



Sjunde AP-fonden

Annual Report 2007



INVESTOR IN PEOPLE

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AN EVENTFUL AND TURBULENT YEAR

Well, we have put a turbulent year behind us. 2007 will be remembered as an extraordinary financial year. For the most part, the first half of the year seemed fairly ordinary, with sustained strong growth and rising share prices. But then we had to learn a new expression: sub prime loans. Suddenly the USA was hit by a spate of financial turbulence that had repercussions throughout the whole world. The sub prime loan crisis turned out to be – to call a spade a spade – excessively generous lending. Consumers whose financial situation was weak had been granted mortgage loans by the banking system in the USA. The loans were packaged in a way that looked attractive to many would-be borrowers; several years without any amortisations and at very low interest rates - to begin with.

When interest rates were later raised many consumers found themselves in difficulty. The banks that had lent money to these hardly creditworthy borrowers had also clever at packaging the loans into financial products, sometimes beyond the point of recognition, and then selling them on to various counterparties.

When the borrowers experienced difficulty paying back their loans, these assets lost much of their value with the natural consequence that the banking system incurred heavy credit losses. The Fed, the ECB and the Bank of England all had to bail out some of the most foolhardy banks.

In Sweden, the unsettled conditions became even worse when Ericsson announced a profit warning in the autumn. The Swedish stock market, which had been outperforming many other stock markets for many years, went through a difficult year.

For us at the Seventh AP Fund it was also an eventful year. The most important event of the year was that we radically restructured our portfolio. In May we invested for the first time ever in shares in emerging markets. The Premium Savings Fund invested 10 per cent of its assets on these stock markets. In the case of the Premium Choice Fund the weighting was even higher at 20 per cent. Of course, it is far too early to assess this change, but it is naturally especially encouraging that these particular investments did so well last year.

The number of external fund managers who manage our portfolios on our behalf also increased during the year. By making this change, we will become less vulnerable if one manager, for instance, should have a less than brilliant year.

All in all the savers in the Premium Savings Fund saw the value of their assets rise by 4.7 per cent in 2007, while investors in Premium Choice Fund saw the value of their assets rise by 7.7 per cent.

For me personally, 2007 was also a special year. On the 28 December 2007 I completed my last day of work for six months, as I will be on parental leave during the first half of 2008. During my absence, the Fund will be run by our deputy managing director Richard Gröttheim. Richard, like me has been working for the Seventh AP Fund for almost eight years. It is with great confidence and reliance that I hand over the baton to Richard. I am sure that he will run the Fund in a such a way that we will continue to live up to our proud motto:

"Those who do not wish to choose – or cannot – should receive at least as good a pension as everyone else – that is our aim."



PETER NORMAN
MANAGING DIRECTOR



RICHARD GRÖTTHEIM, VP:

Numerous new fund managers engaged by the Seventh AP Fund in 2007

2007 SAW AN INTENSIVE PROCESS within the Seventh AP Fund to take on six new external fund managers and get them to start investing capital on our behalf. Previously, the Fund had eleven external fund managers. And now we have 17, which is quite a change in a very short space of time. The process of getting the new managers into production involved the Fund's administration and management group, as well as several consultants.

The reason for increasing the number of managers is that the Fund's assets under management have grown from 15 billion kronor at inception in the autumn of 2000 to 90 billion kronor at the end of 2007. This means that we have to diversify our risks by engaging more managers. Additionally,

we have begun to invest in new types of securities.

One new area is active currency management. Since inception, we have been hedging half of the foreign investments using a standardised model every six months. We have now reached the conclusion that it is possible to raise the

return by actively varying the level of currency hedging and thus benefiting from the fluctuations on the currency market. To do this, we have engaged two specialist firms: Lee Overlay Partners, which is based in Dublin, and Stockholm-based IPM.

Another innovation where the Seventh AP Fund is something of a pioneer is the use of alpha and beta separation. Separating the alpha management (active management) from the beta management (index management) has been discussed for years in the fund industry and among academics. But few have ever tried it in practice. At the AP Fund we decided three years ago to test this approach in our internal management of our equities portfolio. Our management began into a full-scale just over two years ago. In practical terms this involves an index manager in buying exactly the same shares with exactly the same weightings as those in the index against which we benchmark our performance so as to earn a return that matches the market in general (index return). This is known in the trade as the beta return. This makes the management more effective in terms of costs and administration.

We can then add to this the traditional alpha management where we earn a return by doing our research and then deciding which shares are undervalued and overvalued or the rest of the market. Then we buy undervalued shares and borrow overvalued shares so that we can sell them short. As we sell for the same amount as we buy there is no need to invest capital in this business. This approach differs significantly from how we and other investors traditionally endeavour to generate an active return. Traditionally, the shares in the portfolio are underweighted and overweighted in relation to the benchmark index. The advantage of alpha separation is that it focuses exclusively on picking the right shares. The manager does not have his hands tied by which shares are included in the benchmark index what the weighting of each share is.

The introduction of alpha and beta separation requires the engagement of new managers both for index management and for the traditional beta management. Danske Capital has been given a mandate for the alpha management of Swedish equities. We also expect to engage three more managers in the spring of 2008. In addition, two new index managers have been engaged: Handelsbanken for part of the Swedish equities portfolio, and Northern Trust for part of the European and American portfolios. The decision to engage more index managers was made partly because of the growing use of alpha and beta separation, which will increase the volume of index management, and partly because the total volume of assets under management has also increased.

A sixth new external manager, Société Générale Asset Management, has been engaged for the active management of Japanese shares. This means we now have two active managers in Japan. The reason for this is that our Japanese portfolio has been growing strongly in line with the growth of the Fund. Our aim, therefore, is to allocate the management to two managers with a view to raising the return.

We have also engaged an additional manager for active management of shares in Southeast Asia/Oceania, in this case Nomura Asset Management, which has had responsibility since inception for the active management of Japanese shares. This means that Nomura now has two different management mandates in Asia on behalf of the Seventh AP Fund.

It has been a hectic year integrating the new managers into our business. Nonetheless, it has been an instructive period for everyone involved, and we expect that the result will be a higher return for our savers.

“The introduction of alpha and beta separation requires the engagement of new managers both for index management and for the traditional beta management.”



Richard Gröttheim on his way to assess one of our external portfolio managers.

The Seventh AP Fund's new external fund managers



Lee Overlay Partners

Lee Overlay Partners is an Irish company based in Dublin that is 100% owned by its employees. The company was founded in 1999 by a group of

experienced currency traders who had previously worked together and developed their investment models at a leading investment bank. Lee Overlay's business focuses exclusively on currency management for major institutional investors.

Lee Overlay Partners' management team consists of experts in each area of currency management who, on average, have 12 years of experience in the industry. At present the company has assets of some \$ 7.5 billion under management in various currencies. Its management process is based on the view that the degree of currency stability at any time is determined by fundamental economic factors. Research-based valuation methods are used to identify deviations from the state of balance. Experienced managers can then take advantage of these deviations to generate an additional return.

Lee Overlay Partners has responsibility for the active management of some of the currency hedging of the assets in the Premium Savings Fund and the Premium Choice Fund.



Danske Capital Sweden

Danske Capital is the asset management division of Danske Bank, which is one of the largest financial groups in the Nordic region. Danske Bank operates locally in Sweden through a network of provincial banks. By way of example it may be mentioned that Bohusbanken and Östgötabanken are both

members of the Danske Bank group. In total Danske Capital has around 300 employees, who mainly serve institutional clients in the Nordic region. Danske Capital's business in Sweden includes a management team in Stockholm with responsibility for Swedish equities and fixed-income securities.

Danske Capital has responsibility for the alpha management of part of the Premium Savings Fund's and Premium Choice Fund's Swedish share portfolios. The mandate to engage in alpha management on the basis of the Seventh AP Fund's model is quite new on the market. The practical details of its mandate were therefore worked out jointly by Danske Capital and the Seventh AP Fund in close cooperation.



Northern Trust Global Investments

Northern Trust was founded as a trust company in Chicago in 1889. The company has now grown to become one of the world's leading providers of asset management solutions for institutional investors around the world. In total Northern Trust has some US\$ 760 billion

under management on the basis of various types of contract

Northern Trust ranks as the world's third largest index manager of equities. The company's investment philosophy, in its own words, is: "to construct and manage index portfolios through intelligent indexing with a focus on trading strategies, cost minimisation and risk control". The company's quantitative management team consists of specialists with particular competence in index construction and management. Its managers have long experience from leading companies in the industry.

Northern Trust has responsibility for the next management of some of the European and American shares in the Premium Savings Fund and the Premium Choice Fund.





Svenska Handelsbanken

Svenska Handelsbanken is one of the leading banks in the Nordic region with around 10,200 employees. Asset

management has been an important area of activity ever since the bank was founded in 1841. It is now centralised within Handelsbanken Capital Markets, an autonomous division within the bank. Capital Markets has assets of more than 280 billion kronor under management for institutional clients and retail investors in the form of discretionary services and mutual funds.

Handelsbanken has long experience of index management of equities, and its first Swedish equity index fund was started as long ago as in 1976. The investment process has been developed over the years and various methods for replicating indices have been developed. The bank's methodology for index contract is based on a quantitative method that makes use of the correlations in risk factors that characterise the underlying companies in an index. This enables it to have fewer companies in its portfolio than in the index, while ensuring close co-variation with. This greatly improves the efficiency of the fund management process.

Handelsbanken has responsibility for the index management of some of the Swedish shares in the Premium Savings Fund and the Premium Choice Fund.



Société Générale Asset Management

Société Générale Asset Management (SGAM) is the asset management arm of Société Générale, the prominent French bank. SGAM has some €375 billion under management and is active throughout the world. It has around 2,900 employees of whom 60% are based outside France.



SGAM has a strong position on all the leading Asian markets. Its philosophy is to engage local managers who are well

informed about local equity markets and then give them a high degree of independence in their selection of investments. SGAM Japan is the head office for Region Asia, and also the centre for Japanese equity management. The office in Japan has 165 employees, of whom 60 are investment specialists who manage equities and fixed-income securities have a value equivalent to €30.5 billion.

SGAM has responsibility for the active management of some of the Japanese shares in the Premium Savings Fund and the Premium Choice Fund.



IPM

IPM Informed Portfolio Management is an independent Swedish asset management company based in Stockholm.

IPM has assets of some

50 billion kronor under management on behalf of institutional investors from throughout Europe. Its clients include several major state and private pension funds, insurance companies, foundations, as well as central banks and other bodies that manage state assets and debts.

IPM co-operates with prominent specialists and is active in several specialist areas such as active currency management, tactical asset allocation, and fundamental indexed equity mandates. A common feature of all the management strategies is that they are systematic and model based, as well as being designed to enhance the long-term return for clients without significantly increasing their total portfolio risk. For its currency management activities, IPM has an agreement on management strategy with First Quadrant, a leading asset management company based in Pasadena, California.

IPM has responsibility for the active management of some of the currency hedging assets in the Premium Savings Fund and the Premium Choice Fund.

A joy shared is a joy made double!

PIA GRIPENBERG WON the 2007 Seventh AP Fund's Journalist Prize. As a way of sharing her joy over being awarded the prize she took her mother to the award ceremony - and that was a joy made double.

The jury was also very pleased to award the prize to Pia, and they explained why in the following words:

For her choice of subject and her easy to understand way of describing occasionally confused and complex financial and economic events.

Pia Gripenberg writes a well informed and objective daily column in Dagens Nyheter's business section covering the stock market, investment and saving, and much else.

The jury was also gratified that so many more nominations for the award had been received than in 2006.

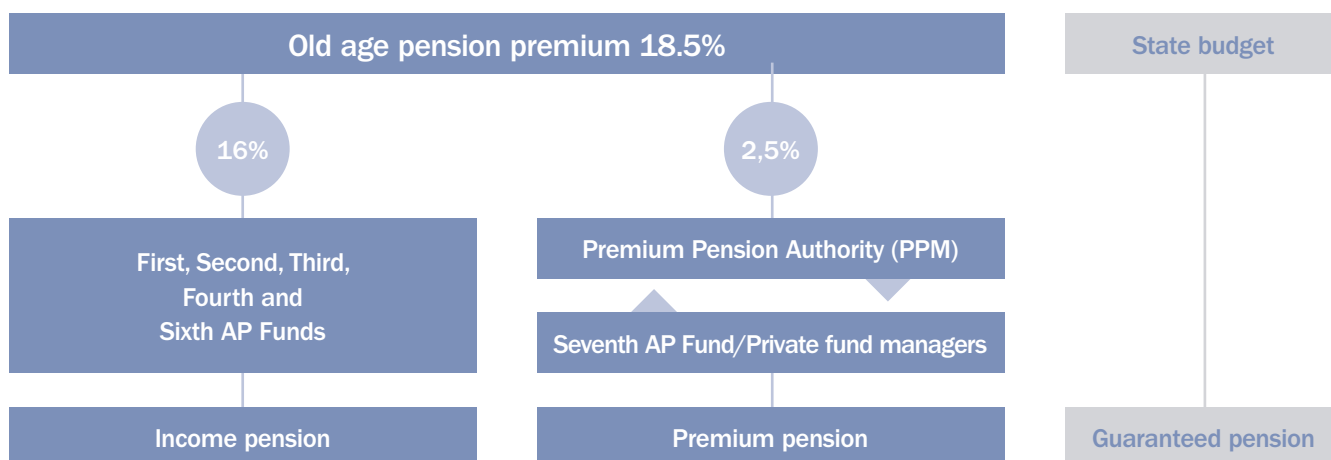
Anyone is free to nominate an individual for the prize, which is awarded to a person or a defined group, such as an editorial staff, production unit, an insight team, etc. However, the jury can only award the prize to one winner who has been nominated in writing by no later 30 September each year.

In its assessment, the jury considers pedagogics, knowledge of the subject, and the objectivity and reliability of the nominee in their journalistic activities. According to the statutes their work shall also have news value.

You can read the statutes on the Seventh AP Fund's website at www.ap7.se in the section headed Journalistpris, where you will also find guidelines on how to nominate a potential winner.



