

certification of the annual financial report

"I certify that, to the best of my knowledge, the financial statements have been prepared in compliance with applicable accounting standards and are a true representation of the assets, financial position and earnings of the Company and of all consolidated companies, and that the Management Report appearing on page 23 accurately presents the changes in sales, earnings and financial position of the Company and of all consolidated companies and fairly portrays the chief risks and uncertainties these companies face."

Anney - February 29, 2008

CEO and Chairman of the Board

Jean-Baptiste Bosson

contents

4 activity report.

- 5 structure of psb industries
- 8 corporate governance
- 11 shareholder informations
- 12 chairman's report
- 19 auditors' opinion on the chairman's report

20 consolidated financial statements.

- 21 management report
- 28 consolidated financial statements
- 33 notes to consolidated financial statements
- 69 auditors' opinion on the consolidated financial statements

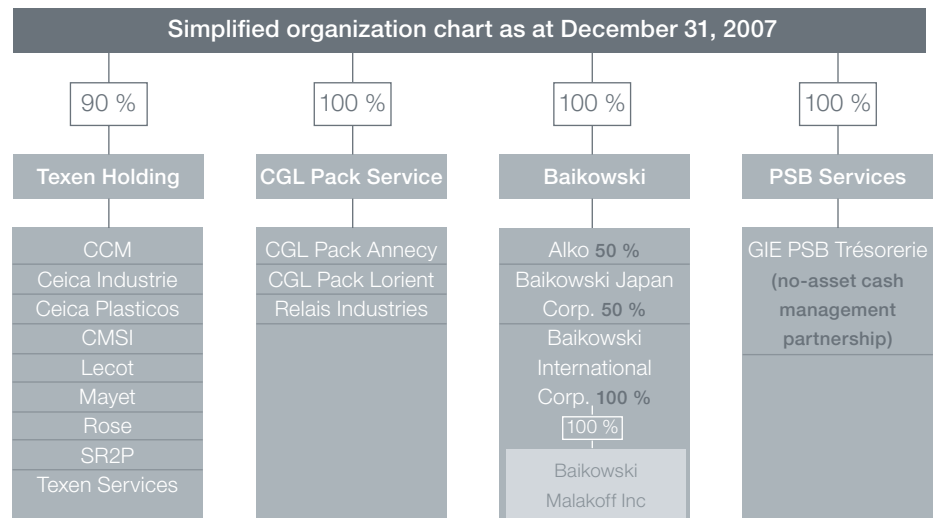
72 parent company financial statements.

- 74 parent company financial statements
- 75 notes to parent company financial statements
- 81 subsidiaries and affiliates
- 82 five-year financial summary
- 83 general auditors' opinion
- 85 spécial auditors' opinion on regulated agreements and commitments
- 86 draft resolutions for the shareholders' meeting of May 27, 2008
- 89 special report on the purchase of stock

activity report

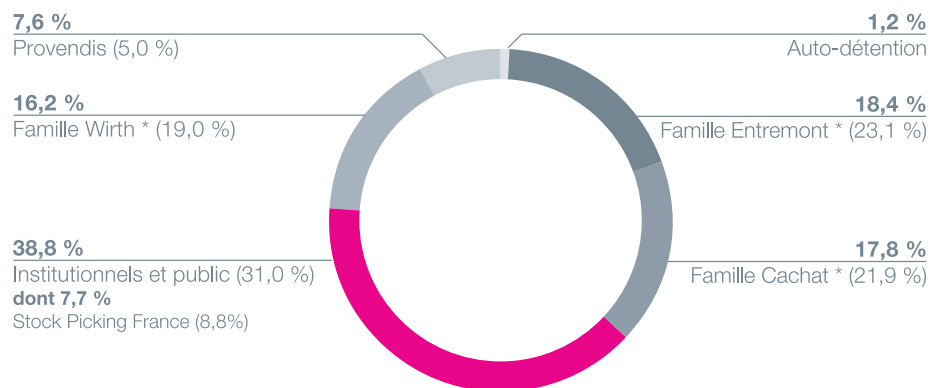
structure of psb industries.
corporate governance.
shareholder informations.
chairman's report.
auditors' opinion on the chairman's report.

structure of psb industries



Ownership structure in % as at December 31, 2007

In compliance with section L.233-13 of the French Commercial Code and in light of information received as per sections L.233-11 and L.233-12 of the same Code, we declare the principal shareholders or shareholder groups to be as follows :



* acting jointly

(in % of voting rights) : registered stock held by the same owner for at least three years carry double voting rights

Stock exchange listing

Description

Capital stock : 7,350,000

Number of shares : 3,675,000

Market capitalization on 12/31/07 : €154 millions

Average volume traded per session : € 39,000

Market facts

Date of initial public offering : 1955

ISIN code : FR0000060329

Index : CAC Small 90 and CAC Mid&Small 190

ICB Classification : 2000 (Industries)

Euronext Paris : B compartment

Reuters code : PSBP.PA

Bloomberg code : PSB FP

Share price in 2007 (in euros) and trading data



as at 31/12/2007

Number of shares traded	239,010
Total volume traded (€000)	10,024
High (in euro)	46.32
Low (in euro)	36.60

Starting July, 2005 and for a one-year term renewable by tacit agreement, PSB Industries has given Oddo Midcap a liquidity contract that complies with the AFEI code of conduct approved by the French stock exchange authority (AMF) on March 22, 2005

Dividend (in euros)

On December 19, 2007, acting in conformity with Article L232-12, paragraph 2 of the French Commercial Code and Article 245-1, paragraph 1 of the Decree of March 23, 1967 and on condition that the auditors certify the balance sheet prepared for June 30, 2007, the Board declared an interim dividend of €2,388,750 or €0.65 on each of the 3,675,000 shares of capital stock, to be counted against the dividend that will be paid for the year ending December 31, 2007. This €0.65 per share is 8.33% higher than the dividend payment made in January of 2007. It represents half of the €1.35 dividend per share paid for all of 2006.

This interim dividend was made payable at the registered corporate office as of January 25, 2008.

<u>year</u>	<u>dividend</u>
2006	1.35
2005	1.20
2004	1.10
2003	0.92
2002	0.88

Corporate Governance

1. THE BOARD OF DIRECTORS

1.1 Members

The Board of Directors is composed of five members, a chairman and four directors.

	First appointed	End of term
Chairman		
Jean-Baptiste Bosson	1991	SM of 2009 (*)
Members		
Jean-Claude Cachat	1978	SM of 2011 (**)
Jacques Entremont	1984	SM of 2008 (***)
Roger Rosnoble	1984	SM of 2008 (***)
Alain Wirth	1984	SM of 2008 (***)

(*) The 2009 Shareholders' Meeting for the year ending December 31, 2008

(**) The 2011 Shareholders' Meeting for the year ending December 31, 2010

(***) The 2008 Shareholders' Meeting for the year ending December 31, 2007

1.2 Other responsibilities of members of the Board, currently and over the last five years

Note that for unexpired director's terms, all companies are given with their present name and form.

Jean-Baptiste Bosson

With respect to PSB Industries, he is also :

- manager of PSB Services SNC,
- Permanent PSB Industries representative to the boards of Baikowski SAS, Texen SAS,
- a director of CGL Pack Service SAS,
- Permanent representative of PSB Services as a director of GIE PSB Trésorerie cash management partnership.

Outside of PSB Industries, he serves on the Supervisory Board of Siparex Croissance.

He has, furthermore, held the following offices and positions over the last five years :

With respect to PSB Industries, he has been :

- Permanent PSB Industries representative to the boards of SA CGL Pack Lorient, SA Charles (absorbed by CGL Pack Lorient on 2003, October 31),

Outside of PSB Industries, he has been a director of Michaux Gestion SA.

Jean-Claude Cachat

Outside of PSB Industries, he is :

- A director of TV8 Mont-Blanc

- manager of the «société de participation au développement de l'Economie Savoyarde SARL»,
- chairman of the Board of Odes Immobilier,
- chairman of the Supervisory Board of SAS Sivalbp.

Furthermore, with respect to PSB Industries over the last five years, he has been :

- director of SA CGL Pack Lorient.
- chairman of the Supervisory Board of Sopreda 2,
- chairman of société Annecy Evènements SAS.

Jacques Entremont

Outside PSB Industries, he is :

- member of the Supervisory Boards of Comptoir Savoyard de Distribution and Banque de Vizille.
- director of SA SAGIR

He has held the following offices and positions over the last five years :

Outside of PSB Industries, he has been :

- chief executive officer and director of Finance and Management,
- chairman of the Supervisory Board of the Entremont Group SAS,
- director and vice-chairman of Alliance Laitière Européenne,
- director of Entremont Bénélux, Parmareggio Entremont Italie,
- permanent representative of Harfleuraise de Participations to the boards of Franche Comté Sérums and Eurosérums,
- member of the Supervisory Board of Comptoir Savoyard de Distribution.

Roger Rosnoblet

Outside PSB Industries, he is :

- director of Banque Populaire des Alpes,
- member and chairman of the supervisory board of Comptoir Savoyard de Distribution,
- chairman of SAS Genevois Distribution, Provendis, Thônes Distribution,
- vice-chairman of SAS Stefano,
- general manager of SAS Alpadistri, SAS Bernard, Douvaine Distribution, Duparc and Geslin, Proxima, Provencia Novel,
- chairman of the board and general manager of Faraglia SA et de la SA Mitaz Distribution,
- manager of Sodevim SARL,
- permanent representative of Provendis, which acts as Chairman of SE Provencia, Provencia Novel, Proved, Val 4.

He has, furthermore, held the following offices and positions over the last five years :

Outside of PSB Industries, he has been :

- chairman of SAS Société Alimentaire du Foulon, Société Financière Lejeune, SAS Chamtour, SE Provencia, Provencia Novel,

- general manager of SA Val 4,
- manager of Isabelle L., La Mie du Foulon and Planet'son,
- permanent representative of Provendis to the board of SA ETS Thiebaud Frères and SA Val 4.

Alain Wirth

With respect to PSB Industries, he is :

- executive vice-president of PSB Industries SA,
- chairman of SAS CGL Pack Annecy, CGL Pack Service, CGL Pack Lorient and Relais Industries,
- director of Baikowski SAS and Texen SAS,
- legal representative of CGL Pack Service which acts as Chairman of CGL Pack Chalon SAS (dissolved in June 2007).

He has held the following offices and positions over the last five years :

With respect to PSB Industries, he has been :

- chief executive officer of CGL Pack Lorient and Charles SA (absorbed in 2003, October 31 by CGL Pack Lorient),
- legal representative of CGL Pack Service which acts as Chairman of CGL Pack Chalon SAS.

1.3 Compensation

€70,000 was allocated to directors' fees for 2007.

Only Mr. Bosson and Mr. Wirth received extra compensation on account of their executive responsibilities within Group companies.

There are no particular benefits in terms of deferred compensation.

	Compensation	Bonus	Pequisites	Director's fees	Total
M. Bosson	259,371	-	4,642	14,000	278,013
M. Wirth	60,000	-	19,205	14,000	93,205

2. GENERAL MANAGEMENT

General management consists of :

Chairman and CEO

Jean-Baptiste Bosson

Chief Operating Officer

Alain Wirth

Financial Director

Didier Mangin

shareholder informations

CALENDAR OF PLANNED REPORTS

FY 2007 Earnings	March 11, 2008
HY 2008 Earnings	August 19, 2008
First quarter 2008 sales	April 11, 2008
HY 2008 sales	July 11, 2008
First nine months 2008 sales	October 10, 2008
FY 2008 sales	January 12, 2009

SHAREHOLDER RELATIONS

PSB Industries participates every year in shareholder forums organized by Oddo Midcap or brokerage houses and held in the principal French financial centers.

Registered shares are managed by Société Générale bank.
(32, rue du Champ de Tir, BP 81236 - 44312 Nantes Cedex 3).

The Shareholders Meeting will take place Tuesday, May 27, 2008 at the PSB Industries registered head office.

FOR ALL FINANCIAL INFORMATION ON PSB INDUSTRIES

Please consult the financial communications office :

by phone : 33.(0)4.50.09.00.02

by e-mail : finance@psbindus.com

on the internet : www.psbindus.com

by land mail : PSB Industries - BP 22 - 74001 Annecy Cedex

the chairman's report

In compliance with Article L.225-37 of the French Commercial Code, this report from the Chairman of the Board of Directors explains the preparation and organization of the Board's work and the internal control systems that are in place at the Company.

A - how the work of the Board is prepared and organized

Information concerning the make-up of the Board and the renewal of Directors' terms can be found in the «Corporate Governance» section (page 8).

The members of the Board of Directors meet on a schedule set at the start of the financial period, which can be altered as the need arises or upon the request of Directors. The Board is convened by a letter sent 15 days prior to the meeting. After each meeting, minutes are drawn up and a draft of them is sent to each member; the minutes are adopted at the beginning of the next meeting.

In 2007, the Board met six times, with an attendance rate of 93%, to approve the yearly and half-yearly financial statements and to review the quarterly financial statements. Six other Directors' meetings were held to take up the following subjects: budget planning, wages, asset disposals, strategic decisions, technological developments and more. In the course of such meetings, the Group's senior managers explain the operations carried on in the three business units, accompanied if need be by top management from the various business units. The PSB Board of Directors makes its opinion known on all decisions concerning the major strategic, business, employee-related, financial and technological policies of the company and ensures that these decisions are carried out by business unit management.

The Board is assisted in its work by a strategy committee and a compensation committee. The strategy committee includes all the Directors and is specifically charged with debating the direction and positioning of the various business units in terms of investments and disinvestments, alliances and partnerships, and new product and business development. The compensation committee is made up of three Directors. It deals with the compensation and benefits of all kinds that are paid to officers of the company.

Additionally, once a month the Directors receive reports on the activities of the various business units and related companies and on our stock market activity, as well as media clippings about all Group companies.

The Board is not governed by an internal policy statement and includes no independent non-executive Directors. The Chairman of the Board is responsible for the general management of PSB Industries, with no specific limitation of powers.

B - internal controls

Following the recommendations of France's stock exchange authority, AMF, this report was written by applying the simplified guidelines for creating a reference document on internal controls.

PSB Industries' control system is meant to ensure that:

- All actions by management, all operations and all conduct comply with the law and

regulations and with our corporate values, standards and policies;

- The instructions and strategic direction determined by senior management and the Board of Directors are carried out;
- The company's internal processes run smoothly, especially those safeguarding the company's assets;
- Financial data are reliable;
- Risks arising from the Group's business operations are prevented or contained;
- Its operations are effective and its resources used efficiently.

However, like any control system, this one cannot provide an absolute guarantee that risks will be totally eliminated and only provides reasonable assurance as to the achievement of its objectives.

1. THE CORPORATE INTERNAL CONTROL SYSTEM

This report covers all Group companies except the Japanese equity-method subsidiary.

1.1 Organization and persons involved

PSB Industries is made up of three business units covering three distinct lines of business. Each business unit groups together 3 to 10 small or medium-size companies of from 20 to 250 people each. Heading up each business unit is an autonomous management team responsible for implementing the decisions made by Group senior management. The top management of each line of business organizes and supervises the control system within its delegated scope, in cooperation with PSB Industries' finance department. The senior managers of the business lines rely on the senior managers of the companies under them, as well as on the quality directors and the managerial staff.

This organization makes use of tools, practices and systems such as ISO reference documents, the budgeting process, management reporting systems, risk management groups, various procedures and specific management information systems.

Given the size and the organization of the Group, it has not been thought necessary to form an audit committee.

1.2 Survey and analysis of risk, leading to the dissemination of relevant, reliable information

The size of our companies enables information to circulate rapidly, people to be responsive and the key individuals in the Group to be clearly identified. Thus within each business unit, committees of decision-makers hold weekly, bi-weekly or monthly meetings. These committees guide their business unit, always careful to identify, prevent and manage all the risks that may arise in the course of their business.

This analysis of operations is supplemented by further processes involving the senior management of the Group, including our budgeting process, reporting process and monthly business reviews.

The budgeting process brings together Group senior management with business unit senior management in November. During these meetings, the business units present their budgets and plans for approval by the parent company. What comes out of this are the capital expenditures, financial investments and strategic and business objectives that are to be implemented. Any commitment of funds deviating from the budget authorization must first receive approval at the appropriate level. The budget is broken down by month,

so it can serve as a benchmark for the Group's monthly reporting system.

The monthly reporting system has two phases. The first is a reporting, two days after closing, of sales for each company. Then, five days after close, each company draws up a detailed income statement. These income statements are first analyzed by the top management of each business unit, then sent to the parent company of the Group for a second analysis.

Both budgeting and reporting processes include several levels of control, since they are set up by decentralized companies and then centralized by the business unit and Group finance departments.

The third type of oversight provided by senior management over the subsidiaries consists of the monthly performance reviews. These bring together the Chief Executive of the Group and the General Managers of each business unit. Their purpose is to analyze monthly performance, working capital requirements, capital expenditures and the updated forecasts.

In addition, the risk management group, in cooperation with Group companies, updates a risk map for PSB Industries.

These processes, related to the specific organization of PSB Industries, allow an on-going analysis of the risks of each business unit and the rapid dissemination of reliable information throughout the Group.

1.3 Controls performed

Controls are performed throughout the organization in the form of manual, computerized and managerial controls. First of all, in terms of staff personnel, every company in a business unit has a quality director who arranges internal audits with respect to ISO standards and the commitments made to customers. Then, in terms of line personnel, employees are trained to apply the principles of prudence and risk management in their day-to-day activities. Additionally, the supervision provided by upper management as described above adds to the control of operations.

1.4 Oversight of the internal control system

Oversight of the internal control system falls primarily on the Group's statutory auditors, on certified public accountants at the company level and on the regulatory bodies with jurisdiction over the Group and its companies.

Furthermore, since 2007 the Group's finance department has belonged to a taskforce of mid-cap public companies which was organized to identify the best practices in the area of internal controls

2. PROCESSES FOR ACCOUNTING AND FINANCIAL INFORMATION

The internal control system with regard to accounting and financial information is meant to ensure:

- Adherence to current accounting standards and principles
- Monitoring of the creation of financial information
- Reliability of the financial information prepared and reported by subsidiaries and its centralized processing at the Group level
- Advance planning for the processing of complex accounting operations
- Rapid and reliable accounting data reports

2.1 The accounting and financial organization

The key participants in the internal financial and accounting control system are Group general management and Group and business unit financial management. Each company's accounting is done at that level by one or two full-time accountants. Each business unit includes one accounting director who oversees the accounting done within their scope.

This organization makes use of tools, practices and systems such as the Group's accounting policies handbook, the budgeting process, the reporting process, certain procedures and specific management information systems.

