

PELIKAN HOLDING AG

**INTERIM REPORT
AS OF JUNE 30, 2013**

(2012 restated)

KEY FIGURES

Pelikan Group

FINANCIAL KEY FIGURES

<i>CHF m</i>	JUNE 30, 2013	<i>restated</i> JUNE 30, 2012
Net sales	100.0	109.4
Operating results	6.7	4.0
Earnings before interest, taxes, depreciation and amortization (EBITDA)	9.2	8.3
Result attributable to shareholders of Pelikan Holding AG	2.6	(0.5)
Total assets	155.3	177.9
Total equity excluding minorities	(7.8)	(10.8)
<i>Total equity excluding minorities in % of total assets</i>	(5.0%)	(6.1%)
Net debts*	8.3	19.3

OPERATING KEY FIGURES

Number of employees	1,136	1,260
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SHARE PRICE

<i>CHF</i>		
High/ low	45.00/16.00	50.00/12.70
At June 30	27.00	12.70

*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, 2013	<i>restated</i> 1. HALF 2012
Net sales	100.0	109.4
Other operating income	1.0	1.6
Change in the level of finished goods and work in process	(1.4)	(1.3)
	99.6	109.7
Materials purchased	(42.4)	(47.7)
Personnel expenses	(26.0)	(32.1)
Depreciation on tangible fixed assets	(1.7)	(1.8)
Amortization of intangible assets	(0.7)	(2.4)
Impairment on intangible assets	-	(0.1)
Other operating expenses	(22.1)	(21.6)
Operating results	6.7	4.0
Financial result	(0.9)	(1.1)
Results from associated companies	0.1	0.1
Profit before taxation	5.9	3.0
Taxes – company and subsidiaries	(1.8)	(1.9)
Net profit	4.1	1.1
Profit / (loss) attributable to:		
- shareholders of Pelikan Holding AG	2.6	(0.5)
- minority interests	1.5	1.6
	4.1	1.1

CONSOLIDATED BALANCE SHEET

Pelikan Holding AG Group (not audited)

CHF m	JUNE 30, 2013	<i>restated</i> DECEMBER 31, 2012
ASSETS		
Current assets		
Cash and cash equivalents	5.6	5.1
Trade receivables	45.5	37.1
Other short term receivables	16.9	24.0
Inventories	46.5	47.2
Prepayments	0.7	0.9
	115.2	114.3
Non-current assets		
Tangible fixed assets	31.5	31.0
Financial assets		
Loans and investments	1.6	1.7
Deferred tax assets	2.9	2.8
Other financial assets	0.2	0.2
	4.7	4.7
Intangible assets	3.9	4.3
	40.1	40.0
TOTAL ASSETS	155.3	154.3
LIABILITIES AND EQUITY		
Current liabilities		
Bank liabilities	13.3	17.7
Accounts payable	17.6	18.3
Other short term liabilities	45.1	40.9
Short term provisions		
Provisions for pensions and similar commitments	5.4	5.4
Other provisions	2.3	2.6
	7.7	8.0
Deferred Income	0.4	-
	84.1	84.9
Non-current liabilities		
Bank liabilities	0.6	0.6
Long term provisions		
Provisions for pensions and similar commitments	48.3	49.3
Provisions for deferred tax	0.5	0.4
Other provisions	2.4	2.3
	51.2	52.0
Other long term liabilities	9.1	9.4
	60.9	62.0
Shareholders' Equity		
Capital stock	100.1	100.1
Capital reserve	10.5	10.5
Revaluation reserve	6.3	6.1
Foreign currency reserves	(0.8)	(0.6)
Retained earnings	(123.9)	(126.6)
Total equity excluding minorities	(7.8)	(10.5)
Minority Interests	18.1	17.9
Total equity including minorities	10.3	7.4
TOTAL EQUITY AND LIABILITIES	155.3	154.3

CONSOLIDATED STATEMENT OF CASH FLOWS

Pelikan Holding AG Group (not audited)

<i>CHF m</i>	JAN - JUNE, 2013	<i>restated</i> 1. HALF 2012
<u>Cash flows from business activities</u>		
Profit before minority interest	4.1	1.1
Adjustments for :		
Depreciation and amortization	2.4	4.2
Impairment of intangible assets	-	0.1
Deferred taxes	(0.3)	0.1
Change in pension provisions	(1.9)	(1.0)
Change in other provisions	(0.3)	(1.0)
Results from associated companies	(0.1)	(0.1)
Change in trade receivables, other short term receivables and prepayments	(0.8)	4.0
Change in inventories	1.3	(4.0)
Change in accounts payables, other short term liabilities and deferred income	4.6	(8.5)
	<u>9.0</u>	<u>(5.1)</u>
<u>Cash flows from investing activities</u>		
Investments in tangible fixed assets	(1.8)	(1.4)
Investments in intangible assets	(0.2)	(0.1)
Dividend from associated companies	0.2	-
	<u>(1.8)</u>	<u>(1.5)</u>
<u>Cash flows from financing activities</u>		
Net advances from parent company	(1.0)	8.7
Changes in bank liabilities – current	(4.6)	0.8
Changes in bank liabilities – non-current	-	(1.4)
Dividend to minorities	(1.5)	(0.9)
	<u>(7.1)</u>	<u>7.2</u>
Effect of exchange rate changes	<u>0.4</u>	<u>(0.5)</u>
Net change in cash and cash equivalents	0.5	0.1
Cash and cash equivalents at January 1	<u>5.1</u>	<u>7.4</u>
Cash and cash equivalents at June 30	<u>5.6</u>	<u>7.5</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 2012.

