



PELIKAN HOLDING AG

2006 ANNUAL REPORT

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REPORT OF THE BOARD OF DIRECTORS

On behalf of the Board of Directors, I am pleased to present you yet another Annual Report and Financial Statements of Pelikan Holding AG Group and Company for the year ended December 31, 2006. This is the first full financial year of Pelikan Holding AG after it has come under the group of Pelikan International Corporation Berhad, listed in the Malaysia Stock Exchange, in April 2005.

The year was challenging and we are proud to share with you our achievements which are evident from the improvement in the financial results of the Group. We have earlier committed to re-consolidate all the Pelikan's operations divested in the late 1990s and the proposed acquisition of Pelikan Hardcopy Holding AG by Pelikan International, which is a significant milestone of this effort, was finally concluded in January 2007.

Earlier this month, Pelikan Holding AG further announced the acquisition of German Hardcopy AG, a manufacturer and distributor of hardcopy related products under the Geha, Emtec, Boeder, I-change trademarks as well as OEM (Original Equipment Manufacturer) printer supplies and assortments. The acquisition immediately increase sales of the Group by another EUR25million per annum. Coupled with the operations of Pelikan Hardcopy Holding AG, which share the same business activities, we are ready to reap the benefits of economies of scale and common cost savings.

We have not forgotten continuous geographical expansions which have allowed us to increase sales with better margin given fixed overheads. These are noticeably evident in our sales increase this year by 7.6% to CHF211.3million. From the last Report of the Board of Directors, Pelikan International established new subsidiaries in the People's Republic of China, Poland, Singapore, Indonesia and very soon in India. Sales in "Rest of Europe", "Latin America" and "Other countries" collectively recorded a raise by 14.5% but we have anticipated more upside from our geographical expansion efforts as the new subsidiaries and business units started to grow more exponentially. Result before financial items and taxation of the Group increased by 33.7% to CHF20.4million for the current financial year.

With the quest of re-consolidating all Pelikan's operations almost nearing completion, Pelikan International and Pelikan Holding AG now concentrate on expanding organically. Nonetheless, the search for mergers and acquisitions shall continue as both groups are always on the look out for expansion opportunities. Together with continuous product innovations and developments of which the Group is renowned, we look forward to better performance in the coming years.

We attribute the successful year to the management, employees and business associates of Pelikan. Allow me to once again take this opportunity to thank the management and employees for their dedication and never-ending contribution. To our business associates, we are grateful for your support.

On behalf of the Board of Directors

LOO HOOI KEAT
25 April 2007

KEY FIGURES**Pelikan Group**

| | Figures in CHF million | | | | |
|---------------------------------------|------------------------|-------|-------|-------|--------|
| | 2006 | 2005 | 2004 | 2003 | 2002 |
| Net sales | 211.3 | 196.3 | 194.6 | 191.6 | 183.5 |
| Result from operations | 17.9 | 10.6 | 11.2 | 12.1 | 7.5 |
| Result before non-operating items | 19.9 | 14.3 | 14.0 | 15.8 | 9.5 |
| Result before taxation | 14.7 | 8.6 | 8.7 | 10.3 | 2.7 |
| Net result for the year | 19.4 | 4.6 | 6.6 | 9.2 | 1.5 |
| Consolidated net result for the year | 17.7 | 3.3 | 5.3 | 8.0 | 0.3 |
| Fixed assets | 74.9 | 64.3 | 53.2 | 50.7 | 46.3 |
| Total equity excluding minorities | 29.1 | 13.0 | 6.2 | 1.4 | (3.5) |
| Provisions for pensions | 93.1 | 93.3 | 96.5 | 101.8 | 98.6 |
| Balance sheet total | 203.8 | 180.5 | 162.2 | 162.0 | 160.2 |
| Share of the balance sheet total in % | | | | | |
| Fixed assets | 36.7% | 35.6% | 32.8% | 31.3% | 28.9% |
| Total equity excluding minorities | 14.3% | 7.2% | 3.8% | 0.9% | (2.2)% |
| Provisions for pensions | 45.7% | 51.7% | 59.5% | 62.8% | 61.5% |
| Tangible and intangible assets | | | | | |
| Investments | 8.9 | 6.0 | 5.6 | 6.8 | 12.5 |
| Depreciation and amortization | 5.2 | 6.7 | 6.5 | 6.5 | 6.2 |
| Number of employees | 979 | 910 | 883 | 848 | 789 |
| Personnel expense | 54.9 | 51.5 | 51.5 | 50.1 | 49.7 |

Pelikan Holding AG

| | | | | | |
|----------------------|------|------|------|--------|-------|
| Result for the year | 3.5 | 1.3 | 3.5 | (63.2) | 1.2 |
| Dividend | - | - | - | - | - |
| Shareholders' equity | 61.3 | 57.8 | 56.6 | 53.1 | 103.5 |

Key figures per share

| Data per bearer share in CHF | | | | | |
|------------------------------|------|-----|-----|-----|-----|
| Nominal value each CHF65 | | | | | |
| Earnings per share | 11.5 | 2.2 | 3.5 | 5.2 | 0.2 |
| Dividend per share in % | - | - | - | - | - |
| Share prices | | | | | |
| Highest | 106 | 84 | 29 | 34 | 34 |
| Lowest | 69 | 25 | 19 | 19 | 18 |

PELIKAN GROUP

MANAGEMENT REPORT

Business in 2006

2006 was a very successful year for Pelikan, with increased sales and profits. Sales expanded in 2006 following aggressive market expansion which translated into better margin given fixed costs. Growth was attributable mainly to the developing economy of Latin America and Asia region. Pelikan Group sales rose by 7.6% over prior year to CHF211.3 million (2005: CHF196.3 million), whilst result before financial items and taxation increased to CHF20.4million (2005: CHF15.2 million) and consolidated net result for the year increased to CHF17.7 million (2005: CHF3.3 million) mainly due to higher sales and deferred tax income arising from capitalisation of tax losses.

Important contracts

In April 2007, Pelikan Holding AG completed the acquisition of 90% equity share capital of German Hardcopy AG. The remaining 10% shares are held by German Hardcopy AG. The principal activity of German Hardcopy AG is the manufacturing and distribution of hardcopy related products under the Geha, Emtec, Boeder and I-change trademarks as well as OEM (Original Equipment Manufacturer) printer supplies and assortment. German Hardcopy AG currently has annual sales of EUR25 million.

Sales

| Sales by region | |
|------------------------|-------|
| Germany | 45.8% |
| Switzerland | 6.1% |
| Rest of Europe | 24.2% |
| USA/ Canada | 1.1% |
| Latin-America | 14.8% |
| Other countries | 8.0% |

Sales in Latin America and "other countries" particularly in Asia registered significant growth of 17.5% and 25.1% respectively in line with the continued Group strategy to reduce its dependence on the matured European market whilst expanding businesses in under-represented and undeveloped markets.

Result

| In million CHF | 2006 | 2005 |
|----------------|-------------|------|
| Pretax profit | 14.7 | 8.6 |

Result from operations of Pelikan Group increased from CHF10.6 million in 2005 to CHF17.9 million in 2006. The result from unconsolidated companies in Australia, Austria, Japan and Colombia showed a pre-tax profit of CHF2.5 million (2005: CHF4.7 million). Pelikan Group incurred a net interest expense of CHF0.8 million (2005: CHF1.0 million), while expenses for pensioners came to CHF5.3 million (2005: CHF5.7 million). Taxes (income) amounted to CHF4.8million (2005: CHF3.9 million (expense)). The net profit for the year increased to CHF19.4 million in 2006 from CHF 4.6 million in 2005.

At Pelikan Holding AG on the company level, the financial statements showed a net profit of CHF3.5 million for the year (2005: CHF1.3 million).

Personnel

In line with geographical expansions, the total number of employees of the Group increased by 69 to 979 as at December 31, 2006.

| Personnel | Dec. 31, 2006 | Dec. 31, 2005 | Dec. 31, 2004 |
|-----------------|---------------|---------------|---------------|
| Germany | 417 | 435 | 432 |
| Switzerland | 17 | 17 | 17 |
| Rest of Europe | 81 | 63 | 63 |
| Total Europe | 515 | 515 | 512 |
| Latin-America | 404 | 367 | 353 |
| Other countries | 60 | 28 | 18 |
| Total Group | 979 | 910 | 883 |

Investments in fixed assets

Investments in fixed assets during the year amounted to CHF 8.4 million (2005: CHF 5.4 million). Major investments were made in Germany for, among others, the following projects:

- Tools for New metal Serie "Pura", New Epoch 364 Nutwood, Part 4 "7 Wonders - Temple of Artemis", Special Edition "Niagara", Premium Class "Majesty", Limited Edition "Evolution of Script", Mass writing "Enjoy Comfort" and "Big Size Profil" and Ink eradicator "Lady Killer", Project "Mini Friends" and New Stamp Pad
- Ultra sonic cleaning machine
- Demoulding robot
- Injection moulding machine
- Injection moulding tool ink cartridges
- 3 axis milling machine

Quality Management

Pelikan's Hanover operation has obtained DIN EN ISO 9001:2000 certification awarded by SGS-ICS Gesellschaft für Zertifizierungen, Hamburg, Germany. This certification and its frequent audits confirm that an efficient and well documented Quality Management System is being implemented to ensure reliability and production processes of the highest quality.

