PSB INDUSTRIES

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2012 HY financial report

PSB INDUSTRIES

2012 Half-year financial report

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Consolidated balance-sheet

ASSETS (IN €000'S)	06/30/2012	12/31/2011
Assets non currents		
Property, plant and equipment	106,481	99,434
Goodwill	30,033	29,379
Intangible fixed assets	1,203	1,264
Fixed assets accounted for by the equity method	3,613	3,754
Long-term financial assets	901	528
Long-term financial derivatives	2	6
Deferred tax assets	2,566	2,341
Total non currents assets	**144,799**	**136,706**
Currents assets		
Inventory	53,250	47,448
Trade and related receivables	44,574	44,628
Current income tax credits	2,283	2,133
Other receivables and credits	7,320	6,351
Short-term financial derivatives	13	85
Cash and equivalents	9,825	7,217
Total currents	117,265	107,862
Total assets	**262,064**	**244,568**

LIABILITIES AND EQUITY (IN €000'S)	06/30/2012	12/31/2011
Shareholder's equity		
Capital stock	7,350	7,350
Premium	10,122	10,122
Reserves	62,536	54,631
Translation gains/(losses)	2,926	2,134
Net income for the period	5,490	11,435
Shareholders' equity attributable to group	**88,424**	**85,672**
Minority interests	-	-
Total shareholders' equity	**88,424**	**85,672**
Non current liabilities		
Long-term financial debt	58,608	49,895
Long-term financial derivatives	1,861	1,522
Financial liabilities of more than one year	**60,469**	**51,417**
Deferred tax liabilities	2,681	2,872
Provisions for pensions and similar benefits	6,418	5,568
Other non-current liabilities	-	-
Total non current liabilities	**69,568**	**59,857**
Current liabilities		
Trade and related payables	32,223	26,006
Financial debts of less than one year	44,751	39,818
Liabilities related to buyout of minority interests	3,095	3,499
Short-term financial derivatives	610	1,155
Financial liabilities of less than one year	**80,679**	**70,478**
Current income tax accrued	1,336	2,529
Other debts	21,865	25,433
Provisions for risks and current expenses	192	599
Total non currents liabilities	**104,072**	**99,039**
Total liabilities and equity	**262,064**	**244,568**

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Income statement

(IN €000'S)	from 01/01/2012 to 06/30/2012	from 01/01/2011 to 06/30/2011	from 01/01/2011 to 12/31/2011
Sales	126,069	127,692	245,049
Costs of sales	(100,522)	(98,007)	(191,914)
Research and development expense	(2,055)	(1,816)	(3,553)
Selling and distribution costs	(6,395)	(6,467)	(12,170)
Administrative expenses	(8,324)	(8,314)	(16,123)
Other operating income	702	713	1,476
Other operating expense	(95)	(155)	(435)
Operating income	**9,380**	**13,646**	**22,330**
Net cost of financial indebtedness	(1,435)	(1,450)	(2,874)
Other financial income and expense	613	305	(2,101)
Tax	(2,933)	(4,199)	(6,011)
Share of net income from equity-method interests	162	364	588
Net income	**5,787**	**8,666**	**11,932**
Attributable to the group	**5,490**	**8,274**	**11,435**
Attributable to minority interests	297	392	497
Annual consolidated net income	**5,787**	**8,666**	**11,932**
Net earnings per share in euro	1.51	2.28	3.15
Diluted net earnings per share in euro	1.51	2.28	3.15

Statement of net income and gains and losses recognized directly in shareholders' equity

(IN €000'S)	from 01/01/2012 to 06/30/2012	from 01/01/2011 to 06/30/2011	from 01/01/2011 to 12/31/2011
Consolidated net income	5,787	8,666	11,932
Translation gains/(losses)	815	(2,010)	982
Cash flow hedge	(373)	430	(1,057)
Deferred tax on cash flow hedge	124	(143)	352
Hedge of a net foreign currency investment	(75)	649	(215)
Deferred tax on a hedge of a net foreign currency investment	25	(216)	72
Actuarial variances on defined benefit plans	(684)	-	(123)
Deferred tax on actuarial variances on defined benefit plans	228	-	41
Total net income and gains and losses recognized directly in shareholders' equity	60	(1,290)	52
Net income and gains and losses recognized in shareholders' equity	**5,847**	**7,376**	**11,984**
included attributable to the group	5,524	7,041	11,460
included minority interests	323	335	524

