



09

Sixth AP Fund  
Annual Report 2009

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For more information,  
visit [www.apfond6.se/en](http://www.apfond6.se/en)



The Sixth AP Fund has chosen to publish most of its information on its website. The website, at [www.apfond6.se/en](http://www.apfond6.se/en), includes information about the Sixth AP Fund's mission, strategy and targets and about the pension system. It also includes a description of the portfolio, with links to the portfolio companies. The website also contains current press releases and an archive of previous annual reports.

# The Sixth AP Fund in brief

## Unique mission

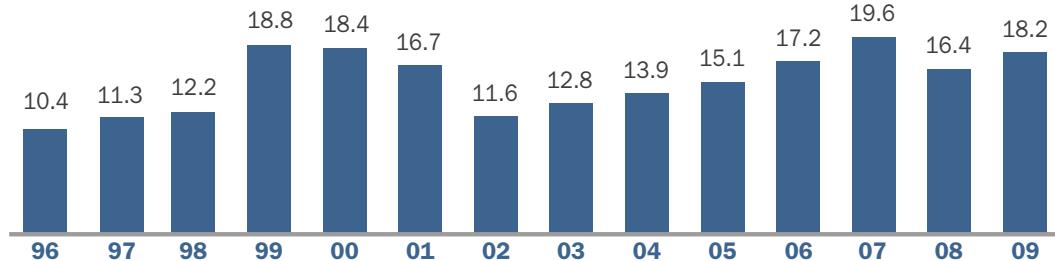
The Sixth Swedish National Pension Fund (the Sixth AP Fund) manages public pension funds in order to create high long-term returns, taking into consideration the need for satisfactory risk diversification. The task is to invest in small and medium-sized growth companies, mainly Swedish, thus contributing to the development of Swedish industry.

The mission and business model of the Sixth AP Fund differ from those of the other Swedish National Pension Funds, but also from those of private equity companies. The business model has been refined to satisfy the financial targets in the investment mandate. Investment activities are divided up into company investments and

investments in funds and investment companies and are managed by an organisation comprising seven business areas.

The Sixth AP Fund received its mandate in 1996 and at the end of that year received funds of SEK 10.4 billion. By the end of 2009, this had grown by SEK 7.8 billion to SEK 18.2 billion.

## Fund capital growth 1996–2009

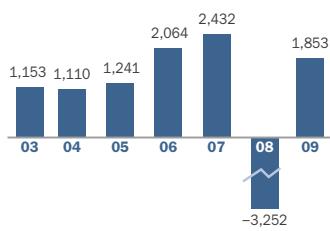


Since inception, the Sixth AP Fund's capital has grown by SEK 7.8 billion, from SEK 10.4 billion to SEK 18.2 billion, which corresponds to a growth in value of around 75 per cent and an average annual growth

of 4.4 per cent. Adjusted for inflation, measured as the consumer price index (CPI), which during the same period averaged 1.3 per cent, the Sixth AP Fund's real return has averaged 3.1 per cent per year.

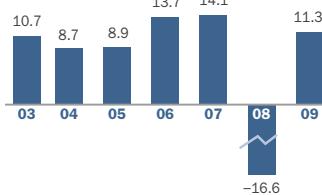
During the seven-year period 2003–2009, annual growth amounted to 6.6 per cent and the CPI averaged 1.3 per cent. The Sixth AP Fund's real return thus averaged 5.3 per cent per year during 2003–2009.

Profit/loss, SEKm



Profit/loss after costs 2003–2009

Return, %



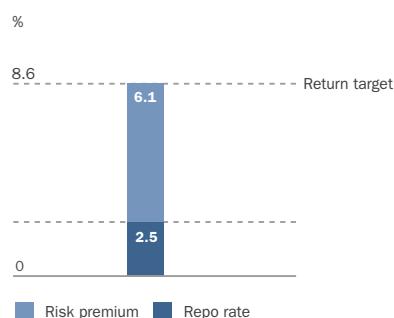
Return after costs 2003–2009

## Profit/loss breakdown 2003–2009

SEKm	2003	2004	2005	2006	2007	2008	<b>2009</b>	Average return, %	Average return target, %
Mature companies	1,127	836	1,590	1,422	1,976	-875	937	18.3	8.1
Expanding companies	-219	53	-637	-46	468	-874	-121	-5.8	10.2
Listed Small Cap	—	—	—	1,258	79	-1,027	1,127	10.5	7.4
	<b>908</b>	<b>889</b>	<b>953</b>	<b>2,634</b>	<b>2,523</b>	<b>-2,776</b>	<b>1,943</b>	<b>9.4</b>	<b>8.6</b>
Treasury, Risk management and Internal costs	245	221	288	-570	-91	-476	-90	—	—
<b>Profit/loss</b>	<b>1,153</b>	<b>1,110</b>	<b>1,241</b>	<b>2,064</b>	<b>2,432</b>	<b>-3,252</b>	<b>1,853</b>	<b>6.6</b>	

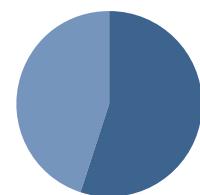


## Return target for investment activities 2003–2009



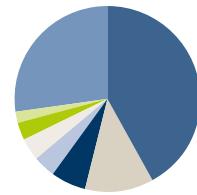
## Capital for investment activities 2009

### Investment activities



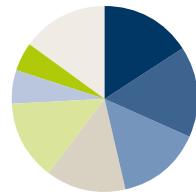
■ Company investments  
■ Fund investments

### Major company investments



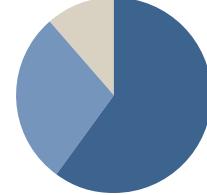
■ Norrporten  
■ Volvofinans Bank  
■ Lindab International  
■ Next Generation Broadcasting  
■ Others

### Major fund investments by management team



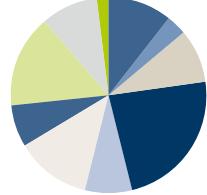
■ Nordic Capital  
■ SLS Invest  
■ Lannebo fonder  
■ Accent Equity Partners  
■ EQT  
■ CapMan  
■ SEB fonder  
■ Todos  
■ Others

### Capital invested by segment



■ Mature companies  
■ Expanding companies  
■ Listed Small Cap

### Capital invested by sector



■ IT/Telecom  
■ Media  
■ Life Science  
■ Property  
■ Finance  
■ Consumer  
■ Services  
■ Industry  
■ Health care  
■ Other

During the period 2003–2009, the Sixth AP Fund's investment activities (the Sixth AP Fund minus the profit/loss from Treasury, risk management and internal costs) generated an average return of 9.4 per cent per year, corresponding to a total of SEK 7,073 million, thereby exceeding the return target.

The business targets are decided by the Sixth AP Fund's Board and consist of a short-term target and a long-term target. The definition of the long-term target is that the annual return on the total amount of capital invested should correspond to the risk-free interest rate plus a risk premium. For more information, visit the Sixth AP Fund's website: [www.apfond6.se/en](http://www.apfond6.se/en).

# A profitable year – a better recovery than expected

It is very satisfying to be able to report a profit that is in line with the targets set by the Board for 2009. The Sixth AP Fund's profit for 2009 was SEK 1,853 million. The fund capital grew from SEK 16.4 billion to SEK 18.2 billion, which corresponds to a return of 11.3 per cent.



Erling Gustafsson, Managing Director

Market conditions in 2009 were dominated by a global recession during which many companies experienced a rapid deterioration in demand. However, the sharp decline in the world economy was checked by massive stimulus packages from the world's governments and central banks. Looking back at 2009, we can see that there are indications of stabilisation and, in many cases, even recovery. We can also see that this improvement has come much earlier than many market analysts would have dared hope for. However, we must take into consideration the fact that it will take a long time before the economy has recovered to the levels seen prior to the sharp downturn. There is still a risk of setbacks, casting considerable doubt over the prospects for economic growth.

## Economic developments during the year

The year's profit derives primarily from the Fund's investments in mature companies and listed small cap. In the mature segment, profit was generated both by the Fund's directly owned companies and by its holdings in buyout funds. As for the Fund's investments in listed companies, the weighting towards the small cap segment has had a positive impact on returns. The small cap sector on the Nasdaq OMX Stockholm has outperformed the rest of the stock market in terms of returns yielded.

As before, most of the Fund's holdings in companies at the expansion stage have been reported at their acquisition value or lower. The general view is that it takes a long time to create value in companies at this stage of development. It is often only when the companies are sold that any increase in value becomes apparent.

## **Making demands on equity investments**

The Sixth AP Fund has operated on the Swedish private equity market for more than 13 years. It aims to take a long-term approach to maximising its returns on assets for the benefit of the pension system based on a specific investment strategy. In doing so, it aims to maintain a balanced risk. By giving the Swedish market access to private equity capital with credentials that reflect its long-term, responsible and demanding approach, the Fund is contributing to the development of Swedish industry.

To achieve this, the Fund has adopted a business model that comprises investments in both young and mature growth companies. For young growth companies, the Fund's investments are based on the principle that the entrepreneur is still involved in the business and continues to pursue growth. The Fund has generally had good experience of this approach. However, there are always exceptions. One such exception that has received a lot of attention concerns the case of our portfolio company Xeratech, a partnership which ended in bankruptcy with the Fund, after closer examination, deciding to report the case to the Swedish Economic Crime Authority.

For mature growth companies, business models tend to be characterised by other features, since mature growth companies have generally had time to develop successful methods and models for their business. Here, the role and task of the Fund focuses more on providing capital, helping draft clear owner directives, developing existing working models and promoting expansion in existing and new markets. The Fund's role as an investor, regardless of the type of company involved, is about being a good business partner by supporting the company while making demands on its business operations.

