

S&B INDUSTRIAL MINERALS SA

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

JUNE 30, 2005

FREE TRANSLATION FROM THE GREEK ORIGINAL

REVIEW REPORT OF CERTIFIED AUDITOR ACCOUNTANT

Review report to the shareholders of
S&B Industrial Minerals S.A.

We have reviewed the accompanying interim consolidated balance sheet of S&B Industrial Minerals S.A. at June 30, 2005, and the related interim consolidated statements of income and interim consolidated cash flows for the six months period then ended. We have not reviewed the consolidated statement of income for the second quarter of 2005 (and the corresponding figures for the second quarter of 2004) which is presented in the accompanying interim consolidated financial statements. These interim consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these interim consolidated financial statements based on our review.

We conducted our review in accordance with the International Standard on Review Engagements 2400 as prescribed in the Greek Standards on Auditing. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the interim consolidated financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements do not give a true and fair view in accordance with International Accounting Standards adopted by the European Union.

Athens, September 13, 2005

John Mystakidis
R.N.SOEL 16511

ERNST & YOUNG (HELLAS)
CERTIFIED AUDITORS-ACCOUNTANTS S.A.

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S&B Industrial Minerals S.A. and Subsidiaries

INCOME STATEMENTS

FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2005

(Amounts in Euro)

	Note	1.1 - 30.06.2005	1.1. - 30.06.2004	1.4. - 30.06.2005	1.4. - 30.06.2004
Sales	6	214.103.044,64	174.048.074,91	117.727.044,64	103.959.074,91
Cost of sales	7	(158.687.527,89)	(129.838.364,93)	(88.003.527,89)	(79.619.364,93)
Gross profit		55.415.516,75	44.209.709,98	29.723.516,75	24.339.709,98
Administrative expenses	8	(22.545.343,00)	(18.756.172,82)	(12.180.343,00)	(9.600.172,82)
Selling expenses	9	(14.033.413,75)	(10.153.444,74)	(7.355.413,75)	(5.431.444,74)
Other income / (expense)	10	2.500.396,56	1.906.988,67	1.899.396,56	1.318.988,67
Profit before income tax, financial and investing income / (expense)		21.337.156,56	17.207.081,09	12.087.156,56	10.627.081,09
Financial income / (expense)	11	(2.189.235,61)	(2.271.301,14)	(643.235,61)	(948.301,14)
Share of profit / (loss) from associates		966.113,55	306.304,90	667.113,55	57.304,90
Profit before income tax		20.114.034,50	15.242.084,85	12.111.034,50	9.736.084,85
Income tax	32	(7.461.047,43)	(5.890.846,75)	(4.655.047,43)	(3.963.846,75)
Net profit		12.652.987,07	9.351.238,10	7.455.987,07	5.772.238,10
Attributable to:					
Equity holders of the parent		11.781.520,38	8.838.171,81	6.680.520,38	5.364.171,81
Minority interests		871.466,69	513.066,29	775.466,69	408.066,29
		12.652.987,07	9.351.238,10	7.455.987,07	5.772.238,10
Earning per share (Euro)					
Basic		0,40	0,30	0,22	0,18
Diluted		0,40	0,30	0,22	0,18
Weighted average number of shared					
Basic	23	29.636.015	29.460.370	29.801.044	29.460.370
Diluted	23	29.646.702	29.470.293	29.806.398	29.464.975

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

S&B Industrial Minerals S.A. and Subsidiaries
CONSOLIDATED BALANCE SHEET
JUNE 30, 2005
(Amounts in Euro)

	Note	June30 2005	December 31 2005
ASSETS			
Non current assets			
Tangible assets	14	160.767.714,00	159.956.641,70
Investment property	15	24.362.609,86	24.569.201,39
Intangible assets	16	19.529.020,06	20.099.125,06
Goodwill	17	73.658.393,41	73.090.792,07
Deferred income taxes	32	7.481.012,36	7.309.283,82
Investments in associates	18	11.720.070,55	11.100.525,02
Investments held for sale		650.555,88	-
Securities		-	381.521,16
Other non current assets		3.329.127,64	3.773.267,53
Total non current assets		301.498.503,76	300.280.357,75
Current assets			
Inventories	19	83.044.995,45	67.440.118,71
Trade accounts receivable	20	78.794.719,03	56.856.774,99
Other non current assets	21	16.336.504,13	18.334.682,21
Cash and cash equivalents	22	38.613.710,87	9.467.847,17
Total current assets		216.789.929,48	152.099.423,08
Total Assets		518.288.433,24	452.379.780,83
EQUITY AND LIABILITIES			
Equity			
Share capital	23	30.154.130,00	30.154.130,00
Share premium		28.576.693,92	30.426.352,38
Treasury shares		-	(4.768.558,40)
Losses from derivative valuation		(182.564,75)	-
Foreign currency translation		1.994.105,10	(2.542.677,74)
Stock Option Plan reserve		715.781,00	620.879,00
Reserves		81.448.630,28	76.224.409,63
Retained earnings		29.651.950,28	19.272.962,09
Total		172.358.725,83	149.387.496,96
Minority interest		7.129.926,77	2.576.972,19
Total equity		179.488.652,60	151.964.469,15
Provisions			
Provision for staff leaving indemnity		13.910.540,67	13.918.555,60
Provision for environment rehabilitation		13.573.628,95	13.888.477,97
Other provisions		372.007,00	1.009.644,92
Total provisions		27.856.176,62	28.816.678,49
Non current liabilities			
Interest-bearing loans and borrowings	28	186.343.064,97	66.601.462,47
Deferred income taxes	32	10.488.899,60	10.036.263,86
Government grants		2.882.249,86	2.579.968,52
Other non current liabilities		244.869,38	796.578,68
Total non current liabilities		199.959.083,81	80.014.273,53
Current liabilities			
Trade payables		43.345.250,16	29.981.437,10
Interest-bearing loans and borrowings		14.940.276,63	132.968.360,16
Current portion of long term loans and borrowings	28	19.916.790,93	3.329.090,90
Income tax payable		6.898.420,28	2.076.260,04
Dividends payable		1.854.378,60	45.552,67
Other current liabilities		24.029.403,61	23.183.658,79
Total current liabilities		110.984.520,21	191.584.359,66
Total equity and liabilities		518.288.433,24	452.379.780,83

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 PERIOD ENDED JUNE 30, 2005
(Amounts in Euro)

	Share Capital	Share premium	Treasury shared	Stock Option Plan reserve	Losses from derivative valuation	Other reserves	Foreign currency translation	Retained earnings	Total	Minority interests	Total equity
January 1, 2004 (as previously published)	30.151.190,00	30.412.377,18	(4.768.558,40)	-	-	73.240.026,02	-	14.951.366,29	143.986.401,09	1.888.879,57	145.875.280,66
- Restatements (note 4)	-	-	-	351.282,00	-	-	-	(3.924.516,44)	(3.573.234,44)	(85.150,21)	(3.658.384,65)
January 1, 2004 (restated)	30.151.190,00	30.412.377,18	(4.768.558,40)	351.282,00	-	73.240.026,02	-	11.026.849,85	140.413.166,65	1.803.729,36	142.216.896,01
- Profit for the period	-	-	-	-	-	-	-	8.838.171,81	8.838.171,81	513.066,29	9.351.238,10
- Dividend approval	-	-	-	-	-	-	-	(6.775.871,17)	(6.775.871,17)	(209.625,17)	(6.985.496,34)
- Currency translation differences	-	-	-	-	-	-	199.506,41	-	199.506,41	-	199.506,41
- Minority interests in new subsidiary	-	-	-	-	-	-	-	-	-	73.500,00	73.500,00
- Stock option plan	-	-	-	112.289,00	-	-	-	-	112.289,00	-	112.289,00
- Other movements	-	-	-	-	-	-	-	19.720,95	19.720,95	(13.415,40)	6.305,55
June 30, 2004	30.151.190,00	30.412.377,18	(4.768.558,40)	463.571,00	-	73.240.026,02	199.506,41	13.108.871,44	142.806.983,65	2.167.255,08	144.974.238,73
- Profit for the period	-	-	-	-	-	-	-	9.388.783,14	9.388.783,14	187.972,34	9.576.755,48
- Share capital increase	2.940,00	13.975,20	-	-	-	-	-	-	16.915,20	-	16.915,20
- Dividend payment to minority	-	-	-	-	-	-	-	-	-	-	-
- Currency translation differences	-	-	-	-	-	-	(2.742.184,15)	-	(2.742.184,15)	-	(2.742.184,15)
- Transfer to reserves	-	-	-	-	-	2.984.383,62	-	(2.984.383,62)	-	-	-
- Stock option plan	-	-	-	157.308,00	-	-	-	-	157.308,00	-	157.308,00
- Other movements	-	-	-	-	-	-	-	(240.308,87)	(240.308,87)	221.744,77	(18.564,10)
December 31, 2004	30.154.130,00	30.426.352,38	(4.768.558,40)	620.879,00	-	76.224.409,64	(2.542.677,74)	19.272.962,09	149.387.496,96	2.576.972,19	151.964.469,15
- Accumulated effect of adapting IAS 39	-	-	-	-	99.573,00	-	-	317.673,00	417.246,00	-	417.246,00
- Profit for the period	-	-	-	-	-	-	-	11.781.520,38	11.781.520,38	871.466,69	12.652.987,07
- Sale of treasury shares	-	-	4.768.558,40	-	-	-	-	(899.966,40)	3.868.592,00	-	3.868.592,00
- Dividend approval	-	-	-	-	-	-	-	(1.809.248,00)	(1.809.248,00)	111.200,00	(1.698.048,00)
- Approval of distribution of shares to personnel	-	-	-	-	-	70.700,00	-	(70.700,00)	-	-	-
- Transfer to reserves for future share capital increase	-	(5.427.743,40)	-	-	-	5.427.743,40	-	-	-	-	-
- Share capital increase of subsidiary with no participation of the Group	-	3.944.153,44	-	-	-	(276.796,04)	-	(335.522,62)	3.331.834,78	2.873.611,36	6.205.446,14
- Partial sale of investment in subsidiary	-	(366.068,50)	-	-	-	(73.770,13)	(684,97)	1.263.488,26	822.964,66	680.035,64	1.503.000,30
- Currency translation differences	-	-	-	-	-	-	4.537.467,81	-	4.537.467,81	-	4.537.467,81
- Stock option plan	-	-	-	94.902,00	-	-	-	-	94.902,00	-	94.902,00
- Transfer	-	-	-	-	-	(35.664,83)	-	35.664,83	-	-	-
- Derivative valuation	-	-	-	-	(282.137,75)	-	-	-	(282.137,75)	-	(282.137,75)
- Other movements	-	-	-	-	-	112.008,24	-	96.078,74	208.086,99	16.640,89	224.727,88
June 30, 2005	30.154.130,00	28.576.693,92	-	715.781,00	(182.564,75)	81.448.630,28	1.994.105,10	29.651.950,28	172.358.725,83	7.129.926,77	179.488.652,60

