



**GROUP OF COMPANIES**  
**S&B Industrial Minerals S.A.**

**Consolidated Financial**  
**Statements**

**for the year ended**  
**December 31, 2005**

**in accordance with**  
**International Financial**  
**Reporting**  
**Standards,**  
**adopted from the**  
**European Union**

We confirm that the accompanying Consolidated Financial Statements have been approved by the Board of Directors of S&B Industrial Minerals S.A. on March 22, 2006 and have been published on the website in the following address: [www.sandb.com](http://www.sandb.com). It is noted that the purpose of the published condensed financial data to the Press is to provide the users with certain general financial data, however, they do not provide a full view of the Company's and the Group's financial position and results of their operations, in accordance with International Financial Reporting Standards (IFRS). It is also noted that certain amounts have been condensed in the published financial data to the Press, for simplicity reasons.

Chief Executive Officer

Chief Financial Officer

Efthimios O. Vidalis

Sotiris D. Hatzikos

**S&B INDUSTRIAL MINERALS S.A.**

**CONSOLIDATED FINANCIAL STATEMENTS  
IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS**

**DECEMBER 31, 2005**

**FREE TRANSLATION FROM THE GREEK ORIGINAL**

**INDEPENDENT AUDITOR'S REPORT**

**To the Shareholders of  
S&B Industrial Minerals S.A.**

We have audited the accompanying consolidated financial statements of S&B Industrial Minerals S.A. as of and for the year ended December 31, 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the Greek Auditing Standards, which are based on the International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, evaluating the overall financial statement presentation as well as assessing the consistency of the Board of Directors' report with the aforementioned financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the aforementioned consolidated financial statements give a true and fair view of the financial position of the Group as of December 31, 2005 and the results of its operations and those of the Group and their cash flows and changes in shareholders' equity for the year then ended in accordance with the International Financial Reporting Standards that have been adopted by the European Union and the Board of Directors' report is consistent with the aforementioned consolidated financial statements.

Athens, March 23, 2006

The Certified Auditor Accountant

John Mystakidis  
R.N.SOEL 16511

ERNST & YOUNG (HELLAS)  
CERTIFIED AUDITORS-ACCOUNTANTS S.A.  
11<sup>th</sup> KLM National Road Athens-Lamia  
144 51 Metamorphosis

1.	THE GROUP AND ITS OPERATIONS .....	9
2.	BASIS OF PRESENTATION.....	9
3.	PRINCIPAL ACCOUNTING POLICIES .....	12
4.	RESTATEMENT OF PRIOR YEAR PUBLISHED BALANCES.....	23
5.	SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES.....	24
6.	SUBSIDIARIES OF S&B INDUSTRIAL MINERALS SA.....	25
7.	BUSINESS COMBINATIONS .....	26
8.	SALES .....	28
9.	COST OF SALES .....	28
10.	ADMINISTRATIVE EXPENSES.....	28
11.	SELLING EXPENSES .....	29
12.	OTHER INCOME / (EXPENSE) .....	29
13.	FINANCIAL INCOME .....	29
14.	FINANCIAL EXPENSE.....	30
15.	DEPRECIATION / AMORTIZATION .....	30
16.	PAYROLL COST .....	30
17.	PROPERTY, PLANT AND EQUIPMENT.....	31
18.	INVESTMENT PROPERTY .....	32
19.	GOODWILL.....	33
20.	INTANGIBLE ASSETS.....	34
21.	INVESTMENTS IN ASSOCIATES.....	35
22.	INVENTORIES .....	36
23.	TRADE ACCOUNTS RECEIVABLES .....	37
24.	OTHER CURRENT ASSETS .....	38
25.	CASH AND CASH EQUIVALENTS .....	38
26.	SHARE CAPITAL.....	38
27.	SHARE OPTION PLAN FOR MEMBERS OF THE BOARD OF DIRECTORS AND SENIOR EXECUTIVES.....	40
28.	RESERVES .....	42
29.	DIVIDENDS.....	43
30.	PROVISION FOR ENVIRONMENT REHABILITATION .....	43
31.	PROVISION FOR STAFF LEAVING INDEMNITIES.....	43
32.	INTEREST BEARING LOANS AND BORROWINGS.....	45
33.	DERIVATIVE FINANCIAL INSTRUMENTS .....	47
34.	TRADE AND OTHER PAYABLES .....	48
35.	SHORT TERM BORROWINGS.....	49
36.	INCOME TAX (CURRENT AND DEFERRED).....	49
37.	OTHER CURRENT LIABILITIES .....	53
38.	FINANCIAL RISK MANAGEMENT .....	53
39.	COMMITMENTS AND CONTINGENCIES.....	54
40.	SEGMENT INFORMATION.....	55
41.	RECONCILIATION OF BALANCE SHEET IN ACCORDANCE WITH GREEK GENERAL ACCEPTED ACCOUNTING STANDARDS AND IFRS .....	58
42.	RECONCILIATION OF EQUITY IN ACCORDANCE WITH GREEK GENERAL ACCEPTED ACCOUNTING STANDARDS AND IFRS.....	60
43.	RECONCILIATION OF INCOME STATEMENT IN ACCORDANCE WITH GREEK GENERAL ACCEPTED ACCOUNTING STANDARDS AND IFRS .....	61

**S&B INDUSTRIAL MINERALS S.A. AND SUBSIDIARIES**  
**INCOME STATEMENTS**  
(Amounts in Euro)

	<u>Note</u>	<u>1.1 - 31.12.2005</u>	<u>1.1. - 31.12.2004</u>
Sales	8	419.835.147,86	373.215.330,79
Cost of sales	9	(316.506.776,77)	(278.892.467,59)
<b>Gross profit</b>		<b>103.328.371,09</b>	<b>94.322.863,20</b>
Administrative expenses	10	(47.020.468,07)	(41.815.108,32)
Selling expenses	11	(28.675.642,15)	(25.616.358,44)
Other income / (expense)	12	7.057.362,91	5.381.578,10
<b>Profit before income tax, financial and investment results</b>		<b>34.689.623,78</b>	<b>32.272.974,54</b>
Financial income	13	2.497.185,92	2.097.290,14
Financial expense	14	(8.029.758,03)	(7.261.281,53)
Share of profit from associates		1.670.425,81	666.405,88
Profit from associates sale	21	6.554.916,37	377.853,66
<b>Profit before income tax</b>		<b>37.382.393,85</b>	<b>28.153.242,69</b>
Income tax	36	(12.235.508,61)	(11.055.715,22)
<b>Net profit</b>		<b>25.146.885,24</b>	<b>17.097.527,47</b>
<b>Attributable to:</b>			
Equity holders of the parent		23.959.841,26	16.396.488,83
Minority interests	6	1.187.043,98	701.038,64
		<b>25.146.885,24</b>	<b>17.097.527,47</b>
<b>Earning per share to Equity holders of the parent (Euro)</b>			
Basic		0,80	0,56
Diluted		0,80	0,56
<b>Weighted average number of shared</b>			
Basic	26	29.956.139	29.460.579
Diluted	26	30.000.630	29.465.980
Earnings attributable to Equity holders (basic and diluted)		23.959.841,26	16.396.488,83

The accompanying notes are an integral part of these consolidated financial statements

# S&B INDUSTRIAL MINERALS S.A. AND SUBSIDIARIES

## BALANCE SHEET

DECEMBER 31, 2005

(Amounts in Euro)

	Note	December 31 2005	December 31 2004
<b>ASSETS</b>			
<b>Non current assets</b>			
Tangible assets	17	160.608.700,12	161.740.757,04
Investment property	18	24.156.276,74	24.569.201,39
Goodwill	19	74.122.773,33	73.437.866,53
Intangible assets	20	17.036.726,16	18.137.807,28
Deferred income taxes	36	7.085.831,19	7.210.778,64
Investments in associates	21	12.640.718,59	11.100.525,02
Securities		-	381.521,16
Other non current assets		2.337.336,31	3.773.267,53
<b>Total non current assets</b>		<b>297.988.362,44</b>	<b>300.351.724,59</b>
<b>Current assets</b>			
Inventories	22	84.492.424,38	67.440.118,71
Trade accounts receivable	23	68.877.288,55	56.856.774,99
Other current receivable	24	19.375.697,26	18.334.682,21
Cash and cash equivalents	25	42.906.934,91	9.467.847,17
<b>Total current assets</b>		<b>215.652.345,10</b>	<b>152.099.423,08</b>
<b>Total Assets</b>		<b>513.640.707,54</b>	<b>452.451.147,67</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	26	30.381.770,00	30.154.130,00
Share premium	27	29.897.797,29	30.431.520,16
Treasury shares		-	(4.768.558,40)
Losses from derivative valuation		(268.078,44)	-
Foreign currency translation		2.955.946,56	(2.542.677,74)
Share Option Plan reserve	27	509.195,32	592.354,13
Reserves	28	83.895.391,07	76.224.409,64
Retained earnings		27.861.208,65	13.759.130,39
<b>Total</b>		<b>175.233.230,45</b>	<b>143.850.308,18</b>
<b>Minority interest</b>	6	<b>7.889.903,32</b>	<b>2.576.972,19</b>
<b>Total equity</b>		<b>183.123.133,77</b>	<b>146.427.280,37</b>
<b>Provisions</b>			
Provision for staff leaving indemnities	31	14.933.598,07	14.504.831,60
Provision for environment rehabilitation	30	12.747.326,42	13.793.437,83
Other provisions		1.349.402,77	1.851.445,92
<b>Total provisions</b>		<b>29.030.327,26</b>	<b>30.149.715,35</b>
<b>Non current liabilities</b>			
Interest-bearing loans and borrowings	32	185.000.334,99	66.601.462,47
Deferred income taxes	36	14.565.374,19	13.960.434,89
Grants		2.390.876,11	2.579.968,52
Other non current liabilities		945.623,07	796.578,68
<b>Total non current liabilities</b>		<b>202.902.208,36</b>	<b>83.938.444,56</b>
<b>Current liabilities</b>			
Trade accounts payable	34	38.372.506,21	29.981.437,10
Short-term borrowings	35	9.628.880,53	132.968.360,16
Current portion of long term loans and borrowings	32	19.904.800,45	3.329.090,90
Income tax payable		6.448.466,55	2.076.260,04
Dividends payable		47.620,93	45.552,67
Other current liabilities	37	24.182.763,48	23.535.006,52
<b>Total current liabilities</b>		<b>98.585.038,15</b>	<b>191.935.707,39</b>
<b>Total equity and liabilities</b>		<b>513.640.707,54</b>	<b>452.451.147,67</b>

The accompanying notes are an integral part of these consolidated financial statements

**S&B INDUSTRIAL MINERALS S.A. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**  
**(Amounts in Euro)**

	Note	Share Capital	Share premium	Treasury shared	Share option Plan Reserve	Losses from derivative valuation	Other reserves	Foreign currency translation	Retained earnings	Total	Minority interests	Total equity
<b>January 1, 2004</b> <b>(as previously published)</b>		<b>30.151.190,00</b>	<b>30.412.377,18</b>	<b>(4.768.558,40)</b>	<b>351.282,00</b>	-	<b>73.240.026,02</b>	-	<b>11.026.849,85</b>	<b>140.413.166,65</b>	<b>1.803.729,36</b>	<b>142.216.896,01</b>
- Restatements (note 4)	4	-	-	-	<b>(23.357,09)</b>	-	-	-	<b>(3.239.661,62)</b>	<b>(3.263.018,71)</b>	-	<b>(3.263.018,71)</b>
<b>January 1, 2004</b> <b>(restated)</b>		<b>30.151.190,00</b>	<b>30.412.377,18</b>	<b>(4.768.558,40)</b>	<b>327.924,91</b>	-	<b>73.240.026,02</b>	-	<b>7.787.188,23</b>	<b>137.150.147,94</b>	<b>1.803.729,36</b>	<b>138.953.877,30</b>
- Profit for the period		-	-	-	-	-	-	-	16.396.488,84	<b>16.396.488,84</b>	701.038,63	<b>17.097.527,47</b>
- Dividend approval	29	-	-	-	-	-	-	-	(6.775.871,17)	<b>(6.775.871,17)</b>	-	<b>(6.775.871,17)</b>
- Dividends paid to minority holders		-	-	-	-	-	-	-	-	-	(398.840,39)	<b>(398.840,39)</b>
- Currency translation differences		-	-	-	-	-	-	(2.542.677,74)	-	<b>(2.542.677,74)</b>	-	<b>(2.542.677,74)</b>
- Minority interests in new subsidiary		-	-	-	-	-	-	-	-	-	73.500,00	<b>73.500,00</b>
- Share option plan	27	-	-	-	269.597,00	-	-	-	-	<b>269.597,00</b>	-	<b>269.597,00</b>
- Increase/(decrease) in share capital	26	2.940,00	19.142,98	-	(5.167,78)	-	-	-	-	<b>16.915,20</b>	-	<b>16.915,20</b>
- Transfer to reserves	28	-	-	-	-	-	2.984.383,62	-	(2.984.383,62)	-	-	-
- Adjustment of goodwill acquisition		-	-	-	-	-	-	-	(347.119,46)	<b>(347.119,46)</b>	-	<b>(347.119,46)</b>
- Other movements		-	-	-	-	-	-	-	(317.172,43)	<b>(317.172,43)</b>	397.544,59	<b>80.372,16</b>
<b>December 31, 2004</b>		<b>30.154.130,00</b>	<b>30.431.520,16</b>	<b>(4.768.558,40)</b>	<b>592.354,13</b>	-	<b>76.224.409,64</b>	<b>(2.542.677,74)</b>	<b>13.759.130,39</b>	<b>143.850.308,18</b>	<b>2.576.972,19</b>	<b>146.427.280,37</b>
- Accumulated effect of adapting IAS 39 (net of deferred tax asset of Euro 57.795,00)		-	-	-	-	99.572,64	-	-	(222.387,47)	<b>(122.814,83)</b>	-	<b>(122.814,83)</b>
- Profit for the year 2005		-	-	-	-	-	-	-	23.959.841,26	<b>23.959.841,26</b>	1.187.043,98	<b>25.146.885,24</b>
- Sale of treasury shares	26	-	-	4.768.558,40	-	-	-	-	(899.966,40)	<b>3.868.592,00</b>	-	<b>3.868.592,00</b>
- Dividend approval	29	-	-	-	-	-	-	-	(1.809.248,00)	<b>(1.809.248,00)</b>	-	<b>(1.809.248,00)</b>
- Dividends paid to minority holders		-	-	-	-	-	-	-	-	-	(477.848,30)	<b>(477.848,30)</b>
- Approval of distribution of shares to personnel	26	70.700,00	337.946,00	-	-	-	-	-	-	<b>408.646,00</b>	-	<b>408.646,00</b>
- Share option plan	27	-	-	-	236.709,00	-	-	-	-	<b>236.709,00</b>	-	<b>236.709,00</b>
- Increase/(decrease) in share capital	26	156.940,00	(4.324.336,79)	-	(319.867,81)	-	-	-	-	<b>(4.487.264,60)</b>	-	<b>(4.487.264,60)</b>
- Minority interests in new subsidiary		-	-	-	-	-	-	-	-	-	748.481,00	<b>748.481,00</b>
- Listing of subsidiary in ASE by share capital increase without Group's participation		-	3.452.667,92	-	-	-	(337.829,40)	(3.255,06)	926.291,00	<b>4.037.874,46</b>	3.859.245,60	<b>7.897.120,06</b>
- Currency translation differences		-	-	-	-	-	-	5.501.879,36	-	<b>5.501.879,36</b>	-	<b>5.501.879,36</b>
- Transfer to reserves	28	-	-	-	-	-	7.909.153,16	-	(7.909.153,16)	-	-	-
- Derivative valuation (net of deferred tax asset of Euro 173.012,28)	33	-	-	-	-	(367.651,08)	-	-	-	<b>(367.651,08)</b>	-	<b>(367.651,08)</b>
- Transfer to reserves		-	-	-	-	-	99.657,67	-	56.701,03	<b>156.358,70</b>	(3.991,15)	<b>152.367,55</b>
<b>December 31, 2005</b>		<b>30.381.770,00</b>	<b>29.897.797,29</b>	-	<b>509.195,32</b>	<b>(268.078,44)</b>	<b>83.895.391,07</b>	<b>2.955.946,56</b>	<b>27.861.208,65</b>	<b>175.233.230,45</b>	<b>7.889.903,32</b>	<b>183.123.133,77</b>

The accompanying notes are an integral part of these consolidated financial statements

**S&B INDUSTRIAL MINERALS S.A. AND SUBSIDIARIES**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**  
**(Amounts in Euro)**

	Note	December 31 2005	December 31 2004
<b>Cash flows from operating activities</b>			
Profit before income tax		37.382.393,85	28.153.242,69
Adjustments for:			
- Depreciation and amortization		27.048.130,02	22.735.984,49
- Subsidies amortization		(189.092,41)	(646.019,26)
- Provisions for environment rehabilitation	30	125.708,51	820.582,43
- Other provisions		1.496.216,42	3.186.051,24
- Financial income	13	(2.497.185,92)	(2.097.290,14)
- Financial expense	14	8.029.758,03	7.261.281,53
-Share of profit from associates		(1.670.425,81)	(666.405,88)
-Profit from associates sale	21	(6.554.916,37)	(377.853,66)
- Gains from disposal of property plant and equipment		(170.102,65)	(388.889,97)
		<b>63.000.483,67</b>	<b>57.980.683,47</b>
(Increase) / Decrease of:			
- Non current assets		1.817.452,38	(1.890.558,59)
- Inventories	22	(17.052.305,67)	(5.635.976,19)
- Trade accounts receivable	23	(12.020.513,56)	(6.926.545,08)
- Other current assets	24	(1.041.015,05)	2.225.054,30
Increase / (Decrease) of:			
- Other non current liabilities		149.044,39	(244.479,59)
- Trade and other payable	34	8.391.069,11	5.573.501,23
- Other current liabilities	37	606.934,58	(2.835.326,15)
Staff leaving indemnities paid	31	(1.411.571,39)	(902.554,00)
Payments for environment rehabilitation	30	(1.171.819,92)	(962.779,89)
Income tax paid		(6.887.030,16)	(10.314.379,03)
<b>Net cash from operating activities</b>		<b>34.380.728,38</b>	<b>36.066.640,48</b>
<b>Cash flows from investing activities:</b>			
- Capital expenditure for property, plant and equipment	17,18	(21.628.094,97)	(29.200.309,64)
- Capitalized depreciation	15	392.992,39	556.107,95
- Investments in subsidiaries	7	(2.500.460,99)	(55.509.110,16)
- Minority interest participation in newly formed subsidiary		748.481,00	73.500,00
- Income from associates		681.877,05	548.974,79
- Interest received		2.497.185,92	2.097.290,14
- Income from sale of associate	21	7.785.000,00	1.637.138,57
- Income from decrease of investment in subsidiary		1.680.000,00	-
- Income from the sale of treasury shares		3.868.592,00	-
- Income from disposal of property, plant and equipment		668.731,94	2.559.098,24
<b>Net cash flows from investing activities:</b>		<b>(5.805.695,66)</b>	<b>(77.237.310,11)</b>
<b>Cash flows from financing activities:</b>			
- Share option exercised		940.478,80	16.915,20
- Net increase / (decrease) of short-term borrowing	35	(123.339.479,63)	81.591.474,82
- Increase of long-term borrowing	32	148.292.048,81	41.622.850,56
- (Decrease) of long-term borrowing	32	(13.317.466,74)	(70.183.201,58)
- Dividends paid		(1.807.879,84)	(6.783.424,21)
- Dividends paid to minority holders		(477.848,30)	(398.840,39)
- Return of capital to shareholders	26	(5.427.743,40)	-
- Interest paid		(8.070.580,41)	(7.330.323,80)
- Share capital increase of subsidiary		6.897.103,00	-
<b>Net cash flows from financing activities:</b>		<b>3.688.632,29</b>	<b>38.535.450,60</b>
Effect of exchange rates changes on flows		872.597,74	(578.412,65)
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>33.136.262,75</b>	<b>(3.213.631,68)</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>9.467.847,17</b>	<b>12.734.111,35</b>
Effect of exchange rates changes on cash		302.824,99	(52.632,50)
<b>Cash and cash equivalents at year end</b>		<b>42.906.934,91</b>	<b>9.467.847,17</b>

The accompanying notes are an integral part of these consolidated financial statements

**S&B INDUSTRIAL MINERALS S.A. GROUP OF COMPANIES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS**  
**DECEMBER 31, 2005**

(Amounts in EURO, unless otherwise stated)

**1. THE GROUP AND ITS OPERATIONS**

The S&B Industrial Minerals S.A. Group of companies (“the Group” or “S&B”) is a Greek Group of companies mainly engaged in the extraction, processing, distribution and supply of industrial minerals, the production, distribution and supply of fluxes and the distribution and supply of motorcycles, marine products and heavy equipment.