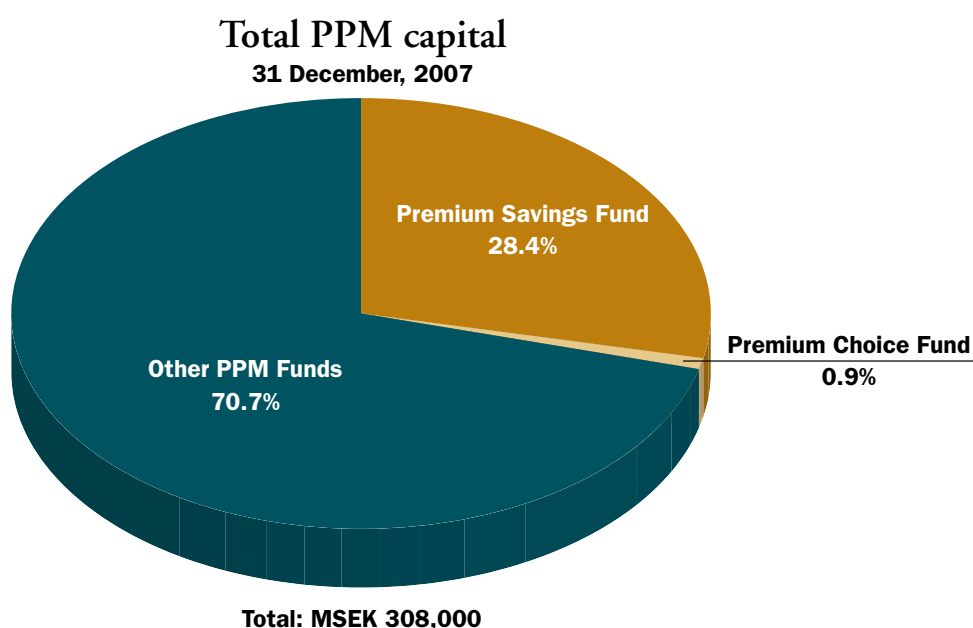


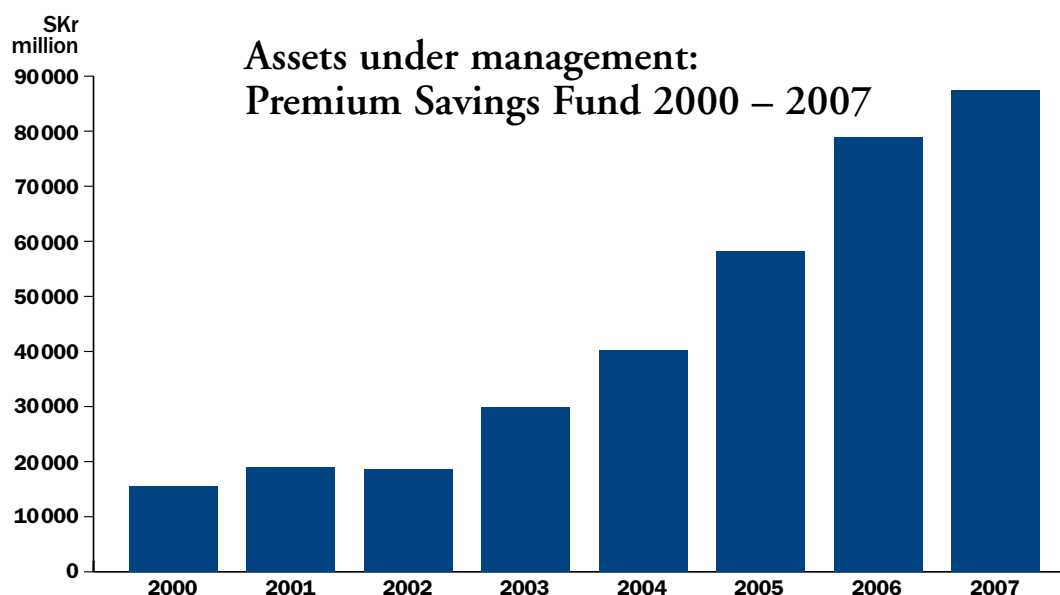


The Seventh AP Fund in the general pension system

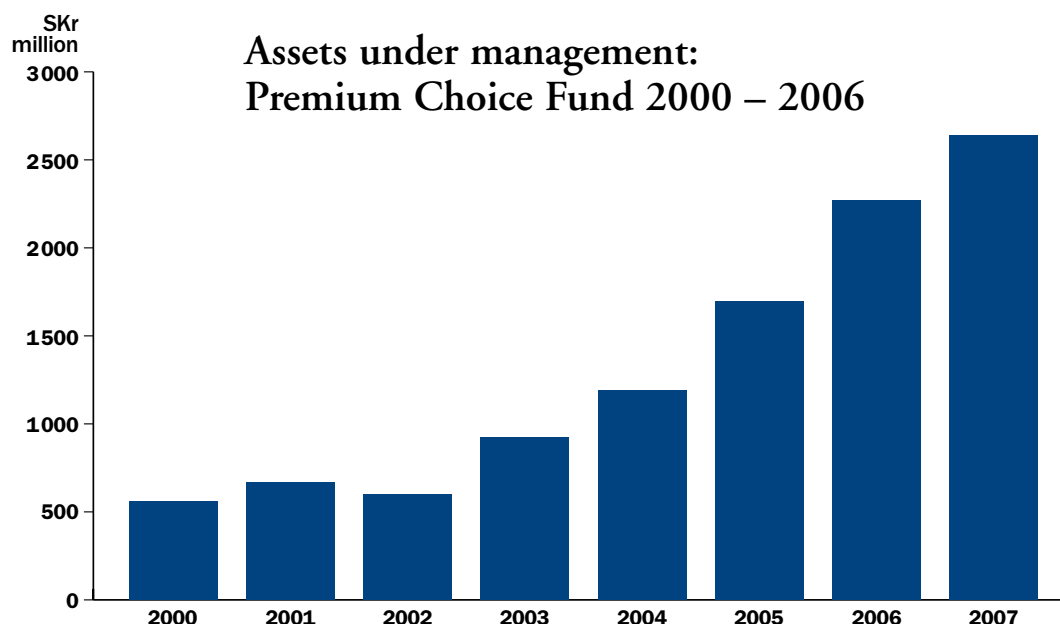
SWEDEN'S GENERAL PENSION SYSTEM INVOLVES some of the pension premiums being earmarked for premium pensions. These are then managed in mutual funds according to the choice of the pension saver. The premium pension system is administrated by the state Premium Pension Authority (PPM), which functions in the same way as a mutual fund. The Seventh AP Fund, which is also a state authority, functions in the same way as a fund management company. For those individuals who refrain from

selecting any other fund the pension capital is invested in a special fund called the Premium Savings Fund and managed by the Seventh AP Fund. The Seventh AP fund also manages the Premium Choice Fund, which can be chosen in the same way as other funds within the premium pension system. The Premium Savings Fund and the Premium Choice Fund are intended solely for premium pension capital and are not open to other types of saving.





SKr million	2000	2001	2002	2003	2004	2005	2006	2007
Opening capital	0	15,516	19,049	18,652	29,857	40,130	58,114	78,847
Inflow	16,807	5,634	6,503	7,027	7,650	7,973	16,758	9,556
Outflow	- 677	- 395	- 271	- 430	- 787	- 1,733	- 2,777	- 4,492
Return	- 614	- 1,706	- 6,629	4,608	3,410	11,744	6,752	3,503
Closing capital	15,516	19,049	18,652	29,857	40,130	58,114	78,847	87,414



SKr million	2000	2001	2002	2003	2004	2005	2006	2007
Opening capital	0	562	668	597	924	1,190	1,695	2,270
Inflow	592	185	198	197	200	203	409	269
Outflow	0	- 7	- 13	- 19	- 32	- 70	- 51	- 72
Return	- 30	- 72	- 256	149	98	372	217	171
Closing capital	562	668	597	924	1,190	1,695	2,270	2,638

“Those who do not wish to choose, or cannot, should receive a pension that is at least as good a pension as everyone else’s – that is our aim”

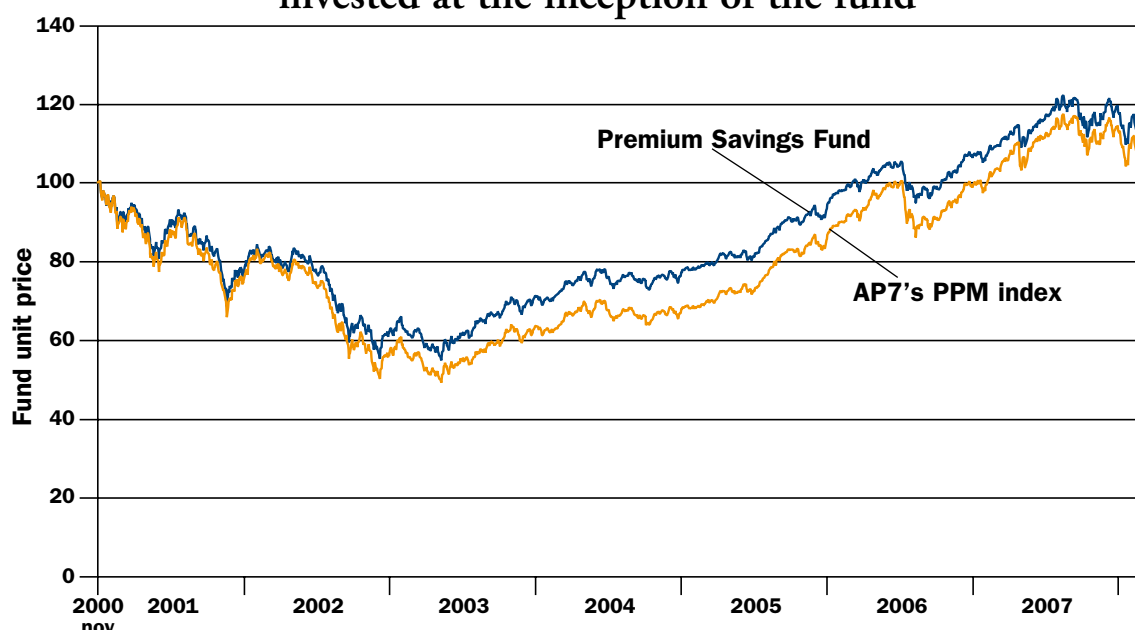
IN THE AP FUNDS ACT, the Riksdag stipulated that the Seventh AP Fund’s management of the Premium Savings Fund shall be solely in the interests of pension savers. The Fund’s capital shall, at the selected level of risk, be invested in such a way as to achieve a high, long-term yield. The total risk in the fund’s investments shall be low. By low is meant, according to the definition in the act, that the Premium Savings Fund’s risk shall normally be lower than that of the average private manager of pension capital with the same investment horizon.

The Seventh AP Fund’s board has defined the long-term goal stated by the Riksdag as follows:

The total return earned by the Premium Savings Fund shall during moving five-year periods correspond at a minimum to the average of all funds that can be chosen actively in the premium pension system, but at lower risk.

The total return earned by the Premium Choice Fund shall during moving five-year periods correspond at a minimum to the average of all funds that can be chosen actively in the premium pension system increased by 0.35 percentage points per year.

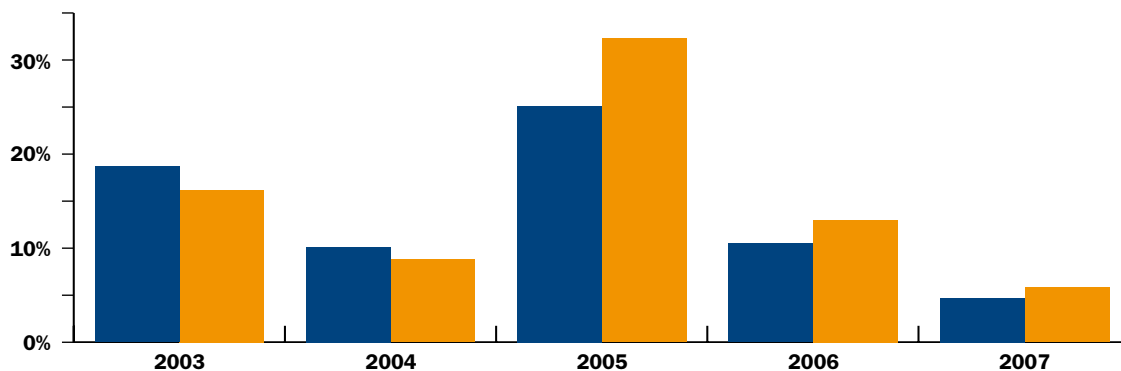
The growth in value of 100 kronor invested at the inception of the fund



AP7's PPM index shows the capital-weighted average for all funds eligible for active selection in the PPM system.

Premium Savings Fund

Annual return 2003–2007



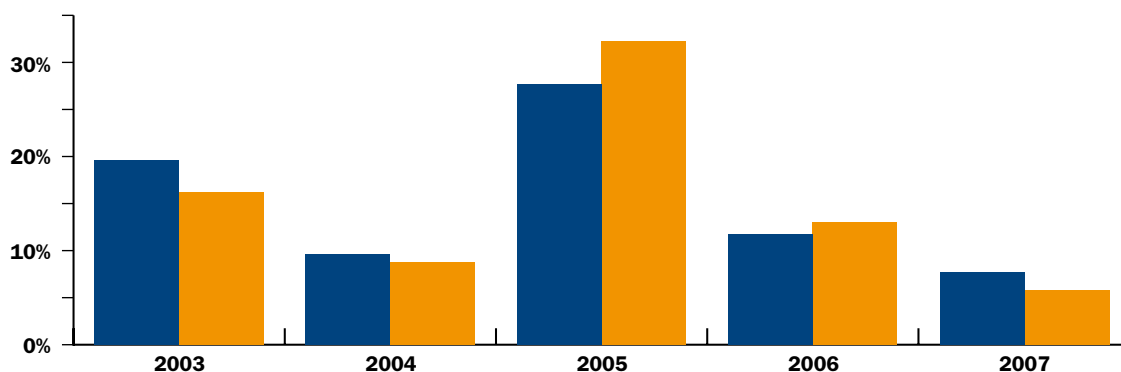
Average annual return (%)

	Premium Savings Fund	Index
Latest five years	13,6	14,9

■ Premium Savings Fund ■ AP7's PPM index

Premium Choice Fund

Annual return 2003–2007



Average annual return (%)

	Premium Choice Fund	Index
Latest five years	15,0	14,9

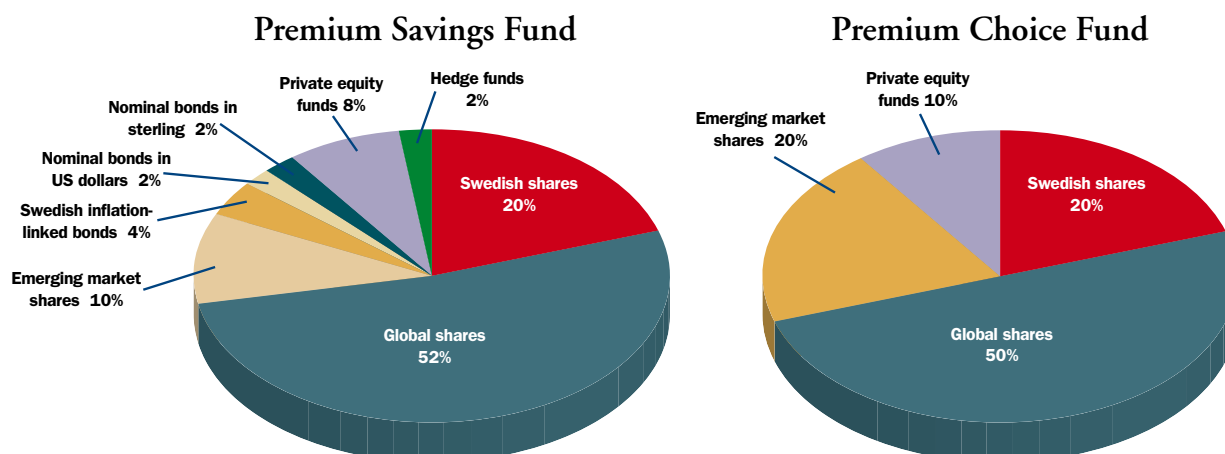
■ Premium Choice Fund ■ AP7's PPM index

Strategic distribution of assets

THE CAPITAL OF THE Premium Savings Fund and the Premium Choice Fund is managed on the basis of a standard portfolio. This shows the long-term distribution of the funds' various types

of asset, expressed as a share of the funds' total market value. Changes were made in 2007 to the strategic portfolios. Emerging market equities, and nominal bonds in US dollars and sterling

have been introduced. The pie charts show the strategic portfolios for 2008.