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

S&B Industrial Minerals S.A. and Subsidiaries
CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD ENDED JUNE 30, 2005

(Amounts in Euro)

	Note	June 30 2005	June 30 2004
Cash flows from operating activities			
Profit before income tax		20.114.034,50	15.242.084,85
Adjustments for:			
- Depreciation and amortization	14,15,16	12.715.258,00	10.890.100,54
- Provisions, net movement		(960.501,87)	(258.387,79)
- Financial income	11	(113.375,45)	(195.752,23)
- Financial expense	11	4.103.535,43	2.852.277,64
- Gains from disposal of property plant and equipment	10	(101.464,18)	(16.960,72)
Operating profit before working capital changes		35.757.486,43	28.513.362,29
(Increase) / Decrease of:			
- Non current assets		185.241,45	(739.736,20)
- Inventories	19	(15.604.876,74)	(5.866.857,82)
- Trade accounts receivable	20	(21.937.944,04)	(22.571.729,32)
- Other current assets	21	1.998.178,08	1.498.169,53
Increase / (Decrease) σε:			
- Other non current liabilities		(551.710,12)	291.963,35
- Trade and other payable		13.363.813,06	14.672.443,31
- Other non current liabilities		274.150,88	6.759.278,85
- Government grants		302.281,34	(521.779,04)
- Income tax paid		(2.087.955,00)	(4.455.672,90)
Net cash from operating activities		11.698.665,34	17.579.442,05
Cash flows from investing activities:			
- Capital expenditure for property, plant and equipment	14,15,16	(11.032.548,22)	(11.918.627,79)
- Goodwill		-	(10.792.508,00)
- Capitalized depreciation		340.875,10	280.718,28
- Investments in subsidiaries		(304.000,00)	(42.475.926,11)
- Investments in associates		-	(786.686,85)
- Dividends paid		(946,92)	(5.167,16)
- Dividends paid to minority		-	(522.532,70)
- Income from decrease of investment in subsidiary		1.680.000,00	-
- Income from the sale of treasury shares	24	3.868.592,00	-
- Income from disposal of property, plant and equipment		335.292,24	188.889,97
Net cash flows from investing activities:		(5.112.735,80)	(66.031.840,36)
Cash flows from financing activities:			
- Proceeds of interest		113.375,45	195.752,23
- Net increase / (decrease) of short-term borrowing		(101.440.383,98)	41.112.674,42
- Net increase of long-term borrowing	28	119.741.602,49	14.779.525,61
- Interest paid		(3.531.940,77)	(2.252.277,64)
- Share capital increase of subsidiary	23	6.897.103,00	-
Net cash flows from financing activities:		21.779.756,19	53.835.674,62
Effect of exchange rates changes on flows		531.757,79	581.189,74
Net increase in cash and cash equivalents		28.897.443,52	5.964.466,05
Cash and cash equivalents at beginning of year		9.467.847,17	12.734.111,35
Effect of exchange rates changes on cash		248.420,18	51.639,08
Cash and cash equivalents at period end		38.613.710,87	18.750.216,48

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

S&B INDUSTRIAL MINERALS S.A. GROUP OF COMPANIES
INTERIM CONSOLIDATED FINANCIAL STATEMENTS
IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS
JUNE 30, 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 June 30, 2004 and as at December 31, 2004 the Group employed 2.187 and 2.184 employees, respectively.

2. BASIS OF PRESENTATION

(a) **Basis of Preparation of the Consolidated Financial Statements:** The accompanying consolidated financial statements (hereinafter referred to as “the financial statements”) have been prepared in accordance with International Financial Reporting Standards (“IFRS”), adopted by the E.U. and more specifically with the provisions of IAS 34 “Interim financial reporting”. 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 other buildings and machinery and equipment, 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 June 30, 2004 and December 31, 2004 are appropriately adjusted and reclassified by certain out-of-book adjustments for 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 June 30, 2004 and December 31, 2004 for conformity with IFRS are presented in note 38.

(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 Company 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). The Group will prepare its first, full set of, financial statements under IFRS within the time frame specified by the Law and the date of such financial statements will be December 31, 2005. As a result, all standards that are in effect for financial statements ending on or after December 31, 2005 were applied for the preparation of the Group’s financial statements. Due to the fact that not all the standards and Interpretations that will be in effect on December 31, 2005 are yet known, the Group prepared its interim financial statements by applying all standards and Interpretations that were in effect up to the date of their preparation (September 2005). The Company applied IFRS 1 “First Time Adoption of IFRS” in the preparation of the accompanying consolidated financial statements. Based on the provisions of this standard the following exemptions were applied:

- (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 its previous 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:

S&B INDUSTRIAL MINERALS S.A. GROUP OF COMPANIES
INTERIM CONSOLIDATED FINANCIAL STATEMENTS
IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS
JUNE 30, 2005

(Amounts in EURO, unless otherwise stated)

2. BASIS OF PRESENTATION (continued)

- certain financial assets and financial liabilities derecognized under previous GAAP and,
- assets, including goodwill, and liabilities that were not recognized in the Company's consolidated balance sheet under previous GAAP and would also not qualify for recognition under IFRS in the separate balance sheet of the acquiree.
- 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.

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 above test was performed based on the market conditions that existed as of the date of transition and having allocated the goodwill to cash generating units. From this test no impairment loss resulted for the goodwill that existed as of the transition date on the Group financial statements.

- (ii) Elected to measure its investment property 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 as deemed cost.
- (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, while for actuarial gains and losses which were incurred during 2004, the "corridor approach" was used. This exemption was used for all plans existing at the transition date.
- (iv) The cumulative translation differences for all foreign operations were deemed to be zero at the date of transition to IFRS (they were included in retained earnings) and 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 IFRS 39 "Financial Instruments: recognition and measurement" from January 1, 2005 onwards and not from the transition date to IFRS, while maintained the same classification for the assets and liabilities that would qualify for recognition under IFRS 39 "Financial Instruments: recognition and measurement" with that used under previous GAAP in its comparative financial statements.
- (vi) The Company's estimates under IFRS at the date of transition to IFRS were consistent with estimates made as of 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 Group's consolidated financial statements for the period ended June 30, 2005, on September 12, 2005.

(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.

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 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. If 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 5.

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3. PRINCIPAL ACCOUNTING POLICIES (continued)

- (b) **Foreign Currency Translation and Measurement and Reporting Currency:** 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 period. The accumulated difference resulting from such translation is reported at consolidated equity until the disposal, write off or de-recognition of a subsidiary, when it is transferred at income statement.
- (c) **Intangible Assets:** 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 depreciation and impairment losses. Software represents acquisition cost reduced by the amount of accumulated depreciation 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 are recognized through the process of allocating the cost of an acquisition (after March 31, 2004 – effective date of IFRS 3 “Business Combinations”) are valued based on internationally accepted valuation methods, as it is required by the above standard. Mining rights, licenses and concessions are amortized based on the straight line method within their period of expiry. 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:
- (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 cost of extraction.
 - (ii) **Mine Development Expenses:** Mines also include 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 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 and at the same time setting up a Provision for Environment Rehabilitation of an equivalent amount 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 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. Subsequent expenditures are capitalised when they appreciably extend the life, increase the earning capacity or improve the efficiency of property, plant and equipment. For assets retired or sold, cost and related depreciation is removed from the accounts at the time of sale or retirement, and any gain or loss is included in the income statement. 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 following depreciation periods (in years).

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3. PRINCIPAL ACCOUNTING POLICIES (continued)

Depreciation rates for other tangible assets are presented in the following table :

<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

- (g) Investment properties:** Investment properties as at January 1, 2004 were appraised and the fair value of that date 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 valuers and the 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. For investment properties retired or sold, cost and related depreciation is removed from the accounts at the time of sale or retirement, and any gain or loss is included in the income statement. 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:** Goodwill on business combinations which occurred after the date of transition to IFRS is the difference between the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortized. Goodwill 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.
- (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 any impairment value. The statement of income reflects the Company's share of the results of operations of the associates.
- (j) Impairment of 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 long-term 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 recognised 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.
- (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. A provision for slow moving materials and spare parts is accounted for in the financial statements.
- (l) Accounts Receivable:** Accounts receivable are stated at cost less any accumulated allowance for uncollectible accounts. 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. Business is generally conducted with such customers under normal terms. 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 by recording a charge to the consolidated statement of income of the reporting period. 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.

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3. PRINCIPAL ACCOUNTING POLICIES (continued)

(m) **Financial Instruments:** Financial assets and liabilities, carried on the balance sheet, include cash and cash equivalents, receivables, securities, current liabilities, long-term debt and derivative financial instruments. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies included in this note. Financial instruments are classified as assets, liabilities or equity in accordance with the substance of the related contractual arrangement. Interest, dividends, gains and losses relating to financial instruments classified as assets or liabilities are reported as income or expense, respectively. Distributions to shareholders are debited directly to equity. The Group uses derivative financial instruments such as cross currency and interest rates swaps to hedge its risks associated with interest rate and foreign currency fluctuations. Derivative contracts are measured at fair value at every 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. Changes in the fair value of contracts that qualify as hedges and are effective are charged to equity, in the case of cash flow hedges. In the case of fair value hedges are charged to 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 recognised, 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 recognised 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.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

The Group applied IAS 39 "Financial Instruments: recognition and measurement" from January 1, 2005 onwards. The cumulative effect of the application of IFRS 39 was charged to equity as a transition adjustment and is included separately in the accompanying movement of shareholders' equity.

(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.

(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) **Interest Rate and Foreign Currency 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 the need to enter into any financial instruments to mitigate those risks, on an ongoing basis. In this respect, the Group enters into interest rate and currency swap contracts to reduce the exposure to interest rate and currency fluctuations. Such contracts (financial instruments), effective January 1, 2005 are measured at fair value and recognised as assets or liabilities in the accompanying financial statements.

(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 Loans:** Bank 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. Unamortized cost takes also into account any loan arrangement expenses. Loans denominated in foreign currency are remeasured by using the spot rate at each reporting date.

(p) **Borrowing costs:** Borrowing costs are expensed as incurred.

