



The board of
the Swedish Nuclear Waste Fund

Annual Report 2002



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the Swedish Nuclear Waste Fund

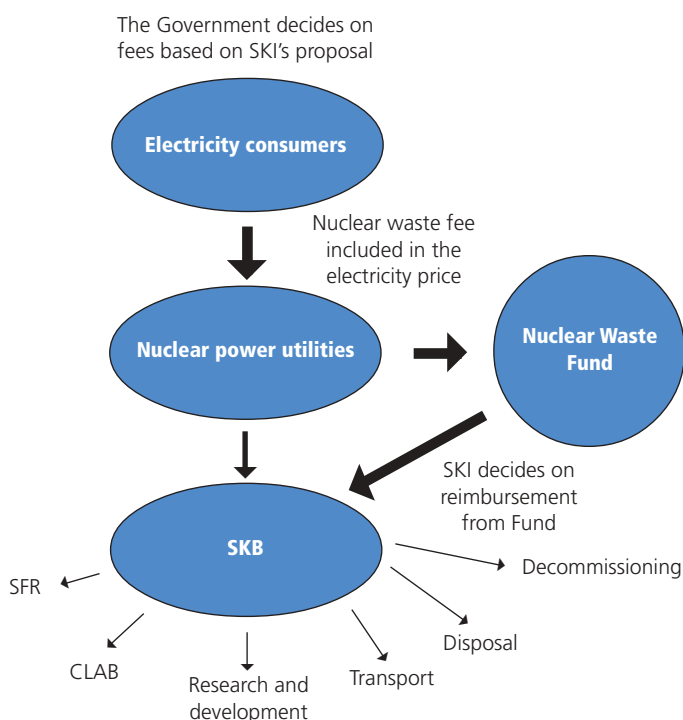
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Preface

In the early 1980's, the Swedish parliament resolved to implement a special financing system for the future expenses for the safe management of spent nuclear fuel and for the decommissioning and dismantling of nuclear reactors. In accordance with the financing system, nuclear power utilities pay a special fee to the Swedish state. The size of the fee is based on a certain amount per kWh of electricity delivered by the nuclear power plants. The nuclear power utilities are entitled to reimbursement, on a continuous basis, for any expenses which they have already incurred for measures to achieve the safe handling and disposal of spent nuclear fuel. The remainder of the funds are accumulated for future needs. In the late 1980's, a similar system was introduced for the financing of the management of certain radioactive waste from the research facility at Studsvik.

Previously, the funds were deposited in interest-bearing accounts at the Riksbank. Since 1996, the funds have been accumulated in the Nuclear Waste Fund and have been administered by the Board of the Nuclear Waste Fund. Every year, the Government decides the size of the fee while the Swedish Nuclear Power Inspectorate decides on the reimbursement of funds (however, certain minor amounts are decided by the Government).



The Legal, Financial and Administrative Services Agency performs administrative duties on behalf of the Board.

Some of the main features of the financing system are presented in the diagram below. For further details, visit the website of the Board of the Nuclear Waste Fund, www.karnavfallsfonden.se

The Board of the Swedish Nuclear Waste Fund, which is a government authority, must submit to the Government each year and no later than by April 1, the Administration Report along with the Income Statement and Balance Sheet.

During 2002, about SEK 644.1 million was paid into the Fund. Disbursements during the year amounted to about SEK 1,033.7 million, most of which comprised reimbursement to the reactor owners.

As of the time that both financing systems entered into force and up to 2002, about SEK 24,608.5 million was paid in to the Fund. At the same time, other income (mainly financial income in the form of interest and capital gains with a deduction for capital losses) amounted to about SEK 19,778.5 million. The expenses, largely in the form of reimbursement to the reactor owners, amounted to about SEK 14,957.3 million during the same period.

Thus, the assets of the Fund (the book value) amounted to about SEK 29,429.3 million at year-end 2002. In addition to this, unrealized gains on financial fixed assets amounted to about SEK 1,876.2 million. The market value of the Fund at year-end was therefore estimated at SEK 31,305.5 million. Of this amount, about SEK 503.5 million in provisions were made for the future expenses of the management of the waste from Studsvik. About SEK 30,623.8 million was allocated for the future expenses of waste from, and for the dismantling of the Swedish nuclear power reactors. The remaining amount concerns accrued fees from the reactor owners and the balance in the interest-bearing account at the National Debt Office. This amount has not yet been allocated for the two purposes.

The Board has set a target for the administration of the Fund for the period of 1996–2020 of an average real return on fund capital of no less than 4 %.

The administration report shows that the average real return on the capital, during the seven-year period of 1996 to 2002, was 6.4 % per year.

Furthermore, according to the Administration Report, the investment rules for the Nuclear Waste Fund were changed on July 1, 2002. The new rules mean that the Board, in addition to spot market investments and short-term deposits at the National Debt Office, can invest in the market for nominal rate bonds or in real interest rate bonds issued by the National Debt Office.

In connection with the transition to the investment rules that now apply from July 1, 2002, capital gains and interest income arose on real rate investments with zero coupons amounting to about SEK 2,300 million. The book value of the Fund's assets thereby increased at that time by this amount. The real rate investments which were made when the new investment rules were introduced resulted in an average real investment interest rate of 3.5 %, which was lower than before. In the Administration Report, the Board gives the overall assessment that the long-term return target of a minimum of 4 % on the book value of the capital for the period of 1996 to 2020 is still realistic. This assessment should be viewed in the light of the fact that the book value of the Fund is now considerably higher than before and that the average annual real return has amounted to 6.4 % over the past seven years.

The expenses that will be charged to the Nuclear Waste Fund over the next few years are affected, to a considerable degree, by the progress of the work on the final disposal of spent nuclear fuel during the next few years. Therefore, it is appropriate to briefly describe some of the main points of the time-schedule that SKB is now following. However, it should be emphasized that neither the Swedish parliament, the Government nor the nuclear regulatory authorities have so far adopted a position regarding this time-schedule.

Based on decisions made by councillors in Oskarshamn and Östhammar municipalities, the Swedish Nuclear Fuel and Waste Management Co. (SKB) initiated investigations during 2002 at two sites (in the Simpevarp area and the Forsmark area). The company expects to, no later than by 2006, apply for the necessary

permits to start the construction of a repository for spent nuclear fuel at one of these sites at around 2006. In SKB's assessment, it should be possible to conduct the licensing in connection with such an application between 2006 to 2008, to start the construction work in 2009 and to start operating a facility in 2015. According to plans, the disposal of spent nuclear fuel and of waste from the decommissioning of Swedish nuclear facilities is expected to be completed in the 2050's.

It must be added that it is difficult to specify exact deadlines for measures for nuclear waste managements including the decommissioning of nuclear facilities. The deadlines for such measures will be dependent on a combination of safety considerations and business assessments which, in turn, will be affected by the guidelines for energy policy decided by the Swedish Riksdag at different times. The most recent decisions on such guidelines were made at the end of June 2002. A negotiator at the Ministry of Industry, Employment and Communications is currently negotiating with the industry in order to prepare an agreement on a sustainable policy for the further reform of the energy system. According to the underlying bill and the negotiator's terms of reference, the aim of such an agreement is to "create favourable conditions for the commercially viable continued operation and successive phase-out of nuclear power, at the same time that other environmentally acceptable forms of electricity generation are commissioned and the electricity supply is secured".