Pelikan's operation in Mexico received the certification CLASS A awarded by Buker Inc., a Management Education and Consulting Firm in 2001, which confirmed the excellence and quality of their business processes and product quality at world standard. In 2006, the Company was recertified ISO-9001-2000's compliant and environmental friendly company by the Mexican government.

Research and development

In 2006, CHF 3.8 million (2005: CHF 3.5 million) were incurred for the following research and development projects:

- Development of new "Souverän 625" with elements of the finest sterling silver and with a precision resin barrel in lucent blue
- Development of Special Editions "Piccadilly Circus" and "Grand Place "
- Development of two Limited Editions "Blue Planet" and "The Temple of Artemis"
- Additions in the Epoch series with Epoch 363 in special aluminium design and caps lacquered with a high-quality leather look and Epoch 364, barrel made of fine American walnut wood
- Development of "Enjoy comfort", the ball-point pen with international large-capacity refill and rubber grip profile
- Development of "Future chrome", the fountain pen with grip grooves made of soft material and barrel with silver-colored surface
- Development of a young people's fountain pen with pleasant surface feel, combination of soft and hard materials
- Development of the new light modelling clay "Jojoba Crealight" in 7 different colors
- Development of Plaka laquer with new pearl-effect shades "Pearly gold", "Pearly violet" and "Pearly green"

Risks of future development

Pelikan Group offers an extensive assortment of products worldwide for the high-end market, school and hobby, as well as office supplies. The globalisation, market concentration and structural changes in the environment pose continuous challenges, and simultaneously are accompanied by numerous risks. These risks, however, are unavoidable.

Pelikan Group regards an efficient and anticipative risk management as an important function. The primary goal is not the avoidance of all risks but the formulation of strategies for risks identification and mitigation based on active management and control. The objective is to take only those risks, which will lead to improved shareholders' value and/or market position of the Group.

For the companies in Germany in particular, the German law for business controls and transparency (KonTraG) calls for the commitment of the management to set up a control system to recognise, in advance, risks which might potentially endanger the Group. This requirement has for many years been regarded by Pelikan as a precondition for a successful business. Thereby, Pelikan continuously strives to improve the risk management and controlling system.

Risk management policy and framework

The enterprise risk management policy of Pelikan Group is to identify, measure and control risks that may prevent the Group from achieving its business objectives. Pelikan Group seeks to apply risk management in all parts of its business to ensure risks are minimized and opportunities are explored.

Risk management practices have been inherent in the way management has conducted business. The practice, values and culture that have endured to the present day have always exercised profound effect on management's conduct. The Board of Directors has always regarded risk management as an integral part of this conduct.

The key elements of the Group's risk management strategies are described below:

- Clearly defined lines of accountability and delegated authority;
- Regular and comprehensive information provided to management, covering operating and financial performance and key business indicators such as resource utilisation and cash flow performance;
- Detailed budgeting process where operating units prepare budgets for the coming year, which are approved both at operating unit level and by the Board;
- Monthly monitoring of results against budget, with major variances being followed up and management action taken; and
- Regular visits to operating units by members of the Board and senior management.

Internal control

The Group's approach to internal control is based on the underlying principle of line management's accountability for risk and control management. The Group adopts the risk-based approach towards internal control and that the management in the Group is responsible for implementing, operating and monitoring the system of internal controls, which is designed to provide reasonable but not absolute assurance of achieving business objectives.

Risk management and internal audit function

The Pelikan Group has an internal audit function that assists the Board of Directors in providing an independent assurance on risk management and internal controls. The audit focuses on regular and systematic review of the internal controls and management information systems. The scopes of the internal audit function cover the audit of the adequacy of risk management, operational controls, compliance with established procedures, guidelines and statutory requirements of the Group.

Outlook

The year 2006 has witnessed accelerated economic growth with economies of all regions expanded by close to or more than 5 percent and developing economies grew 7 percent. Growth in developing countries is projected to remain robust through 2008 while the pace of expansion in the high-income countries is forecasted to increase slightly over the next two years. However, this scenario is subject to risks from overheating, global imbalances which remain large and an oil-sector supply shock.

The positive global economy outlook particularly in the developing countries is indeed encouraging for the Group as it focuses on building and strengthening its distribution networks, brand awareness as well as launches of new products into these regions. Further, with the completion of the acquisition of Pelikan Hardcopy Holding AG in end January 2007 by the parent company, Pelikan International Corporation Berhad and the acquisition of German Hardcopy AG in April 2007 by Pelikan Holding AG, the Group together with Pelikan International are expected to reap the benefits of synergies through economies of scale and common costs savings in production, selling, general and administration costs in addition to market expansion through sharing of resources, to leverage on the sales and distribution networks. All these factors will increase the efficiency and competitiveness of the Group in the longer term which will enhance overall profitability. With the re-consolidation of Pelikan and Geha brand names and operations, the Group is ready to stamp its mark as the global market leader.

The statements in this business report relating to matters that are not historical facts, are forward-looking statements that are not guaranteed for future performance and involve risks and uncertainties, including but not limited to future global economic conditions, foreign exchange rates, regulatory rules, market conditions, actions of competitors and other factors beyond the control of the Group.

PELIKAN GROUP

CORPORATE GOVERNANCE

Pelikan Holding AG (the "Company") is incorporated in Switzerland and governed by Swiss law. This report conforms with the Directive on Information Relating to Corporate Governance, issued by the SWX Swiss Exchange effective July 1, 2002.

Group structure

Pelikan Holding AG Group is organized into five geographical units: Europe, Latin America, Middle East/ Africa, Asia and International Markets (i.e. North America/ China/ India/Australia). These units are supported by four centralised functions of : Product Development, Sourcing and Supply, Brand Management and Communication, and Group Corporate, Planning and Services all under the President office.

The subsidiaries and associated companies are disclosed on pages 36 to 37 of the Group's consolidated financial statements.

Capital structure

As at December 31, 2006, the share capital of Pelikan Holding AG is CHF100.1 million divided into 1,001,000 bearer shares of CHF 65 (nominal value each) and 539,000 registered shares of CHF 65 (nominal value each), all of which have been fully paid.

There have been no changes in capital since 1997.

Pelikan Holding AG has neither authorized nor conditional capital. There were no participation certificates or warrants as at the balance sheet date.

There are no cross-shareholdings.

The bearer shares of Pelikan Holding AG, Feusisberg, Switzerland are listed on the Stock Exchange of Zurich as "Local Cap" with security no. 632875 and in Germany with security no. 871771. The market capitalization amounted to CHF 161.7million as of December 31, 2006.

Share ownership / Significant shareholders

Pelikan International Corporation Berhad, a company listed in Bursa Malaysia Securities Berhad (the Malaysia Stock Exchange) ("Bursa Malaysia") holds 87.64% of the equity interest in Pelikan Holding AG consisting of all the 539,000 registered and 810,677 bearer shares. Valartis Bank AG (formerly known as OZ Bankers AG), Switzerland, holds 5.07% equity interest in the Company.

Shareholders' rights

Each share entitles the holder to one vote at the General Shareholders' Meeting. There are no preferential voting shares. Shareholders have the right to receive dividends, appoint a proxy, convene a General Meeting, include additional items on the agenda of a General Meeting and hold such other rights as defined by the Swiss Code of Obligations ("SCO").

Legitimacy of shareholders

For each share, the Company accepts only one beneficiary: for bearer shares by legitimation through the possession of the titles and for registered shares, the legitimacy of shareholders is determined by the names as per the register of shares.

Transfers of registered shares

The transfers of registered shares require in each case the consent of the Board of Directors (the "Board"). Until such consent is granted, the ownership of the shares and all rights therefrom remain with the seller. The Board can refuse the transfer of registered shares of the Company without explanation when the Board is prepared to buy these shares at their actual value for the account of the Company (up to a maximum of 20 % of the share capital) or for other shareholders or third parties at the time of application for registration into the register

Board of Directors

The duties of the Board are governed by the SCO, the Articles of Association, and the Organization Regulations.

The composition of the Board shall be no less than three members. At least half of the members of the Board must be persons proposed by the registered shareholders.

The Board annually elects a President and a Vice-President among those members who were elected based on the proposal of the registered shareholders. The Board establishes regulations and elects a secretary who does not have to be a member of the Board nor a shareholder.

Elections and resolutions of the Board are passed by absolute majority of the votes casted by its elected members. In the case of a tie, the President casts the deciding vote.

The Board manages the Company and decides on all matters except those specifically specified by laws and the Articles of Association as falling into the competence of another body of the Company. The Board has the following non-transferable and inalienable duties:

- a) the ultimate management of the Company and the issuance of the necessary directives;
- b) the establishment of the organization;
- c) the structure of the accounting system, financial planning and controls;
- d) the appointment and removal of the management team and proxies;
- e) the ultimate supervision of the management team, particularly in respect of compliance with laws, the Articles of Association, regulations, and directives;
- f) the preparation of the business report, organization of the General Shareholders' Meeting and implementation of shareholders' resolutions; and
- g) the notification to the judge in case of insolvency.

The Board issued the Organizational Regulations of the Company on September 22, 1997. The Organizational Regulations set out the duties and the responsibilities of the Company's governing bodies, which comprised of: The Board, the President and the Executive Members of the Board.

The Board meets as required, but at least twice annually: Once in the first semester (in particular to fix the proposals for the General Shareholders' Meeting) and the other in the second semester (in particular to decide upon the budget and related business).

