

PSB Industries

2006 half-year Financial Report

**Consolidated
accounts and
summarized
notes**

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CONSOLIDATED BALANCE SHEET

(in EUR 000's)

	2006/06/30	2005/12/31
Non-current assets		
Tangible fixed assets	82,920	80,744
Goodwill	21,485	21,825
Intangible fixed assets	155	176
Fixed assets accounted for by the equity method	1,396	1,431
Long-term financial assets	490	685
Deferred tax assets	774	1,009
Total non-current assets	107,220	105,870
Current assets		
Inventory	30,216	28,318
Trade and related receivables	52,195	42,404
Prepaid income taxes	1,117	182
Other credits	5,964	5,534
Cash and equivalents	10,161	12,186
Total current assets	99,653	88,624
Assets held for sale	192	711
Total assets	207,065	195,205

	2006/06/30	2005/12/31
Shareholders' equity		
Corporate capital	7,350	7,350
Premiums	10,122	10,122
Reserves	39,625	34,901
Translation gains/(losses)	(240)	394
Period earnings	5,162	8,917
<i>Equity attributable to the Group</i>	62,019	61,684
Minority interests	-	-
Total shareholders' equity	62,019	61,684
Non-current liabilities		
Long-term financial debt	49,557	33,038
Put options granted to minority shareholders	7,033	7,257
<i>Financial liability of more than one year</i>	56,590	40,295
Deferred tax liability	2,704	2,661
Provisions for pensions and similar benefits	3,011	2,865
Other non-current liabilities	-	-
Total non-current liabilities	62,305	45,821
Current liabilities		
Trade and related payables	33,218	26,423
Financial debts of less than one year	27,950	35,438
Current income tax accrued	605	1,566
Other debts	20,154	23,226
Provisions for risks and current expenses	814	1,047
Total current liabilities	82,741	87,700
Total liabilities	207,065	195,205

INCOME STATEMENT

(in EUR 000's)

	from 2006/01/01 to 2006/06/30	from 2005/01/01 to 2005/06/30	from 2005/01/01 to 2005/12/31
Sales	104,472	95,331	182,618
Cost of goods sold	(81,031)	(73,200)	(140,828)
Research and development expenses	(1,391)	(1,338)	(2,662)
Selling and distribution expenses	(5,489)	(4,917)	(9,950)
Administrative expenses	(6,553)	(6,630)	(12,501)
Other operating income and expenses	(7)	104	359
Net operating income	10,001	9,350	17,036
Net cost of financial indebtedness	(1,392)	(1,354)	(2,407)
Other financial income and expenses	(1)	(132)	(292)
Taxes	(3,054)	(2,987)	(5,056)
Net income from equity investment attributable to the group	106	192	333
Annual consolidated net income	5,660	5,069	9,614
Consolidated net income attributable to minority interests	(498)	(413)	(697)
Consolidated net income attributable to the group	5,162	4,656	8,917
Earnings in euros per share	1.42	1.29	2.46
Fully diluted earnings in euros per share	1.42	1.29	2.46

STATEMENT OF CONSOLIDATED CASH FLOWS

(in EUR 000's)

	from 2006/01/01 to 2006/06/30	from 2005/01/01 to 2005/06/30
Net income attributable to Group	5,162	4,656
Net income attributable to minority interest	498	413
Fixed asset depreciation and amortization	7,495	7,425
Net provision allowances	(84)	(32)
Net income attributable to joint ventures	(31)	(140)
Net cost of financial indebtedness and dividend received	1,317	1,302
Current and deferred taxes	3,054	2,986
Gains/losses on sale of assets net of corporate tax	(113)	(106)
Other non-fund changes	-	108
Change in working capital requirement	(6,943)	(4,301)
Taxes paid	(4,322)	(5,120)
Net cash flow from operations	6,033	7,191
Net operating investment	(10,020)	(10,065)
Change in fixed asset credits and debts	(1,887)	(1,416)
Net financial investment/disinvestment	245	(111)
Cash investment income	69	91
Dividends received	11	52
Net cash flow from/for investment activities	(11,582)	(11,449)
Treasury stock	71	-
Dividends to parent company shareholders	(4,362)	(3,983)
Dividends paid to minority shareholders in integrated companies	(271)	(285)
Increase in financial liabilities	18,161	17,684
Decrease in financial liabilities	(8,514)	(6,474)
Interest paid	(1,461)	(1,445)
Net cash flow from/for financing	3,624	5,497
Impact of currency rate changes	(100)	80
Change in cash	(2,026)	1,319
Beginning cash position	12,186	10,910
Ending cash position	10,161	12,229

