 0.7 percentage points for Asset Management.

The profit represents growth in the value – realised and unrealised – of the Sixth AP Fund's assets, returns in the form of interest, dividends and options premiums. The costs comprise internal administration costs and external management costs. The realised profit consists partly of the difference between sales proceeds and book value at the disposal of holdings, partly of the write-down of book value, where applicable. Dividends amounted to SEK 99 million (71m).

The Sixth AP Fund's total management costs for the year amounted to SEK 340 million (340m). In 2004, external management costs of SEK 219 million were charged to the Sixth AP Fund's income statement (187m). The amount relates to remuneration for the management of private equity funds and funds managed externally on behalf of Asset Management.

The Sixth AP Fund's investment assets are valued according to their fair value. Listed holdings are valued at the closing price on the closing date, while unlisted holdings are valued

Return trend 1999–2004

(%)	1999	2000	2001	2002	2003	2004
Private Equity operation	33.3	17.0	11.1	-21.7	14.6	11.9
Asset Management	60.4	-6.3	-13.8	-34.7	6.7	4.4
Total, Sixth AP Fund	55.8	-1.3	-8.0	-30.9	10.7	8.6
SIX Return Index 1999–2002. Absolute return target 2003–2004	67.4	-11.9	-14.2	-35.7	7.4	6.4

Profit/loss summary

(SEKm)	1996	1997	1998	1999	2000	2001	2002	2003	2004
Private Equity operation	0	0	-23	504	624	503	-1,276	1,099	1,152
Asset Management	124	853	967	6,283	-870	-1,911	-3,529	394	298
Internal administration costs	-4	-35	-63	-78	-122	-148	-150	-153	-121
External management costs	0	-2	-21	-37	-60	-124	-152	-187	-219
Profit/loss for the year	120	816	860	6,672	-428	-1,680	-5,107	1,153	1,110

Fund capital

(SEK bn)	1996	1997	1998	1999	2000	2001	2002	2003	2004
Private Equity operation	—	0.4	0.9	2.6	3.7	6.0	5.9	7.3	8.5
Asset Management	10.5	10.9	11.3	16.2	14.7	10.7	5.7	5.5	5.4
Total capital	10.5	11.3	12.2	18.8	18.4	16.7	11.6	12.8	13.9

The above table represents the internal portfolio composition.

The sub-totals stated in the list cannot be directly reconciled to figures in the balance sheet.

using EVCA principles (see Note 1 under Accounting Principles on page 38). This means that in addition to realised profit/loss, the Sixth AP Fund reports any unrealised change in value that arises during the reporting period in question.

Fund capital

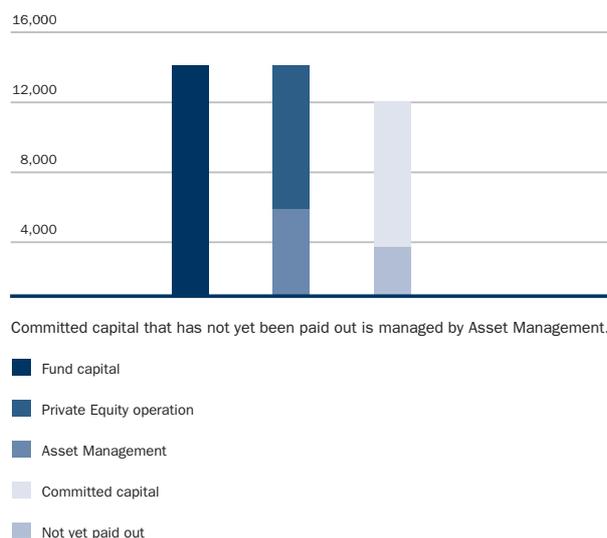
The value of the fund capital managed by the Sixth AP Fund rose by SEK 1.1 billion during the year.

Since the Sixth AP Fund's inception in 1996, the value of its fund capital has risen by SEK 3.5 billion, and at the end of 2004, it totalled SEK 13.9 billion. This represents an overall growth of 34 per cent in the value of invested capital since 1996.

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

At the year-end, SEK 12.1 billion of the Sixth AP Fund's capital was committed to investments in private equity funds or companies owned directly by the Sixth AP Fund. Of this committed capital, around SEK 3.6 billion has not yet been paid out.

Fund capital, portfolios and committed capital, SEK bn



Private Equity operation

The Sixth AP Fund's Private Equity operation has four portfolios. At the end of 2004, the Sixth AP Fund held shares in more than 320 different companies, most of which were owned via the 51 private equity funds in which the Sixth AP Fund invests. The market value of the Private Equity operation was SEK 8.5 billion as at 31 December (7.3bn). During the year the Sixth AP Fund made new and follow-on investments amounting to around SEK 1,300 million. In connection with the sale of portfolio companies in private equity funds and directly-owned companies, around SEK 1,200 million has been paid back to the Sixth AP Fund.

Private Equity operation's capital by sector and phase, %

As at 31 December 2004	Properties/Other financial services	Life science	Products and services	Technology	Total
Venture	0	15	1	16	32
Buyout	11	13	44	0	68
Total	11	28	45	16	100

Life Science Ventures

At the end of the year, the market value of the Life Science Ventures portfolio was SEK 2,331 million. The profit before costs was SEK 47 million for 2004, which represents a return of 2.1 per cent. During the year, 50 per cent of the Carnegie Health Care Fund holding was sold, resulting in a profit of SEK 76 million.

The holdings in Mölnlycke Health Care and Carnegie Health Care Fund showed positive growth.

To exploit the potential of promising portfolio companies, a further SEK 200 million has been committed to the existing funds Scandinavian Life Science Venture and Medicon Valley Capital. An additional SEK 50 million has been committed to the HealthCap III Sifund.

Technology Ventures

At the end of the year, the market value of the Technology Ventures portfolio was SEK 1,372 million. The profit before costs was SEK 170 million for 2004, which represents a return of 17.0 per cent. This profit is mainly attributable to the positive growth in value shown by a number of portfolio companies during the year.

During the year, SEK 90 million in new capital was committed to the BrainHeart Capital Annex fund. Additional units have been acquired in the funds BrainHeart Capital and Slottsbacken Fund Two, resulting in an increase of committed capital of around SEK 250 million.

Products & Services

At the end of the year, the market value of the Products & Services portfolio was SEK 2,017 million. The profit before costs was SEK 398 million for 2004, which corresponds to a return of 22.1 per cent. The year has been characterised by extensive buying and selling in the funds.

The profit is primarily attributable to Nordic Capital's sale of Wilson Logistics Holding AB, EQT's sale of Eldon Thule Intressenter AB and Dahl Intressenter AB and changes in the value of the portfolios held by EQT, Nordic Capital and Accent.