2.2 Identification and analysis of risks impacting the accounting and financial data

Accounting and financial staff identify risks by category of operations. Organized measures are in place to prevent and limit risks at the operating level, and these are supplemented by an analysis of the monthly income statements as mentioned above.

The monthly analyses, moreover, are fine-tuned with more detailed quarterly analyses once the accounts have been consolidated. All data reported up the chain are prepared according to the same accounting standards, as set out in the Group accounting policies handbook. The quarterly consolidations are prepared as follows: 12 days after close the accountants from each company send to the Group finance department a set of restated accounting packages created by the consolidation software that interfaces with the accounting programs. The consolidation team checks the packages, validates the consolidation processing and analyzes the consolidated data for consistency with the monthly reporting data.

Moreover, in order to avoid the risks of new and complex accounting procedures at closing, the finance department has put measures in place to identify and analyze such risks, involving the two statutory auditors and the Group and business unit finance departments. At these meetings the accounting items that might have an impact on the financial statements are set forth and examined, and the participants approve the most appropriate way to account for them.

2.3 The accounting and financial information system

At PSB Industries our IT staff is decentralized to the business unit level. Thus the information systems used in the different business units are separate. The software programs used are interfaced with the software for production management, asset management, payroll and consolidation, in order to limit the work that must be done manually. The controls built into these systems are kept activated, so that errors will be limited.

The data are saved according to clearly established backup procedures.

The software is updated regularly to comply with regulations and to change in keeping with the needs of the companies.

2.4 Controls performed

The existing control system depends on computerized and managerial controls, and also, given the way accounting is organized in the Group, certain self-controls.

Furthermore, to back up the internal control system and to check that prevailing accounting principles and standards are being correctly applied, the Group companies' statements are checked at least twice a year by a firm of certified public accountants. PSB Industries' external auditing is handled by the firms of Mazars and Ernst and Young. As part of their assignment of certifying the financial statements, they look at the accounting

and internal control systems in order to evaluate the audit risk. At that time they make recommendations on the internal control procedures and systems which could impact the quality of accounting and financial data. In our constant effort to improve the reliability of our procedures, PSB companies are instructed to adopt these recommendations.

2.5 Financial and accounting communications

The Group finance department distributes a schedule to all subsidiaries for gathering the financial information necessary to meet the requirements of public disclosure and of our various internal reports. Data to be publicly disclosed are checked and analyzed by the Group finance department and reconciled with the information collected in the periodic reports. Any discrepancies found are explained. Senior management is kept informed of this work and analyzes all the public data. The public data, with commentary, are sent to the Board of Directors before being published.

3. RISK ANALYSIS AND MANAGEMENT

3.1 General principles of risk management

In its various businesses PSB Industries applies a risk management policy based primarily on personal safety, environmental protection, customer satisfaction and asset protection.

The Group finance department, in cooperation with business unit management, surveys and ranks risks according to their likelihood of occurrence and their impact, in order to construct a risk map by business unit. Action plans to limit these risks are then created and updated to factor in regulatory, technological and economic changes. The risk map is also compared to the risk map made by the Group's outside statutory auditors.

3.2 Identification and analysis of the major risks

Risks identified at the subsidiary level relate to competition, supply, product quality, the environment, key person loss, fire, and more generally to foreign exchange and interest rate and to security of manufacturing and IT operations.

The risks deemed to be major risks are competition, fire, changes in raw materials prices, forex and interest rates.

The markets where PSB Industries sells are for the most part highly competitive. Now that some of our customers have moved their production to Eastern Europe and Asia, one of the risks we have identified is finding ourselves in competition with manufacturers in these low-cost countries.

Although the likelihood of fire is fairly low, its impact would obviously be great, entailing the destruction of a Group company's assets. In the past, PSB Industries has experienced this type of accident and so remains very sensitive to it.

The raw materials used by the Group are chiefly ones whose price is geared to the price of hydrocarbons. The risk is that a surge in raw materials cost may impact our companies' margins.

The "rate" risk run by PSB Industries stems from the Group's financing activities and the foreign exchange risk from our use of different currencies. PSB Industries not only pays close attention to the rate at which it borrows but also attempts to hedge the variable-rate portion of its debt. With respect to foreign exchange rates, PSB Industries' exposure derives from the Specialty Chemicals Business unit, which does some of its business in US dollars and, to a lesser extent, in yen.

3.3 Procedures for managing the major risks

To deal with these risks, PSB Industries has set up specific procedures and adopted several strategies.

With regard to differentiating ourselves from the competition, PSB Industries makes continuing improvements in productivity, develops custom-made products and takes a Total-Quality Management approach, in order to give our customers the best service they can find. Simultaneously, PSB Industries is constantly involved in research and industrial innovation, alongside environmental protection efforts, such as eco-design. Moreover, even though the environmental risk was not identified as a major one for PSB Industries, the Group has commissioned a special audit of all its subsidiaries so that we can get into compliance when necessary and has adopted a code of corporate citizenship.

In terms of fire, PSB Industries runs awareness programs for its employees about situations where fires can start and equips its facilities with fire-fighting devices such as sprinklers and fire-proof doors. We also try to keep our plants as versatile as possible, as this has proved an effective solution in the past.

PSB Industries cannot escape the fluctuations in the price of its raw materials—polystyrene, polyvinyl chloride, polypropylene and PET. To limit the negative effect of price increases, PSB Industries has signed fixed-price contracts with its suppliers and price-indexed contracts with its principal customers. No hedging, however, has been adopted.

Lastly, to limit interest rate and exchange rate risk, PSB Industries employs what is known in France as a GIE (an economic interest group), a partnership that includes all the Group's subsidiaries but none of their assets.

The GIE defines our alternatives and our policies with respect to financing and forex and interest rate hedging. In this way, of the 60% of debt which is variable-rate, 57% is hedged, which brings the variable-rate portion down to 26% of total debt. Regarding foreign currency, our most exposed company hedges its sales a year ahead, either by using financial instruments or by making purchases denominated in the same currency.

3.4 Monitoring risks and risk management procedures

To round out its policy of risk prevention, PSB Industries has chosen to take out a general insurance policy for the Group covering property damage, personal injury, business losses and third-party liability.

4. PLANNED CHANGES

Considering its structure and its size, PSB Industries remains a responsive group where who is in charge of what is clearly laid out and where the employees are made aware of risk and use caution in their day-to-day work. Nevertheless, these points in our favor can also restrict the internal control system. Given the way the accounting staff is organized, for instance, it is not always easy to observe a strict separation of responsibilities.

More generally, and due to the work done in 2007, it turns out that PSB Industries needs to consolidate the various control aspects of its internal control system. To accomplish this, a person will be added to the Group finance department starting in May 2008. His or her assignment will be to audit and to add to the existing internal control system, to update procedures and risk maps, and to conduct training sessions in risk management.

B - External control

1. STATUTORY AUDITORS' CONTACT INFORMATION

Name	Date appointed or renewed	End of term
Principal statutory auditors :		
Ernst and Young	2004	2010*
Mazars	2004	2010*
Substitute auditors :		
Pascal Macioce	2004	2010*
Philippe Bouillet	2004	2010*

(*) The 2010 Shareholders' Meeting for the year ending December 31, 2009

2. AUDITORS' FEES

	Total (excl. VAT)		%	
	2007	2006	2007	2006
Ernst and Young				
Audit				
Auditing, certification, review of company and consolidated financial statements				
- Issuer of statements	56,000	51,600	51	51
- Wholly-owned subsidiaries	53,100	46,100	49	45
Other procedures and work directly related to the audit assignment				
- Issuer of statements	-	200	-	-
- Wholly-owned subsidiaries	-	4,500	-	4
Subtotal	109,100	102,400	100	100
Other services provided by partner firms to wholly owned subsidiaries				
Legal, tax and labor matters	-	-	-	-
Other (specify if over 10% of audit fees)	-	-	-	-
Total	109,100	102,400	100	100
Mazars				
Audit				
Auditing, certification, review of company and consolidated financial statements				
- Issuer of statements	33,500	36,000	18	24
- Wholly-owned subsidiaries	141,200	111,500	76	76
Other procedures and work directly related to the audit assignment				
- Issuer of statements	2,600	-	1	-
- Wholly-owned subsidiaries	-	-	-	-
Subtotal	177,300	147,500	95	100
Other services provided by partner firms to wholly owned subsidiaries				
Tax	9,000	-	5	-
Other (specify if over 10% of audit fees)	-	-	-	-
Total	186,300	147,500	100	100

auditor's opinion on the chairman's report

(Period ending December 31, 2007)

To the shareholders,

In our capacity as statutory auditors for PSB Industries and pursuant to article L. 225-235 of the French Commercial Code, we submit to you our opinion on your company Chairman's report, made in accordance with article L. 225-37 of the French Commercial Code, with respect to the financial year ending December 31, 2007.

It is the Chairman of the Board's particular responsibility to explain in his report how the work of the Board is prepared and organized and the internal control procedures in place within the company.

It is our responsibility to convey to you our own observations on the information given in the Chairman's report concerning those internal control procedures relative to the preparation and processing of accounting and financial information.

We conducted our work in accordance with the professional standards applied in France. These require us to perform procedures to assess the accuracy of the information contained in the Chairman's report concerning the internal control procedures relative to the preparation and processing of financial and accounting data. These procedures specifically consist of:

- familiarizing ourselves with the internal control procedures relative to the preparation and processing of accounting and financial information and that underlie the information presented in the Chairman's report, as well as with the existing documentation;
- familiarizing ourselves with the work that enabled this information to be prepared and with the existing documentation;
- determining whether any major deficiencies in the internal controls relative to the preparation and processing of accounting and financial information that we might find in the course of our work are appropriately covered in the Chairman's report.

On the basis of these examinations, we have no comment to make on the information concerning the company's internal control procedures relative to the preparation and processing of accounting and financial information that was presented in the report of the Chairman of the Board of Directors made pursuant to article L. 225-37 of the French Commercial Code.

Neuilly-sur-Seine and Villeurbanne, February 29, 2008

Statutory Auditors

ERNST & YOUNG ET AUTRES

Nicolas JOB

MAZARS

Max DUMOULIN

consolidated financial statements

management report.
consolidated financial statements.
notes to consolidated financial statements.
auditors' opinion on the consolidated financial
statements.

management report

To the shareholders,

We have called this Regular Shareholders' Meeting, in accordance with article 44 of our bylaws and pursuant to law, to present to shareholders the results of the financial year ended December 31, 2006. The statutory auditors' reports, the discussions of accounting principles and consolidation rules as well as the following notes will provide shareholders, we hope, with all the information they need to assess the state of the Company.

1. CONSOLIDATED FINANCIAL STATEMENTS

Sales in FY2007 amounted to €211.5 million, an increase of 6.2% (or 7.3% on a constant currency basis).

Beauty Packaging and Custom Packaging contributed to the growth in sales for 2007.

This growth was accompanied by an increase in net operating income of 5.2%, to €20.5 million or 9.7% on sales.

The net cost of borrowing was €3.9 million, representing 19% of net operating income.

Net income attributable to the PSB Industries Group was €10.6 million, or 5.0% on sales.

Free cash flow was €27.6 million or 13.1% on sales.

Net capital expenditures were €24.0 million, representing 11.4% on sales. These were especially high in Specialty Chemicals (finishing up the large investment in capacity at the Annecy plant, France) and in Beauty Packaging (expanding the Attignat plant, France).

Net borrowing stands at €82.1 million and represents 115% of shareholder equity and 3.0 years of free cash flow.

In the third quarter of 2007 PSB Industries raised its investment in Texen (Beauty Packaging) from 85% to 90%.

Baikowski (Specialty Chemicals)

In a situation of under-capacity and currency weakness (in the US dollar and the yen), the company posted consolidated 2007 sales of €37.7 million, down 2.7%, though up 1.1% on a constant currency basis.

Baikowski resumed its growth (up 7.9% or 13.0% on a constant currency basis) during the fourth quarter 2007. This trend will continue into 2008 now that new productive capacity is ramping up.

Net operating income was €3.6 million, or 9.5% on sales, down from the 11.6% of the preceding year. Start-up costs and currency fluctuations explain this variance.

Free cash flow was €5.8 million and capital expenditures amounted to 9.9 million. The latter involved the last phase of the productive capacity increase that will make it possible to meet the strong demand from our large global customers in lighting. Capital expenditures will settle down to something like €2 million in 2008.

Texen (Beauty Packaging)

Texen posted consolidated 2007 sales of €125.4 million, up 7.1%.

The year was highlighted by numerous product introductions, such as Wonder Length and a moisturizing lotion by Clarins, Dior Rouge lip gloss and an eyeliner by Gemey

Maybelline, Ryoko by Kenzo, Hypnose for Men, Virtuôse and Secret de Vie by Lancôme, Blush Délice by L'Oréal, etc.

Net operating income was €13.3 million, representing 10.6% on sales.

This high margin, particularly high for this industry, reflects Texen's manufacturing know-how and the high level of automation it brings to high-volume, worldwide product launches by its customers.

Free cash flow amounted to €17.2 million and capital expenditures were €10.1 million, of which €2.5 million was for the plant expansion mentioned above.

CGL Pack (Custom packaging)

CGL Pack found new growth and achieved consolidated sales of €48.8 million, up 12.2% over the previous year.

Net operating net income reached €3.5 million, or 7.1% on sales. This amount included non-recurring items of €700,000 mainly related to reorganization costs.

Free cash flow amounted to €4.1 million and capital expenditures were €3.9 million, of which €1.5 million was for expanding at the Lorient plant, France (food processing).

PSB Industries' Outlook for 2008

It is PSB Industries' objective to increase sales by 5%, with a net operating margin of close to 10%.

The period will see lower capital expenditures, on the order of 7% on sales.

Post-closing events

None

Change in accounting method

During this accounting period the Group adopted the new IFRS standards and their amendments, along with the new IFRIC interpretations (see Note 2.2 to the consolidated statements).

2. PARENT COMPANY FINANCIAL STATEMENTS

The Shareholders, on the motion of the Board of Directors, resolve to allocate the period's net earnings of €5,216,537.44 in the following manner:

- Distribution of a €5,145,000 dividend to shareholders, or a net dividend per share of €1.40.
- The balance of €71,537.44 to be carried to "Other Reserves"

Since €0.65 of this €1.40 dividend per share was already paid on January 25, 2008 as an interim dividend (that is, €2,388,750.00) in accordance with a decision of the Board on December 19, 2007, only the balance, or v0.75 per share, remains due (that is, a total of €2,756,250.00) and shall become payable as of June 2, 2008.

With regard to dividends paid to natural persons who are French tax residents, beginning January 1, 2008 they are subject to an 11% withholding for social security levies and then to income tax, after application of a 40% tax exemption on the dividend base, unless before receiving the dividend the beneficiary elects to have the company paying the dividend withhold a 18% flat-rate withholding tax which exempts the dividend balance from income tax.

In accordance with Article 243(a) of the General Tax Code, the Shareholders in meeting make note that over the last three periods the following dividends have been distributed :

<u>Financial year</u>	<u>Dividend per share</u>	<u>Income eligible or not for tax reduction</u>
12/31/2004	1.10 €	50%reduction when applicable
12/31/2005	1.20 €	40%reduction when applicable
12/31/2006	1.35 €	40%reduction when applicable

3. ENVIRONMENTAL DATA

In accordance with the provisions of Article L.225-102-1 paragraph 4 of the French Commercial Code, we present the information below that cover the social and environmental aspects relating to our business activities.

PSB Industries is very concerned about respect for the environment.

Energy consumption was 146 GWh of gaz (144 GWh in 2006) and 77 GWh of electricity (68 GWh in 2006). PSB Industries does not make use of solar or other renewable energies.

Water consumption was 218,663 m3 (189,253 m3 in 2006). Industrial waste water is not generally accepted by community purification plants. Before returning to the natural environment, this water undergoes a physico-chemical treatment for cleaning.

For several years now, PSB Industries has implemented a selective waste sorting policy. Most waste is recycled either internally or externally. Non-recyclable waste is removed and destroyed by authorized organizations.

The Baikowski (Specialty Chemicals) environmental department is specifically affected by the regulatory action known as the REACH program (Registration, Evaluation, Authorization and Restriction of Chemicals) and by the restrictions that apply to these substances.

4. EMPLOYEE DATA

Key employee data for the 2006 and 2007 financial year are :

	2007	2006
Total workforce	1,324	1,295
Part-time workforce	70	74
Total payroll excl. levies (€000)	34,462	32,744
Temporary workforce	182	151
Tempory costs (€000)	6,276	6,422
No. hired on open-ended contracts	220	216
No. hired on fixed-term contracts	46	40
Number leaving (excl. dismissals)	200	181
Number of dismissals	31	27
Absences (no. of days)	15,792	14,077
Number of workplace accidents	85	84
Number of training hours	8,999	11,126
Training expense (€000)	314	525
Number of disabled individuals	30	29
Use of a disabled employment center (CAT)	yes	yes
Incentive programs existing	yes	yes

4.1 Working conditions in the so-called sensitive countries

PSB Industries has been operating in Mexico since 1996. There the quality levels and working conditions are very close to those existing in our French plants and fully satisfy our major customers' requirements.

5. RISK FACTORS

5.1 Interest rate and currency risk

(see the Chairman's report p.17)

Management of the Group's interest rate and currency risk stemming from operations is carried out using traditional financial instruments such as cap, collar, options and currency futures. PSB Industries does not use "knock-outs," and transactions are only carried out via banking institutions with a high quality rating. Our risk management strategy addresses our objectives of safety, liquidity and profitability. We do not speculate and we only take positions which are not likely to involve significant risk.

Foreign currency sales made by French companies in 2007 were US\$11 million and JP¥674 million. These sales were mainly made by the specialty chemicals business unit, which systematically hedges by using options and forward contracts or by making purchases in the same currency.

PSB Industries' consolidated borrowing consists partly of floating rates, mainly indexed to the 3-month Euribor, and partly of fixed rates (see note 14). The targeted variable/fixed rate ratio is determined by changes in indebtedness (repayments and new borrowings), and by expected changes in interest rates. Interest rate risk management is centralized.

5.2 Equities Risk

PSB Industries' equity portfolio is limited to consolidated investments and subsidiaries (see note 3), and is therefore not of a speculative nature.

5.3 Country risk

Although 44% of PSB Industries' business is in exports, country risk is very limited as most sales are made to industrialized countries. Sales to countries with high inflation are marginal and only involve customers with impeccable financial credentials.

5.4 Environment-related industrial risk

(see Chairman's Report p.17)

Due to the nature of its operations, PSB Industries' exposure to environmental risk is minor, and up to now PSB Industries has not experienced any major pollution incidents.