The Board of the Nuclear Waste Fund is responsible for administering the Fund so that the requirements on an adequate return and an adequate liquidity are met. To meet these requirements, the Board must devote greater attention in its continued investment work to how it can best handle these unavoidable uncertainties with respect to the planning period.

Stockholm, March 2003


Chairman

Administration Report for the Swedish Nuclear Waste Fund, 2002

Summary

The present system of the administration of the Nuclear Waste Fund was introduced in 1996. Since 1981, funds have been accumulated from fees paid by the holders of licenses to own or operate nuclear power reactors, as long as the reactors are in operation. The Board of Governors of the Nuclear Waste Fund is appointed by the Government. In accordance with its terms of reference, the Board must collect the fees that are paid in accordance with the Act on the Financing of Future Expenses for Spent Nuclear Fuel etc. (1992:1537) and the Studsvik Act (1988:1597). The fees shall primarily finance the future expenses for spent nuclear fuel etc.

The investment rules for the Nuclear Waste Fund were changed on July 1, 2002 through an amendment of the Act on the Financing of Future Expenses for Spent Nuclear Fuel etc. Previously, the assets could only be deposited in accounts at the National Debt Office, either as spot market investments or on terms corresponding to quoted nominal or real interest rate government bonds.

The assets of the Fund are now to be invested in interest-bearing accounts at the National Debt Office or in promissory notes issued by the Swedish state. The Fund is now to be administered so that the requirements on an adequate return and an adequate liquidity are met.

In its investment strategy, the Board has specified that the aim for the Fund – in the light of the investment framework decided by the Government – should be an average annual real return, for the period of 1996 to 2020, of a minimum of 4 % of the fund capital.

At the end of 2002, real interest rate investments represented 89 % of the Fund. The duration of the portfolio was 12.3 years. As a result of the long duration and the large share of real interest rate bonds, the Board has secured an adequate real return on the accumulated funds for a long time in the future. In the seven years that the current fund administration

system has applied, the average annual real return on the Fund has been 6.4 %. The general interest rate situation entailed that the interest rate for new investments in real interest-rate bonds fell to about 3.0 % at the end of 2002. However, in spite of this, and bearing in mind the return achieved so far, the Board's opinion is that the real return target of a minimum of 4 % on the book value of the administered funds for the period of 1996 to 2020 can be reached. At the end of 2002, the market value of the assets in the Fund was SEK 31,305,528,463.

Background

Through the amendments to the Act on the Financing of Future Expenses for Spent Nuclear Fuel etc. (1992:1537), hereafter known as the Financing Act, and the Act on the Financing of the Management of Certain Radioactive Waste etc. (1988:1597), hereafter known as the Studsvik Act, which entered into force on January 1, 1996, the current system was introduced for the administration of the fees paid by the nuclear reactor owners on the basis of the Financing Act and the Studsvik Act.

According to the Financing Act, the holder of a license to own and operate a nuclear reactor (the reactor owner) shall, as long as the reactor is in operation, pay an annual fee to finance the management of spent nuclear fuel and other radioactive waste as well as certain other expenses. According to the law, the term "management" means the safe handling and final disposal of nuclear fuel used in the reactor and of any radioactive waste which originates from the reactor after the nuclear fuel and the nuclear waste have been removed from the facility, a safe decommissioning and dismantling of the reactor as well as the necessary research and development work to fulfill this obligation. The fee must also cover the expenses which are incurred by the state in this respect, including regulatory and supervisory activities and the necessary research to supplement the reactor owners' research and development work.


Olof Söderberg

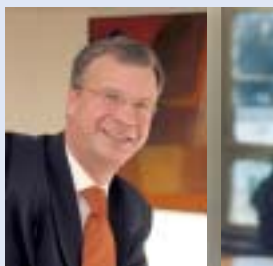
Born in 1935.
Doctor of Philosophy, former Deputy Director General and Special Advisor to the Government for Nuclear Waste Disposal. Chairman.


Ann Ahlberg

Born in 1939.
Bachelor of Science (Economics and Business).
Director, Vattenfall Treasury AB.


Ing-Marie Gren

Born in 1951.
Ph. D. in economics, Professor, Swedish University of Agricultural Sciences. Head of Environmental and Resources Economics Division, National Institute of Economics Research.


Jan Bengtsson

Born in 1958.
Bachelor of Science (Economics and Business),
Director, Sydkraft AB.


Sten Kottmeier

Born in 1939.
Bachelor of Science (Economics and Business), former Director, AMF Pension, Vice-Chairman.

Since 1996, these fees have been transferred to a special fund, the Swedish Nuclear Waste Fund.

The Fund is administered by the Board, which is a government authority. The authority is responsible for ensuring that the administration of the assets satisfies the requirements on a long-term adequate return and adequate liquidity. The Board's task is to administer the funds through a suitable combination of deposits in accounts at the National Debt Office and in nominal and real interest rate government bonds. The Board does not have any supervisory duties other than that of administering the funds and the underlying securities which must be provided by the reactor owners.

Members of the Board of Governors

The members of the Board of the Fund are appointed by the Government. The Board comprised the following members for the period up to and including the year 2002:

Deputy Director General Olof Söderberg,
Chairman
Director Sten Kottmeier, Vice-Chairman
Director Ann Ahlberg
Professor Lars Bergman
Director Åke Hugosson

The Government has appointed the following board members for the period of 2003 to 2004:

Former Deputy Director General Olof Söderberg,
Chairman
Director Sten Kottmeier, Vice-Chairman
Director Ann Ahlberg
Director Jan Bengtsson
Professor Ing-Marie Gren

New Investment Rules

Up to July 1, 2002, the assets in the Fund were to be deposited in accounts at the National Debt Office. These investments had to take the form of spot

market investments or investments at nominal or real interest rates on terms based on quoted interest rates and other terms for market-quoted nominal or real interest rate government bonds.

The investment rules for the Nuclear Waste Fund were changed on July 1, 2002, through an amendment of the Financing Act. According to the current wording of the Act, the assets in the Fund are to be deposited in interest-bearing accounts at the National Debt Office or invested in promissory notes issued by the state. This means that investments with maturities exceeding one year can no longer be made in the form of deposits in the National Debt Office and must be invested in the market in the form of ordinary government bonds. The Board has signed an agreement with the National Debt Office concerning spot market investments and short-term deposits of funds in accounts at the National Debt Office. Therefore, from July 1, 2002, the Board is applying the following investment options for the Fund.

- Spot market investment of funds through deposits in accounts at the National Debt Office, at nominal interest rates based on the repo rate.
- Short-term deposits at the National Debt Office with investment periods that can vary between one month and one year, at fixed interest rates.
- Investments in the market for treasury bills, nominal rate bonds or real interest rate bonds issued by the National Debt Office.

When the new investment rules entered into force, the Nuclear Waste Fund's investments consisted of deposits in accounts at the National Debt Office on terms corresponding to nominal and real interest rate government bonds as well as deposits in spot market accounts. In accordance with a government decision, the conversion to the new investment rules has been achieved so that the National Debt Office has replaced the Fund's bond-related account holdings with corresponding government bonds.