During the year, EUR 50 million was committed to each of the new funds EQT IV and Accent Equity 2003. Also, Engelsberg Industriutveckling was founded together with Nordstjernen. The committed capital of the new fund is SEK 300 million.

The companies Aspen Invest and Norr Sâdd Holding have been sold off.

AP Direct Investments

The market value of the AP Direct Investments portfolio totalled SEK 2,749 million at the year-end. The profit before costs was SEK 537 million for 2004, which represents a return of 23.3 per cent.

During the summer of 2004, a new investment of SEK 36 million was made in Sportex AB. In December, there was a new share issue of SEK 100 million in MECA.

The portfolio's profit is primarily attributable to favourable changes in the value of the portfolio companies.

Asset Management

Asset Management made a profit before costs of SEK 298 million in 2004 (394m). The return after costs was 4.4 per cent (6.7%) and thus exceeded the return target of 3.7 per cent.

Asset Management manages that part of the Sixth AP Fund's capital that has not yet been invested in the Private Equity operation. This capital currently stands at SEK 5.4 billion. Of this SEK 5.4 billion, some SEK 3.6 billion has already been committed to investment in those private equity funds and companies in which the Sixth AP Fund already owns units and shares. Liquidity forecasts are used to assess when to make payments to and from funds and companies. These forecasts determine the time horizon for the management of the capital. Short-term liquidity requirements are met by investments in assets with a low risk.

During the year, Asset Management has sought to limit the level of risk in its operations. The manager risk has been reduced by investments in a number of new funds and by

Private Equity operation

As at 31 December 2004	Capital, SEKm	Profit/loss* SEKm	Return* %
Life Science Ventures	2,331	47	2.1
Technology Ventures	1,372	170	17.0
Products & Services	2,017	398	22.1
AP Direct Investments	2,749	537	23.3
Total	8,469	1,152	

LIFE SCIENCE VENTURES	2004	2003
Market-valued capital invested, SEKm	2,331	2,220
Profit/loss*, SEKm	47	274
Return*, %	2.1	14.4
Committed capital, SEKm	3,189	3,047

TECHNOLOGY VENTURES	2004	2003
Market-valued capital invested, SEKm	1,372	840
Profit/loss*, SEKm	170	-46
Return*, %	17.0	-6.4
Committed capital, SEKm	2,721	2,411

* before costs

PRODUCTS & SERVICES	2004	2003
Market-valued capital invested, SEKm	2,017	1,867
Profit/loss*, SEKm	398	235
Return*, %	22.1	13.8
Committed capital, SEKm	4,327	3,573

AP DIRECT INVESTMENTS	2004	2003
Market-valued capital invested, SEKm	2,749	2,330
Profit/loss*, SEKm	537	636
Return*, %	23.3	39.0
Committed capital, SEKm	1,844	2,223

Asset Management

	2004	2003
Market-valued capital invested, SEKm	5,413	5,516
Profit/loss*, SEKm	243	394
Return*, %	4.4	6.7

reallocations in the portfolio. At the end of 2004, Asset Management had twelve external managers compared with seven at the end of 2003. Overall, the market risk has been kept low, e.g. by protecting the portfolios with index derivatives and by exploiting the low or negative correlation between shares and bonds. This resulted in a very low risk during the year. The standard deviation was 2.48 per cent. The risk-adjusted return, measured using the Sharpe ratio, was 1.20.

Management costs

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

The Sixth AP Fund's overall management costs totalled SEK 340 million in 2004 (340m), of which personnel costs accounted for SEK 55 million (62m), other administration

costs SEK 66 million (91m) and external management costs 219 million (187m).

The Sixth AP Fund's personnel costs are made up of costs for the management of the Sixth AP Fund's investments in private equity funds and directly-owned companies, asset management, company management and specialist functions.

The other administration costs are related mainly to the cost of premises, consultants, travel, IT and general office expenses.

External management costs are related mainly to management fees paid to management teams who manage funds in which the Sixth AP Fund invests. The agreed fee normally corresponds to 1.5–3.0 per cent of the capital committed to the funds. At the end of the fund's investment period, the management fee is gradually reduced as the fund's portfolio companies are sold off. The management fee normally covers the fund's current expenses for management. The increase in costs compared to 2003 is due to the fact that the Sixth AP Fund has committed capital to a number of new funds.

Unlike some other market players, the Sixth AP Fund has chosen to write off all management fees as an expense.

Personnel

At the end of the year, the Sixth AP Fund had 27 employees (32). Further personnel details are given in Note 6, along with a description of the Sixth AP Fund's incentive scheme.

Income statement.

SEKm	Note	2004	2003
Private Equity operation			
Capital gain/loss		-218	-442
Unrealised profit/loss	2	1,266	1,465
Dividend		18	21
Net interest income/expense		90	72
Other financial expenses	3	-4	-17
Private Equity operation total		1,152	1,099
Asset Management			
Capital gain/loss	4	-37	-1,113
Unrealised profit/loss	5	245	1,386
Dividend		81	50
Net interest income/expense		9	71
Asset Management total		298	394
Expenses			
Personnel costs	6	-55	-62
Other administration costs	7	-66	-91
External management costs		-219	-187
Total expenses		-340	-340
Profit for the year		1,110	1,153

Balance sheet.

SEKm	Note	31 Dec 2004	31 Dec 2003
ASSETS			
Investment assets			
Shares and participating interests in listed companies	8	2,537	2,658
Shares and participating interests in unlisted companies	9	7,334	6,337
Shares and participating interests in unlisted subsidiaries	10	1,699	1,400
Other interest-bearing securities	11	1,838	2,740
Total investment assets		13,408	13,135
Receivables and other assets			
Inventories and other tangible assets		2	2
Other current receivables		1,131	497
Liquid assets		49	6
Prepaid expenses and accrued income	12	19	31
Total receivables and other assets		1,201	536
Total assets		14,609	13,671
FUND CAPITAL AND LIABILITIES			
Fund capital			
Initial capital		10,366	10,366
Profit brought forward		2,409	1,256
Profit/loss for the year		1,110	1,153
Total fund capital		13,885	12,775
Current liabilities			
Accrued expenses		20	37
Other current liabilities	13	704	859
Total current liabilities		724	896
Total fund capital and liabilities		14,609	13,671
Pledged assets		10	23
Contingent liabilities		13	19
Commitments			
– contractual commitments for capital contribution		3,594	2,939

Notes.

All figures are given in SEK million unless otherwise stated

Note 1 Accounting principles

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

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

Reporting and valuation of unlisted securities

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

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

Convertible loans are stated under the item Shares and participating interests, unlisted companies, as it is the intention of the Sixth AP Fund to convert these to shares.

