

Contents

Organization

Business structure	p.4
Corporate governance	p.5
Investor information	p.8
Chairman's Report	p.10
Auditor's opinion on the Chairman's Report	p.18

Consolidated Financial Statements

Management report	p.20
Consolidated financial statements and notes	p.30
Auditors' Report	p.84

Parent Company Financial Statements

Financial statements and notes	p.86
Subsidiaries and affiliates	p.98
Five-year statement of earnings	p.99
General Auditors' Report	p.100
Special Auditors' Report	p.102
Draft resolutions of the Shareholders' Meeting	p.104

DETAILED TABLE OF CONTENTS

CONSOLIDATED FINANCIAL STATEMENTS

“Management Report”

Consolidated financial statements	p.20
Parent company financial statements	p.23
Environmental data	p.24
Employee data	p.24
Risk factors	p.25
Other information	p.26

“Consolidated financial statements and notes”

Assets and Liabilities & Equity	p.30 - 31
Income statement	p.32
Statement of cash flows	p.33
Change in shareholders' equity	p.34 - 35
Notes to Consolidated Financial Statements	p.36
1 - General comments	p.36
2 - First-time adoption of IFRS	p.36
3 - Accounting principles	p.40
4 - Change in consolidation scope	p.54
5 - Intangible assets	p.56
6 - Tangible assets	p.57
7 - Direct investments accounted for by the equity method	p.59
8 - Other long-term financial assets	p.60
9 - Inventories	p.60
10 - Trade receivables	p.61
11 - Other receivables	p.62
12 - Cash and cash equivalents	p.62
13 - Assets held for sale	p.62
14 - Shareholders' Equity	p.62
15 - Financial liabilities	p.64
16 - Provisions for Retirement and similar benefits	p.66

17 - Provisions for contingencies	p.67
18 - Payments with stock	p.68
19 - Other debts	p.69
20 - Financial instruments	p.69
21 - Off-balance sheet obligations	p.74
22 - Earnings per share	p.74
23 - Cost of sales	p.74
24 - R&D expense	p.75
25 - Payroll and manpower expense	p.75
26 - Amortization, depreciation and write-downs	p.75
27 - Other operating income and expense	p.76
28 - Financial income and expense	p.76
29 - Taxes	p.76
30 - Segment information	p.80
31 - Related parties	p.82
32 - Compensation of the Board of Directors	p.82
33 - Executive compensation	p.83
34 - Capital leases	p.83

“Auditors’ Report”

Auditors’ report on the consolidated financial statements	p.84
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BUSINESS STRUCTURE

PSB Industries has three business units, each including several companies. They are broken out on the following chart

Cosmetics-Perfume packaging	Custom packaging	Specialty chemicals
TEXEN	CGL Pack	Baikowski
Christian Baravaglio Chairman	Alain Wirth Chairman	Claude Djololian Chairman
CCM Ceica Industrie Ceica Plasticos CMSI Lecot Les Eiders Mayet Rose SR2P Texen Services	CGL Pack Annecy CGL Pack Chalon CGL Pack Lorient CGL Pack Seynod	Alko Baikowski International Corp. Baikowski Japan Corp. Baikowski Malakoff Inc.

PSB Industries owns 100% of the stock in the above companies, except for Texen (85%), Alko (50%) and Baikowski Japan Corp. (50%).

PSB Industries also owns 100% of PSB Services (a service company).

PSB Trésorerie, an uncanceled partnership (French GIE), manages interest-rate risk for the various companies owned by PSB Industries.

CORPORATE GOVERNANCE

Members

“Board of Directors”

The Board is composed of a Chairman and four directors.

- **Jean-Baptiste Bosson** has been PSB Industries Board Chairman since 1991. His six-year term as director will come up for renewal in 2009. He is also managing director of PSB Services SNC, permanent representative of PSB Industries SA on the Boards of Baikowski SAS, Texen SAS and CGL Pack Service SAS, member of the Siparex Croissance Supervisory Board, and permanent representative of PSB Services as director of the PSB Trésorerie GIE partnership.
- **Jean-Claude Cachat** has been a PSB Industries director since 1978. His six-year term as director will come up for renewal in 2011. He is also on the Board of CGL Pack Lorient SA (term due for renewal on June 30, 2005), director of Banque Laydernier and TV8 Mont-Blanc, and managing director of Société de Participation au Développement de l'Economie Savoyarde SARL (a company contributing to the economic development of the Savoy region).
- **Jacques Entremont** has been a PSB Industries director since 1984. His six-year term as director will come up for renewal in 2008. He is a member of the Supervisory Boards of Comptoir Savoyard de Distribution (CSD) and Banque de Vizille.
- **Roger Rosnoble**t has been a PSB Industries director since 1984. His six-year term as director will come up for renewal in 2008. He is a director of Banque Populaire des Alpes, Board member and Chairman of the Comptoir Savoyard de Distribution (CSD) Supervisory Board, chairman of simplified corporations Chamtour and Genevois Distribution, Société d'Exploitation Provencia, Provendis, Provencia Novel and Thônes Distribution, vice-chairman of the simplified joint-stock corporation (SAS) Stefano, CEO of the simplified joint-stock corporations Alpadistri, SAS Bernard, Douvaine Distribution, Duparc et Geslin, Proxima, Val4, Board member and chairman of SE Provencia board, Board chairman and CEO of Faraglia SA and SA Mitaz Distribution, and managing director of Sodevim SARL.

- **Alain Wirth** has been a PSB Industries director since 1984. His six-year term as director will come up for renewal in 2008. He is chief operating officer of PSB Industries SA, chairman of simplified joint-stock corporations CGL Pack Ancey, CGL Pack Service and CGL Pack Lorient, director of Baikowski SAS and Texen SAS, and legal representative of CGL Pack Service in his capacity as chairman of CGL Pack Chalon SAS.

The annual fee paid to directors is set at EUR50,000 for 2005. This amount is shared equally among the five directors. Only Mr. Bosson and Mr. Wirth received extra compensation on account of their operational roles within the Group companies.

Amount in euros	Compensation	Bonus	Non-monetary compensation	Fees	Total
M. Bosson	240,091	-	7,990	10,000	258,081
M. Wirth	172,076	56,560 (*)	11,054	10,000	249,690

(*) based on 2005 earnings as a return on capital employed

“General Management”

The management team is composed of a Chairman and Chief Executive Officer, Chief Operating Officer, Industrial Director, and Financial Director.

- **Jean-Baptiste Bosson** has been PSB Industries Chairman and Chief Executive Officer since 1991. An engineering graduate of the Ecole Centrale de Nantes with an MBA from Harvard Business School, he began his career in banking and finance.

- **Alain Wirth** took over management in 1974 of Cartonage et Gainerie de Loverchy, which specialized in making boxes for bracelet watches. During the 1980s, he diversified into thermoforming. The company, since renamed CGL Pack, joined PSB Industries in 1989 and is now the Group’s custom packaging branch. He has held the position of Chief Operating Officer since 1994.

- **Olivier Strich**, who has long experience in the automotive industry, joined PSB Industries in 1997 with the skills to organize the industrial capability of Group companies.

■ **Didier Mangin** , who holds a DESS (one-year post-graduate diploma) in Finance and an SFAF (Certified International Investment Analyst) diploma, joined PSB Industries in 1991, having held various finance positions in international industrial and commercial companies.

“Internal Control ”

(see the Chairman’s report p.10)

“External Control”

Names	Role	Length of term
Barbier Frinault et Autres (Ernst & Young)	Permanent Auditor	renewed in 2004 for 6 years
Mazars	Permanent Auditor	appointed in 2004 for 6 years
Pascal Macioce	Temporary Auditor	appointed in 2004 for 6 years
Philippe Bouillet	Temporary Auditor	appointed in 2004 for 6 years

“Ownership structure as at December 31, 2005”

Since 1984 industrial investors have held the majority of stock.

In compliance with section L.233-13 of the French Commercial Code, and taking into account information received under sections L.233-11 and L.233-12 of the same Code, we do declare that the principal shareholders or groups of shareholders are as follows :

Stock held	Voting rights (**)
Provendis (7.6 %)	Provendis (4.9 %)
SG France Opportunities (8.3 %)	SG France Opportunities (5.4 %)
Stock Picking France (8.3 %)	Stock Picking France (9.0 %)
The A. Wirth Family* (16.2 %)	The A. Wirth Family* (20.5 %)
The JC. Cachat Family* (17.8 %)	The JC. Cachat Family* (21.5 %)
The J. Entremont Family* (18.4 %)	The J. Entremont Family* (22.7 %)
Institution and the public (23.4 %)	Institution and the public (16.0 %)

(*) acting together

(**) registered stock held by the same owner for at least three years counts double for voting rights.

INVESTOR INFORMATIONS

“Our stock”

Corporate capital : EUR7,350,000

Number of Shares : 3,675,000

Capitalization on 12/31/05 : EUR129 million

Average volume traded per session : EUR39,000

Date initial public offering : 1955

Index : CAC Small 90 and CAC Mid & Small 190

Euronext Segment : Nextprime

Category : Continuous auction B

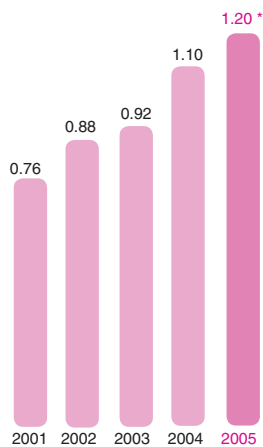
ISIN Code : FR0000060329

ICB Classification : 2000 (Industries)

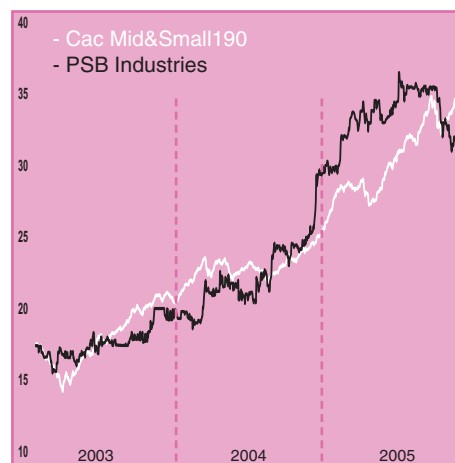
Reuters Code : PSBP.PA

Bloomberg Code : PSB FP

“Dividend progression”



“Stock value progression”



* amount will be proposed to the General Meeting in May 24, 2006

“Financial Calendar”

	Dates
Report of FY 2005 earnings. SFAF meeting	March 7, 2006
1st Quarter 2006 Sales	April 14, 2006
Shareholders' Meeting	May 24, 2006
Payment of dividend outstanding	June 1, 2006
2nd Quarter 2006 Sales	July 19, 2006
FY 2006 First half earnings. SFAF meeting	August 23, 2006
3rd Quarter 2006 Sales	October 13, 2006
4th Quarter 2006 Sales	January 12, 2007

“Other Sources of Information”

- The annual report, written in French and released at the meeting on the annual financial statements, is available on request and from the Company's website. A report in English is also available from the website.
- The www.psbindust.com website contains all the principal financial data and all press releases and reports published by the Company. The website also contains information on the Company's structure, its lines of business and the latest news.
- Analysts' meetings organized around the publication of the annual and half-yearly financial statements.
- Stockholder forums organized by Euronext and Oddo Midcap, in which PSB Industries takes part every year.
- The AMF (French stock exchange authority) website (www.amf-france.org) is updated regularly with our financial data.

THE CHAIRMAN'S REPORT

“I - The Internal Control Environment”

1 - Governance of the Company and the functioning of the Board of Directors

Organization and preparation of the Board's work

Information concerning the composition of the Board and the renewal of Directors' terms can be found on page 5 of the 'Corporate Governance' document

1.1 The functioning of the Board of Directors

The Board of Directors of PSB Industries makes its opinion known on all decisions concerning the major strategic, economic, employee-related, financial and technological policies of the Company and ensures that these decisions are carried out by business unit management.

The execution of decisions made by the Board of Directors and the general management of the Group are the responsibility of the Chairman of the Board.

The Board meets 10 times a year.

The attendance rate of Directors in 2005 was 90%.

Four of these Board meetings set forth the yearly and half-yearly financial statements or analyze quarterly results.

The other six are meetings at which Board members make decisions or set strategy concerning capital expenditures, equity divestments or investments and analyze various financial indicators.

In the course of these meetings, general management reports on significant events and operations that concern the Group.

The Directors receive monthly reports from general management, which presents indicators and ratios for the various businesses and companies, stock exchange activity on PSB Industries stock, and a press review concerning all Group entities.

At present, the Board of Directors does not include any independent directors in the strict sense of the term. However, most of the directors are individuals and shareholders with no operational role in the management of the Company. There are no Company rules of procedure

1.2 Possible limitation on the prerogatives of the Chairman of the Board

The Chairman of the Board is responsible for the general management of PSB Industries. The corporate bylaws do not provide for any limitation of his powers.

In the absence of a strategy committee, any important plans for strategic direction or external growth are given prior financial study in consultation with the heads of the businesses. If the project is accepted, it is presented to the Board of Directors of PSB Industries for study and approval.

However, the present general policy of the Group excludes any extension into new businesses.

1.3 Specialized committees

PSB Industries has no specialized committees

2 - Internal control environment and organization

2.1 Definitions and objectives of internal control

The objectives of PSB Industries concerning internal control are as follows :

- Ensure that the management's actions, the conduct of business and the behavior of individuals are in line with the defined policies set for the Company's businesses by the corporate bodies and by applicable laws and regulations as well as by the values, standards and internal rules of the Company,
- Verify that the accounting, financial and management data communicated to the corporate bodies truly reflect the operations and condition of the Company.
- Foresee and control risks resulting from the Company's business activities and the risks of errors or frauds, particularly in the accounting and financial fields,
- Provide reasonable assurance that the objective of safeguarding assets is taken into account and achieved,
- Implement and optimize operations and the overall performance of the Group.

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.

2.2 The general organization of the Group in the process of internal control

PSB Industries is organized around three business units, each having at its head an autonomous general management team responsible for implementing decisions taken by the Group's corporate management. The management of each business unit organizes and manages internal control in its allotted area in order to have reasonable assurance that the performance objectives given to it are achieved. These control activities are carried out at each hierarchical, functional and operational level of the particular business unit, and

include the delegation of authority, the setting up of internal monitoring and control measures, the evaluation of operating performance, the safeguard of assets and the separation of functions, where this is required.

The key participants involved in verifying the application of the internal control system are :

- The Board of Directors
- General Management
- Operational Management
- On-site Management
- The Risk Management Group in the head office and in the subsidiaries of PSB Industries through contact personnel
- Supervisory personnel on site

Because of the size and the organization of the Group, the formation of committees such as an audit committee has not been judged necessary.

