

**PELIKAN HOLDING AG**

**INTERIM REPORT  
AS OF JUNE 30, 2011**

## KEY FIGURES

*Pelikan Group*

### FINANCIAL KEY FIGURES

<i>CHF m</i>	<b>JUNE 30, 2011</b>	June 30, 2010
Net sales	<b>123.7</b>	148.4
Operating results	<b>5.9</b>	1.2
Earnings before interest, taxes, depreciation and amortization (EBITDA)	<b>12.0</b>	8.2
Result attributable to shareholders of Pelikan Holding AG	<b>1.8</b>	(1.2)
Total assets	<b>199.5</b>	234.0
Shareholders' equity	<b>1.2</b>	9.4
<i>Shareholders' equity in % of total assets</i>	<b>0.6%</b>	4.0%
Net debts*	<b>23.8</b>	30.0

### OPERATING KEY FIGURES

Number of employees	<b>1,384</b>	1,378
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### KEY FIGURES PER SHARE

*CHF/ share*

Result attributable to shareholders of Pelikan Holding AG	<b>1.2</b>	(0.8)
Equity (Net Assets Value)		
- before deferred taxes	<b>(3.3)</b>	0.6
- after deferred taxes	<b>0.8</b>	6.3

### SHARE PRICE

*CHF*

High/ low	<b>63.00/46.50</b>	50.00/40.00
At June 30	<b>50.00</b>	49.95

\*Interest-bearing debt less cash and cash equivalent

Pelikan shares, Swiss security number 632875

## CONSOLIDATED INCOME STATEMENT

*Pelikan Holding AG Group (not audited)*

<i>CHF m</i>	<b>JAN - JUNE, 2011</b>	<b>1. HALF 2010</b>
Net sales	<b>123.7</b>	148.4
Other operating income	<b>1.4</b>	1.5
Change in the level of finished goods and work in process	-	1.5
	<b>125.1</b>	151.4
Materials purchased	<b>(55.2)</b>	(74.7)
Personnel expenses	<b>(32.7)</b>	(37.6)
Depreciation on tangible fixed assets	<b>(2.0)</b>	(2.4)
Amortization of intangible assets	<b>(3.2)</b>	(3.5)
Impairment on intangible assets	-	(0.3)
Other operating expenses	<b>(26.1)</b>	(31.7)
<b>Operating results</b>	<b>5.9</b>	<b>1.2</b>
Financial result	<b>(1.8)</b>	(0.9)
Results from associated companies	<b>0.9</b>	1.1
<b>Profit before taxation</b>	<b>5.0</b>	<b>1.4</b>
Taxes – company and subsidiaries	<b>(2.1)</b>	(1.4)
<b>Net profit</b>	<b>2.9</b>	<b>0.0</b>
Profit / (loss) attributable to:		
- shareholders of Pelikan Holding AG	<b>1.8</b>	(1.2)
- minority interests	<b>1.1</b>	1.2
	<b>2.9</b>	<b>0.0</b>

# CONSOLIDATED BALANCE SHEET

Pelikan Holding AG Group (not audited)

<i>CHF m</i>	<b>JUNE 30, 2011</b>	<b>(Audited) DECEMBER 31, 2010</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	5.7	6.9
Trade receivables	48.1	41.8
Other short term receivables	22.3	30.0
Inventories	60.7	54.3
Prepayments	0.8	0.6
	<b>137.6</b>	<b>133.6</b>
<b>Non-current assets</b>		
Tangible fixed assets	34.3	36.3
Financial assets		
Loans and investments	11.4	13.1
Deferred tax assets	6.1	6.5
	17.5	19.6
Intangible assets	10.1	13.7
	<b>61.9</b>	<b>69.6</b>
<b>TOTAL ASSETS</b>	<b>199.5</b>	<b>203.2</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities</b>		
Bank liabilities	20.1	19.6
Accounts payable	25.2	29.9
Other short term liabilities	49.2	46.2
Short term provisions		
Provisions for pensions and similar commitments	3.0	3.1
Other provisions	1.3	2.6
	4.3	5.7
	<b>98.8</b>	<b>101.4</b>
<b>Non-current liabilities</b>		
Bank liabilities	9.4	10.4
Long term provisions		
Provisions for pensions and similar commitments	53.8	57.5
Provisions for deferred tax	0.1	0.1
Other provisions	2.8	2.9
	56.7	60.5
Other long term liabilities	18.4	18.0
<b>Total liabilities</b>	<b>84.5</b>	<b>88.9</b>
<b>Shareholders' Equity</b>		
Capital stock	100.1	100.1
Capital reserve	3.2	-
Revaluation reserve	6.2	6.7
Foreign currency reserves	(2.2)	(1.5)
Retained earnings	(106.1)	(108.0)
<b>Total equity excluding minorities</b>	<b>1.2</b>	<b>(2.7)</b>
<b>Minority Interests</b>	<b>15.0</b>	<b>15.6</b>
<b>Total equity including minorities</b>	<b>16.2</b>	<b>12.9</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>199.5</b>	<b>203.2</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

Pelikan Holding AG Group (not audited)