Premiums paid in respect of positions in unlisted derivative instruments have been reported as a liability. These premiums are reported together with the underlying value of the asset.

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

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

The acquisition value of a fund refers to all outgoing payments made except the management fee.

Reporting and valuation of listed securities

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

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

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

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

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

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

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

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

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

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

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

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

Fees to external managers

Management costs in private equity funds are reported as continuous expenses in the income statement, regardless of the type of management and method of payment chosen and regardless of the structure of the legal agreement. These costs are reported separately from the Sixth AP Fund's own administration costs.

General accounting principles

Consolidated accounts have not been prepared as the subsidiaries are regarded to be of negligible importance with regard to the demand for a true and fair view and the shares and participating interests in subsidiaries are valued at their fair value.

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

The depreciation period for inventories and other tangible assets is 3–5 years.

The Sixth AP Fund is exempt from income tax on its investments in Sweden.

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

Memorandum items

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

Note 2 Unrealised profit/loss, Private Equity operation

	2004	2003
Change in value for the period	1,037	887
Return of previous change in value	229	578
Total	1,266	1,465

Note 3 Other financial expenses, Private Equity operation

	2004	2003
Conditional shareholders' contribution paid	4	17
Total	4	17

Note 6 Personnel costs

	2004	2003
Salaries and fees		
Chairman of the Board	0.1	0.1
Managing Director	2.5	2.2
Board, excluding Chairman	0.3	0.2
Senior management team, excluding Managing Director	8.4	8.2
Other employees	18.6	17.5
Total	29.9	28.2
Incentive scheme		
Managing Director	—	1.0
Senior management team, excluding Managing Director	1.4	3.7
Other employees	1.9	4.1
Total	3.3	8.8
Social security expenses		
Chairman of the Board	0.0	0.0
(of which pension costs)	(0.0)	(0.0)
Managing Director	2.2	2.3
(of which pension costs)	(1.4)	(1.3)
Board, excluding Chairman	0.1	0.1
(of which pension costs)	(0.0)	(0.0)
Senior management team, (of which pension costs)	5.5	6.0
	(2.9)	(3.5)
Other employees	12.0	13.5
(of which pension costs)	(6.4)	(7.4)
Total	19.8	21.9
(of which pension costs)	(10.7)	(12.2)
Other personnel costs	2.3	3.0
Total	55.3	61.9
Average number of employees	26	30
(of whom women)	(15)	(16)
Number of employees as at 31 December	27	32
(of whom women)	(14)	(22)

The Managing Director's employment contract contains specific provisions regarding retirement benefits and severance pay. Annual contributions to pensions are made, corresponding to 35 per cent of the gross salary. These provisions entail retire-

Note 4 Capital gain/loss, Asset Management

	2004	2003
Capital gain, net		
Shares and participating interests	35	—
Bonds and other interest-bearing securities	13	8
Total	48	8

	2004	2003
Capital loss, net		
Shares and participating interests	—	-897
Derivatives	-85	-224
Total	-85	-1,121
Total	-37	-1,113

Note 5 Unrealised profit/loss, Asset Management

	2004	2003
Unrealised profit/loss, net		
Shares and participating interests	257	1,385
Bonds and other securities	-12	1
Total	245	1,386

ment at the age of 62, entitlement to severance pay for 18 months and notice of 6 months. Deductions are made for any other remuneration received by the Managing Director. The Managing Director does not participate in the incentive scheme.

The total remuneration to the Sixth AP Fund's management group, including the Managing Director, but not including the outcome of incentive schemes, amounted to SEK 11,668 thousand. Members of the management group have pension agreements that have been negotiated individually with pension provisions that represent a proportion of the fixed salary until employment ceases. The Sixth AP Fund has no undertakings regarding future pensions and pension provisions. The average period of notice for members of the management team is 12 months. The results of incentive schemes do not count as pensionable income.

With the exception of the Managing Director, all employees of the Sixth AP Fund are included in incentive schemes. Payments under incentive schemes are subject to the return target for the entire Sixth AP Fund being exceeded. The maximum amount payable is the equivalent of two monthly salaries. The Sixth AP Fund's total return for 2004 was 8.6 per cent, which means that the absolute return target was exceeded by 2.2 percentage points.

The Sixth AP Fund's earnings included a charge of SEK 3,330 thousand (excluding social security contributions) for payments made under the incentive scheme.

With the exception of the board fee, the Sixth AP Fund's Board received no further remuneration. Absence due to illness for all employees of the Sixth AP Fund totalled 38.5 days for the year. To protect the integrity of individuals, these statistics have not been broken down according to age or gender.

Planning and decision-making process

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

Note 7 Other administration costs

	2004	2003
Property-related costs	9	8
Information and computer expenses	6	7
Services bought	28	39
Other	23	37
Total	66	91

Services bought include remuneration to auditors (excluding Swedish VAT)

	2004	2003
Audit fees		
KPMG	1.1	0.7
Öhrlings PricewaterhouseCoopers	0.2	0.3
Total	1.3	1.0

Other assignments to audit firms

	2004	2003
KPMG	0.1	0.2
Öhrlings PricewaterhouseCoopers	—	0.1
Total	0.1	0.3
Total	1.4	1.3

Note 8 Shares and participating interests in listed companies

Share	Number of participating interests	Share of equity, %	Voting rights, %	Market value
BioInvent International	792,949	2.7	2.7	7
Ericsson B	1,400,000	0.0	0.0	30
Karo Bio	732,208	2.3	2.3	9
Tripep	147,231	1.1	1.1	1
Didner & Gerge Aktiefond	284,598			202
Eikos	430			77
Enter Sverige Fokus	417,539			436
Graal	576,866			77
Lannebo Total	981,540			1,300
HQ Nordic Hedge	443,835			51
Odin Sverige II	1,287,575			159
RAM ONE	64,499			61
Yield	66,180			76
Equity derivatives				51
Total				2,537

Commission paid in 2004 amounted to around SEK 9.1 million.