As a small, and hence efficient body, the Board wishes to advise and decide on all matters as a whole; it has not, therefore, nominated any committees at this time.

The Board is briefed on a monthly basis. Detailed management reports from the controlling system showing the business development including budget-actual comparisons.

Members of the Board

Members of the Board as of December 31, 2006:

| Name | Age | Function | Since | Elected until |
|---------------------|-----|------------------------------|-------|---------------|
| Loo Hooi Keat | 52 | President | 1997 | AGM 2007 |
| Thomas Pfister | 43 | Non-Executive Vice President | 2004 | AGM 2007 |
| Mirzan bin Mahathir | 49 | Non-Executive Member | 1998 | AGM 2007 |

(AGM = Annual General Meeting)

Secretary of the Board is Frauke Wandrey, Hanover.

Thomas Pfister, Swiss, is a member of the board of directors of Pelikan Faber-Castell (Schweiz) AG, a subsidiary of the Company, and manages this company as a delegate of the board of directors. The other Non-Executive Member of the Board was not a member of Pelikan management in the three financial years preceding the reporting period. None of the Non-Executive Members of the Board of Directors has important business connections with Pelikan except Thomas Pfister with regard to his position as member and delegate of the board of directors of Pelikan Faber-Castell (Schweiz) AG.

Indication of cross-involvement among the boards of listed companies:

Loo Hooi Keat is presently the Executive Chairman of Pelikan International Corporation Berhad. He is also Executive Vice President and sits on the board of directors of Konsortium Logistik Berhad, a public company listed in the Bursa Malaysia. Mirzan bin Mahathir currently sits on the Board of several public listed companies in Malaysia namely, Konsortium Logistik Berhad, Dataprep Holdings Berhad, Worldwide Holdings Berhad, Artwright Holdings Berhad and Nakamichi Corporation Berhad. He is also the President of Container Hauliers' Association of Malaysia ("CHAM") and President of Asian Strategy and Leadership Institute ("ASLI").

Loo Hooi Keat, Malaysia

Loo Hooi Keat is a certified public accountant and a member of the Malaysian Institute of Certified Public Accountants ("MICPA"). He acts as President of the Board of Directors and Chief Executive Officer of the Group since 1995. He received his training in accountancy from a reputable international accounting firm in Malaysia where he obtained his Certified Public Accountant accreditation. Since then, he has gained over 25 years of experience in various international companies in Malaysia, namely as Group Accountant for the Sime Darby group of companies (1982-1985) and Lion group of companies (1986-1989). He was the Group General Manager for Business Management of United Engineers (Malaysia) Berhad from 1990 to 1992.

Thomas Pfister, Switzerland

Thomas Pfister graduated with diploma as a technician and marketing planner after completing his apprenticeship as a mechanic. Since 1985 he worked in various marketing and sales functions in the technical sector, among others at ITT Multicomponents and Feller AG. Thomas Pfister joined Pelikan (Schweiz) AG in 1990 in the Sales Department and in 1996, he was appointed the Managing Director. Since 2003 he has been a member and delegate of the board of directors of Pelikan Faber-Castell (Schweiz) AG.

Mirzan bin Mahathir, Malaysia

Mirzan bin Mahathir graduated with a Bachelor of Science (Honours) in Computer Science and obtained his Master in Business Administration from the Wharton Business School in the United States of America. Between 1982 and 1985, he worked for IBM World Trade Corporation in Malaysia as a Systems Engineer. Upon completion of his Masters programme in 1987, he rejoined Salomon Brothers Inc, as an associate in the Proprietary Strategies Department, developing and testing analytical tools and trading strategies. In 1989 he was seconded to Asia Pacific Investment Banking Department of Salomon Brothers Hong Kong Ltd. He is currently the Executive Chairman and President of Konsortium Logistik Berhad.

Group management

| Name | Age | Nationality | Function |
|--------------------------|-----|-------------|------------------------------------|
| Gunther Andrée | 58 | Germany | Head of Product Development |
| Peter Raijmann | 47 | Netherlands | Head of Finance and Administration |
| Loo Seow Beng | 49 | Malaysia | Head of Sourcing and Supply |
| Claudio Esteban Seleguan | 45 | Argentina | Head of Latin America |
| Eckhard Seewöster | 63 | Germany | Head of Sales/ Marketing Europe |
| Safuan Basir | 39 | Malaysia | Head of Asia, Middle East/ Africa |

Gunther Andrée

Gunther Andrée has a Master of Science as well as a Master of Business Administration. He joined the Group on January 1, 1998 and is responsible for the worldwide production and product development. Before he joined Pelikan, he was in-charged of production at "rotring".

Peter Rajjmann

Peter Rajjmann has a Bachelor in Business Administration. He joined Pelikan Group in 1991 as Group Controller for Europe. In 1996 he was appointed as Head of Controlling department in Hanover and in 2004 was appointed Chief Financial Officer of Europe.

Loo Seow Beng

Loo Seow Beng has a Bachelor of Science in Business. Previously, he worked with a large audit firm. He joined Pelikan Singapore-Malaysia Pte. Ltd. in 1995 and was subsequently transferred to Pelikan Hanover. He is now with Pelikan Holding AG, responsible for sourcing and supply.

Claudio Esteban Seleguan

Claudio Esteban Seleguan has a Bachelor in Business Administration. He joined Pelikan Group as a manager of Pelikan Costa Rica in 1989. In 1992, he was appointed as Chief Executive Officer of Pelikan Mexico. He also acts as Regional Manager for Latin America.

Eckhard Seewöster

Eckhard Seewöster started with an apprenticeship as a carpenter and spent 6 years in the army where he resigned as First Lieutenant. He joined Pelikan Hanover in 1969 as a sales employee. He is now the Head of Sales/Marketing responsible for Europe.

Safuan Basir

Safuan Basir joined Pelikan Group in 2005 as the Senior Vice President in charged of operations in Asia, Middle East and Africa. He is a fellow member of The Association of Chartered Certified Accountants ("ACCA"), United Kingdom and a graduate from Nottingham Trent University, United Kingdom. Over the past 10 years, he has had exposure to various Malaysia and regional operational, planning and consultancy work with leading conglomerate in Malaysia and international firm serving companies.

Compensation, shareholdings and loans

During the financial year, the President and other Board Members were paid a fixed annual fee. Like all employees of the Group, the members of the Executive Committee are rewarded fairly in accordance with their abilities, experience and performance. The amount and composition of the compensation paid are tailored to the respective sectors and labor market environment. Compensation comprises a fixed basic salary and a performance-related cash bonus. The bonus is determined by the extent to which personal performance objectives, set in advance, have been attained and is also linked to the financial results of the Group. The President of the Board of Directors approves the compensation of the members of the Executive Committee.

Details of the compensation paid to active members of the governing bodies are set out below in compliance with the SWX Swiss Exchange Corporate Governance Directive.

- The total compensation paid in cash to the members of the Executive Committee (including the President of the Board of Directors) in the 2006 financial year was CHF 1.5 million.

- The sum of compensation paid in cash to Non-Executive Members of the Board of Directors in the 2006 financial year was CHF 0.3 million.
- No severance payments was made in 2006 to any Board Member or Member of the Executive Committee who resigned in earlier years.
- No compensation was paid in 2006 financial year to members of the Board of Directors or Executive Committee who stepped down in the previous period.
- There was no non-cash compensation in the form of shares or options or any other form given to the Company's governing bodies.
- Non-Executive Board Members held 10 shares in Pelikan Holding AG. Indirect interest of Loo Hooi Keat in Pelikan Holding AG through Pelikan International Corporation Berhad is 87.64%. None of the members of the management team held shares in Pelikan Holding AG as of December, 31 2006.
- During the year under review, the Board Member with the highest total remuneration received net CHF 0.2 million in cash.

There are no consulting agreements with any of the Board Members.

Options

Since options have never been part of the compensation package paid to members of the Executive Committee or the Board of Directors, neither they nor persons closely linked to them possess any such options.

Loans to members of the governing bodies

As of December 31, 2006, the loan outstanding granted by a subsidiary of Pelikan Holding AG to a Non-Executive Board Member amounted to CHF28,000. This loan with an interest rate of 3.25% is repayable in full by July 31, 2007. Apart from this, neither Pelikan Holding AG nor its subsidiaries had granted any guarantees, loans, advances or credit facilities to members of the Executive Committee or the Board of Directors. Loan granted to the previous main shareholder is disclosed in the Balance Sheet on page 18.

Changes in control - Opting out

The Articles of Association of Pelikan Holding AG contain the following "opting-out" clause under the heading "Obligation to make an offer according to the Stock Exchange Act":

The duty to submit a public offer according to Articles 32 and 52 of the Stock Exchange Act in Switzerland ("BEHG") shall not be applicable according to Article 53 of BEHG.

Calling of the Annual General Meeting

The Articles of Association of Pelikan Holding AG do not contain any regulations concerning the calling of the Annual General Meeting that deviate from those laid down by law.

Agenda

A shareholder or several shareholders representing together a par value of at least more than one million Swiss Francs are entitled to request Ordinary General Shareholders' Meetings to discuss and resolve upon specific matters of business that will be included in the agenda and sent with the invitation. The Board, at the latest, must receive this request by the end of the financial year preceding the meeting in writing. Motions not in line with laws or the Articles of Association must not be included for discussion.

