

**FINANCIAL REVIEW
OF THE BOARD OF DIRECTORS
FOR THE FINANCIAL YEAR 1/1 - 31/12/2006
S&B GROUP AND THE MOTHER COMPANY S&B INDUSTRIAL MINERALS S.A.**

The year 2006 was a year of healthy growth for the S&B Group in nearly all areas of activity. The global markets in which the Group is active moved upwards, while exhibiting in parallel strong competitive pressures. The changes in energy prices and the high prices of certain raw materials had a negative impact on costs; especially those of the Industrial Minerals activities. The S&B Group, however, through concerted efforts, managed to counter-balance the negative impacts and succeeded in improving profitability.

An important strategic move was the signing of a definitive agreement, in December 2006, for the acquisition of 50% stake in CEBO International B.V., a leading European supplier of industrial minerals, chemical products and services mainly to the petroleum and gas industry in the North sea. The seller of the stake is Cementbouw Bindmiddelen & Logistiek B.V. while the other 50% stake will be retained by the Halliburton Corporation of U.S.A. The acquisition is expected to be completed in the first months of 2007 and it will be financed through S&B's current credit lines. CEBO's total sales for the year 2006 were €53.8 million while the EBITDA profits (earnings before taxes, financial and investment results and depreciation) not counting non recurring items are expected to be €7.9 million. The purchase price for the 50% of CEBO's share capital is expected to reach at closing the amount of approximately €26 million. This, taking into account the estimated net cash position of CEBO of about €10 million, implies a valuation (Enterprise Value) for 100% of the company on a debt/cash-free basis amounting to approximately €42 million.

Consolidated (Group) Results

Consolidated Group sales reached €455.60 million, up by 8.5% from the previous year 2005. EBITDA (earnings before taxes, financial and investment results and depreciation), standing at €66.13 million, went up by 6.6%. Operating profit (earnings before taxes, financial and investment results) rose by 16%, reaching €40.24 million versus €34.69 million in the previous fiscal year. The consolidated operating profits (before taxes, financial and investment results) went up by 16%, to €40.24 million from €34.69 million in the previous fiscal year. The pre-tax profits, amounting to €34.20 million, show an 8.5% decrease in direct comparison to those of 2005, but after the deduction from the 2005 results of the non-recurring capital gain of €6.55 million from the sale of A.B.C.Kalyftaki, pre-tax profits on a recurring basis have effectively improved in 2006 by 11%. Similarly, the net profits of the Group (after taxes), amounting to €23.54 million show a 6.4% decrease versus the year 2005, but on a recurring basis they have increased by 13.5%. The net profits after minority rights are €22.10 million and earnings per share (EPS) €0.73, versus €0.80 per share or €0.60 on a recurring basis in the previous year.

On the basis of the 2006 results, the Board of Directors of S&B Industrial Minerals S.A. will propose to the Annual General Meeting of shareholders a dividend of €0.30 per share up by 11.1% from last year's dividend of €0.27 per share and compared to 12,3% EPS growth on

recurring basis. The proposed dividend implies a pay-out ratio of 41.3% and a 3.1% dividend yield based on the March 14 closing price (€9.68).

The net debt on December 31, 2006 was €158 million, lower by 7.9% or €13.6 million from the beginning of 2006.

Net cash flow was at €13.8 million, compared to €21.8 million in 2005, mainly as a result of extraordinary cash inflows from real estate disposal (A.B.C. Kalyftaki) and capital transactions (Motodynamics IPO and sale of treasury stock).

Capex reached €24.7 million, up by 14.4% from the previous year. More specifically, the capital expenditures of the Industrial Minerals Activities were €21.9 million versus €19.8 million in 2005, while in the Commercial Activities the corresponding expenditures were €2.9 million versus €1.8 million in the previous year.

The 2006 EBITDA and operating profit margins were at 14.5% and 8.8% respectively compared to 14.8% and 8.3% on the fiscal year 2005. The Return On Equity (ROE), which results from net Group profit (after tax and minorities) divided by the shareholders equity was 12% versus 13.7% in 2005.

Industrial Minerals Activities (IMA)

The Industrial Minerals activities, which represent 78% of the Group's revenues, achieved in 2006 healthy organic growth combined with improved operating profitability. The improved profitability of these activities, despite the increased global competition and the higher energy costs, is due to the organic top line growth, the pricing policy followed and better product mix.

