

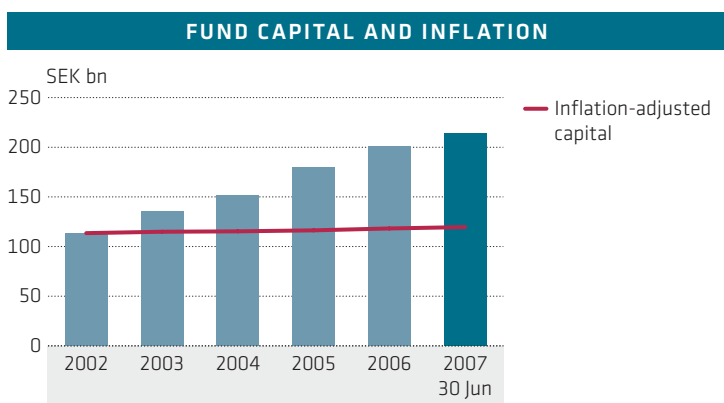
INTERIM REPORT

1 January – 30 June

2007

INTERIM REPORT HIGHLIGHTS

- ➔ Fund capital was SEK 214.2 billion at 30 June, an increase by SEK 13.7 billion since 31 December.
- ➔ Net profit totalled SEK 12.8 billion for the period, corresponding to total return on assets of 6.4% before expenses. Total return after operating expenses including commission expenses was 6.3%.
- ➔ Return on the listed equity portfolio was 6.1% before expenses, outperforming benchmark indices. Active return was 0.1% of listed assets and 0.2% on the total portfolio.
- ➔ AP4 has delivered average annual return of 5.4% since Fund inception, corresponding to real annual return of 3.8%.
- ➔ Currency exposure was 15.3% at 30 June.



For the past five and a half years, AP4 has attained the goal of generating strong real return by a healthy margin.

LETTER FROM THE PRESIDENT

The first half of 2007 was yet another period of strong absolute returns for the Fourth Swedish National Pension Fund, reaching 6.4% for the first six months of the year. AP4 has generated average annual return of 5.4% since the new investment rules for the buffer funds went into effect in 2001, corresponding to an annual real contribution (adjusted for inflation) of 3.8%.

With about 60% of assets invested in equities, the AP4 portfolio benefited during the reporting period from strong momentum in world equity markets. The trend should be viewed in light of yet another period of robust economic growth, this time primarily in Asia and Europe. The high weighting in Swedish equities in the portfolio once again had positive impact on net profit for the Fund.

While conditions in the first half were favourable for world equity markets, the interest rate scenario was more complex and difficult to analyse. Concerns about inflation began spreading and several central banks pursued a more aggressive interest policy, which pushed up short-term and long-term rates during the first half. The situation was exacerbated by burgeoning problems in the US mortgage lending market. Against this background, the Fund is reporting a loss of about 1% in absolute numbers for fixed income management.

FOCUS ON ACTIVE RETURN

The Swedish Government's most recent evaluation of the buffer funds criticised AP4's capacity to deliver positive active return. AP4 implemented several internal measures in the first half of 2007 aimed at improving our opportunities to deliver positive active return and outperform the reference index. AP4's target is to achieve active return of 100 basis points (bp), or 1.0%, over a period of two years. In addition to an internal review of AP4's resource allocation, we analysed our strategies and the premises of our management mandates. Key new recruitments were carried out. The effort to develop the management organisation is still in progress.

Changing a management organisation takes time and the assessment must always be made over an extended period. Despite all, I am pleased to note that AP4 is reporting a positive active return of 0.2% (-0.5) for the first six months of the year. In monetary terms, this corresponds to a net profit contribution of nearly SEK 500 million.



Mats Andersson, AP4's new President since 1 January 2007, is optimistic about the development of the Fund and the organisation.

GRATIFYING TREND

The results of Swedish equity portfolio management are particularly gratifying. The actions we have implemented, especially those in late 2006, have begun to show results. Performance was particularly good for the Fund's Private Equity investments during the reporting period. Our efforts within tactical asset allocation and currency management have also continued to be successful. The contributions of each asset class to absolute return on the total portfolio and active return are shown in the table on page 3.

TURBULENT LEAD-IN TO THE SECOND HALF

While the first half was on the whole a favourable period for AP4, the situation is becoming comparatively more turbulent going into the second half. Uneasiness about the US mortgage lending marking, primarily the subprime segment, has had dramatic impact on risk pricing in the fixed income and equity markets. From the short-term perspective, AP4's absolute return has declined since mid-year. It is still too early to draw any definite conclusions about the more long-term impact on the real economy. Short-term, the risk premium has been increased and consequently the return requirement as well.

