

**psb industries  
2008 half-year  
financial  
report**



## **statement by the person responsible for the 2008 interim financial report**

I hereby declare that to the best of my knowledge, the condensed interim consolidated financial statements for the half-year have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets and liabilities, and of the financial position and results of the Company and its consolidated subsidiaries, and that the interim management report shown on page 17 provides a true and fair account of the material events that occurred during the first six months of the year, their impact on the condensed interim consolidated financial statements, the significant transactions between related parties and a description of the main risks and uncertainties for the remaining six months of the year.

Anancy, August 1, 2008

The chairman

Jean-Baptiste Bosson

# financial report

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## consolidated balance sheet

### ASSETS

(in €000's)	06/30/2008	12/31/2007
<b>Non-current assets</b>		
Property, plant and equipment	96,334	97,144
Goodwill	21,416	21,682
Intangible fixed assets	128	116
Fixed assets accounted for by the equity method	1,714	1,680
Long-term financial assets	269	244
Deferred tax assets	1,240	966
<b>Total non-current assets</b>	<b>121,101</b>	<b>121,832</b>
<b>Current assets</b>		
Inventory	38,060	36,091
Trade and related receivables	54,469	48,354
Current income tax credits	1,103	2,017
Other receivables and credits	5,969	5,363
Cash and equivalents	7,474	6,066
<b>Total current assets</b>	<b>107,075</b>	<b>97,891</b>
<b>Total assets</b>	<b>228,176</b>	<b>219,723</b>

### LIABILITIES AND EQUITY

<b>Shareholders' equity</b>		
Capital stock	7,350	7,350
Premiums	10,122	10,122
Reserves	50,458	45,033
Translation gains/(losses)	(2 111)	(1,619)
Net income for the period	5 171	10,606
<b>Shareholders' equity attributable to Group</b>	<b>70,990</b>	<b>71,492</b>
Minority interests	-	-
<b>Total shareholders' equity</b>	<b>70,990</b>	<b>71,492</b>
<b>Non-current liabilities</b>		
Long-term financial debt	80,692	67,918
Put options granted to minority owners	5,713	5,951
<b>Financial liabilities of more than one year</b>	<b>86,405</b>	<b>73,869</b>
Deferred tax liabilities	3,246	3,059
Provisions for pensions and similar benefits	3,443	3,356
Other non-current liabilities	-	-
<b>Total non-current liabilities</b>	<b>93,094</b>	<b>80,284</b>
<b>Current liabilities</b>		
Trade and related payables	32,925	28,412
Financial debts of less than one year	12,199	20,283
Current income tax accrued	1,353	1,936
Other debts	17,500	17,140
Provisions for risks and current expenses	115	176
<b>Total current liabilities</b>	<b>64,092</b>	<b>67,947</b>
<b>Total liabilities and equity</b>	<b>228,176</b>	<b>219,723</b>

## income statement

(in €000's)	from 01/01/2008 to 06/30/2008	from 01/01/2007 to 30/06/2007 (*)	from 01/01/2007 to 31/12/2007 (*)
Sales	109,775	111,147	209,549
Costs of goods sold	(85 155)	(85,880)	(161,991)
Research and development expense	(1 577)	(1,489)	(2,867)
Selling and distribution costs	(6 033)	(5,632)	(11,102)
Administrative expenses	(6 663)	(7,279)	(13,490)
Other operating income	53	282	952
Other operating expense	(37)	(42)	(264)
<b>Operating income</b>	<b>10,363</b>	<b>11,107</b>	<b>20,787</b>
Net cost of financial indebtedness	1,947	(1,898)	(3,839)
Other financial income and expense	75	(112)	(269)
Tax	(2 952)	(2,953)	(5,041)
Share of net income from equity-method interests	119	219	289
<b>Net earnings from continuing operations for the year</b>	<b>5,658</b>	<b>6,363</b>	<b>11,927</b>
Profit/(loss) for the year related to discontinued operations	(118)	(168)	(354)
Attributable to the group	5,171	5,534	10,606
Attributable to minority interests	369	661	967
<b>Annual consolidated net income</b>	<b>5,540</b>	<b>6,195</b>	<b>11,573</b>
Earnings per share in euros	1.43	1.52	2.91
Fully diluted earnings per share in euros	1.43	1.52	2.91
Net earnings per share (in euros) from continuing operations	1.46	1.57	3.01
Diluted net earnings per share (in euros) from continuing operations	1.46	1.57	3.01

