



Sixth AP Fund Annual Report 2018

4 STABLE EARNINGS
Net profit for the year was SEK 3,042 million, which corresponds to a return of 9.6 percent. Return on the PE portfolio was 16.1 percent.

6 WELL-DIVERSIFIED
There are now approx. 30 collaborations with PE funds in the portfolio (approx. 450 portfolio companies) and approx. 40 direct investments.

14 GENDER EQUALITY
For the second time, AP6 invited representatives from Nordic PE funds to discuss ways of increasing gender equality and diversity in the sector.

Visit our website for more information:

More information about the organization, investing activities, holdings, sustainability, etc. is available on AP6's website. There are also reports and documents that can be downloaded. www.apfond6.se/en



Explanation of terminology used in the annual report

AP6 invests in unlisted assets. In this sector, some specific terminology is used. To facilitate understanding, a list with explanations has been compiled. (A more extensive glossary is provided at the end of the annual report).

Unlisted assets: these are primarily unlisted companies, i.e. shares are not traded on a stock exchange.

Venture capital and private equity (PE): used to describe unlisted assets. Typically, this refers to unlisted companies, i.e. specific unlisted companies and funds that are invested in such.

Direct investment and fund investment: Investments in unlisted companies are primarily categorized as either **direct** or **indirect**.

- With a **direct investment**, the investor

obtains an ownership interest, which is shares in the unlisted company. This gives the investor **direct ownership** in the company.

- With a **fund investment**, the investor obtains ownership interest in the fund. The fund then invests in unlisted companies. This gives the investor **indirect ownership** in the companies.

Capital commitment - a decision to invest in a fund: When an investor decides to invest in a fund, it is for a specific amount (which is the commitment made). That amount is later paid out in installments. It is paid at the rate that the fund invests in companies.

Co-investment: This is when AP6 invests in a fund and then also directly invests in a company, together with the fund. Co-investments are typically made without any fees or profit sharing.

Secondary: This is when an investor wants to sell its share before the fund is closed.

Limited Partner (LP): Investors in a fund, such as AP6.

General Partner (GP): The PE firm that manages the fund. Typically, a GP manages several funds.

Buyout: Mature companies with an established business model. They have both market position and positive cash flows.

Venture: Start-up companies with a business concept requiring long-term funding before it obtains market position and generates a profit.

Contents

Sixth AP Fund in brief	1	Management	25
Sixth AP Fund in figures	2	Remuneration levels, etc.	26
Key events in 2018	3	Directors' Report	27
Managing Director's Statement	4	Income statement	34
Investment Strategy	5	Balance sheet	35
Portfolio	6	Notes	36
Sustainability Report	9	Auditor's report	46
Fund Governance Statement	22	Definitions and Glossary	48
Board of Directors	24		

Sixth AP Fund (AP6) in brief

Specialized in unlisted assets

Unlike the other AP funds, AP6 is entirely focused on investments in unlisted assets, which is not the same as investing in listed companies traded on a stock exchange. Special expertise and experience is required when investing in unlisted companies. They are long-term investments, where agreement among the owners is essential. They also require access to capital for making additional investments aimed at developing the company during the holding period. AP6 invests in unlisted companies in two ways. It invests directly by buying shares in an unlisted company and indirectly by investing in a fund, which then invests in unlisted companies. In the first example, AP6 obtains direct ownership in the company, in the second, indirect ownership.

Lower costs thanks to network and experience

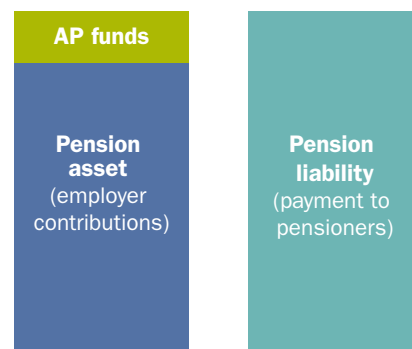
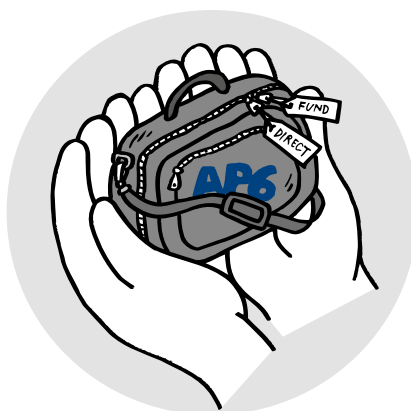
AP6 has been an active investor in unlisted assets for more than 20 years. During that time, the organization has built up a large network, extensive experience and vast expertise. Because of that, AP6 is able to participate in a variety of investment schemes. When AP6 makes direct investments, the costs are lower than

with indirect investments (funds). Accordingly, this lowers the average management costs for investing activities.

Responsible investments

Sustainability is an integral part of AP6's investing activities. It is, for example, a component of the review and follow-up on investments. As an investor in various types of businesses, sectors and geographic locations, it is necessary to have a wide approach to sustainability that is consistent with international agreements on human rights, labor rights, the environment and anti-corruption.

AP6's Code of Conduct provides the foundation for its responsible investment activities. One important tool for this is AP6's own template for evaluating the sustainability efforts of PE funds.



Part of the Swedish pension system

The five AP funds (AP1-4 and AP6) are referred to as buffer capital. Together, they comprise approximately 10-15 percent of the pension system. AP1-4 are similar in size, with the same investment rules. They also invest in many types of assets. Each of them has inflows and outflows to the pension system. Since 2009, payments to current pensioners have exceeded the amount of inflow (e.g. derived from employer contributions). Because of that, funds are extracted from AP1-4 each year to cover the pension payments to current pensioners. AP6, is a closed fund. It means that there are no inflows or outflows to the pension system. When it was set up, in 1996, AP6 received SEK 10.4 billion. AP6 covers its own costs and the profits from its investments are continually reinvested. At year-end 2018, the original capital had grown to SEK 34.7 billion.

34,7

billion (SEK) managed by Sixth AP Fund

3 042

million (SEK) – net profit 2018

9,6

percent – net return 2018

Sixth AP Fund in figures

Sixth AP Fund
Assets under management
SEK 34.7 billion



- Direct investments, 39% /40+ companies
- Funds, 37% /450+ companies
- Liquidity, 24%

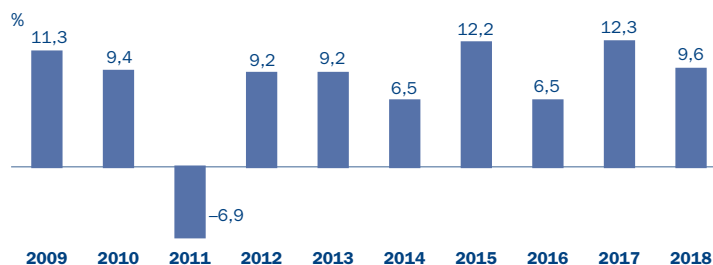
16,1%

Return for the year on capital employed

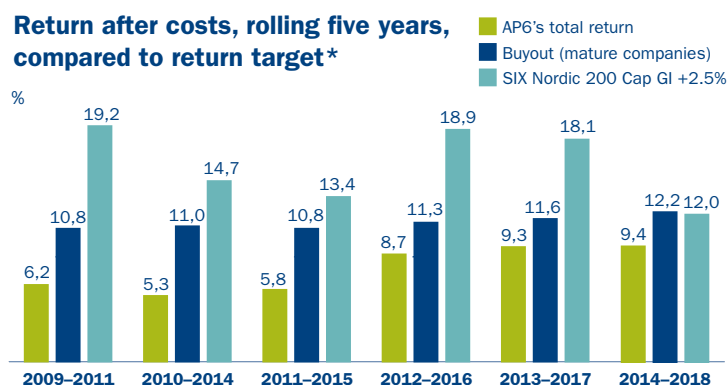
11,9%

Average return on mature investments for the last 10 years

Return after costs 2009–2018



Return after costs, rolling five years, compared to return target*



* Buyout (mature companies) is reported separately since investments in this segment are in line with AP6's strategy since 2011.

Return over ten and five years, and in 2018

Years	2009–2018	2014–2018	2018
Total buyout, %	11.9	12.2	11.4
– Funds	13.4	13.3	15.6
– Direct	10.9	11.4	7.8
Total venture capital, %	0.3	19.2	50.5
– Funds	13.0	23.7	88.6
– Direct	-8.8	11.9	9.4
Return target	15.5	12.0	-0.6

Profit/loss breakdown by segment, 2009-2018

SEK Million	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Average return, %
Buyout (mature companies)	937	1,548	1,104	1,566	998	971	2,177	1,424	2,718	1,998	11.9
Venture Capital (early phase)	-121	-683	-2,087	-131	176	196	331	192	732	1,439	0.3
Return on capital employed	816	865	-983	1,435	1,174	1,167	2,508	1,616	3,450	3,437	8.6
Treasury management, risk management and internal costs	1,037	841	-397	266	686	274	359	106	20	-395	-
Profit/Loss	1,853	1,706	-1,380	1,701	1,860	1,441	2,867	1,722	3,470	3,042	7.8

Key events in 2018

High rate of investment

Like last year, there was a high rate of investment as regards both new fund commitments and direct investments. In total, SEK 2.4 billion has been invested directly in companies. Commitments to new funds (paid out as the funds acquire companies), amounts to SEK 5.3 billion.

Direct investments

Ten new investments were made during the year. They were all minority investments, which is in line with the strategy. In other words, AP6 collaborated with another investor, who is the principal owner. Eight of these new investments were co-investments made together with funds where AP6 has also committed capital. For example, AP6 made two co-investments with both Nordic Capital and EQT, which are long-term collaborations of AP6. Co-investments were also made with Permira, Bridgepoint and Cinven. The remaining ones were made in the Nordic company, Envirotainer.

Two investments, EasyPark and Navex, were made with partners where AP6 is not an investor in the fund. In total, investments were made with eight different principal owners, resulting from AP6's wide network with leading international PE funds. Around half of the new investments (both number and amount), were made in Nordic companies. At year-end 2018, the portfolio of direct investments consisted of around 40 companies.

Fund investments

Of the SEK 5.9 billion in total commitments for the year, SEK 5.3 billion was commitments to eleven new fund investments. Five of these commitments are new collaborations for AP6, corresponding to approx. SEK 1.8 billion. In Europe, AP6 started collaborating with Equistone and Astorg (both active in the mid-market segment). The fund portfolio has been expanded to include new PE firms in USA via commitments to American Securities

(buyout), Silicon Valley and Sequoia (both, venture).

AP6 also strengthened existing relationships via new commitments to new funds set up by five PE firms. These include commitments to, for example, Triton, Bridgepoint, Carlyle and HgCapital.

Of the year's total fund commitments, approximately 10 percent were venture and 90 percent were to buyout funds.

The new commitments have further expanded the geographic scope of AP6's fund portfolio, both in Europe and USA.

AP6's fund portfolio now includes collaboration with more than 30 teams managing more than 80 active funds. It gives AP6 exposure to approximately 450 portfolio companies. Through the existing fund portfolio, approximately SEK 4.4 billion in capital was employed in new, indirect holdings during the year.

Large inflow of capital again in 2018

Many holdings were also sold during the year, resulting in a large inflow of capital that will be reinvested. Approximately SEK 6.7 billion was received in conjunction with divestments of direct and indirect portfolio companies.

Direct Investments

Approximately SEK 1.6 billion was received during the year from di-

vestments, partial divestments and dividends from existing direct investments. For example, Netcompany was partially divested in 2018. It was a very successful co-investment with FSN.

Fund Investments

The most high-profile divestment in 2018 was Creandum's sale of Spotify following the company's successful IPO in USA. The fund investment in

Creandum has been extraordinary, with a return corresponding to 8.4 times the amount of capital invested. It corresponds to an IRR of 33 percent.



Overall, funds resulting from divestments of portfolio companies repaid more than SEK 5 billion to AP6 during the year.

Strong performance from implementation of our strategy

There was a high rate of investment during the year and strong performance from the portfolio once again. It results from our dedicated efforts in pursuing the investment strategy, where the combination of fund commitments and direct investments as a minority investor sets us apart. It's a strategy that has continuously generated interesting investment opportunities with both existing partners and new ones.

Dedicated implementation of the strategy continues to strengthen and improve AP6 as a specialist in Private Equity investments. The core of our strategy involves combining investments in external funds with direct minority investments in specific companies. AP6 is selective in its approach. We seek collaboration with leading players and our investment decisions are based on own analyses and assessments.

We seek long-term, close collaboration, where AP6 can exercise active ownership over time. It's a unique, niched strategy, which is appreciated in the market. In 2018, AP6 has had access to many interesting investment opportunities thanks to its investment direction, extensive expertise acquired over decades and a wide network of partners. This, in turn, has resulted in a high rate of investment, with 11 new fund commitments totaling SEK 5.3 billion.

AP6 also made 10 new direct investments totaling SEK 2.4 billion. Following several years with a high rate of investment, AP6's portfolio of holdings has grown substantially and become more diversified. AP6 collaborates with more than 30 external fund teams managing more than 80 active funds. Via these funds, AP6 has indirect ownership in approximately 450 portfolio companies.

The portfolio currently includes more than 40 direct investments where AP6 is a minority investor. AP6's invested capital is equally spread across two types of investments: fund investments for SEK 13.0 billion and direct investments for SEK 13.5 billion. AP6 has a well-diversified portfolio of holdings. No single portfolio accounts from more than 3 percent of fund capital. Risk has been spread across a variety of sectors and geographic locations.

The share of capital invested outside the Nordic region has increased in recent years. Temporary excess liquidity generated from the conversion to AP6's current strategy, continues to diminish, in accordance with plan. At year-end, AP6's total liquidity equaled 24 percent of fund capital, which is a reduction of 30 percent over the year.

Performance of AP6's PE portfolio was once again strong in 2018. The return on capital employed was 16.1 percent for the year. Performance of the fund portfolio was particularly good, with a return of more than 25 percent.

The largest individual contribution came from AP6's long-term collaboration with Creandum and, more specifically, the investment in Spotify. With its amazing growth, successful IPO and, later on, divestment of the holding, this has been an exceptionally successful investment of pension assets.

AP6's net profit for the year, including its management of excess liquidity was SEK 3,042 million. It corresponds to return of 9.6 percent. Over the last five years, net return has been relatively stable, with an annual return of 9.4 percent.

Employed capital during this same period generated an annual return of 13.2 percent, which is very much on a par with the comparable index for the European PE sector. By pursuing our strategy, which is based on collaboration in the international market, AP6 generates significant value from our employees' extensive expertise and experience.

We're convinced that it creates the prerequisites for generating a consistent, high return on pension assets.



Investment strategy based on specialization in PE

More internationalization and a large inflow create more opportunities for collaboration between investors and PE firms. The demand for flexibility and expertise is increasing. Expertise in various types of transactions is a competitive advantage. The niched investment approach that AP6 pursues in the PE sector opens up a variety of attractive investment opportunities in Fund, Direct and Secondary.

AP6's investment strategy stems from a Riksdag decision whereby AP6 has been issued a directive to invest in the market for unlisted companies. Based on 20-years of experience, AP6 has decided to pursue an investment strategy specialized in the PE asset class, with special emphasis on mature companies (buyout). Within that segment, AP6 invests directly in companies (Direct Investments) and indirectly in companies, via funds (Fund investments)

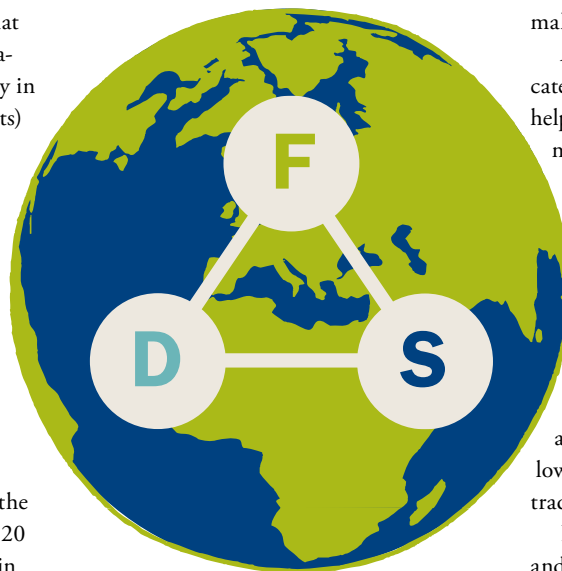
The organization's extensive expertise in both types of transactions has proven to be a competitive advantage. The combination of Fund and Direct investments creates flexibility and facilitates collaboration with other investors and PE firms.

A decisive factor in obtaining access to attractive direct investments is that AP6 always acts as a minority investor. It makes us a partner to other investors, rather than a competitor for the role of principal owner. For more than 20 years, AP6 has been an active investor in unlisted assets, during which it has acquired experience and expertise that gives our partners assurance and predictability.

For example, AP6's partners appreciate our high demands on evaluation processes and decision-making, with deadlines on delivery. AP6 is a long-term investor that closely collaborates with selected partners. Based on its reputation, AP6 has direct contact with both PE firms and holdings, which enables it to exercise an active ownership role.

AP6's strategy is based on a selective

investment strategy, facilitated by its ability to conduct own analyses and evaluations of both potential fund commitments and direct investments. When making fund commitments, the goal is to collaborate with leading players in relevant sub-sections and geographic locations.



When evaluating PE firms, AP6 looks at returns, investment strategy, sustainability efforts and the terms & conditions. There is tough competition among international investors in gaining access to the top PE firms that have a long history of generating high returns.

AP6 is often selected as an attractive investor based on its focused strategy, extensive experience and strong market position. It has given AP6 access to the leading PE firms with the highest rankings for their

particular category of investment.

When AP6 makes a direct investment in an unlisted company, it does so together with other investment organizations that have extensive experience. It makes such investments together with a PE firm or other players specialized in Private Equity. AP6 always takes a minority position when making such investments.

AP6's direct investments fall into two categories. For joint investments, AP6 helps evaluate the company. It also has a more active ownership role and larger ownership share (but always less than 50 %).

Co-investments are typically made together with funds where AP6 has also made a capital commitment. For these, AP6's ownership share typically ranges from 2-15 percent. With co-investments, there typically are not any fees or profit sharing, which lowers the management costs compared to traditional fund commitments.

Besides combining direct investments and fund investments, AP6 is also involved in Secondary transactions. This involves acquiring (or divesting) fund units before the fund is closed. Often, a customized solution is required that brings together several partners.

These types of transactions are very complex, which is why AP6 only collaborates with international players who are specialized in this area. AP6 also conducts secondary transactions in funds as an LP, so that it can increase or decrease its exposure to the particular fund.

Balanced and well-diversified portfolio of holdings

Based on its chosen strategy, AP6 has built up a high-quality PE portfolio over the last 5 years. The scope is much wider and particularly in Europe, AP6 has much more access to interesting direct investment opportunities. There has been a high rate of investment for both Fund and Direct Investments yielding a well-diversified portfolio with good balance between the two.

AP6's PE portfolio currently has a market value of SEK 26.5 billion. Five years ago, its value was SEK 15.0 billion. It results from many years with a high rate of investment and good performance from the portfolio companies.

Approximately 51 % of the portfolio is direct investments and 49 % is indirect investments via PE funds. The fund portfolio currently has some 30 external PE firms managing funds in which AP6 has invested. Via these funds, AP6 has indirect ownership in approximately 450 portfolio companies.

The portfolio of direct investments consists of more than 40 companies in which AP6 has a minority investment made together with an experienced PE firm. AP6's overall portfolio is well-diversified across industrial sectors.

Similar to most European PE portfolios, AP6's portfolio has four main sectors: Healthcare, IT, Industrial Goods and Con-

sumer Discretionary. The portfolio has been realigned in recent years. It was previously over-exposed to real estate. Now, the spread across the sectors are more balanced.

