



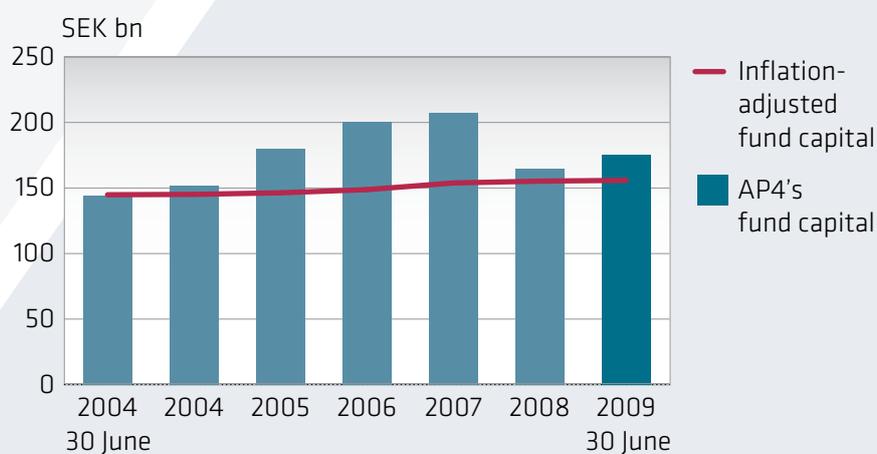
**INTERIM REPORT**  
1 JANUARY-30 JUNE 2009

# INTERIM REPORT HIGHLIGHTS

JUNE / 09

- n Fund capital totalled SEK 175.7 billion at 30 June 2009, SEK 11.0 billion more than at 31 December 2008.
- n The net profit was SEK 12.7 billion (-18.2) for the period, for a total return on assets of 7.9% (-8.7) before expenses. Total return after operating expenses including commission expenses was 7.8% (-8.8).
- n The return on the listed equity portfolio was 8.5% (-9.0) before expenses. The active return on listed assets equalled 1.0 percentage point (-0.2).
- n In the past five years, AP4 has delivered an average annual return of 3.6%, corresponding to a real annual return of 2.1%.
- n Currency exposure was 14.5% at 30 June.

## FUND CAPITAL AND INFLATION



Despite the disastrous results of 2008, fund capital growth averaged over the past five years has exceeded inflation.

## LETTER FROM THE CEO



Considering our previous performance, I am extremely pleased to report that our active management during the period produced a gain of almost SEK 1.5 billion.

During the past year, the AP funds in general and AP4 in particular have endured criticism from without. The opinions have touched on everything: from our large exposure to equities, to the structure of our remuneration system.

The loss of more than SEK 40 billion in 2008 whipped the critical voices into a frenzy. Such criticism is justified when it concerns our ability to beat the benchmark index, but I claim that it is misguided when it concerns the pension funds' large equity allocation and the fact that our total return tracks the market on the way up as well as down. The relatively large exposure of the funds to stock markets is a result of the AP Funds' brief and that the Funds have assessed how large returns must be in the long run to avoid reducing pensions, based on the Swedish Social Insurance Administration's statistics on life spans, employment rates, and the labour force. The conclusion so far is that the AP Funds must deliver a real return of more than 4% annually on average. In turn, this means that those of us in management must hold a large proportion of assets that earn a better return than ordinary "safe" bonds.

All the same, AP4 must become better at adjusting its asset allocation over the business cycle. Since we began working on strategic allocation in 2001, AP4's active return has improved, but we can and will become even better.

The total profit for the first six months was a return of 8%, or more than SEK 12 billion. Considering our previous weak performance, I am extremely pleased to report that our active management during the period produced a gain of almost SEK 1.5 billion, more than twice as much as the Fund's interim goal of outperforming the index by an average of 0.4 percentage point annually.

All management areas achieved gains, but the sensation so far this year has been our fixed income management.

The change initiative begun more than two years ago is starting to deliver results, we hope. Obviously, six months is not long enough to prove that we are capable of delivering a sustained positive active return over time. However, I am allowing myself to call this first-half performance the first step in the right direction.

AP4's total return this year has benefited from the fund having more than 60% of its assets invested in equities, with a significant proportion in Swedish equities. This year the Swedish stock market has advanced clearly better than other stock exchanges have.

The recovery we have seen in the stock market has not been reflected so far in any concrete or tangible improvement in the economy in general. While many want to believe that the world economy has passed a turning point in this business cycle, it is well to bear in mind that the recovery may take a long time and suffer multiple setbacks. We are still in unknown territory, with all the risk that entails.

