

PSB Industries
2007 half-year
financial report

Consolidated accounts
and
summarized notes

Contents

<u>Statement by the person responsible</u>	<u>3</u>
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<u>Consolidated balance sheet</u>	<u>4</u>
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Assets and liabilities & equity	4
Income statement	6
Statement of consolidated cash flows	7
Change in consolidated shareholders' equity	8

<u>Note to consolidated financial statements</u>	<u>10</u>
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Général comments	10
Accounting Principles	10
Change in consolidation	11
Dividend payed	11
Treasury stock	11
Detail on other operating income and expense	11
Taxes	11
Segment information	12
Fixed assets held for sale	14
Related parties	14

<u>Activity report</u>	<u>15</u>
------------------------	-----------

Business Activity	15
Earnings	15
Outlook	15
Post-Closing Events	15

<u>Auditors' Report</u>	<u>16</u>
-------------------------	-----------

Statement by the person responsible for the 2007 interim financial report

I hereby declare that to the best of my knowledge, the condensed interim consolidated financial statements contained in the 2007 interim financial report have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and results of the PSB Industries Group, and that the interim management report gives a fair description of the material events that occurred during the first six months of the year as well as their impact on the condensed interim consolidated financial statements, the main risks and uncertainties for the remaining six months of the year, and the main transactions between the related parties.

Anncy, August 7, 2007

The chairman
Jean-Baptiste Bosson

Consolidated Balance Sheet

(in EUR 000's) 2006/12/31 2007/06/30

Non-current assets

Property, plant & equipment	90,002	95,259
Goodwill	21,288	21,303
Intangible fixed assets	95	105
Fixed assets accounted for by the equity method	1,537	1,592
Long-term financial assets	307	256
Deferred tax assets	650	721
Total non-current assets	113,879	119,236

Current assets

Inventory	32,347	37,303
Trade and related receivables	52,316	57,402
Current income tax credits	1,453	743
Other receivables and credits	5,295	6,470
Cash and equivalents	9,960	9,441
Total current assets	101,371	111,359

Assets held for sale	192	-
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Total assets **215,442** **230,595**

Off-balance sheet obligations

(in EUR 000's)	2006/12/31	2007/06/30
<u>Shareholders' equity</u>		
Capital stock	7,350	7,350
Premiums	10,122	10,122
Reserves	39,638	45,642
Translation gains/(losses)	(636)	(919)
Net income for the period	10,315	5,534
<i>Shareholders' equity attributable to Group</i>	66,789	67,729
Minority interests	-	-
Total shareholders' equity	66,789	67,729
<u>Non-current liabilities</u>		
Long-term financial debt	47,371	61,541
Put options granted to minority owners	7,431	7,727
<i>Financial liabilities of more than one year</i>	54,802	69,268
Deferred tax liabilities	2,978	3,040
Provisions for pensions and similar benefits	3,085	3,152
Other non-current liabilities	-	-
Total non-current liabilities	60,865	75,460
<u>Current liabilities</u>		
Trade and related payables	33,315	37,369
Financial debts of less than one year	33,230	28,865
Current income tax accrued	9	1,322
Other debts	20,645	19,347
Provisions for risks and current expenses	589	503
Total current liabilities	87,788	87,406
Total liabilities and equity	215,442	230,595
Off-balance sheet obligations		