The consolidated sales of these activities reached €355.40 million showing an increase of 6.0% versus 2005. EBITDA earnings went up by 5.2% to the level of €59.00 million, while operating profits were increased by 14.8%, reaching 34.55 million compared to €30.09 million in the previous year. Pre-tax profits showed an 8.5% increase reaching €28.76 million versus €26.51 million. The lower improvement in pre-tax profits is explained by the high (non-recurring) foreign exchange gains in 2005. Net profits (after taxes) from the Industrial Minerals activities reached €19.96 million showing a 12.7% increase. The EBITDA margin remained at approximately the 2005 level, 16.6% versus 16.7%, while the operating margin was improved from 9.0% (2005) to 9.7% in 2006

Increased average oil prices (by 19%) and raw materials prices worldwide had a negative impact on the Industrial Minerals activities profitability. Ocean freights, on a yearly average, showed a drop of 4.2%. However, they started to rise at the end of the year, a trend that has continued during 2007. The EUR/USD exchange rate has averaged during 2006 at 1.26 versus 1.25 in 2005.

Bentonite sales grew by 5.7% with an emphasis in the pelletizing, civil engineering and special uses markets. Strong efforts are made towards further geographical expansion into China, Russia and the USA, not only of new products but also of new bentonite applications for which interest is growing in international markets. Examples of such applications are to be found in agriculture, the paper industry, water cleansing and pollution control (e.g. in foundries). Furthermore, new production facilities are being developed in Poland, improving the Company distribution network in that market. All these efforts are expected to bring positive results within 2007.

The acquisition of CEBO is especially significant for Bentonite, as it constitutes one more step towards the implementation of its "market to mine" strategy. CEBO owns a production facility in IJmuiden of Holland as well as several logistics locations in the Netherlands and the United Kingdom, all of them strategically positioned to service the North Sea oil gas drilling industry. CEBO's products for oil and gas drilling are based on industrial minerals, mainly bentonite and barite. Moreover, CEBO sells bentonite-based products for iron-ore pelletizing, civil

engineering applications and cat litter absorbents. Thus, the acquisition allows S&B, leveraging also on its extensive bentonite reserves, to significantly strengthen its presence as a supplier to the oil and gas drilling markets with more value-added products and services, as well as further improve its leading position for bentonite products in other industrial markets.

Perlite had a very significant sales increase by 11.9% in all markets. The Group's market share was increased in Europe, sales in China and S. Korea increased rapidly and the dynamic growth of expanded perlite continued in Greece, Spain and Bulgaria. At year end, a new three year contract with Armstrong -a major customer- was concluded with favorable terms.

The year 2006 was a difficult one for Bauxite because of the pending decision of the Council of State. 2006 production was lower by about 300.000 tons, affecting sales which showed a 13% decrease versus 2005. A very important development for Bauxite was the signing of a new ten year contract with Aluminum de Grèce. This new agreement (effective from 1/1/2007 until 31/12/2016) provides for the annual provision of 700,000 tons of bauxite from S&B, a quantity significantly higher (by 75%) from the 400,000 tons of the previous contract. Furthermore, the new agreement includes the option for provision of additional bauxite quantities, up to 10%, depending on the needs of Aluminum de Grèce.

In Continuous Casting Fluxes (Stollberg) sales grew by 10.8%. This positive result was fostered by the favorable conditions of the international steel markets, the strategic location of the Group production facilities close to the rapidly developing markets (China, India, Brazil) as well as the market turn to "granular" fluxes, where Stollberg, through its spray drying technology, holds a significant competitive advantage. The productive capacity of the Oberhausen plant in Germany is being increased with the installment of a third spray drying unit, which will allow Stollberg to take further advantage of the continuing rapid expansion of the global steel production industry.

In Minerals Trading and Development (OTAVI), sales grew by 16,7% with an emphasis in the refractories, glass and ceramics segments. OTAVI has already been established as the leading player in wollastonite in Europe, and continues, amidst many challenges, the operation of the wollastonite mines that it has developed in the last few years in China. Productivity at the Neuss processing plant was drastically improved, and prices were adjusted according to the global market developments in raw materials. A significant event in 2006 was the signing of a three year contract with Sons of Gwalia Ltd. in Australia, which is OTAVI's supplier of spodumene. Spodumene, one of the main specialty minerals OTAVI is trading, is a rare mineral of its kind, essential for specialty glass (e.g. flaconage) and ceramic applications. Gwalia is the market leader in this mineral with a share of about 65% and is under Administration. Hence, securing OTAVI's position with this supplier for three years is of particular significance to the Group.