To capitalise on business opportunities that emerge as a result of general economic turbulence and its often attendant pricing disparities, AP4's Board of Directors resolved to create special facilities for investments that are less orthodox than those in traditional asset management. The first investment has been made, in the property management company Hemfosa, whose business concept is to take advantage of opportunities expected to arise now in the Swedish real estate market. I am convinced that the next two to three years will give funds like AP4 the opportunity to take advantage of their long-term investment horizon to generate extraordinarily high returns.

It is with pride that I look back on the successful efforts our Fund has made in the areas of the environment and ethics through the AP Funds' common platform Ethical Counsel. The idea of tackling ethical and environmental issues through dialogue with various companies has won new territory and appreciation.

In the field of corporate governance, it looks like we finally reached our goal and won the elimination of bid premiums for class A shares, a vital issue in Sweden. The main rule will now be that class A and B shares must receive the same offer price in takeover bids. This will benefit the Stockholm exchange as a marketplace and will boost the confidence of foreigners in the Swedish system of differentiated voting rights.

In summary, I am quite satisfied with the first six months of 2009. We have surpassed our internal targeted return, successfully dealt with crucial issues of corporate governance, and not least gleaned important lessons from one of the most severe financial crises since World War II.

A handwritten signature in black ink, appearing to read 'Mats Andersson'.

Mats Andersson  
CEO

## FUND CAPITAL PERFORMANCE

AP4 generated a return of 7.9% during the first half of 2009. The recovery of global stock markets was the chief factor behind the healthy return, though active management also made substantial contributions, as all management areas posted positive active returns.

The stock market rally resulted in AP4's Swedish equity portfolio returning a robust 24.9% and the global equity portfolio returning 5.7%.

Overall, active management of liquid assets surpassed the benchmark index by 1.0 percentage point. The biggest contribution to the Fund's active return came from the fixed income portfolio, which outperformed its benchmark index by 1.4 percentage points. The returns on the Swedish and global equity portfolios beat the benchmark indexes by 0.4 and 0.5 percentage point, respectively, and even active foreign exchange management and active tactical asset allocation achieved gains.

Fund capital<sup>1</sup> totalled SEK 175.7 billion at 30 June 2009. Fund capital rose SEK 11.0 billion during the first six months, consisting of SEK 12.7 billion in profit for the period and SEK -1.7 billion attributable to net payments to the pension system.

Over the past five years, the Fund has returned 19.3%, or an average return of 3.6% annually. Adjusted for inflation, this corresponds to an annual real return of 2.1%.

This return falls short of the targeted real return of 4.5% per year, adopted by the Fund in 2006, mainly because of weak performance in 2002 and 2008.

### EXPENSES

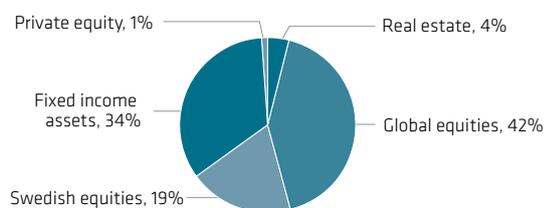
Operating expenses excluding commission expenses were SEK 87 million, compared to SEK 82 million in the corresponding period the preceding year. The majority of the cost increase was attributable to relocation expenses and increased IT expenses.

Commission expenses were SEK 13 million, compared to SEK 24 million in the first half of 2008.

The management cost ratio, excluding commission expenses, was a low 0.10% (0.08) on an annualised basis. Including commission expenses, the figure was 0.12% (0.11).

The Fund is working with AP1-AP3 to identify additional measures that will enhance efficiency through expanded collaboration.

### STRATEGIC PORTFOLIO, 30 JUNE 2009



### CHANGE IN FUND CAPITAL

| SEK bn                                 | Jan-Jun 2009 | Jan-Dec 2008 |
|--|--------------|--------------|
| Fund capital, opening balance          | 164.7        | 207.3        |
| Net payments from the pension system   | -1.7         | 0.8          |
| Transfer from special management funds | 0            | 0.1          |
| Net profit/loss for the period         | 12.7         | -43.5        |
| <b>Fund capital, closing balance</b>   | <b>175.7</b> | <b>164.7</b> |

<sup>1</sup>) Fund capital consists of investment assets and balance sheet items from the Fund's management activities, such as trade payables, pension liabilities for AP4 employees, and the like.