The Parent company “S&B Industrial Minerals S.A.” is a Greek corporation mainly engaged in the extraction, processing, distribution and supply of industrial minerals. The Parent was incorporated in 1934 and, as of 1994 its shares are listed on the Athens Exchange.

The S&B headquarters are located in Kifissia, Attica, 15 A.Metexa str., and in 1997, its duration was extended for a period of 50 years up to 2034. As at December 31, 2005 and as at December 31, 2004 the Group employed 2.211 and 2.053 employees, respectively.

**2. BASIS OF PRESENTATION**

**(a) Basis of Preparation of the Consolidated Financial Statements:** The accompanying consolidated financial statements that constitute the Group’s consolidated financial statements (hereinafter referred to as “the financial statements”) have been prepared in accordance with International Financial Reporting Standards (“IFRS”), adopted by the European Union. There are no standards applied in advance of their effective date. The financial statements have been prepared under the historical cost convention, except for investment properties, and specific tangible assets, which at the date of transition to IFRS, (January 1, 2004), were measured at fair value and those fair values were used as deemed cost as of the above date. Financial instruments and investments available-for-sale are also measured at fair value.

**(b) Statutory Financial Statements:** Until December 31, 2004, S&B maintained its accounting records and prepared its consolidated financial statements for statutory purposes in accordance with Greek Corporate Law 2190/1920 and the applicable tax legislation («statutory consolidated financial statements»). Effective January 1, 2005 S&B maintains the accounting records and prepares its financial statements in accordance with IFRS and where appropriate the applicable tax legislation. Greek subsidiaries maintain their accounting records in accordance with Greek Corporate Law 2190/1920 and the applicable tax legislation. Foreign subsidiaries maintain their accounting records and prepare financial statements for statutory purposes in accordance with the applicable laws and regulations of the countries in which they operate. In the past, for the purpose of preparation of the statutory consolidated financial statements, the financial statements of foreign subsidiaries were appropriately adjusted and reclassified by certain out-of-book adjustments for conformity with Generally Accepted Accounting Standards in Greece. Effective January 1, 2005, for the purpose of preparation of the consolidated financial statements in accordance with IFRS, the financial statements of Greek and foreign subsidiaries are appropriately adjusted and reclassified by certain out-of-book adjustments for conformity with IFRS. As a result, the consolidated statutory balance sheet as at January 1, 2004 and the consolidated statutory financial statements as at December 31, 2004 are appropriately adjusted and reclassified by certain out-of-book adjustments in order to be in conformity with IFRS. The most important adjustments carried out on the statutory consolidated balance sheet as at January 1, 2004 and on the statutory consolidated financial statements as at December 31, 2004 for conformity with IFRS are presented in note 42.

**S&B INDUSTRIAL MINERALS S.A. GROUP OF COMPANIES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS**  
**DECEMBER 31, 2005**

(Amounts in EURO, unless otherwise stated)

**2. BASIS OF PRESENTATION (continued)**

(c) *First Time Adoption of International Financial Reporting Standards:* Pursuant to EU regulation 1606/2002 and according to Law 3229/04 (as amended by Law 3301/04) Greek entities listed on any Stock Exchange (foreign or domestic) are required to prepare their statutory financial statements (separate and consolidated) effective January 1, 2005, onwards, in accordance with IFRS. The Group applied IFRS 1 “First Time Adoption of IFRS” in the preparation of the accompanying consolidated financial statements. In accordance with the provisions of IFRS 1 “First-time adoption of IFRS” an entity, in its first full set of financial statements under IFRS must apply all standards in effect as of that date, and for the whole period covered by that financial statements (including the transition balance sheet). Based on the provisions of IFRS 1 “First Time Adoption of IFRS” and, the above mentioned Greek legislation, above entities are obliged to present at least one year of comparative financial statements in accordance with IFRS.

Consequently, all revised or newly issued Standards applicable to the Group and are in effect as at December 31, 2005, and have been adopted by the EU, were used for the preparation of the current financial statements, the comparative financial statements as of December 31, 2004 as well as the transition balance sheet as of January 1, 2004.

The Group applied IFRS 1 “First Time Adoption of IFRS” in the preparation of the accompanying financial statements, which is the first full set of financial statements IFRS, as the quarterly financial statements of the fiscal year 2005 prepared and published up to now are interim financial statements that were prepared on the basis of IFRS 34 and were in essence provisional in the context that the final assessment and determination of the items was in the accompanying financial statements.

The IFRS 1 “First Time Adoption of IFRS” allows for certain exceptions alternative from the general provisions of the IFRS during the transition period. The alternatives-exemptions that were used at the transition are the following:

(i) The Group elected not to apply IFRS 3 “Business Combinations” retrospectively, to business combinations which occurred prior to the transition date to IFRS (January 1, 2004). Consequently, and according to IFRS 1 “First-time adoption of IFRS”, regarding past business combinations the Group:

- maintained the same classification as in Greek GAAP financial statements,
- recognized all assets and liabilities at the date of transition to IFRS that were acquired or assumed in past business combinations other than:
  - certain financial assets and financial liabilities derecognized under previous GAAP and,
  - assets, including goodwill, and liabilities that were not recognized in the Group’s consolidated balance sheet under previous GAAP and would also not qualify for recognition under IFRS in the separate balance sheet of the acquiree.

All these assets and liabilities were evaluated in accordance with the provisions of IFRS.

- excluded from its opening IFRS consolidated balance sheet any item recognized under previous GAAP that does not qualify for recognition as an asset or liability under IFRS.
- maintained the carrying value of goodwill recognized under the Greek GAAP with the following adjustments:

**S&B INDUSTRIAL MINERALS S.A. GROUP OF COMPANIES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS**  
**DECEMBER 31, 2005**

(Amounts in EURO, unless otherwise stated)

**2. BASIS OF PRESENTATION (continued)**

At the date of transition to IFRS, the Group tested the carrying amounts of goodwill under previous GAAP for impairment, based on the provisions of IAS 36 "Impairment of Assets". The impairment test was performed based on the market conditions that existed as of the date of transition and after allocation of goodwill to cash generating units. No impairment loss resulted in the goodwill existed as of the transition date on the Group financial statements.

- (ii) Elected to measure its investment property and certain non mine tangible assets at the date of transition to IFRS at fair value and used those fair values as deemed cost at that date. The resulting goodwill was transferred to retained earnings as of the transition date (January 1, 2004). With respect to other tangible assets (except for mines), the Group considered their carrying amounts as of January 1, 2004 -resulted from the provisions of L.2065/92- as deemed cost, in accordance with the provisions of IFRS 1.
  - (iii) With respect to the reserve for staff retirement indemnities, all cumulative actuarial gains and losses were recognized at the date of transition to IFRS. The "corridor approach" was used for the actuarial gains or losses which were incurred during 2004 and subsequently. This exemption was used for all plans existing at the transition date.
  - (iv) The cumulative translation differences from the currency translation for all foreign operations were deemed to be zero at the date of transition to IFRS (they were included in retained earnings). The gain or loss on a subsequent disposal of any foreign operation, shall exclude translation differences that arose before the date of transition to IFRS and shall include subsequent translation differences.
  - (v) Elected to apply the provisions of IAS 32 "Financial Instruments: Disclosure and Presentation and IAS 39 "Financial Instruments: Recognition and Measurement" from January 1, 2005 and not at the IFRS transition date and at the same time maintained the same classification and valuation for instruments included in this standard with the financial statements that were prepared based on Greek GAAP in its comparative financial statements.
  - (vi) The estimates made by the Management under IFRS at the date of transition to IFRS were consistent with estimates made for the same date under previous GAAP (after adjustments to reflect any difference in accounting policies), unless there was objective evidence that those estimates were in error.
  - (vii) The assets and liabilities of certain foreign subsidiaries which had adopted the IFRS before the Parent, have been included in the accompanying consolidated financial statements at the same carrying amounts as that reflected in their separate financial statements after accounting for consolidation and equity adjustments.
- (d) **Approval of Financial Statements:** The Board of Directors of S&B approved the accompanying consolidated financial statements for the year ended December 31, 2005, on March 22, 2006. It is noted that the accompanying consolidated financial statements are pending to the approval of the parent's Shareholders' General Assembly Meeting.
- (e) **Use of Estimates:** The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may ultimately differ from those estimates. With respect to significant estimates and judgments made by management in the preparation of the accompanying financial statements please refer to Note 5.

**S&B INDUSTRIAL MINERALS S.A. GROUP OF COMPANIES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS**  
**DECEMBER 31, 2005**

(Amounts in EURO, unless otherwise stated)

**3. PRINCIPAL ACCOUNTING POLICIES**

The principal accounting policies adopted in the preparation of the accompanying consolidated financial statements, are as follows:

- (a) **Basis of consolidation:** The accompanying consolidated financial statements of the Company include the accounts of S&B Industrial Minerals SA and its subsidiaries. All subsidiaries (entities that S&B has direct or indirect ownership of the majority of voting interest and/or has the power to control the Board of the investee) are consolidated. Subsidiaries are consolidated from the date on which effective control is transferred to the Group and cease to be consolidated from the date in which control is transferred out of the Group. All significant intercompany balances and transactions have been eliminated in the accompanying consolidated financial statements. All intercompany balances and transactions have been eliminated in the accompanying consolidated financial statements. Where necessary, accounting policies for subsidiaries have been revised to ensure consistency with the policies adopted by S&B. A full list of the consolidated subsidiaries together with the related effective ownership interests is provided in Note 6.
- (b) **Functional and Presentation Currency and Foreign Currency Translation:** The functional and presentation currency of S&B and its Greek subsidiaries is the Euro. Transactions involving other currencies are converted to Euro using the exchange rates which are in effect at the time of the transactions. Assets and liabilities in foreign currency are adjusted to reflect the exchange rates as at the balance sheet date. Gains and losses resulting from transactions in foreign currency as well as year end valuation of monetary assets and liabilities in foreign currency are reported in the consolidated income statement, except of transactions that comply with cash flow hedging requirements that are reported in equity.

The functional currency of the Company's foreign subsidiaries is the official currency of the related country in which each subsidiary operates. Accordingly, at each reporting date all balance sheet accounts of the subsidiaries are translated to Euro using the exchange rate in effect at the balance sheet date. Revenues and expenses are translated at the weighted average rate of exchange prevailing during the reporting year/period. The accumulated difference resulting from such translation is recognized directly in consolidated equity until the disposal, write off or de-recognition of a subsidiary, when it is transferred to the consolidated income statement.

- (c) **Other Intangible Assets:** Other intangible assets include mining rights, licenses, concessions, software, trademarks and customer lists. Mining rights, licenses and concession include their acquisition cost as well as expenses relating to the extension or retention of the rights, less any accumulated amortization and impairment losses. Software represents acquisition cost reduced by the amount of accumulated amortization and possible impairment. Significant expenditures are capitalized if the software's performance is further enhanced than that of its initial specification. Trademarks and customer lists which were recognized through the process of purchase price allocation of Stollberg Group refer to notes 7 and 20. Mining rights, licenses and concessions are amortized based on the straight line method within their period of expiry (mainly 10-15 years). Software is amortized based on the straight line method over their estimated useful life which is set to three years. Customer list is amortized based on the straight line method over a period of ten years. Trademark is not amortized as it is considered to have an indefinite life. However, trademark is tested for impairment on an annual basis following the provisions of IAS 36 "Impairment of assets". Amortization of intangible assets is included in the income statement.
- (d) **Exploration and Appraisal Costs:** Costs that relate to the exploration and appraisal of new deposits are expensed as incurred.

- (e) **Mines:** Mines include the following:

**S&B INDUSTRIAL MINERALS S.A. GROUP OF COMPANIES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS**  
**DECEMBER 31, 2005**

(Amounts in EURO, unless otherwise stated)

**3. PRINCIPAL ACCOUNTING POLICIES (continued)**

- (i) **Mining Land:** Mining Land includes the acquisition cost of land acquired for the purpose of carrying out mining activities. Amortization of Mining Land is calculated on a straight-line basis over the shorter period between a period of twenty years and the useful life of a mine (estimated period for the commercial exploitation of the mine). Amortization of Mining Land is included in the cost of extraction which is allocated proportionately between cost of sales and ending inventories.
- (ii) **Mine Development Expenses:** The cost of mines, regarding deposits that were in commercial operation as at January 1, 2004, includes also stripping and waste removal activity expenses incurred throughout the operational life of a mine. Capitalization and amortization of mine development expenses is calculated based on the stripping ratio method. Amortization of capitalized mine development expenses is included in the cost of extraction.
- (iii) **Environment Rehabilitation Expenses:** Mines also include the present value of the expenses required to rehabilitate the mining land disturbed as a result of the mining activity performed to date and as stipulated in the prevailing environmental legislation. The relevant amount is accounted for in Mines by the establishment of an equivalent Provision for Environment Rehabilitation. Capitalization and amortization of environment rehabilitation expenses is accounted for at the level of individual mines and calculated based on the land disturbance of the broader area of interest. Amortization of the capitalized environment rehabilitation expenses is calculated from the time that a mine has entered its stage of commercial production and is calculated based on the Unit of Production method. Amortization of capitalized environment rehabilitation expenses is included in the cost of extraction.

The management of the Group believes that the level of the proven and licensed commercially exploitable reserves are adequate for sustaining its current level of operations for a significant period of time.

- (f) **Other tangible assets:** Other tangible assets (land, buildings, machinery and technical works, transportation means and furniture and fixtures) are stated at historic cost (deemed cost based on the provisions of IFRS 1 "First-time adoption of IFRS" note 2(c)), less accumulated depreciation and any accumulated impairment losses. Repairs and maintenance are charged to expenses as incurred. Major improvements are capitalized to the cost of the asset to which they relate when they appreciably extend the life, increase the earning capacity or improve the efficiency of property, plant and equipment. An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset, is included in the consolidated statement of income in the year the item is derecognized.

Depreciation is calculated on a straight-line basis over the average estimated useful economic life of the assets and is included in the income statement. The useful lives used are as follows:

<u>Class</u>	<u>Years</u>
Buildings	20 - 40
Building improvements	3 - 15
Heavy machinery	20 - 40
Other machinery and equipment	5 - 20
Heavy transportation equipment	15 - 33
Other transportation means	5 - 15
Furniture and fixtures	3 - 14

**S&B INDUSTRIAL MINERALS S.A. GROUP OF COMPANIES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS**  
**DECEMBER 31, 2005**

(Amounts in EURO, unless otherwise stated)

**3. PRINCIPAL ACCOUNTING POLICIES (continued)**

**(g) Investment properties:** Investment properties as at January 1, 2004 were stated at their fair value which was used as deemed cost under the provisions of IFRS 1 “First-time adoption of IFRS” – Note 2(c)). The appraisal was performed by independent valutors and the initial surplus resulted was charged to retained earnings at the transition date (January 1, 2004). As a result, investment properties are stated at historic cost (one of the acceptable methods of IAS 40 “Investment properties”) less accumulated depreciation and any accumulated impairment losses. Repairs and maintenance are charged to expenses as incurred. Subsequent expenditures are capitalized when they appreciably extend the life, increase the earning capacity or improve the efficiency of property, plant and equipment. An item of investment property is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset, is included in the consolidated statement of income in the year the item is derecognized.. Depreciation is calculated on a straight-line basis over the average estimated useful economic life of the properties (30 to 50 years) and is included in the income statement.

**(h) Goodwill:** As more fully described in Note 2 (c) above, goodwill on business combinations which occurred prior to the date of transition to IFRS, was accounted for based on the provisions of IFRS 1, “First Time Adoption of IFRS”. Goodwill on acquisitions subsequent to the date of transition to IFRS is initially measured at cost being the excess value of the cost of the business combination over the acquirer’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities assumed. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is not amortized, but it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. As at the acquisition date any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination’s synergies. Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognized. Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Goodwill resulting from acquisitions or business combinations has been allocated to the main cash generating units in group level. The cash generating units have been defined in accordance with the provisions of IAS 36 “Impairment of Assets”. The Group in order to decide whether an impairment of goodwill exists performed the related impairment tests in the cash generating units in which goodwill was allocated, and based on those tests no impairment issue occurred.

**(i) Investments in associates:** The Group’s investments in its associates are accounted for under the equity method of accounting. These are entities in which the Group has significant influence and which are neither a subsidiary nor a joint venture of the Group. The investments in associates are carried on the balance sheet at cost plus post-acquisition changes in the Group’s share of net assets of the associate, less possible provisions for any impairment in value. The statement of income reflects the Group’s share of the results of operations of the associates. Where there has been a change recognized directly to equity of the associate, the Group recognizes its share of any changes in the statement of changes in equity.

**S&B INDUSTRIAL MINERALS S.A. GROUP OF COMPANIES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS**  
**DECEMBER 31, 2005**

(Amounts in EURO, unless otherwise stated)

**3. PRINCIPAL ACCOUNTING POLICIES (continued)**

**(j) Impairment of Assets:**

**(i) Non financial assets:**

The Group at each balance sheet date examines whether there are indications of impairment for the non financial assets. With the exception of goodwill and the intangibles assets with an indefinite life which are tested for impairment on an annual basis, the carrying values of other non-current assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Whenever the carrying value of an asset exceeds its recoverable amount an impairment loss is recognized in the income statement. The recoverable amount is measured as the higher of net selling price and value in use. Net selling price is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, after deducting any direct incremental disposal costs, while value in use is the present value of estimated future cash flows expected to arise from continuing use of an asset and from its disposal at the end of its useful life. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

**(ii) Financial assets:**

At each reporting date the Group assesses any potential indicative factor regarding whether a financial asset or group of financial assets has been impaired.

The financial assets that are reviewed for impairment (provided that the relative indications exist) are assets stated at cost (investments in subsidiaries and associates in the separate balance sheet), assets measured at amortized cost (non current receivables) and available for sale investments. The recoverable amount of investments in subsidiaries and associates is determined similarly with the non-financial assets. The recoverable amount of the remaining financial assets is generally determined, for the purpose of performing the related impairment tests, based on the estimated future cash flows discounted either at the initial effective interest rate of the financial asset or the group of financial assets, or at the current market rate of return for a similar financial asset. The resulting impairment losses are recognized to the consolidated income statement.

**(k) Inventories:** Inventories include merchandise, finished and semi-finished products, raw and secondary materials, packaging materials and spare parts. Inventories are valued at the lower of cost or net realizable value. The cost of inventories reflects their purchase price plus any other costs necessary to bring them to their present location and condition and is determined using the weighted average method, with the exception of the cost of inventories of the Group's commercial activities which are determined using the specific identification method. Net realizable value for finished goods is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. The net realizable value for raw materials is the estimated replacement cost in the ordinary course of business. Provision for slow moving or obsolete inventories is made when necessary.

**S&B INDUSTRIAL MINERALS S.A. GROUP OF COMPANIES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS**  
**DECEMBER 31, 2005**

(Amounts in EURO, unless otherwise stated)

**3. PRINCIPAL ACCOUNTING POLICIES (continued)**

**(l) *Accounts Receivable:*** Short term receivables are presented in their nominal value, net of provisions for potential non collectible accounts, while long-term receivables (balances that deviate from the normal credit terms) are measured at amortized cost based on the effective interest rate method. The Group has established criteria for granting credit to customers which are generally based upon the size of the customer's operations and consideration of relevant financial data. When necessary the Group requires guarantees from its customers. At each balance sheet date all potentially uncollectible accounts are assessed individually for purposes of determining the appropriate allowance for doubtful accounts. The balance of such allowance for doubtful accounts is appropriately adjusted at each balance sheet date in order to reflect the possible risks. Any amount written-off with respect to customer account balances is charged against the existing allowance for doubtful accounts. It is the Group's policy not to write-off an account until all possible legal action has been exhausted..