An environmental audit is conducted regularly by outside firms.

The last audit was carried out in late 2007 by the firms Antea , qui devrait nous faire parvenir ses conclusions début avril 2008. . The areas of non-compliance identified, whether administrative, technical or industrial, will be resolved during 2008's exercice.

Because of the volumes processed and consumed and the electric power used, five PSB Industries facilities are subject to control by the French DRIRE (regional environmental protection and research agency) or equivalent bodies for foreign subsidiaries.

Since no risk has been identified, no provisions for environmental liability have been made in the PSB Industries financial statements.

6. OTHER INFORMATION

6.1 Transactions by executives involving PSB stock

by Jean- Baptiste Bosson (chairman)

Period	Type of transaction	Number of shares	Unit price
January 30, 2007	Sale	5,000	41.00 €
August 23, 2007	Sale	3,667	41.50 €
October 12, 2007	Sale	3,446	43.16 €
October 15, 2007	Sale	2,000	43.50 €
October 16, 2007	Sale	472	43.15 €
October 17, 2007	Sale	500	43.09 €
October 18, 2007	Sale	585	43.07 €
October 22, 2007	Sale	997	43.00 €

6.2 Ownership structure as at December 31, 2007 (see p.5)

6.3 Authorization to buy back stock

As per the authorization of the Regular Shareholders Meeting on May 30, 2007 (third resolution), we hereby inform you that as of December 31 we held 43,078 shares in our company worth an average of €41.99 each. During the year the company bought 46,732 shares at an average price of €41.76 and sold 43,602 shares at an average price of €41.70.

We recommend that you again authorize the company to deal in its own stock, as provided by articles L. 225-209 and ff. of the French Commercial Code, in order to:

- stimulate trading under a liquidity contract with an investment services provider;
- purchase stock to hold for subsequent use as exchange or payment in an external growth strategy.

The number of shares held under the present authorization cannot exceed 10% of capital stock, that is, 367,500 shares

Purchases of stock under this authorization, as well as the sale of such stock, shall be made within the following limitations:

The maximum purchase price must not exceed €50 per share and the minimum resale price must not be below €25 per share.

Given the maximum purchase price per share, the total amount allocated to buying back stock cannot exceed €18,375,000.

This authorization is valid for a period of eighteen months from the date of this meeting. It supersedes the previous authorization.

6.4 Stock price over the past five years

For shareholder information, we present below data in euros for PSB Industries stock over the preceding five years, adjusted to take account of the stock split on December 15, 2004 :

	2007	2006	2005	2004	2003
Number of shares on Dec.31	3,675,000	3,675,000	3,675,000	3,675,000	3,675,000
Year-end price	42.00	37.00	35.00	29.98	19.30
Shareholders' equity per share	19.45	18.17	16.83	15.30	13.18
Earnings per share	2.91	2.84	2.46	2.68	1.35*

(*) Not restated for treasury stock

7. DIRECTORS' FEES

We recommend that the total amount of directors' fees to allocate to Board members in 2008 be set at €80,000.

8. TERMS AND OFFICES OF CORPORATE OFFICERS

(See "Corporate Governance" on p.8)

9. TERMS OF DIRECTORS

As the Directorships of Mr. Jacques Entremont, Mr. Roger Rosnoble and Mr. Alain Wirth expire with this Shareholders Meeting, we propose that you vote to renew their terms for six more years, that is, until the close of the Regular Shareholders Meeting to be held in 2014 to act upon the financial statements for the period ending December 31, 2013.

10. CORPORATE GOVERNANCE

(see p.8)

11. STATEMENT OF EMPLOYEE STOCK OWNERSHIP ON THE LAST DAY OF THE PERIOD

In compliance with Article L. 225-102 of the French Commercial Code, this report must give an accounting of the ownership of Company capital stock by employees on the last day of the period and must set out the fraction of capital stock represented by stock held (i) by employees of the Company and its affiliated companies, within the meaning of Article L. 225-180, as part of a company savings plan established in accordance with Articles L. 443-1 to L. 443-99 of the Labor Code, and (ii) by employees and former employees as part of a company mutual investment fund.

Also to be accounted are shares directly held by employees during the holding periods mentioned in Articles L. 225-194 and L. 225-197, Article 11 of the Law of 6 August 1986 and Article 442-7 of the Labor Code.

The fraction of PSB Industries capital stock held by employees on December 31, 2007 under the aforementioned provisions was zero.

12. FACTORS LIABLE TO HAVE AN EFFECT IN THE EVENT OF A PUBLIC OFFERING

Pursuant to Article L. 225-100-3, we make the following disclosures :

Our equity structure, together with the known direct and indirect equity investments in PSB Industries, is described in the "Shareholder Structure" section.

Registered stock held in the name of the same shareholder for at least three years carries double voting rights.

There are no shareholder pacts, as the Cachat, Entremont and Wirth families are believed to act in concert.

The rules for appointing and recalling members of the Board of Directors are the rules laid down in law and in the Company by-laws.

Changes to our Company by-laws are made in accordance with the provisions of law and regulation.

There is no agreement providing for payments to members of the Board of Directors should they be recalled.

The rules governing the powers accruing to the Board of Directors are in no way inconsistent with the law.

13. RESEARCH AND DEVELOPMENT

PSB Industries devotes the resources necessary to developing its expertise and enabling it to find appropriate responses to the needs of its customers, who have extremely high quality expectations and are at the leading edge of innovation.

In FY2007 expenses for research and development were €2.9 million (€2.7 million in 2006), excluding cooperation in the form of joint development with customers.

A few examples will give an idea of the innovation at PSB Industries:

- The development of a new material for an anti-UV coating on fluorescent tubes (Specialty Chemicals)
- The 4F Pack, a container patented by CGL Pack (Custom Packaging), specifically designed for fruit. The packaging is eco-designed -- eliminating bubble-wrap from the container, using recycled APET material (PCR) and improving the design. The 4F pack is 12% lighter than traditional containers.
- Texen (Beauty Packaging) is state-of-the-art in its development and application of a material using only 30% propylene (and 70% minerals), thereby helping to protect the environment.

consolidated balance sheet

ASSETS

(in €000s)	12/31/2007	12/31/2006
Non-current assets		
Property, plant and equipment (note 5)	97,144	90,002
Goodwill (note 4)	21,682	21,288
Intangible fixed assets (note 4)	116	95
Fixed assets accounted for by the equity method (note 6)	1,680	1,537
Long-term financial assets (note 7)	244	307
Deferred tax assets (note 29)	966	650
Total non-current assets	121,832	113,879
Current assets		
Inventory (note 8)	36,091	32,347
Trade and related receivables (note 9)	48,354	52,316
Current income tax credits	2,017	1,453
Other receivables and credits (note 10)	5,363	5,295
Cash and equivalents (note 11)	6,066	9,960
Total current assets	97,891	101,371
Assets held for sale (note 12)	-	192
Total assets	219,723	215,442

LIABILITIES AND EQUITY

Shareholders' equity (note 13)		
Capital stock	7,350	7,350
Premiums	10,122	10,122
Reserves	45,033	39,638
Translation gains/(losses)	(1,619)	(636)
Net income for the period	10,606	10,315
Shareholders' equity attributable to Group	71,492	66,789
Minority interests	-	-
Total shareholders' equity	71,492	66,789
Non-current liabilities		
Long-term financial debt	67,918	4,371
Put options granted to minority owners	5,951	7,431
Financial liabilities of more than one year (note 14)	73,869	54,802
Deferred tax liabilities (note 29)	3,059	2,978
Provisions for pensions and similar benefits (note 15)	3,356	3,085
Other non-current liabilities	-	-
Total non-current liabilities	80,284	60,865
Current liabilities		
Trade and related payables	28,412	33,315
Financial debts of less than one year (note 14)	20,283	33,230
Current income tax accrued	1,936	9
Other debts (note 18)	17,140	20,645
Provisions for risks and current expenses (note 16)	176	589
Total current liabilities	67,947	87,788
Total liabilities and equity	219,723	215,442

Off-balance sheet obligations (note 21)

income statement

(in €000s)	from 01/01/2007 to 12/31/2007	from 01/01/2006 to 12/31/2006
Sales (note 30)	211,474	199,152
Cost of goods sold (note 23)	(163,595)	(155,165)
RandD expense (note 24)	(2,867)	(2,723)
Selling and distribution costs	(11,261)	(10,648)
Administrative expenses	(13,781)	(12,240)
Other operating income (note 27)	952	1,809
Other operating expense (note 27)	(459)	(741)
Operating income	20,463	19,444
Net cost of financial indebtedness (note 28)	(3,867)	(2,806)
Other financial income and expense (note 28)	(278)	(316)
Tax (note 29)	(5,034)	(5,522)
Share of net income from equity-method interests (note 6)	289	355
Annual consolidated net income	11,573	11,155
Attributable to the Group	10,606	10,315
Attributable to minority interests	967	841
Annual consolidated income	11,573	11,155
Earnings per share in euros (note 22)	2.91	2.84
Fully diluted earnings per share in euros (note 22)	2.91	2.84

consolidated statement of cash flows

(in €000s)	from 01/01/2007	from
01/01/2006	to 12/31/2007	to 12/31/2006
Net income attributable to Group	10,606	10,315
Net income attributable to minority interests	967	840
Depreciation, amortization and provision expense on fixed assets	16,071	14,901
Net provision allowances on balance sheet	(140)	(235)
Net income attributable to joint-ventures	(213)	(280)
Net cost of financial indebtedness and dividend received	3,777	2,750
Current and deferred tax	5,034	5,522
Pretax (gain)/loss on disposal of assets	(24)	(757)
Other non-cash changes	-	-
Change in working capital requirement	(6,042)	(9,010)
Tax paid	(3,414)	(7,571)
Net cash flow from operations	26,622	16,475
Net capital expenditures for operations	(24,028)	(23,844)
Change in long-term receivables and payables	(2,740)	(695)
Net financial investment/disinvestment	(2,454)	-
Change in loans	(87)	450
Income on cash and equivalents	193	229
Dividends received	79	76
Net cash flow from / (used for) investment activities	(29,037)	(23,784)
Treasury stock	(182)	186
Dividends paid to parent company shareholders	(4,915)	(4,362)
Dividends paid to minority interests in integrated companies	(376)	(271)
Increase in financial liabilities	42,001	31,782
Decrease in financial liabilities	(33,836)	(19,074)
Interest paid	(4,051)	(3,054)
Net cash flow from / (used for) financing activities	(1,359)	5,207
Impact of currency rate changes	(120)	(124)
Change in cash	(3,894)	(2,226)
Cash and equivalents at start of year (note 11)	9,960	12,186
Cash and equivalents at end of year (note 11)	6,066	9,960

changes in shareholders' equity

(in €000s)	Capital	Premium	Reserves	Translation	Other	Total	Minority	Total
				gain/(loss)	reserves		interests	equity
As at 01/01/2006	7,350	10,122	43,292	394	526	61,684	-	61,684
Cash Flow Hedge	-	-	-	-	(85)	(85)	-	(85)
Interest rate swap	-	-	-	-	81	81	-	81
Gains and losses on treasury stock	-	-	-	-	189	189	-	189
Income and expense recorded as shareholders' equity	-	-	-	-	185	185	-	185
Net income for period	-	-	10,315	-	-	10,315	841	11,156
Total income and expense	-	-	-	-	185	10,500	841	11,341
Change in consolidation scope	-	-	-	-	-	-	-	-
Translation gains/(losses)	-	-	-	(1,030)	-	(1,030)	-	(1,030)
Dividends paid	-	-	(4,362)	-	-	(4,362)	(271)	(4,633)
Treasury stock	-	-	-	-	(3)	(3)	-	(3)
Minority puts	-	-	-	-	-	-	(570)	(570)
As at 12/31/2006	7,350	10,122	49,245	(636)	(708)	66,789	-	66,789
As at 01/01/2007	7,350	10,122	49,245	(636)	(708)	66,789	-	66,789
Cash Flow Hedge	-	-	-	-	35	35	-	35
Interest rate swap	-	-	-	-	142	142	-	142
Gains and losses on treasury stock	-	-	-	-	143	143	-	143
Income and expense recorded as shareholders' equity	-	-	-	-	320	320	-	320
Net income for period	-	-	10,606	-	-	10,606	967	11,573
Total income and expense	-	-	10,606	-	320	10,926	967	11,893
Change in consolidation scope	-	-	-	-	-	-	-	-
Translation gains/(losses)	-	-	-	(983)	-	(983)	-	(983)
Dividends paid	-	-	(4,915)	-	-	(4,915)	(377)	(5,292)
Treasury stock	-	-	-	-	(325)	(325)	-	(325)
Minority puts	-	-	-	-	-	-	(590)	(590)
As at 12/31/2007	7,350	10,122	54,936	(1,619)	703	71,492	-	71,492

(in €000s)	Land Reevaluation (*)	Financial hedging instruments	Treasury stock	Total other reserves
As at 01/01/2006	1,159	132	(765)	526
Cash Flow Hedge	-	(129)	-	(129)
Deferred tax on Cash Flow Hedge	-	44	-	44
Interest rate swaps	-	122	-	122
Deferred tax on interest-rate swap	-	(41)	-	(41)
Gain/loss on treasury stock	-	-	284	284
Deferred tax on treasury stock	-	-	(95)	(95)
Income and expense recorded as shareholders' equity	-	(4)	189	185
Treasury stock	-	-	(3)	(3)
As at 12/31/2006	1,159	128	(579)	708
As at 01/01/2007	1,159	128	(579)	708
Cash Flow Hedge	-	52	-	52
Deferred tax on Cash Flow Hedge	-	(17)	-	(17)
Interest rate swaps	-	215	-	215
Deferred tax on interest-rate swap	-	(73)	-	(73)
Gain/loss on treasury stock	-	-	214	214
Deferred tax on treasury stock	-	-	(71)	(71)
Income and expense recorded as shareholders' equity	-	177	143	320
Treasury stock	-	-	(325)	(325)
As at 12/31/2007	1,159	305	(761)	703

(*) 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, France).

Shares in the company are listed by Euronext Paris, on the Eurolist Compartment B (Mid Caps) market. The Group's businesses are described in note 30.

The Group's consolidated financial statements were approved by the Board of Directors on February 22, 2008. They will be submitted for approval to the Shareholders Meeting of May 27, 2008.

2. ACCOUNTING PRINCIPLES

2.1 Statement of compliance

The consolidated financial statements have been prepared in compliance with IFRS standards as adopted by the European Union.

2.2 Changes in accounting method

The accounting methods adopted are consistent with those of the preceding financial year, with the following exceptions :

During the period the Group adopted the following new IFRIC interpretations.

- IFRIC 7 : Applying the Restatement Approach under IAS 29
- IFRIC 9 : Re-assessment of Embedded Derivatives
- IFRIC 10 : Interim Financial Reporting and Impairment
- IFRIC 11: Group and Treasury Share Transactions (adopted in advance)

The adoption of these revised interpretations has had no impact on the financial statements of the Group.

The Group also applied in advance :

IFRS 8 : Operating Segments

This standard requires disclosures about the Group's operating business segments and replaces the rules relative to determining first-level segments (business segments) and second-level segments (geographic segments). Adopting this standard has had no impact on the financial position of the Group.

The Group has determined that "operating business segments" are the same as the business segments formerly identified under IAS 14 (segment disclosure). Additional information about each of these segments, including revised comparative data, is presented in Note 30.

Additionally, the documents published by the IASB as of December 31, 2007 but not in force in the European Union on that date are the following:

- IAS 1 (revised 09/06/07) : Presentation of Financial Statements (introducing "comprehensive income")

- IAS 23 : Amendment of IAS 23, Borrowing Costs
- IFRIC 12 : Service Concession Arrangements
- IFRIC 13 : Customer Loyalty Programs
- IFRIC 14 : The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The Group is unaffected by IFRIC 12 and IFRIC 13 and does not expect significant impact on its financial statements from the other documents mentioned above.

2.3 Presentation of consolidated financial statements (IAS 1)

The consolidated financial statements are presented in thousands of euros.

The Group's consolidated financial statements are prepared on the basis of historical cost except for the following assets and liabilities which are stated at their fair value:

- derivative financial instruments,
- investments held for trading,
- assets available for sale, and
- assets and liabilities which have fair-value hedges.

Current and non-current assets and liabilities

Assets intended to be sold or consumed during the normal operating cycle, assets held for sale within twelve months of close and cash and cash equivalents constitute current assets. All other assets are non-current.

Debts maturing during the normal operating cycle or within twelve months of close constitute current debts. All other debts are non-current.

2.4 Summary of significant judgments and estimations

Preparing the Company's financial statements requires that management makes judgments, estimates and assumptions that have an impact on the assets and liabilities and revenues and expenses recorded in the financial statements as well as the information provided about potential liabilities.

Judgments

None

Estimations

Given below are the main assumptions about future events and other sources of uncertainty behind the estimates made as of the closing date, a change in which could entail significant risk of a material difference in the accounting value of assets or liabilities.

- Depreciation of goodwill

The Group checks the need to depreciate goodwill at least once a year. This requires estimating the value-in-use of the cash-generating units to which the goodwill is allocated. To determine this value-in-use, the Group has to estimate future cash flows expected from the cash-generating unit as well as the right discount rate to calculate the present value of these cash flows.

The net book value of goodwill as of December 31, 2007 was €21,682,000 (and €21,288,000 in 2006).

Fuller detail is provided in Note 4.

- Deferred tax assets

Deferred tax assets are booked as part of tax-loss carry-forwards, to the extent that the Group will probably have future taxable income against which to set unused tax losses. Determining the amount of deferred tax assets to recognize requires Management to make estimates of how long it will take to use up the tax-loss carry-forwards and of the level of future taxable income, against the backdrop of our tax strategies. No deferred tax assets from tax losses were recognized in 2007 (€241k in 2006). Additional detail is provided in Note 29.

- Pensions

The cost of defined-benefit plans and other retirement healthcare benefits is based on actuarial assessments. These assessments are based on assumptions concerning rates of: present-value discount, return on plan assets, wage increases, mortality and pension increases. Given the long-term nature of these plans, the uncertainty surrounding these estimates is significant. The net liability arising from these employee benefits as of December 31, 2007 amounted to €3,356k (€3,081k in 2006). Fuller detail is provided in Note 15.

2.5 Summary of principal accounting methods used

The companies within the scope of consolidation close all accounts on December 31.

Subsidiaries

Subsidiaries are companies controlled by the Group. Control exists when the Group holds the direct or indirect power to manage a company's financial and operating policies so as to benefit from its activities.

