



S&B Industrial Minerals S.A.

Financial Statements

**for the year ended
December 31, 2006**

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

We confirm that the accompanying Financial Statements have been approved by the Board of Directors of S&B Industrial Minerals S.A. on March 15, 2007 and have been published on the website in the following address: www.sandb.com. It is noted that the purpose of the published condensed financial data to the Press is to provide the users with certain general financial data, however, they do not provide a full view of the Company's financial position and results of their operations, in accordance with International Financial Reporting Standards (IFRS). It is also noted that certain amounts have been condensed in the published financial data to the Press, for simplicity reasons.

Chief Executive Officer

Chief Financial Officer

Efthimios O. Vidalis

Sotiris D. Hatzikos

S&B INDUSTRIAL MINERALS S.A.

FINANCIAL STATEMENTS IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS ADOPTED FROM THE EUROPEAN UNION DECEMBER 31, 2006

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FREE TRANSLATION FROM THE GREEK ORIGINAL

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of S&B Industrial Minerals S.A. "the Company" which comprise the balance sheet as at December 31, 2006, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Greek Auditing Standards, which are based on International Standards of Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of S&B Industrial Minerals S.A. as of December 31, 2006, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards that have been adopted by the European Union.

Report on Other Legal and Regulatory Requirements

The Board of Directors' Report is consistent with the aforementioned financial statements.

Athens, March 15, 2007

The Certified Auditor Accountant

John G. Mystakidis
SOEL No. 16511

Ernst & Young (Hellas) S.A.
Certified Auditors Accountants
(SOEL No. 107)
11th Klm Nt Rd Athens Lamia
144 51 Metamorfosi

S&B Industrial Minerals S.A.
STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2006
(All amounts in thousands of Euro)

	<u>Note</u>	<u>1.1 - 31.12.2006</u>	<u>1.1 - 31.12.2005</u>
Sales	3	139.552	141.298
Cost of sales	4	(100.471)	(104.849)
Gross profit		39.081	36.449
Administrative expenses	5	(25.536)	(25.519)
Selling expenses	6	(2.969)	(2.843)
Other income / (expense)	7	4.314	3.232
Profit before income tax, financial and investment results		14.890	11.319
Financial income	8	155	1.075
Financial expense	9	(4.806)	(4.328)
Investment income	16, 17	2.097	3.257
Income from sale of investment in subsidiary	16	328	1.503
Investment from sale of associate	17	-	6.139
Profit before income tax		12.664	18.965
Income tax	10	(2.108)	(3.921)
Net profit		10.556	15.044

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

S&B Industrial Minerals S.A.
BALANCE SHEET
DECEMBER 31, 2006
(All amounts in thousands of Euro)

	Note	December 31 2006	December 31 2005
<u>ASSETS</u>			
Non current assets			
Tangible assets	13	81.046	80.361
Investment property	14	23.744	24.157
Goodwill		25.129	25.129
Intangible assets	15	653	1.314
Deferred income taxes	10	2.615	2.801
Investments in subsidiaries	16	99.121	99.079
Investments in associates	17	3.773	3.773
Other non current assets	19	958	1.160
Total non current assets		237.039	237.774
Current assets			
Inventories	20	26.743	27.534
Trade accounts receivable	21	11.892	16.935
Due from related parties	18	11.944	9.319
Income tax receivable		330	-
Other current receivable	22	10.955	12.353
Cash and cash equivalents	23	8.279	21.945
Total current assets		70.143	88.086
Total Assets		307.182	325.860
<u>EQUITY AND LIABILITIES</u>			
Equity			
Share capital	24	30.651	30.382
Share premium	24, 25	28.352	26.445
Share Option Plan reserve	25	396	509
Losses from derivative valuation	31	80	(268)
Reserves	26	85.072	80.120
Retained earnings		17.757	20.357
Total equity		162.308	157.545
Non current liabilities			
Provision for staff leaving indemnities	28	6.452	5.831
Provision for environment rehabilitation	29	10.948	10.397
Other provisions		609	127
Interest-bearing loans and borrowings	30	74.663	107.762
Grants		2.212	2.359
Other non current liabilities		56	57
Total non current liabilities		94.940	126.533
Current liabilities			
Trade accounts payable	32	7.944	9.430
Current portion of long term loans and borrowings	30	33.175	19.905
Income tax payable		-	1.776
Dividends payable	27	53	48
Other current liabilities	34	8.762	10.623
Total current liabilities		49.934	41.782
Total equity and liabilities		307.182	325.860

The accompanying notes are an integral part of these financial statements

S&B Industrial Minerals S.A.
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2006
(All amounts in thousands of Euro)

	Note	Share Capital	Share premium	Treasury shared	Share option Plan Reserve	Losses from derivative valuation	Other reserves	Retained earnings	Total equity
January 1, 2005		30.154	30.432	(4.769)	592	-	72.365	16.000	144.774
- Accumulated effect of adapting IAS 39 (net of deferred tax asset of Euro 58)	31	-	-	-	-	100	-	(224)	(124)
- Profit for the period 2005		-	-	-	-	-	-	15.044	15.044
- Derivative valuation (net of deferred tax asset of Euro 173)	31	-	-	-	-	(368)	-	-	(368)
Total profit / (loss) for the year		-	-	-	-	(268)	-	14.820	14.552
- Share option plan	27	-	-	-	-	-	-	(1.808)	(1.808)
- Approval of distribution of shares to personnel	24	71	338	-	-	-	-	-	409
- Increase in share capital	24,25	157	1.103	-	(320)	-	-	-	940
- Share option plan	25	-	-	-	237	-	-	-	237
- Sale of treasury shares		-	-	4.769	-	-	-	(900)	3.869
- Increase in share capital		5.428	(5.428)	-	-	-	-	-	-
- Decrease in share capital		(5.428)	-	-	-	-	-	-	(5.428)
- Transfer to reserves	26	-	-	-	-	-	7.755	(7.755)	-
December 31, 2005		30.382	26.445	-	509	(268)	80.120	20.357	157.545
- Profit for the year 2006		-	-	-	-	-	-	10.556	10.556
- Derivative valuation (net of deferred tax asset of Euro 152)	31	-	-	-	-	348	-	-	348
Total profit / (loss) for the year		-	-	-	-	348	-	10.556	10.904
- Share option plan	26,27	-	-	-	-	-	(1.417)	(6.786)	(8.203)
- Approval of distribution of shares to personnel	24	72	564	-	-	-	-	-	636
- Increase in share capital	24	197	1.343	-	(374)	-	-	-	1.166
- Share option plan	25	-	-	-	261	-	-	-	261
- Transfer to reserves	26	-	-	-	-	-	6.369	(6.369)	-
- Other movements		-	-	-	-	-	-	(1)	(1)
December 31, 2006		30.651	28.352	-	396	80	85.072	17.757	162.308

The accompanying notes are an integral part of these financial statements

S&B Industrial Minerals S.A.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2006
(All amounts in thousands of Euro)

	Note	December 31 2006	December 31 2005
Cash flows from operating activities			
Profit before income tax		<u>12.664</u>	<u>18.965</u>
Adjustments for:			
- Depreciation and amortization	11	14.513	16.152
- Depreciation and amortization included in prior year's ending inventories	11	697	325
- Subsidies amortization		(147)	(184)
- Provisions for environment rehabilitation	29	684	208
- Other provisions		1.975	1.224
- Financial income		(155)	(1.075)
- Financial expense		4.806	4.328
- Dividend income		(2.097)	(3.257)
- Profit from decrease of investment in subsidiary	16	(328)	(1.503)
- Profit from sale of associate	17	-	(6.139)
- Gains from sale of securities		-	(106)
- Gains from disposal of property plant and equipment		(146)	(33)
		<u>32.466</u>	<u>28.905</u>
(Increase) / Decrease of:			
- Non current assets		203	148
- Inventories	20	(40)	(1.035)
- Trade accounts receivable	21	5.020	(5.079)
- Due from related parties	18	(2.624)	(4.693)
- Other current assets	22	(303)	(4.922)
Increase / (Decrease) of:			
- Other non current liabilities		(1)	(159)
- Trade and other payable	32	(1.486)	2.936
- Other current liabilities	34	(1.260)	1.900
Staff leaving indemnities paid	28	(455)	(865)
Payments for environment rehabilitation	29	(1.007)	(1.172)
Income tax paid		(1.862)	(1.459)
Net cash from operating activities		<u>28.651</u>	<u>14.505</u>
Cash flows from investing activities:			
- Capital expenditure for property, plant and equipment	13,14,15	(13.934)	(11.250)
- Capitalized depreciation	11	513	393
- Investments in subsidiaries		(127)	(214)
- Income from dividends received	16	2.097	3.257
- Income from sale of associate	17	-	7.785
- Income from securities sale		-	476
- Income from decrease of investment in subsidiary	16	379	1.680
- Income from the sale of treasury shares	24	-	3.869
- Income from disposal of property, plant and equipment		318	110
- Receipt from subsidiary's share capital decrease		33	-
Net cash flows from investing activities:		<u>(10.721)</u>	<u>6.106</u>
Cash flows from financing activities:			
- Share option exercised	25	1.166	940
- Net increase / (decrease) of short-term borrowing	33	-	(60.514)
- Increase of long-term borrowing	30	-	74.588
- (Decrease) of long-term borrowing	30	(19.905)	(3.317)
- Dividends paid		(8.199)	(1.807)
- Return of capital to shareholders	24	-	(5.428)
- Financial income received		155	892
- Interest paid		(4.813)	(4.428)
Net cash flows from financing activities:		<u>(31.596)</u>	<u>926</u>
Net increase / (decrease) in cash and cash equivalents		13.666	21.537
Cash and cash equivalents at beginning of year		21.945	408
Cash and cash equivalents at year end	23	<u>8.279</u>	<u>21.945</u>

The accompanying notes are an integral part of these financial statements

S&B Industrial Minerals S.A.
FINANCIAL STATEMENTS AS OF DECEMBER 31, 2006

(Amounts in thousand Euro, unless otherwise stated)

1. THE COMPANY AND ITS OPERATIONS

S&B Industrial Minerals S.A. (the “Company” or “S&B”) is a Greek corporation mainly engaged in the extraction, processing, distribution and supply of industrial minerals. The Company 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.Metaxa street. In 1978, and after decision of the Shareholders Ordinary General Assembly, its duration was extended for a period of 50 years up to 2034. As at December 31, 2006 and as at December 31, 2005 the Company employed 699 and 709 employees, respectively.

