



**PELIKAN HOLDING AG**

**2004 ANNUAL REPORT**

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## REPORT OF THE BOARD OF DIRECTORS

Pelikan Holding AG Group has continued to achieve profitability in 2004 which was driven by the launch of new products, improved distribution channels and promotional activities, new subsidiaries and business unit acquired during the year as well as continuous cost cutting measures. Group net sales rose by 1.6% to CHF195 million in 2004 (prior year CHF192 million), achieved mainly in Europe (increase of 1.5% over 2003) and other countries (increase of 19.1%) particularly in Asia. Result before financial items and taxation of the Group decreased marginally by 0.6% from CHF15.2 million to CHF15.1 million for the current year.

Pelikan Group's overall objective is to establish itself as global industry leader based upon its quality products. The Group plans to expand its strong market position in Germany throughout Europe into the growth markets of Asia, the Middle East and Latin America. This year, we prematurely resumed the distribution rights of Pelikan's products in Belgium, the Netherlands and Luxemburg and certain countries in East Asia namely Malaysia and Singapore, through the acquisitions of investment in these countries. In September 2004, the Group has also acquired business of Geha in Italy from Geha Italiana srl Milan. Geha, of which Pelikan owns this brandname, is a well established German brand of office machines reputed for its quality products namely beamers, OHP-projectors, screens, flip charts, trolleys, shredders and cutting machine. With the acquisitions, it is expected that the turnover and margin of the Group will be further enhanced.

In early April 2005, the main shareholder of the Company was changed from Pelikan Holding Sdn Bhd to Diperdana Holdings Berhad. The proposed acquisition of Pelikan Holding AG by Diperdana was first announced in 2001 and following the successful acquisition of the major stake in Pelikan Holding AG from Pelikan Holding Sdn Bhd and the conclusion of Diperdana's Voluntary General Offer for the remaining bearer shares of Pelikan Holding AG in May 2005, Diperdana now owns 87.64% equity interest in Pelikan Holding AG. Diperdana is currently a listed company on Bursa Malaysia Securities Berhad (the Malaysia Stock Exchange). The new main shareholder can potentially lead Pelikan Group to greater heights.

The global economic expansion has remained broadly on track revolving largely as expected. Global growth is expected to moderate in 2005, but stay above trend, while inflation remains subdued. The economic environment provides room for market expansion which the Group is ever ready. The Group will continue to enhance production efficiency, to strengthen the Pelikan brand in non-traditional markets and to invest in research and development efforts for product innovations and improvements. These initiatives together with ongoing cost reduction programs will pave the way for stronger performance.

Lastly, on behalf of the Board, I would like to thank the management and employees for their efforts and contributions in 2004. To our business partners and associates, thank you for your continuous support.

On behalf of the Board of Directors

LOO HOOI KEAT  
26 May 2005

**KEY FIGURES****Pelikan group**

	Figures in CHF million				
	2004	2003	2002	2001	2000
Net sales	194.6	191.6	183.5	190.1	203.9
Result from operations	11.2	12.1	7.5	8.7	9.5
Result before non-operating items	14.0	15.8	9.5	11.9	13.5
Result before taxation	8.7	10.3	2.7	4.1	0.7
Net result for the year	6.6	9.2	1.5	1.2	(1.7)
Consolidated net result for the year	5.3	8.0	0.3	0.2	(3.0)
Fixed assets	53.2	50.7	46.3	43.9	44.2
Total equity excluding minorities	6.2	1.4	(3.5)	(0.8)	(1.4)
Provisions for pensions	96.5	101.8	98.6	101.4	105.2
Balance sheet total	162.2	162.0	160.2	169.3	177.2
Share of the balance sheet total in %					
Fixed assets	32.8%	31.3%	28.9%	25.9%	24.9%
Total equity excluding minorities	3.8%	0.9%	(2.2)%	(0.4)%	(0.8)%
Provisions for pensions	59.5%	62.8%	61.5%	59.9%	59.4%
Tangible and intangible assets					
Investments	5.6	6.8	12.5	7.4	5.6
Depreciation and amortization	6.5	6.5	6.2	6.8	7.0
Number of employees	883	848	789	830	933
Personnel expense	51.5	50.1	49.7	51.7	49.0