The subsidiaries are consolidated from the date on which the Group takes control until the date when this control is transferred outside the Group. When control of a subsidiary is lost, the consolidated financial statements for the financial year include the earnings for the period during which PSB Industries did have control.

Joint ventures

Joint ventures are companies where the Group has joint control, i.e. it shares the control of the business under a contractual arrangement.

Joint ventures are recognized on the consolidated balance sheet by the equity method. According to this method, the Group's investment in the joint venture is recognized on the balance sheet at the value of the Group's share of the joint venture's net assets.

The financial statements of the joint ventures are included in the consolidated financial statements starting with the date when joint control starts until the date it ceases.

Operations eliminated through consolidation

Intra-Group balances and transactions, as well as internal income from intra-Group operations are eliminated in the preparation of the consolidated financial statements.

Internal income from operations with joint ventures is eliminated pro rata with the Group's interest in such entities and recorded as reduction in investment.

Note 3 provides a full list of the consolidated Group companies as of December 31, 2007.

2.6 Business combinations

Goodwill

-A positive difference between the cost of an acquisition and the acquirer's share of

the fair value of the identifiable assets, liabilities and potential liabilities is recorded as goodwill and carried as an asset.

Such positive difference is not amortized but is reviewed at each closing date to identify any impairment, or loss in value.

For purposes of impairment testing, goodwill acquired in a business combination is, starting at the acquisition date, allocated to each of the Group's cash-generating units or each group of cash-generating units that might benefit from the synergies of the combination, whether or not the assets and liabilities of the acquired business are allocated to these units or groups of units. Every unit or group of units to which goodwill is thus allocated :

- represents within the Group the lowest level at which goodwill is tracked for purposes of internal management,
- is no larger than a justified sector determined in accordance with IFRS 8 operational sectors

If goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and if a business within this unit is disposed of, the goodwill associated with the deconsolidated business is included in the book value of the business when determining the net proceeds of the disposal. The goodwill thus disposed of is assessed based on the relative values of the business sold and the part retained of the cash-generating unit. When a subsidiary is sold, the difference between (a) the sales price and (b) net assets sold plus (i) accumulated translation gains/losses and (ii) the net value of goodwill is recognized on the income statement.

- A negative difference between the cost of an acquisition and the acquirer's share of the fair value of the identifiable assets, liabilities and potential liabilities (negative goodwill) is recorded directly as income for the period.

Stepped acquisitions

Les justes valeurs des actifs et passifs identifiables peuvent varier à la date de chaque opération. Lorsqu'un achat complémentaire permet l'obtention du contrôle d'une entreprise, la part d'intérêt détenue précédemment par l'acquéreur est réévaluée sur base des justes valeurs des actifs et passifs identifiables déterminées lors de cet achat complémentaire, la contrepartie de la réévaluation est enregistrée en capitaux propres.

Les intérêts minoritaires sont comptabilisés sur la base de la juste valeur des actifs nets acquis.

Lorsque les achats complémentaires interviennent après la prise de contrôle, la transaction est considérée comme une simple opération sur titres avec les actionnaires minoritaires : les actifs et passifs identifiables de l'entreprise contrôlée ne font pas l'objet de réévaluation ; l'écart positif ou négatif généré entre le coût d'acquisition et la quote-part complémentaire acquises dans l'actif net de l'entreprise est enregistré directement dans les capitaux propres de l'acquéreur.

2.7 Translation methods

Translation of foreign currency

The consolidated financial statements are presented in euros, which is both the functional and reporting currency of the parent company. Each entity in the Group determines its own functional currency and the financial assets and liabilities of each of them are measured in that functional currency. Transactions in foreign currencies are initially recorded in the functional currency at the rate of exchange prevailing at the time of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the

exchange rate prevailing at the closing date. All differences are recorded in the income statement, with the exception of those to do with borrowings in foreign currencies as hedges of net investment in a foreign entity. These are directed carried to shareholders equity until the sale of the investment, at which time they are recognized on the income statement. The income tax debits and credits arising from translation gains/losses on these borrowings are also recognized in shareholder's equity. Non-monetary items denominated in foreign currencies and valued at historical cost are translated at the exchange rate at the time of the initial transaction. Non-monetary assets and liabilities denominated in foreign currencies and stated at fair value are translated at the foreign exchange rate prevailing at the date the fair value was determined. Any goodwill arising from the acquisition of a foreign business and any fair-value adjustment of the book value of assets and liabilities deriving from the acquisition of that foreign business are recognized as an asset or liability of the foreign business and translated into euros as at the closing date.

The functional currency of a foreign business is the local currency (the US dollar, the Mexican peso or the yen). As at the closing date, the assets and liabilities of these subsidiaries are translated into the reporting currency of PSB Industries – the euro – at the exchange rate prevailing on the closing date, and their income statements are translated at the average rate for the year. Translation gains/losses resulting from this are allocated directly under a distinct account in shareholder's equity. With the departure from the Group of a foreign business, the accumulated translation gains/losses appearing in the distinct component of shareholder's equity relating to that foreign business are recognized on the income statement.

2.8 Intangible assets

Research and development costs

Expenses on research activities with a view to acquiring new scientific knowledge or technologies are charged as soon as incurred.

Expenses related to development activities aimed at a substantial improvement in the production of new products and processes is capitalized if the product or process is considered technically and commercially viable and the Group has sufficient resources to complete the development program.

Expenses thus capitalized include the cost of materials and direct labor and allocated overhead.

Capitalized development expense is recorded at cost less accumulated amortization and impairment loss, if any.

Other development costs are expensed as soon as incurred.

Other intangible assets

Other intangible assets acquired by the Group are recorded at cost, less accumulated amortization and impairment loss, if any.

Intangible assets other than goodwill mainly include the cost of technologies and licenses purchased from third parties. These intangible assets are amortized on a straight-line basis over a maximum period of five years.

Subsequent expenditure

Subsequent expenditure on intangible assets is capitalized if it increases the future economic benefits of the specific asset to which it relates and when this cost may be assessed and allocated to the asset in a reliable manner. All other expenditure is recorded directly as an expense as soon as incurred.

Amortization

Amortization is recorded as an expense on a straight-line basis according to the estimated useful life of the intangible asset.

The estimated useful lives are as follows:

- Patents and trademarks: 5 years
- Research and development costs: three to five years.

2.9 Property, plant and equipment

With the exception of land revalued under IFRS 1 (cf changes in shareholders' equity), tangible assets are recorded at cost less accumulated depreciation and any impairment. The cost of assets produced by the Group for internal use includes the cost of raw materials, direct labor and allocated overhead. Interest expense on loans to finance the production of property, plant and equipment is not a capitalized cost, but recorded as expense in the period during which it was incurred.

When property, plant and equipment include major components with different useful lives, they are recorded and amortized separately.

Costs of maintenance and repair are recorded as expenses in the period during which they are incurred.

Government grants and subsidies to assist the Group in acquiring property, plant and equipment are deducted from the book value of the asset and expensed on the income statement on a straight-line basis according to the expected useful life of the asset.

Subsequent expenditure

Expenditure to replace or renew a component of property, plant and equipment is recorded as a distinct asset replacing the renewed asset.

Other expenditure for property, plant and equipment is not capitalized unless it improves the condition of the asset beyond its originally defined level of performance.

All other subsequent expenditure is recorded as an expense in the period during which it is incurred.

Depreciation

Depreciation is recorded as an expense on a straight-line basis according to the estimated useful life of the asset. Land is not depreciated.

The residual value is accounted into the depreciable value when this is considered material.

The estimated useful lives are as follows :

Buildings : 30 to 40 years

Fixtures and technical facilities : 10 to 20 years

Equipment and tools : 3 to 10 years

Transport equipment : 3 to 5 years

Computer equipment : 3 to 4 years

Leased assets

Where the Group is the lessee :

Lease agreements are classified as capital leases if the lessee assumes substantially all the risks and rewards of ownership of the leased assets. Such capital leases are accounted for at the lower of fair value or the value discounted by the minimum lease payments as at the start of the lease. Lease payments are apportioned between the financial expenditure and the reduction of the outstanding liability. The financial expenditure is spread over the various periods covered by the leasing agreement so as to achieve a constant rate of interest on the remaining balance of the liability for each period.

The depreciation policy for the assets covered by a capital lease is similar to that applied

to owned property, plant and equipment.

If there is no reasonable certainty that the lessee will own the asset at the end of the leasing agreement, the asset is depreciated over the shorter of the leasing agreement term or its useful life.

Where a significant portion of the risks and benefits inherent to ownership are actually retained by the lessor, these arrangements are classified as simple operating lease agreements.

Payments made under this type of agreement are recorded as an expense in the income statement of the period.

2.10 Writing down assets

The book values of assets other than inventory and deferred tax assets are reviewed at each year end to identify potential impairment. For the purposes of this identification, goodwill created by the acquisition of companies is allocated to cash-generating units likely to benefit from the synergy effects of the acquisition.

If an asset is identified as impaired, an estimate is made of its recoverable value or that of the cash-generating unit to which it belongs, in the following way.

For intangible assets that are not yet ready for use, in particular capitalized research and development costs, the recoverable value is systematically estimated at each year end. An impairment loss is recorded immediately when the book value of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable value. Impairment losses are recorded as expense in the income statement.

Calculation of the recoverable value

The recoverable value of an asset is the higher of its net selling price or its use value. Use value is estimated based on discounting future cash flows to their present value, using a pre-tax growth rate reflecting current market assessments of the time-value of money and the risks specific to the asset. The recoverable value of an asset that does not generate cash inflows independent of those from other assets is calculated for the cash-generating unit to which it belongs.

These calculations are corroborated by applying multiples or other available indicators or fair value.

The recoverable value of investments in securities held to maturity and of receivables equals the present value of the expected future cash flows, calculated at the original actual interest rate of the financial instrument. Cash flows from assets recoverable in the short term are not discounted.

Reversal of an impairment

An impairment loss recognized in previous years is reversed if, and only if, there has been in the meantime a change in the estimates used to determine the recoverable value of the asset. However, the book value of an asset plus the impairment reversal may not exceed the book value that would have been calculated (net of amortization or depreciation) had no impairment been recorded for this asset in previous years.

Impairments to goodwill are not reversed.

2.11 Trade and other receivables

Trade and other receivables are stated at their acquisition cost less allowances.

2.12 Inventory

Raw materials and supplies are assessed at the lower of purchase price (on the FIFO -- First In, First Out -- method) or net realizable value. Finished products and work-in-process are valued at the lower of production cost or the net realizable value. Production costs include direct raw material and labor costs and allocated overhead, excluding

general and administrative expenses. The value of raw materials and other inventoried items on the closing date is based on their net realizable value and includes write-downs for obsolescence on slow-moving stock. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expense. frais généraux administratifs.

2.13 Cash and cash equivalents

Cash and cash equivalents on the balance sheet and cash flow statement include liquidities and short-term investments maturing less than three months from the acquisition date. Short-term investments are valued at market value at each closing date. Short-term financial debt is not deducted from cash flow insofar as short-term credit lines are renewed annually and, in management terms, are better included in medium-term than in short-term debt.

2.14 Capital stock and reserves

Buyback of company shares

When the Group buys back its own shares, the amount paid and the directly attributable transaction costs are recorded as a change in shareholders' equity. Treasury stock is deducted from shareholders' equity until such time as it is cancelled or sold.

Dividends

Dividends are recorded as debts for the period when they are approved by the Shareholders' Meeting.

2.15 Borrowings with interest

Interest-bearing loans to the Company are stated at their original face value, less borrowing costs. They are subsequently valued at the amortized cost, using the actual interest rate method. Borrowing costs are recognized as an expense in the period during which they are incurred.

2.16 Employee benefits

Types of plan

- Defined contribution plans

Defined contribution plans are post-employment benefit schemes where the Group pays defined contributions to an external insurance company or pension fund for certain categories of employees. The contributions are paid in return for services rendered by the employees during the period. They are recognized as an expense when they are incurred, in line with salaries and wages. No provisions are set up for defined contribution plans as they do not generate future commitments for the Group.

Defined contribution plans within the Group are exclusively retirement plans. In most cases they complement legal employee pension plans where our companies make direct contributions to social organizations and which are accounted for in the same manner as salaries and wages.

- Defined benefit plans

The Group's defined benefit plans cover supplementary retirement plans, payments due upon departure, rewards for long service and medical insurance. "Defined benefits plan" means a benefits plan that guarantee to certain categories of employees additional resources under their employment contract or collective bargaining agreement. This guarantee of additional resources represents a future benefit from the Group for which a commitment is calculated. The provision is calculated by estimating the benefits accumulated by employees in return for services rendered during the period and during

previous periods.

Benefits are discounted to determine the present value of the defined benefit commitment. They are carried to the balance sheet after deduction of the fair value of plan assets covering these commitments, if any.

The discount rate used at the closing date is the annual average of the TEC 10 index, the yield to maturity of a notional Treasury bond with a life always equal to ten years. A qualified actuary calculates this annually using the projected credit unit method.

Actuarial gains and losses are created by changes in assumptions made from one period to the next relating to the parameters used to calculate the provision. They are recognized in the income statement under the so-called corridor method, which consists of amortizing over ten years the actuarial discrepancies from the previous year that exceed 10% of the bond's present value.

Nature of defined benefit plans in the PSB Industries Group

- Supplementary retirement plans

These plans complement legal employee pension plans where our companies make direct contributions to social organizations and which are accounted for in the same manner as salaries and wages.

- Payments due upon retirement

Payments due upon retirement most often derive from collective bargaining agreements with employees and mainly cover retirement or career-end payments for voluntary or involuntary employee retirement.

- Rewards for long service programs

Rewards for long service programs may be established under company agreements; these programs represent bonuses paid to employees who have achieved a certain seniority within their company.

- Medical insurance plans

Medical insurance plans apply to personnel working for the Group's American subsidiaries.

Transactions where payment is based on stock and which are settled in cash

Non-transferable stock options exist within the PSB Industries Group that allow certain categories of employees to acquire Group shares. The accounting for these stock options is described in Note 17. The cost of options awarded is calculated with reference to the fair value of the equity instruments granted, valued at the time of the grant. The cost of transactions settled in shares is recorded as an expense over the employee's vesting period, which ends when the beneficiary employee becomes fully entitled to the grant. The Group values the acquired goods or services as well as the liability incurred at the fair value of this liability.

Until the liability is settled, the Group re-assesses the fair value at each closing date and at the settlement date, recording any change in fair value in the income statement for the period.

2.17 Provisions

A provision is recorded when the Group has a current legal or implied obligation resulting from a past event, the obligation can reliably estimated and it is likely that an outflow of resources will be required to fulfill the obligation.

When the Group is expecting the partial or total reimbursement of the likely resource outflow, particularly through an insurance contract, this reimbursement is recorded as a distinct asset only if the reimbursement is virtually certain. The expense relating to the provision is shown in the income statement net of any reimbursement. If the effect of

the time-value of money is significant, a provision is discounted to the present using a current pre-tax rate which reflects the risks, if any, specific to the liability. Whenever a provision is discounted, the increase to the provision occurring with the passage of time is recognized as a financial expense.

Individual right to training

The right of individuals to receive training does not call for a provision as of December 31, 2007, given the absence of any regulatory clause explicitly dealing with this commitment. Additionally, the history of how this right has been used does not make it possible at this point to estimate the significance of the commitment. The total number of training hours to which individuals are entitled stood at 73,602 on December 31, 2007.

Restructuring

A provision for restructuring is recorded when the Group has approved a detailed, formal restructuring plan and implementation of the plan is under way or its details have been announced publicly.

The Environment

The Group generally assesses environmental risks on a case-by-case basis, taking into account applicable legal requirements and makes a provision based on the best information available, provided that this information indicates that a loss is probable and can be estimated in a sufficiently reliable manner.

2.18 Trade and other payables

Trade and other payables are recorded at cost.

2.19 Deferred tax

Deferred income tax is calculated for every entity by analyzing balances for time differences between (a) the book value of assets and liabilities carried on the balance sheet and (b) their corresponding tax basis. Amount (b) depends on the tax rules in force in the countries where the Group does business. Deferred tax assets and liabilities are valued at the tax rates that are expected to apply in the period when the value of the asset will be realized or the liability discharged, based on tax rates that have been adopted or virtually adopted on the closing date.

Deferred tax arising from items in shareholder's equity is recognized in shareholder's equity and not on the income statement.

Assets and liabilities are offset when the tax is paid to the same tax authority and if authorized by local tax authorities.

Deferred tax assets are recorded for all deductible time differences, tax-loss carryforwards and unused tax credits, to the extent that it is likely that a taxable income will be available, from which to deduct these time differences, tax-loss carryforwards and unused tax credits.

2.20 Sales, interest and dividend income

Sale of goods

Revenue from the sale of goods is recorded when the significant risks and benefits inherent in ownership of the assets have been transferred to the purchaser.

Interest and dividend income

Revenue from interest is recorded in the income statement prorata temporis based on the actual yield rate. Dividends received are recorded in the income statement on the date they are approved by the shareholders.

2.21 Financial instruments

Derivative financial instruments

The Group uses derivative financial instruments, stock options, interest rate swaps and forward foreign exchange contracts to hedge its exposure to risks relating to foreign exchange and interest rates that arise from its operating, financing or investing activities. Derivative financial instruments are recognized on the transaction date. They are subsequently valued at their fair value. The resulting latent capital gains or losses are recorded according to the type of hedging involved.

The fair value of interest rate swaps as at the closing date is equal to what the Group would have to receive or pay to close out the positions. The fair value is assessed in light of current interest rates and the creditworthiness of the counterparties.

The fair value of forward foreign exchange contracts is equal to their market value as at the closing date, i.e. the present value of the forward price or rate.

All foreign exchange gains and losses from changes in the fair value of derivative instruments which are not qualified as hedging instruments are recorded directly in the income statement as Other Financial Income and Expense.

Cash flow hedges

When a derivative financial instrument hedges exposure to variability of cashflow for a firm commitment or a planned transaction, the latent gain or loss on the portion of the financial instrument determined to be an effective hedge is recorded directly in shareholders' equity. The ineffective portion is recorded immediately in the income statement as Other Financial Income and Expense.

When the firm commitment or future transaction takes place, the gains and losses from the hedging instrument recorded previously in shareholders' equity is carried to Operating income or loss (under cost of goods sold) or to Financial income or loss (under cost of net indebtedness) if the hedged item is financial.

When the hedging instrument expires or is sold, terminated or exercised, the cumulative gain or loss cleared on the hedging instrument is carried in shareholders' equity until the expected transaction occurs. At that point the accounting principle detailed above is applied. If the anticipated transaction is no longer likely, the net cumulative revenue or expense, which had been recorded directly in shareholders' equity, is written back immediately in Operating income or loss when there is a clear hedging objective or in Other financial income and expense in other cases.