**(m) *Investments and other (primary) financial assets:***

Financial assets (primary) in the scope of IAS 39 are classified based on their nature and their characteristics at the following four categories:

- financial assets at fair value through profit and loss,
- loans and receivables,
- held-to-maturity investments, and
- available-for-sale financial assets.

When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit and loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

**(i) Financial assets at fair value through profit and loss:**

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on investments held for trading are recognized in income.

**(ii) Loans and receivables:**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortized cost using the effective interest method. Gains and losses are recognized in income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

**(iii) Held-to-maturity investments:**

Primary financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Held-to-maturity investments are carried at amortized cost using the effective interest method. For investments carried at amortized cost, gains and losses are recognized in income when the investments are derecognized or impaired, as well as through the amortization process

**S&B INDUSTRIAL MINERALS S.A. GROUP OF COMPANIES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS**  
**DECEMBER 31, 2005**

(Amounts in EURO, unless otherwise stated)

**3. PRINCIPAL ACCOUNTING POLICIES (continued)**

(iv) Available-for-sale financial assets:

Available-for-sale financial assets (primary) are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition available-for-sale financial assets are measured at fair value with gains or losses being recognized as a separate component of equity. On disposal, impairment or derecognition of the investment, the cumulative gain or loss is transferred to the income statement.

The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; discounted cash flow analysis and option pricing models.

Based on prior GAAP (which the Group applied until December 31, 2004) other investments (except for investments in subsidiaries, affiliates and joint ventures, which would fall into this category of financial assets) need not be classified in the above mentioned groups, and thus are presented in the comparative 2004 balance sheet as "other investments" or "investments available for sale" and they were measured at the lower of cost or current value with the current value defined as follows:

- For the listed entities, the average market value during the last month of each reporting period,
- For non-listed entities, the portion of net equity attributable to the Group's percentage of ownership.

**(n) Derivative Financial Instruments and hedging:**

The Group uses derivative financial instruments such as forward currency contracts, interest rate swaps and cross currency swaps to hedge its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are measured at fair value at the balance sheet date. The fair value of such derivatives is determined by reference to market values for similar instruments and it is confirmed with the respective financial institutions.

The effective part of hedges that qualify for hedge accounting is recognized directly to equity if it is related to cash flow hedges while the non effective part is charged to the consolidated income statement. If the hedge is related to effective fair value hedges the related gains or losses are recognized to the consolidated income statement.

When the hedged firm commitment results in the recognition of an asset or a liability, then, at the time the asset or liability is recognized, the associated gains or losses that had previously been recognised in equity are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability. For all other cash flow hedges, the gains or losses that are recognized in equity are transferred to the income statement in the same year in which the hedged firm commitment affects the net profit and loss. For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to net profit or loss for the year.

**S&B INDUSTRIAL MINERALS S.A. GROUP OF COMPANIES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS**  
**DECEMBER 31, 2005**

(Amounts in EURO, unless otherwise stated)

**3. PRINCIPAL ACCOUNTING POLICIES (continued)**

Certain derivatives, although characterized as effective hedges based on Group policies, do not meet the criteria for hedge accounting in accordance with the provisions of IAS 39 and, therefore, gains or losses are recognized in the statements of income.

Based on previous GAAP, that were used for the accounting of similar instruments until December 31, 2004, derivatives are not recognized in the balance sheet until their settlement date in which the realized gains or losses are recognized in the statement of income

- (n) **Cash and cash equivalents:** The Group considers time deposits and other highly liquid investments with original maturity of three months or less, to be cash equivalents.
- (o) **Bank and Bond Loans:** Bank and bond loans are initially recognized at cost which reflects their fair value reduced by the loan arrangement expenses. After initial recognition, loans are valued at the unamortized cost based on the effective interest rate method. Gains and losses are recognized in the income statement when the liabilities are derecognized as well as through the amortization process.
- (p) **Borrowing costs:** Borrowing costs are recognized as an expense in the period in which they are incurred.
- (q) **Provisions and Contingencies:** Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle this obligation and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the present value of the expenditure expected to be required to settle the obligation. Regarding the provisions that are expected to be settled in the long term when the effect of time value of money is material, provisions are determined by discounting the expected future cash flows at a pretax rate that reflects current market assessments of the time value of money and, where appropriate the risks specific to the liability. Contingent liabilities are not recognized in the consolidated financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed when an inflow of economic benefits is probable.
- (r) **Reserve for Staff Leaving Indemnities:** Staff retirement obligations are calculated at the discounted value of the future retirement benefits deemed to have accrued at year-end, based on the employees earning retirement benefit rights steadily throughout the working period. Retirement obligations are calculated on the basis of financial and actuarial assumptions detailed in Note 31 and are determined using the projected unit credit actuarial valuation method. Net pension costs for the period are included in payroll in the accompanying consolidated statement of income and consist of the present value of benefits earned in the year, interest cost on the benefit obligation, past service cost, actuarial gains or losses recognized in the fiscal year and any additional pension charges. Past service costs are recognized on a straight-line basis over the average period until the benefits under the plan become vested. Unrecognized actuarial gains or losses that exceed 10% of the projected benefit obligation at the beginning of each period are recognized over the average remaining service period of active employees and included as a component of net pension cost for a year if, as of the beginning of the year. The retirement benefit obligations are not funded.
- (s) **Provision for Environment Rehabilitation:** The Group recognizes a provision for rehabilitation for land disturbed as a result of past mining activity and in line with the prevailing environmental legislation of each country in which it operates. The provision for environment rehabilitation reflects the present value of the obligation for environment rehabilitation as of the balance sheet date and is calculated based on the area of the land disturbed to date and the cost of rehabilitation per metric unit of land at the level of the broader area of interest. The provision is measured at every balance sheet date and is appropriately adjusted to reflect the present value of the expenses required to fulfill the obligation.

**S&B INDUSTRIAL MINERALS S.A. GROUP OF COMPANIES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS**  
**DECEMBER 31, 2005**

(Amounts in EURO, unless otherwise stated)

**3. PRINCIPAL ACCOUNTING POLICIES (continued)**

**(t) Income Taxes (Current and Deferred):**

**(i) Current Income Taxes**

Current income taxes are computed based on the separate financial statements of each of the entities included in the consolidated financial statements, in accordance with the tax rules in force in Greece or other tax jurisdictions in which foreign subsidiaries operate. Current income tax expense consists of income taxes for the current year based on each entity's profits as adjusted in its tax returns and, additional income taxes to cover potential tax assessments which are likely to occur from tax audits by the tax authorities, using the enacted or substantively enacted tax rates.

**(ii) Deferred Income Taxes**

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities. Deferred income tax liabilities are recognized for all taxable temporary differences:

- Except where the deferred income tax liability arises from initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carried forward of unused tax credits and unused tax losses, to the extent that it is possible that taxable profit will be available against the deductible temporary differences and the carried forward of unused tax credits and unused tax losses can be utilized.

- Except where the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future and there will be available taxable profit which will be used against temporary differences.

The deferred tax assets are reviewed at each balance sheet date and reduced at the time where it is not considered as possible that enough taxable profits will be presented against which, a part or the total of assets can be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

**S&B INDUSTRIAL MINERALS S.A. GROUP OF COMPANIES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS**  
**DECEMBER 31, 2005**

(Amounts in EURO, unless otherwise stated)

**3. PRINCIPAL ACCOUNTING POLICIES (continued)**

Income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of income.

- (u) **Government Grants:** Government grants which primarily relate to the subsidization of property, plant and equipment are recognized where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the consolidated statement of income over the expected useful life of the relevant asset by equal annual installments, against corresponding amortization expense. When the grant relates to an expense item, it is recognized against these expenses over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.
- (v) **Operating Leases:** Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the consolidated statement of income on the straight line basis over the lease term.
- (w) **Treasury Shares:** Treasury shares reflect shares of the Parent which are acquired and held by the Parent or its subsidiaries. Treasury shares are stated at cost, as a negative item in shareholders' equity. Any result upon acquisition, sale or cancellation is transferred directly to equity.
- (x) **Earnings per share:** Basic earnings per share are computed by dividing net income attributed to the Group's shareholders by the weighted average number of ordinary shares outstanding during each year, excluding any treasury shares outstanding during the year. Diluted earnings per share are computed by dividing net income attributed to the Group's shareholders (after deducting interest on the convertible redeemable preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.
- (y) **Revenue Recognition:** Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue from the sale of merchandise and finished products net of trade discounts and sales incentives, is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer and can be reliably measured. Revenue from rendering of services is recognized based on the stage of completion of the service rendered and to the extent that the related receivable will be collected. Revenue from interest is recognized within the period incurred and revenue from dividends is recognized when the Group's right on such dividends is approved by the respective bodies of the companies' that declare them.
- (z) **Share Based Payments:** The Group has established stock option plans for certain executive officers whose part of their remuneration is settled through stock or stock options. The cost of the respective transactions is measured at the fair value of the stock or stock options as of the date of the approval of the plans by the management. The fair value is measured through the application of the appropriate valuation model. The expense of the stock option plans is recognized during the period the requirements are gradually fulfilled and which ends at the date the executives participating in the plan have vested their rights of exercise/purchase of stock (vesting date). For options that are not vested, no expense is recognized except for the options whose vesting depends on the fulfillment of specific external market parameters. Options are considered to be vested when all the performance requirements have been fulfilled independent of the fulfillment of the external market parameters. In case of cancellation of any stock option plans, these are accounted for as if they were vested at the date of cancellation and the non-recognized expenses to date are immediately recognized in retained earnings. In case a cancelled stock option plan is substituted by a new one, it is treated as an amendment of the cancelled plan.

**S&B INDUSTRIAL MINERALS S.A. GROUP OF COMPANIES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS**  
**DECEMBER 31, 2005**

(Amounts in EURO, unless otherwise stated)

**3. PRINCIPAL ACCOUNTING POLICIES (continued)**

The Group voluntarily applied IFRS 2 “Share Based Payments”, as of January 1, 2004 and recognized all employee stock option plans (which were applicable on November 7, 2002) in its financial statements.

**(aa) Segment information:** The Group presents segment information on the basis of Industrial Minerals, Real Estate and Commercial Activities.

**(ab) New Standards and Interpretations:** Standards, interpretations and amendments to published standards that are not yet effective. Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group’s accounting periods beginning on or after 1 January 2006 or later periods but which the Group has not early adopted, as follows:

**IAS 19 (Amendment), Employee Benefits (effective from 1 January 2006):** This amendment introduces the option of an alternative recognition approach for actuarial gains and losses. It may impose additional recognition requirements for multi-employer plans where insufficient information is available to apply defined benefit accounting. It also adds new disclosure requirements. As the Group does not intend to change the accounting policy adopted for recognition of actuarial gains and losses and does not participate in any multi-employer plans, adoption of this amendment will only impact the format and extent of disclosures presented in the accounts. The Group will apply this amendment from annual periods beginning 1 January 2006.

**IAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast Intragroup Transactions (effective from 1 January 2006):** The amendment allows the foreign currency risk of a highly probable forecast intragroup transaction to qualify as a hedged item in the consolidated financial statements, provided that: (a) the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction; and (b) the foreign currency risk will affect consolidated profit or loss. This amendment is not relevant to the Group’s operations, as the Group does not have any intragroup transactions that would qualify as a hedged item in the consolidated financial statements as of 31 December 2005 and 2004.

- **IAS 39 (Amendment), The Fair Value Option (effective from 1 January 2006):** This amendment changes the definition of financial instruments classified at fair value through profit or loss and restricts the ability to designate financial instruments as part of this category. The Group believes that this amendment should not have a significant impact on the classification of financial instruments, as the Group should be able to comply with the amended criteria for the designation of financial instruments at fair value through profit and loss. The Group will apply this amendment from annual periods beginning 1 January 2006.
- **IAS 39 and IFRS 4 (Amendment), Financial Guarantee Contracts (effective from 1 January 2006):** This amendment requires issued financial guarantees, other than those previously asserted by the entity to be insurance contracts, to be initially recognised at their fair value and subsequently measured at the higher of: (a) the unamortised balance of the related fees received and deferred, and (b) the expenditure required to settle the commitment at the balance sheet date. Management considered this amendment to IAS 39 and concluded that it is not relevant to the Group.
- **IFRS 1 (Amendment), First-time Adoption of International Financial Reporting Standards and IFRS 6 (Amendment):** Exploration for and Evaluation of Mineral Resources (effective from 1 January 2006)<sup>1</sup>. These amendments are not relevant to the Group’s operations as the Group is not a first-time adopter of IFRS and does not carry out exploration for and evaluation of mineral resources.

**S&B INDUSTRIAL MINERALS S.A. GROUP OF COMPANIES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS**  
**DECEMBER 31, 2005**

(Amounts in EURO, unless otherwise stated)

**3. PRINCIPAL ACCOUNTING POLICIES (continued)**

- ***IFRS 6, Exploration for and Evaluation of Mineral Resources (effective from 1 January 2006)***: The Group does not expect any effect from the implementation of this Standard as its current accounting policies followed are in agreement with the provisions of this Standard.
- ***IFRS 7, Financial Instruments: Disclosures, and a complementary amendment to IAS 1, Presentation of Financial Statements – Capital Disclosures (effective from 1 January 2007)***: IFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and disclosure requirements in IAS 32, Financial Instruments: Disclosure and Presentation. It is applicable to all entities that report under IFRS. The amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The Group assessed the impact of IFRS 7 and the amendment to IAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and the capital disclosures required by the amendment of IAS 1. The Group will apply IFRS 7 and the amendment to IAS 1 from annual periods beginning 1 January 2007.
- ***IFRIC 3, Emission Rights***: IFRIC 3 has not been adopted by the EU and has subsequently been withdrawn by the IASB. IFRIC 5 is not relevant to the Group's operations.
- ***IFRIC 4, Determining whether an Arrangement contains a Lease (effective from 1 January 2006)***: IFRIC 4 requires the determination of whether an arrangement is or contains a lease to be based on the substance of the arrangement. It requires an assessment of whether: (a) fulfilment of the arrangement is dependent on the use of a specific asset or assets (the asset); and (b) the arrangement conveys a right to use the asset. Management is currently assessing the impact of IFRIC 4 on the Group's operations.
- ***IFRIC 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds (effective from 1 January 2006)***: IFRIC 5 is not relevant to the Group's operations.
- ***IFRIC 6, Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment (effective from 1 December 2005)***: IFRIC 6 is not relevant to the Group's operations.
- ***IFRIC 7, Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies (effective from 1 March 2006)***: IFRIC 7 is not relevant to the Group's operations.
- ***IFRIC 8, Scope of IFRS 2 (effective from 1 May 2006)***: IFRIC 8 is not relevant to the Group's operations.
- ***IFRIC 9, Reassessment of Embedded Derivatives (effective from 1 June 2006)***: IFRIC 9 is not relevant to the Group's operations.

**S&B INDUSTRIAL MINERALS S.A. GROUP OF COMPANIES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS**  
**DECEMBER 31, 2005**

(Amounts in EURO, unless otherwise stated)

**3. PRINCIPAL ACCOUNTING POLICIES (continued)**

*(ac) Effect of the Adoption of IFRS 39 “Financial Instruments: Recognition and Measurement”:* The Group making use of the exemption provided by IFRS 1 “First-time adoption of IFRS” adopted IFRS 39 “Financial instruments: recognition and measurement” effective January 1, 2005 and not from the date of transition to IFRS (January 1, 2004). From the adoption of this standard, the Group recognized on its financial statements as of December 31, 2005 the amounts of cross currency swaps, forwards and interest rate options (based on previous GAAP applied such items were recognized upon settlement) and the value of investments available for sale (based on previous GAAP were recognized as securities and long-term assets). The cumulative effect of the adoption of IAS 39 “Financial instruments: recognition and measurement” was charged to equity as of January 1, 2005 and is separately reflected in the accompanying movement of shareholders’ equity. The related effect on equity is mentioned in Note 33.

**4. RESTATEMENT OF PRIOR YEAR PUBLISHED BALANCES**

The parent and the Group decided to proceed to the correction of certain line items which relate to the transition balance sheet as at January 1, 2004 and the comparative financial statements for the year ended December 31, 2004, that had been reported in the interim quarterly financial statements of the year 2005. As mentioned above the accompanying financial statements comprise the first full set of financial statements prepared in accordance with IFRS. Above correction were accounted for retrospectively in the year to which they relate.

The cumulative effect of corrections which relate to periods prior to the transition date was recorded against the beginning equity as at January 1, 2004.

Consequently, the transition balance sheet as of January 1, 2004 the balance sheet as of December 31, 2004, as well as the net profit after taxes for the year then ended are presented restated in conjunction to those included in the previously reported interim financial statements. The effect of the above adjustments on the equity and the income statement are as follows:

	<b>Retained earnings December 31, 2004</b>	<b>Profit after Taxes 2004</b>	<b>Retained earnings January 1, 2004</b>
<b>Balances (as reported at 30/9/2005)</b>	<b>19.272.962,09</b>	<b>18.927.993,58</b>	<b>11.026.849,85</b>
Adjustments:			
- Share option expensed	(385.288,91)	(408.646,00)	23.357,09
- Additional staff retirement indemnities	(654.275,50)	(294.165,50)	(360.110,00)
- Settlement of withheld taxes on reserves	(228.975,60)	(3.887,08)	(225.088,52)
- Income tax provision on intercompany transaction	(433.150,00)	(433.150,00)	-
- Deferred taxes (including the above entries)	(3.188.582,06)	(510.761,37)	(2.677.820,19)
- Adjustment of goodwill	(347.119,46)	-	-
- Other	(276.440,17)	(179.856,16)	-
Total adjustments	(5.513.831,70)	(1.830.466,11)	(3.239.661,62)
<b>As adjusted</b>	<b><u>13.759.130,39</u></b>	<b><u>17.097.527,47</u></b>	<b><u>7.787.188,23</u></b>

**S&B INDUSTRIAL MINERALS S.A. GROUP OF COMPANIES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS**  
**DECEMBER 31, 2005**

(Amounts in EURO, unless otherwise stated)

**5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES**

The Group proceeds to judgments and estimates in order either to apply the most representative accounting methods and policies or in connection with the future development of transactions and events. Such judgments and estimates are periodically reviewed by management in order to reflect current condition and correspond to anticipation of current risks and are based on prior experience in conjunction to the volume / level of such transactions and events.

The principle judgments and estimates referring to events the development of which could significantly affect the items of the financial statements during the forthcoming twelve months period are as follows:

***Significant accounting judgments and related uncertainty:***

**(i) *Provision for Environment Rehabilitation***

The Group recognizes a provision for rehabilitation for land disturbed as a result of past mining activity and in line with the prevailing environmental legislation of each country in which it operates or the binding group practices. The provision for environment rehabilitation reflects the present value (based on appropriate discount interest rates) of the obligation for environment rehabilitation as of the balance sheet date and is calculated based on the area of the land disturbed to date and the cost of rehabilitation per metric unit of land at the level of the broader area of interest.

**(ii) *Provisions for income taxes***

Current income tax liabilities for the current and prior periods are measured at the amounts expected to be paid to the taxation authorities, using the tax rates that have been enacted by the balance sheet date. Provision for income taxes reported in the respective income tax returns and the potential additional tax assessments that may be imposed by the tax authorities upon settlement of the open tax years. Accordingly, the final settlement of the income taxes might differ from the income taxes that have been accounted for in the financial statements. Further details are provided in Note 36.

**(iii) *Goodwill and indefinite intangible assets impairment tests***

The Group determines whether goodwill and indefinite intangible assets are impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. More details are provided in Note 19.