## MARKET OVERVIEW

The acute liquidity crisis in the autumn of 2008 had a significant negative impact on the real economy, resulting in a severe global recession. In addition, 2009 began with the global liquidity crisis evolving into a solvency crisis in the banking system. Uncertainty was widespread, and there was a major concern that the banking crisis would lead to a situation resembling a depression. The decline in stock markets then accelerated in February, and company valuations fell to levels not seen since the 1970s.

Economic developments and the financial crisis were countered with a comprehensive stimulus package of financial and monetary policies.

Signs that the industrial slump had bottomed out turned

the stock market around in the beginning of March. Greater confidence in the ability of policies to help stabilise the financial system, in tandem with the banks' surprisingly healthy earning capacities, helped ease the financial crisis. All in all, prices on global stock markets rose. Interest on long bonds increased during the first six months.

Swedish equities and equities in emerging markets performed considerably better than stocks in other markets did. Swedish equities benefited in relative terms from the weakening trend of the Swedish krona.

The IT, durable goods, and commodity sectors progressed well, while telecoms and utilities were lacklustre.

# INVESTMENT ASSET PERFORMANCE

## INVESTMENT ASSETS, ALLOCATION AND RETURNS

| Asset class   | Return and contributions to Fund performance, January–June 2009 |                  |                                     |  |                                  | Asset mix, 30 June 2009 |                          |                        |
|---|---|------------------|-------------------------------------|--|----------------------------------|-------------------------|--------------------------|------------------------|
|   | Portfolio return, %   | Active return, % | Contribution to portfolio return, % | Profit contribution for the period, SEK bn | Contribution to active return, % | Market value, SEK bn    | Exposure <sup>3)</sup> % | Strategic portfolio, % |
| Global equities   | 5.7   | 0.4              | 2.7                                 | 4.4  | 0.2                              | 72.8                    | 42.5                     | 42.1                   |
| Swedish equities  | 24.9  | 0.5              | 4.4                                 | 7.2  | 0.1                              | 32.8                    | 18.6                     | 18.6                   |
| Fixed income assets                                     | 0.9   | 1.4              | 0.3                                 | 0.5  | 0.5                              | 61.3                    | 34.5                     | 34.5                   |
| Active foreign exchange management <sup>1)</sup>        | 0.1   | 0.1              | 0.1                                 | 0.1  | 0.1                              | 0.0                     |                          |                        |
| Active tactical asset allocation <sup>1)</sup>          | 0.0   | 0.0              | 0.0                                 | 0.0  | 0.0                              | 0.0                     |                          |                        |
| <b>Total actively managed liquid assets</b>             | <b>8.0</b>  | <b>1.0</b>       | <b>7.6</b>                          | <b>12.3</b>                                | <b>0.9</b>                       | <b>166.9</b>            | <b>95.6</b>              | <b>95.2</b>            |
| Private equity  | -4.6  | -10.3            | -0.1                                | -0.1                                       | -0.2                             | 2.0                     | 1.1                      | 1.1                    |
| Real estate   | -3.5  | 0.0              | -0.1                                | -0.2                                       | 0.0                              | 6.5                     | 3.7                      | 3.7                    |
| <b>Total actively managed assets</b>                    | <b>7.4</b>  | <b>0.8</b>       | <b>7.4</b>                          | <b>12.0</b>                                | <b>0.8</b>                       | <b>175.4</b>            | <b>100.4</b>             | <b>100.0</b>           |
| Implementation of the strategic portfolio <sup>2)</sup> | 0.5   |                  | 0.5                                 | 0.8  |                                  | 0.5                     | -0.4                     |                        |
| <b>Total investment assets</b>                          | <b>7.9</b>  |                  | <b>7.9</b>                          | <b>12.8</b> <sup>4)</sup>                  |                                  | <b>175.9</b>            | <b>100.0</b>             | <b>100.0</b>           |

1) Portfolio return and active return based on total investment assets.

2) Passive tactical asset allocation, strategic foreign exchange, and cash.

3) Exposure includes the underlying value of derivatives in tactical asset allocation for each asset class.

4) Refers to profit/loss before expenses. The profit after expenses totalled SEK 12.7 billion.

### SWEDISH EQUITY PORTFOLIO

At 30 June, the Swedish equity portfolio represented 18.7% of Fund assets. The return for the period was 24.9%, which was 0.5 percentage point better than the benchmark index.

