



PELIKAN HOLDING AG

2005 ANNUAL REPORT

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REPORT OF THE BOARD OF DIRECTORS

On behalf of the Board of Directors, I am pleased to present the Annual Report and Financial Statements of Pelikan Holding AG Group and Company for the year ended December 31, 2005.

This financial year marked a significant milestone for the Group as the main shareholder of Pelikan Holding AG is now Pelikan International Corporation Berhad (formerly known as Diperdana Holdings Berhad) ("Pelikan International") following the completion of the corporate proposals in Malaysia in early April 2005. Amongst others, the proposals included the sale by the previous main shareholder, PBS Office Supplies Holding Sdn Bhd (formerly known as Pelikan Holding Sdn Bhd), of its 64.9% shareholding in Pelikan Holding AG to Pelikan International. Pelikan Holding AG is currently 87.64% owned by Pelikan International following the conclusion of the voluntary general offer for the remaining shares of Pelikan Holding AG by Pelikan International in May 2005. As a result of these corporate exercises, Pelikan Holding AG's shares became the top performing share, the winner of the 2005 stock exchange year of the SWX Swiss Stock Exchange, with a more than 100% soar in share price, way ahead of all the rest.

Pelikan International is listed on the Main Board of Bursa Malaysia Securities Berhad (the Malaysia Stock Exchange). With stronger financial footing, the new main shareholder has begun leading the Group towards greater achievements, which started off with the various expansion initiatives involving the setting up of a new distribution subsidiary in Dubai, taking over Pelikan businesses in Thailand and Taiwan, and lately the acquisition of the remaining 51.03% equity stake of the Group's investment in Productos Pelikan SA de CV, Mexico.

Over recent years, the Group attempts to re-consolidate all the Pelikan's operations divested in the late 1990s as a result of the business restructuring scheme to reduce Pelikan's core business to mainly writing, school/leisure and painting. We witnessed the re-purchase of the "Office General" business from Henkel KGaA in 2002, followed by the acquisition of Pelikan Benelux NV/SA (Belgium, the Netherlands and Luxemburg) and Pelikan Asia Sdn Bhd (Malaysia and Singapore) in 2004, and in August 2005, we resumed the rights for the distribution of "Correcting and Glueing" products under the Pelikan brand from Henkel KGaA. Pelikan International has recently announced its intention to acquire the business undertaking of Pelikan Hardcopy Holdings AG group as a final leg to reunite the separated businesses of Pelikan.

Group sales increased marginally by 1% to CHF196.3million in 2005 (prior year CHF194.6). Market expansion outside Europe is evident from the higher sales attained in Latin America (increase of 12.5% over 2004) and "other countries" particularly in Asia (increase of 18.7%). Result before financial items and taxation of the Group strengthened by 0.7% to CHF15.2million as opposed to last financial year. On the basis of the Group's solid core business, the planned geographical expansions, product innovations and enhancements, we expect the performance of the Group to further improve in future years.

I would like to take this opportunity to thank the management, all the employees as well as suppliers and customers of the Group for their contribution towards another successful year. We look forward to receiving your continuous support.

On behalf of the Board of Directors

LOO HOOI KEAT
21 April 2006

KEY FIGURES**Pelikan Group**

	Figures in CHF million				
	2005	2004	2003	2002	2001
Net sales	196.3	194.6	191.6	183.5	190.1
Result from operations	10.6	11.2	12.1	7.5	8.7
Result before non-operating items	14.3	14.0	15.8	9.5	11.9
Result before taxation	8.6	8.7	10.3	2.7	4.1
Net result for the year	4.6	6.6	9.2	1.5	1.2
Consolidated net result for the year	3.3	5.3	8.0	0.3	0.2
Fixed assets	64.3	53.2	50.7	46.3	43.9
Total equity excluding minorities	13.0	6.2	1.4	(3.5)	(0.8)
Provisions for pensions	93.3	96.5	101.8	98.6	101.4
Balance sheet total	180.5	162.2	162.0	160.2	169.3
Share of the balance sheet total in %					
Fixed assets	35.6%	32.8%	31.3%	28.9%	25.9%
Total equity excluding minorities	7.2%	3.8%	0.9%	(2.2)%	(0.4)%
Provisions for pensions	51.7%	59.5%	62.8%	61.5%	59.9%
Tangible and intangible assets					
Investments	6.0	5.6	6.8	12.5	7.4
Depreciation and amortization	6.7	6.5	6.5	6.2	6.8
Number of employees	910	883	848	789	830
Personnel expense	51.5	51.5	50.1	49.7	51.7

Pelikan Holding AG

Result for the year	1.3	3.5	(63.2)	1.2	1.7
Dividend	-	-	-	-	-
Shareholders' equity	57.8	56.6	53.1	103.5	102.3

Key figures per share

Data per bearer share in CHF
Nominal value each CHF65

Earnings per share	2.2	3.5	5.2	0.2	0.1
Dividend per share in %	-	-	-	-	-
Share prices					
Highest	84	29	34	34	39
Lowest	25	20	19	18	15

PELIKAN GROUP

MANAGEMENT REPORT

Business in 2005

The slow down among industrial economies that begun in the second half of 2004 continued in 2005, with lower than expected Gross Domestic Product ("GDP") growth. Economic activities was also slowed in developing economies in 2005. High oil prices, coupled with inflationary pressures restrained growth particularly in most of these countries.

The year 2005 continued to be a challenging year for Pelikan. Group sales rose by 0.9% to CHF 196.3 million despite the sluggish consumer markets, in the main market of Germany which registered a decrease in sales of 3.6%, which was, however compensated by the stronger sales in Latin America and "other countries". Result before financial items and taxation increased slightly to CHF15.2 million (2004: CHF15.1 million) and consolidated net result for the year eased to CHF3.3 million (2004: CHF5.3 million) mainly due to higher pension and tax expense.