**S&B INDUSTRIAL MINERALS S.A. GROUP OF COMPANIES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS**  
**DECEMBER 31, 2005**

(Amounts in EURO, unless otherwise stated)

**6. SUBSIDIARIES OF S&B INDUSTRIAL MINERALS SA**

The subsidiaries of S&B that are included in the consolidated financial statements are the following:

<b>Entity</b>	<b>Country</b>	<b>Field of activity</b>	<b>% Participation</b>	<b>Year Established / Acquired</b>
<b>EUROPE</b>				
Ergotrak Bulgaria Ltd	Bulgaria	Commercial	100,00%	2002
S&B Industrial Minerals AD	Bulgaria	Industrial Minerals	99,65%	2003
Motodynamics Ltd.	Bulgaria	Commercial	58,19%	1992
S&B Industrial Minerals S.A.R.L.	France	Industrial Minerals	100,00%	2001
Denain Anzin Metallurgie S.A.S.	France	Industrial Minerals	100,00%	2004
Ariseize S.A.	France	Holding	100,00%	1995
S&B Industrial Minerals GmbH	Germany	Industrial Minerals	100,00%	2001
S&B Holding GmbH	Germany	Holding	100,00%	1992
Otavi Minen AG	Germany	Holding	100,00%	2000
Orykton GmbH (**)	Germany	Industrial Minerals	50,00%	2005
Askana Ltd.	Germany	Industrial Minerals	97,70%	1998
Isocon A.E.	Greece	Industrial Minerals	60,00%	1996
Greek Helicon Bauxites S.A.	Greece	Industrial Minerals	100,00%	1995
Motodynamics S.A.	Greece	Commercial	58,19%	1993
Motodyktio S.A. (*)	Greece	Commercial	29,68%	2002
Motodyctio N.Greece S.A. (*)	Greece	Commercial	29,68%	2004
Motodynamics Insurance Agency SA	Greece	Commercial	58,39%	2003
Ergotrak S.A. Industrial Machinery & Equipment Trading Co SA	Greece	Commercial	100,00%	2000
Parnassos Insurance S.A.	Greece	Other Activities	59,00%	1981
Otavi Iberica S.L.u.	Spain	Industrial Minerals	100,00%	2000
Sarda Perlite S.r.l.	Italy	Industrial Minerals	61,00%	2001
Sibimin Overseas Ltd.	Cyprus	Industrial Minerals	99,99%	1996
S&B Industrial Minerals Kft	Hungary	Industrial Minerals	100,00%	2001
Motodynamics S.r.l.	Romania	Commercial	58,19%	1994
Ergotrak Yu Ltd	Serbia	Commercial	100,00%	2003
<b>AMERICA</b>				
S&B Industrial Minerals North America Inc.	USA	Industrial Minerals	100,00%	1999
Stollberg Inc	USA	Industrial Minerals	100,00%	2004
Stollberg do Brazil Ltda	Brazil	Industrial Minerals	100,00%	2004
<b>Asia</b>				
S&B Industrial Minerals (Henan) Co. Ltd.	China	Industrial Minerals	100,00%	1996
S&B Jilin Wollastonite Co Ltd.	China	Industrial Minerals	56,00%	2005
Saba Madencilik A.Ş	Turkey	Industrial Minerals	98,60%	1996
Pabalk Maden A.Ş	Turkey	Industrial Minerals	98,73%	1995
Stollberg India Pvt. Ltd	India	Industrial Minerals	100,00%	2004
<b>Africa</b>				
Naimex S.A.R.L.	Morocco	Industrial Minerals	100,00%	2003

(\*) Consolidated financial statements include two companies that the Group owns less than 50% of voting rights but has the control because the Parent Company owns 57,18% of their parent company, that owns 51,00% of the above two companies.

(\*\*) Orykton GmbH is consolidated under the proportionate consolidation method.

**S&B INDUSTRIAL MINERALS S.A. GROUP OF COMPANIES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS**  
**DECEMBER 31, 2005**

(Amounts in EURO, unless otherwise stated)

**6. SUBSIDIARIES OF S&B INDUSTRIAL MINERALS SA (continued)**

Minority interests in the accompanying balance sheets as at December 31, 2005 and 2004, per subsidiary, are analyzed as follows:

	<b>December 31 2005</b>	<b>December 31 2004</b>
Motodynamics Insurance Agency SA	6.423.613,32	1.562.461,08
Isocon A.E.	464.867,23	256.342,91
S&B Jilin Wollastonite Co Ltd.	612.182,16	-
Parnassos Insurance S.A.	56.861,03	62.746,05
S&B Industrial Minerals AD	34.715,18	267.874,69
Sibimin Overseas Ltd.	1.118,12	1.064,14
Saba Madencilik A.Ş.	7.327,11	4.332,15
Pabalk Maden A.Ş.	312,00	253,25
Askana Ltd.	2.667,03	4.827,24
S&B Industrial Minerals (Henan) Co. Ltd.	(264,08)	238,54
Sarda Perlite S.r.l.	286.504,22	416.832,14
	<b><u>7.889.903,32</u></b>	<b><u>2.576.972,19</u></b>

Minority interests in the accompanying income statements as at December 31, 2005 and 2004, per subsidiary, are analyzed as follows:

	<b>December 31 2005</b>	<b>December 31 2004</b>
Motodynamics Insurance Agency SA	959.983,56	477.166,76
Isocon A.E.	360.524,83	100.062,16
S&B Jilin Wollastonite Co Ltd.	(136.298,53)	-
Parnassos Insurance S.A.	2.615,78	6.213,91
S&B Industrial Minerals AD	3.644,82	28.403,55
Sibimin Overseas Ltd.	53,98	58,80
Saba Madencilik A.Ş.	1.018,98	-
Pabalk Maden A.Ş.	(23,99)	-
Askana Ltd.	(3.371,45)	(1.469,57)
S&B Industrial Minerals (Henan) Co. Ltd.	24,32	2,85
Sarda Perlite S.r.l.	(1.128,32)	90.600,18
	<b><u>1.187.043,98</u></b>	<b><u>701.038,64</u></b>

**7. BUSINESS COMBINATIONS**

On June 30, 2004 the Group acquired 100% of the shares and voting rights of Stollberg Group. Stollberg Group headquarters are located in Germany and has subsidiaries in the United States of America, Brazil, India, France, China and Korea mainly engaged in the processing of industrial minerals for the production of specialized products used at steel industry. Also the Group increased its interest stake in S&B Industrial Minerals AD by 2,48%, resulted in an additional goodwill of Euro 75.189,55. The acquisition of Stollberg Group was paid in cash. Since the acquisition date and through December 31, 2004 Stollberg Group had been fully consolidated in the Group's financial statements.

**S&B INDUSTRIAL MINERALS S.A. GROUP OF COMPANIES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS**  
**DECEMBER 31, 2005**

(Amounts in EURO, unless otherwise stated)

**7. BUSINESS COMBINATIONS (continued)**

If the combination had taken place on January 1, 2004, sales of the Group would have been increased by approximately Euro 31 million, consolidated profit before income taxes would have been increased by approximately Euro 2,8 million and net profit would have been increased by approximately Euro 1,7 million.

Included in goodwill recognized above is human resources know-how (as an intangible asset) which due to its nature could not be recognized separately and reliably evaluated. The fair value of the identifiable assets, liabilities and contingent liabilities of Stollberg Group, the purchase price allocation according to the provisions of IFRS 3 «Business Combinations» and the final determination of goodwill were concluded during June 2005, since the Group used the provisions of IFRS 3 «Business Combinations» regarding the finalization of the above values within twelve (12) months after the acquisition date.

During the purchase price allocation of Stollberg Group, S&B recognized as intangible assets in the accompanying consolidated balance sheet, trademarks and customer list based on appropriate valuation methods. Customer list is amortized on a straight line basis over 10 years. “Stollberg” is known as a trademark of high level quality products in the continuous casting steel industry and therefore, S&B attributed to it an indefinite useful life.

Any difference resulted was recognized retrospectively and the comparative figures as of December 31, 2004 were changed accordingly.

The fair values, the total consideration (cost) of acquisition and the resulting goodwill recognized are as follows:

	<b>Fair value on acquisition</b>	<b>Carrying value on acquisition</b>
Property, plant and equipment	26.691.768,70	17.244.345,90
Intangible assets	15.322.997,95	779.997,95
Goodwill (recognized before the acquisition)	-	6.020.896,99
Investments in associates	2.480.441,41	519.421,75
Deferred income tax assets	941.781,19	941.781,19
Inventories	5.803.795,26	5.803.795,26
Current assets	<u>18.059.305,59</u>	<u>18.059.305,59</u>
	<b><u>69.300.090,10</u></b>	<b><u>49.369.544,63</u></b>
Provisions	2.758.732,50	2.758.732,50
Deferred income tax liabilities	10.290.023,43	686.136,57
Non current liabilities	319.557,00	319.557,00
Current liabilities	<u>18.764.298,81</u>	<u>17.755.700,75</u>
	<b><u>32.042.611,74</u></b>	<b><u>21.520.126,82</u></b>
Fair value of net assets	<b><u>37.257.478,36</u></b>	
Total acquisition cost	<b><u>54.417.978,74</u></b>	
Goodwill	<b><u>17.160.500,38</u></b>	
<u>Analysis of total acquisition cost</u>		
Acquisition cost	43.772.000,00	
Direct acquisition and other expenses	2.214.612,75	
Short-term borrowings paid at the acquisition	<u>9.522.497,41</u>	
Net cash outflow (including expenses)	<b><u>55.509.110,16</u></b>	

**S&B INDUSTRIAL MINERALS S.A. GROUP OF COMPANIES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS**  
**DECEMBER 31, 2005**

(Amounts in EURO, unless otherwise stated)

**8. SALES**

Sales in the accompanying consolidated financial statements is analyzed as follows:

	<b>December 31 2005</b>	<b>December 31 2004</b>
Bentonite	128.586.619,40	119.123.761,30
Bauxite	49.749.324,66	46.265.000,00
Perlite	66.102.533,80	60.209.176,36
Other Minerals	26.892.731,97	31.183.162,82
Continuous casting fluxes	62.772.610,24	25.989.985,18
Minerals trading and development	84.608.459,82	89.568.812,03
Other Activities	1.122.867,97	875.433,10
	<b><u>419.835.147,86</u></b>	<b><u>373.215.330,79</u></b>

**9. COST OF SALES**

Cost of sales in the accompanying consolidated financial statements is analyzed as follows:

	<b>December 31 2005</b>	<b>December 31 2004</b>
Consumptions	165.131.761,06	150.504.934,59
Freights	59.069.254,67	48.854.881,23
Payroll	34.250.306,52	29.105.647,03
Depreciation	21.954.871,58	18.039.350,09
Utilities	16.784.655,73	12.878.958,51
Third Party Fees	13.571.210,55	10.758.111,87
Tax – Duties	873.344,98	759.996,96
Other Expenses	4.871.371,68	7.990.587,31
	<b><u>316.506.776,77</u></b>	<b><u>278.892.467,59</u></b>

**10. ADMINISTRATIVE EXPENSES**

Administrative expenses in the accompanying consolidated financial statements is analyzed as follows:

	<b>December 31 2005</b>	<b>December 31 2004</b>
Payroll	25.014.278,11	22.138.552,04
Utilities	5.569.986,84	5.644.865,16
Third Party Fees	5.672.879,48	4.638.032,49
Depreciation	3.710.207,46	3.798.533,71
Tax – Duties	1.110.636,24	1.166.302,25
Other Expenses	5.942.479,94	4.442.882,67
	<b><u>47.020.468,07</u></b>	<b><u>41.815.108,32</u></b>

**S&B INDUSTRIAL MINERALS S.A. GROUP OF COMPANIES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS**  
**DECEMBER 31, 2005**

(Amounts in EURO, unless otherwise stated)

**11. SELLING EXPENSES**

Selling expenses in the accompanying consolidated financial statements is analyzed as follows:

	<b>December 31 2005</b>	<b>December 31 2004</b>
Payroll	15.093.180,78	12.984.745,81
Third Party Fees	1.444.862,40	1.367.033,72
Utilities	2.966.605,56	3.016.194,48
Depreciation	1.383.050,98	898.100,69
Other Expenses	7.787.942,43	7.350.283,74
	<b><u>28.675.642,15</u></b>	<b><u>25.616.358,44</u></b>

**12. OTHER INCOME / (EXPENSE)**

Other income / (expense) in the accompanying consolidated financial statements is analyzed as follows:

	<b>December 31 2005</b>	<b>December 31 2004</b>
Participation of suppliers in promotional expenses	894.595,14	585.936,69
Income from delivery of goods	153.158,93	305.415,67
Income from machinery rental	418.902,87	763.363,93
Income from guarantees	567.239,29	1.675.450,93
Subsidies on expenditure	345.404,16	531.898,08
Income from commissions	514.002,08	24.378,90
Income from insurance claims	539.518,18	-
Gain from disposal of property, plant and equipment	170.102,65	388.889,97
Other	3.454.439,61	1.106.243,93
	<b><u>7.057.362,91</u></b>	<b><u>5.381.578,10</u></b>

**13. FINANCIAL INCOME**

Financial income in the accompanying consolidated financial statements is analyzed as follows:

	<b>December 31 2005</b>	<b>December 31 2004</b>
Interest income	582.209,16	488.391,25
Foreign exchange gains, net	1.809.074,27	1.090.828,80
Other	105.902,49	518.070,09
	<b><u>2.497.185,92</u></b>	<b><u>2.097.290,14</u></b>

**S&B INDUSTRIAL MINERALS S.A. GROUP OF COMPANIES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS**  
**DECEMBER 31, 2005**

(Amounts in EURO, unless otherwise stated)

**14. FINANCIAL EXPENSE**

Financial expense in the accompanying consolidated financial statements is analyzed as follows:

	<b>December 31 2005</b>	<b>December 31 2004</b>
Interest expense on long term loans and borrowings	4.682.092,00	2.063.554,73
Interest expense on short term borrowings	2.586.758,47	4.510.839,98
Bank charges	760.907,56	686.886,82
	<b><u>8.029.758,03</u></b>	<b><u>7.261.281,53</u></b>

**15. DEPRECIATION / AMORTIZATION**

Depreciation/amortization expense for the year ended December 31, 2005 and 2004 is as follows:

	<b>December 31 2005</b>	<b>December 31 2004</b>
Depreciation and amortization		
- Property, plant and equipment	24.091.019,94	20.993.002,00
- Intangible assets	2.937.177,82	1.871.793,85
- Investment property	412.924,65	427.296,59
<b>Total depreciation and amortization</b>	<b><u>27.441.122,41</u></b>	<b><u>23.292.092,44</u></b>
Less: depreciation and amortization capitalized	(392.992,39)	(556.107,95)
<b>Depreciation and amortization expensed</b>	<b><u>27.048.130,02</u></b>	<b><u>22.735.984,49</u></b>

**16. PAYROLL COST**

Payroll cost for the year ended December 31, 2005 and 2004 is as follows:

	<b>December 31 2005</b>	<b>December 31 2004</b>
Payroll cost	76.222.312,30	66.691.699,31
Less: payroll cost capitalized	(1.864.546,89)	(2.462.754,42)
<b>Payroll cost expensed</b>	<b><u>74.357.765,41</u></b>	<b><u>64.228.944,89</u></b>

The above payroll cost is analyzed as follows:

	<b>December 31 2005</b>	<b>December 31 2004</b>
Wages and salaries	58.967.036,01	50.940.700,44
Social security costs	10.644.846,42	9.188.833,25
Other staff costs	4.348.236,02	3.749.930,67
Additional staff retirement indemnities	397.646,96	349.480,53
	<b><u>74.357.765,41</u></b>	<b><u>64.228.944,89</u></b>

**S&B INDUSTRIAL MINERALS S.A. GROUP OF COMPANIES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS**  
**DECEMBER 31, 2005**

(Amounts in EURO, unless otherwise stated)

**17. PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment in the accompanying consolidated financial statements is analyzed as follows:

	Quarries – Mines and Land	Buildings	Machinery	Transportation Means	Furniture and Fixtures	Construction in Progress	TOTAL
<b>Cost</b>							
<b>December 31, 2003</b>	<b>46.317.074,81</b>	<b>56.883.620,20</b>	<b>98.641.506,59</b>	<b>12.735.524,03</b>	<b>16.037.223,16</b>	<b>7.014.936,38</b>	<b>237.629.885,17</b>
Additions	12.847.391,34	2.453.912,89	7.332.410,09	1.976.330,19	1.043.368,20	3.199.979,78	28.853.392,49
Disposals	(131.500,55)	(257.153,71)	(767.346,07)	(809.694,75)	(1.329.441,01)	-	(3.295.136,09)
Group acquisition	2.047.850,32	14.326.148,92	8.950.350,27	9.473,58	1.083.682,24	274.263,35	26.691.768,68
Exchange Difference	(21.126,70)	(366.584,89)	(372.786,70)	(5.011,42)	(42.860,68)	(326.020,06)	(1.134.390,45)
Transfers	(154.218,71)	3.046.853,48	2.698.348,29	(480,46)	312.311,88	(5.982.806,59)	(79.992,11)
<b>December 31, 2004</b>	<b>60.905.470,51</b>	<b>76.086.796,89</b>	<b>116.482.482,47</b>	<b>13.906.141,17</b>	<b>17.104.283,79</b>	<b>4.180.352,86</b>	<b>288.665.527,69</b>
Additions	7.986.933,86	1.211.228,24	3.771.700,93	705.949,22	1.851.317,29	3.481.471,97	19.008.601,51
Disposals	-	-	(200.098,20)	(350.156,89)	(192.381,50)	-	(742.636,59)
Exchange Difference	37.081,78	2.315.115,93	2.031.639,14	132.872,42	272.404,62	66.707,34	4.855.821,23
Transfers	722.705,58	1.622.210,16	4.194.338,75	139.873,73	162.203,70	(6.276.478,65)	564.853,27
<b>December 31, 2005</b>	<b>69.652.191,73</b>	<b>81.235.351,22</b>	<b>126.280.063,09</b>	<b>14.534.679,65</b>	<b>19.197.827,90</b>	<b>1.452.053,52</b>	<b>312.352.167,11</b>
<b>Accumulated depreciation</b>							
<b>December 31, 2003</b>	<b>10.699.005,28</b>	<b>20.721.795,92</b>	<b>55.709.732,09</b>	<b>7.407.772,20</b>	<b>12.923.949,70</b>	-	<b>107.462.255,19</b>
Depreciation expense	8.025.595,98	2.723.200,04	7.814.579,84	1.280.947,17	1.367.249,98	-	21.211.573,01
Disposals	(342,01)	(45.444,00)	(247.258,51)	(187.208,20)	(1.037.171,40)	-	(1.517.424,12)
Group acquisition	-	-	-	-	-	-	-
Exchange Difference	(507,69)	(53.595,11)	(153.673,90)	(1.686,98)	(22.169,75)	-	(231.633,43)
<b>December 31, 2004</b>	<b>18.723.751,56</b>	<b>23.345.956,85</b>	<b>63.123.379,52</b>	<b>8.499.824,19</b>	<b>13.231.858,53</b>	-	<b>126.924.770,65</b>
Depreciation expense	9.735.723,32	2.997.525,70	8.592.526,50	882.888,67	1.882.355,75	-	24.091.019,94
Disposals	-	-	(44.876,42)	(53.530,56)	(162.228,59)	-	(260.635,57)
Exchange Difference	7.801,91	278.072,02	551.594,99	45.486,13	105.356,92	-	988.311,97
<b>December 31, 2005</b>	<b>28.467.276,79</b>	<b>26.621.554,57</b>	<b>72.222.624,59</b>	<b>9.374.668,43</b>	<b>15.057.342,61</b>	-	<b>151.743.466,99</b>
<b>Net Book Value</b>							
<b>December 31, 2003</b>	<b>35.618.069,53</b>	<b>36.161.824,28</b>	<b>42.931.774,50</b>	<b>5.327.751,83</b>	<b>3.113.273,46</b>	<b>7.014.936,38</b>	<b>130.167.629,98</b>
<b>December 31, 2004</b>	<b>42.181.718,95</b>	<b>52.740.840,04</b>	<b>53.359.102,95</b>	<b>5.406.316,98</b>	<b>3.872.425,26</b>	<b>4.180.352,86</b>	<b>161.740.757,04</b>
<b>December 31, 2005</b>	<b>41.184.914,94</b>	<b>54.613.796,65</b>	<b>54.057.438,50</b>	<b>5.160.011,22</b>	<b>4.140.485,29</b>	<b>1.452.053,52</b>	<b>160.608.700,12</b>

**Statutory revaluation of land and buildings:** In accordance with Greek tax legislation, (Law2065/92), land and buildings are revalued every four years based on non industry specific indices that were announced through respective Ministerial Decisions. The Group management believes that the net book value as of January 1, 2004 that was presented in the financial statements according to previous GAAP meet the requirements of deemed cost as it is defined by IFRS 1 and used the above net book values at the transition balance sheet. It is noted that the depreciation rates were changed since the transition date in order to comply with estimated useful life of the related assets.