CHF m	JAN - JUNE, 2011	1. HALF 2010
<u>Cash flows from business activities</u>		
Profit before minority interest	2.9	0.0
Adjustments for :		
Depreciation and amortization	5.2	5.9
Impairment of intangible assets	-	0.3
Deferred taxes	0.1	(0.3)
Change in pension provisions	(1.6)	(1.8)
Change in other provisions	(1.2)	(0.7)
Book (gain)/loss from disposals of tangible fixed assets (net)	(0.1)	0.2
Results from associated companies	(0.9)	(1.1)
Change in trade receivables, other short term receivables and prepayments	(2.5)	(5.8)
Change in inventories	(9.4)	(5.2)
Change in accounts payables, other short term liabilities and deferred income	2.3	9.2
	<u>(5.2)</u>	<u>0.7</u>
<u>Cash flows from investing activities</u>		
Investments in tangible fixed assets	(1.5)	(1.1)
Disposals of tangible fixed assets	0.1	0.3
Investments in intangible assets	(0.1)	(0.3)
Disposal of intangible assets	0.1	-
Dividend from associated companies	1.7	0.3
	<u>0.3</u>	<u>(0.8)</u>
<u>Cash flows from financing activities</u>		
Net advances from parent company	3.9	7.0
Changes in bank liabilities – current	1.4	(2.4)
Changes in bank liabilities – non-current	(0.6)	(2.2)
Dividend to minorities	(0.9)	(2.1)
	<u>3.8</u>	<u>0.3</u>
Effect of exchange rate changes and inflation adjustments	<u>(0.1)</u>	<u>(1.6)</u>
Net change in cash and cash equivalents	(1.2)	(1.4)
Cash and cash equivalents at January 1	6.9	11.9
<b>Cash and cash equivalents at June 30</b>	<b><u>5.7</u></b>	<b><u>10.5</u></b>

## 1. Basis of Preparation

The interim consolidated financial statements are unaudited and have been prepared in accordance with Swiss GAAP FER 12. These consolidated financial statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2010.

## 2. General Business Activities

The Group basically engages in the manufacturing and distribution of writing instruments, art, painting and hobby products, school and office stationery as well as distribution of printer consumables.

## 3. Seasonality of Interim Operations

The Group's core business is generally affected by the "back to school" season in Europe, which normally records higher sales in the mid of the year.

## 4. Net Sales

CHF m	JAN - JUNE, 2011	1. HALF 2010
Sales to third parties	119.0	143.4
Sales to related parties	4.7	5.0
Total	123.7	148.4

### Sales by region

	JAN - JUNE, 2011		1. HALF 2010	
	CHF m	%	CHF m	%
Germany	55.8	45.1%	71.2	48.0%
Italy	8.4	6.8%	10.5	7.1%
Switzerland	4.3	3.5%	4.5	3.1%
Rest of Europe	19.5	15.7%	26.2	17.6%
Total Europe	88.0	71.1%	112.4	75.8%
Latin-America	27.6	22.3%	28.8	19.4%
Other countries	8.1	6.6%	7.2	4.8%
Total	123.7	100.0%	148.4	100.0%

## 5. Review of Performance

In the first half of year 2011 the Group recorded a decrease in net sales of 16.6% compared to the corresponding period of year 2010. The consolidated net sales as reported in Swiss Franc ("CHF") were mainly influenced by a strengthening of the Swiss Franc against the Group's major trade currencies such as Euro ("EUR") and US Dollar ("USD"). The Euro and USD have weakened by 11.5% and 18.0% on average for the first half of year 2011 compared to the corresponding period of year 2010.

The decrease in sales in Germany and Europe is mainly resulting from a general weak development of the sales of printer consumables but also from the strategic decision to end the distribution of Original Equipment Manufacturer ("OEM") and private label printer consumables and to concentrate on branded business in the Hardcopy sector.

The business outside Europe performed according to our expectations. Despite the strengthening of the Swiss Franc the sales in those regions translated into CHF remained stable. In comparison, the total Europe sales to the total group sales decreased from 75.8% in the corresponding period of year 2010 to 71.1% for the first half of year 2011.

The operating results increased to CHF5.9 million in the current period as compared to CHF1.2 million in the first half of year 2010. This increase was mainly the result of an improved gross margin percentage due to a concentration of branded business but also driven by further cost reduction projects as i.e. in the Group's logistic flows.

From the loan agreement dated 29 April 2010 amounting to EUR 5 million between Pelikan Holding AG and Pelikan International Corporation Berhad ("PICB"), on 28 April 2011 PICB had declared an amount of EUR 2.5 million as waiver of claim with debt warrant effective by 28 April 2011. This amount had been recognised as capital reserve in the equity of the Group.

## 6. Outlook

The weak development of the business with printer consumables in the German and European market is expected to continue also in the second half of the year. Furthermore the end of the distribution of OEM and private label printer consumables will result in lower sales in the second half of the year compared to the corresponding period in year 2010.

Overall, the Group anticipates the sales of total year 2011 to be lower than previous year.

The Group is striving to explore into new markets in order to expand the sales and profitability of the Group. Most of the European economies are still in recession, but any turnaround will positively influence the Group's turnover.

Following the weak development of the sales of the Group, also the operating results as well as the cash flows will not achieve our expectations. Therefore, the management has decided to work out a restructuring plan for its German operations in order to strengthen their business prospects for the future and to achieve sustainable results. In the event that such a program would be approved in the second half of the year, this could have a negative impact on the Group's result in the year 2011.

For the further financial support the Company is in continuous communication with its major shareholder.

Feusisberg, September 2011