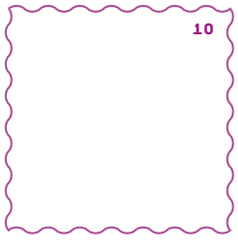

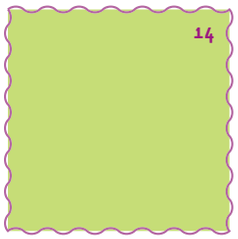

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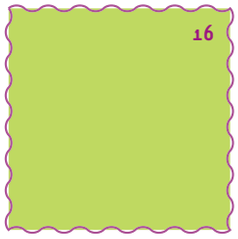

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annual report

2006

KRŠKO NUCLEAR POWER PLANT

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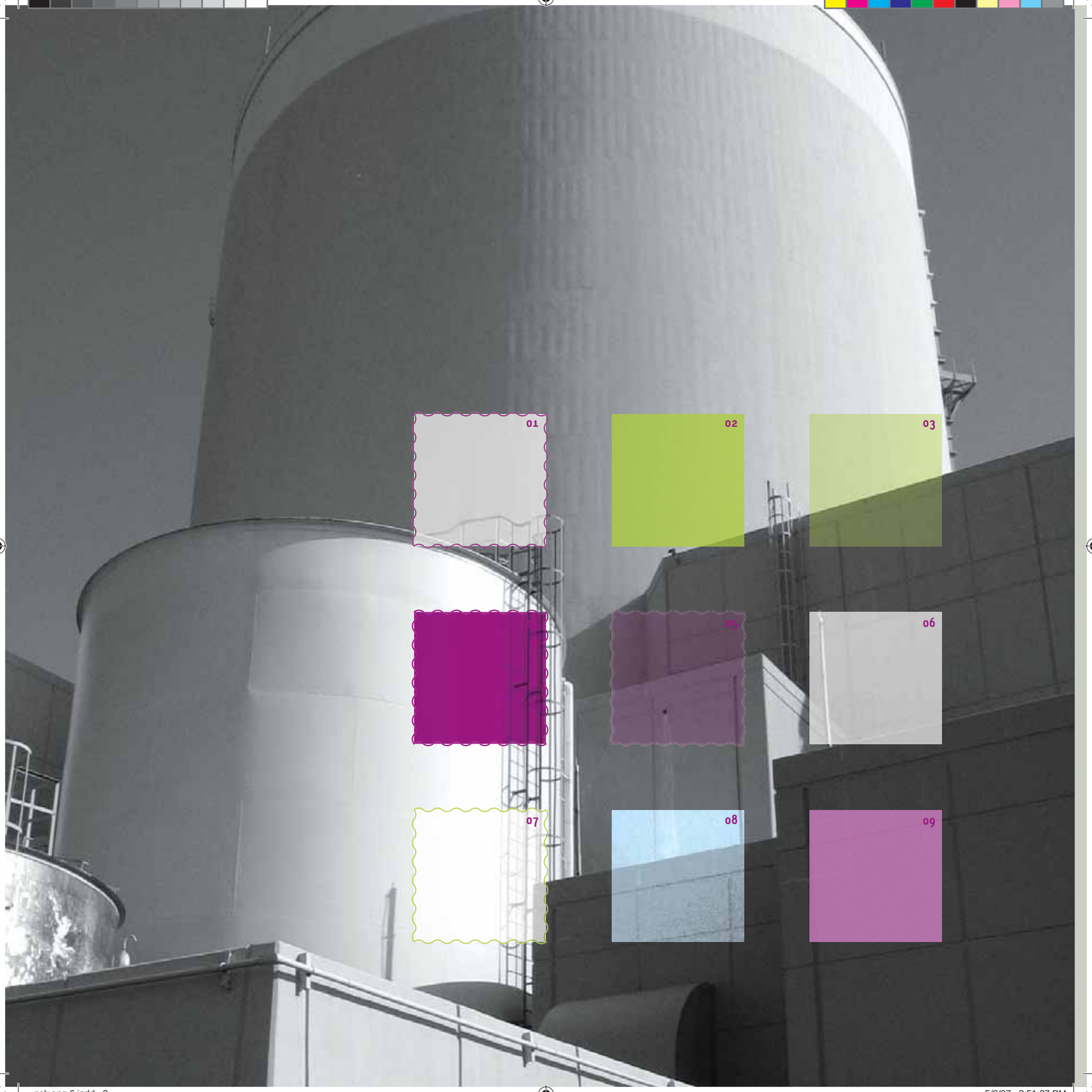

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contents

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message from the management board

00.00

Dear reader,

The safety, operational and business objectives set for 2006 were as high as in the past. Such were also the expectations of the owners and the widest professional and general public. Our ambitions for the year were grounded in a realistic estimation of the technological state of the power plant, our working potential, capacities and international trends and standards. The present report reveals the degree to which these objectives and expectations were fulfilled.

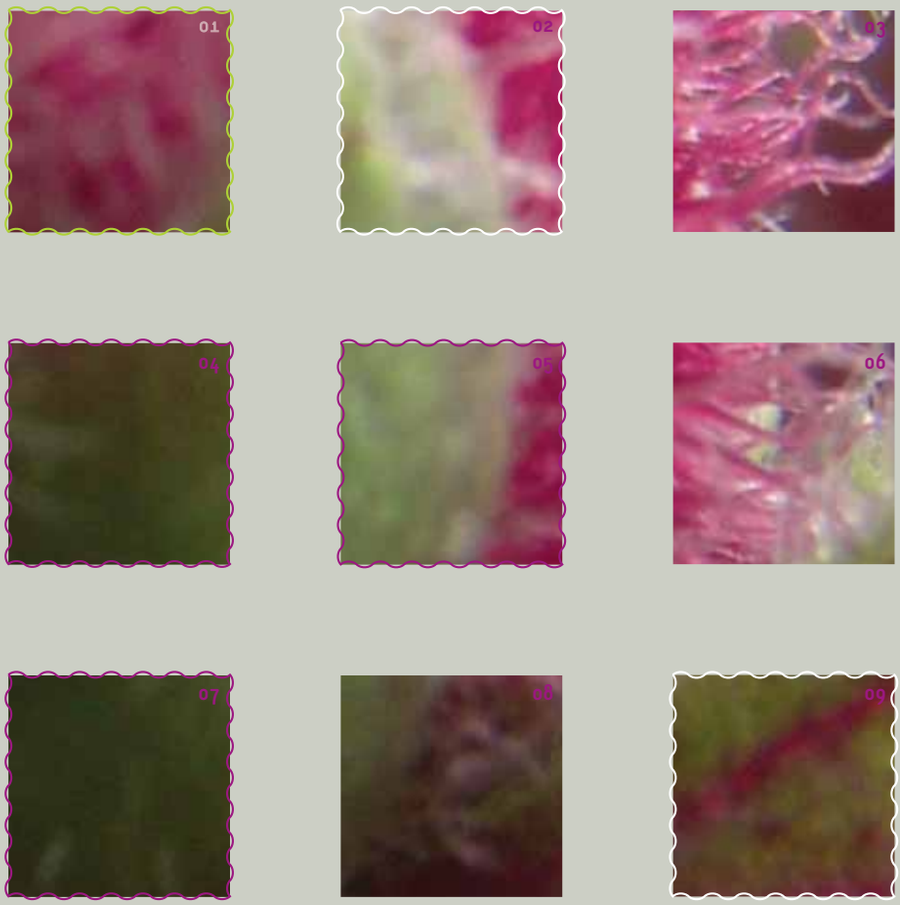
Nuclear safety was always given top priority. In this connection personal and collective awareness of the risks involved in nuclear technology was fostered. The safety aspects of NEK's activities were taken into account on all levels, emphasized in work documents and articulated in work procedures. Great importance was given to implementing corrective measures based on operational experience, annual analytical findings and administrative demands. The goals related to nuclear safety were met to a large degree. Throughout the year preparations for the independent safety assessment by the World Association of Nuclear Operators were underway which involved the revision of many work processes, programmes and procedures.

Self-assessment of the safety culture was carried out with the participation of the majority of the employees. Everybody was given the opportunity to express their attitude to nuclear safety and thus influence future strategies. The self-assessment shed light on those aspects of attitudes and behaviour where steps to improvement will be attempted:

1.
The effectiveness of making and carrying out decisions. Appropriate decisions and their timely and flawless implementation should be our aim.

2.
Mutual communication, respect and trust. A smooth flow of information on important questions is the foundation for our collective success.

3.
The consistent use of tools or conservative approaches to work which reduces the likelihood of mistakes and maintains safety margins.



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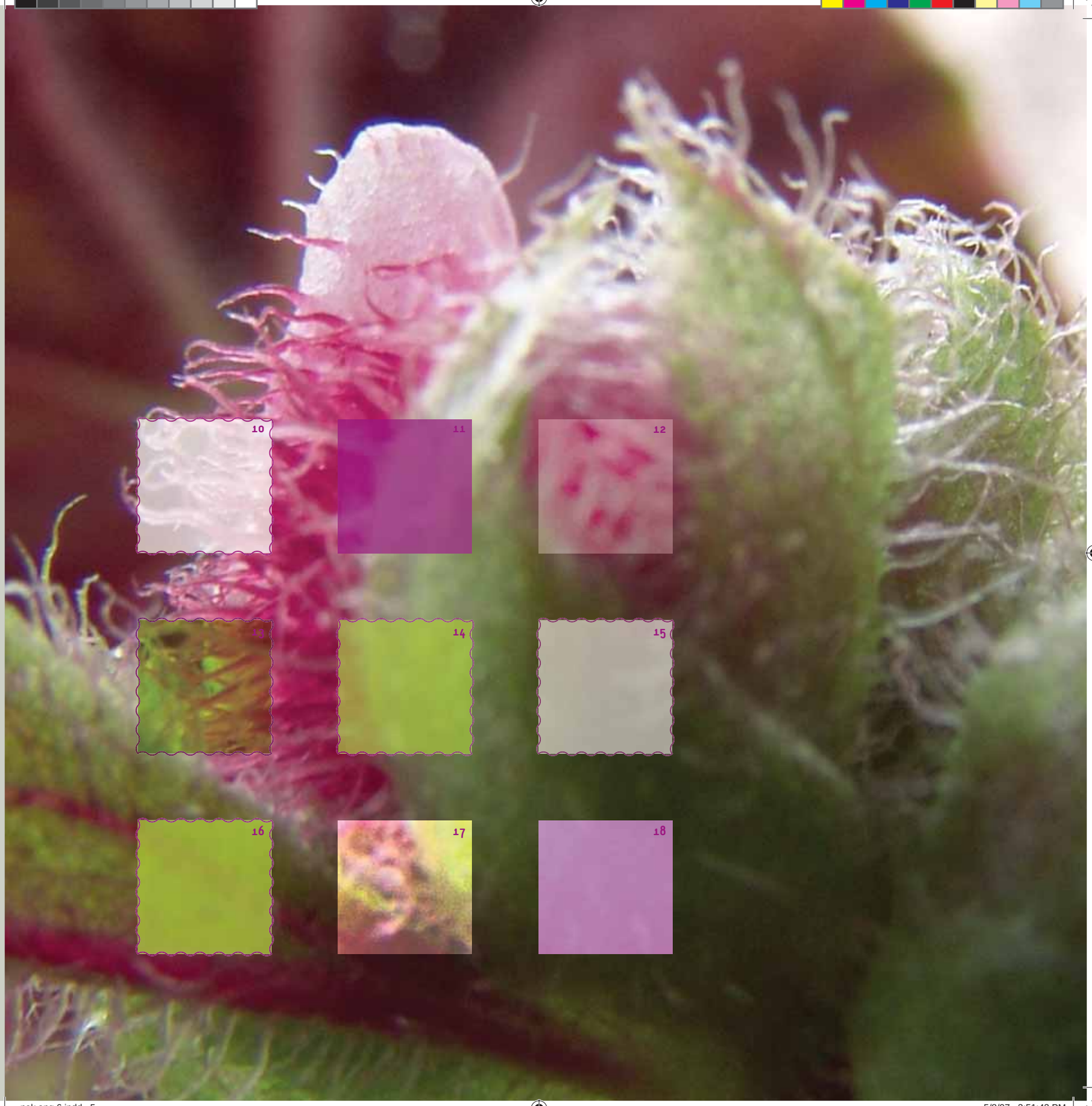

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In the year 2006 the performance achieved was exceptional by WANO or INPO criteria. This is evident from the production of 5289 gigawatt hours, exceeding the plan, and the 90 percent power plant availability. Such exceptional achievements resulted from correct decisions and implementation throughout the year in the area of operational control, maintenance, new investments and good support of all organisational functions and subcontracting organisations. The commitment and sense of responsibility of all employees were the key factors which ensured our high ranking in terms of results.

Professional efficiency was exemplary regarding investments as well as services and equipment. They are reflected in technological availability and stability. The new investments are fully functional and are producing the expected results. Here special mention should go to the replacement of the low pressure turbine rotors and the resulting increase in the load factor and power plant capacity to 727 megawatts. The increment of inventories per operating cycle was well controlled, the expenditure of available assets was economical and the economic goals of production were achieved.


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The Management Board managed the company in accordance with the 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 utilisation and decommissioning and the Articles of Association of NEK and all other positive regulations and in compliance with its internal acts.

In all operations in 2006 the employees observed the principles and provisions of the Safety Culture and Business Ethics Code.

Management Board

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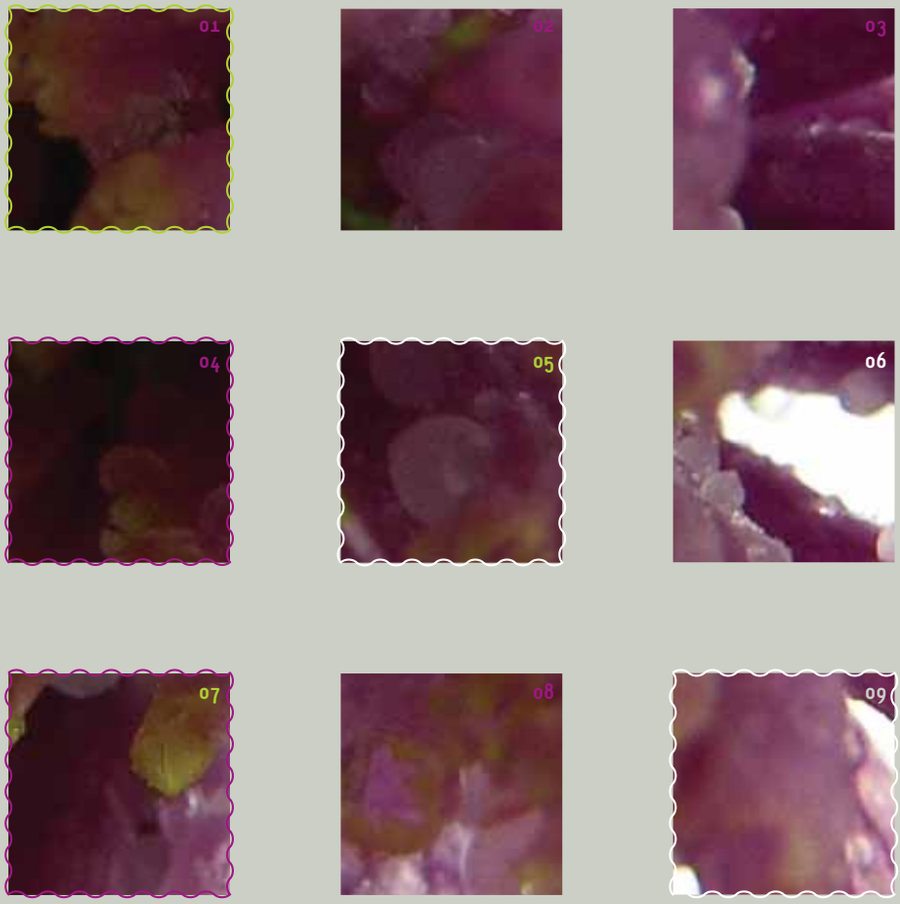
important events and achievements in the year 2006 and challenges for the year 2007

00.10

The Krško Nuclear Power Plant (NEK) is an organization which sets high goals for itself and can be compared to the best comparable facilities in the world. We never content ourselves with the accomplished state. Our commitment is to constant progress, professionalism and personal growth. The achievements of the past are rather the challenges for the future.