**S&B INDUSTRIAL MINERALS S.A. GROUP OF COMPANIES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS**  
**DECEMBER 31, 2005**

(Amounts in EURO, unless otherwise stated)

**18. INVESTMENT PROPERTY**

Investment property in the accompanying consolidated financial statements is analyzed as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<b><u>Cost</u></b>			
<b>December 31, 2003</b>	<u>14.922.418,32</u>	<u>16.026.935,54</u>	<u>30.949.353,86</u>
Additions	-	14.762,00	14.762,00
Disposals	-	(444.444,44)	(444.444,44)
<b>December 31, 2004</b>	<u>14.922.418,32</u>	<u>15.597.253,10</u>	<u>30.519.671,42</u>
Additions	-	-	-
<b>December 31, 2005</b>	<u>14.922.418,32</u>	<u>15.597.253,10</u>	<u>30.519.671,42</u>
<b><u>Accumulated depreciation</u></b>			
<b>December 31, 2003</b>	-	<u>5.582.691,05</u>	<u>5.582.691,05</u>
Additions	-	427.296,59	427.296,59
Disposals	-	(59.517,61)	(59.517,61)
<b>December 31, 2004</b>	-	<u>5.950.470,03</u>	<u>5.950.470,03</u>
Additions	-	412.924,65	412.924,65
<b>December 31, 2005</b>	-	<u>6.363.394,68</u>	<u>6.363.394,68</u>
<b><u>Net Book Value</u></b>			
<b>December 31, 2003</b>	<u>14.922.418,32</u>	<u>10.444.244,49</u>	<u>25.366.662,81</u>
<b>December 31, 2004</b>	<u>14.922.418,32</u>	<u>9.646.783,07</u>	<u>24.569.201,39</u>
<b>December 31, 2005</b>	<u>14.922.418,32</u>	<u>9.233.858,42</u>	<u>24.156.276,74</u>

**Use of fair value as deemed cost:** Within 2004, the Group engaged an independent firm of appraisers to conduct a valuation of investment property as of January 1, 2004 (IFRS transition date). The valuation was performed by applying various appropriate valuation techniques depending on the nature and usage of the valued items. The main valuation techniques used were the market approach for land and the market approach and/or income approach for the urban buildings.

In addition, the appraisers provided the economic useful lives of the items of property, plant and equipment from the date of acquisition or construction, which are set forth in Note 3. Depreciation in the accompanying consolidated statement of income has been determined after abstracting from the economic useful life of each fixed asset the years elapsed from the date of acquisition or construction through to the IFRS transition date.

The Group used the fair values determined as above in its transitory IFRS balance sheet as deemed cost based on the exemption provided by IFRS 1.

The aggregate adjustments to the respective carrying amounts reported under previous GAAP, by category of fixed assets, are as follows:

	<b>January 1, 2004</b>
Land	<u>9.657.833,58</u>
Buildings	<u>2.600.407,36</u>
<b>Total</b>	<u><b>12.258.240,94</b></u>

**S&B INDUSTRIAL MINERALS S.A. GROUP OF COMPANIES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS**  
**DECEMBER 31, 2005**

(Amounts in EURO, unless otherwise stated)

**18. INVESTMENT PROPERTY (continued)**

On December 31, 2005 the fair value of the Group's investment property amounted to Euro 24,6 million which was determined based on the data referred to above.

**19. GOODWILL**

Goodwill in the accompanying consolidated financial statements is analyzed per cash generating unit as follows:

	<u>Bentonite Division</u>	<u>Perlite Division</u>	<u>Fluxes Division</u>	<u>Total</u>
<b>Balance January 1, 2004</b>	<b>46.936.689,10</b>	<b>9.816.295,17</b>	-	<b>56.752.984,27</b>
Additions		-	17.160.500,38	17.160.500,38
Exchange Difference	-	-	(475.618,12)	(475.618,12)
<b>Balance December 31, 2004</b>	<b>46.936.689,10</b>	<b>9.816.295,17</b>	<b>16.684.882,26</b>	<b>73.437.866,53</b>
Additions	75.189,95	-	-	75.189,95
Exchange Difference	-	-	609.716,85	609.716,85
<b>Balance December 31, 2005</b>	<b>47.011.879,05</b>	<b>9.816.295,17</b>	<b>17.294.599,11</b>	<b>74.122.773,33</b>

**Impairment testing of indefinite lived goodwill and patents:** Goodwill acquired through business combinations and trademarks has been allocated to the following individual cash-generating units ("Divisions") for impairment testing as follows:

- Bentonite Division
- Perlite Division
- Continuous Casting Fluxes Division

The balance of trademarks as at December 31, 2005 and 2004 amounted to Euro 5.826 thousand and it is wholly related to Fluxes Division. The recoverable amount of the three different Cash Generating Units ("Divisions") has been determined based on a value in use calculation, using cash flow projections based on the Divisions' business plans approved by senior management, covering a five-year period.

The discount rate applied to cash flow projections is 6.5% (2004: 6.7%) and cash flows beyond the 5-year period are extrapolated using a 2% growth rate for the Bentonite and Perlite Divisions (2004: 2%) and a 1% growth rate for the Fluxes Division (Stollberg) (2004: 2%). The minimum average long-term growth rate for the industrial minerals market is approximately 2%; however senior management expects a lower growth rate in the Fluxes Division, due to the stability in the steel industry. The impairment tests performed as at December 31, 2005 related the above goodwill did not result in any impairment losses.

***Key assumptions used in value in use calculation in Bentonite, Perlite and Fluxes Divisions for 31 December 2005 and 31 December 2004:*** The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill and trademarks (brief description):

- ***Risk-free return:*** The risk-free return used in the calculation of cost of capital is the yield on a ten-year Greek government bond at the end of 2005.

**S&B INDUSTRIAL MINERALS S.A. GROUP OF COMPANIES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS**  
**DECEMBER 31, 2005**

(Amounts in EURO, unless otherwise stated)

**19. GOODWILL (continued)**

- **Budgeted margins:** The basis used to determine the value assigned to the budgeted gross operating and EBITDA margins have been determined based on the average actual margins achieved in the last five years, adjusted for expected efficiency improvements.
- **Raw materials price inflation:** The basis used to determine the value assigned to the raw materials price inflation is the forecast price indices during the period of the plan for Greece, Europe and the United States where raw materials are mainly sourced from.

Key assumptions used are consistent with independent external source of information.

**20. INTANGIBLE ASSETS**

Intangible assets in the accompanying consolidated financial statements is analyzed as follows:

	<u>Software</u>	<u>Concessions and licenses</u>	<u>Trademarks</u>	<u>Customer list</u>	<u>Total</u>
<b>Cost</b>					
<b>December 31, 2003</b>	<b>5.052.872,52</b>	<b>1.345.733,89</b>	-	-	<b>6.398.606,41</b>
Additions	151.099,91	822.586,36	-	-	973.686,27
Disposals	(17.726,88)	-	-	-	(17.726,88)
Group Acquisition	12.344,88	767.653,79	5.826.000,00	8.717.000,00	15.322.998,67
Exchange Difference	-	(99.211,13)	-	-	(99.211,13)
Transfers	79.992,11	-	-	-	79.992,11
<b>December 31, 2004</b>	<b>5.278.582,54</b>	<b>2.836.762,91</b>	<b>5.826.000,00</b>	<b>8.717.000,00</b>	<b>22.658.345,45</b>
Additions	546.749,01	1.819.688,41	-	-	2.366.437,42
Disposals	(32.234,37)	-	-	-	(32.234,37)
Exchange Difference	13.450,27	181.052,73	-	-	194.503,00
Transfers	105.760,55	(670.613,82)	-	-	(564.853,27)
<b>December 31, 2005</b>	<b>5.912.308,00</b>	<b>4.166.890,23</b>	<b>5.826.000,00</b>	<b>8.717.000,00</b>	<b>24.622.198,23</b>
<b>Accumulated depreciation</b>					
<b>December 31, 2003</b>	<b>1.931.509,13</b>	<b>945.963,61</b>	-	-	<b>2.877.472,74</b>
Additions	742.032,06	475.340,78	-	435.850,00	1.653.222,84
Disposals	(10.157,41)	-	-	-	(10.157,41)
Group Acquisition	-	-	-	-	-
<b>December 31, 2004</b>	<b>2.663.383,78</b>	<b>1.421.304,39</b>	-	<b>435.850,00</b>	<b>4.520.538,17</b>
Additions	1.004.921,29	1.060.556,53	-	871.700,00	2.937.177,82
Disposals	(15.606,10)	-	-	-	(15.606,10)
Exchange Difference	40.841,30	102.520,88	-	-	143.362,18
<b>December 31, 2005</b>	<b>3.693.540,27</b>	<b>2.584.381,80</b>	-	<b>1.307.550,00</b>	<b>7.585.472,07</b>
<b>Net Book Value</b>					
<b>December 31, 2003</b>	<b>3.121.363,39</b>	<b>399.770,28</b>	-	-	<b>3.521.133,67</b>
<b>December 31, 2004</b>	<b>2.615.198,76</b>	<b>1.415.458,52</b>	<b>5.826.000,00</b>	<b>8.281.150,00</b>	<b>18.137.807,28</b>
<b>December 31, 2005</b>	<b>2.218.767,73</b>	<b>1.582.508,43</b>	<b>5.826.000,00</b>	<b>7.409.450,00</b>	<b>17.036.726,16</b>

**S&B INDUSTRIAL MINERALS S.A. GROUP OF COMPANIES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS**  
**DECEMBER 31, 2005**

(Amounts in EURO, unless otherwise stated)

**21. INVESTMENTS IN ASSOCIATES**

Investments in associates in the accompanying consolidated financial statements is analyzed as follows:

	<b>December 31, 2005</b>	<b>December 31, 2004</b>
A.B.G. Kalyftaki S.A.	-	1.302.112,82
Laviosa Promasa S.A.	552.953,96	491.358,77
Laviosa Chimica Mineraria S.p.A.	6.020.703,70	5.704.705,61
Bentec S.p.A.	450.345,31	437.967,56
Xinyang- Athenian Mining Co	351.789,23	354.761,74
SLS Baustoffe GmbH	214.007,95	229.496,11
Harmin (Liaoning) Mining Co Ltd.	1.709.154,77	-
Stollberg & Samil Co. Ltd.	3.341.763,67	2.580.122,41
	<b><u>12.640.718,59</u></b>	<b><u>11.100.525,02</u></b>

The following table provides additional information for the above associates:

<b>Company</b>	<b>Country</b>	<b>Field of Activity</b>	<b>% Participation</b>	<b>Year Established / Acquired</b>
Laviosa Promasa S.A.	Spain	Industrial Minerals	29,52%	1997
Laviosa Chimica Mineraria S.p.A.	Italy	Industrial Minerals	35,00%	1997
Bentec S.p.A.	Italy	Industrial Minerals	49,95%	1999
Xinyang- Athenian Mining Co Ltd. (XAMCO)	China	Industrial Minerals	25,00%	1996
SLS Baustoffe GmbH	Germany	Industrial Minerals	49,80%	1995
Harmin (Liaoning) Mining Co Ltd.	China	Industrial Minerals	33,33%	2005
Stollberg & Samil Co. Ltd.	Korea	Industrial Minerals	50,00%	2004

On December 15, 2005 S&B proceeded in the sale of its investment (45% interest stake) in the associate A.B.G. Kalyftaki S.A. for a consideration of Euro 7.785.000,00. The resulting gain of Euro 6.554.916,37 was included in the current year's consolidated income statement. The Group owns 50% of Stollberg & Samil Co. Ltd. but it is noted that the shareholders have agreed that the management of the company is assigned to the other shareholder.

During the year ended December 31, 2005 the amount of dividends distributed by the associates was Euro 681.877,05 (the share of the Group) which was fully received on the above date. The above amounts were accounted for as a decrease of the investments in associates.

**S&B INDUSTRIAL MINERALS S.A. GROUP OF COMPANIES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS**  
**DECEMBER 31, 2005**

(Amounts in EURO, unless otherwise stated)

**21. INVESTMENTS IN ASSOCIATES (continued)**

The following table provides condensed information of the associate' s balance sheets. (in thousand Euro)

<b>Associate</b>	<b>December 31, 2005</b>		
	<b>Assets</b>	<b>Liabilities</b>	<b>Net assets</b>
Laviosa Promasa S.A.	7.217,56	4.480,17	2.737,39
Laviosa Chimica Mineraria S.p.A.	47.132,22	30.605,06	16.527,16
Bentec S.p.A.	5.258,98	3.300,90	1.958,08
Xinyang - Athenian Mining Co	1.754,84	34,08	1.720,76
Harmin (Liaoning) Mining Co Ltd.	558,18	128,45	429,73
SLS Baustoffe GmbH	6.981,91	-	6.981,91
Stollberg & Samil Co. Ltd.	10.507,22	3.834,35	6.672,87
	<b>79.410,91</b>	<b>42.383,01</b>	<b>37.027,90</b>

  

<b>Associate</b>	<b>December 31, 2004</b>		
	<b>Assets</b>	<b>Liabilities</b>	<b>Net assets</b>
A.B.G. Kalyftaki S.A	24.501,58	21.608,00	2.893,58
Laviosa Promasa S.A.	7.271,59	4.827,01	2.444,58
Laviosa Chimica Mineraria S.p.A.	44.801,17	28.502,00	16.299,17
Bentec S.p.A.	4.807,22	2.903,00	1.904,22
Xinyang - Athenian Mining Co	5.964,20	4.545,02	1.419,18
SLS Baustoffe GmbH	551,82	90,98	460,84
Stollberg & Samil Co. Ltd.	8.695,24	3.535,00	5.160,24
	<b>96.592,82</b>	<b>66.011,01</b>	<b>30.581,81</b>

Revenues of the above associates amount to Euro 65.917 thousand and Euro 61.854 thousand, for the year ended December 31, 2005 and 2004, respectively. The share of profit before income tax from the associated accounted for using the equity method amounts to Euro 4.836 and Euro 3.954, while the share of tax of the associates amount to Euro 1.670.425,81 and Euro 666.405,88 for the year ended December 31, 2005 and 2004, respectively. It is noted that no guarantees have been provided to the associates.

**22. INVENTORIES**

Inventories in the accompanying consolidated financial statements is analyzed as follows:

	<b>December 31, 2005</b>	<b>December 31, 2004</b>
Bentonite	23.063.954,50	24.485.920,55
Perlite	7.492.821,68	8.290.223,63
Bauxite	9.299.549,39	9.692.896,79
Other Minerals	7.902.264,19	7.110.863,10
Continuous casting fluxes	6.180.910,55	5.561.900,71
Trading minerals and development	25.289.746,15	11.468.670,22
Consumables and spare parts	6.828.080,39	2.404.452,71
	<b>86.057.326,85</b>	<b>69.014.927,71</b>
Less: provision for slow moving inventory	(1.564.902,47)	(1.574.809,00)
	<b>84.492.424,38</b>	<b>67.440.118,71</b>

**S&B INDUSTRIAL MINERALS S.A. GROUP OF COMPANIES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS**  
**DECEMBER 31, 2005**

(Amounts in EURO, unless otherwise stated)

**22. INVENTORIES (continued)**

Provision for slow moving inventories is as follows:

	<b>December 31, 2005</b>	<b>December 31, 2004</b>
<b>Beginning balance</b>	<b>1.574.809,00</b>	<b>1.195.860,00</b>
Additions	659.751,29	378.949,00
Provision used	(727.244,90)	-
Exchange difference	57.587,08	-
<b>Ending balance</b>	<b>1.564.902,47</b>	<b>1.574.809,00</b>

The above provision for slow moving inventories relates mainly to the consumables and spare parts.

**23. TRADE ACCOUNTS RECEIVABLES**

Trade accounts receivable in the accompanying consolidated financial statements is analyzed as follows:

	<b>December 31, 2005</b>	<b>December 31, 2004</b>
Trade receivables	60.477.459,65	47.654.838,50
Post-dated cheques and notes receivable	12.353.875,04	13.611.888,49
	<b>72.831.334,69</b>	<b>61.266.726,99</b>
Less: allowance for bad debt receivables	(3.954.046,14)	(4.409.952,00)
	<b>68.877.288,55</b>	<b>56.856.774,99</b>

Allowance for bad debts is provided for specific balances receivable that the management considers as bad debts.

The movement of bad debts allowance is as follows:

	<b>December 31, 2005</b>	<b>December 31, 2004</b>
<b>Beginning balance</b>	<b>4.409.952,00</b>	<b>3.661.321,00</b>
Additions	58.769,12	748.631,00
Provision used	(551.635,09)	-
Exchange difference	36.960,11	-
<b>Ending balance</b>	<b>3.954.046,14</b>	<b>4.409.952,00</b>

**S&B INDUSTRIAL MINERALS S.A. GROUP OF COMPANIES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS**  
**DECEMBER 31, 2005**

(Amounts in EURO, unless otherwise stated)

**24. OTHER CURRENT ASSETS**

Other current assets in the accompanying consolidated financial statements is analyzed as follows:

	<b>December 31, 2005</b>	<b>December 31, 2004</b>
VAT receivable	11.025.404,13	7.459.816,13
Advances and prepayments	3.603.223,46	5.513.453,90
Deferred revenues	1.482.866,35	1.997.521,00
Receivables from Insurance Companies	-	407.990,00
Prepaid expenses	824.844,16	-
Other Assets	2.439.359,16	2.955.901,18
	<b><u>19.375.697,26</u></b>	<b><u>18.334.682,21</u></b>

**25. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents in the accompanying consolidated financial statements is analyzed as follows:

	<b>December 31, 2005</b>	<b>December 31, 2004</b>
Time Deposits	375.036,92	532.862,45
Sight Deposits	14.257.824,90	7.813.660,58
Cash	28.274.073,09	1.121.324,14
	<b><u>42.906.934,91</u></b>	<b><u>9.467.847,17</u></b>

The composition of cash and cash equivalents per currency is as follows (all amounts are expressed in Euros):

	<b>December 31 2005</b>	<b>December 31 2004</b>
- Euro	35.341.197,45	7.205.116,61
- Other currencies	7.565.737,46	2.262.730,56
	<b><u>42.906.934,91</u></b>	<b><u>9.467.847,17</u></b>

Interest income for the year ended December 31, 2005 and 2004 amounts to Euro 570.434,53 and Euro 481.616,46 respectively.

**26. SHARE CAPITAL**

At January 1, 2004 the parent company's share capital amounted to Euro 30.151.190,00 comprised of 30.151.190 common shares of Euro1,00 par value each.

At December 30, 2004 the Board of Directors of the parent company, decided the issuance of 2.940 new common shares of Euro 1,00 par value each, that were acquired by executives of the parent company as stock option. Stock option was approved by the regular General Assembly of the parent company.

**S&B INDUSTRIAL MINERALS S.A. GROUP OF COMPANIES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS**  
**DECEMBER 31, 2005**

(Amounts in EURO, unless otherwise stated)

**26. SHARE CAPITAL (continued)**

As a result, at December 31, 2004 the share capital of the parent company amounted to Euro 30.154.130,00 comprised of 30.154.130 common shares of Euro 1,00 par value each.

The regular General Assembly of the parent company at June 22, 2005, decided:

- Share capital increase through the increase of shares par value by Euro 0,18. The above increase (Euro 5.427.743,40) was transferred from the balance of «Share premium»,
- Share capital decrease through the decrease of shares par value by Euro 0,18 and pay back to the shareholders the amount of Euro 5.427.743,40, and,
- Share capital increase by Euro 70.700,00 by issuing 70.700 new common shares of Euro 1,00 par value each, through capitalization of undistributed profits that will be distributed to S&B executives after the approval of administrative authorities.

The above amounts and the related approvals were provided in July 11, 2005.

At December 12, 2005, the Board of Directors of the parent company decided the issuance of 156.940 new common shares of Euro 1,00 par value each, that were acquired by executives of the parent company as stock option. Stock option was approved by the regular General Assembly of the parent company, and the share capital increase was realized on December 21, 2005.

Consequently, at December 31, 2005 the share capital of the parent company amounted to Euro 30.381.770,00 comprised of 30.381.770 common shares of Euro 1,00 par value each.

The parent company December 31, 2004 owned 690.820 treasury shares that amounted to Euro 4.768.558,40, that were presented as a decrease of equity. At May 16, 2005 treasury shares were sold by the parent company and as a result loss of Euro 899.966,40 was recognized directly to retained earnings.