The portfolio's spread across geographic sectors has also increased. It is now much more international, with a rising share of European companies. It is also now adding some US companies.

Slightly more than half of the portfolio companies are domiciled in the Nordic region. This results from the very strong Nordic fund portfolio and the fact that AP6 is a particularly attractive co-investor for direct investments in its home market.

The buyout segment (mature companies), accounts for 88 % of capital employed. The remaining 12 % is venture.

Venture's share fell slightly during the year, due to the sale of Spotify. AP6 has strong relations with leading PE firms, not least in USA. Accordingly, venture will continue to be an important component of the portfolio going forward.

AP6 only invests in venture via specialized funds (i.e. not through own direct investments).

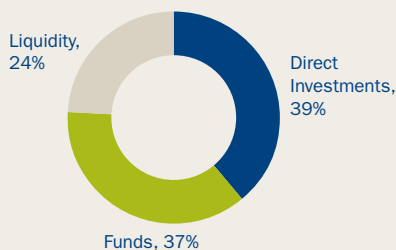


AP6's portfolio of holdings is still relatively young. The average holding time in a portfolio is just over three years, which has to do with realignment to a new strategy and a high rate of investment in recent years.

In 2018, there was much activity in the portfolio. In total, investments were made for approximately SEK 6.8 billion via existing funds and new direct investments.

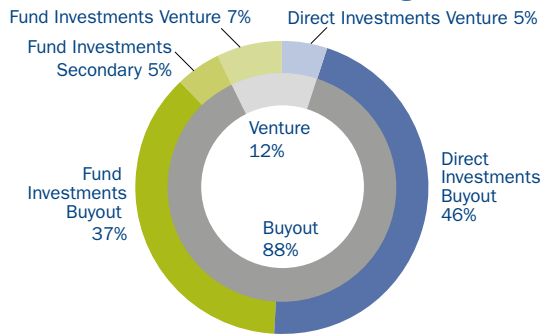
Divestments were made (indirect and direct holdings) for almost the same amount. Accordingly, approximately 25% of the portfolio was replaced by new holdings during the year.

Sixth AP Fund Assets under management SEK 34.7 billion

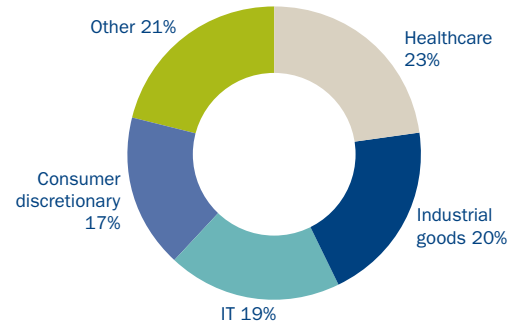


Capital employed

Capital employed (SEK 26.5 billion) allocated across market segments

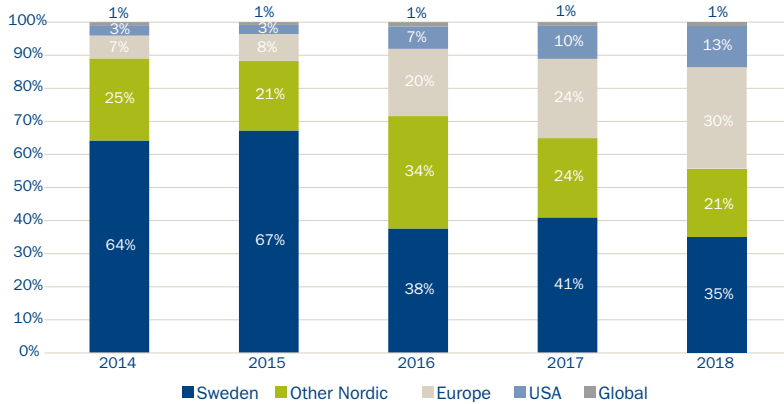


Capital employed (SEK 26.5 billion) allocated across sectors

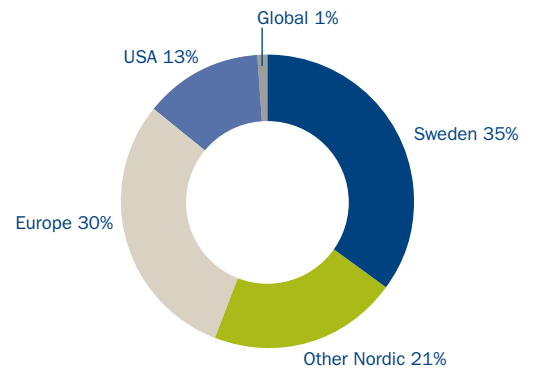


Geographic location

More diversified portfolio across geographic areas

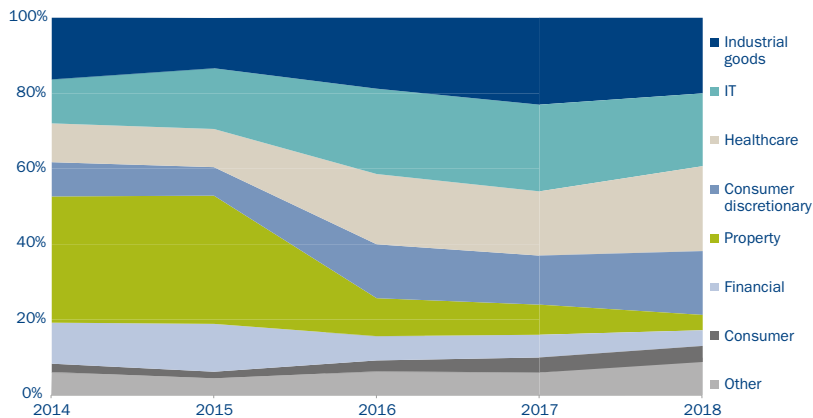


2018

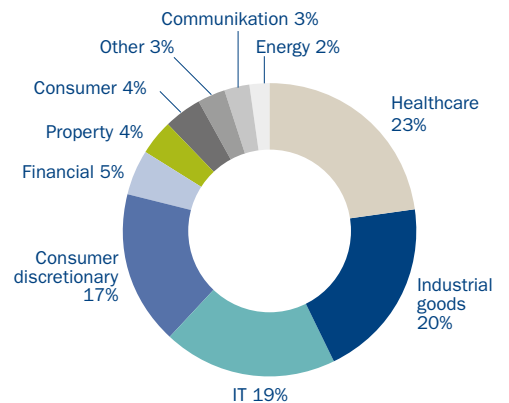


Sector

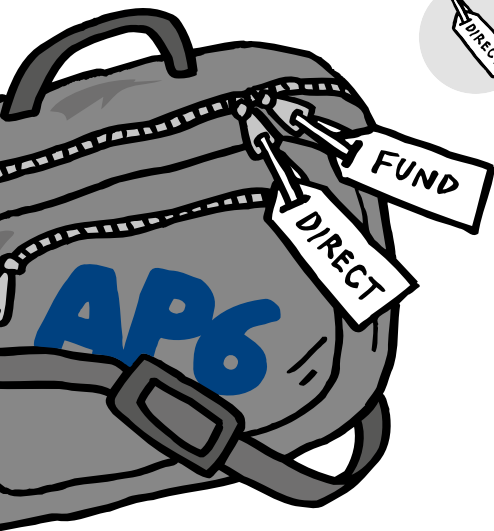
More diversified portfolio across sectors



2018



Direct investments



- For Direct Investments, total managed assets amounts to SEK 13.5 billion

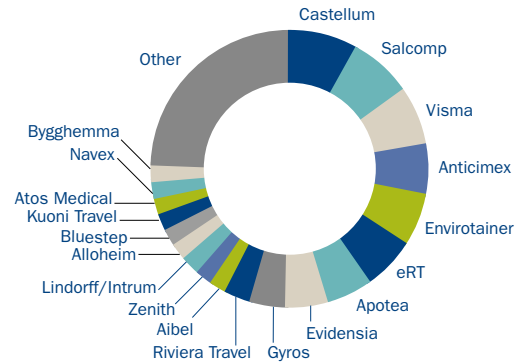
- The portfolio consists of more than 40 holdings

- Approximately 70 % are co-investments made together with GPs and approximately 30 % were made with other co-investors

- The 15 largest holdings have, on average, a market value of around SEK 600 million each

- In 2018, there were 10 new direct investments, of which 8 were made together with PE firms managing funds in which AP6 has invested

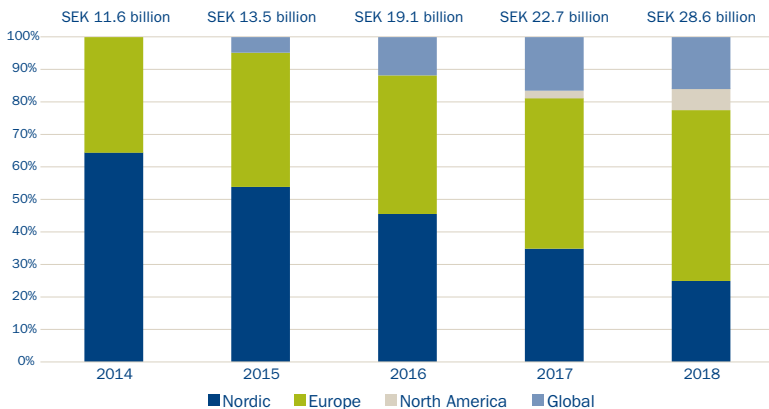
Major Direct investments



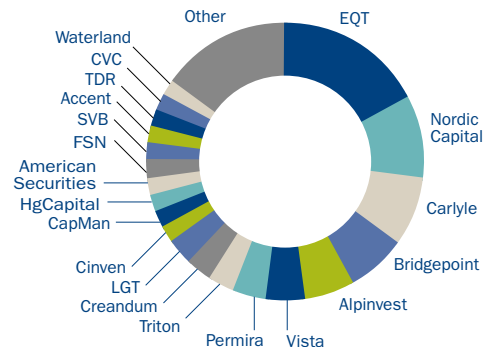
Fund investments

Geographic focus, investments in funds

The amounts show total exposure (market value + remaining committed amount)



Major Fund investments



- For Fund Investments, total managed assets amounts to SEK 13.0 billion. The remaining committed capital, which will be invested by the funds during the next 3-5 years, amounts to SEK 15.6 billion

- The portfolio contains more than 30 private equity firms managing more than 80 funds that are invested in more than 450 portfolio companies

- Approximately 90 % of invested capital is in the buyout segment and 10 % is in venture

- Of the 30 PE firms, around a dozen are invested in Nordic companies, approximately half are European funds and a few are US funds

- In 2018, 11 new fund commitments were made totaling SEK 5.3 billion. Five of these were new collaborations for AP6.



Sophia Bendz, Investment Partner Atomico, was one of the many who participated in AP6's seminar, "Gender and Diversity in Nordic Private Equity – Are we on track?"

Sustainability Report

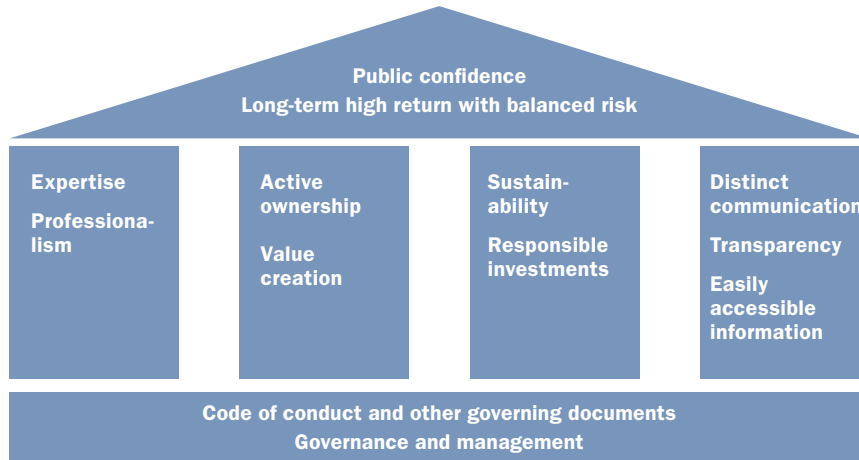
Gender equality and diversity is one of AP6's focus areas. As part of AP6's efforts to increase gender equality and diversity in the private equity sector, a round table discussion was organized where Nordic PE firms participated and shared their experiences.

AP6 has continued to further develop existing tools and processes for responsible investments. The annual ESG assessment of private equity funds has since its launch in 2014, proved itself as being a valuable process of monitoring and engagement.

Stakeholder engagement and materiality analysis

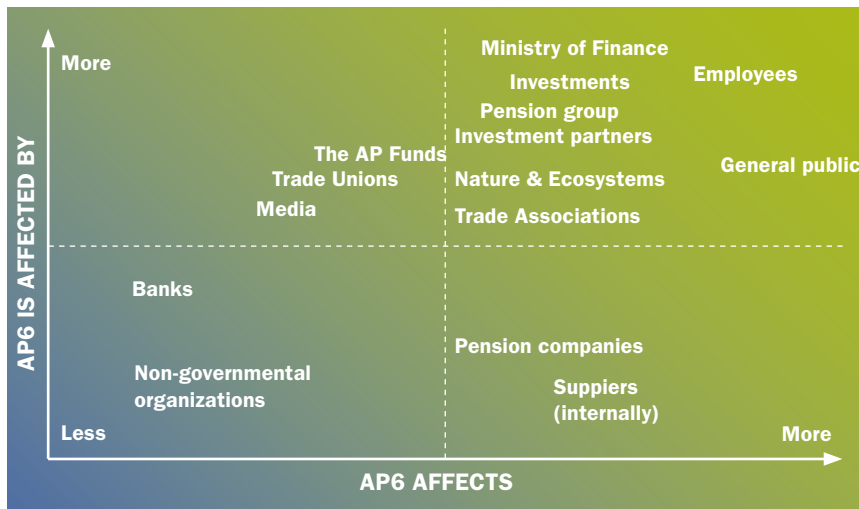
One fundamental expectation on a state-owned pension fund such as AP6 is for the organization to be run in accordance with the Sixth AP Fund Act (2000:193), where the goals for investing activities have

been defined. Various stakeholder groups in society also have expectations on AP6. In 2017, AP6 held discussions with many of its stakeholder groups to learn more about their expectations. Similar stakeholder dialogues will be held regularly.



AP6's model for meeting the requirements of legislators and stakeholders

To meet its stakeholders' requirements and expectations, AP6 has a model that is based on its code of conduct and investment strategy. Four pillars stem from that foundation, which are the specific competencies and values required. The foundation and pillars create the conditions for AP6 being able to deliver a long-term high return and maintain public confidence.



AP6's most important stakeholders, adopted by its Board of Directors

The upper right quadrant contains the stakeholders who have the biggest impact on, and who are most impacted by, AP6. AP6 held in-depth stakeholder discussions with each group in 2017. (Some stakeholder organizations were included as representatives for "the Public" and "Nature & Ecosystems").

STAKEHOLDER ENGAGEMENT

Stakeholder engagement in 2018 did not reveal any major changes to stakeholders' expectations on AP6 as a state-owned pension fund manager. AP6 has therefore continued to assume its efforts on the in-depth stakeholder discussions of 2017.

It revealed that there was variation in the knowledge levels and expectations of AP6's stakeholders. As expected, those with the most knowledge, were AP6's partners who work with unlisted investments. Every stakeholder group, however, showed great interest in AP6's operations.

MATERIALITY ASSESSMENT

The 2017 stakeholder dialogue generated valuable information that was used by AP6's Board and management to prepare the materiality assessment. It was adopted in 2017 and both the Board and management feel that it still provides a correct summary of the most important issues that AP6 should address. The conclusions are reflected in the business plan created by management for 2019.

Materiality assessment

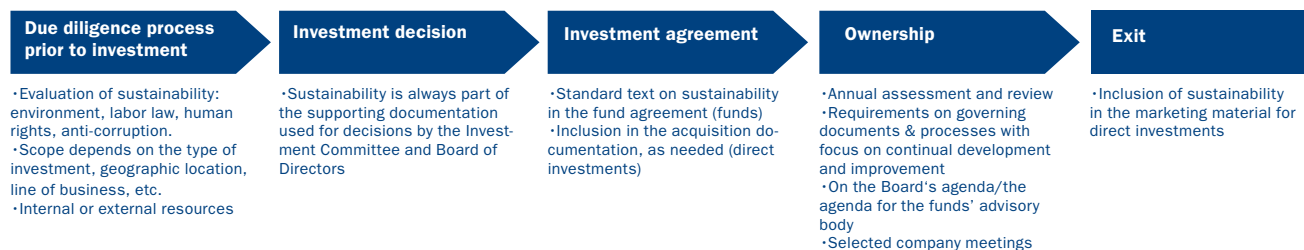
Creating a return for pensioners and maintaining public confidence are prerequisites for AP6's existence.

It requires:

- Expertise and professionalism of AP6 employees
- Disciplined, systematic value-creation within the scope of a clear investment strategy
- Active efforts with responsible investments based on a wide sustainability perspective encompassing human rights, labor rights, the environment and anti-corruption
- Good business ethics and morals
- Distinct communication and easily accessible information about operations
- Openness and transparency

Responsible investments

SUSTAINABILITY IS AN INTEGRAL PART OF AP6'S INVESTMENT ACTIVITIES AND HOW IT GENERATES VALUE



For AP6, responsible investments and sustainability are prerequisites for delivering a long-term high return. Sustainable development is fundamental to the well-being of future generations and for generating an economic return to future pensioners. As a Swedish, state-owned pension fund, AP6 can and should be a forerunner for responsible investments and sustainability. The Deputy MD leads sustainability efforts, which are coordinated by the Sustainability Manager. Investment Managers are responsible for day to day integration of ESG in companies and funds.

Since 2013, sustainability has been an integral part of AP6's investing activities, e.g. as a component of the review and follow-up on investments. As an investor in various types of businesses, sectors and geographic locations, it is necessary to have a broad approach to sustainability that is based on international agreements on human rights, labor rights, the environment and anti-corruption.

AP6's Code of Conduct provides the foundation for its responsible investment activities. Each year, the Board sets specific sustainability goals for investing activities. Performance fell in 2018 on three goals. The share of companies with a code of conduct fell from 100 to 92 percent. In the portfolio of Direct Investments, 40 % of the companies publish a sustainability report (last year, 44 %). In that same portfolio, 31 % of companies reported GHG emissions and documented climate-related risks & opportunities (last year, 37 %). In each instance, the reason for the decline

has to do with divestment of companies that had well-established sustainability routines. Furthermore, for three of the new investments made during the year, the companies did not have a code of conduct. Efforts are however underway at those companies to review and improve governing documents associated with

sustainability.

