

ANNUAL REPORT 2006



MINI MARITSA IZTOK EAD





DECLARATION

OF MINI MARITSA IZTOK EAD MANAGING TEAM

Regarding the elaboration, implementation and development of an integrated quality, environment, safety and health working conditions management system

Mini Maritsa Iztok EAD, the largest coal-mining enterprise in Republic of Bulgaria, exploits the Maritsa Iztok lignite coalfield with a productive area of some 240 km² and has a decisive significance for the national energy balance. The company has been working for the lighting, heating and economic prosperity of Republic of Bulgaria for over half a century.

Mini Maritsa Iztok EAD main activity is lignite coal extraction in three opencast mines: Troyanovo-1, Troyanovo North and Troyanovo-3, supplying the thermal power plants: Maritsa Iztok 2 TPP EAD, Maritsa Iztok III Energy company JSC and Brikel EAD.

In conformity with national priorities for energy sector development and environment protection, presented in Republic of Bulgaria Energy Strategy, National Strategy on Environment and National Action Plan 2005 - 2014, and national regulations, the managing team of the Company lays down the Policy as follows:

Ensuring the sustainable development of the Company based on satisfying lignite consumers' demands and expectations, continual improvement of the health and safety working conditions and permanent reduction of the adverse effect of mining activities on environment.

Mini Maritsa Iztok EAD managing team has approved a Business Strategy in order to implement the policy determined, defining the following development priorities:

- Financial and economic stability of the company through effective economic operations in conformity with the regulation requirements; keeping beneficial relationships with our customers; continuously answering their demands; open communication with customers and suppliers; implementation of capacity maintenance investment programmes;
- Continuously improving the ecological situation in the area by reducing the adverse effect on environment and recovering the ecological balance on completion of coalmining activities;
- Constantly ensuring and improving health and safety working conditions in the Company;
- Increasing the staff's initiative and motivation to implement the Company priorities and policy by improving their qualification, creating opportunities for professional advancement and enhancing internal communication;
- Guaranteeing the lasting prosperity of the region by providing employment and successful realization of the population, charity by donation in the field of science and culture and constant care for the historical heritage through funding rescue archaeological excavations;
- In order to achieve the priorities specified, Mini Maritsa Iztok EAD managing team has set as their basic task to develop, implement, certify and maintain an integrated quality, environment, safety and health working conditions management system in compliance with the requirements of ISO 9001:2000, ISO 14001:2004 standards and OHSAS 18001:2005 specification.

With regard to the introduction of the integrated control system

I DECLARE:

My personal commitment to implement the quality, environment, safety and health working conditions Policy.

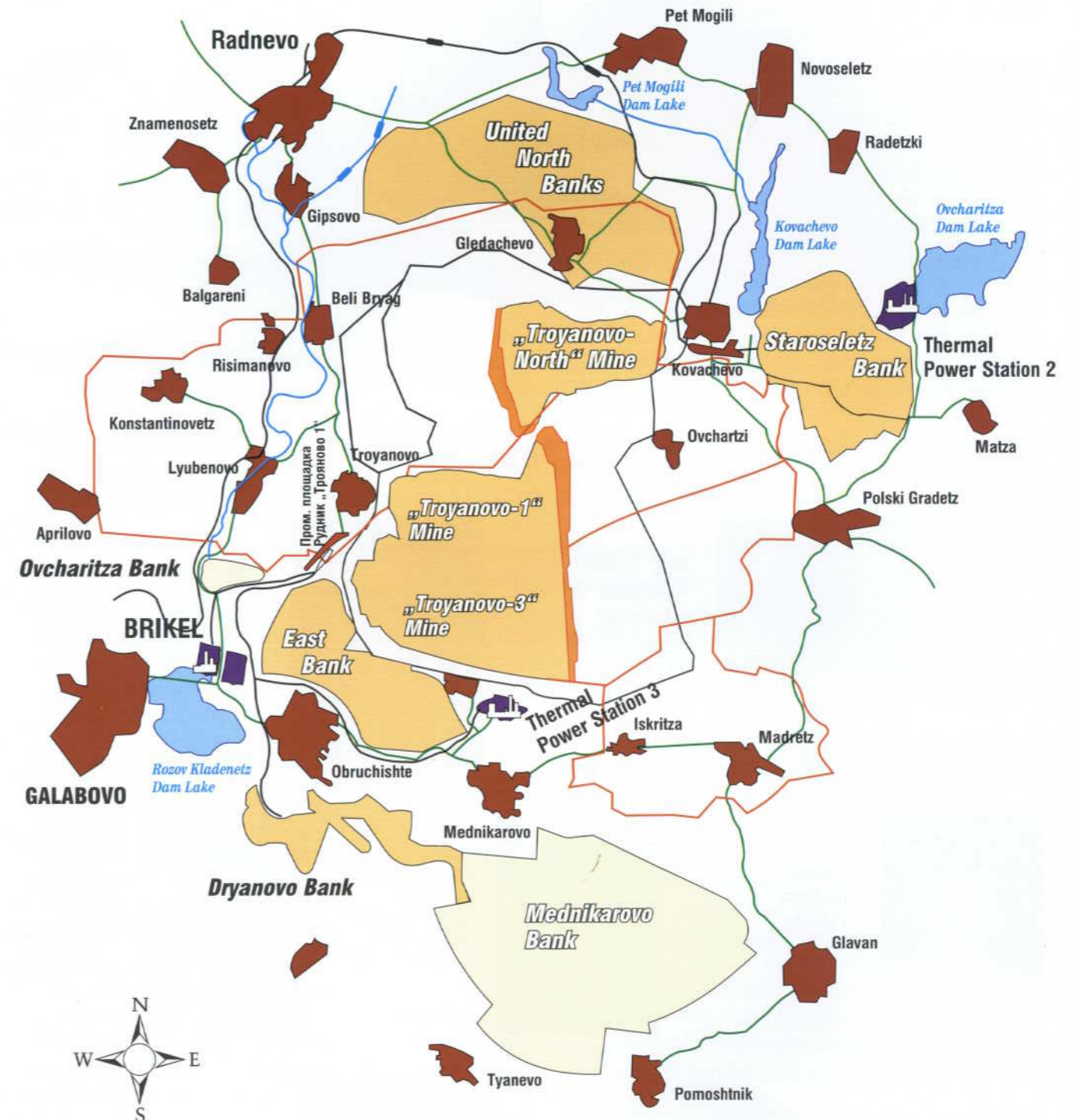
I am convinced the staff clearly understands the importance of the priorities specified for the Company growth and the region prosperity. I am positive that each staff member, depending on their authority, responsibilities and competence shall contribute to the implementation of the quality, environment and health and safety labour conditions Policy.

Executive Director:

/eng. Iv. Markov/



PLAN OF MINI MARITSA IZTOK EAD



STRUCTURE OF MINI MARITSA IZTOK EAD

BOARD OF DIRECTORS


eng. Hristo Ovcharov
Chairman
of the Board
of Directors



eng. Ivan Markov
Executive Director
of Mini Maritsa
Iztok EAD



Galina Tosheva
a Member
of the Board
of Directors



eng. Tencho Kayrakov
Deputy Executive
Director of Mini
Maritsa Iztok EAD



eng. Gocho Hristov
Deputy Executive
Director of Mini
Maritsa Iztok EAD



**Assoc. Prof. Dr. Dipl.
Botyo Stanimirov
Zaharinov**
a Member of the
Board of Directors



Dimitar Gerasimov
a Member of the
Board of Directors



2006 was a strenuous but successful year for Mini Maritsa Iztok EAD. We completed our Production Plan 104,1% for coal extraction and 109,1% for overburden. In numbers that makes 21 542 584 t. of coal extracted and 82 786 900 m³ of earth excavated, transported and backfilled.

Despite the inevitable difficulties, the Company staff demonstrated their ability to work systematically, under pressure and pursue the objectives set in a highly professional manner.

That professionalism exactly made it possible to implement one of the most unique engineering, technical and technological tasks ever solved in the over half a century long history of the Company, namely the relocation of rubber belt conveyor 2250 No2 to the Combined Northern Dumps and the

commissioning of SRs 4000 excavator. SRs 4000 and As 12500 excavators were relocated to their new work places and rubber belt conveyor system 2250 No 2 was put into operation in the shortest time possible, bordering to record, strictly keeping the schedule. That way we ensured the most effective employment and work front for the heavy mining equipment in the 15- 20 years to come.

Together with the implementation of the current Production Plan we have also realized a very successful Investment Programme, amounting to 75 787 052 BGN by our own means. We were awarded the Energy Investor of the Year prize for the enormous investment of 57 857 000 BGN put into the readjustment of rubber belt conveyor 2250 No 2.

We also completed a very well-organized repair project at the amount of 48 123 000 BGN, over 16 million BGN more than the previous year, thus ensuring the reliability and security of the mining and technological equipment operation necessary for the annual task execution.

In 2006 we started to strictly comply with the reduction of material stocks plan and we can see the first results - a reduction trend already exists. This was enabled to a large extent by the integrated Corporate Resources Management System SAP/R3. We expect even better results after having been certified according to ISO that will happen in 2007.

We also pursue active social policy - in-house, as well as community-directed - along with our main production activity. 2006 will remain in the minds of everyone working for the Company and the townspeople of Radnevo with our active participation in the erection of St. Ivan Rilski Memorial Complex towering at the edge of the town.

Beyond all those numbers and indices, one of the most important 2006 credits is the good coordination achieved between the various teams of the Company in the implementation of different tasks. That commitment to the common goals exactly, combined with the high professionalism of personnel on all levels, is the thing we shall all count on in taking the new challenges. These will not be few in 2007 and the next two years, among them the cutting of the pillar between Troyanovo 1 and Troyanovo North Mines and the relocation of the transfer stations to the surface, the stage-by-stage restoration of the heavy mining equipment with the objective to expand its capacity for the extraction of 28 million tonnes annually in two years' time only, improve its efficiency and coordination.

We have declared 2007 the Year of Personnel and we have set the ambitious task to improve the qualification of 2012 workers and employees of the Company. What guides us is the conviction that people are the actual asset we have and the credit will go to them for the implementation of the ambitious aim we have set, Mini Maritsa Iztok EAD to become the European face of Bulgarian coal mining.

Executive Director
Eng. Ivan Markov

SHARE IN COAL EXTRACTION IN THE COUNTRY

The Maritsa East lignite has no real competitor in the electric power balance of Republic of Bulgaria compared to other energy sources. More than 25% of the electric power is generated from the coal extracted here.

The main principle of Mini Maritsa Iztok EAD is to guarantee secure and efficient coal supply to consumers.

On 11.08.2005 a claim contract was concluded between Bulgarian Council of Ministers, represented by the Minister of Energy and Energy Resources and Mini Maritsa Iztok EAD as a claim holder.

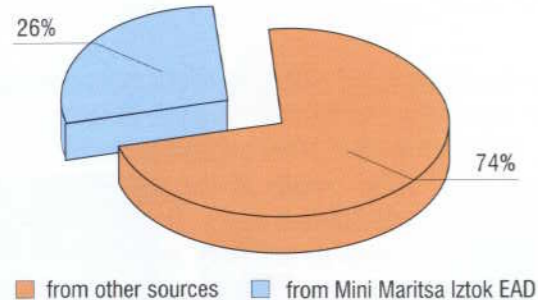
Under the contract signed, a concession was established in favour of Mini Maritsa Iztok EAD for the extraction of coal from Maritsa Iztok Coal Basin deposit.

The claim area measures 473 685 540.87 sq. m. (four hundred and seventy-three million six hundred and eighty-five thousand five hundred and forty point eighty-seven square meters).

Coal extraction has reached the most efficient part of the Maritsa Iztok coal field. The company produced and sold 21 542 584 tonnes of lignite in 2006.