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Change in shareholder's equity

(IN €000'S)	Capital	Premium	Treasury stock	Reserves	Gains & losses recognized in equity	Total	Minority interests	Total
As of 01/01/2011	**7,350**	**10,122**	**(597)**	**61,465**	**1,693**	**80,033**	**-**	**80,033**
Treasury stock	-	-	(79)	-	-	(79)	-	(79)
Dividends paid	-	-	-	(2,881)	-	(2,881)	(257)	(3,138)
Minority put	-	-	-	-	-	-	(78)	(78)
Net income for the period	**-**	**-**	**-**	**8,274**	**-**	**8,274**	**392**	**8,666**
Gains and losses recognized in equity	-	-	-	-	(1,233)	(1,233)	(57)	(1,290)
Period net income and gains and losses recognized in equity	-	-	-	8,274	(1,233)	7,041	335	7,376
As of 06/30/2011	**7,350**	**10,122**	**(676)**	**66,858**	**460**	**84,114**	**-**	**84,114**
As of 01/01/2012	**7 350**	**10 122**	**(964)**	**67,446**	**1,718**	**85,672**	**-**	**85,672**
Treasury stock	-	-	279	-	-	279	-	279
Dividends paid	-	-	-	(3,051)	-	(3,051)	(257)	(3,308)
Minority put	-	-	-	-	-	-	(66)	(66)
Net income for the period	**-**	**-**	**-**	**5,490**	**-**	**5,490**	**297**	**5 787**
Gains and losses recognized in equity	-	-	-	-	34	34	26	60
Period net income and gains and losses recognized in equity	-	-	-	5,490	34	5,524	323	5,847
As of 06/30/2012	**7 350**	**10 122**	**(685)**	**69,885**	**1,752**	**88,424**	**-**	**88,424**

Consolidated statement of cash flows

(IN €000'S)		from 01/01/2012 to 06/30/2012	from 01/01/2011 to 06/30/2011
Net income attributable to Group		5,787	8,666
Depreciation, amortization and provision expense on fixed assets		8,129	8,154
Net provision allowances on balance sheet		(241)	145
Net income attributable to joint-ventures		121	(182)
Net cost of financial indebtedness and dividend received		1,153	1,269
Current and deferred tax		2,933	4,199
(Pretax (gain)/loss on disposal of assets		25	(6)
Other changes not affecting cash		-	-
Change in working capital requirement		(2,101)	(12,393)
Tax paid		(3,760)	(5,232)
Net operating cash flow		**12,046**	**4,620**
Net capital expenditures for operations		(14,392)	(7,285)
Change in long-term receivables and payables		11	(1,816)
Net financial investment/disinvestment		36	19
Change in loans		(206)	(95)
Income on cash and equivalents		6	6
Dividends received		283	182
Net cash flow from investments		**(14,262)**	**(8,989)**
Treasury stock		39	(63)
Dividends paid to parent company shareholders		(5,624)	(5,274)
Dividends paid to minority interests in integrated companies		(257)	(253)
Increase in financial liabilities		23,991	20,856
Decrease in financial liabilities		(12,106)	(10,016)
Interests paid		(1,442)	(1,457)
Net cash flow from financing		**4,601**	**(3,793)**
Impact of currency rate changes		223	(144)
Change in cash		2,608	(720)
Cash and equivalents at start of year		7,217	8,598
Cash and equivalents at end of year		9,825	7,878

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Notes to consolidated financial statements

All amounts in these notes are expressed in thousands of euros.

1. General

PSB Industries is a French corporation created in 1905 by the Baikowski brothers.
Its registered office is located in Annecy (BP 22, 74001 Annecy Cedex).
Shares in the company are listed by Euronext Paris, on the Eurolist Compartment C (Mid Caps) market.
The Group's businesses are described in page 11.
The Group's consolidated financial statements were approved by the Board of Directors on August 8, 2012.

2. Principes comptables

2.1.BASIS FOR PREPARING

The interim summary financial statements for the half year from January 1, 2012 to June 30, 2012, for the PSB Industries Group, have been prepared in accordance with:

- international accounting standard IAS 34, on interim financial reporting, as amended,

- and the other international accounting standards (consisting of IFRS, IAS, amendments and interpretations) that have been adopted by the European Union on June 30, 2012 and are available on the website: http://ec.europa.eu/internal_market/accounting/ias/index_fr.htm.