Distribution co-operations and important contracts

In August 2005, the Group resumed the global distribution rights of "correcting and gluing" products (except for Germany/ Austria/ Switzerland) under the Pelikan brand from Henkel KGaA. The group has also commissioned a company in Malaysia for the manufacturing of these products which has translated into better margin. On October 1, 2005 Pelikan Germany acquired the business operation of Geha-Werke GmbH, Germany, a well established German brand of office machines reputed for its quality products.

Sales

<u>Sales by product group</u>		<u>Sales by region</u>	
General office supplies	25%	Germany	48%
Writing instruments	35%	Switzerland	6%
School/ Leisure time	29%	Rest of Europe	24%
Hardcopy	3%	USA/ Canada	1%
Others	8%	Latin-America	14%
		Other countries	7%

Pelikan Group achieved net sales of CHF196.3 million in 2005 (2004: CHF194.6 million), representing an increase of 0.9% as compared to the previous year. In Germany, sales declined by 3.6%, mainly due to stagnant consumer market.

Sales in Latin America and "other countries" particularly in Asia registered significant growth of 12.5% and 18.7% respectively in line with the Group strategy to reduce its dependence on the European market whilst expanding businesses in under-represented and undeveloped markets especially in the Latin America and Asia regions. Sales in the United States and Canada remained almost unchanged (2004: drop of 26.1%), recovering from the stabling of the Euro against local currencies.

The "General office supplies" recorded a higher sales this year due to the increased in sales of "correcting and gluing" products as well as "office general" product range purchased in 2002. The commencement of the new production facility of office supplies in Malaysia has also translated to better sales in this category. The "Others" category has also increased significantly mainly due to the contribution from the sales of Geha presentation materials, shredders and office cutting machine.

Result

In million CHF	2005	2004	2003
Pretax profit	8.6	8.7	10.3

Result from operations of Pelikan Group declined from CHF11.2 million in 2004 to CHF10.6 million in 2005. The result from unconsolidated companies showed a pre-tax profit of CHF4.7 million (2004: CHF3.9 million) which was mainly contributed by the Group's investment in Columbia Pelikan Pty Limited in Australia.

Pelikan Group incurred a net interest expense of CHF1.0 million (2004: CHF0.4 million), while expenses for pensioner came to CHF5.7 million (2004: CHF5.2 million). Taxes amounted to CHF3.9 million (2004: CHF2.1 million).

The net profit for the year decreased to CHF4.6 million in 2005 from CHF 6.6 million in 2004. After deduction of profit due to minority interest, the consolidated net profit for the year is CHF3.3 million (2004: CHF5.3 million).

At Pelikan Holding AG company level, the financial statements showed a net profit of CHF1.3 million for the year (2004: CHF3.5 million).

Personnel

The total number of employees of the Group increased by 27 to 910 as at December 31, 2005.

Personnel	Dec. 31, 2005	Dec. 31, 2004	Dec. 31, 2003
Germany	435	432	438
Switzerland	17	17	17
Rest of Europe	63	63	45
Total Europe	515	512	500
Latin-America	367	353	348
Other countries	28	18	-
Total Group	910	883	848

Investments in fixed assets

Investments in fixed assets during the year amounted to CHF 5.4 million (2004: CHF 4.7 million). Major investments were made in Germany for, among others, the following projects:

- Tools for new Limited Edition "7 Wonders Part 2 Colossus of Rhodes " and "Caelum", Epoch 361/362/363, "Junior" re-launch, "Grand Prix" fountain pen, new fountain pen "Style", new lower priced fountain pen "Happy" and highlighter/textmarker
- Assembly machine and tools for whiteboard and permanent marker
- Injection moulding machine
- 2 gravimetric metering systems
- New ERP Software "MySAP.com"
- Presentation displays for "Hobby" products and furniture for new "Shop in Shop" concept for high end writing instruments.

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 2004, the Company was certified ISO-9001-2000 company and recertified as Environmental Friendly Company by the Mexican government.

Research and development

In 2005, CHF 3.5 million (2004: CHF 3.5 million) was expensed for research and development projects which included:

- Development of new "Souverän 425" with elements of finest sterling silver and with a precision resin barrel in lucent green
- Development of new school fountain pen "Pelikano Junior"
- Development of Special Edition "Place de la Concorde"
- Development of Limited Edition "Colossus of Rhodes"
- Development of Limited Edition "Blue Planet"
- Complementation of Epoch series with Epoch 362 in special aluminium design and caps coated with black soft-varnish
- Development of fine writing youth fountain pen "Script Silver" with complex refined cap in silver-look
- Development of wax crayons in plastic case in contemporary design and attractive colours
- Development of "Gallery Roller" with special large-capacity ink cartridge
- Development of new youth fountain pen "Happy"
- Development of paint box "Pro Color" in new, fresh colours
- Development of gluing and correcting products

Risks of future development

Pelikan Group offers an extensive assortment of products for the up-market, school and hobby, as well as office supplies. Its operations are worldwide. 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 to all parts of its business to ensure risks are minimized and opportunities enhanced.

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 assist 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

Global economy is expected to continue at a growth rate of 3% in 2006. The pace of expansion in the high-income countries is forecasted to increase slightly over the next two years, with accelerations on Europe offsetting a modest slowing in Japan and stable growth in the United States. Driven by higher oil prices, inflation rates have edged up worldwide. However, core inflation indicators including the price indices for energy and food have remained stable, which means that the influence of higher oil prices, to overall inflation is limited. Euro currency has also eased against major foreign currency which has made exports from Euro countries more affordable.

With the conclusion of the corporate exercise in Malaysia, Pelikan International being the new holding company of Pelikan Holding AG has strategised various plans for market expansion.