INFORMATION OF MINI MARITSA IZTOK EAD

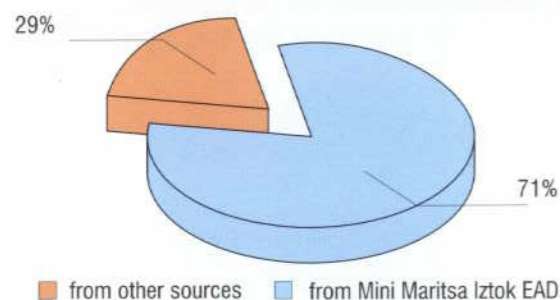
Area of the complex	240 km ²
Coal reserves <i>(as at 01.01.2007)</i>	2 121 mln. tonnes
Start of coal mining	1952
Personnel number <i>(as at 01.01.2007)</i>	7 519
Strat of recultivation	1974
Reclaimed land <i>(as at 01.01.2007)</i>	42 882 decares
Including farm land and forestry	28 148 decares 14 694 decares



Share of power generated from Mini Maritsa Iztok EAD coal in 2006

Coal	Per cent %
Total power generated in the country	100%
From coal extracted at Mini Maritsa Iztok EAD	26%
from other sources	74%

Share of Mini Maritsa Iztok EAD coal in the total lump coal for domestic purposes production in the country in 2006



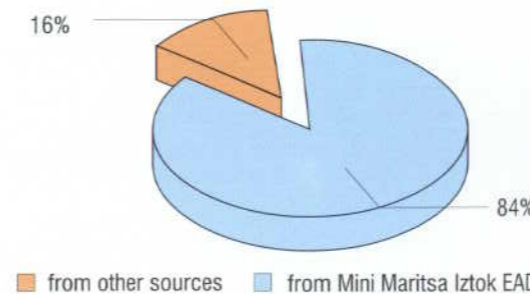
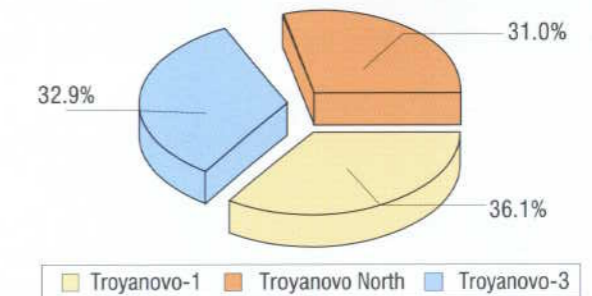
Lump coal	Quantity t	Per cent %
Total production in the country	457 180	100.0%
Briquettes from Mini Maritsa Iztok EAD coal	324 380	71%
Coal for the households by other producers	132 800	29%

Implementation of Mini Maritsa Iztok EAD Production Plan in 2006

Рудник	Coal			Overburden		
	planned	reported	per cent	planned	reported	per cent
Troyanovo-1	7 100 000	7 772 601	109.5%	16 270 000	18 214 900	112.0%
Troyanovo North	7 000 000	6 690 100	95.6%	29 420 000	31 348 100	106.6%
Troyanovo-3	6 600 000	7 079 883	107.3%	30 200 000	33 223 900	110.0%
Mini Maritsa Iztok EAD	20 700 000	21 542 584	104.1%	75 890 000	82 786 900	109.1%

Shares of the separate mines in total coal output of Mini Maritsa Iztok EAD

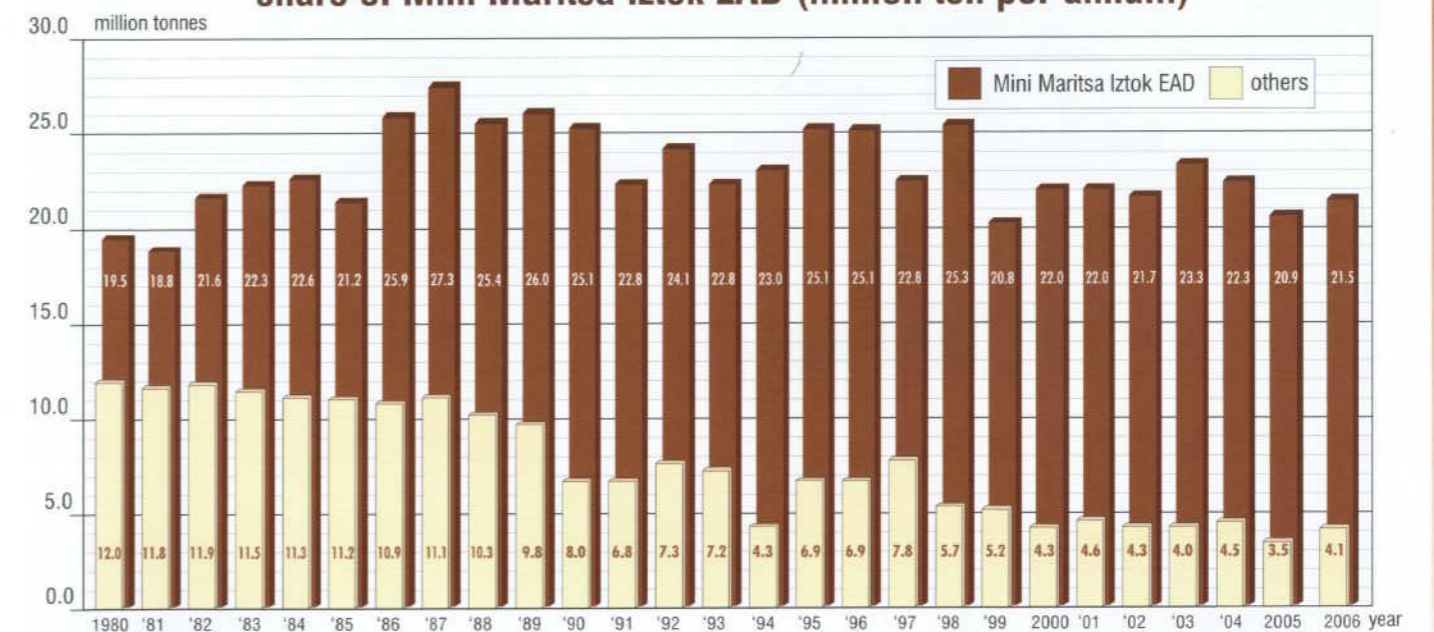
Mine	Coal output	Per cent of total output
Troyanovo-1	7 772 601	36.1%
Troyanovo North	6 690 100	31.0%
Troyanovo-3	7 079 883	32.9%
Mini Maritsa Iztok EAD	21 542 584	100.0%



Share of Mini Maritsa Iztok EAD in the total coal output in the country in 2006

Coal	Quantity t	Per cent %
Total production in the country	25 649 900	100%
Mini Maritsa Iztok EAD	21 542 584	84%
Other producers	4 107 316	16%

Coal output in Republic of Bulgaria and relative share of Mini Maritsa Iztok EAD (million ton per annum)



MAIN TECHNICAL CHARACTERISTICS

The productive area of the coalfield is some 240 sq. km with 10 km total length of the coal extraction longwall. Three opencast mines operate there - Troyanovo 1 Mine, Troyanovo North Mine and Troyanovo 3 Mine. The lignite extracted by the company is intended to supply Maritsa Iztok 2 TPP, Maritsa Iztok III Energy Company JSC and Brikel EAD. Until 2006 inclusive, 851 088 603 tonnes of coal were extracted and 3 659 047 183 m³ overburden were taken and backfilled, at an average stripping ratio of 4.30 m³/t.

According to the 1998 classification, the balance lignite reserves of Mini Maritsa Iztok EAD by 01.01.2007 amount to 2 121 000 000 t.

The coal falls into two categories - energy ones, having ash content Ad=25% to 40%, average calorific value 1 500 Kcal/kg, and briquettable ones with Ad=16% to 25%, average calorific value 1 800 Kcal/kg. Coal seams are located at a relatively small depth of 6-10 m to 110-120 m. The average thickness of the 3rd coal layer is 2,7 m and that of the 2nd is 10-25 m.

Coal extraction in Troyanovo 3 Mine and coal transportation to the consumer, Maritsa Iztok III Energy Company JSC, is carried out by flow line technology. Coal extraction in Troyanovo 1 Mine and Troyanovo North Mine is performed by flow line-cyclic technology. The four transfer stations from the rubber belt conveyor to the railroad transport are located in the area of the pillar between the two mines, from where coal is supplied to the consumers - Brikel JSC and Maritsa Iztok 2 TPP.

Presently, excavation activities in the three opencast mines are fully performed by a flow line technology, employing bucket wheel excavators, rubber belt conveyors and belt spreaders. Mining activities are performed at five transportation horizons with combined longwall progress, i.e. fan-like and parallel.

The balance between the volumes of overburden removed to external and internal dumps is 1:1 with the tendency of increasing the volume of the overburden removed into internal dumps and shortening the transportation routes.



MARITSA IZTOK ENERGY STARTS HERE



Mini Maritsa Iztok is at the beginning of the technological process of Maritsa Iztok thermal power plants electric power generation. We have been specializing in the extraction of local raw materials for energy for more than half a century.

Mini Maritsa Iztok EAD exploits the largest lignite field in Bulgaria. There are three opencast mines in the Maritsa Iztok Basin - Troyanovo 1 Mine, Troyanovo North Mine and Troyanovo 3 Mine. The coal is supplied to three thermal power plants and a coal briquette factory.

The share of electric power produced by Maritsa Iztok power complex is more than 25% from the total energy output in Bulgaria.

Specialists from State Mines Company, Pernik, commenced geological research activities in the Maritsa Iztok

Basin in 1948.

In the course of several years the geographic boundaries of the coal field and its reserves amounting to more than 2.9 billion tonnes of coal were established.

The first development project was prepared in 1951 by GIPROSHAHT, Leningrad, and was intended for 6 opencast mines.

The construction of Troyanovo 1 Mine was launched in 1952, and later in 1962 and in 1964 started the construction of Troyanovo North Mine and Troyanovo 3 Mine respectively.

In the 70s a scheme for mining development was adopted that involved two mines - Troyanovo North Mine and Troyanovo South Mine. The latter included Troyanovo 1 Mine and Troyanovo 3 Mine.



What is of essential importance for ensuring the safety and efficiency of mining activities is the stability of the mine boards and dump slopes. Stability calculations are made using a unique calculation scheme with the help of a prism for active pressure and a mathematical model (with no analogue in the global mining industry), which to the largest extent correspond to the exceptionally complex engineering and geological conditions in the Maritsa Iztok Basin.

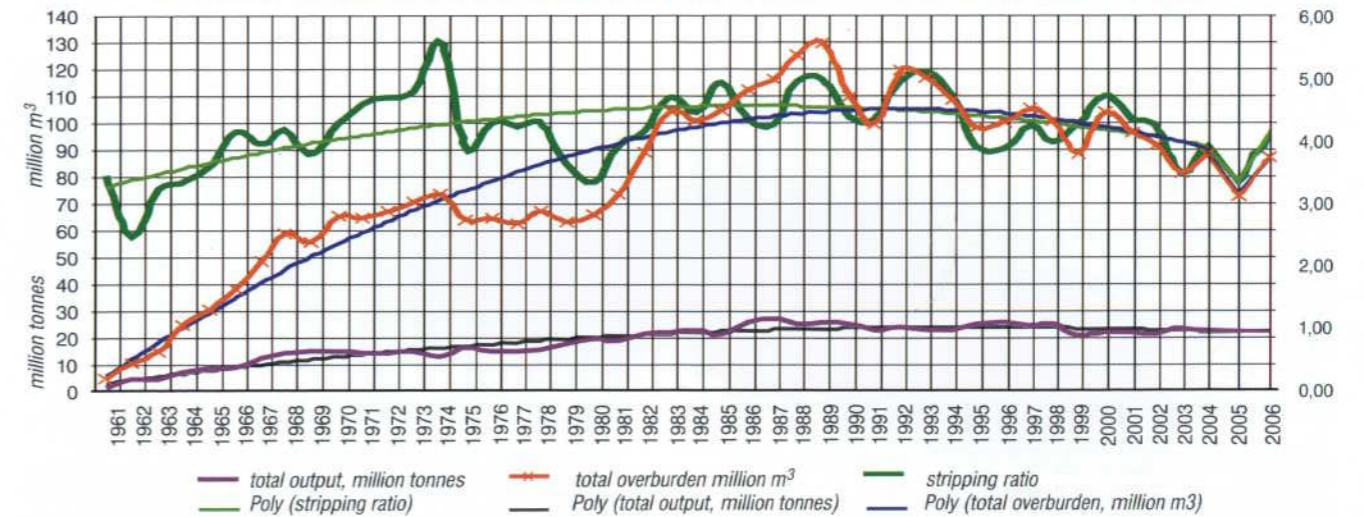
Stability of the boards is calculated monthly and computer programs designed by Bulgarian engineers are employed in this process.

