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annual report 2005

Krško Nuclear Power Plant

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annual report

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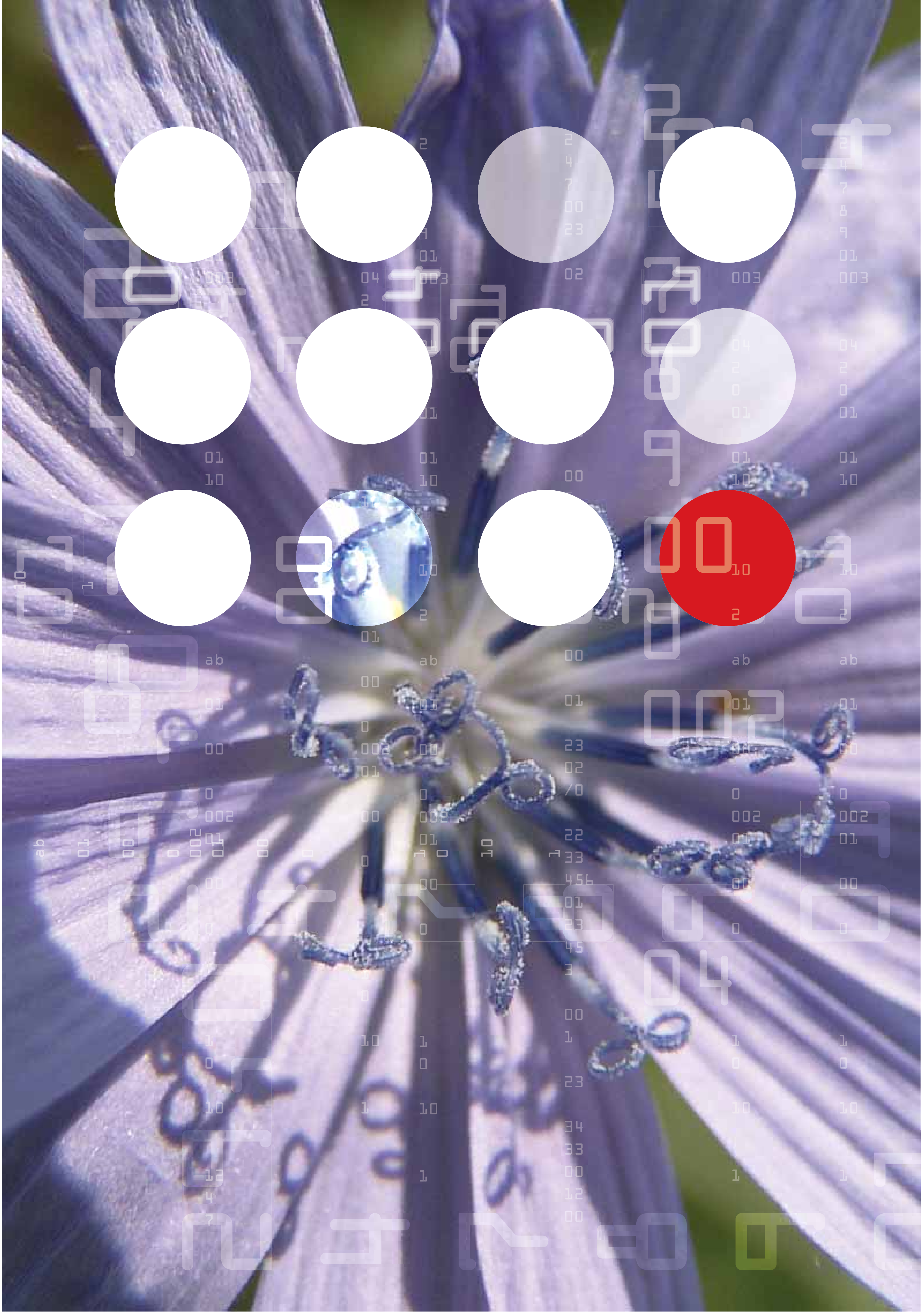


00.00 dear reader

Dear reader,

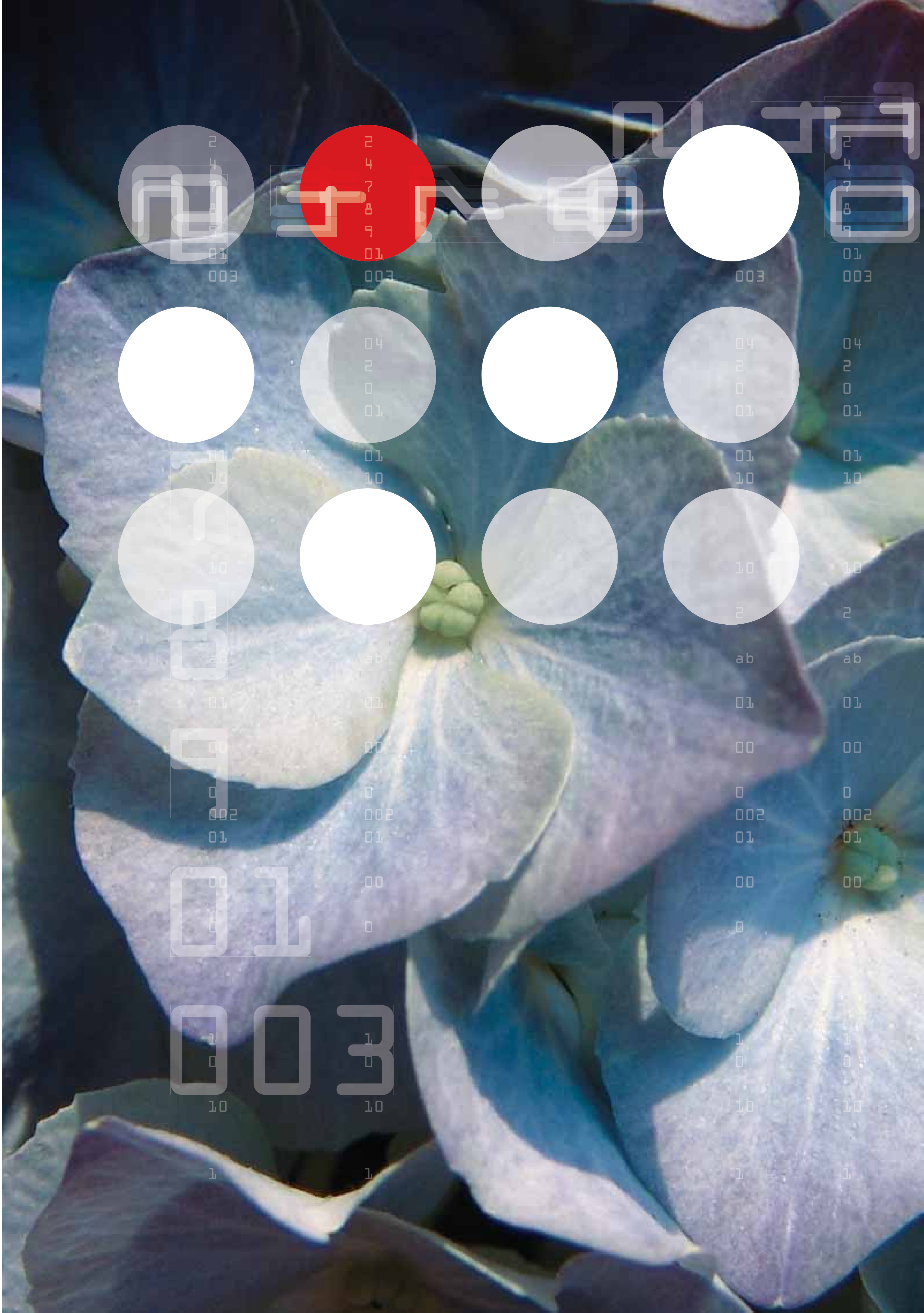
We are pleased to report that in the year 2005, as in previous years, the Krško Nuclear Power Plant (hereinafter: NEK) succeeded in fulfilling, as in previous years, the expectations of its owners and the wider public. We carried out the majority of our plans in accordance with the goal of maintaining our company's ranking, in terms of the standard criteria of nuclear safety, operational stability and cost efficiency, in the top quarter of the operating nuclear power plants in the world.

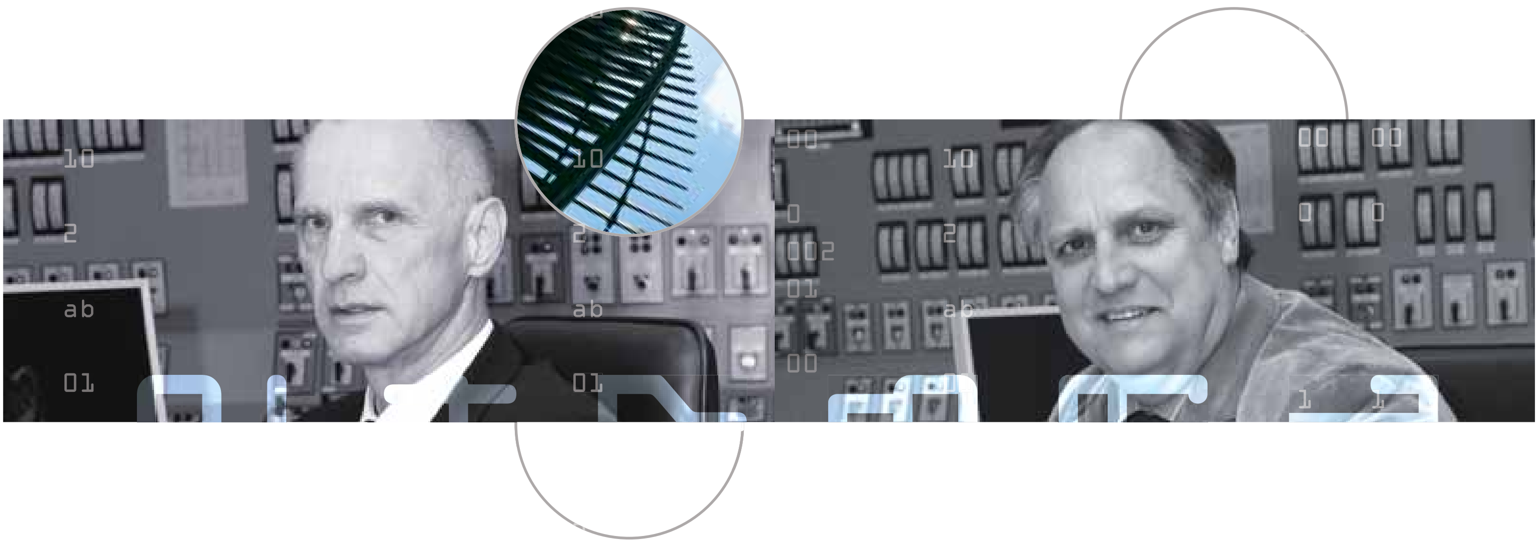
This high level of nuclear safety was ensured by strictly observing operational restrictions, carrying out surveillance test programmes, preventive equipment maintenance, monitoring the integrity of nuclear fuel and other components, ensuring appropriate chemical parameters of cooling agents and carrying out other prescribed programmes. Other significant contributions to nuclear safety were systematic staff training, reporting of deviations and the corrective programme, application of operating experience, self-assessment of work processes and, not to be overlooked, the commitment of the staff. In all the mentioned segments we perceived further potential for improvement which we will try to realize in the future. The achieved level of nuclear safety is illustrated by figures:

- performance indicator 100 %
- unplanned automatic shutdowns 1
- number of operational events (level 1 and 2) 4
- nuclear fuel reliability 13.7 MBq/m³

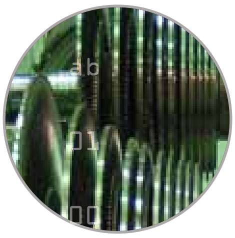
The high performance level is demonstrated by the highest electricity production ever accomplished. These exceptional production results can mostly be attributed to the transition to an 18-month fuel cycle, high-quality maintenance and operational control, appropriate long-term technological upgrades as well as optimal weather conditions which allowed us to operate at full capacity over the whole year. The results achieved in 2005 and the condition of vital equipment have justified our decision to change over to an 18-month fuel cycle and, at the same time, underline the importance of quality outage maintenance activities every 18 months, in particular equipment replacement. An increasingly important and valuable aspect of operational stability is also the expert know-how and skills of NEK staff and subcontracting organisations. The achieved level of performance can be illustrated by figures:

- production in 2005 5,613 GWh
- unit capability factor 98.55 %
- unplanned capability loss factor 1.45 %
- production exceeding plan 1.06 %





00.00
dear reader



Technological upgrades or investments funded by amortisation resources were realized with an index of 90 in relation to the annual plan.

The absolute value of invested resources amounted to 5,170 million SIT which is in line with our 5-year investment plan. In terms of investment allocation, priority was given to secondary equipment such as replacement of feedwater heat exchangers, replacement of low pressure turbines, replacement of main cooling units and upgrading the process information system. The completion of these projects is planned for the year 2006. Operational stability and plant capability will increase together with an improved load factor guaranteed by the upgrades.

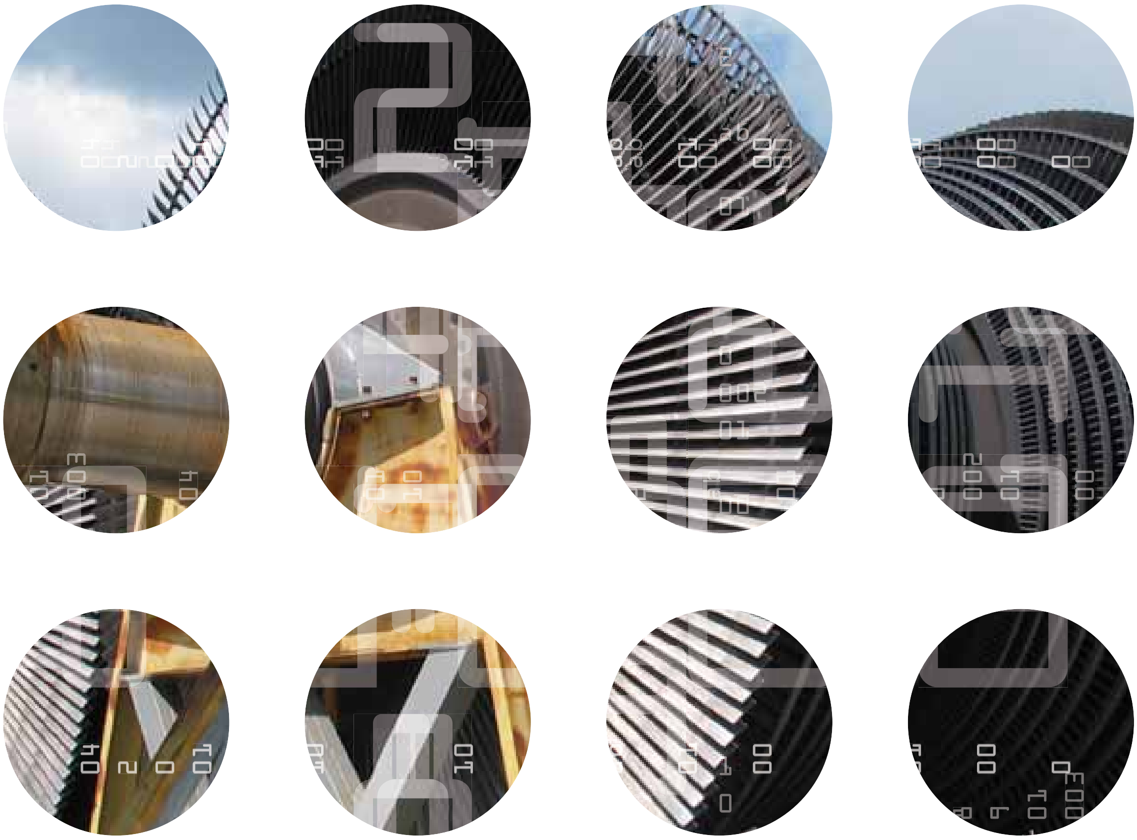
The positive operating result achieved is above all a reflection of quality activity planning and stable operation. Costs remained within the planned values throughout the year as there were no significant equipment failures and related maintenance activities. All other cost items were also realized as anticipated. At the end of 2005 the balance between revenues and expenses was positive and amounted to 1,004 million SIT. In accordance with the Intergovernmental Agreement payment of the positive balance was made to both owners.

Long-term debts decreased by 2,336 million SIT, 743 million SIT of which was ahead of schedule. The realized in-house price after payment of the balance was 4,704 SIT/MWh, which in view of the drastic rise of prices in the electrical energy market means a high profitability of NEK production.

We consider that NEK met all expectations from the point of view of the wider public as well, since its operation was stable, within management restrictions and its environmental impact was minimal. Much attention was given to the public with various forms of cooperation and provision of information.

NEK Management Board

00.10 low pressure turbine replacement, power uprate

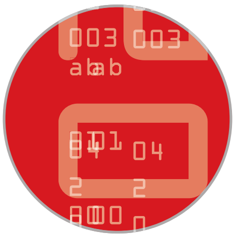


00.11
Present condition and implications

Based on monitoring and assessment of turbine condition, maintenance optimization, the goals and strategy of the NEK it has become clear that the low pressure turbines need to be replaced. Just like other nuclear power plants NEK has had to face the commonly known problem associated with such type of turbines - development of cracks in the key-ways of low pressure rotor disks where the disks are fastened to the turbine shaft by keys. As a result of increasing inspection frequency and maintenance costs and the fact that without replacing the low pressure rotor the turbine will not be able to operate to the end of the plant's licensed life, the owners decided to go ahead with this project which at the same time guarantees greater safety, long-term reliability and return on investment, along with an uprated electrical power of the plant.

00.12
Equipment and maintenance improvements

With the new turbines we aim to achieve several goals, which include: higher turbine reliability (stress corrosion and erosion/corrosion resistance processes by choosing better materials and newer project solutions), smaller costs of production and maintenance as a result of shorter outages, a higher turbine load factor and lower heat load on the environment, increased power of the plant without any additional modifcations of the reactor cycle or fuel, and creating the prerequisites for the turbine to operate throughout the plant's life and its extended life.