Income statement

(in EUR 000's)	from 2006/01/01 to 2006/12/31	from 2006/01/01 to 2006/06/30	from 2007/01/01 to 2007/06/30
Sales	199,152	104,472	112,108
Cost of goods sold	(155,165)	(81,031)	(86,740)
Research & Development expense	(2,723)	(1,391)	(1,489)
Selling and distribution costs	(10,648)	(5,489)	(5,714)
Administrative expenses	(12,240)	(6,553)	(7,445)
Other operating income	1,809	336	283
Other operating expense	(741)	(343)	(42)
Operating income	19,444	10,001	10,961
Net cost of financial indebtedness	(2,806)	(1,392)	(1,917)
Other financial income and expense	(316)	(1)	(114)
Tax	(5,522)	(3,054)	(2,954)
Share of net income from equity-method interests	355	106	219
Annual consolidated net income	11,155	5,660	6,195
<i>Attributable to the Group</i>	<i>10,315</i>	<i>5,162</i>	<i>5,534</i>
<i>Attributable to minority interests</i>	<i>841</i>	<i>498</i>	<i>661</i>
<i>Annual consolidated income</i>	<i>11,155</i>	<i>5,660</i>	<i>6,195</i>
Earnings per share in euros	2.84	1.42	1.52
Fully diluted earnings per share in euros	2.84	1.42	1.52

Consolidated Statement of Cash Flows

(in EUR 000's)

from 2006/01/01
to 2006/06/30from 2007/01/01
to 2007/06/30

Net income attributable to Group	5,162	5,534
Net income attributable to minority interests	498	661
Depreciation, amortization & provision expense on fixed assets	7,495	7,895
Net provision allowances on balance sheet	(84)	(19)
Net income attributable to joint-ventures	(31)	(142)
Net cost of financial indebtedness and dividend received (note 28)	1,317	1,831
Current and deferred tax	3,054	2,954
Pretax (gain)/loss on disposal of assets	(113)	(1)
Other non-cash changes	-	-
Change in working capital requirement	(6,943)	(6,669)
Tax paid	(4,322)	(1,120)
Net cash flow from operations	6,033	10,924
Net capital expenditures for operations	(10,020)	(13,227)
Change in long-term receivables and payables	(1,887)	(1,230)
Net financial investment/disinvestment	245	(92)
Change in loans	-	-
Income on cash and equivalents	69	53
Dividends received	11	8
Net cash flow from / (used for) investment activities	(11,582)	(14,488)
Treasury stock	71	359
Dividends paid to parent company shareholders	(4,362)	(4,914)
Dividends paid to minority interests in integrated companies	(271)	(377)
Increase in financial liabilities	18,161	16,664
Decrease in financial liabilities	(8,514)	(6,697)
Interest paid	(1,461)	(1,961)
Net cash flow from / (used for) financing activities	3,624	3,074
Impact of currency rate changes	(100)	(29)
Change in cash	(2,026)	(519)
Cash and equivalents at start of year	12,186	9,960
Cash and equivalents at end of year	10,161	9,441

Changes in shareholders' equity

(in EUR 000's)	Capital	Premium	Reserves	Currency gain/losses	Other reserves	Total	Minority interests	Total shareholders equity
As at 2006/01/01	7,350	10,122	43,292	394	526	61,684	-	61,684
Cash Flow Hedge	-	-	-	-	109	109	-	109
Interest rate swap	-	-	-	-	(11)	(11)	-	(11)
Gains and losses on treasury stock	-	-	-	-	147	147	-	147
<i>Income & expense recorded as shareholders' equity</i>	-	-	-	-	245	245	-	245
Net income for period	-	-	5,162	-	-	5,162	498	5,660
Total income & expense	-	-	5,162	-	245	5,407	498	5,905
Change in consolidation scope	-	-	-	-	-	-	-	-
Translation gains/(losses)	-	-	-	(634)	-	(634)	-	(634)
Dividends paid	-	-	(4,362)	-	-	(4,362)	(271)	(4,633)
Treasury stock	-	-	-	-	(76)	(76)	-	(76)
Minority puts	-	-	-	-	-	-	(227)	(227)
As at 2006/06/30	7,350	10,122	44,092	(240)	695	62,019	-	62,019
As at 2007/01/01	7,350	10,122	49,245	(636)	708	66,789	-	66,789
Cash Flow Hedge	-	-	-	-	-	-	-	-
Interest rate swap	-	-	-	-	244	244	-	244
Gains and losses on treasury stock	-	-	-	-	89	89	-	89
<i>Income & expense recorded as shareholders' equity</i>	-	-	-	-	333	333	-	333
Net income for period	-	-	5,534	-	-	5,534	661	6,195
Total income & expense	-	-	5,534	-	333	5,867	661	6,528
Change in consolidation scope	-	-	-	-	-	-	-	-
Translation gains/(losses)	-	-	-	(283)	-	(283)	-	(283)
Dividends paid	-	-	(4,914)	-	-	(4,914)	(377)	(5,291)
Treasury stock	-	-	-	-	270	270	-	270
Minority puts	-	-	-	-	-	-	(284)	(284)
As at 2007/06/30	7,350	10,122	49,865	(919)	1,311	67,729	-	67,729