## **Realising values**

In 2009, the AP Funds have come under the media spotlight for various reasons. The widespread public interest in how pension funds are managed is both understandable – and from our perspective welcome – since we are talking about people's pensions. For the Sixth AP Fund, the challenge is to complete the mission assigned to it by the Swedish Parliament in the best manner possible. This involves investing in small and medium-sized growth companies with a balanced risk to create high long-term returns and in doing so contribute to the

development of Swedish industry. One of the problems for the Fund has been investing for the long term – a necessary strategy given the mission assigned to the Sixth AP Fund – even though its returns are measured in the short term. This applies particularly to companies at the expansion stage. Here, there is an inherent problem when evaluating companies at the expansion stage, since any value creation is not routinely reflected in the valuation and is thus not realised in the Sixth AP Fund's profit. The Board has therefore decided to focus on realising the values in the existing portfolio of assets before gradually, within a five-year period, conducting an evaluation of its continued commitment in this segment.

The focus for the Sixth AP Fund during the year has been on existing portfolio assets rather than new investment and this has to a large extent involved creating the best possible platform for the portfolio companies. In 2009, these companies have been forced to face up to and adapt to the new conditions prevailing on their respective markets. This process of adaptation has for many of them involved a great deal of hard work aimed at cutting costs, becoming more efficient through rationalisation and developing an even clearer focus on profitability. The view is that the Fund's portfolio companies are generally in good shape at a time when the market climate is starting to show signs of improvement.

Gothenburg, 23 February 2010

Erling Gustafsson

# Fund management report

According to the Swedish Code of Corporate Governance, Swedish listed companies are required to submit a Corporate Governance Report. The Swedish code can be regarded as a boiler plate for determining standard practice for other companies, organisations, public authorities, etc. and this fund management report has therefore taken inspiration from the Swedish Code of Corporate Governance while taking into consideration the particular characteristics of the Sixth AP Fund.

Like the other Swedish National Pension Funds, the Sixth AP Fund is a government agency. However, the Swedish National Pension Funds differ considerably from other government agencies. The main difference is that the Swedish National Pension Funds adopt a highly independent position in relation to the government since their activities are regulated by law and the government therefore has no regulatory authority over the funds.

## Composition of the Board

The Board has five members and is appointed by the government, which also appoints the Chairman and Deputy Chairman. The government has decided upon a one-year term of office for board members, which means that the current appointments apply until such time as the government has adopted the Sixth AP Fund's balance sheet and income statement for 2009. All board members were re-elected in 2009.

## Board responsibilities

The Board has full responsibility for the business and in those areas where the Board's responsibilities are not regulated in the Sixth Swedish National Pension Fund Act (2000:193), they are regulated in the Rules of Procedure which are set by the Board on an annual basis.

In 2009, the Board held five ordinary board meetings and four extra board meetings. Besides the board members, board meetings are also attended by the Sixth AP Fund's Managing Director and employees who have special expertise or who are reporting on a case. The most important tasks of the Sixth AP Fund's Board include setting the return target for the business, deciding on the allocation of capital, appointing and evaluating the Managing Director and ensuring that the business has reliable procedures for internal control and monitoring. In addition, the Board annually evaluates the day-to-day running of the business, focusing on the long-term perspective.

## Topical issues in 2009

The turbulence on the financial markets continued during 2009 and the financial crisis created a recession that had a negative impact on several sectors and markets. In such conditions, it has been important to support and develop the existing portfolio of companies and funds. It is clear that it will still take time for some sectors to recover.

During the year, work began on an in-depth analysis of the returns yielded by investments in companies at the expansion stage. The background to this initiative is that investments in this segment have historically not generated anticipated returns, and also that they require a considerably longer investment horizon compared to more mature growth companies. This can lead to problems when evaluating companies at the expansion stage since the creation of value is not reflected in the valuation on a continuing basis and cannot therefore be realised in the profit/loss. In view of the Sixth AP Fund's return target and the external evaluations carried out by the Sixth AP Fund with a focus on short-term returns, the view of the Board is that consideration should be given as to whether the Sixth AP Fund can continue to invest in this segment in the long term. The Board has therefore decided to focus on realising the values in the existing portfolio to enable it to gradually, within a five-year period, conduct an evaluation of its continued commitment in this segment. In this context, it should also be mentioned that a considerable number of companies and funds in the Sixth AP Fund's portfolio for this segment are relatively young, which makes it difficult to draw any hard and fast conclusions regarding their returns in the longer term.

## Fees, salaries and incentive schemes

Fees and other remuneration to the members of the Board are decided by the government. The annual remuneration amounts to SEK 100,000 for the Chairman, SEK 75,000 for the Deputy Chairman and SEK 50,000 for other board members.

The Board decides the Managing Director's remuneration and the scope for salary revisions for other staff. The Board also decides whether to adopt an incentive scheme. The performance-based programme, which is limited to the equivalent of two month's salary for the employee, is related to the overall financial performance in relation to the return target set. The Sixth AP Fund's financial performance for 2009 exceeded the

return target set by the Board and remuneration from the incentive scheme will therefore be paid out in 2010.

In 2009, the government issued new guidelines regarding the terms of employment for senior executives in the AP Funds. These guidelines cover areas such as the removal of variable remuneration, limitations regarding retirement benefits and the regulation of retirement age.

During the year, the Sixth AP Fund's Board has discussed these new guidelines and decided to gradually implement new regulations regarding remuneration and benefits during 2009 and 2010 and to renegotiate existing employment contracts. No variable remuneration will be paid to the Managing Director or other senior executives in respect of 2009. For more information, see Note 8.

### **Internal control**

The Board is ultimately responsible for the Sixth AP Fund's internal control. Internal control is a collective term for the internal activities and internal audits carried out in the business to ensure compliance with legislation, rules and regulations, policies and instructions that apply to and are defined for the business of the Sixth AP Fund. The Fund's work with internal control is largely a reflection of the activities defined by COSO, the world's most well-known framework for describing a company's internal control. For more information about COSO, see under Definitions.

The Sixth AP Fund has elected to set up a function to assume responsibility for co-ordinating the work with internal control. This function is organised independently from the functions responsible for taking active business decisions. The function's responsibilities include responsibility for providing information and training in matters relating to policies, instructions, external rules and regulations, etc., for co-ordinating the processes to implement identification and map risks in the business and for planning internal audits with a third party. The Board has decided not to set up an internal audit function to carry out audits of existing internal controls, opting rather to hire external consultants for this work as and when the need arises.

The efficiency of internal control depends partly on having open and transparent risk reporting and on the implementation of clear values in the Sixth AP Fund's operations and affiliated networks.

Reports on internal control activities are made to the Board once a year. Exception reports are also given at every board meeting as part of incident reporting. Daily reports are made to the Sixth AP Fund's executive management team, covering

earnings trends, capital allocation and the monitoring of investment guidelines.

### **Audit**

The auditors used by the Sixth AP Fund are appointed by the government. Björn Grundvall of Ernst & Young and Anna Peyron of Ernst & Young were appointed as auditors and their appointment is for one year.

The auditors' work includes examining the Fund's operating activities, administration, annual accounts and accounting records. They express an opinion on the accounting records and the administration based on their audit. Their mandate also includes verifying that the Sixth AP Fund follows generally accepted accounting and valuation principles and that the accounting records give a true and fair view of the operating activities. In 2009 there was also an audit of the Sixth AP Fund's IT environment, with a focus on processes relating to the entire IT infrastructure as well as the business system.

The auditors publish a report based on their audit and also report directly to the Board verbally at least once a year. They also submit written reports on their audit of the annual accounts and administration. In addition, the auditors provide the Ministry of Finance with a verbal report once a year.

### **Board evaluation**

The Board of the Sixth AP Fund is required by law (the Sixth Swedish National Pension Fund Act, 2000:193) to carry out an annual evaluation of its administration of funds, in other words, a performance review. This evaluation is submitted to the government in connection with the presentation of the annual accounts and audit report. The evaluation is prepared in a separate report that is published on the Sixth AP Fund's website.

### **The government's evaluation**

In addition to the Board's own evaluation, the Ministry of Finance carries out an annual evaluation of the Sixth AP Fund's operations on behalf of the government. This evaluation is performed for all the AP funds with the assistance of external consultants. The evaluation is presented in a written communication to the Swedish Parliament and made public when the government adopts the income statement and balance sheet for the 2009 financial year.

For more information,  
visit the Sixth AP Fund's website: [www.apfond6.se/en](http://www.apfond6.se/en) and the government's website, [www.regeringen.se](http://www.regeringen.se).



# 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 2009 financial year. The income statement, balance sheet, specifications and notes to the accounts following this report constitute an integral part of the annual report.

## **Strong recovery despite continued financial turbulence**

The turbulence on the financial markets continued throughout 2009. Despite this, stock markets bounced back and during the year, much of the earlier depreciation in value of the Sixth AP Fund's listed holdings was recovered. However, the financial crisis has led to a severe recession that has affected certain sectors particularly badly. At the end of 2009, optimism began to return, but it will take time before the economy has recovered and considerable uncertainty remains regarding the prospects for economic growth. After a continuing decline for unlisted holdings at the beginning of the year, the value of these assets also recovered to a certain extent during the latter part of 2009.

The portfolio of directly owned companies was affected by the economic conditions, but as its valuation has historically been relatively cautious, only a marginal depreciation was necessary at the year-end. However, despite this, some holdings, particularly businesses in consumer segments, have been subjected to a depreciation. The view is that it will take a few more years before these companies experience a recovery in economic conditions. It is also worth noting that the portfolio of unlisted companies is relatively young, which means that it will take a few more years before the growth in value is noticeable in the income statement. However, several portfolio companies have made adjustments to their operations by cutting costs, improving efficiency through rationalisation and focusing more clearly on profitability.

The value of holdings in funds assigned with the task of investing in unlisted companies recovered well during the year. This applies mainly to funds in the buyout segment. Investments in private equity funds with a focus on mature companies have generated very good returns in historical terms and the view is that these will continue to show a healthy growth in value in the years to come. Investments in funds with a focus on companies at the expansion stage have not shown the same

degree of growth, because it takes longer to create value in this segment. The same could be said of investments made directly in companies at the expansion stage. As a result of this, the Board of the Sixth AP Fund analysed these investments during the year and decided to focus on realising the values of its existing portfolio of investments at the expansion stage in order to gradually enable an evaluation within the next five years of its continued commitment in this segment.