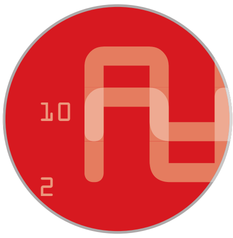


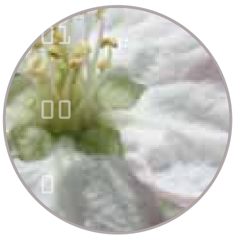
00.13
Project solutions

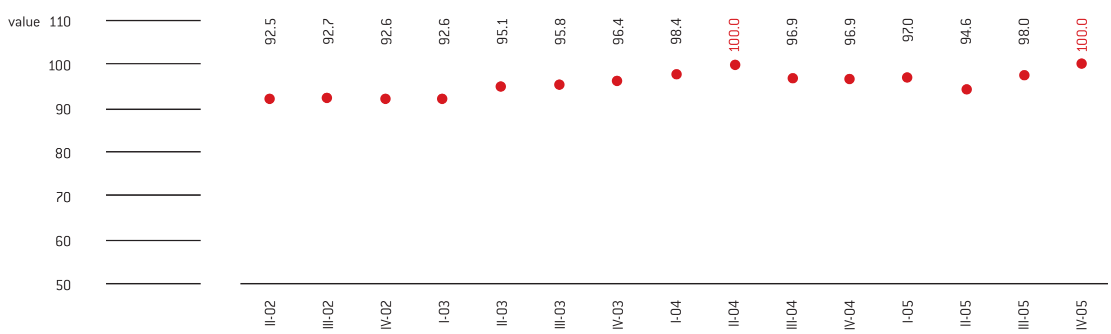
The installation of the new low pressure turbines includes the replacement of the present turbine with new ruggedised rotors which are manufactured as a one-piece device with integrally twisted blades and a new internal housing of erosion resistant steel. Along with the entire flow section of the low pressure turbines we will replace the profiles of rotor and stator blades, the inlet and outlet diffusers and inter-stage seals and bearings. The new turbines are distinctive for being made from 850-tonne forgings, its back-row blades being 254 millimetres longer, free-standing and keyed in a special way so as to form a closed ring. The new low pressure turbines have a higher load factor than the current ones. Power will increase by up to three per cent, which amounts to more than 20 extra MWe.

00.14
Turbines in Krško

The new turbines were manufactured and supplied by the Japanese company Mitsubishi in 2005. Their long journey from the town of Takasago in Japan to Koper was made by sea and then by road on a trailer to Krško. They arrived in perfect condition, well protected from weather conditions. The replacement is to take place in the 2006 annual outage.







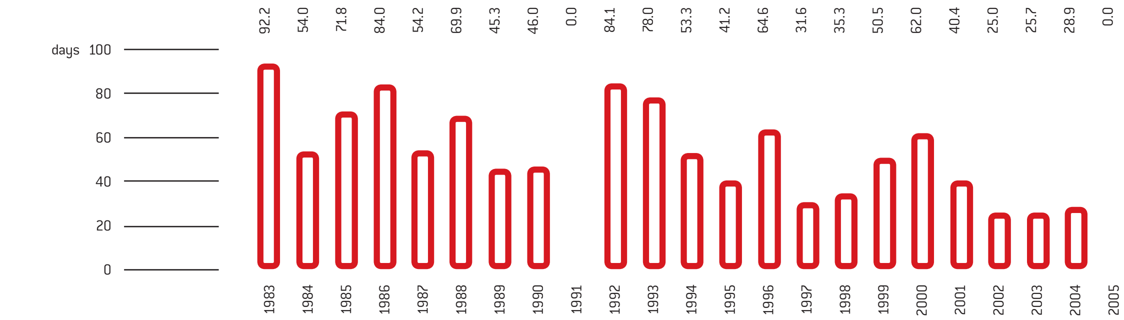
overall performance indicator

To make performance monitoring and comparison between nuclear power plants easier, an overall performance indicator was introduced, calculated from weighted values of individual factors, with values on a scale from 0 to 100. The target overall indicator for Krško in 2005 was 98, and the achieved value was 100.00.

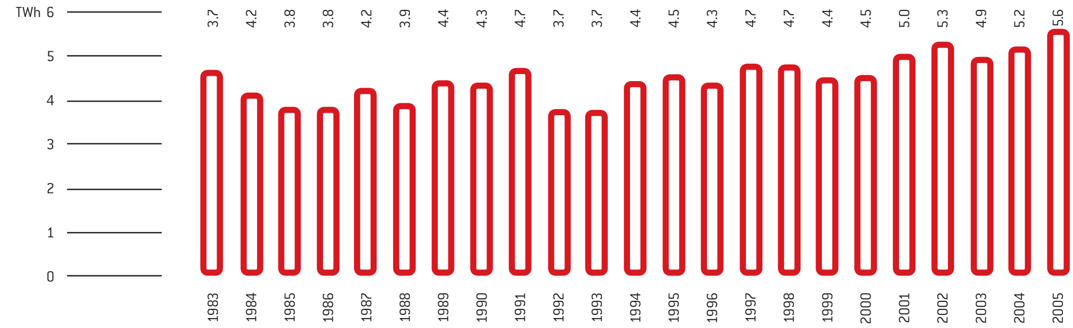
In the year 2005 the total output of NEK was 5,884,252.10 MWh of gross electricity or 5,613,655.10 MWh net electrical power. The annual output was 1.06 per cent higher than the planned 5,555,000 MWh, and a record in the history of the plant. The year 2005 was noted as the first year of operation with a longer 18-month fuel cycle, which means there was no outage.

Our efforts to optimize all work processes can be best observed in the steady trend of shortening outages. Some outage periods in the last decade were longer due to major technological upgrades.

00.20
concise report

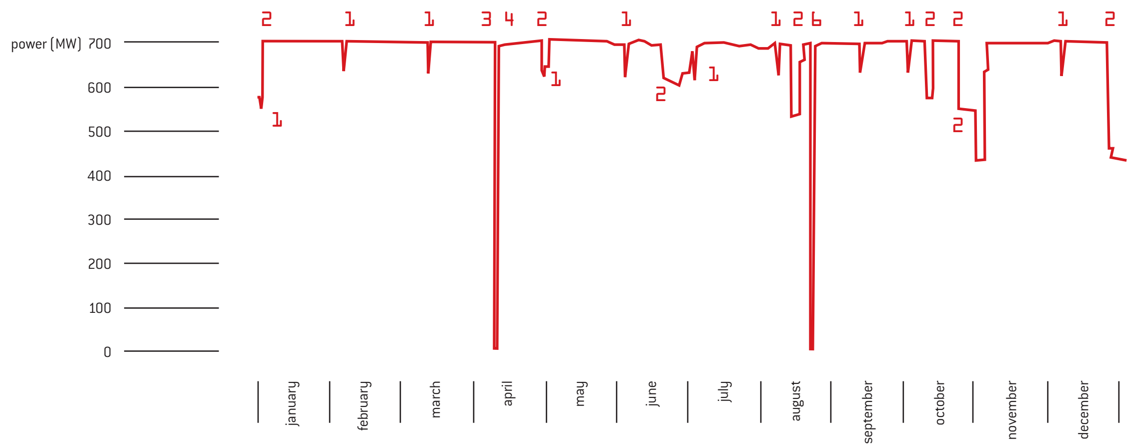


annual outage duration



annual electrical energy output

produced energy on the generator: 5,884,252.1 MWh
produced energy on the threshold: 5,613,655.1 MWh
availability factor: 98.9 %
capacity factor: 97.7 %



1 test of turbine valves
2 planned operation at reduced power
3 automatic shutdown of plant due to transient phenomenon during turbine valve test
4 manual shutdown of plant due to vacuum loss in condenser caused by break in 2-inch pipe
5 power reduction to 91 % due to failure of a pump for condenser cooling
6 plant shutdown due to repairs on ventilation cooling unit of containment

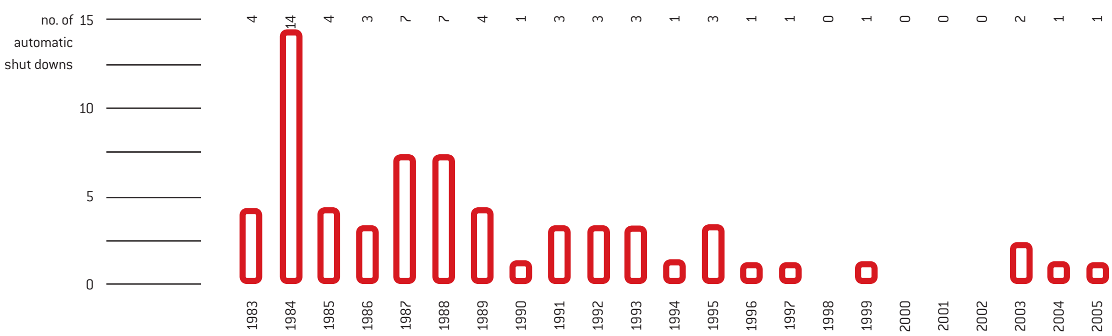
production diagram

00.21 Operational events:

Important events or unplanned plant shutdowns in the year 2005:

- 10 April 2005: during regular monthly testing of turbine valves there occurred a rapid partial closing of all four regulation turbine valves, a reduction of turbine load and activation of safety injection, followed by a fast shutdown of the plant.
- 11 April 2005: after completing a power increase we detected a loss of vacuum in the condenser and a leak on the secondary side, following which the plant was shut down manually.
- 20 June 2005: a power decrease was carried out because one of the pumps for condenser cooling failed.
- 20 August 2005: there was a controlled shutdown of the plant due to repairs on the ventilator in the cooling unit of the containment.

The World Association of Nuclear Operators (WANO) has defined the international performance indicators. On the basis of the targets for the year 2005 set by the American Institute for Nuclear Power Operations (INPO), and its own experience, the NEK set its own targets for 2005. Regarding some factors these targets are even more conservative than the targets set by INPO. In 2005 NEK met all the targets set by INPO and all of its own targets except one (unplanned capability loss factor).



(unplanned) automatic shutdowns in NEK

	NPP target	achieved
plant capability	≥ 98 %	98.55 %
unplanned capability loss	≤ 1 %	1.45 %
automatic plant shutdowns, normalized to 7000 hours of criticality	≤ 1	0.8
collective radiation exposure	≤ 0.14 man.Sv	0.072 man.Sv
rate of classical work injuries	≤ 0.4	0
unavailability of high pressure safety injection system	≤ 0,005	0,00140
unavailability of auxiliary feedwater system	≤ 0,005	0,00073
unavailability of emergency power source supply system	≤ 0,00	0
reliability of nuclear fuel	≤ 5E-04Ci/m^3	3,69E-04Ci/m^3
secondary coolant circuit chemistry indicator	≤ 1.1	1.05

NEK was designed in compliance with US technical safety regulations and also performs its operations accordingly. NEK continuously observes the regulations and industrial standards of the USA, which is the plant's supplying country. In line with any modifications in regulations and on the basis of its own experience, NEK continuously upgrades its equipment, work processes, and operational control.

01.10
Main regulations and standards adhered to in design, construction and operations

The regulations followed in the design, construction and operation of NEK fall into the following categories:

- US legislative regulations observed in designing NEK: 10CFR50;
- regulatory guidelines issued by the US regulatory authority: Regulatory Guides, NUREG`s etc.;
- US industrial standards: ANS/ANSI, ASME, IEEE;
- IAEA standards and guidelines;
- the existing laws and standards of the former SFRY and the Republic of Slovenia;
- the new Slovene Ionising Radiation Protection and Nuclear Safety Act (IRPNSA).

The bases for using these regulations are derived from the contract with Westinghouse, from the licences issued, and from the agreement on NEK project between the International Atomic Energy Agency (IAEA) and the former SFRY. Compliance with the regulations and safe operation are constantly monitored by the Slovenian Nuclear Safety Administration and other authorised institutions, and occasionally also by the IAEA.

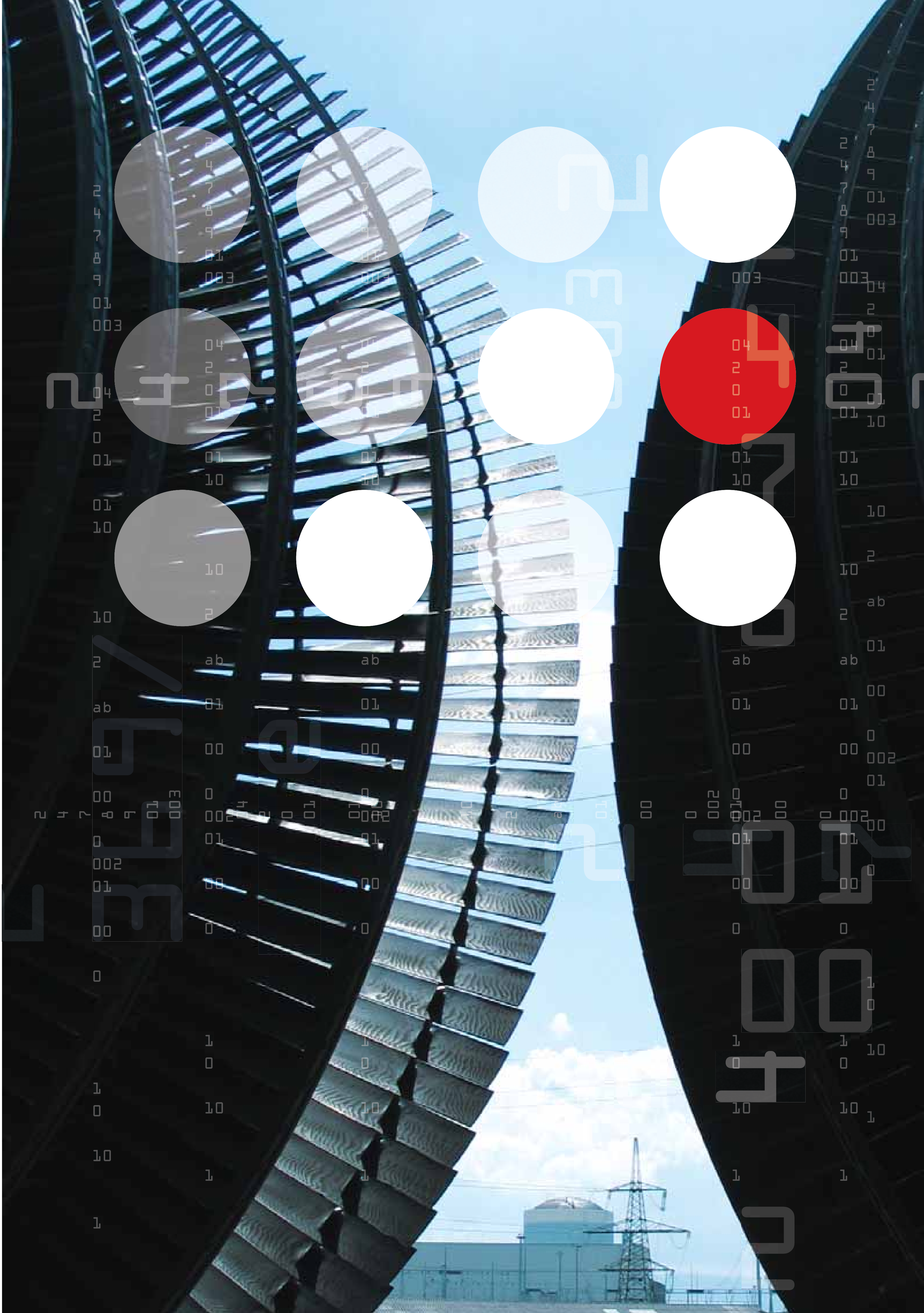
01.20
Periodic inspection and safety assesment programme

The purpose of the ten-year periodic inspection of safety was to examine the safety of plant operation with regard to up-to-date safety requirements and practice.

The inspection was completed in 2005 and the next period will see the implementation of the inspection action plan including some plant upgrades.

The Slovenian Nuclear Safety Administration by decree approved the first periodic safety inspection and the implementation plan of activities arising from it. The entire implementation plan must be carried out by 15 October 2010 and a report on the second periodic safety inspection must be submitted by the NEK not later than 15 December 2013.

01.00
higher level of nuclear safety



radioactive substances	annual limit	released activity (Bq)	percentage of the limit
fission and activation products	200 GBq	58.2 MBq	0.029 %
tritium (H-3)	20 TBq	18.02 TBq	90.1 %

radioactive releases into the atmosphere

The estimated collective annual radiation impact on the population in the plant's surroundings caused by power plant operations, taking into account liquid discharges and the food chain via fish from the River Sava, is smaller than 0.1% of the dose received by an individual from natural sources of radiation.

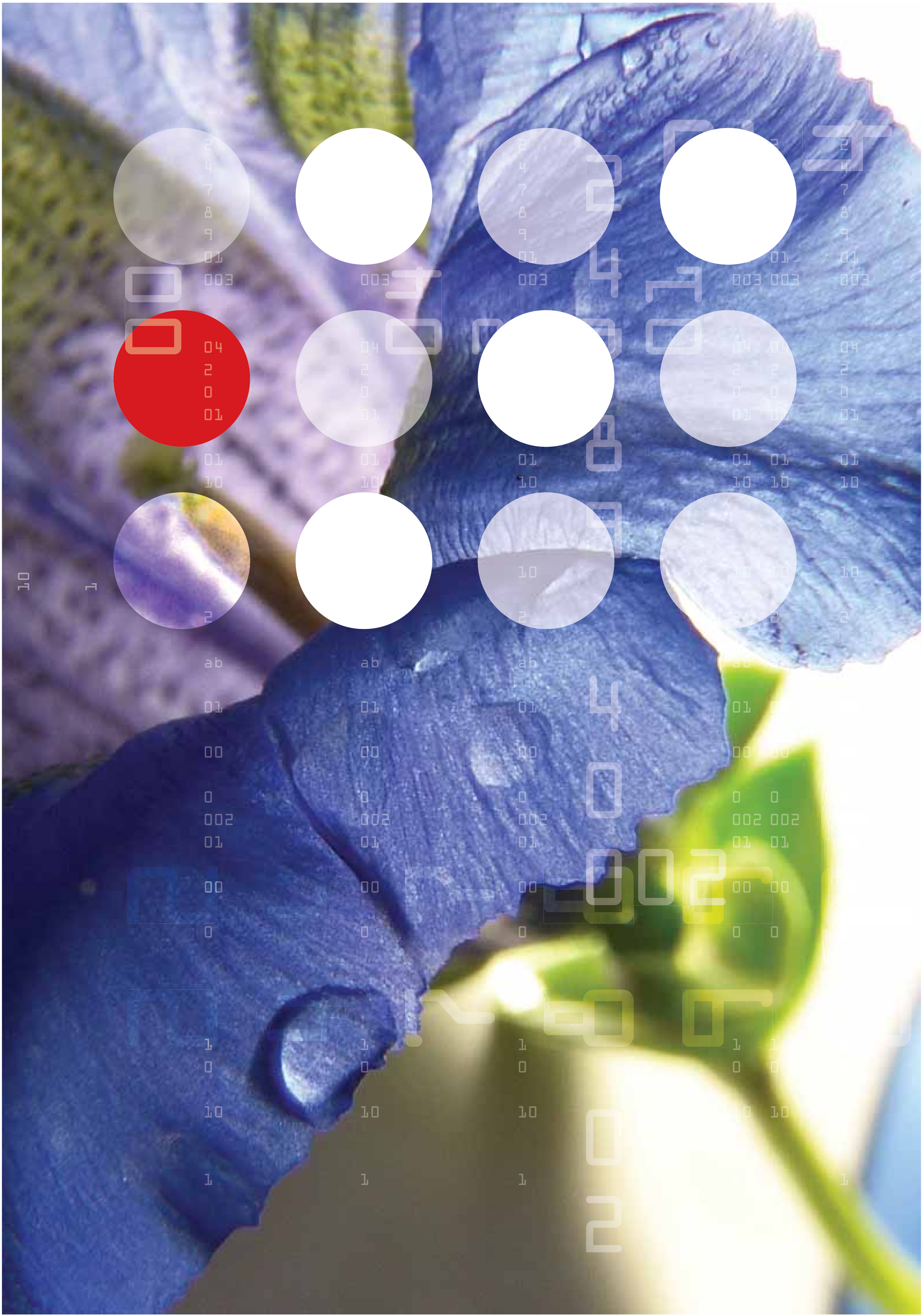
Compliance with the annual limits specified in the location permit, i.e. 50 microsieverts at a distance of 500 m from the reactor, is checked monthly for air emissions. The annual dose of a constantly exposed adult in 2005 equalled 0.56 microsieverts.