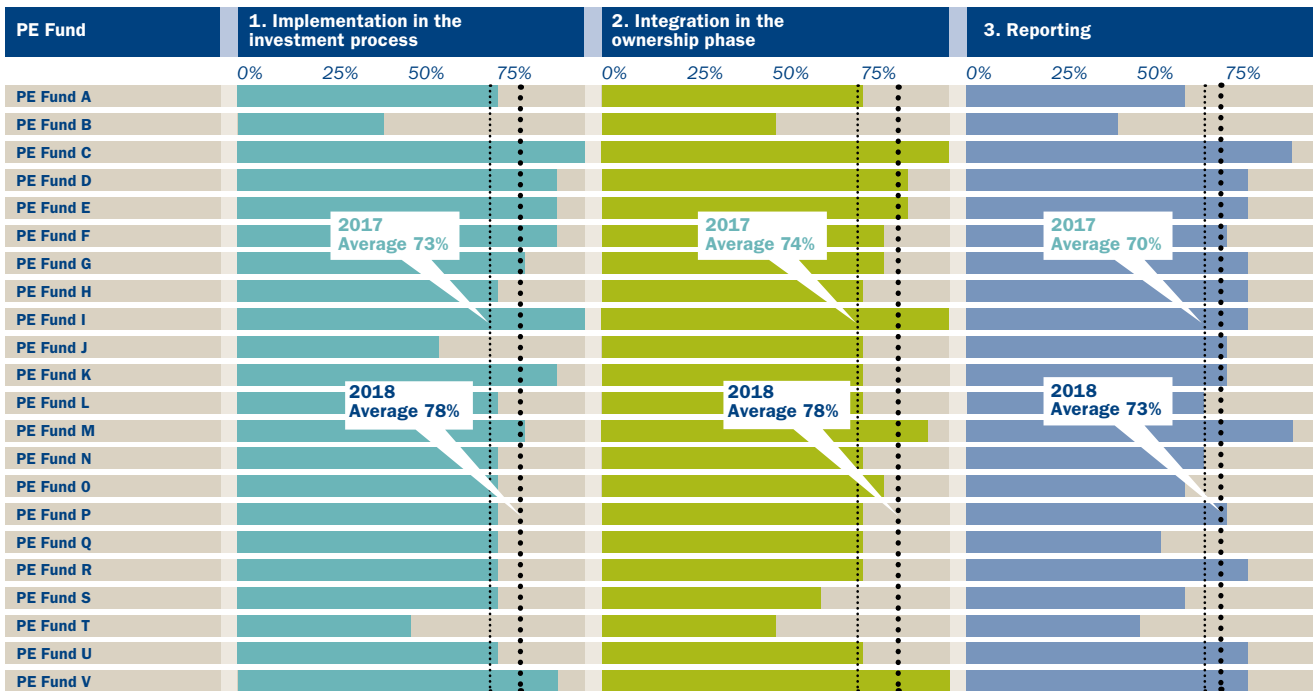
Performance improved in 2018 on two goals. The share of funds reporting in accordance with PRI or similar increased from 56 to 72 percent. Also, the share of funds working with climate impact, climate strategy, etc. increased from 54 to 57 percent.

LONG-TERM GOALS FOR DIRECT INVESTMENTS

Area	Targets	Status
Sustainability analysis as part of due diligence	100% of all investments	100 % (100)
Code of Conduct	Must be in place for all significant holdings	92 % (100)
Sustainability report	Companies corresponding to 80 % of the value in the portfolio for direct investments should report in line with GRI or similar reporting guidelines	40 % (44)
Climate	Companies corresponding to 80 % of the value in the portfolio for direct investments should report GHG emissions and document climate-related risks & opportunities	31 % (37)
Gender equality	Equal distribution between men and women on boards of portfolio companies	17 % (17)

LONG-TERM GOALS FOR FUND INVESTMENTS

Area	Targets	Status
Sustainability analysis as part of due diligence	100% of all investments	100 % (100)
Code of Conduct	Must be in place for all significant holdings	100 % (100)
Sustainability report	Funds corresponding to 80 % of the value in the portfolio for fund investments should report in line with PRI or similar	72 % (56)
Climate	Funds corresponding to 80 % of the value in the portfolio for fund investments should address climate issues (climate impact, climate strategy or similar)	57 % (54)
Equality/diversity	AP6 will take steps to ensure that equality is a measurable objective for funds and portfolio companies	Page 14



1. How are sustainability-related risks and opportunities reviewed prior to acquisition? What processes and resources are used? How is the investment decision impacted by sustainability factors?

2. How are the portfolio companies' sustainability-related risks and opportunities for value creation managed during the holding period?

3. How are sustainability and responsible investments reported? Through, for example, public reporting and regular reporting to investors.

ESG ASSESSMENT OF FUNDS

In 2018, AP6 met with 22 fund managers as part of the annual ESG assessment of the fund portfolio. AP6 uses its own model for this, which is aligned with an industry-specific template for sustainability evaluation of fund managers in the unlisted investment asset category.

The average score in the fund portfolio increased in 2018 compared to 2017 largely because many funds improved their score in one or more areas. The overall assess-

ment is that all funds strive to actively address sustainability and many have made significant progress.

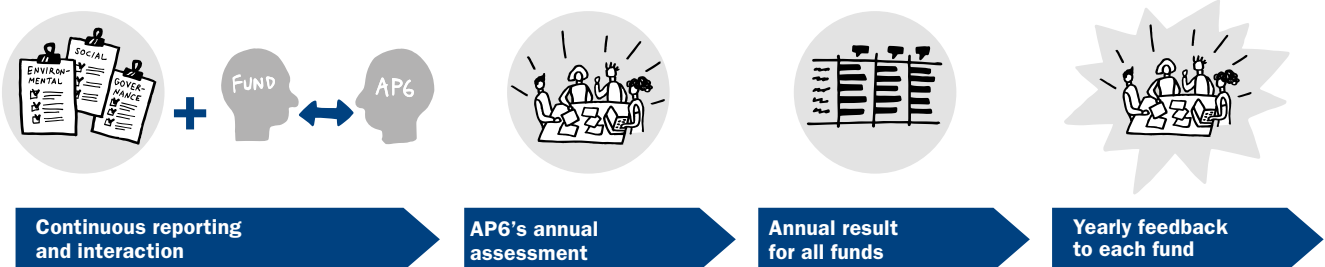
Like last year, funds with formalized ESG processes and a high level of ESG expertise received the highest scores. The evaluation also revealed that many funds have increased the focus on climate and gender. Both these areas are focus areas in AP6's sustainability approach and are integrated into the annual ESG follow-up with

fund managers, but scores are not currently awarded in these areas.

Although there is a positive correlation between the size of a fund (and thus its resources) and the score received, some smaller funds received high scores thanks to their structured, efficient ESG processes.

For each fund, detailed feedback is provided in separate meetings. The feedback includes both open discussions and possible areas for improvement.

AP6'S TEMPLATE FOR ESG ASSESSMENT AND MONITORING OF PE FUNDS.



Share of PRI's requirements that must be met in order to obtain a certain grade / Rating scale					
0%	>0-25%	>25-50%	>50-75%	>75-95%	>95%
E	D	C	B	A	A+
AP6					
Median rating					
AP6					
Median rating					
AP6					
Median rating					

- **Strategy and governance**
- **Indirect investments (funds)**
- **Direct investments and active ownership in unlisted companies**

PRI'S ANNUAL ASSESSMENT

As a signatory of PRI, AP6 reports each year in accordance with PRI's responsible investment reporting framework. Based on the report, PRI compiles a confidential assessment report, where A+ is the highest possible rating.

In the latest assessment, AP6 received the following ratings:

Strategy and governance: A+

Indirect investments (funds): A

Direct investments and active ownership in unlisted companies: A

MEMBERSHIPS

Invest Europe (previously European Venture Capital Association, EVCA), www.investeurope.eu/

Institutional Limited Partners Association, ILPA, www.ilpa.org/

Swedish Private Equity & Venture Capital Association, SVCA www.svca.se/

Swedens Forum for Sustainable Investments, SWE-SIF www.swesif.org/

COMMITMENTS, AFFILIATIONS

UN Global Compact, UNGC, www.unglobalcompact.org/

UN Principles for Responsible Investments, UNPRI, www.unpri.org

CDP (previously Carbon Disclosure Framework), www.cdp.net

POTENTIAL INVESTMENTS THAT AP6 DECLINED BASED ON ESG ASPECTS

Each year, AP6 considers many new investment opportunities. AP6 is open to a variety of sectors but in the end, each investment is assessed based on its own characteristics. The decision to decline an investment is often due to several factors, like commercial considerations, terms & conditions, sustainability, etc. All companies face sustainability challenges. Many deal with them via an active approach to sustainability, while others need to become more engaged. There are certain types of operations, however, that AP6 avoids because they are simply not compatible with sustainable development and responsible investment activities, irrespective of how the company handles sustainability. Examples are weapons, pornography and fossil fuels.

Investment type	Investment opportunity	Motivation
Direct	Companies with exposure to the tobacco industry.	AP6 avoids exposure to the tobacco industry due to the negative health effects of these products.
Direct	Service companies in the financial sector.	Risks related to tax advice.
Fund	No investment opportunities were rejected during the year based on ESG aspects.	N/A
Secondary	No investment opportunities were rejected during the year based on ESG aspects.	N/A

EXAMPLES OF ESG-RELATED INCIDENTS IN THE PORTFOLIO, 2018

AP6 is a demanding investor in many ways, e.g. when it comes to such things as information and how potential incidents are managed. AP6 expects quick, clear feed-back from companies or funds if any ESG-related incidents arise. Below are some examples of important or serious ESG-related events in the portfolio during 2018.

Investment	Event	Action taken by AP6	Status
Fund	Allegation of sexual harassment.	Dialogue on investigation, action and preventive measures.	The allegations were investigated and action was taken.
Fund	Allegation of corruption was revealed during the final stage of an acquisition process.	Ongoing dialogue with the fund manager.	An investigation was initiated via a third party.
Fund	Investigation on financial mismanagement in a subsidiary.	Dialogue on investigation, action and preventive measures.	Dismissal of a senior executive. Audit of operations and preventive measures taken.
Direct	Employee committed suicide near the workplace.	Dialogue with the company on investigation and crisis management.	Investigation by authorities and the company demonstrated that the suicide was not work-related. The company took appropriate action.
Direct	Extreme heat in Europe resulted in disruptions to operations.	Dialogue with the company on preventive measures.	Preventive measures and higher insurance coverage for similar situations is being investigated.
Direct	Senior executive accused of tax crimes alleged to have occurred while employed at another company.	Ongoing dialogue with the fund manager.	The person has moved to another position until the matter has been decided in court.

Gender equality and diversity



Exchange of experience. Anna Wahlström, Global Head of Human Resources, EQT, was one of several participants who shared her experiences during AP6's seminar on gender equality and diversity in the Nordic PE sector.

In 2018, AP6 invited all the Nordic funds in its portfolio to a round table discussion on gender equality and diversity. It was an opportunity to follow up on similar round table discussions in 2016. Focus was on sharing experiences around specific measures and results.

Currently, in the PE sector, there are many homogeneous organizations with predominately male employees, particularly among those making investments. Also, for venture capital (early phase) in particular, most of the capital is being invested in companies founded by men. There is awareness in the sector that greater diversity leads to better decisions and results over the long term. However, the road ahead still seems long. Problems arise already at university, where more men than women choose to specialize in finance. The industry's reputation for being male-dominated is a further deterrent for female professionals. Recruiting and pro-motion processes also tend to favor men and prevent progress on gender equality.

In recent years, there has been much

focus on equality and diversity in the sector. Several of the funds that AP6 invests in have taken bold steps to change their processes for recruiting, promotion and how they both identify, and make, new deals and investments. Reasons for doing so include higher awareness of the positive effects of better diversity and a desire to both recruit and retain the best talent.

One obstacle though, is that the recruiters tend to favor candidates like those already employed, perhaps making them blind to new talent. Young employees also get a negative impression of the PE sector, since it poorly reflects diversity in our society. Furthermore, investors, such as AP6, are asking for inclusion and diversity in the sector.

At AP6's round table discussions, there was great interest and openness demonstrated. Participants freely shared their experiences on what has worked, and what hasn't. Actions they've taken have included internal inclusion training, higher demands on recruiting agencies, measurable targets on recruiting and promotion,

gender-neutral recruiting processes and use of mentors.

Encouragingly, some have started seeing results, such as an increasing share of female professionals in the investment teams, particularly at junior levels.

Several PE firms also noticed that the attitudes of its employees had shifted. For example, the issue has been picked up by male employees at senior and midlevels who desire routines that make it easier for them to balance family and career. The debate and attention given to #metoo also increased the focus on gender equality and diversity during the year. The conclusion of participants at the round table discussion was that collaboration is the key to improving the image of the PE sector and attracting a wider range of candidates. Change will take time and many challenges remain, but results will be possible as knowledge and experience in the sector increases.

AP6 will continue encouraging greater gender equality and diversity in the PE sector.

This was the second time that AP6 organized a seminar on equality and diversity in the Nordic PE sector. The first was in 2016. Gender and diversity are two of the focus areas for AP6's sustainability efforts. The other focus area is climate.

Representatives from the following PE firms participated in AP6's seminar, "Gender and diversity in Nordic Private Equity - Are we on track?": Triton, Norvestor, Atomico, Northzone, FSN, Accent, EQT, Creandum and Nordic Capital.

A story covering the seminar is available at: <https://www.apfond6.se/en/kategori/actualities/>

Continued focus on climate change

Since 2015, AP6 has played an active role in promoting an increased focus on climate change in PE. Climate change is a threat to future economic prosperity, since it undermines the stable climate required for human activity. AP6 is part of the Swedish pension system, with the mandate of securing pensions for many generations to come. As such, climate change is a prioritised topic. Managing pension assets requires a long-term perspective and understanding that the earth's resources must be shared with future generations. Also, climate, nature and ecosystems must be in balance.

AP6 is committed to demonstrating the importance of climate change from an investor perspective. It also strives for higher transparency on climate-related areas.

BROAD PERSPECTIVE ON CLIMATE

Companies that AP6 invests in both impact, and are impacted by, climate change. The scope of this includes how the company's operations are affected by extreme weather and higher temperatures, as well as changes in taxes, fees and other legal requirements. The transition to a clima-

te-neutral economy creates opportunities such as higher energy efficiency, innovation and new business areas. This is why it's important to have a broad perspective on climate change and work with climate-related risks and opportunities, as well as company emissions.

AP6 supports the Task Force on Climate-related Financial Disclosures (TCFD), published in 2017. These are international recommendation on how companies and investors can report on climate-related risks and opportunities. The recommendations contain suggestions on climate-related information that should be included in an organization's financial reporting as regards governance, strategy, risk management, metrics and targets.

CLIMATE IS AN INTEGRAL PART OF THE INVESTMENT PROCESS

AP6's Code of Conduct states that "AP6 is committed to ensuring that the compa-



nies and funds it invests in take action on climate-related risks and opportunities". Climate-related targets have been established by the AP6 Board of Directors (see page 11).

Climate is an integral part of AP6's evaluation process for new investments. It reviews the climate-related risks and opportunities that could impact the investment decision or ownership plan. Evaluating a partner's views on investing in fossil fuels is just one example. Another is posing relevant questions on how climate change could impact commodity prices, which could have a significant impact on a company's production costs and, in the end, the profit and return it generates for investors.

Climate is also part of AP6's continuous monitoring and follow-up on companies and funds and it's an important component of ESG reporting. The annual ESG assessment of fund managers contains questions on climate-related risks and opportunities, integration in governance and strategy, metrics, GHG reporting and more (see page 12).

CLIMATE REPORTING BASED ON TCFD'S RECOMMENDATIONS FOR CLIMATE-RELATED FINANCIAL REPORTING

Governance	Strategy	Risk management	Metrics and targets
Organization's governance of climate-related risks and opportunities	Actual and potential impact on operations, strategy or planning.	How the organization identifies, evaluates and manages climate-related risks.	Metrics and targets used by the organization to evaluate and manage climate-related risks and opportunities.
Page 15	Page 15	Page 32	Page 11 and 16

AP6 has initiated efforts to report in accordance with TCFD's recommendations. The table references the parts of the annual report containing information on the four recommended areas: governance, strategy, risk management, metric & targets. One area for AP6 to develop further is a forward looking analysis of how various climate scenarios might impact the portfolio. See also AP6's Climate Transparency Report, www.apfond6.se

Link to TCFD's recommendations: <https://www.fsb-tcf.org/publications/final-recommendations-report/>

FOSSIL FUELS

Given its mandate and focus, AP6 seldom invests in resource extraction. AP6 has very few investments in the energy sector (as of year-end 2018, 1.7 % of its total managed assets). Of that amount, most are companies that provide services/support to extraction industries. Accordingly, AP6 has very little direct exposure to extraction and distribution of fossil fuels. In general, AP6 avoids investments in fossil fuels and has, on various occasions, declined such opportunities (see 2017 Sustainability Report). The reason for this is the negative climate impact associated with fossil fuels and the risk of stranded assets. This means assets that are no longer possible to extract due to limitation imposed via a global carbon budget. There are other financial risks to consider as well.

CARBON FOOTPRINT

For the fifth year in a row, AP6 has measured the carbon footprint of its unlisted investments.

Carbon footprint is one of the tools that AP6 uses for demanding higher transparency regarding carbon emissions of unlisted companies. By demanding higher transparency in this area, AP6 also helps raise awareness of the importance of climate change in a broader sense in the PE sector.

AP6 reports the carbon footprint of its portfolio based on information on the carbon emissions of the portfolio companies together with estimated emissions. It's the same method used in prior years. It is calculated as of year-end, using the latest available data on emissions, in accordance with an agreement with the other Swedish AP Funds.

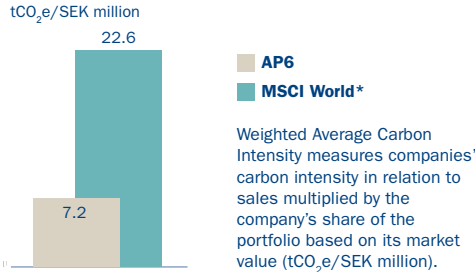
AP6's carbon footprint for 2018 corresponds to approximately 30 percent of the carbon footprint from an equally large investment as per a global index for listed companies. This is partially explained by the value for "carbon intensity – weighted average." The carbon intensity of portfolio companies is simply low, regardless of ownership share.

In spite of higher requirements from both PE firms and society at large for

gathering carbon emissions data, few companies measure and report this information. AP6 appreciates that several of AP6's fund managers systematically gathers

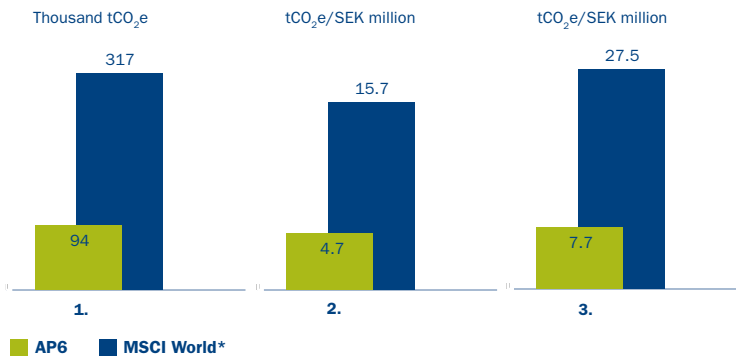
carbon emission data from their portfolio companies. However, the information is of varying quality and does not always reach AP6.

Weighted Average Carbon Intensity 2018



*The comparison is based on the exchange-traded fund, which is linked to MSCI All Countries World Index (MSCI ACWI ETF). It means that information on Holdings and weighting in MSCI's index is based on publicly available information.

Carbon footprint 2018

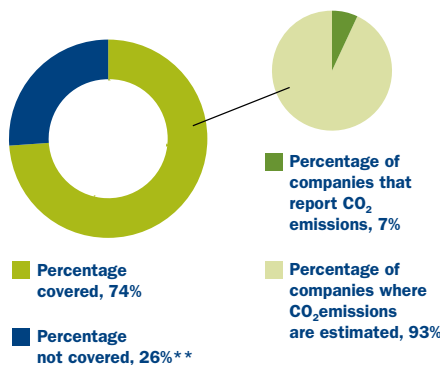


AP6's carbon footprint shown as three indicators, compared with the carbon footprint of corresponding capital invested in a global equity index (MSCI World):

1. The absolute carbon footprint of AP6's investments corresponds to the ownership share of the companies' total emissions (thousand tCO₂e)
2. Carbon intensity, shown as the absolute carbon footprint in relation to the ownership share of the companies' market value (tCO₂e/SEK million)
3. Carbon intensity, shown as the absolute carbon footprint in relation to the ownership share of the companies' market value (tCO₂e/SEK million)

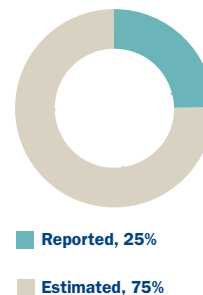
Scope of carbon footprint 2018

(as a percentage of capital employed)



Percentage of reported and estimated CO₂ emissions 2018

(as a percentage of the absolute carbon footprint)



**For practical reasons, companies under a certain value or not included. The portfolio contains a large number of small ownership shares, each of which has a relatively low value. Approximately 90 companies represent 74 % of the value, and the remaining ones, approximately 400, represent 26 %.