Global shares

The global shares in the standard portfolio are distributed among four geographical regions (Europe, North and South America, Japan, and Southeast Asia/Oceania) on the basis of the relative importance of each sub-market on the global stock market. In 2007 the Fund invested in shares in countries within the euro-zone as well as in Sweden, Denmark, Norway, Poland, Switzerland, Great Britain, the Czech Republic, Hungary, Turkey, Brazil, Canada, Mexico, the USA, Japan, Australia, Hong Kong, Korea, New Zealand, Singapore and Taiwan.

Emerging market shares

At a first step towards gaining some exposure to stock markets in emerging markets the fund has invested in a type of security known as notes, whose performance moves in line with stock market indices on a number of emerging markets. The value of these notes can rise and fall, depending on the performance of the stock markets in the countries included in the indices. These countries are: Argentina, Brazil, Chile, China, Colombia, the Czech Republic, Egypt, Hungary, India, Indonesia, Israel, Korea, Malaysia, Mexico, Morocco, Pakistan, Peru, the Philippines, Poland, Russia, South Africa, Taiwan, Thailand and Turkey. The securities, which are listed, are issued by reputable banks and financial companies, all of which have minimum ratings of AA for at least 75% of the holdings and of A+ for the remainder.

Hedge funds and private equity funds

The types of asset known as alternative investments include hedge funds and private equity funds. The Fund invests in these through

fund-of-fund investments. This means that the Premium Savings Fund and the Premium Choice Fund invest in units in funds, which in turn invest in a number of hedge funds and private equity funds. Such investments are only made if they satisfy the liquidity requirements of Finansinspektionen for this type of investment. Hedge funds and private equity funds often take the form of limited partnerships. Since it is a requirement of the Seventh AP Fund that direct investments must not go via tax havens, most alternative investments are channelled through specially formed Swedish limited partnerships in which the Premium Savings Fund and Premium Choice Funds are limited partners. This type of asset also includes holdings in listed companies that in their turn mainly invest in unlisted equities or private equity funds.

The term hedge fund is not a uniform concept; it is more of an umbrella name for funds that aim to earn a stable, positive return, regardless of the performance of the underlying market (e.g. stock or bond market). Various strategies and a wide range of financial instruments are used to achieve this aim. The return on hedge funds co-varies only to a limited extent with the return on shares and fixed income securities. A holding of units in hedge funds can thus help to reduce fluctuations in the return, i.e. the risk, earned by a securities portfolio owning various types of asset.

The term private equity fund is an umbrella name for funds with investments in unlisted companies at various stages of their development. Such investments are often made on a 10-15 year investment horizon in companies at an early phase of their development. Skilled managers are often able to earn a very good

return on long-term investments in unlisted companies. A holding of private equity funds can therefore help to increase the return on a securities portfolio with various types of asset. Admittedly, the return on private equity funds tends to co-vary more closely with the stock market than that on hedge funds, but such a holding can to a certain extent still help to reduce fluctuations in the return on a securities portfolio owning a variety of different assets.

Currency hedging

Fifty per cent of the market value of equity investments denominated in euro, sterling, US dollars and Japanese yen are hedged by means of currency futures. Fifty per cent of the value at which investments in private equity funds denominated in euro, sterling and US dollars are included in the NAV calculation are hedged by means of currency futures. The total value at which hedge fund investments in euro, sterling and US dollars are included up in the NAV calculation is hedged by means of currency futures. Other investments denominated in foreign currencies are not hedged. This represents the risk-neutral currency position. To take advantage of opportunities to earn a higher return the currency position is managed actively, which means that departures may be made from the risk-neutral currency position by investing in various types of currency derivative. The active management of the currency position is limited in such a way that the currency hedging of equity holdings, private equity holdings and hedge fund holdings in other currencies than Swedish kronor is allowed to vary between 0% and 100%.

Active management and tracking

By ACTIVE MANAGEMENT we mean that the investments deviate from the market average with the object of achieving a higher return. Tracking means that the investments follow the average on the market (index) as closely as possible, in which case the return will also match the market average. Active management has been chosen for those markets where this type of management can be expected to generate a higher return than tracking, taking account of cost differentials between the two types of management. In 2007 changes were made to the management structure. These have not yet been completed. The table below shows the approved management structure.

Management structure

(Investments by type as a percentage of the market value)

Type of asset/market	Traditional active management	Separated alpha-beta management	Tracking
Shares			
Sweden	0	67	33
Europe	25	25	50
North and South Amerika	0	0	100
Japan	100	0	0
Southeast Asia/Oceania	100	0	0
Emerging markets	0	0	100
Interest-bearing securities			
Inflation-linked bonds	0	0	100
Nominal bonds in US dollars and sterling	0	0	100
Alternative investments	100	0	0

Alpha and Beta management

The aim of active management is to earn an excess return (alpha) in relation to the market average (beta). In traditional active share management the capital is invested in shares in such a way that the weighting of the shares in the portfolio deviates from the corresponding share's weighting in the index. The aim is to outperform the average on the market (index) by being overweight in shares that are expected to outperform the index and underweight in those that are expected to underperform in relation to the index. Separated alpha and beta management involves making a sharper division of the management into two parts, one aiming to generate an average return (beta) and the other aiming to earn a return in excess of the market average (alpha). The total risk of the separated alpha and beta management remains unchanged in relation to traditional active management.

In separated alpha management the return is generated using the long/short management model. Long positions are taken in the traditional way by investing in shares whose prices are expected to rise. Short positions are taken in shares whose prices are expected to fall. This involves selling short; which means that shares are borrowed and sold immediately. No capital, over and above a limited amount of working capital, needs to be earmarked for this separated alpha management. The long investments are financed using the proceeds of the short selling of the borrowed shares.

The return on separated beta management is generated by managing the total capital in the separated alpha and beta management in accordance with the tracking model (index management).

Environmental and ethical considerations

The following companies were excluded from the Seventh AP Fund's holdings at the end of 2007.

AES CORPORATION

Reported cases of anti-union action in Cameroon.

ALLIANT TECHSYSTEM

Reports that the company is developing landmines.

AWB

Reports of corruption crimes in connection with the oil-for-food programme in Iraq.

BHP BILLITON

Reported cases of anti-union activity in Australia.

BILFINGER BERGER

Reported cases of anti-union activity in Poland.

BRIDGESTONE

Seriously irregular circumstances on rubber plantations in Liberia.

CHEVRON

Reported cases of human rights violations in Nigeria and environmental offences in the Amazon.

DATANG INTERNATIONAL POWER GENERATION

Prolonged and serious harm to the environment.

DONG FENG MOTOR

Human rights violations in connection with arms deliveries to Sudan.

DRD GOLD

Environmental offences in Papua New Guinea.

EXXON MOBIL

Reported corruption cases in Equatorial Guinea.

Hess

Reported cases of corruption in Equatorial Guinea.

HUADIAN POWER

Prolonged and serious harm to the environment.

HYUNDAI MOTOR

Reported cases of corruption in South Korea.

L-3 COMMUNICATIONS

Reported cases of breach of human rights conventions at operations in Iraq.

MARATHON OIL

Reported corruption cases in Equatorial Guinea.

MONSANTO

Environmental offences in Great Britain.

NISSAN MOTOR

Human rights violations through sale of weapons to Sudan.

PETROCHINA

Environmental harm in China.

PTT EXPLORATION & PRODUCTION PUBLIC

Human rights violations in Myanmar (Burma).

SINGAPORE TECHNOLOGIES

Reports that a subsidiary is manufacturing landmines.

SODEXHO

Irregular conditions in prison camp.

TEXTRON

Reports that the company is developing landmines.

THALES

Reported corruption cases in South Africa.

TOYOTA

Reported cases of anti-union activity at subsidiary in the Philippines.

WAL-MART STORES

Reported cases of discrimination against women in Guatemala and anti-union activity, infringement of labour law and child labour in USA.

YAHOO

Reported cases of actions curbing freedom of expression in China.

At the end of the year, Anvil Mining, Bayer, Freeport McMoran Copper & Gold, Group 4 Securicor and Halliburton were also excluded. However, the exclusion was lifted at the beginning of 2008 since the companies demonstrated that they had taken measures to deal with the reported state of affairs.

From the Seventh AP Fund's investment policy

In its investment activities, the Seventh AP Fund shall take the environment and ethics into consideration without compromising on the overall goal of earning a high return. This involves investing only in companies which, in the view of the Fund, acceptably comply with the requirements of the international conventions to which Sweden is a signatory. Companies in Sweden are also subject to the further requirement that they comply with Swedish law. The main conventions referred to here are:

- Human Rights conventions
- The UN Convention on the Rights of the Child
- ILO conventions
- International environmental conventions
- Conventions against bribery and corruption.

The Seventh AP Fund is therefore free to invest in shares in the approx. 1,500 companies world-wide that are included in the managed funds' benchmark index. In addition, the managing director can decide that investments may be made in shares that are not in the index. Furthermore, the Fund may also invest in inflation-linked corporate bonds with

the highest rating. All these companies are scrutinised on the basis of the principles stated. The Fund is not permitted to invest in companies that are not approved after such a scrutiny. Exclusion of a company from investment by the Seventh AP Fund applies for five years after

- a court decision, or
- documents that have been published by the official supervisor of an international convention that refer to the company, or
- the company's management has acknowledged the offence.

If a company can verify that measures have been taken to rectify the criticised conditions, the Fund's Board, after obtaining a recommendation from the consultants engaged to perform the scrutiny and after a special review, can decide that the company can be taken off the exclusion list before the five years are up.

In connection with alternative investments in hedge funds and private equity funds, the managers shall make every effort to assure themselves that the underlying investments comply as closely as possible with the Seven AP Fund's policy on environmental and ethical investments.

Seventh AP Fund's employees



Management group: Richard Gröttheim, Executive Vice President and Head of Asset Management, Marianne Björk, Vice President Administration and Secretary to the Board, Peter Norman, President



Svante Linder, Head of fund administration; member of investment committee together with president and VP.



Christian Ragnartz, Senior analyst



David Brantmo, Risk analysis/fund administration



Marianne Karlsson, Earnings calculation/fund administration



Margit Pihl, Administration



Johan Dageryd, IT



Hans Löfgreen, Equities management



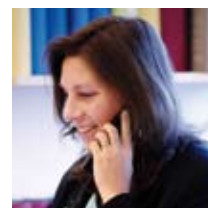
Eva Swende, Administration



Gunilla Dahlberg, Administration



Anette Möller, Equities management



Anna Zetterberg, Fund administration



Richard Folcker, acting head of fund administration



Per Olofsson, Alternative investments/equities management



Kristofer Holmquist, Fund administration

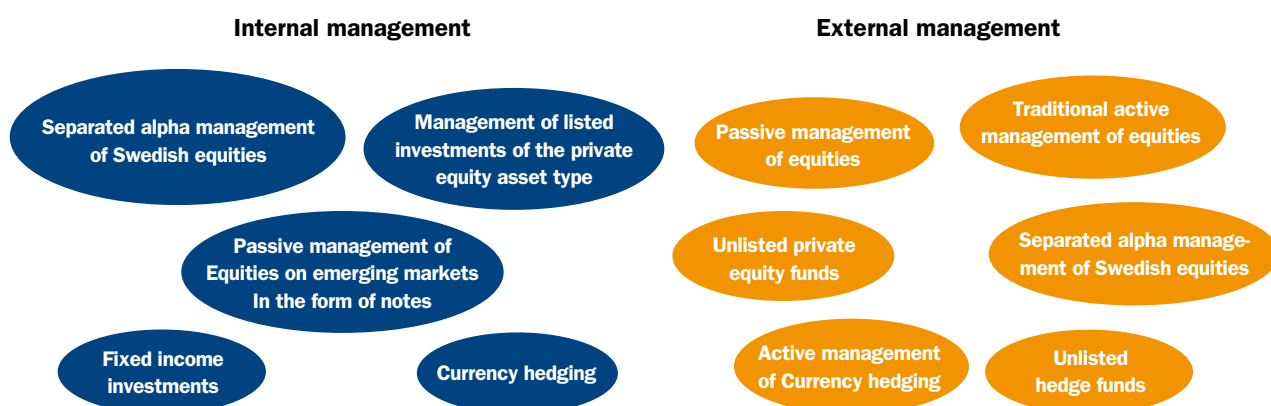


Leif Petersson, fixed income and currency management

Internal and external management

By INTERNAL MANAGEMENT we mean that investment decisions are made by portfolio managers employed by the Fund. By external management we mean that investments are made by specially engaged external portfolio managers – often large specialist firms.

Management structure 2007



EXTERNAL MANAGERS

Goldman Sachs Asset Management International, London

Traditional active management of European equities.

Assets under management 31 December, 2007: MSEK 3,792

Return 2007: 11.1%

Benchmark index (FTSE All World Index Europe) 2007: 8.4%

Axa Rosenberg Investment Management, London

Traditional active management of European equities.

Assets under management 31 December, 2007: MSEK 3,929

Return 2007: 7.5%

Benchmark index (FTSE All World Index Europe) 2007: 8.4%

Nomura Asset Management, London/Tokyo

Traditional active management of Japanese equities, and Southeast Asian/Oceania equities for part of the year.

Assets under management 31 December, 2007: MSEK 2,531 (Japan)

MSEK 1,465 (Southeast Asia/Oceania)

Return 2007: Japan -15.4%

Benchmark index (FTSE World Index Japan) 2007: -9.4%

Return 2007: Southeast Asia/Oceania -2.4% (part of year)

Benchmark index (FTSE All World Index Asia Pacific excl Japan) 2007: -4.8% part of year

Schroder Investment Management, Singapore

Active management of equities in Southeast Asia/Oceania.

Assets under management 31 December, 2007:

MSEK 2,367

Return 2007: 21.0%

Benchmark index (FTSE All World Index Asia Pacific excl. Japan) 2007: 22.8%

Société Générale Asset Management, Paris/Tokyo

Traditional active management of Japanese shares (part of year)

Assets under management 31 December, 2007 MSEK 1,324

Return 2007: -6.8% (part of year)

Benchmark index (FTSE World Index Japan) 2007: -3.2% (part of year)

State Street Global Advisors, London

Index management of equities, global.

Assets under management 31 December, 2007

Sweden MSEK 4,859

Europe MSEK 2,567

America MSEK 7,050

Return 2007: Sweden -3.7%

Benchmark index (SBX Stockholmsbörsen's benchmark index) 2007: -3.8%

Return 2007: Europe 8.2%

Benchmark index (FTSE All World Index Europe) 2007: 8.2%

Return 2007: America 1.7%

Benchmark index (FTSE World Index Americas) 2007: 1.7%

Svenska Handelsbanken, Stockholm

Index management of equities, Sweden (part of year)

Assets under management 31 December 2007: MSEK 12,678

Return 2007: -5.9% (part of year)

Benchmark index (SBX Stockholmsbörsens benchmark index) 2007: -5.9% (part of year)

Northern Trust, Chicago/London

Index management of equities in Europe and America (part of year)

Assets under management 31 December 2007:

Europe MSEK 5,743

America MSEK 15,235

Return 2007: Europe 2.9% (part of year)

Benchmark index (FTSE All World Index Europe) 2007: 29% (part of year)

Return 2007: America -2.3% (part of year)

Benchmark index FTSE World Index Americas) 2007: -2.2% (part of year)

Danske Capital, Copenhagen/Stockholm

Separated alpha management Swedish equities (part of year)

Return 2007: MSEK 30.3 (part of year)

IPM, Stockholm

Active management currency hedges (part of year)

Return 2007: MSEK 8.2 (part of year)

Lee Overlay Partners, Dublin

Active management currency hedges (part of year)

Return 2007: MSEK 30.9 (part of year)

EIM, Nyon, Switzerland

Hedge fund management.