Fair value hedges

When a derivative financial instrument hedges the exposure to changes in fair value of a receivable or payable, any resulting profit or loss from revaluing the hedging instrument at fair value is immediately recorded for the effective portion in Operating income or loss (cost of goods sold) or Financial income or loss (cost of indebtedness) if the hedged item is financial, and in Other financial income and expense for the ineffective portion. The gain or loss attributable to the risk being hedged becomes an adjustment to the book value of the hedged item. The fair value of the hedged items is their book value translated into euros at the rate of exchange prevailing on the closing date.

Hedging net investment in a foreign entity

When a foreign currency debt hedges a net investment in a foreign entity, translation gains/losses between the foreign currency and the euro are recorded directly in shareholders' equity. When the hedging instrument is a derivative, any gain or loss on the hedging instrument considered to be an effective hedge is recorded directly in shareholders' equity; the ineffective portion is recognized immediately in Other Financial Income and Expense on the income statement. When the nature of the hedge has not been demons-

trated, all realized gains or losses are recorded in Other Financial Income and Expense on the income statement. If the foreign entity leaves the group, the accumulated gains or losses which were recognized directly in shareholders' equity are recognized on the income statement.

Put options held by a minority shareholder

The Group has granted one minority shareholder a put option on stock in a fully consolidated subsidiary (Texen Holding). The minority shareholder may only exercise the option once a year and for no less than 5% and no more than 8% of the capital stock, with the understanding that the last possible yearly sale of stock will take place in 2009 at the latest, based on the earnings of 2008. The stock exercise price is based by contract on multiples of earnings and free cash flow. In accordance with IAS 32-29, the Group's commitment to buy stock in this fully consolidated subsidiary is recorded as a financial liability. The value of this financial liability is the present value of the option's exercise price. In 2007, the effect of discounting the liability from the put option granted to a minority shareholder, which was €203k in 2007 and €364k in 2006, was no longer recorded in the income statement but now directly affects goodwill.

In anticipation of IFRIC's final position on the correct accounting treatment of these transactions, this financial liability has been offset by a reduction in minority interests, with the excess accounted in goodwill.

The proportion of earnings payable to minority shareholders is still allocated to them in the income statement.

3. CHANGES IN CONSOLIDATION SCOPE

The consolidated statements of PSB Industries and its subsidiaries as of December 31, 2007 include the financial statements of the companies listed below.

The companies included on December 31, 2007 and 2006, can be summarized as follows :

	French	Foreign
2007		
Parent company and fully consolidated subsidiaries	17	3
Equity-method company	1	1
Subtotal	18	4
Total	22	
2006		
Parent company and fully consolidated subsidiaries	18	3
Equity-method company	1	1
Subtotal	19	4
Total	23	

The main changes occurring after December 31, 2006, were the following :

CGL Pack Chalon has merged into CGL Pack Services by universal transfer of assets.

PSB Industries increased its stake in Texen Holding from 85% to 90%.

List of consolidated companies (besides PSB Industries)

(*) With the exception of Baikowski Japan Corporation and Alko, which are equity-method, all companies are fully consolidated subsidiaries.

(in % of interest)	12/31/2007	12/31/2006
Cosmetics-Perfume Packaging		
CCM (Izernore 01)	90	85
Ceica Industrie (Brion 01)	90	85
CMSI (Attignat 01)	90	85
Lecot (Cran Gevrier 74)	90	85
Mayet (Pierre de Bresse 71)	90	85
Rose (Bressolles 01)	90	85
SR2P (Brion 01)	90	85
Texen Services (Brion 01)	90	85
Texen Holding (Brion 01)	90	85
Ceica Plasticos de Mexico (Lerma - Mexique)	90	85
Custom packaging		
CGL Pack Annecy (Metz-Tessy 74)	100	100
CGL Pack Chalon (Metz-Tessy 74)	100	100
CGL Pack Lorient (Queven 56)	100	100
CGL Pack Service (Metz-Tessy 74)	100	100
Relais Industries (Seynod 74)	100	100
Specialty chemicals		
Alko (Condrieu 38) (*)	50	50
Baikowski (Poisy 74)	100	100
Baikowski International Corporation (USA) (Charlotte (NC))	100	100
Baikowski Malakoff Inc.(USA) (Malakoff (TX))	100	100
Baikowski Japan Corporation (Japon) (Tokyo) (*)	50	50
Other activities		
GIE PSB Trésorerie (Metz-Tessy 74)	100	100
PSB Services (Metz-Tessy 74)	100	100

4. INTANGIBLE FIXED ASSETS

Gross Value	Goodwill	Property rights	Other	Total
As at 01/01/06	21,825	1,632	773	24,230
Acquired	-	42	13	55
Sold Impairment	-	(93)	(1)	(94)
Change in scope of consolidation	-	-	-	-
Asset available for sale	110	-	-	110
Foreign Exchange	-	(1)	-	(1)
Other	(398)	22	-	(376)
As at 12/31/06	21,537	1,601	785	23,923
Acquired	-	101	94	195
Sold Impairment	-	(376)	(3)	(379)
Change in scope of consolidation	-	-	-	-
Asset available for sale	-	-	-	-
Foreign Exchange	-	-	-	-
Other	394	4	(4)	394
Au 31/12/07	21,931	1,330	872	24,133

Depreciation and Amortization	Goodwill	Property rights	Other	Total
As at 01/01/06	-	(1,459)	(770)	(2,229)
Increase	-	(129)	(7)	(136)
Decrease	-	93	1	94
Impairment	(249)	-	-	(249)
Change in scope of consolidation	-	-	-	-
Asset available for sale	-	-	-	-
Foreign Exchange	-	1	-	1
Other	-	(21)	-	(21)
As at 12/31/06	(249)	(1,515)	(776)	(2,540)
Increase	-	(85)	(89)	(174)
Decrease	-	376	3	379
Change in scope of consolidation	-	-	-	-
Asset available for sale	-	-	-	-
Foreign Exchange	-	-	-	-
Other	-	-	-	-
As at 12/31/07	(249)	(1,224)	(862)	(2,335)

Valeur nette	Goodwill	Droits de propriété	Autres	Total
As at 01/01/06	21,825	173	3	22,001
As at 12/31/06	21,288	86	9	21,383
As at 12/31/07	21,682	106	10	21,798

Net goodwill	12/31/2007		12/31/2006	
	Net /incl. impairment		Net /incl. impairment	
Baikowski	858	-	858	-
CCM	5,679	-	5,679	-
CGL Pack Service	668	-	668	-
CGL Pack Lorient	2,828	-	2,828	-
CMSI	1,416	-	1,416	-
Mayet	3,358	-	3,358	-
Rose	624	-	624	-
Texen	5,930	-	5,536	-
Autres	321	(249)	321	(249)
Total	21,682	(249)	21,288	(249)

In late December 2007, the cash generating units (CGUs) to which goodwill was allocated were given an impairment test. The methodology used consists in comparing the recoverable value of each CGU to the book value of its net assets. Recoverable value is calculated based on discounting the projected operating cash flow over 10 years plus a terminal value. The first three years of cash flow are drawn from the three-year budgets and plans; the succeeding years are extrapolated using a growth rate of 2.5% and a constant percentage operating margin. The discount rate used for 2007, based on the concept of weighted cost of capital (WACC), was 13.8%. Comparison of the book value of these assets with the discounted cash flows resulted in ascribing an impairment loss to the goodwill carried on the balance sheets of Relais Industries for 200,000 and including that in the goodwill amortization expense.

5. PROPERTY, PLANT AND EQUIPMENT

Gross value Other	Land and		Equipment	Fixed assets in	
	Buildings		Total progress and advances		
As at 01/01/06	40,217	109,015	9,114	9,383	167,729
Acquired	670	8,851	15,033	1,136	25,690
Sold	(122)	(8,523)	(4)	(442)	(9,091)
Impairment	-	-	-	-	-
Change in scope of consolidation	-	-	-	-	-
Asset available for sale	-	1,108	-	283	1,391
Foreign exchange	(342)	(1,312)	(77)	(22)	(1,753)
Other	855	9,543	(10,755)	162	(195)
As at 12/31/06	41,278	118,682	13,311	10,500	183,771
Acquired	1,633	8,202	13,620	1,067	24,522
Sold	(894)	(6,600)	(302)	(1,002)	(8,798)
Impairment	-	-	-	-	-
Change in scope of consolidation	-	-	-	-	-
Asset available for sale	335	-	-	-	335
Foreign exchange	(337)	(1,381)	(17)	(24)	(1,759)
Other	7,236	13,699	(20,967)	160	128
As at 12/31/07	49,251	132,602	5,645	10,701	198,199

Amortization	Land and Buildings	Equipment	Fixed assets in progress and advances	Other	Total
As at 01/01/06	(12,299)	(69,890)	-	(4,796)	(86,985)
Increase	(1,405)	(12,092)	-	(1,247)	14,744
Decrease	116	7,582	-	477	8,175
Change in scope of consolidation	-	-	-	-	-
Asset available for sale	-	(862)	-	(120)	(982)
Foreign exchange	60	660	-	12	732
Other	-	14	-	21	35
As at 12/31/06	(13,528)	(74,588)	-	(5,653)	(93,769)
Increase	(1,520)	(12,734)	-	(1,209)	(15,463)
Decrease	622	6,547	-	936	8,105
Impairment	-	(100)	(234)	(100)	(434)
Change in scope of consolidation	-	-	-	-	-
Asset available for sale	(143)	-	-	-	(143)
Foreign exchange	69	698	-	12	779
Other	-	26	-	(156)	(130)
As at 12/31/07	(14,500)	(80,151)	(234)	(6,170)	(101,055)
Net value	Land and Buildings	Equipment	Fixed assets in progress and advances	Other	Total
As at 01/01/06	27,918	39,125	9,114	4,587	80,744
As at 12/31/06	27,750	44,094	13,311	4,847	90,002
As at 12/31/07	34,751	52,451	5,411	4,531	97,144
Gross lease value	Land	Buildings	Equipment	Other	Total
As at 01/01/06	1,465	20,438	14,433	87	36,423
Acquired	-	-	-	-	-
Sold	-	-	(306)	-	(306)
Impairment	-	-	-	-	-
Change in scope of consolidation	-	-	-	-	-
Asset available for sale	-	-	-	-	-
Foreign exchange	-	-	-	-	-
Other	-	-	-	-	-
As at 12/31/06	1,465	20,438	14,127	87	36,117
Acquired	-	-	-	-	-
Cession	-	(107)	(703)	-	(810)
Impairment	-	-	-	-	-
Change in scope of consolidation	-	-	-	-	-
Asset available for sale	-	-	261	-	261
Foreign exchange	-	-	-	-	-
Other	-	-	-	-	-
As at 12/31/07	1,465	20,331	13,685	87	35,568

Amortization of capital lease	Land	Buildings	Equipment	Other	Total
As at 01/01/06	-	(6,896)	(11,972)	59	(18,809)
Increase	-	(695)	(1,050)	(20)	(1,765)
Decrease	-	-	532	-	532
Impairment	-	-	-	-	-
Change in scope of consolidation	-	-	-	-	-
Asset available for sale	-	-	-	-	-
Change	-	-	(3)	-	(3)
Other	-	-	-	-	-
As at 12/31/06	-	(7,591)	(12,493)	39	(2,045)
Increase	-	(675)	(705)	(20)	(1,400)
Decrease	-	-	703	-	703
Impairment	-	-	-	-	-
Change in scope of consolidation	-	-	-	-	-
Asset available for sale	-	-	(132)	-	(132)
Foreign exchange	-	-	(3)	-	(3)
Other	-	-	-	-	-
As at 12/31/07	-	(8,266)	(12,630)	19	(20,877)
Net Value	Land	Buildings	Equipment	Other	Total
As at 01/01/06	1,465	13,542	2,461	146	17,614
As at 12/31/06	1,465	12,847	1,634	126	16,072
As at 12/31/07	1,465	12,065	1,055	106	14,691

6. EQUITY METHOD INVESTMENTS

Investments accounted for by the equity method refer to investments where the activities are similar to those of the fully consolidated subsidiaries. The equity and earnings in these companies which are attributable to the Group are summarized below :

	Under Group control (*)		
	% held	Shareholders equity	Net income
Baikowski Japan Corporation			
As at 12/31/07	50	1 630	289
As at 12/31/06	50	1 487	346
Alko			
As at 12/31/07	50	50	-
As at 12/31/06	50	50	9

(*) after restatement for consolidation

The main aggregates of affiliates accounted for by the equity method are summarized below :

	Baikowski Japon		Alko	
	12/31/2007		12/31/2006	
Non-current assets	7,085	2,460	5,187	2,337
Current assets	4,148	811	4,526	488
Non Current liabilities	3,850	1,840	3,288	1,816
Current liabilities	4,122	1,331	3,451	909
Sales	9,939	1,920	9,203	727
Operating net income	878	101	1,173	83
Net income	579	-	692	19

7. OTHER LONG-TERM FINANCIAL ASSETS

	12/31/2007	12/31/2006
Loans	130	189
Surety deposits	95	97
Other	19	21
Total	244	307

8. INVENTORY

This breaks down as follows :

As at 12/31/2007	Gross	Impairment loss	Net	Net (as at 12/31/06)
Raw materials	10,058	(312)	9,746	8,820
Work in process	7,410	(86)	7,324	5,592
Finished goods	16,466	(634)	15,832	13,194
Goods for resale	3,189	-	3,189	4,741
Total	37,123	(1,032)	36,091	32,347

These amounts are shown after eliminating internal margins included in the Baikowski and Texen inventory and work-in-process.

Inventory provisions are detailed below :

	Raw materials	Work in process	Finished goods	Total
As at 01/01/07	(334)	(151)	(462)	(947)
Increase	(257)	(79)	(491)	(827)
Applications	159	144	283	586
Reversal	117	-	13	130
Foreign exchange	3	-	23	26
Other	-	-	-	-
As at 12/31/07	(312)	(86)	(634)	(1 032)

9. CLIENTS

	12/31/2007	12/31/2006
Trade receivables and related accounts < 1 year	48,741	52,699
Trade receivables and related accounts > 1 year	-	-
Provisions for impairment	(387)	(383)
Total	48,354	52,316

Changes in provisions for trade receivables are detailed below :

	2007	2006
As of 01 January	(383)	(280)
Appropriations	(34)	(130)
Applications	29	26
Reversal	-	-
Change in scope of consolidation	-	-
Foreign Exchange	1	1
As of 31 December	(387)	(383)

As of December 31, accounts receivable aging is as follows :

	2007	2006
Net A/R	48,354	52,316
Net A/R on time	44,723	48,057
In arrears without provision		
< 30 days	2,552	1,976
30 - 60 days	283	729
60 - 90 days	273	409
90 - 120 days	129	315
> 120 days	394	830

10. OTHER RECEIVABLES

These consist of the following :

	12/31/2007	12/31/2006
Employee receivables	17	30
Tax receivables	2,674	2,756
Financial instruments	212	602
Prepaid expenses	1,043	1,007
Other receivables	1,417	900
Subtotal	5,363	5,295
Provisions for impairment	-	-
Total	5,363	5,295

11. CASH AND CASH EQUIVALENTS

	12/31/2007	12/31/2006
Cash and near-cash	2,557	3,143
Marketable securities	3,509	6,817
Total	6,066	9,960

Cash and near cash have maturities of 1 or 2 days and earn no yield. Marketable securities run for a variety of terms from one day to three months and earn short term yields (Eonia or Euribor).

12. ASSETS HELD FOR SALE

At the end of 2006, the Company signed an agreement to sell an industrial building located in the Ain region (France). The sale was completed during the first half of 2007, resulting in a pre-tax capital gain of €137,000.

13. SHAREHOLDERS' EQUITY

Paid-in capital

As of December 31 2007, the contributed capital stock was €7.35 million, divided in 3,675,000 shares of €2 each, entirely paid up. There was no change in the number of shares during FY2007.

There were no diluting instruments as of December 31, 2006 or 2007. Name shares held by the same owner for at least three years carry double voting rights.

Treasury shares

	12/31/2007	12/31/2006
in number of shares	43,078	39,948
in value (FIFO)	1,785	1,461

The average number of treasury shares during the year was 36,159 in 2007 and 42,837 in 2006. These figures are used in calculating earnings per share.

Translation differences

Foreign exchange differences from translating a foreign company's financial statements are placed under this heading (see note 2.7 "Translation of Foreign Currency"). The following table shows the main closing rates and average rates used for 2007.

One euro	Closing	Average
US Dollar	1.4721	1.3706
Mexican Peso	16.0735	14.9769
Yen	164.93	161.2406

Dividends paid and proposed

	For FY 2007		For FY 2006	
	in euro/share in K000s		in euro/share in K000s	
Dividends proposed to the Shareholders' Meeting	1.40	5,145	1.35	4,961
Interim payment	0.65	2,389	0.60	2,205
Balance paid	NA	NA	0.75	2,756
Total paid	NA	NA	1.35	4,961

This distribution will have no tax consequences for the Group.

Minority interests

Given the accounting treatment of puts held by a minority shareholder (see note 2.21) and our acquisition of minority interests during the 2004 financial year, this item was zeroed out at the end of 2004.

14. FINANCIAL LIABILITIES

14.1 Detail on financial debts

	12/31/2007	12/31/2006
Debt to lending institutions	44,977	38,906
Medium-term loans	16,403	610
Debt on capital leases	5,100	6,433
Other financial debts	1,438	1,422
Long-term financial debt	67,918	47,371
Debt to lending institutions	16,209	13,700
Medium-term loans	272	-
Short-term loans	1,306	16,629
Bank overdraft	155	85
Capital leases	1,338	1,788
Other financial debts	1,003	1,028
Financial debt of less than one year	20,283	33,230
Total financial debt	88,201	80,601
Put options granted to minority owners	5,951	7,431
Total financial liabilities	94,152	88,032

14.2 Financial liabilities by currency

	12/31/2007	12/31/2006
Euro	90,131	82,278
Dollar	401	1,391
Mexican Peso	3,620	4,363
Yen	-	-
Total	94,152	88,032

14.3 Financial liabilities by maturity

	12/31/2007	12/31/2006
2007	-	36,403
2008	23,326	16,160
2009	33,909	13,804
2010	13,547	8,896
2011	9,677	5,225
2012	6,416	2,568
2013 and beyond	7,277	4,976
Total	94,152	88,032

14.4 Covenants and Ownership Clauses

As of December 31, 2007 €6.2 million of debt bore covenants covering financial ratios, primarily the following: equity to total net assets, net borrowing to free cash flow, and net borrowing to equity.