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3. PRINCIPAL ACCOUNTING POLICIES (continued)

- (q) **Provisions and Contingencies:** Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits 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. Contingent liabilities are not recognised in the financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognised in the 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 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 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 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, it exceeds 10% of the projected benefit obligation. 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
- (t) **Current and Deferred Income Tax:** Current and deferred income tax are computed based on the standalone financial statements of each of the entity included in the consolidation and in accordance with the tax rules prevailing in the country of each one of them. Income tax expense consists of income taxes for the current year based on the profits of each of the entity included in the consolidation as adjusted in its tax returns, using current tax rates. Deferred income taxes are provided using the balance sheet liability method for all temporary differences arising between the tax base of assets and liabilities and their carrying values for financial reporting purposes. No deferred tax asset is recorded if it is not probable that the related tax benefit will be realised in the foreseeable future. For transactions recognised directly in equity, any related tax effects are also recognised directly in equity. Computation is made using the enacted tax rates.
- (u) **Government Grants:** Government grants represent fund obtained for the acquisition of fixed assets and are recognized when there is a reasonable certainty that the grant will be received and the conditions attached to the government grants are met. Amortisation is accounted for in accordance with the useful life of the related assets, and is included in depreciation and amortisation in the income statement. Grants for expenses are charged to income statement.
- (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 to retained earnings.
- (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 shares outstanding during each period, excluding any treasury shares outstanding during the period. Dilutive earnings per share are computed by dividing net income attributed to the Group's shareholders appropriately adjusted with the effect of any potential shares. All share and per share amounts have been adjusted to give retrospective effect to the establishment of the Company's share capital.
- (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.

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3. PRINCIPAL ACCOUNTING POLICIES (continued)

(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 as 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-recognised 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. The Group voluntarily applied IFRS 2 "Share Based Payments", as of January 1, 2004 and recognized all employee stock option plans in its financial statements. Due to the fact that the total cost of these plans is not material in relation to the amounts in the financial statements, the Group is not presenting the disclosures required by IFRS 2 "Share Based Payments"

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

(bb) **New Standards and Interpretations:** In 2005, IFRIC 4 "Determination whether an arrangement contains a lease" and IFRIC 5 "Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds" were issued and are effective from January 1, 2005. These interpretations do not have any effect on the Group's financial statements. IFRIC 3 "Emission rights" which has not been endorsed by the European Union and is effective from March 1, 2005 would not also have any effect on the Group's financial statements. The provisions of IFRS 6 "Exploration for and evaluation of mineral resources" which is effective from January 1, 2005 does not have any effect on the Group's financial statements as the Group's policy followed prior to the date the standard is effective with respect to exploration and assessment of new deposits comply with the provisions of this standard.

(cc) **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 interim financial statements as of June 30, 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.

4. RESTATEMENT OF PRIOR YEAR PUBLISHED BALANCES

During the second quarter of 2005, the Group decided to restate prior year balances. The restatements were performed with the requirements of IAS 8 «Accounting policies, changes in accounting estimates and errors» by retrospective corrections of prior year balances. The accumulated effect of the restatements that related to years prior to January 1, 2004 was recognized in equity beginning balance of the above date, while the corrections that related to periods/years of the accompanying financial statements were recognized in the related periods/years. As a result the accompanying consolidated balance sheet of December 31, 2004 is presented restated from the balance sheet that was published at the first quarter of 2005. The effect of the above restatement of equity at the IFRS transition date has as follows:

	Retained earnings
Balance 1/1/2004	14.951.366,29
(as published in financial statements as at 31/3/2005)	<hr/>
Corrections	
- Correction of rehabilitation expenses	62.251,00
- Correction of provision for rehabilitation	(542.814,00)
- Provision for unaudited tax years	(1.050.775,32)
- Provision for litigations relating to tax issues	(230.300,00)
- Accrued executive bonus	(2.158.765,53)
- Initial recognition of stock option plan	(351.282,00)
- Deferred income tax	347.169,41
	<hr/> 11.026.849,85 <hr/>

Management's estimation is that the effect of the above restatements on the published results of the quarterly period ended on March 31, 2005 is not significant.

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5. SUBSIDIARIES OF S&B INDUSTRIAL MINERALS SA

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

Entity	Country	Field of activity	% Participation	Year Established / Acquired
EUROPE				
Ergotrak Bulgaria Ltd	Bulgaria	Commercial	100,00%	2002
Bentonit AD	Bulgaria	Industrial Minerals	99,51%	2003
Motodynamics Ltd.	Bulgaria	Commercial	57,18%	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	99,99%	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
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	57,18%	1993
Motodyktio S.A. (*)	Greece	Commercial	29,16%	2002
Motodyctio N.Greece S.A. (*)	Greece	Commercial	29,15%	2004
Motodynamics Insurance Agency SA	Greece	Commercial	57,64%	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	57,18%	1994
Ergotrak Yu Ltd	Serbia	Commercial	100,00%	2003
AMERICA				
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	99,99%	2004
Asia				
S&B Industrial Minerals (Henan) Co. Ltd.	China	Industrial Minerals	100,00%	1996
S&B Jilin Wollastonite Co Ltd.	China	Industrial Minerals	56,00%	2004
Saba Madencilik A.Ş	Turkey	Industrial Minerals	98,60%	1996
Pabalk Maden A.Ş	Turkey	Industrial Minerals	98,70%	1995
Stollberg India Pvt. Ltd	India	Industrial Minerals	99,99%	2004
Africa				
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.

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6. SALES

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

	June 30 2005	June 30 2004
Bentonite	67.769.196,89	60.538.494,95
Bauxite	25.327.492,48	22.884.127,43
Perlite	32.290.834,11	29.332.727,15
Fluxes	45.776.569,52	13.430.176,57
Commercial Activities	42.431.195,64	47.493.995,81
Other Activities	507.756,00	368.553,00
	<u>214.103.044,64</u>	<u>174.048.074,91</u>

7. COST OF SALES

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

	June 30 2005	June 30 2004
Consumptions	82.797.649,85	67.495.310,58
Freights	26.536.928,15	21.071.090,42
Payroll	16.970.431,46	14.426.045,45
Depreciation	10.266.965,00	8.944.929,54
Utilities	9.378.687,68	7.698.869,33
Third Party Fees	6.589.272,54	5.563.479,55
Tax – Duties	614.870,32	418.526,67
Other Expenses	5.532.722,89	4.220.113,39
	<u>158.687.527,89</u>	<u>129.838.364,93</u>

8. ADMINISTRATIVE EXPENSES

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

	June 30 2005	June 30 2004
Payroll	11.728.022,55	9.756.960,61
Utilities	3.083.872,70	2.565.844,42
Third Party Fees	2.533.980,45	2.108.193,55
Depreciation	1.715.358,00	1.427.345,00
Tax – Duties	335.307,40	279.467,25
Other Expenses	3.148.801,90	2.618.361,99
	<u>22.545.343,00</u>	<u>18.756.172,82</u>

9. SELLING EXPENSES

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

	June 30 2005	June 30 2004
Salaries	7.380.580,83	5.330.558,45
Third Party Fees	748.010,19	536.101,53
Utilities	1.650.587,88	1.194.044,77
Depreciation	732.935,00	517.826,00
Other Expenses	3.521.299,85	2.574.913,99
	<u>14.033.413,75</u>	<u>10.153.444,74</u>

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10. OTHER INCOME / (EXPENSE)

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

	June 30 2005	June 30 2004
Participation of suppliers in promotional expenses	501.697,52	196.021,01
Income from delivery of goods	132.017,42	130.525,00
Income from machinery rental	113.250,20	115.419,84
Income from guarantees	181.712,70	81.623,30
Subsidies on expenditure	-	69.499,13
Income from commissions	296.500,06	62.671,56
Gain from disposal of property, plant and equipment	101.464,18	16.960,72
Other	1.173.754,48	1.234.268,11
	<u>2.500.396,56</u>	<u>1.906.988,67</u>

11. FINANCIAL INCOME / (EXPENSE), NET

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

	June 30 2005	June 30 2004
Interest expense	(3.778.344,37)	(2.852.278,00)
Bank charges	(325.190,65)	(299.998,98)
Interest income	113.375,45	195.752,23
Foreign exchange differences net (income)/ expense	1.800.923,96	685.223,61
	<u>(2.189.235,61)</u>	<u>(2.271.301,14)</u>

12. DEPRECIATION / AMORTISATION

Depreciation expense for the six months period ended June 30, 2005 and 2004 is as follows:

	June 30 2005	June 30 2004
Depreciation and amortization		
- Property, plant and equipment	11.793.321,37	10.527.645,27
- Intangible assets	1.056.220,20	421.617,48
- Investment property	206.591,53	213.556,07
Total depreciation and amortization	<u>13.056.133,10</u>	<u>11.170.818,82</u>
Less: depreciation and amortisation capitalised	(340.875,10)	(280.718,28)
Depreciation and amortization expensed	<u>12.715.258,00</u>	<u>10.890.100,54</u>

13. PAYROLL COST

Payroll cost for the six months period ended June 30, 2005 and 2004 is as follows:

	June 30 2005	June 30 2004
Payroll cost	37.237.064,71	30.761.439,42
Less: payroll cost capitalised	(1.158.029,87)	(1.247.874,91)
Payroll cost expensed	<u>36.079.023,84</u>	<u>29.513.564,51</u>