CHANGE IN CONSOLIDATED SHAREHOLDERS' EQUITY

(in EUR 000's)

	Capital	Premiums	Reserves	Currency gains/losses	Other reserves	Total	Minority interests	Total shareholders equity
As at 2005/01/01	7,350	10,122	38,386	(571)	935	56,222	-	56,222
Cash Flow Hedge	-	-	-	-	(590)	(590)	-	(590)
Interest-rate swap	-	-	-	-	(9)	(9)	-	(9)
Gain/loss on treasury stock	-	-	-	-	312	312	-	312
Expenses and income recorded as equity	-	-	-	-	(287)	(287)	-	(287)
Net income for period	-	-	4,656	-	-	4,656	413	5,069
Total expenses and income	-	-	4,656	-	(287)	4,369	413	4,782
Change in scope	-	-	-	841	-	841	-	841
Dividends paid	-	-	(3,983)	-	-	(3,983)	(285)	(4,268)
Treasury stock	-	-	-	-	16	16	-	16
Minority puts	-	-	-	-	-	-	(128)	(128)
As at 2005/06/30	7,350	10,122	39,059	270	664	57,465	-	57,465

	Land revaluation	Financial hedging instruments	Treasury stock	Total other reserves
As at 2005/01/01	1,159	710	(934)	935
Cash Flow Hedge	-	(892)	-	(892)
Deferred tax on Cash Flow Hedge	-	302	-	302
Interest-rate swap	-	(14)	-	(14)
Deferred tax on interest-rate swap	-	5	-	5
Gain or loss on treasury stock	-	-	471	471
Deferred tax on treasury stock	-	-	(159)	(159)
Expenses and income recorded as shareholders' equity	-	(599)	312	(287)
Treasury stock	-	-	16	16
As at 2005/06/30	1,159	111	(606)	664

	Capital	Premiums	Reserves	Currency gains/losses	Other reserves	Total	Minority interests	Total shareholders equity
Au 01/01/2006	7,350	10,122	43,292	394	526	61,684	-	61,684
Cash Flow Hedge	-	-	-	-	109	109	-	109
Interest-rate swap	-	-	-	-	(11)	(11)	-	(11)
Gain/loss on treasury stock	-	-	-	-	147	147	-	147
Expenses and income recorded as equity	-	-	-	-	245	245	-	245
Net income for period	-	-	5,162	-	-	5,162	498	5,660
Total expenses and income	-	-	5,162	-	245	5,407	498	5,905
Change in scope	-	-	-	(634)	-	(634)	-	(634)
Dividends paid	-	-	(4,362)	-	-	(4,362)	(271)	(4,633)
Treasury stock	-	-	-	-	(76)	(76)	-	(76)
Minority puts	-	-	-	-	-	-	(227)	(227)
Au 30/06/2006	7,350	10,122	44,092	(240)	695	62,019	-	62,019

	Land revaluation	Financial hedging instruments	Treasury stock	Total other reserves
As at 2005/01/01	1,159	132	(765)	526
Cash Flow Hedge	-	161	-	161
Deferred tax on Cash Flow Hedge	-	(52)	-	(52)
Interest-rate swap	-	(17)	-	(17)
Deferred tax on interest-rate swap	-	6	-	6
Gain or loss on treasury stock	-	-	220	220
Deferred tax on treasury stock	-	-	(73)	(73)
Expenses and income recorded as shareholders' equity	-	98	147	245
Treasury stock	-	-	(76)	(76)
As at 2006/06/30	1,159	230	(694)	695

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

All figures in these notes are expressed
in thousands of euros

1 - General comments

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 prepared by the Board of Directors on July 31, 2006.

2 - Accounting principles

The accounting principles applied on June 30, 2006 are identical to those described in the Appendix to the Consolidated Annual Financial Statements for the period ending December 31, 2005 and conform to the IFRS standards in force as of June 30, 2006, as adopted by the European Union.

Except for the number of days worked, which is greater in the first half, the Group finds no seasonal variation in its business activities which might affect revenue levels from one half to another.

On mid-term financial statements the tax expense is calculated by applying to the period's earnings, company by company, the average annual taxation rate estimated for the current fiscal year.

3 - Change in consolidation

As at december 31,2005, no change was noted in the scope of consolidation.

4 - Dividend payed

In EUR per share	2006/06/30	2005/06/30
Dividend payed in the first six months	1.20	1.10

5 - Treasury stock

	2006/06/30	2005/12/31
number of shares	43,597	47,023
Value (FIFO)	1,534	1,458

The average number of company shares in the year was 44,497 in 2006 half-year and 49,951 in 2005.

