PSB INDUSTRIES
Emballage et chimie de spécialités

H1 2013 financial report

PSB INDUSTRIES

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Consolidated balance-sheet

Assets (in €000's)	06/30/2013	12/31/2012
Asset non current		
Property, plant and equipment	103,784	108,683
Goodwill	29,360	29,276
Intangible fixed assets	937	1,235
Fixed assets accounted for by the equity method	3,068	3,436
Long-term financial assets	769	675
Long-term financial derivatives	1	1
Deferred tax assets	2,706	2,774
Total non current assets	**140,625**	**146,080**
Assets current		
Inventory	43,747	44,477
Trade and related receivables	52,754	43,678
Current income tax credits	898	3,748
Other receivables and credits	5,797	6,824
Short-term financial derivatives	58	306
Cash and equivalents	10,393	8,233
Total current	113,647	107,266
Total assets	**254,272**	**253,346**

Liabilities and equity (in €000's)	06/30/2013	12/31/2012
Shareholder's equity		
Capital stock	7,350	7,350
Premium	10,122	10,122
Reserves	69,099	60,605
Translation gains/(losses)	1,165	1,328
Net income for the period	6,752	10,159
Shareholders' equity attributable to group	**94,488**	**89,564**
Minority interests	-	-
Total shareholders' equity	**94,488**	**89,564**
Non current liabilities		
Long-term financial debt	53,634	49,796
Long-term financial derivatives	1,205	1,588
Financial liabilities of more than one year	**54,839**	**51,384**
Deferred tax liabilities	2,620	2,790
Provisions for pensions and similar benefits	7,380	7,053
Other non-current liabilities	-	-
Total non current liabilities	**64,839**	**61,227**
Current liabilities		
Trade and related payables	30,415	25,230
Financial debts of less than one year	38,348	51,219
Short-term financial derivatives	557	778
Financial liabilities of less than one year	**69,320**	**77,227**
Current income tax accrued	527	711
Other debts	24,869	24,328
Provisions for risks and current expenses	229	289
Total current liabilities	**94,945**	**102,555**
Total liabilities and equity	**254,272**	**253,346**

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Income statement

(in €000's)	from 01/01/2013 to 06/30/2013	from 01/01/2012 to 06/30/2012	from 01/01/2012 to 12/31/2012
Sales	136,942	126,069	248,087
Costs of sales	(108,418)	(100,522)	(198,696)
Research and development expense	(2,393)	(2,055)	(3,909)
Selling and distribution costs	(6,376)	(6,395)	(12,471)
Administrative expenses	(9,124)	(8,324)	(16,730)
Other operating income	1,150	702	1,594
Other operating expense	(125)	(95)	(708)
Operating income	**11,656**	**9,380**	**17,167**
Net cost of financial indebtedness	(1,473)	(1,435)	(2,857)
Other financial income and expense	(149)	613	755
Tax	(3,506)	(2,933)	(4,869)
Share of net income from equity-method interests	224	162	416
Net income	**6,752**	**5,787**	**10,612**
Attributable to the group	**6,752**	**5,490**	**10,159**
Attributable to minority interests	-	297	453
Annual consolidated net income	**6,752**	**5,787**	**10,612**
Net earnings per share in euro	1.86	1.51	2.80
Diluted net earnings per share in euro	1.86	1.51	2.80

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

(in €000's)	from 01/01/2013 to 06/30/2013	from 01/01/2012 to 06/30/2012	from 01/01/2012 to 31/12/2012
Consolidated net income	6,752	5,787	10,612
Translation gains/(losses)	*(176)*	*815*	*(815)*
Cash flow hedge	*559*	*(373)*	*(307)*
Deferred tax on cash flow hedge	*(186)*	*124*	*102*
Hedge of a net foreign currency investment	*72*	*(75)*	*442*
Deferred tax on a hedge of a net foreign currency investment	*(24)*	*25*	*(147)*
Total items reclassifiable to profit or loss	**245**	**516**	**(725)**
Actuarial variances on defined benefit plans	-	*(684)*	*(1,140)*
Deferred tax on actuarial variances on defined benefit plans	-	*228*	*380*
Total items not reclassifiable to profit or loss	**-**	**(456)**	**(760)**
Total gains and losses	245	60	(1,485)
Net income and gains and losses recognized in shareholders' equity	**6,997**	**5,847**	**9,127**
included attributable to the group	6,997	5,524	8,683
included minority interests	-	323	444

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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 01/01/2012	7,350	10,122	(964)	67,446	1,718	85,672	-	85,672
Treasury stock	-	-	279	-	-	279	-	279
Dividends	-	-	-	(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
As of 01/01/2013	7,350	10,122	(867)	72,717	242	89,564	-	89,564
Treasury stock	-	-	450	-	-	450	-	450
Dividends	-	-	-	(2,523)	-	(2,523)	-	(2,523)
Net income for the period	**-**	**-**	**-**	**6,752**	**-**	**6,752**	**-**	**6,752**
Gains and losses recognized in equity	-	-	-	-	245	245	-	245
Period net income and gains and losses recognized in equity	-	-	-	6,752	245	6,997	-	6,997
As of 06/30/2013	7,350	10,122	(417)	76,946	487	94,488	-	94,488