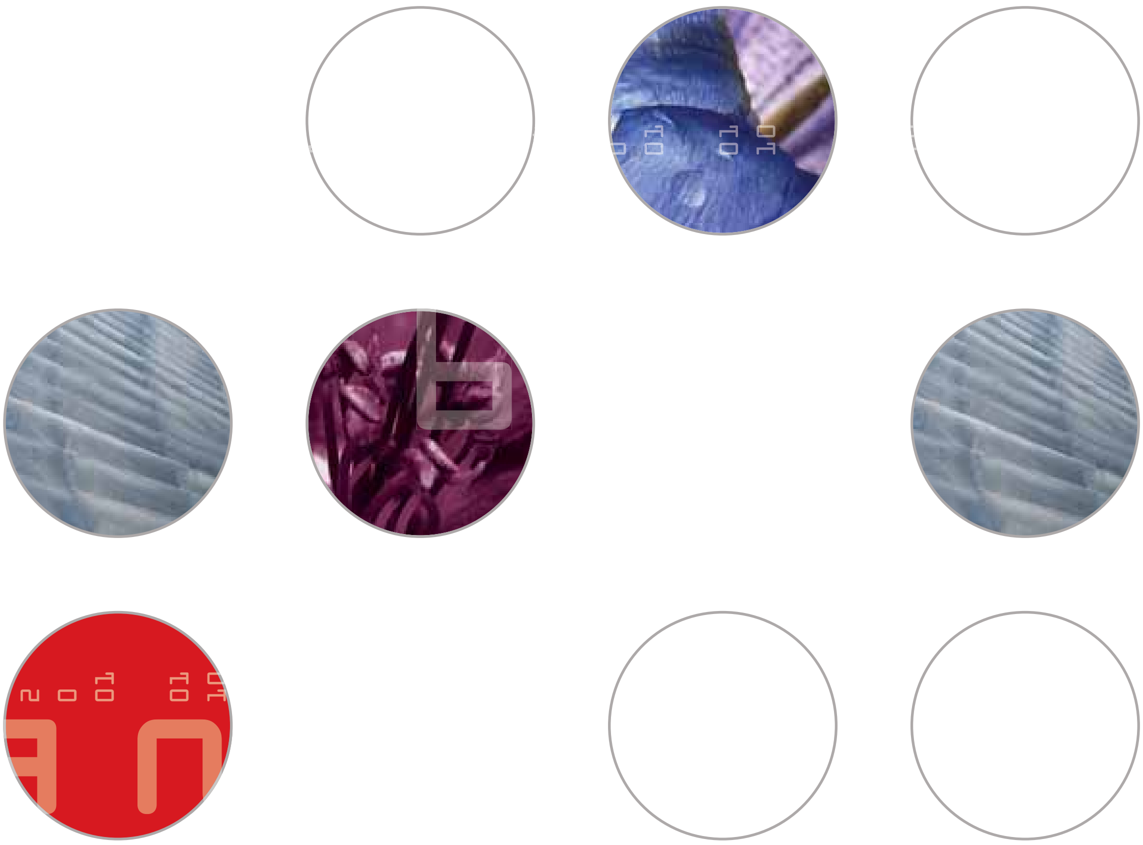
In addition to dose limits there are also limits on the total quantity of radioactive substances which can be emitted into the environment in one year.

02.10 Liquid radioactive discharges

Wastewater may contain fission and activation products. In 2005 the activity of fission and activation products (excluding tritium H-3, carbon C-14 and alpha particle emitters) amounted to around 0.03% of the annual limit for liquid discharges. The activity of discharged tritium was 90.1% of the prescribed limit. Tritium is a hydrogen isotope found in water and, in spite of being more active than other contaminants, is less important due to its low radiotoxicity.

02.00 minor environmental impact





02.00
minor environmental impact

radioactive substances	annual limit (exuivalent)	activity released	percentage of
fission and activation gases (total)	110 TBq (Xe-133)	0.36 TBq	0.88 %
iodine (I-131 and other)	18.5 GBq (I-131)	35.9 kBq	0.0002 %
dust particles (cobalt, caesium,etc.)	18.5 GBq	0.146 MBq	0.00079 %
tritium (H-3)	-	2.02 TBq	-
carbon (C-14)	-	13.5 GBq	-

data on radioactive release into the atmosphere in the year 2005

02.20

Radioactive releases into the atmosphere

The total annual activity of discharged noble gases was slightly under one per cent of the limit for the Xe-133 activity equivalent.

The activity of discharged radioactive iodine with regard to the limit on the iodine I-131 activity equivalent was insignificant. Radioactive isotopes of cobalt and caesium, which take the form of dust particles, were detected in extremely low concentrations. Table gives detailed information.

02.30

Measurements of the River Sava and ground water

In 2005 prescribed measurements of temperature, flow rate and oxygen concentration in the River Sava, and monthly measurements of biological and chemical oxygen consumption were carried out.

The temperature of the River Sava after mixing with the outflowing cooling water did not increase beyond the allowed 3° C. Not more than a quarter of the Sava flow can be diverted for power plant cooling.

Ground water is regularly inspected. The NEK constantly measures the ground water level and temperature in three boreholes and two locations on the River Sava and, on a weekly basis, in ten boreholes in the Krško-Brežice plain.

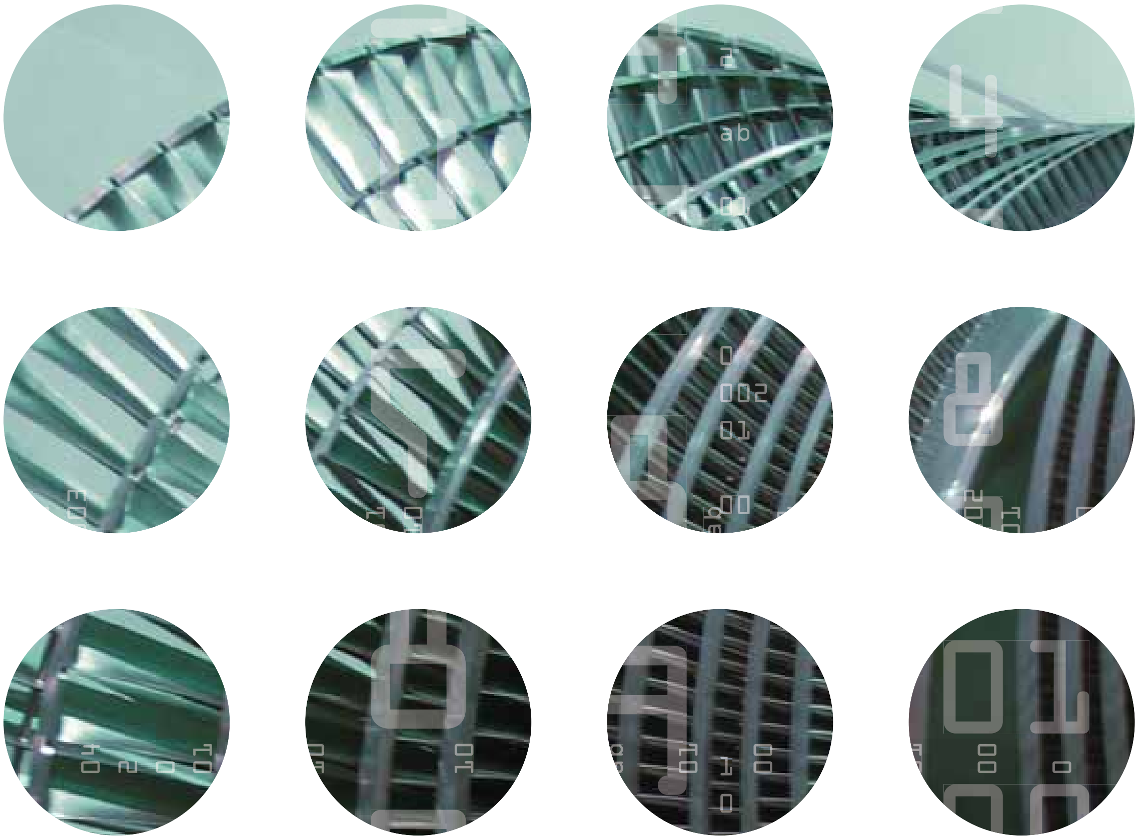
Plant sewage is treated by a special sewage treatment plant.

02.40

Data on radioactive waste and spent nuclear fuel

In 2005, 96 two-hundred-litre drums of radioactive waste were produced. The total number of units stored in the interim storage area at the end of 2005 was 4691, i.e. drums and tube-type containers (the latter have a volume of three standard 200-litre drums). The total volume of waste was 2255 m^3 and its total activity was 18 TBq. The number of drums, total volume and activity were down on the year 2004, because 283 drums with radioactive waste were consigned for incineration or melting in October 2005.

The spent fuel satorage pool contained 763 spent fuel elements from the previous twenty fuel cycles. The overall mass of spent fuel material was 298 tonnes.



03.10 Production process control and management

The production process was controlled and managed in accordance with procedures and plans for on-line activities and forced shutdown plans. As the fuel cycle was prolonged to 18 months there was no annual outage in 2005.

The know-how of shift teams in nuclear fuel replacement is being constantly maintained and updated. Three of them have been sent on specialist training in fuel replacement systems at the Westinghouse training centre.

To ensure a sustained improvement in work processes, a work supervision centre was set up in front of the control room in the turbine building. This is where the work supervision co-ordinator and other staff for administrative support perform all work related to approval and administration of daily maintenance and other activities in the plant. This provides better work conditions for the operators in the main control room whose primary responsibility is to control and manage the production process and equipment.

We have continued to improve computer-aided preparation and management of isolation of equipment and devices, and computer managed records on deviations. For devices with a special position assigned to them by the project, marked by green cards, a board is set up which at any time allows staff to monitor their status from the control room. The new review of abnormal operating procedures (AOP) was checked on the simulator.

In 2005 the large scale on-the-job training programme was continued in order to ensure that all operators are trained for the duties of reactor operator, balance of plant operator and back pannel operator, and that all equipment operators are trained for four areas of work: primary systems, external cooling systems, steam systems and condensation. In 2005 seven operators already completed their training for the additional work post and a further eight are currently being trained. Furthermore, four equipment operators were trained in additional areas of work .

With the introduction of a new water treatment facility the organisation of the facility control was changed and night shifts on work days and afternoon and night shifts at weekends were abolished.

03.00 upgrade of operational monitoring

a practice drill - rescuing an injured person

03.20 Carrying out surveillance tests

In 2005, the entire planned programme of surveillance tests was carried out to ensure fulfilment of all surveillance requirements of technical specifications and ASME standard, section XI, for valves and pumps. The programme checks all safety and other systems and devices to ensure their faultless operation within the acceptability criteria required for failure-free and safe operation of the power plant.

For a smooth and high quality execution of surveillance tests, it is necessary to provide planning, carrying out and independent inspection of all surveillance tests. Any deviation or degradation of safety equipment discovered by surveillance tests was analysed and followed by due corrective action.

03.30
Fire protection

By consistently carrying out fire protection measures a stable level of fire protection was maintained without significant deviations in 2005. Fire protection was provided by reviewing planned activities at weekly and daily meetings, by organising regular and extraordinary patrols, by issuing permits for performing fire risk work, by providing fire guards, by monitoring the operability of fire protection systems and devices for detecting, extinguishing and preventing fire from spreading. The fire protection department had to intervene in two incidents, which however, due to strict observance of fire protection measures, did not develop into a fire or problem which might affect operational reliability in any way. In the first incident, the fire guards extinguished a smouldering protective cover by taking adequate action. In the second incident, when a short circuit occured during cable laying, the firemen showed promptness and competency that proved they would be able to ensure fire protection in case of worse consequences as well. The whole programme of surveillance tests of fire protection systems and devices was carried out in accordance with technical specification requirements and the national law.

The fire protection training programme was carried out in its entirety. In addition to standard training, we also trained subcontractors and fire guards for contractual workers. Eleven fire drills were performed by NEK firemen, of which three were carried out together with the professional fire brigade from Krško. Most of the drills were unannounced. Our fire squad increased from seventeen to twenty-four members which means our capability for extinguishing fires has improved.

03.40
Planning and monitoring the implementation of activities

We carried out on-line activities for cycle 21, implemented all work laid down in the pre-annual outage activity plan for the 2006 annual outage, and the forced shutdown plans. There were three forced shutdowns in the hot-standby state. The first forced shutdown lasted 28 hours, the second forced shutdown lasted 21 hours and the third forced shutdown 49 hours.

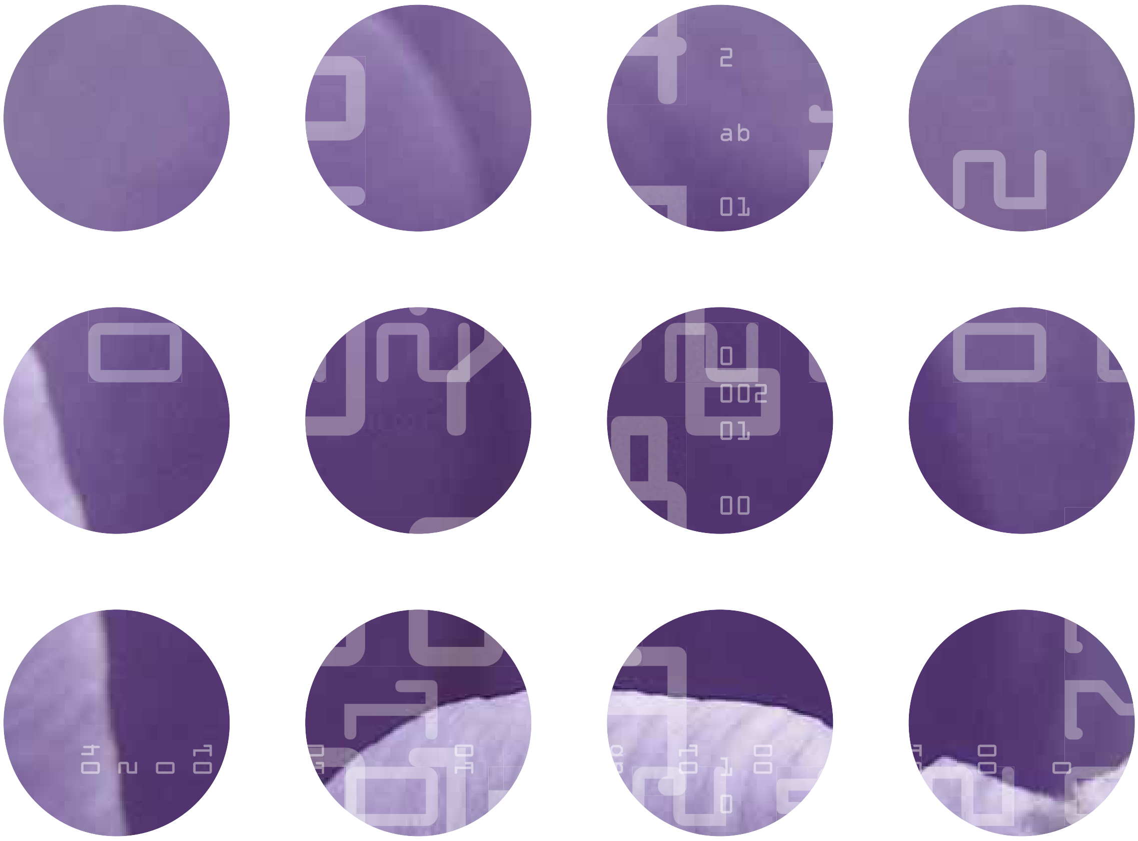
The plan of pre-outage activities for the 2006 annual outage was prepared on the basis of specific information about the outage. We participated in the activities for the 2006 outage with most of the ALARA groups. A pre-outage activity plan for 2007 and a draft of the 2007 outage plan have also been prepared.

The transition to the new version of a planning computer programme, has been completed and the software is ready for the next cycle. We have been actively participating in the updating of the work order process. Our funds are used for running the administration of the work order process: electronic closing, archiving, providing support in long-term activity planning and in preparing plans for projects of other departments in our plant.

03.50
Systems engineering

We continued to develop programmes for monitoring performance capability, maintenance efficiency (MEM), and system status.

Reports on the status of systems were prepared quarterly and thirty corrective measures for improving reliability and availability were proposed. The joint quarterly reports, which are based on individual reports on systems status and discussed in meetings of the expert commission for maintenance efficiency monitoring, provide us with an increasingly comprehensive picture of the status, reliability, availability and capability of power plant systems and devices, and serve as the foundation for setting corrective action and prioritizing long and short-term activities in the plant. In this way we prepared a priority list of modifications for the revision of our five-year investment plan, and some proposals for revising the plan of minor modifications for fuel cycle 22 and the 2007 outage.