Staff are generally trained to apply the principles of precaution and of risk management in the course of their daily activities

Within this organizational structure, the Parent Company is responsible for :

- The management of staff services such as consolidation and establishing accounting rules and procedures,
- Management of the reporting and planning systems for the transmission of accounting and financial data that allow for efficient business management at all organizational levels and the required responsiveness ensuring smooth operation of a decentralized organization,
- Establishing internal controls,
- Policy and management of insurance matters.

2.3 Organization and relations between the Board of Directors and General Management of the various business units as concerns the internal control process

All Group units are included in the Group's management cycle, which is made up of three fundamental components :

- **Budgeting** : each business units presents its budget to the parent company in November for approval. Capital expenditures and financial investments are included

in this process. Any commitment of funds not included in the budget authorization must be the subject of prior agreement at the appropriate level. The budget is expressed in monthly figures so as to serve as the benchmark for Group reporting.

- **Monthly reporting** : This is the major component of the control and financial information system; it is the principal tool for the monitoring, control and management of the Group by general management. Two days after the monthly close, all Group companies report their sales so that the level of business activity can be calculated rapidly. Five days after close, each company draws up a detailed income statement. These figures are first analyzed by the management committees of the corresponding business unit and then sent to the parent company for further analysis. As each unit has its own accounting department, all the reported figures are checked and centralized by the finance manager of the corresponding unit.

- **The monthly business review** : This is one of the key items in the Group's control and management system. Its principal objective is to ensure that actions undertaken are in line with the ambitions of the Group. The review meeting takes place every month between the general management of the Group and management of the subsidiaries. Major issues are discussed in the course of these meetings: monthly performance, changes in working capital requirements, capital expenditures and updating of forecasts.

Administrative functions such as marketing, IT, accounting, sales management and human resource management are decentralized, and each business unit is autonomous in these matters.

“II - Risk Management”

1 - Identifying risks

The principal objective of this project has been risk management – human, industrial, environmental, commercial, financial, legal and IT risk. To achieve this objective, PSB Industries has recruited intermediary staff from the subsidiaries, who form an internal risk management team within the Group.

The team has listed potential risks in each company, ranking and mapping for each business unit according to their likelihood and their impact. It then set about drawing up action plans for the risks identified as most serious. Risk mapping and the follow-up on recommendations are updated by the risk management team in order to take into account regulatory, technological, business and environmental changes.

This analysis is then benchmarked with that of the Group's outside auditors.

Risks identified at the subsidiary level relate to competition, supply, customer bankruptcy, product quality, the environment, loss of key employees, fire and more generally the safety of the production environment, IT, and interest and exchange rates.

The risks judged to be most serious are competition, the environment, fire, and interest and exchange rates. They are judged according to both their likelihood and their impact.

2 - Risk management

PSB Industries has set in motion a range of actions to deal with these risks and established or strengthened several strategies.

- As far as competition is concerned, PSB Industries' aim for several years has been to improve productivity, develop tailored offerings, and adhere to the principles of Total Quality Management (TQM), in order to offer its customers the best possible price/quality service. This is supported by a dynamic ongoing industrial research and innovation strategy.
- As regards environmental risk, in 2004 PSB Industries hired two specialist firms to carry out an audit of all Group companies. Specific conclusions were drawn up and corrective actions were implemented so that each Group facility was brought into line with the latest environmental and monitoring regulations. In late December 2005, one facility (CGL Pack Lorient) obtained ISO14001 certification.
- Although the risk of fire is fairly low, its impact is obviously great. To reduce its likelihood, PSB Industries trains its units to be aware of any situation which may encourage fires and to limit fire damage, fits its buildings with fire-fighting devices (sprinklers, fire doors, etc.) and tries to increase the versatility of its facilities. The versatility solution has proved effective in the past.
- Legal and financial risk management is the responsibility of the corporate officers in each company, under supervision of the parent company, which is alerted in case of a dispute or litigation and undertakes the necessary steps as applicable.

An uncapitalized partnership (GIE) called PSB Trésorerie drawn from all PSB Industries subsidiaries sets out the options and directions for PSB Industries as regards financing and hedging of interest and exchange rates :

- Fifty-eight percent of the financial debts of PSB Industries' companies are at a variable rate. The treasury GIE partnership arranges all hedges against interest rate

risk. On 12/31/2005, 76% of variable rate debt was hedged.

- Regarding dollar risk, the most exposed company hedges its sales for at least one year either by using financial instruments or with purchases denominated in USD (mostly raw materials).

Raw material price risk

The chief materials used by the Group are polypropylene, polystyrene, PVC and PET. The Group does not use hedging contracts for these raw materials; actually hedging instruments do not exist except for polypropylene and PET.

Our customers are perfectly aware of the share of materials in the sale price. This transparency enables us to negotiate when there are fluctuations in the polymers market.

Energy price risk

Subsidiaries which are large consumers of gas or electricity can fix the kilowatt-hour price annually in order to limit fluctuations.

PSB Industries' risk-management objectives are to :

- Update the risk maps, identifying new or overlooked sources of risk,
- Continue to take preventative and corrective actions,
- Spread best practice to all Group companies,
- Create an IT charter setting out everyone's rights and obligations to preserve confidentiality and security of data and information systems.

“III - Creating and Processing Accounting and Financial Data”

PSB Industries' internal control system for the creation and processing of accounting and financial information aims to ensure :

- Adherence to current accounting standards and principles ,
- Monitoring of the creation of financial information ,
- Reliability of financial information reporting by subsidiaries and its central handling by the Group,
- The handling of complex accounting operations is planned in advance,
- Accounts closing and accounting reporting is fast and effective.

The key players involved in the internal accounting and financial control system are general management and corporate and business unit finance departments.

Planning the coordination between the various PSB Industries business units and functions, improving the quality of forecasts and increasing control over financial processes, as well as planning for and speeding up the accounts closing process – these are all key aspects of the progress the Group has made in terms of closing accounts.

Beside the monthly reports filed as part of internal control, each quarter PSB Industries prepares consolidated financial statements, with the same standards as the half-yearly and annual financial statements. By the 12th day after close, the company accountants in the various businesses send the consolidation packages – produced by a shared consolidation tool which is linked in to each accounting department – to the corporate finance department. The central consolidation team checks the packages, validates the consolidation processing and analyzes the consistency of the consolidated data with the monthly reporting data.

In 2005, all the PSB Industries Group financial and accounting teams worked very hard to make the shift to IFRS.

This work was useful, firstly in updating the consolidation manual and the cost accounting chart of accounts and secondly for establishing a common reference system for all Group companies. Beginning December 31, 2005, the annual consolidated financial statements have been produced straight into IFRS.

The corporate and business unit finance departments also rely on other procedures, either shared by all Group companies or specific to each business unit. These involve among other things capital expenditures, purchasing, sales, inventories and power of signature.

To reinforce the internal monitoring carried out by PSB Industries and to check that prevailing accounting principles and standards are being correctly applied, Group companies' financial statements are verified at least twice a year by a firm of certified public accountants.

The firms of ERNST & YOUNG and MAZARS are PSB Industries' statutory auditors. As part of their task of account certification, they look at the accounting and internal control systems in order to evaluate the audit risk. At this time they make recommendations on the internal control procedures and systems which could have an impact on the quality of accounting and financial data.

The PSB Industries Group companies are instructed to take these recommendations

into account in an ongoing effort to improve process reliability.

PSB Industries continues to follow its initial action plan in making continual internal monitoring improvements, which will lead to clear benefits in the medium term

“IV - Development of the internal control system”

PSB Industries' 2006 objectives for monitoring the creation and processing of accounting and financial data are as follows :

- Internal control of foreign companies
- Increasing the level of computerized internal control in 2006 by means of a new consolidation tool used in the monthly reporting and budgeting stages. This move will also enable better lead times and provide a single database for the Group's information system.

STATUTORY AUDITORS' OPINION ON THE REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

Drawn up in application of article
L.225-235 of the French Commercial Code

To the Shareholders ,

In our capacity as Statutory Auditors of PSB Industries and as required by the provisions of article L. 225-235 of the French Commercial Code, we hereby present our report on the report prepared by the Chairman of the Board of Directors of the Company, in accordance with article L. 225-37 of the French Commercial Code, for the year ended December 31, 2005.

In his report, the Chairman of the Board of Directors is required to comment on the conditions applicable for the preparation and organization of the work carried out by the Board of Directors and the internal control procedures implemented within the Company.

Our responsibility is to report to shareholders our comments on the information contained in the Chairman's report, concerning the internal control procedures related to the preparation and processing of accounting and financial information.

We have carried out our work in accordance with the professional guidelines applicable in France. Those guidelines require that we take measures to evaluate the genuineness of information presented in the Chairman's report, concerning the internal control procedures related to the preparation and processing of accounting and financial information.

These measures involve in particular:

- examining the general organization and objectives of the Company's internal control system and the internal control procedures covering the preparation and processing of accounting and financial information, as described in the Chairman's report; and
- examining the work which underlies the information given in the report.

On the basis of these examinations, we have no comment to make on the information concerning the Company's internal control procedures covering the preparation and processing of accounting and financial information, as contained in the report of the Chairman of the Board of Directors, prepared in accordance with the final paragraph of article L. 225-37 of the French Commercial Code.

Villeurbanne and Neuilly sur Seine, February 27, 2006

MAZARS

Jean-François Metz Max Dumoulin

BARBIER FRINAULT & AUTRES

Ernst & Young
Nicolas Job

MANAGEMENT REPORT

To the shareholders,
We have called this regular shareholders' meeting, in accordance with article 44 of our bylaws and in compliance with law, to present to shareholders the results of the financial year ended December 31, 2005.

The statutory auditors' reports, the discussions of accounting principles and consolidation policies, as well as the extracts from the notes below, will provide shareholders, we hope, with all the information they need to assess the state of the Company

“Consolidated Financial Statements”

After strong growth in 2004 (up 13.2% like-for-like and up 9.2% at current data), also a record year in terms of operating profitability (10.5% of sales), the 2005 financial year took place in a less favorable environment, particularly due to the sharp rise in the cost of raw materials, energy (in Europe as well as the United States) and transportation.

Coming off that record year and into more difficult circumstances, PSB Industries' management teams responded well enough that FY2005 ended with sales of EUR182.6 million, up by 6%, and an operating profit of EUR17.0 million, or 9.3% of sales.

Cosmetics/Perfume Packaging and Specialty Chemicals, which had attained growth of nearly 20% in 2004, again largely contributed to the growth in 2005, at rates of around 10%, while Custom Packaging again experienced a year of near stagnation. The net cost of financial debt was EUR2.4 million and represented 1.3% of sales. Fifty-eight percent of debt was at a variable rate, and 76% of this was capped. For example, a rise of 200 basis points in the 3-month Euribor would mean, all else being equal, a change of EUR0.5 million in financial earnings.

The net profit attributable to PSB Industries was EUR8.9 million, or 4.9% of sales, to be compared with 2004 IFRS earnings of EUR9.7 million (5.6% of sales). One is reminded that the net profit attributable to the Group in 2004, published according to French accounting standards, was EUR7.5 million or 4.4% of sales.

Free cash flow was EUR24,5 million or 13.4% of sales.

Net capital expenditures were EUR19.1 million, representing 10.5% of sales. They were particularly high in the specialty chemicals business (15.8% of sales), capacity investments being added throughout the year to those already planned for.

Net indebtedness was EUR56.3 million, of which EUR10.6 million related to leasing operations, representing 91% of equity or a little over two years' free cashflow.

Baikowski (Specialty chemicals)

achieved consolidated sales of 36.0 million in 2005, up 10.2%, helped by the increase in the lighting markets. This growth, following on an increase of more than 20% the previous year, generated severe bottlenecks and an overall lack of production capacity. So as not to overly penalize our customers, we decided to deliver by air (reducing delivery time compared to transport by boat to the United States and Japan) and we also began construction of a new furnace halfway through the year, which should be operational in the second quarter of 2006.

The operating profit was 4.4 million, or 12.1% of sales, slightly down from the 14.3% of 2004. This difference can be explained simply by the rise in energy costs and by extraordinary transportation costs.

Depreciation expense was 3.1 million and capex rose to 5.7 million. This mainly related to construction of a new water treatment plant, 50% joint investment in the Condrieu facility to secure supply-line production of raw materials, the completion of an assay furnace to be used in new product development, as well as the new furnace mentioned above.

Considering the growth forecasts in our markets, particularly with our big global lighting customers, a new and significant investment program was planned for 2006 with the aim of increasing total production capacity by around 70% at the Annecy facility in the first half of 2007.

Texen (Cosmetics-Perfume Packaging)

achieved consolidated sales of EUR104.8 million in 2005, up 8.4%, following a previous increase in 2004 of 20.6%.

The year was marked by numerous product launches, such as L'Oréal's Volume Shocking and new mascaras for Lancôme, and developments with new customers like Kenzo, as well as entry into the lipstick market with Coty (Rimmel), which gives Texen a presence in every segment of the high-growth makeup market.

Moreover, the end of the year saw a swelling of the order book at our Mexican subsidiary, whose business should double in 2006.

The operating profit was EUR9.5 million, or 9.0% of sales. The year was marked by large increases in the cost of raw materials and these earnings were high in comparison with those posted by our main competitors.

Depreciation expense ran EUR10.0 million and capital expenditures were maintained at more than 10% of sales, as new markets were in need of substantial automation of manufacturing processes. These investments also included those undertaken to double the size of the Mexican operation.

CGL Pack (Custom packaging)

achieved consolidated sales of EUR41.9 million, down 3.0% from the previous year. The sharp increase in raw materials had a negative impact on the operating profit. This nevertheless reached EUR3.2 million or 7.6% of sales. Depreciation was EUR1.7 million.

The financial year saw two very different halves, with a sluggish first half, while in the second CGL Pack experienced a slight upturn.

The decision to invest in a first extrusion line (operational since mid-2005) has proved wise, and a second line will be launched in 2006. The facility was built for this purpose in 2005 and was designed from the start to be able to house this new investment.

PSB Industries' Outlook for 2006

PSB Industries' objectives for 2006 are to achieve an increase in sales of 5% with a level of operating profit at about 10% of sales.

The financial year will also be marked by a high level of investment in the specialty chemicals business.

Post-closing events

N/A

“Parent Company Financial Statements”

In its corporate financial statements, since January 1, 2005 the parent company has applied the new accounting rule on the definition of assets, amortization and depreciation laid down by regulations CRC 2002-10 and CRC 2004-06. As this is the first time this has been used, it constitutes a new accounting method.

Furthermore, in application of advisory CU CNC no. 98-D, company shares held by PSB Industries subject to a liquidity contract have been reclassified in the parent company financial statements at December 31, 2005 as long-term financial assets.

The Shareholders' Meeting, at the Board's recommendation, approved the following application of net income from the financial year, totaling EUR4,414,193.81 :

Distribution of the amount of	EUR 4,410,000.00
in shareholder dividends represents :	
Net income from the financial year	EUR 4,114,193.81
Retained earnings 2004	EUR 174,751.60
Amount deducted from other reserves	EUR' 121,054.59

Given that an interim dividend of EUR0.55 per share has already been distributed on January 31, 2006 (i.e., total payment of EUR2,021,250) in accordance with a decision of the Board of Directors on October 24, 2005, only the balance of EUR0.65 per share remains due (i.e., a total payment of EUR2,388,750). This will be paid on June 1, 2006.