On reviewing the results achieved in 2005 both partners of NEK expressed their commendation to all personnel of NEK and noted that it supplied the power industries of Slovenia and Croatia with great amounts of reliable and clean energy throughout the year. They are aware that such first-rate results can only be achieved with the total commitment and outstanding professionalism of NEK personnel derived from years of striving for excellence. The result has special value as all national and international safety and environmental protection standards were consistently followed throughout.

In addition to safe and reliable operation with no unplanned power reductions or power plant shutdowns, the review of the year 2006 shows the highest monthly production recorded in the power plant. In December it supplied the power grid with 518 gigawatt hours of electricity. Such production was enabled by the replacement of both low pressure turbines which now have a higher load factor and represent a state-of-the-art technological solution in the field. The annual production plan was also exceeded. In 2006 the performance indicator index, which facilitates the surveillance of performance and is calculated by weighted values of individual performance indicators, reached in the two quarters of the year 2006 the highest possible value of 100. Without a doubt such results, in view of NEK's commitment to ongoing progress and meeting annual goals, present a challenge for the future.



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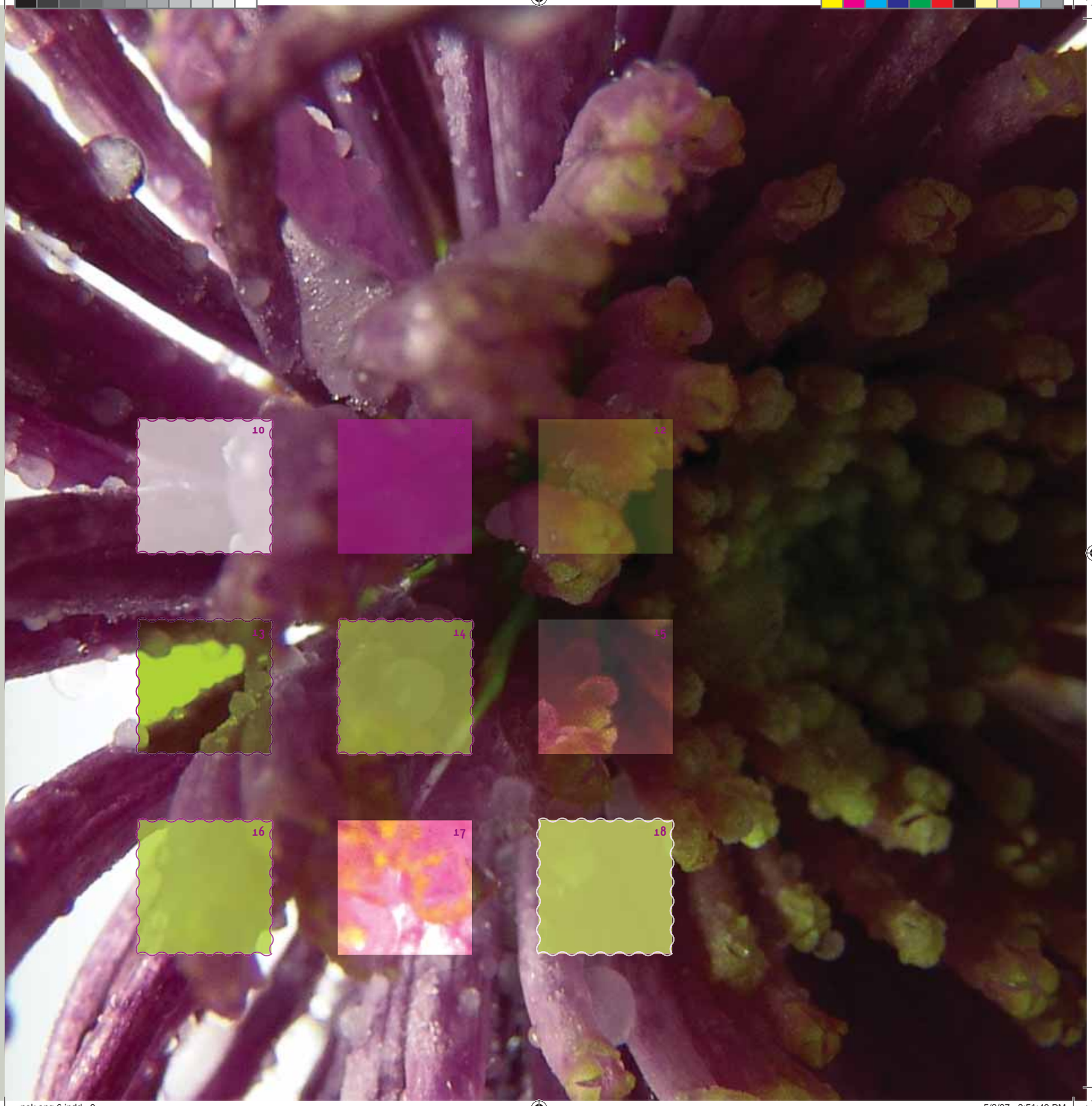

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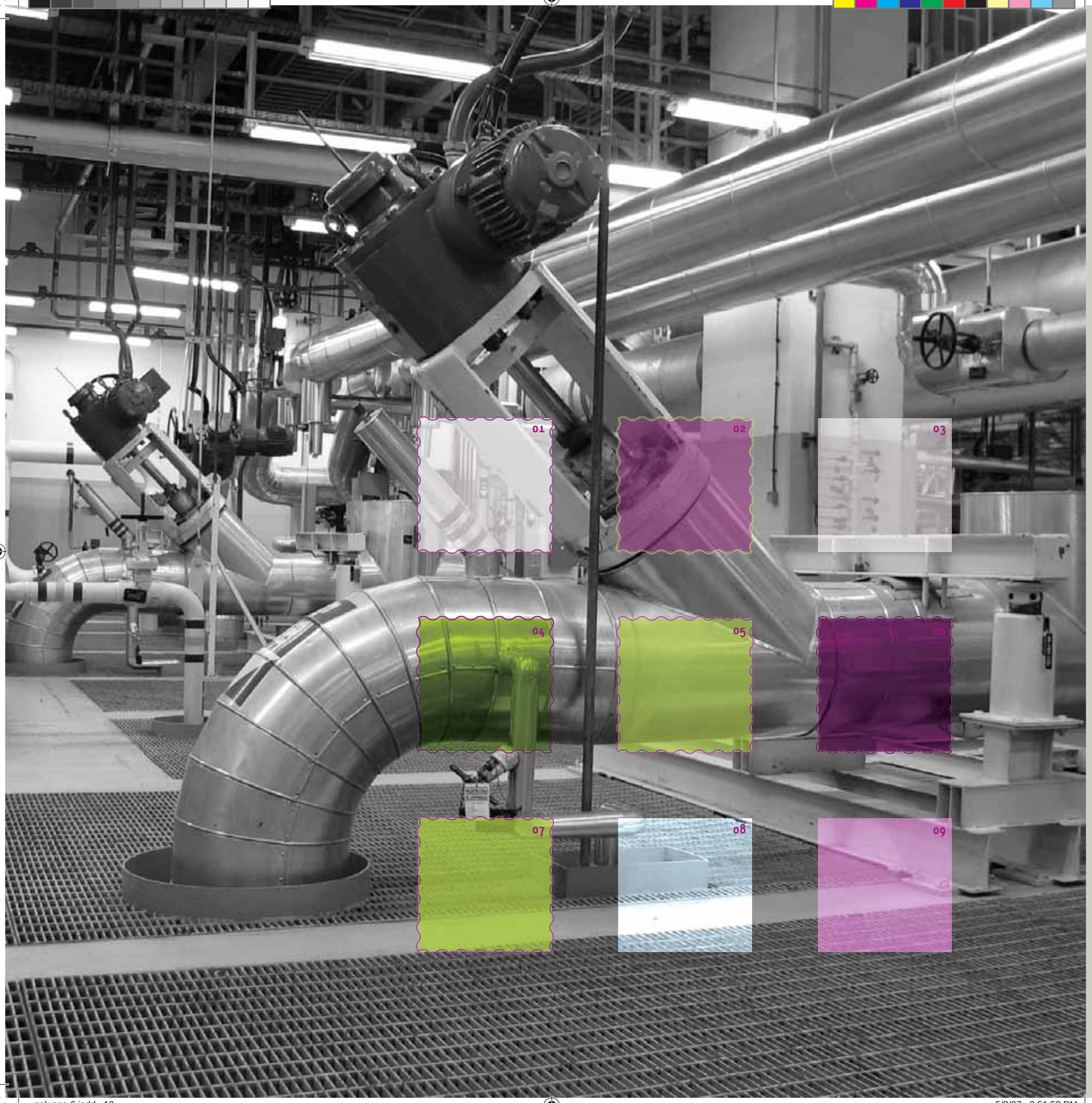

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In 2006 it was the 25th anniversary of NEK becoming a nuclear facility. Namely, in September 1981 the first self-sustaining reaction was accomplished in the reactor and in October the power plant, after synchronizing the generator to the power grid, delivered the first kilowatt hours of electricity to the power supply system. The change of generations, triggered by the retirement of employees who have accumulated an enviable fund of know-how and experience in more than twenty years of work at the power plant, presents a challenge as to the systematic transfer of knowledge and the preservation of high personnel competence, together with their commitment to the company.

In connection with ensuring the conditions for the long-term operation of NEK after three decades we should mention not only safe, stable and reliable operation, but also face the challenge of prolonging the power plant's life and the associated replacement of certain items of machinery, control and computing equipment. This aspect is also taken into account in planning maintenance work and upgrades and the corresponding adjustment of the level of difficulty and extensiveness of outage activities.

NEK is a company with a sense of responsibility to the community which is interpreted in its broadest meaning as fulfilling consumer needs while showing concern for the environment, employees, the community and suppliers. Making power plant operation socially acceptable is one of our priorities. Much attention is given to the public through various forms of cooperation. The renewed website as a modern tool of communication represents a new step in increasing the transparency and accessibility of information about power plant operations.


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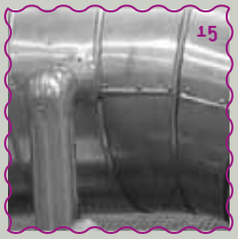
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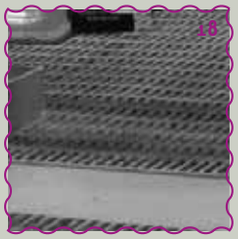
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00.10 important events and achievements in the year 2006 and challenges for the year 2007

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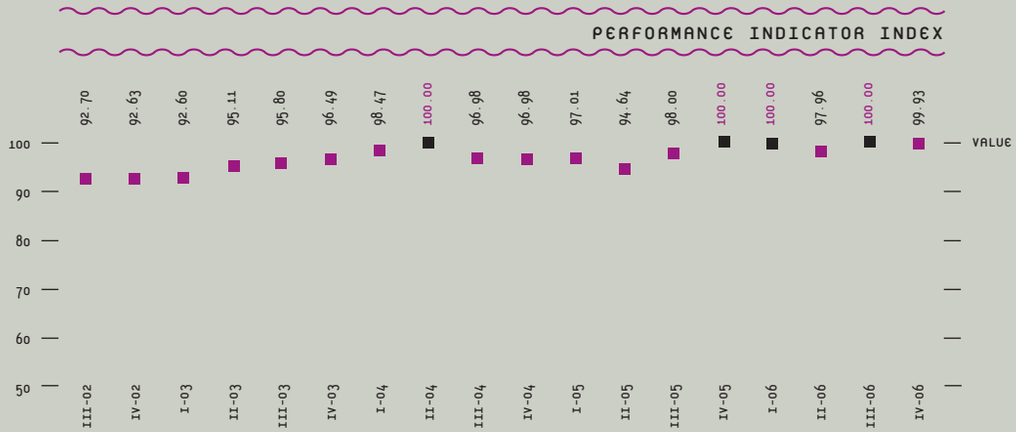
concise report

00.20

To make performance monitoring and comparison between nuclear power plants easier, a performance indicator index was introduced, calculated from weighted values of individual indicators, with values on a scale from 0 to 100. The target index for the year 2006 was ≥ 96, and the value achieved was 99.93. For the last trimester of 2006, the index of the top performing quarter of American power plants was 97.4, which means that with an index at 99.93 NEK ranks among the leading quarter of the most successful nuclear power plants in the world.

In the year 2006 the total output of NEK at the generator outlet was 5,548,257.2 megawatt hours of gross electricity or 5,289,474.6 MWh net electrical power.



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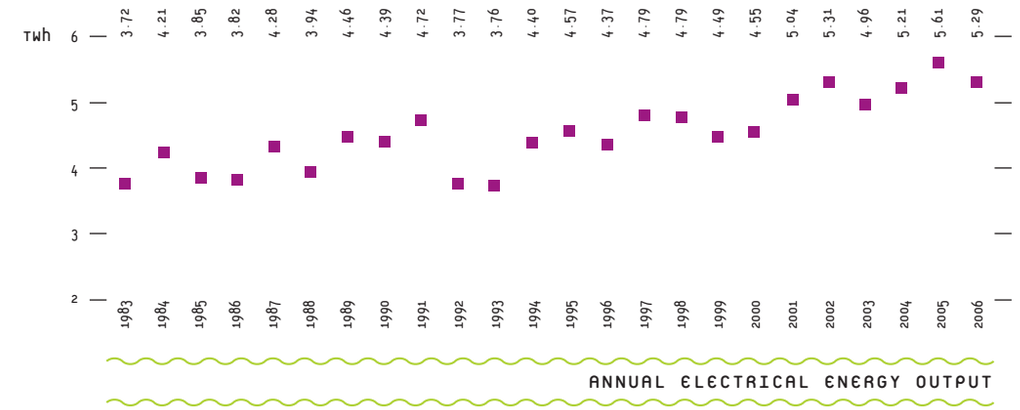

Our efforts to optimize work processes can be best observed in the steady trend of shortening outages. Some outage periods in the last decade were longer due to major technological upgrades. During the 2006 outage the rotors of the low pressure turbines were replaced.

Operational events:

Important events or plant shutdowns in the year 2006:

- 1 Janury: as planned, power was decreased to 60 percent for a period of 58 hours.
- 8 April: commencement date of the annual outage, which lasted until 14 May 2006, i.e. altogether 884.6 hours.

There were no unplanned plant shutdowns.