Specialized software is used for processing and analysis of the enormous volume of geological information, as well as for maintenance and updating the geological database.

Mining activities in the Maritsa Iztok Basin are carried out under difficult engineering and geological conditions - disturbances due to ancient landslides and mirror-like layer surface in the sliced clays of the intermediate layer between the second and third coal horizons.

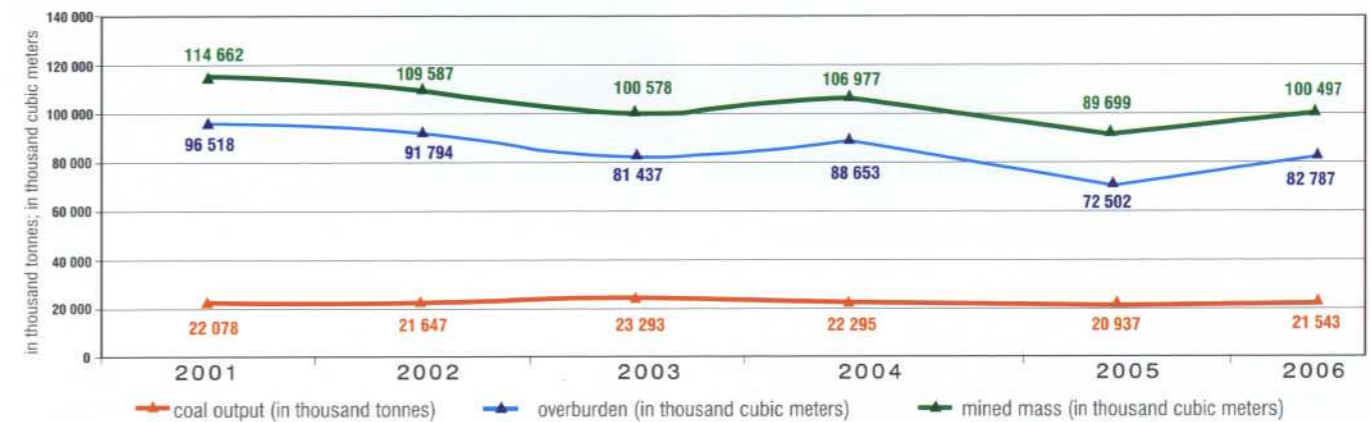


COAL OUTPUT AND OVERBURDEN, STRIPPING RATIO FOR THE PERIOD 1961 - 2006



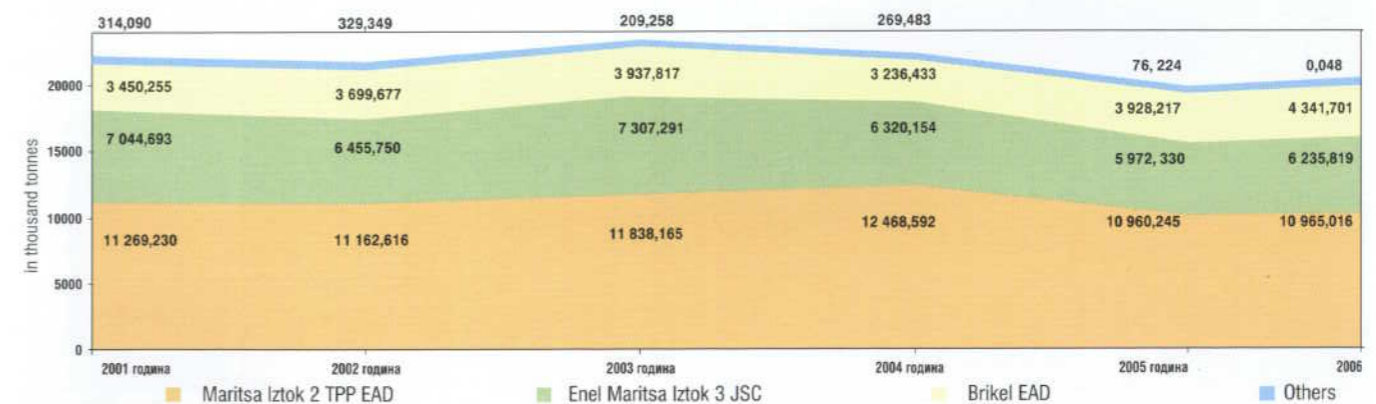
COAL, OVERBURDEN AND MINED MASS QUANTITIES PRODUCED FOR THE PERIOD 2001 - 2006

Mining in Mini Maritsa Iztok EAD is carried out in accordance with the technical plans adopted. The scope of excavation activities depends on lignite output and is related to ensuring the stability of mine boards.



COAL SOLD TO CUSTOMERS FOR THE PERIOD 2001 - 2006

The production and sales of lignite from Mini Maritsa Iztok EAD depends on customer demand. The key customers the Company has technological and market relations with are as follows: Maritsa Iztok 2 TPP EAD, the village of Kovachevo; Enel Maritsa Iztok 3 JSC; Brikel EAD, the town of Galabovo; Maritsa 3 TPP. Due to the specific character of the lignite in the deposit the opportunities to provide markets beyond the so far existing ones are strictly limited.



INVESTMENTS, INNOVATIONS, REPAIRS

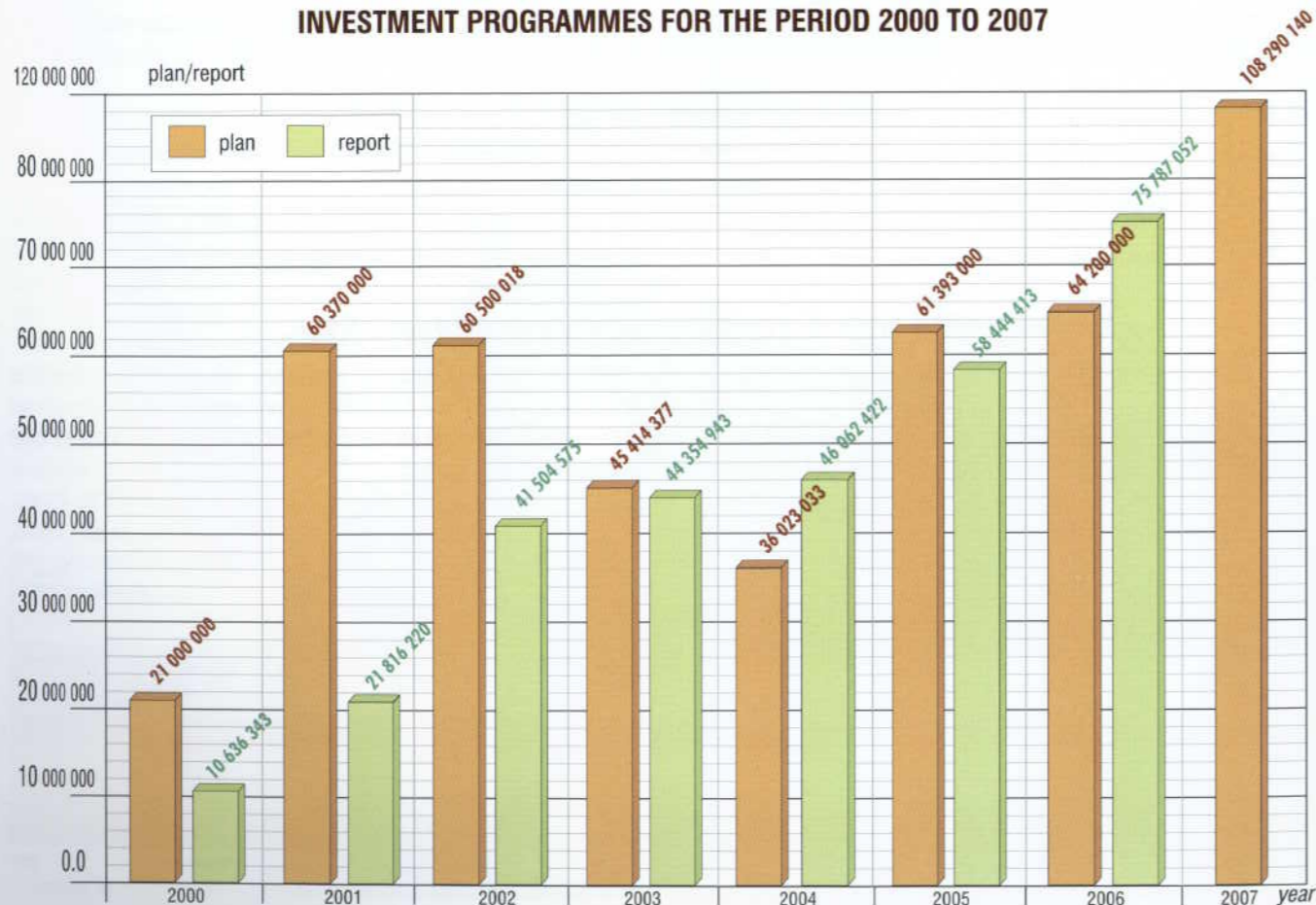
The investments required for the maintenance and further development of coal extraction at Mini Maritsa Iztok EAD cover all sites and scheduled reconstructions, rehabilitation and replacement capacities in accordance with the Company strategy.

Some of its key points include:

- Delivery of heavy mining equipment
- Rehabilitation of heavy mining equipment
- Renovation of ancillary and technological machinery
- Rehabilitation of rubber belt conveyors
- Reconstruction and rehabilitation of railway coal dispatch
- Rehabilitation and replacement of the repair and storage facilities
- Rehabilitation and reconstruction of electric power lines and substations
- Sewage treatment stations
- ASCS (Automated Supervisory Control System).



INVESTMENT PROGRAMMES FOR THE PERIOD 2000 TO 2007



In 2006 a number of projects to the total value of 73 385 000 BGN were completed, including the following more significant ones:

- Relocation of 2250 rubber belt conveyor No2 from Staroselets external dump to Combined Northern Dumps
- Rs 4000
- BRs 1600
- Drive station relocation machine
- Gledachevo substation extension and reconstruction
- Electric wiring 6 and 20 kV respectively No1, No2, No3 and No4 from Gledachevo substation
- 20kV electric equipment for 7 pieces of 4 x 1000 kV drive stations /No 1311, 1301, 1302, 1303, 1331, 1332, 1312/.
- Building repair of Mechanical Workshop with welding equipment

The reconstruction of the 110 kV Open Distribution System of G. Mihaylov-West substation was completed simultaneously with the above mentioned projects, as well as that of the two transmission bridges - one over the trench and the other one over the road.

During the previous year the Company directed its effort to the successful completion of 2250 mm rubber belt conveyor No 2 relocation from Staroselets external dump to Combined Northern Dumps, as well as the construction of all the facilities and substations involved in the relocation and reconstructions of the system.

The share of construction work done by the Company's own means is significant - 14 million BGN. The organization of activities the Company branches established and their responsible attitude to the obligations of relocating the system guaranteed the successful implementation of the reconstruction.

The second most important effort we made together with the Investment Enterprise, was to ensure normal mining activities in 2006 and 2007, as well as the implementation of a significant volume of repairs of part of the Company buildings at the amount of 1 685 350 BGN.

Specific projects have been worked out under the General plan for the complex development and under the Investment technical project for Mini Maritsa Iztok EAD development for the period 2006 - 2020. Thus, a large-scale investment programme worth at least 300 million BGN has been prepared for the next three years.

The key investment policy of the Company is oriented towards optimization of the production process and reduction of the production cost in a competitive market environment.