In application of article 158.3 (paragraph 3.2°), for the calculation of income tax, the aforementioned dividend is eligible for a deduction of 40%.

In accordance with the provisions of article 243(a) of the French General Tax Code, the Shareholders' Meeting declared that the following dividends were declared for the preceding three financial years:

(in euros)	2002	2003	2004
Net dividend per share	0.88	0.92	1.10*
Tax credit	0.44	0.46	-*
Total yield	1.32	1.38	1.10*

*In application of article 158 (paragraph 3.2°), for the calculation of income tax, said dividend is eligible for a deduction of 50%.

“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 to cover social and environmental information relating to our activities.

PSB Industries is very concerned about respect for the environment.

Energy consumption was 150 GWh of gas (148 GWh in 2004) and 63 GWh of

electricity (60 GWh in 2004). PSB Industries does not use solar or other renewable energies.

Water consumption was 185,000m³ (196,000m³ in 2004). Industrial waste water is not generally accepted by community purification plants. Before returning to the natural environment, this water undergoes physical-chemical treatment to clean it. For several years now, PSB Industries has implemented a waste recycling policy. Most waste is recycled either internally or externally. Non-recyclable waste is removed and destroyed by authorized organizations.

“Employee Data”

Key employee data for the 2005 financial year :

Total workforce	1,242
Part-time workforce	38
Temporary workforce	137
Number hired on long-term contracts (*)	131
Number hired on short-term contracts	37
Number leaving (except dismissal)	117
Number of dismissals	35
Number of days' absenteeism	13,451
Total payroll excl. charges (000s)	32,160
Number of workplace accidents	67
Training expense (000s)	1,227
Number of training hours	11,705
Number of disabled individuals	27
Use of a disabled employment center (CAT)	yes
Use of incentive schemes	yes

“Risk Factors”

[Interest rate and currency risk](#)
[\(see Chairman's report p.14\)](#)

Management of the Group's interest rate and currency risk 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. The risk management strategy addresses our objectives of security, liquidity, and profitability. We do not speculate and we only take positions which are not likely to involve significant risk.

Sales made by French companies in foreign currency rose in 2005 to US\$11 million and ¥468 million. These sales were mainly made by the specialty chemicals business unit, which systematically hedges using options or forward contracts.

PSB Industries' consolidated debt is made up partly of variable rates, mainly indexed to the 3-month Euribor, and partly of fixed rates (note 15).

The target variable/fixed rate ratio is determined by changes in indebtedness (repayments and new debt), and by forecast interest rate changes. Interest rate risk management is centralized.

Equities Risk

PSB Industries' stock portfolio is limited to subsidiaries and consolidated interests (note 4), and is therefore not of a speculative nature.

Country risk

Although more than half of PSB Industries' business is 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.

Industrial risk related to the environment

(see Chairman's report p.14)

Due to the nature of its activities, 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 at the end of 2004 by the firms Antea and URS. The areas of non-conformity identified, whether administrative, technical or industrial, were addressed during FY2005, apart from two facilities needing authorization where requirements are now being met.

Because of the volumes processed and consumed and power used, six PSB Industries

facilities are subject to control by the French DRIRE (regional environmental research agency) or equivalent bodies for foreign subsidiaries.

Since no risk is currently identified, no provisions for environmental risk are made in the PSB Industries financial statements.

“Other Information”

Ownership structure as at December 31, 2005 (see p.7)

Authorization to buy back stock

Following authorization from the Regular Shareholders' Meeting on May 26, 2005 (Fourth resolution), we inform shareholders that we currently hold as at December 31, 2005, 47,023 shares in the Company worth an average of EUR31 each. During the financial year, the company bought 37,292 shares for an average price of EUR33.19 and sold 50,348 shares for an average price of EUR33.46.

We recommend that shareholders again authorize the company to deal in its own stock, under the provision of articles L. 225-209 ff of the French Commercial Code, in order to:

- buoy the stock price as part of a liquidity contract with an investment services provider;
- and purchase shares in order to conserve them and later use them in exchange or in payment in an external growth strategy.

The amount of stock held for the purposes of the present authorization shall not exceed 10% of corporate capital, or 367,500 shares.

Stock purchases for the purposes of this authorization as well as subsequent resale shall be carried out with the following limitations:

The maximum purchase price may not exceed EUR50 per share, and the minimum resale price may not be less than EUR25 per share.

Considering the maximum purchase price per share, the overall maximum amount allotted to the buy-back of stock shall not exceed EUR18,375,000.

The present authorization is valid for 18 months from the date of the present meeting. It annuls and supersedes the previous authorization.

Stock Price over the preceding 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 :

	2001	2002	2003	2004 IFRS	2005 IFRS
Number of shares on 12/31	3,675,000	3,675,000	3,675,000	3,675,000	3,675,000
Year-end price	17.90	17.72	19.30	29.98	35.00
Shareholders' equity per share	12.24	13.15	13.18	15.30	16.83
Earnings per share (*)	1.13*	2.31*	1.35*	2.68	2.46

(*) Not restated for treasury stock

Directors' fees

We recommend that the total amount of directors fees to allocate to Board members in 2006 be set at EUR60,000.

List of terms of office and appointment of corporate officers (see Corporate Governance p.5)

Review of terms of office of Board members

The Supervisory Board has reviewed the terms of office of the Board members and concludes that no term is up for renewal at the next Shareholders' Meeting.

Corporate Governance (see Chairman's Report p.10)

Research and Development

PSB Industries devotes the resources necessary to developing its expertise and enabling it to find appropriate solutions to the needs of its customers, who have extremely high quality expectations and are at the cutting edge in terms of innovation. These solutions relate to different areas, whether they be materials themselves, technology or processes. This applies to every market segment in which PSB Industries operates.

In the financial year 2005 research and development expenses were EUR2.7 million

(EUR2.3 million in 2004) excluding cooperation in the form of joint development with customers.

A few examples will give an idea of the innovative character of PSB Industries:

- 2005 innovation award for a divisible, multi-portion packaging design,
- Formulating a polish for luxury cars,
- Introduction of a mass market lipstick using fewer ingredients.

CONSOLIDATED BALANCE SHEET

(EUR 000's)

	Dec.31,2005	Dec.31,2004
Non-current assets		
Tangible fixed assets (note 6)	80,744	75,378
Goodwill (note 5)	21,825	23,235
Intangible fixed assets (note 5)	176	252
Fixed assets accounted for by the equity method (note 7)	1,431	1,098
Long-term financial assets (note 8)	685	865
Deferred tax assets (note 29)	1,009	406
Total non-current assets	105,870	101,234
Current assets		
Inventory (note 9)	28,318	24,081
Trade and related receivables (note 10)	42,404	41,081
Prepaid income taxes	182	1,131
Other credits (note 11)	5,534	6,017
Cash and equivalents (note 12)	12,186	10,910
Total current assets	88,624	83,220
Assets held for sale (note 13)	711	-
Total assets	195,205	184,454

Off-balance sheet obligations (note 21)

	Dec.31,2005	Dec.31,2004
Shareholders' equity (note 14)		
Corporate capital	7,350	7,350
Premiums	10,122	10,122
Reserves	34,901	29,668
Translation gains/(losses)	394	(571)
Period earnings	8,917	9,653
Equity attributable to the Group	61,684	56,222
Minority interests	-	-
Total shareholders' equity	61,684	56,222
Non-current liabilities		
Long-term financial debt	33,038	28,718
Put options granted to minority shareholders	7,257	7,924
Financial liability of more than one year (note 15)	40,295	36,642
Deferred tax liability (note 29)	2,661	3,188
Provisions for pensions and similar benefits (note 16)	2,865	2,528
Other non-current liabilities	-	-
Total non-current liabilities	45,821	42,358
Current liabilities		
Trade and related payables	26,423	25,126
Financial debts of less than one year (note 15)	35,438	34,497
Current income tax accrued	1,566	2,255
Other debts (note 19)	23,226	22,886
Provisions for risks and current expenses (note 17)	1,047	1,110
Total current liabilities	87,700	85,874
Total liabilities	195,205	184,454

Off-balance sheet obligations (note 21)

INCOME STATEMENT

(EUR 000's)

	Jan.01, 2005 to Dec.31, 2005	Jan.01, 2004 to Dec.31, 2004
Sales (note 30)	182,618	172,221
Cost of goods sold (note 23)	(140,828)	(128,525)
Research and development expenses (note 24)	(2,662)	(2,274)
Selling and distribution expenses	(9,950)	(8,841)
Administrative expenses	(12,501)	(13,318)
Other operating income and expenses (note 27)	359	(1,185)
Net operating income	17,036	18,078
Net cost of financial indebtedness (note 28)	(2,407)	(2,263)
Other financial income and expenses (note 28)	(292)	27
Taxes (note 29)	(5,056)	(5,486)
Net income from equity investment attributable to the Group (note 7)	333	174
Annual consolidated net income	9,614	10,530
Consolidated net income attributable to minority interests	(697)	(877)
Consolidated net income attributable to the Group	8,917	9,653
Earnings in euros per share (note 22)	2.46	2.68
Fully diluted earnings in euros per share (note 22)	2.46	2.68

STATEMENT OF CONSOLIDATED CASH FLOWS

(EUR 000's)

	Jan.01, 2005 to Dec.31, 2005	Jan.01, 2004 to Dec.31, 2004
Net income attributable to Group	8,917	9,653
Net income attributable to minority interest	697	877
Fixed asset depreciation and amortization	14,792	14,362
Net provision allowances	95	441
Net income attributable to joint ventures	(281)	(142)
Net cost of financial indebtedness and dividend received	2,337	2,231
Current and deferred taxes	5,056	5,655
Gains/losses on sale of assets net of corporate tax	(818)	190
Other non-fund changes	(54)	(715)
Change in working capital requirement	(2,649)	(316)
Taxes paid	(5,925)	(3,458)
Net cash flow from operations	22,167	28,778
Net operating investment	(19,138)	(20,438)
Change in fixed asset credits and debts	(911)	811
Net financial investment/disinvestment	514	(6,307)
Cash investment income	160	241
Dividends received	53	32
Net cash flow from/for investment activities	(19,322)	(25,661)
Treasury stock	169	198
Dividends to parent company shareholders	(3,983)	(3,319)
Dividends paid to minority shareholders in integrated companies	(285)	(136)
Increase in financial liabilities	22,891	12,738
Decrease in financial liabilities	(17,947)	(18,195)
Interest paid	(2,549)	(2,504)
Net cash flow from/for financing	(1,704)	(11,218)
Impact of currency rate changes	135	48
Change in cash	1,276	(8,053)
Beginning cash position	10,910	18,963
Ending cash position	12,186	10,910

CHANGE IN CONSOLIDATED SHAREHOLDERS' EQUITY

(EUR 000's)

	Capital	Premium	Reserves	Currency gains/losses	Other reserves	Total	portion minority interests
As at 01/01/2004	7,350	10,122	37,299	-	1,480	56,251	5,315
Cash Flow Hedge	-	-	-	-	(743)	(743)	-
Interest-rate swap	-	-	-	-	-	-	-
Gain/loss on treasury stock	-	-	-	-	139	139	-
Expenses and income recorded as equity	-	-	-	-	(604)	(604)	-
Net income for period	-	-	10,530	-	-	10,530	877
Total expenses and income	-	-	10,530	-	(604)	9,926	877
Change in scope	-	-	(5,247)	(41)	-	(5,288)	(5,315)
Translation gain/loss	-	-	-	(530)	-	(530)	-
Dividends paid	-	-	(3,455)	-	-	(3,455)	(136)
Treasury stock	-	-	-	-	59	59	-
Minority puts	-	-	(741)	-	-	(741)	(741)
As at 31/12/2004	7,350	10,122	38,386	(571)	935	56,222	-
Cash Flow Hedge	-	-	-	-	(590)	(590)	-
Interest-rate swap	-	-	-	-	12	12	-
Gain/loss on treasury stock	-	-	-	-	554	554	-
Expenses and income recorded as equity	-	-	-	-	(24)	(24)	-
Net income for period	-	-	9,614	-	-	9,614	697
Total expenses and income	-	-	9,614	-	(24)	9,590	697
Change in scope	-	-	(28)	(26)	-	(54)	-
Translation gain/loss	-	-	-	991	-	991	-
Dividends paid	-	-	(4,268)	-	-	(4,268)	(285)
Treasury stock	-	-	-	-	(385)	(385)	-
Minority puts	-	-	(412)	-	-	(412)	(412)
As at 31/12/2005	7,350	10,122	43,292	394	526	61,684	-

	Land revaluation	Financial hedging instruments	Treasury stock	Total other reserves
As at 01/01/2004	1,159	1,453	(1,132)	1,480
Cash Flow Hedge	-	(1,139)	-	(1,139)
Deferred tax on Cash Flow Hedge	-	396	-	396
Interest-rate swap	-	-	-	-
Deferred tax on interest-rate swap	-	-	-	-
Gain or loss on treasury stock	-	-	210	210
Deferred tax on treasury stock	-	-	(71)	(71)
Expenses and income recorded as shareholders' equity	-	(743)	139	(604)
Treasury stock	-	-	59	59
As at 31/12/2004	1,159	710	(934)	935
Cash Flow Hedge	-	(892)	-	(892)
Deferred tax on Cash Flow Hedge	-	302	-	302
Interest-rate swap	-	18	-	18
Deferred tax on interest-rate swap	-	(6)	-	(6)
Gain or loss on treasury stock	-	-	832	832
Deferred tax on treasury stock	-	-	(278)	(278)
Expenses and income recorded as shareholders' equity	-	(578)	554	(24)
Treasury stock	-	-	(385)	(385)
As at 31/12/2005	1,159	132	(765)	526

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 30.

The Group's consolidated financial statements were prepared by the Board of Directors on February 24, 2006. They will be submitted to the Annual Shareholders' Meeting for approval on May 24, 2006.

2/ First-time adoption of IFRS

Under the first-time adoption of the international accounting standard, IFRS 1 provides for options and exemptions which may be applied when preparing financial statements as of January 1, 2004 (the transition date).

PSB adopted the following options and exemptions as of January 1, 2004 :

- Business combinations prior to January 1, 2004 have not been restated ;

- The accumulated translation gains and losses appearing in the Group's shareholders' equity as at January 1, 2004 was cancelled on the transition date ;

- Fair value was adopted as the assumed cost for certain land. This valuation by an independent consultant valued the asset using as a reference transactions relating to comparable assets. The appraiser referred to the market, noted what it was doing, the prices obtaining, market activity and what motivated market participants.