04.00 important maintenance activities

04.10 Maintenance concept

Good maintenance practice is of key importance for safe and reliable power plant operation. It also means that activities are carried out to the optimum extent, at optimal time intervals, based on familiarity with the equipment status and criticality.

The scope of maintenance accordingly falls into preventive maintenance, carried out in specific intervals defined in programmes, predictive maintenance, which is used for establishing the status of equipment (diagnostics), and corrective maintenance, related primarily to equipment not crucial to the availability and safety of the power plant.

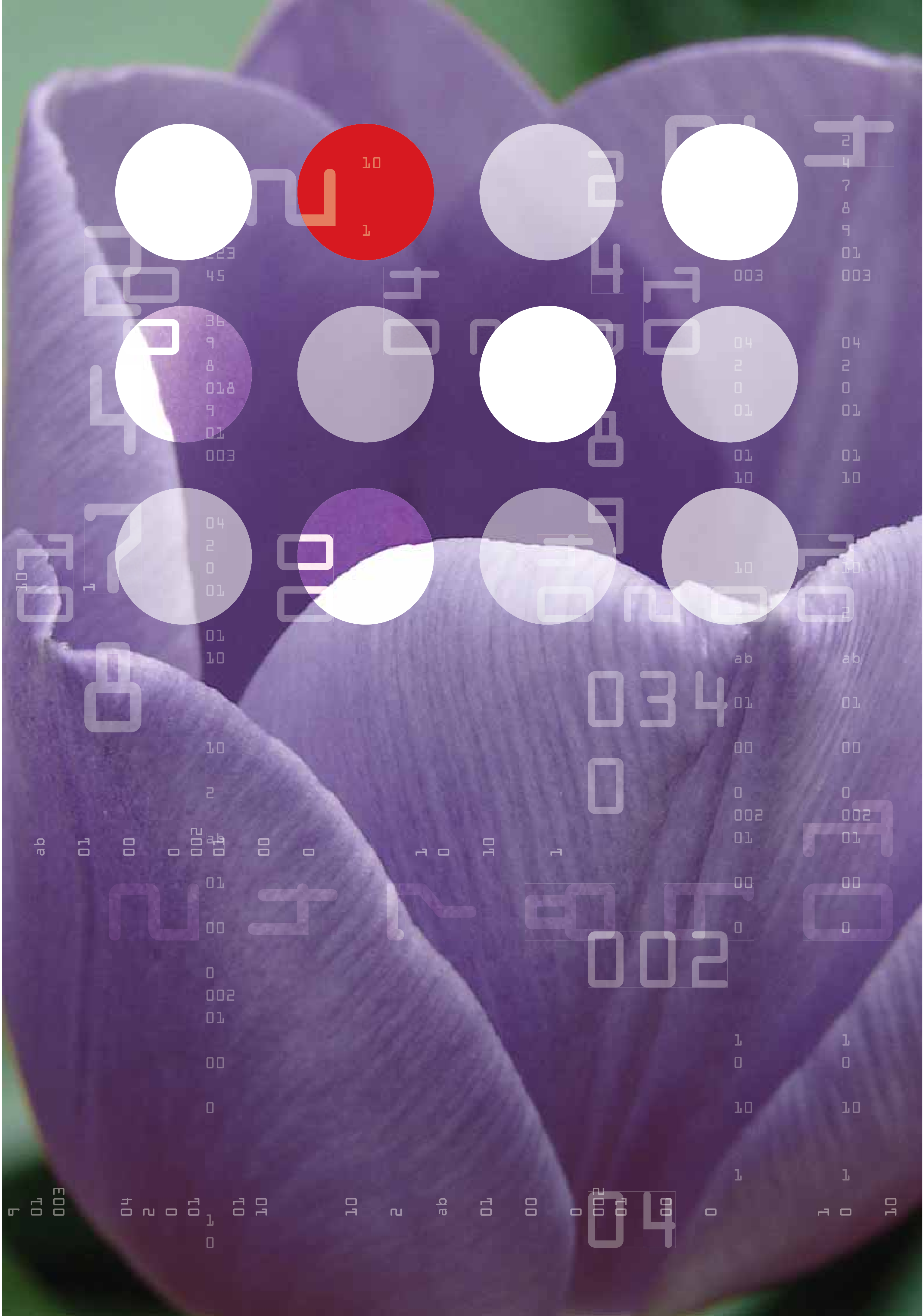
Failures or corrective measures on important equipment which is part of the preventive maintenance programme are followed up by a detailed analysis of the cause; if necessary the preventive maintenance programme is revised accordingly.

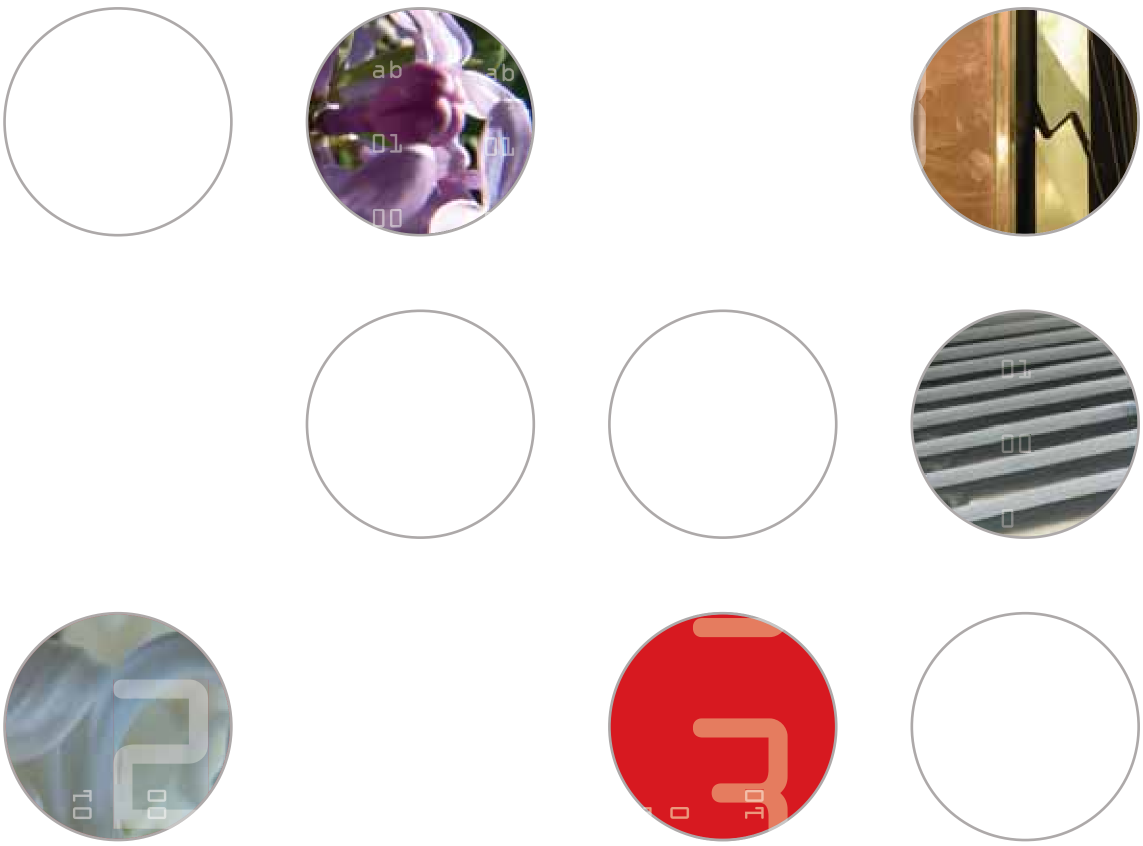
04.20 Regular maintenance

Maintenance activities were carried out during power plant operation since there was no annual outage in 2005. Most activities were pursued in accordance with the preventive maintenance programmes. Some corrective actions were also performed, mostly during operation and some during two unplanned shutdowns. The summary given below includes the main maintenance activities.

Machinery maintenance was performed in accordance with preventive maintenance programmes. Some of the important activities were replacement of diaphragms in several reservoirs, maintenance of essential service water strainer, replacement of the heat exchanger in the refuelling water storage tank, overhaul of several pumps, compressors, valves, etc.

The main corrective activities included replacement of a bearing on one of the ventilation units for containment ventilation, remediation of a steam leak on the flanges for balancing the high pressure turbine, check-up and plugging of heat exchangers for oil in the main feed pumps, and check-up and plugging of pipes in the condenser heat exchanger of the steam generator for boric acid recycling.





04.00
important maintenance activities

Electrical equipment maintenance was also carried out in line with preventive maintenance programmes. Standard preventive activities consist primarily of preventive check-ups of electrical equipment and surveillance tests of batteries and relay protection. Other important preventive activities were undertaken as well, such as the check-up of the motors of pumps for component cooling, the check-up of the cooling tower pump motor, check-ups and revisions of low pressure motors, several breakers, instrumentation transformers, check-ups of electric cabinets for panels, lighting, etc. One of the most important preventive actions was the revitalization of one of the main power transformers.

As a consequence of a broken load bearing bolt, the damaged motor of a cooling water pump in the condenser was remedied.

Instrumentation maintenance staff performed regular surveillance tests of automatic safety systems in the power plant and radiation survey systems. As there was no annual outage, calibrations and preventive maintenance were carried out on equipment that allows such work. Because the plant is designed in a way that allows most calibrations to be done during operation, the extent of maintenance was not significantly smaller than in years with an annual outage. Due to the large extent of maintenance completed on-line, the remaining activities in the area of instrumentation maintenance during the annual outage are to be carried out mainly on the instrumentation in the reactor building and in the secondary cooling circuit (turbine, condensate system, main feedwater system, HD system). For the purpose of making human resource management easier during power plant operation we have significantly increased staff training in the area of instrumentation.

With regard to construction, a few important activities were carried out in addition to regular maintenance: remediation of the fifth overflow field on the dam, construction work in replacing part of the hydrant network, and repair of the roof and installation of new water insulation having a durable elastic coat covering a part of the auxiliary building with a total surface area of 2000 m^2.

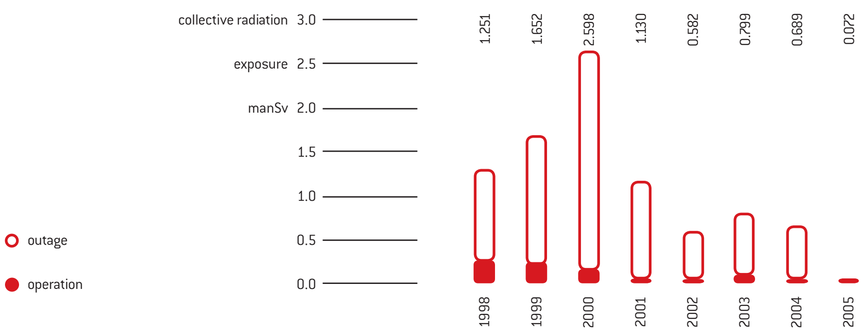
Predictive maintenance involved activities for ascertaining equipment status. For that purpose various techniques are used, which are not part of the primary maintenance programme, including thermovisual inspection, vibration control of vital rotating components, and oil control.

04.30 Special maintenance activities

With regard to the concept of maintenance, all the important corrective maintenance work that has been mentioned above in different maintenance areas, is regarded as special maintenance activities.

04.40 External support

External support in carrying out on-line maintenance is very limited. It mostly exists in the form of specialist maintenance staff who assist the personnel of NEK. The latter coordinates, manages and also performs activities in line with specific procedures for preparing and implementing work orders.



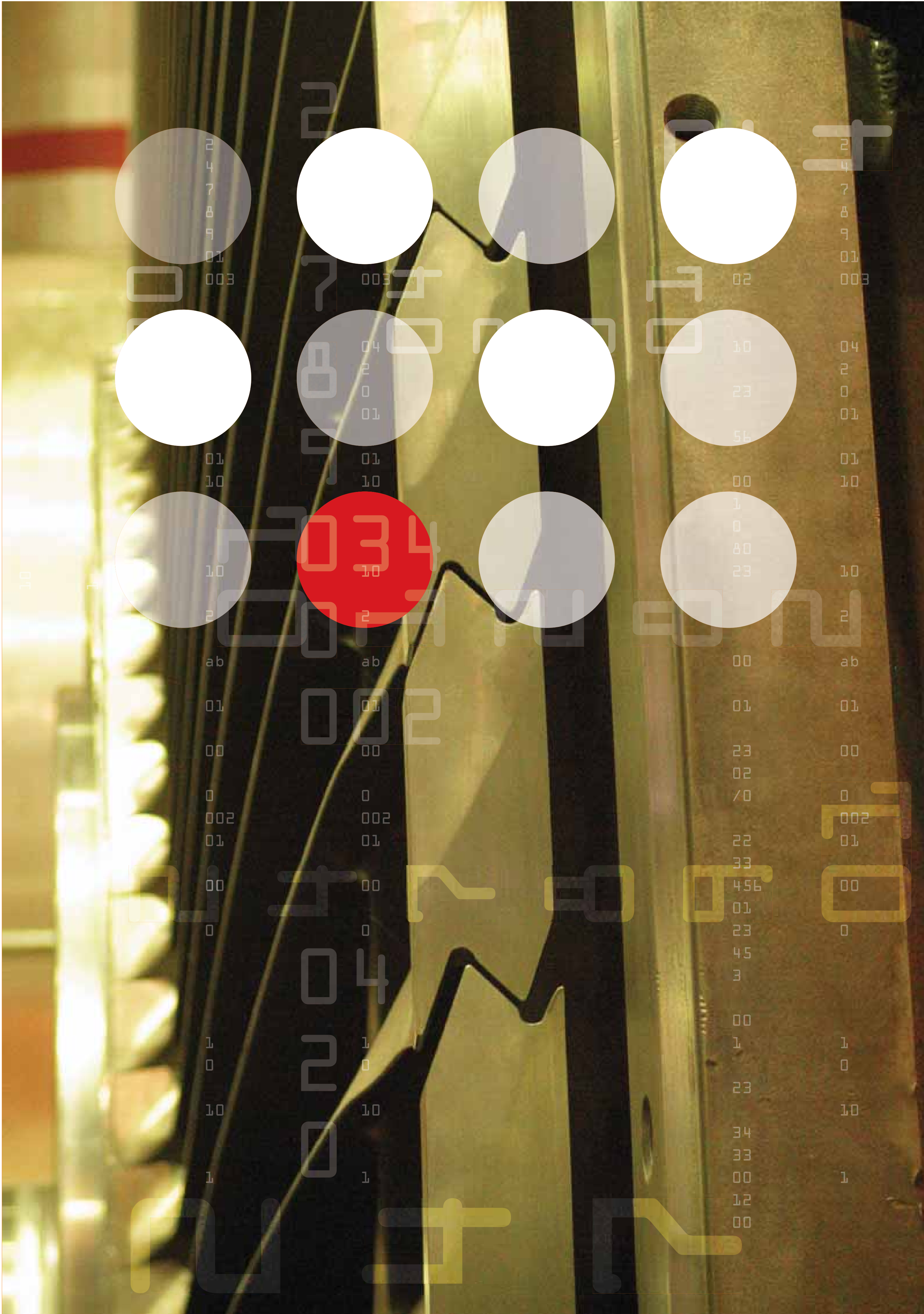
05.10 Radiation protection

Due to the new 18-month fuel cycle, the exposure of workers to radiation was lower than in previous years as there was no customary annual outage involving fuel replacement.

The total collective dose in the whole year was 0.072 man.Sv, 22% of which was received by the employees of contractors.

The average individual dose was 0.14 mSv. The highest dose among contractual workers was 0.86 mSv during work on the snubbers. The highest dose received by a worker of NEK in this year was 6.87 mSv as a result of work on the radioactive waste processing system. He was the only worker to receive a dose exceeding 5 mSv.

05.00 radiological protection from preparation to execution of work



work in the radiochemical laboratory

Operating a 18-month cycle requires some changes in the chemical programme of the reactor coolant which were arranged and coordinated between the NEK and its fuel supplier.

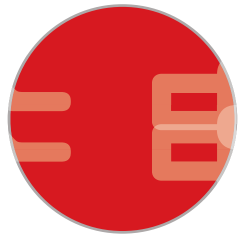
In our estimation the chosen pH regime has been correctly managed, as we have observed no significant anomalies in the corrosion of construction material and nuclear fuel. We have drawn up a technical report which contains an analysis of possible effects of the changed chemical treatment on fuel, material and doses resulting from the transition to a longer fuel cycle. Our recommendations and anticipated trends, experience with recent fuel cycles and experience of comparable pressurized water power plants are presented in the form of brief abstracts of investigations carried out in some expert institutions and by the fuel supplier.

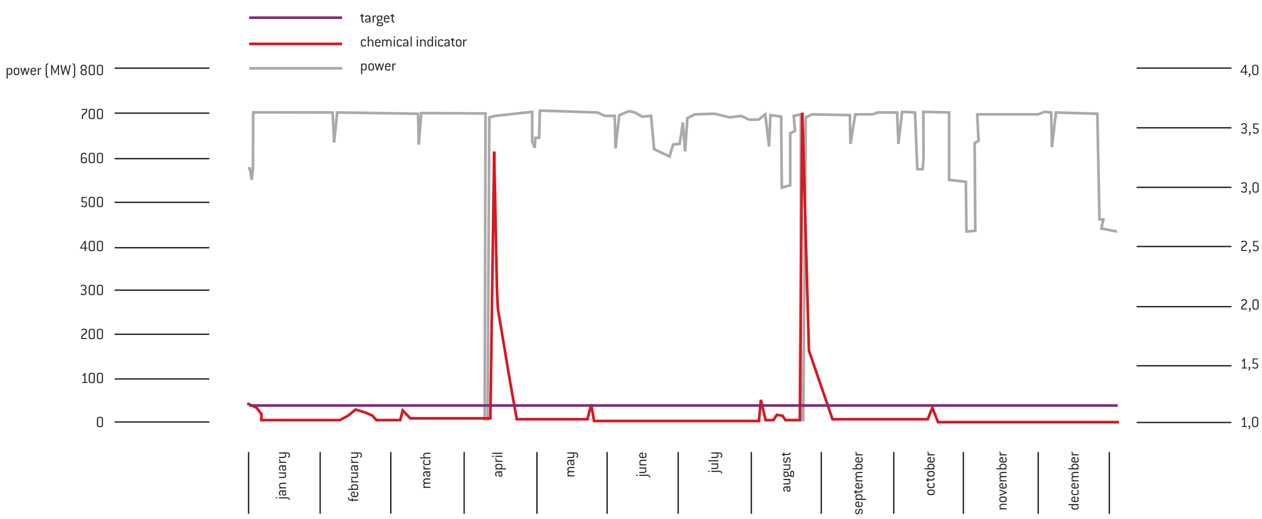
Similarly, in the secondary circuit no events with an appreciable effect on degradation processes were observed. The release and transport of corrosion products in the secondary circuit and their deposition in the steam generators is carefully monitored and evaluated by selective replacement of those piping sections which were most exposed during the last outage.