2.2. ACCOUNTING PRINCIPLES

Pursuant to IAS 34 amended, only information related to major events and transactions concerning the interim period in question are presented through explanatory notes. The accounting principles used are identical to those applied in the financial statements for the year ended December 31, 2011, subject to certain aspects particular to the preparation of the interim financial statements described hereafter.

During the period the PSB Industries Group adopted the new IFRS 7 standard, whose application became mandatory for the fiscal year beginning on January 1, 2012, regarding disclosures required in relation to transferred financial assets.

This standard does not impact the Group's net income and financial position or the presentation of the financial statements and financial information, since the PSB Industries Group was not concerned by the contents and/or impacts of this measure at June 30, 2012.

Moreover, the Group has not applied in advance any standards, amendments or IFRIC interpretations whose application was not mandatory at June 30, 2012, either because these measures had not yet been adopted in Europe or because the Group decided not to apply them in advance. These measures are as follows:

Annual improvements (text published by IASB on May 17, 2012): annual improvements made to various standards

IAS 1: amendments regarding the presentation of other items in the comprehensive income,

IAS 12: amendments regarding the recovery of underlying assets,

IAS 19: amendments regarding employee benefits,

IAS 27 revised: individual financial statements,

IAS 28 revised: equity investments in affiliated companies and joint ventures,

IAS 32: amendments regarding the compensation of financial assets and liabilities,

IFRS 1: amendments regarding severe hyperinflation, the elimination of established dates for first-time adoption and public subsidies,

IFRS 7: amendments regarding information that has to be disclosed in the notes concerning compensation of financial assets and liabilities, IFRS 9: financial instruments standard that will progressively replace the provisions of IAS 39

IFRS 10: consolidated financial statements,

IFRS 11: partnerships,

IFRS 12: information to provide on interests held in other entities,

IFRS 13: fair value assessment,

IFRIC 20: stripping expenses incurred.

At this stage the Group is not concerned by these measures or it does not expect significant impacts on its financial statements in the coming fiscal years.

Except for the number of days worked, which is greater in the 1st half-year, the Group does not recognize seasonal variability on these operations that can affect the level of revenues from one half-year to another.

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

The final amounts could vary from these estimates.

2.3. EVALUATION RULES AND METHODS

The interim consolidated financial statements at June 30, 2012 were prepared in accordance with the general IFRS principles: true and fair view, going concern, accrual accounting, consistency of presentation, materiality and consolidation. The acquisition cost method is applied for all assets except financial assets and derivative financial instruments valued at their fair value.

Except for transaction liabilities and derivatives constituting liabilities that are valued at fair value, loans and other financial liabilities are initially valued at fair value less transaction costs and then at amortized cost, calculated using the effective interest rate. It is stipulated that commitments to purchase minority interests are recognized as financial liabilities at the present value of the purchase amount.

The Group's consolidated financial statements are presented in thousands of euros, unless noted otherwise.

The preparation of financial statements in accordance with IFRS standards requires the use of a number of accounting estimates, which include, due to their nature, a degree of uncertainty. The main sources of significant accounting estimates and judgments are the same as those identified in the preparation of the consolidated financial statements for the year ending December 31, 2011 concerning the impairment of goodwill, deferred tax liabilities and pensions.

3. Change in consolidation - discontinued operations

There were no changes in consolidation scope during the first half of 2012.

4. Impairment tests

Measurement tests are performed annually, as of December 31, on the cash generating units (CGUs) that carry goodwill and whenever there is sign of an impairment.
At June 30, 2012, in the absence of any indication of impairment, no new impairment test was performed.