Pelikan International has recently completed the acquisition of the remaining 51% stake in the Mexican subsidiary of Pelikan Holdings AG, Productos Pelikan SA de CV. The Company has also announced its intention to acquire business operation of Pelikan Hardcopy Holding AG group.

The potential acquisition of the remaining stake in the Mexican entity is aimed towards market expansion to more countries in the Latin America region as well as to North America when the Mexican entity became wholly owned by the Pelikan International Group. The potential acquisition of the business operation of Pelikan Hardcopy will increase the product offerings especially in printer consumables, in addition to mutual tapping of resources of both groups and common costs savings.

Pelikan International group has also initiated actions to strengthen its distribution network in Asia and planned to setup new distribution companies and/or joint ventures with local partners in India, China, Indonesia etc. The Group has recently commenced the production of whiteboard and permanent markers in the Malaysian facility adding to the existing production line of textmarkers. This move aligned to the group's effort for continuous costs reduction by amongst others, setting up production lines in countries with lower costs and good access to resources and markets.

With the new holding company with stronger financial backing, the Group is on the move for continuous market and product expansions. With these acute strategies, the Group is ready to chart its mark as a leader in the development of instruments to acquire knowledge and express wisdom. These efforts lead to stronger sales growth and increased shareholders' value. With these right moves, the Group expects better performance in 2006 and future years.

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 (ie 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 37 to 38 of the Group's consolidated financial statements.

Capital structure

As at December 31, 2005, 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 and warrants as at the balance sheet date.

There are no cross-shareholdings.

The bearer shares of Pelikan Holding AG, Baar, 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 109.3 million as at December 31, 2005.

Share ownership / Significant shareholders

On April 8, 2005, Pelikan International Corporation Berhad (formerly known as Diperdana Holdings Berhad) ("Pelikan International"), a company listed in Bursa Malaysia Securities Berhad (the Malaysia Stock Exchange) ("Bursa Malaysia") completed the acquisition of 64.94% of the equity interest in Pelikan Holding AG consisting of all the 539,000 registered and 461,000 bearer shares from PBS Office Supplies Holding Sdn Bhd (formerly known as Pelikan Holding Sdn Bhd) ("PBS"), Malaysia, controlled by Loo Hooi Keat, for a total consideration of MYR299 million. Pursuant to the Voluntary General Offer ("VGO") for the remaining 540,000 bearer shares in the Company by Pelikan International, 349,677 bearer shares were acquired. At the end of the VGO offer period on May 5, 2005, the Pelikan International owns 87.64% equity interest in the Company.

On April 11, 2005, Pelikan Holding AG received a notification from OZ Bankers AG, Switzerland, of their shareholding of 5.07% 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 where the Board is prepared to buy these shares at their actual value at the time of application for registration into the register, for the account of the Company (up to a maximum of 20 % of the share capital) or for other shareholders or third parties.

In 2005, 539,000 registered shares were transferred from PBS to Pelikan International.

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 not 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 shareholder.

Elections and resolutions of the Board are passed by absolute majority of the votes casted by its elected members. The President decides in case of tie votes.

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 of 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 comprise: 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 ("MIS") showing the business development including budget-actual comparisons.

Members of the Board

Members of the Board as of December 31, 2005:

Name	Age	Function	Since	Elected until
Loo Hooi Keat	51	President	1997	AGM 2006
Thomas Pfister	42	Non-Executive Vice President	2004	AGM 2006
Mirzan bin Mahathir	48	Non-Executive Member	1998	AGM 2006

(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 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 Vice President and sits on the board of directors of Konsortium Logistik Berhad, a public company listed in the Bursa Malaysia. He was appointed as director of Pelikan International on 22 April 2005 and subsequently as the Executive Chairman on 26 April 2005. 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 received his Certified Public Accountant accreditation. Since then, he has gained over 24 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	57	Germany	Head of Product Development
Peter Raijmann	46	Netherlands	Head of Finance and Administration
Loo Seow Beng	48	Malaysia	Head of Sourcing and Supply
Claudio Esteban Seleguan	44	Argentina	Head of Latin America
Eckhard Seewöster	62	Germany	Head of Sales/ Marketing Europe
Safuan Basir	38	Malaysia	Head of Asia, Middle East/ Africa
Geoffroy de Drouas	51	France	Head of Brand Management and Communication

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 had similar functions 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, USA and Middle East.

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 and North America.

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.

Geoffroy de Drouas

Geoffroy de Drouas joined Pelikan Group in 2005 as Senior Vice President, Brand Management and Communication. He obtained his Bachelor of Business Administration from Ecole des Cadres, Paris in 1978. He has had extensive experience in various international organizations dealing in luxury brands of cosmetics and fragrances, watches, writing instruments, retail fashion and liquor.

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 2005 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 2005 financial year was CHF 0.3 million.
- No severance payment was made in 2005 to any Board Member or Member of the Executive Committee who resigned in earlier years.
- No compensation was paid in 2005 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. On April 8, 2005, the total interest of 64.94% indirectly held by Loo Hooi Keat in Pelikan Holding AG was disposed to Pelikan International. As at December 31 2005, indirect interest of Loo Hooi Keat in Pelikan Holding AG through Pelikan International is 87.64%. None of the members of the management team held shares in Pelikan Holding AG as at December, 31 2005.
- 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 at December 31, 2005, loan outstanding granted by a subsidiary of Pelikan Holding AG to a Non-Executive Board Member amounted to CHF56,000. 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. Loans granted to companies related to the President of the Board of Directors and the previous main shareholder are disclosed in the Notes to the Financial Statements on page 30.