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14. 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
Cost							
December 31, 2003	44.403.569,27	55.424.694,88	91.005.824,14	12.630.536,49	16.567.340,80	7.139.292,27	227.171.257,85
Additions	5.695.892,02	249.579,32	716.300,47	642.425,60	561.240,77	3.969.180,79	11.834.618,97
Disposals	-	-	(141.612,70)	(134.402,34)	(6.848,58)	-	(282.863,62)
Group Acquisition	2.047.850,32	14.326.148,95	8.950.350,27	9.473,58	1.083.682,24	274.263,35	26.691.768,71
Exchange Difference	(833,17)	197.812,92	192.155,26	14.528,65	8.529,77	158.572,23	570.765,66
Transfers	-	212.906,90	305.577,37	-	350.177,47	(868.661,74)	-
June 30, 2004	52.146.478,44	70.411.142,97	101.028.594,81	13.162.561,98	18.564.122,47	10.672.646,90	265.985.547,57
Additions	5.530.639,32	2.204.333,57	6.616.109,62	1.333.904,59	1.645.127,43	1.374.314,60	18.704.429,13
Disposals	(131.500,55)	(257.153,71)	(625.733,37)	(675.292,41)	(3.087.367,89)	(2.267.871,50)	(7.044.919,43)
Exchange Difference	(20.293,53)	(564.397,81)	(564.941,96)	(19.540,07)	(51.390,45)	(484.592,29)	(1.705.156,11)
Transfers	-	2.273.866,52	2.798.151,81	-	(37.865,59)	(5.114.144,85)	(79.992,11)
December 31, 2004	57.525.323,68	74.067.791,54	109.252.180,91	13.801.634,09	17.032.625,97	4.180.352,86	275.859.909,05
Additions	4.144.693,35	249.975,34	652.441,32	333.947,68	614.558,22	4.734.297,52	10.729.913,43
Disposals	-	(77.548,22)	(945.405,59)	(294.021,99)	(15.474,75)	(33.660,82)	(1.366.111,37)
Exchange Difference	100.600,93	1.381.668,54	1.825.834,39	164.428,09	499.743,77	(401.952,02)	3.570.323,70
Transfers	-	-	-	-	-	(62.760,55)	(62.760,55)
June 30, 2005	61.770.617,96	75.621.887,20	110.785.051,03	14.005.987,87	18.131.453,21	8.416.276,99	288.731.274,26
Accumulated depreciation							
December 31, 2003	9.845.004,16	19.282.100,60	48.514.375,58	7.302.784,66	12.681.486,29	-	97.625.751,29
Depreciation	4.419.050,45	1.392.618,72	3.707.811,70	520.440,93	487.723,47	-	10.527.645,27
Disposals	-	-	(63.950,18)	(43.477,25)	(3.506,94)	-	(110.934,37)
Group Acquisition	-	-	-	-	-	-	-
Exchange Difference	-	24.777,51	91.613,92	7.603,75	5.419,39	-	129.414,57
June 30, 2004	14.264.054,61	20.699.496,83	52.249.851,02	7.787.352,09	13.171.122,21	-	108.171.876,76
Depreciation	3.221.545,53	1.430.581,32	4.972.768,14	860.506,24	986.486,72	-	11.471.887,95
Disposals	(342,01)	(190.732,87)	(599.307,73)	(293.730,95)	(2.295.335,80)	-	(3.379.449,36)
Exchange Difference	(507,69)	(78.372,62)	(245.287,82)	(9.290,73)	(27.589,14)	-	(361.048,00)
December 31, 2004	17.484.750,44	21.860.972,66	56.378.023,61	8.344.836,65	11.834.683,99	-	115.903.267,35
Depreciation	4.885.949,92	1.522.095,01	4.027.183,82	442.176,27	915.916,35	-	11.793.321,37
Disposals	-	(3.791,08)	(940.432,91)	(167.780,53)	(20.278,79)	-	(1.132.283,31)
Exchange Difference	58.787,26	393.274,55	687.273,30	127.667,08	132.252,66	-	1.399.254,85
June 30, 2005	22.429.487,62	23.772.551,14	60.152.047,82	8.746.899,47	12.862.574,21	-	127.963.560,26
Net Book Value							
December 31, 2003	34.558.565,11	36.142.594,28	42.491.448,56	5.327.751,83	3.885.854,51	7.139.292,27	129.545.506,56
June 30, 2004	37.882.423,83	49.711.646,14	48.778.743,79	5.375.209,89	5.393.000,26	10.672.646,90	157.813.670,81
December 31, 2004	40.040.573,24	52.206.818,88	52.874.157,30	5.456.797,44	5.197.941,98	4.180.352,86	159.956.641,70
June 30, 2005	39.341.130,34	51.849.336,06	50.633.003,21	5.259.088,40	5.268.879,00	8.416.276,99	160.767.714,00

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14. PROPERTY, PLANT AND EQUIPMENT (continued)

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. (Note 3)

15. INVESTMENT PROPERTY

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

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>Cost</u>			
December 31, 2003	14.922.418,32	16.026.935,54	30.949.353,86
Additions	-	14.762,00	14.762,00
Disposals	-	-	-
June 30, 2004	14.922.418,32	16.041.697,54	30.964.115,86
Additions	-	-	-
Disposals	-	(444.444,44)	(444.444,44)
Transfers	-	-	-
December 31, 2004	14.922.418,32	15.597.253,10	30.519.671,42
Additions	-	-	-
Disposals	-	-	-
June 30, 2005	14.922.418,32	15.597.253,10	30.519.671,42
<u>Accumulated depreciation</u>			
December 31, 2003	-	5.582.691,05	5.582.691,05
Additions	-	213.556,07	213.556,07
Disposals	-	-	-
June 30, 2004	-	5.796.247,12	5.796.247,12
Additions	-	213.740,52	213.740,52
Disposals	-	(59.517,61)	(59.517,61)
December 31, 2004	-	5.950.470,03	5.950.470,03
Additions	-	206.591,53	206.591,53
Disposals	-	-	-
June 30, 2005	-	6.157.061,56	6.157.061,56
<u>Net Book Value</u>			
December 31, 2003	14.922.418,32	10.444.244,49	25.366.662,81
June 30, 2004	14.922.418,32	10.245.450,42	25.167.868,74
December 31, 2004	14.922.418,32	9.646.783,07	24.569.201,39
June 30, 2005	14.922.418,32	9.440.191,54	24.362.609,86

Use of fair value as deemed cost: In 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 as follows:

- 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.

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15. INVESTMENT PROPERTY (continued)

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

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

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

On December 31, 2004 the Group did not appraise investment property because there was not significant variations of their value.

16. INTANGIBLE ASSETS

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

	<u>Software</u>	<u>Concessions and licenses</u>	<u>Customer list</u>	<u>Trademarks</u>	<u>Total</u>
Cost					
December 31, 2003	<u>4.914.367,52</u>	<u>1.251.229,33</u>	-	-	<u>6.165.596,85</u>
Additions	303,03	68.943,22	-	-	69.246,25
Disposals	-	-	-	-	-
Group Acquisition	12.344,88	767.653,79	5.826.000,00	8.717.000,00	15.322.998,67
June 30, 2004	<u>4.927.015,43</u>	<u>2.087.826,34</u>	<u>5.826.000,00</u>	<u>8.717.000,00</u>	<u>21.557.841,77</u>
Additions	763.808,85	1.479.825,53	-	-	2.243.634,38
Disposals	(17.726,88)	-	-	-	(17.726,88)
Group Acquisition	-	-	-	-	-
Exchange Difference	-	(99.211,13)	-	-	(99.211,13)
Transfers	79.992,11	-	-	-	79.992,11
December 31, 2004	<u>5.753.089,51</u>	<u>3.468.440,74</u>	<u>5.826.000,00</u>	<u>8.717.000,00</u>	<u>23.764.530,25</u>
Additions	255.411,00	47.223,79	-	-	302.634,79
Exchange Difference	134.508,38	-	-	-	134.508,38
Transfers	62.760,55	-	-	-	62.760,55
June 30, 2005	<u>6.205.769,44</u>	<u>3.515.664,53</u>	<u>5.826.000,00</u>	<u>8.717.000,00</u>	<u>24.264.433,97</u>
Accumulated depreciation					
December 31, 2003	<u>1.931.509,13</u>	<u>90.830,63</u>	-	-	<u>2.022.339,76</u>
Additions	419.693,52	9.923,96	-	-	429.617,48
Group Acquisition	-	-	-	-	-
June 30, 2004	<u>2.351.202,65</u>	<u>100.754,59</u>	-	-	<u>2.451.957,24</u>
Additions	828.894,35	28.214,13	435.850,00	-	1.292.958,48
Disposals	(10.157,41)	-	-	-	(10.157,41)
Exchange Difference	428,74	(69.781,86)	-	-	(69.353,12)
December 31, 2004	<u>3.170.368,33</u>	<u>59.186,86</u>	<u>435.850,00</u>	-	<u>3.665.405,19</u>
Additions	505.607,52	114.762,68	435.850,00	-	1.056.220,20
Exchange Difference	7.884,33	5.904,19	-	-	13.788,52
June 30, 2005	<u>3.683.860,18</u>	<u>179.853,73</u>	<u>871.700,00</u>	-	<u>4.735.413,91</u>
Net Book Value					
December 31, 2003	<u>2.982.858,39</u>	<u>1.160.398,70</u>	<u>0,00</u>	<u>0,00</u>	<u>4.143.257,09</u>
June 30, 2004	<u>2.575.812,78</u>	<u>1.987.071,75</u>	<u>5.826.000,00</u>	<u>8.717.000,00</u>	<u>19.105.884,53</u>
December 31, 2004	<u>2.582.721,18</u>	<u>3.409.253,88</u>	<u>5.390.150,00</u>	<u>8.717.000,00</u>	<u>20.099.125,06</u>
June 30, 2005	<u>2.521.909,26</u>	<u>3.335.810,80</u>	<u>4.954.300,00</u>	<u>8.717.000,00</u>	<u>19.529.020,06</u>

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17. GOODWILL

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

	June 30, 2005	December 31, 2004
Mykobar	18.317.273,62	18.317.273,62
OTAVI Hellas	6.811.996,57	6.811.996,57
IKO Ersbloeh	24.250.699,24	24.250.699,24
OTAVI Iberica	3.004.298,64	3.004.298,64
Bentonite AD	4.429.157,57	4.368.714,20
Stollberg Group (note 17)	10.792.508,00	10.792.508,00
Stollberg Inc	4.418.915,67	4.418.915,67
DAMET	1.601.981,32	1.601.981,32
Exchange Difference	(315.562,78)	(1.475.595,19)
	<u>73.658.393,41</u>	<u>73.090.792,07</u>

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 Bentonite AD by 2,48%, that resulted to additional goodwill of Euro 60.443,37

The acquisition of Stollberg Group was paid in cash.

If the acquisition have taken place on January 1, 2004 the sales of the Group would have been increased by Euro 32 millions and profit by Euro 2,8 millions.

The goodwill that was recognized included human resources know-how (as intangible asset).

The estimation of fair value of assets, liabilities and contingent liabilities of Stollberg Group, the purchase price allocation according to the requirements of IFRS 3 «Business Combinations» and the final estimation of the goodwill were concluded during June 2005, while the Group used the provisions of IFRS 3 «Business Combinations» for the finalization of the above figures 12 months after the acquisition date. Any difference resulted was recognized retrospectively and the comparative figures as of June 30, 2004 were changed accordingly.