- This option was not adopted, however, for all land and the other tangible assets were maintained at their historical cost ;

- Actuarial discrepancies relating to pension commitments accumulated at IFRS transition date were accounted for fully in the balance sheet as of January 1, 2004. Standards IAS 32 and 39 must in future be applied with effect from January 1, 2005. However, PSB Industries has opted to apply these standards early from January 1, 2004. PSB Industries has also anticipated the amendment to IAS 39 on cash flow hedging under future intra-Group transactions.

Reconciling shareholders' equity and income

	Explanatory note.	01/01/04	Change in scope	Dividend	Translation gain/loss	Net income	Other movements	12/31/04
Shareholders' equity in French accounting principles		54,633	(4,891)	(3,455)	(422)	8,168	-	54,033
Treasury stock	2.7	(1,132)	-	-	-	(139)	198	(1,073)
Amortization of tangible assets	2.8	3,673	-	-	-	818	2	4,493
Fair value valuation of land	2.1	1,159	-	-	-	6	-	1,165
Put options held by a minority group	2.3	(1,655)	-	-	-	(119)	(740)	(2,514)
Personnel benefits	2.6	(1,792)	-	-	10	323	-	(1,459)
Financial instruments	2.2	1,453	-	-	-	64	(743)	774
Goodwill amortization	2.5	-	-	-	-	1,344	-	1,344
Correction of goodwill	2.4	-	-	-	-	-	-	(424)
Other		(88)	(424)	-	(86)	65	(8)	(117)
Shareholders' equity in IFRS standards		56,251	(5,315)	(3,455)	(498)	10,530	(1,291)	56,222
Portion minority interest		5,315	(5,315)	(136)	-	877	(741)	-

Portion minority interest

2.1 Fair value land valuation

Fair value was used as the assumed cost for certain land. This option was not, however, adopted for all land, and the other tangible assets were maintained at their historical cost.

2.2 Financial instruments

PSB Industries decided to apply in advance the standards IAS 32 and IAS 39 in its opening balance sheet and in the consolidated financial statements ended December 31, 2004.

Unlike French principles, all financial instruments must be carried on the balance sheet at their fair value regardless of whether or not they enter into a hedging relationship which may qualify under standard IAS 39.

The accounting impact of changes in fair value of these instruments may be summarized thus :

- If there is a hedging relationship, then for the effective portion:

 - «Fair value» hedges impact net income .

 - «Cash flow» hedges impact shareholders' equity

- If it is not a qualified hedge or is the ineffective portion of a hedge:

The impact is on net income.

2.3 Sales options held by a minority owner

In anticipation of a final position by IFRIC on how to account for these operations, a financial liability corresponding to the present value of the exercise price of these options was recorded, offset by a decrease in minority interests with the resulting balance as goodwill.

2.4 Correction of goodwill

The fair value of minority interests acquired in 2004 has been modified to take account of IRFS restatements of the balance sheets of acquired companies.

This has led to a modification of goodwill.

2.5 Goodwill amortization

PSB Industries amortized its goodwill on a straight-line basis. Standard IFRS 3 has dropped goodwill amortization and introduced mandatory, systematic depreciation tests in accordance with revised standard IAS 36.

Dropping goodwill amortization has had a favorable impact on income for the 2004 period.

In consideration, PSB Industries is now testing systematically all its goodwill by the discounted cash flow method.

2.6 Personnel benefits

PSB Industries has surveyed :

- Obligations for pensions and similar benefits covered by standard IAS 19.

This involves post-employment benefits which include in particular retirement payments and supplemental pensions as well as other long-term benefits (during

employment), chiefly awards for long service

- Payments in stock covered by standard IFRS 2

This is an incentive scheme available only to certain Group managers.

2.7 Treasury stock

The PSB Industries shares held for the purpose of regularizing the share price have been entered into the balance sheet assets under the French principle, whereas under the IFRS principle treasury stock is charged as a reduction in equity, just like gains or losses on sale of treasury stock, which thus have no effect on the income statement.

2.8 Depreciation of tangible assets

Standard IAS 16 provides for a tangible asset being depreciated over its economic life. Applying this principle has meant increasing depreciable life and is reflected as a lower depreciation expense on the income statement and as an increase in net tangible assets.

Reconciling the cash flow table

	French accounting principles		IFRS Ajust.				IFRS
	from 01/01/2004 to 12/31/2004	2.9	2.10	2.11	2.12	from 01/01/2004 to 31/12/2004	
Net cash flow from/for operations	27,465	2,231	(139)	(811)	32	28,778	
Net cash flow from/for investments	(26,745)	273	-	811	-	(25,661)	
Net cash flow from/for financing	(8,880)	(2,504)	198	-	(32)	(11,218)	
Impact of currency rate fluctuation	48	-	-	-	-	48	
Change in cash	(8,112)	-	59	-	-	(8,053)	
Beginning cash position	20,095	-	(1,132)	-	-	18,963	
Ending cash position	11,983	-	(1,073)	-	-	10,910	

2.9 The net financial costs are reclassified as investment activities for the part relating to dividends received and as financing activities for the balance.

2.10 The treasury stock, previously classified as cash in hand are classified as financing activities, as are the net gains or losses (previously classified as operating activities).

2.11 Fixed asset debts and credits are reclassified as investment activities.

2.12 This heading covers certain discrepancies with little impact.

PSB Industries published an IFRS 2004 Annual Report with detailed notes and tables about the changeover.

This Report is available on the PSB Industries website (www.psbindus.com) or from the Company upon request.

Only one modification has been made to this published document. It has no effect on the 2004 IFRS financial statements and concerns note 2.16 in the 2004 Report. The Group has decided to use the corridor method to account for actuarial discrepancies.

3/ Accounting principles

3.1 Declaration of conformity

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

3.2 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 the historical cost except for the following assets and liabilities which are stated at their fair value:

- derivative financial instruments,
- investments held for trading,
- assets held for sale,
- and fair-value hedged assets and liabilities.

Current and non-current assets and liabilities

Assets intended to be disposed of or consumed during the normal course of operations, assets held with a view to their sale within twelve months of yearend and cash and cash equivalents are included in current assets. All other assets are non-current.

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

3.3 Summary of significant judgments and estimates

■ Accounting estimates

The main assumptions about future events and other sources of uncertainty due to necessary estimates made at the closing date, where there is major risk of material change in the net values of assets and liabilities during a subsequent financial year, concern the amortization of goodwill.

The Group checks the need to amortize goodwill at least once a year. For this, the value-in-use of the units generating the cash to which the goodwill is allocated has to be estimated. To determine the value in use, the Group has to estimate future cash flows expected from this cash-generating unit and also determine adequate discount rate to calculate the present value of these cash flows. More detail is given in note 5.

■ Judgment

To prepare financial statements in accordance with Group methods, management has made assumptions in addition to those that require estimates :

- Cash and cash equivalents :

This item includes mutual money market funds, some of which do not satisfy the AMF euro monetary classification. Given the risk profile and the absence of capital risk of these mutual funds, management has concluded that they may be classified under «Cash and cash equivalents.»

- Non-current assets held for sale :

The management considered the asset sales program sufficiently far advanced for it to meet the criteria of standard IFRS 5 relating to non-current assets held with a view to being sold.

3.4 Consolidation principles (IAS 27)

■ Subsidiaries

Subsidiaries are companies controlled by the Group. Control exists when the Group

holds the direct or indirect power to manage the financial and operating policies of the Company 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 had 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 agreement.

Joint ventures are recorded in the consolidated balance sheet under the equity method of accounting, under which the Group's holding in the joint venture is shown in the balance sheet as an amount equal to the Group's share of the entity's net assets.

The financial statements of the joint venture are included in the consolidated financial statements with effect from the date when joint control starts until the date it ceases.

- Operations eliminated through consolidation

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

Internal profits resulting from transactions with joint ventures are eliminated prorata with the Group's interest in such entities and recorded as deductions from the investment.

Note 4 provides a full list of the consolidated Group companies as at December 31, 2005.

3.5 Business combinations

Since January 1, 2004, the Group has applied standard IFRS 3 - Business combinations.

- Goodwill

In application of standard IFRS 3 :

- A positive difference between the cost of an acquisition and the acquirer's interest in the fair value of the identifiable assets, liabilities and potential liabilities is recorded as goodwill and carried as an asset. Such positive difference is no longer amortized

but is reviewed at each closing date to identify any losses in value.

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

- **Stepped acquisitions**

When a combination (acquisition) is completed by successive purchases, each transaction is considered separately by using the cost of the transaction, the fair value of the assets, liabilities and potential liabilities identified at each transaction date to determine the goodwill generated by this purchase.

- **Minority interests**

Minority interests are carried based of the fair value of the net assets acquired.

3.6 Translation methods

- **Transactions in foreign currencies**

Transactions in foreign currencies are converted into euros at the foreign exchange rate in force as of the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies the closing date are converted at the exchange rate in force as of the closing date. Foreign exchange differences resulting from these conversions (translation gains and losses) are recorded as income or expenses.

Non-monetary assets and liabilities denominated in foreign currencies are recorded at the historical rate prevailing on the date of the transaction.

- **Financial statements denominated in foreign currencies**

Assets and liabilities of the Group's companies expressed in foreign currencies, including goodwill and fair value adjustments arising on consolidation, are converted into euros at the exchange rate in force on the closing date. The income and expenses of these companies are converted into euros at the average rate for the period. Translation gains and losses thereby created are recorded directly in the shareholders' equity.

3.7 Intangible assets

- **Research and development expenses**

Expenses on research activities with a view to acquiring new scientific and technical

knowledge 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 depreciation and any loss in value.

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 depreciation and any loss in value.

Intangible assets other than goodwill include principally 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 use life of the intangible asset.

The estimated useful lives are as follows :

Les durées d'utilité estimées sont les suivantes :

- Patents and trademarks: five years;
- Research and development expenditure: three to five years.

3.8 Tangible assets

With the exception of land revalued under IFRS 1 (see Note 2), tangible assets are recorded at cost less accumulated depreciation and any loss in value. The cost of assets produced by the Group for internal use includes the cost of raw materials, direct labor and

allocated overhead. Interest on loans to finance the production of tangible assets is not capitalized as a cost item, but as an expense in the period during which it was incurred. When a tangible asset includes major components with different useful lives, they are recorded and amortized separately.

Servicing and repair expenses are recorded as an expense in the period during which they are incurred.

Government grants to assist the Group in acquiring tangible assets 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 relating to replacing or renewing a component in a tangible asset is recorded as a distinct asset replacing the renewed asset.

Other expense for tangible assets is not capitalized unless it improves the condition of the asset beyond its originally defined performance level.

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 tangible asset. Land is not depreciated.

The residual value in the depreciable amount is taken into account when this is considered significant.

The estimated useful lives are as follows :

Buildings : 30 to 40 years

Fixtures and technical installations : 10 to 20 years

Equipment and tools : 3 to 10 years

Transport equipment : 3 to 5 years

Computer equipment : 3 to 4 years

- Lease agreements

- Where the Group is the lessee :

Lease agreements are classified as financing lease agreements if the lessee assumes substantially all the risks and rewards of ownership of the leased assets.

These finance leasing agreements are recorded at an amount equal to the lowest fair value and the present value of the minimum lease payments when the agreement commences. Each lease payment is allocated between the finance expenditure and the amortization of the outstanding balance. The financial expenditure is divided 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 finance leasing agreement is similar to that applied to tangible assets. 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 effectively retained by the lessor, these leasing agreements are classified as simple leasing agreements. Payments made under this type of agreement are recorded as an expense in the income statement of the period.

3.9 Writing down assets

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

If a loss in value is identified for the asset, or the cash-generating unit to which it belongs, the recoverable value is estimated as described below.

For intangible assets that are not yet available for use, in particular capitalized research and development expenses, the recoverable value is systematically estimated at each year end.

A loss in value is recorded immediately when the book value of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable value. Losses in value are recorded as an expense in the income statement.

■ Calculation of recoverable value

The recoverable value of an asset is the higher of its net selling price and its value in use.

Value in use is estimated based on discounting future cash flows to their present value, where a pre-tax growth rate reflects current market assessments of the time value of money and the risks specific to the asset. The recoverable value of an isolated asset, i.e. one that does not generate cash inputs independent of those

from other assets, is calculated for the cash-generating unit to which it belongs. The recoverable value of investments in held-to-maturity securities and receivables corresponds to the present value of the expected future cash flows, calculated at the original effective interest rate of the financial instruments.

Cash flows relating to short-term recoverable values are not discounted.

pour l'unité génératrice de trésorerie à laquelle il appartient. La valeur recouvrable des placements détenus jusqu'à leur échéance et des créances correspond à la valeur actualisée des flux de trésorerie futurs attendus, déterminée en fonction du taux d'intérêt effectif d'origine des instruments financiers.

Les flux de trésorerie liés à des valeurs recouvrables à court terme ne sont pas actualisés.

- Reversal of loss in value

A loss in value recorded in previous years is reversed if, and only if, there has been a change in the estimates used to calculate the recoverable value of the asset since the last loss of value was recorded. However, the increased book value of an asset due to reversal of a loss in value cannot exceed the book value that would have been calculated (net of amortization or depreciation) had no loss in value been recorded for this asset in previous years.

Losses in value recorded for goodwill are not reversed.

3.10 Stocks, bonds and other marketable securities

Assets held for trading are classified as current assets and are recorded at their fair value, with any resulting gains or losses recorded in the income statement.

The fair value of assets held for trading purposes is defined as the stock market value (offering price) as of the closing date, or on the basis of cash flow discounting techniques for unlisted instruments.

3.11 Trade receivables and other receivables

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

3.12 Inventory

Raw materials and supplies are assessed at the lower of purchase price (on the First In, First Out method -- FIFO) or net realizable value.

Finished products and work-in-process are assessed at the lower of the production cost or the net realizable value. Production costs include direct raw material and labor costs and a proportion of overheads, 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 allowances on slow-moving items that are obsolete.

3.13 Cash and cash equivalents

Cash and cash equivalents include liquidities and short-term investments maturing less than three months from the acquisition date. Short-term investments are valued at market value as of each closing date.

3.14 Equity and reserves

■ Buyback of Company shares

When the Group buys back its own shares on the open market, the amount paid and the directly attributable transaction costs are recorded as a change in shareholders' equity. The stock bought back and held in treasury is deducted from the shareholders' equity until it is withdrawn or sold.

■ Dividends

Dividends are recorded as debts in the period where they have been approved by the Annual Shareholders' Meeting.

3.15 Interest-bearing loans

Interest-bearing loans are recorded their original nominal value, less loan-related costs. They are subsequently assessed at the amortized cost, using the effective interest rate method.

Loan costs are recorded as an expense in the period during which they are incurred.

3.16 Personnel benefits

■ Types of pension plan

- Defined contribution plans

Defined contribution plans are post-employment benefit plans where the Group pays defined contributions to an external insurance company or pension fund for certain

categories of employee.