AP6's internal sustainability

AP6's own sustainability efforts cover several areas. They include everything from applying good business ethics and morals, to sustainable business travel. AP6's must always maintain public confidence and its sustainability efforts must reflect that.

AP6's owner, represented by the Ministry of Finance, has, in collaboration with the Swedish Association of Local Authorities and Regions, issued guidelines on what constitutes bribes and conflicts of interest.

AP6 maintains a wide margin to what is allowed. The closer to the allowed limit, the greater the risk of exceeding it. AP6 has also issued its own guidelines aimed at protecting the organization's credibility and impartiality when it comes to decision making.

The guidelines are strict. For example, they state that employees may never accept gifts. Invitations to individual employees must always have a clear and relevant professional purpose. Whatever is offered in the form of meeting setting, location, food and drink should be reasonable.

An employee of AP6 must never risk acting in their own interest – or be swayed



» **“AP6 employees must never act in a way that risks damaging public confidence in how pension fund assets are managed.”**

by someone else who may influence their decision.

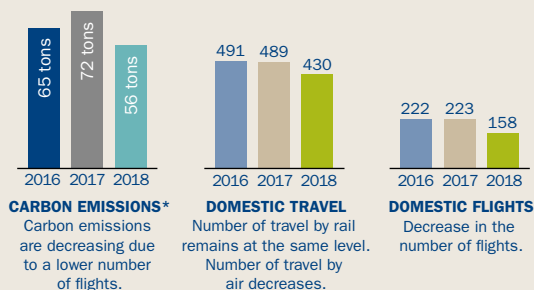
AP6 employees must never act in a way that risks damaging public confidence in how pension fund assets are managed. AP6

does not allow secondary occupations that conflict with the requirement for loyalty to the employer. Secondary occupations are regulated in the Act on Public Employment (LOA).

AP6's Ethics Committee acts as an advisory body in matters concerning the ethics, credibility and appropriateness of anything associated with AP6. This may involve everything from invitations to industry events to specific portfolio company business considerations. The Ethics Committee deals with cases both on its own initiative and on the initiative of employees. Ethical issues are also discussed on an ongoing basis within the organization. The composition of the Ethics Committee is described on page 20.

The AP6 Code of Conduct (www.apfond6.se) describes the values that apply to the organization and is aimed at employees, partners and holdings.

Environment and climate



*The calculation includes direct emissions (Scope 1), indirect emissions from purchased electricity, heating and cooling (Scope 2) and indirect emissions from business travel and commuting (Scope 3). The calculation is based on the Greenhouse Gas (GHG) Protocol, an international standard for calculating and reporting carbon emissions. Calculations do not include the added impact from high altitude emissions. A rough estimate is that the impact from high altitude emissions adds an approximate 30 tons of carbon emissions. Carbon emissions from investments (Scope 3) are reported separately on page 16.

The environmental impact from own operations is low. Business travel has the biggest impact, representing 88 % of AP6's own carbon dioxide emissions. The mode of transport must have the lowest possible environmental impact. Train and video conferencing should be used instead of flights, whenever possible. AP6 is increasing its international collaboration. Nevertheless, it managed to significantly lower its amount of domestic and international air travel, and thus its carbon emissions, in 2018. AP6 offsets the organization's emissions through carbon offsetting.

SUPPLY CHAIN

AP6 is subject to the Act on Public Procurement (LOU). AP6 continually assesses its suppliers and sustainability is just one of several important factors. AP6's suppliers consist of a dozen or so service providers based in Sweden. One procurement category is goods and services associated with office operations. This covers consumables, rental of premises, various services, etc. An important area in this sphere is providers of transport for business travel. AP6 has different objectives for stimulating sustainable travel for business purposes. Financial services in connection with the issue, sale, acquisition or transfer of securities or financial instruments are excluded from LOU.

INTERNAL FOLLOW-UP

As regards AP6's office-based operations, sustainability is followed up during the year when preparing the GRI report. The evaluation and revision of the Code of Conduct, policies and goals take place once a year. AP6 has set up an anonymous whistleblower system. No reports were received in 2018.

GENDER EQUALITY AND EQUAL PAY

It is important that people with the same skills, experience and job description have the same terms of employment. This is a prerequisite for an organization to function



properly. Salary trends are documented and monitored at all times and the results show that AP6 complies with the applicable legislation, regulations and guidelines.

DIVERSITY

A professional organization that constantly strives to improve will utilize all the skills and talents of its employees. People with different experiences and backgrounds can offer new perspectives when analyzing and evaluating things like new investment opportunities and sustainability efforts. It is therefore important that the composition of employees is diverse. As a government authority, AP6 must also strive to reflect the diversity of Swedish society.

For its size, AP6 has relatively few

employees, and low turnover, in a sector that is very homogeneous. This makes it particularly important to have an overall, long-term plan for diversity. Diversity and gender equality are part of the recruitment specification, both in terms of fixed-term and permanent positions. A balanced gender distribution at all levels is a prerequisite for running an optimal organization.

AP6 actively strives to increase diversity in the PE sector and during fall 2018, it held round table discussions on gender equality and diversity in the Nordic PE sector. It was follow-up on the seminar held in 2016. Besides AP6, nine Nordic PE firms participated. See page 14 for more information.

AP6 also maintains a continuous dialogue on diversity with PE firms and companies in the portfolio, and other partners. It is also a topic that AP6 discusses in international forums and seminars.

ATTRACTIVE EMPLOYER

It is of strategic importance that AP6 is an attractive employer who is able to recruit/retain employees and help them continually develop their skills. Management of public pension funds through investments in unlisted assets, places high demands on expertise and judgment. AP6 recruits employees in a competitive market. To accomplish this and be perceived as an attractive employer, AP6 strives to provide:

1. Interesting and worthwhile assignments.

AP6 is a major player in the Nordic market

Internal sustainability targets (selection)

Gender equality

- Gender balance in all departments.

Diversity

- A workplace that reflects diversity in society (ethnic, background, gender, age, etc.)

Climate

- *Business travel*; For domestic travel, at least 75 % should be by train.

Suppliers

- An evaluation is required before selecting a vendor. It must always contain an evaluation of sustainability.

Action/fulfillment

For recruitment to new or existing positions, the list of finalists must be 50 % men, 50% women. Measurement is on a 3-year rolling basis, starting in 2018.

For recruitment to new or existing positions, AP6 must actively strive to achieve its diversity goals.

Train travel accounted for 63 % (55) of domestic travel during the year.

When selecting new suppliers, sustainability is part of the evaluation.



for unlisted companies. AP6's partners include several top ranked European and North American PE firms. It generates many interesting and challenging tasks for employees. In addition AP6 has a strong focus on active ownership and sustainability.

2. A good work-life balance.

It should be possible to combine a demanding professional role with e.g. being a parent to young children.

3. Relevant remuneration.

Within the framework of the guidelines for remuneration and benefits, staff should be able to earn a good salary and receive reasonable benefits.

PROFESSIONAL DEVELOPMENT

Continuous professional development is a key issue when it comes to retaining expertise and being regarded as an attractive employer. Skills development is planned at the annual appraisal. The amount of training per employee was approximately 38 hours in 2018, broken down into 26 hours for management and 41 hours for employees. Each employee received approximately 3 hours of training on: anti-corruption, human rights and global sustainability goals. Updates on sustainability issues occur regularly and in a variety of contexts.

WORK ENVIRONMENT AND HEALTH

The health of employees is important for AP6's development and ability to deliver a

return. Health risks may consist of stress or stress-related illnesses and ergonomic issues related to office work.

All employees are covered by occupational health services with a check-up every two years. They are also offered health insurance and a fitness subsidy. AP6 engages a consultancy firm to carry out employee surveys every second year.

Employees – composition/ key ratios

The total number of employees was 32 (31), consisting of 16 (15) women and 16 (16) men. Age distribution:

<30 years	2 people
30–49 years	18 people
50-70 years	12 people

Senior management consists of 7 people; of which 6 men and 1 woman.

Of the 32 (31) employees, 26 (25) work at the head office in Gothenburg and 6 (6) in Stockholm.

The Board of Directors consists of 5 (5) people, 3 (2) women and 2 (3) men. The Chairman of the Board is a woman.

Absence due to illness 0.9 % (3.1)
Employee turnover, recruiting 6.3 % (6.4), severance 3.2 % (9.5). The fitness subsidy was utilized by 94 % (93).

REPORT PROFILE

This is AP6's sixth GRI report and the reporting period is the calendar year 2018. AP6 has elected to report in accordance with GRI Standards at the Core level. This means that the report is based on factors relevant to AP6's operations and which AP6 can influence in different ways. The report covers every part of AP6's operations. There is no division into regions. The sustainability report is prepared once a year. No new circumstances or significant changes have occurred since the previous year. The GRI report is a component of the AP6 annual report. The GRI report has not been examined by auditors. The auditors have, however, reviewed the Sustainability Report. See page 21.

For information or comments on the sustainability report, please contact:

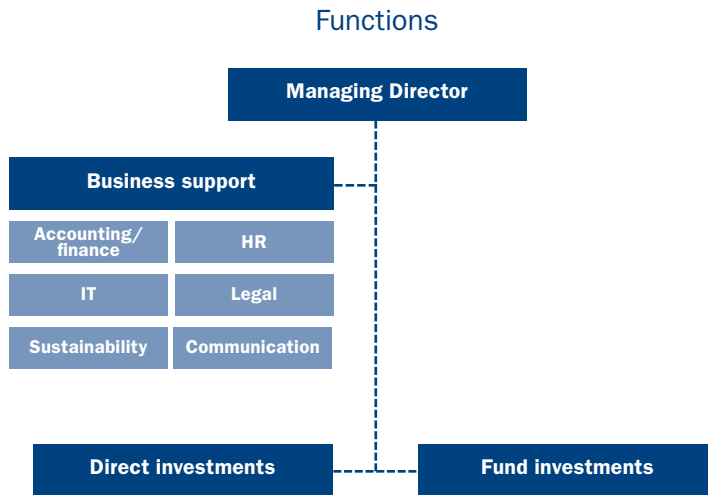
Margareta Alestig Johnson
Deputy MD, with responsibility for sustainability

margareta.alestig@apfond6.se

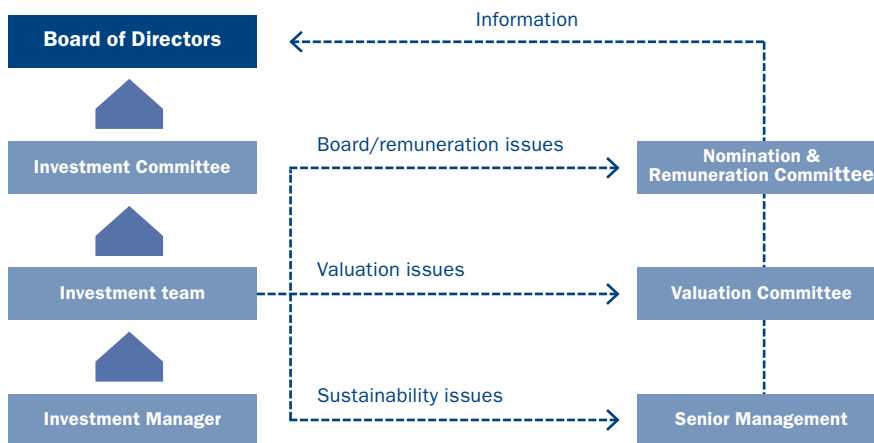


“It should be possible to combine a demanding professional role with e.g. being a parent to young children.”

Organizational chart



Decision-making processes and committees



GLOBAL COMPACT AND PRI

AP6 is a signatory of the UN Global Compact, and remains committed to implementing and integrating the principles of human rights, labor rights, environment and anti-corruption in its operations and to influencing other companies to follow the Global Compact.

The Sustainability Report also contains the 2018 Communication on Progress as regards AP6's Global Compact commitments.

AP6 is also a signatory of the UN Principles for Responsible Investment (PRI). AP6 is thus committed to considering, among other things, environment, social aspects, and business ethics prior to an investment or during ownership. AP6 also actively strives to promote the PRI principles in the PE sector.

AP6 participates in relevant PRI working groups aimed at sharing knowledge and experience regarding sustainability in the context of unlisted investments and helping promote the PRI principles in the PE sector. For more information on AP6's responsible investment activities, please see its annual report to PRI, www.unpri.org

Senior management and committees

SENIOR MANAGEMENT:

Karl Swartling (MD)
Margareta Alestig Johnson (Deputy MD)
Henrik Dahl (CFO)
Mats Lindahl (Head of Direct Investments)
Karl Falk (Head of Fund Investments)
Jonas Lidholm (General Counsel)
Ulf Lindqvist (Head of Communications)

INVESTMENT COMMITTEE:

Margareta Alestig Johnson (Chairman)
Karl Swartling
Henrik Dahl
Mats Lindahl
Karl Falk
Jonas Lidholm
Ulf Lindqvist

VALUATION COMMITTEE:

Henrik Dahl (Chairman)
Karl Swartling
Margareta Alestig Johnson

NOMINATION AND REMUNERATION COMMITTEE:

Jonas Lidholm (Chairman)
Mats Lindahl
Margareta Alestig Johnson
Karl Swartling

ETHICS COMMITTEE:

Ulf Lindqvist (Chairman)
Jonas Lidholm
Margareta Alestig Johnson

AP6 BOARD COMMITTEES

Audit Committee

Katarina Staaf (Chairman)
Alexander Ljungqvist

Remuneration Committee

Urban Lindskog (Chairman)
Katarina Staaf

Sustainability Committee

Catrina Ingelstam (Chairman)
Karin Reuterskiöld

2018 GRI index for the Sixth AP Fund

Reporting area		Page
STRATEGY AND ANALYSIS		
102-14	Statement from the Managing Director	4
PROFILE OF THE ORGANIZATION		
102-1	Name of the organization	27
102-2	Operations	27
102-3	Location of the organization's head office	30
102-4	Countries where the organization operates	7
102-5	Ownership	30
102-6	Markets	E/T*
102-7	Scale of organization	19,40
102-8	Employees	19
102-41	Employees covered by collective bargaining agreements	39
102-9	Supply chain	17
102-10	Significant changes during the year	19
102-11	Precautionary principle	30
102-12	Commitments, affiliations	13
102-13	Memberships	13
MATERIAL ASPECTS AND BOUNDARIES		
102-45	Scope of financial/sustainability reporting	19
102-46	Process for content and boundaries	19
102-47	Material aspects	www.apfond6.se
103-1	Internal boundaries for each aspect	www.apfond6.se
103-1	External boundaries for each aspect	www.apfond6.se
102-48	New assumptions	19
102-49	Significant changes since the previous year	19
STAKEHOLDER ENGAGEMENT		
102-40	Stakeholders	10
102-42	Process for selection of stakeholders	10
102-43	Stakeholder engagement	10
102-44	Key topics and concerns of stakeholders	10
REPORT PROFILE		
102-50	Reporting period	19
102-51	Date of most recent report	19
102-52	Reporting cycle	19
102-53	Contacts	19
102-54	Level for reporting	19
102-55	GRI reference list	19
102-56	External audit	19,21
GOVERNANCE		
102-18	Governance of sustainability issues	20
ETHICS AND INTEGRITY		
102-16	Code of Conduct	17

* N/A = Not applicable

AUDITOR'S STATEMENT ON THE SIXTH AP FUND'S SUSTAINABILITY REPORT

For the Sixth AP Fund
CIN: 855104-0721

Assignment and delegation of responsibility

The Board of Directors is ultimately responsible for the Sustainability Report for 2018 and ensuring that it has been prepared in accordance with the Sixth AP Fund's principles for sustainability reporting, which correspond to those stipulated in the Annual Accounts Act.

Focus and scope of the review

Our review was conducted in accordance with FAR's recommendation RevR 12, Auditor's report for companies preparing the statutory sustainability report. It means that our review of the sustainability report has a different focus and a much smaller scope compared to the focus and scope of an audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We feel that this review has provided an adequate basis for our opinion.

Opinion

A sustainability report has been prepared.

Stockholm, 22 February 2019

PricewaterhouseCoopers AB

Magnus Svensson Henrysson

Authorised Public Accountant

ABOUT THE SUSTAINABILITY REPORT

The report covers AP6's internal operations. It also outlines AP6's areas of influence as determined by the analysis. The analysis includes an assessment of the importance of every relevant issue, as well as identifying where this effect

occurs, internally or externally. The analysis is based on GRI's principles for selection of content.

AP6 is not subject to the requirements on sustainability reporting from 2018 stipulated in the Annual Accounts Act.

However, it has nevertheless elected to report in accordance with this law. It also means that the auditors have conducted a review of the sustainability report as prescribed by law, see the Auditor's Report on page 46.

Fund Governance Statement

The Fund Governance Statement is based on the Swedish Corporate Governance Code. It is a set of guidelines on good governance for listed companies and it has become standard practice for industry, government agencies and other types of companies. The report must, at the same time, cover AP6's specific status as a government agency and AP fund. Compared to other public authorities, the difference is large. The various AP funds have a very special status, with their activities regulated by law. The Swedish Government does not have any regulatory authority over the funds, in contrast to what applies for other public authorities.

PROGRESS IN 2018

There was a high level of investment activity during the year, with decisions made on 10 direct investments and 11 fund investments. Several additional, smaller investments were also made in existing holdings.

SUSTAINABILITY EFFORTS

AP6 made additional progress during the year with its sustainability efforts. Special focus was on equality/diversity and climate. For example, AP6 followed up on the equality seminar with Nordic PE funds in 2016. More information about this is provided on page 14. The sustainability model for evaluating fund investments was refined and meetings were held with some companies where AP6 has made a direct investment. AP6 also worked with PRI and engaged with trade associations.

BOARD COMPOSITION

The Board of Directors, consisting of five members, is appointed by the government, which also appoints the Chairman and Deputy Chairman. The government applies one-year mandate periods for the Board members, which means that the current appointments are valid until the government has adopted AP6's balance sheet and income statement for 2018. Per Strömberg and Klas Eklund resigned from the Board

in 2018. Urban Lindskog was appointed as deputy Chairman. Karin Reuterskiöld and Alexander Ljungqvist joined the Board as new members.

BOARD WORK

The Board has full responsibility for AP6's activities and in those areas where the Board's work is not regulated by the Sixth AP Fund Act (2000:193), it is regulated by the Rules of Procedure set by the Board each year. The Board held 6 ordinary and 7 extra board meetings in 2018. Besides the Board members, board meetings are attended by AP6's Managing Director and relevant employees who possess specialist expertise or who are reporting on a particular topic. The most important tasks of the Board include setting AP6's performance target, deciding on investments, appointing and evaluating the Managing Director and ensuring that AP6 has sound procedures in place for internal controls and monitoring. Furthermore, the Board conducts an annual assessment of day-to-day operations, focusing on the long-term perspective.

The owner appoints the Board



AUDIT COMMITTEE

The Audit Committee assists the Board in a drafting capacity in matters concerning audits and financial reporting. The Committee's task is to monitor AP6's financial reporting and the efficiency of its internal controls, internal audit (as required) and risk management, as well as briefing the Board on the audit of the annual report. It is also the Audit Committee's task to approve the Valuation Committee's proposed valuations of unlisted assets each year when the annual financial statements are being prepared. The Committee must

also meet AP6's auditors at regular intervals for briefings on the audit and on risk exposure. The Committee is required to meet at least three times a year, with AP6's auditors attending on at least one occasion.