(IN €000'S)	06/30/2012	12/31/2011
Gross goodwill	30,033	29,379
Impairment	-	-
Net goodwill	**30,033**	**29,379**

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5. Dividend paid out (excluding treasury shares)

As of June 30, 2011	in €/share	in Keuros
Dividend decided by the shareholder's meeting	1.45	5,329
including the interim dividend already recognized as debt as December 31, 2010	0.65	2,389
As of June 30, 2012		
Dividend decided by the shareholder's meeting	1.55	5,696
including the interim dividend already recognized as debt as December 31, 2011	0.70	2,573

6. Treasury stock

	06/30/2012	06/30/2011	12/31/2011
Number of shares	43,932	43,044	54,449
In value (FIFO)	1,078	1,130	1,430

The average number of treasury shares during the 2012 half-year was 46,130, the 2011 half-year was 41,220 and 44,871 in 2011. These figures are used in calculating earnings per share.

7. Detail on other operating income and expense

7.1 DETAIL ON OTHER INCOME

	06/30/2012	06/30/2011
Disposal of assets	53	288
Gains on lawsuits	422	421
Court awards	-	-
Reversed provision	225	-
Other	2	4
Total	**702**	**713**

7.2 DETAIL ON OTHER EXPENSE

	06/30/2012	06/30/2011
Litigation	-	-
Disposal of assets	(78)	(155)
Impairment of intangible assets	-	-
Other	(17)	-
Total	**(95)**	**(155)**

8. Taxes

	06/30/2012	06/30/2011
Taxes payable	(2,911)	(5,139)
Deferred taxes	(21)	940
Total taxes on net income	**(2,933)**	**(4,199)**

9. Segment information

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

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

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

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

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

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

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

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	Beauty packaging	Custom packaging	Specialty chemicals	Other activities*	Total
AS OF JUNE 30, 2012					
Performance indicators					
Sales	80,322	25,084	20,700	(37)	126,069
Depreciation & amortization expense and provisions for fixed assets	4,714	1,342	2,002	71	8,129
Operating net income	6,291	1,846	1,598	(355)	9,380
Yield on cash	1	-	-	6	7
Gross financing costs	850	147	290	155	1,442
Result before tax	5,549	1,662	1,727	(380)	8,558
Attributable net income from equity-method companies	-	-	162	-	162
Assets					
Net property, plant & equipment	51,098	18,701	34,781	1,901	106,481
Net capital expenditures	8,192	1,631	4,472	98	14,393
Simplified working capital requirements**	38,221	9,944	17,684	(248)	65,601
Total consolidated balance sheet	**141,922**	**42,900**	**66,512**	**10,730**	**262,064**
Current and non current liabilities	104,211	24,890	39,179	4,820	173,640
Workforce	971	280	149	6	1,406
AS OF JUNE 30, 2011					
Performance indicators					
Sales	79,865	24,946	22,992	(111)	127,692
Depreciation & amortization expense and provisions for fixed assets	4,877	1,231	1,995	51	8,154
Operating net income	8,121	2,244	3,596	(315)	13,646
Yield on cash	-	-	-	6	6
Gross financing costs	830	153	275	198	1,456
Result before tax	7,254	2,074	3,505	(332)	12,501
Attributable net income from equity-method companies	-	-	364	-	364
Assets					
Net property, plant & equipment	45,710	17,855	29,845	1,890	95,300
Net capital expenditures	4,430	878	1,920	56	7,284
Simplified working capital requirements**	37,817	10,149	17,512	(379)	65,099
Total consolidated balance sheet	**133,310**	**42,211**	**61,116**	**12,063**	**248,700**
Current and non current liabilities	98,789	24,984	36,634	4,179	164,586
Workforce	1,011	257	139	8	1,415

* parent company and eliminations

** net invventories + net accounts receivable - accounts payable

10. Related parties

TRANSACTIONS WITH JOINT VENTURES

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

	06/30/2012	06/30/2011
Sales	3,340	7,247
Purchases	1,081	1,207
Trade receivables	2,798	6,596
Current account payable	570	490
Trade payables	885	545

There were no significant transactions between senior managers and Group companies.

11. Financial liabilities

Interest on variable rate debt is indexed to monetary benchmarks, chiefly EURIBOR and LIBOR for euro- and USD-denominations respectively. When by hedging a variable rate is made fixed, the borrowing is deemed to be at a fixed rate.

At June 30, 2012 and after taking hedges into account, the portion of financial debt at variable rates was 30% vs. 17% at December 31, 2011.

At June 30, 2012 €1.8 million of debt carried covenants for financial ratios calculated on a yearly basis as of December 31, primarily consisting of the following: equity to total assets, net borrowing to free cash flow and net borrowing to total equity. All of these ratios were respected at June 30, 2012.