The Sixth AP Fund's investments in listed small and medium-sized companies and listed investment companies assigned with the task of investing in unlisted companies performed very well during the year and made the largest contribution to the Sixth AP Fund's profit in 2009. During the year, the portfolio's weighting to the small cap segment had a positive effect since, on the whole, the small cap sector on the Nasdaq OMX Stockholm outperformed the rest of the stock market. During the latter part of the year, some of the holdings in the listed portfolio were divested.

## **Fund capital**

The Sixth AP Fund's current business model and investment strategy were adopted in 2003 and during the period 2003–2009 the fund capital has grown from SEK 11.6 billion to SEK 18.2 billion, which corresponds to an average annual growth of 6.6 per cent. The Fund started at the end of 1996 with a fund capital of SEK 10.4 billion, which by the end of 2009 had grown by SEK 7.8 billion to SEK 18.2 billion.

This corresponds to an overall growth in value of around 75 per cent since the Fund's inception and an annual average growth of 4.4 per cent.

The Sixth AP Fund is an evergreen buffer fund, which means that it is not required to make payments or receive funds on an annual basis to balance the cash flows of the public pension system. This means that profits can be reinvested and that any losses must be covered by the fund capital.

At the end of 2009, capital committed, but not yet paid out, by the Sixth AP Fund to investments in funds and directly owned companies, amounted to SEK 3.9 billion (5.7bn).

## **Profit/loss**

For 2009, the Sixth AP Fund reported a net profit/loss of SEK 1,853 million (-3,252m), which corresponds to a return of

11.3 per cent (−16.6%). This can be compared to the return target set by the Board for 2009, which was 7.5 per cent.

The Sixth AP Fund's profit/loss is the sum of realised and unrealised changes in the value of the Sixth AP Fund's assets plus returns in the form of interest and dividends. The realised profit/loss consists of the difference between sales proceeds and book value at the exit of holdings and of any write-downs of acquisition value, where applicable. The costs comprise external and internal management costs attributable to investment activities and the Sixth AP Fund's shared costs.

### Management costs

The Sixth AP Fund's costs are divided into external management costs, internal management costs and shared costs.

External management costs consist primarily of management fees paid to fund managers of the Sixth AP Fund's listed holdings.

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

Shared costs include personnel costs for the Managing Director and shared specialist functions, as well as the cost of premises, consultants, IT and general office expenses. As the Sixth AP Fund's operations are not subject to VAT, input VAT

cannot be deducted. This is routinely written off as an expense and taken up under the Sixth AP Fund's costs.

The management fees paid to funds which invest in unlisted companies are reported as part of the acquisition cost for each of the respective funds. Capitalised management fees are subject to lower valuation if necessary when assessing the market value of the investment at the year-end. At the end of 2009, all capitalised management fees were revised downwards to zero kronor.

The Sixth AP Fund's total management costs for 2009 amounted to SEK 146 million (144m), of which SEK 76 million (73m) were attributable to investment activities and the Treasury and SEK 70 million (71m) to shared costs.

### Investment activities

The Sixth AP Fund's business operations are divided into investment activities and the Treasury. Investment activities consist of investments made directly in companies and indirect investments made through funds and investment companies.

The Sixth AP Fund applies a risk premium model for all its investments, which is the basis for the return targets set at the

For more information, visit [www.apfond6.se/en](http://www.apfond6.se/en).



## Sixth AP Fund's performance 1997–2009

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>Return trend (%)</b>	8.1	8.4	55.8	−1.3	−8.0	−30.9	10.7	8.7	8.9	13.7	14.1	−16.6	11.3
Benchmark index for each year 1999–2002 SIX Return Index 2003–2009 Absolute return target	—	—	67.4	−11.9	−14.2	−35.7	7.4	6.4	6.1	7.2	9.0	7.4	7.5
<b>Fund capital (SEK bn)</b>	11.3	12.2	18.8	18.4	16.7	11.6	12.8	13.9	15.1	17.2	19.6	16.4	18.2
<b>Profit/loss summary (SEKm)</b>													
Profit/loss before costs	851	923	6,752	−302	−1,522	−4,953	1,320	1,262	1,373	2,215	2,610	−3,108	1,999
External management costs	0	0	−2	−4	−10	−4	−14	−31	−7	−20	−33	−17	−16
Internal management costs and shared costs	−35	−63	−78	−122	−148	−150	−153	−121	−125	−131	−145	−127	−130
<b>Profit/loss for the year</b>	<b>816</b>	<b>860</b>	<b>6,672</b>	<b>−428</b>	<b>−1,680</b>	<b>−5,107</b>	<b>1,153</b>	<b>1,110</b>	<b>1,241</b>	<b>2,064</b>	<b>2,432</b>	<b>−3,252</b>	<b>1,853</b>

time of making the investment and against which the investment is monitored during the holding period and when the portfolio company is divested. The return targets for investments differ depending on the companies' stage of development, sector and industry. Generally, the earlier the stage of development, the higher the return target. The return target 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 risk premium model is used for investments made both directly in companies and through funds and investment companies.

### **Company investments**

The Sixth AP Fund invests directly in small and medium-sized companies, unlisted and listed and mainly Swedish, through direct investments or through joint investments with business partners.

### ***The investment process***

Each year, the Sixth AP Fund analyses numerous companies – businesses of varying sizes, in different regions and at different stages of development. The investment process differs from company to company; in some cases it may take several years before an investment is made. The proposals for investments come largely from the Fund's own network, but may also sometimes result from a study of a particular industry or region.

Investments are made regardless of industry in small and medium-sized growth companies. Each investment is preceded by an extensive analysis of the company, which, in addition to the financial and technical aspects, looks at the company's legal, sectoral and commercial standing. The result of the due diligence is then used as a basis for the investment decision of the Sixth AP Fund's Board. The ownership interests in companies can vary, depending on the intentions of the sellers, the size of the participating interest in relation to the stakes of other owners or the size of the stake demanded by the Sixth AP Fund to ensure the best possible development potential for the company.

### ***Exercising active ownership***

The Sixth AP Fund has drafted a methodology for improving the performance of holdings during the period of ownership.

This methodology rests on two pillars: the owner directive and the business plan.

When a new investment is made, the Sixth AP Fund, together with the other owners, drafts an owner directive that clarifies the common goals for the investment shared by the Sixth AP Fund and the other owners. The owner directive includes an analysis of critical success factors for the selected strategy, type of buyer considered and expected value, as well as an exit strategy and date. The directive should also specify those resources which the Sixth AP Fund is required to provide in terms of know-how and human resources. This could involve boosting the resources and level of expertise of the marketing and accounting function, the company's executive management or the board.

The owner directive provides the platform for the mission assigned by the owners to the company's board. The board, together with company management, is then responsible for drafting a strategic plan that is formulated in such a way that the Sixth AP Fund's targets for the company can be met. During this process, it is important that the board focuses on strategic issues and pursues these actively in its work, as this is a prerequisite for being able to decide upon measures to drive the value of the shares in the portfolio companies. The most important effect of the work with owner directives is that the focus is shifted from short-term profit growth to long-term value creation.

### ***Risk analysis***

Risks must be analysed continuously, partly by checking the status against the owner directive, business plan, market analyses and environmental analyses, partly by putting into place reliable procedures for financial monitoring. Market intelligence and the practice of monitoring how changes in the market affect a company's position represent an important part of the work carried out by a portfolio company's management and board. These activities also provide an important platform for the continuous revisions of the owner directive which should reflect current conditions and the owners' demands regarding the further development of the company.

There has been an increasing focus on sustainable business in recent years. This essentially means that a company in its operations should actively promote and take into consideration the

need for ethical standards, equal opportunities and diversity, human rights and environmental concern. Major companies are required to give an account of their work in this field in a sustainability report and to submit transparent information in documents such as the annual report. It is also important that smaller companies address sustainable business issues, since shortcomings can have a significant negative impact on a company's financial situation and reputation, which could in turn eventually lead to the company losing market share or disappearing altogether. It is important to make it clear that these issues must be addressed continuously.

### **Investments in funds and investment companies**

The Sixth AP Fund invests in funds and investment companies with experienced management teams who invest in Swedish and Nordic small and medium-sized companies in the venture, buyout and listed small cap segments.

### **Long-term investor**

The Sixth AP Fund develops long-term relations with experienced management teams who are judged to be capable of generating sustainable high returns. The Sixth AP Fund is selective when picking management teams and aims for a focused portfolio. There is also the possibility of making co-investments with the funds.

The Sixth AP Fund has been an active fund investor on the Nordic market since 1997. Investments in funds entail long-term commitments which generally have a ten-year horizon. Capital that is committed to funds today will be invested in companies over the coming three to five years. The funds own the companies for five to seven years and then the companies are divested and the capital is paid back to the investors.

The success of a fund depends on the ability of the management teams to create value in the portfolio companies, but investments are also affected by fluctuations in the business cycle. As an investor in funds, it is therefore important to choose the right management teams, but also to commit capital continuously to maintain a constant rate of investment through different business cycles.

### ***The investment process***

The Sixth AP Fund has developed models for evaluation of investments in funds and investment companies. The most important components of the evaluation process are the assessment of investment strategy, management teams, historical returns and fund terms.

Prior to a possible investment, an evaluation of the fund's investment focus is carried out, looking at factors such as sector, the maturity of companies and geographical concentration. Further, the fund's position on the market is benchmarked against that of its competitors. An important aspect of the evaluation is to assess how the fund would fit in to the Sixth AP Fund's overall fund portfolio. The Sixth AP Fund aims to have a focused portfolio in terms of the number of management teams and for a balanced risk by aiming for a diversification of the sector, stage of development and size of companies.

The composition of the management team is evaluated by taking into account the required skills that support the chosen investment strategy. The evaluation includes an assessment of the management team's ability to create qualitative deal flows, the ability to create value during the ownership phase and the knowledge and experience of relevant exit markets. To further assess the capacity of the management team, the returns generated by the management team's previous funds are analysed thoroughly.

A separate part of the Sixth AP Fund's evaluation model concerns fund terms. Terms for the type of funds that the Sixth AP Fund invests in are not standardised in the same way as terms for listed products. Instead the terms are 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 from fund to fund. The purpose of the fund terms is to ensure an alignment of interests for the management team and investors in respect of the activities of the fund.

