

PELIKAN HOLDING AG

**INTERIM REPORT
AS OF JUNE 30, 2012**

KEY FIGURES

Pelikan Group

FINANCIAL KEY FIGURES

<i>CHF m</i>	JUNE 30, 2012	JUNE 30, 2011
Net sales	109.4	123.7
Operating results	4.0	5.9
Earnings before interest, taxes, depreciation and amortization (EBITDA)	8.3	12.0
Result attributable to shareholders of Pelikan Holding AG	(0.5)	1.8
Total assets	177.9	199.5
Total equity excluding minorities	(9.9)	1.2
<i>Total equity excluding minorities in % of total assets</i>	(5.6%)	0.6%
Net debts*	19.3	23.8

OPERATING KEY FIGURES

Number of employees	1,260	1,384
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SHARE PRICE

<i>CHF</i>		
High/ low	50.00/12.70	63.00/46.50
At June 30	12.70	50.00

*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>	JAN - JUNE, 2012	1. HALF 2011
Net sales	109.4	123.7
Other operating income	1.6	1.4
Change in the level of finished goods and work in process	(1.3)	-
	109.7	125.1
Materials purchased	(47.7)	(55.2)
Personnel expenses	(32.1)	(32.7)
Depreciation on tangible fixed assets	(1.8)	(2.0)
Amortization of intangible assets	(2.4)	(3.2)
Impairment on intangible assets	(0.1)	-
Other operating expenses	(21.6)	(26.1)
Operating results	4.0	5.9
Financial result	(1.1)	(1.8)
Results from associated companies	0.1	0.9
Profit before taxation	3.0	5.0
Taxes – company and subsidiaries	(1.9)	(2.1)
Net profit	1.1	2.9
Profit / (loss) attributable to:		
- shareholders of Pelikan Holding AG	(0.5)	1.8
- minority interests	1.6	1.1
	1.1	2.9

CONSOLIDATED BALANCE SHEET

Pelikan Holding AG Group (not audited)

CHF m	JUNE 30, 2012	(Audited) DECEMBER 31, 2011
ASSETS		
Current assets		
Cash and cash equivalents	7.5	7.4
Trade receivables	48.3	38.3
Other short term receivables	25.3	38.9
Inventories	55.1	51.3
Prepayments	1.1	1.2
	137.3	137.1
Non-current assets		
Tangible fixed assets	31.6	31.9
Financial assets		
Loans and investments	1.7	1.9
Deferred tax assets	2.1	2.1
	3.8	4.0
Intangible assets	5.2	7.5
	40.6	43.4
TOTAL ASSETS	177.9	180.5
LIABILITIES AND EQUITY		
Current liabilities		
Bank liabilities	26.3	25.6
Accounts payable	15.4	20.0
Other short term liabilities	53.5	58.1
Short term provisions		
Provisions for pensions and similar commitments	3.6	3.0
Other provisions	1.2	2.3
	4.8	5.3
	100.0	109.0
Non-current liabilities		
Bank liabilities	0.5	1.8
Long term provisions		
Provisions for pensions and similar commitments	50.8	53.0
Provisions for deferred tax	0.4	0.4
Other provisions	2.5	2.5
	53.7	55.9
Other long term liabilities	16.6	7.9
Total liabilities	70.8	65.6
Shareholders' Equity		
Capital stock	100.1	100.1
Capital reserve	3.2	3.2
Revaluation reserve	6.2	5.9
Foreign currency reserves	(0.9)	(1.2)
Retained earnings	(118.5)	(118.0)
Total equity excluding minorities	(9.9)	(10.0)
Minority Interests	17.0	15.9
Total equity including minorities	7.1	5.9
TOTAL EQUITY AND LIABILITIES	177.9	180.5

CONSOLIDATED STATEMENT OF CASH FLOWS

Pelikan Holding AG Group (not audited)