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In 2006 liquid and gaseous radioactive discharges, as well as heat impact on the River Sava stayed within the allowed administrative limits. 117 drums of radioactive waste were produced. The spent fuel storage pool contains 819 spent fuel elements from the previous twenty-one fuel cycles.

We achieved most of the targets in the area of performance indicators as set by the industry and defined by the World Association of Nuclear Operators (WANO). Here special mention should go to excellent results as regards forced loss rate, automatic scrams, normalized to 7000 hours of criticality, and safety systems performance. Notwithstanding the results achieved NEK recognizes the need for constant improvement in all areas.

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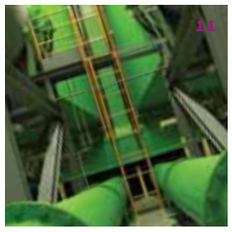

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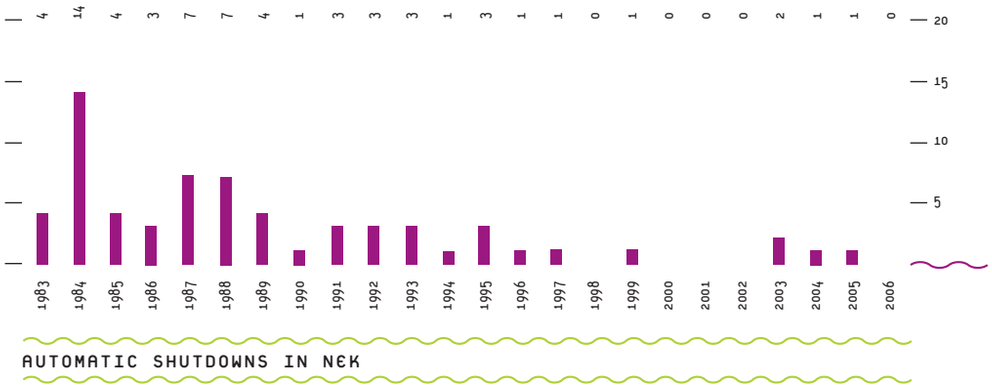

(UNPLANNED) AUTOMATIC SHUTDOWNS IN NEK

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01.00

The radiation impact due to power plant operations on the population in the plant's surroundings is so low that is unmeasurable and can only be calculated by models. An extensive programme of radiation surveying is carried out by NEK and other independent institutions to check compliance with the prescribed limits, monitor plant operations and assess its impacts on the environment and the population.

The estimated collective annual radiation impact on the local population 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 values taken into account are for the least favourable monthly average dilution in the atmosphere at specific wind directions and for emissions at ground-level. The annual dose of a constantly exposed adult in 2006 would be 1.22 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.

01.10

Liquid radioactive discharges

Wastewater may contain fission and activation products. The activity of fission and activation products (excluding tritium H-3, carbon C-14 and alpha particle emitters) amounted to 0.1 percent of the annual limit for liquid discharges. The activity of discharged tritium was 63.4 percent 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.

The plant observed technical norms which require that in any (although brief) discharge of such wastewater the concentration of radioactivity in the channel does not exceed the prescribed limits.

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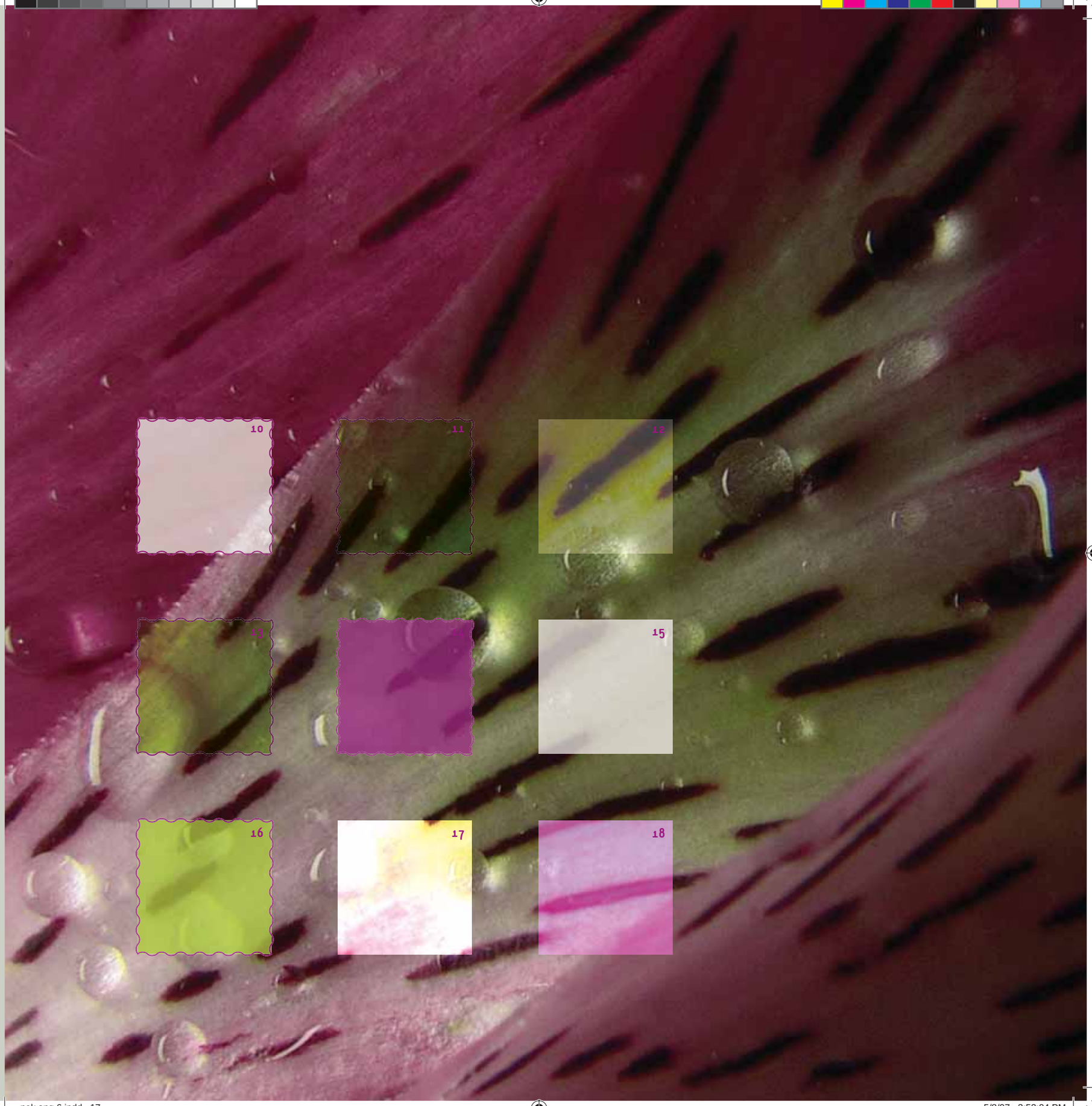

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DATA ON RADIOACTIVE LIQUID DISCHARGES IN THE YEAR 2006

radioactive substances	annual limit	activity released(BQ)	percentage of the limit
fission and activation products	200 GBQ	198 MBQ	0.1 %
tritium (H-3)	20 TBQ	12.7 TBQ	63.4 %

DATA ON RADIOACTIVE RELEASES INTO THE ATMOSPHERE IN THE YEAR 2006

radioactive substances	annual limit	activity released (BQ)	percentage of annual limit
fission and activation gases (total)	110 TBQ (Xe-133)	1.21 TBQ	1.45 %
iodine (I-131 and other)	18.5 GBQ (I-131)	0.55 MBQ	0.28 %
dust particles (cobalt, caesium, etc.)	18.5 GBQ	2.8 MBQ	0.015 %
tritium (H-3)	-	2.93 TBQ	-
carbon (C-14)	-	0.14 TBQ	-

01.20

Radioactive releases into the atmosphere

The total annual activity of discharged noble gases was under 1.5 percent 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.

The upper table gives detailed information.

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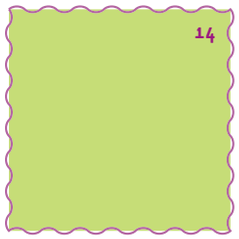

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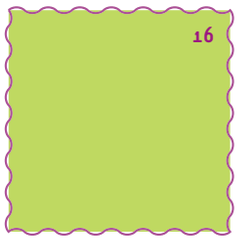

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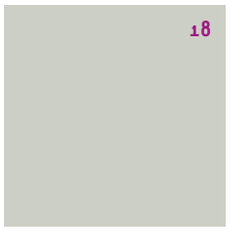

01.30
Measurements of the River Sava and groundwater

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

Groundwater 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.

01.40
Data on radioactive waste and spent nuclear fuel

In 2006, 117 drums of radioactive waste were produced. The total number of units stored in the interim storage area at the end of 2006 was 4588, i.e. drums and tube-type containers (the latter have a volume of three standard 200 litre drums). The number of units was down on the year 2005 as a result of using methods for reducing the waste volume. The total volume of waste was 2258 m^3 and its total activity was 18 TBq.

The spent fuel storage pool contains 819 spent fuel elements from the previous twenty-one fuel cycles. The overall mass of spent fuel material is 322 tonnes.

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maintaining and improving high levels of nuclear safety

02.00

NEK pays special attention to ensuring and checking the execution of regulations and standards of nuclear technology, as well as other current technologies in project solutions (equipment updates), 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 internal and external operating experience, and on-going condition assessment in terms of plant operation safety and stability.

02.10
Self-assessment

NEK uses various tools to improve nuclear safety. Special emphasis is laid on implementing self-assessment as one of the key elements in achieving the objectives set. Self-assessments involve the evaluation of programmes, processes and lines of work in NEK. This includes the comparison of existing activities with executive expectations, well-established industrial standards and management requirements to detect less apparent deviations or trends. Early correction of negative deviations or trends prevents the development of more acute problems which could seriously affect power plant safety, operational reliability or compliance with management requirements. In 2006 two self-assessments were carried out related to safety culture and the corrective programme.

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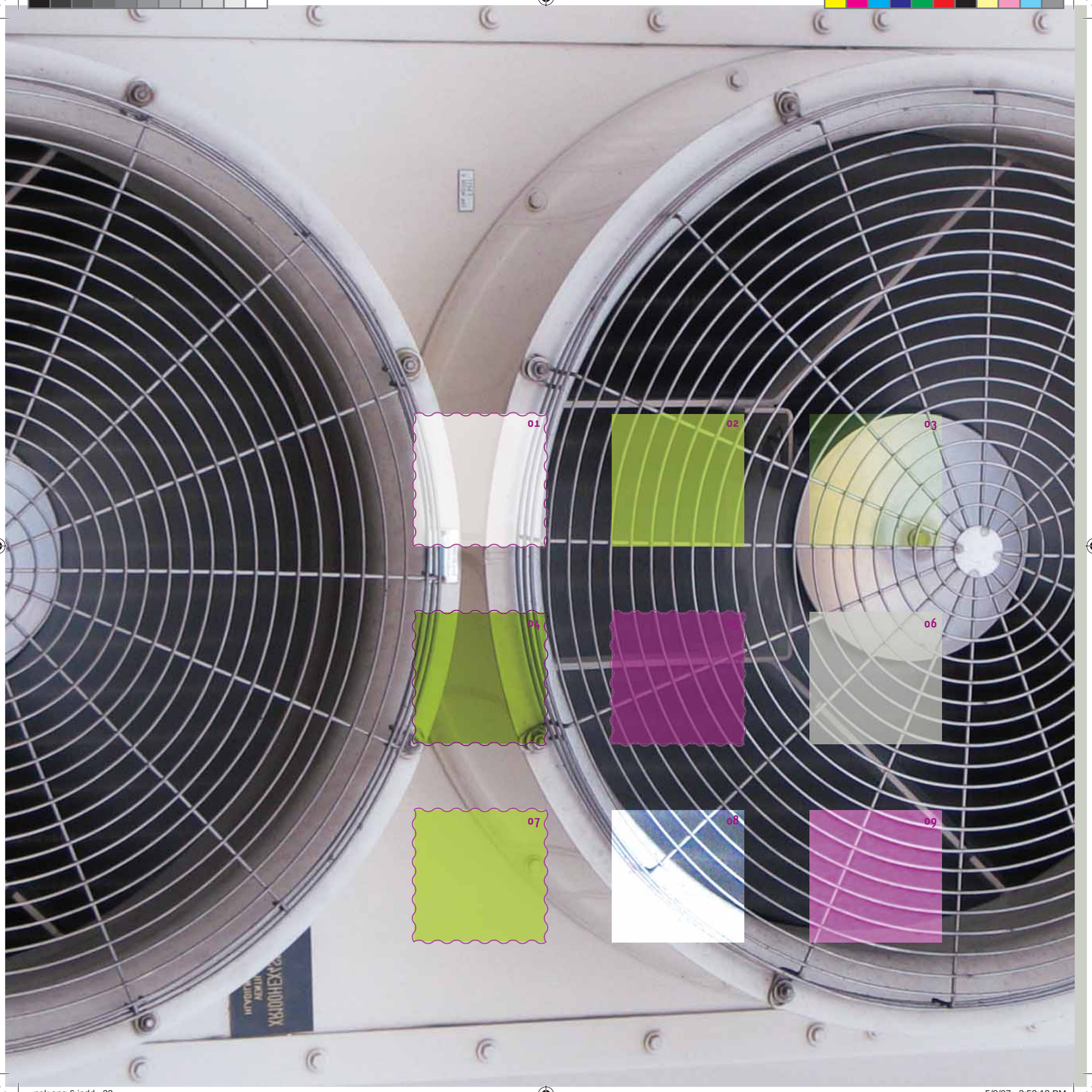

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Safety culture is a certain pattern of behaviour which has developed in the nuclear industry and has become universal for all nuclear power plant operators in the world. It is a matter of value attributes, which govern the way in which work is done in nuclear facilities and constitute a requirement for safe and stable operation. An appropriate safety culture in a company makes nuclear safety its top priority and serves as a basis for high performance and economic success. In order to make a self-assessment of safety culture in NEK a special questionnaire was prepared. An anonymous survey of NEK workers and permanent external contractors was carried out. The results showed that the level of safety culture is high, but we realize it could be further improved. To further that aim, following a statistical data analysis and on the basis of results in organisational units, measures for strengthening safety culture were specified.

The purpose of NEK's corrective programme is to solve deviations detected in equipment, processes or human behaviour, examine proposed improvements and analyse internal and external experience. The analysis of individual deviations identifies the root causes and represents a basis for action plans for preventing further deviations. Carrying out the self-assessment of the corrective programme involved examining the corrective requests date base, reference documentation, performance indicators, observing activities on work sites and conducting interviews in various organisational units. Although the use of the programme was found to be good, certain factors and research into their causes indicated some areas which should be improved. An action plan with specific assignment of responsibilities and deadlines was made accordingly.


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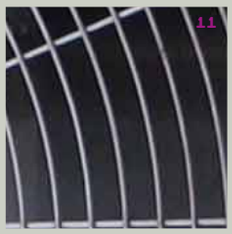
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transition to 18-month fuel cycle

03.00

On 8 April 2006 NEK completed fuel cycle 21, the first cycle in the history of the power plant to last 18 months as opposed to the previous 12-month cycles and a transitional 15-month cycle. This year is considered to have been very successful in terms of operation as no automatic and unplanned shutdowns were recorded.

Stable operation confirms the good state of power plant equipment, which supports a prolonged fuel cycle.