The Committee must consist of two members from the Board, one of whom should be appointed chairman. The Managing Director, Deputy Managing Director, CFO and a keeper of the minutes are co-opted members.

REMUNERATION COMMITTEE

The Remuneration Committee assists the Board in a drafting capacity in matters concerning remuneration policies, remuneration and other terms of employment for AP6's management. The Committee must monitor and evaluate the application of the guidelines for the terms of employment for senior executives decided by the Board and use the government's guidelines issued in April 2009 as a basis for its approach. This applies to AP6 employees and direct holdings. The Committee must prepare draft proposals for a framework for annual salary reviews for AP6's employees. The Committee consists of two members from the Board, one of whom should be appointed chairman. The Managing Director, Deputy Managing Director and a keeper of the minutes are co-opted members.

SUSTAINABILITY COMMITTEE

The Sustainability Committee assists the Board in a drafting capacity in matters concerning AP6's sustainability efforts. The Committee must, in collaboration with AP6's management prepare the following:

- The annual plan for sustainability efforts
- Relevant sustainability goals
- Criteria and methods for measuring and evaluating AP6's sustainability efforts
- Guidelines for annual sustainability reporting

The Committee must meet twice per year and consist of two members from the Board, one of whom should be appointed chairman.

FEES, SALARIES AND INCENTIVE SCHEMES

Fees and other remuneration paid to the Board are decided by the government. 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 on remuneration for the Managing Director and pay scales for all other employees. The Board also decides whether to offer any incentive schemes. AP6 does not offer variable remuneration or incentive schemes for management or other employees. In 2009, the government issued new guidelines on the remuneration of AP fund senior executives. These guidelines rule out variable remuneration, introduce limits on pension benefits and regulate retirement age. See Note 6 for more details.

INTERNAL CONTROL

Internal controls are essential to efficient operations. The Board is responsible for internal controls. The Board may be assisted by the Managing Director and, if necessary, internal audit if a particular area requiring an audit has been identified. Since AP6 has few employees, and no separate (in-house) function for internal audit, external consultants with the right expertise are instead engaged. The risks identified by internal auditors and through internal controls, are managed by introducing specific activities to the process flow. New or modified activities mainly relate to organizational structure, decision-making paths, levels of authority or allocation of

AP6 is supported by four different committees:

- **The Investment Committee** is involved in investment decisions and prepares supporting documentation on investments that will be considered by the Board.
- **The Valuation Committee**, which, prior to the publication of annual and interim financial statements, must approve the valuations of unlisted holdings.
- **The Nomination and Remuneration Committee**, monitors the nomination and remuneration issues faced by investment managers at portfolio companies.
- **The Ethics Committee**, handles ethical issues that arise within the organization.

responsibility. These changes are communicated in the policies adopted by the Board, as well as in the directives decided by the Managing Director. Documents and tools to assist with day-to-day operations are also created.

For financial institutions with larger organizations, and those following the Swedish Financial Supervisory Authority’s (FI) regulations, functions are required for managing compliance and risk. At AP6, these functions are shared between different levels of the organization. The compliance function is shared by AP6’s legal adviser (legislation and regulations) and the CFO (financial reporting). The risk management function is performed by a risk controller who reports regularly to the Deputy Managing Director. Risk management is a natural part of ongoing investing activities. Risks are accordingly managed and reported directly by the relevant investment manager for the funds and companies in which AP6 has invested.

AUDIT

AP6’s auditors are appointed by the government. The current auditors are Magnus Svensson Henryson (PwC) and Peter Nilsson (PwC), whose appointment runs until 31 May 2019.

The auditors’ work includes examining AP6’s operating activities, administration, financial statements and annual report. Based on their audit, the auditors express an opinion on the accounting records and the administration. Their work also includes verifying that AP6 follows generally accepted accounting and valuation principles, and that the accounting records provide a true and fair view of operations. An audit of AP6’s IT environment was also conducted.

At least once per year, the auditors present a written and oral report on their audit to the Board, along with a written report on their audit of the administration and financial statements. In addition to this, the auditors report verbally to the Ministry of Finance once a year.

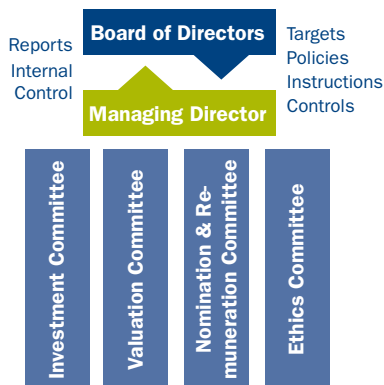
THE BOARD’S OWN ASSESSMENT

Under the Sixth AP Fund Act (2000:193), the Board must carry out its own annual assessment of its management of the fund assets, i.e. a performance review. This assessment must be submitted to the government in conjunction with the presentation of the annual report and the auditors’ report. It is presented in a separate report published on the AP6 website.

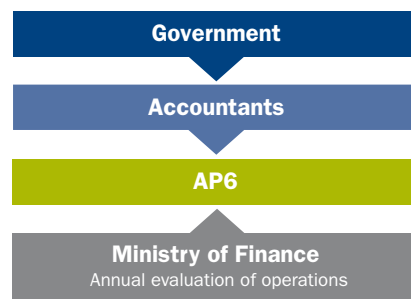
THE GOVERNMENT’S ASSESSMENT

In addition to the Board’s own assessment, the Ministry of Finance conducts an annual assessment of AP6’s operations on behalf of the government. This assessment is carried out for all AP funds with the assistance of external consultants. The assessment is presented in a written communication to the Swedish Parliament which is published in conjunction with the government adopting the income statements and balance sheets of the AP funds for the 2018 financial year

Internal control of operations



The owner exercises control



Board of Directors



CATRINA INGELSTAM
Chairman

BORN: 1961
ELECTED: 2016

OTHER APPOINTMENTS:
Board member and member of the Risk & Capital Committee at KPA Pensionsförsäkring AB. Board member and member of the Risk & Capital Committee at Sparbanken Sjuhärads AB. Board member, member of the Remuneration Committee and Chairman of the Audit Committee at Orio AB.



URBAN LINDSKOG
Deputy Chairman

BORN: 1965
ELECTED: 2015

OTHER APPOINTMENTS:
Board member at Scanmast AB. Vice President Division Communication Lagercrantz Group AB. Chairman of the Board at: Direktronik AB, Exidor AB, Liab Load Indicator AB, Gasiq AB, Radonova Laboratories AB, Leteng AS, Precimeter Control AB/ Precimeter Inc



KARIN REUTERSKIÖLD
Board member

BORN: 1959
ELECTED: 2018

OTHER APPOINTMENTS:
Business Strategist at Hållbarhet Danske Bank. Advisor at MISTRA Carbon Exit. MISTRA Sustainability Committee, Swedish Banker's Association. Sustainability Group. Member of The Swedish Society of Financial Analysts (SFF).



KATARINA STAAF
Board member

BORN: 1967
ELECTED: 2017

OTHER APPOINTMENTS:
Head Recruiter, Poolia Executive Search AB. Board member at FastPartner AB. Board member and member of the Audit Committee at Entra ASA. Board member at Länsförsäkringar Fondförvaltning AB. Board member at Sensys Gatso Group AB. Board member at Staaf och Partners AB.



ALEXANDER LJUNGQVIST
Board member

BORN: 1971
ELECTED: 2018

OTHER APPOINTMENTS:
The Stefan Persson Family Professor of Entrepreneurial Finance at Stockholm School of Economics. CEO at Nordic Economics Consulting AB.

Management



KARL SWARTLING
Managing Director

BORN: 1965

EMPLOYED: 2012

BOARD APPOINTMENTS:
None

No holdings in unlisted companies.



MARGARETA ALESTIG JOHNSON
Deputy Managing Director and Administrative Manager

BORN: 1961

EMPLOYED: 2013

BOARD APPOINTMENTS:
Green Cargo AB and Wallenius Wilhelmsen Logistics ASA.

No holdings in unlisted companies.



HENRIK DAHL
CFO

BORN: 1975

EMPLOYED: 2008

BOARD APPOINTMENTS:
None

No holdings in unlisted companies.



KARL FALK
Head of Fund Investments

BORN: 1972

EMPLOYED: 2012

BOARD APPOINTMENTS:
None

No holdings in unlisted companies.



MATS LINDAHL
Head of Direct Investments

BORN: 1964

EMPLOYED: 2012

BOARD APPOINTMENTS:
SLS Invest AB and Bergsala AB.

No holdings in unlisted companies.



JONAS LIDHOLM
General Counsel

BORN: 1970

EMPLOYED: 2001

BOARD APPOINTMENTS:
None

No holdings in unlisted companies.



ULF LINDQVIST
Head of Communications

BORN: 1963

EMPLOYED: 2008

BOARD APPOINTMENTS:
None

No holdings in unlisted companies.

Remuneration levels, benefits and representation costs

The government adopted guidelines in 2009 on remuneration of senior executives at the AP funds. The main objective of this measure was to protect public confidence in the AP funds. Viewed from a larger perspective, the issue of confidence encompasses many aspects. Remuneration is just one part, responsible investments another. Openness and transparency are additional factors that build confidence.

AP6 reports on its work on responsible investments in various places in the Annual Report, including the GRI report. Below, are the guidelines on remuneration, the results from a comparison of remuneration levels for all employees (from 2017) and details concerning benefits and entertainment expenses. Every second year, a full remuneration analysis is carried out, where comparisons are made with organizations in both the private and public sectors. There were no major changes to remuneration paid to AP6 employees in 2018.

Government guidelines for senior executives of the AP funds

- The total remuneration paid to senior executives of the AP funds should be reasonable and motivated
- It should also be competitive, have a ceiling, be appropriate for the work concerned and contributing to a good ethical code and organizational culture
- The remuneration should not be higher than at comparable institutions, rather, characterized by moderation
- Variable salary (i.e. bonuses) may not be paid
- Other employees may receive variable salary, although no more than the equivalent of two months' salary

AP6's Board of Directors has decided that:

- All employees, not just senior executives, fall within the scope of the government guidelines
- There will be no opportunities for variable salary (i.e. bonuses)

AP6 must also encourage the application of the guidelines in companies where AP6 has an ownership interest, to the extent it is commercially feasible.

ANALYSIS OF AP6'S REMUNERATION LEVELS

In 2017, AP6 commissioned an evaluation of total remuneration levels (salary and pension) for all of its employees. Aon Hewitt carried out the evaluation. It is part of Aon Consulting Company, an external and independent international consultancy firm. The comparison material was divided into two categories to allow for the differences in remuneration structure and remuneration levels between them. One category is private asset managers. The other is state-owned companies and agencies.*

Results of the evaluation

The results of Aon Hewitt's 2017 evaluation show that AP6's total remuneration (salary and pension) was 23 % below the average for the private sector and 17 % lower than the median remuneration.

Compared to the public sector, AP6's average total remuneration was 2 % below comparable positions and 15 % higher than the median remuneration.

Because changes in the market occur over time, comparison to the prior year have been affected by changes in the reference group. AP6's goal is to, every second year, conduct a comparison with a similar reference group in order to monitor the salary trend in the chosen market.

Total remuneration (salary and pension) for employees at AP6 in comparison with

Average	AP6 2017	AP6 2016
Private market	-23 %	-21 %
Government market	-2 %	+1 %
Median		
Private market	-17 %	-15 %
Government market	+15 %	+14 %

The Board's conclusion is that remuneration to AP6 employees is reasonable and in line with the Government guidelines.

COSTS OF REPRESENTATION AND TAXABLE BENEFITS IN 2018

AP6 has restrictive guidelines when it comes to representation and benefits. For example, company cars were withdrawn and public transport passes introduced in 2012. Representation costs should be reasonable and appropriate. For example, alcohol may not be included in internal entertainment expenses.

Cost	SEK/employee/year
Representation (internal and external)	273
Taxable benefit (Public transport passes, meals subsidy, health insurance)	18,962

* In instances where there was insufficient data, Aon Hewitt indexed the previous year's data by an average of approximately 2.8 %.

Directors' Report

The Board of Directors and Managing Director of the Sixth AP Fund (AP6) hereby present the Annual Report for the 2018 financial year. The Annual Report consists of a Directors' Report, Income Statement Balance Sheet, and Notes.

GENERAL

The Sixth AP Fund is a specialist fund in the Swedish pension system with the unique mandate of investing in the market for unlisted assets (Private Equity). The goal is to create a long-term, high return with adequate spread of risk. Investing activities are focused on the buyout segment (mature companies), which have delivered very good returns over time. Investments in the venture segment (early phase) are only made indirectly, via funds. Direct investments are ideally made together with other financial and industrial investors. For such collaborations, AP6 takes a minority position and works closely with or via a partner. Accordingly, it is possible to either be a partner or investor by committing capital to a management team or setting up collaboration by making a direct investment in a company. AP6 currently has many long-term relationships in place with both direct investments and fund investments. Continuous engagement with them leads to cost-efficient management and creates the conditions for generating a high return.

SIGNIFICANT EVENTS DURING THE YEAR

Profit/Loss

The net profit for 2018 amounted to SEK 3,042 (3,470) million, which corresponds to a return of 9.6 (12.3) %. The return should be compared to the performance target for the year, which was -0.6 %. The return on capital employed was SEK 3,437 million, which corresponds to a return of 16.1 %. Of that amount, fund investments were SEK 2,550 million (a return of 25.6 %) and direct investments were SEK 887 million (a return of 8.0 %).

AP6 strives to base the annual report on the latest available information. For some fund and direct investments, it means that the value is based on reporting through the third quarter. Adjustment is made afterwards for the cash flows that occur through to year-end. For direct investments where AP6 establish the value through own assessments, all companies are valued at year end.

Performance of fund capital

At the end of 1996, AP6 started with fund capital of SEK 10.4 billion, which by the end of 2018 had grown by SEK 24.3 billion to SEK 34.7 billion. This is equivalent to a total increase in value of 234 % since AP6 was established and an annual average growth rate of 5.6 %. Since 2003, the majority of AP6's assets has been

invested in unlisted companies. An analysis shows that during the period 2009-2018 (the last 10 years) fund capital has grown from SEK 16.4 billion to SEK 34.7 billion, which corresponds to an average annual growth rate of 7.8 %.

AP6 is a closed buffer fund, which means that there is no requirement to annually pay in or receive funds to balance the national pension scheme's payment flows. This means that gains are reinvested and that any losses must be covered by the fund capital.

Commitments to future investments

Investing in PE funds involves making a commitment for an agreed amount. It is then paid out in installments, at the rate that investments are made. Typically, an investment period is 5 years, after which the fund transitions to managing, and later exiting, its holding. At that point, the return is realized. At year-end, remaining committed capital amounted to SEK 16.9 (13.1) billion, of which funds were SEK 15.6 (12.7) billion and direct investments were 1.3 (0.4) billion.

Targets and benchmarks for AP6

The Board has selected "SIX Nordic 200 Cap GI" as the benchmark for AP6's performance. It is a Nordic index that includes the 200 largest companies. A risk premium of 2.5 % is added to cover the illiquid asset class, unlisted companies. The benchmark is used not only to evaluate performance, but also provide an indication of the return that could have been generated if AP6's capital had been invested in that index. All of AP6's investments, however, are in unlisted assets, which is why the target is supplemented with an unlisted benchmark (Burgiss, unlisted median fund in Europe, less return for normal liquidity). This benchmark answers the primary question of how the fund performed in comparison to other PE funds. Both reference points on AP6's return should be used to evaluate the fund's return over the long term and several business cycles.

Overall return analysis

AP6's net return for the year was 9.6 % and the return on capital employed was 16.1 %. The difference primarily results from the high share of liquidity and the prevailing negative interest rates in the market. During the last 6 months of 2018, and particularly in Q4, there was turbulence in stock markets worldwide. AP6's

performance target for the year ended at -0.6 % In comparison, the unlisted benchmark increased by 13.1 %.

The holding period for PE investments is typically long, so the return should also be evaluated over time and several business cycles. AP6 focuses on investing in mature companies that have delivered very good returns over time. Analysis of the period since the start (22 years ago) and the last 5 years shows returns in the mature companies' segment of 14.8 % and 12.2 % respectively, which should be compared to the targets for these periods of 11.9 % and 12.0 %, respectively. It is not possible to calculate AP6's benchmark since inception, due to the limited amount of data. Comparisons are thus made over 5 years (benchmark increase of 12.6 %) and 10 years (8.7 %). The performance of mature companies exceeded the benchmark over the last 10 years (11.9 %) and is on a par with the benchmark over the last 5 years (12.2 %). The net return for the fund does not exceed the benchmark for either period of time. For the 10-year period, the lower return results from prior strategic directions, primarily, AP6's direct investments in venture. The main reason for the lower return over the 5-year period stems from realignment of the portfolio, which generated excess liquidity in a climate where market interest rates have been low or negative.

The chosen benchmark should primarily be used to evaluate the return prospectively. In this context, AP6's Board and senior executives are convinced that net return will improve even more once excess liquidity has been reduced.

INVESTING ACTIVITIES

AP6 operations are divided into investing activities and liquidity management. Investing activities comprise direct investments in companies and indirect investments in companies through funds.

Direct investments

The market value assets of the business area amounted to SEK 13.5 (11.5) billion at the end of 2018, while the profit for the year before internal expenses came to SEK 887 (1,771) million. Profit for the year corresponds to a return of 8.0 (21.1) %.

The market value of investments in companies in mature phase (buyout) amounted to SEK 12.0 (10.1) billion and profit for the year before internal management costs was SEK 763 (1,477) million. It yields a return for the year of 7.8 (20.1) %.

The return for mature companies is considered to be good, even though it is lower than last year (highest to date) for this relatively young portfolio. The lower return is in part explained by turbulence in global stock markets during the last half of the year, which impacted performance of the companies still in the portfolio after their IPO. Also, one of AP6's major holdings was revalued (downwards) due to higher risk in its future business plan. On the whole, the portfolio is well-diversified and most of the companies contributed to the overall good performance.

The market value of investments in early phase (venture capital) amounted to SEK 1.4 (1.3) billion and the profit for the year before

internal expenses came to SEK 124 (294) million. This profit level yields a return for the year of 9.4 (27.8) %. The venture portfolio is relatively limited and no new investments are made here. The return for this segment is thus attributable to just a handful of companies.

In 2018, there was a high level of activity in terms of new investments. In total, SEK 2.4 billion was invested resulting in 10 new portfolio companies for a total of SEK 2.3 billion. Two of these were investments made with new partners.

The return for the buyout business area since inception (1997-2018) and for the last 10 years (2009-2018) is 15.0 % and 10.9 % respectively. The corresponding figures for venture capital are -8.6 % and -8.8 %. These lower returns are primarily a result of the previous strategic direction. Investments within the mature segment have outperformed the target that was originally 11.9 %, but are just under the target for the last 10 years of 15.5 %. The return for the buyout segment over time is considered to be sufficiently high and prospects for these investments remain good.

Fund investments

The market value assets of the business area amounted to SEK 13.0 (10.7) billion at the end of 2018, while the profit for the year before internal expenses came to SEK 2,550 (1,679) million. Profit for the year corresponds to a return of 25.6 (19.6) %.

The market value assets in the buyout portfolio amounted to SEK 11.3 (8.5) billion, while the profit for the year before internal expenses came to SEK 1,235 (1,241) million. This profit level yields a return for the year of 15.6 (17.5) %. The profit level was affected positively by widespread portfolio re-valuations and by realizing assets at values higher than the opening market value.

The market value assets in the venture portfolio amounted to SEK 1.7 (2.2) billion, while the profit for the year before internal expenses came to SEK 1,315 (438) million, which is primarily attributable to Creandum's investment in Spotify. The profit level in this segment yields a return for the year of 88.6 (28.1) %.