The estimated fair values, the total cost of acquisition and the goodwill recognized are as follows:

	Fair value	Book values at the acquisition date
Property, plant and equipment	26.691.768,70	17.244.345,90
Intangible	15.322.997,95	779.997,95
Goodwill (recognized before the acquisition)	6.020.896,99	6.020.896,99
Investments in associates	2.480.441,41	519.421,75
Deferred income tax	941.781,19	941.781,19
Inventories	5.803.795,26	5.803.795,26
Current assets	15.986.844,83	15.986.844,83
Cash and cash equivalents	2.072.460,76	2.072.460,76
	<u>75.320.987,09</u>	<u>49.369.544,63</u>
Provisions	2.758.732,50	2.758.732,50
Deferred income tax	10.068.655,37	686.136,57
Non current liabilities	319.557,00	319.557,00
Current liabilities	27.278.193,16	27.278.198,16
	<u>40.425.138,03</u>	<u>31.042.624,23</u>

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17. GOODWILL (continued)

Fair value of net assets	<u>34.895.849,06</u>
Total acquisition cost	<u>45.688.357,06</u>
Goodwill	<u>10.792.508,00</u>

Analysis of total acquisition cost

Acquisition cost	44.548.386,87
Direct expenses	<u>1.139.970,19</u>
	<u>45.688.357,06</u>

Net cash flows were as follows:

Acquisition cost	(44.548.386,87)
Cash and cash equivalents of Stollberg Group	<u>2.072.460,76</u>
Net cash outflow	<u>42.475.926,11</u>

18. INVESTMENTS IN ASSOCIATES

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

	<u>June 30, 2005</u>	<u>December 31, 2004</u>
A.B.G. Kalyftaki S.A.	1.206.239,55	1.302.112,82
Laviosa Promasa S.A.	488.166,29	491.358,77
Laviosa Chimica Mineraria S.p.A.	6.011.186,03	5.704.705,61
Bentec S.p.A.	452.937,45	437.967,56
Xinyang- Athenian Mining Co	354.761,74	354.761,74
SLS Baustoffe GmbH	193.591,61	229.496,11
Stollberg & Samil Co. Ltd.	<u>3.013.187,88</u>	<u>2.580.122,41</u>
	<u>11.720.070,55</u>	<u>11.100.525,02</u>

The following table provides additional information for the above associates:

<u>Company</u>	<u>Country</u>	<u>Field of Activity</u>	<u>% Participation</u>	<u>Year Established / Acquired</u>
A.B.G. Kalyftaki S.A.	Greece	Other Activities	45,00%	2002
Laviosa Promasa S.A.	Spain	Industrial Minerals	29,52%	2004
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	China	Industrial Minerals	25,00%	1996
Stollberg & Samil Co. Ltd.	Korea	Industrial Minerals	50,00%	2004

During the six months period ended June 30, 2005 the amount of dividends distributed by the associates was Euro 245.429,27 (the share of the Group) of which an amount of Euro 25.750,00 was not received on the above date. The above amounts were accounted for as a decrease of the investments in associates.

For the six months period ended on June 30, 2004 the associates did not distribute dividend.

The Group owns 50% of Stollberg & Samil Co. Ltd. but the shareholders have agreed that the management of the company is assigned to the other shareholder.

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18. INVESTMENTS IN ASSOCIATES (continued)

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

Associate	June 30, 2005		
	Assets	Liabilities	Net assets
A.B.G. Kalyftaki S.A	11.647,59	10.441,35	1.206,24
Laviosa Promasa S.A.	1.458,40	970,23	488,17
Laviosa Chimica Mineraria S.p.A.	15.987,24	9.976,05	6.011,19
Bentec S.p.A.	1.120,63	667,69	452,94
Xinyang - Athenian Mining Co	1.689,13	1.334,37	354,76
SLS Baustoffe GmbH	233,43	39,84	193,59
Stollberg & Samil Co. Ltd.	4.780,67	1.765,84	3.014,83
	36.917,09	25.195,37	11.721,72

Associate	December 31, 2004		
	Assets	Liabilities	Net assets
A.B.G. Kalyftaki S.A	11.025,71	9.723,60	1.302,11
Laviosa Promasa S.A.	1.461,59	970,23	491,36
Laviosa Chimica Mineraria S.p.A.	15.680,41	9.975,70	5.704,71
Bentec S.p.A.	1.105,66	667,69	437,97
Xinyang - Athenian Mining Co	1.490,90	1.136,14	354,76
SLS Baustoffe GmbH	274,81	45,32	229,50
Stollberg & Samil Co. Ltd.	4.347,62	1.767,49	2.580,12
	35.386,70	24.286,17	11.100,53

Revenues of the above associates amount to Euro 14.462.250,03 and Euro 13.091.400,42, for the six months period ended on June 30, 2005 and June 30, 2004 respectively. The share of profit before income tax from the associated accounted for using the equity method amounts to Euro 966.113,55 and Euro 306.304,90, while the share of tax of the associates amount to Euro 344.920,22 and Euro 236.821,30 for the six month period ended on June 30, 2005 and June 30, 2004 respectively.

No guarantees have been provided to the associates.

19. INVENTORIES

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

	June 30, 2005	December 31, 2004
Bentonite	21.476.830,15	24.485.920,55
Perlite	9.440.175,67	8.290.223,63
Bauxite	11.218.881,44	9.692.896,79
Fluxes	14.441.161,82	12.672.763,81
Commercial	26.610.466,87	11.468.670,22
Consumables and spare parts	1.490.473,50	2.404.452,71
	84.677.989,45	69.014.927,71
Less: provision for slow moving inventory	(1.632.994,00)	(1.574.809,00)
	83.044.995,45	67.440.118,71

Provision for slow moving inventories is as follows:

	June 30, 2005	December 31, 2004
Beginning balance	1.574.809,00	1.195.860,00
Additions	25.000,00	378.949,00
Provision used	(14.058,00)	-
Exchange difference	47.243,00	-
Ending balance	1.632.994,00	1.574.809,00

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

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20. TRADE ACCOUNTS RECEIVABLES

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

	<u>June 30, 2005</u>	<u>December 31, 2004</u>
Trade receivables	69.531.531,50	47.654.838,50
Post-dated cheques and notes receivable	13.770.526,53	13.611.888,49
	83.302.058,03	61.266.726,99
Less: allowance for bad debt receivables	(4.507.339,00)	(4.409.952,00)
	<u>78.794.719,03</u>	<u>56.856.774,99</u>

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:

	<u>June 30, 2005</u>	<u>December 31, 2004</u>
Beginning balance	4.409.952,00	3.661.321,00
Additions	68.991,00	748.631,00
Provision used	(4.105,00)	-
Exchange difference	32.501,00	-
Ending balance	<u>4.507.339,00</u>	<u>4.409.952,00</u>

21. OTHER CURRENT ASSETS

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

	<u>June 30, 2005</u>	<u>December 31, 2004</u>
VAT receivable	7.999.853,60	7.459.816,13
Advances and prepayments	3.101.211,31	5.513.453,90
Deferred revenues	1.776.624,00	1.997.521,13
Receivables from Insurance Companies	918.321,00	407.990,00
Other Assets	2.540.494,22	2.955.901,18
	<u>16.336.504,13</u>	<u>18.334.682,21</u>

22. CASH AND CASH EQUIVALENTS

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

	<u>June 30, 2005</u>	<u>December 31, 2004</u>
Time Deposits	22.651.540,58	504.230,30
Sight Deposits	15.630.022,42	7.842.292,73
Cash	332.147,87	1.121.324,14
	<u>38.613.710,87</u>	<u>9.467.847,17</u>

Cash at bank earns interest at a floating rate based on bank deposit rates. Interest income for the six months period ended June 30, 2005 and June 30, 2004 amounts to Euro 113.375,58 and Euro 195.752,23 respectively.

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23. 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.

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, that will be distributed to S&B executives after the approval of administrative authorities.

The above amounts were accounted after June 30, 2005 as the related approvals were provided in July 2005.

At June 30, 2005 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 parent company in June 30, 2005 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 six months period ended on June 30, 2005 and June 30, 2004 is as follows:

	June 30, 2005	December 31, 2004
Number of shares	30.154.130	30.151.190
Less: treasury shares	(518.115)	(690.820)
Basic Weighted Average Number of Shares	29.636.015	29.460.370
Stock Option Plan	10.687	9.923
Diluted Weighted Average Number of Shares	29.646.702	29.470.293

24. RESERVES

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

	June 30, 2005	December 31, 2004
Special reserves	13.494.371,48	7.927.515,82
Statutory reserves	7.977.269,39	8.319.749,51
Readjustment difference of participation and securities	2.824.705,15	2.824.705,15
Extraordinary reserves	1.765.962,08	1.766.309,32
Tax-free and specially taxed reserves	5.386.322,18	55.386.129,83
	81.448.630,28	76.224.409,63

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 during the existence of the Company.

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 was provided.

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24. RESERVES (continued)

Specially taxed reserves represent interest income and income from disposal of 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. S&B has no intention of distributing this reserve and, accordingly, has not provided for deferred income tax that would be required in the event the reserve is distributed.

25. 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. with 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 "Preoperating Expenses," as reflected in the statutory financial statements, exceeds the aggregate of distributable reserves plus retained earnings.

On June 22, 2005 the regular General Assembly has approved a dividend distribution of Euro 1.809.247,50 (Euro 0,06 per share). The amount is presented on the balance sheet as of June 30, 2005 as «Dividends Payable».

26. PROVISION FOR ENVIRONMENT REHABILITATION

The movement of provision for environment rehabilitation for the six months period ended on June 30, 2005 and year 2004 is as follows:

	June 30, 2005	December 31, 2004
Total Amount at the Beginning of the Period/Year	<u>13.888.477,97</u>	<u>13.978.536,30</u>
Provision	83.626,45	106.930,22
Used Provision	(398.475,47)	(196.988,55)
Total Amount at the End of the Period/Year	<u>13.573.628,95</u>	<u>13.888.477,97</u>

27. PROVISION FOR STAFF LEAVING INDEMNITY

Under labour laws, of the countries that the Group is operating employees are entitled to termination payments in the event of dismissal or retirement with the amount of payment varying in relation to the above laws. These plans are not financed and considered as defined benefit plans in accordance with IAS 19. The Group charges operations for benefits earned in each period with a corresponding increase in pension liability. Benefits payments made each period to retirees are charged against this liability.

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

	June 30 2005	December 31 2004
Net liability at beginning of the year/period	<u>13.918.555,60</u>	<u>10.811.308,21</u>
Benefits paid directly by the Group	(762.684,10)	(1.069.381,88)
Stollberg Group acquisition	-	2.672.082,27
Expense recognised in the consolidated statements of income	754.669,17	1.504.547,00
Net liability at end of the year/period	<u>13.910.540,67</u>	<u>13.918.555,60</u>

An international firm of independent actuaries evaluated the Company's liabilities arising from the obligation to pay retirement indemnities. The details and principal assumptions of the actuarial study as at June 30, 2005 and December 31, 2004 have as follows:

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27. PROVISION FOR STAFF LEAVING INDEMNITY (continued)

	June 30 2005	December 31 2004
<u>Reconciliation of benefit obligation</u>		
Present value of actuarial liability at the beginning of the period/year	13.918.555,60	10.811.308,21
Service cost	381.961,67	546.224,00
Interest cost	354.971,50	633.869,00
Amortization of unrecognized actuarial loss	17.736,00	-
Benefits paid	(762.684,10)	(1.069.381,88)
Stollberg Group acquisition	-	2.672.082,27
Extra payments or expenses	-	324.454,00
Unrecognized actuarial loss	1.272.844,00	1.937.906,00
Present value of actuarial liability at the end of the period/year	15.183.384,67	15.856.461,60
Present value of unfunded obligations	15.183.384,67	15.856.461,60
Unrecognized actuarial loss	(1.272.844,00)	(1.937.906,00)
Net liability in balance sheet	13.910.540,67	13.918.555,60
<u>Components of Profit and Loss charge</u>		
Service cost	381.961,67	546.224,00
Interest cost	354.971,50	633.869,00
Amortization of unrecognized actuarial loss	17.736,00	-
Regular Profit and Loss charge	754.669,17	1.180.093,00
Additional cost of termination benefits	-	324.454,00
Total Profit and Loss charge	754.669,17	1.504.547,00
<u>Principal assumption for pension expense</u>		
Discount rate	4,50%-5,25%	5,25%-5,50%
Rate of compensation increase executives	2,00%-5,50%	2,50%-7,50%
Rate of compensation increase staff	2,00%-5,50%	2,50%-5,50%
Inflation rate	1,50%-2,50%	2,00%-2,50%
Average future working life	18,00	19,00

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.