**Pelikan Holding AG**

	Figures in CHF million				
	2004	2003	2002	2001	2000
Result for the year	3.5	(63.2)	1.2	1.7	(3.0)
Dividend	-	-	-	-	-
Shareholders' equity	56.6	53.1	103.5	102.3	100.6

**Key figures per share**

Data per bearer share in CHF					
Nominal value each CHF65					
Earnings per share	3.5	5.2	0.2	0.1	(1.9)
Dividend per share in %	-	-	-	-	-
Share prices					
Highest	29	34	34	39	63
Lowest	20	19	18	15	35

## MANAGEMENT REPORT

### Business in 2004

The year 2004 has been an exciting and challenging year for Pelikan as the Group continued to expand its operation. Pelikan Group sales rose by 1.6% despite the stagnant consumer markets, particularly in Germany which registered a decrease in sales of 4.0%. Germany continues to be the main market of the Group which contributes half of the Group's turnover. The drop however, was compensated by sales in the newly acquired subsidiaries and business unit, which contributed 4.8% of the Group's sales in 2004. Result before financial items and taxation decreased marginally to CHF15.1 million (2003: CHF15.2 million) and consolidated net result for the year drop to CHF5.3 million (2003: CHF8.0 million) mainly due to foreign currency exchange losses and higher tax expense. With the continued effort by the Group to improve its structure and processes coupled with vigorous cost reduction projects through increased productivity, the drop in the Group's result is expected to be temporary and would improve once the general business environment turn around.

### Distribution co-operations and important contracts

Pelikan Group purchased 100% equity interest in Pelikan Benelux N.V./ S.A. and the business of Geha in Italy in 2004 to further strengthen Pelikan's position in the European market. In its effort to develop its global presence and geographical networks, the Group has also acquired Pelikan Asia Sdn. Bhd. (formerly known as Kolok Malaysia Sdn. Bhd.) in mid 2004. With these acquisitions, Pelikan Group prematurely resumed the distribution rights of Pelikan products in Belgium, the Netherlands, Luxemburg and certain countries in East Asia namely Malaysia and Singapore.

### Sales

<u>Sales by product group</u>		<u>Sales by region</u>	
General office supplies	23%	Germany	50%
Writing instruments	36%	Switzerland	6%
School/ Leisure time	30%	Rest of Europe	24%
Hardcopy	4%	USA/ Canada	1%
Others	6%	Latin-America	12%
		Other countries	6%

Pelikan Group achieved net sales of CHF195 million in 2004 (2003: CHF192 million), representing an increase of 1.6% compared with previous year. In Germany, sales dropped by 4.0% compared with the previous year, mainly due to stagnant consumer market.

The increased sales in the "Rest of Europe" was primarily contributed by Pelikan Benelux N.V./ S.A., the newly acquired subsidiary.

Sales in the United States and Canada dropped by 26.1% mainly due to the negative development of the local currencies against the Euro. However, sales in other countries has increased significantly by 19.1%, particularly in Asia.

The "Writing instruments" category has performed better with the continuous success of existing and newly launched products such as "Pelikano", "Fineliners", additions to the "Souverän", Special Editions and Limited Editions of high value writing instruments. The "Others" category has also increased significantly mainly due to sales of Geha presentation materials, shredders and office cutting machines in the current year.

## Results

In million CHF	2004	2003	2002
Result from operations	11.2	12.1	7.5

The result from operations of Pelikan Group decreased from CHF12.1 million in 2003 to CHF11.2 million in 2004. The results from unconsolidated companies showed a pre-tax profit of CHF3.9 million (2003: CHF3.1 million) which was mainly due to another year of promising result from the Group's investment in Columbia Pelikan Pty Limited in Australia.

Pelikan Group incurred a net interest expense of CHF0.4 million (2003: CHF0.2 million), while expenses for pensioner came to CHF5.2 million (2003: CHF5.5 million). Taxes amounted to CHF2.1 million (2003: CHF1.1 million). In 2004, deferred tax assets capitalized in the German subsidiaries increased by CHF0.5 million (2003: CHF2.2 million) based on foreseeable improvement in future profitability.