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, 2013	1. HALF 2012
Sales to third parties	94.8	104.2
Sales to associates	1.8	1.7
Sales to related parties	3.4	3.5
Total	100.0	109.4

Sales by region

	JAN - JUNE, 2013		1. HALF 2012	
	CHF m	%	CHF m	%
Germany	38.9	38.9%	44.8	40.9%
Italy	6.3	6.3%	7.1	6.5%
Switzerland	3.4	3.4%	3.7	3.4%
Rest of Europe	14.9	14.9%	16.1	14.7%
Total Europe	63.5	63.5%	71.7	65.5%
Latin-America	30.9	30.9%	30.4	27.8%
Other countries	5.6	5.6%	7.3	6.7%
Total	100.0	100.0%	109.4	100.0%

5. Prior year adjustments

Pelikan Group was presenting the pension obligations according to IAS 19 in the past. Due to the change to IAS 19 revised in the international standards, Pelikan Group decided not to make use of the option with Swiss GAAP FER 16 to refer to an international standard anymore. As at 01.01.2013 Pelikan Group will present the pension obligations according to Swiss GAAP FER 16 "Pension benefit obligations". The effect of such change in accounting policy is required to be adjusted retrospectively.

According to Swiss GAAP FER 16, the existing economic consequences for the Group resulting from the Group's entities pension schemes are measured based on the legal and contractual framework and the financial situation. The determination of any economic benefit or obligation is determined and recognized as a non-current financial asset respectively as current and non-current liabilities individually for each institution. Employer contribution reserves are recognized as non-current financial assets.

As a result, there is an adjustment to the balance sheet of the financial year ended 31 December 2012 as follows. There is no adjustment to the consolidated income statement and consolidated statement of cash flows for the first half of year 2012.

CHF (million)	As previously reported	Adjustment	As restated
<u>01.01.2012</u>			
Consolidated Balance Sheet			
<u>As at 01.01.2012</u>			
Deferred Tax Assets	2.1	0.1	2.2
Long term provisions for pension and similar commitments	53.0	0.9	53.9
Long term provisions for deferred tax	0.4	(0.0)	0.4
Foreign currency reserves	(1.2)	0.0	(1.2)
Retained earnings	(118.1)	(0.8)	(118.9)
Minority Interests	15.9	0.0	15.9
<u>30.06.2012</u>			
Consolidated Balance Sheet			
<u>As at 30.06.2012</u>			
Deferred Tax Assets	2.1	0.1	2.2
Long term provisions for pension and similar commitments	50.8	1.0	51.8
Long term provisions for deferred tax	0.4	(0.0)	0.4
Foreign currency reserves	(0.9)	0.1	(0.8)
Retained earnings	(118.5)	(1.0)	(119.5)
Minority Interests	17.0	0.0	17.0

5. Prior year adjustments (cont.)

CHF (million)	As previously reported	Adjustment	As restated
<u>31.12.2012</u>			
Consolidated Balance Sheet			
<u>As at 31.12.2012</u>			
Deferred Tax Assets	2.6	0.2	2.8
Other Financial Assets	0.0	0.2	0.2
Long term provisions for pension and similar commitments	47.1	2.2	49.3
Long term provisions for deferred tax	0.4	0.0	0.4
Foreign currency reserves	(0.7)	0.1	(0.6)
Retained earnings	(124.8)	(1.8)	(126.6)
Minority Interests	18.0	(0.1)	17.9

The short term provisions for pension and similar commitments are not affected by the change of accounting standard.

6. Review of Performance

Macroeconomic uncertainties as well as on-going changes in the overall buying habits of end-consumers have influenced the business development also in the current year. The Group generated lower net sales by 8.6% in the first six months of the year as compared to the corresponding period of year 2012. While the sales of school, hobby and office products showed a solid development, the Group realized lower sales of printer consumables, especially in the German and on other European markets. This development is mainly the result of the decision of the Group taken at the beginning of year 2012 to streamline the business with printer consumables and to reposition the Group in the market for alternative printer consumables.

Net sales with Fine Writing Instruments showed a satisfying double-digit growth as a result of strong selling new product launches this year.

In line with the decision to focus on more profitable sales channels and core competencies, the Group has initiated in the first half of year 2012 comprehensive restructuring programs for its European entities. These programs coming along with a materially reduced cost base especially in Germany were the basis for an operating result of CHF 6.7mil in the first six months of the current year after CHF 4.0mil in the corresponding period of year 2012. Also the net profit of the Group shows a positive development and have been increased to CHF 4.1mil in the reporting period coming from CHF 1.1mil in the first half year of 2012.

7. Outlook

The Group expects that macroeconomic uncertainties will continue to affect the overall business development on European but also on Latin American markets. The changes in the distribution channels and buying behaviors of consumers for printer consumables and also the trade channels for stationery products result in an increased challenge to the Group. Accordingly, the Pelikan Group needs to adapt well on these changes within the market and need to continuously invest in new innovative products and marketing campaigns. Furthermore, dynamic monitoring of market needs and certain flexibility to its cost structures is required to ensure better profitability going forward.

The Group is aiming for a consolidation of Pelikan business activities with ones of Herlitz AG Group, a subsidiary of the parents company Pelikan International Corporation Berhad, by the beginning of next year. Through the planned concentration of such activities with focus on its core markets Germany and Austria and especially in sales and administration functions, the Group is expected to benefit persistently. The target will be to reinforce the market penetration of both brands and to exploit further synergies.

Feusisberg, September 2013