The programme covers a stage-by-stage rehabilitation of the heavy mining equipment. A new generation of excavators are being also commissioned on site - Rs 1301 and Rs 4000. On commissioning Rs 4000 and two 2 250 mm belt conveyors of 4.9962 km total length, two excavators Rs 1200 together with their ancillary 1 800 mm conveyors of 6 km total length and six drive stations were decommissioned.

According to preliminary estimates, this will result in production costs reduction by some 8 - 10%.

The replacement of the existing fleet of ancillary and technological machinery continues according to the Investment Programme.

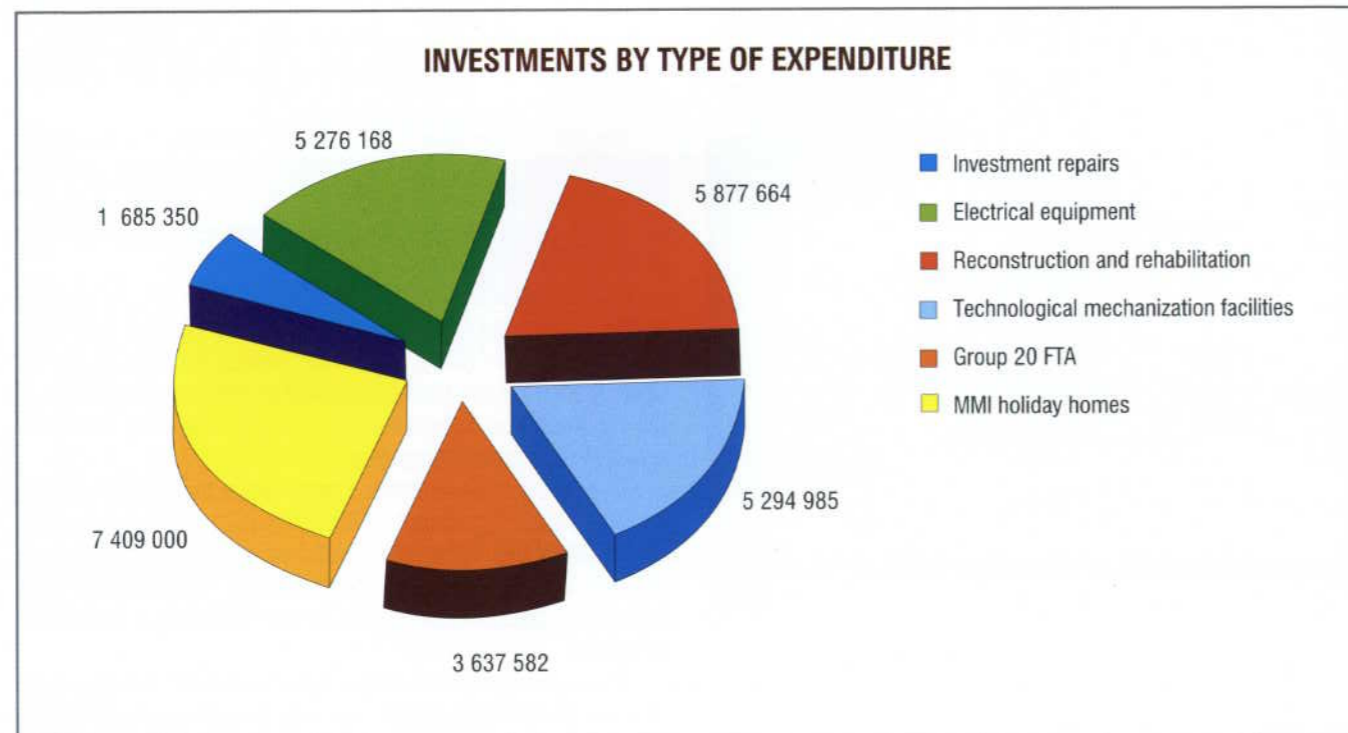


The repairs carried out mainly referred to the rehabilitation and renovation of the old buildings of the Company, which is was absolutely necessary. Acton with regard to securing heat efficiency to administrative and public utilities premises was taken, the roofs of ancillary premises and repair workshops were mended. These activities should be continued in the years to come.

Last but not least was the delivery of technological mechanization facilities.

During the fiscal year six pieces of Komatsu bulldozers of 310 hp were put into operation and the deliveries of the remaining machinery were negotiated for 2007.

As a result of the work carried out in order to achieve the investment goals of the Company as laid down in the 2006 programme, the foreseen investment cost plan was fulfilled to reach an amount of BGN 75 787 052, which represents an absolute increase of BGN 11 587 052 on the planned figures (including BGN 7 409 000 assets of Otdih Joint Economic Activity Company).



Implementation of the 2006 Investment Programme

The 2006 Investment Programme covers all the investments necessary for mining development in the preceding year, as well as those providing for its future development during the period 2007-2008. Simultaneously, the programme guarantees the maintenance of operating capacities in the Complex, and the completion of transient sites. The following results were achieved by the implementation of the Investment Programme:

Total implementation to the amount of BGN 75 787 052 as compared to BGN 64 200 000 foreseen in the Business Plan, including:

Construction and installation works - BGN 42 805 000 as compared to the planned BGN 41 313 000

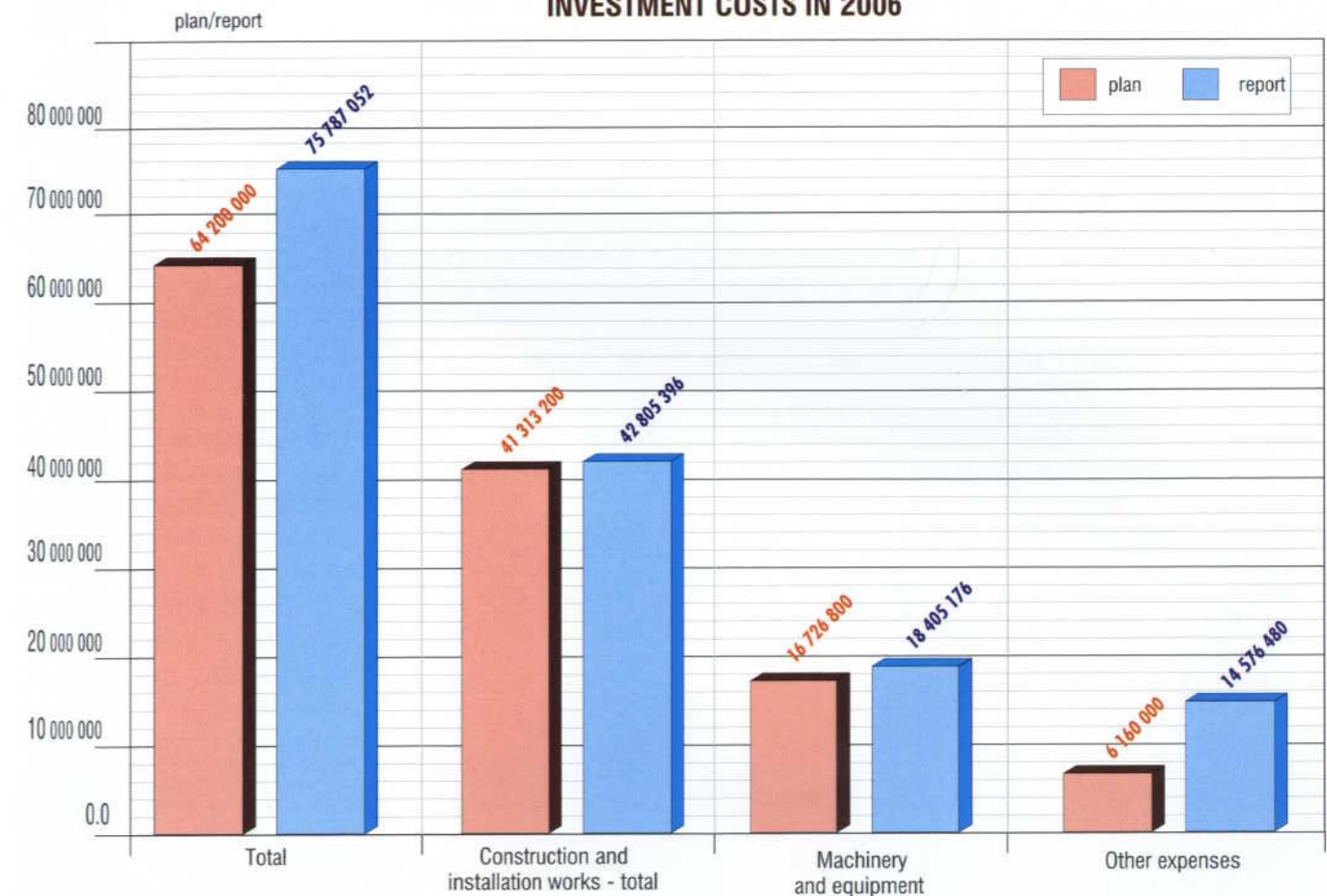
Machinery and equipment - BGN 18 405 000 as compared to the planned BGN 16 727 000

Other expenses - BGN 14 576 000 as compared to the planned 6 160 000.

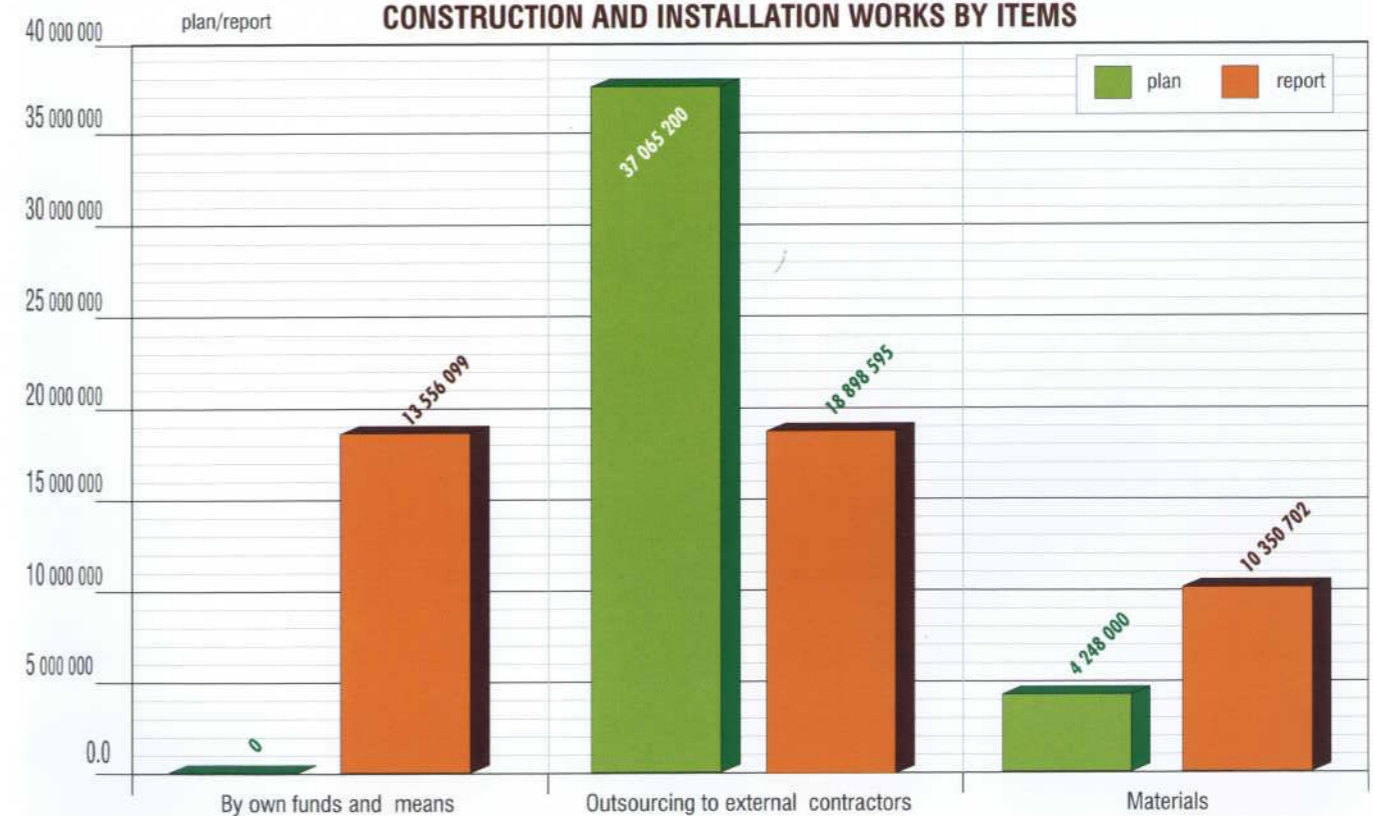
Based on the above results, the percentage expression of the implementation of the plan is as follows:

Total implementation of the plan	- 118.05 %
Construction and installation works-	103.61 %
Machinery and equipment -	110.03 %
Other expenses -	285.95 %

INVESTMENT COSTS IN 2006

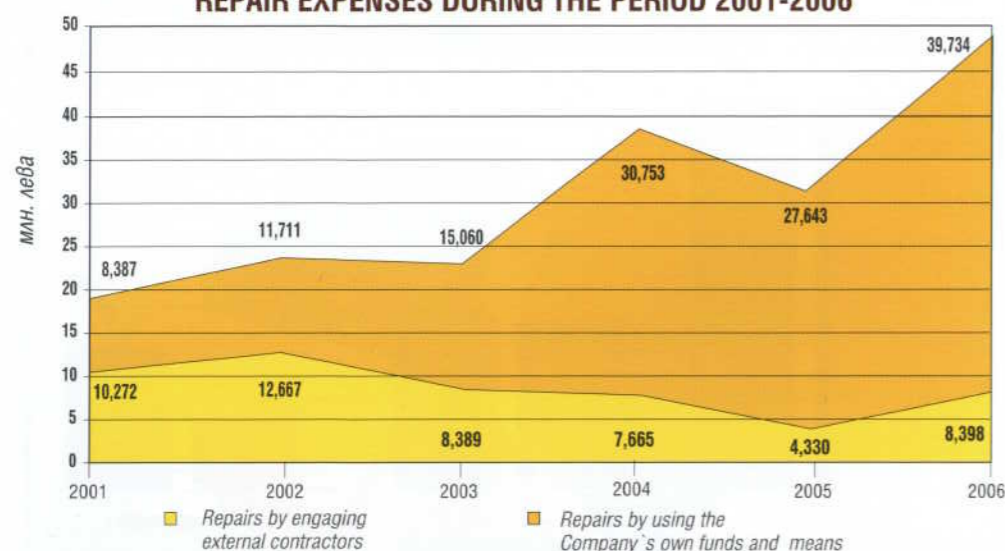


CONSTRUCTION AND INSTALLATION WORKS BY ITEMS



REPAIR EXPENSES DURING THE PERIOD 2001-2006

Indices	2001	2002	2003	2004	2005	2006
Repairs by engaging external contractors (million BGN)	10,272	12,667	8,389	7,665	4,330	8,398
Repairs by using the Company's own funds and means (million BGN)	8,387	11,711	15,060	30,753	27,643	39,734
Total repair expenses (million BGN)	18,659	24,378	23,449	38,418	31,973	48,132

REPAIR EXPENSES DURING THE PERIOD 2001-2006


The fundamental aim of the management team of the Company is related to the improvement of the technical state of the mining equipment and maintaining the capacity potentials in order to secure the production and supply of lignite required by the customers and to meet their demands.


THE BIGGEST INVESTMENT IN THE ENERGY SECTOR

On 12th December Roumen Ovcharov, Minister of Economy and Energy, and Stoyan Stalev, director of Invest Bulgaria Agency, bestowed an Investor of the Year award on Eng. Ivan Markov, Executive Director of Mini Maritsa Iztok EAD. The nomination was proposed for the biggest investment in the energy sector, amounting to BGN 70 million.

For Mini Maritsa Iztok EAD 2006 was the year when a major technological reconstruction was completed - the relocation of one of the two large Overburden Removal, Transportation and Spreading Facility Units with belt width of 2 250 mm. This large-scale and complex in an engineering aspect reconstruction was provided for by an impressive investment programme, the total amount of investment for the whole project being BGN 57 857 000, of which BGN 27 624 000 for the construction of a unique facility - Rs 4000 excavator whose characteristics include weight of 5 tonnes and efficiency of 6 900 m³/h. There are only three more excavators of this type in the world. The commissioning of Rs 400 will enable Mini Maritsa Iztok EAD to meet the significant increase in coal consumption (more than 30 million tonnes per annum), which is to be expected in the near future when the rehabilitation of existing power generation capacities in the region has been completed and a new thermal power plant has been put into operation.

Invest Bulgaria Agency nominated eight companies and municipalities for 2006 investors. The Project that ranked first in terms of investment was the one of Tokushukai, Japan, for the construction of a multifunctional hospital in Sofia. The Belgian company Melexis ranked third with its project for the construction of automotive electronics plant.



LAND - RESTORED AND REBORN

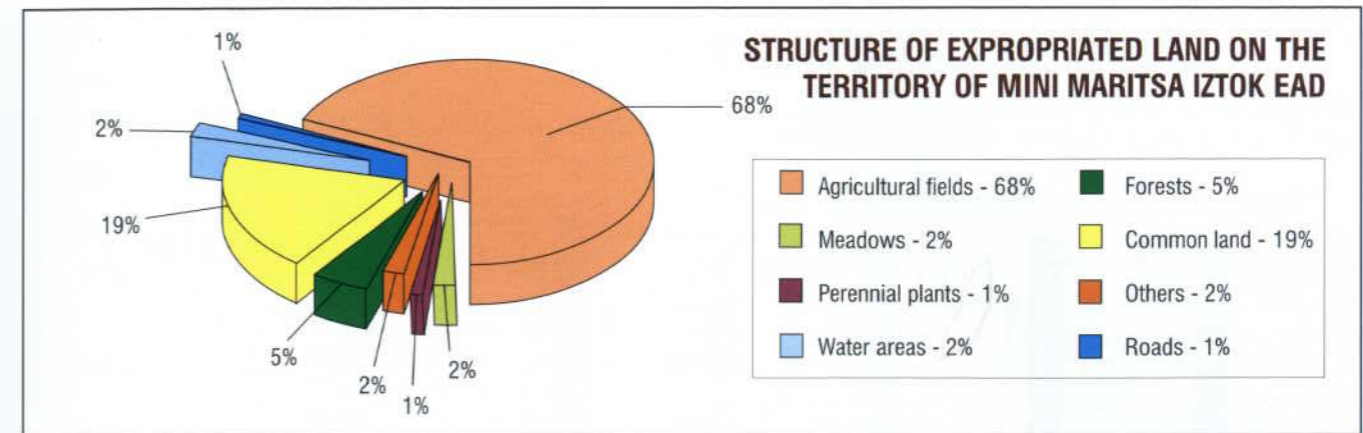
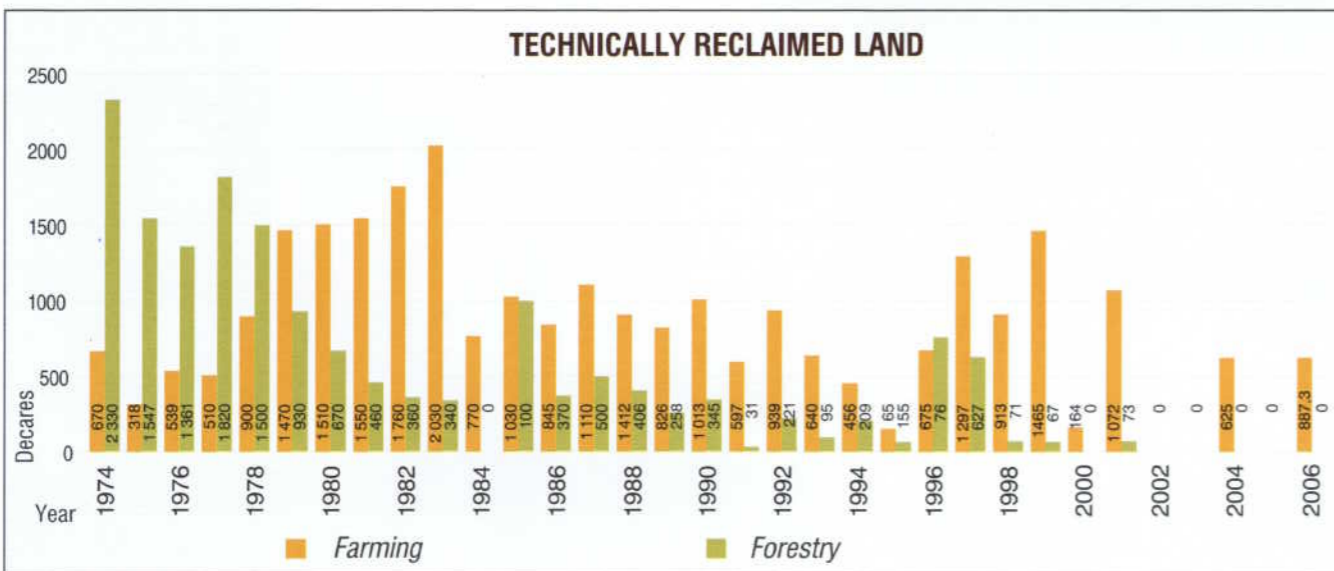
Opencast mining has always been considered interference in nature and living space. Therefore, both coal mining and reclamation of spoiled areas are of equal importance to the Company. In the course of several decades a socially tolerable resettlement had to be provided to the people living in the region of mining operations. A set of measures related to environmental protection and restoration in the mining area has to be applied.

Restoration of spoiled areas upon completion of mining operations, collection, disposal and utilization of the humus layer in front of the longwalls of mines and dump sites is of vital importance. Technical reclamation, i.e. a set of land regulation and levelling operations, as well as restoration of the ground with forty-centimetre-deep compact humus layer, is carried out three years following completion of mining and backfilling operations. We return the land reborn, often with better characteristics than before.

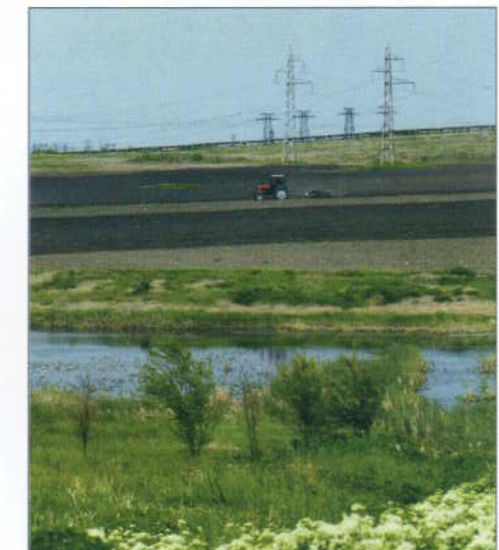
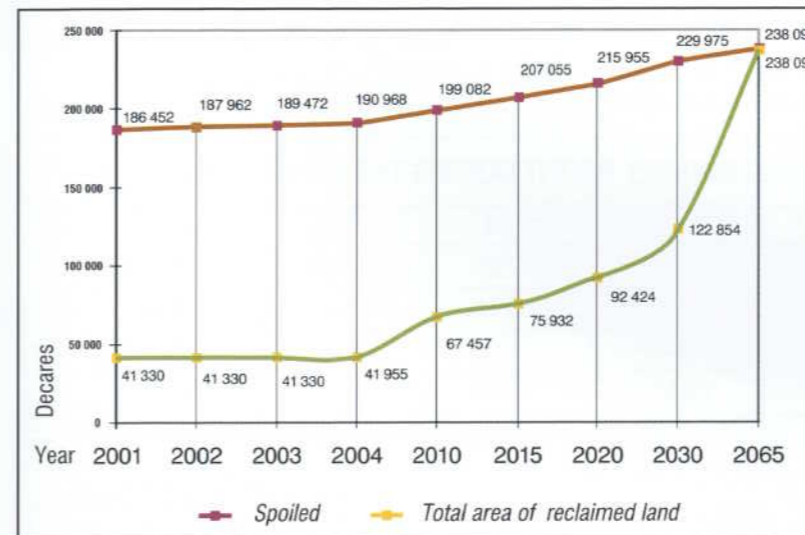
Till the end of 2006 some 42 842 decarees of land were reclaimed and included in the respective fund. Some more 480 decarees were roughly levelled up and prepared for reclamation in 2006. It is expected that the percentage of reclaimed land will start increasing. Approximately 1 084 000 m³ of humus were collected and disposed for technical reclamation purposes in 2006. To that end more than BGN 5.5 million was spent.