Call options issued

Call options issued (SEKm)	Redemption date	Redemption date	Acquisition value
Warrants			
Bure	1 Apr 2005	23.1	3.6
Bure	3 Oct 2005	29.9	4.3
Total		53.0	7.9

Note 9 Shares and participating interests in unlisted companies

Company	Org. no.	Registered office	Number of participating interests	Voting rights, %	Share of equity, %	Acquisition value
A+ Science AB	556544-2521	Gothenburg	26,677,283	36.7 *	36.7	0
Accent Equity Partners AB	556601-2315	Stockholm	1,000	10.0	10.0	0
AEP 2003 KB	969694-5196	Stockholm			15.8	0
CashCap AB	556533-1930	Stockholm	12,062	12.1	12.1	0
Cognition AB	556520-8930	Gothenburg	1,300,000	0.8	0.4	0
Creandum Advisor AB	556644-0300	Stockholm	23,865	21.5 *	21.5	0
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
Findus AB	556571-2709	Bjuv	17,733,989	7.9	7.9	120
InnovationsKapital Management i Gbg AB	556541-0064	Gothenburg	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	0.1	0.1	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	Gothenburg	1,773	37.6 *	37.6	1
MVC Holding AB	556623-1816	Gothenburg	66,667	66.7 *	66.7	0
Mölnlycke Health Care AB	556547-5489	Gothenburg	15,731,914	19.1	19.1	303
NE Advisory AB	556577-4493	Stockholm	18,422	18.4	18.4	0
NS Holding AB	556594-3999	Sundsvall	1,213,256	33.3 *	33.3	1,100
Nybron International Flooring			2,305,182	23.1 *	23.1	128
Simpleworld AB ¹⁾	556399-2790	Stockholm	30,000	8.5	8.5	0
Slottsbacken Fund II 2003 AB	556648-9729	Stockholm	545	54.5 *	54.5	0
SLS Venture GP AB	556628-4641	Gothenburg	6,723	82.3 *	82.3	6
SLS Venture Two GP AB	556628-4674	Gothenburg	889	36.5 *	36.5	0
Solibro AB	556603-1596	Uppsala	45,455	32.5 *	32.5	5
Tradex Holding AB	556523-6881	Kungälv	2,690,559	20.0 *	20.0	85
Volcano Communications Technologies AB	556551-3503	Gothenburg	750	4.8	4.8	5
Total, companies						2,350

* Associated company 1) The company has been declared bankrupt

Cont. Note 9

Funds	Org. no.	Registered office	Share of equity, %	Acquisition value
Accent Equity 2003 KB	969694-7739	Stockholm	51.5 *	97
Amplico I KB	969656-4088	Gothenburg	93.8 *	95
Baltic Rim Fund Ltd			22.8 *	40
BrainHeart Capital ANX KB	969703-4685	Stockholm	59.4 *	-2
BrainHeart Capital KB	969674-4102	Stockholm	43.4 *	340
CapMan Equity Sweden KB	969683-1321	Stockholm	96.5 *	224
Creandum KB	969690-4771	Stockholm	49.3 *	4
Engelsberg Industriutveckling AB	556625-0923	Stockholm	40.0 *	53
EQT II			4.8	114
EQT IV 2004 KB	969697-5888	Stockholm	100.0 *	2
Femfond KB	969687-5062	Stockholm	3.3	147
H&B II:s Sweden KB	969664-6570	Stockholm	49.5 *	91
HealthCap 1999 KB	969656-1647	Stockholm	10.5	130
HealthCap Annex Fund I-II KB	969690-2049	Stockholm	38.9 *	56
HealthCap CoInvest KB	969625-6255	Stockholm	24.4 *	77
HealthCap III Sidefund KB	969699-4830	Stockholm	22.7 *	38
HealthCap KB	969614-4162	Stockholm	12.1	7
Industrial Development & Investment Equity KB	969640-9631	Stockholm	14.7	22
InnKap 2 Partners KB	969661-4735	Gothenburg	5.4	8
InnovationsKapital Fond I AB	556541-0056	Gothenburg	31.3 *	35
Innoventus Life Science I KB	969677-8530	Uppsala	32.7 *	36
IT Provider Century Fund KB	969673-0853	Stockholm	98.5 *	71
IT Provider Fund IV KB	969687-5468	Stockholm	59.1 *	27
Karolinska Investment Fund KB	969665-3444	Solna	24.0 *	64
Medicon Valley Capital KB	969657-5886	Gothenburg	86.5 *	139
Medicon Valley Capital Two KB	969680-3056	Gothenburg	98.5 *	30
Nordic Capital III			9.4	175
Nordico I KB	969660-1518	Stockholm	37.1 *	0
Nordico II KB	969660-1500	Stockholm	37.1 *	96
Nordico III KB	969680-3007	Stockholm	99.3 *	112
Northern Europe Private Equity KB	969670-3405	Stockholm	69.1 *	407
Scandinavian Life Science Venture KB	969680-2991	Gothenburg	98.5 *	631
Scandinavian Life Science Venture Two KB	969680-5291	Gothenburg	70.4 *	76
Slottsbacken Fund Two KB	969660-9875	Stockholm	54.5 *	46
Swedestart II KB	969648-6431	Stockholm	21.1 *	27
Swedestart Life Science KB	969675-2337	Stockholm	16.3	28
Swedestart Tech KB	969674-7725	Stockholm	20.6 *	63
V2 Co-investment Alfa KB	969677-6989	Stockholm	50.0 *	19
V2 Fund KB	969665-1281	Lund	18.0	27
Total, funds				3,652
Total acquisition value				6,002
TOTAL MARKET VALUE				7,334

* Associated company 1) The company has been declared bankrupt

Note 10 Shares and participating interests in unlisted subsidiaries

Shares and participating interests	Org. no.	Registered office	Number of participating interests	Voting rights, %	Share of equity, %	Acquisition value
AP Riskkapital AB	556536-4139	Gothenburg	30,000	100.0	100.0	53
Aumar AB	556631-5932	Gothenburg	1,000	100.0	100.0	28
Auvimo AB	556587-9565	Gothenburg	1,000	100.0	100.0	0
Auvimo KB	969621-7729	Gothenburg			100.0	102
Creandum AB	556544-8791	Gothenburg	1,000	100.0	100.0	0
Ferox Syd AB	556591-2259	Malmö	1,110	100.0	100.0	10
Fyrfond AB	556591-7027	Gothenburg	1,000	100.0	100.0	0
Fyrfond KB	969661-3109	Gothenburg			100.0	325
Gar Förvaltnings AB	556312-2968	Gothenburg	168,182	100.0	100.0	0
Götaverken Miljö AB	556652-2743	Gothenburg	5,000	100.0	100.0	20