By maintaining suitable chemistry in the secondary circuit we restrict erosion/corrosion processes to the highest degree possible. We expect that some modifications planned for the next outage will further decrease the inventory of deposited particulates. Our experience in restricting erosion/corrosion processes and in removing deposits was presented at two meetings of experts with international participation. The necessary support was also provided by the supplier of the new steam generators.

By building in test coupons for assessing corrosion processes we carried out the last recommendation of the OSART mission connected to monitoring the status in the the condenser cooling system.

06.00
chemical parameters of cooling agents



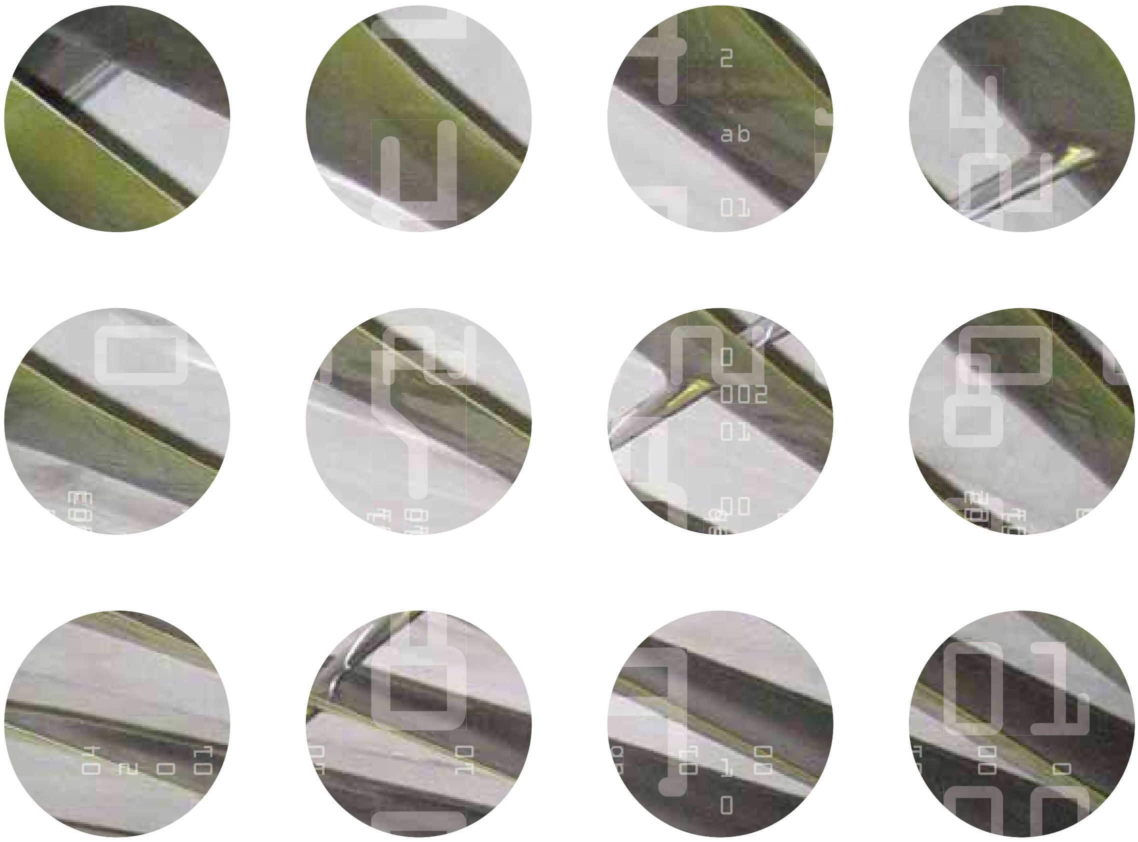


chemical indicator of secondary chemistry in the year 2005

Since May 2005 the programme entitled Corrosion Monitoring and Limitation has been effective. It defines the basic requirements, communication channels and responsibilities of departments involved in the technological process.

Last year also saw the revision of some operating procedures which included stricter requirements regarding quality assurance and control, independent inspection and implementation of control using newly installed up-to-date chemical and radiochemical analysers.

To evaluate how efficient the chemical programme of the primary and secondary systems is, indicators are also used such as the WANO chemical indicator of secondary chemistry, monitoring the activity of the reactor coolant and the conformity of key control chemical parameters with the specified values (deviations). The annual average level of the WANO chemical indicator of secondary chemistry reached a value of 1.05, which is lower than the allowed maximum of 1.10. Shifts from the optimum value of 1.00 were observed particularly during plant shutdowns. At the end of the year 2005 the specific activity of iodine 131 reached 0.08 per cent of the limit while the target upper limit was 1 per cent. The total duration of activity levels which required corrective action in order to restore chemical parameters to the regime of expected operation, was 76 hours, chiefly as a result of plant shutdowns. The annual expected deviation from specified values was up to 300 hours.



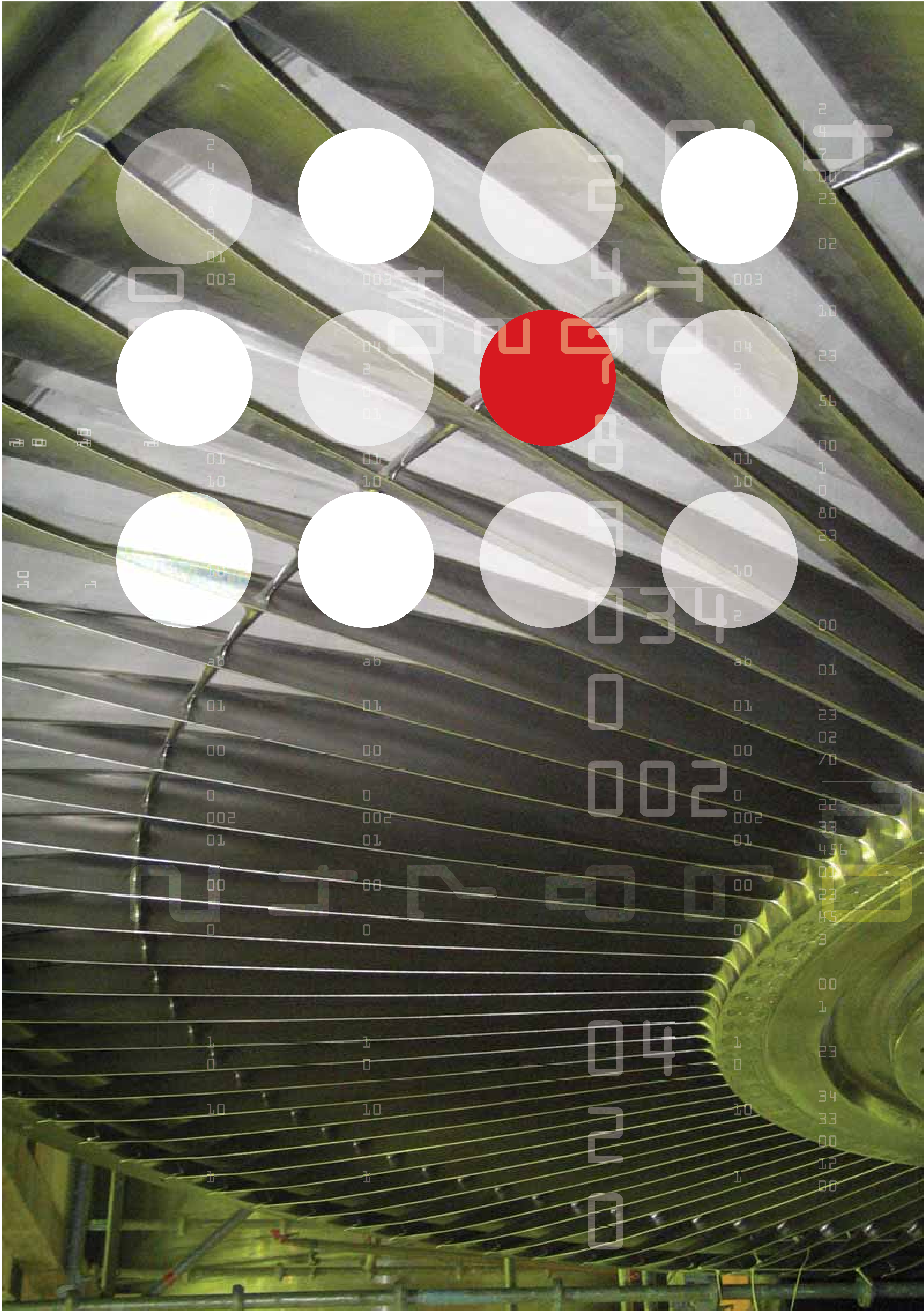
07.10 Nuclear core project

The aim of the project is to determine the number of fresh fuel elements and their enrichment for the purpose of composing a core that will meet the required energy demands. Part of the project is to calculate the physical parameters of the reactor core. Their compliance with standards ensures reactor stability and safety in all projected states of the power plant.

Throughout the year 2005 we operated fuel cycle 21, which commenced on 2 October 2004 and is to conclude after 18 months on 10 April 2006. In 2005 there was no fuel replacement or change in the core configuration.
The prolongation of cycle operation required replacement of 56 spent fuel elements in 2004. During this cycle the core burned fuel of the Vantage+ type, manufactured by American producer Westinghouse.

In cycle 21 the reactor operated in line with the prescribed limits up to the beginning of January 2006. The parameters complied with the projected ones. The total heat energy produced in cycle 21 at the end of December 2005 corresponded to 435 days of operation at effective full power. At the end of 2005 the total reactor operation amounted to the equivalent of 19.1 effective years of full power operation. On the basis of measurements in cycle 21 we may conclude that the reactor operated in accordance with operational limits and projected calculations.

07.00 fuel integrity



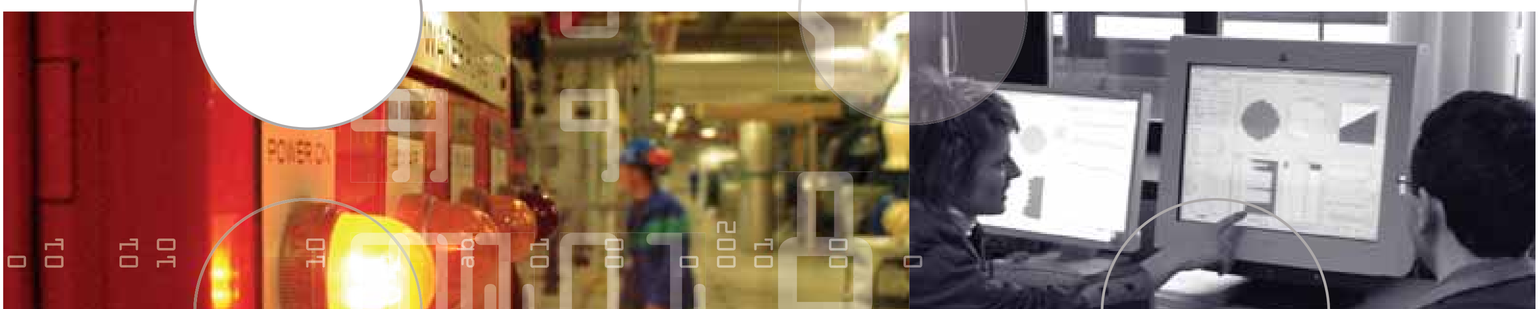
07.00
fuel integrity

07.20 Control and optimisation of reactor core operation

The planned values and prescribed physical parameter limits of the nuclear core are continuously monitored. Safe core operation is checked and verified by testing, measuring power distribution in the reactor and calculation. Data on neutron fluxes in the core are measured using core instrumentation. The result of analysis of the measured values of neutron fluxes is a three-dimensional picture of power distribution in the reactor. The values prescribed in Technical Specifications were never exceeded. Results of the measurements are, among other things, used for setting limiting operational values for safety systems and for the calibration of nuclear instrumentation.

The basic indicators of fuel condition indicated that fuel integrity is satisfactory. The specific activity of the primary coolant as well as its contamination were below the prescribed limits.

Analysis of the specific activities of fission products in the primary coolant in cycle 21 leads us to conclude that the permeability of the zirconium alloy fuel cladding increased slightly. As the defects are relatively small, the leak is small as well, which means the indicator of fuel reliability condition is good.



preparatory activities for work

07.30 Nuclear fuel condition

One of the power plant's goals is operation without fuel leakage. Our dedication to this goal prevents burdening the environment and effects on the population. Fuel integrity is constantly monitored and represents the parameter of successful implementation of the Fuel Integrity Programme. It is evaluated on the basis of measured specific activities of iodine and noble gas isotopes and certain isotopes of solid particles in the primary coolant.

The value of the fuel reliability indicator in 2005 did not exceed the prescribed limit of 18.5 MBq/m3. This is also the goal of the INPO standard which the power plant has succeeded in meeting for more than five years.

On the basis of the above data we may conclude that fuel reliability in the core of cycle 21 is good and its effect on safety and operation within projected limits.

08.00 inspection of pressure boundaries

08.10 Inspection of primary components

The power plant carries out an on-going equipment inspection programme, also called the ISI programme or In-Service Inspection. The inspection is conducted according to NDE methods (non-destructive examination) that do not affect the equipment measured. The basic purpose is to detect component degradation that might have occurred during operation.

In accordance with the appropriate standards and requirements of the Technical Specifications, the inspection programme is applied to components which represent the primary system's boundaries - the so-called safety classes I, II and III.

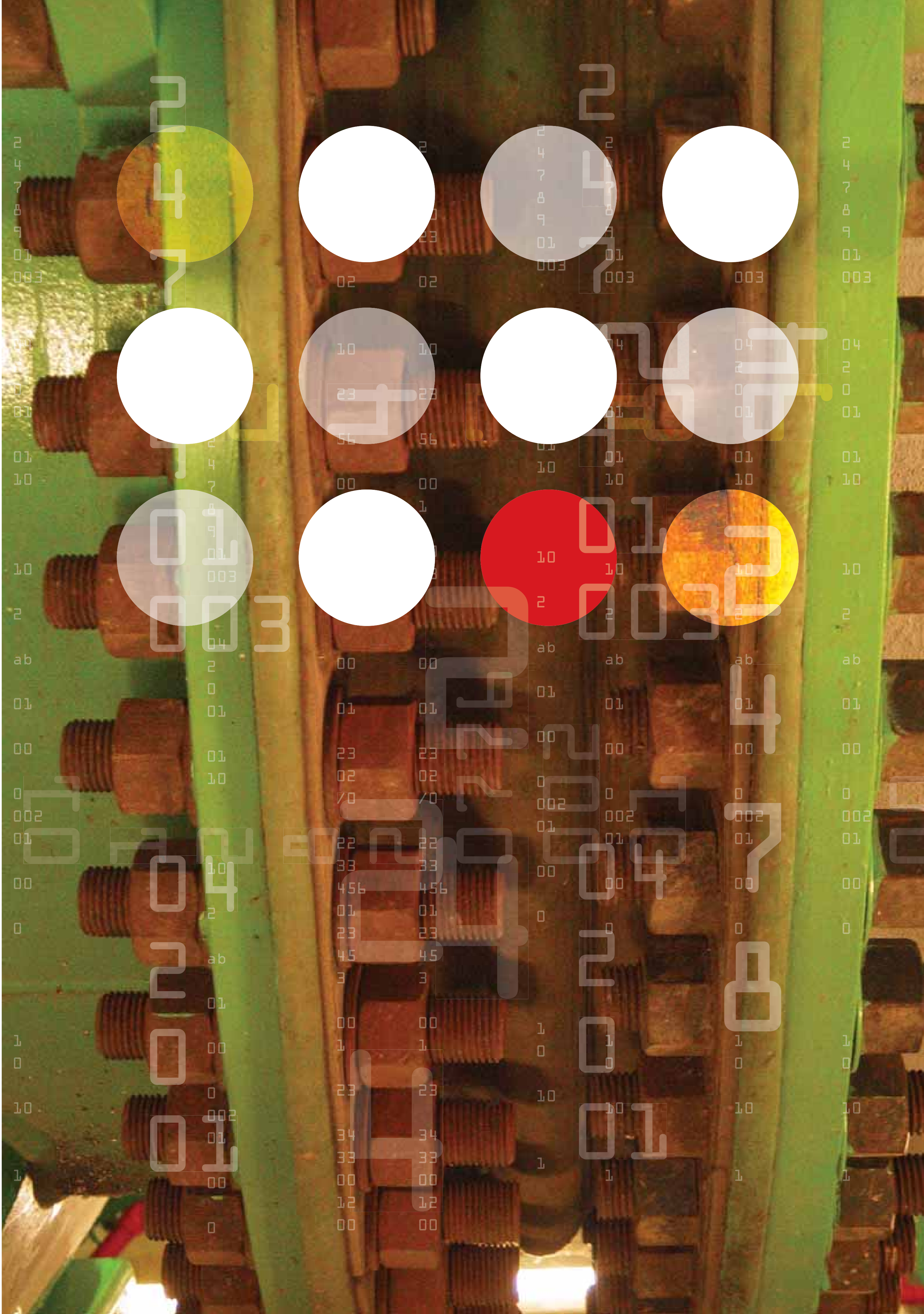
In view of the fact that there was no regular annual outage in 2005, ISI activities were carried out to a very limited extent as they were not included in the programme. NDE inspections were performed chiefly as auxiliary activities in the area of corrective maintenance of machinery.

08.20 Inspection of secondary system components

With no regular annual outage the work was accordingly adjusted. Within the framework of regular inspection checks no activities were planned. A manual shutdown of the plant occurred in April due to a break in the piping at the pipe inlet into the HD system condenser.

With regard to corrective activities all the other seven piping connections to the HD system condenser were inspected. As a preventive measure we prepared a plan of potentially hazardous locations which should be examined. Consequently, during plant operation, ten work orders for inspection checks were issued for ten systems. Corrective activities were carried out according to the results of the inspections. We formulated an additional inspection plan comprising approximately 70 potential locations which will be examined during the 2006 outage.

The current Pressure Vessels Inspection programme was revised. The regulations on equipment examination classify piping as pressure equipment as well. This prompted a new revision of the programme. We purchased computer software for modelling erosion/corrosion processes in NEK. With this purchase we hope to improve the quality of predicting and monitoring erosion and corrosion.