The portfolio with a mandate to invest mainly in large cap equities, representing 87% of the Swedish equity portfolio, returned 23.8%, 0.4 percentage point better than its benchmark index. The small cap mandate returned 34.4%, outperforming its benchmark by 2.0 percentage points.

The large cap portfolio benefited from overweight positions in consumer goods stocks such as Autoliv, Electrolux, Husqvarna, and Oriflame as well as from overweighting in SEB. Underweight positions in Scania, Stora Enso, Investor, and Kungsleden also helped boost the active return. The Fund's underweighting in Boliden and Ericsson and overweighting in Nokia had a negative impact on the active return.

The small cap portfolio's underweighting in real estate stocks such as Hufvudstaden, Atrium-Ljungberg, and Wihlborgs enhanced the return. Other contributing factors were overweight positions in Oriola, Proffice, Mekonomen, and Unibet as well as underweighting in Haakon Invest.

### GLOBAL EQUITY PORTFOLIO

At 30 June, the global equity portfolio represented 41.4% of assets. The portfolio achieved a return of 5.7% for the period, fully hedged, which was 0.4 percentage point better than the benchmark index. This outperformance of global equities was attributable to the successful handling of market exposure and arbitrage.

During the period, Fund management wound up the remaining, traditional actively managed mandate and focused on indexing. Finally, the risk management function was strengthened and integrated into ongoing operations.

### FIXED INCOME PORTFOLIO

The fixed income portfolio represented 34.8% of Fund assets at 30 June. The portfolio's return in the first six months totalled 0.9%, or 1.4 percentage points better than the Fund's benchmark index.

The portfolio outperformed the index chiefly as a result of fixed interest management's positions in corporate bonds and trading in government bonds early in the year.

### FOREIGN EXCHANGE MANAGEMENT

During the first six months, foreign exchange management achieved a positive active return, primarily by taking positions for a stronger Swedish krona.

Total foreign currency exposure at 30 June was 14.5%, the same as at the start of the year.

### TACTICAL ASSET ALLOCATION

Active tactical asset allocation contributed 0.02 percentage point to the total return for the first half of 2009. Overweighting in equities enhanced performance.

### REAL ESTATE

AP4's main exposure to real estate as an asset class is its 25% holding in Vasakronan Holding AB, a company owned jointly by AP1, AP2, AP3, and AP4.

Since June 2009, AP4 has owned 15% of the shares in Hemfosa, a start-up property management company whose business concept is to exploit the opportunities that an increasingly challenging and illiquid real estate market may offer.

The real estate and rentals market is showing ever more signs of flagging momentum. Transactions are few in number, and the rentals market has likely peaked for this cycle.

For real estate as an asset class, AP4's return in the first half was -3.5%. Considering the time it takes for changes in the market to feed through to property values, the "market value" of properties appears to be inflated in the current phase of the business cycle.

### PRIVATE EQUITY

Private equity represented 1.1% of assets at 30 June. The return for the period was -4.6%, compared to the benchmark index's return of +5.7% (MSCI World + 4 percentage points annually). The difference resulted from stock market rallies and further write-downs on individual funds.

The Fund's own preliminary valuation of the portfolio in its final accounts for 2008, however, turned out to correspond closely to the final fund valuations.

### STRATEGIC POSITIONS

AP4's strategic positions have an investment horizon of three to five years and consist of the strategic portfolio's deviations from the long-term normal portfolio. During the first six months, the fund was underweight in equities while being overweight in government bonds, and its foreign currency exposure was less in the strategic portfolio than in the normal portfolio. In addition, the fund has been underweight in 30-year Swedish government bonds compared to the normal portfolio.

For a long time, the Fund has been strategically underweight in British gilts and has chosen strategically to exclude Japanese bonds from the strategic portfolio.

Overall, the Fund's strategic positions produced a slight loss.

### CORPORATE GOVERNANCE

During the first half of the year, AP4 sent representatives to 57 annual general meetings. The meetings of companies in which AP4 has a significant holding have top priority.

For companies listed on foreign stock exchanges, the Fund exercised its voting rights at about 200 shareholders' meetings. This can be done cost-effectively thanks to collaboration between AP1, AP2, AP3, and AP4.

Representation on nominating committees is one of the most important tools the Fund uses to exercise its influence as a shareholder. The Fund was a member of 23 nominating committees during the period and chaired four of these. The principal task of a nominating committee is to propose a balanced slate for the board. In addition to the appropriate expertise and experience, diversity is important. The Fund has also succeeded in nominating women to boards, thus increasing the proportion of female directors on the boards of

companies in which the Fund participates in their nominating committees.