The net profit for the year decreased to CHF6.6 million in 2004 from 9.2 million in 2003. After deduction of the profit due to minority interest, the consolidated net profit for the year came to CHF5.3 million (2003: CHF8.0 million).

At Pelikan Holding AG company level, the financial statements showed a net profit of CHF3.5 million for the year (2003: loss of CHF63.2 million). The loss in 2003 was due to the write-off of guarantee which was partly compensated by a revaluation of investments.

## Personnel

The total number of employees in the Group increased by 35 to 883 as at December 31, 2004. Pelikan Group, on average, employed 908 persons in 2004 (2003: 870).

Personnel	Dec. 31, 2004	Dec. 31, 2003	Dec. 31, 2002
Germany	432	438	432
Switzerland	17	17	18
Rest of Europe	63	45	47
Total Europe	512	500	497
Latin-America	353	348	292
Other countries	18	-	-
Total Group	883	848	789

## Investments in fixed assets

Investments in fixed assets during the year amounted to CHF 4.7 million (2003: CHF 6.6 million). As in previous years, the major investments were made in Germany for, among others, the following projects:

- Tools for new Limited Edition "7 Wonders" and "Hercules", Special Edition "Series M215", Anniversary Pen 2004 (75 Years), new school writing instrument "Gallery" and "Pelikano Junior" relaunch
- Assembly automat and tools for new Pelikan Highlighter
- Assembly automat for new "Pelikano"
- Profil abrader automat for nib P460, a rationalization project which resulted in savings in manufacturing process
- Furniture for new "Shop in Shop" concept for high end writing instruments.

## **Quality Management**

Pelikan's Hanover operation has obtained DIN EN ISO 9001:94 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 2004, CHF 3.5 million (2003: CHF 3.0 million) was expensed for research and development projects which included:

Technical developments:

- Development of new school fountain pen "Pelikano Junior"
- Development of new "Epoch 361"
- Development of new writing instrument "Series 215", the consequent development of successful model range 200
- Development of the Special Edition "Piazza Navona"
- Development of the Limited Edition "Caelum"
- Development of "Gallery", a new youth fountain pen
- Development of "Grand Prix", a new ink roller with High-Tech Design
- Development of the new Pelikan Textmarker 490 in excellent design and quality

Chemical developments:

- Development of new "4001 Royal Blue" ink for fountain pens
- Development of document proof inks for Fineliners
- Development of a new series textile colours for dark fabrics
- Development of a wide range of light plasticine materials (Crealight)
- Development of 2 new Prismacolor with special effects
- Development of 6 pastel Plaka colours for "Serviettenteknik"
- Development of a Krakelee varnish for Plaka and Plaka Lack

## **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.

## **Enterprise risk management policy**

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. The Pelikan Group seeks to apply risk management to all parts of its business to ensure risks are minimized and opportunities enhanced.

## **Enterprise risk management framework**

Risk management practices have been inherent in the way management has conducted its business. The practice, values and culture that have endured to the present day have always exercised profound effect on management's conduct. The Board 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, where necessary; 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.

## **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 control and management information systems. The scope of the internal audit function covers the audit of the adequacy of risk management, operational controls, compliance with established procedures, guidelines and statutory requirements of the Group.

## **Outlook**

The world economy continues to be strong and the international economic context is expected to remain favourable for Europe in 2005 with an average annual rate of expansion of the global economy forecasted to be some 4.25%. Those in the Asia Pacific region, are certainly expanding, with member countries expecting robust Gross Domestic Product ("GDP") figures. Rapid growth rates are expected to continue in certain Asian emerging markets and Latin America. Nevertheless, the global outlook is surrounded by risks, a major uncertainty is the likely development of the international oil markets.

The strong Euro and the rate of recovery of the economies in Germany and the rest of Europe continue to be the key factor affecting sales growth for the current year. In Germany, where economic recovery remained slow and the strong Euro continued to impact exports, sales were below the previous year's corresponding



period. The lower sales in Germany continued to be compensated by the better numbers in the rest of Europe.