Resolutions and elections at General Meetings

Each share carries one vote. Each shareholder can be represented by proxy in writing at the General Shareholders' Meeting. The Board can issue conditions to verify the possession of the share titles. The Board can regulate the issuance of voting cards and the form of the power of attorney.

The General Shareholders' Meeting can pass a resolution independent of the number of shareholders present or shares represented, as long as the legally binding or statutory provisions and regulations have been adhered to.

The General Shareholders' Meeting makes its resolutions and executes its elections with the simple majority of the submitted shareholder votes, subject to compulsory legal regulations or divergent regulations in the Articles of Association.

The General Shareholders' Meeting passes resolutions exclusively on:

- a) the adoption and the alteration of the Articles of Association;
- b) the approval of the annual report;
- c) the approval of the annual financial statements, resolution on the balance profits, especially the declaration of dividend and remuneration of directors in accordance with Art. 671 and 677 SCO;
- d) the discharge of the members of the Board;
- e) the election of members of the Board;
- f) the election of auditors of the Company and the Group; and
- g) the adoption of resolutions on matters which are reserved to the General Shareholders' Meeting by law and by the Articles of Association or which are being brought to decision by the Board of Directors.

Auditors

BDO Visura has been appointed external auditor of Pelikan Holding AG and Group auditors since 2005. The worldwide audit fee for 2006 financial year amounted to CHF0.4 million whereof CHF0.3 million concern BDO. Other consulting costs of audit firms such as business consulting, taxation and legal consulting amounted to CHF0.1 million in total whereof CHF0.04 million concerns BDO.

The auditors are elected during the Annual General Meeting of Shareholders every year.

Information Policy

Pelikan Holding AG provides information to its shareholders through annual reports and interim reports. In addition, press releases on significant events in accordance with the SWX ad-hoc reporting requirements are published.

The Company's official publication is the Swiss Commercial Gazette (SHAB).

Information is also available on the Company's website at www.pelikan.com. Addresses of the Group companies are listed on pages 48 to 50.

Pelikan Group

**Financial Statements
2006**

*Pelikan Group***CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 2006**

| | Note | Dec. 31, 2006 CHF(000) | Dec. 31, 2005 CHF(000) |
|---|------|---------------------------|---------------------------|
| ASSETS | | | |
| Fixed assets | | | |
| Intangible assets | 1 | 17,762 | 18,577 |
| Tangible assets | 2 | 33,523 | 30,739 |
| Financial assets | 3 | 11,872 | 11,694 |
| Deferred tax assets | 4 | 11,725 | 3,259 |
| | | <u>74,882</u> | <u>64,269</u> |
| Current assets | | | |
| Inventories | 5 | 49,127 | 46,823 |
| Prepayments | | 482 | 451 |
| Receivables from third parties and other assets | 6 | 48,372 | 42,692 |
| Receivables from unconsolidated companies | | 1,094 | 959 |
| Receivables from parent company and its related companies | 7 | 19,537 | 4,398 |
| Receivable from previous main shareholder | 8 | - | 9,101 |
| Cash and bank | | 10,324 | 11,809 |
| | | <u>128,936</u> | <u>116,233</u> |
| TOTAL ASSETS | | <u>203,818</u> | <u>180,502</u> |
| EQUITY AND LIABILITIES | | | |
| Shareholders' equity | | | |
| Capital stock | 10 | 100,100 | 100,100 |
| Revaluation reserve | | 10,304 | 9,645 |
| Retained earnings | 11 | (81,331) | (96,721) |
| Total equity excluding minorities | | 29,073 | 13,024 |
| Minority interests | | 14,334 | 15,204 |
| Total equity | | <u>43,407</u> | <u>28,228</u> |
| Non-current liabilities | | | |
| Provisions for pensions and similar commitments | 12 | 87,819 | 88,149 |
| Provisions for deferred taxes | 4 | 816 | 1,050 |
| Other provisions | 13 | 4,537 | 5,250 |
| Other liabilities | | - | 2,798 |
| | | <u>93,172</u> | <u>97,247</u> |
| Current liabilities | | | |
| Bank liabilities | 14 | 21,883 | 12,465 |
| Accounts payable | | 14,673 | 14,007 |
| Payables to unconsolidated companies | | 13 | 452 |
| Payables to parent company and its related companies | 15 | 5,201 | 1,477 |
| Taxes payable | | 3,632 | 2,755 |
| Provisions for pensions and similar commitments | 12 | 5,290 | 5,141 |
| Other provisions | 13 | 1,431 | 1,401 |
| Other liabilities | | 15,095 | 17,241 |
| Deferred income | | 21 | 88 |
| | | <u>67,239</u> | <u>55,027</u> |
| TOTAL EQUITY AND LIABILITIES | | <u>203,818</u> | <u>180,502</u> |

Pelikan Group

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2006**

| | Note | 2006 CHF(000) | 2005 CHF(000) |
|---|------|------------------|------------------|
| Net sales | 16 | 211,340 | 196,348 |
| Change in the level of finished goods and work in process | | 1,772 | 1,947 |
| Other operating income | 17 | 5,458 | 3,261 |
| Materials purchased | | (94,428) | (88,612) |
| Personnel expenses | 18 | (54,889) | (51,487) |
| Depreciation and amortization | | (5,243) | (6,746) |
| Other operating expenses | 19 | (46,136) | (44,152) |
| Result from operations | | 17,874 | 10,559 |
| Result from unconsolidated companies | | 2,480 | 4,658 |
| Result before financial items and taxation | | 20,354 | 15,217 |
| Interest and similar income | 20 | 794 | 668 |
| Interest and similar expenses | 21 | (1,607) | (1,658) |
| Exchange rate gain | | 407 | 65 |
| Result before non-operating items | | 19,948 | 14,292 |
| Expenses for pensioners | | (5,290) | (5,714) |
| Result before taxation | | 14,658 | 8,578 |
| Taxes | 22 | | |
| - Company and subsidiaries | | 5,395 | (2,553) |
| - Associated companies | | (608) | (1,392) |
| | | 4,787 | (3,945) |
| Net result for the year | | 19,445 | 4,633 |
| Profit due to minority interests | | (1,743) | (1,312) |
| Consolidated net result for the year | | 17,702 | 3,321 |

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2006**

| | 2006 CHF(000) | 2005 CHF(000) |
|--|------------------|------------------|
| <u>Cash flows from business activities</u> | | |
| Net result for the year before minority interest | 19,445 | 4,633 |
| Adjustments for : | | |
| Result from unconsolidated group companies | (1,872) | (3,266) |
| Depreciation and amortization | 5,243 | 6,746 |
| Book losses/ (profits) from disposals of fixed assets | 111 | (36) |
| Deferred taxes | (8,488) | (1,686) |
| Non-cash item | 399 | |
| Cash flows before working capital changes | <u>14,838</u> | 6,391 |
| Change in pension provisions | (3,207) | (4,187) |
| Change in accounts receivables, other assets and prepayments | (18,940) | 427 |
| Change in inventories | (1,713) | (3,860) |
| Change in payables | 3,535 | 1,142 |
| Change in other liabilities and deferred income | (4,350) | (1,132) |
| Change in other provisions | (876) | (915) |
| | <u>(10,713)</u> | (2,134) |
| <u>Cash flows from investing activities</u> | | |
| Investments in intangible assets | (466) | (513) |
| Investments in tangible assets | (8,404) | (5,440) |
| Acquisition of business | - | 6 |
| Disposals of tangible assets | 2,031 | 221 |
| Dividend from unconsolidated companies | 1,252 | 459 |
| Disposal/ (purchase) of investments | 30 | 22 |
| | <u>(5,557)</u> | (5,245) |
| <u>Cash flows from financing activities</u> | | |
| Repayment from former parent company and its related companies | 8,746 | 1,110 |
| Changes in bank liabilities | 8,810 | 4,385 |
| Dividend to minorities | (1,851) | (793) |
| | <u>15,705</u> | 4,702 |
| Effect of exchange rate changes and inflation adjustments | (920) | 1,788 |
| Net change in cash and cash equivalent | (1,485) | (889) |
| Cash and cash equivalent at January 1 | 11,809 | 12,698 |
| Cash and cash equivalent at December 31 | <u>10,324</u> | 11,809 |

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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2006**

| CHF (000) | Capital stock | Revaluation Reserves | Retained earnings (Note 10) | Total equity excluding minorities | Minority interest | Total Equity |
|--------------------------------------|------------------|-------------------------|-----------------------------------|---|----------------------|-----------------|
| Balance Jan. 1, 2005 | 100,100 | 7,590 | (101,457) | 6,233 | 11,793 | 18,026 |
| Result 2005 | - | - | 3,321 | 3,321 | 1,312 | 4,633 |
| Dividends | - | - | - | - | (793) | (793) |
| Revaluations due to inflation | - | 468 | - | 468 | 488 | 956 |
| Translation adjustments | - | 1,587 | 1,415 | 3,002 | 2,404 | 5,406 |
| Balance Dec. 31, 2005 | 100,100 | 9,645 | (96,721) | 13,024 | 15,204 | 28,228 |
| Result 2006 | - | - | 17,702 | 17,702 | 1,743 | 19,445 |
| Dividends | - | - | - | - | (1,851) | (1,851) |
| Revaluations due to inflation | - | 474 | - | 474 | 474 | 948 |
| Translation adjustments | - | 185 | (2,312) | (2,127) | (1,236) | (3,363) |
| Balance Dec. 31, 2006 | 100,100 | 10,304 | (81,331) | 29,073 | 14,334 | 43,407 |

Summary of Significant Accounting Policies for the year ended December 31, 2006

General principles

The consolidated financial statements are prepared in accordance with Swiss GAAP FER as well as with the provisions of the Swiss Code of Obligations.