(\*) In accordance with IFRS 5 standard on "non-current assets held for sale and discontinued operations," the 2007 consolidated income statement has been restated for operations discontinued in 2008 (see Note 3).

## consolidated statement of cash flows

(in €000's)	from 01/01/2008 to 06/30/2008	from 01/01/2007 to 06/30/2007(*)
Net income attributable to Group	5,540	6,195
Consolidated net earnings for discontinued operations	(118)	(168)
Consolidated net earnings for on-going operations	5,658	6,363
Depreciation, amortization and provision expense on fixed assets	8,056	7,974
Net provision allowances on balance sheet	189	(29)
Net income attributable to joint-ventures	(50)	(142)
Net cost of financial indebtedness and dividend received	1,953	1,841
Current and deferred tax	2,952	2,954
Pretax (gain)/loss on disposal of assets	(25)	(2)
Other non-cash changes	-	-
Change in working capital requirement	(3,785)	(6,763)
Tax paid	(2,219)	(1,119)
Net operating cash flow from continuing operations	12,729	11,077
Net operating cash flow from discontinued operations	162	(153)
<b>Net operating cash flow</b>	<b>12,891</b>	<b>10,924</b>
Net capital expenditures for operations	(8,066)	(13,292)
Change in long-term receivables and payables	(883)	(1,204)
Net financial investment/disinvestment	(68)	(92)
Change in loans	-	-
Income on cash and equivalents	18	53
Dividends received	70	8
Net cash flow from investments related from continuing operations	(8 929)	(14 527)
Net cash flow from investments related from discontinued operations	308	39
<b>Net cash flow from investments</b>	<b>(8,621)</b>	<b>(14,488)</b>
Treasury stock	(490)	359
Dividends paid to parent company shareholders	(5,068)	(4,914)
Dividends paid to minority interests in integrated companies	(341)	(377)
Increase in financial liabilities	15,927	17,002
Decrease in financial liabilities	10,688	(7,333)
Interests paid	(2,040)	(1,971)
Net cash flow from financing related from continuing operations	(2,700)	2,766
Net cash flow from financing related from discontinued operations	(130)	(308)
<b>Net cash flow from financing</b>	<b>(2,830)</b>	<b>3 074</b>
Impact of currency rate changes	(32)	(29)
Change in cash	1,408	(519)
Cash and equivalents at start of year	6,066	9,960
Cash and equivalents at end of year	7,474	9,441

(\*) In accordance with IFRS 5 on "non-current assets held for sale and discontinued operations," the 2007 consolidated statement of cash flow has been restated for operations discontinued in 2008 (see Note 3).