(in EUR 000's)	Land Reevaluation (*)	Financial hedging instruments	Treasury stock	Total other reserves
As at 2006/01/01	1,159	132	(765)	526
Cash Flow Hedge	-	161	-	161
Deferred tax on Cash Flow Hedge	-	(52)	-	(52)
Interest rate swaps	-	(17)	-	(17)
Deferred tax on interest-rate swap	-	6	-	6
Gain/loss on treasury stock	-	-	220	220
Deferred tax on treasury stock	-	-	(73)	(73)
<i>Income and expense recorded as shareholders' equity</i>	-	98	147	245
Treasury stock	-	-	(76)	(76)
As at 2006/06/30	1,159	230	(694)	695
As at 2007/01/01	1,159	128	(579)	708
Cash Flow Hedge	-	-	-	-
Deferred tax on Cash Flow Hedge	-	-	-	-
Interest rate swaps	-	368	-	368
Deferred tax on interest-rate swap	-	(124)	-	(124)
Gain/loss on treasury stock	-	-	134	134
Deferred tax on treasury stock	-	-	(45)	(45)
<i>Income and expense recorded as shareholders' equity</i>	-	-	-	-
Treasury stock	-	-	270	270
As at 2007/06/30	1,159	372	(220)	1,311

(*) 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.

Notes to Consolidated Financial Statements

All amounts in these notes are expressed in thousands of euros

I - General

PSB Industries is a French corporation created in 1905 by the Baikowski brothers. Its registered office is located in Annecy (BP 22, 74001 Annecy Cedex, The Group's businesses are described in note 8. The Group's consolidated financial statements were approved by the Board of Directors on July 27, 2007.

II - Preparation and accounting principles

Basis for preparing the interim information

The condensed interim consolidated financial statements for the six months ended June 30, 2007 were prepared in accordance with the IAS 34 standard – part of IFRS related to interim financial information, as adopted by the European Union. Thus it contains selected explanatory notes and should be read in conjunction with the group's financial statements for the year ended December 31, 2006.

Accounting principles

The accounting principles used in preparing this condensed set of financial statements are identical to those used in preparing the consolidated financial statements for the year ended December 31, 2006 and described in the consolidated financial statements published at that date.

The adoption of new standards and interpretations by the Group, mandatory as of January 1, 2007, did not impact the group's financial statements.

IFRS 7 : Disclosures and Presentation of Financial Instruments. This standard was applied in advance during the 2006 financial year.

IAS 1 : Disclosures about capital. This standard was applied in advance during the 2006 financial year.

IFRIC 7 : On applying the Restatement Approach under IAS 29. Financial Reporting in Hyperinflationary Economies. This interpretation was applied starting January 1, 2007.

IFRIC 8 : Scope of IFRS 2, Share-based Payment. This standard was applied in advance during the 2006 financial year.

IFRIC 9 : Reassessment of Embedded Derivatives. This interpretation was applied starting January 1, 2007.

IFRIC 10 : Interim Financial Reporting and Impairment. This interpretation was applied starting January 1, 2007.