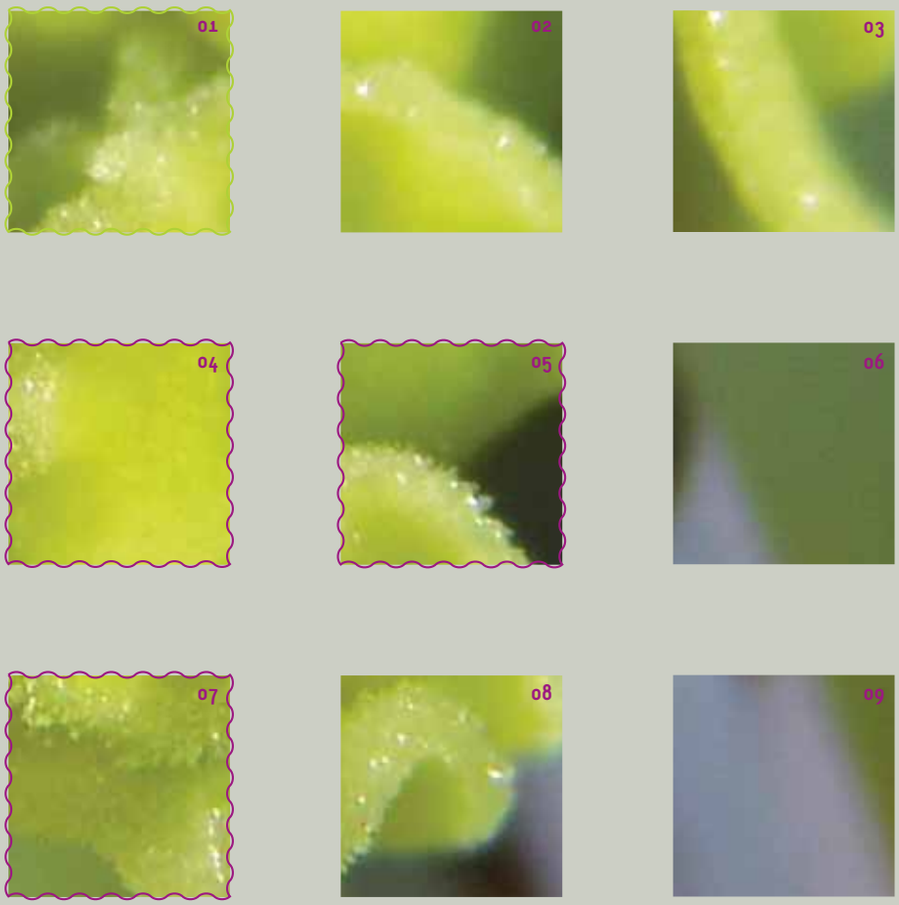
The only shutdown in 2006 was a planned one, namely to enable the outage, which was carried out in April and May. By synchronization with the electric power grid on 14 May the new 18-month fuel cycle was initiated, and is foreseen to last until 6 October 2007.

03.10

Nuclear core design

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 plant conditions.

Preparation of the core for cycle 22 included inserting 56 fresh fuel elements. As in the previous cycle, during cycle 22 the core burned fuel of the Vantage+ type, manufactured by the American producer Westinghouse.



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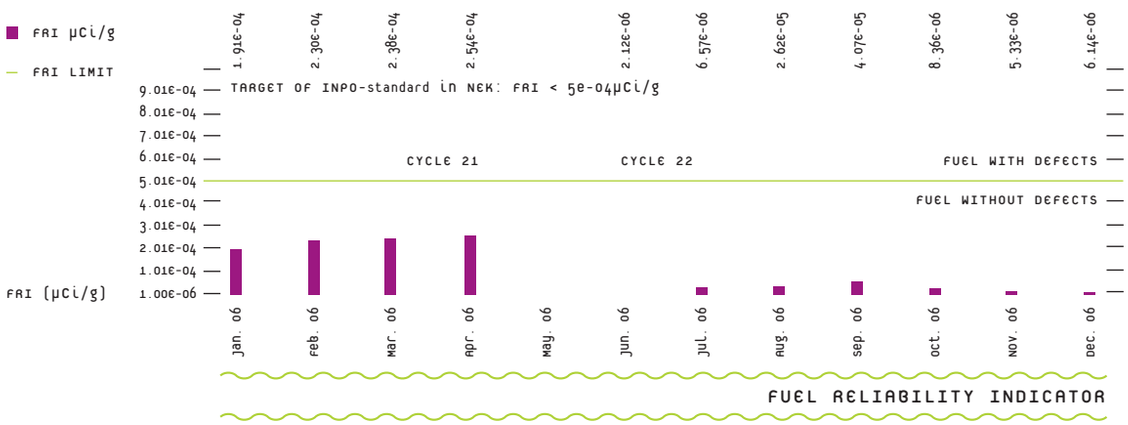
The NEK working team and fuel suppliers (Westinghouse) analyse the ultrasound inspection of fuel elements.



FUEL RELIABILITY INDICATOR

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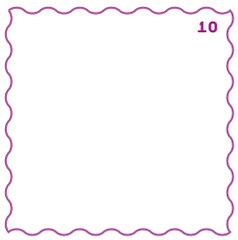

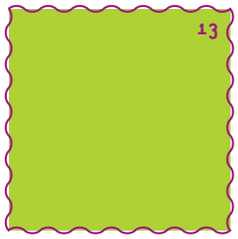

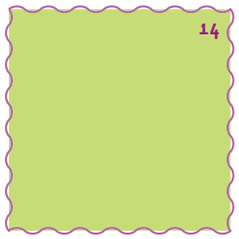

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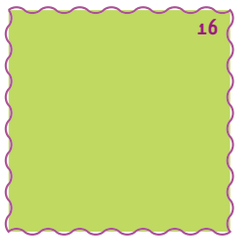

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activities of iodine and noble gas isotopes and certain nuclides in solid particles in the primary coolant. The basic indicators of fuel condition indicate that fuel integrity is within the prescribed standards but in a slightly lesser degree than in the previous fuel cycles.

The specific activity of the primary coolant as well as its contamination were below the prescribed limits.

Since the fuel leaks in both fuel cycles were very small (so-called tight defects), the fuel reliability indicator (FRI) is acceptable. The value of FRI did not exceed the prescribed limit of 5E-4 μCi/g. This limit is also the target of the INPO standard which the plant has succeeded in meeting for years.

03.20
Nuclear fuel condition

One of the power plant's goals is operation without fuel defects. 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

At all times the reactor operated in line with the prescribed operational and safety limits. The parameters complied with the project estimates. At the end of 2006 the total reactor operation amounted to the equivalent of 20 effective years of full power operation.

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major technological upgrades

04.00

The year 2006 saw intensive implementation of the technological upgrades which were envisaged in the adopted long-term investment plan. During the outage after the successful 18-month fuel cycle and during operation over 70 equipment and systems upgrades and replacements were carried out. Important investments in 2006 included the following:

04.10

Low pressure turbine replacement

This modification was necessary due to the degraded condition of the low pressure turbines and, as a consequence, a higher frequency of 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 previous turbines, which means approximately 3 % greater outgoing power or more than 20 additional MW. The replacement was successfully carried out during the outage.

Stable plant operation in the period following the outage proves that the investment was performed with success.

04.20

Upgrade of the process information system

The aim of this project was to modernize and upgrade the central process information system so that it may continue to enable efficient and reliable operational control of the plant systems and components, and to provide necessary process data to all who require them. The project was fully completed in the outage. In addition, the simulator was upgraded in the second half of the year.

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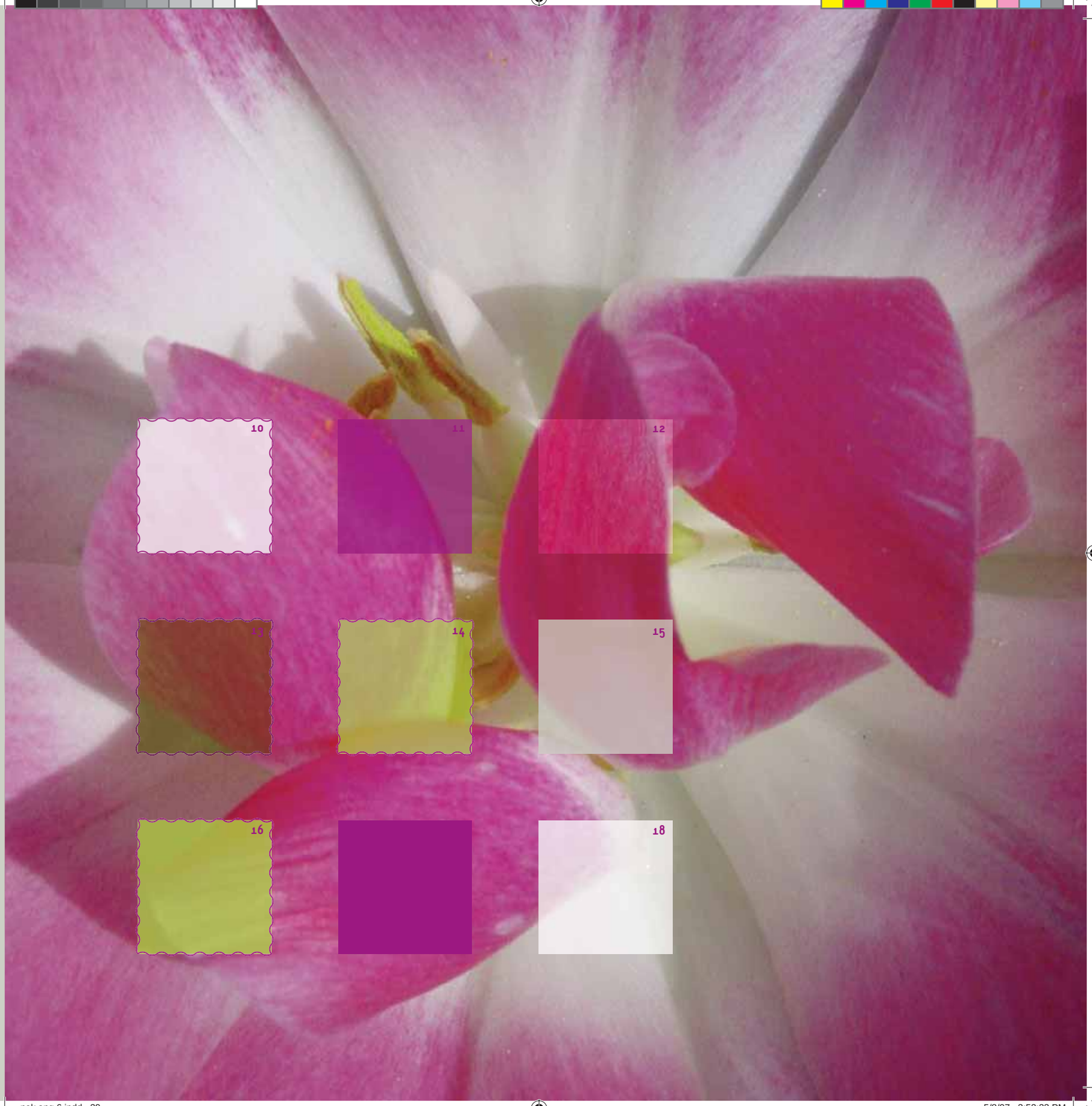

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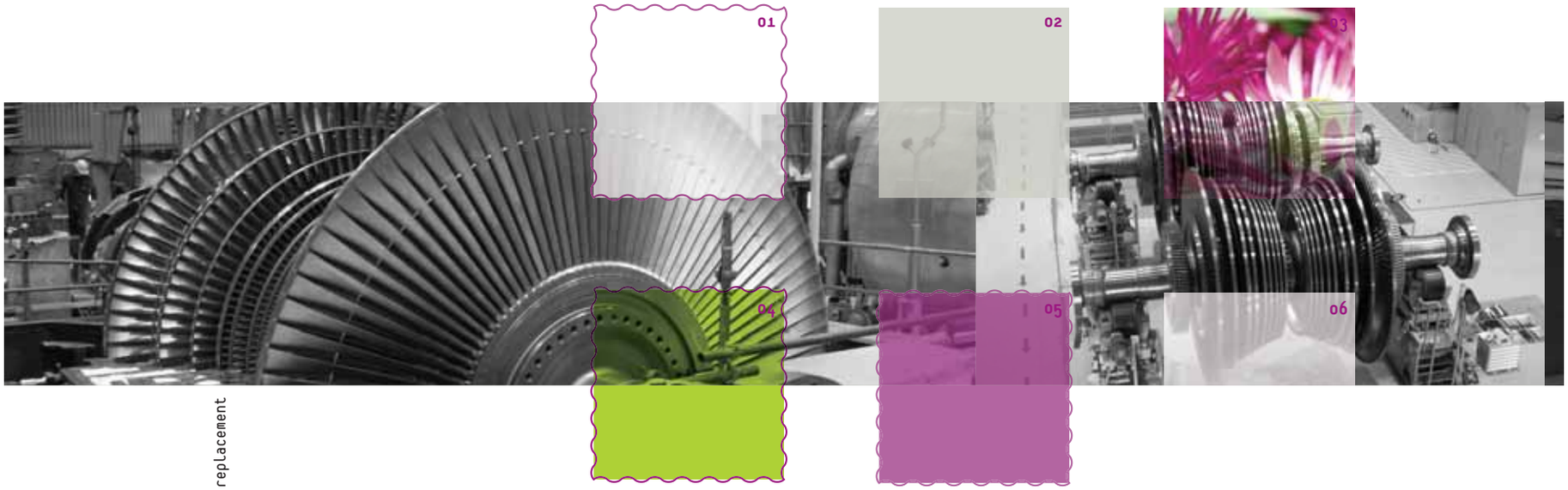

Low pressure turbine replacement

04 . 30

Replacement of the feedwater heaters

During the outage four of the twelve feedwater heaters were removed and replaced with new ones. This also involved many adjustments to the instrumentation of each exchanger and their precise calibration. Before commencing work the transport of the new heaters and the removal of the old ones required particularly detailed planning. The replacement of all heaters will be carried out in several phases. Phase 1 involved the replacement of high pressure feedwater heaters 1 and 2 on both lines.

The heaters 4, 5 and 6 in the condenser neck will be replaced on both lines in phase 2 during the 2007 outage.