In 2005, intensive implementation of the technological upgrades which were envisaged in the adopted long-term investment plan was continued. There was no annual outage owing to the 18-month fuel cycle, hence only technological upgrades not requiring plant shutdown were carried out. The fire prevention system was further updated by replacing and expanding the fire detection system and by replacing the underground hydrant network.

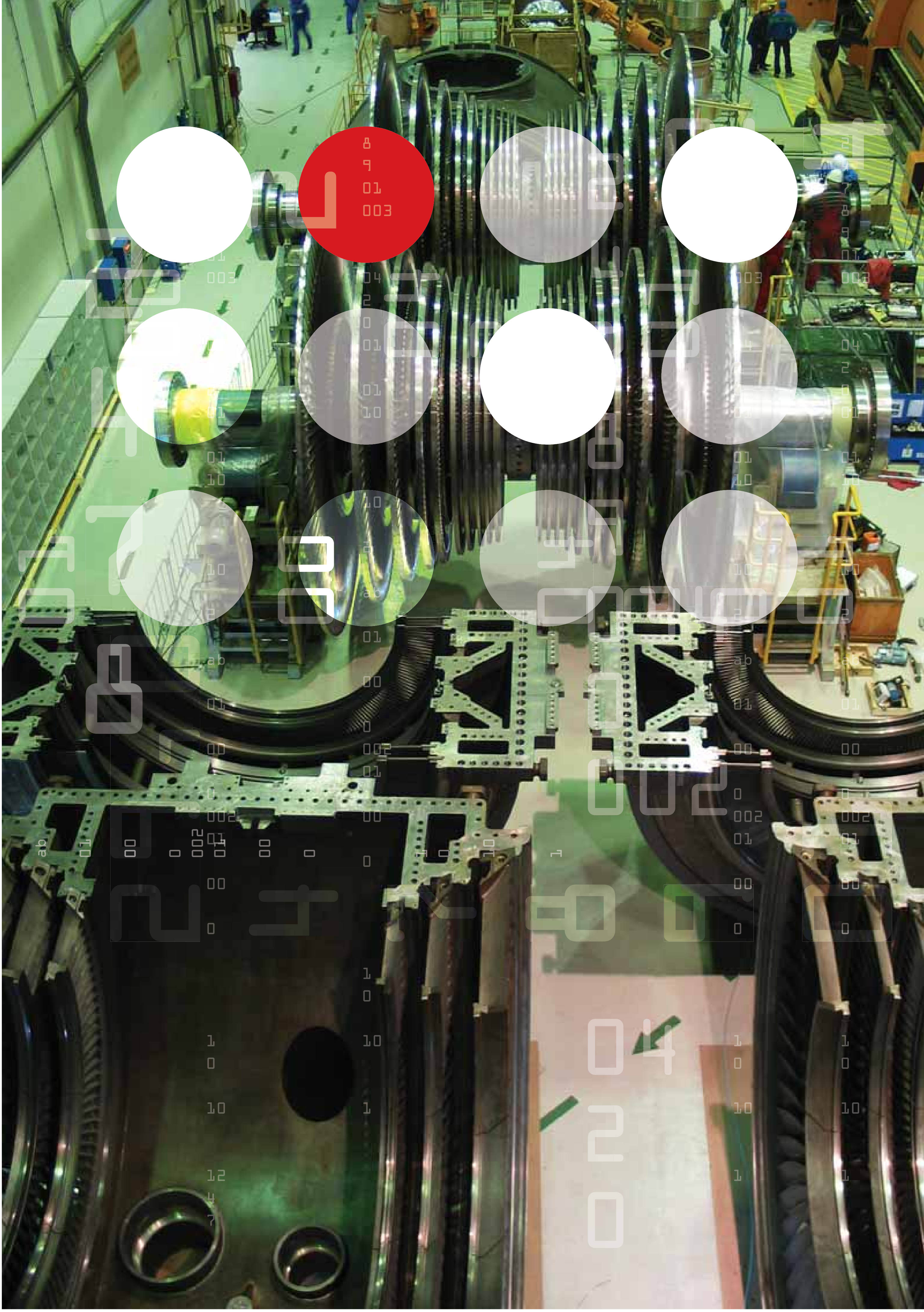
Other upgrades included the extension of the evacuation loudspeaker system, installation of a system for automatic isolation of the steam generator blowdown system, modification of the heating system of the refuelling water storage tank (RWST), replacement of the vacuum pumps in the secondary system, etc. Furthermore, intensive preparation for more than 30 modifications envisaged in the 2006 annual outage were underway. Important investments completed in 2005 included the following:

09.10
Replacement of the low pressure turbines

This modification was necessary due to the degraded condition of the low pressure turbines (cracked disks) and, as a consequence, more frequent turbine inspections and increasing maintenance costs. Without replacing the low pressure rotor, the turbine would not be able to operate until the end of the plant's licensed life.

The two new low pressure turbines have a higher load factor in comparison with the existing turbines, which means approximately 3 % greater outgoing power or more than 20 additional MW.

09.00
technological upgrades



unloading the turbines in the port of Koper

09.20 Replacement of the system for continuous measurement of boron concentration

The old inoperable sytem was removed and replaced by a new Boron Concentration Measuring System (BCMS) which works on the principle of measuring the density of the neutron flux by use of a constant neutron source and a proportional neutron detector. BCMS continuously measures the concentration of boron in the letdown line of the chemical and volume control system of the primary circuit. The function of the system is to assist in controlling the primary system conditions, particularly in the case of changes in power or reactor parameters, since boron 10, i.e. boric acid solution, added to the primary system, is one of the two primary methods of controlling excess reactivity. The project was fully completed and after installation its initial calibration was carried out.

The system is currently operating normally within the prescribed limits of accuracy (+/—1 %).

09.30
Upgrade of the process information system (PIS)

The aim of this project is to modernize and upgrade the central process information system so that it can continue to enable efficient and reliable operational control of the plant systems and components and to provide necessary process data to all who should require them. The project will be implemented in the 2006 outage. The year 2005 saw the implementation of the following activities:

- preparation and approval of the entire project documentation;
- supply of all hardware (computers, system and network equipment;
- tests carried out by the supplier;
- installation of all hardware in a temporary location in NEK, transfer and development/ upgrade of the existing software applications and set-up of new data links to other process computer systems.

09.40
Supercompactor installation in the radioactive waste storage area

One way of decreasing the volume of compressible radioactive waste is to compact it, which reduces the volume by more than 60%. In the past NEK leased high pressure balers which was a fairly demanding undertaking, logistically and financially.

For that reason Krško NPP opted to purchase and install a supercompactor which was obtained in 2004. First, it had to be dismantled, cleaned and after that adjusted to the conditions for installation in Krško NPP. Its assembly and installation in the LILV storage area (low and intermediate level waste) commenced in December 2005.

09.50
Hydrostatic test of heat exchangers

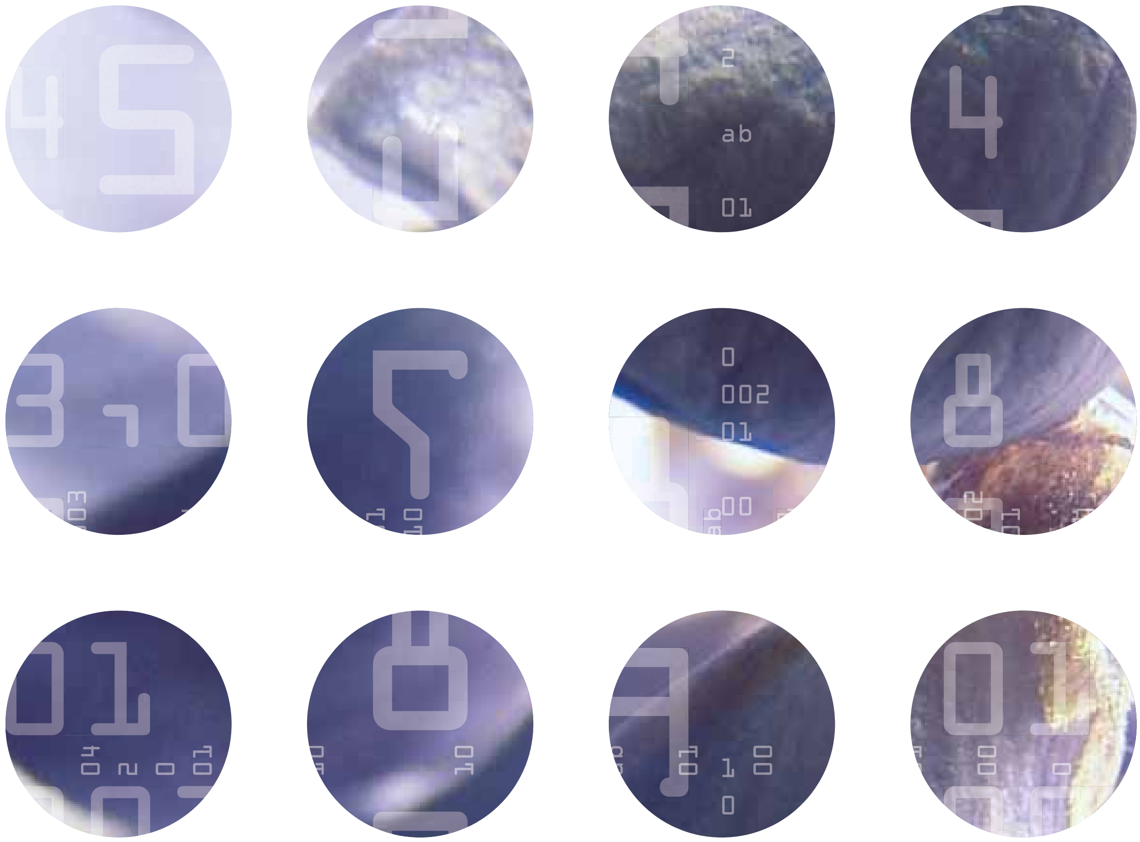
Based on the annual outage inspections and in accordance with our five-year long-term plan the project of replacing all regenerative heat exchangers is underway. The replacement of the heat exchangers will be carried out in stages. In the second half of the year 2005 four heat exchangers were manufactured and are to be replaced during the 2006 annual outage.

09.60
Replacement of the main cooling units (CZ system)

In view of the requirements of the Montreal Protocol which bans the production of CFC cooling agents and with the aim of long-term operational stability, NEK decided to replace cooling units (with the environmentally friendly cooling agent R-134a) for cooling facilities withvital components. The replacement of cooling units with up-to-date units involving air-cooled coolants will ensure uninterrupted operation of the safety system, as the new system also eliminates the problem of sedimentation and algal growth in water-cooled condensers.

In 2005 our supplier of cooling devices continued to carry out the final stages of manufacturing four cooling units.
A functionality trial of a test cooling device is planned for the spring of 2006.

preparations for a capacity test in the McQuay factory / replacement of the feedwater heat exchangers



10.00 personnel training

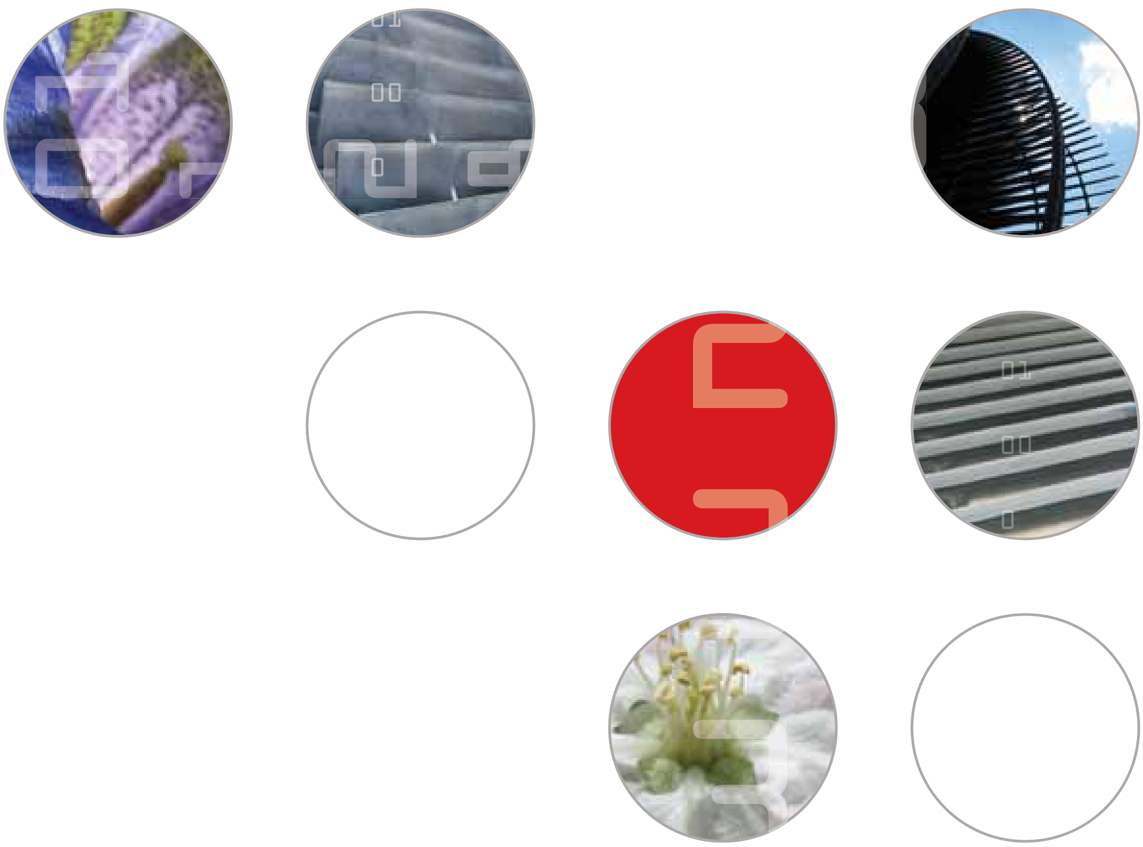
In 2005 the aim of professional training was to ensure quality preparation and execution of all training programmes and thus contribute to a high degree of personnel proficiency and professionalism, and to safe and reliable power plant operation. Training programmes were largely prepared and executed within the activities of the Professional Training Unit and other organisational units. However, the training is partially implemented in collaboration with external institutions, both national and foreign.

The training of Krško NPP personnel was executed on the basis of approved programmes and the annual plan, formulated in co-operation with the heads of organisational units. The plan is prepared in accordance with ascertained needs for the purpose of providing the required number of adequately trained personnel.

10.10 Training of operating personnel

Copntinuous professional training of licensed personnel was conducted in accordance with the two-year plan, the relevant legislation and in-house procedures in NEK. The annual training was executed in four weekly sessions. It was attended by all operating teams and other licensed personnel. The training was conducted through classes and complete simulator scenarios. In the last annual session, fifteen candidates successfully passed exams for licence renewal, of which six and nine were for reactor operators and senior reactor operators, respectively. The exams, including written, practical and oral parts, were carried out by a panel of assessors, consisting of the official examination board members, the Production Management Department and the Professional Training instructors.

The ongoing professional training for equipment operators proceeded in parallel with the training for licensed personnel, i.e. four weekly training sessions were implemented. As in the previous year the classroom was actively linked with the complete simulator, which further improved practical training.



10.00 personnel training

The programme from the year 2004 was continued. Three shift teams and a maintenance team completed hands-on training on the refuelling equipment in the Westinghouse Waltz Mill Centre.

The professional training of technical personnel includes courses in which the aim is for candidates to acquire or refresh the general and specialist skills needed for performing maintenance and support functions.

In 2005, two sessions of ongoing professional training of maintenance personnel, intended for refreshing general and legally prescribed skills, were carried out.

In addition to training the simulator was also used for preparing the operating personnel prior to implementation of important activities at the power plant and for testing operating procedures.

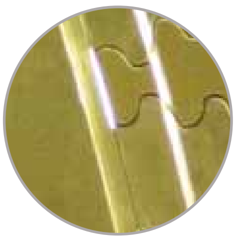
Within the framework of initial training for technical personnel, a course in the fundamentals of nuclear power plant technology was carried out in 2005. In accordance with previous experience, it was executed in collaboration with the Training Centre for Nuclear Technology. The course consisted of four weeks of theoretical fundamentals and four weeks of classes on systems and operations of the power plant.

10.20 Training for maintenance personnel and for those performing other support functions

As regards training of maintenance personnel, the programmes of specialist and legally required training, which were prepared on the basis of matrices of required skills, were continued in 2005. Some courses were implemented in co-operation with external institutions, partly abroad and partly in the Maintenance Personnel Training Centre. Some practical training was also implemented during preventive on-line maintenance of equipment. The preparation and implementation of professional training of maintenance personnel involved, in addition to Professional Training staff, engineers and specialist technicians of the Maintenance Unit.

10.30 Implementation of other legally prescribed and general training

The implementation of established programmes of initial and refresher courses related to areas of legally prescribed skills, such as safety and health at work, fire protection, dangerous substances, emergency planning, first aid, work in explosion and electricity endangered premises were continued. A drill at NEK related to measures required in case of an emergency event was organised at the end of the year.



All activities in the power plant affect, directly or indirectly, the safety and stability of operations, which makes all employees aware of the importance of their work which is performed with due attention and responsibility.

The Quality and Nuclear Oversight personnel pay special attention to ensuring and checking the execution of regulations and standards of nuclear technology, as well as other current technologies in project solutions, operation and maintenance activities, the supply process and other activities which contribute to safe plant operation and the safety of the population. Our mission is performed through independent inspection, on-going improvement of personal attitude and behaviour and safety culture, critical self-assessment of results achieved, constant comparison with the best comparable facilities in the world, by learning from both Slovenian and foreign operating experience, and on-going condition assessment in terms of plant operation safety and stability. One of the methods of investigating the mode of organisation and the work processes is self-assessment. By self-assessment, the existing activities, processes and programmes are compared with well-established standards and expectations in order to ascertain process efficiency and the influence of the human factor and thus identify our strengths, as well as the weaknessess which should be remedied.

The Quality Assurance Department checks whether standards and regulations are observed in NEK and its business partners by regular checks and assessments. The department is involved in almost all work processess in the power plant. In 2005 several inspections of the quality systems of our business partners as well as of Krško organisational units were carried out.