Cont. Note 10

Shares and participating interests	Org. no.	Registered office	Number of participating interests	Voting rights, %	Share of equity, %	Acquisition value
Healthcare Göteborg AB	556572-2088	Gothenburg	1,000	100.0	100.0	0
Healthcare Göteborg KB	969654-8396	Gothenburg			100.0	26
Ilö Förvaltnings AB	556542-6151	Gothenburg	1,000	100.0	100.0	0
NetSys Software Group AB ¹⁾	556253-4015	Gothenburg				
Industrial Equity (I.E.) AB	556599-9702	Gothenburg	1,000	100.0	100.0	0
MECA Invest AB	556601-9757	Malmö	85,916	91.0	91.7	418
NetSys Technology Group Holding AB	556550-2191	Möndal	100,000	100.0	100.0	0
Scandinavian Life Science Venture AB	556587-9771	Gothenburg	1,000	100.0	100.0	0
Sjätte AP-fonden Syd KB	969667-4309	Gothenburg			100.0	26
Slottsbacken Venture Capital AB	556531-2245	Stockholm	1,000	100.0	100.0	0
Slottsbacken Venture Capital KB	969626-1313	Stockholm			100.0	58
Sportex AB	556220-0674	Gothenburg	61,500	60.0	60.0	36
TDS Todos Data System AB	556343-7218	Gothenburg	12,136,043	94.7	84.4	86
Unionskapital Management i Kalmar AB ²⁾	556556-8333	Kalmar	1,000	100.0	100.0	1
Total acquisition value						1,189
Total market value						1,699

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

Note 11 Other interest-bearing securities

	2004	2003
Interest rate funds		
SHB Obligationsfond	—	101
SHB Räntefond	587	886
SEB Penningmarknadsfond	774	1 088
Öhman Obligationsfond	108	100
Nektarfonden	—	46
Total	1,469	2,221
Other		
Day-to-day loans	260	380
Pledged bank assets	10	23
Loans to unlisted companies	1	5
Other instruments, listed	98	111
Total	369	519
Total	1,838	2,740

Note 12 Prepaid expenses and accrued income

	2004	2003
Accrued interest income	17	16
Accrued dividends	—	9
Other prepaid expenses and income	2	6
Total	19	31

Note 13 Other current liabilities

	2004	2003
Loans from subsidiaries	37	225
Debts to credit institutions, transactions not settled on the closing day	61	28
Other liabilities, credit institutions	600	600
Other	6	6
Total	704	859

Gothenburg,
23 February 2005



Jan-Olle Folkesson
Chairman of the Board



Lennart Jeansson
Deputy Chairman



Gunilla Almgren



Göran Axell



Eva-Britt Gustafsson



Erling Gustafsson
Managing Director

Auditors' report.

Org. no. 855104-0721

We have audited the annual report and accounts, as well as the Board's management of the Sixth Swedish National Pension Fund in 2004. The Board is responsible for the accounts and administration of the Sixth Swedish National Pension Fund and for ensuring compliance with the Public Pension Funds Act in the preparation of the annual accounts. Our responsibility is to express an opinion on the annual accounts and on the administration on the basis of our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. These 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 other disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board in order to

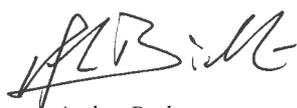
be able to determine the reliability of the information in the annual accounts. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Sixth Swedish National Pension Fund Act and thereby give an accurate picture of the Fund's results and position in accordance with generally accepted accounting principles in Sweden. The directors' report is consistent with the statements made in other parts of the annual report.

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

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

Gothenburg
23 February 2005



Anders Bäckström
Authorised public accountant
Appointed by the Swedish Government



Göran Jacobsson
Authorised public accountant
Appointed by the Swedish Government

Board of Directors and Managing Director.



JAN-OLLE FOLKESSON

Chairman of the Board

b. 1939. Elected in 1996.

Other assignments: Chairman of the Board of Desam Fashion Group AB, CBN Chamber Business Network AB, Sporthus Moxter AB, Svensk Snabbmat AB, Handels Forskningsstiftelse, Word Finder International AB and Trados Scandinavia AB. Member of the Board of Lennart Wallenstam Byggnadsaktiebolag and Sahlgrenska Academy.

Holdings in unlisted companies: 4,000 shares in LightLab AB, 155,000 warrants in LightLab AB, 20,000 warrants in TDS Todos Data System AB, 30 shares in CBN AB.



LENNART JEANSSON

Deputy Chairman

b. 1941. Elected in 2004.

Other assignments: Executive Vice President of AB Volvo. Chairman of the Board of Stena AB. Member of the Board of Stena Metall AB and Försäkringsaktiebolaget Skandia. Deputy Chairman of the Chalmers University of Technology Foundation.

GUNILLA ALMGREN

b. 1955. Elected in 2001.

Managing Director of REGAB Reglerarmatur AB

Other assignments: Chairman of the Board of Företagarnas Folkhögskola. Deputy chairman of Företagarnas Riksorganisation. Member of the Board of Sveriges allmänna utrikeshandelsförening, FöreningsSparbanken in Gothenburg, Almi Väst AB and Børsällskapet.



EVA-BRITT GUSTAFSSON

b. 1950. Elected in 1996.

Other assignments: Managing Director of Venantius AB. Chairman of the Board of Specialfastigheter Sverige AB. Member of the Board of Vasakronan AB, Statens Ban- och Väginvest AB and Euler-Hermes Kreditförsäkring Norden AB. Deputy member of the Board of Botniabanan AB.

GÖRAN AXELL

b. 1936. Elected in 1996.

Other assignments: None



ERLING GUSTAFSSON, Managing Director

b. 1958. Joined the Fund in 1997.

Other assignments: Member of the Board of Scandinavian Life Science Venture, Engelsberg Industriutveckling AB and Aviation Capacity Resources AB.

From left to right: Jan-Olle Folkesson, Lennart Jeansson, Gunilla Almgren, Eva-Britt Gustafsson, Göran Axell, Erling Gustafsson.

Board responsibilities.

The Board of the Sixth Swedish National Pension Fund shall, in accordance with Swedish law, consist of five members appointed annually by the government. The Sixth AP Fund holds six ordinary board meetings a year and extraordinary board meetings are held when necessary.

The Board follows the procedures set out in the Sixth AP Fund's Rules of Procedure for the Board. These rules of procedure include follow-up, reporting and decision-making routines.

The Board's most important steering documents are its business plan (including a strategic plan, activity plan and allocation plan), its financial policy, ownership policy, working environment policy and its equal opportunities policy.

Steering instruments and policies are fixed on an annual basis and revised continuously whenever necessary. The Board also takes decisions on issues of importance regarding the Private Equity operation, total annual salary revisions and any incentive schemes relating to the staff of the Sixth AP Fund.

Each year, the Board shall issue an evaluation of its fund management activities (budget follow-up) and of its own activities.

Auditors.

Anders Bäckström
Authorised public accountant
KPMG

Göran Jacobsson
Authorised public accountant
Öhrlings PricewaterhouseCoopers

Management.