Pelikan Group plans to establish itself as a global industry leader, gradually reduce its dependence on a single market, expand businesses in under-represented markets like China, the Middle East, Latin America and Eastern Europe and to set up new regional distribution centres around the world. These geographical expansions together with our continuous effort to contain cost and to focus in research and development on products will lead us to significant improvements.

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 (or 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 (the Group) is organized into five geographical units: Europe, Latin America, Middle East/ Africa, Rest of Asia/ Oceania and International Market (ie USA/ China/ India).

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

#### **Capital structure**

As at December 31, 2004, 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 41.6 million as at December 31, 2004.

#### **Share ownership / Significant shareholders**

Pelikan Holding Sdn. Bhd., Kuala Lumpur, Malaysia, controlled by Loo Hooi Keat, held 64.94 % of the capital of Pelikan Holding AG consisting of all the 539,000 registered and 461,000 bearer shares. As at December 31, 2004, this holding has not changed in the last three years preceding the balance sheet date. As at December 31, 2004, the other members of the Executive Committee and persons closely linked to them held 250 shares in Pelikan Holding AG. The Non-Executive Members of the Board of Directors and persons closely linked to them held 10 bearer shares in Pelikan Holding AG as at December 31, 2004. On 8 April 2005, Diperdana Holdings Berhad, a company listed in Bursa Malaysia Securities Berhad (formerly known as the Kuala Lumpur Stock Exchange) completed the acquisition of 64.94% of the equity interest in Pelikan Holding AG from Pelikan Holding Sdn. Bhd. for a total consideration of MYR299 million. On 5 May 2005, pursuant to the Voluntary General Offer by Diperdana for the remaining bearer shares, 349,677 bearer shares were acquired by Diperdana for a total consideration MYR42 million. With this additional shareholding, Diperdana now holds 87.64% of Pelikan Holding AG. On 11 April 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 transfer 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 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 2004 there were no transfers of registered shares.

## **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 or shareholder.

Elections and resolutions of the Board are passed by absolute majority of the votes cast 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) show the business development including budget-actual comparisons.

### Members of the Board

Members of the Board as of December 31, 2004:

Name	Age	Function	Since	Elected until
Loo Hooi Keat	50	President	1997	AGM 2005
Thomas Pfister	41	Non-Executive Vice President	2004	AGM 2005
Mirzan bin Mahathir	47	Non-Executive Member	1998	AGM 2005

(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 Mr. 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 Konsortium Logistik Berhad, a public listed company in the Bursa Malaysia Securities Berhad. He was appointed as Director of Diperdana on 22 April 2005 and subsequently as an 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, Sunway Building Technology 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 23 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 has 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 with Sales Department and in 1996 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.

### **Group management**

Name	Age	Nationality	Function
Gunther Andrée	56	Germany	Head of Production
Peter Raijmann	45	Netherlands	Head of Finance and Administration
Loo Seow Beng	47	Malaysia	Head of Asia/ Rest of World
Claudio Esteban Seleguan	43	Argentina	Head of Latin America
Eckhard Seewöster	61	Germany	Head of Sales/ Marketing

### **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 development. He is mainly responsible for the management of the factory in Vöhrum, Hanover, Germany. Before he joined Pelikan, he had similar functions at rotring.

### **Peter Raijmann**

Peter Raijmann 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 CFO 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 the coordination of sales in Asia/Rest of World.

### **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.

## **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 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 2004 financial year was CHF 1.7 million.
- The sum of compensation paid in cash to Non-Executive Members of the Board of Directors in the 2004 financial year was CHF 0.3 million.
- The total compensation paid in cash to former members of the Executive Committee was CHF 0.1 million.
- The sum of compensation paid in cash to former Non-Executive Members of the Board was CHF 0.04 million.
- No severance payment was made in 2004 to any Board Member or Member of the Executive Committee who resigned in earlier years.
- There was no non-cash compensation in the form of shares or options or any other form to the Company's governing bodies.
- Members of the management team held a total of 250 shares and Non-Executive Board Members held 10 shares in Pelikan Holding AG. Within the reporting period, Loo Hooi Keat indirectly holds 64.94 % of Pelikan Holding AG.
- 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 governing bodies**

As at December 31, 2004, loan outstanding granted by a subsidiary of Pelikan Holding AG to a Non-Executive Board Member amounted to CHF84,000. This loan with an interest rate of 3.25% is repayable in full by 31 July 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 main shareholder are disclosed in the Notes to the Financial Statements on page 28.