28. INTEREST BEARING LOANS AND BORROWINGS

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

	June 30 2005	December 31 2004
Bond (Law.3156/2003)	75.000.000,00	-
Syndicated loan (Euro 90 million)	53.491.212,24	66.638.831,62
Syndicated loan (Euro 75 million)	75.000.000,00	-
Long term loan in INR	3.230.543,66	3.291.721,75
Loan expenses	(461.900,00)	-
Less: current portion of long term loans and borrowings	(19.916.790,93)	(3.329.090,90)
	186.343.064,97	66.601.462,47

Bond Law 3156/2003

On June 2005 the Group concluded an agreement for a common bond issue of Law 3156/2003 of Euro 75 million, 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.

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The main representations and warranties of the loan are as follows:

- Not Encumbrances or liens exist over the Group assets, that could have a material adverse effect on the Group's financial condition or could adversely effect the ability of the Group to repay the loan.
- No insolvency proceedings of any nature relating to the Group are pending
- There are no terms of any Agreement that are not fulfilled by the Group
- S&B Industrial Minerals S.A. does not owe overdue amounts to the Greek Authorities
- No litigation, arbitration or administrative proceeding is taking place, pending or, threatened against the Group which, if adversely determined, is reasonably likely to have a Material Adverse Effect; and
- no proceedings of any nature are current, pending or, to the best of its knowledge, threatened, for the winding-up or dissolution of, or in respect of any insolvency proceedings of any nature relating to either Obligor or any other member of the Group;

The Financial Statements present fairly and accurately the consolidated financial position of the Group and there has been no material adverse change in the financial position of the of the Group,

The Group comply, with all requirements of Environmental Law applicable to its business

The financial covenants of the loan relate to minimum ratios of net borrowings to consolidated EBITDA and EBITDA to consolidated net interest payable.

The general representations and undertakings of the loan relate to adequate insurance of the groups assets, the notification of any event that could materially affect the ability of the Group to repay its debt, of leasing agreement, sales of assets, mergers and acquisitions, change of control litigation and compliance with environmental laws.

Finally the Loan Agreement provides for events of default such as, no compliance with financial covenants, false representations, non payment of obligations, material adverse change of the financial condition of the Group, insolvency proceedings, and change of control-

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 will be repaid 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), any amount repaid earlier can be re-borrowed.

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 in USD, the Group has entered into cross currency swap contracts in order to reduce the exposure to exchange rate fluctuations (note 29)

The main events of default relate to non payment, non compliance to general and financial obligations, misrepresentation, insolvency, cessation of business, ownership and any event with materially adverse to the financial position of the Group.

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. There are also general covenants relating to compliance with laws and regulations, disposal of assets, changes of business, mergers, investments, environmental matters and insurance.

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28. INTEREST BEARING LOANS AND BORROWINGS (continued)

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) repayable in five 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 bond (2008-2011) and the final installment will repay 60% of the loan (2012). The loan can be repaid earlier with no additional charges.

The main representations, warranties and undertakings of the loan are as follows:

- Comply in all material respect with the conditions and restrictions of every consent, authorization and license or approval of governmental or public bodies or authorities.
- Use the proceeds of drawings exclusively for the purpose specified in the agreement.
- Deliver copies of audited financial statements.
- Insurance matters.
- Ensure that the levels of contribution to the pension schemes are and continue to be sufficient to cover the liabilities of the Group in full.
- Compliance with the terms of the loan agreement that relate to assets disposals and investments.
- Cessation of business.
- There are no pledges.

The main events of default relate to non payment and any event with materially adverse to the financial position of the Group.

The loan agreement also defines financial covenants that relate to minimum ratios of net borrowings to consolidated EBITDA and EBITDA to consolidated net interest payable.

The balance of the above loans are at fair value. For the above loans there are no pledges or other guarantees. The weighted average interest rate of long term interest bearing loans for the six months period ended June 30, 2005 and June 30, 2004 is 3,36% and 3,09%, respectively.

In addition to the above, the Group has concluded a loan of INR 218.808.727,25 that will be repaid in nine equal six months installments (commencing on November 2004 to November 2008). The weighted average interest rate of long term interest bearing loan in INR for the six months period ended June 30, 2005 is 6,29%.

Total interest expense for the six months period ended on June 30, 2005 and 2004 amounts to Euro 1.524.199,00 and Euro 1.498.846,60, respectively.

29. 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. 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 Group has entered into an interest rate option contract of Euro 40 million (for the exposure from syndicated loan – Note 28) based on which the Group pays fixed interest rate 2,72% per quarter and receives 3 month Euribor. The valuation of the derivative (the derivative does not meet the requirements of cash flow hedge) at fair value, as at June 30, 2005 resulted to loss of Euro 152.055,00 that was charged at financial income/expense of the period.

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29. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Cross currency swaps

The Group has entered into cross currency swap agreements to hedge the exchange rate exposure of the syndicated loan (Note 28).

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

The valuation of the derivate at fair value for the six month period ended on June 30, 2005 resulted gain of Euro 299.170,00 that was recognized directly to equity, because the derivative meets the requirements of cash flow hedges according to IAS 39 «Financial Instruments: Recognition and Measurement». As a result the accumulated effect of the above cross currency swaps at the equity as at June 30, 2005 amounts to Euro 61.452,08 (debit), considering also the effect of the valuation of the loan hedged.

Forward contracts

The Group has entered into six forward contracts as of June 30, 2005 to hedge exchange rate exposure from sales in USD (sale of USD 6.000.000,00 to buy Euro 4.641.663,85). The duration of all forward contracts is less than one year with maturity dates form July 2005 to January 2006.

The valuation of the above forward contracts at fair value for the six months period ended on June 30, 2005 resulted to loss of Euro 793.554,45 that was recognized at equity, because the derivative meets the requirements of cash flow hedges according to IAS 39 «Financial Instruments: Recognition and Measurement». As a result the accumulated effect of the above forward contracts at the equity as at June 30, 2005 amounts to Euro 286.502,00 (debit).

The valuation of all the above contracts at fair value resulted total loss of Euro 646.439,45 of which an amount of Euro 152.055,00 was charged to profit and loss and an amount of Euro 494.384,45 (net of deferred income tax asset) of Euro 212.246,70 was recognized directly at equity. As a result the accumulated effect from the application of IAS 39 «Financial Instruments: Recognition and Measurement» at equity amounts to Euro 347.954,08 (debit) (Euro 182.564,75 net of deferred income taxes).

30. TRADE AND OTHER PAYABLES

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

	<u>June 30 2005</u>	<u>December 31 2004</u>
Suppliers	41.194.657,44	28.457.377,67
Customers advances	2.150.592,72	1.524.059,43
	<u>43.345.250,16</u>	<u>29.981.437,10</u>

31. SHORT TERM BORROWINGS

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

	<u>June 30 2005</u>	<u>December 31 2004</u>
Short term loans	8.806.260,80	126.007.574,90
Overdrafts	6.134.015,83	6.960.785,26
Used amount	<u>14.940.276,63</u>	<u>132.968.360,16</u>

The above loans are analyzed as follows:

	<u>June 30 2005</u>	<u>December 31 2004</u>
Short term loans in Euro	13.371.529,77	132.665.318,93
Short term loans in INR	866.270,79	303.041,23
Short term loans in BRL	702.476,07	-
Total	<u>14.940.276,63</u>	<u>132.968.360,16</u>

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31. SHORT TERM BORROWINGS (continued)

As of June 30, 2005 and December 31, 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 six months period ended at June 30, 2005 and 2004 is 3,29% and 3,47%, respectively. The weighted average interest rate of short term loans in INR and BRL for the six months period ended at June 30, 2005 is 8,25% 23,52% respectively.

Total interest expense for the six month period ended in June 30, 2005 and 2004 amounts to Euro 2.254.145,37 and Euro 1.353.431,40, respectively.

Total credit limits of the Group (long term and short term loans) at June 30, and December 31, 2004 are as follows:

	<u>June 30 2005</u>	<u>December 31 2004</u>
Credit limit	329.745.955,39	290.484.959,60
Less:		
Long term loans	206.721.755,90	69.930.553,37
Short term loans	14.940.276,63	132.968.360,16
Guarantees	3.184.683,00	2.725.587,00
Credit limits Unused	<u>104.899.239,86</u>	<u>84.860.459,07</u>

32. INCOME TAX (CURRENT AND DEFERRED)

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

	<u>June 30 2005</u>	<u>June 30 2004</u>
Current income tax	6.737.959,24	4.874.821,25
Deferred income tax	550.932,19	842.280,38
Provision for unaudited tax years	172.156,00	173.745,12
	<u>7.461.047,43</u>	<u>5.890.846,75</u>

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 statutory one mainly due to expenditure not allowable for income tax purposes and non taxable or specially taxed income.

The calculation of the Income Tax attributable to the interim financial statements is based on the effective income tax rate for the previous year.

Though the parent company and its subsidiaries submit income tax return annually, the respective profits or losses declared are considered not to be final till either the tax authority of the country, in which each company operates, conducts tax audit and finalizes the tax report or the lapse time for the tax audit expires.

Does the respective tax authority recognize the tax losses of each company, these are allowed to be offset with future profit in respect to the applicable tax legislation.

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32. INCOME TAX (CURRENT AND DEFERRED) (continued)

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

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

The Group always obtains guaranties from the seller during the acquisition of a company/group for the outstanding tax issues before the acquisition date.

In respect to that, 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 Bentonite AD will be settled by the former owners respectively.

The company 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. Therefore, the company has provided for additional taxes and penalties, based on previous tax audits.