Standing, from left to right: Per Rinder, Erling Gustafsson.
Seated, from left to right: Urmass Kruusval, Jan-Erik Sundquist, Stefan Holmgren, Lars Ingelmark, Mats Augurell.

ERLING GUSTAFSSON

Managing Director

b. 1958. Joined the Fund in 1997.

Business Administration graduate

Previous employment: Deputy Managing Director of the Sixth AP Fund, Finance Manager at AB Framtiden, Head of Administration for Securum Väst AB, Finance Director for Componenta AB, Finance Director for the BPA Group and auditor at KPMG.

Board assignments: Member of the Board of Scandinavian Life Science Venture, Engelsberg Industriutveckling AB and Aviation Capacity Resources AB.

No holdings in unlisted companies.

PER RINDER

Portfolio manager Products & Services

b. 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. Member of the Board of Götaverken Miljö AB, GAR Förvaltnings AB, Engelsberg Industriutveckling AB and Accent Equity Partners AB.

No holdings in unlisted companies.

LARS INGELMARK

Portfolio manager Life Science Ventures

b. 1949. Joined the Fund in 1998.

Medicine graduate, IFL diploma in marketing

Previous employment: Various executive roles in the Group management teams of Kabi, Kabi-Pharmacia and Pharmacia & UpJohn, including Deputy Managing Director, Divisional Manager for pharmaceuticals, Regional Manager Asia, Head of Group staff and Senior Vice President Corporate Projects. Member of the Board and later Chairman of the Swedish Association of the Pharmaceutical Industry and member of the Board of the European organisation.

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

Holdings in unlisted companies: 80,000 shares in Mölnlycke Health Care AB and all shares in Skedala säteri AB.

MATS AUGURELL

Portfolio manager Technology Ventures

b. 1958. Joined the Fund in 2000.

BSc in Business Administration

Previous employment: Managing Director of Guide IT Management and a member of Guide's Group Management.

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

No holdings in unlisted companies.

URMAS KRUSVAL

Portfolio manager AP Direct Investments

b. 1951. Joined the Fund in 2000.

Business Administration graduate

Previous employment: Managing Director and Chief Executive of AB Volvofinans, CEO assignments in regional air traffic and the textile and clothing industry.

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

No holdings in unlisted companies.

STEFAN HOLMGREN

Portfolio manager Asset Management

b. 1961. Joined the Fund in 2000.

Lawyer

Previous employment: Head of Administration, Sixth AP Fund, Head of SEB Commercial Banking Marketing Sverige, Head of Commercial Banking UK/London, Enskilda Corporate and Assistant Regional Manager of S-E-Banken Västsverige.

Board assignments: Chairman of Götaverken Miljö AB and GKSS Event AB, Deputy Chairman of the Royal Gothenburg Yacht Club (GKSS). Member of Amplico and GAR Förvaltnings AB.

No holdings in unlisted companies.

JAN-ERIK SUNDQUIST

Head of Administration with effect from 1 January 2005

b. 1953. Joined the Fund in 2005.

Business Administration graduate

Previous employment: Financial Manager Inter IKEA Centre Development A/S, CFO Diligentia AB, Financial Controller Enskilda Corporate, Financial Controller SAS Finance, Divisional Controller SAS IT, own business as a management consultant, various accounting and controller positions in the DAGAB Group.

Board assignments: None

No holdings in unlisted companies.

Employees.



Back row, from left to right: Jonas Lidholm, Gerd Oving-Dalgren, Urmas Kruusval
 Front row, from left to right: Håkan Bohlin, Monica Lingdén, Per Lindahl



Back row, from left to right: Per Rinder, Cecilia Gross Friberger, Jan-Erik Sundquist
 Front row, from left to right: Annika Ahl Åkesson, Karin Osslind



Back row, from left to right: Susanne Olofsson, Mats Augurell, Per Lindmark, Charlotte André-Karlsson
 Front row, from left to right: Carina Langeland, Stefan Holmgren



Back row, from left to right: Lisbeth Ekelund, Till Gutzen, Marianne Bergersen, Lars Ingelmark
 Front row, from left to right: Fabian Dahl, Helena Jerksten, Magnus Dahlgren

Not pictured: Christina Brinck, Alexandra Nilsson and Birgitta Rabe.

Company lists as at 30 September 2004.

Life Science Ventures

Fund	Portfolio company	www.	
H&B II:s Sweden	Aerocrine	www.aerocrine.se	
	BestHand	www.besthand.se	
	Biovitrum	www.biovitrum.se	
	Boblbee	www.boblbee.com	
	CellaVision	www.cellaivision.se	
	Gyros	www.gyros.se	
	Hormos Medical	www.hormos.fi	
	Neoventa Medical	www.neoventa.se	
	Probi	www.probi.se	
	Profdoc	www.profdoc.com	
	HealthCap 1999	Affibody	www.affibody.se
		Arpida	www.arpida.com
		BioLipox	www.bioliipox.com
ChemoCentryx		www.chemocentryx.com	
Creative Peptides Sweden		www.pepnet.com	
Cytos Biotechnology		www.cytos.com	
Dynavax Technologies Corporation		www.dynavax.com	
Global Genomics		www.globalgenomics.com	
Inion		www.inion.fi	
Odyssey Therapeutics		www.odesseythera.com	
Orexo		www.orexo.se	
PTC Therapeutics		www.ptcbio.com	
Sopherion Therapeutics		www.sopherion.com	
TopoTarget	www.topotarget.dk		
HealthCap Annex Fund I-II	Aerocrine	www.aerocrine.se	
	Biostratum	www.biostratum.com	
	Biotage	www.biotage.se	
	Clinical Data Care in Lund	www.clinicaldatacare.com	
	NeuroNova	www.neuronova.com	
	Resistentia Pharmaceuticals	www.resistentia.se	
	TopoTarget	www.topotarget.dk	
HealthCap Colinvest	Aerocrine	www.aerocrine.se	
	Biostratum	www.biostratum.com	
	Biotage	www.biotage.se	
	Clinical Data Care in Lund	www.clinicaldatacare.com	
	Gyros	www.gyros.se	
	Hybrigenics	www.hybrigenics.com	
	NeuroNova	www.neuronova.com	
	NicOx	www.nicox.com	
	Orchid BioSciences	www.orchid.com	
	Resistentia Pharmaceuticals	www.resistentia.se	
	Synt:em	www.syntem.com	
	TopoTarget	www.topotarget.dk	
	XCounter	www.xcounter.se	
HealthCap III Sidefund	Arpida	www.arpida.com	
	ChemoCentryx	www.chemocentryx.com	
	Creative Peptides Sweden	www.pepnet.com	
	Orexo	www.orexo.se	
	Sopherion Therapeutics	www.sopherion.com	
HealthCap	Aerocrine	www.aerocrine.se	
	Biostratum	www.biostratum.com	
	Biotage	www.biotage.se	
	Carmeda	www.carmeda.se	
	Clinical Data Care in Lund	www.clinicaldatacare.com	
	Gyros	www.gyros.se	
	Hybrigenics	www.hybrigenics.com	
	Neoventa Medical	www.neoventa.se	