The contributions are paid in return for services rendered by the employees during the period. They are recorded 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 pension plans. In most cases they complement legal employee pension plans where companies make direct contributions to social organizations and which are accounted for in the same manner as salaries and wages.

- Defined benefit plans

Defined benefit plans guarantee benefits to certain categories of employee by way of additional contractual resources (or via collective agreements). This guarantee of additional resources represents a future service for 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 commitment under this type of plan. They are inserted into the balance sheet after deduction of the fair value of the assets in the plan covering these commitments, if appropriate.

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 equal to ten years at all times. A qualified actuary calculates this annually using the projected unit credit method.

Actuarial gains and losses are generated 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 actuarial discrepancies from the previous year exceeding 10% of the present bond value, over ten years.

The Group's defined benefit plans cover supplementary pension plans, leaving payments, awards for long service and medical insurance.

■ Nature of defined benefit plans in the PSB Industries Group

- Supplementary pension plans

These plans complement the legal employee minimum pension plans where companies make direct contributions to social organizations and which are accounted

for in the same manner as salaries and wages.

- Retirement payments

Retirement payments are most often associated with collective agreements with employees and cover principally retirement or career-end payments for voluntary or involuntary employee retirement.

- Awards for long service programs

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

- Medical insurance plans

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

■ Transactions where payment is based on stock but settled in cash

Non-transferable stock options exist within the PSB Industries Group that allow certain categories of employee to acquire Group shares. Accounting for these stock options is described in note 18.

The cost of stock options awarded is calculated with reference to the fair value of the equity instruments granted, valued as of the award date. The cost of operations settled in shares is recorded as an expense in the period when the employee acquires the rights and ends at the date on which the beneficiary becomes fully entitled to the award.

The Group assesses the acquired assets or services and 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, by recording any variation in fair value in the income statement for the period.

3.17 Provisions

A provision is recorded when the Group has a real legal or implicit obligation as a result of a past event, with a reliably estimated amount, and it is likely that an output of resources will be required to settle 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 presented in the income statement net of any reimbursement.

- Restructuring

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

- Environment

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

3.18 Trade and other payables

Trade payables and other accounts payable are carried at cost.

3.19 Deferred taxes

Deferred taxes are calculated for each entity using a balance sheet analysis method, for timing differences between the book value of assets and liabilities entered into the balance sheet and their related tax base, as determined in accordance with tax rules in force in the countries where the Group conducts its operations. Deferred tax assets and liabilities are valued at the tax rates that are expected to apply in the period where the asset will be realized or the liability is settled, based on tax rates that have been adopted or virtually adopted as of the closing date.

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

Deferred tax assets are booked to the extent that the Group will probably have future taxable profits against which may be set unused tax losses.

3.20 Sales, interest and dividend income

- Sale of goods

Income from the sale of goods is recognized when the significant risks and benefits inherent to ownership of the goods have been transferred to the purchaser.

- Interest and dividend income

Income from interest is recorded in the income statement, prorata temporis, based on the effective yield rate.

Anticipated dividends are recorded in the income statement on the date they are approved by the Annual Shareholders' Meeting.

3.21 Financial instruments

- Derivative financial instruments

The Group uses derivative financial instruments, options, interest rate swaps and forward foreign exchange contracts to hedge its exposure to risks relating to exchange and interest rates arising from its operating, financial or investment activities.

The derivative financial instruments are booked on the transaction date. They are subsequently valued at their fair value. The resulting latent profits or losses are recorded depending on the type of hedging for the hedged item.

The fair value of the interest rate swaps as of the closing date is equal to the amount the Group should receive or pay to liquidate the positions, taking into account current interest rates and the creditworthiness of the underwriters.

The fair value of forward foreign exchange contracts is equal to their market value as of 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 income and financial expenses.

- Cash flow hedging

When a derivative financial instrument hedges the exposure to variations in cash flow of a firm commitment or a forecast transaction, the latent profit or loss on the portion of the financial instrument found to be an effective hedge is recorded directly in the shareholders' equity. The ineffective portion is recorded immediately in the income statement as other financial income or expense.

When the firm commitment or future transaction takes place, the gains and losses from the hedging instrument recorded previously in shareholders' equity is written back to operating income (as a cost of sales) or to financial income (as a cost of net indebtedness) if the hedged item is financial.

When the hedging instrument expires or is sold, terminated or exercised, the cumulative profit or loss cleared on the hedging instrument is carried in shareholders'

equity until the forecast transaction occurs. The accounting principle detailed above applies when the transaction occurs. If the forecast transaction is no longer likely, the net cumulative income or expense, which had been recorded directly in shareholders' equity, is written back immediately in operating income in the case of a clear hedging objective or other financial income and expenses in other cases.

- Fair value hedging

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 the operating income (cost of sales) or financial income (cost of indebtedness) if the hedged item is financial, and in other financial income and expenses for the ineffective portion. The profit or loss attributable to the risk being hedged adjusts the book value of the hedged item.

The fair value of the hedged items is their book value converted into euros at the rate of exchange prevailing on the closing date.

- Net investment hedging in a foreign entity

When a foreign currency debt hedges a net investment in a foreign operation, conversion differences between the foreign currency and the euro are recorded directly in the shareholders' equity. When the hedging instrument is a derivative, any profit or loss on the hedging instrument considered to be an effective hedge is recorded directly in the shareholders' equity; the ineffective portion is recorded immediately under other income and financial expenses in the income statement.

When the nature of the hedge is not demonstrated, all the profit or loss is recorded in the other income and financial expenses item in the income statement.

- Sell options held by a minority group

The Group has granted one minority shareholder an option to sell shares in a fully consolidated subsidiary (Texen Holding).

In accordance with standards IAS 32-29, the Group's purchasing commitments relating to this fully consolidated subsidiary are recorded as a financial liability. The value of this financial liability is the present value of the option exercising price. This discounting is shown as a financial expense in the income statement.

In anticipation of the final IFRIC position on correct accounting procedure for these operations, this financial liability has been offset by a reduction in minority interests and goodwill for the balance.

The proportion of income payable to the minority groups is still attributed to them in the income statement.

4 - Change in consolidation scope

The consolidated financial statements for PSB Industries and its subsidiaries as at December 31, 2005 cover the companies listed below. The scope adopted as at December 31, 2004 and 2005 may be summarized as follows :

	31/12/2005		31/12/2004	
	French	Foreign	French	Foreign
Parent company and fully consolidated companies	19	3	19	4
Equity affiliate	1	1	-	1
Sub-total	20	4	19	5
Total	24		24	

The main movements since December 31, 2004 are as follows :

- Liquidation of Rena Apelec, a non-trading Swiss company.
- Creation of Alko during the period, joint venture held in equal shares with Feralco

■ List of consolidated companies (apart from PSB Industries)

(*) With the exception of Baikowski Japan Corporation and Alko who are accounted for under the equity method, all companies are fully consolidated.

Companies (% interest) and Head Office	12/31/2005	12/31/2004
Packaging Cosmetics Perfumery		
CCM (Izernore 01)	85	85
Ceica Industrie (Brion 01)	85	85
CMSI (Attignat 01)	85	85
Lecot (Cran Gevrier 74)	85	85
Les Eiders (Cran Gevrier 74)	85	85
Mayet (Pierre de Bresse 71)	85	85
Rose (Bressolles 01)	85	85
SR2P (Brion 01)	85	85
Texen Services (Brion 01)	85	85
Texen Holding (Brion 01)	85	85
Ceica Plasticos de Mexico (Lerma - Mexique)	85	85
Tailor-made 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
CGL Pack Seynod (Seynod 74)	100	100
Speciality chemicals		
Alko (Condrieu 38) (*)	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		
Apelec	-	100
GIE PSB Trésorerie (Metz-Tessy 74)	100	100
PSB Services (Metz-Tessy 74)	100	100

5 - Intangible assets

Gross value	Goodwill	Ownership	Other	Total
As at 01/01/05	33,082	1,500	895	35,477
Purchase	-	154	11	165
Sale	-	(6)	-	(6)
Loss in value	-	-	-	-
Change in scope	-	-	-	-
Asset held for sale	(228)	-	-	(228)
Currency translation	-	3	-	3
Other (*)	(1,300)	(19)	(133)	(1,452)
As at 12/31/05	31,554	1,632	773	33,959

(*) including EUR1,300,000 of change in value of the put held by a minority shareholder

Amortization	Goodwill	Ownership	Other	Total
As at 01/01/05	(9,847)	(1,406)	(737)	(11,990)
Disposals	-	(77)	(33)	(110)
Recovery	-	6	-	6
Change in scope	-	-	-	-
Asset held for sale	118	-	-	118
Currency translation	-	(3)	-	(3)
Other	-	21	-	21
As at 12/31/05	(9,729)	(1,459)	(770)	(11,958)

2005 depreciation expense is included under “administrative expenses” on the income statement

Net Goodwill	12/31/2005		12/31/2004
	Net	Loss of value	Net
Baikowski	858	-	859
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	5,935	-	7,235
Other	459	-	569
Total	21,825	-	23,235

As of the end of December 2005 a depreciation test was performed on the cash generating units (CGUs) to which goodwill was ascribed. The methodology used consisted of comparing the recoverable value of each CGU with 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%. The discount rate used, based on the concept of weighted cost of capital (WACC), was 13.1% for 2005. Comparison of the book value of these assets with the discounted cash flows did not justify ascribing a loss of value to the goodwill carried on the balance sheet.

6 - Tangible fixed assets

Land revaluation

An independent consulting firm determined the fair value of certain land. The firm evaluated the property's value by referring to sales data for comparable properties. The appraiser referred to the market, noted what it was doing, the prices obtaining, market activity and what motivated market participants. The fair value appraisal of certain land was EUR2,953,000 as against an historical cost of EUR1,118,000.

Gross Values	Land and Buildings	Equipment	Current fixed assets and advances	Other	Total
As at 01/01/05	38,301	98,775	8,549	9,387	155,012
Acquisition	1,290	8,512	9,240	1,070	20,112
Disposals	(898)	(5,953)	(168)	(896)	(7,915)
Loss in value	-	-	-	-	-
Change in scope	-	-	-	-	-
Asset held for sale	(335)	(1,108)	-	(283)	(1,726)
Currency translation	393	1,524	104	26	2,047
Other	1,466	7,265	(8,610)	78	199
As at 12/31/05	40,217	109,015	9,114	9,383	167,729

Amortization	Land and Buildings	Equipment	Current fixed assets and advances	Other	Total
As at 01/01/05	(11,605)	(63,443)	-	(4,586)	(79,634)
Increase	(1,306)	(12,244)	-	(1,132)	(14,682)
Decrease	554	5,724	-	833	7,111
Change in scope	-	-	-	-	-
Asset held for sale	143	862	-	120	1,125
Currency translation	(62)	(786)	-	(12)	(860)
Other	(23)	(3)	-	(19)	(45)
As at 12/31/05	(12,299)	(69,890)	-	(4,796)	(86,985)

The fixed assets covered by a capitalized lease are as follows :

Gross values under capitalized leases	Land	Buildings	Equipment	Other	Total
As at 01/01/05	1,482	21,188	15,977	197	38,844
Acquisition	-	-	-	-	-
Disposal	(17)	(750)	(1,283)	(110)	(2,160)
Loss in value	-	-	-	-	-
Change in scope	-	-	-	-	-
Currency translation	-	-	(261)	-	(261)
Asset held for sale	-	-	-	-	-
Other	-	-	-	-	-
As at 12/31/05	1,465	20,438	14,433	87	36,423

Depreciation on capitalized leases	Land	Buildings	Equipment	Other	Total
As at 01/01/05	-	(6,724)	(12,113)	(31)	(18,868)
Increase	-	(686)	(1,160)	(20)	(1,866)
Decrease	-	514	1,169	110	1,793
Change in scope	-	-	-	-	-
Currency translation	-	-	132	-	132
Asset held for sale	-	-	-	-	-
Other	-	-	-	-	-
As at 31/12/05	-	(6,896)	(11,972)	59	(18,809)

7 - Direct investments accounted for by the equity method

Securities accounted for by the equity method refer to interests where the activities are similar to those of the fully consolidated subsidiaries. The net worth and the income from the two companies attributable Group are summarized below :

	Group-controlled share (*)		
	% held	Shareholders' equity	Net income
Baikowski Japan Corporation			
As at 12/31/04	50	1,098	174
As at 12/31/05	50	1,390	342
Alko (created in 2005)			
As at 12/31/05	50	50	(10)

(*) after restatement of consolidation

The main aggregates of equity affiliates are summarized below :

	12/31/2005		12/31/2004
	Baikowski Japon	Alko	Baikowski Japon
Non-current assets	3,363	998	3,320
Current assets	4,369	394	2,893
Non-current liabilities	1,765	540	1,785
Current liabilities	3,186	761	2,233
Income	8,464	-	6,511
Expenses	7,779	(19)	6,164

8 - Other Long-term financial assets

	12/31/2005	12/31/2004
Loans	597	621
Deposits and downpayments	65	220
Other	23	24
Total	685	865

9 - Inventories

These are broken down as follows :

	12/31/2005			12/31/2004
	Gross	Allowance	Net	Net
Raw materials	8,183	(354)	7,829	6,680
Work-in-progress	4,943	(144)	4,799	4,567
Finished products	12,814	(225)	12,589	10,282
Goods	3,101	-	3,101	2,552
As at 12/31/05	29,041	(723)	28,318	24,081

These amounts are presented having removed internal margins included in the Baikowski and Texen inventory and work-in-progress.

Inventory allowances are detailed below :

	Raw materials	Work-in-progress	Finished products	Total
As at 01/01/2005	(164)	(200)	(582)	(946)
Increase	(276)	(144)	(259)	(679)
Use	264	200	444	908
Recovery	-	-	-	-
Currency translation	(2)	-	(4)	(6)
Other	(176)	-	176	-
As at 12/31/05	(354)	(144)	(225)	(723)

10 - Trade receivables

	12/31/2005	12/31/2004
Trade and related receivables < 1 year	42,684	41,254
Trade and related receivables >1 year	-	-
Allowances	(280)	(173)
Total	42,404	41,081

11 - Other receivables

These are broken down as follows :

	12/31/2005	12/31/2004
Corporate receivables	14	15
Tax receivables	2,500	2,579
Financial instruments	196	1,574
Prepaid expenses	1,174	1,080
Other receivables	1,650	769
	5,534	6,017
Allowances	-	-
Total	5,534	6,017

12 - Cash and cash equivalents

	12/31/2005	12/31/2004
Cash	2,943	2,653
Short-term investments	9,243	8,257
Total	12,186	10,910

13 - Assets held for sale

The Company entered negotiations at the end of 2005 to sell an industrial building and a packaging business in the Rhône-Alpes region. These sales should be finalized during the 2006 financial year.

14 - Shareholders' equity

Capital

Corporate capital as at December 31, 2005 was EUR7.35 million, divided into 3,675,000 fully-paid up shares of EUR2 each. There was no change in the number of shares during the 2005 financial year.