2. GENERAL INFORMATION AND PRINCIPAL ACCOUNTING POLICIES

2.1. BASIS OF PRESENTATION

(a) Basis of Preparation of the Financial Statements: The accompanying financial statements that constitute the Company’s financial statements (hereinafter referred to as “the financial statements”) have been prepared in accordance with International Financial Reporting Standards (“IFRS”), adopted by the European Union. There are no standards applied in advance of their effective date. The financial statements have been prepared under the historical cost convention, except for financial instruments and investments available-for-sale which are measured at fair value.

(b) Approval of Financial Statements: The Board of Directors of S&B approved the accompanying financial statements for the year ended December 31, 2006, on March 15, 2007. It is noted that the accompanying financial statements are pending to the approval of the Company’s Shareholders’ General Assembly Meeting.

2.2. PRINCIPAL ACCOUNTING POLICIES

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

(a) Functional and Presentation Currency and Foreign Currency Translation: The functional and presentation currency of S&B 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 income statement, except of transactions that comply with cash flow hedging requirements that are reported in equity.

(b) Other Intangible Assets: Other intangible assets include mining rights, licenses, concessions and software. Mining rights, licenses and concession include their acquisition cost as well as expenses relating to the extension or retention of the rights, less any accumulated amortization and impairment losses. Software represents acquisition cost reduced by the amount of accumulated amortization and possible impairment. Significant expenditures are capitalized if the software’s performance is further enhanced than that of its initial specification. Mining rights, licenses and concessions are amortized based on the straight line method within their period of expiry (mainly 10-15 years). Software is amortized based on the straight line method over their estimated useful life which is set to four years. Amortization of intangible assets is included in the income statement.

S&B Industrial Minerals S.A.
FINANCIAL STATEMENTS AS OF DECEMBER 31, 2006

(Amounts in thousand Euro, unless otherwise stated)

2.2. PRINCIPAL ACCOUNTING POLICIES (continued)

(c) **Exploration and Appraisal Costs:** Costs that relate to the exploration and appraisal of new deposits are expensed as incurred.

(d) **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 the cost of extraction which is allocated proportionately between cost of sales and ending inventories.

(ii) **Mine Development Expenses:** The cost of mines includes stripping and waste removal activity expenses incurred throughout the operational life of a mine. Capitalization and amortization of mine development expenses is calculated based on the stripping ratio method. Amortization of capitalized mine development expenses is included in the cost of extraction.

(iii) **Environment Rehabilitation Expenses:** Mines also include the present value of the expenses required to rehabilitate the mining land disturbed as a result of the mining activity performed to date and as stipulated in the prevailing environmental legislation. The relevant amount increases the cost of mines, and, simultaneously, an equivalent provision for environment rehabilitation is established. Capitalization and amortization of environment rehabilitation expenses is accounted for at the level of individual mines and calculated based on the land disturbance of the broader area of interest. Amortization of the capitalized environment rehabilitation expenses is calculated from the time that a mine has entered its stage of commercial production and is calculated based on the Unit of Production method. Amortization of capitalized environment rehabilitation expenses is included in the cost of extraction.

The management of the Company 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.

(e) **Other tangible assets:** Other tangible assets (land, buildings, machinery and technical works, transportation means and furniture and fixtures) are stated at historic cost, less accumulated depreciation, if applicable, and any accumulated impairment losses. Repairs and maintenance are charged to expenses as incurred. Major improvements are capitalized to the cost of the asset to which they relate when they appreciably extend the life, increase the earning capacity or improve the efficiency of property, plant and equipment. An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset, is included in the statement of income in the year the item is derecognized. Depreciation is calculated on a straight-line basis over the average estimated useful economic life of the assets and is included in the income statement. The useful lives used are as follows:

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

S&B Industrial Minerals S.A.
FINANCIAL STATEMENTS AS OF DECEMBER 31, 2006

(Amounts in thousand Euro, unless otherwise stated)

2.2. PRINCIPAL ACCOUNTING POLICIES (continued)

- (f) **Investment properties:** Investment properties are stated at historic cost less accumulated depreciation and any accumulated impairment losses. Repairs and maintenance are charged to expenses as incurred. Subsequent expenditures are capitalized when they appreciably extend the life, increase the earning capacity or improve the efficiency of property, plant and equipment. An item of investment property is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset, is included in the statement of income in the year the item is derecognized. Depreciation is calculated on a straight-line basis over the average estimated useful economic life of the properties (30 to 50 years) and is included in the income statement.
- (g) **Goodwill:** Goodwill in the standalone financial statements resulted through the Company's election not to apply IFRS 3 "Business combinations" (upon transition to IFRS at January 1, 2004) retrospectively, for business combinations which occurred prior to the transition date to IFRS. As a result, with respect to such business combinations, the Company, in accordance with the provisions of IFRS 1 "First time adoption of IFRS", maintained the carrying value of goodwill recognized under prior GAAP. Goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortized, but it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. 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. Information about the impairment tests and the related disclosures required by IAS 36 are provided in the notes to the consolidated financial statements, which are made publicly available together with these statements.
- (h) **Investments in subsidiaries:** Investments in subsidiaries are measured at cost less any accumulated impairment losses.
- (i) **Investments in associates:** The Company's investments in associates are measured at cost less any accumulated impairment losses.
- (j) **Impairment of Assets:**

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

S&B Industrial Minerals S.A.
FINANCIAL STATEMENTS AS OF DECEMBER 31, 2006

(Amounts in thousand Euro, unless otherwise stated)

2.2. PRINCIPAL ACCOUNTING POLICIES (continued)

- (i) Financial assets:** At each reporting date the Company assesses any potential indicative factor regarding whether a financial asset or group of financial assets has been impaired.

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

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

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

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

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

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

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

S&B Industrial Minerals S.A.
FINANCIAL STATEMENTS AS OF DECEMBER 31, 2006

(Amounts in thousand Euro, unless otherwise stated)

2.2. PRINCIPAL ACCOUNTING POLICIES (continued)

- (i) **Financial assets at fair value through profit and loss:** Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on investments held for trading are recognized in income.
- (ii) **Loans and receivables:** Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortized cost using the effective interest method. Gains and losses are recognized in income when the loans and receivables are derecognized or impaired, as well as through the amortization process.
- (iii) **Held-to-maturity investments:** Primary financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Held-to-maturity investments are carried at amortized cost using the effective interest method. For investments carried at amortized cost, gains and losses are recognized in income when the investments are derecognized or impaired, as well as through the amortization process.
- (iv) **Available-for-sale financial assets:** Available-for-sale financial assets (primary) are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition available-for sale financial assets are measured at fair value with gains or losses being recognized as a separate component of equity. On disposal, impairment or derecognition of the investment, the cumulative gain or loss is transferred to the income statement.

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

(n) De-recognition of Financial Assets and Liabilities:

- (i) **Financial assets:** A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized where:
 - the rights to receive cash flows from the asset have expired;
 - the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
 - the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the assets, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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2.2. PRINCIPAL ACCOUNTING POLICIES (continued)

- Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay. Where continuing involvement takes the form of a written and/or purchase option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Company's continuing involvement is the amount of the transferred asset that the Company may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

(ii) Financial liabilities: A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

(o) Derivative Financial Instruments and hedging:

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

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or firm commitment
- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or the foreign currency risk in a firm commitment
- hedges of a net investment in a foreign operation.

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

When the hedged firm commitment results in the recognition of an asset or a liability, then, at the time the asset or liability is recognized, the associated gains or losses that had previously been recognized in equity are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability.

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2.2. PRINCIPAL ACCOUNTING POLICIES (continued)

For all other cash flow hedges, the gains or losses that are recognized in equity are transferred to the income statement in the same year in which the hedged firm commitment affects the net profit and loss. For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to net profit or loss for the year.

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

- (p) **Cash and cash equivalents:** The Company considers time deposits and other highly liquid investments with original maturity of three months or less, to be cash equivalents.
- (q) **Share capital:** Share capital represents the value of the Company's shares in issue. Any excess of the fair value of the consideration received over the par value of the shares issued is recognized as the "share premium" in shareholders equity. Incremental external costs directly attributable to the issue of new shares are shown as a deduction in equity, net of tax, from the proceeds.
- (r) **Bank and Bond Loans:** Bank and bond loans are initially recognized at cost which reflects their fair value reduced by the loan arrangement expenses. After initial recognition, loans are valued at the unamortized cost based on the effective interest rate method. Gains and losses are recognized in the income statement when the liabilities are derecognized as well as through the amortization process.
- (s) **Borrowing costs:** Borrowing costs are recognized as an expense in the period in which they are incurred.
- (t) **Provisions and Contingencies:** Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle this obligation and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the present value of the expenditure expected to be required to settle the obligation. Regarding the provisions that are expected to be settled in the long term when the effect of time value of money is material, provisions are determined by discounting the expected future cash flows at a pretax rate that reflects current market assessments of the time value of money and, where appropriate the risks specific to the liability. Contingent liabilities are not recognized in the financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed when an inflow of economic benefits is probable.
- (u) **Provision for Environment Rehabilitation:** The Company 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.

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2.2. PRINCIPAL ACCOUNTING POLICIES (continued)

(v) **Provision 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 statement of income and consist of the present value of benefits earned in the year, interest cost on the benefit obligation, past service cost, actuarial gains or losses recognized in the fiscal year and any additional pension charges. Past service costs are recognized on a straight-line basis over the average period until the benefits under the plan become vested. If the relative contributions during the commencement or amendment of a defined benefit plan have been already established the service cost is recognized directly to the income statement. Unrecognized actuarial gains or losses that exceed 10% of the projected benefit obligation at the beginning of each period are recognized over the average remaining service period of active employees and included as a component of net pension cost for a year if, as of the beginning of the year. The retirement benefit obligations are not funded.

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

(i) **Current Income Taxes**

Current income tax expense consists of income taxes for the current year based on each entity's profits as adjusted in its tax returns and, additional income taxes to cover potential tax assessments which are likely to occur from tax audits by the tax authorities, using the enacted or substantively enacted tax rates.