Fund	Portfolio company	www.	
cont. HealthCap	NeuroNova	www.neuronova.com	
	NicOx	www.nicox.com	
	Orchid BioSciences	www.orchid.com	
	Pharmexa	www.pharmexa.com	
	Resistentia Pharmaceuticals	www.resistentia.se	
	Sequenom	www.sequenom.com	
	Synt:em	www.syntem.com	
	TopoTarget	www.topotarget.dk	
	XCounter	www.xcounter.se	
	Innoventus Life Science I	Innoventus Project	www.innoventus.se
		Accuro Immunology	www.accuro.net
	Karolinska Investment Fund	AngioGenetics Sweden	www.angiogenetics.se
		CanAg	www.canag.se
Cellectricon		www.cellectricon.se	
Demetech		www.demetech.se	
Global Genomics		www.globalgenomics.com	
Gyros		www.gyros.se	
Independent Pharmaceutica		www.newsience.se	
	NsGene	www.nsgene.dk	
	Phasein	www.phasein.se	
	SIDEC Technologies	www.sidectech.com	
	Medicon Valley Capital	Arpida	www.arpida.com
		Exiqon	www.exiqon.dk
PreciSense		www.precisense.com	
	Sophion Bioscience	www.sophion.dk	
	Symphogen	www.symphogen.com	
	T-Cellic	www.t-cellic.com	
	Ultrazonix DNT	www.ultrazonix.com	
	Medicon Valley Capital Two	AdvanDx	www.advandx.com
Millimed Holdings		www.millimed.com	
Nuevolution		www.nuevolution.com	
Quiatech		www.quiatech.com	
Sanos Bioscience		www.sanosbioscience.com	
Scandinavian Life Science Venture	A Carlsson Research	www.carlssonresearch.com	
	Aerocrine	www.aerocrine.se	
	AngioGenetics Sweden	www.angiogenetics.se	
	Camurus	www.camurus.se	
	Carmeda	www.carmeda.se	
	Carmel Pharma	www.carmelpharma.se	
	Clinical Data Care in Lund	www.clinicaldatacare.com	
	Demetech	www.demetech.se	
	Doxa	www.doxa.se	
	Gyros	www.gyros.se	
	Neoventa Medical	www.neoventa.se	
	NeuroNova	www.neuronova.com	
	Surgical Science	www.surgical-science.com	
Scandinavian Life Science Venture Two	AdvanDx	www.advandx.com	
	Millimed Holdings	www.millimed.com	
	Nuevolution	www.nuevolution.com	
	Quiatech	www.quiatech.com	
	Sanos Bioscience	www.sanosbioscience.com	
Swedestart Life Science	Eutech Medical	www.eutechmed.se	
	Index Pharmaceuticals	www.indexpharmab.com	
	Inion	www.inion.fi	
	Jolife	www.jolife.com	
	Otre	www.otre.se	
	Silex Microsystems	www.silexmicrosystems.com	

Products & Services

Fund	Portfolio company	
Accent Equity 2003	Cefar	www.cefars.se
	Jötul	www.jotul.com
	Wernerssons Ost	www.wernerssonost.se
Amplico I	AP&T	www.ap.t.se
	Bending Group	www.bendinggroup.se
	Inpac	www.inpac.se
	MTV Produktion	www.mtv.se
	Network Technicals	www.nwtech.se
Baltic Rim Fund	SILVA Sweden	www.silva.se
	3 Step IT	www.3stepit.fi
	Alignment Systems	www.alignment-systems.se
	DCM	www.dcm.se
	DISAB Vacuum Technology	www.disab.se
	Läckeby Water	www.lackebywater.se
	ME-FA	www.me-fa.com
Engelsberg	Holding Games	
	Accra Teknik	
	Aptilo Networks	www.aptilo.com
EQT II	ClimateWell	www.climatewell.com
	Eldon Enclosures	www.eldon.com
EQT II – Annex fund	Eldon Thule	www.thule.com
	Findus	www.findus.se
	HemoCue	www.hemocue.se
	International Health Insurance Danmark	www.ihl.com
	Salcomp	www.salcomp.com
	Tradex	www.tradex-converting.com
	Salcomp	www.salcomp.com
EQT III	ComHem	www.comhem.se
EQT III	Dometic	www.dometic.com
	Duni	www.duni.se
	FinnPower	www.finnpower.com
	Leybold Optics	www.leybold.optics.de
	Plantasjen	www.plantasjen.no
	Sirona Dental System	www.sirona.com
	Symrise	www.symrise.com
IDI	VTI Technologies	www.vti.fi
	Abaris	www.abaris.se
	SQS Security Cube System	www.sqs-security.com
Nordic Capital III	Universum	www.universum.se
	Ahlsell	www.ahlsell.com
	BE Group	www.begroup.se
	Nopco Paper Technology	www.nopco.net
	Nybron International Flooring	www.nybron.com
Nordic Capital IV	Reynolds	
	Sonion	www.sonion.com
	Ahlsell	www.ahlsell.com
	Anticimex	www.anticimex.se
	BE Group	www.begroup.se
	Biovitrum	www.biovitrum.se
	C More Group	www.canalplus.se
	Dynal Biotech	www.dynalbiotech.com
	Guide Konsult	www.guide.se
	Marioff	www.marioff.fi
Mölnlycke Health Care	www.molnlycke.net	
Nordic Capital III	Nybron International Flooring	www.nybron.com
	Reynolds	
	Sats Sports Club	www.sats.com

Fund	Portfolio company	
Nordic Capital V	Ahlsell	www.ahlsell.com
	BE Group	www.begroup.se
	Personec Group	www.personec.com
Nordico I	Reynolds	
	SAS Holding	www.glitter.se
	TurnIT	www.turnit.se
Nordico II	Euroflorist	www.euroflorist.se
	Paroc	www.paroc.se
	TurnIT	www.turnit.se
Nordico III	Wedins Skor & Accessoarar	www.wedins.se
	Aveva Group	www.aveva.com
	Hydrauto Group	www.hydrauto.se
	SQS Security Cube System	www.sqs-security.com
	Sörman Information	www.sorman.se