This figure is used to calculate the earnings per share.

6 - Other operating income and expense

	2006/06/30	2005/06/30
Sale of assets	81	161
Restructuring costs	(88)	(58)
Other	-	1
Total	(7)	104

7 - Taxes

	2006/06/30	2005/06/30
Taxes payable	(2,766)	(2,965)
Deferred taxes	(288)	(22)
Total taxes	(3,054)	(2,987)

8 - Segment information

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

The management of the Group is organized around three businesses:

- Specialty Chemicals (Baikowski), specializing in the production of powders and liquids based on ultra-pure alumina.
- Cosmetic Perfume Packaging (Texen), which specializes in plastic injection and finishing, chiefly for the cosmetic perfume industry.
- Custom Thermal Forming (CGL Pack), which specializes in the design and manufacture of custom thermoform packaging for consumer products.

Inter-business unit transactions are not significant and are transferred at market price.

As at 2006/30	Packaging		Chemicals	Other	Total
	Texen	CGL Pack	specialty Baikowski	activities (*)	
Sales	62,430	20,841	21,230	(29)	104,472
Inter-business unit sales	-	41	1	(42)	-
Management Fees	(583)	(254)	(261)	1,098	-
Operating profit	6,182	1,384	2,535	(100)	10,001
Depreciation/amortization of fixed assets	4,954	824	1,627	90	7,495
Earnings from equity-accounted companies	-	-	106	-	106
Net tangible fixed assets	44,154	11,032	25,328	2,406	82,920
Net Goodwill	16,882	3,745	858	-	21,485
Other net intangible fixed assets	64	19	-	72	155
Equity accounted shares	-	-	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

Capital expenditures at Baikowski, are related to the increase of production capacity.

As at 2005/06/30

Sales	55,327	21,337	18,760	(93)	95,331
Inter-business unit sales	5	90	-	(95)	-
Management Fees	(565)	(302)	(232)	1,099	-
Operating profit	5,498	1,460	2,382	10	9,350
Depreciation/amortization of fixed assets	5,030	825	1,509	61	7,425
Earnings from equity-accounted companies	-	-	192	-	192
Net tangible fixed assets	45,314	11,084	20 485	2,348	79,231
Net Goodwill	18,218	3,745	858	-	22,821
Other net intangible fixed assets	226	10	4	52	292
Equity accounted shares	-	-	-	-	-
Current assets	47,992	16,095	19 523	11,102	94,712
Current liabilities	54,080	16,026	15 796	1,900	87,802
Capital expenditures	6,788	1,579	1 662	36	10,065
Workforce	850	252	153	7	1,262

(*) Parent company and discontinued operations

9 - Fixed assets held for sale

As the negotiations begun in late 2005 for selling off the packaging business were not successful, the assets of this business have been reclassified across the relevant balance sheet items.

As of the end of June 2006, only an industrial building located in the Ain region falls under this heading.

10 - Related parties

- Dealings with joint-ventures :

The following operations concern relations with Baikowski Japan Corporation and Alko (equity-method). These sales and purchases were booked at market prices.

	2006/06/30	2005/06/30
Sales	2,259	1,896
Purchases	787	691
Customer receivables	1,942	1,567
Trade accounts payable	352	426

ACTIVITY REPORT

1 - Business activity

The consolidated sales of PSB Industries for the first half of 2006 totaled EUR 104.5 million, up 9.6% and 8.8% on a constant currency basis.

2 - Earnings

The operating profit for the first half of 2006 rose to EUR 10 million.

Despite a context of high raw material prices, rises in the cost of energy and the startup of complex facilities in the specialty chemicals sector (new oven and a raw materials unit), the improvement of industrial productivity enabled PSB to once again maintain a high operating profitability of 9.6% of sales.

3 - Outlook

PSB Industries confirms the growth target it set at the beginning of the year of more than 5% for FY 2006 and improved operating profitability close to 10%.

STATUTORY AUDITORS' REVIEW REPORT ON THE FIRST HALF-YEAR FINANCIAL INFORMATION FOR 2006 (Period from January 1, 2006 to June 30, 2006)

(Free translation of a French language original)

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, 2006 to June 30, 2006 ;
- 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, September 14, 2006

The Statutory Auditors
(French original signed by)

MAZARS

ERNST & YOUNG et Autres

Jean-François Metz Max Dumoulin

Nicolas Job