In connection with the transition to the new fund administration system, the National Debt Office issued new bonds in the loans that corresponded to the Nuclear Waste Fund's existing account deposits. In connection with the conversion, old investments were turned into liquid assets in accordance with a valuation based on the current valuation rates for account deposits. The liquid funds were used to

acquire the newly issued bonds at the market rates that applied.

According to the preparatory work for the amendment of the Act, the transition to the new investment rules would be achieved by retaining the interest rate return conditions already applying to existing investments. The transition would thus not affect the Nuclear Waste Fund's return.

The Proposal of the Nuclear Waste Fund to the Government that the Accumulated Funds Should Be Invested in the Financial Markets

The Board of the Nuclear Waste Fund wrote to the Government on October 11, 2000 and proposed that the Government should allow the accumulated funds to be invested on the financial markets. The reason was that the Board considered that, with a limited higher risk, a significantly greater expected return could be achieved if several types of assets and financial instruments were allowed. The document was subjected to a formal review and the Board examined the review statements. The Board subsequently proposed, in a new document to the Government on September 24, 2001, that portfolio theory studies in the form of ALM (Asset Liability Management/Modelling) should be performed in order to continue the preparation of the matter prior to a decision. In 2002, the Board has had contacts with the Government Offices which are still preparing the matter.

Market Value and Book Value

The market value of the Fund's assets is the value at a certain point in time if all of the assets were to be converted into liquid assets. The book value of the Fund at the same point in time includes instead the acquisition value, the annual appreciation with compensation for inflation and the accrued interest on the investments. The difference compared with the market value is that no unrealized value changes in existing investments are included. Both valuation methods mean that accumulated capital gains/losses which have arisen in connection with the early redemption of investments and sale of securities as well as accrued interest (incl. accrued inflation compensation on real rate investments) are included in the value of the Fund.

Under the old fund administration system which

applied up to and including 1995, the market value and the book value were the same, since the interest rate was determined each month on the basis of the government lending rate. Under the current system, the market value may differ from the book value, depending on how the market rate has changed since the time of investment. If the market rate has decreased, an unrealized gain arises when the market rate is compared with the book value. The gain corresponds to the discounted value of the difference, for the remaining maturity, between the investment rate and the current rate. If the market rate has increased, the relationship will be the reverse.

Method of Calculating the Share of the Fund Allotted to Each Reactor Owner

According to the Ordinance (1995:1548) of the Board, the annual report must be formulated in such a way that it shows the share of the Fund which is allotted to each reactor owner. The Board has decided to use the same methods as those applied to securities funds in order to keep track of the share of the Fund that is allotted to each reactor owner. Briefly described the method is as follows:

- Initially, a nominal value is determined for a share. Each reactor owner is allotted the number of shares corresponding to the reactor owner's balance at the time of the changeover to the new fund administration system.
- The market value of the balance of the Fund is determined on a regular basis (every week and at the end of each month). The market value of the financial fixed assets in the Fund, including accrued interest and spot market investments, divided by the number of shares, is the current value.
- Payment by and reimbursement to a reactor owner are made in the form of the "purchase/sale" of shares at the current value. In the case of payment, the number of shares held by the reactor owner increases and, in the case of reimbursement, the number decreases.
- The market value of the shares held by each reactor owner can be calculated on a current basis by multiplying the current number of shares held by the reactor owners by the current share value. The spread of the Fund among the reactor owners can also be calculated by dividing the number of shares held by each reactor owner by the total number of shares.
- The return on the Fund can be calculated on a current basis by measuring the change in the share value during the period.

Fee-based Income to the Fund

According to the Ordinance, the Board must collect the fees paid by the reactor owners in accordance with

the Financing Act. The size of the fee is set in relation to the energy delivered by the individual reactor owner and is decided by the Government on the basis of a proposal made by SKI. The fees were as follows (öre/kWh, 1 öre = SEK 0.01):

	2002	2001
Forsmarks Kraftgrupp AB	1.2	1.2
OKG AB (Oskarshamn)	0.5	0.6
Ringhals AB	0.8	1.0
Barsebäck Kraft AB	0.0	0.0

Furthermore, all reactor owners must pay a fee of 0.15 öre/kWh, in accordance with the Studsvik Act.

The following amounts were paid into the Fund (SEK):

	2002	2001
In accordance with the Financing Act	545 724 173	625 956 742
Forsmarks Kraftgrupp AB	276 200 844	274 006 188
OKG AB (Oskarshamn)	66 962 985	101 287 824
Ringhals AB	202 560 344	250 662 730
Barsebäck Kraft AB	0	0
In accordance with the Studsvik Act	98 404 504	103 814 950
Total	644 128 677	729 771 692

Disbursements Made from the Fund for Expenses Incurred

In accordance with its Ordinance, the Board must ensure that reimbursement requested by SKI is made to the reactor owners for expenses which are to be covered by the Fund. Furthermore, in accordance with special government decisions, compensation is paid to municipalities for information work in connection with investigations for the siting of a deep repository for spent nuclear fuel as well as certain other types of compensation. Thus, the Government has decided that the expenses for certain information work incurred by the county administrative boards of Kalmar and Uppsala Counties, the Swedish Nuclear Power Inspectorate and the Swedish Radiation Protection Authority as well as expenses for the Swedish National Council for Nuclear Waste – KASAM – and the Special Advisor to the Government for Nuclear Waste Disposal must be covered by the Fund.

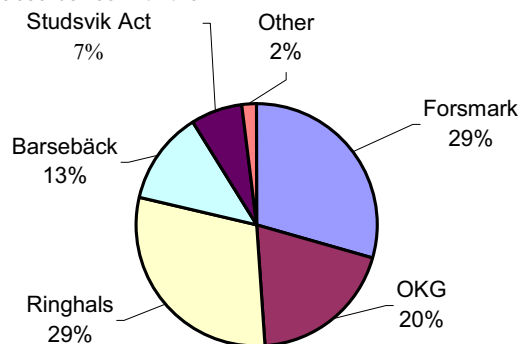
The following amounts were reimbursed from the Fund (SEK):

	2002	2001
Forsmarks Kraftgrupp AB	302 614 976	211 001 858
OKG AB (Oskarshamn)	203 141 286	177 671 384
Ringhals AB	305 154 602	269 296 905
Barsebäck Kraft AB	130 094 774	107 337 040
In accordance with the Studsvik Act	69 889 688	70 390 997
Municipalities	13 722 100	13 493 400
County administrative boards	600 000	0
KASAM	2 054 361	2 694 120
Special Advisor to the Government for Nuclear Waste Disposal	1 604 210	2 158 112
Swedish Nuclear Power Inspectorate	1 500 000	1 500 000
Swedish Radiation Protection Authority	1 500 000	1 500 000
Total	1 031 875 997	857 043 816

SEK 1,856,290 has been disbursed to cover the costs for the administration of the Fund (see Administration below).

Reimbursements from the Fund in 2002.