The Sixth AP Fund has for several years been a member of the Institutional Limited Partners Association (ILPA). In 2009,

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the ILPA and its members introduced the ILPA Private Equity Principles. The purpose of these principles is to create a healthy and competitive private equity industry, for example through enhanced partnership governance, strong alignment of interests and improved investor reporting and transparency. The Sixth AP Fund has endorsed these principles.

#### *Exercising active ownership and portfolio analysis*

The Sixth AP Fund acts as an active investor when evaluating and monitoring the funds and considers each fund on its own merits when specifying requirements and determining participation in decisions. The basic premise, however, is that the management team always bears full responsibility for management of the fund.

The Sixth AP Fund has developed methods and tools to monitor the funds' development. The portfolio is analysed from a number of different perspectives, such as industry, stage of development, financial risk and technology risk. The purpose is to understand the underlying risks in the portfolio.

The analysis is based on the regular written reports received from the funds. As the Sixth AP Fund's investment managers also have regular meetings with the funds' management teams, they are able to obtain a good picture of the progress of the funds and portfolio companies.

#### **Organisation and employees**

The investment organisation of the Sixth AP Fund is divided into seven business areas. The Treasury manages the liquidity reserve maintained to carry out new investments and follow-on investments in each business area. The investment activities and Treasury are supported by administrative functions such as Legal Affairs, Finance & Accounting, Business Control, Personnel Administration and IT.

At the end of the year, the Sixth AP Fund had 34 employees (32). For more detailed information about personnel, see Note 8. For more information about the Sixth AP Fund's organisation and employees, please refer to the website.

#### **AP Direct Investments**

The business area's market-valued capital amounted to SEK 6.6 billion (5.9bn) at the end of 2009 and the profit/loss for the year before costs was SEK 767 million (-653m). The crisis on financial markets and the recession resulted in measures being taken at all companies and during the year, the focus has been on existing portfolio companies. The rise in Lindab's share price contributed just over SEK 200 million to the business area's profit. The holdings in Norrporten and Volvofinans Bank continue to provide a solid platform, generating immediate returns and balancing the Sixth AP Fund's overall risk exposure.

#### **The Sixth AP Fund's profit/loss and fund capital by business area**

SEKm	Profit/loss before costs		Return before costs (%)		Market-valued capital invested at 31 Dec 2009	Committed capital, not paid out at 31 Dec 2009
	2009	2008	2009	2008		
AP Direct Investments	767	-653	12.5	-11.2	6,590	—
AP Partner Investments	-251	0	-9.3	0	2,981	67
AP Convertible Bond	10	19	5.2	10.1	242	30
AP Network Investments	4	-7	5.1	-18.8	130	—
AP Regional Investments	-43	-1	-33.6	-1.4	147	46
AP Life Science	14	-639	0.8	-33.7	1,689	79
AP Fund Investments	1,465	-1,472	23.6	-21.4	6,933	3,646
Treasury	192	-201	39.3	-14.8	-520	—
Central	-159	-154	—	—	31	—
External management costs	-16	-17				
Internal management costs	-60	-56				
Shared costs	-70	-71				
<b>Total</b>	<b>1,853</b>	<b>-3,252</b>			<b>18,223</b>	<b>3,868</b>

## AP Partner Investments

The business area's market-valued capital amounted to SEK 3.0 billion (2.3bn) at the end of 2009 and the profit/loss for the year before costs was SEK -251 million (0m). The investments in the portfolio are of a long-term nature and most of them are in the development stage with good growth opportunities. However, the portfolio companies have been affected by the ongoing recession, which has slowed down the anticipated rate of growth. This has had a negative impact on the forecasts and internal valuations made during the autumn, but the view is that the valuations of companies in the portfolio are cautious. During the year, all shares in Solibro AB were sold to the German company Q-Cells by converting Solibro's shares to shares in Q-Cells, a company listed on the Frankfurt Stock Exchange. The share price performance has been poor, resulting in a depreciation of the holding. At the beginning of 2010, the sale of Götaverken Miljö was completed, resulting in a positive contribution to the profit/loss for the year. The business area's profit/loss includes a depreciation of Xeratech by SEK 68 million.

## AP Convertible Bond

The AP Convertible Bond business area manages those investments made by the Sixth AP Fund using a bond known as AP-konvertibeln. The purpose of this convertible bond (the Bond), which is a complement to bank financing, is to make it possible for potential owners to create a more long-term form of financing and amortisation and in doing so to facilitate changes in a company's ownership structure, for example in connection with the handover to a new generation of owners. In view of the poor economic growth and deep recession, considerable caution was exercised and no new Bond investments were made during the year. One portfolio company redeemed its Bond prematurely as its earnings growth exceeded expectations.

The business area made investments in industrial businesses during the year, acquiring Arvika Gjuteri and 25 per cent of the shares in Water Jet Sweden AB. In addition to this, more shares were acquired in the Gnosjö Group, which is now a wholly owned company.

The capital invested by the business area amounted to SEK 242 million (178m) and the profit/loss for the year before costs was SEK 11 million (19m).

## AP Network Investments

This business area offers growth capital and skills support to companies which have taken the first steps towards development and which are at a mature enough stage to launch their products or services on the market. Investments are made regardless of industry in companies with a strong entrepreneurial spirit and a business case with potential. The Sixth AP Fund participates as an active owner and investments are evaluated by and made together with local private partners. During the year, just over 18 per cent of the shares in Accumulate AB were acquired. The capital invested by the business area amounted to SEK 130 million (61m) at the end of 2009 and the profit/loss for the year before costs was SEK 4 million (-7m).

## AP Regional Investments

This business area makes investments in areas where specialist knowledge of regional conditions is particularly important. Examples of investment targets include regional investment companies which invest in companies in the early stage and growth stage as well as in regional companies which are influenced by regional development initiatives. The inflow of new investments comes solely from the Sixth AP Fund's activities with Local Networks. The capital invested by the business area amounted to SEK 147 million (76m) at the end of 2009 and the profit/loss for the year before costs was SEK -43 million (-1m).

## AP Life Science

This business area makes long-term investments directly in companies and private equity funds in pharmaceuticals, biotechnology and medical technology. Although the level of market activity in the Swedish life science market has been high in recent years, many of the Swedish funds' portfolio companies are still not quite mature enough for an exit.

It has taken – and will continue to take – a long time to develop companies in life science, and this could lead to difficulties in funds which under the terms of the agreement have a limited life. As the funds are limited in time and close to a contractual exit, and in view of the fact that it has taken longer to develop companies in the segment, the funds in SLS Venture have been restructured and converted to an investment company, SLS Invest AB. This will make it possible to take a more

long-term approach compared to the investment period that a fund structure offers.

During the year, the holding in Niconovum AB was sold.

The business area's market-valued capital amounted to SEK 1.7 billion (1.5bn) at the end of 2009 and the profit/loss for the year before costs was SEK 14 million (-639m).

### AP Fund Investments

AP Fund Investments invests in funds and investment companies with a focus on unlisted companies in the expansion and mature stages, as well as small and medium-sized listed companies.

The business area consists of three portfolios: Venture Capital, Buyout and Listed Small Cap. The total market-valued capital amounts to SEK 6.9 billion (5.9bn) and the profit/loss before costs for the year was SEK 1,465 million (-1,472m). The financial performance was driven primarily by the positive impact of the increase in value for listed holdings, but also by an appreciation in value of unlisted portfolios. The profit for the year means that last year's loss has now been more or less recovered. No commitments to new funds were made during the year.

The Nordic venture market has matured and the management teams are becoming more experienced. Despite this, it still takes a long time to realise the values of portfolios in the venture segment, and this also holds true for Europe as a whole. The Venture Capital portfolio's market-valued capital amounted to SEK 698 million (434m) at the end of 2009 and the profit/loss before costs for the year was SEK 45 million (-269m). The financial results benefited from increase in values derived from greater confidence in the funds' valuation methods. During the year, part of one holding was reclassified to AP Fund Investments' Buyout portfolio in order to better reflect the maturity of the underlying portfolio companies. As a result, a part of the profit (SEK 322m) and market value (SEK 458m) reported for 2008 has been reallocated between Venture Capital and Buyout, which has affected the comparative figures for that year.

In terms of new investments and exits, the activity in the Buyout portfolio was very low during the year, reflecting the general trend in the buyout market. The main focus has been on the existing portfolio and the teams have worked to bring the cost structures of portfolio companies into alignment with

demand, which in many cases had declined. In some portfolio companies, discussions have been held with banks regarding the loan structures, and in some cases this has led to capital injections to strengthen the companies financial position and contribute to continued growth. During the latter months of the year, there were indications of a more positive climate compared to earlier in the year. There was increased activity in new investments, several successful exits were announced and a positive growth in value was reported for the portfolio. The Buyout portfolio's market-valued capital amounted to SEK 4,126 million (3,506m) at the end of 2009 and the profit/loss before costs for the year was SEK 277 million (-189m).

The Listed Small Cap portfolio invests in small and medium-sized listed companies through external fund managers. At the beginning of 2009, the listed market bore the scars of the financial crisis, with widespread turbulence in banking systems and credit markets. The situation was at its worst around March, when both the credit market and equities market bottomed out. Throughout the rest of the year, the equities market experienced a very strong recovery as the result of an increasing willingness to take risks, stronger macroeconomic indicators and favourably revised profit forecasts from companies. Listed Small Cap performed very well during the year and made the greatest contribution to AP Fund Investments' profit. The Listed Small Cap portfolio's market-valued capital amounted to SEK 2,109 million (1,964m) at the end of 2009 and the profit/loss for the year before costs was SEK 1,143 million (-1,014m). During the year, the portfolio's focus on the small cap segment had a positive effect since, the small cap sector on the Nasdaq OMX Stockholm outperformed the stock market in general. During the latter part of the year, some of the holdings in the Listed Small Cap portfolio were divested.