Stockholm, 29 August 2007

Mats Andersson
President

FUND CAPITAL

AP4 generated a healthy return of 6.4% in the first half of 2007. Swedish and global equities made the strongest contributions to total return. Return on investment assets outperformed the benchmark index by 0.2 percentage points. Swedish equity management, tactical asset allocation, currency management and private equity management all outperformed their respective benchmark indices, while global equities and the fixed income portfolio made a negative contribution to the Fund's active return. The total return on listed equity management outperformed benchmark indices by 0.1 percentage points.

Fund capital stood at SEK 214.2 billion on 30 June 2007. It rose during the first half by SEK 13.7 billion, including 12.8 billion in profit for the period and 0.9 billion attributable to net payments from the pension system.*

The Fund has generated a 40.7% return since its inception in 2001 and average annual return of 5.4%. Adjusted for inflation, this corresponds to annual real return of 3.8%. Returns compare

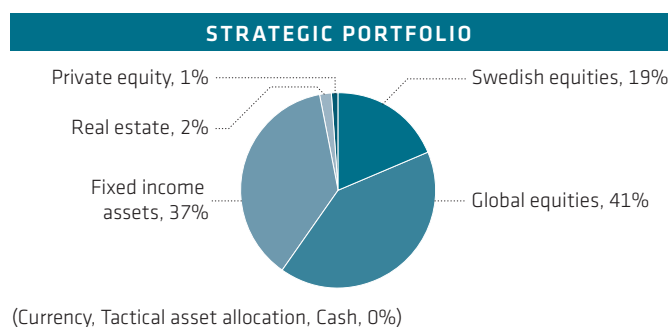
favourably with the average returns of Swedish life assurance companies during the period, but have still fallen short of the real return target of 4.5% per year adopted by the Fund in 2006, primarily due to the weak trend in 2002.

EXPENSES

Operating expenses excluding commission expenses were SEK 70 million, compared to SEK 62 million in the corresponding period last year. IT development expenses accounted for the bulk of the increase. Commission expenses were SEK 39 million, compared to SEK 38 million in the first half of 2006. The management cost quotient was a low 0.07% (0.07) on an annualised basis, excluding commission expenses. Including commission expenses, the figure was unchanged at 0.11%.

The fund also had currency hedging expenses of SEK 100 million during the period that were charged against income from active management.

* Including transfers from the Liquidation Fund and Special Asset Management Fund managed by AP1 and AP4 on behalf of all the AP funds.



CHANGE IN FUND CAPITAL

SEK bn	Jan-Jun 2007	Jan-Dec 2006
Fund capital at 1 January	200.5	180.1
Net payments from the pension system	0.8	1.6
Transfers from special management funds	0.1	0.1
Net income for the period	12.8	18.8
Fund capital at 30 June	214.2	200.5

MARKET OVERVIEW

Market trends in the first half were shaped by sustained and strong growth in the global economy driven by accelerating demand in China, other emerging markets and Europe, but the US economy cooled down.

Equity market performance was positive during the period. Companies with exposure to the global industrial cycle benefited and performance was substantially better in the energy, raw materials and industrial sectors than in others.

Key interest rates were raised again in Europe, but remained stable in the US. Long-term rates rose in general, with a substantial upturn in Europe. Consequently, the return on the Fund's benchmark index for fixed income assets was mildly negative in the first half. Foreign exchange movements were relatively limited. The krona depreciated slightly during the period and the Fund's currency exposure made a positive contribution to net profit.

INVESTMENT ASSET PERFORMANCE

ALLOCATION AND RETURNS ON INVESTMENT ASSETS

Asset class	Return and contribution statement, January–June 2007					Asset allocation, 30 June 2007		
	Portfolio return, %	Active return, %	Contribution to portfolio return, %	Profit contribution for the period, SEK bn	Contribution to active return, %	Market value, SEK billion	Exposure,* %	Strategic portfolio, %
Swedish equities	14.7	1.3	2.8	5.6	0.2	40.5	18.9	18.8
Global equities	7.2	-0.7	2.9	5.8	-0.2	88.2	41.2	41.0
Fixed income assets	-0.9	-0.3	-0.3	-0.6	-0.1	76.9	35.9	37.0
Currencies/Tactical asset allocation/Cash	-	-	0.5	1.1	0.2	1.8	0.8	0.0
Total listed assets	6.1	0.1	5.9	11.8	0.1	207.4	96.8	96.8
Real estate	13.0	0.0	0.3	0.5	0.0	4.7	2.2	2.2
Private equity	34.5	22.9	0.3	0.5	0.2	2.2	1.0	1.0
Total investment assets	6.4	0.2	6.4	12.8	0.2	214.3	100.0	100.0

* Exposure includes the underlying value of derivatives for each asset class.