In accordance with the



Investment Strategy

Each year, the Board establishes an investment strategy for the Nuclear Waste Fund. The investment strategy is based on the framework for the activity established by the Government in the Financing Act and the Ordinance for the Board as well as the investment options which exist for the Fund. As a result of the new investment rules, the Board has revised its investment strategy as described below

Financial Risks

The capital is exposed to financial risks when it is invested on the interest rate market. The instruments

and markets can evolve in a way that deviates from expectations and this has an impact on the return. The exposure and risks in the investment activities are to be regularly measured and followed up by applying generally accepted financial market methods. In order to limit the financial risks, the administration is to be conducted within a certain framework, known as limits, and these are described below.

Interest Rate Risks

Interest rate risks are the changes in the value of interest-bearing securities which arise when the market rates rise or fall. The impact is determined by the maturity. A longer maturity will result in a greater value change in connection with a given market rate change. Interest rate risks can therefore be reduced by limiting the maturity. The measure applied to interest rate risk is usually the duration, whereby a duration limit is usually established in order to limit the interest rate risk. Since the administration of the Nuclear Waste Fund is long-term, no duration limit has been specified for the Fund's investments.

Credit Risks

Credit risks comprise *issuer risks* and *counterparty risks*.

Issuer risk is the risk that the party issuing a promissory note will not pay the interest and repay the principal on the due date. Since investments are only allowed in treasury bills issued by the Swedish state, no limits are needed for the issuer risk.

Counterparty risk is the risk that a counterparty, in connection with a purchase or sale, will not be able to fulfil his obligations in connection with the settlement of the transaction. Counterparty risk must be limited as follows:

- Securities transactions may only be conducted with securities institutions that are licensed to trade in financial instruments on behalf of others in their own name, in accordance with the Act (1991:981) on securities services. The Legal, Financial and Administrative Services Agency is responsible for continuously maintaining a list of approved counterparties that meet this requirement and which are otherwise deemed to be suitable counterparties by the Agency in order to limit counterparty risks as much as possible.
- Only transactions involving settlement upon delivery are allowed.
- The number of days between the transaction day and the settlement day may not exceed the norm for the market and for the securities transaction concerned.

Liquidity Risks

Liquidity risk is the risk that, due to the market situation, a security cannot be sold at the desired time, at the desired price and/or at the desired volume. Nominal rate government bonds and treasury bills normally have a good liquidity on the interest rate market. On the other hand, in the case of real interest rate bonds, the market is normally not so liquid that substantial volumes can be sold at short notice. Since the administration of the Nuclear Waste Fund is long term, no specific limit is specified for limiting the liquidity risk in real interest rate investments. With respect to the portfolio as a whole, the liquidity risk is limited by ensuring that funds that are expected to be appropriated for disbursements over the coming 12-year period may only be deposited in spot market accounts and in treasury bills (or in accounts with corresponding maturities).

Currency Risks

According to information from the Swedish Nuclear Fuel and Waste Management Co (SKB) (document dated November 14, 1997), less than 10 % of the expenses that the Fund is to cover are expected to be in foreign currencies. Therefore, currency risks are minimal. Furthermore, it is difficult to predict, at this time, which currencies will be involved. In the light of this, there is no reason, at present, to invest funds in foreign currencies. However, the Board will monitor options for investing funds, within the framework of the investment limitations specified by the Government, in other currencies besides SEK in case such a need should arise at a later stage.

Long-term Distribution between Investments with Nominal and Real Returns

To reduce the risk of the value of the capital being eroded by inflation, a minimum of 60 % of the capital must be invested with a real return, until further notice. In the Board's opinion, this is compatible with what has previously been stated concerning liquidity risks associated with real rate investments.

Maturities

When selecting instruments with different maturities, the Swedish Nuclear Power Inspectorate's estimates of payments into and out of the Fund must be taken into account. A large part of the Fund's investments

should be sufficiently long-term in nature so as to ensure that the payment flows from the investments closely match the calculated net disbursements from the Fund if the investments are kept until maturity.

Administrative Risks

Administrative risks can arise due to deficient routines concerning how transactions are to be conducted, confirmed, controlled, registered, accounted for etc. Administrative risks are managed by the Legal, Financial and Administrative Services Agency handling the administration and applying the same routines that the Agency otherwise applies in its asset management activities. All securities transactions are to be terminated through the depository used.

The Financing Act stipulates that the accumulated funds in the Nuclear Waste Fund must be administered so that the requirements on an adequate return and adequate liquidity are met. In the investment strategy, the Board has specified the return target as follows:

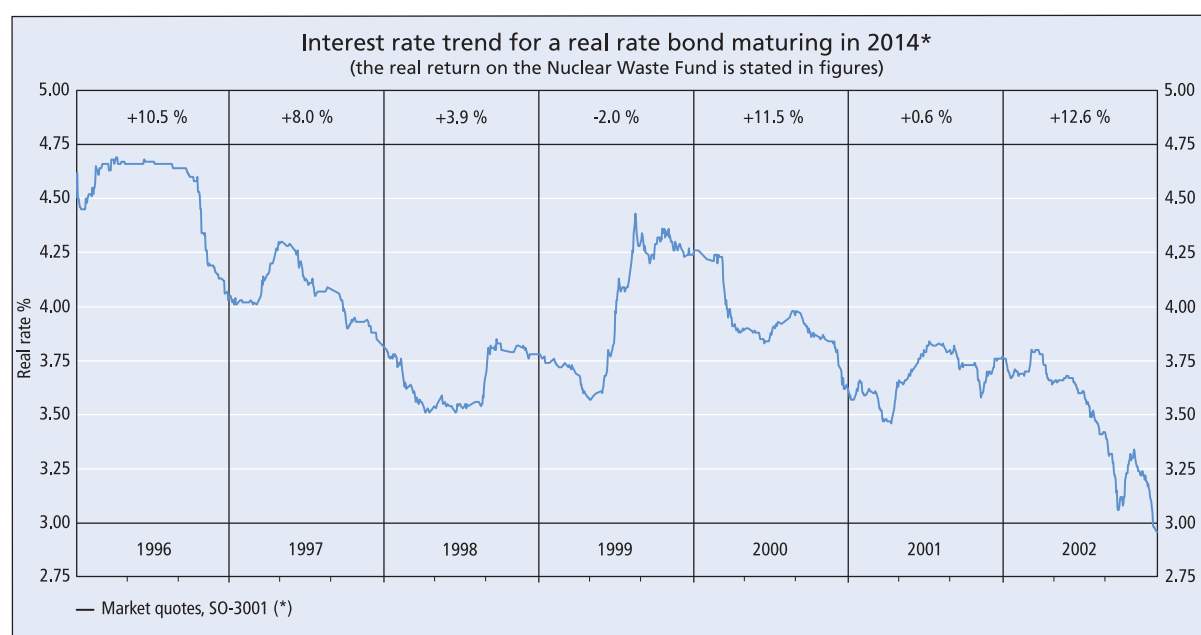
The target is – taking into account the limitation on the investment activities that the Government has decided – to attain the highest possible real return on the administered capital. In the light of the return so far achieved and the investments that have already been made with long maturities, for the period of 1996 to 2020, the Board should achieve an average annual real return of a minimum of 4 % on the book value of the administered capital.