IFRIC 11 : IFRS 2 : Group and Treasury Share Transactions. This interpretation was applied starting January 1, 2007.

Except for the number of days worked, which was higher during the first half, the Group did not observe any seasonal change in its activities which may affect sales between the two half-year periods. For the interim financial statements, the tax expense has been calculated by applying the average annual tax rate estimated for the current financial year to the book earnings of the period, company by company.

The final amounts may differ from these estimates.

Estimates rules and methods

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

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

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

III - Change in consolidation

During the first half of 2007, the CGL Pack Chalon company was dissolved, and its assets were transferred to the CGL Pack Service company.

IV - Dividend paid

in EUR per share	2006/06/30	2007/06/30
Dividend paid in the first six months	1.20	1.35

V - Treasury stock

	2006/12/31	2007/06/30
number of shares	39,948	30,282
Value (FIFO)	1,461	1,191

The average number of treasury shares during the 2007 half-year was 34,731 and 42,837 in 2006.

These figures are used in calculating earnings per share.

VI - Detail on other operating income and expense

Detail on other income

	2006/06/30	2007/06/30
Disposal of assets	81	235
Court awards	-	-
Reversed provision	215	-
Other	40	48
Total	336	283

Detail on other expense

	2006/06/30	2007/06/30
Debt write-off	222	-
Amortization of goodwill	-	-
Other	121	42
Total	343	42

VII - Taxes

	2006/06/30	2007/06/30
Taxes payable	(2,766)	(3,071)
Deferred taxes	(288)	117
Total taxes	(3,054)	(2,954)

Reconciliation of tax expense

	2006/06/30	2007/06/30
Net income attributable to Group	5,162	5,534
Tax on net income	3,054	2,954
Minority interests	498	661
Net income/loss from equity-method companies	(106)	(219)
Pre-tax net income (A)	8,608	8,930
Theoretical tax expense (33.33%)	2,869	2,976
Adjustment for prior period tax payable	(24)	-
Permanent differences	111	100
Tax losses before applying deferrals	22	-
Deferred tax from loss carryforwards	(6)	(165)
Rate differential for foreign subsidiaries	48	38
Tax credits and other tax	4	1
Other	30	4
Actual tax expense	3,054	2,954
Actual tax rate (actual tax expense ÷ A)	35.48	33.08

VIII - Segment information

The Group's operations are organized and managed separately according to the nature of the goods or services provided, with each segment representing a strategic business area offering different products and serving different markets.

The first and second levels of the Group's segment information are, by business segment and by geographic segment, respectively.

The management of the Group is organized around three business segments :

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

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

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

Information by business segment :

The "Other assets" listed in the table below include all the current assets with the exception of tax, marketable securities and cash. The liabilities mentioned below include all operating indebtedness with the exception of income tax.

Inter-segment transactions are not significant and are made at market prices.