(ii) **Deferred Income Taxes**

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

- Except where the deferred income tax liability arises from initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- Deferred tax assets are recognized for all deductible temporary differences, carried forward of unused tax credits and unused tax losses, to the extent that it is possible that taxable profit will be available against the deductible temporary differences and the carried forward of unused tax credits and unused tax losses can be utilized.
- Except where the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

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

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2.2. PRINCIPAL ACCOUNTING POLICIES (continued)

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

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

- (x) **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 statement of income on the straight line basis over the lease term.
- (y) **Government Grants:** Government grants which primarily relate to the subsidization of property, plant and equipment are recognized where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of income over the expected useful life of the relevant asset by equal annual installments, against corresponding amortization expense. When the grant relates to an expense item, it is recognized against these expenses over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.
- (aa) **Treasury Shares:** Treasury shares reflect shares of the Company which are acquired and held by S&B. Treasury shares are stated at cost, as a negative item in shareholders' equity. Any result upon acquisition, sale or cancellation is transferred directly to equity. At December 31, 2006 and 2005 there were no treasury shares.
- (ab) **Earnings per share:** Basic and diluted earnings per share are not disclosed in the standalone financial statements but they are calculated and disclosed in the consolidated financial statements of the S&B Group.
- (ac) **Revenue Recognition:** Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company 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 Company's right on such dividends is approved by the respective bodies of the companies' that declare them.
- (ad) **Share Based Payments to Board of Directors members and Executives:** The Company has established stock option plans for certain executive officers whose part of their remuneration is settled through stock or stock options. In addition, certain executives are entitled share appreciation rights which can only be settled in cash. The cost of the respective transactions is measured at the fair value of the stock or stock options as of the date of the approval of the plans by the management. The fair value is measured through the application of the appropriate valuation model.
- (i) **Stock Option Plan and Long-Term Incentives Plan:** The expense of the stock option plans is recognized during the period the requirements are gradually fulfilled and which ends at the date the executives participating in the plan have vested their rights of exercise/purchase of stock (vesting date). For options that are not vested, no expense is recognized except for the options whose vesting depends on the fulfillment of specific external market parameters. Options are considered to be vested when all the performance requirements have been fulfilled independent of the fulfillment of the external market parameters. In case of cancellation of any stock option plans, these are accounted for as if they were vested at the date of cancellation and the non-recognized expenses to date are immediately recognized

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2.2. PRINCIPAL ACCOUNTING POLICIES (continued)

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.

(ii) Share Appreciation Rights: The fair value of the SARs is measured at the grant date using an appropriate pricing model. The services received and a liability to pay for those services are recognized over the expected vesting period. Until the liability is settled it is remeasured at each reporting date with changes in fair value recognized in profit or loss.

(ae) Offsetting of Financial Assets and Liabilities: Financial assets and liabilities are offset and the net amount is presented in the balance sheet only when the Company has legally enforceable right to set off the recognized amounts and intends to either to settle such asset and liability on a net basis or to realize the asset and settle the liability simultaneously.

(af) Segment information: The Group presents segment information on the basis of Industrial Minerals, Real Estate and Commercial Activities. Due to the fact that the Company makes available to the public its consolidated financial statements at the same time with these financial statements, all disclosures required by IAS 14 "Segment information" are included in the consolidated financial statements.

(ag) Reclassification of prior year amounts: Certain balance sheet and statement of income amounts of the previous year are reclassified in order to be comparative with current year amounts. Such reclassifications have not affected the prior year net income.

2.3. ADOPTION OF NEW ACCOUNTING PRINCIPLES

Within 2006 the Company has adopted certain new standards, interpretations and amendments of standards. These standards and the relative impact on the financial statements was the following:

(i) IAS 19 (Amendment), Employee Benefits (effective from 1 January 2006): This amendment introduces the option of an alternative recognition approach for actuarial gains and losses. It may impose additional recognition requirements for multi-employer plans where insufficient information is available to apply defined benefit accounting. It also adds new disclosure requirements. Adoption of this amendment did only impact the format and extent of disclosures presented in the accounts.

(ii) IAS 21 (Amendment), The Effects of changes in Foreign Exchange Rates (effective from 1 January 2006): According to this amendment all exchange differences arising from a monetary item that forms part of the Company's net investment in a foreign operation are recognized in a separate component of equity in the consolidated financial statements regardless of the currency in which the monetary item is denominated. The amendment had no significant impact on the financial statements of the Company.

(iii) IAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast IntraCompany Transactions (effective from 1 January 2006): The amendment allows the foreign currency risk of a highly probable forecast intragroup transaction to qualify as a hedged item in the financial statements, provided that: (a) the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction; and (b) the foreign currency risk will affect profit or loss. This amendment does not have any impact in the financial statements of the Company.

(iv) IAS 39 (Amendment), The Fair Value Option (effective from 1 January 2006): This amendment changes the definition of financial instruments classified at fair value through profit or loss and restricts the ability to designate financial instruments as part of this category. This amendment did not have any impact on the classification of financial instruments, as the Company has not classified any other financial instruments at fair value through profit and loss, except those held for trading.

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(v) IAS 39 and IFRS 4 (Amendment), Financial Guarantee Contracts (effective from 1 January 2006):

This amendment requires issued financial guarantees, other than those previously asserted by the entity to be insurance contracts, to be initially recognised at their fair value and subsequently measured at the higher of: (a) the unamortised balance of the related fees received and deferred, and (b) the expenditure required to settle the commitment at the balance sheet date. Management considered this amendment to IAS 39 and concluded that it is not relevant to the Company.

(vi) IFRS 6, Exploration for and Evaluation of Mineral Resources (effective from 1 January 2006):

There was not to the Company from the implementation of this Standard as its current accounting policies followed are in agreement with the provisions of this Standard.

(vii) IFRIC 3, Emission Rights: IFRIC 3 has not been adopted by the EU and has subsequently been withdrawn by the IASB. IFRIC 5 is not relevant to the Company's operations.

(viii) IFRIC 4, Determining whether an Arrangement contains a Lease (effective from 1 January 2006):

IFRIC 4 requires the determination of whether an arrangement is or contains a lease to be based on the substance of the arrangement. It requires an assessment of whether: (a) fulfilment of the arrangement is dependent on the use of a specific asset or assets (the asset); and (b) the arrangement conveys a right to use the asset. IFRIC 4 did not impact the accounting policy of the existing business arrangements.

(ix) IFRIC 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds (effective from 1 January 2006): IFRIC 5 is not relevant to the Company's operations.

(x) IFRIC 6, Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment (effective from 1 December 2005): IFRIC 6 is not relevant to the Company's operations.

2.4. NEW PRONOUNCEMENTS

Up to the date of the approval of the financial statements Certain new IFRS, amendments and interpretations to existing standards have been published that are mandatory for the Company's accounting periods beginning on or after January 1, 2007 or later periods. The Company's management estimate in relation to the effects of the adoption of the new standards and interpretations is as follows:

- (i) IFRS 7, Financial Instruments: Disclosures, and a complementary amendment to IAS 1, Presentation of Financial Statements – Capital Disclosures:** (effective for financial years beginning on or after 1 January 2007) IFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and disclosure requirements in IAS 32, Financial Instruments: Disclosure and Presentation. It is applicable to all entities that report under IFRS. The amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The impact of the above changes is limited to certain disclosures.

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2.4. NEW PRONOUNCEMENTS (continued)

- (ii) **IFRS 8, Operating Segments:** (effective for financial years beginning on or after 1 January 2009) IFRS 8 replaces IAS 14 *Segment Reporting* and adopts a management approach to segment reporting. The information reported would be that which management uses internally for evaluating the performance of operating segments and allocating resources to those segments. This information may be different from that reported in the balance sheet and income statement and entities will need to provide explanations and reconciliations of the differences. The Company is in the process of assessing the impact this new standard will have on its financial statements. This Standard has not yet been endorsed by the EU.
- (iii) **IFRIC 7, Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies:** (effective for financial years beginning on or after 1 March 2006) IFRIC 7 requires entities to apply *IAS 29 Financial Reporting in Hyper-inflationary Economies* in the reporting period in which an entity first identifies the existence of hyperinflation in the economy of its functional currency as if the economy had always been hyperinflationary. IFRIC 7 is not relevant to the Company's operations.
- (iv) **IFRIC 8, Scope of IFRS 2:** (effective for financial years beginning on or after 1 May 2006) IFRIC 8 clarifies that IFRS 2 *Share-based payment* will apply to any arrangement when equity instruments are granted or liabilities (based on the value of an entity's equity instrument) are incurred by an entity, when the identifiable consideration appears to be less than the fair value of the instruments given. IFRIC 8 is not relevant to the Company's operations.
- (v) **IFRIC 9, Reassessment of Embedded Derivatives:** (effective for financial years beginning on or after 1 June 2006) IFRIC 9 requires an entity to assess whether a contract contains an embedded derivative at the date an entity first becomes a party to the contract and prohibits reassessment unless there is a change to the contract that significantly modifies the cash flows. IFRIC 9 is not relevant to the Company's operations.
- (vi) **IFRIC 10, Interim Financial Reporting and Impairment:** (effective for financial years beginning on or after 1 November 2006). This Interpretation may impact the financial statements should any impairment losses be recognised in the interim financial statements in relation to available for sale equity investments, unquoted equity instruments carried at cost and goodwill as these may not be reversed in later interim periods or when preparing the annual financial statements. This Interpretation has not yet been endorsed by the EU.
- (vii) **IFRIC 11, IFRS 2-Group and Treasury Share Transactions:** (effective for financial years beginning on or after 1 March 2007) This Interpretation requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme by an entity even if the entity chooses or is required to buy those equity instruments from another party, or the shareholders of the entity provide the equity instruments needed. The Interpretation also extends to the way in which subsidiaries, in their separate financial statements, account for schemes when their employees receive rights to equity instruments of the parent. IFRIC 11 is expected to have minor effect on the Company's operations. This Interpretation has not yet been endorsed by the EU.
- (viii) **IFRIC 12, Service Concession Arrangements:** (effective for financial years beginning on or after 1 January 2008) The interpretation outlines an approach to account for contractual arrangements arising from entities providing public services. It provides for the operator should not account for the infrastructure as property, plant and equipment, but recognize a financial asset and / or an intangible asset. IFRIC 12 is not relevant to the Company's operations. This Interpretation has not yet been endorsed by the EU.