Investments

The duration of the portfolio in 2002 has been changed from 12.8 to 12.3 years. The share of real interest rate investments has increased somewhat, from about 88 to about 89 %. At year-end 2002, the assets of the Nuclear Waste Fund were invested as follows:

Investment Form and Maturity	Market Value (SEK) *)
Spot market	3 081 392 908
Real rate up to April 1, 2014 (zero coupon)	7 685 750 252
Real rate up to Dec. 1, 2015 (coupon)	567 585 000
Real rate up to Dec. 1, 2020 (coupon)	11 394 789 750
Real rate up to Dec. 1, 2028 (coupon)	8 341 922 500
Total invested capital	31 071 440 410

*) Excluding interest accrued



A more detailed description of the investments is provided in Note 8 to the balance sheet. In addition to the invested capital, assets existed in the form of prepaid items and a cash account for current payments. Thus, the total market value of the assets in the Fund amounted to SEK 31,305,428,563.

Return

The nominal and real return on the capital in the Fund, since the introduction of the current form of administration, are presented in the following table:

Year	Nominal return (%)	Inflation (%)	Real return (%)
1996	10.6 ¹⁾	0.1 ¹⁾	10.5 ¹⁾
1997	9.9	1.9	8.0
1998	3.3	-0.6	3.9
1999	-0.8	1.2	-2.0
2000	12.9	1.4 ²⁾	11.5 ²⁾
2001	3.5	2.9	0.6
2002	14.9	2.3	12.6
Average per year			6.4

¹⁾ In the 1996 annual report, the nominal return was specified at 10.8 %, inflation at -0.2 % and the real return at 11.0 %. The figures have been re-stated so that the same method of calculation is used for all years.

²⁾ The information concerning inflation for 2000 was corrected from 1.1 to 1.4 per cent after the annual accounts for the previous year had been compiled. As a result of this correction, the information on the real return has been changed from 11.8 to 11.5 per cent.

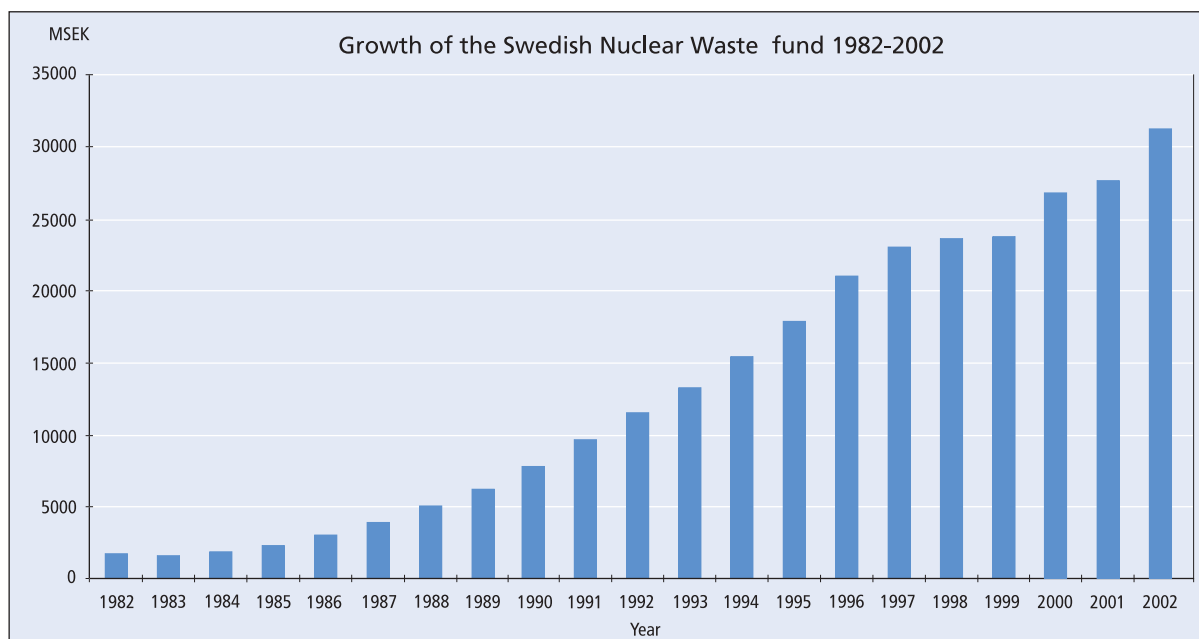
The nominal return is measured as the sum of realized and unrealized value changes in the investments as well as interest accrued (including inflation compensation on real rate investments).

Statistics Sweden's inflation index (12-month changes in the consumer price index) as at December each year is applied as a measure of inflation.

The average annual real return is calculated as the geometrical average of the annual figures.

According to the rules for long-term investment of fund assets the market value of the assets increase if market interest rates applying to the assets should fall in a given financial year and decrease if market interest rates should increase. The relationship between the return on the fund assets in accounts at the National Debt Office and the change in the market rates is shown in the diagram above.

Therefore, the reported real return in a given year does not provide sufficient information to determine whether the funds have a satisfactory long-term return. Information on the average annual real return over a longer period of time is a better indicator. In the seven years that the current form of administration has been applied (from 1996 to 2002), the real return is 6.4 % on average per year. This level should be compared with the target of the Board to achieve an average real return of a minimum of 4 % per year



In the diagram, the value from 2000 has been adjusted in accordance with Note 13 to the balance sheet.

on the fund capital during the period from 1996 to 2020.

Since the current administration started in 1996, the Board of the Nuclear Waste Fund has submitted a recommendation to the Swedish Nuclear Power Inspectorate concerning the real interest rate assumption that should be used as a basis for the calculation of the return on the accumulated funds and the annual calculation of fees to the Fund. The Board has so far recommended that the fee calculation should be based on the book value of the Fund and an assumption of the future real return which is based on the investment interest rates actually obtained. The Board's recommendation has been to assume that the Fund will generate an average annual real return on the book value of the administered capital of a minimum of 4 % for the period of 1996 to 2020 and a minimum of 2.5 % after that period.

From 1996 to July 1, 2002, the Fund's real rate investments were an average of 4.2 %. After this time, the real market rate fell and was about 3.0 % at the end of 2002. The real rate re-investments made when the new investment rules were introduced on July 1, 2002, resulted in an average real investment rate of 3.5 %. The Board considers that the real investment rate for new and re-investments in the future will probably be lower than 4 %.

On the other hand, the book value of the financial assets in the Fund increased by mid 2002 by about SEK 2.3 billion from 25.9 billion to 28.2 billion. The reason was that capital gains and interest income arose on real rate investments with zero coupons in connection with re-investments in accordance with the new investment rules.

Altogether, this means that the investment rate in connection with new investments is now lower than 4 %. However, the book value is considerably higher than before. Therefore, the overall assessment of the Board is that a long-term return target comprising an average real return of a minimum of 4 % of the book value of the administered funds for the period of 1996 to 2020 is still realistic.

Growth of the Fund

The closing balances (market value) for each year of the funds administered in accordance with the Financing Act (up to and including 1995) as well as the Nuclear Waste Fund (from 1996) are shown in the diagram above.