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 Zurich has been appointed external auditor of Pelikan Holding AG and Group auditors beginning 2005. The worldwide audit fee for 2005 financial year amounted to TCHF285 whereof TCHF211 concern BDO. Other consulting costs of audit firms such as business consulting, taxation and legal consulting amounted to TCHF390 in total whereof TCHF201 concern BDO. The consulting fees charged by BDO include the cost of a fairness opinion for which BDO Visura was engaged by Pelikan Holding AG prior to their appointment as external auditors. The fairness opinion related to the public exchange offer of Pelikan International Corporation Berhad (formerly known as Diperdana Holdings Berhad) regarding the shares of Pelikan Holding AG.

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 49 and 51.

Pelikan Group

**Financial Statements
2005**

Pelikan Group

CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 2005

	Note	Dec. 31, 2005 CHF(000)	Dec. 31, 2004 CHF(000)
ASSETS			
Fixed assets			
Intangible assets	1	18,577	14,835
Tangible assets	2	30,739	27,217
Financial assets	3	11,694	8,316
Deferred tax assets	4	3,259	2,824
		64,269	53,192
Current assets			
Inventories	5	46,823	40,400
Prepayments		451	501
Receivables from third parties and other assets	6	42,692	42,891
Receivables from unconsolidated companies		959	1,096
Receivables from parent company and its related companies	7	13,499	11,469
Cash and bank		11,809	12,698
		116,233	109,055
TOTAL ASSETS		180,502	162,247
EQUITY AND LIABILITIES			
Shareholders' equity			
Capital stock	9	100,100	100,100
Revaluation reserve		9,645	7,590
Retained earnings	10	(96,721)	(101,457)
Total equity excluding minorities		13,024	6,233
Minority interests		15,204	11,793
Total equity		28,228	18,026
Non-current liabilities			
Provisions for pensions and similar commitments	11	88,149	92,259
Provisions for deferred taxes	4	1,050	2,007
Other provisions	12	5,250	6,136
Other liabilities		2,798	2,269
		97,247	102,671
Current liabilities			
Bank liabilities	13	12,465	7,994
Accounts payable		14,007	12,750
Payables to unconsolidated companies		452	-
Payables to companies related to the parent company		1,477	89
Taxes payable		2,755	374
Provisions for pensions and similar commitments	11	5,141	4,202
Other provisions	12	1,401	1,267
Other liabilities		17,241	14,747
Deferred income		88	127
		55,027	41,550
TOTAL EQUITY AND LIABILITIES		180,502	162,247

Pelikan Group

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Note	2005 CHF(000)	2004 CHF(000)
Net sales	14	196,348	194,617
Change in the level of finished goods and work in process		1,947	(117)
Other operating income	15	3,261	4,005
Materials purchased		(88,612)	(84,679)
Personnel expenses	16	(51,487)	(51,515)
Depreciation and amortization	17	(6,746)	(6,521)
Other operating expenses	18	(44,152)	(44,587)
Result from operations		10,559	11,203
Result from unconsolidated companies	19	4,658	3,908
Result before financial items and taxation		15,217	15,111
Interest and similar income	20	668	700
Interest and similar expenses	21	(1,658)	(1,138)
Exchange rate gain/(losses)		65	(690)
Result before non-operating items		14,292	13,983
Expenses for pensioners	22	(5,714)	(5,244)
Result before taxation		8,578	8,739
Taxes	23		
- Company and subsidiaries		(2,553)	(804)
- Associated companies		(1,392)	(1,286)
Net result for the year		4,633	6,649
Profit due to minority interests		(1,312)	(1,313)
Consolidated net result for the year		3,321	5,336

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Note	2005 CHF(000)	2004 CHF(000)
<u>Cash flows from business activities</u>			
Net result for the year before minority interest		4,633	6,649
Adjustments for :			
Result from unconsolidated group companies	19	(3,266)	(2,622)
Depreciation and amortization	17	6,746	6,521
Book (profits) / losses from disposals of fixed assets		(36)	62
Deferred taxes	23	(1,686)	(1,098)
Cash flows before working capital changes		6,391	9,512
Change in pension provisions		(4,187)	(4,382)
Change in accounts receivables, other assets and prepayments		427	(4,603)
Change in inventories		(3,860)	(45)
Change in payables		1,142	(813)
Change in other liabilities and deferred income		(1,132)	(718)
Change in other provisions		(915)	236
		(2,134)	(813)
<u>Cash flows from investing activities</u>			
Investments in intangible assets	1	(513)	(381)
Investments in tangible assets	2	(5,440)	(4,671)
Acquisition of subsidiaries		-	(645)
Acquisition of business		6	(232)
Disposals of tangible assets		221	299
Dividend from unconsolidated companies		459	709
Disposal/ (purchase) of investments		22	(159)
		(5,245)	(5,080)
<u>Cash flows from financing activities</u>			
Repayment from former parent company and its related companies		1,110	3,836
Changes in bank liabilities		4,385	1,017
Repayment of capital to minorities		-	(385)
Dividend to minorities		(793)	(703)
		4,702	3,765
Effect of exchange rate changes and inflation adjustments		1,788	(405)
Net change in cash and cash equivalent		(889)	(2,533)
Cash and cash equivalent at January 1		12,698	15,231
Cash and cash equivalent at December 31		11,809	12,698

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2005**

CHF (000)	Capital stock	Revaluation Reserves	Retained earnings	Total equity excluding minorities	Minority interest	Total Equity
Balance Jan. 1, 2004	100,100	8,161	(106,858)	1,403	12,081	13,484
Result 2004	-	-	5,336	5,336	1,313	6,649
Dividends	-	-	-	-	(703)	(703)
Capital reduction by a subsidiary	-	(344)	344	-	(385)	(385)
Revaluations due to inflation	-	345	-	345	358	703
Translation adjustments	-	(572)	(279)	(851)	(871)	(1,722)
Balance Dec. 31, 2004	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

Summary of Significant Accounting Policies for the year ended December 31, 2005

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 37 to 38. 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 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 adjusted 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:

	2005		2004	
	Year-end rate	Average rate	Year-end rate	Average rate
1 EUR	1.56	1.55	1.55	1.54
1 USD	1.31	1.25	1.14	1.24
1 MYR	0.35	0.33	0.30	0.33
100 MXN	12.37	11.51	10.23	10.96

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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 income statement.