In preparation for annual meetings, the Fund has discussed, among other things, remuneration issues, especially long-term incentive programmes. In several cases these discussions resulted in less generous terms. As a result of several years of involvement by institutional investors in the remuneration issue, incentive programmes have steadily improved.

The Fund's efforts to eliminate price differentials between class A and B shares in takeover bids finally resulted in the Swedish Industry and Commerce Stock Exchange Committee presenting a proposal for new takeover rules, with the basic principle being equal treatment of class A and B shares in takeovers.

The Fund will publish a more comprehensive corporate governance report on the web site in September.

### PERSONNEL

The Fund had 46 employees at 30 June, four persons fewer than at 31 December.

### BOARD OF DIRECTORS

At the end of May, the Swedish Ministry of Finance announced that Roger Mörtvik, head of the Swedish Confederation of Professional Employees' social policy department, had been appointed the Confederation's representative on AP4's Board. He replaces Sture Nordh, who has been a member of the Board since 1999. At the same time, Håkan Arnelid, finance manager at IF Metall (the Swedish metalworkers' union), was appointed the new representative for the Swedish Trade Union Confederation. He replaces Stefan Löfven, who is leaving the Board after one year as a director.

Ulrik Wehtje, who has represented the Confederation of Swedish Enterprise since 2004, simultaneously left the Board of his own accord. The Confederation of Swedish Enterprise has not nominated a new representative, so one seat is vacant.

### ACCOUNTING POLICIES

This interim report was prepared in accordance with the accounting and valuation policies jointly prepared by the AP Funds. These are presented on page 21 of AP4's 2008 annual report.

### NEXT REPORTING DATE

The estimated publication date of the full annual report for the 2009 financial year is 18 February 2010.

## INCOME STATEMENT

| SEK mn                                      | Jan-Jun 2009  | Jan-Jun 2008   | Jan-Dec 2008   |
|---|---------------|----------------|----------------|
| <b>OPERATING INCOME</b>                     |               |                |                |
| Net interest income                         | 1,702         | 1,834          | 4,205          |
| Dividends received                          | 2,206         | 2,660          | 3,454          |
| Net income, listed shares and investments   | 8,047         | -19,563        | -54,407        |
| Net income, unlisted shares and investments | -517          | -351           | -1,621         |
| Net income, fixed income assets             | -406          | -1,313         | 2,418          |
| Net income, derivatives                     | 1,634         | -1,309         | -2,738         |
| Net income, changes in exchange rates       | 158           | -36            | 5,388          |
| Net commission expenses                     | -13           | -24            | -44            |
| <b>Total operating income</b>               | <b>12,811</b> | <b>-18,102</b> | <b>-43,345</b> |
| <b>OPERATING EXPENSES</b>                   |               |                |                |
| Personnel costs                             | -43           | -50            | -88            |
| Other administrative expenses               | -44           | -32            | -69            |
| <b>Total operating expenses</b>             | <b>-87</b>    | <b>-82</b>     | <b>-157</b>    |
| <b>NET PROFIT/LOSS FOR THE PERIOD</b>       | <b>12,724</b> | <b>-18,184</b> | <b>-43,502</b> |

## BALANCE SHEET

| SEK mn  | 30 Jun 2009    | 30 Jun 2008    | 31 Dec 2008    |
|---|----------------|----------------|----------------|
| <b>ASSETS</b>   |                |                |                |
| Shares and investments, listed                                | 98,618         | 107,074        | 93,032         |
| Shares and investments, unlisted                              | 4,055          | 4,619          | 4,427          |
| Bonds and other fixed income assets                           | 64,544         | 69,139         | 72,841         |
| Derivatives   | 9,346          | 7,957          | 7,636          |
| Cash and bank balances  | 1,508          | 1,395          | 1,971          |
| Other assets  | 370            | 764            | 492            |
| Prepaid expenses and accrued income                           | 1,644          | 2,227          | 2,461          |
| <b>Total assets</b>   | <b>180,085</b> | <b>193,175</b> | <b>182,860</b> |
| <b>LIABILITIES AND FUND CAPITAL</b>                           |                |                |                |
| <b>Liabilities</b>  |                |                |                |
| Derivatives   | 3,252          | 1,649          | 14,148         |
| Other liabilities   | 679            | 959            | 3,562          |
| Deferred income and accrued expenses                          | 444            | 766            | 424            |
| <b>Total liabilities</b>                                      | <b>4,375</b>   | <b>3,374</b>   | <b>18,134</b>  |
| <b>Fund capital</b>   |                |                |                |
| Fund capital, opening balance                                 | 164,726        | 207,345        | 207,345        |
| Net payments from the pension system                          | -1,740         | 628            | 831            |
| Transfers from Liquidation Fund/Special Asset Management Fund | 0              | 12             | 52             |
| Net profit/loss for the period                                | 12,724         | -18,184        | -43,502        |
| <b>Total fund capital</b>                                     | <b>175,710</b> | <b>189,801</b> | <b>164,726</b> |
| <b>TOTAL LIABILITIES AND FUND CAPITAL</b>                     | <b>180,085</b> | <b>193,175</b> | <b>182,860</b> |