In 2002, the balance increased by SEK 3,681 million. This amount includes interest income on zero coupon real interest rate investments amounting to SEK 974 million and capital gains of SEK 1,587

million. According to earlier estimates the Swedish Nuclear Power Inspectorate has calculated that the annual fee payments to the Fund from 2000 would be less than the reimbursements disbursed from the Fund. Since the return on capital is greater than the annual payment deficits, in the Board's opinion, the Fund will continue to grow for an additional number of years.

Repayment from the Fund

Once the spent nuclear fuel and nuclear waste have been deposited in a repository which is then closed, and once a particular reactor has been decommissioned and dismantled, there may be funds remaining. If such a situation should arise, the reactor owner is entitled, under the Financing Act, to a repayment of the owner's allotted share of the remaining capital. Furthermore, the Financing Act makes it possible for the Government to permit early repayment if the actual expenses for the measures are less than estimated and the balance in the Fund is such that repayment would not entail the risk of a future lack of funds.

Distribution among Reactor Owners

The method used for determining the share of the Fund's assets which is allotted to each reactor owner has been described above. At year-end closing, the distribution was as follows (SEK):

	<i>Market Value</i>	<i>Book Value</i>
In accordance with the Financing Act	30 623 827 171	28 953 272 704
Forsmarks Kraftgrupp AB	8 892 125 105	8 407 052 510
OKG AB (Oskarshamn)	7 128 829 391	6 739 945 999
Ringhals AB	10 155 064 688	9 601 097 720
Barsebäck Kraft AB	4 447 807 987	4 205 176 475
In accordance with the Studsvik Act	503 517 508	476 050 222
Total	31 127 344 679	29 429 322 926

The market values specified above concern the aggregate of the Fund's nominal and real rate investments as well as spot market investments. Fees accrued from the reactor owners for the fourth quarter of 2002, the balance in the interest account or accrued liabilities have not been taken into consideration.

Basis for Calculating the Fee

According to the Ordinance, the Board must keep SKI informed about its activities in such a way that SKI can calculate fees, estimate future reimbursement and, in other ways, fulfill its duties in accordance with the Financing Act and the Studsvik Act. The task of the Board, in connection with the calculation of the fee, is to report to SKI the Fund balance and to determine the real interest rate which can be expected to apply for the fund capital which the Board is responsible for investing.

In connection with the calculation of the fee for 2003, the Board recommended that the book value of the Fund should be used as well as an assumption concerning the future real interest rate, based on the actual investment rates for the capital. Applying this method, the fee calculation will be based on the book value of the fund capital as at December 31, 2001 and a real interest rate of 4 % for the administered amount during the period up to the year 2020 and 2.5 % for the subsequent period. SKI's fee calculation for the year 2003 has been based on these assumptions. The Government has made a decision on the basis of the Board's calculations of the real return.

Underlying Securities

According to the amendments to the Financing Act which came into force on January 1, 1996, besides a change in the fund administration system, the reactor owners must also provide securities for waste-related expenses which are not covered by the paid-in fees.

To compensate for the fees which will not be paid to the Fund in the event of an early reactor shutdown, the reactor owner must provide adequate securities (Guarantee I). Through these guarantees, payments will be made to the Fund at the same rate as if the reactor had been in operation. Since this will be done, the funds will be accumulated as planned, regardless of whether one or a few reactors are shut down before they have been in operation for the 25 years upon which the fee calculation is based.

The reactor owners must also provide adequate securities to cover the lack of funds in the event that the Fund balance, after all of the reactors are shut down, should be found to be inadequate to finance the expenses of the final disposal of the spent nuclear fuel etc. (Guarantee II). Even if the funds are accumulated as planned, such a lack of funds can arise if

certain measures prove to be more expensive than estimated, if certain measures must be adopted earlier than intended or if the return on the capital should be lower than assumed in the fee calculation.

The Government decides the size of the securities on the basis of a proposal by SKI. Furthermore, the Government decides which types of securities are to be accepted on the basis of a statement by the National Debt Office.

For 2002, the Government has decided that the following guarantees shall apply. (Amounts in SEK million.):

	Guarantee I	Guarantee II
Forsmarks Kraftgrupp AB	1 675	890
OKG AB (Oskarshamn)	490	610
Ringhals AB	790	1 190
Barsebäck Kraft AB	0	610
Total	2 955	3 300

The securities are in the form of a guarantee provided by the owners of Forsmarks Kraftgrupp AB, OKG AB, Ringhals AB and Barsebäck Kraft AB.

According to a Government Ordinance, the Board of the Fund must administer the securities. The Government established the guarantees for 2002 through a decision on December 20, 2001. In a supplementary decision on November 7, 2002, the Government allowed the security for the established amounts to be provided through guarantees from the owners of Forsmarks Kraftgrupp AB, OKG AB, Ringhals AB and Barsebäck Kraft AB. Since the Board of

the Fund was only informed of the latter decision on November 15, 2002, it was not possible for the Board to collect the securities until after the end of the year that the securities concern, namely 2002. All of the securities had been received on January 24, 2003.

Administration

In accordance with the Ordinance (1995:1548) with instructions for the Board of the Nuclear Waste Fund, the Legal, Financial and Administrative Services Agency performs secretariat duties for the Board under an agreement between the Board and the Agency. Under the agreement, the Agency is responsible for ensuring that the following tasks are carried out:

- Preparation, reporting and implementation of decisions concerning matters dealt with by the Board.
- Secretarial functions for the Board.
- Payment and reimbursement as well as accounting services.
- Preparation of the annual report etc.
- Registration of documents and filing.

The Board has no employees.

The Government has decided a budget for the Board of the Swedish Nuclear Waste Fund. In accordance with the decision, the administrative expenses for 2002 may not exceed SEK 2,630,000. Total administrative expenses amounted to SEK 1,856,290 of which SEK 1,200,000 comprised reimbursement to the Legal, Financial and Administrative Services Agency.

Income Statement

		2002	2001
Income			
Fee-based income	(Note 1)	644 128 677.00	729 771 692.00
Total income		644 128 677.00	729 771 692.00
Expenses			
Reimbursement to reactor owners	(Note 2)	-1 010 895 326.00	-835 698 184.00
Compensation to municipalities	(Note 3)	-13 722 100.00	-13 493 400.00
Reimbursement to other government agencies	(Note 4)	-7 258 571.00	-7 852 232.00
Operating expenses			
Board expenses		-310 463.04	-186 840.20
Other operating expenses		-1 545 826.53	-1 594 968.00
Total expenses		-1 033 732 286.57	-858 825 624.20
Result before financial income and expenses		-389 603 609.57	-129 053 932.20
Financial income and expenses			
Interest income	(Note 5)	2 119 195 151.00	1 655 238 551.00
Capital gains/losses, nominal rate investments		1 586 842 975.00	0.00
Interest expense	(Note 6)	-455 859.00	0.00
Other financial expenses	(Note 7)	-186 196.00	-93 448.00
Change in capital for the year		3 315 792 461.43	1 526 184 618.80