Tangible fixed assets

Tangible fixed assets are stated at their acquisition or manufacturing costs less accumulated depreciation. 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. Assets of relatively minor value are charged directly to the income statement. Yearly impairment tests are made and the appropriate charge, if any, is booked to income statement.

Estimated useful lives of tangible fixed assets are as follows:

Buildings	8 – 25 years
Machinery and technical equipment	5 – 14 years
Computer systems	3 – 7 years
Furniture and other equipment	3 – 10 years

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.

Financing costs incurred in respect 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.

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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. Received payment discounts are booked as a reduction of the purchase price.

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 respect of 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. Development costs were previously recognised as expense when incurred.

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.

Notes to the Consolidated Financial Statements for the year ended December 31, 2005

1. Intangible assets

CHF (000)	Trademarks	Development costs	Goodwill	Total
Cost				
Opening balance Jan. 1 2005	12,681	-	10,477	23,158
Acquisition of business	-	-	5,073	5,073
Investments	-	513	-	513
Transfer	(2,420)	-	-	(2,420)
Translation differences	85	3	97	185
Ending Balance Dec. 31 2005	10,346	516	15,647	26,509
Accumulated amortization				
Opening balance Jan. 1 2005	6,475	-	1,848	8,323
Amortisation	642	29	733	1,404
Transfer	(1,858)	-	-	(1,858)
Translation differences	46	-	17	63
Ending Balance Dec. 31 2005	5,305	29	2,598	7,932
Net book value				
Ending Balance Dec. 31, 2005	5,041	487	13,049	18,577
Ending Balance Dec. 31, 2004	6,206	-	8,629	14,835

Goodwill of TCHF5,073 arose from acquisition of GEHA business in Germany.

Trademarks mainly include 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	Other production and office equipment	Assets under construction	Total
Cost					
Opening balance Jan. 1, 2005	20,254	45,921	29,863	731	96,769
Acquisition of business	-	42	53	-	95
Investments	133	1,836	2,625	846	5,440
Disposals	-	(1,237)	(1,070)	-	(2,307)
Transfer	-	149	2,641	(370)	2,420
Revaluation due to inflation	410	525	90	-	1,025
Translation differences	2,414	3,382	771	77	6,644
Ending Balance Dec. 31, 2005	23,211	50,618	34,973	1,284	110,086
Accumulated depreciation					
Opening balance Jan. 1 2005	11,533	36,256	21,763	-	69,552
Disposals	-	(1,234)	(888)	-	(2,122)
Depreciation	487	2,111	2,744	-	5,342
Transfer	-	-	1,858	-	1,858
Revaluation due to inflation	148	396	63	-	607
Translation difference	923	2,615	572	-	4,110
Ending Balance Dec. 31, 2005	13,091	40,144	26,112	-	79,347
Net book value					
Ending Balance Dec. 31, 2005	10,120	10,474	8,861	1,284	30,739
Ending Balance Dec. 31, 2004	8,721	9,665	8,100	731	27,217

Insurance values of the tangible assets amounted to CHF118.3 million as at December 31, 2005 (prior year CHF110.1 million). Details on the investments in tangible assets which amount to CHF5.4 million (prior year CHF4.7 million) are given on page 6.

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3. Financial assets

CHF (000)	Unconsolidated investments	Loans to uncons. Companies	Long-term securities	Other long-term loans	Total
Cost					
Opening balance Jan. 1, 2005	7,069	125	852	395	8,441
Share of current year net result	3,266	-	-	-	3,266
Dividends	(459)	-	-	-	(459)
Translation adjustments	570	-	7	4	581
Other movements	(33)	-	23	-	(10)
Ending Balance Dec. 31, 2005	10,413	125	882	399	11,819
Accumulated depreciation					
Opening balance Jan. 1, 2005	-	125	-	-	125
Ending Balance Dec. 31, 2005	-	125	-	-	125
Net book value					
Ending Balance Dec. 31, 2005	10,413	-	882	399	11,694
Ending Balance Dec. 31, 2004	7,069	-	852	395	8,316

As at December 31, 2005, the total proportionate share in equity of investments accounted for using the equity method amounted to CHF10.4 million (prior year CHF7.0 million). Investments under 20% are carried at CHF0.02 million (prior year CHF0.1 million) being cost less necessary valuation provisions.

The unconsolidated group companies are shown in the list of group companies on pages 37 to 38.

4. Deferred tax

CHF (000)	2005	2004
Deferred tax assets from:		
- Temporary differences	484	460
- Net operating losses	2,775	2,364
Total deferred tax assets	3,259	2,824
Deferred tax liabilities from:		
- Temporary differences	1,050	2,007
Total deferred tax liabilities	1,050	2,007
Total deferred tax assets, net	2,209	817

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Movements in deferred taxes during the year were as follows:

CHF (000)	2005	2004
Opening Balance Jan. 1	817	(412)
Income from deferred taxes	1,686	1,098
Translation adjustments	(294)	131
Ending Balance Dec. 31	<u>2,209</u>	<u>817</u>

Based on the improved profitability of the German sales company, additional deferred tax asset of CHF0.4 million have been capitalized in 2005. The available tax losses carryforward amounted to over CHF136 million, for which no deferred tax asset has been recognised. Assuming a tax rate of 13.7%, a further CHF18.6 million would be available to be offset against future taxes payable. These tax losses mainly relate to Germany.