Fund Investments invest in funds managed by experienced management teams, who invest in companies in the buyout and venture market segments. Investments are made mainly in primary funds, but also in the secondary market by making commitments to secondary funds, or through the purchase of own secondary shares. The portfolio consists of more than 80 active funds that are invested in more than 450 companies.

Many new commitments were once again made in 2018, totaling SEK 5.9 billion, of which SEK 5.3 billion was into 11 new funds. AP6 continuously evaluates new and existing teams and five new partners were added to the portfolio during the year. The new partners are high-quality PE firms with a very good history of returns. Three are in USA, which has further widened the portfolio's geographic scope.

The return for the buyout business area since inception (1997-2018) and for the last 10 years (2009-2018) is 14.6 % and 13.4 % respectively. The corresponding figures for venture capital are

2.3 % and 13.0 %, respectively. Investments within the mature segment have outperformed the target that was originally 11.9 %, but are just under the target for the last 10 years of 15.5 %. As with the direct investments, this return further motivates the focus on mature companies. The performance of venture in recent years has significantly improved and return over the last five years is 23.7 %. There are relatively few high-performance teams and fewer funds on the market. Accordingly, commitments made here will continue to be limited compared to the major buyout funds.

MANAGEMENT OF LIQUIDITY RESERVE & EXCESS LIQUIDITY

At year-end, liquidity totaled SEK 8.1 (9.6) billion. This is the portion of AP6's capital that has not been invested as part of investing activities. Outcome for the liquidity management amounted to SEK -302 (107) million.

Payment readiness is just one aspect of liquidity management. For this, the funds are invested in highly liquid interest-bearing securities (where there is low risk and adequate risk diversification). The management objective for debt securities is to achieve a return in line with OMRX T-Bill. The size of the amount corresponds to payment readiness of approximately 6-12 months of the net outflow for investing activities.

What remains after that is managed as excess liquidity by AP6. Because AP6 is a closed fund that makes long-term investments in unlisted assets, excess liquidity will be generated during periods of high returns. Accordingly, a long-term investment horizon must be applied. With the aim of achieving an adequate, risk-adjusted return, excess liquidity is thus invested at a higher risk than the amount set aside for payment readiness. Following this approach, AP6 invests 30 % in five geographically widespread, passive stock index. The remaining portion is invested in external fixed-income funds with balanced interest rate risk and credit risk. The management is thus considered to be very well diversified and the current broader exposure to shares partially replaces the prior exposure to Lannebo Microcap, which was divested during the year.

Liquidity management must also consider the financial risks that could arise within the business, and any borrowing needs.

MANAGEMENT COSTS

The costs are divided into external and internal management costs and shared costs (Notes 4 and 5).

External management costs refer primarily to the management fees payable to the managers of listed holdings.

Internal management costs include staff costs related to investments in funds, directly-owned companies and liquidity management holdings. They also include costs that are directly attributable to investing activities.

Shared costs include staff costs for the Managing Director and shared specialist functions, plus the cost of premises, services purchased externally, IT and general office expenses. Because

AP6's operations are not subject to VAT, input VAT cannot be deducted.

The management fees and acquisition costs attributable to holdings in funds and companies are expensed as incurred and recognized in unrealized gain/loss. In total, these costs amounted to SEK 377 (310) million, of which SEK 367 (300) million is attributable to the management costs for funds. The management costs for funds corresponds to 1.3 (1.3) % in relation to the total managed assets for funds, which, at year end, amounted to SEK 28.6 (23.4) billion. That amount consists of current market value and remaining committed capital. The cost increase in SEK is attributable to having acquired a greater number of reputable funds which, over time, are expected to generate high, stable returns.

Total costs for AP6 amounted to SEK 101 (117) million in 2018, with SEK 54 (72) million of this sum attributable to investing activities and liquidity management, while SEK 47 (45) million relates to joint costs.

ORGANIZATION AND EMPLOYEES

AP6 is owned by the government and reports to the Ministry of Finance. In terms of structure, the investment organization is divided into two business areas, Direct Investments and Fund Investments. These two business areas manage what AP6, in an analysis context, refers to as investing activities. In addition to that, AP6 manages liquidity which involves maintaining payment readiness, along with managing excess liquidity and borrowing needs.

Shared functions such as legal affairs, finance, business control, sustainability, HR and IT support the organization's investing activities. The head office is located in Gothenburg.

At year-end, AP6 had 32 (31) employees. See Note 6 for additional information on staff. For more information on AP6's organization and employees, please visit the website, www.apfond6.se.

EVALUATION AGAINST OPERATIONAL TARGETS

Under the Sixth AP Fund Act (2000:193), the Board of AP6 must carry out its own annual assessment of its management of the fund assets, i.e. a per-formance review. This assessment must be submitted to the government in conjunction with the presentation of the annual report and the auditors' report. It is presented in a separate report published on the AP6 website.

THE GOVERNMENT'S ASSESSMENT

The Ministry of Finance conducts an annual assessment of AP6's operations on behalf of the government. This is done for all AP funds with the assistance of external consultants. The assessment is presented in a written communication to the Swedish Parliament and published in conjunction with the government adopting the income statements and balance sheets for the year; this is normally done in May of the following year.

The assessment is primarily of the performance targets set by the Board and the extent to which investing activities achieved them. Analyses are also performed to assess the efficiency of the

AP fund system from a general perspective. The latest document is published on the websites of the Swedish government and AP6.

RESPONSIBLE INVESTMENTS

Sustainability applies to investments, organization and leadership. The sustainability aspect is an important starting point and a prerequisite for being able to generate a long-term high return on the pension fund assets that AP6 is entrusted with managing. Another reason for working with sustainability is to comply with the legal requirements set out in the Swedish Environmental Code, which includes applying the precautionary principle. AP6 reports in line with GRI (Global Reporting Initiative) and is a member of the PRI (UN initiative for responsible investment) and the Global Compact. The requirements are thus clearly formalized for both the investment process and when sustainability issues arise in existing holdings in companies and funds. The prerequisites for the two types of investment are not the same, which is also reflected in how sustainability is implemented. A common denominator is, however, that AP6 sets the requirements. Companies in which AP6 has a direct ownership interest are encouraged to join the Global Compact. Direct Investments consist of holdings of different sizes and ownership stakes, which means that AP6 must adapt the models accordingly. Funds in which AP6 has an ownership stake are encouraged to adopt or adhere to the principles of PRI. Regardless of the type of investment, direct or indirect, the ongoing work with sustainability issues involves ensuring there are models for setting requirements, monitoring and controls, as well as for reporting deviations and subsequent action.

AP6 has a Sustainability Committee consisting of two Board members. The Committee decides on the guidelines for sustainability reporting, along with the criteria for measurement and evaluation. It also establishes an overall strategic plan together with long-term goals. The Committee provides sustainability efforts with a clear link between the Board's strategic efforts and the organization's operational activities. The goal, however, is clear: for AP6 to be a leader in sustainability for unlisted companies. Accordingly, efforts are continually being improved in order to meet the high requirements and expectations in this area.

AP6'S FINANCIAL INSTRUMENTS AND THEIR IMPACT ON PERFORMANCE

International Financial Reporting Standards (IFRS) are a set of internationally accepted regulations and AP6 continually assesses the way in which its annual report can be changed and improved in order to provide a fair and transparent view of operations. These regulations require significant disclosures on financial instruments. Disclosures in accordance with IFRS 7 are meant to make it possible for a user to assess the importance of financial instruments to AP6's financial position and performance, as well as the nature and extent of the financial risks resulting from holdings and to which AP6 is thus exposed.

A description is provided below of how the financial instruments impact performance, financial position and risks that exist for cur-

rent holdings, as well as how these risks are managed.

To begin with, it should be mentioned that under the Sixth AP Fund Act (2000:193), financial instruments must be valued at fair value. For a financial instrument, fair value is defined as the amount at which an asset could be transferred, or a liability settled. This must take place between knowledgeable parties that are independent of each other and have an interest in the transaction being carried out. AP6 classifies its assets at fair value according to the following valuation hierarchy. The levels are set based on the market data available on the date of valuation.

Fair value hierarchy SEK million	Level 1	Level 2	Level 3	Total fair value
Shares and fund units	8,033	–	25,009	33,042
Interest-bearing securities	760	–65	349	1,044
Cash	641	–	–	641

Level 1) Quoted prices are available in active markets for identical assets and liabilities.

Level 2) Financial instruments that do not belong to level 1 instead belong to level 2 if there are quoted prices on inactive markets or if the value can be derived from quoted prices.

Level 3) There is no observable market data that can be used on asset.

Change within level 3 for the year SEK million	Direct in- vestments	Fund invest- ments	Total
Opening balance 1 January	9,721	10,707	20,428
Investments	2,422	4,015	6,437
Value changes*	683	2,999	3,682
Divestments	–752	–4,928	–5,680
Exchange rate differences and other adjustments	249	242	491
Closing balance 31 December	12,323	13,035	25,358

* Derivative instruments for foreign currency hedging are not included in level 3. The closing balance may thus differ slightly from the figures specified in the main text. Direct Investments for existing listed holdings are also adjusted.

As is apparent from the table above, the majority of AP6's invested capital is classified as level 3. This means that in many cases no market data are available when the assets are to be valued. AP6 uses IPEV's principles as the framework for performing a valuation. When the valuation takes place most of the methods are applied, such as discounted cash flow, net assets valuation, multiple valuation, etc. (please see the accounting policies in Note 1).

Some of AP6's companies are valued based on a model in which future cash flows are an indicator of the company's value. For this valuation method to work, the company must be able to forecast its future cash flow with reasonable certainty. As future cash flows are discounted to their present value, it is important to use the correct cost of capital. This represents a weighting of the cost of loan

capital and equity, referred to as “WACC” (Weighted Average Cost of Capital). The cost of equity is on a par with the benchmark set by AP6 for the element of the company’s operations that cannot be financed externally by, for example, a bank loan. Borrowing costs are generally lower than the cost of equity, especially because interest expenses are tax deductible for the company. The performance target for equity for a company in early phase without opportunities for external financing is thus relatively high, thereby providing a much more restrictive valuation in the form of lower company value. Conversely, this means that a company with good financing opportunities has a lower WACC and thereby also a higher company value in the model. The cost of capital that AP6 uses is key to how the company is valued and thus also how changes in value may arise in AP6’s income statement. The most important parameters in the model are, however, the assessment of the company’s future development in terms of e.g. growth, operating margin, investment requirements, etc. The risks that therefore primarily affect the company’s value are market risk and performance risk (see the section “Risks in the Sixth AP Fund’s operations”).

The most common valuation method, which is also the method used most frequently by AP6, is multiple valuation against peer groups. These consist of a cluster of similar companies, usually listed, which are reminiscent of the company to be valued. A downturn in the stock market is likely to lead to lower multiples, thereby also leading to lower values in an unlisted portfolio. If the stock market is turbulent, a certain degree of caution must also be exercised when the valuation is partly based on multiples. The multiples that occur most frequently in AP6’s valuations are EV/Sales and EV/EBITDA (see the definitions on page 48).

Valuation at visible net asset value is a method often used by asset-intensive companies. With this method, there is no direct assessment of the company’s future earnings potential. Based on the visible net asset value, an assessment is instead made of the need for a discount or premium, depending on how comparable listed companies (peers) are valued.

Valuation according to the latest round of financing may also be part of the estimate. If a substantial part of the round is directed outside the existing ownership structure, the valuation will then often be a central part of the estimate of the fair value. A few holdings are pre-revenue companies, i.e. the company does not yet have any operations that generate income. These companies are very difficult to value, so naturally a restrictive valuation is used, which often means at cost of acquisition or lower.

The private equity funds in which AP6 invests apply the same valuation methods outlined above. AP6 continually assesses both the valuation methods used and the valuations reported quarterly.

In the case of AP6’s listed holdings, up-to-date market data are obtained at the end of the financial year. Investments of this kind thus do not have any element of estimation in the valuation process.

RISKS IN AP6’S OPERATIONS

Each year, AP6 conducts a thorough review of risks, which involves documenting the risks associated with its operations. Each area of risk has its risk-drivers and these are analyzed. Afterwards, each risk and its likelihood of occurring are discussed, along with the impact it would have on operations. Mitigating factors are then identified, along with the level of net risk deemed acceptable. Such efforts are carried out by the AP6’s senior management team and reported to the audit committee (and, where relevant, the sustainability committee). As with most organizations, there are many risks that must be managed. Below is a list of the six risks considered to be most significant to AP6.

Market risk: Market risk is the risk that a fair value or future cash flow from an investment will vary due to changes in the market. The market risks that predominantly affect AP6 are share price, currency and interest rate risks. Since both fund investments and company investments are exposed to these risks, they are monitored continuously. A maximum of 10 % of AP6’s assets, valued at market value, may be exposed to currency risk. For this reason, AP6 uses derivative instruments to hedge the currency risk.

AP6’s market valued assets in foreign currency at the end of the year amounted to SEK 18,280 (13,518) million; of this sum assets in EUR were the largest individual currency with a market value of SEK 7,444 (5,114) million. Of the total market value, SEK 18,161 (12,820) million was hedged, providing a currency exposure of 2.1 (2.2) % in relation to the fund capital. In line with the established investment policy, AP6’s target is for currency exposure to be within the range 0-7.5 %.

Credit and counterparty risk: This arises as an effect of the inability or unwillingness of a fund or company to carry out its contractual obligations or other commitments, a factor which could lead to losses. In these cases, AP6 is working to diversify the portfolio so that its exposure to individual holdings will not be too high.

Risk is also managed by, each year, the Board adopting a future allocation plan that shows how the assets will in future be distributed between asset classes and business areas.

Liquidity risk: This risk is best described as the risk of a financing crisis. One of the ways in which liquidity risk arises is when assets, liabilities and commitments have different maturities. As AP6 does not have any inflows or outflows to the pension scheme, AP6 only needs to consider its own investing activities. Unlike other buffer funds, there is no legal requirement on the proportion of assets that must be placed in investments with a low liquidity risk. AP6’s target is for the liquidity reserve to normally account for 5 -10 % of AP6’s total managed assets. There is also a line of credit that can be utilized if a need for financing arises.

Performance risk: Refers to the risk that a holding fails to perform in accordance with the objectives set in, for example, the ownership plan or business plan. The risk is monitored by both direct investments and fund investments, but for the former a more proactive approach must be taken if the risk increases. AP6

monitors its investments by being an active owner. It aims to have a representative on the board of the unlisted companies when the ownership interest makes this feasible. The companies' financial development is also continuously monitored.

Operational risks: The risk of financial loss as a result of human error, inadequate processes, external events or faulty systems. The ways in which AP6 manages these risks include documenting and mapping different process flows. In addition, employees continually develop their skills via training.

Sustainability risks: These risks exist in all types of operations, but AP6's exposure is primarily associated with its investing activities in companies and funds. The sustainability risks vary, based on company's or fund's operations and geographic locations. Types of risks include: violation of human rights or labor laws, corruption, environmental damage and climate risks. AP6 manages its sustainability risks by systematically reviewing and assessing them prior to an investment, then, working continually with them during the ownership phase. Another component of risk management is the annual goals for AP6's systematic sustainability work, set by the Board.

THE SIXTH AP FUND'S PERFORMANCE 2009-2018 (10 YEARS)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Trend in return, %	11.3	9.4	-6.9	9.2	9.2	6.5	12.2	6.5	12.3	9.6
Benchmark index ¹	7.5	6.5	7.7	20.2	30.0	19.5	15.4	10.5	16.2	-0.6
Unlisted benchmark ²	-6.1	-3.0	2.0	1.1	7.5	15.9	6.9	8.3	6.6	13.1
Fund capital, SEK bn	18.2	19.9	18.5	20.2	22.1	23.6	26.4	28.1	31.6	34.7
Profit/loss summary, SEK m										
Profit/loss before costs	1,999	1,874	-1,237	1,838	1,982	1,561	2,994	1,827	3,587	3,143
External management costs	-16	-22	-23	-21	-24	-22	-21	-13	-31	-8
Internal management costs and shared costs	-130	-146	-120	-116	-98	-98	-106	-92	-86	-93
Profit/loss for the year	1,853	1,706	-1,380	1,701	1,860	1,441	2,867	1,722	3,470	3,042

1. Benchmark index: 2003–2011 absolute performance target. 2012-2018 performance target SIX Nordic 200 Cap GI +2.5%.

2. Burgiss Europe, median all assets. Adjusted for normal liquidity.

SIXTH AP FUND'S PROFIT/LOSS AND FUND CAPITAL BY BUSINESS AREA

SEK million	Profit/Loss					Summa	Return before costs, % 2014–2018	Market value assets 2018-12-30
	2014	2015	2016	2017	2018			
Direct investments	372	1,788	1,013	1,771	887	5,831	11.5	13,457
Fund investments	796	720	603	1,678	2,550	6,347	15.6	13,038
Liquidity & risk management	371	465	198	107	-302	839	-	8,141
Shared assets, net ¹	-	-	-	-	-	-	-	14
Internal management costs	-50	-59	-47	-41	-46	-243	-	-
Shared costs	-48	-47	-45	-45	-47	-232	-	-
Total	1,441	2,867	1,722	3,470	3,042	12,542	9,4	34,650

1. Shared assets, net, consists of other working capital.

Income statement

SEK million	Note	2018	2017
Investing activities			
Net gain/loss, listed shares and participations		-104	192
Net profit/loss, unlisted shares and participations	2	3,192	3,299
Dividends received		59	105
Other financial income and expenses	3	-4	-9
Management costs	4,6	-54	-72
Shared costs	5,6	-47	-45
Profit/loss for the year		3,042	3,470

Balance sheet

SEK million	Note	2018-12-31	2017-12-31
ASSETS			
Investment assets			
Shares and participations in listed companies and funds	7.8	8,033	2,050
Shares and participations in unlisted companies and funds	7.9	25,009	20,158
Other interest-bearing instruments	7.10	1,109	8,311
Total investment assets		34,151	30,519
Receivables and other assets			
Derivative for currency hedging		144	136
Other current receivables	11	16	405
Prepaid expenses and accrued income	12	68	86
Cash and cash equivalents	7	641	819
Total receivables and other assets		869	1,446
TOTAL ASSETS		35,020	31,965
FUND CAPITAL AND LIABILITIES			
Fund capital			
Initial capital		10,366	10,366
Retained earnings		21,242	17,772
Profit/loss for the year		3,042	3,470
Total fund capital		34 650	31 608
Current liabilities			
Derivative for currency hedging		209	216
Accrued expenses	14	56	91
Other current liabilities	15	105	50
Total current liabilities		370	357
TOTAL FUND CAPITAL AND LIABILITIES		35,020	31,965

Notes

All amounts are in millions of Swedish kronor (SEK million) unless otherwise stated.

Note 1 Accounting policies

The Sixth AP Fund (AP6) complies with the provisions of the Sixth Swedish National Pension (AP) Fund Act (2000:193). This Act came into force on 1 January 2001. The Annual Report has been prepared in accordance with Swedish GAAP. Due to the law governing AP6, all investments must be measured at fair value in AP6's accounting. No changes took place in the Fund's accounting policies in 2018.

Accounting according to IFRS

IFRS is a set of internationally accepted accounting rules and AP6 therefore continuously evaluates changes taking place in this area. AP6 meets the definition of an investment entity as per IFRS 10. AP6 must decide what is relevant for each individual standard and then assess the data that should be presented in order for an external reader to obtain a true and fair view while also ensuring that the Annual Report remains clear. It has been determined that the year's results are consistent with IFRS. As with the other AP Funds, a separate cash flow statement is not prepared for the annual report. This is the only exception to IFRS.