PSB Industries was obtained in 2009 a medium to long-term, multi-currency line of credit from Société Générale for €12.5 million, amortizable over seven years.
At June 30, 2012 this line had not been used.

12. Provisions for retirement

Allowing for the drop in bond yields used as the basis for the actuarial calculation of employee liabilities, the provision was adjusted by 684,000 euros, for an after-tax impact of (456,000) euros on shareholders' equity.

13. Liabilities related to buyout of minority Interests

The equity put option in a subsidiary (Texen Holding) granted to a minority shareholder was converted into a firm sale/purchase commitment, which provides for the sale of 4% of the subsidiary's capital in the second half of 2012 and the remaining 4% during the first quarter of 2013.

14. Post closing events

None.

2 Chapter
Activity report

1. Activity

PSB Industries' consolidated revenues in H1 2012 amounted to €126.1 million euros, down 1.3% year-on-year or 2.2% on a constant currency basis. Second-quarter sales were down 1.3%, or 2.7% on a constant currency basis.

2. Earnings

The sharp slowdown in demand in the LED (Chemicals) business and the fact that launches in the beauty packaging business are scheduled in the second half of this year have caused operating profit to drop to 7.4% of sales in H1, consistent with our forecasts and similar to the operating profit margin in H2 2011.

3. Debt

Net borrowing increased to €93.5 million from €82.5 million as at December 31, 2011, as capital expenditures of €14.2 million were concentrated in the first part of the year.
The net debt to equity ratio rose from 96% to 106% in H1, and is expected to decrease in H2.

4. Outlook

In the second half of the year PSB Industries should start growing again at a year-on-year rate close to 5%. In this context the operating profit in H2 should improve noticeably.

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

- describe the main risks and uncertainties for the remaining six months of the year:
All other things being equal, the main uncertainty for the second half-year concerns the level of customer demand linked to developments in economic activity.
The risks inherent to each of the Group's businesses are described in the 2011 financial report. A map of the Group's risks is in the process of being updated and should not significantly change the aforementioned risks.

- give an account of the main related-party transactions:
The main transactions are described in note 10 to the interim consolidated financial statement appendix.

3 Chapter
Control bodies and certification

Statutory auditor's review report on the first half-yearly financial information for 2012

Period from January 1 to June 30, 2012

To the Shareholders,

In compliance with the assignment entrusted to us by your ordinary general meeting and in accordance with the requirements of article L. 451-1-2 III of the French monetary and financial code (code monétaire et financier), we hereby report to you on:

- the review of the accompanying condensed half-yearly consolidated financial statements of 2012, for the period from January 1, 2012 to June 30, 2012, and

- the verification of the information contained in the interim management report.

These condensed half-yearly consolidated financial statements are the responsibility of the board of directors. Our role is to express a conclusion on these financial statements based on our review.

1. Conclusion on the financial statements

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

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

Without qualifying our opinion, we draw your attention to the matter set out in Note 2.2 "Principes comptables" to the condensed consolidated financial statements regarding the new International Financial Reporting Standards, Interpretations and amendments which your company applied since January 1, 2012.

2. Specific verification

We have also verified the information presented in the interim management report in respect of the condensed half-yearly financial statements subject to our review.

We have no matters to report as to its fair presentation and its consistency with the condensed half-yearly financial statements.

Annecy-le-Vieux and Paris-La Défense, August 9, 2012

The statutory auditors

(French original signed by)

Mazars	Ernst & Young et Autres
Alain Chavance	Henri-Pierre Navas

3 Chapter
Control bodies and certification

Statement of the responsible of the report

I hereby declare that to the best of my knowledge, the condensed interim consolidated financial statements for the half-year have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets and liabilities, and of the financial position and results of the Company and its consolidated subsidiaries, and that the interim management report shown on page 14 provides a true and fair account of the material events that occurred during the first six months of the year, their impact on the condensed interim consolidated financial statements, the significant transactions between related parties and a description of the main risks and uncertainties for the remaining six months of the year.

Annecy, August 8, 2012

The chairman

Jean-Baptiste Bosson

PSB Industries
BP 22 - 74001 Annecy Cedex - France
Phone: 33.(0)4.50.09.00.02
Mail: finance@psbindus.com