Balance Sheet

	Dec. 31, 2002	Dec. 31, 2001
Assets		
Financial fixed assets	(Note 8)	
Nominal rate investments	0.00	1 698 029 503.00
Real rate investments	26 113 841 965.00	22 933 908 312.00
Total, financial fixed assets	26 113 841 965.00	24 631 937 815.00
Receivables		
Receivables from other government agencies	6 046.24	0.00
Cut-off items		
Accrued fees from reactor owners etc.	(Note 9) style="text-align: right;">181 800 603.00	207 191 094.00
Accrued interest income from investments	(Note 10) style="text-align: right;">55 933 882.00	88 929 656.00
Cash and bank balances		
Interest-bearing account for payment/reimbursement	965 210.74	7 374 565.07
Spot market investments	3 081 392 907.94	1 183 103 673.94
Total assets	29 433 940 614.92	26 118 536 804.01
Liabilities and fund capital		
Liabilities		
<i>Current liabilities</i>		
Liabilities to other authorities	(Note 11) style="text-align: right;">4 025 472.00	4 696 878.00
Accounts payable – trade	3 241.20	0.00
<i>Cut-off items</i>		
Social security charges	11 369.28	7 324.00
Accrued interest expense for reactor owners	455 859.00	0.00
Accrued expenses	(Note 12) style="text-align: right;">121 747.00	302 137.00
<i>Total cut-off items</i>	588 975.28	309 461.00
Total liabilities	4 617 688.48	5 006 339.00
Fund capital		
Fund capital, opening balance	26 113 530 465.01	24 587 345 846.21
Change in capital for the year	3 315 792 461.43	1 526 184 618.80
Total fund capital	(Note 13) style="text-align: right;"> 29 429 322 926.44	26 113 530 465.01
Total liabilities and fund capital	29 433 940 614.92	26 118 536 804.01

Accounting Principles

Taking into account the fact that the investments are long-term, all investments with longer maturities than one year are reported as fixed assets.

Investments with maturities exceeding one year are reported on the balance sheet at acquisition value.

In the case of deposits in interest-bearing accounts, accrued interest is reported as interest income on the income statement and as a prepaid item on the balance sheet.

In the case of nominal coupon rate investments, accrued interest is reported as interest income on the income statement and as a prepaid item on the balance sheet.

Real interest rate investments are accounted for annually as described below.

- In the case of real zero coupon rate investments, accrued interest and accrued inflation compensation are reported as interest income on the income statement and as an adjustment of the book value on the balance sheet.
- In the case of real coupon rate investments, accrued interest including inflation compensation on the coupon rate is reported as interest income on the income statement and as a prepaid item on the balance sheet. The accrued inflation compensation on invested capital is reported as interest income on the income statement and as an adjustment of the book value on the balance sheet.

The income statement and balance sheet schedules deviate somewhat from the regulations and recommendations of the National Financial Management Authority. The deviations are justified by the special conditions that apply to the Fund.

The administration report describes how the capital is added to the Fund and how this capital must be used. The accounting principles comply with the National Financial Management Authority's guidelines (ESV 1998:7) on accounting for funds and provisions. The sub-title of these guidelines is: "Guidance on accounting for funds and provisions within government agencies."

The investment rules for the Nuclear Waste Fund were changed on July 1, 2002 through an amendment of the Financing Act (SFS 1992:1537). The assets in the Fund are now to be deposited in interest-bearing accounts at the National Debt Office or in promissory notes issued by the state. Previously, the assets could only be deposited in accounts at the National Debt Office, either as spot market investments or at terms corresponding to quoted nominal or real rate government bonds. In connection with the transition to the new fund administration system, the National Debt Office issued new bonds in the loans that corresponded to the Nuclear Waste Fund's existing account investments. In connection with the conversion, the old investments were turned into liquid funds in accordance with a valuation based on current valuation rates for account deposits and this resulted in a capital gain of SEK 1,586,842,975. The liquid funds were used to acquire the newly issued bonds at current market rates.

Notes

Note 1 Income from fees

Fees are paid by the reactor owners in relation to the energy delivered.

Fees, according to the Financing Act	2002	2001
Forsmarks Kraftgrupp AB	276 200 844	274 006 188
OKG AB	66 962 985	101 287 824
Ringhals AB	202 560 344	250 662 730
Barsebäck Kraft AB	0	0
Total, according to the Financing Act	545 724 173	625 956 742
Fees, according to the Studsvik Act	98 404 504	103 814 950
Total	644 128 677	729 771 692

	Fee in öre per kWh		Electricity delivered TWh (= 1 000 000 000 kWh)	
	2002	2001	2002	2001
Forsmarks Kraftgrupp AB	1.2	1.2	23.0	22.8
OKG AB	0.5	0.6	13.4	16.9
Ringhals AB	0.8	1.0	25.3	25.1
Barsebäck Kraft AB	0.0	0.0	3.9	4.4
Total			65.6	69.2
Fees, according to the Studsvik Act	0.15	0.15		

Note 2 Reimbursement to reactor owners

The reactor owners are entitled to reimbursement for certain expenses.

	2002	2001
Forsmarks Kraftgrupp AB	302 614 976	211 001 858
OKG AB	203 141 286	177 671 384
Ringhals AB	305 154 602	269 296 905
Barsebäck Kraft AB	130 094 774	107 337 040
Total, according to the Financing Act	941 005 638	765 307 187
According to the Studsvik Act	69 889 688	70 390 997
Total	1 010 895 326	835 698 184

Reimbursement to the reactor owners etc., paid in advance, is reported as an expense at the time of disbursement, in accordance with the National Financial Management Authority's recommendation (1999:24) "Transfers – guidance on accounting for contributions made etc. within government agencies." Of the amounts in the table on the next page, the following had not been settled at December 31, 2001.

	2002	2001
Forsmarks Kraftgrupp AB	10 150 800	2 685 024
OKG AB	6 395 843	3 658 714
Ringhals AB	9 368 261	4 545 398
Barsebäck Kraft AB	4 495 236	2 805 226
Total, according to the Financing Act	30 410 140	13 694 362
According to the Studsvik Act	16 005 861	16 410 312
Totalt	46 416 001	30 104 674

Note 3 Compensation to municipalities

Municipalities can obtain compensation for information work concerning the final disposal of spent nuclear fuel and nuclear.

	2002	2001
Hultsfred municipality	2 000 000	1 949 800
Nyköping municipality	-939 900	1 099 800
Oskarshamn municipality	4 000 000	4 000 000
Tierp municipality	3 466 000	3 243 600
Älvkarleby municipality	2 096 000	2 393 200
Östhammar municipality	3 100 000	807 000
Total	13 722 100	13 493 400

Note 4 Reimbursement to other government agencies

According to special government decisions.

	2002	2001
County administrative board, Kalmar County	300 000	0
County administrative board, Uppsala County	300 000	0
Swedish Nuclear Power Inspectorate	1 500 000	1 500 000
Swedish Radiation Protection Authority	1 500 000	1 500 000
Special advisor to the Government for Nuclear Waste Disposal	1 604 210	2 158 112
Swedish National Council for Nuclear Waste – KASAM	2 054 361	2 694 120
Total	7 258 571	7 852 232

Note 5 Interest income

Interest income on investments etc.