Released mining water is monitored continually. If necessary, hydrated lime is employed for neutralization in front of water intake points.

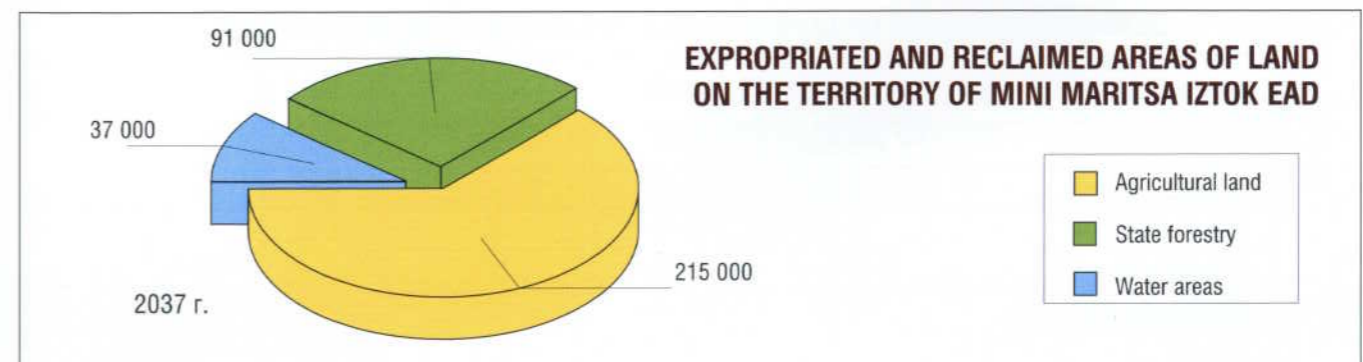
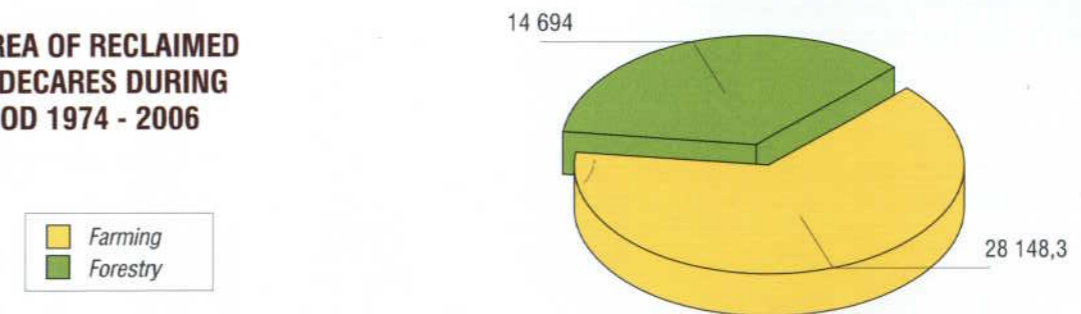
Dust emission reduction is achieved by irrigation of the inner mine roads both in the area of coal mining and the area of reclamation during the summer dry period.



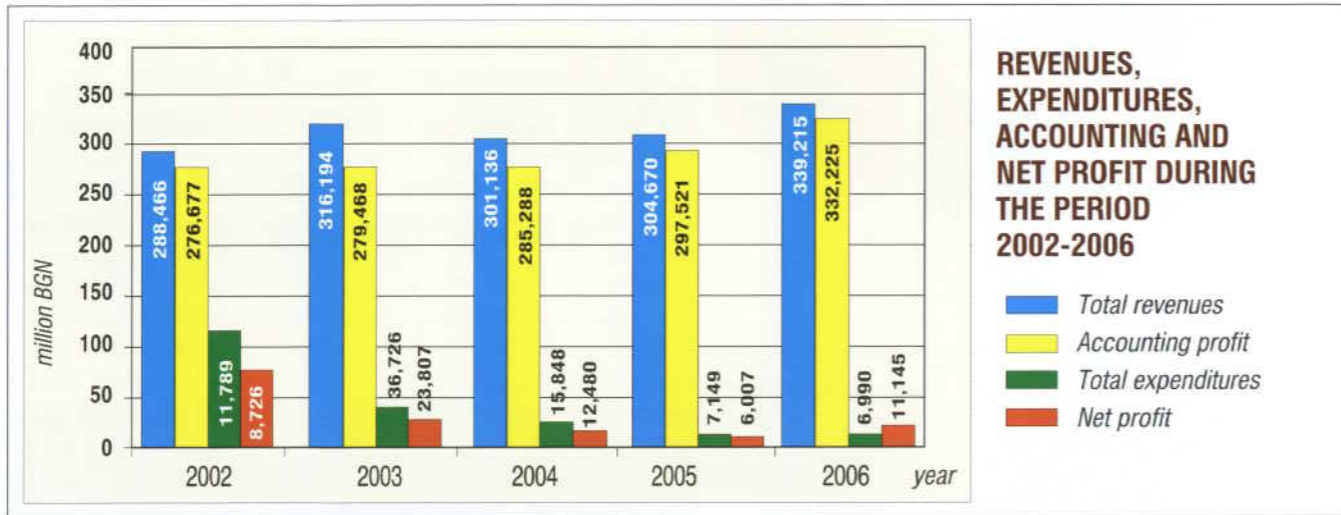
DYNAMICS OF SPOILED AND RECLAIMED LAND AT PRESENT AND IN PROSPECT



TOTAL AREA OF RECLAIMED LAND IN DECARES DURING THE PERIOD 1974 - 2006

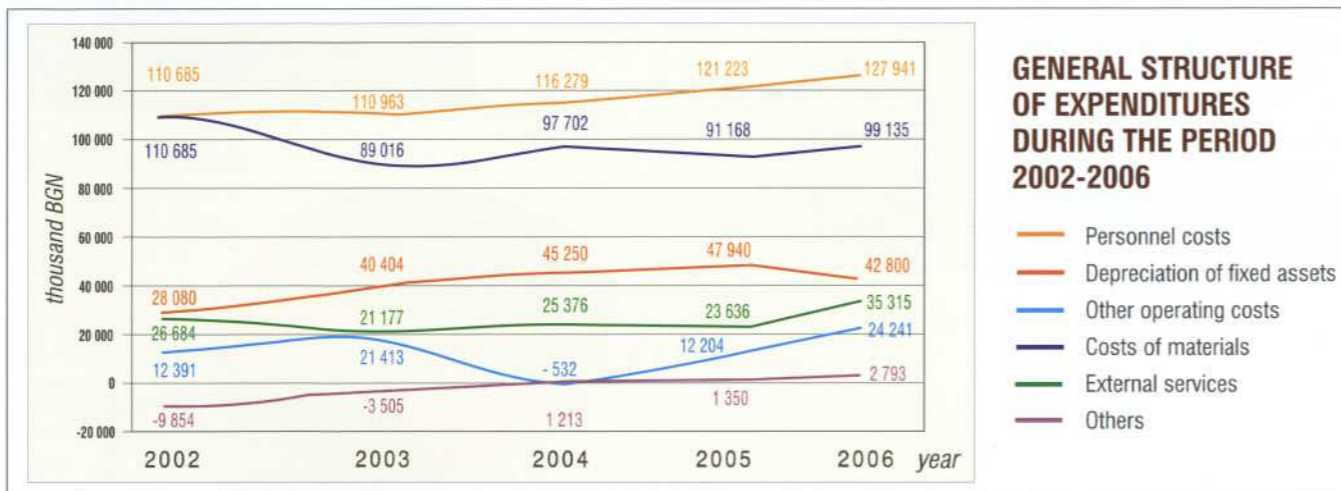


FIGURES, DATA, FACTS



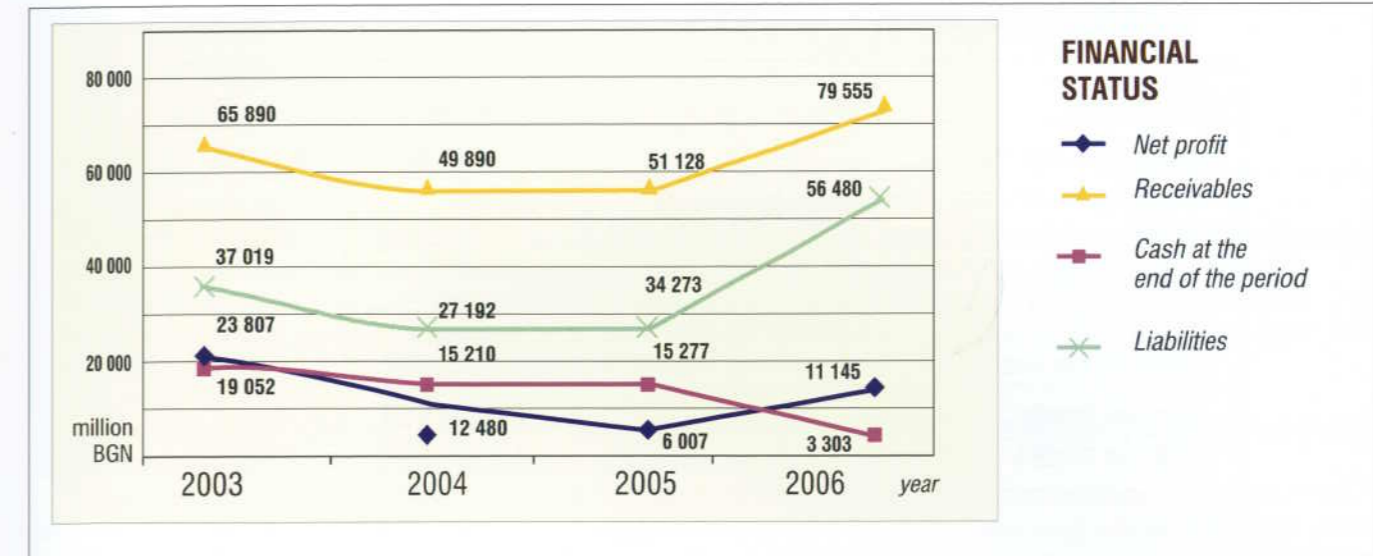
REVENUES, EXPENDITURES, ACCOUNTING AND NET PROFIT DURING THE PERIOD 2002 - 2006

Indices	2002	2003	2004	2005	2006
Total revenues	288 466	316 194	301 136	304 670	339 215
Total expenditures	276 677	279 468	285 288	297 521	332 225
Accounting profit	11 789	36 726	15 848	7 149	6 990
Net profit	8 726	23 807	12 480	6 007	11 145