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2.5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

Significant accounting judgments and related uncertainty:

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

(a) *Estimates relating to the Company's mining activity:* The Company makes certain significant estimates which relate to its mining activities, as follows:

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

(ii) *Mine Development Expenses:* The cost of mines includes mine development costs, which mainly relate to 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, based on data estimated by the Company.

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

(c) *Goodwill impairment tests:* The Company determines whether goodwill and indefinite intangible assets are impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Company to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

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3. SALES

Sales in the accompanying financial statements are analyzed as follows:

	December 31 2006	December 31 2005
Bentonite	60.856	58.692
Bauxite	43.418	49.860
Perlite	34.288	31.892
Other Activities	1.332	1.125
Sales Commissions	(342)	(271)
	139.552	141.298

4. COST OF SALES

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

	December 31 2006	December 31 2005
Consumptions	27.143	20.708
Freights	24.149	31.916
Payroll	15.207	14.691
Depreciation	12.572	14.224
Third Party Fees	10.804	11.435
Other Expenses	6.537	7.892
Utilities	4.993	4.852
Tax – Duties	410	409
Amortization of subsidies	(147)	(184)
Fuel tax refund	(1.197)	(1.094)
	100.471	104.849

5. ADMINISTRATIVE EXPENSES

Administrative expenses in the accompanying financial statements are analyzed as follows:

	December 31 2006	December 31 2005
Payroll	13.655	13.414
Utilities	3.655	3.389
Third Party Fees	2.865	2.549
Other Expenses	2.601	2.957
Depreciation	1.894	1.895
Tax – Duties	551	582
Provisions	315	733
	25.536	25.519

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6. SELLING EXPENSES

Selling expenses in the accompanying financial statements are analyzed as follows:

	December 31 2006	December 31 2005
Payroll	1.687	1.561
Other Expenses	792	844
Third Party Fees	332	208
Utilities	100	184
Depreciation	47	33
Tax – Duties	11	13
	2.969	2.843

7. OTHER (INCOME) / EXPENSE

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

	December 31 2006	December 31 2005
Income from services rented	2.084	1.495
Income from rental	1.672	1.244
Interest income on unduly paid lease fees	846	-
Subsidies on expenditure	535	348
Gain from disposal of property, plant and equipment	146	33
Other, net	(285)	879
Provision for land restoration	(684)	(767)
	4.314	3.232

8. FINANCIAL INCOME

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

	December 31 2006	December 31 2005
Interest income	155	135
Gain from disposal of securities	-	106
Foreign exchange gains, net	-	834
	155	1.075

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9. FINANCIAL EXPENSE

Financial expense in the accompanying financial statements has as follows:

	December 31 2006	December 31 2005
Interest expense on long term loans and borrowings	4.115	2.945
Foreign exchange losses, net	359	-
Bank charges	317	318
Interest expense on short term borrowings	15	1.065
	4.806	4.328

10. INCOME TAX (CURRENT AND DEFERRED)

Income tax (current and deferred) is analyzed as follows:

	December 31 2006	December 31 2005
Current income tax	2.074	3.514
Deferred income tax	34	407
	2.108	3.921

The statutory income tax rate applicable to S&B is 29% for the fiscal year 2006 and 25% from 2007 onwards (32% for 2005). The effective income tax rate differs from the nominal one mainly due to certain non deductible expenses and to non taxable or specially taxed income. Tax returns are filed annually but the profits or losses declared for tax purposes remain provisional until such time, as the tax authorities examine the returns and the records of the taxpayer and a final assessment is issued. Tax losses, to the extent accepted by the tax authorities, can be used to offset profits for a time period of five years from the year incurred.

S&B has been audited by the tax authorities for fiscal years up to 2004. For the unaudited tax periods it is not possible to assess reliably any additional assessment and penalties that may result in the event of a future tax audit. For this reason, the Company has made a provision for unaudited tax years based on the results of prior years tax audits' findings.

Within July 2006 the tax authorities finalized their tax audit and issued the final assessments for the fiscal years 2003 and 2004. Moreover, fiscal years 2001 and 2002 were finalized. The outcome of the above tax audits resulted to additional tax assessments of Euro 568, out of which Euro 44 related to taxes other than income taxes, charged in the current year's income statement while the remaining amount was covered through utilizations of already established provisions in prior years.

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

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

	December 31 2006	December 31 2005
Profit before income tax	12.664	18.965
Income tax calculated at the nominal applicable tax rate	3.673	6.069
Tax free income		
- Dividends and gains from disposal of listed companies	(548)	(1.281)
- Non taxable reserves L. 2601/1998	(1.624)	(1.804)
Non Tax deductible expenses		
- Additional taxes	328	322
- Other non tax deductible expenses	58	205
- B.O.D. fees and distribution of profit to employees	374	390
- Other	(153)	20
Total income tax	2.108	3.921
	16.6%	20,7%

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

Deferred income taxes are analyzed as follows:

	December 31 2006	December 31 2005
Beginning balance	2.801	2.977
Debit of Income Statement	(34)	(407)
Deferred income tax (debit)/credit in equity	(152)	231
Ending balance	2.615	2.801

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

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

	Balance sheet		Income statement	
	December 31 2006	December 31 2005	December 31 2006	December 31 2005
Deferred income tax assets				
Provision for				
- slow moving materials	275	221	54	(7)
- doubtful accounts	339	265	74	-
- Staff leaving indemnity	1.613	1.458	155	(21)
- Environment rehabilitation	2.737	2.945	(208)	(41)
- Executive officers' bonus	910	706	204	6
Transitory accounts	-	32	(32)	78
Subsidy amortization	260	248	12	(14)
Derivatives	4	139	(6)	(94)
	6.138	6.014		
Deferred income tax liabilities				
Derivatives	(38)	-	(15)	
Fixed assets depreciation	(3.485)	(3.213)	(272)	(314)
	(3.523)	(3.213)		
Deferred tax assets, net	2.615	2.801		-
Deferred taxes, charge to statement of income (debit)			(34)	(407)

Deferred tax asset and deferred tax liability (financial instruments to meet the criteria for hedging accounting of Euro 152 net, were charged directly to equity.

11. DEPRECIATION / AMORTIZATION

Depreciation/amortization expense for the year ended December 31, 2006 and 2005 is as follows:

	December 31 2006	December 31 2005
Depreciation and amortization		
- Property, plant and equipment	13.887	15.433
- Intangible assets	726	699
- Investment property	413	413
Total depreciation and amortization	15.026	16.545
Less: depreciation and amortization capitalized	(513)	(393)
Depreciation and amortization expensed	14.513	16.152

In addition to the above, Euro 697 and Euro 325 for the year ended December 31, 2006 and 2005, respectively, are included in cost sales consumption, which relates to depreciation included in prior year's ending inventories.

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12. PAYROLL COST

Payroll cost for the year ended December 31, 2006 and 2005 is as follows:

	December 31 2006	December 31 2005
Wages and salaries	25.447	24.383
Social security costs	5.093	4.969
Other staff costs	1.949	1.941
Share option plans to employees	428	237
Total payroll cost	32.917	31.530
Less: payroll cost capitalized	(2.368)	(1.865)
Payroll cost expensed	30.549	29.665

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13. PROPERTY, PLANT AND EQUIPMENT

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

	Quarries and Mines	Land	Buildings	Machinery	Transportation Means	Furniture and Fixtures	Construction in Progress	TOTAL
Cost								
December 31, 2004	41.453	5.251	32.897	51.650	10.784	9.421	1.395	152.851
Additions	7.110	-	7	532	113	483	2.712	10.957
Disposals	(253)	-	-	(496)	(85)	(59)	(37)	(930)
Transfers	-	-	429	2.166	140	756	(3.534)	(43)
December 31, 2005	48.310	5.251	33.333	53.852	10.952	10.601	536	162.835
Additions	8.089	-	11	388	58	391	5.807	14.744
Disposals	(135)	-	(2)	(389)	(434)	(30)	(6)	(996)
Transfers	21	-	838	2.386	406	30	(3.681)	-
December 31, 2006	56.285	5.251	34.180	56.237	10.982	10.992	2.656	176.583
Accumulated depreciation								
December 31, 2004	16.396	-	11.678	25.126	6.731	7.710	-	67.641
Additions	10.266	-	1.239	2.730	473	725	-	15.433
Disposals	-	-	-	(458)	(83)	(59)	-	(600)
December 31, 2005	26.662	-	12.917	27.398	7.121	8.376	-	82.474
Additions	8.654	-	1.238	2.784	457	754	-	13.887
Disposals	-	-	(2)	(358)	(434)	(30)	-	(824)
December 31, 2006	35.316	-	14.153	29.824	7.144	9.100	-	95.537
Net Book Value								
December 31, 2004	25.057	5.251	21.219	26.524	4.053	1.711	1.395	85.210
December 31, 2005	21.648	5.251	20.416	26.454	3.831	2.225	536	80.361
December 31, 2006	20.969	5.251	20.027	26.413	3.838	1.892	2.656	81.046

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14. INVESTMENT PROPERTY

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

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>Cost</u>			
December 31, 2004	14.922	15.598	30.520
December 31, 2005	14.922	15.598	30.520
December 31, 2006	14.922	15.598	30.520
<u>Accumulated depreciation</u>			
December 31, 2004	-	5.950	5.950
Additions	-	413	413
December 31, 2005	-	6.363	6.363
Additions	-	413	413
December 31, 2006	-	6.776	6.776
<u>Net Book Value</u>			
December 31, 2004	14.922	9.648	24.570
December 31, 2005	14.922	9.235	24.157
December 31, 2006	14.922	8.822	23.744

On December 31, 2006 and 2005 the fair value of the Company's investment property amounted to approximately Euro 26,7 million and Euro 24,6 million, respectively.