5. Inventories

CHF (000)	2005	2004
Raw material, stores and operating supplies	6,329	6,572
Work in process	10,655	9,835
Finished products and merchandise	34,112	28,718
Goods in transit	1,091	463
Payments on account	344	422
Value adjustments	(5,708)	(5,610)
Total	<u>46,823</u>	<u>40,400</u>

6. Accounts receivable from third parties and other assets

CHF (000)	2005	2004
Trade accounts receivable	36,221	35,193
Other assets	6,471	7,698
Total	<u>42,692</u>	<u>42,891</u>

As of December 31, 2005 derecognized accounts receivables under financing agreement amounted to CHF4.7 million (prior year CHF6.1 million). The accounts receivable are stated at their nominal values less allowance for bad and doubtful debts of CHF1.4 million (prior year CHF1.9 million). The other assets comprise primarily tax reclaims, license fees and short-term loans.

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7. Receivables from parent company and its related companies

CHF (000)	2005	2004
Pelikan International Corporation Berhad (formerly known as Diperdana Holdings Berhad), Malaysia	1,970	-
PBS Office Supplies Holding Sdn Bhd (formerly known as Pelikan Holding Sdn Bhd), Malaysia	9,101	10,168
Pelikan Singapore-Malaysia Pte Ltd, Singapore	2,428	1,299
Others	-	2
Total	13,499	11,469

The receivables from the PBS Office Supplies Holding Sdn Bhd (formerly known as Pelikan Holding Sdn Bhd), Malaysia, result from financial transactions and are secured partly by assets in Malaysia and Singapore. The interest rate charged was 2.5% (prior year 2.5%). PBS Office Supplies Holding Sdn Bhd intend to pay back in 2006 the amount of TCHF 8'746, which they owe to Pelikan Holding AG. Also refer to Note 29 'Significant post balance sheet event' for further information.

8. 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.

9. Capital stock

At December 31, 2005, the capital stock of CHF100.1 million comprises the following shares:

- 539,000 Registered shares of nominal CHF65
- 1001,000 Bearer shares of nominal CHF65

10. 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.

11. Provisions for pensions and similar commitments

CHF (000)	2005	2004
Balance Jan. 1	96,461	101,847
Charged to income statement	5,298	5,477
Utilized during the year	(9,275)	(9,859)
Translation adjustments	806	(1,004)
Balance Dec. 31	93,290	96,461

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CHF (000)	2005	2004
Current	5,141	4,202
Non-current	88,149	92,259
	93,290	96,461
German companies	89,285	92,711
Others	4,005	3,750
Total	93,290	96,461

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 on the following assumptions:

	2005	2004
Market value of plan assets	-	-
Return on plan assets	Not applicable	Not applicable
Discount rate	4.25% p.a.	5.00% 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.	2.50% resp. 1.5% p.a.
Expected future turnover	1.00% p.a.	1.00% p.a.

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

CHF (000)	2005	2004
Present value of unfunded obligations	98,571	97,978
Unrecognized actuarial loss	(9,286)	(5,267)
Net pension liability in balance sheet	89,285	92,711

The unrecognized actuarial loss does not exceed 10 percent (the so-called corridor) and therefore does not have to be booked as an expense in the income statement.

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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12. Other provisions

CHF (000)	2005	2004
Balance Jan. 1	7,403	7,046
Charged to income statement	1,380	1,875
Utilized during the year	(2,185)	(1,450)
Translation adjustments	53	(68)
Balance Dec. 31	<u>6,651</u>	<u>7,403</u>
Current	1,401	1,267
Non-current	<u>5,250</u>	<u>6,136</u>
	<u>6,651</u>	<u>7,403</u>

Other provisions comprise of warranty claims of TCHF679 (2004: TCHF541) and personnel related benefits of TCHF5,972 (2004: TCHF6,862).

13. 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)	2005	2004
Receivables	5,518	4,967
Land	2,831	-
	<u>8,349</u>	<u>4,967</u>

14. Net sales

CHF (000)	2005	2004
Sales to third parties	186,188	186,723
Sales to related parties	10,160	7,894
Total	<u>196,348</u>	<u>194,617</u>

Sales by product group	2005		2004	
	CHF (000)	%	CHF (000)	%
General office supplies	47,963	24.5%	45,530	23.4%
Writing instruments	70,234	35.8%	70,905	36.4%
School/ Leisure time	56,377	28.7%	58,497	30.1%
Hardcopy	5,792	2.9%	7,717	4.0%
Others	15,982	8.1%	11,968	6.1%
Total	<u>196,348</u>	<u>100.0%</u>	<u>194,617</u>	<u>100.0%</u>

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Sales by region	2005		2004	
	CHF (000)	%	CHF (000)	%
Germany	94,114	47.9%	97,649	50.2%
Switzerland	12,763	6.5%	12,409	6.4%
Rest of Europe	46,649	23.8%	46,857	24.0%
Total Europe	153,526	78.2%	156,915	80.6%
USA/ Canada	2,585	1.3%	2,556	1.3%
Latin-America	26,684	13.6%	23,729	12.2%
Other countries	13,553	6.9%	11,417	5.9%
Total	196,348	100.0%	194,617	100.0%

15. Other operating income

CHF (000)	2005	2004
Income from the release of provisions	127	3
Income from licenses	2,103	1,963
Others	1,031	2,039
Total	3,261	4,005

16. Personnel expenses

CHF (000)	2005	2004
Salaries and wages	41,032	40,050
Social security contributions and other welfare expenses	9,339	10,441
Pension contributions	1,116	1,024
Total	51,487	51,515

The headcount as well as the changes in the number of employees are shown on page 6. Pension expenses for retired employees are shown separately below the result before non-operating items.

17. Depreciation and amortization

Depreciation on tangible and amortization on intangible assets amounted to CHF6.8 million (prior year CHF6.5 million). No impairment charges were required in the years 2005 and 2004.