GENERAL STRUCTURE OF EXPENDITURES DURING THE PERIOD 2002-2006

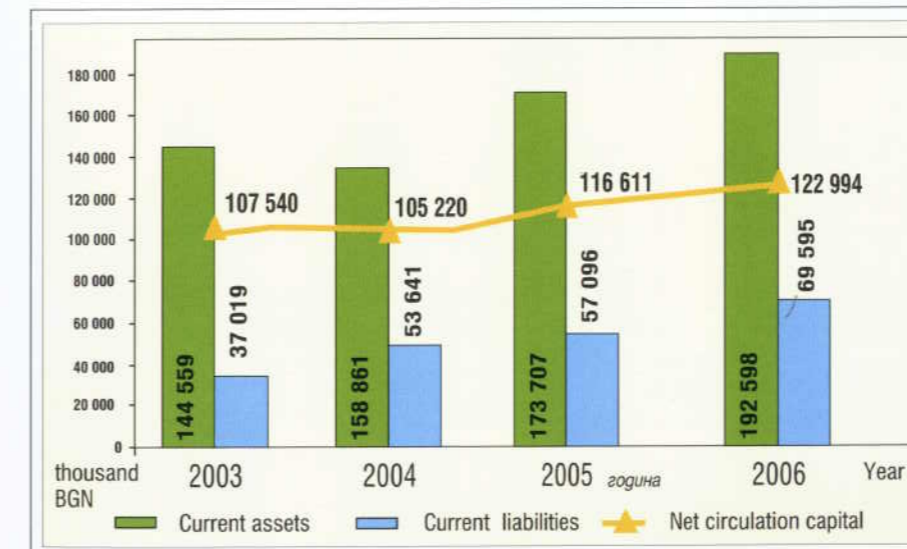
Indices	2002	2003	2004	2005	2006
Costs of materials	110 685	89 016	97 702	91 168	99 135
External services	26 684	21 177	25 376	23 636	35 315
TFA depreciation	28 080	40 404	45 250	47 940	42 800
Personnel costs	110 685	110 963	116 279	121 204	127 941
Other operating costs	12 391	21 413	-532	12 204	24 241
Others	-9 854	-3 505	1 213	1 350	2 793



FINANCIAL STATUS

Indices	2003	2004	2005	2006
Net profit	23 807	12 480	6 007	11 145
Cash at the end of the period	19 052	15 210	15 277	3 303
Receivables	65 890	49 890	51 128	79 555
Liabilities	37 019	27 192	34 273	56 480

CHANGE IN THE NET CIRCULATION CAPITAL



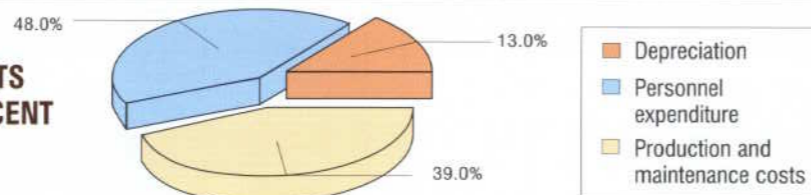
Mini Maritsa Iztok EAD is among the biggest taxpayers and insurers in the Central Southern Region. The Company paid taxes to the amount of BGN 48 306 000, of which BGN 25 693 000 VAT, BGN 2 703 000 dividends for the country and BGN 6 516 000 profit tax. The amount paid for social and health insurance in 2006 was BGN 41 045 000.

CHANGE IN THE NET CIRCULATION CAPITAL

Indices	2003	2004	2005	2006
Current assets	144 559	158 861	173 707	192 589
Current liabilities	37 019	53 641	57 096	69 595
Net circulation capital	107 540	105 220	116 611	122 994

FINANCIAL AND ECONOMIC STATUS OF MINI MARITSA IZTOK AS AT 31.12.2006

ASSETS	2006 (in BGN 1000)	2005 (in BGN 1000)
Long-term assets	311 867	284 756
Property, machinery, plant and equipment and intangible fixed assets	306 902	270 837
Fixed receivables	-	-
Participations	557	9 262
Deferred tax assets	4 408	4 657
Current assets	192 589	173 707
Material stocks	80 993	78 551
Commercial and other receivables	79 555	51 128
Deferred expenses	28 738	28 751
Cash and cash equivalent	3 303	15 277
Sum total of assets	504 456	458 463
LIABILITIES	2006 (in BGN 1000)	2005 (in BGN 1000)
Equity	372 867	364 461
Capital stock	45 000	36 077
Reserves	304 475	305 726
Financial result	23 392	22 658
Long-term liabilities	69 595	57 096
Allowance for reclamation	23 556	17 722
Retirement benefit obligations	12 716	9 053
Deferred tax liabilities	15 002	24 721
Bank loans	15 733	5 600
Other long-term obligations	2 588	
Current liabilities	61 994	36 906
Commercial and other liabilities	56 480	34 273
Provisions for leave of absence	5 514	2 633
Sum total of liabilities	504 456	458 463
REVENUES, EXPENSES, FINANCIAL RESULT	2006 (in BGN 1000)	2005 (in BGN 1000)
Operating revenues	339 215	304 670
Operating costs	332 225	297 521
Accounting profit	6 990	7 149
Tax payments	- 4 155	1 142
Net profit	11 145	6 007

STRUCTURE OF OPERATING COSTS IN 2006 IN PER CENT

THE CAPITAL OF MINI MARITSA IZTOK EAD

Well-qualified specialists and workers, who are responsible for mining equipment operation, maintenance and repairs, have a great contribution to the good production results of Mini Maritsa Iztok EAD.

The major focus of the management team activity falls on the improvement of educational level and professional training of the staff. Actually, manpower quality has become a priority investment in order to achieve high production efficiency.

321 employees of the Company continue their education either at vocational secondary schools or at universities. The training of executives in general management by the Austrian Economic Chamber of Employers was launched in 2006. This course was successfully completed by 50 people.

904 employees underwent various forms of training in 2006.

2007 was proclaimed the year of personnel development, and it is foreseen that 2012 workers and administrative staff will be trained in short- and long-term courses and workshops.

Training with the aim of acquisition and improvement of professional qualification, for certification purposes and for knowledge updating and extension is organized by Maritsa Iztok Vocational Training Centre of the Company. Maritsa Iztok Vocational Training Centre was accredited by the National Agency for Professional Education and Training in 2002. On the basis of the accreditation granted it organizes and carries out qualification courses for the purposes of professional qualification acquisition and certification of employees.

Curricula and syllabuses for 72 qualification courses have been developed and approved. The curriculum covers three sections - theoretical training, training practice and practical training.

Theoretical training of personnel is mainly carried out by former and present specialists of the Company. Training practice is carried out in model operational conditions, whereas practical training is organized in real operational environment.



The Centre has a number of training rooms to carry out its activity: one in Troyanovo 1 Mine, two in Troyanovo North Mine, one in Troyanovo 3 Mine, and two in the headquarters premises.

Training of specialists is mostly aimed at improvement and updating of knowledge. Short-term courses and workshops are organized upon any change in the delegated regulations or introduction of new machinery or technology.

Leading specialists from a relevant industry branch, as well as from the University of Mining and Geology - Sofia, etc. are invited to carry out the training. The number of employees willing to study English is on the increase. As a result 218 employees completed a course in English in 2006.

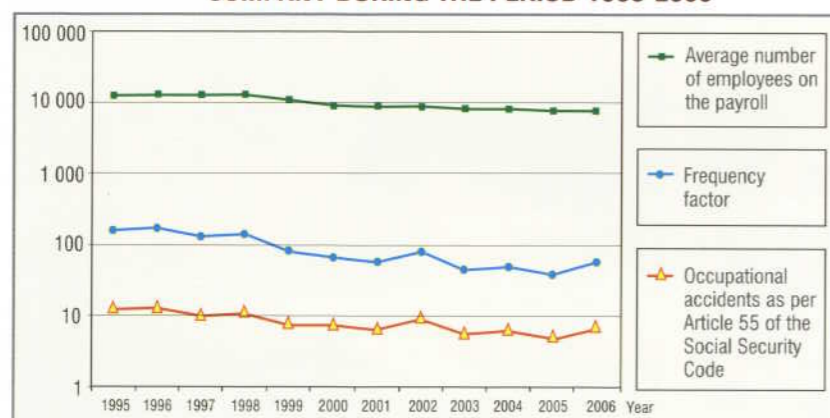
Labour conditions

IMPLEMENTATION OF THE HEALTHY AND SAFE LABOUR CONDITIONS PROGRAMME

Measures	Amount spent (BGN)
Technical protective means and equipment for safety at work	569 871
Personal protective means, work clothes and shoes	1 036 959
Preventive food, tonic drinks (drinking water), antidotes (yoghourt)	5 020 079
Total:	6 626 909

Year	Average number of employees on the payroll	Frequency factor	Occupational accidents			
			Occupational accidents as per Art. 55 of the Social Security Code	Occupational accidents resulting in death	Occupational accidents as per Art. 55(1) of the Social Security Code	Occupational accidents as per Art. 55(2) of the Social Security Code
1995	12 515	12,54	157	3		
1996	13 015	12,83	167	2		
1997	12 879	10,02	129	1		
1998	12 847	10,82	139	2		
1999	10 859	7,55	82	3		
2000	8 935	7,27	65	1	50	15
2001	8 841	6,33	56	0	47	8
2002	8 675	9,11	79	3	66	13
2003	8 257	5,45	45	0	39	6
2004	7 982	6,14	49	2	42	7
2005	7 709	4,93	38	2	34	4
2006	7 526	7,44	56	2	51	5

OCCUPATIONAL TRAUMATISM IN THE COMPANY DURING THE PERIOD 1995-2006



The company policy of Mini Maritsa Iztok EAD is oriented towards enhancement of the responsibility of each employee in order to provide healthy and safe labour conditions.

The development of an Integrated Quality System ISO 9000; ISO 14001 and of OHSAS 18001 Occupational Health and Safety Management Systems is under way.

In 2006 the amount of BGN 6 181 000 was spent to implement the Health and Safety Labour Conditions Programme, which was adopted by the Commission on Labour Conditions.

Social policy

In 2006 Mini Maritsa Iztok EAD invested BGN 4 678 000 for the reconstruction of the holiday home facilities for its employees in Starozagorski Mineralni Bani (Stara Zagora Spa Resort) and Velingrad. As a shareholder in the Otdih Joint Economic Activity Company the Company undertook and implemented the initiative to turn the abovementioned into centers for conference tourism and training.

The Company has four holiday homes: one in Starozagorski Mineralni Bani, which has 200 beds, in Velingrad - a facility with 80 beds, in Nessebar - 300 beds, and in Glavan - 36 beds. Despite the repairs carried out for renovation purposes, the number of nights when people found sleeping accommodation in these facilities in 2006 amounts to almost 27 000. The holiday homes are being repaired and reconstructed with a view to their turning from recreational centres into rehabilitation centres for Company employees' recuperation. Programmes and options for their refurbishment with the most advanced equipment are being discussed, which together with the existing fitness centres, underwater massage baths and solariums to recover employees' vital tonus most rapidly with the utmost quality.

A new collective Agreement is signed in the Company every two years. Both parties to the Collective Agreement executed in 2006 pointed out to the media that it was a new step in the social policy development of the Company and it guaranteed the people working for Mini Maritsa Iztok EAD not only labour conditions benefits, but health recuperation ones as well.



Starozagorski Mineralni Bani (Stara Zagora Spa Resort)



Nessebar



In 2006 the Annual Assembly of the Minister of Economy and Energy on the Organization of Mobilization Training and Crisis Management Solutions was again held in the holiday home of Mini Maritsa Iztok EAD in Starozagorski Mineralni Bani.



Velingrad

Conference tourism

Over the last six years the Union of Scientists in Stara Zagora has held international scientific conferences with more than 600 participants (more than 50 foreigners in that number) with the assistance of Mini Maritsa Iztok EAD in the company holiday home facilities in Starozagorski Mineralni Bani.

The annual conference proceedings issued with the publications included in them provide a real opportunity for the scientists to acquire academic ranks.

The location of the holiday homes and the conditions provided in them make them preferred venues of workshops and training of various organizations and institutions.

CORPORATE RESOURCE MANAGEMENT

We are a part of the modern information society. We appreciate fast and accurate information on quantitative and qualitative production and technological parameters.