## **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 more than one million Swiss Francs are entitled to request to the Ordinary General Shareholders Meeting 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**

Ernst & Young of Zurich, has been external auditors of Pelikan Holding AG and Group auditors since 1983. The auditor in charge has taken up the position in 2003. For the 2004 financial year, worldwide audit fees amounted to TCHF531 whereof TCHF398 concern Ernst & Young. Other consulting costs of audit firms such as business consulting, taxation and legal consulting amounted to TCHF144 in total whereof TCHF41 concern Ernst & Young.

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](http://www.pelikan.com). Addresses of the Group companies are listed on pages 49 and 50.



**Pelikan Group**

**Financial Statements  
2004**

**Pelikan Group**

**CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 2004**

	Note	Dec. 31, 2004 CHF(000)	Dec. 31, 2003 CHF(000)
<b>ASSETS</b>			
<b>Fixed assets</b>			
Intangible assets	1	14,835	13,682
Tangible assets	2	27,217	27,909
Financial assets	3	8,316	6,799
Deferred tax assets	4	2,824	2,260
		<u>53,192</u>	<u>50,650</u>
<b>Current assets</b>			
Inventories	5	40,400	36,995
Prepayments		501	689
Receivables from third parties and other assets	6	42,891	36,809
Receivables from unconsolidated companies		648	706
Receivables from parent company and its related companies	7	11,917	20,947
Cash and cash equivalents		12,698	15,231
		<u>109,055</u>	<u>111,377</u>
<b>TOTAL ASSETS</b>		<u>162,247</u>	<u>162,027</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
Capital stock	9	100,100	100,100
Revaluation reserve		7,590	8,161
Retained earnings	10	(101,457)	(106,858)
<b>Total equity excluding minorities</b>		<u>6,233</u>	<u>1,403</u>
<b>Minority interests</b>		<u>11,793</u>	<u>12,081</u>
<b>Total equity</b>		<u>18,026</u>	<u>13,484</u>
<b>Non-current liabilities</b>			
Provisions for pensions and similar commitments	11	92,259	97,492
Provisions for deferred taxes	4	2,007	2,672
Other provisions	12	6,136	5,904
Other liabilities		2,269	2,236
		<u>102,671</u>	<u>108,304</u>
<b>Current liabilities</b>			
Bank liabilities	13	7,994	6,471
Accounts payable		12,750	12,425
Payables to unconsolidated companies		-	1
Payables to companies related to the parent company		89	5
Taxes payable		374	156
Provisions for pensions and similar commitments	11	4,202	4,355
Other provisions	12	1,267	1,142
Other liabilities		14,747	15,682
Deferred income		127	2
		<u>41,550</u>	<u>40,239</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>162,247</u>	<u>162,027</u>

*Pelikan Group*

**CONSOLIDATED PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Note	2004 CHF(000)	2003 CHF(000)
Net sales	14	<b>194,617</b>	191,606
Change in the level of finished goods and work in process		<b>(117)</b>	1,542
Other operating income	15	<b>4,005</b>	3,903
Materials purchased		<b>(84,679)</b>	(83,873)
Personnel expenses	16	<b>(51,515)</b>	(50,080)
Depreciation and amortization	17	<b>(6,521)</b>	(6,525)
Other operating expenses	18	<b>(44,587)</b>	(44,436)
Result from operations		<b>11,203</b>	12,137
Result from unconsolidated companies	19	<b>3,908</b>	3,077
Result before financial items and taxation		<b>15,111</b>	15,214
Interest and similar income	20	<b>700</b>	729
Interest and similar expenses	21	<b>(1,138)</b>	(947)
Exchange rate (losses)/ gain		<b>(690)</b>	786
Result before non-operating items		<b>13,983</b>	15,782
Expenses for pensioners	22	<b>(5,244)</b>	(5,502)
Result before taxation		<b>8,739</b>	10,280
Taxes	23		
- Company and subsidiaries		<b>(804)</b>	(133)
- Associated companies		<b>(1,286)</b>	(971)
Net result for the year		<b>6,649</b>	9,176
Profit due to minority interests		<b>(1,313)</b>	(1,218)
Consolidated net result for the year		<b>5,336</b>	7,958