There were no diluting instruments on December 31, 2004 or 2005. Shares in the name of the same shareholder for at least three years enjoy double voting rights

Treasury stock

	12/31/05	12/31/04
number of shares	47,023	60,079
value (FIFO)	1,458	1,073

The average number of company shares in the year was 49,951 in 2005 and 66,757 in 2004.

This figure is used to calculate the earnings per share.

Translation gain/loss

Foreign exchange differences from the foreign company financial statements are considered under this item (note 3.6 conversion of financial statements of foreign companies). The following table highlights the main closing rates and average rates used for 2005.

1 euro	US Dollar	Mexican peso	Swiss franc	Yen
Closing	1.1797	12.5358	1.5551	138.9000
Average	1.2448	13.5686	1.5483	136.8713

Dividends

The Board of Directors has proposed a distribution for the 2005 financial year of a net dividend of EUR1.20 per share.

Given that payments of EUR0.55 per share have already been paid of this dividend on January 31, 2006; in accordance with a decision of the Board of Directors on October 24, 2005, the balance of EUR0.65 per share will be paid on June 1, 2006. This distribution will have no tax consequences for the Group.

Minority interests

Given the procedure adopted for puts granted to a minority shareholder (see note 3.21) and the acquisition of minority shares during the 2004 financial year, this item was zeroed out at the end of 2004.

15 - Financial liabilities

15.1 Detail on financial obligations

	12/31/2005	12/31/2004
Debt to lending institutions	24,026	16,920
Debt on leased fixed assets	8,107	10,714
Other financial debt	905	1,084
Long term financial debt	33,038	28,718
Debt to lending institutions	10,877	7,492
Debt on leased fixed assets	2,448	3,094
Bank overdrafts and short-term loans	21,297	23,368
Other financial debt	816	543
Financial debt of less than one year	35,438	34,497
Total financial debt	68,476	63,215
Put options offered to minority owners	7,257	7,924
Total financial liabilities	75,733	71,139

15.2 Financial liabilities by currency

	12/31/2005	12/31/2004
Euros	68,842	67,996
Dollars	2,136	1,220
Mexican pesos	3,174	1,923
Yen	1,581	-
Total	75,733	71,139

15.3 Financial liabilities by maturity

Maturity	12/31/2005	12/31/2004
2005	-	34,497
2006	39,358	14,395
2007	14,006	10,636
2008	8,763	11,611*
2009 and beyond	13,606	-
Total	75,733	71,139

* 2008 and higher

15.4 Interest rates on financial liabilities

Interest on variable rate debt is indexed to monetary benchmarks, chiefly the Euribor. When a variable rate is made fixed by hedging, the debt is shown as fixed rate.

	12/31/2005	12/31/2004
Total fixed rate	28,830	19,431
Total variable rate	39,646	43,784
Total	68,476	63,215

The fair value of fixed-rate financial liabilities in 2005 was EUR29,885.

15.5 Principal fixed-rate debt

	Maturity	12/31/2005	12/31/2004
3.15% loan	2010	855	-
3.30% loan	2012	774	-
3.0% loan	2010	760	-
5.35% loan	2008	631	877
3.0% loan	2010	500	-
3.0% loan	2010	500	-
3.0% loan	2010	475	-
5.35% loan	2007	361	573
3.35% loan	2010	301	210
6.0% loan	2010	513	353
5.48% capitalized lease	2018	2,501	2,629
5.46% capitalized lease	2013	1,818	2,011
7.57% capitalized lease	2010	1,533	1,806
6.05% capitalized lease	2014	683	766
5.22% capitalized lease	2010	661	788
8.60% capitalized lease	2009	475	610
4.64% capitalized lease	2010	431	503
Total		13,772	11,126
Other fixed rate debt		5,058	8,305
Variable rate debt swapped for fixed rate		10,000	-
Total fixed rate financial debt		28,830	19,431

15.6 Covenants

As at December 31, 2005 EUR10.8 million was subject to covenants. Of this amount EUR8.2 million related to stock ownership rules and EUR3.9 million to required financial ratios.

15.7 Put options offered to minority shareholders

The heading “put options offered to minority owners” refers to a debt to a minority shareholder with an expiration of between one and three years. PSB Industries has agreed to buy this shareholder’s shares. They may not be sold all at once during the course of a year.

16 - Provisions for Retirement and similar benefits

These provisions involve defined-benefit programs.

Principal actuarial assumptions :

	12/31/2005	12/31/2004
Discount rate	3.4%	4.1%
Variable yield on financial assets	4.1%	4.3%
Wage increases	2.1%	2.1%
Average age of retirement	63 ans	63 ans

Implied gains or losses generated by changes in actuarial assumptions are accounted for by applying corridor accounting and included in the line “unrecognized actuarial gains and losses.”

	12/31/2005	12/31/2004
Hedged financial assets		
Value at start of period	90	67
Realized return	3	3
Additional deposits	20	20
Pay-outs	(37)	-
Value at end of period	76	90

Actuarial value of obligations hedged by financial assets	416	403
Fair value of financial assets	(76)	(90)
Subtotal	340	313
Actuarial value of obligations not hedged by financial assets	2,776	2,215
Unrecognized actuarial gains/losses	(251)	-
Total	2,865	2,528
Breakdown of annual expense		
Cost of past services	345	243
Interest expense	98	81
Yield on assets	(3)	(3)
Actuarial gains/losses recognized in the year	25	-
Expense for the period	465	321
Cost of sales	376	257
Research and Development	13	16
Selling	16	6
Administrative	60	42
Changes in provisions		
Provision at the start of period	2,528	2,282
Change in accounting method	-	-
Change in scope of consolidation	-	51
Disbursement	(128)	(126)
Expense for the period	465	321
Provision at the close of period	2,865	2,528

17 - Provision for Contingencies

The main provisions for contingencies and changes to them are detailed below:

	Restructuring	Corporate risk	Business risk	Other risks and liabilities	Total
Gross value					
As at 05/01/01	205	126	608	171	1,110
Additions	-	40	90	106	236
Uses	(78)	(89)	(14)	(1)	(182)
Subtractions	-	(22)	-	-	(22)
Change in scope of consolidation	(97)	-	-	-	(97)
Foreign currency	-	-	-	-	-
As at 05/12/31	30	55	684	278	1,047

The expected occurrence of cash outflows relative to these provisions is generally between two and five years.

Impact on the income statement :

	Operating	Financial	Total 2005	Total 2004
Additions	236	-	236	905
Uses	(182)	-	(182)	(347)
Subtractions	(22)	-	(22)	(297)

18 - Payments with stock

An incentive scheme for certain Group executives has been put in place. Stock options awarded through this plan may only be exercised between the sixth and tenth years following the award and do not involve shares in the parent company.

Although the exercise of these options entails the creation of shares, the options are considered as cash payments in accordance with IFRS Standard 2, which states that a liability representing an obligation of the Company to an executive must be accounted for and reevaluated at an adjusted value at the close of each accounting period. Any change in the adjusted value is carried over to the income statement. The adjusted value of the liability is determined based on earnings (EBIT) multiples in the period 2004-2007.

As at 12/31/2005 the adjusted value of this liability stood at EUR1.172 million, of which EUR167,000 represented options exercisable at the end of the period.

During 2005 there was associated with this plan an expense of EUR44,000.

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

	2005	2004
Outstanding at the start of period	6,736	8,420
Awarded during the period	-	-
Canceled during the period Exercised	-	-
during the period	1,684	1,684
Expired during the period	-	-
Outstanding at the end of period	5,052	6,736
Exercisable at the end of period (*)	1,684	1,684

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

19 - Other debts

	2005/12/31	2004/12/31
Advances and payments received on account	3,777	3,363
Debts for capital expenditures	4,012	4,825
Financial instruments	81	22
Corporate debt	11,126	10,747
Debt for taxes	1,463	1,375
Unearned income	1,476	878
Miscellaneous debt	1,291	1,676
Total	23,226	22,886

All maturities of other debts are less than one year.

20 - Financial instruments

The management of interest rate and foreign exchange 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 commitments and choosing well respected banking institutions.

It has always been Group policy not to underwrite 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 spread between fixed and variable rate debt.

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

The purchase of interest rate options, interest rate caps or collars are likewise part of the hedging strategy on variable rate debt. Options enable one, for a price, to receive or pay a differential between two rates.

- Sensitivity of earnings to interest rates

This table indicates the impact on earnings of an average increase of 100 basis points (1%) in the 3-month Euribor, all else being equal.

	1%	2%	3%
Return on cash and cash equivalents	89	179	269
Cost of gross financial debt	(456)	(715)	(855)
Net Cost of financial debt	(367)	(536)	(586)

Financial instruments limit the impact of rate increases.

Foreign exchange risk

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

The Group asks all its operating units to use forward currency sales and other derivatives to hedge their foreign exchange transactions.

It is the policy of the Group not to enter into hedging contracts without a high probability that the transaction will take place.

Allowing for the specifics of each business and existing long term contracts, the time horizon under management 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 are aligned with the maturities of the items covered, to optimize the effectiveness of the hedge.

As at December 31, 2005 none of the derivative instruments used by the Group to cover foreign exchange risk qualified as hedge instruments within the meaning of IAS 39.

Certain derivative instruments, although conforming to PSB Industries' policies on interest rate and foreign exchange risk management, do not fulfill the requirements for applying the accounting treatments for hedging and are therefore classified as "trading."

Credit risk

Credit risk means the risk that a customer or partner fails to meet his commitments. The Group is exposed to risks arising from financial assets such as derived instrument financial assets, trade accounts receivable and invested funds. The risk on financial instruments, invested funds and liquidity is managed by choosing financial institutions that enjoy a high financial rating and by spreading assets among several financial institutions.

Considering the great solvency of its chief customers, the worldwide spread of the Group's customers and its systems for managing trade credit risk, management believes that it is not exposed to an over-concentration of customer credit risk.

Derivative financial instrument assets as at 2005/12/31

Foreign exchange instruments	Notional value in currency 000s	Market value in EUR000s	Expiration	
			2006	2007
Fair value hedges				
Forward currency contracts				
- JPY	-	-	-	-
- USD	-	-	-	-
Puts bought				
- JPY	-	-	-	-
- USD	1,600	-	1,600	-

Cash flow hedges

Forward currency contracts

- JPY	270,000	110	-	270,000
- USD	2,500	7	1,500	1,000
Puts bought				
- JPY	85,000	46	85,000	-
- USD	2,000	3	2,000	-

Trading

Calls bought

- USD	-	-	-	-
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Interest rate instruments

Expiration

Notional Amounts in EUR000s	Market value in EUR000s	2006	2007	2008
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Cash flow hedges

- Fixed rate 3-month Euribor swap	10,000	18	10,000	-	-
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Trading

- Caps bought	30,000	14	-	25,000	5,000
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Derivative financial instrument liabilities as at 2005/12/31**Foreign exchange instruments**

Expiration

Notional amount in currency 000s	Market value in EUR000s	2006	2007	2008
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Trading

Calls sold

- JPY	190,000	(9)	190,000	-	-
- USD	4,100	(69)	4,100	-	-

Interest rate instruments

	Notional amount in currency 000s	Market value in EUR000s	Expiration		
			2006	2007	2008
Trading					
- Floors sold	30,000	(3)	-	25,000	5,000

Accounting for financial instruments

This table summarizes the impacts of accounting for financial instruments on earnings and shareholders' equity.

		Market value 2004/12/31	Impact (expense) Earnings	Impact Shareholders' equity	Market value 2005/12/31
Foreign exchange instruments					
Effective hedges of cash flow	Shareholders' equity	1,021	-	(892)	129
Effective fair value hedges	Operating earnings	413	(413)	-	-
Ineffective cash flow hedges	Financial earnings	76	(40)	-	36
Ineffective fair value hedges	Financial earnings	15	(15)	-	-
Trading	Financial earnings	(6)	(72)	-	(78)
Interest rate instruments					
Effective cash flow hedges	Shareholders' equity	-	-	18	18
Trading	Financial earnings	33	(22)	-	11
Total		1,552	(562)	(874)	116

21 - Off-balance sheet obligations

	Of up to one year	Of up to 5 years	Of over 5 years	2005/12/31	2004/12/31
Commitments received :	-	-	-	-	20
Commitments given :					
* Security deposits	4,305	73	-	4,378	1,175
* Pledges	2,391	3,370	-	5,761	9,540
* Guarantees on open Lease payments	1,213	3,790	2,417	7,420	6,273
* Investments on order	1,656	-	-	1,656	2,531

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

22 - Earnings per share

Earnings per share is obtained by dividing the net earnings of the Group by the number of shares outstanding (3,675,000 shares), excluding company-held shares (49,951 shares on average in 2005 and 66,757 in 2004).

as at December 31, 2005 there were no dilutive instruments.

	2005	2004
Net income attributable to Group (EUR000)	8,917	9,653
Number of shares outstanding (besides treasury stock)	3,625,049	3,608,243
Net earnings per share (in euros)	2.46	2.68
Diluted net earnings per share (in euros)	2.46	2.68

23 - Cost of sales

The elements of this item break down as follows :

	2005	2004
Materials and subcontracting	61,865	53,847
Labor (including temporary)	41,400	37,604
Depreciation expense	13,417	13,204
Currency translation gains and losses on business operations	(720)	(212)
Other costs of production	24,866	24,082
Total	140,828	128,525

24 - Research and development expense

Research and development expense was EUR2,662,000 in 2005.

25 - Payroll and manpower expense

Personnel expenses include employee shareholding and incentive schemes plus end-of-career allowances, for a total amount of EUR2,797,000.

A charge for EUR354,000 was booked in 2005 for defined contribution plans.

Personnel expenses (besides temporaries) break down as follows :

	2005	2004
Cost of sales	35,505	32,516
Research and development	2,135	2,077
Selling	3,210	3,211
Administrative	6,670	7,108
Total	47,520	44,912

The total workforce of the Group reached 1,242 people in 2005. This figure does not include Baikowski Japan Corp. (17 people) which is consolidated by equity method.

26 - Amortization, depreciation & write-downs

Net charges for depreciation and amortization and other write-downs included in the income statement concern the following assets :

	2005	2004
Amortization & Depreciation		
Goodwill	-	-
Industrial & commercial property rights	(77)	(91)
Other intangible fixed assets	(33)	(51)
Land	(23)	(33)
Buildings	(1,283)	(1,340)
Technical property, plant and equipment	(12,244)	(11,851)
Other tangible fixed assets	(1,132)	(996)
Total	(14,792)	(14,362)
Write-downs		
Long-term financial assets	-	19
Inventories	223	(243)
Trade receivables	(103)	35
Total	120	(189)

27 - Other operating income and expense

	2005	2004
Sale of assets	218	(293)
Restructuring costs	-	(952)
Court awards	163	-
Other	(22)	60
Total	359	(1,185)

28 - Financial income and expense

	2005	2004
Cash and cash equivalents	142	241
Cost of gross financial debt	(2,549)	(2,504)
Net Cost of financial debt	(2,407)	(2,263)
Changes in value of financial instruments	(113)	(92)
Currency gains and losses	(29)	256
Other	(150)	(137)
Other financial income and expense	(292)	27

29 - Taxes

In 1990 PSB industries opted for the tax pooling method for certain of its French affiliates controlled at least 95%. The pool includes the parent company, CGL Pack Annecy, CGL Pack Chalon, CGL Pack Lorient, CGL Pack Service and CGL Pack Seynod.