Assets under management 31 December, 2007: MSEK 764

Return 2007: 4.0%

Benchmark index (JP Morgan Global Bond Index raised by 2 percentage points per year) 2007: 9.8%

K2 Advisors, New York

Hedge fund management.

Assets under management 31 December, 2007: MSEK 779

Return 2007: 9.8%

Benchmark index (JP Morgan Global Bond Index raised by 2 percentage points per year) 2007: 9.8%

LGT Capital Partners, Pfäffikon, Switzerland

Private equity fund management (unlisted).

Assets under management 31 December, 2007:

MSEK 1,238, committed for investment, of which MSEK 249 invested

Since the unlisted investments are very long-term and still being built up no return figures are provided for individual years.

HarbourVest Partners, Boston/London

Private equity fund management (unlisted).

Assets under management 31 December, 2007: MSEK

2,555 committed for investment, of which MSEK 977 invested

Since the unlisted investments are very long-term and still being built up no return figures are provided for individual years.

Hamilton Lane Advisors, Cynwyd, USA

Private equity management (unlisted).

Assets under management 31 December, 2007:

MSEK 2,359 committed for investment, of which

MSEK 666 invested

Since the unlisted investments are very long-term and still being built up there no return figures are provided for individual years.

INTERNAL MANAGERS

Separated alpha management of Swedish equities

Return 2007: MSEK 15.2

Listed investments within private equity

Assets under management 31 December, 2007: MSEK 3,176

Return 2007: 0.9%

Benchmark index (FTSE All World Index raised by 4 percentage points per year) 2007: 6.9%

Emerging market equities in form of notes

Assets under management 31 December, 2007: MSEK 10,347

Return 2007: 22.6% (part of year)

Benchmark index (FTSE Emerging Index) 2007: 20.5% (part of year)

Fixed income investments (index-linked bonds)

Assets under management 31 December, 2007: MSEK 3,251

Return 2007: 3.4%

Benchmark index (OMRX-REAL) 2007: 3.3%

Nominal bonds in US Dollars

Assets under management 31 December 2007: MSEK 1,618

Return 2007: 2.8% (part of year)

Benchmark index (JP Morgan Global Bond Index, benchmark USA) 2007: 2.8% (part of year)

Nominal bonds in sterling

Assets under management 31 December, 2007: MSEK 1,596

Return 2007: 2.7% (part of year)

Benchmark index (JP Morgan Global Bond Index, benchmark UK) 2007: 2.2% (part of year)

The board of the Seventh AP Fund

Hans Mertzig

Asset manager at the Knowledge Foundation (KK Foundation). Chairman of the finance delegation in Gamla Livförsäkringsaktiebolaget SEB Trygg Liv and TryggStiftelsen. Member of the board: Hufvudstaden AB.



Per-Olof Edin, Deputy chairman

Professor. Member of the board: National Tax Board (Skatteverket), Svenskt Rekonstruktionskapital AB, Bergvik Skog AB, Ramnäs Bruk AB, CEBA AB. Karolinska Development I AB and II AB, Lund University Bioscience AB and Inhalox AB.



Lars Linder-Aronson

Chairman of the board: Tanglin Asset Management AB. Member of the board: SBAB and Ventshare AB.



Mari-Ann Krantz

Chair of Unionen and the Swedish Union of Clerical & Technical Employees in Industry (SIF). Deputy chair of Alecta's national board and the board of the Confederation of Professional Employees (TCO). Member of the board: International Metalworkers' Federation, IMF.



Christina Striby

Former chief lawyer. Member of the board: Rikstrafiken, Swedish Ship-owners' Council.



Karin Moberg

Acting director of Public Relations at TeliaSonera Sweden AB.



Lena Hagman

Chief economist, Swedish Confederation of Professional Employees (TCO). As of 1 May 2008 senior economist at Almega. Chair of Swedish Society of Business Economists (SIMRA). Member of the Board for National Accounts at Statistics Sweden.



Bengt Rydén, chairman

Doctor of economics. Chairman of the board: Flexoffice AB, Nordic Investor Services AB and Pantor Engineering AB. Member of the board: Autobalance Svenska AB, Onoterat AB, Svenskt Rekonstruktionskapital AB, the Foundation for Financial Research, and the Sven & Dagmar Salén Foundation. Member of the Royal Swedish Academy of Engineering Sciences (IVA) and the Swedish Academy of Auditors (Svenska Revisionsakademien).

Reinhold Geijer
CEO, Head of Nordic Region Royal Bank of Scotland. Chairman of the board: Foreign Bankers Association. Member of the board: Sweden-America Foundation, and British-Swedish Chamber of Commerce.



AUDITORS

Anders Bäckström, Authorised public accountant
KPMG Bohlins AB.

Anna Hesselman, Authorised public accountant
Öhrlings PricewaterhouseCoopers AB.

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COMPANY REGISTRATION NUMBER 504400-8182

Report of the directors

The Premium Savings Fund in the general pension system

Sweden's general pension system includes some of the pension premiums being earmarked for premium pensions. These are then managed in mutual funds according to the choice of the pension saver. For individuals who refrain from selecting any other fund the pension capital is invested in the Premium Savings Fund, which functions just like a mutual fund. The Premium Savings Fund is managed by the Seventh AP Fund, a state authority that in this context functions as a fund management company. The Premium Savings Fund is intended solely for premium pension capital and is not open to other types of saving. The rules regulating the Seventh AP Fund and the Premium Savings Fund are laid down in the Act (2000:192) concerning the AP Funds.

Investment and withdrawal of capital

IN 2007, the Premium Savings Fund received additional capital when the premium pension capital for 2006 was allocated to funds. The Fund also received further capital when PPM re-invested the discount on the management fee and invested inheritance profits, as well as when individuals who had previously selected another fund had their premium pension capital transferred to the Premium Savings Fund when their previous fund of preference left the PPM system. Over the year a total of some MSEK 9,600 (2006: MSEK 16,800) was injected into the Fund. However, the comparative figure relates to the placement of premium pension rights on behalf of two annual cohorts. Of the first time selectors, 98% (92) refrained from actively selecting another manager and consequently had their premium pension capital invested in the Premium Savings Fund.

Withdrawals of capital as a result of premium pension savers transferring to other funds or premium pension capital being required for its purpose were higher in 2007 than in previous years, but the amount remained relatively small. Total withdrawals amounted to around MSEK 4,500 (MSEK 2,800), which corresponds to 5.5% (4.1%) of the average value of the fund during the year. Withdrawals were predominantly due to premium pension savers changing to other funds.

At the end of 2007, 2,386,880 people (2,347,943) had premium pension investments with a total market value of some MSEK 87,400 (78,900) invested in the Premium Savings Fund.

This was equivalent to 28.4% (29.6) of the total premium pension capital, making the Fund by far the largest in the premium pension system.

Strategic distribution of assets

The Premium Savings Fund's capital is managed on the basis of a standard portfolio. This shows the long-term distribution of the Fund's various types of asset, expressed as a share of its total market value. During the first half of 2007 a decision was made to alter the strategic distribution of assets. This decision was based on an in-depth Asset Liability Management (ALM) study that was carried out in 2006. The most important change is that shares on emerging markets are now a separate sub-group accounting for 10% of the portfolio.

The weighting of Swedish equities has risen slightly while global shares have declined. Moreover, the weighting of Swedish inflation-linked bonds has declined, while nominal government bonds denominated in sterling and US dollars have been given a place in the portfolio. Finally the weighting of hedge fund investments has been halved and replaced with private equity investments.

The object of the changes is to increase the expected return while retaining the low level of risk.

Most of the changes were made in May, after which the standard portfolio had the following structure (previous standard portfolio weightings in brackets):

Shares	84%	(82%)
of which Swedish	20%	(17%)
of which emerging markets	10%	(0%)
of which global	54%	(65%)
Fixed income investments	8%	(10%)
of which Swedish inflation-linked bonds	4%	(10%)
of which nominal US dollar bonds	2%	(0%)
of which nominal sterling bonds	2%	(0%)
Alternative investments	8%	(8%)
of which private equity funds	6%	(4%)
of which hedge funds	2%	(4%)

Global shares

The global shares in the standard portfolio are distributed among four geographical regions

(Europe, North and South America, Japan and Southeast Asia/Oceania) on the basis of the relative importance of each sub-market on the global stock market. In 2007 investments were made in shares in the countries within the Eurozone as well as in Sweden, Denmark, Norway, Poland, Switzerland, Great Britain, the Czech Republic, Hungary, Turkey, Brazil, Canada, Mexico, the USA, Japan, Australia, Hong Kong, Korea, New Zealand, Singapore and Taiwan.

Emerging markets

In order to obtain some exposure to equities on emerging markets some initial investments have been made in notes, whose value moves in line with changes in the share indices on a number of emerging markets. The value of these notes can rise and fall, depending on the stock market performance in the countries included in the selected index. These countries are Argentina, Brazil, Chile, China, Colombia, the Czech Republic, Egypt, Hungary, India, Indonesia, Israel, Korea, Malaysia, Mexico, Morocco, Pakistan, Peru, the Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey. The securities, which are listed, are issued by various reputable banks and financial institutions, all of which have a minimum rating of AA for at least 75% of the holdings and of A+ for the remainder.

Currency hedging

Fifty per cent of the market value of equity investments denominated in euro, sterling, US dollars and Yen are hedged by means of currency futures. Fifty per cent of the value at which investments in private equity funds denominated in euro, sterling and US dollars are included in the NAV calculation are hedged by means of currency futures. Hedge fund investments in euro, sterling and US dollars are hedged by means of currency futures at 100% of the value at which they are included in the NAV calculation. Other investments denominated in foreign currencies are not hedged. This results in a risk-neutral currency position.

In order to generate a higher return these currency positions are managed actively. This means that deviations may be made from the risk-neutral currency position by investing in various types of currency derivative. The active management of the currency position is limited by allowing the currency hedging of the equity investments, private equity investments and hedge fund investments in other currencies than Swedish kronor to vary between 0% and 100%.

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This currency hedging strategy means that at the end of 2007 the amount hedged corresponded to 32% of the assets denominated in foreign currencies and to 25% of the total value of the Fund.

Derivatives, lending and borrowing of equities

The Premium Savings Fund's placements are based on spot markets. However, derivatives can be used in situations where such instruments can help to further improve management efficiency or to hedge the fund against unwanted risk exposures. Shares may also be lent out if these helps to raise the return. The fund rules include specific limits and collateral requirements for the use of derivatives and the borrowing and lending of equities. In 2007, derivatives were used to a limited extent. The lending of equities included the greater part of the Swedish equities portfolio. Shares were borrowed for selling short to a limited extent.

Management fee

The Premium Savings Fund pays the Seventh AP Fund a management fee. The Fund is debited 1/365th part of the estimated annual fee daily. The fee covers the cost of management, administration, accounting, safekeeping of securities, information, supervision etc.

For the first half of 2007 the fee amounted to 0.5% per year of the Fund's assets. According to an agreement with PPM, the Seventh AP Fund grants PPM a discount on the management fee. For this discount PPM buys new units in the Fund on behalf of premium pension savers. The size of the discount depends on the amount of the fee and also on how much capital the Fund has under management. As the capital managed by the Premium Savings Fund is large, the discount is considerable. As far as pension savers are concerned, this means that in 2007 the net fee after the discount was approximately 0.15%. As the discount was re-invested after a significant elapse of time, pension savers lost the fund income based on the discount during the interval between the time the gross fee was withdrawn and when the discount was re-invested.

As of 1 April 2007 PPM's discount system was altered to make it possible to reduce the fee to 0.15% per year of the Fund's assets, thereby not being covered by the discount system. As far as pension savers are concerned this means that only 1/365th part of the net fee of 0.15% per year is withdrawn from the Fund each day.

Transaction costs such as brokerage commissions and fees payable to custodian banks for securities transactions are charged direct against the Fund and not included in the management fee.

Return

Calculation model

The Premium Savings Fund's return and risk are measured on the basis of daily valuations of the Fund's assets, which are performed using two different models:

- The first valuation model is used to determine the Fund's NAV (Net Asset Value), which is used in connection with the purchase and redemption of units in the Fund. The management fee that the Premium Savings Fund pays to the Seventh AP Fund is deducted from this value. The NAV is determined on the basis of the prices of the Fund's investments at 4.00 pm Swedish time. The calculation made on the basis of changes in the NAV reflects the change in value from the pension savers' perspective.
- The second model is used for following up the Fund's performance in relation to its benchmark index. The valuation is therefore

made in accordance with the same principles as those used for determining the value of the benchmark index. The management fee paid by the Premium Savings Fund to the Seventh AP Fund is not deducted. This model uses the closing prices of the Fund's listed assets on each market where these assets are listed.

In 2007, the methods applied by financial enterprises to value their unlisted securities have attracted interest in the public debate. The Premium Savings Fund's assets consist for the most part of listed securities. Valuation models that ensure a robust valuation of their value are used for the unlisted securities.

Return from the savers' perspective

The return earned by the Premium Savings Fund in 2007 was 4.7%, measured according to the NAV model. The risk, expressed as the standard deviation, was 11.9%.

The return and the active return (return in relation to the relevant benchmark index) by type of asset are shown in the table below.

Type of asset	Return	Active return
Swedish equities	- 3.5 %	0.4 percentage points
Global equities (before currency hedging)	3.7 %	- 0.1 percentage points
Emerging market equities	22.6 %	1.7 percentage points
Currency hedging	1.1 %	0.0 percentage points
Active currency management	0.2 %	0.2 percentage points
Inflation-linked bonds	3.4 %	0.1 percentage points
Nominal bonds	2.8 %	0.2 percentage points
Hedge funds	4.9 %	- 4.5 percentage points
Private equity (listed holdings)	0.9 %	- 5.6 percentage points

As the weightings of each type of asset in the total portfolio differ their contribution to the total return also differs. These contributions were as follows.

Type of asset	Contribution to total return	Contribution to total active return
Swedish equities	- 0.8 percentage points	0.1 percentage points
Global equities (before currency hedging)	2.3 percentage points	- 0.1 percentage points
Emerging market equities	2.8 percentage points	0.2 percentage points
Currency hedging	0.4 percentage points	0.0 percentage points
Active currency management	0.1 percentage points	0.0 percentage points
Inflation-linked bonds	0.2 percentage points	0.0 percentage points
Nominal bonds	0.1 percentage points	0.0 percentage points
Hedge funds	0.1 percentage points	- 0.1 percentage points
Private equity (listed holdings)	0.1 percentage points	- 0.2 percentage points
Total	5.3 %	- 0.1 percentage points

Morningstar rating

Morningstar, the independent fund rating company, has awarded the Premium Savings Fund its highest rating – five stars out of five possible.