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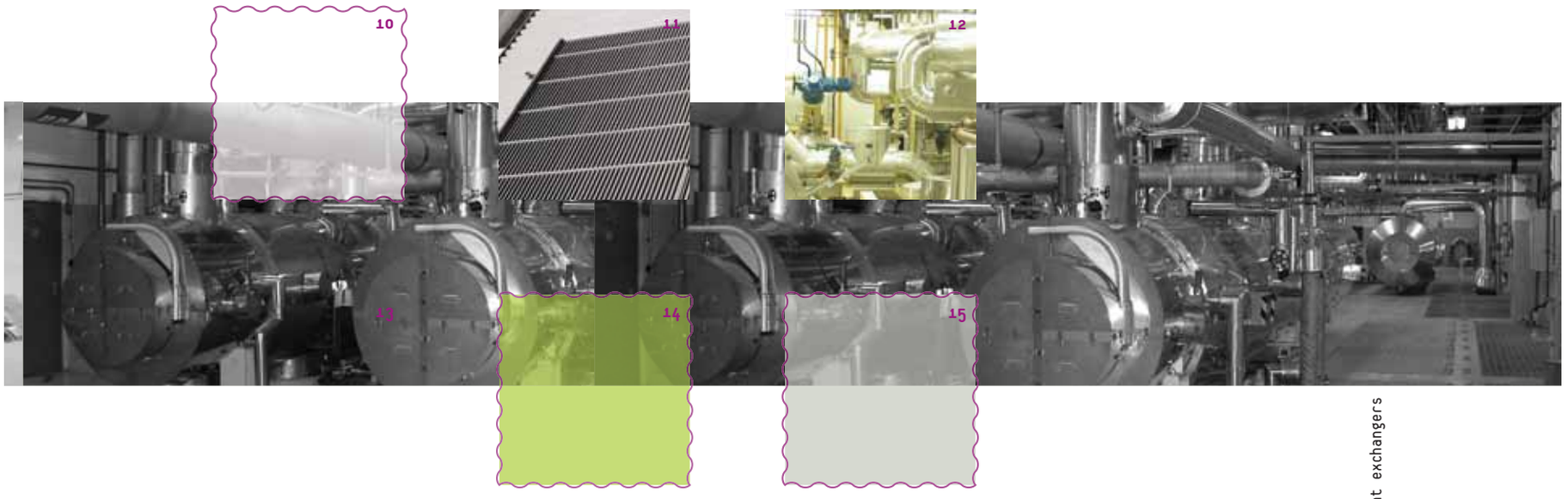

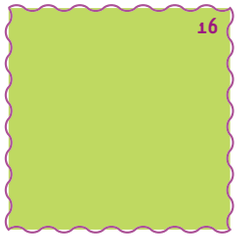

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replacement of the feedwater heat exchangers

04 . 40

Replacement of specific lines of secondary piping on the heater drainage, extraction steam, main steam, and turbine drainage systems

Secondary piping, which is used to conduct one-phase or two-phase media, is exposed to the effects of erosion/corrosion. On the basis of the results of ultrasound measurements of pipe wall thickness, experience and recommendations of the industry, a plan was made for the preventive replacement of specific piping lines. During the outage extensive preventive replacement of the piping on heater drainage, extraction steam, main steam and turbine drainage systems was carried out.

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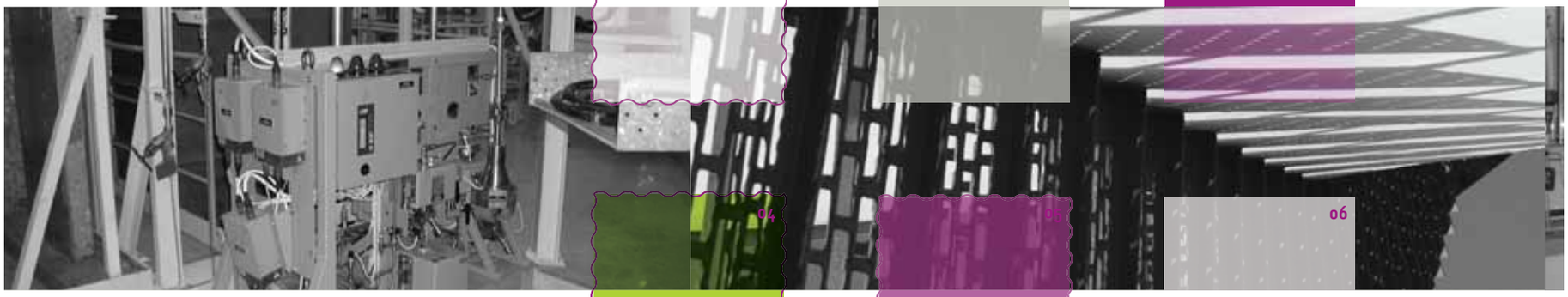

04.50

Replacement of radiation monitors

The modification involved the replacement of the process monitor (channels R-13, R-14, R-21) which controls releases and discharges into the environment.

During the outage the existing process monitor in the auxiliary building was replaced by a new three-channel monitor. The new instrumentation equipment in the control room is the same as the previously replaced area monitors or the process monitor for control of the atmosphere in the reactor building.

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04.60

Replacement of the sampling panel

In the secondary laboratory the outdated sampling panel was removed together with all subcomponents (transfer tank, cooling unit, etc.) and replaced by a new cooling and sampling panel. Continuous chemical analysers were integrated into a shared information system which stores data, performs diagnosis and feeds verified data through a data link to the central process information system in the control room. Furthermore an additional sampling point for sampling the condensate return tank by continuous measurement of sodium content in this tank.

04.70

Improving the 118-volt power supply system

During the outage thirteen 118-volt distribution boards, which feed all the instrumentation in the power plant, were replaced. Apart from replacing the cabinets together with the breakers, two voltmeters were installed in the control room, which display the voltage on 118-volt transformer buses, and two sub-voltage relays, which set off an alarm in the event of a power failure in any of the 118-volt transformer buses.

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major maintenance activities and inspection of pressure boundaries

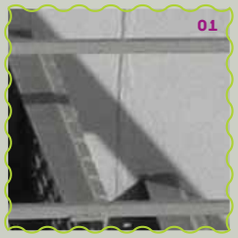
05.00

Adequate inspection, maintenance and upgrades ensure the operational status of equipment. Maintenance falls into the areas of preventive maintenance, carried out at 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.

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.

During the outage we carried out the following regular (standard) activities:

- Overhaul and revision of high and low pressure motors, switches and other electrical equipment,
- Instrumentation calibrations
- Inspection of equipment deterioration during operation by non-destructive methods,
- Overhaul of valves, ventilation systems and other machinery,
- Overhaul of diesel generators,
- Inspection of the main generator,
- Surveillance of secondary system components for signs of erosion and corrosion,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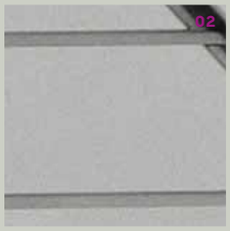
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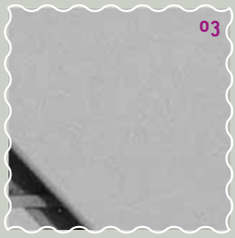
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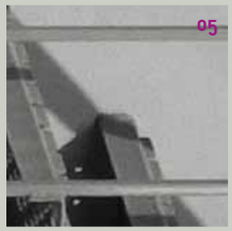
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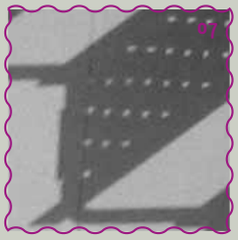
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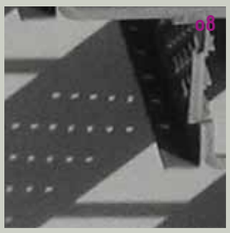
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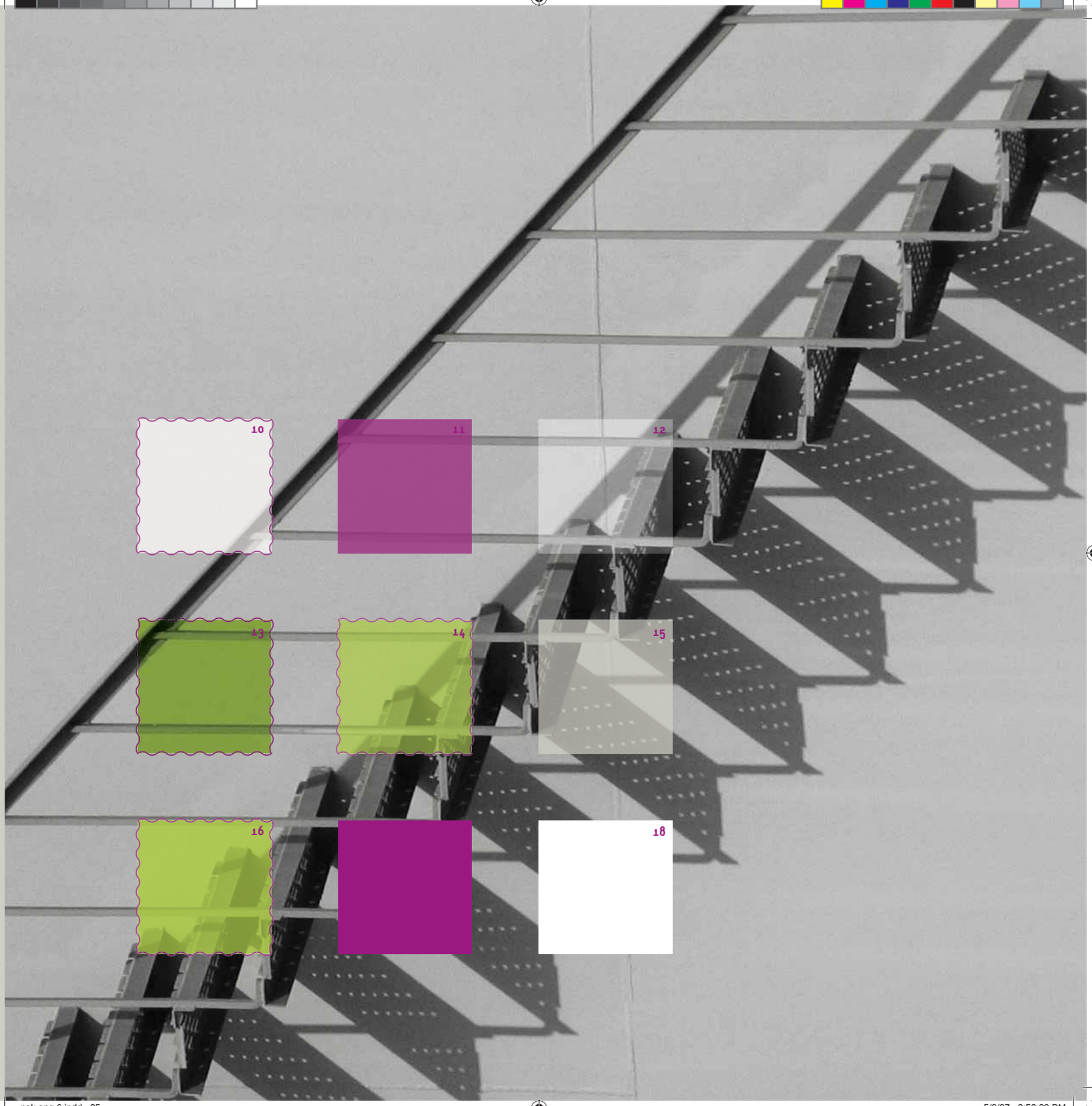

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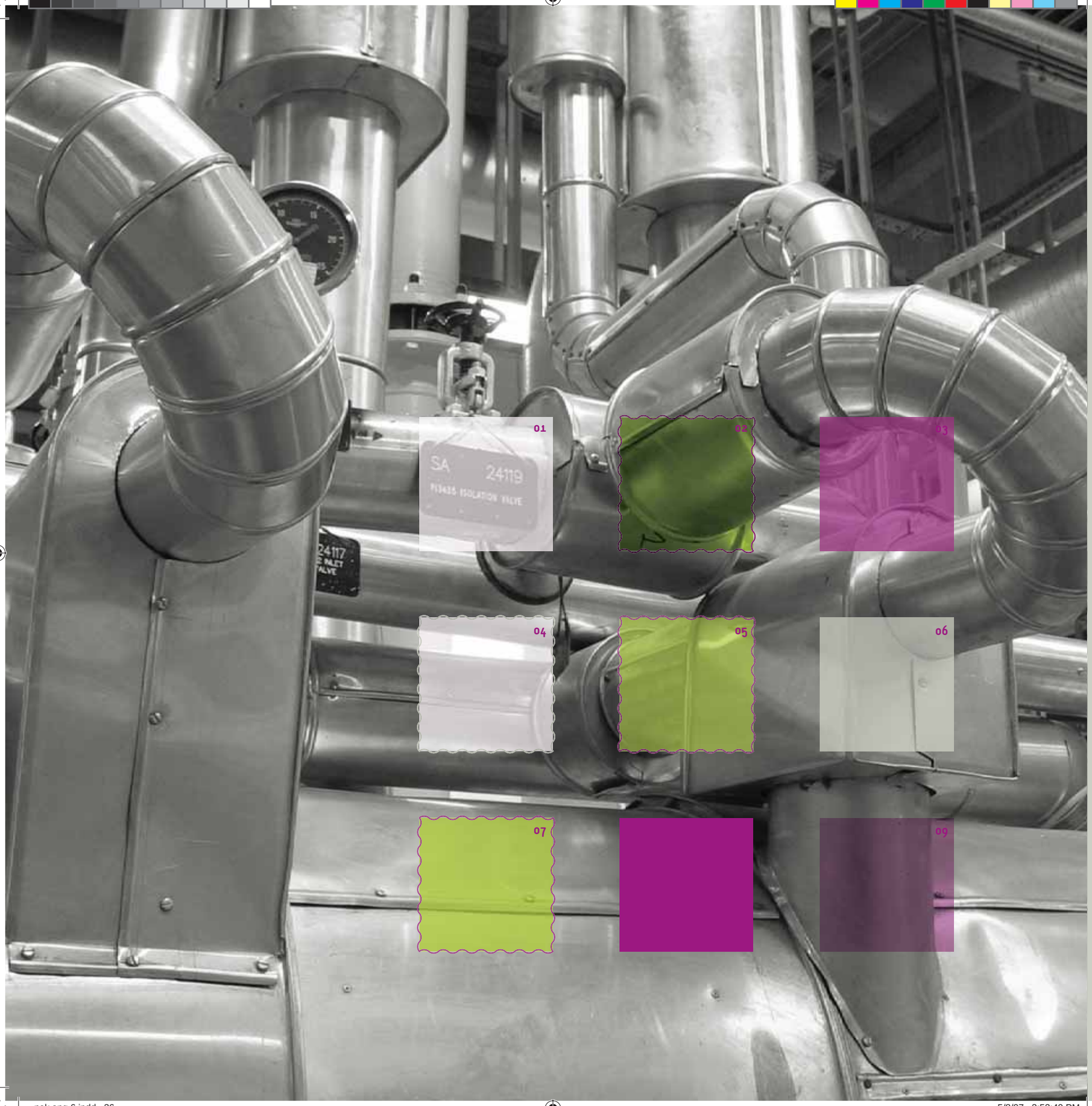

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And large scale special activities, such as:

- Replacement of a large part of the piping in the main steam, heater drainage, turbine drainage and extraction steam systems,
- Inspection of reactor vessel head penetrations.
- Inspection of the tube assembly in the heat exchangers on the secondary side,
- Repair of the roofing on the containment vessel dome,
- Inspection and replacement of the spray system snubbers of the containment vessel,
- Repair – replacement of the cables and connectors of the system for indicating the position of control rods,
- Replacement of transformer GT2 by an overhauled transformer of the same type,
- Replacement of the piping in the backwash line of the condenser cooling system's travelling screen,
- Repair of a leak in the drainage line of the main steam piping, inspection of problematic sections and replacement of critical pipes.


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The results of all inspections by non-destructive methods showed that the integrity of pressure boundaries was intact, as not a single indication of degradation due to operations was found.

In following the programme of inspecting secondary system components for signs of erosion and corrosion, their state was found to require no special corrective measures.

Other maintenance work was carried out on-line as determined in the programme of planned activities. During operation there were no major or important corrective actions which significantly affected the safety or availability of the power plant.