This interim report has not been examined by the Fund's auditors.

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## OVERVIEW

|   | 2009<br>30 June | 2008                | 2007              | 2006        | 2005        | 2004        |
|---|-----------------|---------------------|-------------------|-------------|-------------|-------------|
| <b>Fund capital, flows, and net profit/loss, SEK bn</b>                                       |                 |                     |                   |             |             |             |
| Fund capital  | 175.7           | 164.7               | 207.3             | 200.5       | 180.1       | 151.4       |
| Net inflows from the pension system and special asset management funds                        | -1.7            | 0.9                 | 2.0               | 1.7         | 2.9         | 1.7         |
| Net profit/loss for the period  | 12.7            | -43.5               | 4.8               | 18.8        | 25.8        | 14.3        |
| <b>Return, %</b>  |                 |                     |                   |             |             |             |
| Return on total portfolio excluding expenses  | 7.9             | -20.8               | 2.5               | 10.5        | 16.9        | 10.6        |
| Return on total portfolio including expenses  | 7.8             | -21.0               | 2.4               | 10.4        | 16.8        | 10.5        |
| Return on total portfolio versus index, excluding expenses                                    | 0.7             | -1.1                | -1.0              | -0.6        | -0.1        | -0.3        |
| Return on listed assets versus index, excluding expenses                                      | 1.0             | -0.5                | -1.2              | -0.5        | -0.1        | -0.3        |
| Inflation   | 0.4             | 0.9 <sup>1)</sup>   | 3.5               | 1.6         | 0.9         | 0.3         |
| Real return after expenses  | 7.4             | -21.9 <sup>1)</sup> | -1.0              | 8.8         | 15.9        | 10.2        |
| <b>Management costs as a percentage of assets under management</b>                            |                 |                     |                   |             |             |             |
| Operating expenses  | 0.10            | 0.08                | 0.07              | 0.07        | 0.08        | 0.09        |
| Operating expenses and commission expenses  | 0.12            | 0.11                | 0.10              | 0.11        | 0.13        | 0.15        |
| <b>Risk in total portfolio, %</b>   |                 |                     |                   |             |             |             |
| Portfolio, ex-post  | 14.6            | 17.1                | 8.6               | 7.1         | 4.7         | 6.0         |
| Active risk, ex-post  | 0.6             | 0.7                 | 0.7               | 0.8         | 0.8         | 1.0         |
| Sharpe ratio  |                 | neg <sup>1)</sup>   | neg <sup>1)</sup> | 1.0         | 3.1         | 1.4         |
| <b>Foreign exchange exposure, %</b>   |                 |                     |                   |             |             |             |
|   | <b>14.5</b>     | <b>14.5</b>         | <b>14.2</b>       | <b>15.1</b> | <b>10.1</b> | <b>20.4</b> |
| <b>Proportion under active management including enhanced, %</b>                               |                 |                     |                   |             |             |             |
|   | <b>58.6</b>     | <b>59.7</b>         | <b>93.5</b>       | <b>100</b>  | <b>100</b>  | <b>100</b>  |
| <b>Proportion under external management including investments in venture capital firms, %</b> |                 |                     |                   |             |             |             |
|   | <b>46.2</b>     | <b>41.9</b>         | <b>17.8</b>       | <b>17.3</b> | <b>18.8</b> | <b>20.6</b> |
| <b>Number of employees at end of accounting period</b>  |                 |                     |                   |             |             |             |
|   | <b>46</b>       | <b>50</b>           | <b>45</b>         | <b>46</b>   | <b>50</b>   | <b>50</b>   |

1) These items have been corrected retrospectively due to editing errors. Therefore they differ from the printed version of the interim report.