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

The tax expense can be analyzed as follows :

	2005	2004
Taxes payable		
Charge for taxes payable	5,160	4,956
Adjustment for prior periods	-	-
Deferred taxes		
Timing differences	(140)	353
Changes in rate	22	15
Other	14	162
Total tax on net income	5,056	5,486

Reconciliation of charges for taxes :

	2005	2004
Net income attributable to Group	8,917	9,653
Income tax	5,056	5,486
Minority interests	697	877
Earnings from equity-accounted companies	(333)	(174)
Pre-tax earnings (A)	14,337	15,842
Theoretical tax expense (33.83% in 2005 and 34.33% in 2004)	4,850	5,438
Adjustment for prior periods	-	-
Change in rate	22	(15)
Tax at reduced rate	74	(1)
Permanent deferrals	163	(47)
Tax losses before applying deferrals	145	44
Tax loss carryforwards	-	(181)
Deferred taxes from loss carryforwards	-	-
Rate differential for foreign subsidiaries	(6)	(98)
Tax credits and other taxes	(54)	336
Other	(138)	(10)
Actual tax expense	5,056	5,486
Effective tax rate (actual tax expense / A)	35.26%	34.6%

Permanent deferrals are related mainly to the following items :

	2005	2004
Goodwill	-	(21)
Exempt income	(84)	(130)
Other untaxed charges and income	247	104
Total	163	(47)

Change in Deferred Taxes

	2005	2004
Net deferred tax liability as at January 1st	2,782	2,626
Expense (income) for the period	(104)	530
Capitalized deferred taxes	(296)	(396)
Changes in amortization life on the company accounts	(747)	-
Other effects (currency, scope of consolidation, etc.)	17	22
Net deferred tax liability as at December 31th	1,652	2,782

Origin of deferred tax assets and liabilities

	2005		
	Assets	Liabilities	Earnings
Tangible fixed assets	835	3,776	(231)
Revaluation of land at fair value	-	599	-
Inventories	136	2	(2)
Financial instruments	-	52	48
Other assets	1	-	(16)
Tax loss carryovers	-	-	-
Provisions for retirement	926	-	74
Other provisions	218	13	104
Employee shareholding	555	-	69
Other	212	93	58
Reclassified assets/liabilities	(1,874)	(1,874)	-
Total	1,009	2,661	104

In compliance with paragraph 39 of IAS 12, the Group does not carry deferred taxes on the potentially distributable reserves of its Japanese partner. The reserves stood at EUR2,821,000 on 12/31/2005.

	2004		
	Assets	Liabilities	Earnings
Tangible fixed assets	52	4 922	(649)
Revaluation of land at fair value	599	-	6
Inventories	159	6	(141)
Financial instruments	129	525	(33)
Other assets	42	10	(22)
Tax loss carryovers	818	667	-
Provisions for retirements	862	-	84
Other provisions	131	145	62
Employee shareholding	486	-	151
Other	215	-	12
Reclassified assets/liabilities	(3,087)	(3,087)	-
Total	406	3 188	(530)

Tracking of tax losses

	2005	2004
As at January 1st	758	25
Unallocated loss for the year	-	284
Allocation of loss to taxes payable	(332)	-
Allocation of loss to deferred taxes	-	-
Other movement (scope, exchange rate)	65	449
As at December 31th	491	758

Deferred tax assets not recognized by the Group apply to the following items :

	2005	2004
Tax loss carryovers	-	-
Other tax credits (less long term values)	-	-
Tangible fixed assets	282	536
Other	49	237
Total	331	773

30 - 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 first and second levels of the Group's segment information are, respectively, by business segment and by geographical area.

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.

Information by business

The "other assets" mentioned in the table below include all current assets except for taxes, marketable securities and cash. The liabilities mentioned below include all operating indebtedness with the exception of income taxes.

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

In 2005	Packaging		Specialty	Other	Total
	Texen	CGL Pack	Chemicals Baikowski	business (*)	
Sales	104,800	41,913	36,024	(119)	182,618
Inter-business unit sales	-	126	-	(126)	-
Management Fees	(1,028)	(555)	(427)	2,010	-
Operating profit	9,481	3,193	4,366	(4)	17,036
Depreciation/amortization of fixed assets	9,948	1,661	3,044	139	14,792
Earnings from equity-accounted companies	-	-	333	-	333
Net tangible fixed assets	45,002	10,081	23,194	2,467	80,744
Net Goodwill	11,398	3,077	-	7,460	21,935
Other net intangible fixed assets	73	2	1	100	176
Equity accounted shares	-	-	1,431	-	1,431
Current assets	44,039	14,484	20,277	9,824	88,624
Current liabilities	54,342	13,085	19,475	798	87,700
Capital expenditures	11,366	1,935	5,740	97	19,138
Workforce	847	237	151	7	1,242
In 2004					
Sales	96,535	43,210	32,681	(205)	172,221
Inter-business unit sales	-	229	-	(229)	-
Management Fees	(996)	(609)	(364)	1,969	-
Operating profit	10,684	3,309	4,717	(632)	18,078
Depreciation/amortization of fixed assets	9,360	1,966	2,909	127	14,362
Earnings from equity-accounted companies	-	-	174	-	174
Net tangible fixed assets	43,200	10,078	19,682	2,418	75,378
Net Goodwill	18,632	3,745	858	-	23,235
Other net intangible fixed assets	223	20	2	7	252
Equity accounted shares	-	-	1,098	-	1,098
Current assets	41,458	14,138	16,876	10,748	83,220
Current liabilities	58,550	12,866	14,589	(131)	85,874
Capital expenditures	15,920	958	3,414	146	20,438
Workforce	828	237	150	8	1,223

(*) Parent company and discontinued operations

Information by geographical area

Sales figures are reported according to the geographic location of customers. Assets and investments are reported according to the geographic location of the companies.

In 2005	Eurozone	America	Asia	Other	Total
Sales	133,641	26,408	3,403	19,166	182,618
Net tangible fixed assets	71,840	8,904	-	-	80,744
Net Goodwill	21,935	-	-	-	21,935
Net intangible fixed assets	175	1	-	-	176
Investments	17,068	2,159	-	-	19,227
In 2004					
Sales	134,362	28,602	8,125	1,132	172,221
Net tangible fixed assets	68,778	6,600	-	-	75,378
Net Goodwill	23,235	-	-	-	23,235
Net intangible fixed assets	251	1	-	-	252
Investments	18,968	1,470	-	-	20,438

31 - Related parties

Dealings with joint-ventures :

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

	2005	2004
Sales	3,945	3,207
Purchases	1,327	246
Portion for fixed assets	87	-
Customer receivables	1,639	1,390
Trade accounts payable	178	178

32 - Compensation of the Board of Directors

	2005	2004
Directors' fees	50	50

33 - Executive compensation :

	2005	2004
Short-term benefits	1,392	1,351
Long-term benefits	-	-
Stock-based payments	187	383
Total compensation	1,579	1,734

A charge of EUR33,000 was booked in 2005 for executives' defined contribution plans..

34 - Capital leases

The Group uses lease agreements to finance buildings and equipment.

Minimum future payments

	2005 Minimum payments	2004 Minimum payments
Less than 1 year	2,740	3,537
Between 1 and 5 years	6,046	7,788
Over 5 years	3,232	4,284
Total minimum payments	12,018	15,609

Laid out below is the maturity of the principal lease agreements :

Minimum future payments on leases

	2005	2004
Less than 1 year	421	463
Between 1 and 5 years	1,098	959
Over 5 years	138	28
Total	1,657	1,450

AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

(year ended December 31, 2005)

To the shareholders

In accordance with the terms of our appointment at the PSB Industries shareholders' meeting, we have audited the accompanying consolidated financial statements of PSB Industries for the year ended December 31, 2005.

These consolidated financial statements were approved by the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

These financial statements were prepared for the first time using the IFRS standards adopted by the European Union. They include for comparison the data from 2004 recast in the same standards.

Opinion on the annual financial statements

We conducted our audit in accordance with the professional standards applied in France. Those standards require that we plan and perform the 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 data in these financial statements. An audit 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 IFRS standards adopted by the European Union, the financial statements give a true and fair view of the assets and financial position as well as of earnings for the Company comprising the consolidated entities.

Basis of opinion

In application of the provisions of article L.823--9 of the French Commercial Code requiring the auditors to explain the basis of their opinion, we bring to the attention of shareholders the following:

- As mentioned in note 3.21 (Financial Instruments), in the absence of specific language in IFRS standards concerning the accounting treatment of puts held by a minority owner, we have assured ourselves that the notes to financial statements give appropriate information on the options involving the Company.

The evaluations thus made are an integral part of our audit procedures of all the annual financial statements in the consolidation and so contributed to our opinion

expressed in the first part of this report.

Specific procedures

Furthermore, we also reviewed the information given in the report on the management of the Group.

We have no matters to report concerning the fairness of this information and its consistency with the consolidated financial statements.

Villeurbanne et Neuilly sur Seine, February 27, 2006

MAZARS

Jean-François Metz Max Dumoulin

BARBIER FRINAULT & AUTRES

Ernst & Young
Nicolas Job

PARENT COMPANY BALANCE SHEET

(EUR000s)

Assets	2005/12/31	2004/12/31
Intangible fixed assets		
Organization costs	-	-
Tangible fixed assets		
Land	695	703
Buildings	354	205
Technical property, plant and equipment	47	46
Other tangible fixed assets	-	-
Long-term financial assets		
Direct investments	18,779	21,367
Receivables associated with direct investments	1,524	1,524
Treasury stock	1,458	-
Other long term financial assets	619	168
Total fixed assets	23,476	24,013
Current assets		
Advances and deposits received	5	4
Trade and related receivables	-	-
Other accounts receivable	2,392	3,522
Miscellaneous		
Treasury stock	-	1,073
Marketable securities	8,337	7,851
Cash	352	841
Equalization accounts		
Prepaid expenses	-	-
Total current assets	11,086	13,291
Total assets	34,562	37,304

Liabilities & Equity	2005/12/31	2004/12/31
Corporate capital	7,350	7,350
Issue premiums/discounts	10,122	10,122
Re-evaluation gains/losses	29	29
Legal reserve	735	735
Regulated reserve	-	10,863
Other reserves	10,576	-
Carryforwards	175	75
Period earnings	4,114	3,681
Regulatory reserves	-	-
Total shareholders' equity	33,101	32,855
Contingency reserves	-	-
Bank loans	-	-
Miscellaneous loans	78	3,329
Supplier debt and related accounts	101	123
Tax and social security debt	1,283	882
Other debts	-	-
Total indebtedness	1,462	4,334
Unrealized currency gains	-	115
Total liabilities and equity	34,562	37,304

PARENT COMPANY INCOME STATEMENT

(EUR000s)

	2005/12/31	2004/12/31
Sales of services	391	359
Net sales	391	359
Other income	7	6
Total operating income	398	365
Other purchases and external charges	(239)	(259)
Non-income taxes	(41)	(48)
Wages, salaries and social security payments	(6)	(6)
Amortization and depreciation expense	(43)	(55)
Other charges	(142)	(137)
Total operating charges	(471)	(505)
Net operating income	(73)	(140)
Financial income from direct investments	3,853	3,064
Other interest and related income	-	5
Income from other securities and receivables on long-term assets	118	127
Net proceeds from sales of marketable securities	973	440
Deductions for provisions and transferred charges	-	-
Total financial income	4,944	3,636
Interest and related expense	(12)	(467)
Net charges from sales of marketable securities	(2)	-
Other financial expenses	(63)	(44)
Total financial expense	(77)	(511)
Net financial income	4,867	3,125
Current earnings before income taxes	4,794	2,985
Non-operating income from management activities	1	161
Non-operating income from investment activities	-	-
Deductions for provisions and transferred charges	-	-
Total non-operating income	1	161
Non-operating expense from management activities	-	(3)
Non-operating expense from investment activities	(219)	-
Non-operating amortization and depreciation expense	-	-
Total non-operating expense	(219)	(3)
Non-operating net income	(218)	158
Income tax	(462)	538
Total income	5,343	4,700
Total expenses	(1,229)	(1,019)
Profit (total income less total expense)	4,114	3,681

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 the provisions of articles 8 to 17 of the French Commercial Code as well as of CRC regulation No. 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.

Change in the presentation of accounts

This occurred during the accounting period and concerns the reclassification of treasury stock from “miscellaneous” to “long-term financial assets” on the asset side of the balance sheet.

The passage of European regulation 2273/2003 of December 22, 2003 in response to the Market Abuses directive did change the operation of stock buy-back programs. In application of CU CNC notice 98-D, of the comments of the AMF and of the recommendations of the CNCC (Bulletin 137, March 2005), the company shares held by PSB Industries, which are subject to a liquidity contract, were reclassified as a long-term financial asset as of 12/31/2005.

These company shares as of 12/31/2004 represented a total of EUR1,073,000 and as of 12/31/2005 a total of EUR1,458,000.

The cash held by the financial intermediary as part of the liquidity contract were for their part reclassified under “Other long-term assets” on the asset side of the balance sheet.

This cash represented as at 12/31/2004 a total of EUR576,000 and as of 12/31/2005, EUR602,000.

Change in accounting method based on a new regulation

In applying regulations CRC 2002-10 and CRC 2004-06, covering open periods starting 01/01/2005, the Company found that its buildings were not being depreciated over their actual useful life (30 years vs. 20 years previously).

The Company chose to use the retrospective method for adopting the change in accounting treatment and not to turn canceled depreciation into overriding, alternative depreciation.

For the year ended 12/31/2005 the impact of regulatory changes are as follows:

On the opening shareholders' equity:

- accounting for carryforwards: Net amount, EUR114,673
- Impact of taxes on additional companies : EUR 58,636

On earnings for the period

- Reduction of a grant of EUR12,091

2 - Valuation method of certain items

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

Intangible and tangible fixed assets

Intangible fixed assets are amortized over a two-year life. Tangible fixed assets are valued at their acquisition cost (purchase price plus associated expense). Interest on loans specifically for the creation of fixed assets is not included. Depreciation expense is calculated on the foreseeable life:

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

Long-term financial assets

Long-term financial assets are carried at their historical acquisition cost. Provisions for loss are set up whenever the acquisition value of a holding is greater than its utility value. In determining the latter we consider its portion 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 credits are made whenever the financial situation of the debtor makes repayment appear very unlikely.

Loans and debts

Loans and debts are valued at their nominal value. Certain receivables are, if necessary, written down through allowances 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 of the financial statements.