11.00 quality and nuclear oversight

Some technological processes, however, also require physical inspection of quality, which is provided by the Quality Control Department. Its primary task is to control activities performed and check the level of control achieved by using special measuring equipment. All ordered material is under special control even before it is stored in the warehouse where it is checked by the delivery control personnel. The basic purpose of such procedures is to prevent installation of unsuitable materials or components into the technological part of the facility which could indirectly affect safety. Special attention is paid to the condition of piping which is an important part of the facility and is checked for erosion or corrosion. Certain inspection methods and predictive programmes are used to help detect potentially hazardous points and thus improve the safety and reliability of the power plant. Last year a state-of-the-art computer programme for modelling piping wearout processes was purchased. As a result a proposal was made for extensive replacement of secondary side piping which will be implemented during the 2006 outage.

The Independent Safety Engineering Group performs a complete overview of the plant's condition and in this respect evaluates the nuclear safety of the facility as a whole. Experts survey and prepare reports on Slovenian and foreign operating experience (events), operating procedures, equipment modifications, maintenance and operation activities, and suggest possible improvements of nuclear safety. The activities it performed in 2005 were self-assessments regarding safety and health at work in NEK, human performance in the production unit and the process of prioritizing claims for engineering evaluation, modifications and long-term planning.

12.00 purchasing

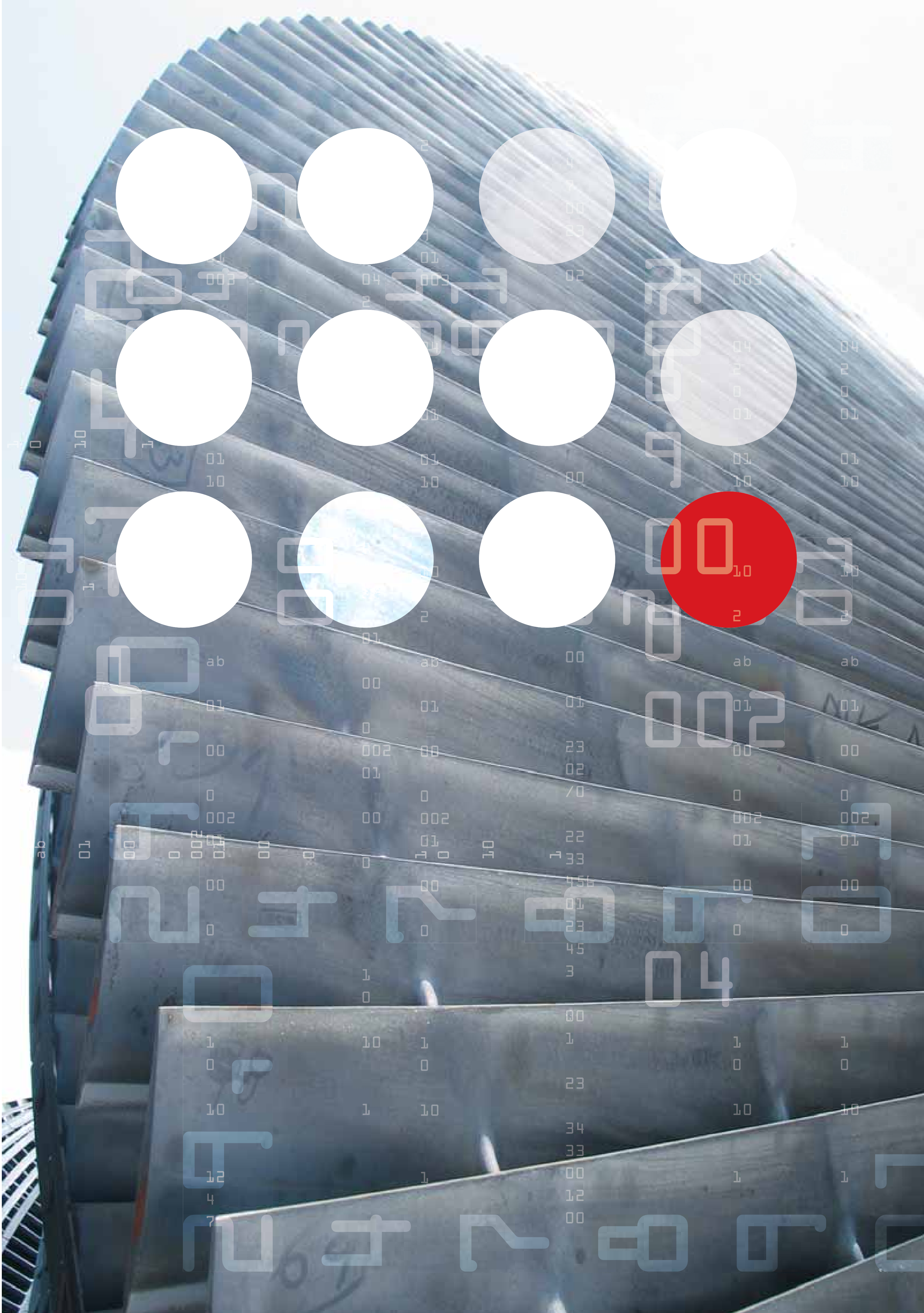
The year 2005 saw the successful realization of service and goods purchases in the total value of 15,680 SIT (65.3 million EUR). The Purchasing Department collaborated with other organisational units in all important activities (public competition, negotiations, contract signing, realization) which involved the purchase of low pressure turbine rotor, expansion of cooling tower capacity, revitalization of the main transformer, the purchase of the spare motor of the reactor pump, the replacement of feedwater heat exchangers, PIS system upgrade, etc.

In accordance with the Intergovernmental Agreement between the Government of the Republic of Slovenia and the Government of the Republic of Croatia on regulating the status and other legal issues related to investments in the Krško Nuclear Power Plant, its exploitation and decommissioning, suppliers and contractors from both parties were treated identically. As regards imports we are facing some problems with certain American suppliers, which are relinquishing their support of the nuclear industry as they are included in other large national projects and lack interest in often complex specific work with business partners abroad. Where possible, the Department will attempt to do business on the European and Slovene market.

NEK has signed agreements on long-term collaboration with local strategic partners (particularly those who perform important outage and continuous services in NEK) with the aim to secure quality, prompt and cost competitive sevices, prompt information, and in return provide appropriate development and long-term business security.

A contract on the supply of enriched uranium (EUP - Enriched Uranium Product) for the next five refuelling cycles was concluded and is currently being authenticated by the Euratom Supply Agency. In accordance with the rules of accession to the EU this agency has to approve our contracts for supplying nuclear fuel.

Besides regular reporting to the Euratom Supply Agency on nuclear fuel, the accession to the EU has entailed additional tasks for NEK, namely seeking certificates, verifications, recording and reporting on supplies from the EU by using the Intrastat system.



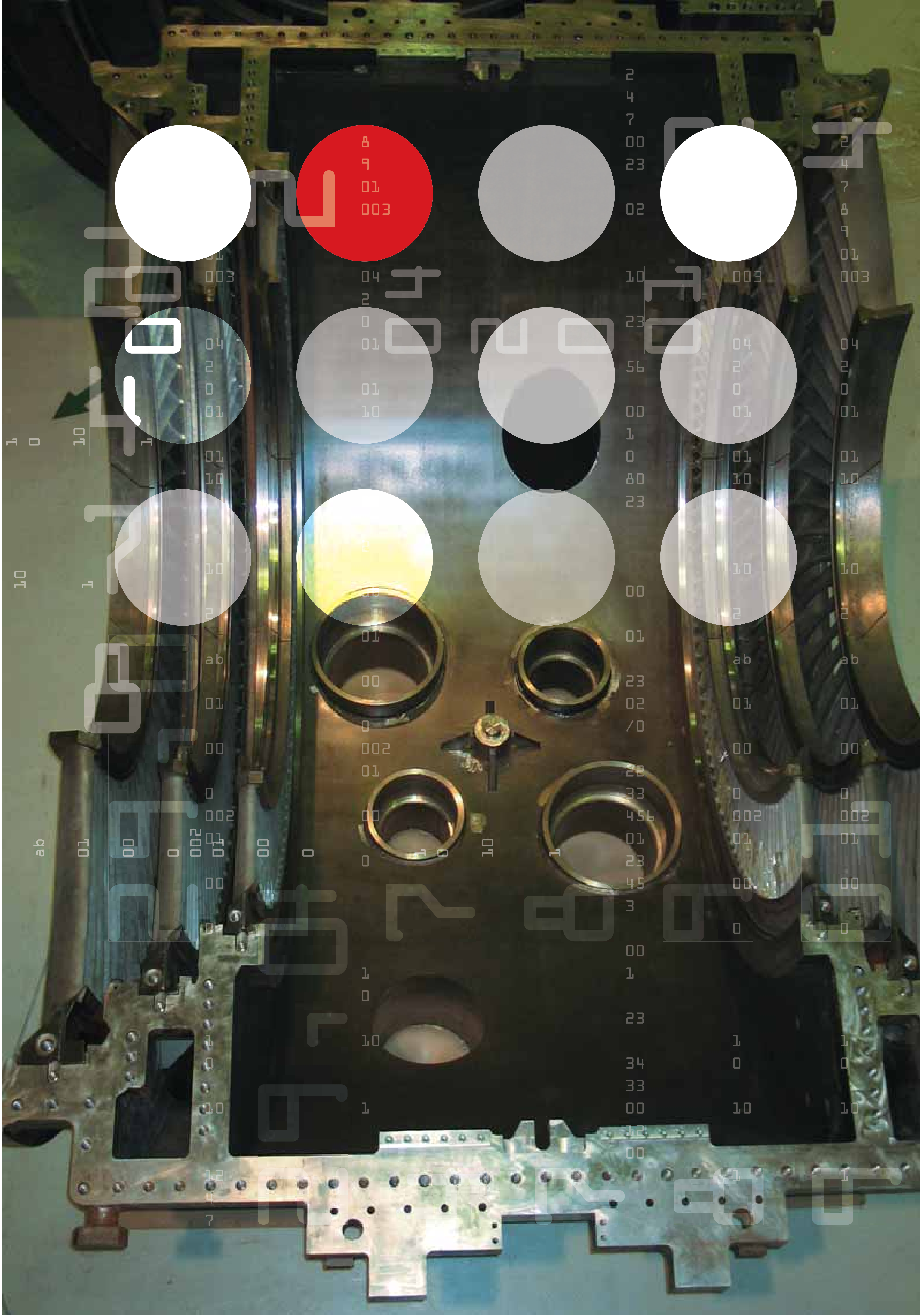
13.00 safety at work

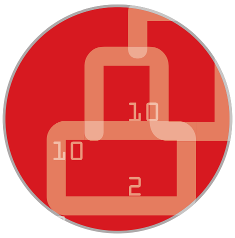
The purpose of safety at work is to protect the life, health and working abilities of all the employees at NEK and all contractual partners. In addition the company makes sure that statutory requirements and regulations governing health and safety at work are observed.

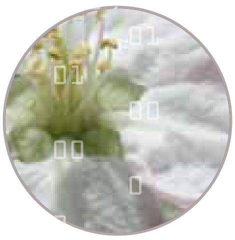
Several important activities were successfully carried out:

- we successfully implemented the company's safety philosophy and developed a sense of responsibility for health and safety at work and thus contributed to raising the level of safety culture of all the power plant personnel;
- novelties and amendments to legislation on health and safety at work were carefully followed and introduced in the work process;
- new personal protective equipment was purchased to provide greater safety in areas with special working conditions (new ear protection, protective goggles with dioptric lenses, electrically insulating shoes, etc.) and for safe work at heights;
- we successfully adopted all measures from the OSART action plan and passed another OSART inspection with success;
- the use of basic personal protective equipment in the technological part of the power plant was monitored;
- personnel training was very efficiently carried out so our plan was fully implemented (regular refresher training in safety and health at work and fire protection for all personnel and regular external contractors);
- we introduced control checks on work implementation according to Safety and Health at Work and commenced their implementation;
- we organised safety meetings attended by different departments who collaborated in rectifying shortcomings;
- we participated in the self-assessment of safety and health at work in NEK, and followed it up with an action plan.

In 2005 ten injuries were reported to the Department, of which none were directly the result of performing work. All injuries were reported to the appropriate institutions







14.10 Experience of others - guidance for our work

At NEK we are aware that by joining international organisations we can achieve internationally comparable operating and safety results.

In 1989 we joined the World Association of Nuclear Operators (WANO). Its purpose is to promote the highest standards of safety and availability and excellence of nuclear power plant operation.

From as early as 1988 the Krško power plant has been a member of the Institute of Nuclear Power Operations (INPO). It brings together individual operators, manufacturers and designers of nuclear power plants. By evaluation of operational results the staff of the Institute and other power plants compare the operational quality with standards based on good operational practice and experience from the entire nuclear industry.

The International Atomic Energy Agency (IAEA) is an independent intergovernmental organisation that operates within the United Nations Organisation. The organisation operates on the basis of various programmes such as control over nuclear material, nuclear technology application, nuclear energy, nuclear safety and technical co-operation. As part of these programmes, the IAEA organises OSART (Operational Safety Review Team) missions which involve visiting power plants in order to inspect and assess their operational safety.

14.00 international contacts

Our power plant also takes an active part in other international organisations:

- NUMEX (Nuclear Maintenance Experience Exchange) engages in exchange of experience in the sphere of nuclear power plant maintenance;
- EPRI (Electrical Power Research Institute) is an organisation for research in the area of production of electricity and protection of the environment. NEK actively participates in two sections: NMAC (Nuclear Maintenance Applications Center) which deals with issues related to equipment maintenance in nuclear power plants, and NDE (Non-destructive Examinations), the section for research, development and implementation of non-destructive examinations and ultrasound (UT) systems;
- NRC (Nuclear Regulatory Commission) is an independent US agency in charge of safety and protection of the population against radiation effects;
- WOG (Westinghouse Owners Group) is the association of all Westinghouse clients and the Westinghouse company itself. It offers various programmes related to equipment improvement, optimisation of technical specifications, reduction of the number of unplanned shutdowns, increasing the power of power plants, simplifying systems in power plants, production and use of nuclear fuel, etc.

14.20 Co-operation in 2005

In the autumn the President of NEK Management Board took on the function of President of the Management Board of the WANO Paris Centre (made up of representatives of all member countries of the Centre). Our representative in the Paris Centre of WANO is Head of international inspections of power plants.

As part of the cooperation with international organisations in 2005 we received technical missions on the topic of knowledge management, operational decision making and plant life management. NEK participated in international inspections of power plants at Paluel, Fessenheim and Blayais in France, Borssele in Holland and Hinkley Point B in Great Britain and the Belgian operator of nuclear power plants Electrabel. In 2005 we hosted the representatives of the Finnish power plant at Loviisa and the British plants at Oldbury and Heysham who came to get acquainted with good practice in the Krško power plant and afterwards improve operations in their power plants. On our part, our representatives visited the power plants Neckar in Germany, Doel in Belgium and Almaraz in Spain with the same aim to familiarize themselves with foreign good practice.

From 7 to11 November our power plant was inspected by the International Atomic Energy Agency to examine how it is dealing with and fulfilling the recommendations of the final report of the OSART mission in 2003. The mission experts found that NEK has already satisfactorily carried out all mission recommendations and invested a great deal of effort into additional training and development of resources for assessing and promoting safety culture. Because several programmes were carried out in support of implementing OSART recommendations and dealing with unresolved issues, the mission awarded a positive evaluation to Krško plant activities.

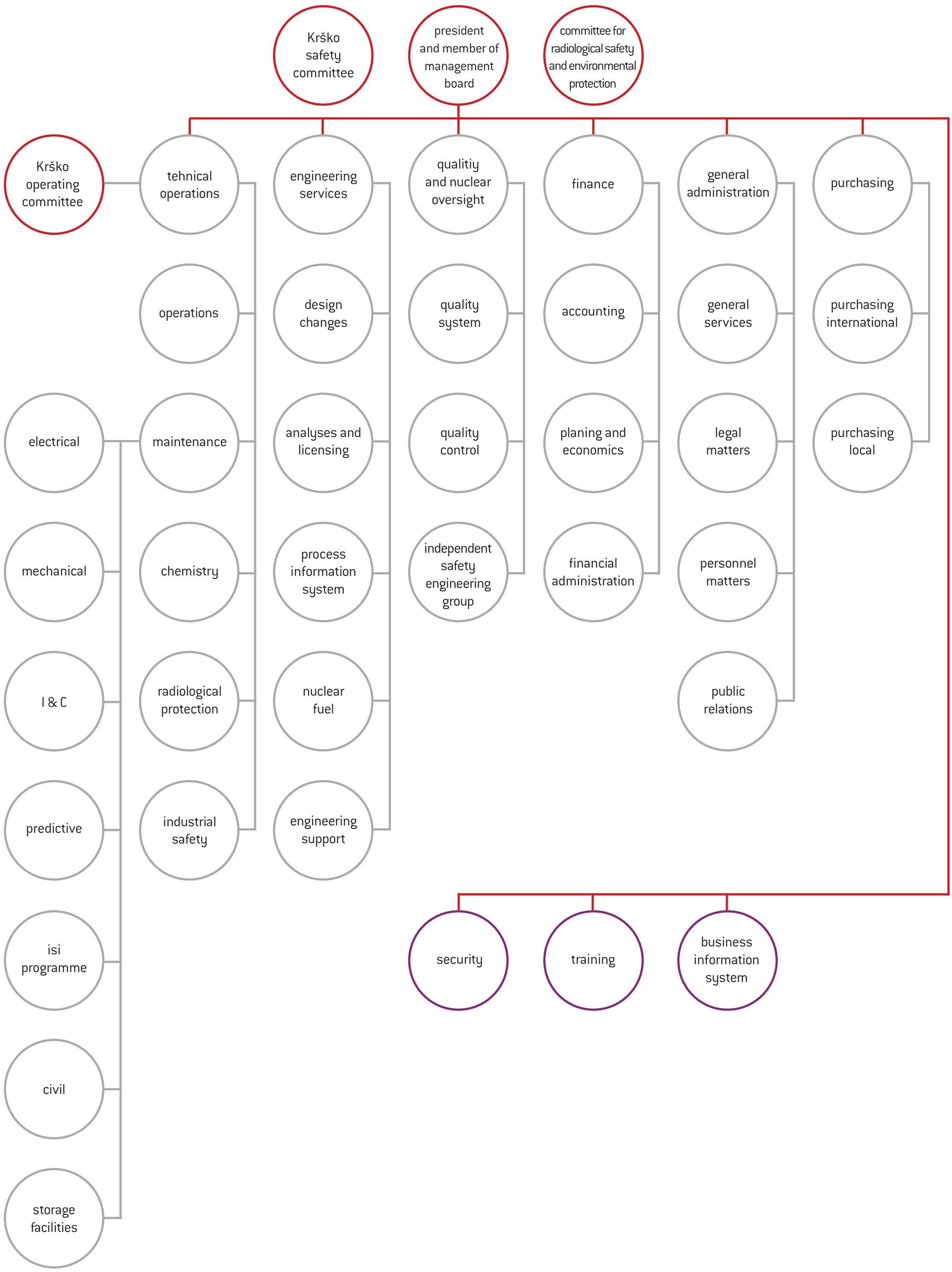
15.00 company organisation

In accordance with the Agreement concluded between the Government of the Republic of Slovenia and the Government of the Republic of Croatia on regulating the status and other legal issues related to investments in the Krško Nuclear Power Plant, its exploitation and decommissioning, and the Articles of Association, NEK is organised as a limited liability company.