The weighted average number of shares for the year ended on December 31, 2005 and 2004 is as follows:

	<b>December 31, 2005</b>	<b>December 31, 2004</b>
Number of shares at year end	<b>30.381.770</b>	<b>30.154.130</b>
<b>Effect to the weighted number of shares from:</b>		
Exercised stock option plan	(145.761)	(2.731)
Distribution of shares to personnel	(22.469)	-
Less: treasury shares	(257.401)	(690.820)
<b>Basic Weighted Average Number of Shares in the year</b>	<b>29.956.139</b>	<b>29.460.579</b>
Stock Option Plan potentially exercised	44.491	5.401
<b>Diluted Weighted Average Number of Shares in the year</b>	<b>30.000.630</b>	<b>29.465.980</b>

**Shares granted to certain Senior Executives at no consideration**

The Board of Directors on May 5, 2005 decided and the Annual General Meeting held on June 22, 2005 approved the increase of the Parent Company's share capital by 70.700 shares through capitalization of retained earnings in order that such shares are distributed to S&B Senior Executives, at no consideration, as part of their 2004 performance bonus (at a bonus equivalent of Euro 408.646,00). As the related service was received by S&B in 2004, the bonus equivalent was expensed in 2004 with an equivalent credit in accruals.

**S&B INDUSTRIAL MINERALS S.A. GROUP OF COMPANIES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS**  
**DECEMBER 31, 2005**

(Amounts in EURO, unless otherwise stated)

**26. SHARE CAPITAL (continued)**

Upon receipt of the shares by the above executives on July 20, 2005, the accrual was transferred to a special reserve in shareholders' investment.

**27. SHARE OPTION PLAN FOR MEMBERS OF THE BOARD OF DIRECTORS AND SENIOR EXECUTIVES**

Share options are granted to members of the Board of Directors and certain executives of the S&B group. The total number of options awarded is approved by the Annual General Meeting. The number of options awarded per individual is decided by the Board of Directors within the limits specified by the Stock Option Plans. All plans have common provisions, the main being the following:

- Eligible individuals must have completed at least one year of service in the S&B group.
- The strike price is equal to the average share price of twenty trading days preceding the relevant Annual General Meeting, minus 10%. The table below illustrates the strike price of stock options that were active in 2005:

	<b>Strike price</b>
Options awarded in:	
- 2001	€ 10,52
- 2002	€ 6,19
- 2003	€ 6,11
- 2004	€ 5,48
- 2005	€ 5,35

- Options vest at 10% in November of the year they are awarded and 30% in each of the following three years. No other vesting conditions exist.
- Options vested can be exercised within the first five days of December of the year they vest or in any subsequent year and up to the 5<sup>th</sup> year they are awarded.
- Options are not tradable or transferable.

The following table illustrates the movement of outstanding stock options in 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Total stock options outstanding at the beginning of the year	<b>586.830</b>	<b>439.770</b>
Stock options awarded in the year	150.000	150.000
Stock options exercised in the year	(156.940)	(2.940)
Stock options cancelled in the year	-	-
Stock options expired in the year	(144.000)	-
Total stock options outstanding at the end of the year	<u><b>435.890</b></u>	<u><b>586.830</b></u>

**S&B INDUSTRIAL MINERALS S.A. GROUP OF COMPANIES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS**  
**DECEMBER 31, 2005**

(Amounts in EURO, unless otherwise stated)

**27. SHARE OPTION PLAN FOR MEMBERS OF THE BOARD OF DIRECTORS AND SENIOR EXECUTIVES (continued)**

The following table illustrates the movement of stock options vested in 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Stock options vested - outstanding at the beginning of the year	<b>309.690</b>	<b>162.630</b>
Stock options vested in the year	151.800	150.000
Stock options exercised in the year	(156.940)	(2.940)
Stock options cancelled in the year	-	-
Stock options expired in the year	(144.000)	-
Stock options vested - outstanding at the end of the year	<u>160.550</u>	<u>309.690</u>
Stock options to be vested in forthcoming years	<u>275.340</u>	<u>277.140</u>
Total stock options outstanding at the end of the year	<u><b>435.890</b></u>	<u><b>586.830</b></u>

The amount of stock options that will vest within the forthcoming years has as follows:

	<b>No of share options</b>
Year of vesting:	
- 2006	140.340
- 2007	90.000
- 2008	45.000
	<u>275.340</u>

The fair value of the stock options is estimated at the award date using the Black-Scholes option pricing model. The following table lists the inputs to the model used for the valuation of stock options awarded in 2002-2005:

**Ranges for all plans**

Expected life of option (years)	4,5 – 4,6
5 year risk-free interest rate (%)	2,75 – 4,73
3-year volatility (%)	25,6 – 42,0
Dividend yield (%)	3,05 – 3,93

Based on these inputs the model produced a value of Euro 1,26-2,43 per each stock option awarded under the various plans.

The expense for services received is recognized in the income statement at the time of vesting. The income statement charge relating to the vesting of stock options during 2005 and 2004 is Euro 236.708,00 and Euro 269.597,00, respectively. These amounts are transferred to a reserve in the equity. This reserve is then reduced as the stock options are being exercised, cancelled or expired. The table below illustrates the movement of the stock option plan reserve:

	<u>2005</u>	<u>2004</u>
Stock option plan reserve at the beginning of the year	<b>592.354,13</b>	<b>327.924,91</b>
Fair value of stock options vested	236.709,00	269.597,00
Fair value of stock options exercised	(319.867,81)	(5.167,78)
Stock option plan reserve at the end of the year	<u><b>509.195,32</b></u>	<u><b>592.354,13</b></u>

**S&B INDUSTRIAL MINERALS S.A. GROUP OF COMPANIES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS**  
**DECEMBER 31, 2005**

(Amounts in EURO, unless otherwise stated)

**27. SHARE OPTION PLAN FOR MEMBERS OF THE BOARD OF DIRECTORS AND SENIOR EXECUTIVES (continued)**

The amount of the reserve released by the exercise of stock options plus the cash received is then booked against the share capital at the nominal value per issued share with the balance going to the share premium in the equity. The table below illustrates these entries:

	<u>2005</u>	<u>2004</u>
Cash received by the exercise of stock options	940.478,80	16.915,20
Release of relating stock option plan reserve	319.867,81	5.167,78
	<u><b>1.260.346,61</b></u>	<u><b>22.082,98</b></u>
Increase in share capital	156.940,00	2.940,00
Increase in par value	1.103.406,61	19.142,98
	<u><b>1.260.346,61</b></u>	<u><b>22.082,98</b></u>

**28. RESERVES**

Reserves in the accompanying consolidated financial statements is analyzed as follows:

	<u>December 31 2005</u>	<u>December 31 2004</u>
Special reserves	8.047.744,55	7.927.515,82
Legal reserves	8.758.407,11	8.319.749,51
Readjustment difference of participation and securities	2.824.705,15	2.824.705,15
Extraordinary reserves	1.751.134,41	1.766.309,32
Tax-free and specially taxed reserves	62.513.399,85	55.386.129,83
	<u><b>83.895.391,07</b></u>	<u><b>76.224.409,63</b></u>

The majority of the above reserves relates to Parent Company and Greek subsidiaries. Under Greek corporate law, corporations are required to transfer a minimum of 5% of their annual net profit as reflected in their statutory books to a legal reserve, until such reserve equals one-third of the outstanding share capital. The above reserve cannot be distributed throughout the life of the Company. The Group transferred to legal reserves for the year ended December 31, 2005 an amount of Euro 775.380,33.

Tax free reserves represent non distributed profits that are exempt from income tax based on Development Laws. These reserves mainly relate to investments and are not distributed. For these reserves no deferred income tax liabilities were provided.

Specially taxed reserves represent interest income and income from disposal of listed and non listed subsidiaries and are tax free or tax has been withheld at source. According to the Greek tax regulations, this reserve is exempt from income tax, provided it is not distributed to shareholders. The Group transferred to specially taxed reserves for the year ended December 31, 2005 an amount of Euro 7.133.772,83.

**S&B INDUSTRIAL MINERALS S.A. GROUP OF COMPANIES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS**  
**DECEMBER 31, 2005**

(Amounts in EURO, unless otherwise stated)

**29. DIVIDENDS**

Under Greek corporate law, companies are required each year to declare from their statutory profits, dividends of at least 35% of after-tax statutory profit, after allowing for legal reserve, or a minimum of 6% of the paid-in share capital, whichever is greater. Without the unanimous consent of all shareholders, a company may not declare any dividend. Furthermore, Greek corporate law requires certain conditions to be met before dividends can be distributed, which are as follows:

- (a) No dividends can be distributed to the shareholders as long as the company's net equity, as reflected in the statutory financial statements, is, or after such distribution, will be less than the outstanding capital plus non-distributable reserves, and
- (b) No dividends can be distributed to the shareholders as long as the unamortized balance of "Pre-operating Expenses," as reflected in the statutory financial statements, exceeds the aggregate of distributable reserves plus retained earnings.

On June 22, 2005 the parent company's regular General Assembly has approved a dividend distribution of Euro 1.809.247,50 (Euro 0,06 per share), amount which was fully paid to the shareholders on July 25, 2005.

In the standalone financial statements of the parent company, approved in its board of directors held on March 22, 2006, the Group accounted for income taxes which relate to dividends of Euro 8.203.078,00 (Euro 0,27 per share).

**30. PROVISION FOR ENVIRONMENT REHABILITATION**

The movement of provision for environment rehabilitation for the year ended December 31, 2005 and 2004 is as follows:

	<b>December 31, 2005</b>	<b>December 31, 2004</b>
<b>Total Amount at the Beginning of the Year</b>	<b>13.793.437,83</b>	<b>13.935.635,29</b>
Finance cost	852.135,57	802.068,05
Change in future outflow for active mines (income statement)	(787.970,84)	(623.016,74)
Change in future outflow for depleted mines (tangible assets)	(253.055,59)	641.531,12
Utilization of provision	(1.171.819,92)	(962.779,89)
Additional provision	314.599,37	-
<b>Total Amount at the End of the Year</b>	<b>12.747.326,42</b>	<b>13.793.437,83</b>

**31. PROVISION FOR STAFF LEAVING INDEMNITIES**

The Group has established certain entitlement programs in the various countries of doing business which may be summarized as follows:

**Statutory Benefit Obligation:** In accordance with local labor law, employees are entitled to indemnities for dismissal or for retirement, the amount of which varies according to salary, years of service, and the way of separation (dismissal or retirement). Employees who quit or are fairly dismissed are not entitled to an indemnity. The amount of the retirement indemnity is equal to 40% of indemnity entitled in the case of an unfair dismissal. The indemnity programs are not financed and under IAS 19 they are classified as defined benefit plans.

**S&B INDUSTRIAL MINERALS S.A. GROUP OF COMPANIES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS**  
**DECEMBER 31, 2005**

(Amounts in EURO, unless otherwise stated)

**31. PROVISION FOR STAFF LEAVING INDEMNITIES (continued)**

**Constructive Benefit Obligation:** In accordance with Group practice, a selected group of employees are provided with certain entitlements which under IAS 19 are classified as defined benefit pension plans and are indexed to inflation. The level of benefits is covered with individual contracts and varies according to calculation which considers the years of service, age and level of salary for a defined period. The Group charges to the statement of income the accrued indemnities in each period with a corresponding increase or entitlement liability. Any payments made to entitled employees during any period are offset against this liability.

The additional cost of entitlements relates to payments made to employees who were unfairly dismissed. Most of these payments were not expected in the context of these programs and thus were treated as an additional retirement indemnity in the statement of income.

**Contribution Plans:** The Group has also pension plans under which it pays fixed contributions into an insurance entity and for IAS 19 purposes are classified as defined contribution plans. The Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee years of service.

The movement in the net liability in the accompanying consolidated balance sheet has as follows:

	<b>December 31 2005</b>	<b>December 31 2004</b>
<b>Net liability at beginning of the year</b>	<b>14.504.831,60</b>	<b>10.975.889,33</b>
Benefits paid directly by the Group	(1.411.571,39)	(902.554,00)
Stollberg Group acquisition	-	2.672.082,27
Expense recognised in the consolidated statements of income	1.761.547,86	1.798.829,00
Other movements	78.790,00	(39.415,00)
<b>Net liability at end of the year/period</b>	<b>14.933.598,07</b>	<b>14.504.831,60</b>

An international firm of independent actuaries evaluated the Group's liabilities arising from the obligation to pay retirement indemnities. The details and principal assumptions of the actuarial study as at December 31, 2005 and 2004 have as follows:

	<b>December 31 2005</b>	<b>December 31 2004</b>
<b><u>Reconciliation of net liability benefit obligation</u></b>		
<b>Present value of actuarial liability at the beginning of the year</b>	<b>16.306.838,60</b>	<b>10.975.889,33</b>
Service cost	784.535,00	873.591,00
Interest cost	759.222,00	600.784,00
Amortization of unrecognized actuarial loss	97.845,00	-
Benefits paid	(1.411.571,39)	(902.554,00)
Stollberg Group acquisition	-	2.672.082,27
Additional cost of extra benefits	119.946,00	324.454,00
Unrecognized actuarial loss	1.780.209,00	1.802.007,00
Other movements	78.789,86	(39.415,00)
<b>Present value of actuarial liability at the end of the year</b>	<b>18.515.814,07</b>	<b>16.306.838,60</b>
Unrecognized actuarial loss	(3.582.216,00)	(1.802.007,00)
<b>Net liability in balance sheet</b>	<b>14.933.598,07</b>	<b>14.504.831,60</b>

**S&B INDUSTRIAL MINERALS S.A. GROUP OF COMPANIES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS**  
**DECEMBER 31, 2005**

(Amounts in EURO, unless otherwise stated)

**31. PROVISION FOR STAFF LEAVING INDEMNITIES (continued)**

	<b>December 31 2005</b>	<b>December 31 2004</b>
<b><u>Components of income statement charge</u></b>		
Service cost	784.535,00	873.591,00
Interest cost	759.222,00	600.784,00
Amortization of unrecognized actuarial loss	97.845,00	-
<b>Regular income statement charge</b>	<b>1.641.602,00</b>	<b>1.474.375,00</b>
Additional cost of extra benefits	119.946,00	324.454,00
<b>Total income statement charge</b>	<b>1.761.548,00</b>	<b>1.798.829,00</b>
<b><u>Principal assumptions</u></b>		
Discount rate	4,5%	5,25%-5,50%
Rate of compensation increase executives	5,5%	2,50%-7,50%
Rate of compensation increase staff	5,5%	2,50%-5,50%
Inflation rate	2,00%-2,50%	2,00%-2,50%
Average future working life (in years)	14,7-19,55	16,7-22,24

The amount of additional cost of termination benefits relates to employees who became redundant. Most of these benefits were not expected within the terms of this plan and, accordingly, the excess of benefit payments over existing reserves have been treated as an additional pension charge.

**32. INTEREST BEARING LOANS AND BORROWINGS**

Interest bearing loans and borrowings in the accompanying consolidated financial statements is analyzed as follows:

	<b>December 31 2005</b>	<b>December 31 2004</b>
Bond loan (Law.3156/2003)	75.000.000,00	-
Syndicated loan (Euro 90 million)	53.079.467,86	66.638.831,62
Syndicated loan (Euro 75 million)	75.000.000,00	-
Long term loan in INR	2.747.567,68	3,291.721,75
	<b>205.827.035,44</b>	<b>69.930.553,37</b>
Loan expenses	(921.900,00)	-
Less: current portion of long term loans and borrowings	(19.904.800,45)	(3.329.090,90)
	<b>185.000.334,99</b>	<b>66.601.462,47</b>

• **Bond loan (Law 3156/2003)**

On June 2005 the Group concluded an agreement for a common bond issue of Law 3156/2003 of Euro 75 million, with a duration of 7 years, which accrues interest on a floating basis at Euro interbank borrowing rate (Euribor plus spread) and comprised of 150 common bonds of Euro 500.000,00 par value each. Interest expense is calculated on a six months basis. The bond is repayable in five annual installments (commencing 36 months after the issuance of the bond). Each of the first four installments will repay 10% of the bond (2008-2011) and the final installment will repay 60% of the loan (2012). The bond can be repaid earlier with no additional charges.

**S&B INDUSTRIAL MINERALS S.A. GROUP OF COMPANIES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS**  
**DECEMBER 31, 2005**

(Amounts in EURO, unless otherwise stated)

**32. INTEREST BEARING LOANS AND BORROWINGS (continued)**

The terms contain financial covenants including requirements to maintain minimum ratios of net borrowings to EBITDA and EBITDA to net interest expense. Furthermore, the Group has also given certain undertakings relating to its compliance with laws and regulations, the disposal of assets, the maintenance of the nature of operations, mergers, investments and environmental matters. The terms of the bond loan contains events of default including, among others, failure to make payments, inability to meet general and economic guarantees, certain events of insolvency, the suspension of business, ownership structure and materially adverse changes clause affecting the financial position of the Group.

- **Syndicated loan (Euro 90 million)**

On January 2002 the Group concluded a syndicated loan of a total amount of Euro 90 million (with the option to convert it in USD or CHF) with floating interest rate (Euribor plus spread) repayable in five years. According to the loan agreement it is available to the Group a term loan agreement of Euro 45 million (amount used by the Parent Company) and a revolving credit facility of Euro 45 million.

The term loan is repayable in four annual installments of Euro 2,5 million, Euro 2,5 million, Euro 15 million and Euro 25 million, respectively, commencing 24 months after the date of the agreement. The Group can repay the loan earlier than the above schedule with no additional cost. The revolving credit facility will be repaid in full in maturity date (2007), while any amount repaid earlier can be re-borrowed. The aggregate loan amount was denominated in US Dollars as of December 31, 2005.

In order to hedge the exposure of interest rate fluctuations the Group has entered into interest rate option contracts. Due to the fact that loan withdrawals are denominated in USD, the Group has entered into cross currency swap contracts in order to reduce the exposure to exchange rate fluctuations (Note 33).

The loan agreement also defines financial covenants that relate to minimum ratios of net borrowings to consolidated EBITDA, net borrowing to net worth, consolidated EBITDA to consolidated net interest payable and ratio of current assets to current liabilities less than one. There are also general covenants relating to compliance with laws and regulations, disposal of assets, changes of business, mergers, investments, environmental matters and insurance coverage status.

- **Syndicated loan (Euro 75 million)**

On June 2005 the Group concluded a syndicated loan of a total amount of Euro 75 million (with the option to convert it in USD) with floating interest rate (Euribor plus spread), with a duration of seven years. Drawdown was made in Euro. The loan is repayable in five annual installments. Each of the first four installments will repay 10% of the loan (2008-2011) and the final installment will repay 60% of the loan (2012). The loan can be repaid earlier with no additional charges. The financial covenants relate to minimum ratios of net borrowings to consolidated EBITDA and EBITDA to consolidated net interest payable.

The above bank loan balances approach their fair value since they are not quoted in a secondary interbank market. For the above loans there are no pledges or other guarantees. The weighted average interest rate of long term interest bearing loans for the year ended December 31, 2005 and 2004 is 3,32% and 3,21%, respectively.

In addition, the Group has concluded a loan of INR 218.808.727,25 which is repayable in nine semi-annual equal installments (commencing on November 2004 to November 2008). The weighted average interest rate of long term interest bearing loan in INR for the year ended December 31, 2005 is 6,38%.

**S&B INDUSTRIAL MINERALS S.A. GROUP OF COMPANIES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS**  
**DECEMBER 31, 2005**

(Amounts in EURO, unless otherwise stated)

**32. INTEREST BEARING LOANS AND BORROWINGS (continued)**

Total interest expense for the year ended December 31, 2005 and 2004 amounts to Euro 4.682.092,00 and Euro 2.063.554,73, respectively.

With respect to the above loans the table below presents the future payments as of December 31, 2005:

	<b>December 31</b>
	<b>2005</b>
Within one year	19.904.800,45
2-5 years	80.922.234,99
More than 5 years	<u>105.000.000,00</u>
	<u>205.827.035,44</u>

**33. DERIVATIVE FINANCIAL INSTRUMENTS**

The Group used the exemption provided by IFRS 1 «First-time Adoption of International Financial Reporting Standards» and applied IAS 39 «Financial Instruments: Recognition and Measurement» since January 1, 2005 as follows:

From the recognition of financial instruments that the Group had in January 1, 2005 an amount of Euro 317.673,00 (net of deferred income taxes) recognized as an increase of retained earnings. For financial instruments that meet the requirements of cash flow hedge a reserve of Euro 99.573,00 was established (net of deferred income taxes).