**Pelikan Group**

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Note	2004 CHF(000)	2003 CHF(000)
<u>Cash flows from business activities</u>			
Net result for the year before minority interest		6,649	9,176
Adjustments for :			
Result from unconsolidated group companies	19	(2,622)	(2,102)
Depreciation and amortization	17	6,521	6,525
Book losses/ (profits) from disposals of fixed assets		62	(212)
Deferred taxes	4	(1,098)	(1,719)
Other non-cash items		-	35
Cash flows before working capital changes		9,512	11,703
Decrease in pension provisions		(4,382)	(3,768)
Change in accounts receivables, other assets and prepayments		(4,603)	4,630
Change in inventories		(45)	(1,146)
Change in payables		(813)	670
Change in other liabilities and deferred income		(718)	(1,392)
Change in other provisions		236	(1,643)
		(813)	9,054
<u>Cash flows from investing activities</u>			
Investments in intangible assets		(381)	(5,499)
Investments in tangible assets	2	(4,671)	(6,568)
Acquisition of subsidiaries		(645)	-
Acquisition of business		(232)	-
Disposals of tangible assets		299	303
Dividend from unconsolidated companies		709	760
Purchase of securities		(159)	(11)
Disposals of investments		-	325
		(5,080)	(10,690)
<u>Cash flows from financing activities</u>			
Repayments from parent company		3,836	184
Changes in bank liabilities		1,017	(8)
Repayment of capital to minorities		(385)	-
Dividend to minorities		(703)	(661)
		3,765	(485)
Effect of exchange rate changes and inflation adjustments		(405)	275
Net change in cash and cash equivalent		(2,533)	(1,846)
Cash and cash equivalent at 1 January		15,231	17,077
Cash and cash equivalent at 31 December		12,698	15,231

*Pelikan Group*

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2004**

CHF (000)	Capital stock	Revaluation Reserves	Retained earnings	Total equity excluding minorities	Minority interest	Total Equity
Balance Jan. 1, 2003	100,100	9,406	(112,993)	(3,487)	13,286	9,799
Result 2003	-	-	7,958	7,958	1,218	9,176
Dividends	-	-	-	-	(661)	(661)
Increase in minority shareholder	-	-	-	-	110	110
Revaluations due to inflation	-	395	-	395	411	806
Translation adjustments	-	(1,640)	(1,823)	(3,463)	(2,283)	(5,746)
Balance Dec. 31, 2003	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 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

## ***Pelikan Group***

### **Summary of Significant Accounting Policies for the year ended December 31, 2004**

#### **General principles**

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

#### **Consolidation principles**

##### **Companies consolidated**

The consolidated financial statements include those companies in which the parent company, Pelikan Holding AG, holds directly or indirectly more than 50% of the voting rights. The companies included in the consolidation are shown in the list of group companies on pages 36 to 37. One group company, Pelikan 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.

During the year under review, two new subsidiaries were acquired namely Pelikan Benelux N.V./ S.A. and Pelikan Asia Sdn. Bhd. (formerly known as Kolok Malaysia Sdn. Bhd.) (See page 36 and 37).

##### **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**

Comparatives have been reclassified to conform with current year 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 credited or debited 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 are:

	2004		2003	
	Year-end rate	Average rate	Year-end rate	Average rate
1 EUR	1.55	1.54	1.56	1.52
1 USD	1.14	1.24	1.24	1.34
1 MYR	0.30	0.33	0.33	0.35
100 MXN	10.23	10.96	11.01	12.38

## **Pelikan Group**

### **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.

### **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.

#### **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 but are included under the balance sheet heading "Revaluation reserve". All profit or loss from disposals of tangible fixed assets is booked to income. 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.

Estimated useful lives 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.

#### **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.

## ***Pelikan Group***

### **Receivables**

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

### **Cash and cash equivalents**

Cash and cash equivalents 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 financial 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 and development costs are fully charged to the income statement.