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performance

06.00

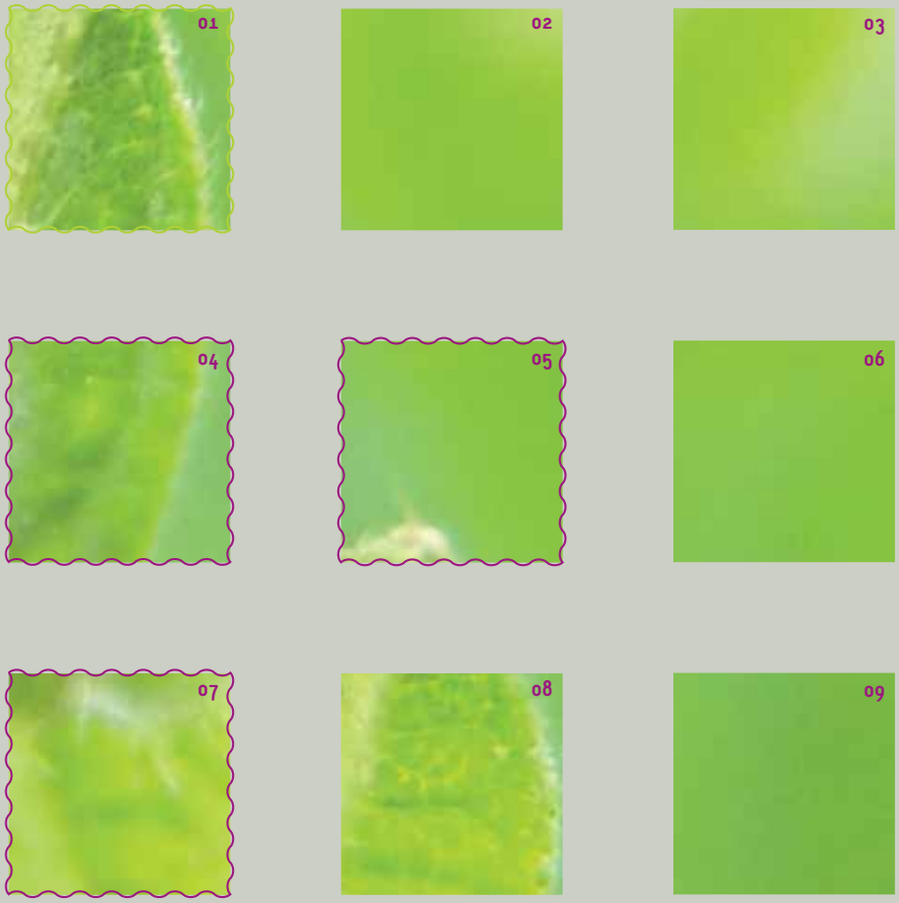
In the year 2006 the total output of NEK at the generator outlet was 5,548,257.20 MWh of gross electricity or 5,289,474.60 MWh net electrical power. The annual output was thus 1.72 percent higher than the planned 5,200,000 MWh.

In terms of operational safety and reliability the year 2006 is considered to have been very successful. The operation was stable as there were no unplanned power reductions nor unplanned plant shutdowns the whole year.

The only planned shutdown in 2006 was the 32-day outage. Although the scope of outage activities was challenging both regarding maintenance and technological upgrades, they were carried out without major problems. Following the outage, NEK was reconnected to the electrical power grid on 14 May i.e. after 37 days. This meant a 4.5-day delay of the planned start-up date due to additional balancing of the turbine and an increased range of corrective measures in the plant start-up phase.

For the personnel of NEK the outage is one of the most important activities which require the application of the principles of nuclear and personal safety, well-timed planning, quality implementation, effective communication, teamwork and safety culture in order to ensure conditions necessary for NEK to follow its vision, mission and strategies and objectives.

Every outage primarily serves to enable fuel element replacement and standard outage activities such as carrying out equipment check-ups, vital maintenance activities specified by programmes and other check-ups of technological systems and equipment as well as equipment replacement which cannot be performed on-line but during shutdown.



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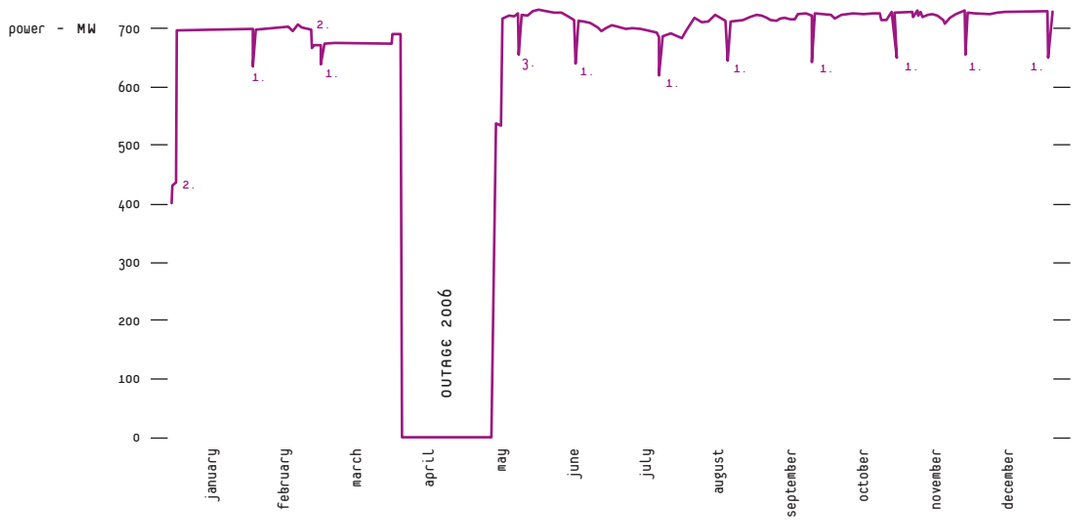

PRODUCTION DIAGRAM

energy produced on the generator: 5.548.257,2 mwh
energy produced on the treshhold: 5.289.474,6 mwh
availability factor: 90.0%
capacity factor: 91.3%

1. turbine valves test
2. lower power operation in accordance with plan
3. intervention on the low pressure turbine interceptor valve

Apart from replacing the fuel elements other standard activities included a visual inspection of the integrity of all fuel elements and the sampling of fuel element leakage during its transport using a tool for handling fuel (In Must Sipping). The control rods of fuel elements were examined by ultrasound and eddy current methods.

Because of the prolonged cycle, the most emphasis during the outage was laid on the quality of execution and enabling smooth functioning of equipment until the next outage, planned for October 2007. The implementation of the outage, organized by NEK, involved more than 700 Slovenian and foreign specialized workers and, on the part of URSJV, organizations authorized to oversee the outage. The relatively short outage, considering the planned scope of activities, required detailed planning, organisation and preparation of NEK personnel and, on the part of contractors, highly skilled workers and careful planning of implementation details. There were no serious injuries at work sites where technological processes were performed, although the outage was extremely demanding as it involved a great number of contractors, was of large scope and high intensity.

After the outage the power plant capacity increased by more than 20 megawatts due to the improved load factor of the secondary side.

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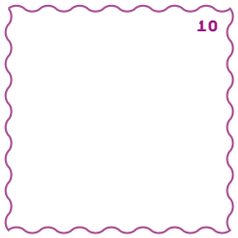

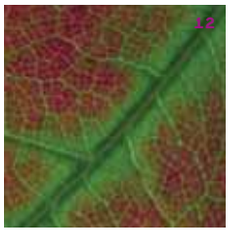

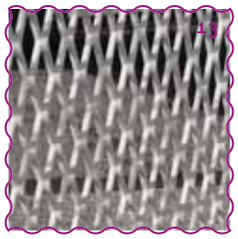

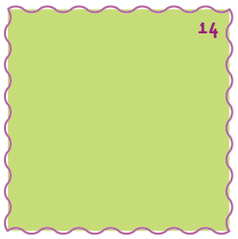

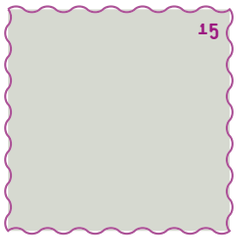

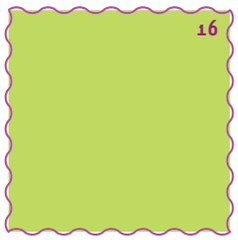

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The volume of radioactive waste was reduced, the drying of accumulated sludge resulting from the cleaning of tanks was continued, as was the melting of metallic waste, incineration and finally the supercompacting of compressible waste using newly installed equipment. Internal programmes and procedures were brought into line with the new legislation related to handling of radioactive waste.

Radiation protection is the responsibility of each individual worker and of the work leaders as persons in charge of work groups. It is implemented, supervised and promoted by the Radiological Protection. Work in radiologically controlled areas with sources of ionising radiation is additionally planned and supervised in order to achieve appropriately low exposure to radiation. Measures aimed at reducing radiation exposure include cooperation of the responsible engineers and work supervisors in planning and preparing the work. Good preparation of work requires detailed time planning of individual tasks, which reduces the time required for the work and at the same time prevents unnecessary exposure to radiation. The duration of outages has in recent years been reduced as a result of improved preparation and implementation of work in controlled areas and by carrying out certain maintenance work throughout the whole year. The duration of particular outages was longer due to substantial technological upgrades, such as in the year 2000, when both steam generators were replaced during the outage.

The total collective dose during the annual outage and fuel replacement was 0.70 man-Sv and in the whole year 0.86 man-Sv, 73% of which was received by the employees of contractors.

The total number of people working in radiologically controlled areas in 2006 was 902, 413 of whom were external workers. The average individual dose was 0.95 mSv. The highest dose among contractual workers was 11 mSv during installation work on the nuclear reactor. The highest dose received by a worker of NEK in this year was 13.8 mSv as a result of work on the radioactive waste processing system. The number of workers with a dose higher than 5 mSv was 41, of whom two received more than 10 mSv.

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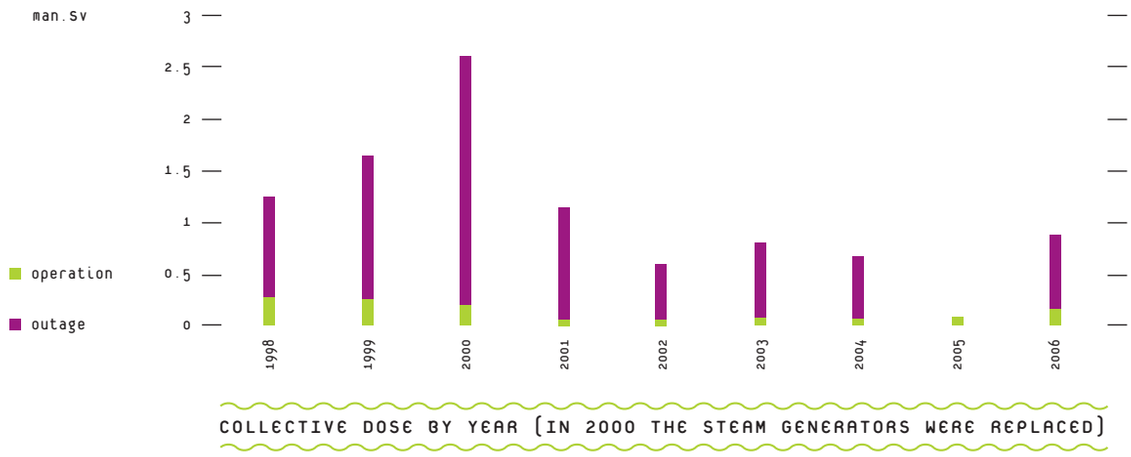

COLLECTIVE DOSE BY YEAR (IN 2000 THE STEAM GENERATORS WERE REPLACED)

The work performed during the outage on the equipment and components of the secondary systems, including the replacement of several piping lines, heat exchangers and low pressure turbines, is positively reflected by a reduced release and transport of corrosion products.

A great acquisition was the replacement and upgrade of the sampling system of the secondary side, which included the installation of new continuous chemical analysers and connecting them to the process information system of NEK. In future this will improve our capability to limit corrosion of secondary systems and the steam generators, and indirectly have a positive effect on the overall availability of the power plant.

In the sphere of limiting the corrosion of primary system materials and nuclear fuel, no significant irregularities were detected in the regulation of chemical conditions. The required reductive conditions were provided, while the production of aggressive electrolytes and the release of corrosion products were low.

06.10
Purchasing in support of power plant performance

In support of flawless operation and power plant upgrades, the year 2006 saw the successful realization of service and goods purchases in the total value of 61.4 million EUR (excluding costs of fuel purchase). The collaboration of excellent and quality business partners from Croatia and Slovenia

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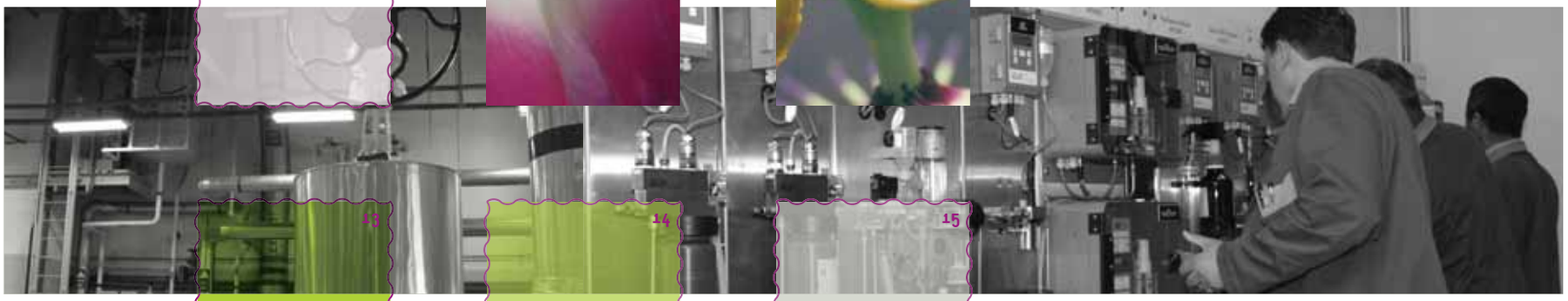

is an important contribution to safe and reliable power plant operation, especially when a prompt response is necessary. By shifting to the European and local market we have successfully compensated for the current difficulties.

Agreements on long-term cooperation were signed with fifteen local strategic partners, predominantly those who carry out outage and continuous services for NEK.
The contract negotiations on the local market were successful as is evident from the only slight change in prices. On the other hand, the purchase of equipment and spare parts for the maintenance of original equipment reveals a steady increase in prices because the equipment was designed in the late 1970s and its manufacture is now limited or unique. Signing a long-term agreement for the supply of EUP has proved to be a very good strategic decision since uranium prices are still growing at a rate as never before in the history of uranium purchasing.

On joining the EU we have taken on new reporting obligations, such as reporting to the Euratom Supply Agency for nuclear fuel, making quarterly records and reports on supplies from the EU using the Intrastat system and additional duties of acquiring certificates, licenses and checking the origin of goods.

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07.00 international cooperation

At NEK we are aware of the importance of joining international organisations and the international control of our operations. It is the only way to achieve internationally comparable operating and safety results.

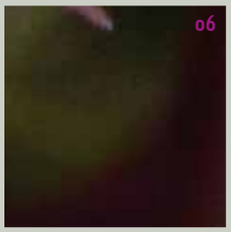
As part of the cooperation with international organisations in 2006 we received missions on the topic of organisational effectiveness, management, observation and coaching in performing work on technological facilities, and quality assurance.