Consolidated statement of cash flows

(in €000's)		from 01/01/2013 to 06/30/2013	from 01/01/2012 to 06/30/2012
Net income attributable to Group		6,752	5,787
Depreciation, amortization and provision expense on fixed assets		8,546	8,129
Net provision allowances on balance sheet		268	(241)
Net income attributable to joint-ventures		4	121
Net cost of financial indebtedness and dividend received		1,257	1,153
Current and deferred tax		3,506	2,933
(Pretax (gain)/loss on disposal of assets		(74)	25
Other changes not affecting cash		-	-
Change in working capital requirement		367	(2,101)
Tax paid		(944)	(3,760)
Net operating cash flow		**19,682**	**12,046**
Net capital expenditures for operations		(3,109)	(14,392)
Change in long-term receivables and payables		(44)	11
Net financial investment/disinvestment		(10)	36
Change in loans		38	(206)
Income on cash and equivalents		2	6
Dividends received		227	283
Net cash flow from investments		**(2,896)**	**(14,262)**
Treasury stock		319	39
Dividends paid to parent company shareholders		(4,360)	(5,624)
Dividends paid to minority interests in integrated companies		-	(257)
Increase in financial liabilities		7,284	23,991
Decrease in financial liabilities		(16,391)	(12,106)
Interests paid		(1,487)	(1,442)
Net cash flow from financing		**(14,635)**	**4,601**
Impact of currency rate changes		9	223
Change in cash		2,160	2,608
Cash and equivalents at start of year		8,233	7,217
Cash and equivalents at end of year		10,393	9,825

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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 July 25, 2013.

2. Accounting principles

2.1.BASIS OF PREPARING:

The interim summary financial statements for the half year from January 1, 2013 to June 30, 2013, 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, 2013 and are available on the website: http://ec.europa.eu/internal_market/accounting/ias/index_fr.htm.

2.2. ACCOUNTING PRINCIPLES:

As per IAS 34 revised, only information regarding significant events and transactions with respect to the interim period are set out in explanatory notes. Except as stated below, the accounting principles used are identical to those applied for the financial statements for the year ended December 31, 2012, subject to any features specific to the preparation of the interim accounts as described below.

During the period, the PSB Industries group adopted the standards, amendments and interpretations mandatory for the year starting January 1, 2013, i.e.:

- Annual improvements (document published by the IASB on May 17, 2012): annual Improvements to various standards
- IAS 1: amendments related to the presentation of items of other comprehensive income,
- IAS 12: amendments related to the recovery of underlying assets,
- IAS 19: amendments related to employee benefits,
- IFRS 1: amendments related to severe hyperinflation, removal of fixed dates for first-time adopters, and government loans,
- IFRS 7: amendments related to disclosures in the case of offsetting of financial assets and liabilities,
- IFRS 13: fair value measurement,
- IFRIC 20: stripping costs incurred.

None of these texts has a significant impact on the Group's net income or financial position, or on the presentation of the accounts and financial information.

Moreover, the Group has not applied in advance any standards, amendments or IFRIC interpretations whose application was not mandatory at June 30, 2013, either because these measures had not yet been adopted in Europe or because the Group had not decided to apply them in advance. These measures are as follows:

- IAS 27 revised: separate financial statements,
- IAS 28 revised: investments in associates and joint ventures,
- IAS 32: amendments related to the offsetting 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: joint arrangements,

- IFRS 12: disclosure of interests in other entities,
- IFRS 10, IFRS 11 and IFRS 12: amendments related to first-time application,
- IFRS 10, IFRS 12 and IAS 27: amendments related to investment entities,
- IFRIC 21: levies.

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 observe seasonal variability on its 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, 2013 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.

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, 2012 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 2013.

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.
Following the indication of a potential impairment loss by CGL Pack Lorient at June 30, 2013, (FY2013 revenues and operating income below budget), an impairment test was conducted on that company.
After comparison of the book value of the assets and the sum of the discounted cash flows, it was determined that no impairment was required.

(in €000's)	06/30/2013	06/30/2012
Gross goodwill	29,360	30,033
Impairment	-	-
Net goodwill	**29,360**	**30,033**

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5. Dividend payed (excluding treasury shares)

As of June 30, 2012	en €/action	en Keuros
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
As of June 30, 2013		
Dividend decided by the shareholder's meeting	1.20	4,410
including the interim dividend already recognized as debt as December 31, 2012	0.50	1,838

6. Treasury stock

	06/30/2013	06/30/2012	12/31/2012
In number of shares	33,277	43,932	51,688
In value (FIFO)	755	1,078	1,243

The average number of treasury shares during the 2013 half-year was 42,392, the 2012 half-year was 46,130 and 46,423 in 2012. These figures are used in calculating earnings per share.