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The target for the Premium Savings Fund is that the return during each moving five-year period should correspond at a minimum to the average of all the funds eligible for selection within the premium pension system, but at a lower risk. The comparison with other funds in the pension system is based on the return measured using the NAV model. The Seventh AP Fund's PPM Index is calculated for this purpose. This index measures the capital-weighted average of all funds that are open for active selection in the premium pension system. The weightings in the index correspond to the proportion of the premium pension capital invested in each fund. The risk is measured in terms of the standard deviation in the Premium Savings Fund's return, which is then compared with the standard deviation in the Seventh AP fund's PPM Index.

During the five-year period 2003-2007 the Premium Savings Fund earned a return of 89.1%. Over the same period the return on the Seventh AP Fund's PPM Index was 99.9%. The Premium Savings Fund's risk for each year during this five-year period was lower than for the Seventh AP Fund's PPM Index. The target for the Premium Savings Fund was therefore achieved. However, the return target was not achieved during the latest five-year period. However, computed for the entire period since the start of the PPM system in the autumn of 2000 the Premium Savings Fund's return was higher than the PPM average.

Return in relation to benchmark index

The returns earned by the Premium Savings Fund and the PPM index over the past five-year period have been very high. However, the Premium Savings Fund has been underweighted in Swedish equities and emerging market equities than the PPM average. It is above all the strong performance by these stock markets that has caused the Premium Savings Fund to under-perform in relation to the PPM index over the five-year period. The change in the strategic distribution of assets during the first half of 2007 means that the Fund's expected return has increased while the low risk exposure has been retained.

The operative target for active management in 2007 was to outperform the Fund's benchmark index by at least 0.5 percentage points. This comparison is made using the return measured according to the closing-price model. Measured in this way, the Premium Savings Fund's return in 2007 was 5.3% while that of the benchmark index was 5.4%. The Premium Savings Fund's return therefore matched the index but did not reach the targeted excess return.

Benchmark index

The benchmark index consists of a weighted index of the various benchmarks for the sub-portfolios based on the weighting of each sub-portfolio in the standard portfolio, account also being taken of any currency hedging. The following benchmark indices are used:

Portfölj	Jämförelseindex
Swedish equities	SBX (Stockholmsbörsens benchmark index)
Emerging market equities	FTSE Emerging Index (gross)
Global equities	
Europe	FTSE All World Index Europe (net)
North & South Amerika	FTSE World Index Americas (gross)
Japan	FTSE World Index Japan (gross)
Southeast Asia/Oceania	FTSE World Index Asia Pacific exkl. Japan (gross)
Inflation-linked	
Bonds SEK	OMRX –REAL
Nominal bonds	
In USD	JP Morgan Global Bond Index, benchmark USA
Nominal bonds	
In GBP	JP Morgan Global Bond Index, benchmark UK
Private equity	FTSE All World Index (Europe net, elsewhere gross) plus 4 percentage points per year *
Hedge funds	JP Morgan Global Bond Index, benchmark USA plus 2 percentage points per year **

Net = including re-invested dividends less income tax at source on dividends

Gross = including re-invested dividends without deduction of definite income tax at source on dividends

* Before 15 May 2007, FTSE All World Index

** Before 15 May 2007 Index based on STIBOR overnight lending rate

Fund's ten largest holdings as % of fund capital at year-end 2007 (excluding investments in unlisted hedge funds and private equity funds)

Emerging Markets Note Lloyds	1.9
Emerging Markets Note Goldman	
Sachs 1	1.9
Emerging Markets Note Goldman	
Sachs 2	1.9
Emerging Markets Note	
Deutsche Bank	1.8
Emerging Markets Note CSFB	1.8
Nordea	1.5
Ericsson	1.5
Hennes & Mauritz	1.5
Kingdom of Sweden inflation-linked bond 3105	1.4
Investor	1.0
Total ten largest holdings	16.2

Geographical distribution of investments as % of fund capital at year-end 2007

America	27
Rest of Europe	27
Sweden	26
Emerging markets	11
Southeast Asia and Oceania	5
Japan	4
Total	100

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Key ratios	2007	2006	2005	2004	2003
Fund capital (SEK)	87,414,093,742	78,846,584,870	58,114,166,991	40,130,238,621	29,857,197,025
Number of units in issue	764,260,354.7283	721,779,204.5593	587,602,051.4883	507,478,606.1886	415,689,109.6900
Price of units (SEK)	114.35	109.24	98.86	79.05	71.80
Management fee (SEK '000)	191,651	336,544	260,304	191,231	132,987
Calculated return & risk, NAV model					
Total return, Premium Savings Fund (%)	4.7	10.5	25.1	10.1	18.7
Total return, Seventh AP Fund's PPM Index (%)	5.8	13.0	32.3	8.8	16.2
Total risk, Premium Savings Fund (standard deviation, %)	11.9	9.0	7.8	9.3	14.3
Total risk, Seventh AP Fund's PPM Index (standard deviation, %)	12.4	11.7	8.0	10.1	14.5
Return and risk, closing price model					
Total return, Premium Savings Fund (%)	5.3	10.8	25.5	10.8	19.8
Total return Benchmark index (%)	5.4	10.8	24.8	11.2	19.5
Total risk, Premium Savings Fund (standard deviation, %)	11.8	9.2	7.1	8.7	13.5
Total risk, Benchmark index (standard deviation, %)	12.0	9.4	7.2	8.7	13.6
Sharpe ratio	0.2	0.9	3.4	0.9	1.2
Active risk (%)	0.7	0.5	0.4	0.5	0.8
Information ratio	-0.1	0.1	1.4	-0.9	0.3
Turnover rate (%)	49.1	27.6	23.3	30.2	34.2
Costs					
Management fee (%)	0.15	0.15	0.15	0.15	0.16
Total cost ratio (TCR) (%)	0.30	0.21	0.20	0.22	0.27
Total cost ratio (TCR) including alternative investments (%)	0.37	0.27	0.28	0.29	-
Total expense ratio (TER) (%)	0.15	0.15	0.15	0.15	0.15
Transaction costs (SEK '000)	55,852	43,631	28,780	27,840	29,732
Transaction costs, proportion of turnover (%)	0.06	0.09	0.10	0.08	0.11

For the period ending 31 March 2007 the Fund was included in PPM's discount system. The cost figures relate where applicable to net fees after PPM discounts.

Definitions

Return and risk calculations: the Premium Savings Fund's return and risk are calculated in two ways. The first method reflects the growth in value seen from the pension savers' perspective and is based on the Fund's NAV (Net Asset Value), which is used for purchase and redemption of units. With this method, the return is stated after deduction of the management fee that the Premium Savings Fund pays to the Seventh AP Fund, but without taking into account the reinvestment of the discount made by PPM on behalf of savers. A comparison is made with the Seventh AP Fund's PPM Index. When determining the NAV, the prices of the Fund's assets at 4.00 pm Swedish time are used. With the other method, which is used in comparisons with the Fund's benchmark index, the return is shown before deduction of the management fee that the Premium Savings Fund pays to the Seventh AP Fund. The valuation based on this model uses the prices of the Fund's assets that are listed at the close of each of the markets where the Fund's assets are listed.

Seventh AP Fund's PPM Index: Indicates the capital-weighted average of all funds within the PPM system that are open for active choice. The weightings correspond to the proportion of the premium pension capital invested in each fund.

Standard deviation: Indicates the magnitude of the fluctuations in the return and the index around the mean.

Sharpe ratio: A measure of the risk-adjusted return that indicates the return per unit of risk (risk = standard deviation). The

Sharpe ratio is calculated as the portfolio return less the risk-free return divided by the standard deviation. For example: If the annual return is 10%, the risk-free return 4% and the standard deviation 15%, the Sharpe ratio will be $((10-4)/15) = 0.4$. This means that we earn a return of 0.4% per unit of risk.

Active risk: A measure of how much a portfolio deviates from its benchmark index. The day-to-day return on a portfolio is compared with the day-to-day return for the corresponding index. The standard deviation for this difference is a measure of the active risk. The lower the standard deviation the lower the active risk. A low active risk means that the weighting of each individual security in the portfolio is roughly the same as the weighting of the security in the index. The return on a portfolio with a low active risk will most probably be the same as the return on the index. A high active risk means that the weighting of each individual security in the portfolio deviates from its weighting in the index. The return on a portfolio with a high active risk can be considerably higher or lower than the return on the index.

Information ratio: A measure of whether the risk exposure that is shown by the active risk has made a positive contribution to the portfolio's return. A positive information ratio indicates that the portfolio has earned a higher return than the index. The higher the positive figure, the greater the excess return (portfolio's return less index return) per unit of risk. If the information ratio is negative, the return on the portfolio has been lower than the index. The information ratio is calculated by dividing the portfolio's relative return by its active risk. By the portfolio's rela-

tive return is meant the return earned on the portfolio during the period in question less the return on the index during the same period.

Turnover rate: Measures how many times securities have been bought or sold in relation to the value of the Fund. It is calculated by dividing the lowest value of the sum of bought and the sum of sold securities during the period by the average value of the Fund, stated as a percentage.

Total cost ratio (TCR): The sum of the Fund's costs including transaction costs on the purchase and sale of securities. TCR is expressed as a percentage of the average value of the Fund.

Total cost ratio (TCR) including alternative investments: Calculated in the same way as TCR (see above), but it also includes the costs of the limited partnerships through which the bulk of the alternative investments are channelled.

Total expense ratio (TER): Calculated as TCR (see above) but exclusive of transaction costs associated with the purchase and sale of securities.

Transaction costs: Commissions paid to the broker and transaction fees paid to the custodian bank.

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Balance sheet

All amounts in SEK '000

	31 December 2007		31 December 2006	
Assets				
Financial instruments with positive market value (Note 1)	88,953,736	101.8%	79,366,896	100.7%
Cash at bank and other liquid funds	377,081	0.4%	253,610	0.3%
Current receivables	470,694	0.5%	259,152	0.3%
Total assets	89,801,511	102.7%	79,879,658	101.3%
Liabilities				
Financial instruments with negative market value (Note 2)	1,108,171	1.2%	648,976	0.8%
Other current liabilities	1,279,247	1.5%	384,097	0.5%
Total liabilities	2,387,418	2.7%	1,033,073	1.3%
Value of Fund (Note 3)	87,414,093	100.0%	78,846,585	100.0%
Memorandum items (Note 12)	7,931,385	9.1%	6,914,123	8.8%

Income statement

All amounts in SEK '000

	2007	2006
Income and change in value		
Change in value of equity-related instruments (Note 4)	1,381,399	3,525,758
Change in value of fixed income related instruments (Note 5)	-72,752	-22,901
Interest income (Note 6)	301,214	214,955
Dividends (Note 7)	1,597,675	1,299,620
Currency gains and losses, net (Note 8)	483,361	2,068,961
Other income (Note 9)	10,107	6,690
Total income and change in value	3,701,004	7,093,083
Costs		
Management costs (Note 10)	-191,651	-336,544
Other costs (Note 11)	-6,451	-4,449
Total costs	-198,102	-340,993
Net profit for the year	3,502,902	6,752,090

Accounting principles

The Fund's annual report is made up in accordance with the Investment Funds Act and Finansinspektionen's ordinances and general recommendations.

Financial instruments are valued at fair value. This means that equity-related securities listed on an authorised stock market are valued at their latest transaction price at 4.00 pm on the final trading day of the financial year. Notes, whose value is determined by change in a given index, are valued on the basis of information from the index supplier. Unlisted equity-related holdings, which consist of indirect investments in private equity funds and hedge funds, are valued on the basis of the latest available estimate of their fair value made by their managers. Fixed-income securities are valued at the latest transaction price at 4.00 pm on the final trading day of the financial year. Currency derivatives are valued on the basis of the latest exchange rates at 4.00 pm on the final trading day of the financial year.

The average method is used for calculating capital gains and losses.

Lent securities are still stated in the balance sheet and included as pledged assets within the line. Borrowed securities are not stated in the balance sheet but are included within the line. Premiums received or accrued (interest income) are stated as other income. Paid and accrued premiums (interest paid) for borrowed securities are stated as other costs.

Tax

The Premium Savings Fund is not liable for taxation in Sweden. In the case of investments abroad, there may in some instances be a liability to pay tax in the form of "definitive tax at source" on dividends.

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Note 1 – Financial instruments with positive market value

All amounts in SEK '000	31 December 2007		31 December 2006	
Equity-related securities	75,252,945	86.1%	63,998,193	81.2%
Equity-related securities, unlisted	3,422,804	3.9%	3,454,520	4.4%
Interest-related securities	9,436,998	10.8%	10,595,177	13.4%
Equity derivatives	2,303	0.0%	1,576	0.0%
Currency derivatives	838,686	1.0%	1,317,430	1.7%
Total	88,953,736	101.8%	79,366,896	100.7%

Note 2 – Financial instruments with negative market value

All amounts in SEK '000	31 December 2007		31 December 2006	
Equity-related securities	547,379	0.6%	117,560	0.1%
Equity derivatives	388	0.0%	156	0.0%
Currency derivatives	560,404	0.6%	531,260	0.7%
Total	1,108,171	1.2%	648,976	0.8%

Note 3 – Changes in the value of the Fund

All amounts in SEK '000	2007	2006
Opening value of Fund	78,846,585	58,114,167
Units issued	9,556,055	16,757,639
Units redeemed	-4,491,449	-2,777,311
Net profit for the year according to income statement	3,502,902	6,752,090
Total	87,414,093	78,846,585

Note 4 – Specification of change in value of equity-related instruments

All amounts in SEK '000	2007	2006
Realised capital gains	5,163,986	2,649,151
Realised currency gains/losses	-1,318,166	28,869
Unrealised capital gains	-2,137,431	6,337,254
Unrealised currency losses	-326,990	-5,489,516
Total	1,381,399	3,525,758

Note 5 – Specification of change in value of fixed income-related instruments

All amounts in SEK '000	2007	2006
Realised capital gains	286,070	60,062
Realised currency losses	-62,441	0
Unrealised capital losses	-195,794	-82,963
Unrealised currency losses	-100,587	0
Total	-72,752	-22,901

Note 6 – Specification of interest income

All amounts in SEK '000	2007	2006
Bonds	196,175	166,000
Short fixed income placements	101,292	44,674
Bank accounts	3,747	4,281
Total	301,214	214,955

Note 7 – Specification of dividends

All amounts in SEK '000	2007	2006
Dividend	1,678,941	1,371,994
Withholding tax	-94,437	-89,363
Reimbursement	13,171	16,989
Total	1,597,675	1,299,620

Note 8 – Specification of currency gains and losses, net

All amounts in SEK '000	2007	2006
Short fixed income placements	12,161	-42,986
Currency derivatives	582,810	2,093,897
Bank accounts	-111,610	18,050
Total	483,361	2,068,961

Note 9 – Specification of other income

All amounts in SEK '000	2007	2006
Lending of shares, premiums	3,960	3,399
Commission recapture	0	903
Other financial income	6,147	2,388
Total	10,107	6,690

Note 10 – Specification of management costs

Compensation to the Seventh AP Fund for management has been 0.5% per year on assets under management during the first quarter and 0.15% per year on assets under management during the rest of the year. For the 2007 financial year this gives a management cost of **SEK 191,651,000** (336,544,000). The fee to the Seventh AP Fund includes compensation to the fiduciary custodian for custody and compensation to Finansinspektionen for supervision.