The equity capital of NEK is divided into two equal business shares owned by the members ELES GEN, d.o.o. Ljubljana and Hrvatska elektroprivreda, d.d. Zagreb. The bodies of the company, having parity membership, are the General Assembly, the Supervisory Board and the Management Board.

The organisational structure of NEK follows modern standards of organisation of companies managing nuclear facilities. It has special functions important for nuclear safety and a system for independent evaluation of key operational safety aspects.

NEK is also distinguished by a high level of organisational and staff stability and favourable educational structure, as one third of the employees have higher education or university degrees.


Krško safety committee
president and member of management board
committee for radiological safety and environmental protection
Krško operating committee
tehnical operations
operations
maintenance
chemistry
radiological protection
industrial safety
electrical
mechanical
I & C
predictive
isi programme
civil
storage facilities
engineering services
design changes
analyses and licensing
process information system
nuclear fuel
engineering support
qualitiy and nuclear oversight
quality system
quality control
independent safety engineering group
finance
accounting
planing and economics
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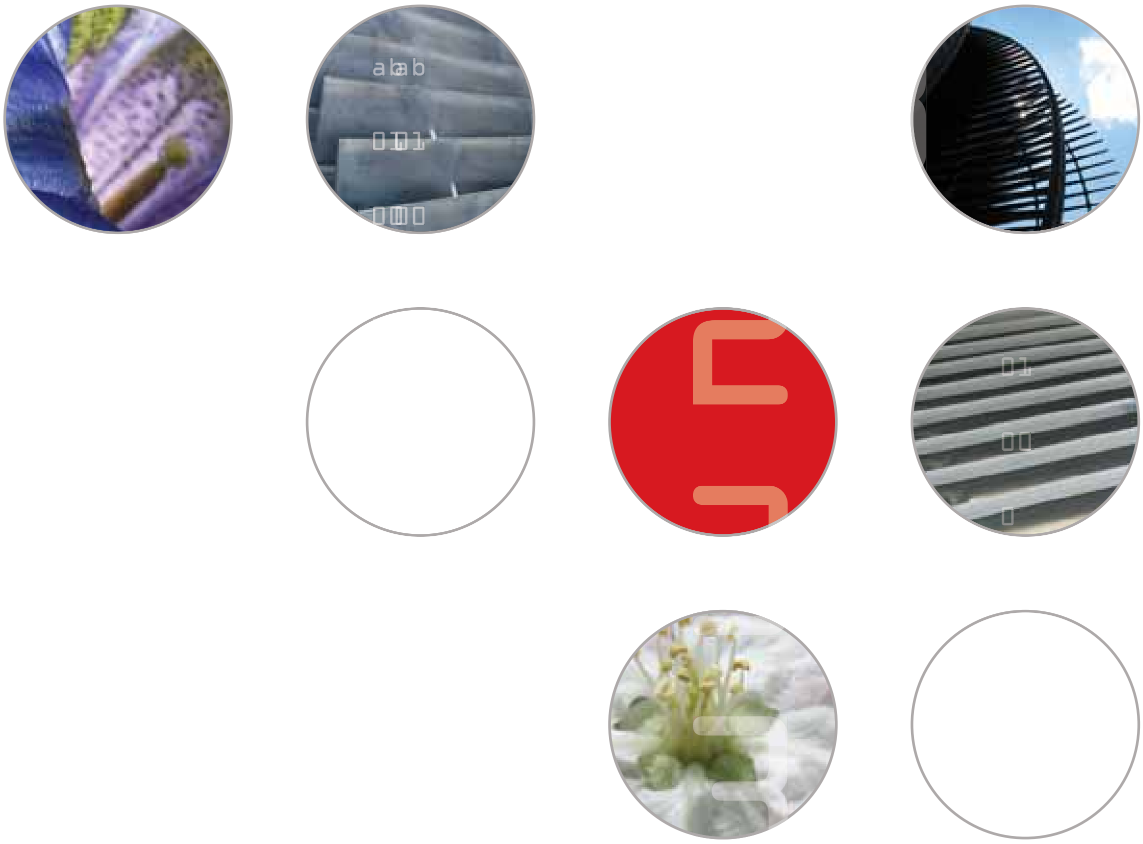


16.00 summary of the 2005 financial report

In accordance with the Companies Act and the Articles of Association of NEK, a summary of the Financial Report, which is part of the Annual Report of NEK for 2005, is given below.

The summary includes the main characteristics of operations in 2005 and a condensed version of the fundamental financial statements. The full fundamental financial statements are presented in the Annual Report of NEK for 2005 prepared in accordance with the Intergovernmental Agreement, the Articles of Association of NEK (hereinafter: the Articles of Association), the Companies Act and Slovenian accounting standards. The Annual Report of NEK for 2005 was submitted to the authority for processing and publishing the data in accordance with the required deadlines, and is published on its website. The Annual Report also presents accounting policies and provides a detailed explanation of the financial statements.

The plant performed successfully in 2005. All business and operational objectives set out in the 2005 Business Plan were achieved.

Owing to good operation of the power plant and favourable hydrological conditions, the year 2005 saw a record annual production. Our partners were supplied with 5,613 thousand MWh of electricity at a competitive price, which was lower than planned. In accordance with the Articles of Association, the price of power and electricity supplied at the annual level covers all costs and expenses. Hence, expenses were offset by revenues in 2004 and the net operating result was zero. Revenues from electricity supplied to the partners account for the bulk of revenues (97%), and revenues from auxiliary activities and financial revenues account for the smaller portion. The costs or expenses were lower than planned. The largest share in their structure consists of depreciation costs (26%), costs of services and consumption of material (24%), labour costs (21%) and nuclear fuel costs (14%).

Investments were performed in line with the plan and within the granted resources. Most of the resources were invested in modifications of technological systems and the replacement of the low pressure rotors of the main turbine.

The planned portion of the loan principal raised with a foreign bank was repaid. Moreover, we made an early repayment of part of the principal of a loan taken out with a Slovenian bank which was not planned. This reduced our indebtedness more than anticipated. We also reduced the interest rate for this loan. As a result of decreasing the principal of the Slovenian loan and securing improved financial terms, the funding expenses of long-term loans were 129 million SIT lower than planned.
Another important financial function is undoubtedly insurance of business activities against various kinds of financial risk. Therefore in 2005 an unfavourable exchange rate for the US dollar prompted us to protect our dollar liabilities from exchange rate risks with forward contracts amounting to a total of 20.6 million US dollars. With these contracts we have achieved a positive balance with regard to the current rate on the foreign currency market at which we would otherwise have to buy US dollars. The total savings in expenses amounted to approximately 60 million SIT.

The financial position of NEK is satisfactory. Long-term liabilities cover all long-term assets and also all inventories. Business results in 2005 are also evident from the abbreviated form of the basic financial statements for 2005. These statements should be read together with the clarifications, which are, as mentioned, given in detail in the Annual Report of NEK for 2005.

			in millions of SIT
	balance sheet	31.12.2005	31.12.2004
	assets		
a.	fixed assets	106.788	108.654
	intangible long-term assets	-	-
	tangible fixed assets	106.518	108.338
	long-term financial investments	270	316
b	current assets	19.889	19.738
	inventories	13.398	12.992
	operating receivables	2.992	1.460
	short-term financial investments	3.496	5.270
	goodwill with banks, cheques and cash in hand	3	16
c.	deferred expenses and accrued revenues	103	96
	total assets	126.780	128.488
	off-balance sheet assets	708	841
	liabilities		
a.	capital	105.974	105.974
	called-up capital	84.723	84.723
	profit reserves	21.251	21.251
	retained net profit or loss	-	-
	net profit or loss for the financial year	-	-
b.	reserves	246	255
c.	financial and operating liabilities	20.501	22.228
	long-term financial and operating liabilities	14.351	16.700
	short-term financial and operating liabilities	6.150	5.528
č.	deferred revenues and accrued expenses	59	31
	total liabilities	126.780	128.488
	off-balance sheet liabilities	708	841

			in millions of SIT
	profit & loss account	2005	2004
I.	operating revenues	26.626	26.116
II.	operating expenses	26.482	25.015
III.	operating profit or loss from operations (I - II)	144	1.101
IV.	financial revenues	541	222
V.	financial expenses	673	1.310
VI.	operating profit or loss from financing (IV - V)	(132)	(1.088)
VII.	net operating profit or loss from ordinary activity (III + VI)	12	13
VIII.	extraordinary revenues	0	6
IX.	extraordinary expenses	12	19
X.	operating profit or loss from extraordinary activity (VIII - IX)	(12)	(13)
XI.	corporate income tax	-	-
XII.	net operating profit or loss for the period (VII - X)	-	-
	profit & loss account	2005	2004
I.	cash flows from operating activities		
1.	cash receipts from operations	29.020	30.912
2.	uses of cash for operations	21.941	22.003
3.	surplus cash receipts (payments) from operations (1-2)	7.079	8.909
II.	cash flows from investment activities		
1.	cash receipts from investments	40.182	30.397
2.	uses of cash for investment activities	44.198	36.434
3.	surplus cash receipts (payments) from investments (1-2)	(4.016)	(6.037)
III.	cash flows from financing activities		
1.	cash receipts from financing	-	-
2.	uses of cash for financing	3.076	2.867
3.	surplus cash receipts (payments) from financing (1-2)	(3.076)	(2.867)
IV.	closing balance of cash and its equivalents (VI +V)	3	16
V.	cash flow for the period	(13)	5
	+		
VI.	opening balance of cash and cash equivalents	16	11

KPMG

Auditor's Report for the Purpose of Reporting to the Public

We have audited the financial statements of Nuklearna elektrarna Krško d.o.o., Krško, for the year ended 31 December 2005 in accordance with International Standards on Auditing and International Auditing Practice Statements issued by International Federation of Accountants. The summary of financial statements is based on the financial statements, and consists of the summary of the balance sheet as of 31 December 2005, the summary of the income statement, of the cash flow statement, and of the statement of changes in equity for the year then ended. We expressed an unqualified opinion in our report issued on 27 March 2006 on the financial statements from which the summary originates.

In our opinion, the attached summary of the financial statements complies, in all material aspects, with the financial statements from which it originates.

For a better understanding of the financial situation of the Company as of 31 December 2005, the results of its operations, its cash flows and the changes in equity for the year then ended, and the scope of our audit, it is necessary to read the summary of the financial statements together with the financial statements from which it originates and our auditor's report on these financial statements.

KPMG SLOVENIJA,
podjetje za revidiranje, d.o.o.

Jana Oražem, B.Sc.Ec.
Certified Auditor

Marjan Mahnič, B.Sc.Ec.
Certified Auditor
Managing Partner

Ljubljana, 7 April 2006

KPMG Slovenija, d.o.o.

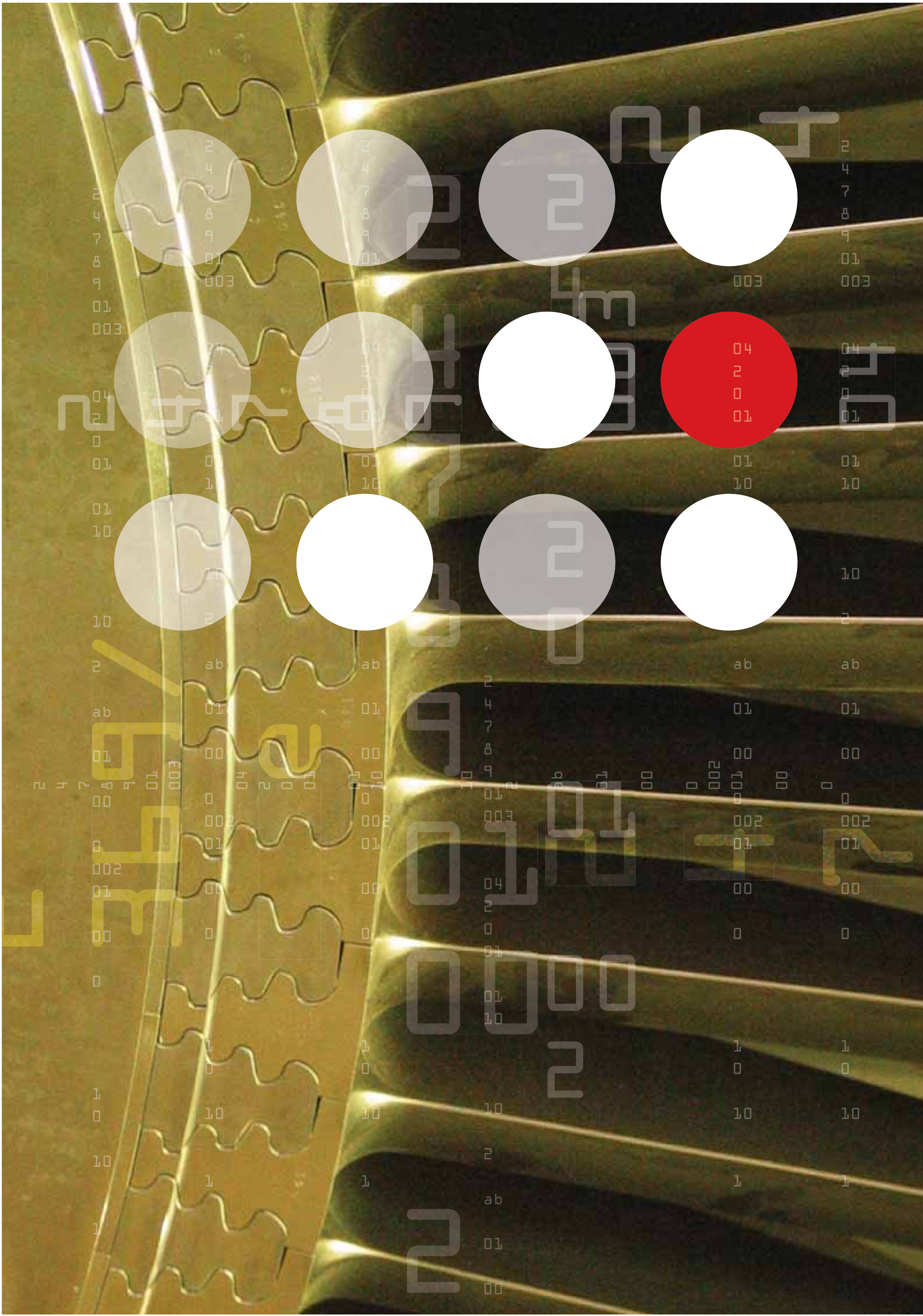
in millions of SIT

capital elements	called-up capital	profit reserves		retained net profit or loss		net profit or loss for the financial year	capital revaluation adjustments	total equity
	called-up capital	legal reserve	statutory reserve	retained net profit	retained net loss	profit after taxes	general capital revaluation adjustment	
opening balance as at 1. 1. 2005	84.723	8.472	12.779	-	-	-	-	105.974
capital increase	-	-	-	-	-	-	-	-
capital restructuring	-	-	-	-	-	-	-	-
distribution of net profits to additional reserves based on a decision of the annual meeting	-	-	-	-	-	-	-	-
closing balance as at 31. 12. 2005	84.723	8.472	12.779	-	-	-	-	105.974
opening balance as at 1. 1. 2004	84.723	8.472	4.249	93	-	8.437	-	105.974
capital increase	-	-	-	-	-	-	-	-
entry of net profit or loss for the period	-	-	-	-	-	-	-	-
other increases of equity capital components	-	-	-	-	-	-	-	-
capital restructuring	-	-	-	-	-	-	-	-
distribution of net profits based on the resolution of the management and the supervisory board	-	-	8.530	(93)	-	(8.437)	-	0
closing balance as at 31. 12. 2004	84.723	8.472	12.779	0	-	0	-	105.974

ALARA	As Low as Reasonably Achievable
ANS	American Nuclear Society
ANSI	American National Standards Institute
AOP	Abnormal Operating Procedures
ASME	American Society of Mechanical Engineers
BCMS	Boron Concentration Measuring System
CAP	Corrective Action Program
CZ	Chilled Water Generating And Distributing System
EPRI	Electrical Power Research Institute
EU	European Union
EUP	Enriched Uranium Product
FRI	Faktor zanesljivosti goriva (Fuel Reliability Indicator)
HD	Heater Drain
IAEA	International Atomic Energy Agency (MAAE)
IEEE	Institute of Electrical and Electronics Engineers
INPO	Institute for Nuclear Power Operations
ISI	In-Service Inspection
NDE	Non Destructive Examination
NMAC	Nuclear Maintenance Applications Center
NRC	Nuclear Regulatory Commision
NUMEX	Nuclear Maintenance Experience Exchange
NUREG	Nuclear Regulatory Guidance
OLM	On-line Maintenance
OMEG	Operations and Maintenance Expert Group
OSART	Operational Safety and Review Team
QA	Quality Assurance
QC	Quality Control
PWR	Pressurised Water Reactor
RB	Reactor Building
RWST	Refueling Water Storage Tank
WANO	World Association of Nuclear Operators
WENRA	Western Europe Nuclear Regulators Association
WOG	Westinghouse Owners Group

HEP	Hrvatska elektroprivreda (Croatian Electricity organization)
NEK	Nuklearna elektrarna Krško (Nuclear Power Plant Krško)
NUID	Načrt ukrepov za primer izrednega dogodka (Emergency Planning and Preparedness)
SKV	Kvaliteta in ocenjevanje jedrske varnosti (Quality and Nuclear Oversight)
URSJV	Uprava Republike Slovenije za jedrsko varnost (Slovenian Nuclear Safety Administration)
ZVIZJV	Zakon o varstvu pred ionizirajočimi sevanji in jedrski varnosti (Act on Ionising Radiation Protection and Nuclera Safety)

17.00 list of abbreviations



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