Contingency reserves

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.

Tax pooling

A tax pooling method was put in place starting January 1, 1990.

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

3 - Tangible fixed assets

Gross Value	Land	Buildings	Technical property	Total
As of 05/01/01	788	1,521	182	2,491
Increase	-	-	12	12
Decrease	-	-	-	-
As of 05/12/31	788	1,521	194	2,503

Amortization and depreciation	Land	Buildings	Technical property	Total
As of 05/01/01	(85)	(1,316)	(136)	(1,537)
Additions	(8)	(24)	(11)	(43)
Withdrawals	-	173	-	173
As of 05/12/31	(93)	(1,167)	(147)	(1,407)

4 - Long-term financial assets

Gross Value	Direct investments	Credits related to holdings	Treasury stock	Other long term securities	Other Long-term	Total
As of 05/01/01	21,367	1,524	-	168	-	23,059
Increase	621	-	2,311	-	602	3,534
Decrease	(3,209)	-	(853)	(151)	-	(4,213)
As of 05/12/31	18,779	1,524	1,458	17	602	22,380

No provisions were set against long-term financial assets.

Treasury stock

	2004/12/31	Increase	Decrease	2005/12/31
in number of shares	60,079	37,292	(50,348)	47,023
in value (FIFO)	1,073	1,238	(853)	1,458

As of December 31, 2005 PSB Industries stock was valued on the stock exchange at EUR35.00 per share.

5 - Balance sheet provisions

	Contingency reserves	Regulatory reserves	Accumulated depreciation	Total
As of 05/01/01	-	-	-	-
Additions	-	-	-	-
Uses	-	-	-	-
Withdrawals	-	-	-	-
As of 05/12/31	-	-	-	-

6 - Aging of receivables

The aging of receivables is detailed below :

	Gross amount	Up to 1 year	More than 1 year
Other receivables	2,392	2,392	-
Total	2,392	2,392	-

7 - Marketable securities

	Amount
Mutual funds - money market	7,510
Mutual funds - bonds	105
Mutual funds - diversified	722
Total	8,337

8 -Indebtedness

	Gross amount
Bank loans	-
Miscellaneous debts	78
Trade and related payables	101
Tax and social security debt	1,283
Other debts	-
Total	1,462

9 - Indebtedness

Relevant balance sheet items	Amount
Bank loans	Néant

10 - Payables

Relevant balance sheet items	Amount
Trade accounts payable	101
Tax and social security debt	1,624
Other debts	-

11 - Receivables

Relevant balance sheet items	Amount
Other receivables	N/A

12 - Currency gains and losses

Relevant balance sheet items	Amount in currency	Currency gain/loss in EUR000s
Miscellaneous loans	-	-

13 - Corporate Capital

Corporate capital is equal to EUR7.35 million, divided over 3,675,000 common shares at EUR2 par value.

	Capital	Issue premiums/ discounts	Reserves	Earnings	Total
As of 2005/01/01	7,350	10,122	11,702	3,681	32,855
Dividends declared	-	-	3,681	(3,681)	-
Dividends paid	-	-	(3,982)	-	(3,982)
Restatement	-	-	114	-	114
2005 earnings	-	-	-	4,114	4,114
As of 2005/12/31	7,350	10,122	11,515	4,114	33,101

14 - Deferred income and expense

Relevant balance sheet items	Amount
Prepaid expense	N/A
Unearned income	N/A

15 - Breakdown of net sales

The breakdown of sales by country is set forth below :

Relevant balance sheet items	Amount
France	391
Export	-
Total	391

16 - Advances to managers

N/A

17 - Financial obligations

Pension obligations

The Company is obligated to some of its former employees before the businesses were made subsidiaries, for a guarantee of funds in addition to normal retirement plans. The expense for this is booked as the payments are made.

In 2005, an expense was booked for EUR6,000 representing payments made during the period.

The total obligation has been calculated based on (1) the retirement packages to which the Company committed itself for each beneficiary, and (2) their expected lifetimes calculated from a statistical table provided by notaries.

Commitments to buy back shares

PSB Industries has agreed to buy back 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 valuation formulas, the total value of the shares concerned can be estimated as of December 31, 2005 at EUR7,350,000.

Obligations in terms of 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 obligation is valued as of December 31, 2005 at EUR1,044,000.

Obligations as to down payments received

N/A

Obligations as to down payments given

N/A

18 - Average workforce

N/A

19 - Executive compensation

	Amount
Board committees (director's fees)	50
Management committees	N/A

20 - Financial income and expense for affiliated companies

	Amount
Financial expense	21
Financial income	3,966

21 - Breakdown of corporate income tax

	Total	Current net income	Non-operating net income and from direct investments
Pre-tax net income	4,577	4,794	(217)
Tax before pooling	(411)	(411)	-
Net income before pooling	4,166	4,383	(217)
Net charge of tax pooling	(51)	(51)	-
After tax net income	4,115	4,332	(217)

22 - Balance sheet items involving affiliated companies

Relevant balance sheet items	Amount
Direct investments	18,779
Receivables associated with direct investments	1,524
Other credits (rents, checking account and tax pooling)	2,866
Loans and miscellaneous financial debts (checking account)	78
Debts for taxes and social security (tax pooling)	74

23 - Occurrence of overriding tax valuations

These valuations result in increases or decreases to the item “regulatory reserves».

	Amount
Period net income	4,114
Income tax	(462)
Pre-tax net income	3,652
Change in regulatory reserves	-
Net income before overriding tax valuations	3,652

SUBSIDIARIES AND AFFILIATES

AS AT DECEMBER 31, 2005

	Capital	Shareholders' equity other than capital	Share of capital Owned (%)	Sales in 2005	Earnings in 2005
Subsidiaries					
(> 50% owned by the corporation)					
French (in EUR000s)					
Baikowski	4,084	6,298	100	25,875	1,891
CGL Pack Service	2,000	2,864	100	3,577	1,608
Texen	4,000	9,116	85	-	4,768
PSB Services	10	-	100	2,068	132
Direct investments					
(10 à 50 % ownership)					
N/A					

The earnings presented in this table are company earnings, without regard to restatements made at the Group level to reconcile different accounting methods.

Shareholders' equity includes regulatory reserves and investment subsidies.

EUR000's	Value of shares held		Dividends received in 2005	Loans and advances granted	Advances and endorsements given
	Gross	Net			
Subsidiaries					
(> 50% owned by the corporation)					
French					
Baikowski	9,039	9,039	1,205	2,234	-
CGL Pack Service	3,804	3,804	900	-	-
Texen	5,926	5,926	1,611	1,524	-
PSB Services	10	10	132	(78)	-
Direct investments					
(10 à 50 % ownership)					
N/A					

PARENT COMPANY'S FIVE-YEAR STATEMENT OF EARNINGS

As at December 31 (in euros)	2005	2004	2003	2002	2001
Capital at end of period					
Corporate capital	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	735,000	735,000	735,000
Maximum number of future shares to be created through the exercise of subscription rights		-	-	-	-
Operations and period earnings					
Sales exclusive of tax	391,015	358,600	324,809	342,658	308,956
Net income before taxes and non-fund expense (amortization and depreciation)	4,620,266	3,037,479	3,216,976	984,273	893,686
Income tax	(461,697)	(538,271)	(118,304)	1,212,979	(163,584)
Employee stock ownership due to the period	-	-	-	-	-
Net income after taxes and non-fund expense (amortization and depreciation)	4,114,194	368,002	3,195,570	8,459,246	3,493,697
Distributed earnings	4,410,000	4,042,500	3,381,000	3,234,000	2,793,000
Earnings per share					
Net income after taxes but before non-fund expense (amortization and depreciation)	1.13	0.97	0.91	2.34	0.83
Net income after taxes and non-fund expense (amortization and depreciation)	1.12	1.00	0.87	2.30	0.95
Dividends per share	1.20	1.10	0.92	0.88	0.76
Personnel					
Average workforce employed during the year	-	-	-	-	-
Total payroll for the period	-	-	-	-	-
Amount paid in benefits (social security, etc.) during the period	-	-	-	-	-
Stock information					
Highest price	36.80	29.98	20.00	18.54	18.00
Lowest price	28.80	18.43	15.00	14.16	14.00
Number of shares traded	307,246	418,887	121,880	134,250	79,250

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

GENERAL REPORT OF THE STATUTORY AUDITOR

(year from January 1 to December 31, 2005)

To the shareholders,

In accordance with the terms of our appointment at the shareholders' meeting, we hereby submit our report for the year ended 31 December 2005 on:

- our examination of the accompanying annual financial statements of PSB Industries,
- the basis of our opinion,
- specific procedures and information required by law.

The annual financial statements were approved by the Board of Directors.

Our responsibility is to express an opinion on these financial statements based on our audit.

Opinion on the annual financial statements

We conducted our audit in accordance with the professional standards applied in France. Those standards require that we plan and perform our audit so as to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the data in these financial statements. An audit 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 our opinion.

We certify that in terms of the rules and principles of French accounting, the annual financial 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.

Without prejudice to the opinion expressed above, we draw attention to Note 1, which treats:

- The change in presentation on the balance sheet of company shares (treasury stock) and cash held by the financial intermediary as part of the liquidity contract.
- The change in method represented by the first application, as of January 1, 2005, of regulations CRC 2002-10 and 2004-06 relative to assets.

Basis of opinion

In accordance with article L.823--9 of the French Commercial Code requiring the auditors to explain the basis of their opinion, we bring to the attention of shareholders the following:

- As indicated in the Note “Long-term financial assets,” direct investments are valued at their historical acquisition cost. As of the date the financial statements were drawn up, whenever their utility value is lower than their acquisition value, they are written down to their utility value. As part of evaluation of estimates made in drawing up the financial statements, we have examined the items enabling us to determine the utility values of the principal direct investments.

- As part of our evaluation of the accounting principles and rules followed by the Company, we satisfied ourselves that the changes in method mentioned above and the presentation made of them were well-founded.

The evaluations thus made are an integral part of our audit procedures of all the annual financial statements in the consolidation and so contributed to our opinion expressed in the first part of this report.

Specific procedures and information

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

We have no matters to report concerning the fairness of the information given in the annual report by the Board of Directors and in the documents sent to shareholders with respect to the financial position and the annual financial statements or its consistency with the annual financial statements.

As required by law, we have also verified that details of the identity of shareholders and holders of voting rights were disclosed to shareholders in the management report.

Villeurbanne and Neuilly sur Seine, February 27, 2006

MAZARS

Jean-François Metz Max Dumoulin

BARBIER FRINAULT & AUTRES

Ernst & Young
Nicolas Job

SPECIAL REPORT OF THE STATUTORY AUDITOR ON REGULATED AGREEMENTS

To the shareholders,

In our capacity as statutory auditors of PSB Industries, we hereby present our report on regulated agreements.

Our responsibility does not include identifying any undisclosed agreements but to report to shareholders, based on information given 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, under the provisions of Article 92 of the decree of March 23, 1967, to determine whether these agreements are appropriate and should be approved.

We were not informed of any new agreement signed during the year that would be governed by Article L. 225—38 of the French Commercial Code.

However, in compliance with the Decree of March 23 1967, we have been informed that the following agreements, approved during previous years, were performed on during the last year.

With PSB Services S.N.C. and Baikowski S.A.S

- Nature and purpose

Lease of premises

The Company owns 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 the 2005 period the Company invoiced :

- EUR61,015 net of tax from PSB services SNC ;
- EUR212,248 net of tax from Baikowski SAS.

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

Villeurbanne and Neuilly sur Seine, February 27, 2006

MAZARS

Jean-François Metz Max Dumoulin

BARBIER FRINAULT & AUTRES

Ernst & Young
Nicolas Job

REGULAR SHAREHOLDERS' MEETING OF MAY 24, 2006

Drafts resolutions of the Shareholders' Meeting

First resolution

The Shareholders' Meeting, after hearing the reading of the Board of Directors' Management Report and the Summary Report of the statutory auditor on corporate financial statements and the consolidated financial statements for the year ended December 31, 2005, do approve the corporate and consolidated financial statements as presented, as well as the operations represented by these financial statements or summarized in these reports.

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

Second resolution

The Shareholders' Meeting, after hearing the reading of the special report of the statutory auditor on the agreements contemplated by Articles L225-38 and ff of the French Commercial Code, do approve the agreements mentioned therein.

Third resolution

The Shareholders' Meeting, on the motion of the Board of Directors, decides to distribute the period's net profits of EUR4,414,193.81 in the following manner :

Distribution of the sum of	EUR 4,410,000.00
As dividends to shareholders	
Period net earnings	EUR 4,114,193.81
Retained earnings 2004	EUR 174,751.60
Amount deducted from reserves	EUR 121,054.59

Given that on this dividend EUR0.55 per share was already paid on January 31, 2006 in the form of an advance (i.e. EUR2,021,250) in accordance with a decision of the Board on October 24, 2005, only the balance, or EUR0.65 per share, remains due (i.e. a total of EUR2,388,750) and shall become payable on June 1, 2006.

In application of Article 158, paragraph 3.2 on the calculation of income tax, said dividend is eligible for the 40% tax deduction.

In compliance with the provisions of Article 243(a) of the French General Tax Code, the Shareholders' Meeting notes that over the last three years the following dividends have been distributed:

(in euros)	2002	2003	2004
Net Dividend per share	0.88	0.92	1.10*
Tax credit	0.44	0.46	-*
Total yield	1.32	1.38	1.10*

* In application of Article 158, paragraph 3.2 on the calculation of income tax, said dividend is eligible for the 50% tax deduction..

Fourth resolution

The Shareholders' Meeting, on a motion by the Board of Directors, decides to renew its authorization given by the regular shareholders' meeting of 05/26/2005 within the provisions of Articles L 225—209 and ff. of the French Commercial Code, for the Company to undertake the purchase of company shares on the stock exchange, with a view to :

- Buoy trading by an investment services provider as part of a liquidity contract ;
- Purchase shares in order to conserve them and later use them in exchange or in payment in an external growth strategy.

The number of shares held for purposes of this authorization may not exceed 10% of corporate capital, i.e. 367,500 shares.

Purchases of shares made under this authorization, as well as their resale, shall be carried out within the following limitations: The maximum purchase price must not exceed EUR50 per share and the minimum resale price must not be below EUR25 per share.

In light of the maximum purchase price per share, the total amount allocable to stock repurchases may not exceed EUR18,375,000.

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

The shares shall be bought back on the open market or through acquiring blocs of shares as allowed by relevant laws and regulations. The program may be achieved entirely through acquisitions of blocs of shares. The acquisitions and sales can occur

during public trading, within the limits imposed by the exchange.

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

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

Fifth resolution

The Shareholders' Meeting decides to set at EUR60,000 the amount of directors' fees allocated to the Board of Directors for FY 2006.

Sixth resolution

The Shareholders' Meeting confers full powers to the bearer of an original, a copy or an extract of these minutes to undertake all formalities required by law or regulation.