Consolidation principles

Companies consolidated

The consolidated financial statements include those companies in which the parent company, Pelikan Holding AG, holds directly or indirectly more than 50% of the voting rights. The companies included in the consolidation are shown in the list of group companies on pages 36 to 37. One company, Productos Pelikan SA de CV, Mexico, in which the parent company holds an investment of less than 50%, but which is under its management control, has also been consolidated.

Investments of between 20% and 50% are accounted for under the equity method. The respective portions of the equity and of the profit or loss for the year of such investments are included in the consolidated financial statements. Investments of less than 20% are carried at cost less necessary valuation provisions.

Consolidation period

The consolidation period is the calendar year.

Accounting

The individual financial statements included in the consolidation have been prepared according to the Group's standard accounting and valuation principles. For this purpose, the companies prepare second financial statements (Financial Statements II) besides the regular financial statements prepared according to the laws of the respective countries. These Financial Statements II show a true and fair view of the financial position and results of operations of the companies and are also examined and reported on by the companies' auditors.

Comparatives

Certain comparative figures have been reclassified to conform with the current year's presentation.

Currency translation

The balance sheets of the foreign companies have been translated at year-end exchange rates. The profit and loss accounts have been translated at the average exchange rates ruling during the year. The differences resulting from utilization of differing exchange rates for the translation of balance sheets and profit and loss accounts are applied to shareholders' equity. Translation differences arising from movements in the exchange rates used to translate long-term intercompany financing transactions that represent part of net investment are also allocated to shareholders' equity. The exchange rates used are:

| | 2006 | | 2005 | |
|---------|--------------------|--------------------|--------------------|--------------------|
| | Year-end rate | Average rate | Year-end rate | Average rate |
| 1 EUR | <u>CHF</u> 1.61 | <u>CHF</u> 1.58 | <u>CHF</u> 1.56 | <u>CHF</u> 1.55 |
| 1 USD | 1.22 | 1.25 | 1.31 | 1.25 |
| 1 MYR | 0.35 | 0.34 | 0.35 | 0.33 |
| 100 MXN | 11.29 | 11.44 | 12.37 | 11.51 |

Consolidation method

The consolidation is based on the purchase method. The shares of third parties in the equity and in the result for the year of the consolidated companies have been calculated at the balance sheet date and are shown separately in the balance sheet and profit and loss account as minority interest.

Consolidation adjustments

The sales, expense/ income and receivables/ payables between the consolidated companies and the profits arising from the intercompany transactions have been eliminated. In those cases where group companies have given guarantees in respect of the liabilities of other consolidated companies, the contingent liabilities shown in the individual balance sheets become irrelevant in view of the disclosure of the primary liabilities in the consolidated financial statements.

Valuation policies

Intangible fixed assets

Intangible fixed assets include goodwill arising from the acquisition of business activities as well as formulas, licenses, trademarks and similar rights acquired from third parties. Goodwill and other intangible assets are amortized to the income statement over their estimated useful life, usually not exceeding 15 years, using the straight-line method. The valuation of intangible assets is yearly checked and required impairment adjustments are charged to the income statement.

Tangible fixed assets

Tangible fixed assets are stated at their acquisition or manufacturing costs less accumulated depreciation. Yearly impairment tests are made and the appropriate charge, if any, is booked to income statement. Inflation-related revaluations of fixed assets in countries with high inflation rates have been made and are also included in the Financial Statements II which are used for consolidation. These revaluations are not taken to income statement but are included under the balance sheet heading "Revaluation reserve". All profit or loss from disposals of tangible fixed assets is booked to income statement.

During the year, the estimated useful lives of the fixed assets have been revised to useful lives that are more reflective of the useful lives of the tangible assets as follows:

| | |
|-----------------------------------|---------------|
| Buildings | 48 – 50 years |
| Machinery and technical equipment | 10 – 30 years |
| Mould | 1 – 25 years |
| Office and other equipment | 3 – 10 years |
| Motor vehicles | 4 – 7 years |

Had the estimated useful lives not been revised, the depreciation amount would be higher by CHF1.3 million.

Improvements that extend the useful life or increase the value of an asset are capitalized and depreciated over the remaining useful life of the asset. All other maintenance and repair expenditures are charged to the income statement as incurred. Assets of relatively minor value are also charged directly to the income statement.

Financing costs incurred during of the construction of property, plant and equipment are taken directly to the income statement.

Financial assets

Financial assets are valued at acquisition cost less provisions for specific debtors' risks.

Inventories

The inventories are valued primarily at the lower of average purchase or manufacturing costs and net realizable value and are stated net of deduction of provisions for obsolescence risks.

Receivables

Trade receivables and other receivables are shown at invoiced amounts less appropriate provisions for debtors' risks. Specific provisions for doubtful debts are accounted for where required and deferred credit risks are also considered.

Cash and bank

Cash and bank include cash on hand, postal checking, bank account balances and time deposits.

Tax provisions

Tax provisions are for income and capital taxes. Provisions for deferred taxes resulting from the valuation differences between the tax accounts prepared according to local rules and the Financial Statements II used for the consolidation are included under provisions for deferred taxes.

Deferred tax assets are capitalized to the extent that it is probable that sufficient taxable profit will be available to allow the benefit of that deferred tax asset to be utilized.

Other Provisions

Provisions are recognized if present obligations based on past events are known and probable, and a reliable estimate of the amount can be made.

Leases

Operating lease instalments are charged to the income statement over the lease term on a straight-line basis. There are no finance lease contracts.

Employee pensions

The pension obligations of group companies in relation to retirement, death and disability benefits are based on local rules and customs in each country. Regular contributions are paid to government bodies, autonomous pension funds or insurance companies. The pension and benefit payments made during the accounting period and the regular contributions to the various pension funds are charged to the income statement. Actuarial reviews are undertaken regularly. There are defined benefit and contribution plans. The pension obligation of the defined benefit plans are calculated using the Projected Unit Credit Method.

Research and development

Research expenditure is recognised as an expense when incurred. Development costs are capitalized when it is probable that the project will be a success considering its commercial and technological feasibility, and only if the costs can be measured reliably and are amortised from the commencement of commercial production of the product to which they relate over the period of their expected benefit, not exceeding 10 years.

Derivative Financial Instruments

Derivative financial instruments are used to hedge against foreign currency risks. For such transactions, the same valuation principles apply as for the underlying transaction. As of December 31, 2006, there were no open foreign exchange contract.

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Notes to the Consolidated Financial Statements for the year ended December 31, 2006

1. Intangible assets

| CHF (000) | Trademarks | Development costs | Goodwill | Total |
|-------------------------------------|---------------|-------------------|---------------|---------------|
| Cost | | | | |
| Opening balance Jan. 1, 2006 | 10,346 | 516 | 15,647 | 26,509 |
| Investments | - | 466 | - | 466 |
| Translation difference | 348 | 27 | 470 | 845 |
| Ending Balance Dec. 31, 2006 | 10,694 | 1,009 | 16,117 | 27,820 |
| Accumulated depreciation | | | | |
| Opening balance Jan. 1, 2006 | 5,305 | 29 | 2,598 | 7,932 |
| Amortisation | 645 | 167 | 1,020 | 1,832 |
| Translation difference | 192 | 5 | 97 | 294 |
| Ending Balance Dec. 31, 2006 | 6,142 | 201 | 3,715 | 10,058 |
| Net book value | | | | |
| Ending Balance Dec. 31, 2006 | 4,552 | 808 | 12,402 | 17,762 |
| Ending Balance Dec. 31, 2005 | 5,041 | 487 | 13,049 | 18,577 |

Trademarks include mainly GEHA trademarks which was acquired in 1998 and is amortised on a straight-line basis over 15 years.

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2. Tangible assets

| CHF (000) | Land and buildings | Machinery and technical equipment | Motor vehicles, mould, production and office equipment | Assets under construction | Total |
|-------------------------------------|--------------------|-----------------------------------|--|---------------------------|----------------|
| Cost | | | | | |
| Opening balance Jan. 1, 2006 | 23,211 | 50,618 | 34,973 | 1,284 | 110,086 |
| Investments | 137 | 2,389 | 3,831 | 2,047 | 8,404 |
| Disposals | - | (3,999) | (4,264) | (599) | (8,862) |
| Revaluation due to inflation | 521 | 656 | 112 | - | 1,289 |
| Translation differences | (895) | (531) | 749 | 36 | (641) |
| Ending Balance Dec. 31, 2006 | 22,974 | 49,133 | 35,401 | 2,768 | 110,276 |
| Accumulated depreciation | | | | | |
| Opening balance Jan. 1, 2006 | 13,091 | 40,144 | 26,112 | - | 79,347 |
| Disposals | - | (3,111) | (3,609) | - | (6,720) |
| Depreciation | 282 | 1,247 | 1,882 | - | 3,411 |
| Revaluation due to inflation | 197 | 502 | 77 | - | 776 |
| Translation difference | (196) | (393) | 528 | - | (61) |
| Ending Balance Dec. 31, 2006 | 13,374 | 38,389 | 24,990 | - | 76,753 |
| Net book value | | | | | |
| Ending Balance Dec. 31, 2006 | 9,600 | 10,744 | 10,411 | 2,768 | 33,523 |
| Ending Balance Dec. 31, 2005 | 10,120 | 10,474 | 8,861 | 1,284 | 30,739 |

Insurance values of the tangible assets amounted to CHF119.5 million as of December 31, 2006 (prior year CHF118.3 million). Details on the investments in tangible assets which amount to CHF8.4 million (prior year CHF5.4 million) are given on page 5.