These ratios were maintained at the time the financial statements were prepared.

In addition, €27.1 million of debt carried ownership clauses (and €300,000 of this also carried clauses for financial ratios.)

14.5 Interest rates on financial debt

Interest on floating rate debts is indexed to monetary benchmarks, chiefly the Euribor, principalement l'Euribor. When a floating rate is made fixed by rate hedging, the borrowing is shown as fixed-rate.

	12/31/2007	12/31/2006
Total fixed rate	65,683	35,323
Total floating rate	22,518	45,278
Total	88,201	80,601

The fair value of fixed-rate financial debt was €65,778 at 12/31/ 2007.

14.6 Principal fixed rate borrowing

	Matures	12/31/2007	12/31/2006
2.80% Loan	2011	359	460
3.00% Loan	2010	300	400
3.00% Loan	2010	300	400
3.00% Loan	2010	275	375
3.00% Loan	2010	440	600
3.15% Loan	2010	495	675
3.30% Loan	2008	220	671
3.35% Loan	2010	164	234
3.85% Loan	2013	2,619	3,000
4.10% Loan	2014	1,875	-
4.10% Loan	2014	1,875	-
4.25% Loan	2011	750	950
4.25% Loan	2011	375	475
4.25% Loan	2011	375	475
4.45% Loan	2014	2,815	-
4.45% Loan	2012	756	-
4.50% Loan	2012	900	-
4.50% Loan	2012	900	-
4.50% Loan	2012	450	-
4.50% Loan	2012	450	-
4.55% Loan	2012	1,350	-
4.55% Loan	2012	450	-
4.55% Loan	2012	450	-
4.55% Loan	2012	450	-
4.60% Loan	2012	910	-
4.60% Loan	2012	455	-
4.60% Loan	2012	455	-
4.65% Loan	2012	950	-
4.65% Loan	2012	950	-
4.70% Loan	2012	2,000	-
4.85% Loan	2014	1,582	-
5.35% Loan	2007	-	136
5.35% Capital lease	2008	95	369
4.64% Capital lease	2010	274	355
5.22% Capital lease	2010	385	527
5.46% Capital lease	2013	1,397	1,613
5.48% Capital lease	2018	2,223	2,366
6.05% Capital lease	2014	517	600
7.57% Capital lease	2010	941	1,245
8.60% Capital lease	2009	206	340
Total		32,733	16,266
Other fixed-rate borrowing		2,950	4,057
Floating rate loans swapped for fixed-rate		30,000	15,000
Total fixed-rate financial debt		65,683	35,323

14.7 Put options held by a minority owner

The item « Put options granted to minority owners » refers to a debt to a minority shareholder with a maturity of between 1 and 2 years. PSB Industries has agreed to buy this shareholder's shares. They may not be sold all at once or all during the course of the same year.

The accounting treatment is described in Note 2.21

15. PROVISIONS FOR RETIREMENT AND SIMILAR BENEFITS

These provisions involve defined-benefit programs.

Principal actuarial assumptions :

	12/31/2007	12/31/2006
Discount rate	4.3%	3.8%
Variable yield on financial assets	NA	4.0%
Rate of wage increases	3.3%	2.8%
Mortality table	TF 00-02	TF 00-02
Average age of retirement	63 years	63 years

Latent actuarial gains or losses created by changes in actuarial assumptions are accounted for using the corridor rule and included in the line "Unrecognized actuarial gains and losses.

	12/31/2007	12/31/2006
Financial hedging assets		
Value at start of period	27	76
Realized return	-	1
Additional pay-ins	-	-
Pay-outs	(27)	(50)
Value at end of period	-	27
Provision on balance sheet		
Actuarial value of obligations hedged by financial assets	-	494
Fair value of financial assets	-	(27)
Sub-total	-	467
Actuarial value of obligations not hedged by financial assets	4,183	3,400
Unrecognized actuarial gains/losses	(827)	(786)
Total	3,356	3,081
Breakdown of annual expense		
Cost of past services	349	291
Interest expense	165	95
Return on assets	-	(1)
Actuarial gains/losses recognized in the year	27	27
Expense for the period	541	412
Cost of goods sold	423	329
Research and Development	26	22
Selling	20	18
Administrative	72	43
Total	541	412

	31/12/2007	31/12/2006
Change in provisions		
Provision at start of period	3,081	2,865
Change in accounting method	-	-
Change in scope of consolidation	-	-
Disbursement	(266)	(196)
Expense for the period	541	412
Reserve at close of period	3,356	3,081

16. PROVISIONS FOR LIABILITIES AND EXPENSES

The main provisions for liabilities and expense and the changes to them are detailed below :

Gross Value	Restructuring	Employment risk	Sales risk	Other Risk and litigation	Total
As at 01/01/07	-	93	252	244	589
Appropriations	-	-	-	-	-
Applications	-	(32)	(184)	(167)	(383)
Reversal	-	(8)	-	(22)	(30)
Change in scope of consolidation	-	-	-	-	-
Foreign Exchange	-	-	-	-	-
As at 12/31/07	-	53	68	55	176

L'échéance de sortie de trésorerie relative à ces provisions est estimée majoritairement entre 2 et 5 ans.

The cash outflows relative to these provisions are generally expected to occur between two and five years. As the company does not have an unconditional right to defer payments for at least twelve months from the closing, the provisions for liabilities and expense are classified as current liabilities

Impact on the income statement :

	Opérating	Financial	Total 2007	Total 2006
Appropriations	-	-	-	76
Applications	(383)	-	(383)	(117)
Reversal	(30)	-	(30)	(414)

17. STOCK-BASED PAYMENTS

An incentive plan reserved for certain Group executives has been put in place. Stock options granted under this plan can only be exercised in years six through ten following the date of grant and do not involve shares of the parent company.

This plan called for selling issued stock in PSB Industries and for buying issued stock from the recipient of the stock option.

The purchase price is a function of a multiple of EBIT and therefore varies with yearly earnings.

Although the exercise of these stock options results in the creation of shares, the options are considered as paid in cash in conformance with IFRS 2

According to which a liability representing the company's obligation to the executive has to be recognized and revalued at fair value at every closing. Any change in the fair value is carried over to the period's income statement. The fair value of the liability is determined based on multiples of estimated earnings (EBIT) in the period 2004-2007.

At 31/12/2007, the fair value of this liability was €50,000 corresponding to stock options that could be exercised at the end of the period.

During 2007 expense for this plan of €337,000 was recognized. This sum is not included in personnel expense (Note 25) but under administrative expense.

The table below describes the changes in the number of stock options :

	2007	2006
Outstanding at start of period	3,368	5,052
Granted during the period	-	-
Canceled during the period	-	-
Exercised during the period	1,684	1,684
Expired during the period	-	-
Outstanding at end of period	1,684	3,368
Exercisable at end of period (*)	1,684	1,684

(*) These options cannot be exercised all at once.

18. OTHER DEBTS

	12/31/2007	12/31/2006
Advances and deposits received	1,095	1,110
Debt to acquire fixed assets	2,569	5,143
Financial instruments	(256)	(41)
Debt to or for employees	10,851	10,785
Tax debt	1,312	1,508
Deferred income	382	674
Miscellaneous debt	1,187	1,466
Total	17,140	20,645

Other debt is non-interest bearing and matures in under one year.

19. RISK MANAGEMENT

The management of interest rate and currency risks associated with the operations and financing of the Group is accomplished through the use of various derivative financial instruments.

The Group manages the market risk associated with these financial instruments by centralizing its undertakings and by dealing with highly rated banking institutions.

It has always been Group policy to underwrite no instruments for speculative purposes.

Interest rate risk

The Group uses several types of instruments to manage interest rates and optimize its debt service expense, and to manage the split between fixed and floating rate debt.

Interest rate swaps enable the Group to borrow at a floating rate, or conversely a fixed rate, and exchange the loan rate with a fixed, or conversely floating, rate.

Buying interest rate options, caps and collars are also part of the strategy in hedging floating rates. Options make it possible, upon paying a premium, to receive or pay a differential between two rates.

Sensitivity of financial net income to interest rates

This table shows the impact on financial net income of an average increase of 50 basis points (0.5%) in the 3-month Euribor, all else being equal, using the 2007 3-month Euribor as a reference (4.27%).

	-1%	-0.5%	+0.5%	+1%
Income on cash and equivalents	(61)	(30)	30	61
Gross cost of financial indebtedness	293	181	(44)	(157)
Net cost of financial indebtedness	232	151	(14)	(96)

Currency risk

The general policy of the Group is to hedge foreign exchange transactions. Such exposure arises primarily from transactions with the Specialty Chemicals companies that have foreign subsidiaries located in the USA and Japan. The usual rule is to invoice foreign affiliates in their currency.

The Group asks every business unit to use forward currency contracts and other derivatives to hedge transactions in foreign currencies.

It is Group policy not to enter into hedging contracts unless there is a strong likelihood the transaction will go through.

Given the particularities of each business and existing long-term contracts, the time horizon being managed is two years.

Nevertheless the Group does authorize hedging an additional six month period in order to take advantage of market opportunities and to avoid overly large year-to-year variances.

The Group negotiates the expiration of its hedging instruments so that they match the maturities of the items covered, to optimize the effectiveness of the hedge.

As of December 31, 2007, not all of the derivative instruments used by the Group to cover currency risk qualified as hedge instruments within the meaning of IAS 39.

Some derivative instruments, although in compliance with PSB Industries' currency and interest rate risk management policy, do not meet the conditions for being treated in the accounts as hedges and are therefore classified under "Trading."

Sensibilité au taux de change

This table shows the impact on operating net income, all other things being equal, of changes in the USD and JPY, taking as a baseline the average rate of exchange for 2007 (1.3706 for the USD and 161.24 for the JPY).

In determining the impact, only hedging instruments existing on 12/31/2007 are taken into consideration.

	+15%	+10%	+5%	-5%	-10%	-15%
Change in average interest rate						
USD	1.5762	1.5077	1.4391	1.3021	1.2335	1.1650
JPY	185.43	177.36	169.30	153.18	145.12	137.05
Impact on operating income						
USD	(387)	(301)	(151)	128	169	215
JPY	63	63	63	287	230	153
Total	(324)	(238)	(88)	415	398	368

Credit risk

Credit risk means the risk that a counterparty fails to meet his commitments. The Group

is exposed to risks to financial assets such as derivatives, trade receivables and invested funds. The risk to financial instruments, invested funds and liquidity is managed by choosing financial institutions who enjoy a high financial rating and by spreading assets among several financial institutions.

Given that the Group's customers are highly solvent and spread all over the world, and that procedures are in place to manage sales risks, management believes that it is not exposed to an excessive concentration of customer credit risk.

Liquidity risk

An objective of PSB Industries is to have 60% of borrowings maturing in over one year and to keep a balance between financing flexibility, by the use of bank overdrafts and short-term loans, and financing continuity.

Considering the maturities of financial assets and borrowings and lines of credit, PSB Industries does not believe that it presents a liquidity risk.

As at 12/31/06	Loans and borrowing bearing interest	Trade payables	Other liability items	Total
Matured	365	330	95	790
3 months	16,899	25,816	16,331	59,046
3 to 12 months	16,566	7,170	2,476	26,212
1 to 5 years	39,227	-	-	39,227
> 5 years	7,544	-	-	7,544
Total	80,601	33,316	18,902	132,819

As at 12/31/07	Loans and borrowing bearing interest	Trade payables	Other liability items	Total
Matured	442	280	80	802
3 months	5,709	26,343	14,635	46,687
3 to 12 months	14,132	1,789	1,204	17,125
1 to 5 years	64,113	-	-	64,113
> 5 years	3,805	-	-	3,805
Total	88,201	28,412	15,919	132,532

Risk to equity

PSB Industries manages its equity by using two ratios :

One equals net indebtedness divided by total shareholders' equity. PSB Industries' policy is to achieve gearing without this ratio going over 100%.

The other ratio equals net indebtedness divided by Free Cash Flow (FCF). Net indebtedness should not exceed three years' FCF.

	2007	2006
Loans and borrowing bearing interest	88,201	80,601
Cash and Equivalents	(6,066)	(9,960)
Net Indebtedness (1)	82,135	70,641
Shareholders' equity (2)	71,492	66,789
Gearing ratio (1)/(2)	114.9%	105.8%
Net income	11,573	11,155
Depreciation and amortization	16,073	14,901
FCF (3)	27,646	26,056
(1)/(3)	3.0	2.7

20. FINANCIAL INSTRUMENTS

Derivative financial instrument assets as of December 31, 2007

Foreign exchange instruments	Notional amount (currency 000s)	Market value (€000s)	Maturing	
			2008	2009
Fair value hedges				
- JPY	None	-	-	-
- USD	None	-	-	-
Cash flow hedges				
Puts bought				
- JPY	360,000	76	300,000	60,000
- USD	560	17	560	-
Trading				
Calls bought				
- USD	540	-	540	-
Puts bought				
- JPY	260,000	19	260,000	-
- USD	6,060	134	6,060	-
Interests rate instruments	Notional amount (currency 000s)	Market value (€000s)	Maturing	
Cash flow hedges				
- Fixed rate 3-month Euribor swap	30,000	354	-	15,000 15,000
Trading				
- Caps bought	5,000	17	5,000	-

Derivative financial instrument liabilities as of December 31, 2007

Foreign exchange instruments	Notional amount (currency 000s)	Market value (€000s)	Maturing	
			2008	2009
Trading				
Calls bought				
- JPY	810,000		(54)	
750,000	60,000			
- USD	9,340		(53)	
9,340	-			
Interest rate instrument	Notional amount (currency 000s)	Market value (€000s)	Maturing	
Trading				
Floors bought	5,000	-	5,000	-

Accounting for financial instruments

This table summarizes the effects of accounting for financial instruments on net income and shareholders' equity.

Foreign exchange instruments	Market value 12/31/2006	Positive (negative) effect on net income	Effect on Shareholders equity	Market value 31/12/2007
Effective cash flow hedge (sh. equity)	-	-	52	52
Effective fair value hedge (net operating income/loss)	385	(385)	-	-
Ineffective cash flow hedge (financial net income/loss)	-	42	-	42
Ineffective fair value hedge (financial net income/loss)	84	(84)	-	-
Trading (financial net income/loss)	6	39	-	45
Instruments de taux	Market value 12/31/2006	Positive (negative) effect on net income	Effect on Shareholders equity	Market value 12/31/2007
Effective cash flow hedge (sh. equity)	140	-	214	354
Négoce (résultat financier)	29	(12)	-	17
Total	644	(400)	266	510

21. OFF-BALANCE SHEET OBLIGATIONS

	12/31/2006	Up to 1 year	Up to 5 years	Over 5 years	12/31/2007
Commitments received	-	-	-	-	-
Commitments given :					
- Security deposits	5,115	4,439	1,372	-	5,811
- Pledged assets	3,470	912	1,302	-	2,214
- Guarantees on open lease payments	5,909	1,776	4,004	1,858	7,638
- Investments on order	3,079	500	-	-	500

A commitment to purchase gas in the amount has been signed for the period from 2007 to 2009. As at December 31, 2007, the amount was €9.1 million.

These data represent all significant information concerning off-balance-sheet obligations.

22. EARNINGS PER SHARE

Earnings per share is obtained by dividing the net income attributable to the Group by the number of shares outstanding (3,675,000 shares), excluding treasury shares (36,159 shares on average in 2007 and 42,837 in 2006). As of December 31, 2007, there were no dilutive instruments.

	2007	2006
Net income attributable to Group (in €mm)	10,606	10,315
Number of shares outstanding (excl. treasury shares)	3,638,841	3,632,163
Basic earnings per share (€)	2.91	2.84
Fully diluted EPS (€)	2.91	2.84

23. COST OF SALES

The components of this item are shown below :

	2007	2006
Materials and subcontracting	74,950	71,673
(incl. changes in inventory)	(4,796)	(4,438)
Labor (incl. temporary)	45,322	43,413
Depreciation	14,213	13,474
Translation gains and losses on purchases and sales	84	(151)
Other costs of production	29,026	26,756
Total	163,595	155,165

24. RESEARCH AND DEVELOPMENT EXPENSE

Research and development expense was €2,867,000 in 2007.

No development costs have been capitalized to date, as the criteria for capitalizing defined by and referred to in IAS 38 can only be assessed once a project is completed— these projects have a very long qualifying procedure, as they go on sometimes for several years during which their prospective marketability and profitability are highly uncertain.

25. PAYROLL AND WORKFORCE

Personnel expense includes employee profit-sharing and incentive schemes and entitlements to payments upon retirement, for a total of €3,306,000.

A charge for €257,000 was recorded for defined contribution plans in 2007.

Personnel expense (besides temp workers) break down as follows:

	2007	2006
Cost of goods sold	38,796	36,775
Research and development	2,336	2,271
Sales	3,582	3,341
Administrative	7,107	6,186
Total	51,820	48,573

The total workforce of the Group amounted to 1,324 people in 2007. This figure does not include Baikowski Japan Corp. (17 people) and Alko (no workforce), which are equity-method consolidations

26. DEPRECIATION, AMORTIZATION AND PROVISIONS

The net expense for depreciation, amortization and write-downs included in the income statement involves the following assets :

	2007	2006
Amortization and Depreciation		
Industrial and commercial property rights	(85)	(129)
Other intangible fixed assets	(89)	(7)
Land	(18)	(17)
Buildings	(1,502)	(1,388)
Technical plant, machinery and equipment	(12,734)	(11,866)
Other tangible fixed assets	(1,209)	(1,248)
Total	(15,637)	(14,655)

Write-downs

Loss in goodwill value	-	(249)
Loss in value on fixed assets	(434)	-
Long term financial assets	(2)	3
Inventory	(111)	(237)
Trade receivables	(5)	(103)
Total	(552)	(586)

Depreciation and amortization (besides goodwill) break down as follows :

	2007	2006
Cost of goods sold	(14,213)	(13,474)
Research and development	(224)	(186)
Sales	(74)	(119)
Administrative	(1,126)	(876)
Total	(15,637)	(14,655)

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

	2007	2006
Disposal of assets	218	622
Tax credit - research	491	-
Court awards	125	702
Reversed provision	58	413
Other	60	72
Total	952	1,809

Detail on other expense

	2007	2006
Debt write-off	-	(350)
Amortization of goodwill	-	(249)
Loss in value on fixed assets	(434)	-
Other	(25)	(142)
Total	(459)	(741)

28. FINANCIAL INCOME AND EXPENSE

	20	2006
Cash and cash equivalents	183	248
Cost of gross financial debt	(4,050)	(3,054)
Net Cost of financial debt	(3,867)	(2,806)
Change in value of financial instruments	(15)	115
Currency gains and losses	(138)	(51)
Debt write-off	-	(181)
Other	(125)	(198)
Other financial income and expense	(278)	(315)

29.TAX

In 1990 PSB industries opted for the tax pooling method for certain of its French subsidiaries under at least 95% control. The pool includes the parent company, CGL Pack Anancy, CGL Pack Chalon (dissolved in June 2007 – deposit transfer) CGL Pack Lorient, CGL Pack Service and Relais Industries.