A reconciliation of income tax expense applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the Group's effective income tax rate for the periods ended June 30, 2005 and 2003 is as follows:

	June 30 2005	June 30 2004
Profit before income tax	20.114.034,50	15.242.084,85
Income tax based on the statutory income tax rate (approx. 38,57% and 41,34% for 2004 and 2005)	8.315.296,85	5.879.143,44
Non taxable or special taxed income	(1.938.476,00)	(959.073,00)
Expenditure not allowable for income tax purposes	791.570,00	670.564,00
Losses of subsidiaries on which no deferred tax was calculated	120.500,58	126.467,19
Provision for income tax	7.288.891,43	5.717.101,63
Provision for unaudited tax years	172.156,00	173.745,12
Total income tax	7.461.047,43	5.890.846,75

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32. INCOME TAX (CURRENT AND DEFERRED) (continued)

The income tax expense for the periods ended June 30, 2005 and 2004, has been calculated based on the profit before income tax of each consolidated company after the respective eliminations on the income statement for consolidation purposes in conjunction with the statutory tax rate applicable in each country.

The deferred income tax is calculated on all temporary tax differences based on the tax rates expected to be applied during the period in which the either the asset will be realized or the liability will be settled.

Deferred income tax movement is analyzed as follows:

	June 30 2005	December 30 2004
Begging balance	(2.726.980,04)	7.242.174,52
(Debit)/Credit of Income Statement account	(550.932,19)	(842.280,38)
Deferred income tax of acquisition of Stollberg	-	(9.126.874,18)
Deferred income tax credited directly in Equity (note)	270.024,99	-
Ending balance	(3.007.887,24)	(2.726.980,04)

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

	June 30 2005	December 30 2004
Gross deferred income tax assets	12.264.260,84	11.896.120,02
Gross deferred income tax liabilities	(15.272.148,08)	(14.623.100,07)
	(3.007.887,24)	(2.726.980,04)

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

	June 30 2005	December 30 2004
Deferred income tax assets		
Provision for environment rehabilitation	2.903.544,00	2.903.544,00
Mine development expenses	453.818,00	479.822,00
Executive officers' bonus	435.000,00	711.926,00
Tax losses	2.059.031,75	3.367.642,94
Provision for staff leaving indemnity	1.726.989,75	1.781.615,00
Financial derivatives	270.042,00	-
Intercompany gain from inventory	516.011,00	581.703,19
Other	3.899.824,34	2.069.866,89
Total	12.264.260,84	11.896.120,02
Deferred income tax liabilities		
Fair value adjustment on intangible fixed assets (acquisition of Stollberg)	(5.468.520,00)	(5.642.860,00)
Fair value adjustment on tangible fixed assets (acquisition of Stollberg)	(4.270.560,00)	(3.705.382,00)
Revaluations of land and buildings to fair value	(1.598.219,88)	(1.698.219,88)
Adjustment of fixed assets to useful life	(3.934.848,20)	(3.576.638,19)
Total	(15.272.148,08)	(14.623.100,07)
Net deferred income tax liability	(3.007.887,24)	(2.726.980,05)

The deferred income tax asset and liability on the balance sheet are as follows:

	June 30 2005	December 30 2004
Net deferred income tax asset	7.481.012,36	7.309.283,82
Net deferred income tax liability	(10.488.899,60)	(10.036.263,86)
	(3.007.887,24)	(2.726.980,04)

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33. OTHER CURRENT LIABILITIES

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

	<u>June 30 2005</u>	<u>December 31 2004</u>
Taxes and duties	3.844.647,86	3.957.877,65
Social security	1.806.865,57	2.167.432,12
Accrued payroll expenses	4.161.797,35	2.255.263,69
Accrued third party fees	1.343.368,45	-
Freights	1.139.444,28	1.184.884,37
Board of Directors fees	880.370,10	436.000,00
Share of profits payable to employees	540.000,00	880.370,10
Accrued rents	427.603,42	509.783,13
Derivative financial instruments	270.157,00	-
Other	9.615.149,58	11.792.047,73
	<u><u>24.029.403,61</u></u>	<u><u>23.183.658,79</u></u>

34. 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 Euro 372.007,00 in the accompanying financial statements. Except of the litigations and claims relating to the above provision (tax issues), the management of the Group estimate that all of the lawsuits are expected to be settled without any material adverse effect on the Company's consolidated financial position or results of operations.
- (b) **Guarantees:** At June 30, 2005 the Group has issued letters of guarantee for mining rights and licenses for a total amount of Euro 4.907.263 (Euro 3.865.378 at 31 December 2004).
- (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 will be heard before the court, on October 2005. 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 in its operation and financial status.
- (d) **Operating lease commitments:** As of June 30, 2005 the Group has entered into a number of operating lease agreements relating mainly to the rental of buildings that expire on various dated through 2016. Rental expenses included in the accompanying statement of income for the six months period ended on June 30, 2005 amounted to Euro 1.936.255,94. Future minimum rentals under non-cancelable operating leases as at June 30, 2005 are as follows:

	<u>June 30</u> <u>2005</u>
	<u>(in million Euro)</u>
Within one year	2,5
2-5 years	9,0
After 5 years	14,0
	<u><u>25,5</u></u>

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35. SEGMENT INFORMATION

	Industrial Minerals		Commercial activities		Total	
	June 30 2005	June 30 2004	June 30 2005	June 30 2004	June 30 2005	June 30 2004
Sales	171.671.849,53	126.554.079,24	42.431.195,11	47.493.996,67	214.103.044,64	174.048.074,91
Profit before income, finance and investing income /(expense)	18.814.349,99	13.510.172,09	2.522.806,57	3.696.909,00	21.337.156,56	17.207.081,09
Financial income/ (expense)	-	-	-	-	(2.189.235,61)	(2.271.301,14)
Income from subsidiaries	1.061.986,82	409.837,90	(95.873,27)	(103.533,00)	966.113,55	306.304,90
Profit before income tax					20.114.034,50	15.242.084,85
Income tax					(7.461.047,43)	(5.890.846,75)
Net profit					12.652.987,07	9.351.238,10
Depreciation	12.043.261,68	10.289.485,90	671.996,32	600.614,64	12.715.258,00	10.890.100,54
Capital expenditure	10.533.913,10	11.340.198,10	498.635,12	578.429,61	11.032.548,22	11.918.627,79
	June 30 2005	December 31 2004	June 30 2005	December 31 2004	June 30 2005	December 31 2004
Assets	390.495.102,47	369.554.191,40	78.595.131,71	62.759.741,17	469.090.234,18	432.313.932,57
Other assets					49.198.199,06	20.065.848,26
					518.288.433,24	452.379.780,83
Liabilities	63.996.085,82	81.801.929,10	24.746.919,98	14.308.489,02	88.743.005,80	76.110.418,12
Other liabilities					250.056.774,84	224.304.893,56
					338.799.780,64	300.415.311,68

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36. 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, June 30, 2004 and December 31, 2004 in accordance with Greek General Accepted Accounting Standards GGAAS and IFRS.

	January 1, 2004		
	GGAAS	Difference	IFRS
ASSETS			
Non current assets			
Tangible assets	109.417.001,94	20.128.504,62	129.545.506,56
Investment property	-	25.366.662,82	25.366.662,82
Intangible assets	22.458.714,62	(18.315.457,53)	4.143.257,09
Goodwill	54.257.987,99	2.494.996,28	56.752.984,27
Differed income taxes	-	9.186.803,88	9.186.803,88
Investments in associates	26.184.233,18	(16.451.115,30)	9.733.117,88
Investments held for sale	-	-	-
Securities	383.343,12	(383.343,12)	-
Other non current assets	2.617.447,28	(353.217,19)	2.264.230,09
Total non current assets	215.318.728,13	21.673.834,46	236.992.562,59
Current Assets			
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
Total current assets	139.545.696,45	(9.882.470,56)	129.663.225,89
Total Assets	354.864.424,58	11.791.363,90	366.655.788,48
EQUITY AND LIABILITIES			
Equity			
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	-	351.282,00	351.282,00
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	9.929.783,55	11.026.849,85
Total	138.950.511,01	1.462.655,63	140.413.166,64
Minority interest	1.699.613,91	104.115,45	1.803.729,36
Total Equity	140.650.124,92	1.566.771,08	142.216.896,00
Provisions			
Provision for staff leaving indemnity	11.301.476,16	(490.167,95)	10.811.308,21
Provision for rehabilitation	-	13.978.536,30	13.978.536,30
Other provisions	6.512.812,72	(4.413.964,99)	2.098.847,73
Total provisions	17.814.288,88	9.074.403,36	26.888.692,24
Non current liabilities			
Interest-bearing loans and borrowings	64.464.438,73	17.045,99	64.481.484,72
Deferred income taxes	-	1.944.629,36	1.944.629,36
Subsidies	-	3.225.987,78	3.225.987,78
Other non current liabilities	380.549,48	340.951,79	721.501,27
Total non current liabilities	64.844.988,21	5.528.614,92	70.373.603,13
Current Liabilities			
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	4.851.344,30	17.512.189,81
Total current liabilities	131.555.022,57	(4.378.425,46)	127.176.597,11
Total equity and liabilities	354.864.424,58	11.791.363,90	366.655.788,48