**Interest rate option**

The parent company has entered into an interest rate option contract of Euro 40 million (to cover the exposure from part of the syndicated loan – Note 32) based on which the parent company pays fixed interest rate 2,72% per quarter and receives 3 month Euribor. This derivative does not qualify for hedge accounting and as a result any change in its fair values is charged to the income statement.

**Cross currency swaps**

The parent company has entered into cross currency swap agreements to hedge the exchange rate exposure of the syndicated loan (Note 32):

<b>Conduction date</b>	<b>Maturity date</b>	<b>Amount</b>	<b>Exchange rate</b>
			<b>(Euro / USD)</b>
January 2002	January 2007	40.000.000,00	0,8649
April 2003	January 2007	8.434.306,07	1,0960
January 2004	January 2007	<u>4.645.161,29</u>	1,2400
		<u><b>53.079.467,36</b></u>	

The above derivatives meet the requirements of cash flow hedges according to IAS 39 «Financial Instruments: Recognition and Measurement» and thus any change in their fair value is recognized directly to equity.

**S&B INDUSTRIAL MINERALS S.A. GROUP OF COMPANIES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS**  
**DECEMBER 31, 2005**

(Amounts in EURO, unless otherwise stated)

**33. DERIVATIVE FINANCIAL INSTRUMENTS (continued)**

**Forward contracts**

The parent company has entered into eight forward contracts as of December 31, 2005 to hedge exchange rate exposure from sales in USD (sale of USD 8.000.000,00 to buy Euro 6.572.766,94). The duration of all forward contracts is less than one year with maturity dates from January 2006 to July 2006. The above derivatives meet the requirements of cash flow hedges according to IAS 39 «Financial Instruments: Recognition and Measurement» and thus any change in their fair value is recognized directly to equity.

The following table presents the total movement of derivative financial instruments:

	<u>January 1 2005</u>	<u>Movement in 2005</u>	<u>December 31 2005</u>
<b>Financial instruments that qualify for hedge accounting</b>			
Forward contracts	507.052,45	(669.666,45)	(162.614,00)
Cross currency swap	(360.622,09)	129.003,09	(231.619,00)
Effect in equity	<u>146.430,36</u>	<u>(540.663,36)</u>	<u>(394.233,00)</u>
<b>Financial instruments that do not qualify for hedge accounting</b>			
Interest rate option	(270.030,00)	252.030,00	(18.000,00)
Other	(57.010,40)	33.740,40	(23.270,00)
Effect in retained earnings as of January 1, 2005	<u>(327.040,40)</u>		
Effect in current year's income statement		<u>285.770,40</u>	
Financial instruments liabilities on balance sheet			<u>(435.503,00)</u>

The above amounts are mentioned before the related deferred tax effects. Taking into consideration the related deferred tax effects, the positive effect of the hedge derivative instruments in the opening shareholders' equity amounted to Euro 99.572,64 while the negative effect of the non hedge derivative instruments amounted to Euro 222.387,47. The effect from the initial application of IAS 39 «Financial Instruments: Recognition and Measurement» as of January 1, 2005 at the Group's equity was accounted for net of the related deferred income taxes. In addition, any subsequent change in the fair value of the financial instruments that qualify for hedge accounting is accounted for in the Group's equity net of the related deferred income taxes.

**34. TRADE AND OTHER PAYABLES**

Trade and other payables in the accompanying consolidated financial statements is analyzed as follows:

	<u>December 31 2005</u>	<u>December 31 2004</u>
Suppliers	38.275.041,61	28.457.377,67
Customers advances	97.464,60	1.524.059,43
	<u>38.372.506,21</u>	<u>29.981.437,10</u>

**S&B INDUSTRIAL MINERALS S.A. GROUP OF COMPANIES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS**  
**DECEMBER 31, 2005**

(Amounts in EURO, unless otherwise stated)

**35. SHORT TERM BORROWINGS**

Short term borrowings in the accompanying consolidated financial statements are analyzed as follows:

	<b>December 31 2005</b>	<b>December 31 2004</b>
Short term loans	6.153.580,38	126.007.574,90
Overdrafts	3.475.300,15	6.960.785,26
Used amount	<b>9.628.880,53</b>	<b>132.968.360,16</b>

The above loans are analyzed as follows:

	<b>December 31 2005</b>	<b>December 31 2004</b>
Short term loans in Euro	8.160.419,69	132.665.318,93
Short term loans in Indian Rupee (INR)	600.803,87	303.041,23
Short term loans in Real Brazil (BRL)	867.656,97	-
Total	<b>9.628.880,53</b>	<b>132.968.360,16</b>

As of December 31, 2005 and 2004 the Group has entered into short term loan agreements and overdrafts with floating interest rate (Euribor plus spread for loans in Euro). For the above loans no guarantees have been provided.

The weighted average interest rate of short term loans in Euro, for the year ended December 31, 2005 and 2004 is 3,52% and 3,42%, respectively. The weighted average interest rate of short term loans in INR and BRL for the year ended December 31, 2005 and 2004 is 6,91% 20,98% respectively.

Total interest expense for the years ended December 31, 2005 and 2004 amounts to Euro 2.586.758,47 and Euro 4.510.839,98, respectively.

Total credit limits of the Group (long term and short term loans) at December 31, 2005 and 2004 are as follows:

	<b>December 31 2005</b>	<b>December 31 2004</b>
Credit limit	342.258.582,17	290.484.959,60
Less: used amount		
Long term loans	(205.827.035,44)	(69.930.553,37)
Short term loans	(9.628.880,53)	(132.968.360,16)
Guarantees (reducing credit lines' availability)	(7.325.411,06)	(2.725.587,00)
Credit limits Unused	<b>119.477.255,14</b>	<b>84.860.459,07</b>

**36. INCOME TAX (CURRENT AND DEFERRED)**

Income tax (current and deferred) in the accompanying consolidated financial statements is analyzed as follows:

	<b>December 31 2005</b>	<b>December 31 2004</b>
Current income tax	11.259.236,67	9.089.947,06
Deferred income tax	976.271,94	1.965.768,16
	<b>12.235.508,61</b>	<b>11.055.715,22</b>

**S&B INDUSTRIAL MINERALS S.A. GROUP OF COMPANIES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS**  
**DECEMBER 31, 2005**

(Amounts in EURO, unless otherwise stated)

**36. INCOME TAX (CURRENT AND DEFERRED) (continued)**

The statutory income tax rate applicable to the Parent company, for the fiscal year 2005 is 32% (35% for 2004). The effective income tax rate differs from the nominal one mainly due to certain non deductible expenses and to non taxable or specially taxed income.

Tax returns are filed annually but the profits or losses declared for tax purposes remain provisional until such time, as the tax authorities examine the returns and the records of the taxpayer and a final assessment is issued. Tax losses, to the extent accepted by the tax authorities, can be used to offset profits for a time defined in respect to the applicable tax legislation of each country.

The unaudited tax years of each company of the Group are as follows:

<b>Company</b>	<b>Country</b>	<b>Unaudited tax years</b>
Ergotrak Bul Ltd	Bulgaria	2003-2005
S&B Industrial Minerals AD	Bulgaria	2002-2005
Motodynamics Ltd.	Bulgaria	2002-2005
Stollberg do Brazil Ltda	Brazil	1999-2005
Ariseize S.A.	France	1999-2005
S&B Industrial Minerals S.A.R.L.	France	2003-2005
Denain Anzin Metallurgie S.A.S	France	1998-2005
S&B Holding GmbH	Germany	2002-2005
Otavi Minen AG	Germany	2002-2005
S&B Industrial Minerals GmbH	Germany	2002-2005
Orykton GmbH	Germany	2005
Askana Ltd.	Georgia	2003-2005
S&B Industrial Minerals S.A.	Greece	2003-2005
Isocon A.E.	Greece	2003-2005
Greek Helicon Bauxites S.A.	Greece	2002-2005
Motodynamics S.A.	Greece	2004-2005
Motodyktio S.A	Greece	2002-2005
Motodyctio N.Greece S.A	Greece	2004-2005
Motodynamics Insurance Agency SA	Greece	2003-2005
Ergotrak S.A. Industrial Machinery & Equipment Trading Co SA	Greece	2001-2005
Parnassos Insurance S.A.	Greece	2003-2005
Stollberg Inc	USA	1998-2005
S&B Industrial Minerals North America Inc.	USA	1999-2005
Stollberg India Pvt. Ltd	India	2001-2005
Otavi Iberica S.L.u.	Spain	2000-2005
Sarda Perlite S.r.l.	Italy	2000-2005
S&B Industrial Minerals (Henan) Co. Ltd.	China	1996-2005
S&B Jilin Wollastonite Co Ltd.	China	2005
Sibimin Overseas Ltd.	Cyprus	1999-2005
Naimex S.A.R.L.	Morocco	2003-2005
S&B Industrial Minerals Kft	Hungary	2002-2005
Motodynamics S.r.l.	Romania	2003-2005
Ergotrak Yu Ltd	Serbia	2003-2005
Saba Madencilik A.S	Turkey	2004-2005
Pabalk Maden A.S	Turkey	2004-2005

**S&B INDUSTRIAL MINERALS S.A. GROUP OF COMPANIES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS**  
**DECEMBER 31, 2005**

(Amounts in EURO, unless otherwise stated)

**36. INCOME TAX (CURRENT AND DEFERRED) (continued)**

The Group always obtains guarantees from the sellers with respect to the outstanding tax issues of a company/group it acquires until the acquisition date.

In this context, any additional taxes or penalties which may occur during the tax audit of the unaudited tax years/ periods up to June 2004 for Stollberg Group and up to December 2003 for S&B Industrial Minerals AD will be settled by the former owners of these subsidiaries.

The Group is not able to estimate accurately the additional taxes and penalties which may occur from the tax audit of the unaudited tax years in respect of each subsidiary and the country it operates. Therefore, the Group has provided for additional taxes and penalties, based on previous years' tax audits and the development of the related amounts.

The reconciliation of the provision for income taxes to the amount determined by the application of the Greek statutory tax rate to pretax income is summarized as follows:

	<b>December 31 2005</b>	<b>December 31 2004</b>
<b>Profit before income tax</b>	<b>37.382.393,85</b>	<b>28.153.242,69</b>
Parent company's income tax rate	32%	35%
Income tax calculated at the nominal applicable tax rate	11.962.366,03	9.853.634,94
-Tax effects of profits from subsidiaries taxed at different rates	763.167,66	532.446,17
-Non taxable reserves L.2601/1998	(1.803.917,00)	(781.299,75)
-Deferred income tax asset on prior years subsidiaries' taxable losses	(400.218,80)	(1.316.601,85)
-Tax effects of losses of subsidiaries on which no deferred tax was calculated	465.933,40	365.028,83
-Tax effects of non-taxable income and expenses not deductible for tax purposes	1.248.177,32	1.654.014,15
-Tax effects of deferred tax from change in statutory tax rate	-	748.492,73
Total income tax	<b>12.235.508,61</b>	<b>11.055.715,22</b>
	<b>32,8%</b>	<b>39,3%</b>

The nominal income tax expense has been calculated based on the consolidated profit before income tax in conjunction with the nominal tax rate applicable in the Parent Company.

The deferred income tax is calculated on all temporary tax differences based on the tax rates expected to be applied during the year in which the asset will be recovered or the liability will be settled and based on tax rates (and tax laws) that are applicable at the balance sheet date.

Deferred income tax movement is analyzed as follows:

	<b>December 31 2005</b>	<b>December 31 2004</b>
Beginning balance	<b>(6.749.656,25)</b>	<b>4.564.354,33</b>
(Debit)/Credit of Income Statement	(976.271,94)	(1.965.768,34)
Deferred income tax from acquisition of Stollberg	-	(9.348.242,24)
Deferred income tax credited directly in Equity (Note 33)	246.385,19	-
Ending balance	<b>(7.479.543,00)</b>	<b>(6.749.656,25)</b>

**S&B INDUSTRIAL MINERALS S.A. GROUP OF COMPANIES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS**  
**DECEMBER 31, 2005**

(Amounts in EURO, unless otherwise stated)

**36. INCOME TAX (CURRENT AND DEFERRED) (continued)**

The deferred income tax assets and liabilities in the accompanying financial statements are as follows:

	<b>December 31 2005</b>	<b>December 31 2004</b>
Net deferred income tax asset	7.085.831,19	7.210.778,64
Net deferred income tax liability	(14.565.374,19)	(13.960.434,89)
	<b><u>(7.479.543,00)</u></b>	<b><u>(6.749.656,25)</u></b>

The deferred income tax assets and liabilities relate to the following:

	<b>Balance sheet</b>		<b>Income statement</b>	
	<b>December 31 2005</b>	<b>December 31 2004</b>	<b>December 31 2005</b>	<b>December 31 2004</b>
<b>Deferred income tax assets</b>				
Provision for environment rehabilitation	3.011.062,99	2.903.544,00	(107.518,99)	1.227.348,63
Executive officers' bonus	743.261,75	711.926,00	(31.335,75)	43.641,94
Tax losses	3.378.958,77	3.367.642,94	(11.315,83)	(680.102,09)
Provision for staff leaving indemnity	2.032.623,65	1.781.615,00	(251.008,65)	(281.615,00)
Financial derivatives	139.360,96	-	91.429,04	-
Intercompany gain from inventory	265.518,86	581.703,19	316.184,33	(67.698,44)
Other	3.083.561,60	2.549.688,89	(518.277,71)	(49.688,89)
<b>Total</b>	<b><u>12.654.348,58</u></b>	<b><u>11.896.120,02</u></b>		
<b>Deferred income tax liabilities</b>				
Fair value adjustment on intangible fixed assets	(5.294.180,00)	(5.642.860,00)	(348.680,00)	-
Tax deductible goodwill	(3.829.695,30)	(3.067.662,33)	762.032,96	762.033,00
Fair value adjustment on tangible fixed assets (acquisition of Stollberg)	(5.949.889,88)	(5.403.601,88)	546.288,00	-
Revaluations of land and buildings to fair value	(4.705.290,31)	(3.576.638,06)	1.128.652,13	756.835,19
Adjustment of fixed assets to useful life	(354.836,09)	(955.014,00)	(600.177,90)	255.014,00
<b>Total</b>	<b><u>(20.133.891,58)</u></b>	<b><u>(18.645.776,27)</u></b>		
<b>Net deferred income tax liability</b>	<b><u>(7.479.543,00)</u></b>	<b><u>(6.749.656,25)</u></b>		
<b>Deferred income tax charge to income statement</b>			<b><u>976.271,63</u></b>	<b><u>1.965.768,34</u></b>

**S&B INDUSTRIAL MINERALS S.A. GROUP OF COMPANIES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS**  
**DECEMBER 31, 2005**

(Amounts in EURO, unless otherwise stated)

**37. OTHER CURRENT LIABILITIES**

Other current liabilities in the accompanying consolidated financial statements is analyzed as follows:

	<b>December 31</b>	<b>December 31</b>
	<b>2005</b>	<b>2004</b>
Taxes and duties	4.445.037,24	4.182.966,17
Social security	2.501.000,99	2.167.432,12
Accrued payroll expenses	3.153.797,04	2.255.263,69
Freight payable	681.687,84	1.184.884,37
Board of Directors fees	496.000,00	436.000,00
Share of profits payable to employees	913.551,00	880.370,10
Accrued rents	341.329,98	509.783,13
Derivative financial instruments	453.503,00	-
Other	11.196.856,39	11.918.306,94
	<b><u>24.182.763,48</u></b>	<b><u>23.535.006,52</u></b>

**38. FINANCIAL RISK MANAGEMENT**

The main activities of the Group are influenced by a variety of financial risks such as the risks resulted from changes in foreign currency exchange rates and interest rates. The overall financial risk management programme is focused on unpredictability of financial markets and seeks to minimize potential adverse effects in the Group's financial position as a whole. Financial risk management is performed by a central Corporate Treasury Department.

The Corporate Treasury Department operates as a service department that provides access to financial markets to the Group subsidiaries. This includes identifying, evaluating and if necessary, hedging financial risks relating to the Group's operating activities. The Corporate Treasury Department does not undertake any transactions of a speculative nature.

The Group's main financial instruments consist mainly, apart from derivatives, cash and cash equivalents, trade receivables and trade payables and available for sale investments. As further discussed in Notes 32 and 33, the Group enters in derivative financial instruments, such as interest rate options and cross currency swaps, in order to manage the related foreign currency exchange and interest rate risks stemming from its activities and the manner of financing. Management periodically controls and revises the relative policies and procedures in connection with financial risk management, which are summarized below:

- (i) **Credit Risk:** The Group has no significant concentrations of credit risk with any single counter party. The maximum exposure to credit risk is represented by the carrying amount of each asset, including derivative financial instruments, in the balance sheet. With respect to derivative instruments, the Group monitors its positions, the credit ratings of counter parties and the level of contracts it enters into with any counter party. The counter parties to these contracts are major financial and other institutions. The Group has a policy of entering into contracts with parties that are well qualified and, given the high level of credit quality of its derivative counter parties, the Group does not believe it is necessary to enter into collateral arrangements.

**S&B INDUSTRIAL MINERALS S.A. GROUP OF COMPANIES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS**  
**DECEMBER 31, 2005**

(Amounts in EURO, unless otherwise stated)

**38. FINANCIAL RISK MANAGEMENT (continued)**

- (ii) **Fair Value:** The carrying amounts reflected in the accompanying balance sheets for cash and cash equivalents, receivables, and current liabilities approximate their respective fair values due to the relatively short-term maturity of these financial instruments. The fair values of marketable securities are based on their quoted market prices at the balance sheet date. The fair values of derivative instruments are based on marked to market valuations (discounted cash flow analysis). For all derivatives, the fair values are confirmed to the Group by the financial institutions through which the Group has entered into these contracts.
- (iii) **Liquidity Risk:** The Group manages its liquidity risk by on-going monitoring of its cash flows. The Group budgets and follows up its cash flows and appropriately acts for available cash deposits and credit lines with the banks. The unutilized approved credit lines available to the Group are sufficient to cover any financing need.
- (iv) **Interest Rate Risk:** With respect to its long-term debt, the management of the Group closely monitors the fluctuations in foreign currency exchange and in interest rates and evaluates on an ongoing basis the need to enter into any financial instruments to mitigate those risks. In this respect, the Group enters into interest rate and currency swap contracts to reduce the exposure to interest rate and currency fluctuations. Such financial instruments, effective January 1, 2005, are measured at fair value and recognized as assets or liabilities in the accompanying financial statements.
- (v) **Foreign exchange risk:** The Group is exposed in foreign exchange risk as it undertakes trading transactions in various foreign currencies. Foreign exchange risk is managed, where necessary, mainly through the use of forward exchange contracts. These derivatives as of January 1, 2005 are stated at fair values and recognized as asset or liability in the accompanying consolidated financial statements.

**39. COMMITMENTS AND CONTINGENCIES**

- (a) **Litigations and claims:** The Company is a party to various lawsuits and arbitration proceedings in the normal course of business, for which the company has provided the amount of approximately Euro 825 thousand in the accompanying consolidated financial statements.
- (b) **Guarantees:** At December 31, 2005 and 2004 the Group has issued letters of guarantee for mining rights and licenses, out of which the most significant relate to the Parent company, for a total amount of Euro 4,8 million and Euro 3,9 million respectively, as well as for repayment of bank overdrafts of various subsidiaries for a total amount of approximately Euro 27 million and approximately Euro 98 million, respectively.
- (c) **Environmental issues:** Petitions of reversal have been submitted before the Council of State, against the Greek State and the administrative act which approves the Environmental Study issued by the Group regarding the exploitation of bauxite deposits covering an area of 9.244 thousand square meters in the mountain of Giona. The case, initially scheduled for October 2005, will be finally heard before the court, on May 2006. S&B will intervene in support of the Greek State and the validity of the aforementioned act. Under the present circumstances, the Group believes that this case is not expected to have any material effect on its long-term operation and financial position.