Recognition and measurement of unlisted securities

AP6 measures all holdings at fair value and uses the IPEV (International Private Equity and Venture Capital Valuation Board, www.privateequityvaluation.com) guidelines as a valuation framework. Essentially this means holdings should be recognized at fair value. It should be noted that it is not a requirement that these guidelines be followed, but as they are internationally accepted and are consistent with the way the other AP funds measure their unlisted holdings, AP6 has chosen to follow these principles. The annual report is based on the latest available information, which for some of the fund and direct investments means that valuation is based on reporting through the third quarter. In all instances, adjustment is made afterwards for the cash flows that occur through to year-end. For direct investments, where AP6 establishes the value through own assessments, all companies are valued in conjunction with year-end. The focus is on companies whose value in relation to the total portfolio is significant. The measurement of unlisted holdings includes a significant degree of judgment, as a result of which any changes in the assumptions made can have a significant impact on results. In each individual case, AP6 attempts to determine which combination of valuation techniques is best suited to measure the fair value of the investment. The following valuation techniques are used:

Transaction price as per the latest round of investments

AP6 has investments involving third party transactions. If such transactions have taken place during the financial year, they form an important part of the valuation. Share issues directed at existing shareholders (internal rounds) must also be taken into consideration. If internal rounds indicate a write-down, a more detailed analysis must be made, and if a company has been unsuccessful in its attempts to attract an external party, this could indicate that

interest in the company is minimal. In such cases a write-down of the holding should be considered. In all cases, events that have taken place between the timing of the transaction and the timing of recognition are taken into consideration.

Discounted cash flow

This method involves measuring the value of the company on the basis of discounted future continuous cash flows. Thereafter, the relevant net inter-est-bearing debt is subtracted. Future cash flows are discounted to present value based on a risk-adjusted interest rate. The required return used in the model, and thus for the investment, must correspond to the average expected market rate of return for a portfolio with a comparable level of risk and investment horizon. In those cases where, at the time of measurement, the investment does not yet show a positive cash flow, and an alternative valuation showing a more accurate value has not been performed, a more cautious estimate of the value of the company should be made. In such cases, the market value of the investment is often its cost of acquisition, or lower.

Net asset method

This method is appropriate for property or finance companies, whose value consists primarily of the company's net assets. Afterwards, consideration is given to comparable listed companies value as regards a premium or discount to net asset value.

Valuation using multiples

This valuation technique is the most common and is often based on multiples such as EV/EBITDA and EV/Sales. Valuation using multiples is traditionally easier to implement in the case of more mature companies because of the availability of listed comparable companies for reference (peer groups). In the case of individual small companies, it may be difficult to identify comparable companies for valuation using multiples. This often results in a more cautious valuation which is instead based on discounted cash flow or the transaction price as per the latest round of investments.

AP6's valuation process includes stress testing of investments in order to show the effect of various scenarios on the valuation range. If an investment is very volatile, AP6 opts for a more restrictive assessment of value.

Other accounting policies

Revaluations of unlisted holdings are recognized in the Income statement under the heading Net gain/loss, unlisted shares and participations, and are also detailed in Note 2. However, in the case of a permanent and significant impairment (e.g. bankruptcy) an impairment loss is recognized, usually for the entire amount of the investment. This impairment loss is recognized in the Income statement under the heading Net gain/loss, unlisted shares and participations, and is also detailed in Note 2.

Valuations of holdings in funds that invest in unlisted companies are primarily based on valuations received from the respective funds as at 31 December 2018. In the case of holdings where AP6 has not as yet received valuations taking into account performance in the fourth quarter of 2018, the most recent valua-

tion has been adjusted for actual cash flows. Purchases and sales of financial instruments are recognized on the trade date.

Convertible loans are reported under Shares and participations in unlisted companies and funds and recognized at amortized cost.

For funds, the cost of acquisition refers to all payments that have been made, excluding external management costs. External management costs are expensed and recognized as part of the year's unrealized value change, in Note 2. The total amount is also provided in the running text of Note 4.

Changes in the value of unlisted securities, whether realized or unrealized, are recognized in the Income statement under Profit/loss for the year. The realized gain/loss represents the difference between the sales proceeds and the carrying amount on the date of sale. The realized gain/loss also includes any impairment losses on carrying amounts which may arise in the case of bankruptcies, for instance. Impairment losses otherwise only arises when a PE firm in which AP6 has invested declares bankruptcy. It means that bankruptcies or liquidations of the fund's individual portfolio companies are not reported as an impairment loss, since AP6 is not directly invested in them.

AP6 manages some co-investments via dedicated holding companies. When a holding company's holdings are sold, there is revaluation to the transaction value. Once the dividend and payment is received by AP6, realized gain/loss will be recognized. Typically, it takes some time before AP6 receives the dividend, once the holding in the holding company has been sold. So, AP6 may report that a co-investment has been sold before it is able to report the realized gain/loss.

Recognition and measurement of listed securities

Assets in which the fund's capital has been invested are recognized in the Annual Report at fair value. Listed assets are comprised of shares, derivative instruments and fund units.

The fair value is based on quoted prices at the close of business on the last trading day of the year. Transactions involving spot rates, options, forward contracts and swaps are recognized on the date that the material risks and rights are transferred between the parties, i.e. on the trade date. This principle applies to transactions on the money and bond markets, as well as the equity markets.

For shares and other securities, the cost of acquisition includes brokerage fees and other direct costs relating to the purchase.

The realized gain/loss is measured on an average cost basis.

The last traded price on the last trading day of the year is usually used for valuation.

If the closing price (traded price) is not considered representative because of special circumstances in a particular market, a price quoted at a different time may be used to measure fair value.

Positions in derivatives are measured at fair value and recognized in the same item as the instrument's underlying asset class.

Changes in value, whether realized or unrealized, are recognized in the Income statement as Profit/loss for the year.

Capital gain/loss is the difference between sales proceeds and the cost of acquisition. Capital gain/loss is the gain/loss arising on the disposal of investment assets.

Recognition and measurement of debt securities

The extent of investments in debt securities varies in line with changes in the fund's liquidity reserve, the size of which depends on acquisitions and disposals of holdings. In respect of acquisi-

tions of debt securities, the asset is recognized in the Balance sheet under the item Other debt securities. Any interest accrued at the time of acquisition is recognized as accrued income. Quoted prices are available for all debt securities that AP6 invests in, excluding investments in accounts with credit institutions, such as deposit accounts. All assets must be measured at market value, with value changes recognized in the Income Statement together with accrued interest in Note 3, "Other financial income and expenses".

Management costs

AP6's management costs are split between external and internal management costs as well as shared costs. External management costs relating to management fees for listed and unlisted holdings are expensed as incurred and reported in the income statement in unrealized gain/loss. There is no capitalization of management fees or acquisition costs for investments.

Internal management costs, which primarily comprise the cost of AP6's own employees working in investment activities, are expensed as incurred together with shared costs, which primarily refer to personnel costs relating to the managing director and shared specialist functions, as well as the cost of premises, IT costs and general office expenses.

Internal and external management costs are accounted for separately in Notes 4 and 5.

Performance-based remuneration is not included in external management costs but instead reduces the capital gain/loss in respect of the asset under management. No such remuneration was paid in 2018.

Other accounting policies

Consolidated accounts have not been prepared because shares and participations in subsidiaries must be measured at fair value.

AP6 is a public authority and therefore not a legal entity, and consequently not a parent company.

Receivables are recognized at the net realizable value. Liabilities are measured at amortized cost. Acquisition of equipment is expensed as incurred.

Realized and unrealized gains/losses are reported as net amounts in the Income statement. Gross amounts are reported in the Notes.

AP6 is exempt from income tax and the activities are not liable for VAT. However, AP6 is liable to pay VAT on purchases of foreign goods and services. Input VAT cannot be claimed and is instead entered as a cost to the business.

Assets under management comprise initial capital and retained earnings. The initial capital consists of transfers from the former Fondstyrelserna 1–3 (Swedish National Pension Fund, Boards 1–3) and a sum of SEK 366 million, which represents the residue from the winding up board for Fund 92–94. AP6 is not liable for payments into or out of the pension system.

Related parties

Defined as companies or funds in which AP6 has a holding of at least 20 % and/or in which it has significant influence. Key individuals in leading positions are also defined as related parties.

Participating interests in companies and funds are accounted for in Note 9. Remuneration to senior executives is accounted for in Note 6. Remuneration has been evaluated by an external consultant, who has reached the conclusion that the remunerations are fair and in line with government guidelines. All transactions between companies and funds are conducted on market terms as part of investing activities.

Commitments to investments

With regard to investments in private equity funds, a contractual commitment is made to invest a certain amount of capital. The capital is invested over time and paid out in line with investments. When payment is made, and cost of acquisition is known, the holding is reported in Note 9. The difference between committed capital and capital paid out, plus any amounts to be reinvested, is recognized as a commitment and presented in Note 16.

Note 2 Net profit/loss, unlisted shares and participations

	2018	2017
Realized		
Income from disposals	5,840	3,882
Capital invested	-1,848	-2,472
Reversed value change on divested holdings	-3,806	-1,453
	186	-43
Unrealized		
Value change for the year	3,304	3,327
Exchange rate difference	-298	15
	3,006	3,342
Total	3,192	3,299

Note 3 Other financial income and expenses

	2018	2017
Interest income	26	20
Interest expenses	-30	-32
Exchange rate difference	0	3
	-4	-9

Note 4 Management costs

	2018	2017
External management costs		
Listed holdings	8	31
Internal management costs		
Personnel costs	39	36
Legal consultants	0	0
Other external services	3	1
Travel expenses, etc.	2	2
Charged VAT	1	1
Other costs	1	1
Total	54	72

There were no performance-based costs in 2018 (-).

External management and acquisition costs attributable to holdings in unlisted private equity funds and companies amounted to SEK 367 (300) million and 10 (10) million, respectively. At year-end, all management costs has been expensed and recognized in the income statement. They are reported in the year's value change on unrealized holdings in Note 2.

Liquidity management holdings include listed funds, for which management fees are deducted directly from the holding. Such fees amount to approximately SEK 1.5 (0) million and they impact each fund's market value.

Note 5 Shared costs

	2018	2017
Personnel costs	29	28
Premises costs	6	6
IT costs	4	4
External services	1	1
Management costs	2	1
Travel expenses, etc.	1	1
Charged VAT	2	2
Other costs	2	2
Total	47	45

Shared personnel costs include costs for the Managing Director and the support organization.

Management costs include remuneration to audit firms as follows:

	2018	2017
Audit assignment		
Statutory audit (PwC)	0.8	0.7
Other audit (PwC)	0.1	–
Total	0.9	0.7

Note 6 Personnel

Government guidelines on the terms and conditions of appointment of senior executives

In 2009, the government issued new guidelines on the terms and conditions of employment of senior executives in the AP funds. The guidelines include the withdrawal of variable remuneration, restrictions on pension benefits and regulation of retirement age. The guidelines also apply to other employees with the exception that it is possible to pay variable remuneration to employees other than senior executives; however, this is not implemented in AP6, which does not offer any variable remuneration. Senior executives are defined as employees participating in AP6's senior management team. The Board of Directors' guidelines on the terms and conditions of employment of senior executives and other employees at AP6 are published on www.apfond6.se.

Applied regulations for remuneration and benefits in 2018

The Board of Directors decides the total annual salary revision and any variable remuneration. In 2017, a comparison was carried out of remuneration paid by comparable institutions, companies and funds. This type of analysis is made every other year. The next one will be in 2019. The Board of Directors' view is that the remuneration and benefits of AP6's senior executives and other staff are fair, moderate and competitive.

All employees are covered by collective agreements between

the Employer's Organisation of the Swedish Banking Institutions (Bankinstitutens Arbetsgivareorganisation, BAO) and the Swedish Union of University Graduates of Law, Business Administration and Economics, Computer and Systems Science, Personnel Management, Professional Communicators and Social Sciences (Jusek) /the Swedish Association of Graduates in Business Administration and Economics (Civilekonomernas Riksförbund)/the Swedish Association of Graduate Engineers (Sveriges Ingenjörer) and the Swedish Confederation of Professional Associations (SACO).

Salaries and benefits

The salaries, fees and benefits of the board, managing director, other senior executives and other staff are shown in the table on page 40. Remuneration to senior executives is accounted for under a separate heading.

Pensions

Senior management, including the managing director, are entitled to receive a pension when they reach the age of 65 and have paid annual contributions corresponding to 30 % of pensionable salary.

AP6 does not have any commitments concerning future pensions and pension terms and conditions.

Severance pay

Terms and conditions of employment are negotiated on an individual basis. For termination of employment at the request of AP6, a period of notice of up to six months shall apply and salary and other benefits will remain unchanged. According to the Board's guidelines, an executive may receive severance pay equal to a maximum of 18 months' salary, but AP6's policy is to pay severance pay of no more than six months' salary. Employment contracts completed earlier may constitute an exception from this policy. Severance pay is paid on a monthly basis and comprises the fixed monthly salary without any additional benefits. Deductions are made for remuneration received from other sources during the period for which severance pay is paid.

Incentive schemes

AP6 does not have an incentive scheme, which applies to both senior executives and other employees.

Decisions on fees and remuneration

Board fees are determined by the Government. Remuneration amounts to SEK 100,000 per year for the chairman, SEK 75,000 for the deputy chairman and SEK 50,000 for other board members.

No remuneration other than board fees were paid to AP6's board.

Every year, the Board determines the managing director's salary, as well as the general development of salary levels for staff and any incentive schemes. However, AP6 does not have an incentive scheme.

Remuneration to the Board of Directors

In 2018, remuneration to Board members was as follows (SEK/year); Catrina Ingelstam 100,000, Katarina Staaf 50,000, Per Strömberg 29,625, (member until 23 May), Karin Reuterskiöld

30,250 (new member as of 24 May), Alexander Ljungqvist 30,250 (new member as of 24 May), Klas Eklund 19,750 SEK (member until 23 May) and Urban Lindskog 65,125 SEK (Deputy Chairman as of 24 May).

Remuneration to senior executives

According to government guidelines, the salaries and remuneration, pension expenses and other benefits of senior executives other than the managing director should also be disclosed.

The Managing Director and senior executives at year-end 2018 were as follow: Karl Swartling (MD), Margareta Alestig Johnson, Jonas Lidholm, Karl Falk, Mats Lindahl, Ulf Lindqvist and Henrik Dahl.

The total amount of salaries and remuneration paid were as follows, in the same order as above: SEK 3.4 m, SEK 2.1 m, SEK 1.9 m, SEK 1.9 m, SEK 2.0 m, SEK 1.7 m and SEK 1.7 m.

Pensions, excluding employer's contribution, are as follows: SEK 1.0 m, SEK 0.6 m, SEK 0.5 m, SEK 0.6 m, SEK 0.6 m, SEK 0.5 m and SEK 0.5 m.

In addition to salaries, other remuneration and pensions, the following benefits were received: SEK 2 t, SEK 20 t, SEK 20 t, SEK 25 t, SEK 28 t, SEK 2 t and SEK 28 t.

		2018	2017
Average number of employees	Men	16	17
	Women	16	15
		32	32
Number of employees as of 2018-12-31*	Men	16	16
	Women	16	15
		32	31
Board of Directors	Men	2	3
	Women	3	2
		5	5
Senior management	Men	6	6
	Women	1	1
		7	7

* The full-time/part-time categories are not reported due to the exemption rule in the legislation that says this information should not be disclosed if it could be linked to a specific individual.

	2018	2017
Salaries and fees		
Chairman of the Board	0.1	0.1
Board of Directors, excl. Chairman	0.2	0.2
Managing Director	3.4	3.2
Senior Management, excl. Managing Director	11.3	11.0
Other employees	23.7	22.5
Total	38.7	37.0
Other benefits		
Managing Director	0.0	0.0
Senior Management, excl. Managing Director	0.1	0.1
Other employees	0.6	0.5
Total	0.7	0.6
Pension expenses		
Chairman of the Board	–	–
Board of Directors, excl. Chairman	–	–
Managing Director	1.0	1.0
Senior executives excl. Managing Director	3.3	3.2
Other employees	7.5	6.8
	11.8	11.0
Social security expenses, incl. employers' contribution, excl. pension expenses		
	15.3	14.4
Personnel costs – Total	66.5	63.0

Note 7 Financial assets and liabilities by category

2018	Measured at fair value via the income statement	Derivatives at fair value via the income statement	Loans and other receivables/liabilities	Total carrying amount	Fair value
Financial assets at fair value	33,042	144	349	33,535	33,535
Other current assets	–	–	84	84	84
Short-term investments	760	–	–	760	760
Cash and bank balances	641	–	–	641	641
Total financial assets	34,443	144	433	35,020	35,020
Accounts payables	–	–	2	2	2
Other liabilities	–	209	159	368	368
Total financial liabilities	–	209	161	370	370

2017	Measured at fair value via the income statement	Derivatives at fair value via the income statement	Loans and other receivables/liabilities	Total carrying amount	Fair value
Financial assets at fair value	22,208	136	270	22,614	22,614
Other current assets	–	–	491	491	491
Short-term investments	8,041	–	–	8,041	8,041
Cash and bank balances	819	–	–	819	819
Total financial assets	31,068	136	761	31,965	31,965
Accounts payables	–	–	2	2	2
Other liabilities	–	216	139	355	355
Total financial liabilities	–	216	141	357	357

Note 8 Shares and participations in listed companies and funds

Holding	Number of shares/units of participation	Share of equity, %	Share of voting power, %	Fair value, SEK million
Equity				
Castellum	6,700,583	2.4	2.4	1,095
Tobii	4,000,630	4.1	4.1	108
Asset class and manager for liquidity management				
Index fund				
SEB				698
Swedbank Robur				684
Fixed-income funds				
SEB				1,742
Swedbank Robur				1,755
Mixed funds				
Amundi				1,951
Total				8,033

Brokerage fees paid in 2018 amount to approximately SEK 1.1 (0.3) million.