### Treasury

The Treasury manages the liquidity reserve maintained to carry out new investments and follow-on investments in each business area and to cover other capital requirements in existing companies. Investments may be made in shares or interest-bearing assets. The Treasury also has the task of managing any financial risks that arise in the business and, if necessary, of borrowing capital. The capital managed by the Treasury amounted to approxi-

mately SEK –520 million (408m) at the end of 2009. This figure includes a short-term credit facility of SEK 648 million (97m) as well as SEK 122 million (0) in assets in a blocked account with OMX.

### Evaluation of business targets

The Board of the Sixth AP Fund is required by law (the Sixth Swedish National Pension Fund Act, 2000:193) to carry out an annual evaluation of its administration of funds, in other words a performance review. This evaluation is submitted to the government in connection with the presentation of the annual accounts and audit report. The evaluation is prepared in a separate report that is published (in Swedish) on the Sixth AP Fund's website.

### The government's evaluation

On behalf of the government, the Ministry of Finance carries out an annual evaluation of the Sixth AP Fund's operations. This evaluation is performed for all the AP funds with the assistance of external consultants. The evaluation is presented in a written communication to the Swedish Parliament and made public when the government adopts the income statement and balance sheet for the year, which normally occurs in May of the following year.

The evaluation focuses primarily on the return target set by the Board and looks at how well investment activities have reached the targets set. The evaluation also includes analyses to assess the efficiency of the AP fund system from a general perspective.

The latest document is available on the websites of the government and the Sixth AP Fund.

### Significant events after the financial year-end

There are no events of material significance to report since the turn of the year.

### Sustainable business

The Sixth AP Fund strives to promote sustainable business by putting in place clear core values, guidelines and processes to reinforce its efforts to secure healthy investments in companies and funds.

Sustainable business is regarded as an important prerequisite for being able to generate high long-term returns on the pension capital the Sixth AP Fund has been entrusted to manage. The greatest benefit is created by the integration of initiatives with sustainability strategies as a natural part of investment decisions and by actively supporting those companies the Sixth AP Fund invests in.

In 2009, the work with sustainability issues has intensified, one example of this being the further development of the mapping activities previously carried out on environment-related issues in a selection of the Sixth AP Fund's companies, with these activities now extending to more companies and more areas of sustainable business. The aim of the mapping activities is to formulate an action plan to put greater pressure on all of the Sixth AP Fund's companies to actively pursue ethical and environmental activities. This is an important part of the value creation process and a prerequisite for being able to satisfy the demands for a sustainable business. The action plan includes defining concrete guidelines, both for the process of evaluating new investments, and for the work on sustainability issues in existing investments.

The Sixth AP Fund has also been working on ethical standards and environmental issues, looking at areas such as reduced energy consumption, the environmental impact of business travel, waste management and environmental considerations in connection with the purchase of products and services. The work on ethical issues is a natural part of investment activities and an important part of the discussions held specifically in connection with investments and continuously as part of the ownership and development process.

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# Income statement

SEKm	Note	2009	2008
<b>Investment activities</b>			
Net profit/loss, listed shares and participating interests	2	1,275	-2,052
Net profit/loss, unlisted shares and participating interests	3	267	-1,319
Dividend		150	224
Net interest income/expenses	4	208	242
Other financial income and expenses	5	99	-203
Management costs	6, 8	-76	-73
<b>Total investment activities</b>		<b>1,923</b>	<b>-3,181</b>
<b>Shared costs</b>			
Personnel costs		-31	-30
Other shared costs		-39	-41
<b>Total shared costs</b>		<b>-70</b>	<b>-71</b>
<b>Profit/loss for the year</b>		<b>1,853</b>	<b>-3,252</b>

# Balance sheet

SEKm	Note	31 Dec 2009	31 Dec 2008
<b>ASSETS</b>			
<b>Investment assets</b>			
Shares and participating interests in listed companies and funds	9	3,022	2,943
Shares and participating interests in unlisted companies and funds	10	15,599	13,497
Other interest-bearing securities	11	109	92
<b>Total investment assets</b>		<b>18,730</b>	<b>16,532</b>
<b>Receivables and other assets</b>			
Other current receivables		29	5
Liquid assets		7	27
Prepaid expenses and accrued income	12	72	82
<b>Total receivables and other assets</b>		<b>108</b>	<b>114</b>
<b>Total assets</b>		<b>18,838</b>	<b>16,646</b>
<b>FUND CAPITAL AND LIABILITIES</b>			
<b>Fund capital</b>			
Initial capital		10,366	10,366
Profit brought forward		6,004	9,256
Profit/loss for the year		1,853	-3,252
<b>Total fund capital</b>		<b>18,223</b>	<b>16,370</b>
<b>Current liabilities</b>			
Liabilities to credit institutions	13	526	97
Accrued expenses		25	17
Other current liabilities	14	64	162
<b>Total current liabilities</b>		<b>615</b>	<b>276</b>
<b>Total fund capital and liabilities</b>		<b>18,838</b>	<b>16,646</b>
<b>Memorandum items</b>			
Contingent liabilities		2	5
Commitments – committed capital, not yet paid out		3,868	5,682

# Notes

All figures are given in SEK million unless otherwise stated.

## Note 1 Accounting principles

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

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

### Reporting and valuation of unlisted securities

The Sixth AP Fund values all holdings according to their fair value and applies IPEV guidelines (International Private Equity and Venture Capital Valuation Board, [www.privateequityvaluation.com](http://www.privateequityvaluation.com)) as the basis for its valuation. This generally means that the holdings must be reported at their fair value while taking into consideration principles of caution and consistency in the valuation. The basic premise is that more recent holdings which lack stable and positive cash flows 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. IPEV's valuation guidelines have gradually been changed to enable market valuation at an earlier stage than would be the case with a third-party transaction. The Sixth AP Fund has adopted this approach by valuing companies based on expected future cash flows or net worth if this better reflects fair value. Valuations based on cash flow always involve a certain element of uncertainty as assumptions are made regarding future developments in respect of growth and profit margins. Valuations are also affected by the return targets adopted. Regardless of size, companies that have not yet showed stable and positive cash flows are valued according to their acquisition value. As part of the Sixth AP Fund's valuation process, the investments made are subjected to an annual impairment test. If there are indications of undervaluation, depreciation is provided to the extent required and this is reported in the income statement under Net profit/loss, unlisted shares and participation interests. It is also specified in Note 3. However, where there is a permanent and substantial reduction in value (e.g. bankruptcy), this will lead to a write-down, which often corresponds to the entire amount invested. This write-down is reported in the income statement under Net profit/loss, unlisted shares and participation interests and is also specified in Note 3.

Valuations of holdings in funds which invest in unlisted companies are based primarily on valuations received at 31 December 2009 from the respective funds. For holdings in respect of which the Sixth AP Fund has not yet received valuations that take into account performance during the fourth quarter of 2009, an adjustment has been made to reflect the change in market conditions.

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

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

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

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

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

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

### Reporting and valuation of listed securities

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

The fair value is based on the closing prices listed on the last trade date of the year. Transactions concerning calls, warrants, forwards and swaps are reported in the accounts on the day when the material risks and rights are transferred between parties, i.e. the day the deal is completed. This principle applies to transactions on the money and bond markets and on the equity market.

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

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

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

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

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

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

Changes in values, 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.

## Cont. Note 1

### Management costs

The Sixth AP Fund's management costs are divided into external and internal management costs and shared costs. External management costs relating to management fees for listed holdings are reported as continuous expenses in the income statement. External management costs relating to management fees for unlisted holdings in funds, among other things, are reported as an acquisition cost together with the investment. The value of the acquisition cost reported is assessed in connection with the valuation at fair value.

Internal management costs, which primarily refer to costs for the Sixth AP Fund's own personnel working in investment activities, are written off as an expense together with shared costs, which primarily refer to personnel costs for the Managing Director and shared specialist functions as well as the costs of premises, IT and general office expenses.

Internal and external management costs are reported in a separate note.

Performance-based remuneration is not included in external management costs. It does, however, reduce the capital gain/loss in respect of the asset managed.

### Other accounting principles

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

Receivables are taken up in the accounts at the amount at which they are expected to be received. Liabilities are valued at a nominal amount. Purchases of new equipment are written off as an expense.

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

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

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

### Memorandum items

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

## Note 2 Net profit/loss, listed shares and participating interests

	2009	2008
<b>Listed holdings</b>		
Shares and participating interests	1,462	-2,188
Bonds and other securities	37	-7
Derivatives	-224	143
<b>Total</b>	<b>1,275</b>	<b>-2,052</b>

## Note 3 Net profit/loss, unlisted shares and participating interests

	2009	2008
<b>Realised</b>		
Income from divestments	438	1,157
Capital invested	-440	-839
Reversal of changes in value booked previously regarding divested holdings	118	-100
Write-downs for the year	-158	-23
Reversal of changes in value booked previously regarding holdings written down	154	18
<b>Total realised profit/loss</b>	<b>112</b>	<b>213</b>
<b>Unrealised</b>		
Changes in the value of unrealised holdings	427	-1,614
Reversal of changes in value booked previously		
– regarding divested holdings	-118	100
– regarding holdings written down	-154	-18
<b>Total unrealised profit/loss</b>	<b>155</b>	<b>-1,532</b>
<b>Total</b>	<b>267</b>	<b>-1,319</b>

## Note 4 Net interest income/expenses

	2009	2008
<b>Interest income</b>		
Convertible loans	190	207
Other interest income	20	40
<b>Total</b>	<b>210</b>	<b>247</b>
<b>Interest expenses</b>		
Other interest expenses	-2	-5
<b>Total</b>	<b>-2</b>	<b>-5</b>
<b>Net interest income/expenses</b>	<b>208</b>	<b>242</b>

**Note 5** Other financial income and expenses

	2009	2008
Share in profits from limited partnerships	15	15
Exchange rate differences	84	-218
<b>Total</b>	<b>99</b>	<b>-203</b>

**Note 6** Management costs

	2009	2008
External management costs		
– Listed holdings	16	17
Internal management costs		
– Personnel costs	39	31
– Other costs	21	25
<b>Total</b>	<b>76</b>	<b>73</b>

External management costs do not include performance-based costs. Performance-based costs for the year amounted to SEK 1.1 million (0). Input VAT of SEK 3.5 million (4.7m) is reported under Other costs.

