



Stock Price of Kaolin



- Kaolin returned to growth during the third quarter. The non-consolidated report, which includes the core operation of extraction of non-metallic minerals in Bulgaria, showed higher sales on quarterly basis. However, the profit for the reported period slightly weakened as compared to both previous quarter and a year ago.

- Revenues from the beginning of the year were BGN 76.8 million or 16% lower than the first nine months of 2008. Sales to metallurgic and paper producers posted the largest decline but their share of total revenues is low. Revenues from glass industry shrunk 27% y-o-y to BGN 22.75 million.

- Surprisingly, the ceramic and construction related segments posted lower decline, respectively 7% and 9% for the nine months. Their shares of total revenues increased to 33.6% for ceramic industry and 12% for construction. The only segment that posted growth was the extraction of limestone for the termo-power plants. Revenues increased 28% to BGN 8.9 million for the period. Kaolin didn't have substantial income from one-time financial operations.

- Transportation costs declined substantially due to the lower fuel costs and the free capacity. Rising fuel prices could undermine the profit margins during the fourth quarter. However, the improvement on quarterly basis is more related to the seasonal factors and the cost cutting, rather than external factors like fuel prices.

- Kaolin's liabilities increased in 2009, mainly due to the rising liabilities to related companies. At the same time, the company covered part of its liabilities to clients and suppliers through short term bank loans. The interest payments of Kaolin are significantly less than EBITDA.

- Kaolin's investments in the region and Ukraine supported the consolidated revenues. The subsidiary Solarpro had its contribution for the revenues during the third quarter and we expect that consolidated sales of Kaolin will recover faster from the crisis.

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