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3. Financial assets

| CHF (000) | Unconsolidated investments | Long-term securities | Other long-term loans | Total |
|------------------------------------|----------------------------|----------------------|-----------------------|---------------|
| Opening balance Jan. 1, 2006 | 10,413 | 882 | 399 | 11,694 |
| Share of current year net result | 1,872 | - | - | 1,872 |
| Dividends | (1,252) | - | - | (1,252) |
| Write off | - | - | (399) | (399) |
| Other movements | 13 | (43) | - | (30) |
| Translation adjustments | (41) | 28 | - | (13) |
| Ending Balance Dec. 31 2006 | 11,005 | 867 | - | 11,872 |

As at December 31, 2006, the total proportionate share in equity of investments accounted for using the equity method amounted to CHF11.0 million (prior year CHF10.4million). Investments under 20% are carried at CHF0.03 million (prior year CHF0.02 million) being cost less necessary valuation provisions.

The unconsolidated group companies are shown in the list of group companies on pages 36 to 37.

4. Deferred tax

| CHF (000) | 2006 | 2005 |
|--------------------------------|---------------|-------|
| Deferred tax assets from: | | |
| - Temporary differences | 3,433 | 484 |
| - Net losses | 8,292 | 2,775 |
| Total deferred tax assets | 11,725 | 3,259 |
| Deferred tax liabilities from: | | |
| - Temporary differences | 816 | 1,050 |
| Total deferred tax assets, net | 10,909 | 2,209 |

Movements in deferred taxes during the year were as follows:

| CHF (000) | 2006 | 2005 |
|----------------------------|---------------|-------|
| Opening Balance Jan. 1 | 2,209 | 817 |
| Income from deferred taxes | 8,488 | 1,686 |
| Translation adjustments | 212 | (294) |
| Ending Balance Dec. 31 | 10,909 | 2,209 |

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4. Deferred tax (cont'd)

Based on the improved profitability of the German sales company, additional deferred tax asset of CHF5.5million has been capitalized in 2006.

The available trade tax losses carryforward amounted to CHF144.6 million, for which no deferred tax asset has been recognised. Assuming a tax rate of 13.7%, a further CHF19.8 million would be available to be offset against future taxes payable. These tax losses relate to subsidiaries in Germany.

5. Inventories

| CHF (000) | 2006 | 2005 |
|---|---------|---------|
| Raw material, stores and operating supplies | 7,234 | 6,329 |
| Work in process | 11,435 | 10,655 |
| Finished products and merchandise | 34,722 | 34,112 |
| Goods in transit | 465 | 1,091 |
| Payments on account | 402 | 344 |
| Value adjustments | (5,131) | (5,708) |
| Total | 49,127 | 46,823 |

6. Accounts receivable from third parties and other assets

| CHF (000) | 2006 | 2005 |
|---------------------------|--------|--------|
| Trade accounts receivable | 38,500 | 36,221 |
| Other assets | 9,872 | 6,471 |
| Total | 48,372 | 42,692 |

As of December 31, 2006 derecognized accounts receivables under financing agreement amounted to CHF6.0million (prior year CHF4.7 million). The accounts receivable are stated at their nominal values less allowance for bad and doubtful debts of CHF1.3 million (prior year CHF1.4 million). The other assets comprised primarily tax reclaims, license fees and short-term loans.

7. Receivables from parent company and its related companies

| CHF (000) | 2006 | 2005 |
|--|--------|-------|
| Pelikan International Corporation Berhad, Malaysia | 5,022 | 1,970 |
| Pelikan Singapore-Malaysia Pte Ltd, Singapore | 2,266 | 2,428 |
| Pelikan Polska Sp.z.o.o, Poland | 3,111 | - |
| Pelikan Produktions AG, Switzerland | 7,334 | - |
| Others | 1,804 | - |
| Total | 19,537 | 4,398 |

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8. Receivable from previous main shareholder

The receivable from the previous main shareholder, PBS Office Supplies Holding Sdn Bhd (formerly known as Pelikan Holding Sdn Bhd), Malaysia, was fully settled in 2006. Interest was charged at 2.75% (prior year 2.5%) per annum.

9. Guarantee from the previous main shareholder

In connection with the waivers of claim with debt warrants granted by Pelikan Holding AG to two German Pelikan companies, the previous main shareholder PBS Office Supplies Holding Sdn Bhd has guaranteed the recoverability of receivables of EUR72.9 million despite the waivers of claim. This potential contingent receivable will crystallize when it is determined that the two German Pelikan companies are not able to make payment of the amounts due under the debt warrants and therefore, that Pelikan Holding AG will not recover such amounts.

10. Capital stock

At December 31, 2006, the capital stock of CHF100.1 million comprises the following shares:

539,000 Registered shares of nominal CHF65
1,001,000 Bearer shares of nominal CHF65

11. Retained earnings

Retained earnings include legal and local statutory revaluation reserves of Pelikan Holding AG of CHF13.5 million (prior year CHF13.5 million) which are not distributable.

12. Provisions for pensions and similar commitments

| CHF (000) | 2006 | 2005 |
|--|-----------------|---------|
| Balance Jan. 1 | 93,290 | 96,461 |
| Reclassification from provisions and other liabilities | 1,366 | - |
| Charged to income statement | 6,037 | 5,620 |
| Utilized during the year | (10,610) | (9,597) |
| Translation adjustments | 3,026 | 806 |
| Balance Dec. 31 | 93,109 | 93,290 |
| CHF (000) | 2006 | 2005 |
| Current | 5,290 | 5,141 |
| Non-current | 87,819 | 88,149 |
| | 93,109 | 93,290 |
| German companies | 87,395 | 89,285 |
| Others | 5,714 | 4,005 |
| Total | 93,109 | 93,290 |

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12. Provisions for pensions and similar commitments (cont'd)

German companies

The pension provisions of German companies are based on the yearly updated actuarial calculations in accordance with the "Projected Unit Credit Method" calculated according to the following assumptions:

| | 2006 | 2005 |
|--|-----------------------|----------------|
| Market value of plan assets | - | - |
| Return on plan assets | Not applicable | Not applicable |
| Discount rate | 4.25% p.a. | 4.25% p.a. |
| Expected future salary increase | 2.50% p.a. | 2.50% p.a. |
| Expected future pension increase | | |
| - general pension promises due to economical situation | 0.00% | 0.00% |
| - individual promises | 1.50% p.a. | 1.50% p.a. |
| Expected future turnover | 1.00% p.a. | 1.00% p.a. |

The decrease of the discount rate in earlier years resulted in the following unrecognized actuarial loss:

| CHF (000) | 2006 | 2005 |
|--|-----------------|---------|
| Present value of unfunded obligations | 97,710 | 98,571 |
| Unrecognized actuarial loss | (10,315) | (9,286) |
| Net pension liability in balance sheet | 87,395 | 89,285 |

The unrecognized actuarial loss exceeding 10 percent (the so-called corridor) were recognised in the income statement over the expected average remaining working lives of the **employees**.

Persons entitled:

All employees, who are in fixed employment except:

- employees, who started fixed employment after 31.12.1983;
- employees, who work only temporary or irregularly and home workers;
- employees, who reached the age of 55 years (men) and the age of 50 (women) when they started their employment;
- the management, who has separate pension agreements;

Coverage:

- Pensions
- Early pensions
- Disability
- Survivorship

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13. Other provisions

| CHF (000) | 2006 | 2005 |
|---|--------------|--------------|
| Balance Jan. 1 | 6,651 | 7,403 |
| Reclassification from other liabilities | 669 | - |
| Charged to income statement | 624 | 1,380 |
| Utilized during the year | (2,177) | (2,185) |
| Translation adjustments | 201 | 53 |
| Balance Dec. 31 | <u>5,968</u> | <u>6,651</u> |
| Current | 1,431 | 1,401 |
| Non-current | 4,537 | 5,250 |
| Total | <u>5,968</u> | <u>6,651</u> |

Other provisions comprise of warranty claims of CHF0.7million (prior year: CHF0.7million), personnel related benefits of CHF5.3 million (prior year: CHF5.9 million) .