### **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.



**Pelikan Group**

**Notes to the Consolidated Financial Statements for the year ended December 31, 2004**

**1. Intangible assets**

CHF (000)	Concessions, trademarks	Goodwill	Total
<b>Cost</b>			
Opening balance Jan. 1 2004	12,410	7,504	19,914
Acquisitions	390	3,077	3,467
Disposals	-	(25)	(25)
Translation differences	(119)	(79)	(198)
<b>Ending Balance Dec. 31 2004</b>	<b>12,681</b>	<b>10,477</b>	<b>23,158</b>
<b>Accumulated amortization</b>			
Opening balance Jan. 1 2004	5,708	524	6,232
Acquisition of subsidiaries	-	693	693
Disposals	-	(25)	(25)
Amortisation	829	667	1,496
Translation differences	(62)	(11)	(73)
<b>Ending Balance Dec. 31 2004</b>	<b>6,475</b>	<b>1,848</b>	<b>8,323</b>
<b>Net book value</b>			
<b>Ending Balance Dec. 31, 2004</b>	<b>6,206</b>	<b>8,629</b>	<b>14,835</b>
Ending Balance Dec. 31, 2003	6,702	6,980	13,682

Concession and trademarks mainly include the GEHA trademarks which were acquired in 1998 and are amortized on a straight-line basis over 15 years. During the year, goodwill of TCHF3,077 arose from acquisitions of Pelikan Benelux, Pelikan Asia Sdn. Bhd. and Geha business in Italy.

**Pelikan Group****2. Tangible assets**

CHF (000)	Land and buildings	Machinery and technical equipment	Other production and office equipment	Assets under construction	Total
<b>Cost</b>					
Opening balance Jan. 1, 2004	20,620	46,151	29,552	1,615	97,938
Acquisition of subsidiaries	-	808	714	-	1,522
Investments	19	906	2,580	1,166	4,671
Transfers	-	1,040	972	(2,012)	-
Disposals	(40)	(2,273)	(3,632)	-	(5,945)
Revaluation due to inflation	584	737	132	-	1,453
Translation differences	(929)	(1,448)	(455)	(38)	(2,870)
<b>Ending Balance Dec. 31, 2004</b>	<b>20,254</b>	<b>45,921</b>	<b>29,863</b>	<b>731</b>	<b>96,769</b>
<b>Accumulated depreciation</b>					
Opening balance Jan. 1 2004	11,096	36,288	22,645	-	70,029
Acquisition of subsidiaries	-	435	639	-	1,074
Disposals	(39)	(2,093)	(3,452)	-	(5,584)
Depreciation	646	2,192	2,187	-	5,025
Revaluation due to inflation	201	550	84	-	835
Translation difference	(371)	(1,116)	(340)	-	(1,827)
<b>Ending Balance Dec. 31, 2004</b>	<b>11,533</b>	<b>36,256</b>	<b>21,763</b>	<b>-</b>	<b>69,552</b>
<b>Net book value</b>					
<b>Ending Balance Dec. 31, 2004</b>	<b>8,721</b>	<b>9,665</b>	<b>8,100</b>	<b>731</b>	<b>27,217</b>
Ending Balance Dec. 31, 2003	9,524	9,863	6,907	1,615	27,909

Insurance values of the tangible assets amounted to CHF110.1 million as at December 31, 2004 (prior year CHF112.4 million). Details on the investments in tangible assets which amount to CHF4.7 million (prior year CHF6.6 million) are given on page 5.

## **Pelikan Group**

### **3. Financial assets**

CHF (000)	Unconsolidated investments	Loans to uncons. Companies	Long-term securities	Other long- term loans	Total
<b>Cost</b>					
Opening balance Jan. 1, 2004	5,700	125	700	399	6,924
Share of current year net result	2,622	-	-	-	2,622
Dividends	(1,107)	-	-	-	(1,107)
Translation adjustments	(146)	-	(7)	(4)	(157)
Other movements	-	-	159	-	159
<b>Ending Balance Dec. 31, 2004</b>	<b>7,069</b>	<b>125</b>	<b>852</b>	<b>395</b>	<b>8,441</b>
<b>Accumulated depreciation</b>					
Opening balance Jan. 1, 2004	-	125	-	-	125
<b>Ending Balance Dec. 31, 2004</b>	<b>-</b>	<b>125</b>	<b>-</b>	<b>-</b>	<b>125</b>
<b>Net book value</b>					
<b>Ending Balance Dec. 31, 2004</b>	<b>7,069</b>	<b>-</b>	<b>852</b>	<b>395</b>	<b>8,316</b>
Ending Balance Dec. 31, 2003	5,700	-	700	399	6,799