Note 11 – Specification of other costs

All amounts in SEK '000	2007	2006
Premiums, borrowing of shares	-4,841	-1,148
Transaction fees Nordea/Bank of NY	-1,077	-2,380
Other bank charges	-533	-921
Total	-6,451	-4,449

Commission paid, which is reported together with changes in the value of equity-related instruments, amounts to **SEK 49,401,000** (40,085,000) for 2007 as a whole.

Note 12 – Memorandum items

All amounts in SEK '000	31 December 2007	31 December 2006
Lent securities and collateral received		
Lent securities	2,778,376	3,780,779
Collateral received for lent securities	3,713,135	4,999,325
Borrowed securities and collateral provided		
Borrowed securities	1,712,921	613,682
Collateral pledged for borrowed securities	0	0
Collateral pledged for derivative trade	135,614	306,477
Outstanding commitments		
Investments in Private Equity funds	4,082,636	1,608,321

The specification of holdings of securities has been omitted from this printed annual report. The list is available at www.ap7.se and may also be obtained from the Seventh AP Fund.

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Audit report

Seventh AP Fund's Premium Savings Fund

Co. Reg. No. 504400-8182

In our capacity as auditors of the Seventh AP Fund we have examined the annual report of the Premium Savings Fund for 2007. Our audit was performed in accordance with generally accepted auditing standards in Sweden.

The annual report is made up in accordance with the Act Concerning the AP Funds and the rules in the Investment Funds Act as specifically referred to in the AP Funds Act. The annual report thus provides a true and fair picture of the Fund's financial result and position in accordance with generally accepted accounting standards in Sweden.

In our audit we found no grounds for qualifying this annual report, the accounting records or the administration in general.

STOCKHOLM, 6 FEBRUARY 2008

ANDERS BÄCKSTRÖM

Authorised public accountant

Appointed by the government

ANNA HESSELMAN

Authorised public accountant

Appointed by the government

This audit report relates to the Annual Report for the Premium Savings Fund (pages 20–25).

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COMPANY REGISTRATION NUMBER: 504400 8182

Report of the directors

The Premium Choice Fund in the general pension system

Sweden's general pension system includes the earmarking of some of the pension premiums for premium pensions. These are then managed in mutual funds according to the choice of the pension savers. The state's Premium Choice Fund functions just like a mutual fund and can be selected in the same way as other funds within the premium pension system. The Premium Choice Fund is managed by the Seventh AP Fund, which is a state authority that, in this context, functions as a fund management company. The Premium Choice Fund is intended solely for premium pension capital and is not open to other types of saving. The rules regulating the Seventh AP Fund and the Premium Choice Fund are laid down in the Act (2000:192) concerning the AP Funds.

Investment and withdrawal of capital

In 2007 additional capital was channelled into the Premium Choice Fund when premium pension rights for 2006 was allocated among the funds. The fund also received further capital when pension savers transferred from other funds to the Premium Choice Fund and when PPM reinvested the discount on the management fee and invested inheritance profits. During the year a total of some MSEK 269 (MSEK 409) was invested in the Fund; however, the comparative figures relate to the invested pension rights of two annual cohorts.

In 2007, the outflow of capital as a result of premium pension savers transferring to other funds, or premium pension capital being required for its purpose, was slightly higher than in the previous year. The total outflow amounted to around MSEK 72 (MSEK 51), which corresponded to 3.0% (2.6%) of the average fund capital during the year. The outflow was predominantly attributable to the fact that premium pension savers transferred to other funds.

At the end of 2007, 103,514 investors (105,540) had premium pension investments with a total market value of some MSEK 2,600 (MSEK 2,300) invested in the Premium Choice Fund. This was equivalent to 0.9% (0.9%) of the total premium pension capital, making the fund the sixteenth largest (16th) of the almost 800 funds eligible for active choice in the premium pension system.

Strategic distribution of assets

The Premium Choice Fund's capital is managed on the basis of a standard portfolio. This shows

the long-term distribution of the Fund's various types of asset, expressed as a share of its total market value.

During the first half of 2007 a decision was made to alter the strategic distribution of assets. This decision was based on an in-depth Asset Liability Management (ALM) study that was carried out in 2006. The most important changes are that shares on emerging markets are now a separate sub-group accounting for 20% of the portfolio and that the standard portfolio no longer contains any fixed-income investments. The weighting private equity has been raised and that of global equities has been reduced.

The object of the changes is to increase the expected return.

Most of the changes were made in May, after which the standard portfolio had the following structure (previous standard portfolio weightings in brackets):

Shares	90%	(88%)
of which Swedish	20%	(20%)
of which emerging markets	20%	(0%)
of which global	50%	(68%)
Fixed income investments	0%	(4%)
of which Swedish inflation-linked bonds	0%	(4%)
Alternative investments	10%	(8%)
of which private equity funds	10%	(8%)

Global shares

The global shares in the standard portfolio are divided into four geographical regions (Europe, North and South America, Japan and Southeast Asia/Oceania), based on the relative weighting of each sub-market on the global stock market. In 2007, share investments were made in countries in the Eurozone as well as in Sweden, Denmark, Norway, Poland, Switzerland, Great Britain, the Czech Republic, Hungary Turkey, Brazil, Canada, Mexico, the USA, Japan, Australia, Hong Kong, Korea, New Zealand, Singapore and Taiwan.

Emerging markets

In order to obtain some exposure to equities on emerging markets some initial investments have been made in notes, whose value moves in line with changes in the share indices on a number of emerging markets. The value of these notes can rise and fall, depending on the stock market performance in the countries included in the selected

index. These countries are Argentina, Brazil, Chile, China, Colombia, the Czech Republic, Egypt, Hungary, India, Indonesia, Israel, Korea, Malaysia, Mexico, Morocco, Pakistan, Peru, the Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey. The securities, which are listed, are issued by various reputable banks and financial institutions, all of which have a minimum rating of AA for at least 75% of the holdings and of A+ for the remainder.

Currency hedging

Fifty per cent of the market value of equity investments denominated in euro, Sterling, US dollars and Yen is hedged by means of currency futures. Fifty per cent of the value at which investments in private equity funds denominated in euro, Sterling, US dollars are included in the NAV calculation are hedged by means of currency futures. Other investments in foreign currencies are not hedged. This is the risk-neutral currency position.

In order to take advantage of opportunities to earn a higher return, the currency positions are managed actively. This means that short-term deviations from the stated percentage rates may be made by investing in various types of currency derivative. The active management of currency positions is limited in such a way that currency hedging of equity and private equity investments in other currencies than Swedish kronor may vary between 0% and 100%.

This currency hedging strategy means that at the end of 2007 the amount hedged was equivalent to 29% of the assets denominated in foreign currencies and to 23% of the total capital of the Fund.

Derivatives and borrowing and lending of shares
The Premium Choice Fund's investments are based on spot markets. However, derivatives can be used in situations where they will help to further improve the management of the Fund or protect it against unwanted risk exposure. Equities may be lent if this helps to improve the return. The Fund rules contain specific limits and collateral requirements for the use of derivatives and the lending of shares. In 2007 derivatives were only used to a limited extent. There was no lending of shares. There was some borrowing of shares for the purposes of short selling.

Management fee

The Premium Choice Fund pays the Seventh AP Fund a management fee. The Fund is debited 1/365th part of the estimated annual fee daily.

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The fee covers the cost of management, administration, accounting, safekeeping of securities, information, supervision etc.

During the first quarter of 2007 the fee amounted to 0.5% per year of the Fund's assets. According to an agreement with the Premium Pensions Authority (PPM), the Seventh AP Fund granted PPM a discount on the management fee. For this discount PPM bought new units in the Fund on behalf of premium pension savers. The size of the discount depended on the amount of the fee and also on how much capital the Fund had under management. As far as pension savers are concerned, this meant that in the first quarter of 2007 the net fee after the discount was 0.29%.

As the discount was re-invested after a significant elapse of time, pension savers lost the fund income based on the discount during the interval between the time the gross fee was withdrawn and when the discount was re-invested.

As of 1 April 2007 PPM's discount system was altered to make it possible to reduce the fee to 0.15% per year of the Fund's assets, thereby not being covered by the discount system. As far as pension savers in the Premium Choice Fund are concerned this means that only 1/365th part of the net fee of 0.15% per year is withdrawn from the Fund each day.

The Premium Choice Fund is debited direct for transaction costs such as broker's commissions and fees to custodial banks for security transactions. These costs are not included in the management fee.

Return

Calculation model

The Premium Choice Fund's return and risk are measured on the basis of daily valuations of the Fund's assets, which are performed using two different models:

- The first valuation model is used to determine the Fund's NAV (Net Asset Value) that is used for purchases and redemptions of units in the fund. The management fee that the Premium Choice Fund pays to the Seventh AP Fund is deducted from this value. The NAV is determined on the basis of the prices of the Fund's investments at 4.00 pm Swedish time. The calculation made on the basis of changes in the NAV reflects the change in value from the pension savers' perspective.
- The second model is used for following up the Fund's performance in relation to its benchmark index. The valuation is therefore made in accordance with the same principles as those used for determining the value of the benchmark index. The management fee paid by the Premium Choice Fund to the Seventh

AP Fund is not deducted. This model uses the prices of the Fund's assets that are listed at the close of each market where the Fund's assets are listed.

In 2007, the methods applied by financial enterprises to value their unlisted securities have attracted interest in the public debate. The Premium Choice Fund's assets consist for the most part of listed securities. Valuation models that ensure a robust valuation of their value are used for the unlisted securities.

Return from the savers' perspective

The return earned by the Premium Choice Fund in 2007 was 7.7%, measured according to the NAV model.

During the five-year period 2003-2007 the Premium Choice Fund earned a return of 101.4%. Over the same period the return on the Seventh AP Fund's PPM Index was 99.9%. The return earned by the Premium Choice Fund thus exceeded the PPM Index, but not by enough to achieve its performance target. The change in the strategic distribution of assets during the

first half of 2007, including the introduction of shares in emerging markets as a separate class of asset, means that the Fund's expected return has increased.

Return in relation to benchmark index

The operative target for active management in 2007 was to outperform the Fund's benchmark index by at least 0.5 percentage points. This comparison is made for returns measured according to the closing-price model. Measured in this way, the Premium Choice Fund's return in 2007 was 8.4% while that of the benchmark index was 8.1%. The Premium Choice Fund's return thus exceeded the benchmark index by 0.3 percentage points during the year.

The return and active return (return in relation to respective index) for the various types of asset are shown in the following table.

Type of asset	Return	Active return
Swedish equities	- 3.5 %	0.4 procentenheter
Emerging market equities	21.4 %	1.1 procentenheter
Global equities without hedging	3.9 %	0.9 procentenheter
Currency hedging	0.8 %	- 0.1 procentenheter
Active currency management	0.3 %	0.3 procentenheter
Private equity (listed holdings)	2.3 %	- 4.3 procentenheter

Since the various types of asset have different weightings in the total portfolio they contribute different amounts to the total return. The contributions to the total return were as follows.

Type of asset	Bidrag till totalavkastning	Bidrag till aktiv avkastning totalt
Swedish equities	- 0.9 procentenheter	0.1 procentenhet
Emerging market equities	5.8 procentenheter	0.2 procentenheter
Global equities without hedging	2.7 procentenheter	0.4 procentenheter
Currency hedging	0.4 procentenheter	0.0 procentenheter
Active currency management	0.1 procentenheter	0.1 procentenheter
Private equity (listed holdings)	0.3 procentenheter	- 0.5 procentenheter
Total	8.4 %	0.3 procentenheter

Morningstar rating

The independent equity research company Morningstar has given the Premium Choice Fund the highest rating, five stars out of a possible five.

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Benchmark index

The benchmark index consists of a weighted index of the various benchmarks for the sub-portfolios based on the weighting of each sub-portfolio in the standard portfolio, account also being taken of any currency hedging. The following benchmark indices are used:

Portfolio	Benchmark index
Swedish equities	SBX Stockholmsbörsen's benchmark index
Emerging markets Equities	FTSE Emerging Index (gross)
Global equities	
Europe	FTSE All World Index Europe (net)
North & South America	FTSE World Index Americas (gross)
Japan	FTSE World Index Japan (gross)
Southeast Asia/Oceania	FTSE World Index Asia Pacific excl. Japan (gross)
Private equity	FTSE All World Index (Europe net, elsewhere gross) Rose by 4 percentage points per year *

(net) = including re-invested dividends after deduction of tax payable at source on dividends

(gross) = including re-invested dividends without deduction of tax payable at source on dividends

* Before 15 May 2007 FTSE All World Index

Fund's ten largest holdings as % of fund capital at year-end 2007

(excluding investments in unlisted private equity funds)

Emerging Markets Note KBC	6.2
Emerging Markets Note Lloyds	6.2
Emerging Markets Note Svensk Exportkredit	6.2
Emerging Markets Note Goldman Sachs	3.1
Note JPM Chase 1 (FTSE ET50)	1.8
Investor	1.6
Hennes & Mauritz	1.5
Nordea	1.4
Ericsson	1.4
Note JPM Chase 2 (FTSE ET50)	1.3
Total ten largest holdings	30.7

Geographical distribution of investments as % of fund capital at year-end 2007

Europe	27
America	23
Sweden	21
Emerging markets	21
Japan	4
Southeast Asia and Oceania	4
Total	100

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Key ratios	2007	2006	2005	2004	2003
Fund capital (SEK)	2,637,799,215	2,270,301,412	1,694,603,059	1,190,334,274	924,328,401
Number of units in issue	24,304,510.9304	22,538,505.3825	18,783,954.4286	16,844,514.4239	14,338,038.0435
Price of units (SEK)	108.51	100.73	90.17	70.64	64.44
Management fee (SEK '000)	5,636	9,732	7,550	5,734	4,113
Calculated return & risk, NAV model					
Total return, Premium Choice Fund (%)	7.7	11.7	27.7	9.6	19.6
Total return, Seventh AP Fund's PPM Index (%)	5.8	13.0	32.3	8.8	16.2
Total risk, Premium Choice Fund (standard deviation, %)	13.4	10.0	8.5	10.5	16.0
Total risk, Seventh AP Fund's PPM Index (standard deviation, %)	12.4	11.7	8.0	10.1	14.5
Return and risk, closing price model					
Total return, Premium Choice Fund (%)	8.4	12.0	28.2	10.5	21.2
Total return Benchmark index (%)	8.1	11.9	27.2	11.7	21.4
Total risk, Premium Choice Fund (standard deviation, %)	13.1	10.3	7.7	9.7	15.1
Total risk, Benchmark index (standard deviation, %)	13.7	10.6	8.0	9.8	15.4
Sharpe ratio	0.4	1.0	3.5	0.8	1.2
Active risk (%)	1.1	0.7	0.7	0.7	1.2
Information ratio	0.3	0.2	1.3	-1.8	-0.2
Turnover rate (%)	65.4	32.6	25.6	43.1	24.5
Costs					
Management fee (%) ¹⁾	0.18	0.29	0.30	0.32	0.25
Total cost ratio (TCR, %) ¹⁾	0.37	0.42	0.50	0.61	0.57
Total cost ratio (TCR) including alternative investments (%)	0.42	0.44	0.52	0.63	-
Total expense ratio (TER, %)	0.18	0.29	0.30	0.52	0.25
Transaction costs (SEK '000)	3,439	2,469	2,872	3,270	2,591
Transaction costs, proportion of turnover (%)	0.10	0.15	0.33	0.26	0.44

¹⁾ The Fund was included in PPM's discount system until 31 March 2007. Cost figures relate, where applicable, to net fees after the PPM discount.