External management costs relating to holdings in unlisted funds amounted to SEK 166 million (196m) and are capitalised as part of the acquisition cost for each of the respective funds. At the end of the year, all capitalised management costs were revised downwards to zero kronor. The write-down is included in unrealised profit/loss.

**Note 7** Shared costs

	2009	2008
Personnel costs	31	30
Property-related costs	5	6
IT costs	5	7
Services bought	17	14
Other costs	12	14
<b>Total</b>	<b>70</b>	<b>71</b>

Shared personnel costs include the costs related to the Managing Director and business support organisation. Input VAT of SEK 6.2 million (6.6m) is reported under Other costs.

Services bought include remuneration to audit firms, as follows:

	2009	2008
<b>Audit assignments</b>		
Ernst & Young	1.0	0.9
KPMG Bohlins AB	—	1.2
Öhrlings PricewaterhouseCoopers AB	—	0.2
<b>Total</b>	<b>1.0</b>	<b>2.3</b>
<b>Other assignments</b>		
Ernst & Young	0.1	2.0
KPMG Bohlins AB	0.1	0.1
Öhrlings PricewaterhouseCoopers AB	0.2	0.1
<b>Total</b>	<b>0.4</b>	<b>2.2</b>
<b>Total</b>	<b>1.4</b>	<b>4.5</b>

**Note 8** Personnel**New guidelines from the government in 2009**

In 2009, the government issued new guidelines regarding the terms of employment for senior executives in the AP funds. These guidelines cover areas such as the removal of variable remuneration, limitations regarding retirement benefits and the regulation of retirement age.

During the year, the Sixth AP Fund's Board has discussed these new guidelines and decided to gradually implement new regulations regarding remuneration and benefits during 2009 and 2010 and also to renegotiate existing employment contracts.

The Board decides the total annual salary revisions as well as any variable remuneration. The Board is of the view that the remuneration and benefits paid to the Sixth AP Fund's senior executives are reasonable, moderate and well balanced in relation to comparable institutions.

The Board has decided to report remuneration and benefits for senior executives as a total amount, complemented by information about the number of senior executives. This is in accordance with generally accepted accounting principles for public companies and the Swedish Financial Supervisory Authority's proposal for general guidelines governing remuneration policies in companies in the financial sector.

**Regulations adopted for remuneration and benefits in 2009***Pensions*

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

Members of the senior management team other than the Managing Director shall be entitled to a pension at the age of 65 and annual premium payments have been made corresponding to 35 per cent of the gross pensionable income.

The government's new guidelines recommend a maximum retirement benefit corresponding to 30 per cent. The retirement benefits have therefore been renegotiated for the Managing Director and other senior executives and the difference will be converted to a fixed salary with effect from 2010. This change will not incur any extra costs for the Sixth AP Fund.

Other employees have retirement benefits that are in line with the government's new guidelines.

The Sixth AP Fund has no undertakings regarding future pensions or pension conditions. Remuneration from incentive schemes does not count as pensionable income.

**Cont. Note 8**

**Severance pay**

Should the Sixth AP Fund serve notice to terminate employment, the Managing Director shall be entitled to severance pay corresponding to 18 months' salary in addition to salary during a six-month period of notice. Deductions are made for any other remuneration received by the Managing Director. For other employees in the senior management team, the average period of notice is 12 months without severance pay. This deviates from, but overall represents a lower cost than, the government guidelines which recommend a maximum period of notice of six months and severance pay corresponding to a maximum of 18 months' salary.

**Incentive scheme**

In accordance with earlier guidelines, all employees have in the past been included in an incentive scheme, with the exception of the Managing Director. The government's new guidelines recommend that variable remuneration schemes should not include other senior executives either.

The Sixth AP Fund's Board has decided that no variable remuneration will be paid to the other members of the senior management team. This has been renegotiated to a fixed remuneration in salary and retirement benefits corresponding to a salary increase of around 6 per cent plus an additional element for retirement benefit, in total around 8 per cent.

For other employees, the Board has decided to retain the earlier incentive scheme.

Payments under the incentive scheme, which are limited to the equivalent of two months' salary, are subject to the return target for the entire Sixth AP Fund being exceeded. No payments are made in the event of a loss. The net return for 2009 was 11.3 per cent, which means that the absolute return target of 7.5 per cent was exceeded. This means that remuneration from the incentive scheme in respect of 2009 will be paid out in 2010 and the income statement for 2009 has therefore been charged with the corresponding amount. Remuneration from incentive schemes does not count as pensionable income.

**Decisions regarding fees and remuneration**

Board fees are set by the government. The annual remuneration amounts to SEK 100,000 for the Chairman, SEK 75,000 for the Deputy Chairman and SEK 50,000 for other board members.

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

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

**Absence due to illness**

Absence due to illness totalled 18 days for the year (29), which corresponds to around 0.2 per cent of hours worked (0.4%). To protect the integrity of individuals, these statistics have not been broken down according to age or gender.

		2009	2008
Average number of employees	Men	16.3	14.4
	Women	15.3	14.2
		<b>31.6</b>	<b>28.6</b>
Number of employees as at 31 Dec 2009	Men	17	17
	Women	17	16
		<b>34</b>	<b>33</b>
Board	Men	3	3
	Women	2	2
		<b>5</b>	<b>5</b>
Senior management team	Men	6	6
	Women	1	1
		<b>7</b>	<b>7</b>
<b>Salaries and fees</b>			
Chairman of the Board		0.1	0.1
Board, excluding Chairman		0.2	0.2
Managing Director		2.9	2.9
Senior management team, excluding Managing Director		11.0	10.3
Other employees		21.3	18.9
		<b>35.5</b>	<b>32.4</b>
<b>Incentive scheme</b>			
Managing Director		—	—
Senior management team, excluding Managing Director		—	—
Other employees		3.0	—
		<b>3.0</b>	—
<b>Other benefits</b>			
Managing Director		0.1	0.1
Senior management team, excluding Managing Director		0.7	0.7
Other employees		1.5	1.3
		<b>2.3</b>	<b>2.1</b>
<b>Pension costs</b>			
Chairman of the Board		—	—
Board, excluding Chairman		—	—
Managing Director		1.4	1.4
Senior management team, excluding Managing Director		4.0	2.7
Other employees		5.9	6.0
		<b>11.3</b>	<b>10.1</b>
<b>Social security expenses, excluding pension costs</b>			
		<b>15.8</b>	<b>14.3</b>
<b>Personnel costs – Total</b>			
		<b>67.9</b>	<b>58.9</b>

**Note 9** Shares and participating interests in listed companies and funds

Share	Number of participating interests	Share of equity, %	Voting rights, %	Market value, SEKm
BioInvent International	1,268,718	2.3	2.3	32
Biovitrum	866,721	0.4	0.4	24
Lindab	8,278,874	10.5	10.5	609
Ratos B	1,346,483	0.8	0.2	249
Q-Cells	2,073,505			249
SHBINDEX, holding reported on the Swedish website, www.apfond6.se				104
Lannebo Micro Cap	623,103			653
Lannebo Småbolag	21,211,428			611
SEB Micro Cap	4,000,000			491
<b>Total</b>				<b>3,022</b>

Commission paid in 2009 amounted to around SEK 2.9 million (1.0m).

**Note 10** Shares and participating interests in unlisted companies and funds

Company	Org. no.	Registered office	Number of participating interests	Voting rights, %	Share of equity, %
123 Servicecenters Fastighets AB	556660-4327	Gothenburg	1,000	100.0	100.0
AEP 2003 KB	969694-5196	Stockholm			15.8
Amplico Kapital AB	556703-3161	Gothenburg	4,500,000	90.0	90.0
Amplico I KB	969656-4088	Gothenburg			93.8
Andra & Sjätte Fastigheter AB	556694-3022	Gothenburg	2,500	50.0	50.0
AP Industriinvest AB	556780-7184	Gothenburg	1,000	100.0	100.0
AP Konvertibeln AB	556703-1124	Gothenburg	1,000	100.0	100.0
AP Konvertibeln KB	969715-4061	Gothenburg			99.0
AP Partnerinvest AD AB	556740-3414	Gothenburg	97,000	97.0	100.0
AP Partnerinvest Auktion AB	556751-9607	Gothenburg	920	92.0	100.0
AP Partnerinvest Biljett AB	556751-9615	Gothenburg	920	92.0	100.0
AP Partnerinvest Fashion AB	556742-8882	Gothenburg	1,000	100.0	100.0
AP Partnerinvest Miljö AB	556751-9599	Gothenburg	920	92.0	100.0
AP Partnerinvest MIT AB	556754-4431	Gothenburg	960	96.0	100.0
AP Partnerinvest Network AB	556754-4399	Gothenburg	1,000	100.0	100.0
AP Partnerinvest Positionering AB	556739-6857	Gothenburg	930	93.0	100.0
AP Partnerinvest Röd AB	556736-6322	Gothenburg	94,000	94.0	100.0
AP Partnerinvest Sec AB	556754-2583	Gothenburg	90,010	90.0	100.0
AP Partnerinvest Sport AB	556736-6934	Gothenburg	90,001	90.0	100.0
AP Partnerinvest TDS AB	556752-1363	Gothenburg	909	90.9	90.9
AP Partnerinvest XLR2 AB	556749-6079	Gothenburg	901	90.1	100.0
AP Partnerinvest XLR AB	556746-6510	Gothenburg	901	90.1	100.0
AP Riskkapital AB	556711-0407	Gothenburg	1,000	100.0	100.0
Aumar AB	556631-5932	Gothenburg	700	70.0	70.0
Auvimo AB	556587-9565	Gothenburg	1,000	100.0	100.0
Auvimo KB	969621-7729	Gothenburg			100.0
Chalmers Innovation Seed Fund AB	556759-5003	Stockholm	206,060	36.4	36.4
Creandum Advisor AB	556644-0300	Stockholm	37,740	34.0	34.0
EkoNord Invest AB	556769-8625	Krokom	7,143	14.3	14.3
Electric Generation AB	556764-3282	Gothenburg	290,000	29.0	29.0
Energy Potential AB	556614-9000	Uppsala	432,781	3.6	15.0