SWEDISH EQUITY PORTFOLIO

At 30 June, the Swedish equity portfolio represented 18.9% of Fund assets. The portfolio posted a strong return for the period of 14.7% to outperform the reference index by 1.3 percentage points.

Swedish equity management was split at year-end 2006 into two portfolios: an actively managed portfolio of mainly large cap equities, which accounts for almost 85% of the Fund's Swedish equity investments, and an index-tracking portfolio of small cap equities.

The actively managed portfolio's concentration on companies benefiting from sustained strong demand in investment goods, energy and primary products has enhanced the relative return. The strong relative return is attributable primarily to the portfolio's overweights in cyclical companies like ABB, Alfa Laval, Electrolux, Sandvik and SSAB and underweights in Ericsson and TeliaSonera. The absence of equities in the forestry sector also contributed to the favourable trend.

GLOBAL EQUITY PORTFOLIO

At 30 June, the global equity portfolio represented 41.2% of Fund assets. The portfolio posted a strong return of 7.2% for the period, fully hedged, but underperformed the reference index by 0.7 percentage points. The internally managed part of the portfolio generated a return of 8.1% in local currency, 0.5 percentage points below the reference index. The underperformance was predominantly due to the defensive orientation of the global portfolio.

Overall return on the external global mandates underperformed the reference index by 1.2 percentage points. The underperforman-

ce was attributable mainly to management of Japanese and other Asian equities.

FIXED INCOME PORTFOLIO

The fixed income portfolio represented 35.9% of Fund assets at 30 June. The fully hedged first-half return was -0.9%, underperforming the Fund's reference index by 0.3 percentage points. The negative absolute return reflects rising rates during the period, both globally and in Sweden. The portfolio underperformed the reference index mainly because the Fund was positioned for smaller British rate increases than turned out to be the case.

CURRENCY MANAGEMENT

Currency exposure represented 15.3% of total assets at 30 June. Currency management made a positive contribution to the Fund's active return of 0.1 percentage points in the first half. The primary source of the favourable trend was the positioning for a stronger Norwegian krona against the euro.

The Fund reduced its exposure in euro and GBP in parallel with a corresponding increase against Japanese yen. The Fund's assessment is that the Japanese yen is undervalued.

TACTICAL ASSET ALLOCATION

Active tactical asset allocation made a positive contribution of 0.07 percentage points to total return in the first half of 2007. The favourable trend is primarily due to long positions in the US and European equity markets.

REAL ESTATE

AP4's exposure to the real estate asset class consists primarily of the 25% stake in AP Fastigheter Holding AB, one of the biggest property groups in Sweden, which is owned in partnership with AP1, AP2 and AP3.

The company demonstrated a sustained strong earnings trend during the period, attributable primarily to appreciation in the value of the property portfolio. Other explanatory factors include higher rents and a lower vacancy rate. The market value of the investment was SEK 4.7 billion at 30 June. Return during the period was 13.0%.

PRIVATE EQUITY

AP4 has maintained a restrictive policy towards new commitments in private equity. The number of private equity funds increased slightly during the first half from 16 to 19. Committed capital at 30 June totalled SEK 4.5 billion. Investments at the same date amounted to SEK 2.2 billion, corresponding to only 1.0% of the Fund's total assets.

Return during the first six months of 2007 was remarkably strong at 34.5%. The strong performance is attributable to EQT.

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. Overall, AP4's strategic positions broke even during the reporting period.

Two important strategic positions during the first half were a reduction in currency exposure by 5 percentage points, from 20% to 15%, and an overweight in Japanese yen compared to the normal portfolio's currency basket.

CORPORATE GOVERNANCE

The Fund was represented at 42 annual general meetings in the first half, which meant the Fund attended the AGMs of nearly all companies in which AP4 has a stake.

Representation on nomination committees is an increasingly important avenue for exerting shareholder influence. The Fund was a member of 28 nomination committees during the period and acted as chairman in five cases.

Thus far in 2007, the Fund has actively promoted the elimination of price differences between class A and B shares in connection with takeover bids. Efforts in relation this issue of principal importance will continue in the autumn.