Technology Ventures

Fund	Portfolio company	
BrainHeart Capital	Clinitrac	www.clinitrac.com
	Excilan	www.excilan.com
	Meru Networks	www.merunetworks.com
	Mobeon	www.mobeon.com
	Possio	www.possio.com
	Radionet	www.radionet.com
	Service Factory	www.servicefactory.se
	Spinbox	www.spinbox.se
	SweFour	www.swefour.se
	Wireless Car Sweden	www.wirelesscar.se
CapMan Equity Sweden	Wireless Car NA	www.wirelesscar.com
	Wireless Maingate	www.maingate.se
	Åkerströms	www.akerstroms.se
	Anhydro Holding	www.anhydrogroup.com
	Ascade	www.ascade.se
	Avitec	www.avitec.se
	Distocraft	www.distocraft.com
	Eco Dan	www.eco-dan.com
	GammaData Mätteknik i Uppsala	www.gammadata.se
	Noiro	www.noiro.com
Creandum	Locus	www.locus.no
	Metallfabriken Ljunghäll	www.ljunghall.se
	Nexus	www.nexus.se
	NK Holding	
	Northlight optronics	www.northlight-optronics.com
	RGS 90	www.rgs90.com
	Secgo	www.secgo.com
	Setec	www.setec.com
	Silex Microsystem	www.silexmicrosystems.com
	Solid Information Technology	www.solidtech.com
Tieturi	www.tieturi.fi	
Tokmanni	www.tokmanni.com	
Creandum	Nanoxis	www.nanoxis.se
	SiCon	www.sicon.se
	Tekki	www.tekki.se

Company lists as at 30 September 2004.

cont. Technology Ventures

Fund	Portfolio company	www.
Företagsbyggarna I	General Wireless Scandinavia	www.generalwireless.se
	Hidden Dinosaur	www.hidden.se
	Ludesi	www.ludesi.com
	Marratech	www.marratech.com
	Primelog	www.primelog.com
	Replisaurus	www.replisaurus.com
Innkap 2 Partners	Time Care	www.timecare.se
	Heptagon	www.heptagon.fi
	Kreatel	www.kreatel.se
	Quiatech	www.quiatech.com
	Resistentia	www.resistentia.se
Innkap 2 Co Investment Scheme	Santaris	www.santaris.com
	Heptagon	www.heptagon.fi
	Kreatel	www.kreatel.se
	Quiatech	www.quiatech.com
InnovationsKapital Fond I	Resistentia	www.resistentia.se
	Santaris	www.santaris.com
	Arexis	www.arexis.com
	BioInvent International	www.bioinvent.se
	Carmen Systems	www.carmen.se
InnovationsKapital Fond I Annex fund I	Mitra Medical Technology	www.mitramedical.com
	Spotfire	www.spotfire.com
	Carmen Systems	www.carmen.se
InnovationsKapital Fond I Annex fund II	Spotfire	www.spotfire.com
	Arexis	www.arexis.com
	Mitra Medical Technology	www.mitramedical.com
IT Provider Century Fund	Spotfire	www.spotfire.com
	Blue Factory	www.bluefactory.com
	Cellpoint	www.cellpoint.com
	Corus Technologies	www.corustechnologies.com
	Cypac	www.cypak.com
	Envox	www.envox.com
	EssNet	www.essnet.se
	Medinsite	www.medinsite.com
	Polytrust	www.polytrust.com
	Smartner Information	www.smartner.com
	Terraplay Systems	www.terraplay.com
	Tradera Nordic	www.tradera.se
	VXO	www.ellipsus.se
	IT Provider Fund IV	All Set Marine Security
Computas		www.computas.com
DruTT		www.druTT.com
TFS Technology		www.tfstechnology.com
Nth Power Technologies	AllConnect.com	www.allconnect.com
	Evergreen Solar	www.evergreen solar.com
	Maximum Performance Group	www.maxpg.com
	Metallic Power	www.metallicpower.com
	Nano Gram	www.nanogram.com
	NeoPhotonics	www.neophotonics.com
	Wellspring International	www.wellspring international.com
	Alice Systems	www.alicesystems.com
Slottsbacken Fund Two	ConfigIT	www.configit.dk
	Radionet	www.radionet.com
	TiFiC	www.tific.com
	Tpack	www.tpack.dk
	zapera.com	www.zapera.com

Fund	Portfolio company	www.
Slottsbacken Venture Capital	DropIT	www.dropit.se
	Group Systems.com	www.group systems.com
	Marratech	www.marratech.com
	Medical Link 3W	www.medicalink.se
	PharmaSoft	www.pharmasoft.com
	Probe	www.probe.dk
Swedestart II	Secode	www.secode.se
	Xlent	www.xlent.se
	Entific Medical Systems	www.entific.com
	Neopharma Production	www.neopharma.se
Swedestart Tech	ProstaLund	www.prostalund.se
	QlikTech International	www.qliktech.com
	Runaware	www.runaware.com
	Tritech Teknik	www.tritech.se
	Ascade	www.ascade.se
V2 Co-investment Alfa	Avitec	www.avitec.se
	Distocraft	www.distocraft.com
	Eco Dan	www.eco-dan.com
	EM 4	www.em4inc.com
	Northlight Optronics	www.northlight optronics.com
	Setec	www.setec.com
	Silex Microsystem	www.silexmicro systems.com
	Solid Information Technology	www.solidtech.com
	Tritech Teknik	www.tritech.se
	Xlent	www.xlent.se
V2 Fund	Ilevo	www.ilevo.com
	Optillion	www.optillion.com
	Comhat	www.comhat.se
Vision Capital III	Goalart	www.goalart.com
	Ilevo	www.ilevo.com
	Optillion	www.optillion.com
	Media Lario	www.media-lario.it
	More Magic Holdings	www.moremagic.com
	Nano Muscle	www.nanomuscle.com
Vision Capital	Sphera Corporation	www.sphera.com
	Virtutech	www.virtutech.com
	Visual Wireless	www.visualwireless.com
	Agere	www.agere.com
	Atempo	www.atempo.com
Vision Extension	Avalon	www.avalon.ch
	Digilens	www.digilens.com
	Infitel	www.infitel.com
	OneMind Connect	www.expensable.com
	Saqqara	www.saqqara.com
	Agere	www.agere.com
	Atempo	www.atempo.com
	Avalon	www.avalon.ch
Digilens	www.digilens.com	
Infitel	www.infitel.com	
OneMind Connect	www.expensable.com	
Saqqara	www.saqqara.com	

Definitions.

Absolute return

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

Return/Total return

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

Return Private Equity operation portfolios

Profit/loss before costs divided by average capital.

Fund capital

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

Market-valued capital

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

Financial results (profit/loss)

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



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