## changes in shareholders' equity

(in €000's)	Capital	Premium	Reserves	Translation	Other	Total	Minority	Total
				gain/(loss)	reserves		interests	equity
<b>As at 01/01/2007</b>	<b>7,350</b>	<b>10,122</b>	<b>49,245</b>	<b>(636)</b>	<b>708</b>	<b>66,789</b>	<b>-</b>	<b>66,789</b>
<i>Cash Flow Hedge</i>	-	-	-	-	-	-	-	-
<i>Interest rate swap</i>	-	-	-	-	244	244	-	244
<i>Gains and losses on treasury stock</i>	-	-	-	-	89	89	-	89
<b>Income and expense recorded as shareholders' equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>333</b>	<b>333</b>	<b>-</b>	<b>333</b>
Net income for period	-	-	5,534	-	-	5,534	661	6,195
<b>Total income and expense</b>	<b>-</b>	<b>-</b>	<b>5,534</b>	<b>-</b>	<b>3,335</b>	<b>867</b>	<b>661</b>	<b>6,528</b>
Change in consolidation scope	-	-	-	-	-	-	-	-
Translation gains/(losses)	-	-	-	(283)	-	(283)	-	(283)
Dividends paid	-	-	(4,914)	-	-	(4,914)	(377)	(5,291)
Treasury stock	-	-	-	-	270	270	-	270
Minority puts	-	-	-	-	-	-	(284)	(284)
<b>As at 06/30/2007</b>	<b>7,350</b>	<b>10,122</b>	<b>49,865</b>	<b>(919)</b>	<b>1,311</b>	<b>67,729</b>	<b>-</b>	<b>67,729</b>
<b>Au 01/01/2008</b>	<b>7,350</b>	<b>10,122</b>	<b>54,936</b>	<b>(1,619)</b>	<b>703</b>	<b>71,492</b>	<b>-</b>	<b>71,492</b>
<i>Cash Flow Hedge</i>	-	-	-	-	35	35	-	35
<i>Interest rate swap</i>	-	-	-	-	342	342	-	342
<i>Gains and losses on treasury stock</i>	-	-	-	-	(159)	(159)	-	(159)
<b>Income and expense recorded as shareholders' equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>218</b>	<b>218</b>	<b>-</b>	<b>218</b>
Net income for period	-	-	5,171	-	-	5,171	369	5,540
<b>Total income and expense</b>	<b>-</b>	<b>-</b>	<b>5,171</b>	<b>-</b>	<b>218</b>	<b>5,389</b>	<b>369</b>	<b>5,758</b>
Change in consolidation scope	-	-	-	-	-	-	-	-
Translation gains/(losses)	-	-	-	(492)	-	(492)	-	(492)
Dividends paid	-	-	(5,068)	-	-	(5,068)	(341)	(5,409)
Treasury stock	-	-	-	-	(331)	(331)	-	(331)
Minority puts	-	-	-	-	-	-	(28)	(28)
<b>As at 06/30/2008</b>	<b>7,350</b>	<b>10,122</b>	<b>55,039</b>	<b>(2,111)</b>	<b>590</b>	<b>70,990</b>	<b>-</b>	<b>70,990</b>

(in €000's)	Land reevaluation (*)	Financial hedging instruments	Treasury stock	Total other reserves
<i>As at 01/30/2007</i>	1,159	132	(579)	708
<i>Cash Flow Hedge</i>	-	-	-	-
<i>Deferred tax on Cash Flow Hedge</i>	-	-	-	-
<i>Interest rate swaps</i>	-	368	-	368
<i>Deferred tax on interest-rate swap</i>	-	(124)	-	(124)
<i>Gain/loss on treasury stock</i>	-	-	134	134
<i>Deferred tax on treasury stock</i>	-	-	(45)	(45)
<b><i>Income and expense recorded as shareholders' equity</i></b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Treasury stock	-	-	270	270
<b>As at 06/30/2007</b>	<b>1,159</b>	<b>372</b>	<b>(220)</b>	<b>1,311</b>
<i>As at 01/01/2008</i>	1,159	305	(761)	703
<i>Cash Flow Hedge</i>	-	53	-	53
<i>Deferred tax on Cash Flow Hedge</i>	-	(18)	-	(18)
<i>Interest rate swaps</i>	-	517	-	517
<i>Deferred tax on interest-rate swap</i>	-	(175)	-	(175)
<i>Gain/loss on treasury stock</i>	-	-	(238)	(238)
<i>Deferred tax on treasury stock</i>	-	-	79	79
<b><i>Income and expense recorded as shareholders' equity</i></b>	<b>-</b>	<b>377</b>	<b>(159)</b>	<b>218</b>
Treasury stock	-	-	(331)	(331)
<b>Au 06/30/2008</b>	<b>1,159</b>	<b>682</b>	<b>(1,251)</b>	<b>590</b>

(\*) Shown in this account is the effect of the revaluation of certain land when adopting IFRS. The fair value appraisal of this land in 2005 by an independent appraiser at the time of the shift to IFRS was €2,953,000 as compared to a historical cost of €1,118,000.