15. INTANGIBLE ASSETS

Intangible assets in the accompanying financial statements have as follows:

	<u>Software</u>	<u>Concessions and licenses</u>	<u>Total</u>
<u>Cost</u>			
December 31, 2004	3.067	513	3.580
Additions	-	40	40
Transfers	43	-	43
December 31, 2005	3.110	553	3.663
Additions	-	65	65
December 31, 2006	3.110	618	3.728
<u>Accumulated depreciation</u>			
December 31, 2004	1.363	287	1.650
Additions	626	73	699
December 31, 2005	1.989	360	2.349
Additions	637	89	726
December 31, 2006	2.626	449	3.075
<u>Net Book Value</u>			
December 31, 2004	1.704	226	1.930
December 31, 2005	1.121	193	1.314
December 31, 2006	484	169	653

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16. INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries in the accompanying financial statements are analyzed as follows:

	December 31 2006	December 31 2005
S&B Holding GmbH	83.890	83.890
Ergotrak Industrial Machinery & Equipment Trading Co S.A.	6.060	6.094
Ariseize S.A.	2.990	2.990
Motodynamics S.A. Group of companies	2.016	1.945
Askana Ltd	1.163	1.163
Greek Helicon Bauxites S.A.	1.006	1.006
Sarda Perlite S.r.l.	972	972
Sibimin Overseas Ltd	886	886
Isocon S.A.	90	90
Parnassos Insurance S.A.	42	42
Ergotrak Rom S.r.l.	5	-
Ergotrak Bulgaria	1	1
Asian Minerals Ltd.	0	-
	99.121	99.079

The following table provides more information related to the above subsidiaries as of December 31, 2006:

Company	Country	Field of activity	% Participation 2006	% Participation 2005	Year established / acquired
S&B Holding GmbH	Germany	Holding	100,00%	100,00%	1992
Ergotrak Industrial Machinery & Equipment Trading Co S.A.	Greece	Commercial	100,00%	100,00%	2000
Ariseize S.A.	France	Holding	100,00%	100,00%	1995
Motodynamics S.A. Group of companies	Greece	Commercial	57,24%	58,19%	1993
Askana Ltd	Georgia	Industrial Minerals	97,70%	97,70%	1998
Greek Helicon Bauxites S.A.	Greece	Industrial Minerals	100,00%	100,00%	1995
Sarda Perlite S.r.l.	Italy	Industrial Minerals	61,00%	61,00%	2001
Sibimin Overseas Ltd	Cyprus	Industrial Minerals	99,99%	99,99%	1996
Isocon S.A.	Greece	Industrial Minerals	60,00%	60,00%	1996
Parnassos Insurance S.A.	Greece	Insurance Brokers	59,00%	59,00%	1981
Ergotrak Rom S.r.l.	Romania	Commercial	100,00%	100,00%	2006
Ergotrak Bulgaria	Bulgaria	Commercial	100,00%	100,00%	2002
Asian Minerals Ltd.	Cyprus	Holding	100,00%	-	2006

On June 27, 2005, shares of the Company's subsidiary Motodynamics S.A. were listed in the small cap market of the Athens Stock Exchange ("ASE"). During the listing the subsidiary increased its share capital with an initial public offering in S&B did not participate. As a result S&B's interest stake in Motodynamics S.A. reduced by 21,95%.

At the date of the transaction S&B sold, through ASE, 300.000 shares of Motodynamics S.A. (5,85% interest); the resulting gain from the sale amounted to Euro 1.503 (income of Euro 1.680 minus investment at cost 177). During the second semester of 2005, S&B repurchased gradually through ASE. 51.800 shares of Motodynamics S.A. (1,01% interest) totaling to Euro 214.

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16. INVESTMENTS IN SUBSIDIARIES (continued)

As a result of the above transactions S&B's participation in Motodynamics S.A as of December 31, 2005 amounted to Euro 1.945 (participation interest 58,19%).

Within 2006 S&B made a number of sale/purchase transactions of Motodynamics S.A shares through ASE (in various dates) which resulted in a net decrease of the participation interest by 0,95%. These transactions resulted in a net gain of Euro 328, while the S&B's participation interest in Motodynamics S.A amounted to 57,24% (Euro 2.016) as of December 31, 2006.

As at June 30, 2006 Ergotrak reduced its share capital by Euro 366 by reducing the par value of each share by Euro 0,55 per share (from Euro 11,20 per share to Euro 10,65 per share). The Company received Euro 366 as at July 27, 2006.

As at July 12, 2006 Ergotrak increased its share capital by Euro 333 by increasing the par value of each share by Euro 0,50 per share (from Euro 10,65 per share to Euro 11,15 per share). The Company fully covered that increase and remitted the respective amount as at July 28, 2006.

Dividends from subsidiaries recognized in the accompanying financial statements were as follows:

	December 31 2006	December 31 2005
Motodynamics S.A. Group of companies	1.201	1.940
Isocon S.A.	360	120
Ergotrak	-	447
Sarda Perlite S.r.l.	-	182
	1.561	2.689

17. INVESTMENTS IN ASSOCIATES

Investments in associates in the accompanying financial statements are analyzed as follows:

	December 31, 2006	December 31, 2005
Laviosa Chimica Mineraria S.p.A.	3.164	3.164
Bentec S.p.A.	401	401
Laviosa Promasa S.A.	208	208
	3.773	3.773

The following table provides additional information for the above associates:

Company	Country	Field of Activity	% Participation 2006	% Participation 2005	Year Established / Acquired
Laviosa Chimica Mineraria S.p.A.	Italy	Industrial Minerals	35,00%	35,00%	1997
Bentec S.p.A.	Italy	Industrial Minerals	23,00%	23,00%	1999
Laviosa Promasa S.A.	Spain	Industrial Minerals	20,10%	20,10%	1997

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17. INVESTMENTS IN ASSOCIATES (continued)

Dividends from associates recognized in the accompanying financial statements are analyzed as follows:

	December 31, 2006	December 31, 2005
Laviosa Chimica Mineraria S.p.a.	413	407
Laviosa Promasa S.A.	88	84
Bentec S.p.A	35	77
	536	568

On December 15, 2005 S&B proceeded in the sale of its investment (45% interest stake) in the associate A.B.C. Kalyftaki S.A. for a consideration of Euro 7.785. The resulting gain of Euro 6.139 was included in the current year's income statement. Disclosures required for investments in associates in accordance with para. 37-40 of IAS 28 are presented in the Company's consolidated financial statements.

18. RELATED PARTIES TRANSACTIONS

The transactions with related parties are made at normal market prices. Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash. The guarantees provided by S&B to its subsidiaries as December 31 2006 and 2005 are analyzed in notes 30, 33 and 36. The Management of the Company has not provided against the receivables due from its subsidiaries or associates since does not anticipate any doubtfulness of such receivables.

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18. RELATED PARTIES TRANSACTIONS (continued)

The following table presents balances due from and due to direct and indirect subsidiaries and associates as at December 31 2006 and 2005:

	Due from		Due to	
	December 31 2006	December 31 2005	December 31 2006	December 31 2005
<u>Direct subsidiaries</u>				
Isocon S.A..	4.548	3.833	5	4
Askana Ltd.	434	511	-	-
Motodynamics S.A. Group of companies	309	331	32	33
Ergotrak	163	249	88	315
Greek Helicon Bauxites S.A.	54	52	1.093	1.149
Sibimin Overseas Ltd.	8	9	-	-
Parnassos Insurance S.A.	2	9	-	-
Sarda Perlite S.r.l.	1	-	86	139
	5.519	4.994	1.304	1.640
<u>Indirect subsidiaries</u>				
S&B Industrial Minerals GmbH	5.076	4.099	7	-
S&B Industrial Minerals S.A.R.L.	1.091	81	-	-
S&B Industrial Minerals Spain S.L.u.	863	601	-	-
S&B Industrial Minerals (Henan) Co. Ltd.	64	71	6	7
Ariseize S.A.	51	50	-	-
Orykton	14	-	-	-
Saba Madencilik A.S.	2	2	-	-
S&B Industrial Minerals North America Inc.	-	398	50	42
S&B Industrial Minerals Kft	-	203	-	-
S&B Industrial Minerals AD	-	1	44	73
NAIMEX S.A.R.L.	-	-	3	-
Stollberg Inc	-	-	63	-
	7.161	5.506	173	122
<u>Associates</u>				
Laviosa Chimica Mineraria. S.p.A.	452	235	-	-
Laviosa Promasa S.A.	290	347	1	1
	742	582	1	1
	13.422	11.082	1.478	1.763

Due to the fact the Company has a legal right to offset the above receivables and payables, such balances are presented net in the accompanying balance sheets.

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18. RELATED PARTIES TRANSACTIONS (continued)

The following table presents purchases from direct and indirect subsidiaries and associates for the year ended December 31 2006 and 2005:

	Inventory purchases		Other expenses	
	December 31 2006	December 31 2005	December 31 2006	December 31 2005
<u>Direct subsidiaries</u>				
Sarda Perlite SRL	323	264	-	-
Ergotrak	257	450	-	-
Greek Helicon Bauxites S.A.	19	32	11	-
Isocon S.A.	1	4	4	-
Motodynamics S.A. Group of companies	-	-	-	1
Parnassos Insurance S.A	-	-	13	12
	600	750	28	13
<u>Indirect subsidiaries</u>				
S&B Industrial Minerals AD	1.016	1.157	-	-
NAIMEX S.A.R.L.	68	-	-	-
S&B Industrial Minerals GmbH	-	-	15	23
	1.084	1.157	15	23
	1.684	1.907	43	36
<u>Associates</u>				
A.B.C. Kalyftaki S.A.	-	-	-	1,699
Laviosa Promasa S.A.	-	-	9	6
	-	-	9	1.705

Expenses charged from A.B.C. Kalyftaki S.A. within 2005 relate to leases of the Company's main administrative offices and related shared maintenance expenses.