**Cont. Note 10**

Company	Org. no.	Registered office	Number of participating interests	Voting rights, %	Share of equity, %
Fordonsinvest Norden AB	556601-9757	Gothenburg	175,275	100.0	100.0
Fornminnet AB	556696-0794	Gothenburg	1,000	100.0	100.0
Fornminnet KB	969712-0468	Gothenburg		99.0	
Fyrfond AB	556591-7027	Gothenburg	1,000	100.0	100.0
Fyrfond KB	969661-3109	Gothenburg		100.0	
Gar Förvaltnings AB	556312-2968	Gothenburg	10,000	100.0	100.0
Globe Forum Sverige AB	556628-3346	Stockholm	400	21.6	21.6
Grundstenen 125399	556781-0667	Gothenburg	1,000	100.0	100.0
Grönsta Lager AB	556660-5431	Gothenburg	1,000	100.0	100.0
Grönsta Lager KB	969704-9576	Gothenburg		99.0	
Healthcare Göteborg AB	556572-2088	Gothenburg	1,000	100.0	100.0
Industrial Equity (I.E.) AB	556599-9702	Gothenburg	1,000	100.0	100.0
Innoventus AB	556602-2728	Uppsala	4,662	33.3	33.3
Innoventus Project AB	556616-8356	Uppsala	176,483	49.0	49.0
IQQU Styrelseutveckling AB	556743-8105	Gothenburg	1,000	100.0	100.0
Icube Holding AB	556676-0764	Stockholm	226,889	13.2	13.2
Johanneberg Campusbo AB	556658-6730	Gothenburg	800	80.0	80.0
Johanneberg Campusbo KB	969704-9451	Gothenburg		79.2	
Jönköping Business Development AB	556693-2561	Jönköping	180,000	32.0	32.0
KA Intressenter AB	556771-4455	Stockholm	30,380	30.4	30.4
Krigskassa Blekinge AB	556709-7992	Ronneby	30,000	50.0	50.0
Logipi Holding AB	556781-6417	Stockholm	545	35.3	35.3
Mittkapital i Jämtland och Västernorrland AB	556784-9426	Krokom	1,000	100.0	100.0
NetSys Technology Group Holding AB	556550-2191	Mölnadal	100,000	100.0	100.0
Next Generation Broadcasting NGB AB	556702-6173	Stockholm	173,962	77.3	77.3
Nordia Innovation AB	556228-6855	Stockholm	1,069,510	39.8	39.8
Norstel AB	556672-5346	Norrköping	2,358	7.4	7.4
NS Holding AB	556594-3999	Sundsvall	1,819,884	50.0	50.0
Orsa Grönlitt AB	556098-7462	Orsa	36,364	15.3	15.3
Polarica AB	556167-2535	Haparanda	7,500	15.0	15.0
Prosilient Technologies AB	556639-2022	Stockholm	185,726	57.7	57.7
Repairshop Sweden AB	556680-5429	Partille	2,140	49.0	49.0
Scandinavian Life Science Ventures AB	556587-9771	Gothenburg	1,000	100.0	100.0
Seabased AB	556617-6557	Uppsala	193,478	0.8	3.5
Slottsbäcken Fund II 2003 AB	556648-9729	Stockholm	545	49.5	49.5
SLS Invest AB	556730-2038	Stockholm	500	100.0	100.0
SLS Venture Two GP AB	556628-4674	Stockholm	5,434	53.5	53.5
Sportex AB	556220-0674	Gothenburg	102,500	100.0	100.0
STT Condigi Holding AB	556540-2889	Malmö	213,500	54.1	54.1
Syncron International AB	556573-8894	Stockholm	3,828,998	24.0	24.0
Unfors Holding AB	556701-5747	Gothenburg	74,844	58.1	58.1
United Intressenter AB	556727-5135	Stockholm	204	13.3	13.3
UnitedLog Group AB	556680-6914	Stockholm	24,671	52.6	52.6
Uplevel Partners AB	556736-1067	Gothenburg	500	50.0	50.0
Vega Ronneby AB	556762-7798	Ronneby	2,017,365	25.0	25.0
Vertical Wind AB	556632-1070	Uppsala	368,257	1.1	6.5
Volvofinans Bank AB	556069-0967	Gothenburg	400,000	40.0	40.0
Xeratech Holding AB (declared bankrupt 29 Jan 2010)	556652-8963	Karlstad	1,973	77.0	77.0

The total acquisition value of shares and participating interests amounted to SEK 9,679 million (8,306m).

## Cont. Note 10

Funds	Org. no.	Registered office	Share of equity, %	Acquisition value
Accent Equity 2003 KB	969694-7739	Stockholm	63.1	248
AE Intressenter KB	969724-7873	Järfälla	100.0	163
BrainHeart Capital ANX KB	969703-4685	Stockholm	59.4	46
BrainHeart Capital KB	969674-4102	Stockholm	43.4	99
CapMan Buyout IX Fund A L.P.			11.3	13
CapMan Buyout VIII Fund B KB	969705-5342	Stockholm	100.0	566
CapMan Equity Sweden KB	969683-1321	Stockholm	96.5	423
CapMan Technology Fund 2007 B KB	969720-4288	Stockholm	100.0	121
Creandum I Annex Fund AB	556759-5623	Stockholm	49.3	20
Creandum II KB	969708-0274	Stockholm	98.5	101
Creandum KB	969690-4771	Stockholm	49.3	70
EQT II			4.8	0
EQT IV L.P.			2.0	456
EQT V L.P.			2.4	546
EQT Expansion Capital II L.P.			4.2	68
EQT Opportunity L.P.			10.8	143
Femfond KB	969687-5062	Stockholm	100.0	372
Fyrsikten KB	969712-1029	Stockholm	100.0	625
H & BIIS Sweden KB	969664-6570	Stockholm	50.0	88
HealthCap 1999 KB	969656-1647	Stockholm	10.5	102
HealthCap Annex Fund I-II KB	969690-2049	Stockholm	38.9	121
HealthCap Colvest KB	969625-6255	Stockholm	24.4	58
HealthCap III Sidefund KB	969699-4830	Stockholm	22.7	47
HealthCap KB	969614-4162	Stockholm	12.1	4
InnKap 2 Partners KB	969661-4735	Gothenburg	5.9	11
InnovationsKapital Fond I AB	556541-0056	Gothenburg	31.3	0
Innoventus Life Science I KB	969677-8530	Uppsala	32.7	45
Intera Fund I KY			12.0	44
IT Provider Century Annex Fund KB	969728-8109	Stockholm	98.5	31
IT Provider Century Fund KB	969673-0853	Stockholm	98.5	48
IT Provider Fund IV KB	969687-5468	Stockholm	59.1	147
Medicon Valley Capital Two KB	969680-3056	Gothenburg	98.5	127
Nordic Capital III			9.4	3
Nordic Capital VII Beta L.P.			2.8	164
Northern Europe Private Equity KB	969670-3405	Stockholm	69.1	258
Norvestor V, L.P.			8.5	53
Scandinavian Life Science Venture Two KB	969680-5291	Gothenburg	70.4	342
SG Partners II KB	969724-7337	Stockholm	100.0	105
Slottsbacken Fund Two KB	969660-9875	Stockholm	54.5	39
Sustainable Technologies Fund I KB	969734-9620	Stockholm	100.0	31
Swedestart Life Science KB	969675-2337	Stockholm	16.3	47
Swedestart Tech KB	969674-7725	Stockholm	20.6	48
Valedo Partners Fund I AB	556709-5434	Stockholm	25.0	104
<b>Total funds</b>				<b>6,147</b>
<b>Total acquisition value</b>				<b>15,826</b>
<b>TOTAL MARKET VALUE</b>				<b>15,599</b>

**Note 11** Other interest-bearing securities

	2009	2008
<b>Bond funds</b>		
Northern Spirit Fund	0	25
<b>Total</b>	<b>0</b>	<b>25</b>
<b>Other</b>		
FX forwards	25	-13
Loans to unlisted companies	84	80
<b>Total</b>	<b>109</b>	<b>67</b>
<b>Total</b>	<b>109</b>	<b>92</b>

**Note 13** Liabilities to credit institutions

	2009	2008
Approved credit limit	3,000	3,000
Unutilised part	-2,352	-2,903
<b>Utilised amount</b>	<b>648</b>	<b>97</b>
Blocked account with OMX	-122	0
<b>Total</b>	<b>526</b>	<b>97</b>

The utilised credit amount is regarded as short-term and temporary financing with an estimated maturity of no more than one year.

The approved credit limit for the group account is SEK 3 billion. The blocked account with OMX for trading with derivatives is included as part of the group account and is reported as a net item.

**Note 12** Prepaid expenses and accrued income

	2009	2008
Accrued interest income	25	24
Prepaid management fee	32	51
Other prepaid expenses and accrued income	15	7
<b>Total</b>	<b>72</b>	<b>82</b>

**Note 14** Other current liabilities

	2009	2008
Transactions not settled on the closing day	53	68
Other	11	94
<b>Total</b>	<b>64</b>	<b>162</b>

Gothenburg, 23 February 2010

Lennart Jeansson  
*Chairman of the Board*

Lars Lundquist  
*Deputy Chairman*

Gunilla Almgren

Olle Larkö

Katarina G Bonde

Erling Gustafsson  
*Managing Director*

# Audit report

## **Org. no. 855104-0721**

We have audited the annual accounts, the accounting records and the administration of the Board of Directors of the Sixth Swedish National Pension Fund for 2009. The annual accounts are presented in the printed version of this document on pages 8–25. These accounts and the administration of the Sixth AP Fund and the application of the Sixth Swedish National Pension Fund Act (2000:193) when preparing the annual accounts are the responsibility of the Board of Directors. Our responsibility is to express an opinion on the annual accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of

Directors and significant estimates made by the Board of Directors when preparing the annual accounts as well as evaluating the overall presentation of information in the annual accounts. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Sixth Swedish National Pension Fund Act (2000:193) and give a true and fair picture of the Sixth AP Fund's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The statutory administration report is consistent with the other parts of the annual accounts.