7. Detail on other operating income and expense

7.1 DETAIL ON OTHER INCOME

	06/30/2013	06/30/2012
Disposal of assets	143	53
Research tax credit	450	422
Competitiveness/employment tax credit	454	-
Insurance payment	-	-
Grants or subsidies	-	2
Other	103	225
Total	**1,150**	**702**

7.2 DETAIL ON OTHER EXPENSE

	06/30/2013	06/30/2012
Litigation	(54)	-
Disposal of assets	(53)	(78)
Impairment of intangible assets	-	-
Other	(17)	(17)
Total	**(125)**	**(95)**

8. Taxes

	06/30/2013	06/30/2012
Taxes payable	(3,742)	(2,911)
Deferred taxes	236	(21)
Total taxes on net income	**(3,506)**	**(2,933)**

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, 2013					
Performance indicators					
Sales	89,608	24,007	23,346	(19)	136,942
Depreciation & amortization expense and provisions for fixed assets	4,894	1,339	2,217	96	8,546
Operating net income	8,095	998	2,710	(147)	11,656
Yield on cash	11	-	-	2	13
Gross financing costs	696	155	332	303	1,486
Result before tax	7,177	810	2,258	(111)	10,134
Attributable net income from equity-method companies	-	-	224	-	224
Assets					
Net property, plant & equipment	48,025	18,964	35,304	1,491	103,784
Net capital expenditures	1,882	***3,077	888	***(2,694)	3,153
Simplified working capital requirements**	40,671	9,760	16,266	(611)	66,086
Total consolidated balance sheet	**140,550**	**42,855**	**62,421**	**8,446**	**254,272**
Current and non current liabilities	97,649	24,277	35,041	2,817	159,784
Workforce	997	255	148	7	1,407
AS OF JUNE, 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

* parent company and eliminations

** net invventories + net accounts receivable - accounts payable

*** an intercompany sale of land occurred in the first half of 2013. This was recognized as property plant and equipement in the amount of €2,684,000 (by Custom Packaging) and an elimination entry in the same amount (other businesses).

10. Related parties

TRANSACTIONS WITH ASSOCIATES

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.

	06/30/2013	06/30/2012
Sales	5,450	3,340
Purchases	941	1,081
Trade receivables	3,199	2,798
Current account payable	605	570
Trade payables	452	885

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, 2013 and after taking hedges into account, the portion of financial debt at variable rates was 27% vs. 30% at December 31, 2012.

At June 30, 2013 €2.9 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.

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, 2013 this line had not been used.

Derivative instruments are recognized on the balance sheet at fair value, in the amount of €59,000 on the assets side and €1,762,000 on the liabilities side. The fair values of derivatives are estimated based on commonly used valuation models incorporating data from active markets. The fair value measurements are categorized in Level 2 of the hierarchy set out in IFRS 13.
No transfers were made between levels of the fair value hierarchy.

12. Post closing events

None.

2 Chapter
Activity report

1. Activity

PSB Industries posted consolidated revenues of €136.9 million in the first half of 2013, up 8.6% from a year before. International sales accounted for over 63% of the total. Performance was driven by strong growth in the Beauty Packaging and Specialty Chemicals businesses, which offset the lower activity in Custom Packaging.

2. Income and balance sheet items

The Group's results met expectations, with positive growth momentum despite the fragile economic environment.
Operating profit (EBIT) rose to 8.5% of revenues, compared to 7.4% during H1 2012, reflecting operational improvements, new product launches, and high level of activity.
Total capital expenditure was moderate at €3.2 million, down from the very high level in 2012.
Working capital is under control and was brought to 82 days through vigorous actions on inventories. The objective of a €10 million WCR reduction is confirmed.
Free cash flow* improved significantly to over €16 million (negative €3 million at June 30, 2012).
The reduction in net debt continued to €82 million, or 86% of equity, compared with 104% at end-December; this improvement is expected to continue during H2.
The Group share of net income similarly improved to €6.8 million, from €5.5 million in H1 2012.

3. Outlook

In the second half of 2013, the Group will maintain its focus on managing free cash flow and its financial structure, the central financial component of its strategic plan.
Factoring in H2 seasonality, the Group confirms the full year 2013 outlook of over 5% sales growth with an operating profit (EBIT) of roughly 8% of revenues.

* Free Cash Flow: operational income net of income tax + depreciation and provisions + change in working capital + net industrial capital expenditure

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 2012 financial report.
- 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 auditors' review report on the first half-yearly financial information*

Period from January 1 to June 30, 2013

To the Shareholders,

In compliance with the assignment entrusted to us by your 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, for the period from January 1, 2013 to June 30, 2013, 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 primarily of making inquiries 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 note 2.2 "Accounting principles" to the condensed half-yearly consolidated financial statements regarding the new International Financial Reporting Standards, interpretations and amendments which your company applied since January 1, 2013.

2. Specific verification

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

Annecy-le-Vieux and Paris-La Défense, July 25, 2013

The statutory auditors
French original signed by

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

*This is a free translation into English of the statutory auditors' review report on the half-yearly consolidated financial statements issued in French and it is provided solely for the convenience of English-speaking users. This report also includes information relating to the specific verification of information given in the group's interim management report. This report should be read in conjunction with and construed in accordance with French law and professional standards applicable in France.

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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, July 25, 2013

President & CEO

Olivier Salaun

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