At 1st January 2008, Baikowski joined the tax pooling group.

Texen likewise opted for the tax pooling method for certain of its French subsidiaries.

The tax expense can be analyzed as follows :

	2007	2006
Tax payable		
Current tax payable	5,322	4,782
Adjustment for prior period tax payable	-	-
Deferred tax		
Time differences	288	716
Change in tax rate	-	24
Total tax on net income	5,034	5,522

Reconciliation of tax expense	2007	2006
Net income attributable to Group	10,606	10,315
Tax on net income	5,034	5,522
Minority interests	967	841
Net income/loss from equity-method companies	(289)	(355)
Pre-tax net income (A)	16,317	16,323
Theoretical tax expense (33.33% in 2006 and 33.33% in 2007)	5,438	5,441
Change in tax rate	-	24
Payroll taxes	90	71
Tax at reduced rate	(8)	-
Permanent differences	(60)	161
Tax losses before applying deferrals	-	-
Loss carryforwards	(44)	(7)
Deferred tax from loss carryforwards	(351)	-
Rate differential for foreign subsidiaries	(19)	63
Tax credits and other tax	56	(263)
Other	(68)	32
Actual tax expense	5,034	5,522
Actual tax rate (actual tax expense ÷ A)	30.85	33.83

Permanent differences relate mainly to the following items :	2007	2006
Goodwill	-	(83)
Exempt income/loss	(131)	90
Other non-taxable income and expense	71	154
Total	(60)	161

Change in Deferred Tax	2007	2006
Net deferred tax liabilities as of January 1	2,328	1,652
Expense (revenue) for the period	(262)	740
Deferred tax capitalized in shareholders' equity	90	(3)
Changes in amort/depr life on parent company statements	-	-
Other effects (currency, scope of consolidation, etc.)	(63)	(61)
Net deferred tax liabilities as of December 31	2,093	2,328

Source of deferred tax assets and liabilities	2007			2006		
	Assets	Liabilities	Income	Assets	Liabilities	Income
Property, plant and equipment	654	3,985	8	576	3 975	(509)
Land revaluation at fair value	-	597	-	-	597	-
Inventory	196	23	17	181	10	5
Financial instruments	12	154	37	-	89	(40)
Other assets	-	-	-	-	-	(1)
Tax loss carryforwards	-	-	-	-	-	-
Provisions for retirements	1,084	-	91	993	-	67
Other provisions	59	-	(45)	57	4	(131)
Employee profit-sharing	511	-	96	416	-	(134)
Other	271	121	84	232	108	-
Reclassified assets/liabilities	(1,821)	(1,821)	-	(1,805)	(1,805)	-
Total	966	3,059	288	650	2,978	(740)

In accordance with paragraph 39 of IAS 12, the group does not carry deferred tax on the potentially distributable reserves of its Japanese joint venture inasmuch as :

- the undistributed income of this joint venture will not be distributed in the foreseeable future
- the Japanese joint venture cannot distribute its income without the Group's consent.

The reserves amounted to €3,310,000 as of 12/31/07.

Deficits	2007	2006
As of January 1st	241	491
Unapplied deficit for the year	-	-
Deficits applied to current tax payable	(229)	(192)
Deficits applied to deferred tax	-	-
Other movement (scope, exchange rate)	(12)	(58)
As of December 31	-	241

The unrecognized deferred tax assets relate to Ceica Plasticos, which reported in profits in 2006 for the first time.

Taking account of FY2007 profits, the company's deferred taxes were recognized.

Unrecognized deferred tax assets apply to the following items :

	2007	2006
Tax loss carryforwards	-	67
Other tax credits (long-term capital loss)	-	-
Property, plant and equipment	-	302
Other	-	123
Total	-	492

30. 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.

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.

	Texen	CGL Pack	Baikowski	Other businesses(*)	Total
In 2006					
Products					
Sales	117,035	43,527	38,701	(111)	199,152
Results					
Operating net income	10,691	4,261	4,486	6	19,444
Result before tax	8,287	4,046	3,698	290	16,321
Attributable net income from equity-method companies	-	-	355	-	355
Assets					
Net property, plant & equipment	43,887	12,480	31,237	2,398	90,002
Net capital expenditures	8,251	3,556	11,903	134	23,844
Simplified working capital requirements**	30,939	7,370	13,265	(226)	51,347
Total assets	110,002	33,140	55,097	17,203	215,442
Current and non-current liabilities	88,823	19,286	35,108	5,435	148,653
Workforce	895	245	146	9	1,295
In 2007					
Products					
Sales	125,400	48,841	37,666	(433)	211,474
Results					
Operating net income	13,338	3,471	3,571	83	20,463
Result before tax	10,590	3,114	2,267	346	16,317
Attributable net income from equity-method companies	-	-	289	-	289
Assets					
Net property, plant & equipment	44,150	14,140	36,440	2,414	97,144
Net capital expenditures	10,059	3,882	9,901	186	24,028
Simplified working capital requirements**	33,321	8,986	14,141	(415)	56,033
Total assets	110,378	34,450	59,831	15,064	219,723
Current and non-current liabilities	84,363	20,196	39,754	3,918	148,231
Workforce	894	271	152	7	1,324

(*) Parent company and eliminations

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

In the Beauty packaging sector and the Custom packaging sector, PSB Industries generated sales of €51.1 million in FY2007 with the different subsidiaries of an international group, compared with €42.2 million in FY2006.

Information by geographic segment

Sales are broken down by the geographic location of our customers.

Non-current assets consist of net tangible and intangible fixed assets, including goodwill. They are allocated by the companies' geographic location.

	Sales	non curents assets
En 2006		
France	105,184	102,043
Euro Zone (except France)	50,997	-
Amérique	34,079	9,342
Asie	7,549	-
Other	1,343	-
Total	199,152	111,385
En 2007		
France	118,631	111,175
Euro Zone (except France)	48,547	-
Amérique	33,362	7,767
Asie	9,638	-
Other	1,296	-
Total	211,474	118,942

31. 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.

	2007	2006
Sales	5,451	4,775
Purchases	2,212	1,531
Debt write-off	-	181
Trade receivables	2,316	2,306
Current account payable	185	-
Trade payables	386	355
Advances payable	-	34

32. COMPENSATION OF THE BOARD OF DIRECTORS

	2007	2006
Directors' fees	70	60

33. COMPENSATION OF EXECUTIVES

	2007	2006
Short-term benefits	1,158	1,318
Long-term benefits	-	-
Stock-based payments	179	167
Total compensation	1,337	1,485

An expense of €35,000 was recorded for executives' defined contribution plans in 2007.

34. CAPITAL LEASES

The group uses capital leases for buildings and equipment.

Minimum future payments

Minimum payments	2007	2006
Less than 1 year	1,640	1,990
Between 1 and 5 years	4,216	4,856
Over 5 years	1,798	2,515
Total minimum payments	7,654	9,361

Shown below is the aging of our principal leases :

Minimum future payments on operating leases

Minimum payments	2007	2006
Less than 1 year	429	411
Between 1 and 5 years	605	856
Over 5 years	-	-
Total minimum payments	1,034	1,267

auditor's opinion on the consolidated financial statements

(Period ending December 31, 2007)

To the shareholders,

In fulfillment of the assignment given to us by your shareholders in meeting, we undertook an audit of the consolidated financial statements of PSB Industries for the financial year ended December 31, 2007 and attached to this report.

The consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

1. Opinion on the consolidated financial statements

We conducted our audit in accordance with French professional auditing standards. Those standards require that we carry out our audit so as to obtain reasonable assurance that the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

We certify that in terms of the IFRS standards adopted by the European Union, the financial statements for the period give a true and fair view of the assets and financial position as well as of the income and expense for all of the entities that comprise the consolidation.

Without prejudice to the opinion just expressed, we would direct your attention to Note 2.2 appended to the consolidated financial statements which shows the changes in accounting method that occurred during the period.

2. Basis of opinion

Pursuant to Article L.823--9 of the French Commercial Code requiring the auditors to explain the basis of their opinion, we would point out the following:

- Note 2.2 to the Consolidated Financial Statements states the changes in accounting methods that occurred over the period in connection with the PSB Industries Group's adoption of the new IFRS standards and amendments, together with the new IFRIC interpretations. As part of our assessment of the accounting principles followed by the company, we examined the information on that subject provided in the notes to the consolidated financial statements.

- Note 2.21 concerning financial instruments describes the accounting treatment of put options held by a minority shareholder and does so in the absence of any specific clauses on this topic in the IFRS standards as adopted by the European Union. We are satisfied that the accounting treatment chosen does not violate the general principles of IFRS, and that the disclosures in Note 2.21 in this regard are appropriate.

These assessments were made in the context of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

3. Specific procedures

In accordance with professional standards applicable in France, we have also verified the information given in the management report of the Board of Directors. We find no matters to raise as to the fairness of this information or its consistency with the consolidated financial statements.

Neuilly-sur-Seine and Villeurbanne, February 29, 2008

Statutory auditors

ERNST and YOUNG ET AUTRES

Nicolas JOB

MAZARS

Max DUMOULIN

parent company

parent company financial statements and notes.
subsidiaries and affiliates.
five-year financial summary.
general auditors' opinion.
special auditors' opinion on regulated
agreements and commitments.
draft resolutions for the shareholders' meeting.
special report on the purchase of stock .

parent company balance sheet

ASSETS

(in 000s)	12/31/2007	12/31/2006
Intangible fixed assets		
Start up costs	-	-
Property, plant and equipment		
Land	704	687
Buildings	306	330
Technical plant and industrial machinery and equipment	60	72
Other tangible fixed assets	-	-
Long term financial assets		
Investments	22,445	19,379
Receivables related to investments:	1,524	1,524
Treasury shares	1,786	1,461
Other long-term financial assets	835	915
Total fixed assets	27,660	24,368
Advances and deposits received	7	4
Trade receivables and related accounts	-	-
Other receivables	2,902	3,071
Miscellaneous		
Treasury shares	-	-
Marketable securities	2,444	5,625
Cash and near-cash	90	53
Equalization accounts		
Prepaid expenses	-	-
Total current assets	5,443	8,753
Total assets	33,103	33,121
LIABILITIES AND EQUITY		
Capital stock	7,350	7,350
Issue premiums	10,122	10,122
Revaluation differences	29	29
Legal reserve	735	735
Réserves réglementées	-	-
Other reserves	9,425	10,455
Retained earnings	45	48
Period earnings	5,217	3,883
Regulated provisions	-	-
Total shareholders' equity	32,923	32,622
Provisions for liability and expense	-	-
Debt from lending institutions	-	-
Miscellaneous financial borrowing	77	149
Trade payables and related accounts	80	72
Tax and payroll taxes	23	278
Other debts	-	-
Total indebtedness	180	499
Total liabilities and equity	33,103	33,121

parent company income statement

(in 000s)	12/31/2007	12/31/2006
Sales of services	432	397
Net sales	432	397
Other revenue	7	7
Total operating revenue	439	404
Other purchases and external expense	(251)	(240)
Income and other tax	(66)	(57)
Wages, salaries and payroll taxes	(87)	(40)
Amortization, depreciation and provisions expense	(44)	(42)
Other expenses	(131)	(121)
Total operating expense	(579)	(500)
Net operating loss	(140)	(96)
Financial income from investments	4,931	3,736
Other interest and related income	-	6
Income from other long-term securities and receivables	192	146
Net proceeds from sale of marketable securities	397	507
Reversal of provisions and transferred expenses	-	-
Total financial income	5,520	4,395
Interest and related expense	(62)	(187)
Net expense from sale of marketable securities	-	-
Other financial expense	(77)	(55)
Allocation to provisions for financial assets	(24)	-
Total financial expense	(163)	(242)
Financial net income	5,357	4,153
Current pre-tax net income	5,217	4,057
Non-recurring income from management activities	35	1
Non-recurring income from capital transactions	-	-
Reversal of provisions and transferred expenses	-	-
Total non-recurring income	35	1
Non-recurring expense from management activities	-	-
Non-recurring expense from capital transactions	(83)	(2)
Non-recurring amortization, depreciation and provisions expense	-	-
Total non-recurring expense	(83)	(2)
Non-recurring net loss	(48)	(1)
Income tax	48	(173)
Total income	6,042	4,799
Total expenses	(825)	(916)
Net income (total income less total expense)	5,217	3,883

notes to parent company financial statements

All amounts in these notes are expressed in thousands of euros

1. ACCOUNTING PRINCIPLES

This balance sheet and income statement were drawn up in observance of Articles 8 to 17 of the French Commercial Code as well as of CRC Regulation 99-03 of April 29 1999 relative to the rewriting of the General Chart of Accounts, including the following principles in particular :

- the going concern
- continuity of accounting methods from one period to the next
- self-contained accounting periods
- conservatism

In accordance with the general rules for drawing up and presenting annual financial statements.

Only materially meaningful information is commented on below.

2. VALUATION METHOD FOR CERTAIN ACCOUNTS

The basic method used for valuing accounting items is the historical cost method.

2.1 Fixed assets of all kinds

Intangible fixed assets are amortized over a two-year life. Property, plant and equipment are valued at their acquisition cost (purchase price plus associated expense). Interest on loans specifically for the production of fixed assets is not included.

Depreciation expense is calculated on expected life :

- improvements to land: 10 years straight-line
- buildings: 30 years straight-line
- improvements: 10 years straight-line
- office furnishings: 10 years straight-line
- office equipment: 5 years straight-line

2.2 Immobilisations financières

Long-term financial assets are carried at their historical acquisition cost. Provisions for loss are set up whenever the acquisition value of an investment is greater than its utility value.

In determining the latter we consider its share of shareholders' equity (re-stated if necessary to take off-balance sheet items into account) and the projected profitability of the subsidiary. Provisions against marketable securities are made whenever their market value becomes lower than their acquisition cost. Provisions against loans and other receivables are made whenever the financial situation of the debtor makes repayment appear very unlikely.

2.3 Receivables and debts

Receivables and debts are valued at their nominal value. Certain receivables are, if

necessary, written down through provisions in order to take into account difficulties in collection to which they are likely to give rise in light of information known at the date of closing.

2.4 Provisions for liability and expense

A loss provision is created whenever the company has a legal, regulatory or contractual obligation resulting from a past event for which the amount or the timing is not precisely set.

2.5 Tax pooling

A pooling of companies for tax purposes was established as of January 1, 1990.

The companies involved are PSB Industries, CGL Pack Service, CGL Pack Annecy, CGL Pack Chalon, CGL Pack Lorient, and Relais Industries.

3. PROPERTY, PLANT AND EQUIPMENT

Gross value	As at 01/01/07	Increase	Decrease	As at 12/31/07
Land	772	105	(118)	759
Buildings	1,521	-	(415)	1,106
Technical plant, machinery and equipment	210	-	-	210
Total	2,503	105	(533)	2,075

Depreciation, amortization and Provisions

	As at 01/01/07	Increase	Decrease	As at 12/31/07
Land	(85)	(7)	37	(55)
Buildings	(1,191)	(24)	415	(800)
Technical plant, machinery and equipment	(138)	(12)	-	(150)
Total	(1,414)	(43)	452	(1,005)

4. LONG TERM FINANCIAL ASSETS

Gross value

	As at 01/01/07	Increase	Decrease	As at 12/31/07
Investments	19,379	3,066	-	22,445
Receivables related to investments	1,524	-	-	1,524
Treasury shares	1,461	1,952	(1,604)	1,809
Other long-term securities	17	-	-	17
Other long-term receivables	898	1,871	(1,951)	818
Total	23,279	6,889	(3,555)	26,613

Treasury shares

	<u>As at 01/01/07</u>	<u>Increase</u>	<u>Decrease</u>	<u>As at 12/31/07</u>
In number of shares	39,948	46,732	(43,602)	43,078
In value (FIFO)	1,461	1,952	(1,604)	1,809*

(*) A provision of €24K was entered into accounts at December 31, 2007 (note 5).

As of December 31, 2007, PSB Industries shares were valued on the exchange at €42.00 per share.

5. PROVISIONS ON THE BALANCE SHEET

	<u>As at 01/01/07</u>	<u>Increase</u>	<u>Decrease</u>	<u>As at 12/31/07</u>
Provisions for liability	-	-	-	-
Regulated provisions	-	-	-	-
Provisions for impairment	-	(24)*	-	(24)
Total	-	(24)	-	(24)

(*)The provision was recognised as a financial expense..

6. AGING OF RECEIVABLES

	<u>Gross amount</u>
Other receivables	2,902
Total	2,902

All receivables are under one year.

7. MARKETABLE SECURITIES

	<u>Amount</u>
Money market mutual funds	2,444
Total	2,444

All money market mutual funds held (FCP and SICAV) are classified by the French stock exchange authority (AMF) as "euro funds."

8. INDEBTEDNESS

	<u>Amount</u>
Borrowings from lending institutions	-
Miscellaneous financial borrowing	77
Trade payables and related accounts	80
Tax and payroll taxes	23
Other debts	-
Total	180

All debts are under one year.

9. EXPENSES DUE

Relevant balance sheet items	Amount
Trade payables	80
Tax and payroll taxes	23
Other debts	-
Total	103

10. INCOME DUE

Relevant balance sheet items	Amount
Other receivables	-

11. CAPITAL STOCK

Capital stock was €7.35 million, divided into 3,675,000 common shares of €2 par value each.

	Paid in capital	Issue premiums	Reserves	Earnings	As at 12/31/07
As at 01/01/07	7,350	10,122	11,267	3,883	32,622
Allocation of earnings	-	-	3,883	(3,883)	-
Dividends paid	-	-	(4,916)	-	(4,916)
2007 earnings	-	-	-	5,217	5,217
As at 12/31/07	7,350	10,122	10,234	5,217	32,923

12. PREPAID EXPENSES AND DEFERRED INCOME

Relevant balance sheet items	Amount
Prepaid expenses	-
Deferred income	-

13. BREAKDOWN OF NET SALES

Net sales are broken down by country as follows :

Postes du bilan concernés	Amount
France	432
Export	-
Total	432

14. ADVANCES TO EXECUTIVES

No financial advances were made to executives.