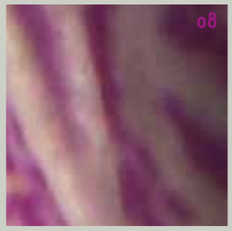
Our representatives participated in international missions (IAEA OSART) in power plants at St-Laurent in France and Mohovice in Slovakia, and international expert inspections of power plants (WANO missions) at Atucha in Argentina and Doel in Belgium.

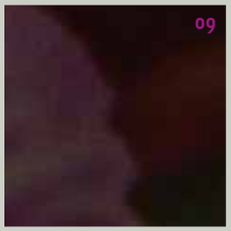
The President of the NEK Management Board chairs the Governing Board of the WANO Paris Centre, made up of representatives of all member countries of the Centre. Our representative in the Paris Centre is Head of international inspections of power plants.

WANO

The Krško power plant joined the World Association of Nuclear Operators (WANO) as early as in 1989. Its aim is to promote the highest standards of operational safety, availability and excellence of nuclear power plants. WANO supports several programmes for sharing information and the promotion of communication, mutual comparison and copying of good practice and solutions among its members.







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INPO

From as early as 1988 the Krško power plant has been a member of the Institute of Nuclear Power Operations (INPO) in the USA. Its primary objective is to increase the level of nuclear power plant safety and reliability. All US organizations that operate nuclear power plants are INPO members. Its membership extends both to nuclear operating organizations in other countries, as well as to the manufacturers and designers of nuclear facilities.

IAEA

The International Atomic Energy Agency (IAEA) is an independent intergovernmental organisation that operates within the United Nations Organisation. Its primary objective is to help members in planning and using nuclear technology for various peaceful purposes. These include electricity generation and technology / know-how transfer in the field. The IAEA develops safety standards that promote achievement of a high level of safety in the use of nuclear energy and in protection of the population from ionising radiation. The organisation operates on the basis of various programmes such as control over nuclear material, nuclear technology application, nuclear energy, nuclear safety and technical cooperation. 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.

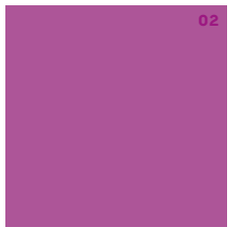
The Krško power plant has been actively cooperating with the IAEA for many years. So far we have hosted three OSART missions and several other missions. The IAEA inspectors who control nuclear fuel visit us on a regular basis.

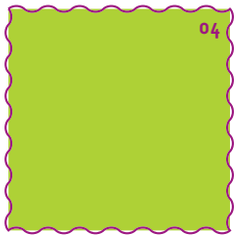
NUMEX

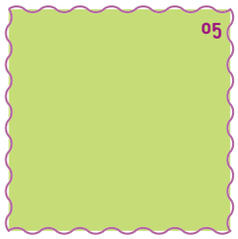
For over ten years, the Krško power plant has been a member of the NUMEX organisation (Nuclear Maintenance Experience Exchange) engaged in the exchange of experience in the sphere of nuclear power plant maintenance.

EPRI

EPRI – the Electrical Power Research Institute - is a non-profit making and independent organisation for research in the area of electricity production and the protection of the environment. It was established in 1973 in support of the development of the electrical industry. The Institute currently covers all aspects







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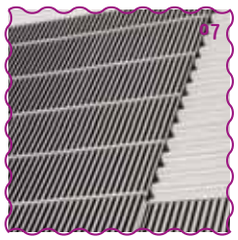

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of production, transmission and use of electricity.

The Krško power plant also actively participates in certain important areas of the Institute's activities:

- NMAC – Nuclear Maintenance Applications Centre (issues related to maintenance of equipment in nuclear power plants)
- PSE – Plant Support Engineering (improvements, purchasing and equipment qualification)
- Steam Generators Strategic Management Programme (monitoring and analyses of steam generator usage)
- MAAP – Modular Accident Analyses Programme User Group (exchange of experience in using incident analysis programmes)

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NRC

The NRC (Nuclear Regulatory Commission) is an independent agency in the USA in charge of safety and protection of the population against the effects of radiation from nuclear material, reactors and facilities for processing nuclear material. Together with the Slovenian Nuclear Safety Administration (URSJV) and the Jožef Stefan Institute (IJS), NEK is a member of a number of programmes which give access to information and literature on various relevant fields.

PWROG

PWROG (Pressurized Water Reactor Owners Group) is the association of all Westinghouse customers and the Westinghouse company itself. The organisation offers various programmes related to equipment improvement, optimisation of technical specifications, reducing the number of unplanned shutdowns, increasing the power of power plants, simplifying power plant systems, manufacture and use of nuclear fuel, performing analyses by using state-of-the-art programmes and analytical methods, etc.

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08.00

As in previous years, the professional training programmes in 2006 aimed to sustain a high degree of personnel expertise and skill to ensure safe and reliable power plant operation.

These programmes were prepared and executed within the activities of the Professional Training Unit and other organisational units, and partly in collaboration with external institutions, both national and foreign.

08.10
Training of operating personnel

Professional training programmes for operating personnel were implemented in accordance with applicable legislation, internal procedures and the two-year plan. The year 2006 saw the introduction of initial training of licensed personnel which covered the field of the fundamentals of power nuclear plant technology and operation. The second part of the initial training programme is planned for the year 2007 and the final test is to take place in 2008.

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, seven candidates successfully passed exams for licence renewal, of which one was for reactor operator, two for senior reactor operator and four for shift engineers. The exams, involving 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 exams for the renewal of shift engineer licence were conducted for the first time, in accordance with the new regulations.

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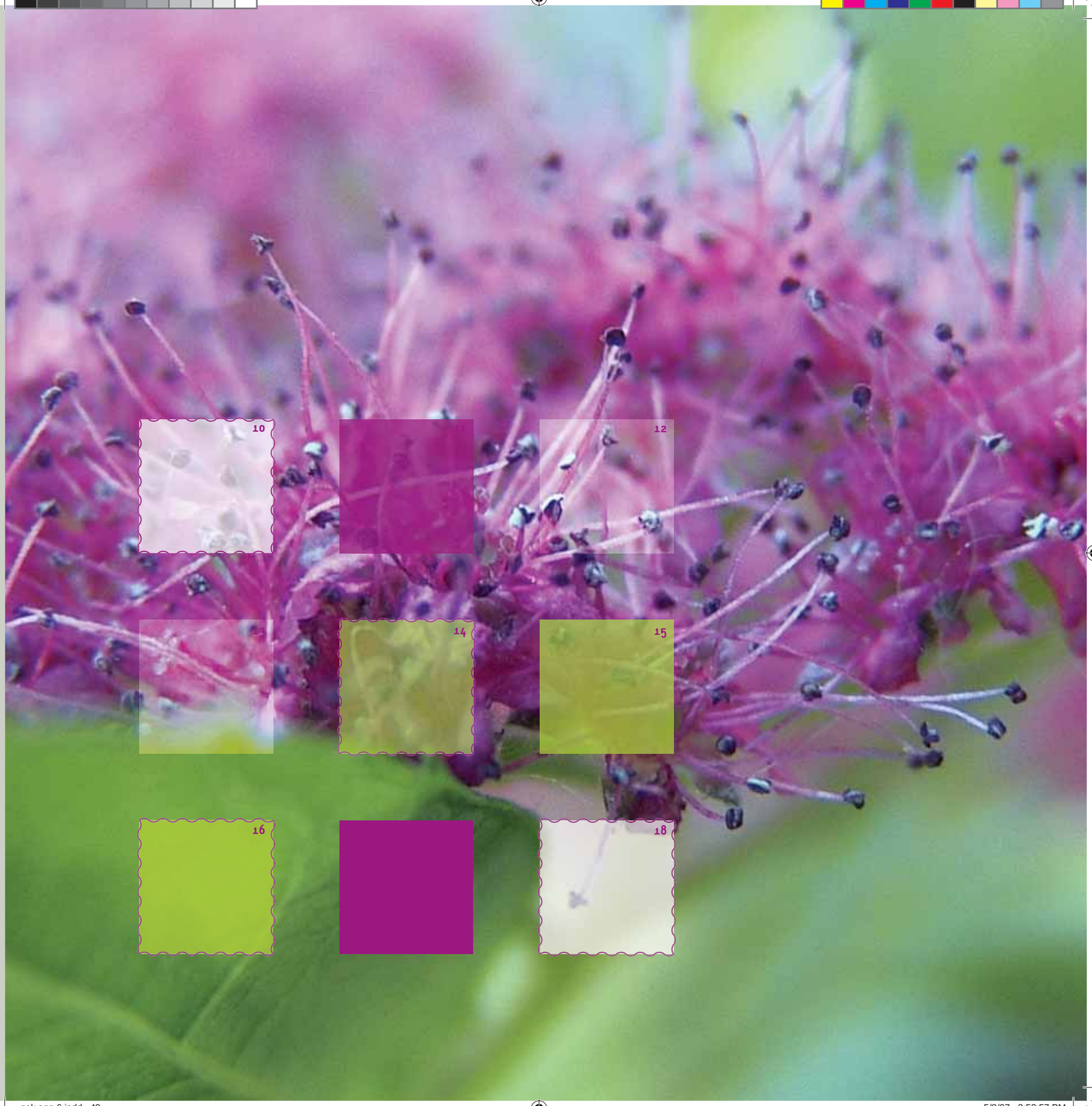

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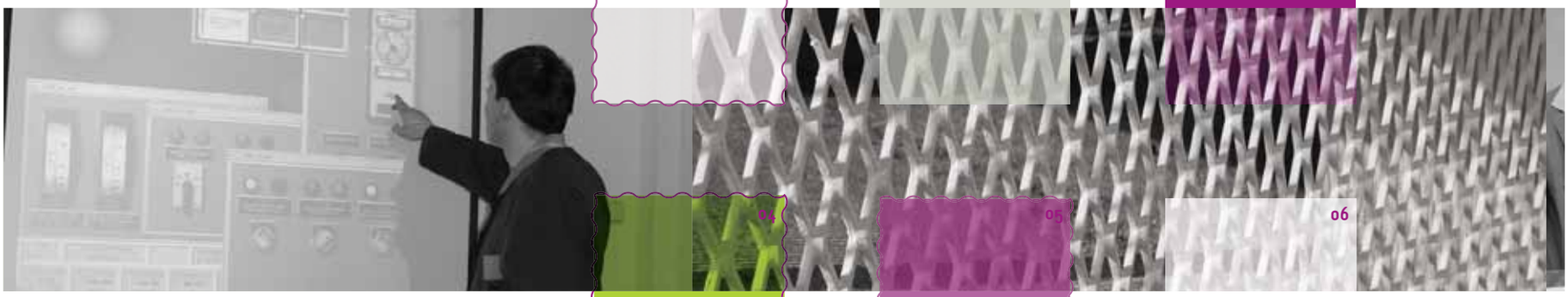

The ongoing professional training for equipment operators proceeded in parallel with the training for licensed personnel, i.e. four weekly training sessions were implemented. The programme was designed to maintain and enhance the knowledge and skills required in the work of equipment operators. The programme focused on hands-on training by using system operation procedures. Part of the training was carried out together with licensed personnel, as the equipment operators participated in some of the lectures and scenarios on the simulator. In the framework of equipment operator training in 2006 we continued implementing various forms of practical training which took place in the technological facility or in the classroom which was actively linked with the complete simulator.

The operating personnel also attended training for the personnel in charge of fuel handling and replacement which aimed to prepare all participants for safe and quality implementation of this important activity.

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

08.20
Training for personnel in maintenance and other support functions

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

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

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 2006. Some courses were implemented in cooperation with external institutions, partly abroad and partly in the Maintenance Personnel Training Centre in NEK. Some practical training was also implemented during preventive on-line maintenance of equipment and the regular outage.

The preparation and implementation of professional training of maintenance personnel involved, in addition to Professional Training staff, engineers and specialist technicians of the various maintenance units. In addition, pre-outage specialist courses were carried out for the first time, to prepare mixed teams of in-house and external workers for quality execution of maintenance.

Within the framework of ongoing professional training, two sessions intended for refreshing general and legally prescribed skills were carried out. Maintenance personnel were updated on power plant processes and systems and operational experience.

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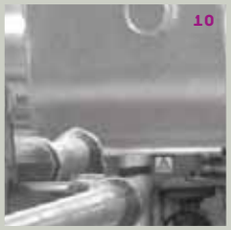
08.30
Implementation of other legally prescribed and general training

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 electrically-endangered premises were continued. At the end of the year a drill related to organisational measures required in case of an imergency event was carried out by using the simulator.

In the area of radiation protection training, the implementation of initial and refresher courses was continued in accordance with the legislation.

Apart from the above mentioned courses, NEK also carried out many training sessions for other units of the power plant, intended to update them on new legislation, introduce innovations in the area of production processes, and continued with general courses in the areas of computer literacy and foreign languages.

Prior to the regular outage external contractors were trained in various courses. The purpose of these courses was to prepare them for safe work, acquaint them with the basic rules to be observed in NEK and carry out legally prescribed training.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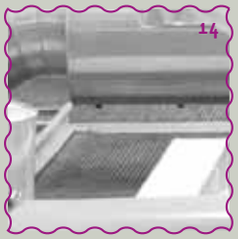
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summary of the financial report

09.00

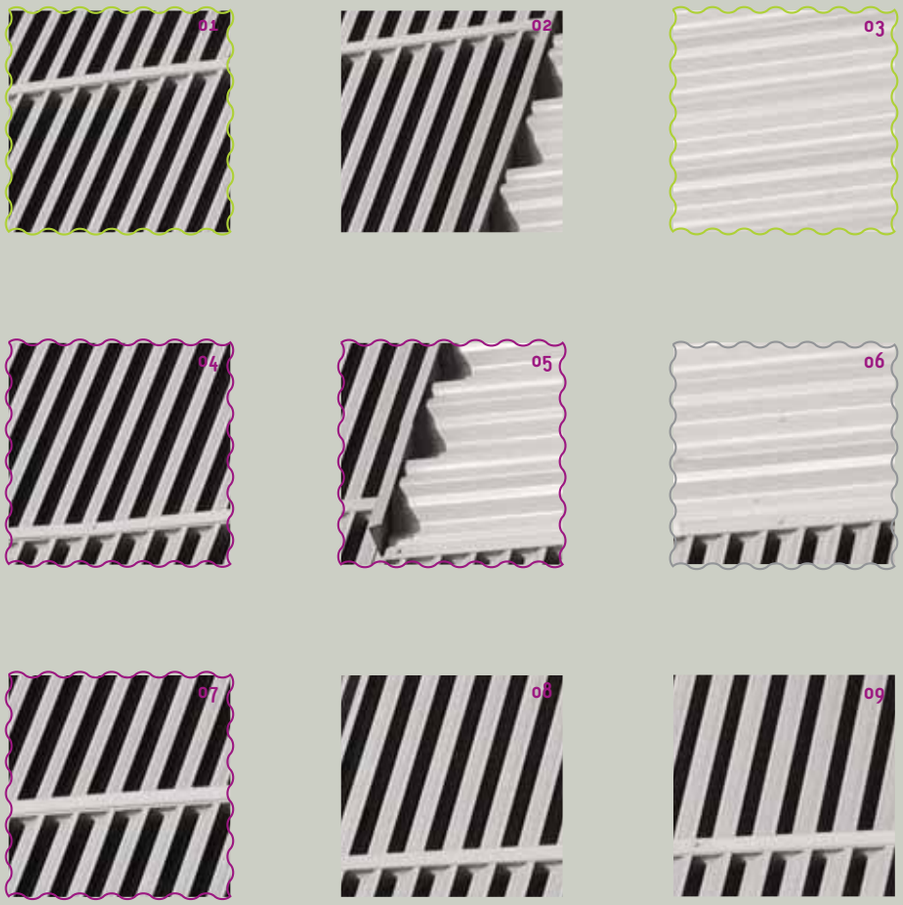
In accordance with the Companies Act and the Articles of Association of NEK, a summary of the Financial Report, which is part of the Annual Report of NEK for 2006, is given below. The summary includes the main characteristics of operations in 2006 and a condensed version of the fundamental financial statements. The full fundamental financial statements are presented in the Annual Report of NEK for 2006 prepared in accordance with the Intergovernmental Agreement, the Articles of Association of NEK, the Companies Act and Slovenian accounting standards (SAS). The adoption of new SAS 2006 required appropriate adjustments, described in detail together with accounting policies in the Annual Report of NEK for 2006.