At the end of 2007, an independent appraiser reappraised this land. The results of this appraisal do not call into question the values retained in 2005.

# notes to consolidated financial statements

All amounts in these notes are expressed in thousands of euros

## 1. GENERAL

PSB Industries is a French corporation created in 1905 by the Baikowski brothers. Its registered office is located in Annecy (BP 22, 74001 Annecy Cedex).

The Group's businesses are described in note 8.

The Group's consolidated financial statements were approved by the Board of Directors on July 31, 2008.

## 2. ACCOUNTING PRINCIPLES

### 2.1 Basis for preparing the interim information

PSB Industries' interim consolidated financial statements for the six months ended June 30, 2008 were prepared in accordance with the IAS 34 standard on "Interim financial reporting." Since they are condensed financial statements, they do not include all the information required by IFRS and should be read in conjunction with PSB Industries' annual consolidated financial statements for the year ended December 31, 2007.

The accounting principles used to prepare the interim consolidated financial statements comply with the IFRS standards and interpretations as adopted by the European Union on June 30, 2008, which are available at [http://ec.europa.eu/internal\\_market/accounting/ias\\_fr.htm#adopted-commission](http://ec.europa.eu/internal_market/accounting/ias_fr.htm#adopted-commission).

### 2.2 Accounting Principles

The accounting principles used are consistent with those used to prepare the annual consolidated financial statements for the year ended December 31, 2007.

These principles do not differ from IFRS standards as published by IASB, since applying the following standards and interpretations, which are mandatory for accounting periods starting as of January 1, 2008 and which the European Union has not yet endorsed, has no impact on PSB Industries' financial statements: IFRIC 12 and IFRIC 14.

The Group has not applied in advance any standards and interpretations that were not mandatory at January 1, 2008 except for IFRS 8 –operating segments– that was applied in advance during FY 2007.

- IAS 1
- IAS 23
- IFRIC 13
- IFRS 3 Revised
- IAS 27 Amended
- IFRS 2 Amended
- IAS 32 Amended

The potential impacts on the Group's consolidated financial statements are in the process of being determined.

PSB Industries does not anticipate, at this stage of the analysis, any significant impacts on its consolidated financial statements. IFRIC 13 does not concern PSB Industries.

Except for the number of days worked, which was higher during the first half, the Group did not recognize any seasonal change in its business activities that may affect sales from one half-year to another.

For the interim financial statements, the tax expense has been calculated by applying the average annual tax rate estimated for the current financial year to the book earnings for the period, on a company-by-company basis.

The final amounts may differ from these estimates.

### 2.3 Estimates rules and methods

The consolidated financial statements were prepared in accordance with general IFRS principles: true and fair view, going concern, accrual accounting, consistency of presentation, materiality and aggregation. The acquisition cost method is applied for all assets except for financial assets and financial derivative instruments, which are recognized at their fair value. The Group's consolidated financial statements are presented in thousands of euros, unless otherwise stated.

The preparation of the financial statements in compliance with IFRS requires the use of a number of estimates. The main sources for significant estimates and accounting judgment concerns the depreciation of goodwill, deferred tax assets, and pensions.

Beyond the assumptions which require the use of estimates, management made judgments concerning the eventual classification of certain non-current assets as being held for future sale.

## 3. CHANGE IN CONSOLIDATION - DISCONTINUED OPERATIONS

The Relais Industries company was sold at the end of March 2008.

Since this disposal fulfilled the conditions of IFRS 5 (distinct line of business in the Group), it was classified as a discontinued operation.

The income statement, cash flow statement and note 8 (segment information) were restated for this disposal for FY 2008 and 2007.