	2002	2001
Interest-bearing account	101 273	79 840
Interest income tax account	0	1
Spot market account	85 078 890	27 459 316
Nominal rate investments	37 815 857	86 457 864
Real rate investments	1 996 199 131	1 541 241 530
Total	2 119 195 151	1 655 238 551

The difference in interest income on real rate investments over the years is due to the compensation for inflation during the year.

Note 6 Interest expense

Calculated accrued interest expense on advance payments to reactor owners

2002	2001
-455 859	0

Note 7 Other financial expenses

Expenses concern account charges at the National Debt Office and a depository fee to SEB.

Not 8 Financial fixed assets						
	Maturity	Nominal holding	Book value	Acquisition rate	Market rate	Market value
Real rate investments, zero coupon						
SO 3001	2014-04-01	9 530 000 000	7 301 882 565	3.46	2.99	7 685 750 252
Real rate investments, 3.5 % coupon rate						
SO 3104	2028-12-01	7 250 000 000	7 620 086 300	3.63	3.10	8 341 922 500
SO 3105	2015-12-01	500 000 000	541 260 000	3.43	2.97	567 585 000
Real rate investments, 4 % coupon rate						
SO 3102	2020-12-01	8 955 000 000	10 650 613 100	3.47	3.03	11 394 789 750
Summa		26 235 000 000	26 113 841 965			27 990 047 502

The value of the nominal holding is the amount which is obtained if the investment is held until maturity. For real rate investments, compensation for inflation must be added.

Note 9 Accrued fees from the reactor owners etc.

The fees are paid by the reactor owners, retroactively, on a quarterly basis and within one month of the end of the quarter. The accrued fees pertain to the fourth quarter of the year concerned.

	2002	2001
Forsmarks Kraftgrupp AB	79 594 452	80 694 060
OKG AB	18 936 145	24 746 172
Ringhals AB	55 447 368	72 653 150
Barsebäck Kraft AB	0	0
According to the Studsvik Act	27 822 638	29 097 712
Total	181 800 603	207 191 094

Note 10 Accrued interest income on investments

	2002	2001
Interest-bearing account	29 613	30 523
Nominal rate investments	0	35 049 965
Real rate investments	55 904 269	53 849 168
Total	55 933 882	88 929 656

Note 11 Liabilities to other authorities

	2002	2001
National Audit Office	684 663	1 313 988
Swedish Radiation Protection Authority	1 500 000	1 500 000
Swedish Nuclear Power Inspectorate	1 500 000	1 500 000
The Legal, Financial and Administrative Services Agency	300 000	300 000
Ministry of Environment	23 931	74 992
The Tax Authorities	16 878	7 898
Total	4 025 472	4 696 878

Note 12 Cut-off items

	2002	2001
National Audit Office	120 000	120 000
National Debt Office	1 747	182 137
Total	121 747	302 137

Note 13 Market value of the Fund and distribution at year-end

	2002	2001
Book value fund capital	29 429 322 926	26 113 530 465
Unrealized gains on financial fixed assets	1 876 205 537	1 510 706 940
Market value at year-end	31 305 528 463	27 624 237 405

The market value on the fund capital is reported in the note. The previous year, the note showed the market value for financial fixed assets exclusively, including accrued interest income and spot market investments. The market valuation for 2002 and 2001 also include accrued fees from reactor owners and the balance in the interest account at the National Debt Office.

	2002		2001
	Number of Shares		
Of which, Financing Act	30 623 827 171	183 298 065.4327	27 005 904 598
Forsmarks Kraftgrupp AB	8 892 125 105	53 223 567.3942	7 760 162 912
OKG AB	7 128 829 391	42 669 409.9646	6 329 667 053
Ringhals AB	10 155 064 688	60 782 857.1274	8 920 762 545
Barsebäck Kraft AB	4 447 807 987	26 622 230.9465	3 995 312 089
Of which, Studsvik Act	503 517 508	3 013 790.0369	408 742 964
Total	31 127 344 679	186 311 855.4695	27 414 647 562

The distribution is calculated exclusively for the financial fixed assets in the Fund, including accrued interest income and spot market investments.

Share rate, December 31, 2002: SEK 167.0712 kr

Other	Remuneration, benefits, other positions held		
	<i>Board member</i>	<i>Remuneration, SEK</i>	<i>Other positions on boards of directors</i>
	Ann Ahlberg, President	18 400	Försäkringsaktiebolaget Vattenfall Insurance, alternate SEB Fondförvaltning AB, board member Vattenfall Reinsurance S.A., Luxembourg, Chairman Vattenfall Pension Fund, alternate Vattenfall Treasury AB, alternate and President
	Jan Bengtsson, Director Member from 2003	–	Sydskraft Energy Trading, Chairman Sydkraft Försäkrings AB, Chairman acton energy GmbH Espoon Sähkö Oyj
	Lars Bergman, Professor Member up to 2002	20 500	
	Ing-Marie Gren, Professor Member from March 15, 2003	–	National Council for Nuclear Waste (KASAM), board member
	Åke Hugosson, Director Member up to 2002	22 600	Bevi AB
	Sten Kottmeier, Director, Vice-Chairman	29 100	Legal Financial and Administrative Services Agency, Funds Delegation Swedish Industrial Development Fund Investment Committee
	Olof Söderberg, former Deputy Director General, Chairman	31 300	National Council for Nuclear Waste (KASAM), Expert. Note.: During the first half of 2002, the Chairman was employed by the Ministry of Environment as the Special Advisor to the Government for Nuclear Waste Disposal. He has not received any separate remuneration for the position as Chairman of the Board for that period.

The annual report for 2002 was adopted at the board meeting on February 14, 2003

Board of the Swedish Nuclear Waste Fund



Olof Söderberg
Chairman



Ann Ahlberg



Jan Bengtsson



Sten Kottmeier

Auditors' Report

We have audited the annual report and underlying accounts of the Board of Governors of the Nuclear Waste Fund and the administration of the management for the financial year 2002.

The management of the authority is responsible for ensuring that the activity is conducted efficiently and as stipulated. This responsibility includes providing a reliable account to the Government of the activity in the annual report.

Our responsibility is to, in accordance with Generally Accepted Auditing Standards in Sweden, audit the authority's annual report and underlying accounts with the aim of evaluating whether the report is reliable and whether the financial statements present a true and fair view as well as to examine whether the administration by the management is in agreement with the applicable regulations and special Government decisions.

We conducted our audit in accordance with Generally Accepted Auditing Standards in Sweden. Those Standards require that we plan and perform the audit to obtain a reasonable basis for establishing whether the annual report presents a true and fair view. Thus, the audit comprised assessing, on a test basis, significant transactions and administration decisions.

We believe that our audit provides a reasonable basis for our opinion set out below.

In our opinion, the financial statements have, where applicable, been prepared in accordance with the Ordinance (2000:605) concerning annual reports and budget documents, and other decisions that apply to the authority. We believe that the annual report essentially presents a true and fair view.

Stockholm, March 21, 2003



Bertil Forsslundh
Authorized Public Accountant



Per Redemo
Authorized Public Accountant



The Board of
the Swedish Nuclear Waste Fund

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