14. Bank liabilities

All bank liabilities are short-term and mainly denominated in EUR. The liabilities are partially secured by the following liens and charges:

| CHF (000) | 2006 | 2005 |
|-------------|---------------|--------------|
| Receivables | 6,787 | 5,518 |
| Land | 7,725 | 2,831 |
| Total | <u>14,512</u> | <u>8,349</u> |

15. Payables to parent company and its related companies

| CHF (000) | 2006 | 2005 |
|--|--------------|--------------|
| Pelikan International Corporation Berhad | 5,023 | 1,404 |
| Others | 178 | 73 |
| Total | <u>5,201</u> | <u>1,477</u> |

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16. Net sales

| CHF (000) | 2006 | 2005 |
|--------------------------|----------------|---------|
| Sales to third parties | 199,539 | 186,188 |
| Sales to related parties | 11,801 | 10,160 |
| Total | 211,340 | 196,348 |

| Sales by region | 2006 | | 2005 | |
|------------------------|----------------|---------------|-----------|--------|
| | CHF (000) | % | CHF (000) | % |
| Germany | 96,787 | 45.8% | 94,114 | 47.9% |
| Switzerland | 12,839 | 6.1% | 12,763 | 6.5% |
| Rest of Europe | 51,153 | 24.2% | 46,649 | 23.8% |
| Total Europe | 160,779 | 76.1% | 153,526 | 78.2% |
| USA/ Canada | 2,253 | 1.1% | 2,585 | 1.3% |
| Latin-America | 31,350 | 14.8% | 26,684 | 13.6% |
| Other countries | 16,958 | 8.0% | 13,553 | 6.9% |
| Total | 211,340 | 100.0% | 196,348 | 100.0% |

17. Other operating income

| CHF (000) | 2006 | 2005 |
|---------------------------------------|--------------|-------|
| Income from the release of provisions | 1,016 | 127 |
| Income from licenses | 1,157 | 2,103 |
| Others | 3,285 | 1,031 |
| Total | 5,458 | 3,261 |

18. Personnel expenses

| CHF (000) | 2006 | 2005 |
|--|---------------|--------|
| Salaries and wages | 43,249 | 41,032 |
| Social security contributions and other welfare expenses | 10,759 | 9,339 |
| Pension contributions | 881 | 1,116 |
| Total | 54,889 | 51,487 |

The headcount as well as the changes in the number of employees are shown on page 5. Pension expenses for retired employees are shown separately below the result before non-operating items.

Pelikan Group

19. Other operating expenses

| CHF (000) | 2006 | 2005 |
|---|---------------|--------|
| Occupancy costs | 5,562 | 5,168 |
| Outwards freight, packaging | 4,639 | 4,011 |
| Energy, other operating expenses | 3,400 | 3,806 |
| Licenses and commissions | 2,927 | 1,470 |
| External costs for logistics, administration, sales | 7,308 | 10,437 |
| Sales promotion | 11,392 | 8,706 |
| Travel expenses | 2,351 | 1,968 |
| Communication, EDP | 1,228 | 1,138 |
| Administration costs | 4,794 | 5,309 |
| Provision for doubtful debts | 1,262 | 1,141 |
| Others | 1,273 | 998 |
| | 46,136 | 44,152 |

20. Interest and similar income

| CHF (000) | 2006 | 2005 |
|-----------------------------|------------|------|
| Interest income | | |
| - third parties | 589 | 421 |
| - previous main shareholder | 205 | 247 |
| Total | 794 | 668 |

21. Interest and similar expenses

| CHF (000) | 2006 | 2005 |
|--------------------------------------|--------------|-------|
| Interest expense third parties | 1,227 | 1,370 |
| Monetary correction due to inflation | 380 | 288 |
| Total | 1,607 | 1,658 |

22. Taxes

| CHF (000) | 2006 | 2005 |
|----------------------------|----------------|---------|
| Expense from current taxes | 3,701 | 5,631 |
| Income from deferred taxes | (8,488) | (1,686) |
| Total | (4,787) | 3,945 |

Tax expense comprises the income and capital taxes of the current business year and tax adjustments in respect of prior years. Non-recoverable withholding taxes on distributions by group companies are also included under this heading.

Pelikan Group

23. Other financial commitments

| CHF (000) at nominal values | 2006 | 2005 |
|--------------------------------|---------------|--------|
| Leasing and rent commitments | | |
| - due next year | 3,607 | 3,539 |
| - due within 2-5 years | 9,106 | 9,654 |
| - due after 5 years | 950 | 1,831 |
| Total | 13,663 | 15,024 |

The rental periods for land and buildings extend up to the year 2012.

As of December 31, 2006, capital commitment authorised and contracted for amounted to CHF1.2 million (prior year: CHF0.97 million).

24. Remuneration of/ advances to the Board of Directors

The sum of compensation paid to Non-Executive Members of the Board of Directors of Pelikan Holding AG in 2006 was CHF0.3 million (prior year CHF0.3 million). The Board Member with the highest total remuneration received net CHF 0.2 million (prior year CHF0.2 million) in cash. As at December 31, 2006, loan outstanding granted by a subsidiary of Pelikan Holding AG to a Non-Executive Board Member amounted to CHF28,000 (prior year: CHF56,000). This loan with an interest rate of 3.25% is repayable in full by July 31, 2007. No advances or credits were granted to the other members of the Board of Directors. There are no pension commitments in respect of current or former members of the Board of Directors of Pelikan Holding AG.

25. Contingent liabilities/ Guarantees

| CHF (000) | 2006 | 2005 |
|------------------|------------|-------|
| Discounted bills | 386 | 1,138 |

Pelikan Group

26. Related party transactions

Besides the transactions with related parties which are separately disclosed in the Notes, the other related party transactions are as follows:

| CHF (000) | 2006 | 2005 |
|-------------------------------------|------------|------|
| <hr/> | | |
| <u>Expenses</u> | | |
| Management fees/ Personnel expenses | - | 240 |
| <u>Income</u> | | |
| License fees and commissions | 956 | 999 |

27. Significant post balance sheet event

In April 2007, Pelikan Holding AG completed the acquisition of 90% of the equity share capital of German Hardcopy AG, Brilon, Germany. The remaining 10% shares are held by German Hardcopy AG, the principal activity of German Hardcopy AG is the manufacturing and distribution of hardcopy related products under the Geha, Emtec, Boeder and I-change trademarks as well as OEM (Original Equipment Manufacturer) printer supplies and assortment.

Pelikan Group

GROUP AND ASSOCIATED COMPANIES AS AT DECEMBER 31, 2006

| Country and location | Name | Capital stock in 1000 | Group Holding in % | thereof directly held by Pelikan Holding AG in % | Consolidation | Operation |
|----------------------|--|-----------------------|--------------------|--|---------------|-----------|
| EUROPE | | | | | | |
| Austria | | | | | | |
| Brunn | Pelikan Austria GesmbH | EUR | 872 | 100 | 100 | C H |
| Brunn | Faber-Castell Pelikan Austria GesmbH | EUR | 1,500 | 50 | | E D |
| Germany | | | | | | |
| Hanover | Kreuzer Produktion + Vertrieb GmbH | EUR | 26 | 100 | | C O |
| Hanover | Pelikan GmbH | EUR | 7,669 | 100 | | C S |
| Hanover | Pelikan PBS-Produktion Verwaltungs-GmbH | EUR | 26 | 100 | 100 | C O |
| Hanover | Pelikan PBS-Produktionsgesellschaft mbH & Co. KG | EUR | 1,100 | 100 | 100 | C P |
| Hanover | Pelikan Vertrieb Verwaltungs-GmbH | EUR | 26 | 100 | 100 | C O |
| Hanover | Pelikan Vertriebsgesellschaft mbH & Co. KG | EUR | 2,100 | 100 | 100 | C D |
| Hanover | Pelikan Verwaltungs-GmbH | EUR | 95 | 100 | | C O |
| Hanover | QUADRIGA plus GmbH i.L. | EUR | 1,000 | 25 | | E O |
| Greece | | | | | | |
| Markopoulo-Attica | Pelikan Hellas E.P.E. | EUR | 442 | 100 | 95 | C D |
| Markopoulo-Attica | Henkel-Pelikan Office Products Ltd. | EUR | 60 | 49 | | E O |
| Italy | | | | | | |
| Milan | Pelikan Italia S.p.a. | EUR | 1,560 | 100 | | C D |
| Netherlands | | | | | | |
| Rotterdam | G. Wagner Pelikan Maatschappij B.V. | EUR | 3,630 | 100 | 100 | C H |
| Spain | | | | | | |
| Barcelona | Pelikan S.A. | EUR | 1,000 | 100 | | C D |
| Switzerland | | | | | | |
| Feusisberg | Pelikan Faber-Castell (Schweiz) AG | CHF | 500 | 75 | 75 | C D |
| Freiburg | Günther Wagner SA | CHF | 100 | 100 | 100 | C O |
| Belgium | | | | | | |
| Groot-Bijgaarden | Pelikan Benelux N.V./ S.A. | EUR | 837 | 100 | 100 | C D |

Pelikan Group

GROUP AND ASSOCIATED COMPANIES AS AT DECEMBER 31, 2006

| Country and location | Name | Capital stock in 1000 | Group Holding in % | thereof directly held by Pelikan Holding AG in % | Consolidation | Operation |
|------------------------|--------------------------------|-----------------------|--------------------|--|---------------|-----------|
| USA | | | | | | |
| Nashville, TN | Pelikan, Inc. | USD | 7,633 | 100 | 100 | C O |
| LATIN-AMERICA | | | | | | |
| Argentina | | | | | | |
| Buenos Aires | Pelikan Argentina S.A. | ARS | 2,864 | 12 | 12 | A P/D |
| Colombia | | | | | | |
| Santafé de Bogotá | Indistri S.A. | COP | 3,800,000 | 20 | 20 | E P/D |
| Mexico | | | | | | |
| Puebla | Productos Pelikan S.A. de C.V. | MXP | 20,119 | 49.9 | 49.9 | C P/D |
| Peru | | | | | | |
| Lima | Carbolan S.A. | PEN | 20,807 | 11 | 11 | A O |
| Venezuela | | | | | | |
| Caracas | Artof C.A. | VEB | 50,020 | 35 | 25 | E O |
| Costa Rica | | | | | | |
| San Jose | Pelikan Costa Rica S.A. | COL | 150,059 | 100 | 100 | C O |
| OTHER COUNTRIES | | | | | | |
| Australia | | | | | | |
| Milperra | Columbia Pelikan PTY Limited | AUD | 2,659 | 40 | 40 | E P/D |
| Japan | | | | | | |
| Tokyo | Pelikan Japan K.K. | JPY | 200,000 | 25 | 25 | E D |
| Malaysia | | | | | | |
| Puchong | Pelikan Asia Sdn. Bhd. | MYR | 10,500 | 100 | 100 | C D |

Consolidation:

C = Fully consolidated
E = Equity Accounting
A = At cost

Operation:

P = Production companies
D = Distribution companies
S = Service-, Real estate-companies
H = Holding companies
O = Companies without operational activity

Report of the group auditors

to the general meeting of

Pelikan Holding AG, Feusisberg

As group auditors, we have audited the consolidated financial statements (consolidated balance sheet, consolidated income statement, consolidated statements of cash flows and changes in equity and notes as per pages 17 to 37) of Pelikan Holding AG for the year ended 31 December 2006.

