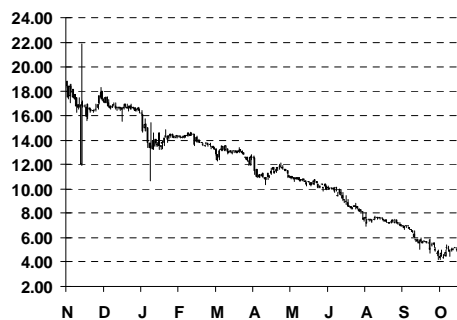


Stock Price of Kaolin



- The non-consolidated report of Kaolin confirmed the expectations of good performance but some deterioration in the profit margins for the quarter. Sales for the 3Q jumped 27% on yearly basis but posted small decrease when comparing to the strong 2Q of 2008. Kaolin has several Bulgarian subsidiaries and operations in Ukraine, Serbia, Romania, Albania and Turkey, which would contribute for the higher consolidated revenues and profits.

- The consolidation added BGN 6 million of sales during the second quarter of 2008. The same effect could be expected for the third quarter as non consolidated revenues are almost the same. The total sales of the company should exceed BGN 106 million for the first nine months without the consolidated results of newly acquired Bulgarian and Serbian companies.

- The main goals of the investment program of Kaolin are the improvement of energy efficiency. So far this year the completed investment projects reached BGN 8 million, whereas the ongoing projects are totalling BGN 8.7 million and will be finished as late as the first quarter of 2009. The positive effects of the investments will be in lower consumption of fuels, higher capacity of production and new product lines for different industries. Kaolin will build a new capacity for production of solar panels, which should start operations early next year.

- The management's expectations of non-consolidated sales growth of 20% this year looks achievable. However, the slowdown in construction and ceramic industries is the main threat for Kaolin, which effect began to show up during the third quarter of the year. According to the expectations for declining demand, Kaolin is changing its investment program and will freeze some potential projects abroad. The company will rush to enter in exploitation of energy management and will replace the usage of heating oil with natural gas but the rising natural gas price in Bulgaria would shrink the positive effects. The lower fuel prices will decrease the transportation costs.

- The non-consolidated results are not appropriate valuation measure for Kaolin. Nevertheless, P/E is 10 and P/S is 0.87. The consolidated P/E ratio could shows insignificant improvement for the quarter.

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Outperform	More than 5% higher as compared to SOFIX and BG40 performance
Market Perform	Market performance, +/-5% as compared to SOFIX and BG40
Underperform	More than 5% lower as compared to SOFIX and BG40 performance

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