Commercial Activities

The Commercial Activities -Motodynamics S.A. and ERGOTRAK S.A.- achieved very significant sales increases together with corresponding profit improvement. Total sales, up by 18.1% from 2005, reached €100.46 million, surpassing the record level of the 2004 Olympic year. Correspondingly, operating profits (before taxes, financial and investment results), as well as pre-tax profits were increased by 15.4% (to €5.12 million) and 17.5% (to €4.87 million) respectively. Moreover, net profits showed a 10.7% increase and reached €3.17 million.

MOTODYNAMICS S.A. had a record sales level of €81 million, with a total increase of 18%. In Greece Motodyamics held its number one position in the two-wheelers market, with a value share of 20%, and in the marine products segment it solidified the leading position it holds over the last few years gaining a value market share of 29%. Also, the company product portfolio was further strengthened with new distributorships in boats (inflatable and plastic) as

well as new clothing goods and accessories. The subsidiaries in Romania and Bulgaria doubled their sales, confirming that the substantial investments made in these countries, in human resources, facilities, systems upgrading and in broadening the local dealer network have started to bear their fruits. The participation of these two countries in the European Union from 1/1/2007 creates new optimistic prospects for further development of their markets.

ERGOTRAK S.A., also, had a very good year with increased sales by 19,2% reaching €19.5 million. A significant step was the acquisition of new company-owned facilities in Thessaloniki which, beyond the improved servicing of the Northern Greece market, are expected to become a service center for the neighboring countries in the Southern Balkans, where good prospects exist for the development of ERGOTRAK's activities.

Real Estate

The Real Estate sector is active in the management and development of the Group's real estate property which is not involved in the previous two major sectors of activities, and is aiming at the utilization and return maximization of the investment properties owned by S&B. In the year 2006, the EBITDA contribution of this activity sector, from rents, was 1.13 million compared to €0.73 million in 2005, and new opportunities for the development of the Company's investment properties are being examined.

Mother Company results

The mother company S&B Industrial Minerals S.A. realized sales of €139.55 million slightly lower by 1.2% versus the €141.30 million of the previous year. Operating profits (before taxes, financial and investment results) showed a 31.5% increase and reached €14.89 million. Profits before taxes showed a decrease of 33.2%, due mainly to the non recurring capital gains from the A.B.C. Kalyftaki sale in 2005. Similarly, the net profits amounted to €10.56 versus €15.04 million in the previous fiscal year, whereas, after the subtraction of the non-recurring items of 2005, the net profits of the year 2006 are higher by 3.8%.

Entrepreneurial Risks

The Board of Directors, in view of the prevailing international uncertainty and the entrepreneurial risks which arise from this, decided to systematize the corporate risk management processes of the Group. As a first step, in cooperation with a specialized external firm, a systematic report was compiled, for the risks which could possibly have a significant negative impact on the operational activities, the financial statements, the profitability and the cash flows of the S&B Group, and for the ways these are managed. The main risks which arise are as follows: Transport risks, Energy Price risks, Raw Material risks, Environmental risks-risks of Health, Safety and Quality, Insurance risks, Legal risks, risks of Permit Rights, Financial risks. The full Risk Report of the S&B Group is attached to the present Report.

Prospects

The current year holds many challenges but even more significant opportunities towards a dynamic and profitable development of the S&B Group's activities. We expect steady organic growth in absolute figures. Moreover, upon the completion of the CEBO transaction, its results will be integrated in the Group results.

Our expansion strategy continues, with emphasis on geographical expansion with our existing minerals, and on expanding our products and applications portfolio. We continue our efforts for new acquisitions and we hope some of our targets to be realized in 2007.

Annex

S&B Group Risk Statement

The following risk factors may have material adverse effects on S&B's business, financial condition, profitability and cash flows. There may be other risks which are not known to the Group or which may not be material now but could turn out to be material in the future.

Transportation Risks

Given the geographic dispersal of its mineral reserves, industrial facilities and markets, as well as the nature of its products, the Group makes extensive use of sea-going vessels for its transportation needs. The Group evaluates its principal exposure to stem from the shipments of bentonite and perlite from east Mediterranean to the North American east coast, Northern Europe and to a lesser extent to west Mediterranean. Part of this exposure is mitigated by medium-term contracts with ship-owners and charterers. The management is continuously monitoring this risk and exploring alternative contractual and hedging strategies for managing the exposure.

The Group also uses extensively other means of transportation (trucks, river barges and rail) where the main risks there come in the form of fuel price fluctuations (see energy risks below).