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

	June 30, 2004		
	GGAAS	Difference	IFRS
ASSETS			
Non current assets			
Tangible assets	136.411.070,03	21.402.600,78	157.813.670,81
Investment property	-	25.167.905,69	25.167.905,69
Intangible assets	49.483.579,47	(30.377.694,94)	19.105.884,53
Goodwill	60.832.215,80	12.734.173,46	73.566.389,26
Differed income taxes	-	9.244.998,02	9.244.998,02
Investments in associates	17.399.163,32	(4.398.917,18)	13.000.246,14
Investments held for sale	-	-	-
Securities	332.838,07	(332.838,07)	-
Other non current assets	1.631.472,71	585.806,75	2.217.279,46
Total non current assets	266.090.339,40	34.026.034,51	300.116.373,91
Current Assets			
Inventories	69.298.409,72	(1.637.223,37)	67.661.186,35
Trade accounts receivables	75.983.422,19	(3.481.455,60)	72.501.966,59
Other non current assets	22.030.821,03	(3.336.875,24)	18.693.945,79
Marketable securities	5.970.425,29	(5.970.425,29)	-
Cash and cash equivalents	16.242.242,25	2.507.974,23	18.750.216,48
Total current assets	189.525.320,48	(11.918.005,27)	177.607.315,21
Total Assets	455.615.659,88	22.108.029,24	477.723.689,12
EQUITY AND LIABILITIES			
Equity			
Share capital	30.151.190,00	-	30.151.190,00
Share premium	32.024.515,52	(1.612.138,34)	30.412.377,18
Treasury stock	-	(4.768.558,40)	(4.768.558,40)
Losses from derivate valuation	-	199.506,41	199.506,41
Foreign currency translation	-	-	-
Stock option plan reserve	-	463.571,00	463.571,00
Reserves	76.533.721,68	(3.293.695,67)	73.240.026,01
Governmental grants	2.378.213,79	(2.378.213,79)	-
Retained earnings	11.909.592,32	1.199.279,12	13.108.871,44
Total	152.997.233,31	(10.190.249,67)	142.806.983,64
Minority interest	2.026.910,80	140.344,28	2.167.255,08
Total Equity	155.024.144,11	(10.049.905,39)	144.974.238,72
Provisions			
Provision for staff leaving indemnity	13.934.810,13	(14.048,29)	13.920.761,84
Provision for rehabilitation	-	13.681.800,58	13.681.800,58
Other provisions	6.231.352,58	(4.444.877,23)	1.786.475,35
Total provisions	20.166.162,71	9.222.875,06	29.389.037,77
Non current liabilities			
Interest-bearing loans and borrowings	79.663.186,75	(82.619,03)	79.580.567,72
Deferred income taxes	-	12.039.170,27	12.039.170,27
Subsidies	-	2.704.208,74	2.704.208,74
Other non current liabilities	297.967,93	715.496,69	1.013.464,62
Total non current liabilities	79.961.154,68	15.376.256,67	95.337.411,35
Current Liabilities			
Trade and other payables	38.416.602,18	1.424.122,21	39.840.724,39
Interest-bearing loans and borrowings	125.767.983,63	2.319.341,84	128.087.325,47
Current portion of long term debt	3.328.981,69	104.872,70	3.433.854,39
Income tax payable	8.063.429,40	(1.169.844,29)	6.893.585,11
Dividend payable	6.823.809,72	-	6.823.809,72
Other current liabilities	18.063.391,76	4.880.310,44	22.943.702,20
Total current liabilities	200.464.198,38	7.558.802,90	208.023.001,28
Total equity and liabilities	455.615.659,88	22.108.029,24	477.723.689,12

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

	December 31, 2004		
	GGAAS	Difference	IFRS
ASSETS			
Non current assets			
Tangible assets	147.298.348,86	12.658.292,84	159.956.641,70
Investment property	-	24.569.201,39	24.569.201,39
Intangible assets	25.742.342,08	(5.643.217,02)	20.099.125,06
Goodwill	84.198.486,62	(11.107.694,55)	73.090.792,07
Differed income taxes	-	7.309.283,82	7.309.283,82
Investments in associates	17.438.249,46	(5.471.653,02)	11.966.596,44
Investments held for sale	-	-	-
Securities	391.234,77	(9.713,61)	381.521,16
Other non current assets	1.721.804,61	1.185.391,50	2.907.196,11
Total non current assets	276.790.466,40	23.489.891,35	300.280.357,75
Current Assets			
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
Total current assets	164.436.083,88	(12.336.660,80)	152.099.423,08
Total Assets	441.226.550,28	11.153.230,55	452.379.780,83
EQUITY AND LIABILITIES			
Equity			
Share capital	30.154.130,00	-	30.154.130,00
Share premium	30.426.352,38	-	30.426.352,38
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	-	620.879,00	620.879,00
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	7.082.355,06	19.272.962,09
Total	162.547.169,44	(13.159.672,48)	149.387.496,96
Minority interest	2.399.858,02	177.114,17	2.576.972,19
Total Equity	164.947.027,46	(12.982.558,31)	151.964.469,15
Provisions			
Provision for staff leaving indemnity	12.551.900,09	1.366.655,51	13.918.555,60
Provision for rehabilitation	-	13.888.477,97	13.888.477,97
Other provisions	12.712.881,72	(11.703.236,80)	1.009.644,92
Total provisions	25.264.781,81	3.551.896,68	28.816.678,49
Non current liabilities			
Interest-bearing loans and borrowings	66.370.939,09	230.523,38	66.601.462,47
Deferred income taxes	-	10.036.263,86	10.036.263,86
Subsidies	-	2.579.968,52	2.579.968,52
Other non current liabilities	755.754,08	40.824,60	796.578,68
Total non current liabilities	67.126.693,17	12.887.580,36	80.014.273,53
Current Liabilities			
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	12.468.630,42	23.183.658,79
Total current liabilities	183.888.047,84	7.696.311,82	191.584.359,66
Total equity and liabilities	441.226.550,28	11.153.230,55	452.379.780,83

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37. 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 June 30, 2004 and December 31, 2004 in accordance with Greek General Accepted Accounting Standards GGAAS and IFRS.

	June 30, 2004		
	GGAAS	Difference	IFRS
Sales	204.360.472,61	(30.312.397,70)	174.048.074,91
Cost of sales	(151.071.363,75)	21.232.998,82	(129.838.364,93)
Gross Profit	53.289.108,86	(9.079.398,88)	44.209.709,98
Administrative expenses	(22.310.598,03)	3.554.425,21	(18.756.172,82)
Selling expenses	(13.477.248,28)	3.323.803,54	(10.153.444,74)
Share of profit/ (loss) from associates	638.859,04	(332.554,14)	306.304,90
Financial income / (expenses)	(2.570.751,82)	299.450,68	(2.271.301,14)
Other income / (expenses)	474.048,22	1.432.940,45	1.906.988,67
Depreciation, Amortisation not included in operating cost	(2.408.745,51)	2.408.745,51	
Profit before income tax	13.634.672,48	1.607.412,37	15.242.084,85
Income tax			(5.890.846,75)
Net profit			9.351.238,10

	December 31, 2004		
	GGAAS	Difference	IFRS
Sales	404.256.744,35	(30.165.588,56)	374.091.155,79
Cost of sales	(302.480.831,49)	23.883.987,36	(278.596.844,13)
Gross Profit	101.775.912,86	(6.281.601,20)	95.494.311,66
Administrative expenses	(40.403.356,79)	(11.424,00)	(40.414.780,79)
Selling expenses	(27.540.400,53)	1.051.443,85	(26.488.956,68)
Share of profit/ (loss) from associates	1.325.184,04	237.146,49	1.562.330,53
Financial income / (expenses)	(5.652.005,18)	(30.057,20)	(5.682.062,38)
Other income / (expenses)	4.822.704,76	726.986,86	5.549.691,62
Depreciation, Amortisation not included in operating cost	(4.860.454,37)	4.860.454,37	-
Profit before income tax	29.467.584,79	552.949,17	30.020.533,96
Income tax	(8.859.981,07)	(2.232.559,31)	(11.092.540,38)
Net profit	20.607.603,72	(1.679.610,14)	18.927.993,58

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38. RECONCILIATION OF EQUITY AND RESULTS AFTER INCOME TAX IN ACCORDANCE WITH GREEK GENERAL ACCEPTED ACCOUNTING STANDARDS AND IFRS

The following tables present the reconciliation of equity and results after income tax for the six months period ended June 30, 2005 and year 2004 in accordance with Greek General Accepted Accounting Standards the income statement of June 30, 2004 and December 31, 2004 in accordance with Greek General Accepted Accounting Standards GGAAS and IFRS.

	December 31 2004	June 30 2004	January 1 2004
Equity in accordance with Greek General Accepted Accounting Standards, before minority interest	162.547.169,44	152.997.233,31	138.950.500,00
Minority interest	2.399.858,02	2.026.910,80	1.699.613,00
Equity in accordance with Greek General Accepted Accounting Standards	164.947.027,46	155.024.144,11	140.650.113,00
<u>Changes in accounting policies</u>			
- Deferred income taxes	3.093.000,00	3.025.828,00	6.736.969,00
- 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)	(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)	(2.704.000,00)	(3.225.987,78)
- Effect of fixed assets revaluation and of changes of depreciation rates due to different useful	14.240.829,69	7.618.850,18	3.935.000,00
- Depreciation of capitalized expenses	(3.900.000,00)	(2.467.000,00)	(2.427.000,00)
- Income tax difference	(504.931,31)	(4.965.057,00)	-
- Revaluation surplus of investment property	-	12.258.000,00	12.258.000,00
	7.389.178,18	7.997.621,18	19.283.981,22
<u>Corrections</u>			
(as published in prior years in accordance with Greek General Accepted Accounting Standards)			
- Accrued executive bonus	(2.224.769,00)	(1.112.383,57)	(2.158.765,00)
- Provision for rehabilitation	(9.993.000,00)	(9.291.000,00)	(10.222.000,00)
- Other provisions	(2.916.000,00)	(3.698.856,00)	(2.050.241,00)
- Differences resulting from subsidiaries consolidated for first time	(4.661.000,00)	(4.300.000,00)	(4.116.000,00)
- Difference of minority rights	(177.114,00)	657.727,00	(104.117,00)
- Other	(399.853,49)	(303.014,00)	933.924,78
	(20.371.736,49)	(18.047.526,57)	(17.717.198,22)
Equity in accordance with IFRS	151.964.469,15	144.974.238,72	142.216.896,00

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**38. RECONCILIATION OF EQUITY AND RESULTS AFTER INCOME TAX IN ACCORDANCE WITH GREEK
GENERAL ACCEPTED ACCOUNTING STANDARDS AND IFRS (continued)**

	December 31	June 30
	2004	2004
Profit after income tax (before minority interest)	20.607.603,72	13.634.672,48
Minority interest	850.802,50	798.071,19
Profit after income tax	19.756.801,22	12.836.601,67
<u>Changes in accounting policies</u>		
- Effect of fixed assets revaluation and of changes of depreciation rates due to different useful	1.879.133,00	1.013.478,00
- Goodwill amortization	4.896.000,00	2.388.500,00
- Accrued Board of Directors fees and profits distributed to personnel	(1.320.000,00)	506.380,00
- Recognition of income tax and deferred income tax	(2.232.559,00)	(5.890.846,00)
- Stollberg profit of first semester before income tax and goodwill amortization	(3.453.000,00)	(3.453.000,00)
- Differences resulting from subsidiaries consolidated for first time	(351.000,00)	(334.000,00)
- Recognition of stock option plan	(266.518,00)	(112.289,00)
	(847.944,00)	(5.881.777,00)
<u>Corrections</u>		
(as published in prior years in accordance with Greek General Accepted Accounting Standards)		
- Stripping	808.686,00	(965.182,00)
- Rehabilitation	759.181,00	611.131,00
- Unused provision for staff leaving indemnity	(1.032.696,18)	-
- Accrued executive bonus	(66.013,16)	1.046.381,18
- Other provisions	(1.205.303,82)	613.098,00
- Difference of minority rights	148.962,00	283.401,00
- Other	(94.719,06)	294.518,75
	(681.902,27)	1.883.347,93
Profit in accordance with IFRS	18.226.954,95	8.838.171,93