	Packaging		Specialty	Other	Total
	Texen	CGL Pack	chemicals Baikowski	activities (*)	
As at June30, 2006					
Sales	62,430	20,841	21,230	(29)	104,472
Inter-segment sales	-	41	1	(42)	-
Management Fees	(583)	(254)	(261)	1,098	-
Operating net income	6,182	1,384	2,535	(100)	10,001
Net Cost of financial debt	-	-	-	-	(1,392)
Other financial income and expense	-	-	-	-	(1)
Income tax	(1,692)	(472)	(809)	(81)	(3,054)
Attributable net income from equity-method companies	-	-	106	-	106
Consolidated net income	-	-	-	-	5,660
Dep/amort of fixed assets	4,954	824	1,627	90	7,495
Net property, plant & equipment	44,154	11,032	25,328	2,406	82,920
Goodwill	16,882	3,745	858	-	21,485
Loss of value recognized in income	-	-	-	-	-
Other net intangible fixed assets	64	19	-	72	155
Equity method investments	-	-	1,396	-	1,396
Current assets	52,516	17,056	22,648	7,433	99,653
Current liabilities	51,131	15,865	16,399	(654)	82,741
Capital expenditures	4,390	1,370	4,179	81	10,020
Workforce	892	239	148	7	1,286
As at June 30, 2007					
Sales	68,520	24,423	19,272	(107)	112,108
Inter-segment sales	49	72	-	(121)	-
Management Fees	(672)	(324)	(294)	1,290	-
Operating net income	7,866	1,501	1,592	2	10,961
Net Cost of financial debt	-	-	-	-	(1,917)
Other financial income and expense	-	-	-	-	(114)
Income tax	-	-	-	-	(2,954)
Attributable net income from equity-method companies	-	-	219	-	219
Consolidated net income	-	-	-	-	6,195
Dep/amort of fixed assets	5,012	966	1,830	87	7,895
Net property, plant & equipment	43,874	13,215	35,758	2,412	95,259
Goodwill	16,949	3,496	858	-	21,303
Loss of value recognized in income	-	-	-	-	-
Other net intangible fixed assets	72	23	-	10	105
Equity method investments	-	-	1,592	-	1,592
Current assets	61,598	20,332	22,072	7,357	111,359
Current liabilities	52,969	17,167	19,024	(1,754)	87,406
Capital expenditures	4,712	1,739	6,709	67	13,227
Workforce	933	260	154	9	1,356

(*) Parent company and eliminations

IX - Fixed assets held for sale

This item concerned a plant building located in the Ain department of France and for which a sales agreement had been signed in late December 2006. This capital asset was sold during the first half of 2007.

X - 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.

	2006/06/30	2007/06/30
Sales	2,259	2,423
Purchases	787	1,167
Customer receivables	1,942	1,967
Trade accounts payable	352	439

XI - Post-Closing Events

In July 2007 PSB Industries acquired an additional 5% of Texen, increasing its total stake from 85 to 90%.

Activity report

I - Activity

Sales for the first half of 2007 totaled €112.1 million, up 7.3% and 8.3% on a constant currency rate.

II - Results

EBIT for the first half of 2007 totaled €11 million, a 9.6% increase.

III - Outlook

PSB Industries confirmed the targets it set at the start of the year to achieve over 5% year-on-year growth in 2007 and improved operating profits close to 10%.

Article 222-6 of the AMF general regulations states that the issuer must describe the major risks and uncertainties for the remaining six months in the financial year.

All things being equal, the main uncertainty for the second half concerns the start-up of the new plant (specialty chemicals) and the qualification of the powders produced at that plant.

Statutory Auditors' Review Report on the first half-year Financial Information for 2007

(Period from January 1, 2007 to June 30, 2007)

To the Shareholders,

In our capacity as Statutory Auditors and in accordance with the requirements of Article L. 232-7 of French Company Law (Code de commerce), we hereby report to you on :

- the review of the accompanying Condensed half-year Consolidated Financial Statements of PSB Industries for the period from January 1, 2007 to June 30, 2007 ;
- the verification of the information contained in the half-year management report.

These Condensed half-year Consolidated Financial Statements are the responsibility of the Board of Directors. Our responsibility is to express a conclusion on these Financial Statements based on our review.

We conducted our review in accordance with professional standards applicable in France. A review of Interim Financial Information consists in making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Condensed half-year Consolidated Financial Statements are not prepared, in all material respects, in accordance with IAS 34 - standard of the IFRS as adopted by the European Union applicable to Interim Financial Information.

In accordance with professional standards applicable in France, we have also verified the information given in the Interim half-year Financial Report commenting the Condensed half-year Consolidated Financial Statements subject to our review.

We have no matters to report as to its fair presentation and consistency with the Condensed half-year Consolidated Financial Statements.

Villeurbanne and Neuilly-sur-Seine, August 10, 2007

The auditors,

Mazars

Max Dumoulin

Ernst & Young et Autres

Nicolas Job