EMPLOYEES

Mats Andersson took over as President on 1 January 2007.

The Fund had 45 employees at 30 June, a reduction by one person since 1 January.

BOARD OF DIRECTORS

Marianne Nivert has left the board and was replaced by Charlotte Strömberg, the CEO of Jones Lang LaSalle, the Nordics (a property advisory services company).

NEXT REPORTING DATE

The full annual report for the 2007 financial year will be published on or about 15 February 2008.

INCOME STATEMENT

SEK m	Jan-Jun 2007	Jan-Jun 2006	Jan-Dec 2006
OPERATING INCOME			
Net interest income	799	258	555
Dividends received	2,250	1,926	2,436
Net income, listed shares and investments	10,579	2,054	19,031
Net income, unlisted shares and investments	670	277	839
Net income, fixed income management	-1,429	-1,826	-1,303
Net income, derivatives	-169	-93	99
Net income, foreign exchange	168	-1,052	-2,686
Net commission expenses	-39	-38	-75
Total operating income	12,829	1,506	18,896
OPERATING EXPENSES			
Personnel costs	-43	-41	-86
Other administrative expenses	-27	-21	-47
Total operating expenses	-70	-62	-133
Net profit for the period	12,759	1,444	18,763

BALANCE SHEET

SEK m	2007-06-30	2006-06-30	2006-12-31
ASSETS			
Shares and investments, listed	127,930	105,967	120,823
Shares and investments, unlisted	4,697	3,101	3,708
Bonds and other fixed income assets	77,940	67,941	70,389
Derivatives	7,603	3,797	4,757
Cash and bank balances	2,674	1,683	1,428
Other assets	1,638	1,655	63
Prepaid expenses and accrued income	2,162	2,180	2,148
Total assets	224,644	186,324	203,316
LIABILITIES AND FUND CAPITAL			
Liabilities			
Derivatives	7,580	1,213	1,247
Other liabilities	1,706	1,630	425
Deferred income and accrued expenses	1,128	1,197	1,107
Total liabilities	10,414	4,040	2,779
Fund capital			
Fund capital, opening balance	200,537	180,098	180,098
Net payments from the national pension system	826	659	1,568
Transfers from Liquidation Fund/Special Asset Management Fund	108	83	108
Net profit for the period	12,759	1,444	18,763
Total fund capital	214,230	182,284	200,537
TOTAL LIABILITIES AND FUND CAPITAL	224,644	186,324	203,316

Accounting and valuation principles and definitions are presented in AP4's 2006 annual report. The interim report has not been examined by the Fund's auditors

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OVERVIEW

	2007 30 Jun	2006	2005	2004	2003	2002	2001
Fund capital, inflows and net profit, SEK bn							
Fund capital	214.2	200.5	180.1	151.4	135.5	113.6	131.6
Net inflows from the pension system and special asset management funds	0.9	1.7	2.9	1.7	2.6	5.0	4.5
Net profit for the period	12.8	18.8	25.8	14.3	19.3	-23.0	-6.9
Return, %							
Return on total portfolio excluding expenses	6.4	10.5	16.9	10.6	17.0	-16.8	-5.0
Return on total portfolio including expenses	6.3	10.4	16.8	10.5	16.8	-16.9	-5.1
Return on total portfolio versus index excluding expenses	0.2	-0.6	-0.1	-0.3	-1.0	-0.5	-0.5
Return on listed assets versus index excluding expenses	0.1	-0.5	-0.1	-0.3	-0.4	-0.9	0.1
Inflation	1.2	1.6	0.9	0.3	1.3	2.1	2.7
Real return after expenses	5.1	8.8	15.9	10.2	15.5	-19.0	-7.8
Management cost quotient as % of assets under management							
Operating expenses	0.07	0.07	0.08	0.09	0.10	0.10	0.10
Operating expenses and commission expenses	0.11	0.11	0.13	0.15	0.16	0.13	0.13
Risk in total portfolio, %							
Portfolio, ex-post	7.7	7.1	4.7	6.0	9.0	14.0	10.8
Active risk, ex-post	0.7	0.8	0.8	1.0	0.9	1.4	3.5
Sharpe ratio	0.3	1.0	3.1	1.4	1.6	neg	neg
Currency exposure, %	15.3	15.1	10.1	20.4	18.5	16.8	13.5
Share of active management including enhanced, %	92	100	100	100	100	90.9	87.0
Share of external management including investments in venture capital firms, %	17.8	17.3	18.8	20.6	13.2	13.5	13.1
Number of employees	45	46	50	50	51	52	47