Note 9 Shares and participations in unlisted companies and funds

Company	CIN	Registered office	Number of shares/ units of participation	Share of voting rights %	Share of equity %
Amplico Kapital AB ²	556703-3161	Gothenburg	5,000,000	100.0	100.0
AP Partnerinvest Sec AB ²	556754-2583	Gothenburg	100,000	100.0	100.0
AP Riskkapital AB ²	556711-0407	Gothenburg	1,000	100.0	100.0
Aumar AB	556631-5932	Gothenburg	16,093	100.0	100.0
Gar Förvaltnings AB ²	556312-2968	Gothenburg	10,000	100.0	100.0
Industrial Equity (I.E.) AB	556599-9702	Gothenburg	1,000	100.0	100.0
Iqube 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		n/a	79.2
Krigskassa Blekinge AB	556709-7992	Karlskrona	30,000	50.0	50.0
NCS Invest AB (Aibel)	556914-7530	Stockholm	360,000	36.0	36.0
Neqst 2017 AB	559061-7063	Stockholm	41,493	4.1	4.1
NetSys Technology Group Holding AB ²	556550-2191	Mölnadal	100,000	100.0	100.0
Nordia Innovation AB ³	556228-6855	Stockholm	6,357,197	3.5	3.5
Pagero AB	556581-4696	Gothenburg	378,696	3.7	3.7
Primelog Holding AB ³	556680-6914	Stockholm	331,552	53.4	53.4
Primelog Intressenter AB	556727-5135	Stockholm	224	11.5	11.5
Salcomp Holding AB	556868-7999	Stockholm	225,000	45.0	45.0
SLS Invest AB	556730-2038	Stockholm	500	100.0	100.0
Vega Ronneby AB	556762-7798	Ronneby	2,017,365	25.0	25.0
Yanzi Networks Holding AB	559153-7849	Stockholm	2,430	28.6	28.6

Co-investments	Investment	Share of equity % ⁴
Adagio Co-Invest L.P.	Allegro	5.5
Anticimex New TopHolding AB	Anticimex	4.5
Atos Medical Co-Invest SCSp	Atos Medical	10.2
BC European Capital X - Navigator Co-Investment (2) LP	Navex	25.2
BKF Co-Investment LP	Burger King	23.5
Carlyle Erpe-Mere Partners, L.P.	Praesidiad	10.7
Cidron Lot Limited	European Dental Group	3.6
Cinven Cullinan L.P.	Allegro	5.5
Cinven Envirotainer Limited Partnership	Envirotainer	100.0
EQT Aslan Co-Investment L.P.	Evidensia	46.2
EQT Auris Co-Investment L.P.	Sivantos	3.8
EQT Auris II Co-Investment L.P.	Sivantos	4.2
EQT Butterfly Co-Investment SCSp	Bluestep	50.0
EQT Dynamite2 Co-Investment L.P.	Sitecore	5.8
EQT Kfzteile24 Co-Investment L.P.	Kfzteile24	33.3
EQT Kiwi Co-Investment L.P.	Kuoni Travel	11.0
EQT Mid Market US Co-Investment Coöperatief U.A. - Class C	Data Intensity	33.3
EQT Mid Market US Co-Investment Coöperatief U.A. - Class D	Zemax	35.3
EQT Nile Co-Investment Limited Partnership	IP-Only	87.3
EQT Yellow Maple Co-Investment L.P.	n/a	11.2
Everest Co-Invest SCSp	Exclusive Group	13.2
Farfalle L.P.	Fläkt Wood Group	100.0
FSN Capital IV Netcompany Co-Investment L.P.	Netcompany	58.3

Co-investments (cont.)	Investment	Share of equity %
FSN Capital Project Growth Co-Investment L.P.	Bygghemma	34.3
HgCapital Gabriel Co-Invest L.P.	Visma	12.7
NC Alexander Co-Invest, L.P.	Lindorff/Intrum	13.1
NC Alexander 2 Co-Invest, L.P.	Lindorff/Intrum	30.0
NC Atrium Co-Invest Alpha, L.P.	Alloheim	81.1
NC Mighty Co-Invest Beta, L.P.	eResearch Technology	18.6
Nordic Capital VIII UF Co-Invest Beta, L.P.	n/a	23.3
Red Garden Invest (E) AB	EasyPark	18.1
Roima Intelligence Holding Oy	Roima	5.7
Silverfleet Capital Partners Project Maverick A L.P.	Riviera Travel	80.0
Willa C L.P.	Werner	100.0
Zeus Co-Investment L.P.	Zenith	19.5

In cases where the name of the legal entity through which the fund investment was made does not reflect the actual investment, the name of the investment is shown in brackets. Cost amounts reported below have been extracted from AP6's accounting records. They are not based on information from each fund.

Funds	CIN ¹	Registered office ¹	Share of equity %	Cost of acquisition
Accent Equity 2003 KB	969694-7739	Stockholm	65.6	23
Accent Equity 2012 L.P.			10.0	187
AE Intressenter KB (Accent Equity 2008, L.P.)	969724-7873	Järfälla	100.0	75
AEP 2003 KB	969694-5196	Stockholm	15.8	0
AlpInvest Co-Investment Fund (Lux Feeder) VII, SCSp			23.6	268
AlpInvest Secondaries Fund (Lux Feeder) VI, SCSp			32.8	220
Atomico IV (Guernsey) L.P.			21.2	155
Auvimo AB	556587-9565	Gothenburg	100.0	0
Auvimo KB	969621-7729	Gothenburg	100.0	4
Axel IV K/S 2			9.7	110
Bridgepoint Europe V C L.P.			2.5	777
CapMan Buyout VIII Fund B KB	969705-5342	Stockholm	100.0	110
CapMan Buyout IX Fund A L.P.			8.5	145
CapMan Equity Sweden KB	969683-1321	Stockholm	96.5	63
CapMan Technology Fund 2007 B KB	969720-4288	Stockholm	100.0	30
Carlyle Europe Partners IV, L.P.			2.7	848
Chalmers Innovation Seed Fund AB	556759-5003	Gothenburg	23.7	27
Co-Invest Fund 2B L.P.			4.4	15
Creandum Advisor AB	556644-0300	Stockholm	34.0	1
Creandum I Annex Fund AB	556759-5623	Stockholm	49.2	4
Creandum II KB	969708-0274	Stockholm	98.5	66
Creandum III L.P.			18.6	145
Creandum IV L.P.			13.7	110
Creandum KB	969690-4771	Stockholm	49.3	3
Crown Global Secondaries IV PLC			2.7	142
Cubera VI L.P.			9.0	0
Cubera VII L.P.			15.0	0
Cubera VIII L.P.			7.4	142
CVC Capital Partners VII Limited			0.3	71
EQT V (No. 1) L.P.			3.5	79
EQT VI (No. 1) L.P.			1.6	263
EQT VII (No. 1) L.P.			2.3	696
EQT Expansion Capital II (No. 1) L.P.			4.2	57
EQT Mid Market (No. 1) Feeder L.P.			8.1	399
EQT Mid Market Europe (No. 1) Feeder L.P.			4.9	272
Equistone Partners Europe Fund VI "A" SCSp			7.1	23
Eurazeo Capital III SCSp			2.9	89
Femfond KB (Nordic Capital V, L.P.)	969687-5062	Stockholm	100.0	0
FSN Capital IV L.P.			7.1	153

Funds (cont.)	CIN ¹	Registered office ¹	Share of equity %	Cost of acquisition
FSN Capital V LP			4.4	74
Fysikten KB (Nordic Capital VI Alpha, L.P.)	969712-1029	Stockholm	100.0	0
HealthCap Annex Fund I-II KB	969690-2049	Stockholm	38.9	148
HealthCap III Sidefund KB	969699-4830	Stockholm	22.7	0
HgCapital 8 B L.P.			7.0	3
HgCapital Saturn B L.P.			12.9	49
HitecVision Private Equity IV L.P.			1.4	16
HitecVision V L.P.			0.8	24
InnKap 2 Partners KB ³	969661-4735	Gothenburg	5.4	0
Intera Fund I Ky			12.0	63
Intera Fund II Ky			10.0	94
Intera Fund III Ky			10.0	120
Nordic Capital CV1 Alpha, L.P.			6.6	228
Nordic Capital CV1 Beta, L.P.			1.7	296
Nordic Capital V, L.P.			3.3	0
Nordic Capital VI Alpha, L.P.			5.7	1
Nordic Capital VII Alpha, L.P.			2.6	55
Nordic Capital VII Beta, L.P.			2.8	77
Nordic Capital VIII Beta, L.P.			4.4	628
Northzone VII L.P.			8.0	137
Northzone VIII L.P.			7.1	130
Norvestor V L.P.			8.5	29
Norvestor VII L.P.			7.3	179
Permira VI L.P.			1.4	483
Scope Growth II L.P.			24.1	91
Scope Growth III L.P.			16.7	83
Silverfleet Capital Partners II LP			6.6	223
Sixth Cinven Fund (No.2) L.P.			1.0	235
Southern Capital Fund IIB L.P.			3.4	82
Sprout Endurance Partners Cayman, L.P.			16.7	30
Strategic Investors Fund IX Cayman, L.P.			22.2	15
Sustainable Technologies Fund I KB ³	969734-9620	Stockholm	100.0	38
TDR Capital IV "A" L.P.			1.8	0
Triton Fund IV L.P.			1.3	246
Valedo Partners Fund I AB	556709-5434	Stockholm	25.0	21
VEEF I Co-Invest 1, L.P.			71.8	51
VEPF VI Co-Invest 1, L.P.			57.1	84
VEPF VI Co-Invest 2, L.P.			18.3	84
VFF III Co-Invest 1, L.P.			71.9	91
Vista Equity Partners Fund VI-A, L.P.			0.6	195
WPEF VII Feeder LP			2.8	17
Total cost				20,914
Change in value				4,095
TOTAL MARKET VALUE				25,009

1. Corporate identity number and registered office are not shown for foreign holdings.

2. The company is dormant.

3. The company is undergoing liquidation.

4. Refers to the share of equity in the investment.

Note 10 Other interest-bearing instruments

	2018	2017
Short-term interest-bearing securities	760	8 041
Loans to unlisted companies	349	270
Total	1,109	8,311

Note 11 Other current receivables

	2018	2017
Transactions not yet liquidated at year-end	11	400
Other	5	5
Total	16	405

Note 12 Prepaid expenses and accrued income

	2018	2017
Accrued interest income	3	47
Prepaid management fee	60	34
Other prepaid expenses and income	5	5
Total	68	86

Note 13 Liabilities to credit institutions

	2018	2017
Uncommitted credit limit	1,500	1,500
Unutilized part	-1,500	-1,500
Utilized amount of credit	0	0

Utilized amount of credit is regarded as short-term and temporary financing with an estimated maturity of less than a year.

Uncommitted credit limit within the framework of the group account structure amounts to SEK 1.5 billion.

Note 14 Accrued expenses

	2018	2017
Accrued management fee	51	85
Other	5	6
Total	56	91

Note 15 Other current liabilities

	2018	2017
Transactions not yet liquidated at year-end	101	46
Accounts payables	2	2
Other	2	2
Total	105	50

Note 16 Contingent liabilities and commitments

	2018	2017
Contingent liabilities	197	207
Commitments – capital committed, not yet paid out	16,872	13,112
Total	17,069	13,319

Note 17 Significant events after the financial year-end

There have not been any significant events outside the scope of regular operations subsequent to year-end.

Gothenburg, 21 February 2019

Catrina Ingelstam
Chairman of the Board

Urban Lindskog
Deputy Chairman of the Board

Karin Reuterskiöld
Board member

Katarina Staaf
Board member

Alexander Ljungqvist
Board member

Karl Swartling
Managing Director

Auditor's report

For the Sixth AP Fund, CIN 855104-0721

REPORT ON THE ANNUAL ACCOUNTS

Opinions

We have audited the annual accounts for the Sixth AP Fund for the year 2018. The annual accounts of the Sixth AP Fund are included on pages 27–45 of this document.

In our opinion, the annual accounts have been prepared in accordance with the Sixth Swedish National Pension Fund Act (2000:193) and present fairly, in all material respects, the financial position of the Sixth AP Fund as of 31 December 2018 and its financial performance for the year in accordance with the Sixth Swedish National Pension Fund Act. The statutory administration report is consistent with the other parts of the annual report. We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet.

Basis for opinions

We conducted our audit in accordance with the International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of The Sixth AP Fund in accordance with the professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

OUR AUDIT APPROACH

Focus and scope of the audit

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgments; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the fund, the accounting processes and controls and the industry in which the fund operates.

The Sixth AP Fund invests directly and indirectly in unquoted equity instruments to obtain return on investment, primarily through increase in values. Our audit has focused on the investments in unquoted equity instruments and the matters relating to ensure a fair presentation of investments when they are acquired, at their disposal and during the holding period.

OTHER INFORMATION THAN THE ANNUAL ACCOUNTS

This document also contains other information than the annual accounts and is found on pages 1-26. The Board of Directors and the Managing Director are responsible for this other information. Our opinion on the annual accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts. In this procedure, we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated. If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and that they give a fair presentation in accordance with the Sixth Swedish National Pension Fund Act. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the Board of Directors and the Managing Director are responsible for the assessment of the fund's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the fund, to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain

professional skepticism throughout the audit. We also:

–Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

–Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

–Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.

–Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists relate to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinions about the annual accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

–Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we have identified.

REPORT ON OTHER LEGAL AND OTHER REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts, we have audited the inventory of assets managed by the Sixth AP Fund. We have also examined whether there are any remarks against the Board of Directors' and the Managing Director's administration of the Sixth AP Fund for 2018.

The audit has given no reason to remark on the inventory of the assets or any other aspect of the administration.

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities

section. We are independent of The Sixth AP Fund in accordance with the professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the administration of the Sixth AP Fund's assets in accordance with the Sixth Swedish National Pension Fund Act.

The Board of Directors is responsible for the Sixth Fund's organization and the administration of the fund's affairs. This includes among other things continuous assessment of the fund's financial situation and ensuring that the Sixth Fund's organization is designed so that the accounting, management of assets and the Sixth Fund's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the Sixth Fund's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective for the audit of the administration is to obtain audit evidence to assess, with a reasonable degree of assurance, whether there are any remarks regarding the Board of Directors' or the Managing Director's administration of the Sixth AP Fund for the year 2018.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have a particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion.

Stockholm, 22 February 2019

Magnus Svensson Henryson
*Authorised Public Accountant
 Appointed by the Swedish
 Government*

Peter Nilsson
*Authorised Public Accountant
 Appointed by the Swedish
 Government*

Definitions and Glossary

Buffer funds – The AP funds are public pension funds that have existed in Sweden since the 1960s. They have changed in character, number and focus over the years. The five AP funds (AP1-4 and AP6) are buffer funds and they are included as a minor portion of the income pension system's assets. The Seventh AP Fund manages the funded capital of the premium pension system. As of 2009 and for approximately 25 years into the future, pension disbursements will exceed the pension contributions. The AP Funds are mandated to even out the temporary variations between pension contributions and pensions disbursements. They must also contribute to the long-term financing of the pension system.

Buyout – Unlisted mature companies with an established business model that have established a market position and have a positive cash flow. It is an English expression that originates from transactions where an investor "buys out" the existing owners in an unlisted company.

Co-investing – This is when a Limited Partner (LP), such as AP6, has invested in a fund and then invests directly in a company together with the fund.

Compliance – Adherence to regulations.

Corporate Governance – A collective term to describe issues relating to the way companies are governed. Central to the concept of corporate governance is the relationship between the various executive and shareholder functions of a company (general meeting of shareholders, board of directors, managing director).

Direct investment – With a direct investment, the investor obtains a holding in the form of shares in the unlisted company. This gives the investor direct ownership in the company.

Due diligence – a work process and method for gathering and analyzing information about a company or a fund prior to making an investment.

ESG – Acronym for environmental, social and corporate governance.

EV/EBITDA – Calculated by dividing the company's enterprise value by the operating profit (before depreciation and amortization, net financial items and tax).

EV/Sales – Calculated by dividing the company's enterprise value by sales.

Fund investment (unlisted assets) – The market for fund investments is comprised of a variety of different private equity firms with different focuses and profiles. A private equity firm that would like to establish a new fund and is seeking investors for that, thus engages in fundraising. The new fund will have a specific size as regards the total amount invested. Investors who have notified that they are interested (such as pension funds, insurance companies, etc.) are then allocated a share of the new fund. The investors make a commitment, which means that they commit to paying in a certain amount corresponding to their share of the fund. If there is much interest from potential investors, they may not be given the opportunity of investing the entire amount that they were willing to commit. It may also be the case that some investors are not given the opportunity to invest at all. That happens when the fund is oversubscribed and there simply aren't enough allotments for all of the investors wanting to participate. Once the shares in the new fund have been allocated, the fundraising stage is officially over. However, the amounts that the various investors have committed are not paid in a lump sum. Rather, payments from investors are made at the rate that the fund acquires companies. A typical fund has a lifespan of about 10 years. During

that time, the fund typically invests in around 15-20 companies. These companies are developed in a way that will generate higher value. The fund is closed once all of the companies have been divested and the invested capital, including the gains, have been distributed to the investors.

Fund capital AP6 – The initial capital allocated to the Sixth AP Fund at inception, together with accumulated profits/losses. AP6 covers its own costs. Profits from investments are continually reinvested.

General Partner (GP) – the private equity firm that manages the fund. Typically, a GP manages several funds.

Global Reporting Initiative (GRI) – An international reporting framework for organizations' economic, environmental and social impact.

Governance – see corporate governance.

Sustainability Report – A report describing how a company, PE firm, pension funds and other investors work with economic, environmental and social issues.

ILPA – Institutional Limited Partners Association. International trade association for investors in private equity funds.

Indirect investment in an unlisted company – With a fund investment, the investor obtains indirect ownership. It occurs from the investor obtaining a holding in a fund, which in turn invests in the unlisted company. The fund is the formal owner of these companies, while the investor in the fund has an indirect ownership in the company. See also Fund investment.

Invest Europe – European trade association for private equity funds. Included here is buyout, venture and infrastructure.

IPEV – International Private Equity and Venture Capital Valuation Board.

IRR – Internal rate of Return – Describes the return on an investment in the form of interest.

Carbon Footprint – a measure of an investment portfolio's carbon dioxide emissions and it comprises the investor's share of the portfolio companies' total emissions.

Limited Partner (LP) – an investor in a fund, such as AP6.

Management fee – Refers to fees paid for the management of a fund.

Market value assets – Listed securities valued at market value at year-end and unlisted securities valued according to IPEV principles. See Note 1 for more details.

Unlisted assets – These are primarily unlisted companies, which means companies that are not traded on a stock exchange.

Operative share % – Refers to the ownership interest in a private equity fund irrespective of legal structure. The legal ownership is reported in Note 9.

Principles for Responsible Investment (PRI) – Six principles that investors can adopt and which encourage companies to incorporate environmental, social responsibility and corporate governance issues into their investment analyses, decision-making processes, guidelines and procedures. The principles were initiated by the UN and launched in 2006.

Risk Capital or Private Equity (PE) – Both of these are collective terms for unlisted assets. Typically, it refers to unlisted companies, i.e. specific unlisted companies

(i.e. not traded on a stock exchange), in part unlisted companies and in part funds investing in unlisted companies.

Private Equity Fund – see Fund investment.

Profit/loss – The total change in the value, both realized and unrealized, of assets, returns in the form of interest and dividends, less external management fees and internal expenses.

Risk premium – The compensation required by an investor in return for investing in shares, for instance, rather than investing in risk-free assets.

Scope 1, 2, 3 – Measurement of carbon emissions gathers direct and indirect emissions into three groups: Scope 1 consists of direct emissions from sources owned or controlled by the reporting entity. Scope 2 consists of indirect emissions generated from purchased electricity, heating or cooling. Scope 3 consists of other indirect emissions that are a consequence of the reporting entity's activities, but which occur from sources owned or controlled by another entity, for instance production of materials and fuel, supplier and customer transports, waste management, etc.

Secondary – This is when an investor wants to sell its share before the fund is closed. Typically, this requires a customized solution that brings together several interested investors. With a secondary transaction, a main player typically solves various problems for a number of investors, while simultaneously creating new opportunities.

Structural capital – A company's or organization's shared intellectual capital, collected and documented in the systems of the company/ organization.

SVCA – Swedish Private Equity & Venture Capital Association.

UN Global Compact – Ten principles about companies and human rights, labor rights, the environment and anti-corruption, which companies can support and which were launched by the UN in 1999.

Code of Conduct – The Board of AP6 has established and adopted a code of conduct that describes the values that apply to the business and is intended for use by employees, partners and investments. The Code of Conduct is actively communicated to these groups. Core areas covered by the Code of Conduct are:

- Employee and stakeholder training and know-how
- Requirements for business partners and holdings in companies and funds
- Anti-corruption, bribes and gifts
- Human rights and social justice
- Environmental principles and considerations
- Compliance, dialog and consequences/controls

Committed capital – When an investor decides to invest in a fund, it is for a specific amount (which is the commitment made). That amount is later paid out in installments. It is paid at the rate that the fund invests in companies. See also Fund investment.

Venture – Newly started companies with a business concept that typically will require capital over a long period of time before the company succeeds in establishing a market position and generating a profit.

Fair value – Fair value is defined as the amount at which an asset could be transferred or a liability settled, between parties who are independent of each other but who both have an interest in ensuring that the transaction goes ahead. In normal circumstances this means that listed assets are valued at the purchase price (market value) and that the fair value of unlisted assets is estimated using generally accepted valuation models.



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P. O. Box 11395, SE-404 28 Gothenburg
Visiting address
Gothenburg - Östra Hamngatan 18, HQ
Stockholm - Norrlandsgatan 16

Tel. +46 (0)31 741 10 00
www.apfond6.se
info@apfond6.se