Pelikan Group

18. Other operating expenses

CHF (000)	2005	2004
Occupancy costs	5,168	4,767
Outwards freight, packaging	4,011	3,762
Energy, other operating expenses	3,806	2,896
Licenses and commissions	1,470	1,656
External costs for logistics, administration, sales	10,437	11,274
Sales promotion	8,706	9,332
Travel expenses	1,968	1,882
Communication, EDP	1,138	1,209
Administration costs	5,309	5,162
Provision for doubtful debts	1,141	1,047
Others	998	1,600
Total	44,152	44,587

“External costs for logistics, administration and sales” relate to distribution expenses in the joint-venture company with Henkel Greece and also include the external logistic expenses in Hanover Germany.

19. Result from unconsolidated companies

The proportionate share in the 2005 result before taxation of the investments accounted for under the equity method amounted to CHF4.7 million (prior year CHF3.9 million). Share of result after taxation of the investments amounted to CHF3.3 million (prior year CHF2.6 million).

20. Interest and similar income

CHF (000)	2005	2004
Interest income		
- third parties	421	371
- previous main shareholder	247	329
Total	668	700

21. Interest and similar expenses

CHF (000)	2005	2004
Interest expense third parties	1,370	796
Monetary correction due to inflation	288	342
Total	1,658	1,138

Pelikan Group

22. Expenses for pensioners

The pension expenses for retired employees amounted to CHF5.7 million compared to CHF5.2 million in prior year. These expenses relate mainly to pensioners in Germany.

23. Taxes

CHF (000)	2005	2004
Expense from current taxes	5,631	3,188
Income from deferred taxes	(1,686)	(1,098)
Total	3,945	2,090

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.

24. Other financial commitments

CHF (000) at nominal values	2005	2004
Leasing and rent commitments		
- due next year	3,539	3,548
- due within 2-5 years	9,654	10,442
- due after 5 years	1,831	3,244
Total	15,024	17,234

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

As of December 31, 2005, capital commitment authorised and contracted for amounted to TCHF969 (2004:Nil).

25. 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 2005 was CHF0.3 million (prior year CHF0.3 million). The Board Member with the highest total remuneration received net CHF 0.2 million (2004: CHF0.2 million) in cash. As at December 31, 2005, loan outstanding granted by a subsidiary of Pelikan Holding AG to a Non-Executive Board Member amounted to CHF56,000 (2004: CHF84,000). 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. Loans to the company related to the President of the Board of Directors are disclosed in Note 7. There are no pension commitments in respect of current or former members of the Board of Directors of Pelikan Holding AG.

Pelikan Group

26. Contingent liabilities/ Guarantees

CHF (000)	2005	2004
Discounted bills	1,138	881

Pelikan Holding AG, Pelikan GmbH and Pelikan PBS-Produktionsgesellschaft mbH & Co. KG jointly guaranteed the financing company of a subsidiary up to maximum of EUR10 million (2004: EUR10 million).

Pelikan Holding AG guaranteed to a bank in favour of a subsidiary for Bank line of a maximum of EUR0.5 million (2004: EUR0.5 million).

Pelikan Vertriebsgesellschaft mbH & Co. KG and Pelikan PBS-Produktionsgesellschaft mbH & Co. KG jointly guaranteed the liability of Pelikan PBS-Produktionsgesellschaft mbH & Co. KG towards its suppliers amounting to TEUR581.

27. Foreign exchange contracts

As of December 31, 2005 there were no open foreign exchange contracts. As of December 31, 2004, open foreign exchange contracts amounted to TCHF1,820 with maturities between January 14 – June 15, 2005. The fair value of these forward exchange contracts as of December 31, 2004 were TCHF1,855.

28. 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)	2005	2004
<u>Expenses</u>		
Management fees/ Personnel expenses	240	240
<u>Income</u>		
License fees and commissions	999	547
Interest income	247	332

29. Significant post balance sheet event

On April 17, 2006, PBS Office Supplies Holding Sdn Bhd provided written confirmation that the amount of TCHF 8'746 will be fully repaid to Pelikan Holding AG by July 7, 2006. This repayment is required by the Securities Commission of Malaysia ("SC") in connection with the sale of the shares of Pelikan Holding AG to Pelikan International Corporation Berhad, which was completed on April 8, 2005.

Pelikan Group

GROUP AND ASSOCIATED COMPANIES AS AT DECEMBER 31, 2005

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	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 D
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	601	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, 2005

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	14,028	49	49	C P/D
Peru						
Lima	Carbolan S.A.	PEN	20,807	11	11	A P/D
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 P/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, Baar

As group auditors, we have audited the consolidated financial statements (consolidated balance sheet, consolidated profit and loss account, consolidated statements of cash flows and changes in equity and notes set out on pages 18 to 38) of Pelikan Holding AG for the year ended 31 December 2005. The prior year financial statements were audited by another auditor. In their report of April 26, 2005 they issued a qualified opinion as, based on the documentary evidence available to them, they were not in a position to ultimately assess the collectibility of the receivable of CHF 10.2 millions as of December 31, 2004 from PBS office supplies Holding SDN BHD.

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.

Without qualifying our opinion we draw your attention to no. 3 and 12 of the Notes to the financial statements, according to which PBS Office Supplies Holding SDN BHD has provided written confirmation that they will fully pay back the amount of CHF 8.7 millions, which they owe to Pelikan Holding AG, by July 2006.