Definitions

Return and risk calculations: the Premium Choice Fund's return and risk are calculated in two ways. The first method reflects the growth in value seen from the pension savers' perspective and is based on the Fund's NAV (Net Asset Value), which is used for purchase and redemption of units. With this method, the return is stated after deduction of the management fee that the Premium Choice Fund pays to the Seventh AP Fund, but without taking into account the reinvestment of the discount made by PPM on behalf of savers. A comparison is made with the Seventh AP Fund's PPM Index. When determining the NAV, the prices of the Fund's assets at 4.00 pm Swedish time are used. With the other method, which is used in comparisons with the Fund's benchmark index, the return is shown before deduction of the management fee that the Premium Choice Fund pays to the Seventh AP Fund. The valuation based on this model uses the prices of the Fund's assets that are listed at the close of each of the markets where the Fund's assets are listed.

Seventh AP Fund's PPM Index: Indicates the capital-weighted average of all funds within the PPM system that are open for active choice. The weightings correspond to the proportion of the premium pension capital invested in each fund.

Standard deviation: Indicates the magnitude of the fluctuations in the return and the index around the mean.

Sharpe ratio: A measure of the risk-adjusted return that indicates the return per unit of risk (risk = standard deviation). The

Sharpe ratio is calculated as the portfolio return less the risk-free return divided by the standard deviation. For example: If the annual return is 10%, the risk-free return 4% and the standard deviation 15%, the Sharpe ratio will be $((10-4)/15) = 0.4$. This means that we earn a return of 0.4% per unit of risk.

Active risk: A measure of how much a portfolio deviates from its benchmark index. The day-to-day return on a portfolio is compared with the day-to-day return for the corresponding index. The standard deviation for this difference is a measure of the active risk. The lower the standard deviation the lower the active risk. A low active risk means that the weighting of each individual security in the portfolio is roughly the same as the weighting of the security in the index. The return on a portfolio with a low active risk will most probably be the same as the return on the index. A high active risk means that the weighting of each individual security in the portfolio deviates from its weighting in the index. The return on a portfolio with a high active risk can be considerably higher or lower than the return on the index.

Information ratio: A measure of whether the risk exposure that is shown by the active risk has made a positive contribution to the portfolio's return. A positive information ratio indicates that the portfolio has earned a higher return than the index. The higher the positive figure, the greater the excess return (portfolio's return less index return) per unit of risk. If the information ratio is negative, the return on the portfolio has been lower than the index. The information ratio is calculated by dividing the portfolio's relative return by its active risk. By the portfolio's rela-

tive return is meant the return earned on the portfolio during the period in question less the return on the index during the same period.

Turnover rate: Measures how many times securities have been bought or sold in relation to the value of the Fund. It is calculated by dividing the lowest value of the sum of bought and the sum of sold securities during the period by the average value of the Fund, stated as a percentage.

Total cost ratio (TCR): The sum of the Fund's costs including transaction costs on the purchase and sale of securities. TCR is expressed as a percentage of the average value of the Fund. Both TCR before and TCR after the PPM discount are stated. The PPM discount is described in greater detail in the report of the directors.

Total cost ratio (TCR) including alternative investments: Calculated in the same way as TCR before the PPM discount (see above), but it also includes the costs of the limited partnerships through which the bulk of the alternative investments are channelled.

Total expense ratio (TER): Calculated as TCR (see above) but exclusive of transaction costs associated with the purchase and sale of securities.

Transaction costs: Commissions paid to the broker and transaction fees paid to the deposit bank.

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Balance sheet

All amounts in SEK '000

	31 December 2007		31 December 2006	
Assets				
Financial instruments with positive market value (Note 1)	2,711,625	102.8%	2,285,183	100.7%
Cash at bank and other liquid funds	21,285	0.8%	16,652	0.7%
Current receivables	11,487	0.4%	12,202	0.5%
Total assets	2,744,397	104.0%	2,314,037	101.9%
Liabilities				
Financial instruments with negative market value (Note 2)	47,835	1.8%	21,329	0.9%
Other current liabilities	58,763	2.2%	22,407	1.0%
Total liabilities	106,598	4.0%	43,736	1.9%
Value of Fund (Note 3)	2,637,799	100%	2,270,301	100%
Memorandum items (Note 12)	122,495	4.6%	49,069	2.2%

Income statement

All amounts in SEK '000

	2007	2006
Income and change in value		
Change in value of equity-related instruments (Note 4)	115,562	130,181
Change in value of fixed income related instruments (Note 5)	-10	770
Interest income (Note 6)	2,815	4,073
Dividends (Note 7)	47,341	40,667
Currency gains and losses, net (Note 8)	11,560	52,336
Other income (Note 9)	508	134
Total income and change in value	177,776	228,161
Costs		
Management costs (Note 10)	-5,636	-9,732
Other costs (Note 11)	-1,123	-1,119
Total costs	-6,759	-10,851
Net profit for the year	171,017	217,310

Accounting principles

The Fund's annual report is made up in accordance with the Investment Funds Act and Finansinspektionen's ordinances and general recommendations.

Financial instruments are valued at fair value. Instruments listed on an authorised stock market are valued at 4.00 pm at their latest transaction price on the final trading day of the year. Notes, whose value is determined by change in given indices, are valued on the basis of information from the index supplier. Unlisted, equity-related holdings, which consist of indirect investments in private equity funds and hedge funds, are valued on the basis of the latest available estimate of their fair value made by their managers. Fixed-income securities are valued at the latest transaction price at 4.00 pm on the final trading day of the financial year. Currency derivatives are valued on the basis of the latest exchange rates at 4.00 pm on the final trading day of the financial year.

The average method is used for calculating capital gains and losses.

Lent securities are still stated in the balance sheet and included as pledged assets within the line. Borrowed securities are not stated in the balance sheet but are included within the line. Premiums received or accrued are stated as interest income. Paid and accrued premiums (interest paid) for borrowed securities are stated under other costs.

Tax

The Premium Choice Fund is not liable for taxation in Sweden. In the case of investments abroad, there may in some instances be a liability to pay tax in the form of "definitive tax at source" on dividends.

Annual report 2007 • Premium Choice Fund

Note 1 – Financial instruments with positive market value

All amounts in SEK '000	31 December 2007		31 December 2006	
Equity-related securities	2,553,801	96.8%	2,129,957	93.8%
Equity-related securities, unlisted	56,582	2.2%	29,360	1.3%
Interest-related securities	69,950	2.6%	85,582	3.8%
Equity derivatives	63	0.0%	58	0.0%
Currency derivatives	31,229	1.2%	40,226	1.8%
Total	2,711,625	102.8%	2,285,183	100.7%

Note 2 – Financial instruments with negative market value

All amounts in SEK '000	31 December 2007		31 December 2006	
Equity-related securities	29,531	1.1%	6,187	0.3%
Equity derivatives	9	0.0%	5	0.0%
Currency derivatives	18,275	0.7%	15,137	0.6%
Total	47,835	1.8%	21,329	0.9%

Note 3 – Changes in the value of the fund

All amounts in SEK '000	2007	2006
Opening value of fund	2,270,301	1,694,603
Units issued	268,899	409,493
Units redeemed	-72,418	-51,105
Net profit for the year according to income statement	171,017	217,310
Total	2,637,799	2,270,301

Note 4 – Specification of change in value of equity-related instruments

All amounts in SEK '000	2007	2006
Realised capital gains	246,728	70,706
Realised currency losses	-63,245	-5,496
Unrealised capital losses/gains	-68,322	211,781
Unrealised currency losses/gains	401	-146,810
Total	115,562	130,181

Note 5 – Specification of change in value of fixed income-related instruments

All amounts in SEK '000	2007	2006
Realised capital gains	102	6,525
Unrealised currency losses/gains	0	0
Unrealised capital losses	-112	-5,755
Unrealised currency gains	0	0
Total	-10	770

Note 6 – Specification of interest income

All amounts in SEK '000	2007	2006
Bonds	7	1,518
Short fixed income placements	2,413	1,995
Bank accounts	395	560
Total	2,815	4,073

Note 7 – Specification of dividends

All amounts in SEK '000	2007	2006
Dividend	49,757	42,934
Withholding tax	-2,790	-2,735
Reimbursement	374	468
Total	47,341	40,667

Note 8 – Specification of currency gains and losses, net

All amounts in SEK '000	2007	2006
Short fixed income placements	1,751	-1,205
Currency derivatives	13,988	55,438
Bank accounts	-4,179	-1,897
Total	11,560	52,336

Note 9 – Specification of other income

All amounts in SEK '000	2007	2006
Commission recapture	0	26
Other financial income	508	108
Total	508	134

Note 10 – Specification of management costs

Compensation to the Seventh AP Fund for management amounted to 0.5% annually during the first quarter and 0.15% per year on the Fund's capital for the rest of the year. For the 2007 financial year as a whole this results in a management cost of SEK 5,636,000 (9,732,000). The fee to the Seventh AP Fund includes compensation to the fiduciary custodian for custody and compensation to Finansinspektionen for supervision.

Note 11 – Specification of other costs

All amounts in SEK '000	2007	2006
Premiums, borrowing of shares	-253	-54
Transaction fees Nordea/Bank of NY	-835	-1,044
Other bank charges	-35	-21
Total	-1,123	-1,119

The commission paid, which is reported together with changes in the value of equity-related instruments, amounts to **SEK 2,371,000** (1,376,000) for 2007 as a whole.

Note 12 – Memorandum items

All amounts in SEK '000	31 December 2007	31 December 2006
Borrowed securities and collateral provided		
Borrowed securities	96,307	32,156
Collateral pledged for borrowed securities	0	0
Collateral pledged for derivative trading	2,934	3,206
Outstanding commitments		
Investments in Private Equity funds	119,561	45,863

The specification of holdings of securities has been omitted from this printed annual report. The list is available at www.ap7.se and may also be obtained from the Seventh AP Fund.

Annual report 2007 • Premium Choice Fund

Audit report

Seventh AP Fund's Premium Choice Fund

Co. Reg. No. 504400-8240

In our capacity as auditors of the Seventh AP Fund we have examined the annual report for the Premium Choice Fund for 2007. Our audit was performed in accordance with generally accepted auditing standards in Sweden.

The annual report is made up in accordance with the Act Concerning the AP Funds and the rules in the Investment Funds Act as specifically referred to in the AP Funds Act. The annual report thus provides a true and fair picture of the Fund's financial result and position in accordance with generally accepted accounting standards in Sweden.

In our audit we found no grounds for qualifying this annual report, the accounting records or the management in general.

STOCKHOLM, 6 FEBRUARY 2008

ANDERS BÄCKSTRÖM

Authorised public accountant

Appointed by the government

ANNA HESSELMAN

Authorised public accountant

Appointed by the government

This audit report relates to the Annual Report for the Premium Choice Fund (pages 27–32).

Annual report 2007 • Seventh AP Fund

COMPANY REGISTRATION NUMBER: 802406-2302

Report of the directors

The role of the Seventh AP Fund in the general pension system

The general pension system involves a proportion of the pension premiums being allocated to premium pensions and managed in mutual funds on the basis of each saver's individual choice. The Premium Pension System is administered by the state Premium Pension Authority (PPM), which functions just like a unit-link insurance company. The Seventh AP Fund, which is also a government authority, functions within this system as a fund company that manages mutual funds. For those individuals who refrain from choosing any other fund in the premium pension system, the fund capital is invested by the PPM in a special fund known as the Premium Savings Fund and managed by the Seventh AP Fund. The Seventh AP Fund also manages a second fund, the Premium Choice Fund, which can be chosen in the same way as other funds within the premium pension system. The Premium Savings Fund and the Premium Choice Fund are intended solely for premium-pension capital and are not open for any other type of saving.

The Seventh AP Fund's asset management activities began in connection with the first choice of funds within the premium pension system in the autumn of 2000. Since then, capital has been allocated each year to the Premium Savings Fund and the Premium Choice Fund, when the PPM has allocated each year's new premium pension capital to the funds. The two funds have also received additional capital mainly in the form of re-investments by the PPM of the discount it receives on the management fee. In 2007 PPM allocated premium pension capital for 2006. In total the assets under management increased by around MSEK 9,900 (17,200 in 2006; the comparative figure relates to two annual cohorts of invested premium pension rights) via the purchase of units in both the funds.

Withdrawals of capital as a result of units being redeemed when premium pension savers switched to other funds amounted to some MSEK 4,500 (2,800) during the year. At the end of 2007 the Seventh AP Fund had total assets under management of some MSEK 90,000 (81,100), of which approx. MSEK 87,400 (78,900), or 97.1% (97.1%) was in the Premium Savings Fund and approx. MSEK 2,600 (2,300), or 2.9% (2.8%), in the Premium Choice Fund.

Separate annual reports for Premium Savings Fund and Premium Choice Fund

The asset management activities of the Premium Savings Fund and the Premium Choice Fund are described in separate annual reports published by these funds. This Report of the Directors relates to the activities of the fund manager, the Seventh AP Fund.

External services

The Seventh AP Fund has a relatively small but highly qualified permanent organisation. External resources are also engaged in those areas where it is appropriate to ensure a high level of competence, low costs and low exposure. This model means that it is important for the permanent organisation to act as a qualified customer and maintain effective day-to-day control over the quality and costs of the outsourced functions.

Since a high proportion of the capital is managed by external managers, the Seventh AP Fund devotes a great deal of attention to systematically monitoring their performance. All the portfolio managers are visited twice a year, when their management results and administrative procedures are evaluated. After three years an in-depth evaluation is made of each manager.

A round of public procurement of external equity managers took place in connection with the start of the asset management in 2000. In accordance with the Act on Public Procurement all external equity managers were once again asked to submit a tender via public procurement in 2006. The outcome of the process was that contracts were signed in 2007 with the following managers.

- State Street Global Advisors, London (index management of equities in Sweden, Europe and America; extension of existing contract)
- Northern Trust, Chicago (index management of equities in Europe and USA; new contract)
- Svenska Handelsbanken (index management of equities in Sweden; new contract)
- Danske Capital Sweden, Stockholm (separated alpha management of Swedish equities, new contract)
- Nomura Asset Management, London/Tokyo (active equities management in Japan; extension of existing contract, and active equities management in Southeast Asia/Oceania, new contract)
- Schroder Investment Management, Singapore (active equities management in Southeast Asia/Oceania, extension of existing contract)
- Société Générale, Paris/Tokyo (active equities management in Japan, new contract)

A contract will be signed with one more manager during the course of 2008.

In 2006 a public procurement process also began for managers for active management of currency hedging positions in the Premium Savings Fund and Premium Choice Fund. This process was concluded at the beginning of 2007, when contracts were signed with the following managers:

- IPM, Stockholm
- Lee Overlay Partners, Dublin

Review of strategic capital allocation

Every third year the Seventh AP Fund conducts an in-depth review of the strategic capital allocation in the Premium Savings Fund and Premium Choice Fund. Such a review is based partly on an in-depth ALM study (Asset Liability Management). One such ALM study was carried out in 2006 and served as a basis for a decision made at the beginning of 2007 on alterations to the strategic allocation of assets. The implications of these alterations are described in the reports of the directors for the Premium Savings Fund and the Premium Choice Fund.