Relais Industries' results are as follows :

	<b>from 01/01/2008</b>	<b>from 01/01/2007</b>
	<b>to 06/30/2008</b>	<b>to 06/30/2007</b>
Sales	624	1 421
Operating expenses	(546)	(1,567)
Operating income	78	(146)
Net financial expenses	(5)	(21)
Tax	(24)	(1)
Net loss on the disposal	(167)	-
<b>Loss related to discontinued operations</b>	<b>(118)</b>	<b>(168)</b>
Earnings per share (in euros) for discontinued operations	(0,03)	(0,05)

**4. DIVIDEND PAYED**

in EUR/per share	06/30/2008	06/30/2007
Dividend payed in the first six months	1.40	1.35

**5. TREASURY STOCK**

	06/30/2008	12/31/2007
number of shares		43,078
Value (FIFO)		1,785

The average number of treasury shares during the 2008 half-year was 56,890, the 2007 half-year was 34,731 and 36,159 in 2007.

These figures are used in calculating earnings per share.

**6. DETAIL ON OTHER OPERATING INCOME AND EXPENSE****Detail on other income**

	06/30/2008	06/30/2007
Disposal of assets	-	234
Gains on lawsuits	-	-
Court awards	-	-
Reversed provision	-	-
Other	53	48
<b>Total</b>	<b>53</b>	<b>283</b>

**Detail on other expense**

	06/30/2008	06/30/2007
Net book value of fixed assets disposed of	24	-
Debt write-off	-	-
Amortization of goodwill	-	-
Other	11	42
<b>Total</b>	<b>37</b>	<b>42</b>

**7. TAXES**

	06/30/2008	06/30/2007
Taxes payable	(3,203)	(3,070)
Deferred taxes	251	117
<b>Total taxes</b>	<b>(2,952)</b>	<b>(2,953)</b>

## 8. SEGMENT INFORMATION

For purposes of management, the Group is organized into business segments, set up according to the type of products and services offered, and has the following three operating segments (business units) :

Specialty Chemicals (Baikowski), specializing in the production of powders and liquids based on ultra-pure alumina.

Beauty Packaging (Texen), which specializes in plastic injection and finishing, chiefly for the cosmetics and perfume industry.

Custom Packaging (CGL Pack), which specializes in the design and manufacture of custom thermoformed packaging for consumer products.

The Relais Industries company, which was sold in 2008 and restated as a discontinued operation, was included in this segment.

No regrouping of our segments was required in order to present the mandatory operating segments.

Management monitors the business units' operating performance separately, for purposes of deciding how to allocate each business unit's resources and of assessing its performance. Business unit performance is evaluated on the basis of operating income, exactly as it is defined on the consolidated financial statements (i.e., using IFRS).

Inter-segment transactions are barely significant, and transfer prices between business units are the prices that would have prevailed under normal competitive conditions with outside parties.

In accordance with IFRS 5 standard on "non-current assets held for sale and discontinued operations", the items on June 2007 : Revenues, Earnings and Net Capital Expenditures have been restated for operations discontinued in 2008 (see Note 3).

	Texen	CGL Pack	Baikowski	Other activities(*)	Total
<b>As at June 30, 2007</b>					
<b>Products</b>					
Sales	68,520	23,389	19,272	(34)	111,147
<b>Results</b>					
Operating net income	7,866	1,647	1,592	2	11,107
Result before tax	6,455	1,539	967	136	9,097
Attributable net income from equity-method companies	-	-	219	-	219
<b>Assets</b>					
Net property, plant & equipment	43,874	13,215	35,758	2,412	95,259
Net capital expenditures	4,712	1,674	6,709	67	13,162
Simplified working capital requirements**	36,304	9,290	12,009	(267)	57,336
Total assets	117,293	36,685	59,688	16,929	230,595
Current and non current liabilities	94,225	23,559	39,986	5,096	162,866
Workforce	933	226	154	9	1,322
<b>As at June 30, 2008</b>					
<b>Products</b>					
Sales	65,415	22,682	21,681	(3)	109,775
<b>Results</b>					
Operating net income	6,749	1,341	2,217	56	10,363
Result before tax	5,674	1,167	1,525	125	8,491
Attributable net income from equity-method companies	-	-	119	-	119
<b>Assets</b>					
Net property, plant & equipment	43,739	14,831	36,800	964	96,334
Net capital expenditures	4,320	2,089	2,100	(443)	8,066
Simplified working capital requirements**	34,544	9,121	16,119	(180)	59,604
Total assets	113,155	36,869	62,147	16,005	228,176
Current and non current liabilities	86,861	23,070	41,972	5,283	157,186
Workforce	891	242	155	8	1,296