These consolidated financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning qualification and independence.

Our audit was conducted in accordance with Swiss Auditing Standards, which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position, result of operations and cash flows in accordance with Swiss GAAP FER and comply with Swiss law.

We recommend that the consolidated financial statements submitted to you be approved.

Zurich, 25 April 2007

BDO Visura

Andreas Wyss

Swiss Certified Accountant

ppa. Susanne Partin

Auditor in Charge

Swiss Certified Accountant

Pelikan Holding AG, Feusisberg

**Financial Statements
2006**

BALANCE SHEET AS AT DECEMBER 31, 2006

| | Note | Dec. 31, 2006 CHF(000) | Dec. 31, 2005 CHF(000) |
|---|------|---------------------------|---------------------------|
| ASSETS | | | |
| Fixed assets | | | |
| Tangible assets | | 20 | 30 |
| Investments | 1 | 56,868 | 56,257 |
| Loans receivable from subsidiary companies | 2 | 2,186 | 3,789 |
| | | 59,074 | 60,076 |
| Current assets | | | |
| Other receivables | | 1,031 | 13 |
| Receivables from parent and its related companies | | 9,546 | 1,970 |
| Receivable from previous main shareholder | 3 | - | 8,746 |
| Bank | | 2,011 | 1,440 |
| | | 12,588 | 12,169 |
| TOTAL ASSETS | | 71,662 | 72,245 |
| EQUITY AND LIABILITIES | | | |
| Shareholders' equity | | | |
| Capital stock | 4 | 100,100 | 100,100 |
| Legal reserve | | 1,166 | 1,166 |
| Revaluation reserve | 5 | 12,286 | 12,286 |
| Retained earnings | | (52,237) | (55,734) |
| | | 61,315 | 57,818 |
| Current liabilities | | | |
| Payables to subsidiary companies | 6 | 9,708 | 13,806 |
| Other liabilities to third parties | | 626 | 607 |
| Tax provisions | | 13 | 14 |
| | | 10,347 | 14,427 |
| TOTAL EQUITY AND LIABILITIES | | 71,662 | 72,245 |

**INCOME STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2006**

| | Note | 2006 CHF(000) | 2005 CHF(000) |
|-------------------------|------|--------------------------|------------------|
| Income from investments | | 3,336 | 1,982 |
| Administration expenses | | (1,536) | (2,025) |
| Depreciation | | (10) | (10) |
| Exchange differences | | 499 | 379 |
| Interest income | | 396 | 406 |
| Interest expense | | (341) | (376) |
| Extraordinary income | 7 | 4,024 | 6,880 |
| Extraordinary expenses | 8 | (2,875) | (5,993) |
| Result before taxation | | 3,493 | 1,243 |
| Taxes | | 4 | 20 |
| Net result for the year | | 3,497 | 1,263 |

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2006**

| CHF (000) | Capital stock | Legal reserves | Revaluation reserve | Retained earnings | Total Equity |
|------------------------------|------------------|-------------------|------------------------|----------------------|---------------|
| Balance Jan. 01, 2005 | 100,100 | 1,166 | 12,286 | (56,997) | 56,555 |
| Result 2005 | - | - | - | 1,263 | 1,263 |
| Balance Dec. 31, 2005 | 100,100 | 1,166 | 12,286 | (55,734) | 57,818 |
| Result 2006 | - | - | - | 3,497 | 3,497 |
| Balance Dec. 31, 2006 | 100,100 | 1,166 | 12,286 | (52,237) | 61,315 |

NOTES TO THE FINANCIAL STATEMENTS 2006

1. Investments

The investments of Pelikan Holding AG are shown in the list of group companies on pages 36 to 37. There is an option for Faber-Castell to acquire additional 15% of Pelikan Faber-Castell (Schweiz) AG until 2007.

2. Loans receivable from subsidiary companies

The loans receivable are stated at their nominal value less any necessary valuation adjustments.

3. Receivable from previous main shareholder

The receivable from the previous main shareholder, PBS Office Supplies Holding Sdn Bhd (formerly known as Pelikan Holding Sdn Bhd), Malaysia, was fully settled in 2006. Interest was charged at 2.75% (prior year 2.5%) per annum.

4. Capital stock

At December 31, 2006, the capital stock of CHF100.1 million comprises the following shares:

539,000 Registered shares of nominal CHF65
1,001,000 Bearer shares of nominal CHF65

5. Revaluation reserve

Revaluation reserve relates to the revaluation of the investments that exceeds the original acquisition costs. This reserve cannot be used for dividend distributions. It can only be utilised by conversion into share capital, depreciation of the revalued assets or on the sale of the revalued assets.

6. Payables to subsidiary companies

At the end of 2006, payables to subsidiary companies include mainly the liabilities to Pelikan GmbH, Hanover, Germany, in the amount of CHF 6.6 million (prior year CHF 10.1 million).

Pelikan Holding AG, Feusisberg

7. Extraordinary income

| CHF (000) | 2006 | 2005 |
|--|--------------|--------------|
| Service of debt warrants granted in prior years | 4,024 | 4,120 |
| Partial release of deferred income from intercompany sale of an investment | - | 2,760 |
| | 4,024 | 6,880 |

8. Extraordinary expenses

| CHF (000) | 2006 | 2005 |
|---|--------------|--------------|
| Value adjustment for loan to subsidiary | 2,227 | 1,411 |
| Value adjustment for loan with debt warrant to subsidiary | 579 | 3,964 |
| Value adjustment for other receivables | 69 | 618 |
| Total | 2,875 | 5,993 |

9. Parent company

As of December 31, 2006, Pelikan International Corporation Berhad, Malaysia, a company listed in Bursa Malaysia Securities Berhad (the Malaysia Stock Exchange) held 87.64 % of the shares of Pelikan Holding AG.

10. Contingent liabilities/ Guarantees

Pelikan Holding AG, Pelikan GmbH and Pelikan PBS-Produktionsgesellschaft mbH & Co. KG jointly guaranteed the obligations of a subsidiary related to the assignment of receivables for financing purposes up to maximum of EUR 10 million (prior year: EUR 10 million).

Pelikan Holding AG granted letter of intent to a bank in favour of a subsidiary for a credit line of a maximum of TEUR500 (prior year: TEUR500).

11. Significant post balance sheet event

In April 2007, Pelikan Holding AG completed the acquisition of 90% of the equity share capital of German Hardcopy AG, Brilon, Germany. The remaining 10% shares are held by German Hardcopy AG, the principal activity of German Hardcopy AG is the manufacturing and distribution of hardcopy related products under the Geha, Emtec, Boeder and I-change trademarks as well as OEM (Original Equipment Manufacturer) printer supplies and assortment.

Pelikan Holding AG, Feusisberg

**PROPOSAL OF THE BOARD OF DIRECTORS FOR THE TREATMENT OF ACCUMULATED DEFICIT AS OF
DECEMBER 31, 2006**

| CHF (000) | 2006 | 2005 |
|---|-----------------|----------|
| Accumulated deficit at January 1 | (55,734) | (56,997) |
| Net result for the year | 3,497 | 1,263 |
| Accumulated deficit at December 31, to be carried forward | (52,237) | (55,734) |

Report of the statutory auditors

to the general meeting of

Pelikan Holding AG, Feusisberg

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement, statement of changes in equity and notes set out on pages 39 to 44) of Pelikan Holding AG for the year ended 31 December 2006.

These financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss Auditing Standards, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements comply with Swiss law and the company's articles of incorporation.

We recommend that the financial statements submitted to you be approved.

Zurich, 25 April 2007

BDO Visura

Andreas Wyss

Swiss Certified Accountant

ppa. Susanne Partin

Auditor in Charge

Swiss Certified Accountant

INSTITUTIONS / MANAGEMENT as at December 31, 2006

Board of Directors

Loo Hooi Keat

President

Selangor Darul Ehsan/ Malaysia

Thomas Pfister

Vice President

Oberrieden/ Switzerland

Mirzan bin Mahathir

Member

Selangor Darul Ehsan/ Malaysia

Secretary of the Board of Directors

Frauke Wandrey

Hanover/ Germany

Auditors

BDO Visura

Zurich/ Switzerland

Management

Loo Hooi Keat

Selangor Darul Ehsan/ Malaysia

Peter Rajjmann

Hanover/ Germany

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