Lower management fees

The Seventh AP Fund's income consists of the management fees withdrawn from the assets of the Premium Savings Fund and the Premium Choice Fund. According to its agreement with PPM, THE Seventh AP Fund shall grant PPM a discount on its management fee, for which PPM purchases, after a lapse of one year, new fund units on behalf of its pension savers. The amount of the discount depends partly on the size of the fee and partly on the volume of assets managed.

Ever since inception the management fee has been 0.5% per year of the value of the assets of both the Premium Savings Fund and the Premium Choice Fund. In recent years, the discount has amounted to some 0.35% per year for the Premium Savings Fund and to some 0.20% per year for the Premium Choice Fund. PPM's discount system was altered with effect from 1 April 2007, to the effect that the system no longer includes funds fees of less than 0.15% per year. The Seventh AP Fund therefore decided to lower the management fees for the Premium Savings Fund and the Premium Choice Fund from 0.5% to 0.15% per year respectively as of 1 April 2007. For savers in the Premium Savings Fund the reduction means that they will no pay a fee that is the same as the previous net fee after the

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discount. The benefit is that there is no time lag before PPM re-invests the discount. For savers with the Premium Choice Fund, it also means an actual reduction in the fee as the net fee after the discount previously amounted to 0.29% per year.

Shareholder issues

An ownership policy for the Seventh AP Fund is adopted every year as part of the business plan. This policy lays down guidelines as to how the Seventh AP Fund shall exercise the ownership function that accompanies the ownership of shares by the Premium Savings Fund and the Premium Choice Fund, one constraint being that, according to the AP Funds Act, the Seventh AP Fund may only exercise its voting rights for Swedish shares in certain exceptional cases.

Board procedures

In 2007 the board held six meetings. In connection with one of the meetings there was also a board seminar on strategic issues for the Seventh AP Fund and a visit to the external equities manager for Japan, Société Générale Asset Management.

The Board has set up an executive committee consisting of the chairman, deputy chairman and managing director. The executive committee prepares business for meetings of the Board and makes decisions on business delegated to it by the Board. An Investment Council has been set up to provide support and advice for the managing director on various business decisions and as an advisory organ for the internal portfolio managers. In 2007 the Investment Council consisted of four Board members and two external members. Over and above this, the Board has not set up any committees or working groups from among its members.

In 2007 the auditors attended three of the board meetings, at one of which the Board met the auditors without any fund employee being present.

In 2007 the board made an assessment of its operating procedures, which involved structured one-to-one discussions between the chairman and deputy chairman and each member of the board. The assessment indicated that the Board was functioning well.

Management functions

For general issues not relating to capital management the Seventh AP Fund has a management group, consisting in 2007 of three members (two men and one woman): the managing director, the deputy managing director and the administrative manager.

For capital management there is an investment committee, which in 2007 consisted of

three members (all men): the managing director, the deputy managing director in his capacity as head of the management group, and the fund administration manager.

Personnel

For much of 2007 the number of established employees was seventeen (six women and 11 men). One person (male) left the Seventh AP Fund at the end of 2007.

Total sick leave during the year was 0.5% (0.1%) of the employees' aggregate working hours, of which 0.0% for men (0.0%) and 1.5% (0.4%) for women. There was no long-term sick leave (60 days or more).

Result

The result in the form of the return earned by the Premium Savings Fund and the Premium Choice Fund is presented in the annual reports of these funds.

In 2007 the Seventh AP Fund's gross operating income amounted to SEK 127,097,000 (99,737,000) after discounts to PPM. Costs, including net interest, amounted to SEK 116,894,000 (99,108,000). The Seventh AP Fund's result for 2007 was consequently a profit of SEK 10,203,000 (629,000). The accumulated loss at the end of the year thus amounted to SEK 139,397,000 (149,600,000).

The Seventh AP Fund's earnings depend solely on the volume of assets under management, while around half its costs do so. The capital-based costs consist of fees to external asset managers and to the custodian bank. Since the capital under management increased in 2007, the Seventh AP Fund's income and capital-based costs also rose in relation to 2006. Otherwise, the cost increases were only marginal. All in all, the effect of this was that the profit improved by around MSEK 9.6 in relation to the previous year.

Result and financing forecast

The costs of the Seventh AP Fund's activities shall be covered by management fees drawn from the assets under management in the Premium Savings Fund and the Premium Choice Fund. The cost of building up the business is to be periodised over several years in order not to charge a disproportionate amount against any individual annual cohort of premium pension savers. This means that the Seventh AP Fund authority incurred losses from inception and until 2004, since when it has earned a profit each year. To finance the accumulated losses, the Seventh AP Fund has access to credits from the Swedish National Debt Office. In accordance with a government decision, the Seventh AP Fund has

at its disposal in 2008 an interest-bearing account on which credits of up to MSEK 150 could be drawn, along with loans of up to MSEK 5 to finance fixed assets.

An estimate made on the basis of various assumptions about inflow and outflow of capital, return, cost trends etc. shows that the Seventh AP Fund's annual result will improve successively. This means that the accumulated deficit will steadily decline, and eventually be entirely eliminated by 2015. For the years thereafter estimates show that unchanged management fees can result in a sharply growing retained surplus, which could permit a reduction in the management fees.

The forecast is less certain than in previous years. This is mainly since the new contracts that the Seventh AP Fund has signed with external managers include performance fees. This means that if the managers exceed certain given yield targets they will be entitled to charge higher fees in the form of a capped share in excess return. These higher fees will be paid by the "fund manager" – the Seventh AP Fund, while the higher return underlying the higher fees will accrue to savers with the Premium Savings Fund and the Premium Choice Fund.

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Income statement

All amounts in SEK '000

	2007	2006
Operating income		
Management fees	197,286	346,276
Less discount to PPM	<u>-70,487</u>	<u>-246,719</u>
Other operating income	298	99,557
		180
Operating costs		
Personnel costs (Note 1)	-27,891	-26,094
Other operating costs (Note 2)	-85,232	-71,169
Operating profit	13,974	2,474
Financial income and costs		
Interest income	548	1,081
Interest costs	-4,319	-2,926
Profit after financial income and costs	10,203	629
Net profit for the year (Note 3)	10,203	629

Balance sheet

All amounts in SEK '000

	31 December 2007	31 December 2006
Assets		
<i>Fixed assets</i>		
Equipment (Note 4)	1,291	919
Total fixed assets	1,291	919
<i>Current assets</i>		
Other current receivables	0	1,672
Prepaid costs and accrued income (Note 5)	12,108	34,478
Cash and bank	9,120	27,699
Total current assets	21,228	63,849
Total assets	22,519	64,768
Equity and liabilities		
<i>Equity</i>		
Accumulated losses	-149,600	-150,229
Net profit/loss for the year	10,203	629
Total equity	-139,397	-149,600
<i>Liabilities</i>		
Credits from Swedish National Debt Office (Note 6)	138,690	128,957
Liabilities to suppliers	2,280	1,129
Other liabilities	1,142	992
Accrued costs and deferred income (Note 7)	19,804	83,290
Total liabilities	161,916	214,368
Total equity and liabilities	22,519	64,768
Pledged assets	None	None
Contingent liabilities	None	None

Accounting principles

The Seventh AP Fund complies with the rules in the AP Funds Act (2000:192).

The PPM discount is stated as a negative item under income since it represents a significant part of gross income and is beyond the Seventh AP Fund's control.

Equipment is capitalised and depreciated according to plan over three years in the case of computer equipment and five years for other equipment. Receivables are stated at the value that is expected to be received.

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Note 1 – Personnel costs

All amounts in SEK' 000	2007	2006
Number of employees		
Average number of employees	17	15
Employees 31 December	16	15
Number of employees in management group/- investment committee	4	4
Salaries and fees		
Chairman	125	125
Managing director	2,986	2,878
The board excl. chairman	500	500
Management group/investment committee excl. managing director	4,091	3,905
Other employees	9,046	7,718
Total	16,748	15,126
Pension costs		
Managing director	942	973
Management group/investment committee excl. managing director	1,502	1,515
Other employees	1,451	1,787
Total	3,895	4,275
Social insurance costs		
Chairman	30	30
Managing director	1,221	1,185
Board excl. chairman	131	163
Management group/investment committee excl. managing director	1,736	1,663
Other employees	3,327	2,837
Total	6,445	5,878
Other personnel costs	803	815
Total personnel costs	27,891	26,094

The Seventh AP Fund applies the collective agreement between the Banking Employers' Organisation (BAO) and the Swedish Federation of Lawyers, Sociologists and Economists (JUSEK)/Swedish Association of Business Administration Graduates (CR)/Swedish Association of Graduate Engineers (CF) (Swedish Confederation of Professional Associations (SACO)).

No employees receive a salary that includes a variable component. The following conditions apply to the managing director and the deputy managing director: the retirement age is 65; they are exempted from the pension plan that applies under the collective agreement, and instead receive individual pension insurances at a cost equivalent to 30% of their fixed salary. The period of notice is 6 months. If notice is given by the employer, severance pay equivalent to the fixed monthly salary is provided for 18 months after the period of notice. Severance pay is netted against any other salary or income from business.

The Board fee is determined by the government. Over and above the fee determined by the government, a total of SEK 100,000 has been paid to board members who are also members of the executive committee or the Investment Council.

Note 2 – Other operating costs

All amounts in SEK' 000	2007	2006
Auditing	1,309	1,304
External managers and fiduciary custodian	56,450	49,097
External services	17,026	13,178
Other costs	9,700	6,635
Depreciation according to plan	747	955
Total other costs	85,232	71,169
Fees to audit companies		
Auditing		
Öhrlings PricewaterhouseCoopers	913	808
KPMG	400	164
Deloitte	- 4	332
Total auditing	1,309	1,304

Note 3 – Breakdown of the Seventh AP Fund's costs and income between Premium Savings Fund and Premium Choice Fund

According to Chapers 5 §1 of the AP Funds Act (2000:192) the Seventh AP Fund is entitled to draw funds from both the Premium Savings Fund and the Premium Choice Fund to cover the management costs incurred on behalf of each fund. If the costs relate to both the Premium Savings Fund and the Premium Choice Fund, they shall be allocated in a reasonable manner.

The Seventh AP Fund draws its fee from the Premium Savings Fund and the Premium Choice Fund in the form of the management fees each fund pays to the Seventh AP Fund. These fees are stated as income by the Seventh AP Fund. The following table shows how the Seventh AP Fund's income and costs have been allocated to the respective fund. The allocation of common costs is based on the average value of each fund's assets. In 2007 97% (97%) were attributable to the Premium Savings Fund and 3% (3%) to the Premium Choice Fund.

All amounts in SEK' 000	Premium Savings Fund	Premium Choice Fund	Total
Income			
Management fees	191,650	5,636	197,286
Less discount to PPM	-69,229	122,421	-1,258
Allocated common income	822	25	847
Total income	123,243	4,403	127,646
Costs			
Specific costs	-51,470	-4,980	-56,450
Allocated common costs	-59,163	-1,830	-60,993
Total costs	-110,633	-6,810	-117,443
Profit/loss for the year	12,610	- 2,407	10,203
Opening accumulated losses	-149,709	109	-149,600
Closing accumulated losses	-137,099	- 2,298	-139,397

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Note 4 – Equipment

<i>All amounts in SEK '000</i>	31 December 2007	31 December 2006
Opening acquisition value	19,508	19,302
Purchases	1,119	206
Closing accumulated acquisition value	20,627	19,508
Opening depreciation	-18,589	-17,634
Depreciation during the year	-747	-955
Closing accumulated depreciation	-19,336	-18,589
Closing book value	1,291	919

Note 5 – Prepaid costs and accrued income

<i>All amounts in SEK '000</i>	31 December 2007	31 December 2006
Accrued fund fees, gross	10,402	32,700
Other	1,706	1,778
Total prepaid costs and accrued income	12,108	34,478

Note 6 – Credits from the Swedish National Debt Office

<i>All amounts in SEK '000</i>	31 December 2007		31 December 2006	
	Total limit	Drawn	Total limit	Drawn
Check account credit	150,000	137,825	200,000	127,339
Loan for financing of fixed assets	5,000	865	5,000	1,618
Total credits from the Swedish National Debt Office	155,000	138,690	205,000	128,957

Loans for financing fixed assets have the same duration as the depreciation period for the assets being financed. The rates of interest on the check account credit and the loans for financing fixed assets are variable and based on the repo rate. At the end of 2007 the interest rate was 4.32%.

In 2008 the Seventh AP Fund will have at its disposal an interest-bearing account with a credit limit of MSEK 150 and a loan limit of MSEK 5 for financing fixed assets.

Note 7 – Accrued costs and deferred income

<i>All amounts in SEK '000</i>	31 December 2007	31 December 2006
Accrued vacation pay and social insurance charges	3,799	3,170
Accrued PPM discount	0	66,301
Accrued cost of external managers and custodian bank	15,200	11,254
Other	805	2,565
Total accrued costs and deferred income	19,804	83,290

STOCKHOLM, 6 FEBRUARY 2008

BENGT RYDÉN
Chairman

PER-OLOF EDIN
Deputy chairman

REINHOLD GEIJER

LENA HAGMAN

MARI-ANN KRANTZ

LARS LINDER-ARONSON

HANS MERTZIG

KARIN MOBERG

CHRISTINA STRIBY

PETER NORMAN
Managing director

Our audit report was submitted on 6 February 2008

ANDERS BÄCKSTRÖM
Authorised public accountant
Appointed by the Government

ANNA HESSELMAN
Authorised public accountant
Appointed by the Government

Annual report 2007 • Seventh AP Fund

Report of the auditors

Seventh AP Fund

Co. Reg. No. 802406-2302

We have examined the annual report and the accounting records, as well as the administration by the board of the Seventh AP Fund for 2007. The board has responsibility for the accounting records and the administration and for the application of the AP Funds Act when making up the annual report. Our responsibility is to express our opinion on the annual report and the administration on the basis of our audit.

We have carried out our audit in accordance with generally accepted auditing standards in Sweden, which require us to plan and perform the audit so as to obtain reasonable assurance but not absolute certainty that the annual report is free from material misstatement. An audit includes examining a selection of the records supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles and their application by the Board, as well as assessing the material estimates and judgements made by the Board when making up the annual report and assessing the totality of the information in the annual report. We believe that our audit provides a reasonable basis for our opinion as set out below.

The annual report is made up in accordance with the Act concerning the AP Funds, and thus provides a true and fair picture of the Seventh AP Fund's financial result and position in accordance with generally accepted accounting practice in Sweden. The report of the directors is in agreement with the other sections in the annual report.

In our audit no grounds have emerged for qualifying this annual report, the income statement and balance sheet therein, the bookkeeping, the inventory of assets or the administration in general.

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

STOCKHOLM, 6 FEBRUARY 2008

ANDERS BÄCKSTRÖM
Authorised public accountant
Appointed by the Government

ANNA HESSELMAN
Authorised public accountant
Appointed by the Government

This audit report relates to the Annual Report for the Seventh AP Fund (pages 34–38).

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