Zurich, 21 April 2006

BDO Visura

Andreas Wyss

Swiss Certified Accountant

ppa. Susanne Partin

Auditor in Charge

Swiss Certified Accountant

Pelikan Holding AG, Baar

**Financial Statements
2005**

BALANCE SHEET AS AT DECEMBER 31, 2005

	Note	Dec. 31, 2005 CHF(000)	Dec. 31, 2004 CHF(000)
ASSETS			
Fixed assets			
Tangible assets		30	40
Investments	1	56,257	56,257
Loans receivable from subsidiary companies	2	3,789	3,525
		60,076	59,822
Current assets			
Other receivables		13	603
Receivables from subsidiary companies		1,970	391
Receivable from previous main shareholders	3	8,746	9,878
Bank		1,440	3,743
		12,169	14,615
TOTAL ASSETS		72,245	74,437
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		(55,734)	(56,997)
		57,818	56,555
Current liabilities			
Payables to subsidiary companies	6	13,806	14,655
Payable to related company of parent company		-	71
Other liabilities to third parties		607	382
Tax provisions		14	14
		14,427	15,122
Deferred income	7	-	2,760
TOTAL EQUITY AND LIABILITIES		72,245	74,437

Pelikan Holding AG, Baar

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Note	2005 CHF(000)	2004 CHF(000)
Income from investments		1,982	2,137
Administration expenses		(2,025)	(1,959)
Depreciation		(10)	(11)
Exchange differences		379	(703)
Interest income		406	540
Interest expense		(376)	(446)
Extraordinary income	8	6,880	6,787
Extraordinary expenses	9	(5,993)	(2,865)
Result before taxation		1,243	3,480
Taxes		20	4
Net result for the year		1,263	3,484

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2005**

CHF (000)	Capital stock	Legal reserves	Revaluation reserve	Retained earnings	Total Equity
Balance Jan. 1, 2004	100,100	1,166	12,286	(60,481)	53,071
Result 2004	-	-	-	3,484	3,484
Balance Dec. 31, 2004	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

NOTES TO THE FINANCIAL STATEMENTS 2005

1. Investments

The investments of Pelikan Holding AG are shown in the list of group companies on pages 37 to 38. 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 other 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, are partially secured by assets in Malaysia and Singapore.

Interest was charged at 2.5% (prior year 2.5%) per annum.

PBS Office Supplies Holding Sdn Bhd intend to pay back in 2006 the amount of TCHF 8'746, which they owe to Pelikan Holding AG. Also refer to Note 12 'Significant post balance sheet event' for further information.

4. Capital stock

At December 31, 2005, the capital stock of CHF100.1 million comprises the following shares:

- 539,000 Registered shares of nominal CHF65
- 1001,000 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. Loans payable to subsidiary companies

At the end of 2005 the loans payable to subsidiary companies include mainly the liabilities to Pelikan GmbH, Hanover, Germany, in the amount of CHF 10.1 million (prior year CHF 12.6 million).

7. Deferred income

In 1998 a considerable profit on disposal resulted from an intercompany sale of the investment in Pelikan GmbH which had been partially deferred. In 2005, CHF 2.8 million (prior year CHF 3.0 million) was regarded as realized and had been credited to the profit and loss account.

Pelikan Holding AG, Baar

8. Extraordinary income

CHF (000)	2005	2004
Service of debt warrants granted in prior years	4,120	3,787
Partial release of deferred income from intercompany sale of an investment	2,760	3,000
	6,880	6,787

9. Extraordinary expenses

CHF (000)	2005	2004
Value adjustment for loan to subsidiary	1,411	83
Value adjustment for loan with debt warrant to subsidiary	3,964	2,782
Value adjustment for other receivables	618	-
Total	5,993	2,865

10. Parent company

As of December 31, 2005, Pelikan International Corporation Berhad, Malaysia (formerly known as Diperdana Holdings Berhad), a company listed in Bursa Malaysia Securities Berhad (the Malaysia Stock Exchange) held 87.64 % of the shares of Pelikan Holding AG.

11. Contingent liabilities/ Guarantees

Pelikan Holding AG, Pelikan GmbH and Pelikan PBS-Produktionsgesellschaft mbH & Co. KG jointly guaranteed the obligations of a subsidiary related to assignment of receivables for financing purposes up to maximum of EUR 10 million (2004: EUR 10 million).

Pelikan Holding AG granted letter of intent to a bank in favour of a subsidiary for Bank line of a maximum of TEUR500 (2004: TEUR500).

12. Significant post balance sheet event

On April 17, 2006, PBS Office Supplies Holding Sdn Bhd provided written confirmation that the amount of TCHF 8'746 will be fully repaid to Pelikan Holding AG by July 7, 2006. This repayment is required by the Securities Commission of Malaysia ("SC") in connection with the sale of the shares of Pelikan Holding AG to Pelikan International Corporation Berhad, which was completed on April 8, 2005.

Pelikan Holding AG, Baar

PROPOSAL OF THE BOARD OF DIRECTORS FOR THE TREATMENT OF ACCUMULATED DEFICIT AS AT DECEMBER 31, 2005

CHF (000)	2005	2004
Accumulated deficit at January 1	(56,997)	(60,481)
Net result for the year	1,263	3,484
Accumulated deficit at December 31, to be carried forward	(55,734)	(56,997)

Report of the statutory auditors

to the general meeting of

Pelikan Holding AG, Baar

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, profit and loss account, statement of changes in equity and notes set out on pages 40 to 45) of Pelikan Holding AG for the year ended 31 December 2005. The prior year financial statements were audited by another auditor. In their report of April 26, 2005 they issued a qualified opinion as, based on the documentary evidence available to them, they were not in a position to ultimately assess the collectibility of the receivable of CHF 9.9 millions as of December 31, 2004 from PBS office supplies Holding SDN BHD.

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.

Without qualifying our opinion we draw your attention to no. 3 and 12 of the Notes to the financial statements, according to which PBS Office Supplies Holding SDN BHD has provided written confirmation that they will fully pay back the liability of CHF 8.7 millions to Pelikan Holding AG by July 2006.

Zurich, 21 April 2006

BDO Visura

Andreas Wyss

ppa. Susanne Partin

Auditor in Charge

Swiss Certified Accountant

Swiss Certified Accountant

INSTITUTIONS / MANAGEMENT as at December 31, 2005

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

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