

**FINANCIAL REVIEW**  
**OF THE BOARD OF DIRECTORS**  
**For the Financial Year 1/1 - 31/12/2005**

The year 2005 was one more very good year for the S&B Group. Organic growth and the full-year contribution of STOLLBERG (acquired in June 2004) in the Industrial Minerals Activities, as well as the capital gain realized on the disposal of S&B's shares in A.B.C. KALYFTAKI S.A., led to record levels, despite the slowdown in the Commercial Activities.

### *Group Results*

Consolidated Group sales reached €419.84 million, up by 12.5% from the previous year. EBITDA showed an increase of 12.2% reaching €61.74 million. Pre-tax profits were at €37.38 million, up by 32.8%. Net profit reached €25.15 million versus €17.09 in 2004, showing the impressive increase of 47.1%.

The basic changes in the consolidated balance sheet items of 31/12/2005 relate to equity which was increased by 25.1% or by €36.70 million on a yearly basis, as a result of the Group profit increase, the share capital increase of MOTODYNAMICS S.A. and the sale of treasury shares.

The net debt at 31/12/2005 stood at €171.63 million, down by 11% or by €21.8 million from the start of the year, on account of improved returns and robust cash generation.

Earnings per share reached €0.80, up by 43.7% from the previous year.

The Board of Directors of S&B Industrial Minerals S.A. will propose to the Annual Shareholders Meeting, scheduled for June 1<sup>st</sup> 2006, a dividend of €0.27 per share to be distributed, which implies a payout ratio of 41.7% on recurring earnings (i.e. excluding the non-recurring capital gain on the sale of Kalyftaki). The proposed dividend is up by 12.5% from that of the previous year, and the dividend yield, based on the closing share price of March 21, 2006 (€10.68 per share) stands at 2.5%.

### *Industrial Minerals Activities (IMA)*

In the Industrial Minerals Activities (IMA) (representing 80% of Group sales) consolidated sales increased by 18.2%, generating sales of €335.23 million. EBITDA amounted to €55.74 million, showing an increase of 16.5%. Similarly, pre-tax profits were increased by 16.9%, standing at €26.52 million. The increase in net profits reached 27%, with net profits for this sector amounting to €17.71million.

This very solid year for the Industrial Minerals Activities is due to both organic growth in all mineral divisions and the full-year integration of Stollberg (acquired in June 2004).

In Bentonite, the sales increase was 8.1% (or 7.9% after eliminations), with emphasis in the pelletizing, civil engineering and paper markets. In Perlite, sales increased by 9.7%, as a result of solid growth in raw perlite both in Europe and North America, and another strong year

for expanded perlite on the back of strong demand for construction products in Greece, Bulgaria and Spain. In Bauxite, production reached a ten-year record level and sales increased by 7.5%. In Continuous Casting Fluxes, sales held well despite the drop in steel production in Europe and the U.S.A, market shares increased in the upcoming markets of Eastern Europe (Russia and Kazakhstan) and capitalised on the growing demand of the Chinese steel industry. In Minerals Trading and Development (OTAVI), an important developmental activity was the establishment of ORYKTON GmbH, a joint venture with Quarzwerke GmbH. This new company in turn, formed another joint venture in cooperation with a Chinese businessman, for the exploitation and processing of acicular -this time- wollastonite deposits in China.

Pricing and volume growth in the Industrial Minerals Activities were contained by increased transportation, fuel and raw material costs. Hence, margins remained at around 2004 levels.

Although ocean freights at year end were at lower levels than in 2004 and freight futures discount a downward shift in 2006, the 2005 yearly average rate was at approximately the same levels as in 2004. However, barging costs in North European rivers increased considerably, especially in the fourth quarter of the year, due to conditions such as extremely low water levels in the Rhine. These affected distribution costs of our products in Europe.

Fuel costs, which reached record levels, have impacted our activities in many ways, both directly and indirectly: transportation costs (trucking, bunkers, etc), electricity production costs, gas costs, materials costs.

The EU/USD exchange rate has followed very different paths in 2004 and 2005, but averaged at exactly the same level both years.

### *Commercial Activities*

In the Commercial Activities sector (MOTODYNAMICS S.A. and ERGOTRAK S.A.), total turnover stood at €85.07 million, down by 5.4% from the previous Olympic record year. This slowdown in sales is mainly due to a slight retreat of sales in Yamaha motorbikes domestically, and the slowdown of public works in Greece, which hit the earth-moving equipment segment.

EBITDA amounted to €5.26 million as compared to €7.56 million in 2004. Net profits stood at €2.86 million, down by 29.3% from the previous year.

Profitability of this sector was affected by increased expenses for the dynamic development of subsidiaries in the promising markets of Bulgaria and Romania (re-launching of products and new infrastructure), which is expected to bring medium to longer-term results.

In June 2006, we had the IPO and listing of MOTODYNAMICS S.A. on the Athens Exchange. Another important development was the undertaking of the new exclusive distribution of the Italian SELVA S.p.a. boats and outboard motors, in Greece and Romania. This will further strengthen the leading position Motodynamics already holds in the marine products market.

Important developments for ERGOTRAK S.A. were the expansion in the mining equipment segment and the geographic expansion with the preparation of the establishment of a subsidiary in Romania.

### *Real Estate*

The Real Estate sector of S&B Industrial Minerals S.A. is aiming at the development and return maximization of investment properties owned by the Company.

A very important development for this sector, at the end of 2005, was the sale of the total S&B shares (45%) in A.B.C, KALYFTAKI, owner of the building complex where the S&B headquarters are situated. The positive effect on Group pre-tax earnings from this sale was €6.55 million, while the use of the building has been secured through a 20-year lease as part of the transaction.

All main investment properties are now rented and new development opportunities are being examined.

### *Prospects*

For the year 2006 we foresee a steady improvement of our Industrial Mineral activities margins. We believe that volume and price growth will more than compensate cost increases that affected the last quarter of 2005 in particular.

Our expansion strategy includes acquisitions some of which are at advanced stages. We retain our emphasis on geographical expansion with our existing minerals, especially in North America, which we hope to realise in 2006. Concurrently, we are searching and analyzing possible targets that will allow us to expand our products and applications portfolio.

**Kifissia, March 22<sup>nd</sup>, 2006**

For the Board of Directors

The Chief Executive Officer

**Efthimios O. Vidalis**