15. FINANCIAL COMMITMENTS**Commitments with respect to pensions**

The company is obligated to some of its former employees before the busi-

nesses were made subsidiaries, for a guarantee of funds in addition to normal retirement plans. The cost for this is recorded as the payments are made. In 2007, an expense was recorded for €6,000 representing payments made during the period.

The total commitment has been calculated based on, on the one hand, the retirement packages to which the company committed itself for each beneficiary, and, on the other, their expected lifetimes calculated from a statistical table provided by notaries.

Commitments to buy back shares

PSB Industries has agreed to purchase the shares of certain minority owners in consolidated subsidiaries. They may not be sold all at once or all during the course of a year. Using the selected calculation formulas, the non-discounted value of all the shares concerned can be estimated as of December 31, 2007, at €6,154,000.

Commitments with respect to tax pooling

Tax savings arising from losses in pooled companies are treated as an immediate gain to the parent company. In the period when the subsidiaries become profitable, the parent company will bear a tax expense. This commitment is valued as at December 31, 2007, at €1,092,000.

Commitments with respect to deposits received

None

Commitments with respect to deposits given

None

16. AVERAGE NUMBER OF EMPLOYEES

As of December 31, 2007, the average number of employees was 1 people.

17. EXECUTIVE COMPENSATION

	<u>Amount</u>
Board committees (director's fees)	70
Management committees *	-

(*) Compensation figures for serving on management committees are not given, as this would tend to provide individual compensation information.

18. FINANCIAL INCOME AND EXPENSE FOR RELATED COMPANIES

	<u>Amount</u>
Financial expense	62
Financial income	5,122

19. BREAKDOWN OF CORPORATE INCOME TAX

	Income	Non-recurring income	Total
Pre-tax net income	5,217	(48)	5,169
Tax before pooling	93	(16)	77
Net income before pooling	5,124	(32)	5,092
Net expense from tax pooling	125	-	125
After tax net income	5,249	(32)	5,217

20. BALANCE SHEET ITEMS INVOLVING RELATED COMPANIES

Relevant balance sheet items	Amount
Investments	22,445
Receivables related to investments	1,524
Other receivables (rent, checking account and tax pooling)	2,568
Miscellaneous borrowings and financial debts (checking account)	77
Tax and payroll taxes (tax pooling)	-

21. INCIDENCES DES ÉVALUATIONS FISCALES DÉROGATOIRES

	Amount
Net income for the period	5,217
Income tax	48
Pre-tax net income	5,169
Change in regulated provisions	-
Net income before overriding tax valuations	5,169

subsidiaries and affiliates as of 12/31/07

French subsidiaries (>50% owned by the Company)

(in €000s)	Baikowski	CGL Pack Service	Texen Holding	PSB Services	
Capital stock		4,169	2,000	4,000	10
Shareholders' equity other than capital stock		8,098	3,300	14,413	-
% of equity owned		100	100	90	100
2007 revenues		29,845	4,048	-	2,420
2007 earnings		1,568	1,598	5,524	(57)

Affiliates (10 - 50 % owned)

None

The earnings presented in this table are non-consolidated earnings, without regard to restatements made at the group level to reconcile different accounting methods.

Shareholders' equity includes regulated provisions and investment subsidiaries.

French subsidiaries (>50% owned by the Company)

(in €000s)	Baikowski	CGL Pack Service	Texen Holding	PSB Services
Valuation of shares held				
- gross	10,252	3,804	8,380	10
- net	10,252	3,804	8,380	10
Dividends received in 2007	1,304	1,500	2,126	-
Loans and advances	2,324	-	1,524	57
Deposits and guarantees given	-	-	-	-

Affiliates (10 - 50 % owned)

None

parent company 5-year financial summary

As of December 31 (in euros)	2007	2006	2005	2004	2003
Capital at end of period					
Capital stock	7,350,000	7,350,000	7,350,000	7,350,000	7,350,000
Number of common shares outstanding	3,675,000	3,675,000	3,675,000	3,675,000	735,000
Maximum number of shares to be created through the exercise of subscription rights	-	-	-	-	-
Results of operations for the period					
Sales exclusive of tax	431,848	396,598	391,015	358,600	324,809
Income before tax, depreciation (amortization and provisions)	5,236,643	4,097,810	4,620,266	3,037,479	3,216,976
Income tax	47,646	(172,843)	(461,697)	(538,271)	(118,304)
Income after tax, depreciation (amortization and provisions)	5,216,537	3,883,150	4,114,194	3,681,002	3,195,570
Distributed income	5,145,000	4,961,250	4,410,000	4,042,500	3,381,000
Per share data*					
After-tax income before depreciation (amortization and provisions)	1.44	1.07	1.13	0.97	0.91
Income after tax, depreciation, (amortization and provisions)	1.42	1.06	1.12	1.00	0.87
Dividends per share	1.40	1.35	1.20	1.10	0.92
Employees					
Average number of employees during the period	1	0.4	-	-	-
Total payroll for the period	-**	-**	-	-	-
Total employee benefits (payroll taxes, etc.) paid over the period	-**	-**	-	-	-
Share information					
High *	46.32	38.60	36.80	29.98	20.00
Low*	36.60	34.70	28.80	18.43	15.00
Number of shares traded	239,010	399,094	307,246	418,887	121,880

(*) Figures are adjusted to account for the 5-to-1 split on 12/15/2004.

(**) Amounts are not provided as this would tend to provide individual compensation information

general auditor's opinion

Period ending December 31, 2007)

To the shareholders,

In fulfillment of the assignment given to us by your shareholders in meeting, we hereby present our report for the financial year ended December 31, 2007 relative to:

- our audit of the annual financial statements of PSB Industries, which are attached to this opinion,
- the basis of our opinion, and
- the specific procedures and information required by law.

The annual statements were approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

1. Opinion on the annual financial statements

We conducted our audit in accordance with French professional auditing standards. Those standards require that we carry out our audit so as to obtain reasonable assurance that the annual financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes assessing the accounting principles used and the significant estimates made in preparing the financial statements, as well as evaluating their overall presentation. We believe that our audit provides a reasonable basis for the opinion given below.

We certify that in terms of the rules and principles of French accounting, the annual statements give a true and fair view of the results of operations during the period as well as of the financial position and assets of the company at the end of the period.

2. Basis of opinion

Pursuant to Article L.823--9 of the French Commercial Code requiring the auditors to explain the basis of their opinion, we would point out the following:

As indicated in the Note "Long-term financial assets," investments are valued at their historical acquisition cost. If the investments' use value at the close is lower than their acquisition value, they are written down to their utility value, through provisions. As part of our assessment of the estimates made in preparing the statements, we have examined those items that enable us to determine the use values of the principal investment securities.

The assessments thus made were part of our audit procedures for the annual statements taken as a whole and so contributed to our opinion expressed in the first part of this report.

3. Specific procedures and information

We have also performed the specific procedures required by law in accordance with French professional auditing standards.

We find no matters to raise regarding:

- the fairness of the information given in the management report of the Board of Directors and the documents sent to shareholders on the financial position and the financial

statements, or its consistency with those financial statements;

– the fairness of the information given in the management report in respect of (i) the compensation and benefits granted to the relevant corporate officers and (ii) the commitments made to them in connection with their appointment, termination or change in function, or subsequently

In accordance with law, we satisfied ourselves that the various disclosures about the identity of those who hold equity and voting rights were in fact communicated to you in management's report.

Villeurbanne and Neuilly-sur-Seine, February 29, 2008

Statutory auditors

MAZARS

Max Dumoulin

ERNST and YOUNG et Autres

Nicolas Job

auditors' specific opinion concerning regulated agreements and commitments

(Period ending December 31, 2007)

To the shareholders,

In our capacity as statutory auditors of your Company, we present to you herewith our report on regulated agreements and commitments.

Pursuant to article L.225-40 of the French Commercial Code we were notified of agreements and commitments previously authorized by your Board of Directors.

We are not required to ascertain whether any other agreements and commitments exist but to report to shareholders, on the basis of the information provided to us, the main terms and conditions of agreements that have been disclosed to us, without commenting on their relevance or substance. It is the responsibility of shareholders, according to the terms of Article R. 225-31 of the Commercial Code, to weigh the import of these agreements and commitments in deciding whether to approve them.

We have carried out our work in accordance with professional standards applicable in France. These standards require that we perform procedures to verify that information given to us agrees with the documents that underlie it.

Agreement with Baikowski SAS, a wholly owned subsidiary of the Company

Directors involved: Jean-Baptiste Bosson and Alain Wirth

Type and purpose: Authorization to dispose of real estate

Terms : the Board of Directors, meeting on December 19, 2007 authorized the sale of the part of the Baikowski manufacturing plant owned by your Company for a total price of at least €1.4 million.

In addition, pursuant to the French Commercial Code, we have been informed that the following agreements and commitments approved during previous periods continued into the last period.

Agreement with PSB Services SNC and Baikowski SAS.

Type and purpose: Lease of premises

The Company owns land and buildings occupied by PSB Services SNC and Baikowski SAS.

Terms : The Company invoices PSB Services SNC and Baikowski SAS for rents stipulated in their respective commercial leases. During FY2007, the Company invoiced

- PSB services SNC for €66,243 excluding tax;

- and Brailowski SAS for €235,164 excluding tax.

Villeurbanne and Neuilly-sur-Seine, February 29, 2008

Statutory auditors

MAZARS

Max Dumoulin

ERNST and YOUNG et Autres

Nicolas Job

regular annual shareholders' meeting of May 27, 2008

DRAFT RESOLUTIONS

First resolution

The Shareholders, after hearing the Board of Directors' report, the Management report and the Statutory Co-Auditors' opinion for the period ending December 31, 2007, approve the annual statements as presented, as well as the operations represented by these statements and summarized in these reports.

The Shareholders acknowledge that the statements for the recent period do not take into account expenses that are not deductible for income tax purposes, as identified in Article 39-4 of the French General Tax Code.

Consequently, the Shareholders give the Board final discharge in the execution of their mandate for said period.

Second resolution

The Shareholders, after hearing the Statutory Auditors' special opinion concerning the agreements referred to in Articles L225-38 and ff. of the French Commercial Code, approve the terms of that opinion.

Third resolution

The Shareholders, on the motion of the Board of Directors, resolve to allocate the period's net earnings of €5,216,537.44 in the following manner :

- A distribution to shareholders of a €5,145,000.00 dividend , or a net dividend per share of €1.40,

- and the balance of €71,537.44 to be carried to "Other Reserves"

Since €0.65 of this €1.40 dividend per share was already paid on January 25, 2008 as an interim dividend (that is, €2,388,750.00), in accordance with a decision of the Board on December 19, 2007, only the balance, or €0.75 per share, remains due (that is, a total of €2,756,250.00) and shall become payable as of June 2, 2008.

With regard to dividends paid to natural persons who are French tax residents, beginning January 1, 2008 they are subject to an 11% withholding for social security levies and then to income tax, after application of a 40% tax exemption on the dividend base, unless before receiving the dividend the beneficiary elects to have the company paying the dividend withhold a 18% flat-rate withholding tax which exempts the dividend balance from income tax.

In accordance with Article 243(a) of the General Tax Code, the Shareholders in meeting make note that over the last three periods the following dividends have been distributed :

<u>Financial year</u>	<u>Dividend per share</u>	<u>Income eligible or not for tax reduction</u>
12/31/2004	1.10 €	50% reduction when applicable
12/31/2005	1.20 €	40% reduction when applicable
12/31/2006	1.35 €	40% reduction when applicable

Fourth resolution

Furthermore, the Shareholders, after hearing the Board of Directors' report on the management of the Group and the Statutory Co-Auditors' Opinion on the consolidated statements for the period ending December 31, 2007, approve the consolidated financial statements, as well as the operations represented by these statements.

Fifth resolution

The Shareholders, on a motion by the Board of Directors, do renew the authorization given by the regular shareholders' meeting of May 30, 2007 within the provisions of Articles L 225—209 and ff. of the Commercial Code, for the company to undertake the purchase of company stock on the stock exchange, in order to:

- stimulate trading under a liquidity contract with an investment services provider;
- purchase stock to hold for subsequent use as exchange or payment in an external growth strategy.

The number of shares held under the present authorization cannot exceed 10% of capital stock, that is, 367,500 shares

The stock purchased under this authorization and the stock resold shall be traded within the following limitations: the maximum purchase price shall not exceed €50 per share and the minimum sale price must not be less than €25 per share.

Given the maximum purchase price per share, the total amount allocated to buying back stock shall not exceed €18,375,000.00.

This authorization is valid for a period of eighteen months from the date of this meeting. It supersedes the previous authorization.

The stock shall be bought back by market trading or through acquiring blocks of shares as allowed by governing laws and regulations. The program may be accomplished entirely by acquiring blocks of shares. The acquisitions and sales can occur during public trading, within the restrictions imposed by the stock exchange authorities.

The Board shall inform the Regular Shareholders Meeting every year of the transactions carried out under this authorization.

Accordingly, the Shareholders give the Board full power to place trading orders, conclude all agreements in terms of formalities and declarations to all organizations and generally to do what is necessary.

Sixth resolution

The Shareholders set at €80,000 the amount of directors' fees allocated to the Board of Directors for FY2008.

Seventh resolution

The Shareholders, noting that the Directorships of Mr. Jacques Entremont, Mr. Roger Rosnoble and Mr. Alain Wirth expire with this Shareholders Meeting, do renew their terms for six more years, that is, until the close of the Regular Shareholders Meeting to be held in 2014 to act upon the financial statements for the period ending December 31, 2013.

Each of the Directors whose term was renewed declared that he accepted the renewal of his term of office and that he satisfied the legal and regulatory requirements for serving.

Eighth resolution

The Shareholders confer on the bearer of an original, a copy or an abstract of these minutes full powers to perform all formalities required by law or regulation.

special report on the purchase of stock

To the Shareholders,

Pursuant to Article L. 225-209 par. 2 of the French Commercial Code, the purpose of this report is to bring to your attention the stock purchase transactions conducted within our Company.

This report further includes all of the disclosures that must appear in the description of the stock repurchase program pursuant to Article 241-2 of the General Regulations of the AMF as amended on December 30, 2005.

Thus we will first make an assessment of the FY2007 situation in light of the two previous stock repurchase programs authorized by the Shareholders' Meetings of May 24, 2006 and May 30, 2007 and then present to you the main features of the new stock repurchase program we are submitting for your approval at the Shareholders' Meeting of May 27, 2008.

1. SITUATION OF THE PREVIOUS PROGRAM

1.1 The program authorized by the Shareholders' Meeting of May 24, 2006

The PSB Industries Regular Shareholders Meeting of May 24, 2006 had authorized the Board of Directors for a period of 18 months starting with said meeting, that is, until November 24, 2007, to carry out a stock repurchase program.

Declaration by the issuer of dealings in its own shares from May 25, 2006 (the day following the start of the previous repurchase program) to May 30, 2007 :

Percentage of equity that was directly or indirectly treasury stock as of May 30, 2007	0.84%
Number of shares canceled over the past 24 months	-
Number of shares in portfolio on May 30, 2007	30,862
Book value of the portfolio on May 30, 2007	€1,186,133
Portfolio market value calculated on the May 30, 2007 closing price of 43.85	€1,353,299

	Number of shares	Longest maturity	Average trade price	Average exercise price	Value (in euros)
YTD gross flows*					
- boughts	37,700	-	38.10	-	1,436,378
- sold or transferred	44,838	-	38.93	-	1,745,614
Open positions as of the publication of the program prospectus					
open long positions					
- calls bought	NA	-	-	-	-
- forward buys	NA	-	-	-	-
open short positions					
- calls sold	NA	-	-	-	-
- forward sales	NA	-	-	-	-

(*) The period is from the day after the start of the previous program (May 25, 2006) till May 30, 2007

As of May 30, 2007 PSB Industries owned 30,862 of its own shares. All of these shares are handled by an investment services provider (Oddo Midcap) under a liquidity contract that complies with the AFEI statement of professional ethics approved by the AMF.

1.2 Program authorized by the Shareholders' Meeting of May 30, 2007

Declaration by the issuer of dealings in its own shares from May 31, 2007 (the day following the start of the previous repurchase program) to February 15, 2008 :

Percentage of equity that was directly or indirectly treasury stock as of February 15, 2008		1.47%
Number of shares canceled over the past 24 months	-	
Number of shares in portfolio on February 15, 2008		53,924
Book value of the portfolio on February 15, 2008		€1,987,568
Portfolio market value calculated on the February 15, 2008 closing price of €31.50		€1,698,606

	Number of shares	Longest maturity	Average trade price	Average exercise price	Value (in euros)
YTD gross flows*					
- boughts	49,902	-	40.40	-	2,015,385
- sold or transferred	26,840	-	41.07	-	1,102,246
Open positions as of the publication of the program prospectus					
open long positions					
- calls bought	NA	-	-	-	-
- forward buys	NA	-	-	-	-
open short positions					
- calls sold	NA	-	-	-	-
- forward sales	NA	-	-	-	-

(*) The period is from the day after the start of the previous program (May 31, 2007) till February 15, 2008.

As of February 15, 2008 PSB Industries owned 53,924 of its own shares. All of these shares are handled by an investment services provider (Oddo Midcap) under a liquidity contract that complies with the AFEI statement of professional ethics approved by the AMF.

2. MAIN FEATURES OF THE NEW STOCK REPURCHASE PROGRAM SUBMITTED TO THE REGULAR ANNUAL SHAREHOLDERS MEETING OF MAY 27, 2008

2.1 Objectives of the current repurchase program

PSB Industries intends to undertake a stock repurchase program with the following objectives, in decreasing order of priority :

- to stimulate trading under a liquidity contract with an investment services provider ;
- to purchase stock to hold for subsequent use as exchange or payment in an external growth strategy.

2.2 The maximum fraction of equity, maximum number of shares and maximum euro amount authorized in buying the shares the company plans to acquire

The number of shares held under the present authorization cannot exceed 10% of capital stock, that is, 367,500 shares.

The shares purchased under this authorization and the shares resold shall be traded within the following limitations: the maximum purchase price shall not exceed €50 per share and the minimum sale price must not be less than €25 per share.

Given the maximum purchase price per share, the total amount allocated to buying back shares shall not exceed €18,375,000.00.

2.3 Characteristics of the stock the company plans to acquire

The Company's common stock is listed on the Paris Stock Exchange - ISIN Code FR0000060329.

Method of acquiring the stock that the Company plans to buy back :

The stock can be repurchased through an investment services provider under a liquidity contract.

2.4 Duration of the program

The authorization for the Company to buy back its own shares runs through November 27, 2009.