CHF m	JAN - JUNE, 2012	1. HALF 2011
<u>Cash flows from business activities</u>		
Profit before minority interest	1.1	2.9
Adjustments for :		
Depreciation and amortization	4.2	5.2
Impairment of intangible assets	0.1	-
Deferred taxes	0.1	0.1
Change in pension provisions	(1.0)	(1.6)
Change in other provisions	(1.0)	(1.2)
Book gain from disposals of tangible fixed assets (net)	-	(0.1)
Results from associated companies	(0.1)	(0.9)
Change in trade receivables, other short term receivables and prepayments	4.0	(2.5)
Change in inventories	(4.0)	(9.4)
Change in accounts payables, other short term liabilities and deferred income	(8.5)	2.3
	<u>(5.1)</u>	<u>(5.2)</u>
<u>Cash flows from investing activities</u>		
Investments in tangible fixed assets	(1.4)	(1.5)
Disposals of tangible fixed assets	-	0.1
Investments in intangible assets	(0.1)	(0.1)
Disposal of intangible assets	-	0.1
Dividend from associated companies	-	1.7
	<u>(1.5)</u>	<u>0.3</u>
<u>Cash flows from financing activities</u>		
Net advances from parent company	8.7	3.9
Changes in bank liabilities – current	0.8	1.4
Changes in bank liabilities – non-current	(1.4)	(0.6)
Dividend to minorities	(0.9)	(0.9)
	<u>7.2</u>	<u>3.8</u>
Effect of exchange rate changes and inflation adjustments	<u>(0.5)</u>	<u>(0.1)</u>
Net change in cash and cash equivalents	0.1	(1.2)
Cash and cash equivalents at January 1	<u>7.4</u>	<u>6.9</u>
Cash and cash equivalents at June 30	<u>7.5</u>	<u>5.7</u>

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 2011.

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 mid of the year.

4. Net Sales

CHF m	JAN - JUNE, 2012	1. HALF 2011
Sales to third parties	104.2	119.0
Sales to associates	1.7	1.3
Sales to related parties	3.5	3.4
Total	109.4	123.7

Sales by region

	JAN - JUNE, 2012		1. HALF 2011	
	CHF m	%	CHF m	%
Germany	44.8	40.9%	55.8	45.1%
Italy	7.1	6.5%	8.4	6.8%
Switzerland	3.7	3.4%	4.3	3.5%
Rest of Europe	16.1	14.7%	19.5	15.7%
Total Europe	71.7	65.5%	88.0	71.1%
Latin-America	30.4	27.8%	27.6	22.3%
Other countries	7.3	6.7%	8.1	6.6%
Total	109.4	100.0%	123.7	100.0%

5. Review of Performance

In the first six months of this year, the Group generated lower net sales by 11.6% as compared to the corresponding period of year 2011. While the sales of the European entities of the Group declined from CHF88.0 million in the first half year 2011 to CHF71.7 million between January and June 2012, the sales in other parts of the world, especially in Latin-America, showed a satisfying increase from CHF35.7 million to CHF37.7 million in the same period of time. The European markets are still mired with economic uncertainties, which result especially in Southern Europe in consumer reticence and decreasing sales for the Group. In line with the long-term strategy of the Group to focus on core competencies and increase the profitability of assortments, the Group has decided to end the distribution of presentation equipment and to streamline the business with printer consumables. Both did result in decreasing sales in these areas in the first half of the year and will also have a negative impact on sales in the second half of year 2012. Nevertheless, the Group expects a better profitability from these decisions.

The operating results decreased to CHF4.0 million in the current period as compared to CHF5.9 million in the first half of year 2011. The lower operating profit is not only the result of lower sales and related to this also a lower gross margin, but also influenced by accrued restructuring costs in an amount of CHF3.7 million. These costs relate to restructuring plans being implemented for the German Pelikan entities as well as for a European distribution entity in Spain. As a result of these measures, the Group expects a sustainable improvement of the results of its European operations.

The Group shows a positive result from associated companies of CHF0.1 million for the first half year 2012. The decrease from CHF0.9 million in the six months of year 2011 is mainly related to the disposal of a 40% shareholding in an associate in Australia in December 2011 which contributed CHF0.8 million to the result of the Group in the first half of year 2011.

Overall on a light to light comparison, the Group's net results before restructuring expenses of CHF3.7 million amount to CHF4.8 million for the first half of the year 2012 as compared to CHF2.9 million in the corresponding period of prior year.

6. Outlook

The Group expects that macroeconomic uncertainties will continuously affect customer sentiments and the overall business development on the European market. Also the on-going structural changes in the distribution channels for printer consumables, the changing buying behaviours of private and corporate users as well as a streamlined approach for the distribution of these product groups will result in lower sales of the Group in Europe. The Group will continue its efforts in developing markets with positive growth potential especially in Latin America to benefit from worldwide business opportunities and further spread its risks for business development globally.

The comprehensive restructuring plans are geared towards balancing the expected level of business with an appropriate operating cost structure and capitalizing on any reversionary trends in the economic conditions which may have a positive impact on revenues and incremental to the Group's bottom line results.

Feusisberg, September 2012