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18. RELATED PARTIES TRANSACTIONS (continued)

The following table presents and sales to direct and indirect subsidiaries and associates for the year ended December 31 2006 and 2005:

	Sales		Other income	
	December 31 2006	December 31 2005	December 31 2006	December 31 2005
<u>Direct subsidiaries</u>				
Isocon A.E.	5.979	5.982	107	102
Greek Helicon Bauxites S.A.	131	-	2	44
Motodynamics S.A. Group of companies	-	-	1.020	1.098
Ergotrak	-	-	438	428
Sibimin Overseas Ltd.	-	-	37	37
Parnassos Insurance S.A	-	-	16	15
Sarda Perlite S.r.l.	-	-	1	-
	6.110	5.982	1.621	1.724
<u>Indirect subsidiaries</u>				
S&B Industrial Minerals GmbH	18.339	20.139	797	2
S&B Industrial Minerals North Amer.Inc.	8.541	7.531	48	-
S&B Industrial Minerals S.A.R.L.	3.993	3.303	-	-
S&B Industrial Minerals Spain S.L.u.	853	590	-	-
S&B Industrial Minerals Kft	201	149	-	-
S&B Industrial Minerals AD	15	22	-	40
Stollberg Inc	-	-	198	-
S&B Industrial Minerals (Henan) Co. Ltd.	-	-	5	-
	31.942	31.734	1.048	42
	38.052	37.716	2.669	1.766
<u>Associates</u>				
Laviosa Promasa S.A.	1.613	1.685	-	44
Laviosa Chimica Mineraria. S.p.A.	971	496	16	16
A.B.C. Kalyftaki S.A.	-	-	-	32
Bentec S.p.A	-	-	8	8
	2.584	2.181	24	100

Compensation of key management personnel of the Company: Compensation of key management personnel of the Company for the years ended December 31, 2006 and 2005 were as follows:

	December 31 2006	December 31 2005
Board of Directors fees	460	460
Board of Directors' leaving indemnities	-	231
Executives fees (including executive officers of the Board of Directors)	3.651	3.756
Share based payments	244	67
	4.355	4.514

Board of Directors fees are approved by the Company's Shareholders' Regular General Assembly and as a result the related fees for the years ended December 31, 2006 and 2005 were provided for in the accompanying income statements.

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19. OTHER NON-CURRENT ASSETS

Other non-current assets in the accompanying financial statements have as follows:

	December 31, 2006	December 31, 2005
Advances for assets acquisitions	431	514
Guarantees	425	420
Long-term receivables	102	226
	958	1.160

20. INVENTORIES

Inventories in the accompanying financial statements have as follows:

	December 31, 2006	December 31, 2005
Bentonite	11.838	12.250
Bauxite	7.885	9.137
Perlite	2.188	2.121
Spare parts	2.277	2.314
Consumables	1.485	1.496
Sodium	775	244
Crude Oil	462	215
Oil	368	253
Other	566	501
	27.844	28.531
Less: provision for slow moving inventory	(1.101)	(997)
	26.743	27.534

The above provision for slow moving inventories relates mainly to the consumables and spare parts. The movement of the provision has as follows:

	December 31, 2006	December 31, 2005
Beginning balance	997	856
Additional provision	133	141
Utilization of provision	(29)	-
Ending balance	1.101	997

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21. TRADE ACCOUNTS RECEIVABLES

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

	December 31, 2006	December 31, 2005
Trade receivables	12.167	17.143
Post-dated cheques on hand	108	79
Post-dated cheques in delay	216	216
Notes receivable on hand	-	13
Notes receivable in delay	31	31
Bad debtors	727	904
	13.249	18.386
Less: allowance for bad debt receivables	(1.357)	(1.451)
	11.892	16.935

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:

	December 31, 2006	December 31, 2005
Beginning balance	1.451	1.658
Additional provision	22	-
Provision used	(116)	(207)
Ending balance	1.357	1.451

22. OTHER CURRENT ASSETS

Other current assets in the accompanying financial statements have as follows:

	December 31, 2006	December 31, 2005
VAT receivable	7.682	9.765
Fuel tax refund	1.395	1.483
Advances and prepayments	646	313
Prepaid expenses	376	319
Derivative assets (note 31)	153	-
Other debtors	703	473
	10.955	12.353

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23. CASH AND CASH EQUIVALENTS

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

	December 31, 2006	December 31, 2005
Time Deposits	4.850	17.254
Sight Deposits	3.349	4.625
Cash	80	66
	8.279	21.945

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

	December 31 2006	December 31 2005
- Euro	8.137	21.600
- Other currencies	142	345
	8.279	21.945

Interest income is accounted for as earned and for the year ended December 31, 2006 and 2005 amounts to Euro 155 and Euro 135 respectively (note 8). Bank deposits are bearing variable interests based on floating interest rates.

24. SHARE CAPITAL
(in this note all the amounts are reported in Euro)

At January 1, 2005 the parent company's share capital amounted to Euro 30.154.130,00 comprised of 30.154.130 common shares of Euro1,00 par value each.

The General Assembly of the Company's shareholders at June 22, 2005, decided:

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

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

At December 12, 2005, the Board of Directors decided the issuance of 156.940 new common shares of Euro 1,00 par value each, that were acquired by executives of the parent company as stock option. Stock option was approved by the regular General Assembly of the parent company, and the share capital increase was realized on December 21, 2005 (note 25).

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24. SHARE CAPITAL (continued)
(in this note all the amounts are reported in Euro)

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

At June 1, 2006 the Shareholders' General Assembly of the Company, decided share capital increase by Euro 72.230,00 by issuing 72.230 new common shares of Euro 1,00 par value each, through capitalization of undistributed profits that were distributed at no consideration to S&B executives after the approval of administrative authorities.

At December 6, 2006, the Board of Directors of the company decided the issuance of 197.335 new common shares of Euro 1,00 par value each, that were acquired by executives of the Company as stock option. Stock option was approved by the regular General Assembly of the Company, and the share capital increase was realized on December 8, 2006.

Consequently, at December 31, 2006 the share capital of the Company amounted to Euro 30.651.335,00 comprised of 30.651.335 common shares of Euro 1,00 par value each.

Shares granted to certain Senior Executives at no consideration

The Board of Directors on May 5, 2005 decided and the Shareholders' Annual General Meeting held on June 22, 2005, approved the increase of the Company's share capital by Euro 70.700,00 (70.700 shares with a par value of Euro 1,00 per share) through capitalization of retained earnings in order that such shares to be distributed to Senior Executives at no consideration, as part of their performance bonus (equivalent amount in Euro 408.646,00).

As the related executive services were rendered in 2004, the bonus equivalent was accrued in 2004. When the executives received the shares on July 20, 2005 the related accrual was transferred to the accounts of "Share Capital" and "Share Premium".

The Board of Directors on March 22, 2006 and May 10, 2006 decided and the Annual General Meeting held on June 1, 2006 approved the increase of the Company's share capital by 72.230,00 (72.230 shares with a par value of Euro 1,00 per share) through capitalization of retained earnings in order that such shares are distributed to S&B Senior Executives, at no consideration, as part of their performance bonus (at a bonus equivalent of Euro 635.624,00). As the related service was received by S&B in 2005, the bonus equivalent was expensed in 2005 with an equivalent credit in accruals. Upon receipt of the shares by the above executives on July 5, 2006, the accrual was transferred to the accounts of "Share Capital" and "Share Premium".

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

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

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

	<u>Strike price</u>
Options awarded in:	
- 2002	€ 6,19
- 2003	€ 6,11
- 2004	€ 5,48
- 2005	€ 5,35
- 2006	€ 8,91

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

The following table illustrates the movement of outstanding stock options in 2006 and 2005:

	<u>December 31, 2006</u>	<u>December 31, 2005</u>
Total stock options outstanding at the beginning of the year	<u>435.890</u>	<u>586.830</u>
Stock options awarded in the year	110.000	150.000
Stock options exercised in the year	(197.335)	(156.940)
Cancelled	-	-
Stock options expired in the year	<u>(3.900)</u>	<u>(144.000)</u>
Total stock options outstanding at the end of the year	<u><u>344.655</u></u>	<u><u>435.890</u></u>

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

The following table illustrates the movement of stock options vested in 2006 and 2005:

	December 31, 2006	December 31, 2005
Stock options vested - outstanding at the beginning of the year	<u>160.550</u>	<u>309.690</u>
Stock options vested in the year	151.340	151.800
Stock options exercised in the year	(197.335)	(156.940)
Cancelled	-	-
Stock options expired in the year	<u>(3.900)</u>	<u>(144.000)</u>
Stock options vested - outstanding at the end of the year	110.655	160.550
Stock options to be vested in forthcoming years	234.000	275.340
Total stock options outstanding at the end of the year	<u>344.655</u>	<u>435.890</u>

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

	No of share options
Year of vesting:	
- 2007	123.000
- 2008	78.000
- 2009	<u>33.000</u>
	<u>234.000</u>

The fair value of the stock options is estimated at the award date using the Black-Scholes option pricing model.

The following table lists the inputs to the model used for the valuation of stock options awarded in 2002-2006:

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

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

The expense for services received is recognized in the income statement at the time of vesting. The income statement charge relating to the vesting of stock options during 2006 and 2005 is Euro 215 and Euro 237, respectively. These amounts are transferred to a reserve in the equity. This reserve is then reduced as the stock options are being exercised, cancelled or expired.

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

The table below illustrates the movement of the stock option plan reserve:

	<u>December 31, 2006</u>	<u>December 31, 2005</u>
Stock option plan reserve at the beginning of the year	509	592
Fair value of stock options vested	215	237
Fair value of stock options exercised	(374)	(320)
Stock option plan reserve at the end of the year	<u>350</u>	<u>509</u>

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

The trading price of the share on the exercise date for the years of 2006 and 2005 was Euro 9,14 (December 5, 2006) and Euro 8,14 (December 5, 2005), respectively.

The following table presents the amounts recorded in share capital and share premium upon exercise of SOPs in 2006 and 2005:

	<u>December 31, 2006</u>	<u>December 31, 2005</u>
Cash received by the exercise of stock options	1.166	940
Release of relating stock option plan reserve	374	320
	<u>1.540</u>	<u>1.260</u>
Increase in share capital	197	157
Increase in par value	1.343	1.103
	<u>1.540</u>	<u>1.260</u>

Long-term incentive plan for Senior Executives

A Long-term Incentive Plan (LTI) for a small number of senior executives was introduced during 2006. Under this plan a number of Conditional Stock Rights (CSRs) are granted each of which, if vested, give right to acquiring one S&B share at no consideration (stock grant).

The total number of CSRs will vest subject to various conditions:

- **Operational Performance conditions:** CSRs granted under these conditions will vest subject to certain operating targets being met in the second and third year following the grant.
- **Market Performance conditions:** CSRs granted under these conditions will vest subject to the S&B share price performance relative to the ASE general index in the three-year period following the grant.
- **Continuous Employment conditions:** CSRs granted under these conditions will vest subject to the executives concerned being employed at the end of a four-year period following the grant.