In September 2006 the implementation of an Integrated Corporate Resource Management System (ICRMS) SAP-R/3 in Mini Maritsa Iztok EAD was completed. The aim of the project is the integration of the financial and logistic processes of the Company into a unified information system, which to store all kinds of basic data on materials, equipment, assets, etc. Its implementation resulted in quick, secure and efficient information flows and it lead to the unification and optimization of business processes. The first stage of implementation of the ICRMS SAP-R/3 project covered the putting into operation of Financial Accounting, Long-term Assets, Controlling and Material Management modules in Mini Maritsa Iztok EAD headquarters and Material and Technical Supply Company, as well as in the Investment Company. Later it was implemented in Troyanovo -1 Mine, Troyanovo -North Mine and Troyanovo-3 Mine. The second stage covered the construction of the Maintenance and Repairs and Investment Management modules in the headquarters and in the three mines. ICRMS SAP-R/3 encompasses and integrates all the logistic and financial activities and functions in the headquarters of the Company and its subsidiaries, which provides an opportunity for their efficient management. Due to the unified data base used the information concerning all processes in the Company is exchanged in real time. An opportunity for the management of critical indices, related to an individual company, has been provided. The system is comprehensive, flexible and open, which provides an opportunity for continuous putting into operation and utilization of new functionalities. The continual market changes and the increased requirements for transparency and accuracy of information, stated by the management team of Mini Maritsa Iztok EAD and the state institutions necessitate continuous information system improvements.

Now the responsibility with regard to the optimization and development of ICRMS SAP-R/3 and the maintenance of the whole IT infrastructure lies with technically qualified employees of Mini Maritsa Iztok EAD, who are utterly familiar with the business processes in the Company and the software functionalities. The project duration was three years - a period sufficient for work balance and assessment.

Pursuant to a decision of the Ministry of Economy and Energy with regard to the necessity for crisis management in the energy sector the installation of an integrated automation system for information supply to Mini Maritsa Iztok EAD headquarters and Maritsa Iztok 2 TPP EAD. It will be put into operation in 2007. Its basic functions will cover process automation when creating technical tools and storage devices, their storage on a use-ready basis, protection and exchange of information in case of crisis occurrence.

The installation of a centralized system for videosupervision and control of the access of people and automobiles started in 2006.



THE 2006 RECORDS



During the first months of the year Mini Maritsa Iztok managing team successfully carried out the management of the technological process, charging the equipment with care when temperatures were below zero.

Maritsa Iztok miners extracted 5 000 000 tonnes of coal since the beginning of the year till 19th March.

By the end of the first quarter the production plan was exceeded by over 200 000 tonnes. In March 1 737 000 tonnes of coal was extracted. Compared to the same period of 2005 that is 353 000 tonnes more.

A record in coal extraction in July

Mini Maritsa Iztok EAD Miners extracted 2 million tonnes of coal in July - a record quantity for the recent six years. Since the beginning of the year 11 million tonnes of coal was extracted.

A record of coal extraction per 24 hours

was achieved by Mini Maritsa Iztok EAD miners on 13th August - 103 966 tonnes. The highest productivity rate for the same day and night belongs to Troyanovo 3 - 237 per cent.

A unique relocation in shortest period possible

On 8th May a unique in its essence operation started - the relocation of AS 12 500 type of spreader to a distance of 16 kilometers from Staroselets dump to the Combined Northern Dumps direction. It was carried out for the record-breaking time of 3 months till 18th August, instead of the 6 months according to repair plan. The new positions of As 12 500 and Rs 4000 open a level to work on for the next 15-20 years.

The State Energy and Water Regulatory Commission granted Mini Maritsa Iztok license to sell electricity

On 27th November the Executive Director of Mini Maritsa Iztok EAD, Mr. Ivan Markov, obtained on behalf of the Company License No Л-213-15/20.22.2006 to trade in electricity. The license was delivered by Mr. Valentin Kirchev - Deputy Chairman of the Energy and Water Regulatory State Commission /EWRSC/. The license grants the Company the right to be involved in the free electric power market.

Mini Maritsa Iztok Business Plan foresees a 2% increase of sales annually till 2010.



Crushing equipment after our own design

A crusher is in operation in Troyanovo 3 Mine supplying pieces of coal sized 0 to 150 mm, according to ENEL requirements. It was constructed in the Mechanical Workshop of the mine after their own project. A second crusher necessary for Troyanovo 1 Mine is in construction.

RESOURCES FOR THE FUTURE



Further intensification of coal extraction at Mini Maritsa Iztok mines involves increased utilization of existing capacities. Stabilizing production in the mines in operation, followed by expansion of production capacities is envisaged, and restoration of part of the existing equipment and the introduction of new mining capacities, allowing the extraction of 35 million tonnes of coal annually post 2010 in Mini Maritsa Iztok EAD.

The operation of three production units (mines) ensures the highest degree of reliability of energy fuel supply to the power plants. The Company policy is focused on "Ensuring the sustainable development of the Company based on satisfying lignite consumers' demands and expectations, continual improvement of the health and safety working conditions and permanent reduction of the adverse effect of mining activities on environment."

Having in mind the future decommissioning of 200 MW at Brikel after 2010 and the commissioning of a 670 MW replacement capacity at TPP-1, the total installed capacity of the complex will add up to 3119 MW (TPP-1 - 670 MW; TPP-2 after restoration - 1545 MW; TPP-3 after restoration - 904 MW) with 26 870 million tonnes total coal consumption required.

In order to achieve optimum efficiency, the location of the new capacities and the replacement ones should be conformed to the maximum to the utilization of the infrastructure of the existing power plants and the location of the remaining coalfield reserves.

Coal reserves secure extraction of up to 35 million tonnes annually, allowing the power plants in operation and new capacities to exist until 2060.

Working the coal field for the period until 2060 secures local source power generation in Bulgaria, guaranteed by Mini Maritsa Iztok EAD lignite that will continue to be the main energy source for the country.

MINI MARITSA IZTOK EAD - THE EUROPEAN FACE OF BULGARIAN COAL MINING

Founding member of EURACOAL

Mini Maritsa Iztok EAD takes an active part in the work of the European Association for Coal and Lignite (EURACOAL) not only as a representative of Bulgaria but also as a founding member since 2002.

EURACOAL is an association providing support to the European coal-mining sector where companies and associations from Austria, Belgium, France, Germany, Greece, the United Kingdom, Spain, the Czech Republic, Poland, Hungary, Bulgaria, Romania and Serbia, work together successfully.



Five working committees are differentiated in the Association's structure: Executive Committee, Market Committee, Technical Research Committee, Environment Committee and General Purposes Committee.

Specialists of the company represent Mini Maritsa Iztok EAD in all EURACOAL's Working Committees.

EURACOAL's representatives, including members of Mini Maritsa Iztok EAD, also participate in the activity of the Social Dialogue Committee Extractive Industry, which is organized by the European Commission.

The Secretary-General of the European Association for Coal and Lignite EURACOAL, Mr. Leopold Janssens, visited Mini Maritsa Iztok EAD accompanied by his successor Mr. Thorsten Diercks in the year 2005.

A Visit by the President of EURACOAL

The President of EURACOAL, the European Association for Coal and Lignite, Mr. Nigel Yaxley, visited Mini Maritsa Iztok EAD in November.

Mr. Nigel Yaxley met the managing team of the largest coal-mining company, was acquainted with Mini Maritsa Iztok EAD achievements and development outlooks and visited Troyanovo 3 Mine. Together with the Executive Director of the Company, Mr. Ivan Markov, Mr. Yaxley answered the questions of regional and national media representatives regarding coal mining development outlooks during a media conference.

The President of EURACOAL met Mr. Valentin Ivanov, Deputy Minister of Economy and Energy and Acad. Vasil Sgurev, Chairman of the Federation of Scientific and Technical Unions at the Ministry of Economy and Energy.



VISITS

Mini Maritsa Iztok EAD hosted the 141st Meeting of EURACOAL's Technical Research Committee.

On 29 June 2006 the eight Committee members met the Executive Director of Mini Maritsa Iztok EAD, Eng. Ivan Markov, who presented the Company activity, and then they visited Troyanovo 3 Mine. The Committee meeting was attended by: Mr. Czwalinna - Committee Chairman, Mr. Bogalla - Committee Secretary, Mr. Apel /Germany/, Mr. Bennett and Mr. Bigby /the United Kingdom/, Mr. Didier /France/ and Mr. Fuentes /Spain/.

The practice of the Committee is to hold its meetings outside Brussels, in one of the members' countries. Spain, and the United Kingdom have hosted such meetings so far.



The Committee reviewed the topics the European Commission will present for funding in 2007.

The 7th RTDD Framework Programme regarding European energy resources was considered.

The guests from EURACOAL thanked for the good organization of the technical visit and expressed their impression with the large-scale activity at Mini Maritsa Iztok EAD.



Before their departure for the Easter Festival of Children in Tsaribrod, students from Geo Milev Secondary School, the town of Radnevo exhibited an Easter egg and decoration show in the lobby of the Headquarters building.



Not only Bulgarian statesmen and politicians show interest in Mini Maritsa Iztok EAD activities but representatives of foreign diplomatic bodies and representatives of energy sector companies from other countries as well. (The photograph shows miners from Kostolats, Serbia)



At Christmas Eve the writer Mr. Andon Donchev and the poet Mr. Ivan Granitski presented the prizes to participants of the competition devoted to St. Ivan Rilski. Assoc. Prof. Zlati Zlatev opened an exhibition of Raycho Radev.



SPONSORSHIP

A monument in honour of the patron saint



Stara Zagora Bishopric donated a bell for the monument.



Mini Maritsa Iztok EAD and Radnevo Municipality established St. Ivan Rilski public association aiming at the construction of a monument in honour of the saint - patron of Bulgarians and of miners in particular. The sponsorship was joined by individual people, companies, institutions and organizations. One of the first to support the project were the partners of the largest Bulgarian coal mining company of Maritsa Iztok complex. Donations included funds, materials and work.

The project was designed by the sculptor Mr. Mincho Minev. His works - portraits, sculptured compositions and small plastic art - can be found in the National Art Gallery - Sofia, other galleries, museums and private collections in Bulgaria, Belgium, the United Kingdom, Germany, Poland, the USA, Tunisia, France, Japan, etc. A collection of bronze sculptures is owned by LAUBAG in Germany, and a park is decorated with his sculptures in Seftenberg, Germany - a mining industry centre. He is the author of the sculpture that has been awarded for 14 years on the Day of the Earth as first prize of the International Contest for young composers and instrumentalists entitled The Music and the Earth.

Supporting churches and monasteries has become a tradition to the Company.

The Company also sponsors:

- **Prof. Dr. Stoyan Kirkovich Hospital**
- The construction of a **monument to the vojvode Rusi Kanev**
- **The ethno-festival Balkan Children - Together in Europe**, organized by the Confederation of Independent Trade-unions in Bulgaria for more than 2000 children from the Balkan countries.



ST. IVAN RILSKI'S DAY



The fourth of its kind in the world bucket-wheel excavator Rs 4000 was formally commissioned on 18th August 2006 at Troyanovo 1 Mine, branch of Mini Maritsa Iztok EAD, in the presence of the Mrs. Emiliya Maslarova - Minister of Labour and Social Policy, Mr. Rumen Ovcharov - Minister of Economy and Energy, Mrs. Maria Neykova - Stara Zagora District Governor, guests from Germany, a number of official representatives, the Company managing team and employees.

Achievement Awards

For the first time in more than 10 years team prizes were awarded on the Miner's Day. It is the idea of the managing team to turn that into tradition.

Security of Supply Prize

The team of Rs 1200 excavator No 331 from Extraction Section, Troyanovo 3 Mine

The highest achievement in removal activities

For the larger system - 2250 rubber belt conveyor

Section Overburden Removal, Transportation, and Spreading Facilities Unit /ORTSFU/ 5, Troyanovo 3 Mine

For the smaller system - 1800 rubber belt conveyor

ORTSFU 2 Section, Troyanovo North Mine

For the highest hourly production rate

ORTSFU 1 Section, Troyanovo 3 Mine

For commissioning 2250 rubber belt conveyor No 2 after relocation ahead of schedule, Troyanovo 1 Mine

the following teams:

Troyanovo 1 Mine

Troyanovo North Mine

Troyanovo 3 Mine

ORTSFU 3 Section, Troyanovo 1 Mine

For the very good work during the period, ensuring operation, repair and 2250 rubber belt conveyor No 2 relocation

Vulkanization Section, Troyanovo 1 Mine

Vulkanization Section, Troyanovo 3 Mine

For the successful commissioning of Rs 4000 and ensuring security of supply

Investment Enterprise Material and Equipment Supply Enterprise



Sports events for the teams of the mines and enterprises



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