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

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

Gothenburg, 23 February 2010

Björn Grundvall  
*Authorised public accountant*  
*Appointed by the Swedish Government*

Anna Peyron  
*Authorised public accountant*  
*Appointed by the Swedish Government*



# Board of Directors



**Lennart Jeansson**

*Chairman of the Board.  
b. 1941.  
Elected in 2004.*

*Other assignments:*

*Chairman of Stena AB, Volvo Pensionsstiftelse, BIL Sweden,  
Haléns Holding AB and Handel & Industri AB.  
Member of the Board of Volvo Lastvagnar AB, Volvo Construction Equipment  
AB, Stena Metall AB and Orkla ASA.  
Member of the Council for the sale of shares in companies owned in part or  
in full by the Swedish state.*



**Lars Lundquist**

*Deputy Chairman.  
b. 1948.  
Elected in 2007.*

*Other assignments:*

*Chairman of Intrum Justitia AB, JM AB, ERIKA Försäkringsaktiebolag and  
Vasakronan AB.  
Member of the Board and Treasurer of the Swedish Heart-Lung Foundation.*



**Gunilla Almgren**

*b. 1955.  
Elected in 2001.*

*Other assignments:*

*Managing Director of REGAB Reglerarmatur AB  
Chair of Företagsakuten i Göteborg, Företagarna Göteborg.  
Deputy Chair of the Federation of Private Enterprise in Sweden  
and of the European Association of Craft, Small and Medium-sized  
Enterprises (UEAPME).  
Member of the Board of the Swedish Foreign Trade Association,  
Swedbank in Gothenburg, Almi Företagspartner Väst AB and Svenska  
Garantiproducter AB.*



**Olle Larkö**

*b. 1952.  
Elected in 2006.*

*Other assignments:*

*Dean and Professor at the Sahlgrenska Academy at the University of  
Gothenburg.  
Member of the Board of the European Dermatology Forum, Chalmers Invest  
and Sahlgrenska Science Park.  
Scientific Council, Medical Products Agency in Sweden.*



**Katarina G Bonde**

*b. 1958.  
Elected in 2008.*

*Other assignments:*

*Chair of Atilio Networks AB and Propellerhead Software.  
Member of the Board of LBI International AB, Orc Software AB, eBuilder AB,  
the Royal Swedish Opera and the Sweden-America Foundation.  
Member of the Council for the sale of shares in companies owned in part or  
in full by the Swedish state.*

# Management



**Erling Gustafsson**

Managing Director

b. 1958.

Joined the Sixth AP Fund

in 1997.

Business Administration  
graduate

Board assignments:

Chairman of Svenska Skeppshypotekskassan.  
No holdings in unlisted companies.



**Adam F Laurén**

Administrative Manager  
and CFO

b. 1967.

Joined the Sixth AP Fund  
in 2006.

Business Administration  
graduate

Board assignments: —

No holdings in unlisted companies.



**Ulf Lindqvist**

Communications  
Manager

b. 1963.

Joined the Sixth AP Fund  
in 2008.

Degree in Journalism

Board assignments: —

No holdings in unlisted companies.



**Alexandra Nilsson**

Business Area  
Manager  
AP Fund Investments

b. 1973.

Joined the Sixth AP Fund  
in 1998.

Law degree, Diploma pro-  
gramme for financial ana-  
lysts from the Stockholm  
School of Economics.

Board assignments: —

No holdings in unlisted companies.



**Mats Augurell**

Business Area Manager  
AP Partner Investments

b. 1958.

Joined the Sixth AP Fund  
in 2000.

B Sc Business  
Administration  
and Economics.

Board assignments:

Chairman of Aumar AB.  
Member of the Board of Alektum Inkasso AB.  
No holdings in unlisted companies.



**Urmas Kruusval**

Business Area  
Manager  
AP Direct Investments

b. 1951.

Joined the Sixth AP Fund  
in 2000.

Business Administration  
graduate

Board assignments:

Chairman of AB VolvoFinans, Sportex AB, MECA  
Scandinavia AB and DAWA Däck AB.  
Member of the Board of Borås Bil Förvaltning AB.  
No holdings in unlisted companies.



**Lars Ingelmark**

Business Area  
Manager  
AP Life Science

b. 1949.

Joined the Sixth AP Fund  
in 1998.

Medicine graduate, IFL  
diploma in marketing.

Board assignments:

Chairman of Scandinavian Life Science Venture,  
Gyttorp AB and Svensk Vätmarksfond.  
Member of the Board of Biolnvent International AB,  
Innoventus AB, Karolinska Investment, Niconovum  
AB and Svenska Jägareförbundet.  
No holdings in unlisted companies.

# Definitions

## **Buffer fund**

Consists of the First to Fourth AP Funds and the Sixth AP Fund. The role of the buffer funds is partly to even out temporary variations between pension contributions and pension disbursements, partly to assist in the long-term financing of the pension system.

## **Business area return**

Profit/loss before costs divided by average capital invested.

## **Buyout**

Investment in a company's equity, for example by a leveraged buyout (LBO) or by the acquisition of parts of a company together with the company's management.

## **Committed capital**

The capital committed by the Sixth AP Fund as equity investments in various funds and companies over a set period of time.

## **Compliance**

Adherence to rules and guidelines.

## **Corporate Governance**

A term to describe issues relating to the control mechanisms used to manage companies. The relationship between the different company organs (AGM, Board and MD) is at the heart of corporate governance.

## **COSO**

Abbreviation for the Committee of Sponsoring Organizations of the Treadway Commission. COSO is a framework for evaluating a company's internal control over its financial reporting.

## **Equity investments**

A collective term for investments in a company's equity that applies to both listed and unlisted companies. It is occasionally confused with the concept of private equity, which is the term given to investments in companies that are not listed.

## **EVCA**

European Private Equity and Venture Capital Association.

## **Fair value**

Fair value is defined as the amount at which an asset could be transferred or a liability written off, between parties who are independent of one another yet share an interest that the transaction be completed. This normally means that listed assets are valued at their purchase price (market value) and that the fair value of unlisted assets is estimated with the assistance of generally accepted valuation models.

## **Fund capital**

The initial capital that was allocated to the Sixth AP Fund at the beginning together with the cumulative gain or loss.

## **Investment activities**

A collective term for the capital managed by the Sixth AP Fund's business areas.

## **IPEV**

International Private Equity and Venture Capital Valuation Board.

## **IRR (Internal rate of Return)**

Describes the return on an investment in the form of an interest rate.

## **Life science**

Collective term for the pharmaceuticals, biotechnology and medical technology sectors.

## **Management fee**

Fees paid for the management of a fund.

## **Market-valued capital**

Listed securities valued at market value at the year-end and unlisted securities valued according to IPEV principles. For more information, see Note 1.

## **Operative share %**

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

## **Private Equity**

A collective term for equities that are not listed on an official or public market. The ownership commitment in a private equity investment is often active and limited in time.

## **Private equity fund**

A fund which has as its core operations investment in unlisted companies and the realisation of their growth in value.

## **Profit/loss**

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

## **Repo rate**

One of the Riksbank'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.

## **Structural capital**

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

## **Sustainability report**

A report describing how a company addresses financial, environmental and social issues.

## **Total return for the Sixth AP Fund**

### **for a period longer than one year**

Calculated as the average return per year.

## **Total return for the Sixth AP Fund**

### **for one year**

Calculated as the profit/loss for the year in relation to the fund capital at the beginning of the year.

## **Venture Capital**

Investments made at an early stage in a company's development. The capital injected is often used for product or market development.

## COSO – a framework for internal control

The Sixth AP Fund's structure for internal control is a reflection of the activities defined by COSO, the world's most well-known framework for describing a company's internal control. The framework provides advice and guidance on how companies can organise effective internal controls and has been developed for use in a wide range of organisations, regardless of size.

According to COSO, the key components of internal control are: *control environment, risk assessment, control activities, information and communication and monitoring*.

*Control environment* is a collective term used to describe the factors which "set the tone" for the attitudes towards internal control in the organisation and embraces that environment, in the form of steering documents, legislation, culture, values, leadership styles and assignment of responsibilities, which surrounds the business. The control environment lays the foundations for the

other four components by establishing discipline and structure, what might otherwise be described as good administrative order.

*Risk assessment* refers to the work to identify risks in advance so that these can be assessed and avoided or controlled in an efficient and business-like manner by implementing the appropriate measures. The identification of risk is about identifying events, both internal and external, which could have an impact on the target fulfilment of the business.

*Control activities* are about preventing, discovering and correcting error and may include, for example, IT controls, policy documents, authorisation procedures, reconciliation or breakdown of administrative, controlling and executive functions – also known as the segregation of duties.

*Information and communication* should support the dissemination and availability of internal policy documents, guidelines

and assignment of responsibilities that underpin the control activities that are to be implemented. Information is also about ensuring that the people concerned receive adequate and relevant information about legislation, rules and regulations, etc. which could have a bearing on their daily work and which support them in their work with control activities.

*Monitoring* is about monitoring all control activities that have been deemed necessary to ensure that they work in practice. The concept of monitoring also includes ensuring that reports are submitted to the Board regarding internal control activities or any incidents that occur.

For more information,  
visit [www.coso.org](http://www.coso.org)





The Sixth Swedish National Pension Fund (the Sixth AP Fund) manages public pension funds in order to create high long-term returns, taking into consideration the need for satisfactory risk diversification. The task is to invest in small and medium-sized growth companies, mainly Swedish, thus contributing to the development of Swedish industry.

The Sixth AP Fund is an independent owner that invests in small and medium-sized companies and selected private equity funds, equity funds and investment companies.

[www.apfond6.se/en](http://www.apfond6.se/en)



Sjätte AP-fonden

P.O. Box 11395 | Östra Hamngatan 18  
SE-404 28 Gothenburg, Sweden  
Tel: +46 (0)31 741 10 00  
Fax: +46 (0)31 741 10 98