The Annual Report of NEK for 2006 was submitted on 26 April 2007 to the organization authorized to process and publish the data and is published on its website.

In the year 2006 the plant performed successfully and in line with the set economic objectives. Owing to good operation of the power plant and favourable hydrological conditions the planned production was exceeded in spite of a somewhat longer outage than planned. Our partners were supplied with 5,289 thousand MWh of electricity at a competitive price, which was lower than planned.

The revenues in 2006 amounted to a total of 28,530 million SIT. Revenues from electricity supplied to partners account for the bulk of revenues, and the revenues from auxiliary activities and the sale of unserviceable assets of NEK account for the smaller portion of operating revenues. In addition unplanned financial revenues were generated from the interest on deposits made to banks and the revaluation of receivables and debts to preserve their value.

Expenses in 2006 amounted to 28,468 million SIT. The largest share in their structure consists of costs of services and consumption of materials excluding



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nuclear fuel (28%), depreciation costs (22%), labour costs (21%) and nuclear fuel costs (16%).

The net profit generated in 2006 thus amounted to 62 million SIT and will be used to cover the retained net loss which was, on the adoption of SAS 2006, presented in the item of provisions which is now obligatory under SAS.

Furthermore, long-term debts were decreased as planned. The value of inventories is also within the planned scope. Investments were carried out as planned both in the area of investing into modifications of technological systems and activities associated with replacing the low pressure rotors of the main turbine.

Another important financial function is undoubtedly insurance of business activities against various kinds of financial risk. These were protected by forward contracts amounting to a total of 20 million US dollars. With closed contracts, amounting to 10 million US dollars, we achieved a positive balance of 34 million SIT with regard to the planned sum, defined by the 2006 Business Plan.

The financial position of NEK is satisfactory. Long-term liabilities cover all long-term assets and also all inventories. Business results are also evident from the abbreviated form of the basic financial statements for 2006. These statements should be read together with the clarifications, which are, as mentioned, given in detail in the Annual Report of NEK for 2006.

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KPMG

Auditor's Report for Public Reporting Purposes

We have audited the financial statements of the company Nuklearna elektrarna Krško d.o.o. and the related notes for the financial year ended 31 December 2006, in accordance with International Standards on Auditing, on which the summaries of financial statements are based. In our report dated 21 March 2007, we have issued the opinion that the financial statements and the related notes on which the summaries of financial statements are based, give a true and fair view of the financial position of the Company as of 31 December 2006, the results of its operations, its cash flows for the year then ended in conformity with the International Contract entered into between the Republic of Croatia and the Republic of Slovenia, and in conformity with Slovenian Accounting Standards issued by Slovenian Institute of Auditors.

In our opinion, the attached summaries of the financial statements comply, in all material aspects, with the financial statements from which they originate.

For a better understanding of the financial situation of the Company as of 31 December 2006, the results of its operations, its cash flows for the year then ended, and the scope of our audit, it is necessary to read the summaries of the financial statements together with the financial statements from which they originate and with our Auditor's Report on these financial statements.

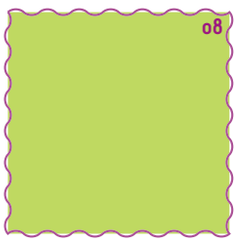
KPMG SLOVENIJA,
podjetje za revidiranje, d.o.o.

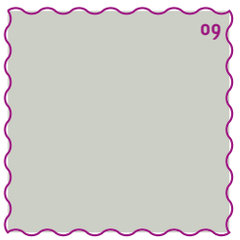
Vera Menard, B.Sc.Ec.
Certified Auditor

Marjan Malmič, B.Sc.Ec.
Certified Auditor
Partner

KPMG Slovenija, d.o.o.

Ljubljana, 20 April 2007





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BALANCE SHEET AS AT 31 DECEMBER 2006

in millions of SIT

BALANCE SHEET	31.12.2006	1.1.2006	31.12.2005
ASSETS			
A. LONG-TERM ASSETS	105,792	106,863	106,863
tangible fixed assets	105,323	106,325	106,518
investment property	182	193	-
Long-term investments	212	270	270
Long-term operating receivables	75	75	75
B. CURRENT ASSETS	20,759	19,814	19,814
inventories	9,728	13,398	13,398
short-term investments	6,189	3,496	3,496
short-term operating receivables	4,835	2,917	2,917
cash	7	3	3
C. SHORT-TERM DEFERRED COSTS AND ACCRUED REVENUE	54	103	103
TOTAL ASSETS	**126,605**	**126,780**	**126,780**
off-balance sheet assets	1,661	708	708
EQUITY AND LIABILITIES			
A. EQUITY	105,309	105,247	105,974
called-up capital	84,723	84,723	84,723
revenue reserves	21,251	21,251	21,251
retained earnings	-727	-727	-
net profit or loss for the financial year	62	-	-
B. PROVISIONS AND LONG-TERM ACCRUED COSTS AND DEFERRED REVENUE	1.013	973	246
provisions for jubilee benefits and termination benefits	776	727	-
other provisions	237	246	246
C. LONG-TERM LIABILITIES	12,756	14,351	14,351
Long-term financial liabilities to banks	12,668	14,258	14,258
Long-term operating liabilities	88	93	93
Č. SHORT-TERM LIABILITIES	7,489	6,150	6,150
short-term financial liabilities to banks	1,593	1,592	1,592
short-term operating liabilities	5,896	4,558	4,558
D. SHORT-TERM ACCRUED COSTS AND DEFERRED REVENUE	38	59	59
TOTAL EQUITY AND LIABILITIES	**126,605**	**126,780**	**126,780**
off-balance sheet liabilities	1,661	708	708

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INCOME STATEMENT FOR THE YEAR ENDED ON 31 DECEMBER 2006

in millions of SIT

	INCOME STATEMENT	2006	2005
I.	OPERATING REVENUE	28,369	26,626
II.	OPERATING EXPENSES	27,847	26,494
III.	OPERATING PROFIT OR LOSS FROM OPERATIONS (I-II)	522	132
IV.	FINANCIAL REVENUE	161	533
V.	FINANCIAL EXPENSES	621	665
VI.	OPERATING PROFIT OR LOSS FROM FINANCING (IV-V)	(460)	(132)
VII.	OPERATING PROFIT OR LOSS FOR THE PERIOD (III+VI)	62	0
VIII.	corporate income tax	-	-
IX.	NET OPERATING PROFIT OR LOSS FOR THE PERIOD (VII-VIII)	62	0

CASH FLOW STATEMENT FOR THE YEAR ENDED ON 31 DECEMBER 2006

	CASH FLOW STATEMENT	2006	2005
I.	**CASH FLOWS FROM OPERATING ACTIVITIES**		
1.	cash receipts from operating activities	32,601	29,020
2.	cash disbursements from operating activities	23,904	21,941
3.	net cash from operating activities (1-2)	8,697	7,079
II.	**CASH FLOWS FROM INVESTING ACTIVITIES**		
1.	cash receipts from investing activities	96	2,007
2.	cash disbursements from investing activities	6,596	6,023
3.	net cash from investing activities (1-2)	(6,500)	(4,016)
III.	**CASH FLOW FROM FINANCING ACTIVITIES**		
1.	cash receipts from financing activities	590	-
2.	cash disbursements from financing activities	2,783	3,076
3.	net cash from financing activities (1-2)	(2,193)	(3,076)
IV.	**CLOSING BALANCE OF CASH** (VI+V)	7	3
V.	net cash inflow or outflow for the period	4	(13)
	+		
VI.	opening balance of cash	3	16

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STATEMENT OF CHANGES IN EQUITY FOR THE YEARS 2006 AND 2005

in millions of SIT

EQUITY COMPONENTS	called-up capital	revenue reserves		retained earnings		net profit or loss for the financial year	total equity
		legal reserves	statutory reserves	retained net profit	retained net loss		
closing balance as at 31.12.2005	**84,723**	**8,472**	**12,779**	**-**	**-**	**-**	**105,974**
opening balance as at 1.1.2006	84,723	8,472	12,779	-	727	-	105,247
movements to equity	-	-	-	-	-	62	62
movements within equity	-	-	-	-	-	-	-
allocation of net profit to additional reserves based on a decision of the annual meeting	-	-	-	-	-	-	-
closing balance as at 31.12.2006	**84,723**	**8,472**	**12,779**	**-**	**727**	**62**	**105,309**
opening balance as at 1.1.2005	84,723	8,472	12,779	-	-	-	105,974
movements to equity	-	-	-	-	-	-	-
entry of net profit or loss for the financial year	-	-	-	-	-	-	-
other increases in equity components	-	-	-	-	-	-	-
movements within equity	-	-	-	-	-	-	-
allocation of net profits based on the resolution of the management and the supervisory board-	-	-	-	-	-	-	0
closing balance as at 31.12.2005	**84,723**	**8,472**	**12,779**	**-**	**-**	**-**	**105,974**

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company organisation

10.00

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 utilisation 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 GEN energija, d.o.o., Krško 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.

In the last few years NEK has been going through the processes of generation change and optimization of the number of employees. By hiring new personnel and training them prior to the retirement of workers with many years of experience, know-how and experience are carried over to new workers. Thus in the year 2006 twelve engineers with a university degree were given employment.

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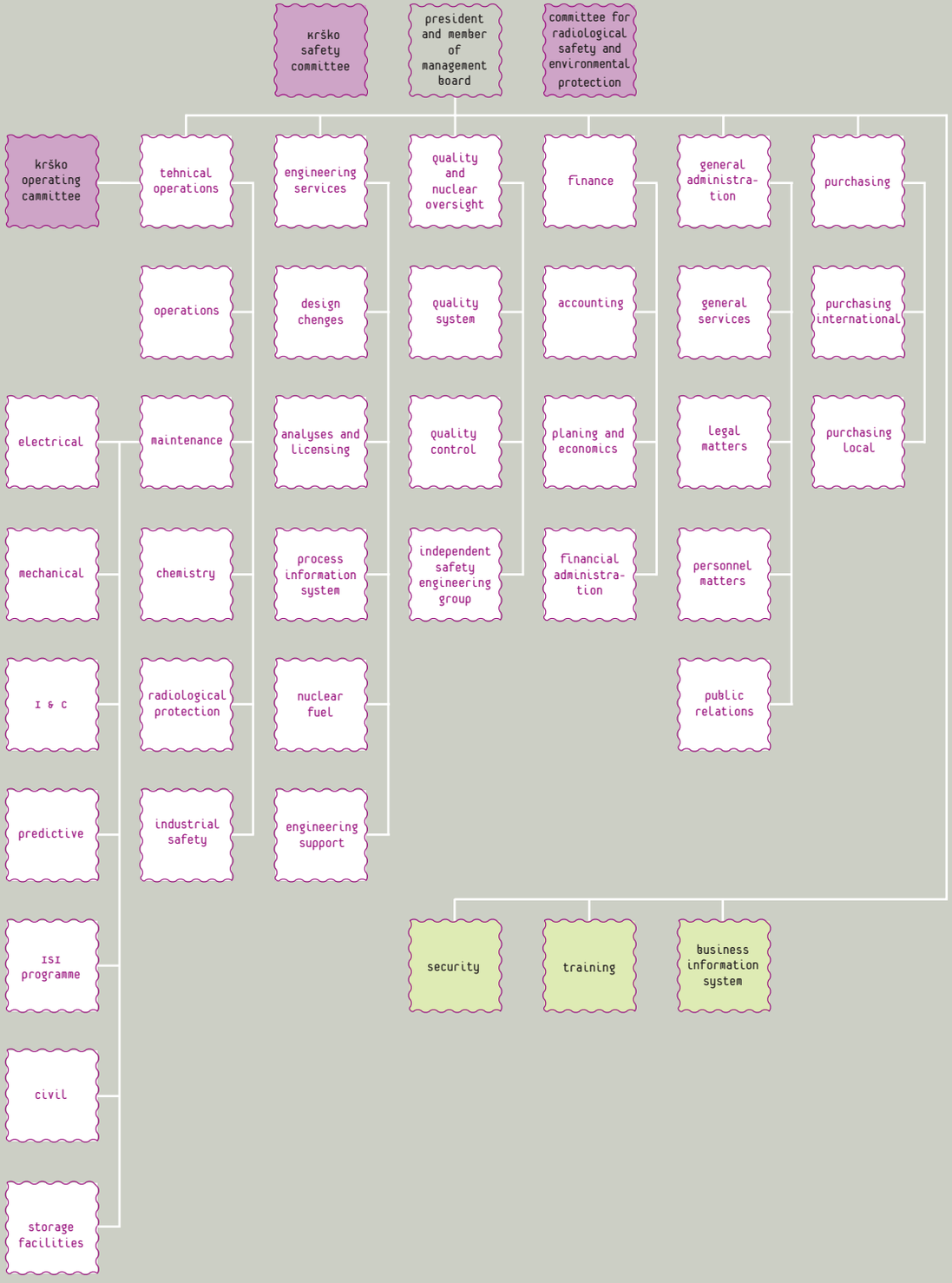

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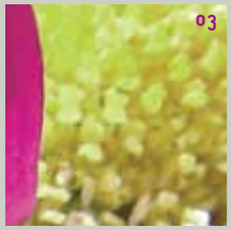
List of abbreviations

11.00

ANS	American Nuclear Society
ANSI	American National Standards Institute
ASME	American Society of Mechanical Engineers
CAP	Corrective Action Program
EPRI	Electrical Power Research Institute
EU	European Union
EUP	Enriched Uranium Product
FRI	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
NDE	Non Destructive Examination
NMAC	Nuclear Maintenance Applications Center
NRC	Nuclear Regulatory Commission
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
PWROG	Pressurized Water Reactor Owners Group
WANO	World Association of Nuclear Operators
WENRA	Western Europe Nuclear Regulators Association
WOG	Westinghouse Owners Group
HEP	Hrvatska Elektroprivreda
IJS	Institut Jožef Stefan
NEK	Nuklearna elektrarna Krško
SRS	Slovenski računovodski standard
URSJV	Uprava Republike Slovenije za jedrsko varnost
ZGD	Zakon o gospodarskih družbah
ZVISJV	Zakon o varstvu pred ionizirajočimi sevanji in jedrski varnosti



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