(\*) Parent company and eliminations

(\*\*) net inventories + net accounts receivable – accounts payable

## 9. RELATED PARTIES

### Transactions with joint ventures :

The following transactions involve our relationship with Baikowski Japan Corporation and Alko (equity-method). They are sales and purchases booked at market prices.

	<u>06/30/2008</u>	<u>06/30/2007</u>
Sales	3,946	2,423
Purchases	1,094	1,167
Debt write-off	-	-
Trade receivables	3,243	1,967
Current account payable	200	-
Trade payables	400	439
Advances payable	-	-

## 10. POST-CLOSING EVENTS

Texen acquired Mar-Lee Companies, an American company that specializes in the production of technical plastic parts for the healthcare and personal care industries.

Mar Lee Companies posted revenues of \$19 million in 2007.

# activity report

## 1. ACTIVITY

Sales in the first half-year 2008 amounted to 109.8 million euros, down 1.2% (stable on a constant currency basis).

## 2. RESULTS

Operating income reached 10.4 million euros, or 9.4% of sales.

Effective cost control in beauty packaging and growth in specialty chemicals helped achieve this performance in spite of adverse economic conditions (raw materials, energy, and dollar).

## 3. OUTLOOK

PSB Industries' sales are expected to increase slightly on a constant scope and currency basis for FY 2008 and operating profit for the year is expected to be roughly in line with the first half-year.

The article 222-6 of the French Financial Market Authority (AMF) regulations specifies that the issuer shall :

- describe the main risks and uncertainties for the remaining six months of the year :

All other things being equal, the main uncertainties for the second half lay in a potential slowdown in economic activity that would adversely affect our sales.

- give an account of the main related-party transactions :

The main transactions are described in note 9 to the interim consolidated financial statement appendix.

# auditors' opinion on interim financial information

(Period from January 1 to June 30, 2008)

To the shareholders :

In fulfillment of the assignment given to us by the Shareholders' Meeting and pursuant to articles L. 232-7 of the French Commercial Code and L. 451-1-2 of the French Monetary and Financial Code, we conducted:

- a limited audit review of the condensed interim consolidated financial statements of PSB Industries, for the period starting from January 1 to June 30, 2008, which are attached to this opinion, and
- verification of the information contained in the interim management report.

These condensed interim consolidated financial statements are the responsibility of your Board of Directors. Our role is to express an opinion on these financial statements based on our limited audit review.

## 1. Opinion on the financial statements

We conducted our limited audit review in accordance with generally accepted auditing standards in France. A limited audit review is limited primarily to inquiries of Company officers in charge of financial and accounting matters, and analytical procedures applied to financial data. A limited audit review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in France and consequently can only provide moderate assurance that the financial statements, taken as a whole, are free from any material misstatements. This level of assurance is less than obtained from an audit engagement.

Based on our limited audit review, nothing has come to our attention that causes us to believe that the attached condensed interim consolidated financial statements are not prepared, in all material respects, in compliance with IAS 34 – standard of the IFRS as adopted by the European Union applicable to interim financial information.

## 2. Specific procedures

We have also verified the information provided in the interim management report commenting on the condensed interim consolidated financial statements that we reviewed.

We have no comment to make as to the fairness of this information or its consistency with the condensed interim consolidated financial statements.

Neuilly-sur-Seine and Villeurbanne, August 1, 2008

The auditors

MAZARS

Max DUMOULIN

ERNST & YOUNG ET AUTRES

Nicolas JOB