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

The valuation of CSRs on grant date and their subsequent revaluation on each reporting date is performed based on the following valuation principles:

- The value of each CSRs with operating performance conditions equals the share price at grant date adjusted for the expected dividend payments throughout the vesting period. This value stays constant during the vesting period. The vesting probability (i.e. how many CSRs will actually vest) is being reexamined at every reporting period based on the most current operating data. The total value is amortised over the vesting period through the P&L.
- The value of each CSRs with market performance conditions is determined by modeling (Monte-Carlo simulation) that takes into account the vesting probability based on historical market data. This value stays constant during the vesting period and no revaluation on reporting dates is required. The total value is amortised over the vesting period through the P&L.
- The value of each CSRs with continuous employment conditions equals the share price at grant date adjusted for the expected dividend payments throughout the vesting period. This value stays constant during the vesting period. The vesting probability (i.e. how many CSRs will actually vest) is being reexamined at every reporting period based on whether the specific executives are still employed by the company or not. The total value is amortised over the vesting period through the P&L.

Vested CSRs are considered automatically exercised and will be delivered in S&B shares on a one-for-one basis. CSRs are not tradable or transferable.

The following table illustrates the data used to value the fair value of CSR that were awarded during 2006:

Range of prices

Vesting period	2 - 4
Share price on the vesting date	8,84
Return on equity	10,00
Expected annual increase rate of dividend (%)	10,00

On October 23rd 2006, 103.550 CSRs were granted out of which 94.121 were expected to vest. Each CSR was valued between Euro 3,61-8,30 depending on their vesting conditions. The total value at award was Euro 629. As of December 31st, the vesting probability has been reexamined with 83.224 CSRs now expected to vest and a total value of Euro 538.

The following table illustrates the movement of outstanding stock rights in 2006 and 2005:

	December 31, 2006	December 31, 2005
Total stock rights outstanding at the beginning of the year	-	-
CSR:		
- awarded in the year	103.550	-
- vested / exercised in the year	-	-
- Cancelled	-	-
- expired in the year	-	-
Total stock rights outstanding at the end of the year	103.550	-

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

The CSR outstanding at December 31 of 2006 and 2005 are analysed as follows:

	<u>December 31, 2006</u>	<u>December 31, 2005</u>
Stock rights expected to vest in forthcoming years	83.224	-
Stock rights expected not to vest in forthcoming years	20.326	-
Total stock rights outstanding at the end of the year	<u>103.550</u>	<u>-</u>

The amount of stock rights expected to vest within the forthcoming years has as follows:

	<u>No. of stock rights</u>
Year of vesting:	
- 2007	9.706
- 2008	45.519
- 2009	27.999
	<u>83.224</u>

The expense for services received is recognized in the P&L at the time of vesting. The P&L charge relating to the future vesting of stock rights during 2006 and 2005 is Euro 46 and Euro 0 (NIL) respectively. These amounts are transferred to a reserve in the equity. This reserve is reduced as the CSRs are being exercised or cancelled.

The table below illustrates the movement of the stock option plan reserve:

	<u>December 31, 2006</u>	<u>December 31, 2005</u>
Stock rights reserve at the beginning of the year	-	-
Current year's P&L charge	46	-
Fair value of stock options delivered	-	-
Stock option plan reserve at the end of the year	<u>46</u>	<u>-</u>

During 2006, no CSRs have been vested/exercised or delivered.

Share Appreciation Rights (SARs)

The Shareholders' General Assembly of the Company approved the establishment of a compensation plan the amount of which is connected to company's share price (Share Appreciation Rights – SAR) and are settled in cash for the Chief Executive Officer.

- The table below illustrates the strike price of the stock appreciation rights granted in 2006:

<u># SAR</u>	<u>Strike price</u>
216.000	€ 10,00
72.000	€ 11,70

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

- The 216.000 SARs vest by 72.000 in the end of 2007, 2008 and 2009. The rest 72.000 SARs vest in the end of 2010. No other vesting conditions exist.
- SARs vested can be exercised within three weeks after the quarterly financial statements publication and up to 31.12.2011 (for the 216.000 SARs) or 31.12.2014 (for the rest 72.000).
- SARs vested will be settled in cash.
- SARs are not tradable or transferable.

The following table illustrates the movement of outstanding SARs in 2006 and 2005:

	<u>31 December 2006</u>	<u>31 December 2005</u>
Total stock appreciation rights outstanding at the beginning of the year	-	-
SAR:		
- awarded	288.000	-
- vested/ exercised in the year	-	-
- Cancelled	-	-
- Expired	-	-
Total stock appreciation rights outstanding at the end of the year	<u>288.000</u>	<u>-</u>

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

	<u>No of SARs</u>
Year of vesting:	
- 2007	72.000
- 2008	72.000
- 2009	72.000
- 2010	72.000
	<u>288.000</u>

The fair value of the SARs is estimated at each reporting date using the Black-Scholes option pricing model.

The following table lists the inputs to the model used for the valuation of SARs awarded in 2006 as of 31 December 2006:

Expected life of option (years)	4,8 – 7,9
5 year risk-free interest rate (%)	4,02 – 4,08
3-year volatility (%)	28,82
Dividend yield (%)	2,73

The expense for services received is recognized in the P&L at the time of vesting. The P&L charge relating to the future vesting of SARs during 2006 and 2005 is Euro 167 and Euro 0 (NIL), respectively. These amounts are transferred to “Other provisions”. This provision is reduced as the SARs are being exercised, cancelled or expired.

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

The table below illustrates the movement of the provision:

	December 31 2006	December 31 2005
Provision for stock appreciation rights at the beginning of the year	-	-
Current year's P&L charge from provision revaluation	167	
Fair value of stock appreciation rights exercised	-	-
Provision for stock appreciation rights at the end of the year	167	-

26. RESERVES

Reserves in the accompanying financial statements have as follows:

	December 31 2006	December 31 2005
Tax-free reserves	63.064	57.463
Legal reserves	8.460	8.020
Special reserves	5.754	5.754
Readjustment difference of participation and securities	2.825	2.825
Specially taxed reserves	4.153	3.825
Extraordinary reserves	-	1.417
Reserves from tax-free income	816	816
	85.072	80.120

Under Greek corporate law, corporations are required to transfer a minimum of 5% of their annual net profit as reflected in their statutory books to a legal reserve, until such reserve equals one-third of the outstanding share capital. The above reserve cannot be distributed throughout the life of the Company. The Company transferred to legal reserves for the years ended December 31, 2006 and 2005 the amounts of Euro 440 and Euro 622, respectively.

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

For the years ended December 31, 2006 and 2005 the Company transferred to tax-free reserves the amounts of Euro 5.601 and Euro 5.637, respectively.

In 2006 the extraordinary reserves of Euro 1.417 were distributed as part of the dividends distributed by the Company to its shareholders.

Specially taxed reserves and reserves from tax-free income represent interest income and income from disposal of listed and non listed subsidiaries and are tax free or tax has been withheld at source. According to the Greek tax regulations, this reserve is exempt from income tax, provided it is not distributed to shareholders. The Company transferred to specially taxed reserves for the years ended December 31, 2006 and 2005 the amounts of Euro 328 and Euro 1.496, respectively.

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27. DIVIDENDS

(in this note all the amounts are reported in Euro)

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 providing 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 declare no dividend. Furthermore, Greek corporate law requires certain conditions to be met before dividends can be distributed, which are as follows:

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

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

On June 14, 2006 the company's regular General Assembly has approved dividend distribution of Euro 8.203.078.00 (Euro 0,27 per share), amount which was fully paid to the shareholders on June 14, 2006.

In the financial statements of the year 2006 were approved by the Board of Directors of the Parent Company in a meeting held on March 15, 2007. The Board of Directors proposed a dividend for the year 2006 which amounts to Euro 9.195.401,15 (Euro 0,30 per share) which is included in the equity of December 31, 2006 and is not reflected as a liability on the balance sheet. From the previously mentioned dividend, Euro 2.320.410,78 is coming from equity reserves taxed in a special way for which an additional income tax of Euro 773.470,25 will be paid and recognized in the financial statements during 2007.

The dividend not withdrawn by the shareholders of the Company by December 31, 2006 and 2005 amounted to Euro 52.626,25 and Euro 47.620,63 respectively.

28. PROVISION FOR STAFF LEAVING INDEMNITIES

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

The Company charges to the statement of income the accrued indemnities in each period with a corresponding increase or entitlement liability. Any payments made to entitled employees during any period are offset against this liability.

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28. PROVISION FOR STAFF LEAVING INDEMNITIES (continued)

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

	December 31 2006	December 31 2005
Net liability at beginning of the year	5.831	5.746
Benefits paid directly by the Company	(455)	(864)
Expense recognised in the statements of income	1.076	949
Net liability at end of the year	6.452	5.831

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 December 31, 2006 and 2005 have as follows:

	December 31 2006	December 31 2005
<u>Reconciliation of net liability benefit obligation</u>		
Present value of actuarial liability at the beginning of the year	7.339	6.890
Service cost	452	412
Interest cost	292	304
Prior year service cost		
Benefits paid	(455)	(865)
Additional cost of extra benefits	103	195
Prior years' service cost, non-vested	1.656	8
Unrecognized actuarial loss	(154)	395
Present value of actuarial liability at the end of the year	9.233	7.339
Present value of liabilities not financed		
Unrecognized actuarial loss	(1.243)	(1.508)
	(1.538)	-
Net liability in balance sheet	6.452	5.831
<u>Components of income statement charge</u>		
Service cost	452	412
Interest cost	292	304
Prior year service cost	118	8
Amortization of unrecognized actuarial loss	52	31
Regular income statement charge	914	755
Additional cost of extra benefits	162	195
Total income statement charge	1.076	950
<u>Principal assumptions</u>		
Discount rate	4,25%	4,50%
Rate of compensation increase	5,50%	5,50%
Average future working life (in years)	14,39	14,77

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28. PROVISION FOR STAFF LEAVING INDEMNITIES (continued)

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

Social Security Contributions to State Contribution Plans: The Company's Social Security Contributions to State Contribution Plans for the years ended December 31, 2006 and 2005 amounted to Euro 5.093 and Euro 4.969, respectively and are included in payroll cost in the accompanying income statement. Contributions are charged to the statement of income as incurred.