Energy Risks

S&B Group is exposed to the risk of fluctuating prices for the various fuel and energy sources (mainly oil, natural gas and electricity) which form a significant element of its production and transportation activities. The Group's geographical locations and energy supply sources remain diversified, but a general and strong increase in energy prices may have a significant impact on the operating profitability. Also, as energy supplies are sourced regionally, some local markets may temporarily be subject to significant but non-recurring price variations. Under these circumstances the management concentrate its efforts to reduce the effect on margins by focusing on energy savings and productivity improvement, while adjusting, where possible, its commercial policies. The developments in the global environment in energy markets have caused significant volatility in recent years. Management is continuously monitoring the exposure in the context of evaluating alternative sourcing and hedging strategies.

Raw Materials Risks

S&B Group generally maintains its own mineral reserves in its most crucial business segments (bentonite, perlite, bauxite and wollastonite). However, a smaller part of the industrial minerals activities is based on trading and processing of specialty minerals that are purchased from third-party suppliers. Although we try to secure our needed supply of such minerals through medium-term contracts, we have not always been, and may not in the future be, able to do so.

We also purchase a number of materials (soda ash, coal, resins) that are used as additives in the production of our final products and others (explosives, parts, packaging materials) that are used during the various production phases. We have observed significant price volatility in most of these markets in recent years.

Environmental, Health, Safety and Quality Risks

In every country in which it operates, S&B is subject to regulations concerning air emissions, noise and visual disturbance, water quality, waste disposal and post-mining site restoration.

Most of the industrial activities that form S&B's core business have an impact, even if only a limited one, on the environment. In the majority of cases, that impact is inherent in mining activities and in facilities for the downstream processing of extracted minerals.

S&B tries to minimize the environmental health and safety impact of its operations and proactively manage environmental risks by way of suitable quality assurance measures. S&B has rolled out a global QEHS (Quality, Environmental, Health and Safety) policy, stressing the identification and management of environmental risks in an appropriate and timely way. The policy criteria are applied in a manner sensitive to local cultures, customs and circumstances.

S&B has certified the majority of its global operations as per ISO:9001 (quality assurance standards) and ISO:14001 standards (environmental). Part of remaining operations are in the process of pursuing both ISO 9001 and 14001 certification. EHS related performance is monitored via a reporting and measurement grid, which includes 54 indicators.

S&B strives to provide a safe working environment for its workers and sub-contractors in an effort to protect their health, maintain superior business reputation and minimize potential compensation liabilities. In this context, management makes every effort in properly training its employees and sub-contractors in the use of explosives and in the operation of heavy mobile equipment such as underground mine equipment, trucks, loaders, forklifts and other. A corporate EHS committee was established in 2006, aiming at gradual harmonization of policies and procedures across the Group.

Insurance Risks

Currently the group follows a decentralized approach to insurance coverage. All local companies are insured against assets damage (fire, natural disasters, etc.). Business interruption, income loss and civil liabilities insurance coverage is in place in the major locations. Other risks covered under insurance contracts are Directors & Officers' liability, shipping (marine cargo), work accidents and inventory damages. The group believes that current insurance coverage is sufficient in protecting it from material losses.

Legal and Licensing Risks

As a global company with a diverse business portfolio, S&B is exposed to numerous legal risks in the normal course of its business. The Corporate Legal department monitors and assesses centrally major legal risks. Under the present circumstances, the Group believes that there are no legal cases that could have any material effect on its long-term operation and financial position except from a petition of reversal before the council of state against the administrative act approving the environmental study for the Bauxite mining in mountain of Giona. The petition was heard on October 2006 and until decision is issued the Parent company is not entitled to operate in certain new exploitations due on a previous court decision for partial suspension of the above act. The decision of suspension is expected to influence the production program of the Parent for year 2007. The Parent has located alternative sources of supply/production of bauxite outside Greece in order to face the expected partial reduction on the production and to minimize, in combination with redefined production plans in Greece, a long-term material effect on its operation and financial position.

Treasury Risks

The Group's business activities and its funding structure create foreign exchange, interest rate and liquidity risks. However, none of these exposures are currently perceived by the management as having a potentially significant adverse effect on the Group's profitability and cash flow generation. Corporate Treasury is constantly monitoring and reporting these risks and acts, when appropriate, through the financial markets within specific policy guidelines.

Kifissia, March 15, 2007

For the Board of Directors

The Chief Executive Officer

Efthimios O. Vidalis