**S&B INDUSTRIAL MINERALS S.A. GROUP OF COMPANIES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS**  
**DECEMBER 31, 2005**

(Amounts in EURO, unless otherwise stated)

**39. COMMITMENTS AND CONTINGENCIES (continued)**

*(d) Operating lease commitments:* As of December 31, 2005 the Group has entered into a number of operating lease agreements relating mainly to the rental of buildings that expire on various dates through 2016. Rental expenses included in the accompanying statement of income for the year ended December 31, 2005 amounted to approximately Euro 4,6. Future minimum lease payments under non-cancelable operating leases as at December 31, 2005 are as follows:

	<b>December 31</b>
	<b>2005</b>
	<b>(in million</b>
	<b>Euro)</b>
Within one year	3,0
2-5 years	10,0
After 5 years	16,2
	<u>29,2</u>

**40. SEGMENT INFORMATION**

The Group presents segment information for the following business activities (primary information):

- **Industrial Minerals Activities:** include all mining, processing and trading of a variety of industrial minerals and ores. Through these activities providing value-adding industrial solutions for a broad range of applications are provided.
- **Commercial Activities:** include the exclusive distributorship of YAMAHA two-wheelers and marine products in Greece, Romania and Bulgaria via MOTODYNAMICS S.A and the distributorship of Case, Linde and Cummins products through the industrial machinery and equipment trading company, ERGOTRAK S.A.
- **Real Estate Activities:** include the management and development of the Group's real estate assets that have been classified as investment properties and which do not participate in the operations of the other two segments.

Transfer prices between business segments are set on an arm's length basis. Segment revenue, segment expense and segment result include transfers between business segments which are eliminated at consolidation. All business segments apply the accounting principles of the Group.

**S&B INDUSTRIAL MINERALS S.A. GROUP OF COMPANIES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS**  
**DECEMBER 31, 2005**

(Amounts in EURO, unless otherwise stated)

**40. SEGMENT INFORMATION (continued)**  
(amounts in thousand of Euro)

	Industrial Minerals		Real Estate		Commercial activities		Eliminations		Total	
	December 31 2005	December 31 2004	December 31 2005	December 31 2004	December 31 2005	December 31 2004	December 31 2005	December 31 2004	December 31 2005	December 31 2004
<b>Income statement</b>										
Sales	335.226	283.646	-	-	85.074	89.892	(466)	(323)	419.835	373.215
<b>Κέρδη προ φόρων, χρημ/κών και επενδυτικών αποτελεσμάτων</b>	30.087	26.432	171	(638)	4.435	6.760	(3)	(281)	34.690	32.273
Financial income/(expense)	(5.243)	(5.106)	-	-	(290)	(58)	-	-	(5.533)	(5.164)
Investment income	1.670	1.360	6.555	(316)	-	-	-	-	8.225	1.044
<b>Profit before income tax</b>	<b>26.515</b>	<b>22.685</b>	<b>6.725</b>	<b>(954)</b>	<b>4.145</b>	<b>6.702</b>	<b>(3)</b>	<b>(281)</b>	<b>37.382</b>	<b>28.153</b>
Income tax	(8.804)	(8.738)	(2.152)	334	(1.279)	(2.652)	-	-	(12.236)	(11.056)
<b>Net profit / (loss)</b>	<b>17.711</b>	<b>13.947</b>	<b>4.573</b>	<b>(620)</b>	<b>2.865</b>	<b>4.050</b>	<b>(3)</b>	<b>(281)</b>	<b>25.147</b>	<b>17.098</b>
Minority interests	(227)	(192)	-	-	(960)	(509)	-	-	(1.187)	(701)
Profit after minority interests	<b>17.484</b>	<b>13.755</b>	<b>4.573</b>	<b>(620)</b>	<b>1.905</b>	<b>3.541</b>	<b>(3)</b>	<b>(281)</b>	<b>23.960</b>	<b>16.397</b>
Earnings per share (in Euro)	0,58	0,47	0,15	(0,02)	0,06	0,12	-	-	0,80	0,56
<b>Assets</b>										
Non current assets	264.838	265.573	27.821	29.874	5.362	4.905	(33)	-	297.988	300.352
Current assets	169.089	120.198	568	372	46.903	32.107	(907)	(578)	215.653	152.099
	<b>433.927</b>	<b>385.771</b>	<b>28.389</b>	<b>30.246</b>	<b>52.265</b>	<b>37.012</b>	<b>(940)</b>	<b>(578)</b>	<b>513.641</b>	<b>452.451</b>
<b>Liabilities</b>										
Provisions	28.165	29.468	-	-	865	682	-	-	29.030	30.150
Non current liabilities	202.920	83.854	-	-	16	84	(34)	-	202.902	83.938
Current liabilities	71.099	172.170	74	221	28.316	20.116	(903)	(571)	98.586	191.936
	<b>302.184</b>	<b>285.492</b>	<b>74</b>	<b>221</b>	<b>29.197</b>	<b>20.882</b>	<b>(937)</b>	<b>(571)</b>	<b>330.518</b>	<b>306.024</b>
<b>Other information</b>										
Depreciation and amortization	25.654	21.382	564	552	830	802	-	-	27.048	22.736
Capital expenditure	19.571	26.800	-	15	1.664	1.829	-	-	21.235	28.644

**S&B INDUSTRIAL MINERALS S.A. GROUP OF COMPANIES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS**  
**DECEMBER 31, 2005**

(Amounts in EURO, unless otherwise stated)

**40. SEGMENT INFORMATION (continued)**

The Group's sales per geographical segment have as follows (in thousand of Euro):

	<b>December 31 2005</b>	<b>December 31 2004</b>
Europe	326.570	311.809
Americas	76.549	50.243
Other	16.716	11.163
	<b>419.835</b>	<b>373.215</b>

The Group's assets per geographical segment have as follows (in thousand of Euro):

	<b>December 31 2005</b>	<b>December 31 2004</b>
Europe	463.400	411.548
Americas	40.852	33.448
Other	9.659	7.455
	<b>513.641</b>	<b>452.451</b>

**S&B INDUSTRIAL MINERALS S.A. GROUP OF COMPANIES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS**  
**DECEMBER 31, 2005**

(Amounts in EURO, unless otherwise stated)

**41. RECONCILIATION OF BALANCE SHEET IN ACCORDANCE WITH GREEK GENERAL  
ACCEPTED ACCOUNTING STANDARDS AND IFRS**

The following tables present the reconciliation of the balance sheet as of January 1, 2004, and December 31, 2004 in accordance with Greek General Accepted Accounting Standards GGAAS and IFRS.

	<b>January 1, 2004</b>		
	<b>GGAAS</b>	<b>Difference</b>	<b>IFRS</b>
<b>ASSETS</b>			
<b>Non current assets</b>			
Tangible assets	109.417.001,94	20.750.628,04	130.167.629,98
Investment property	-	25.366.662,82	25.366.662,82
Intangible assets	22.458.714,62	(18.937.580,95)	3.521.133,67
Goodwill	54.257.987,99	2.494.996,28	56.752.984,27
Differed income taxes	-	9.769.410,03	9.769.410,03
Investments in associates	26.184.233,18	(16.451.115,30)	9.733.117,88
Securities	383.343,12	(383.343,12)	-
Other non current assets	2.617.447,28	(353.217,19)	2.264.230,09
<b>Total non current assets</b>	<b>215.318.728,13</b>	<b>22.256.440,61</b>	<b>237.575.168,74</b>
<b>Current Assets</b>			
Inventories	57.195.704,61	(1.195.357,35)	56.000.347,26
Trade accounts receivables	42.977.536,24	(1.882.418,67)	41.095.117,57
Other non current assets	21.444.180,64	(1.610.530,93)	19.833.649,71
Marketable securities	5.970.339,92	(5.970.339,92)	-
Cash and cash equivalents	11.957.935,04	776.176,31	12.734.111,35
<b>Total current assets</b>	<b>139.545.696,45</b>	<b>(9.882.470,56)</b>	<b>129.663.225,89</b>
<b>Total Assets</b>	<b>354.864.424,58</b>	<b>12.373.970,05</b>	<b>367.238.394,63</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	30.151.190,00	-	30.151.190,00
Share premium	30.412.377,18	-	30.412.377,18
Treasury stock	-	(4.768.558,40)	(4.768.558,40)
Losses from derivate valuation	-	-	-
Foreign currency translation	-	-	-
Stock option plan reserve	-	327.924,91	327.924,91
Reserves	75.272.445,33	(2.032.419,32)	73.240.026,01
Governmental grants	2.017.432,20	(2.017.432,20)	-
Retained earnings	1.097.066,30	6.690.121,93	7.787.188,23
<b>Total</b>	<b>138.950.511,01</b>	<b>(1.800.363,08)</b>	<b>137.150.147,93</b>
Minority interest	1.699.613,91	104.115,45	1.803.729,36
<b>Total Equity</b>	<b>140.650.124,92</b>	<b>(1.696.247,63)</b>	<b>138.953.877,29</b>
<b>Provisions</b>			
Provision for staff leaving indemnity	11.301.476,16	(130.057,95)	11.171.418,21
Provision for rehabilitation	-	13.935.635,29	13.935.635,29
Other provisions	6.512.812,72	(5.456.996,27)	1.055.816,45
<b>Total provisions</b>	<b>17.814.288,88</b>	<b>8.348.581,07</b>	<b>26.162.869,95</b>
<b>Non current liabilities</b>			
Interest-bearing loans and borrowings	64.464.438,73	17.045,99	64.481.484,72
Deferred income taxes	-	5.205.055,70	5.205.055,70
Subsidies	-	3.225.987,78	3.225.987,78
Other non current liabilities	380.549,48	340.951,79	721.501,27
<b>Total non current liabilities</b>	<b>64.844.988,21</b>	<b>8.789.041,26</b>	<b>73.634.029,47</b>
<b>Current Liabilities</b>			
Trade and other payables	18.607.059,37	2.317.245,21	20.924.304,58
Interest-bearing loans and borrowings	50.824.018,88	552.866,46	51.376.885,34
Current portion of long term debt	33.883.442,51	125.977,15	34.009.419,66
Income tax payable	8.750.679,42	(5.449.987,41)	3.300.692,01
Dividend payable	6.828.976,88	(6.775.871,17)	53.105,71
Other current liabilities	12.660.845,51	6.162.365,11	18.823.210,62
<b>Total current liabilities</b>	<b>131.555.022,57</b>	<b>(3.067.404,65)</b>	<b>128.487.617,92</b>
<b>Total equity and liabilities</b>	<b>354.864.424,58</b>	<b>12.373.970,05</b>	<b>367.238.394,63</b>

**S&B INDUSTRIAL MINERALS S.A. GROUP OF COMPANIES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS**  
**DECEMBER 31, 2005**

(Amounts in EURO, unless otherwise stated)

**41. RECONCILIATION OF BALANCE SHEET IN ACCORDANCE WITH GREEK GENERAL  
ACCEPTED ACCOUNTING STANDARDS AND IFRS (continued)**

	<b>December 31, 2004</b>		
	<b>GGAAS</b>	<b>Difference</b>	<b>IFRS</b>
<b>ASSETS</b>			
<b>Non current assets</b>			
Tangible assets	147.298.348,86	14.442.408,18	161.740.757,04
Investment property	-	24.569.201,39	24.569.201,39
Intangible assets	25.742.342,08	(7.604.534,80)	18.137.807,28
Goodwill	84.198.486,62	(10.760.620,09)	73.437.866,53
Differed income taxes	-	7.210.778,64	7.210.778,64
Investments in associates	17.438.249,46	(6.337.724,44)	11.100.525,02
Investments held for sale	-	-	-
Securities	391.234,77	(9.713,61)	381.521,16
Other non current assets	1.721.804,61	2.051.462,92	3.773.267,53
<b>Total non current assets</b>	<b>276.790.466,40</b>	<b>23.561.258,19</b>	<b>300.351.724,59</b>
<b>Current Assets</b>			
Inventories	72.197.868,21	(4.757.749,50)	67.440.118,71
Trade accounts receivables	58.952.011,25	(2.095.236,26)	56.856.774,99
Other non current assets	20.758.578,03	(2.423.895,82)	18.334.682,21
Marketable securities	4.308.969,69	(4.308.969,69)	-
Cash and cash equivalents	8.218.656,70	1.249.190,47	9.467.847,17
<b>Total current assets</b>	<b>164.436.083,88</b>	<b>(12.336.660,80)</b>	<b>152.099.423,08</b>
<b>Total Assets</b>	<b>441.226.550,28</b>	<b>11.224.597,39</b>	<b>452.451.147,67</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	30.154.130,00	-	30.154.130,00
Share premium	30.426.352,38	5.167,78	30.431.520,16
Treasury stock	-	(4.768.558,40)	(4.768.558,40)
Losses from derivate valuation	-	(2.542.677,74)	(2.542.677,74)
Foreign currency translation	-	-	-
Stock option plan reserve	-	592.354,13	592.354,13
Reserves	88.090.480,30	(11.866.070,67)	76.224.409,63
Governmental grants	1.685.599,73	(1.685.599,73)	-
Retained earnings	12.190.607,03	1.568.523,36	13.759.130,39
<b>Total</b>	<b>162.547.169,44</b>	<b>(18.696.861,26)</b>	<b>143.850.308,18</b>
Minority interest	2.399.858,02	177.114,17	2.576.972,19
<b>Total Equity</b>	<b>164.947.027,46</b>	<b>(18.519.747,09)</b>	<b>146.427.280,37</b>
<b>Provisions</b>			
Provision for staff leaving indemnity	12.551.900,09	1.952.931,51	14.504.831,60
Provision for rehabilitation	-	13.793.437,83	13.793.437,83
Other provisions	12.712.881,72	(10.861.435,80)	1.851.445,92
<b>Total provisions</b>	<b>25.264.781,81</b>	<b>4.884.933,54</b>	<b>30.149.715,35</b>
<b>Non current liabilities</b>			
Interest-bearing loans and borrowings	66.370.939,09	230.523,38	66.601.462,47
Deferred income taxes	-	13.960.434,89	13.960.434,89
Subsidies	-	2.579.968,52	2.579.968,52
Other non current liabilities	755.754,08	40.824,60	796.578,68
<b>Total non current liabilities</b>	<b>67.126.693,17</b>	<b>16.811.751,39</b>	<b>83.938.444,56</b>
<b>Current Liabilities</b>			
Trade and other payables	27.217.891,49	2.763.545,61	29.981.437,10
Interest-bearing loans and borrowings	131.899.423,84	1.068.936,32	132.968.360,16
Current portion of long term debt	3.329.090,90	-	3.329.090,90
Income tax payable	8.871.812,77	(6.795.552,73)	2.076.260,04
Dividend payable	1.854.800,47	(1.809.247,80)	45.552,67
Other current liabilities	10.715.028,37	12.819.978,15	23.535.006,52
<b>Total current liabilities</b>	<b>183.888.047,84</b>	<b>8.047.659,55</b>	<b>191.935.707,39</b>
<b>Total equity and liabilities</b>	<b>441.226.550,28</b>	<b>11.224.597,39</b>	<b>452.451.147,67</b>

**S&B INDUSTRIAL MINERALS S.A. GROUP OF COMPANIES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS**  
**DECEMBER 31, 2005**

(Amounts in EURO, unless otherwise stated)

**42. RECONCILIATION OF EQUITY IN ACCORDANCE WITH GREEK GENERAL ACCEPTED ACCOUNTING STANDARDS AND IFRS**

The following table presents the reconciliation of equity as of January 1, 2004 and December 31, 2004 between Greek General Accepted Accounting Standards (GGAAS) and IFRS.

	<b>December 31 2004</b>	<b>January 1 2004</b>
Equity in accordance with Greek General Accepted Accounting Standards, before minority interest	162.547.169,44	138.950.500,00
Minority interest	2.399.858,02	1.699.613,00
<b>Equity in accordance with Greek General Accepted Accounting Standards</b>	<b>164.947.027,46</b>	<b>140.650.113,00</b>
<u>Changes in accounting policies</u>		
- Deferred income taxes	(826.368,77)	4.059.148,81
- Not approved Dividends of the year 2003 and 2004 (accounted for as «Dividends Payable » in accordance with Greek General Accepted Accounting Standards)	1.809.247,80	6.776.000,00
- Treasury shares	(4.769.000,00)	(4.769.000,00)
- Transfer of governmental grants to liabilities from equity and recognition of the effect of the change of useful life of assets	(2.579.968,00)	(3.225.987,78)
- Effect of fixed assets revaluation and of changes of depreciation rates due to different useful	14.240.829,69	3.935.000,00
- Depreciation of capitalized expenses	(3.900.000,00)	(2.427.000,00)
- Income tax difference	(243.744,20)	(225.088,52)
- Revaluation surplus of investment property	-	12.258.000,00
- Other	(347.093,50)	-
	<b>3.383.903,02</b>	<b>16.381.072,51</b>
<u>Corrections</u>		
(as published in prior years in accordance with Greek General Accepted Accounting Standards)		
- Accrued executive bonus	(2.662.961,00)	(2.158.765,00)
- Provision for rehabilitation	(9.993.000,00)	(10.222.000,00)
- Other provisions	(3.945.260,00)	(2.410.351,00)
- Differences resulting from subsidiaries consolidated for first time	(4.661.000,00)	(4.116.000,00)
- Difference of minority rights	(177.114,00)	(104.117,00)
- Other	(464.315,11)	933.924,78
	<b>(21.903.650,11)</b>	<b>(18.077.308,22)</b>
<b>Equity in accordance with IFRS</b>	<b>146.427.280,37</b>	<b>138.953.877,29</b>

**S&B INDUSTRIAL MINERALS S.A. GROUP OF COMPANIES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS**  
**DECEMBER 31, 2005**

(Amounts in EURO, unless otherwise stated)

**43. RECONCILIATION OF INCOME STATEMENT IN ACCORDANCE WITH GREEK  
GENERAL ACCEPTED ACCOUNTING STANDARDS AND IFRS**

The following tables present the reconciliation of the income statement of December 31, 2004 in accordance with Greek General Accepted Accounting Standards GGAAS and IFRS.

	<b>December 31, 2004</b>		
	<b>GGAAS</b>	<b>Difference</b>	<b>IFRS</b>
Sales	404.256.744,35	(31.041.413,56)	373.215.330,79
Cost of sales	(302.480.831,49)	23.588.363,90	(278.892.467,59)
<b>Gross Profit</b>	<b>101.775.912,86</b>	<b>(7.453.049,66)</b>	<b>94.322.863,20</b>
Administrative expenses	(40.403.356,79)	(1.411.751,53)	(41.815.108,32)
Selling expenses	(27.540.400,53)	1.924.042,09	(25.616.358,44)
Investment income	1.325.184,04	(280.924,50)	1.044.259,54
Financial income / (expenses)	(5.652.005,18)	488.013,79	(5.163.991,39)
Other income / (expenses)	4.822.704,76	558.873,34	5.381.578,10
Depreciation, Amortisation not included in operating cost	(4.860.454,37)	4.860.454,37	-
<b>Profit before income tax</b>	<b>29.467.584,79</b>	<b>(1.314.342,10)</b>	<b>28.153.242,69</b>
Income tax	(8.859.981,07)	(2.195.734,15)	(11.055.715,22)
Minority interests	(850.802,50)	149.763,86	(701.038,64)
<b>Net profit after income tax and minority interests</b>	<b>19.756.801,22</b>	<b>(3.360.312,39)</b>	<b>16.396.488,83</b>

**December 31  
2004**

**Profit after income tax and minority interests in accordance with Greek GAAP**

**19.756.801,22**

Changes in accounting policies

- Effect of fixed assets revaluation and of changes of depreciation rates due to different useful	1.879.133,00
- Reversal of goodwill amortization	4.896.000,00
- Accrued Board of Directors fees and profits distributed to personnel	(1.320.000,00)
- Recognition of income tax and deferred income tax	(2.987.826,01)
- Stollberg profit of first semester before income tax and goodwill amortization	(3.453.000,00)
- Differences resulting from subsidiaries consolidated for first time	(351.000,00)
- Recognition of share option plan	(266.518,00)
	<u>(1.603.211,01)</u>

Adjustments

(as published in prior years in accordance with Greek General Accepted Accounting Standards)

- Stripping	808.686,00
- Rehabilitation	759.181,00
- Unused provision for staff leaving indemnity	(1.032.696,18)
- Accrued executive bonus	(504.205,16)
- Other provisions	(1.873.453,82)
- Difference of minority rights	149.763,86
- Other	(63.377,08)
	<u>(1.757.101,38)</u>

**Profit after income tax and minority interests in accordance with IFRS**

**16.396.488,83**