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

29. PROVISION FOR ENVIRONMENT REHABILITATION

The movement of provision for environment rehabilitation for the years ended December 31, 2006 and 2005 is as follows:

	December 31, 2006	December 31, 2005
Total Amount at the Beginning of the Year	10.397	11.614
Additional provision	684	767
Change in future outflow for active mines (income statement)	142	(874)
Change in future outflow for depleted mines (tangible assets)	874	(253)
Reassessment of provision	(142)	315
Utilization of provision	(1.007)	(1.172)
Total Amount at the End of the Year	10.948	10.397

30. INTEREST BEARING LOANS AND BORROWINGS

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

	December 31 2006	December 31 2005
Syndicated loan	33.175	53.079
Bond loan (Law.3156/2003)	75.000	75.000
	108.175	128.079
Loan expenses	(337)	(412)
Less: current portion of long term loans and borrowings	(33.175)	(19.905)
	74.663	107.762

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30. INTEREST BEARING LOANS AND BORROWINGS (continued)

- **Bond loan (Law 3156/2003)**

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

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

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

On January 2002 the Company together with S&B Holding GmbH (a subsidiary of S&B) and S&B Industrial Minerals North America Inc (a subsidiary of S&B Holding GmbH) 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 Company a term loan agreement of Euro 45 million (amount used by the Parent Company) and a revolving credit facility of Euro 45 million.

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

In order to hedge the exposure of interest rate fluctuations the Company has entered into interest rate option contracts. Due to the fact that loan withdrawals are denominated in USD, the Company has entered into cross currency swap contracts in order to reduce the exposure to exchange rate fluctuations (Note 31).

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

The above bank loan balances approach their fair value since they are not quoted in a secondary interbank market. For the above loans there are no pledges or other guarantees. The weighted average interest rate of long term interest bearing loans for the year ended December 31, 2006 and 2005 is 3,76% and 3,38%, respectively.

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30. INTEREST BEARING LOANS AND BORROWINGS (continued)

Total interest expense for the year ended December 31, 2006 and 2005 amounts to Euro 4.115 and Euro 2.945 respectively.

With respect to the above loans the table below presents the future payments as of December 31, 2006:

	<u>December 31 2006</u>	<u>December 31 2005</u>
Within one year	33.175	19.905
2-5 years	30.000	55.675
More than 5 years	45.000	52.500
	<u>108.175</u>	<u>128.080</u>

Within March 2007 the Company concluded two bond loans amounted to Euro 15 million and Euro 10 million for the purpose of refinancing the syndicated loan that expired in January 2007. The loans have a tenor of two years with a floating interest rate (Euribor plus spread). None of these loans is secured by any kind of the Company's assets.

31. DERIVATIVE FINANCIAL INSTRUMENTS

The Company as at December 31, 2006 had entered into the following derivative contracts, as follows:

- **Interest rate option**

The Company has entered into an interest rate option contract of Euro 40 million (to cover the exposure from part of the syndicated loan – Note 30) based on which the parent company pays fixed interest rate 2,72% per quarter and receives 3 month Euribor. This derivative does not qualify for hedge accounting and as a result any change in its fair values is charged to the income statement.

- **Cross currency swaps**

The Company has entered into cross currency swap agreements to hedge the exchange rate exposure of the syndicated loan (Note 30):

Conduction date	Maturity date	Amount	Exchange rate (Euro / USD)
January 2002	January 2007	25.000	0,8649
April 2003	January 2007	5.272	1,0960
January 2004	January 2007	2.903	1,2400
		<u>33.175</u>	

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

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31. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

• **Forward contracts**

The Company has entered into five forward contracts as of December 31, 2006 to hedge exchange rate exposure from sales in USD (sale of USD 5.226 to buy Euro 4.069). The duration of all forward contracts is less than one year with maturity dates from January 2007 to April 2007. The above derivatives meet the requirements of cash flow hedges according to IAS 39 «Financial Instruments: Recognition and Measurement» and thus any change in their fair value is recognized directly to equity.

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

	<u>December 31 2005</u>	<u>Movement in 2006</u>	<u>December 31 2006</u>
Financial instruments that qualify for hedge accounting			
Forward contracts	(162)	272	110
Cross currency swap	(232)	229	(3)
Effect in equity	<u>(394)</u>	<u>501</u>	<u>107</u>
Financial instruments that do not qualify for hedge accounting			
Interest rate option	(18)	61	43
Other	(23)	22	(1)
Effect in current year's income statement		<u>83</u>	
Financial instruments liabilities on balance sheet			
Asset (note 22)	-		<u>153</u>
Liability (note 34)	<u>435</u>		<u>(4)</u>
	<u>January 1 2005</u>	<u>Movement in 2005</u>	<u>December 31 2005</u>
Financial instruments that qualify for hedge accounting			
Forward contracts	507	(669)	(162)
Cross currency swap	(361)	129	(232)
Effect in equity	<u>146</u>	<u>(540)</u>	<u>(394)</u>
Financial instruments that do not qualify for hedge accounting			
Interest rate option	(270)	252	(18)
Other	(57)	34	(23)
Effect in retained earnings as of January 1, 2005	<u>(327)</u>		
Effect in current year's income statement		<u>286</u>	
Financial instruments liabilities on balance sheet			
Liability (note 34)			<u>(435)</u>

Changes in the fair value of derivatives which meet the criteria for hedge accounting is charged to shareholders equity net of the related differ taxes.

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32. TRADE AND OTHER PAYABLES

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

	December 31 2006	December 31 2005
Suppliers	7.903	9.112
Customers advances	41	318
	<u>7.944</u>	<u>9.430</u>

33. SHORT TERM BORROWINGS

As of December 31, 2006 and 2005 the Company had short term loan agreements and overdrafts with floating interest rate (Euribor plus spread for loans in Euro) that were not utilized.

The weighted average interest rate of short term loans in Euro, for the year ended December 31, 2005 is 3,51% and interest amounted to Euro 1.065.

Total credit limits of the Company (long term and short term loans) at December 31, 2006 and 2005 are as follows:

	December 31 2006	December 31 2005
Credit limit	<u>219.675</u>	<u>232.579</u>
Less: used amount		
Long term loans	(108.175)	(128.079)
Short term loans	-	-
Guarantees (reducing credit lines' availability)	<u>(5.384)</u>	<u>(5.794)</u>
Credit limits Unused	<u>106.116</u>	<u>98.706</u>

34. OTHER CURRENT LIABILITIES

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

	December 31 2006	December 31 2005
Employees' bonus	3.005	2.822
Social security	1.158	1.137
Taxes and duties	1.023	2.092
Share of profits payable to employees	830	760
Board of Directors fees	460	460
Accrued interest	336	417
Accrued rents	289	341
Freight payable	195	707
Derivative financial instruments	4	435
Other	<u>1.462</u>	<u>1.452</u>
	<u>8.762</u>	<u>10.623</u>

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35. FINANCIAL RISK MANAGEMENT

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

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

The Company's main financial instruments consist mainly, apart from derivatives, cash and cash equivalents, trade receivables and trade payables and available for sale investments. As further discussed in Notes 30 and 31, the Company enters in derivative financial instruments, such as interest rate options and cross currency swaps, in order to manage the related foreign currency exchange and interest rate risks stemming from its activities and the manner of financing. Management periodically controls and revises the relative policies and procedures in connection with financial risk management, which are summarized below:

- (i) **Credit Risk:** The Company 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 Company 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 Company 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 Company 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 Company by the financial institutions through which the Company has entered into these contracts.
- (iii) **Liquidity Risk:** The Company manages its liquidity risk by on-going monitoring of its cash flows. The Company budgets and follows up its cash flows and appropriately acts for available cash deposits and credit lines with the banks. The unutilized approved credit lines available to the Company are sufficient to cover any financing need.
- (iv) **Interest Rate Risk:** With respect to its long-term debt, the management of the Company closely monitors the fluctuations in foreign currency exchange and in interest rates and evaluates on an ongoing basis the need to enter into any financial instruments to mitigate those risks. In this respect, the Company enters into interest rate and currency swap contracts to reduce the exposure to interest rate and currency fluctuations. Such financial instruments, effective January 1, 2005, are measured at fair value and recognized as assets or liabilities in the accompanying financial statements.

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FINANCIAL RISK MANAGEMENT (continued)

(v) **Foreign exchange risk:** The Company is exposed in foreign exchange risk as it undertakes trading transactions in various foreign currencies. Foreign exchange risk is managed, where necessary, mainly through the use of forward exchange contracts. These derivatives as of January 1, 2005 are stated at fair values and recognized as asset or liability in the accompanying financial statements.

36. COMMITMENTS AND CONTINGENCIES

(a) **Litigations and claims:** The Company is a party to various lawsuits and arbitration proceedings in the normal course of business, for which the Company has provided the amount of approximately Euro 64 thousand in the accompanying financial statements.

(b) **Guarantees:** At December 31, 2006 and 2005 the Company has issued letters of guarantee for mining rights and licenses, for a total amount of Euro 2.845 and Euro 3.460 respectively, as well as for repayment of bank overdrafts of various subsidiaries for a total amount of Euro 149.624 and Euro 148.490 respectively.

(c) **Environmental issues:** Petitions of reversal have been submitted before the Council of State, against the Greek State and the administrative act which approves the Environmental Study issued by the Company regarding the exploitation of bauxite deposits covering area of 9.244 thousand square meters in the mountain of Giona. The petitions of reversal were finally heard before the Council of State on October 4, 2006 along with the interventions of S&B in support of the Greek State and the validity of the aforementioned act. The petitioners had also asked for the suspension of the disputed act. The Commission of Suspension of the Council of State by its decision nr. 504/2006 suspended the implementation of the disputed act as to the part regarding the operation in the new exploitations, until issuance of a definitive decision on the petitions of reversal. The decision of suspension is expected to influence the production program of the Company for year 2007. The Company 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..

(d) **Operating lease commitments:** As of December 31, 2006 the Company 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 year ended December 31, 2006 amounted to Euro 2.791. Future minimum lease payments under non-cancelable operating leases as at December 31, 2006 are as follows:

	December 31	December 31
	2006	2005
	(in million Euro)	
Within one year	2,0	2,0
2-5 years	8,4	8,9
After 5 years	11,1	9,5
	21,5	20,4