As at December 31, 2004, the total proportionate share in equity of investments accounted for using the equity method amounted to CHF7.0 million (prior year CHF5.6 million). Investments under 20% are carried at CHF0.1 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 36 to 37.

### **4. Deferred tax**

CHF (000)	2004	2003
Deferred tax assets from:		
- Temporary differences	460	371
- Net operating losses	2,364	1,889
Total deferred tax assets	2,824	2,260
Deferred tax liabilities from:		
- Temporary differences	2,007	2,672
Total deferred tax liabilities	2,007	2,672
Total deferred tax assets/ (liabilities), net	817	(412)

## **Pelikan Group**

Movement in deferred taxes during the year were as follows:

CHF (000)	2004	2003
Opening Balance Jan. 1	<b>(412)</b>	(2,700)
Income from deferred taxes	<b>1,098</b>	1,719
Translation adjustments	<b>131</b>	569
Ending Balance Dec. 31	<b>817</b>	(412)

Based on the improved profitability of the Germany sales company, additional deferred tax asset of CHF0.5 million have been capitalized in 2004. Further 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)	2004	2003
Raw material, stores and operating supplies	<b>6,572</b>	6,345
Work in process	<b>9,835</b>	9,983
Finished products and merchandise	<b>28,718</b>	25,218
Goods in transit	<b>463</b>	494
Payments on account	<b>422</b>	273
Value adjustments	<b>(5,610)</b>	(5,318)
Total	<b>40,400</b>	36,995

## **6. Accounts receivable from third parties and other assets**

CHF (000)	2004	2003
Trade accounts receivable	<b>35,193</b>	31,678
Other assets	<b>7,698</b>	5,131
Total	<b>42,891</b>	36,809

As of December 31, 2004 derecognized accounts receivables under financing agreement amounted to CHF6.1 million (prior year CHF6.9 million). The accounts receivable are stated at their nominal values less allowance for bad and doubtful debts of CHF1.9 million (prior year CHF2.5 million). The other assets comprise primarily from tax reclaims, license fees and short-term loans.

## **Pelikan Group**

### **7. Receivables from parent company and its related companies**

CHF (000)	2004	2003
Pelikan Holding Sdn. Bhd., Malaysia	10,168	18,629
Pelikan Japan KK, Japan	448	2,037
Pelikan Singapore-Malaysia Pte Ltd, Singapore	1,299	267
Others	2	14
Total	11,917	20,947

The receivables from the parent company Pelikan Holding Sdn Bhd, Malaysia, result from finance transactions and are secured partly by assets in Japan, Malaysia and Singapore. The interest rate for the loan was 2.5% (prior year 2.25%).

### **8. Guarantee from parent company**

In connection with the waivers of claim with debt warrants granted by Pelikan Holding AG to two German Pelikan companies, the parent company 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, 2004, 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)	2004	2003
Balance Jan. 1	101,847	98,620
Charged to income statement	5,477	5,889
Utilized during the year	(9,859)	(9,626)
Translation adjustments	(1,004)	6,964
Balance Dec. 31	96,461	101,847
Current	4,202	4,355
Non-current	92,259	97,492
	96,461	101,847

## **Pelikan Group**

CHF (000)	2004	2003
German companies	92,711	97,899
Others	3,750	3,948
Total	96,461	101,847

### **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:

	2004	2003
Market value of plan assets	-	-
Return on plan assets	Not applicable	Not applicable
Discount rate	5.00% 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	2.50% resp. 1.5% p.a.	2.50% resp. 1.5% p.a.
Expected future turnover	1.00% p.a.	1.00%

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

CHF (000)	2004	2003
Present value of unfunded obligations	97,978	104,294
Unrecognized actuarial loss	(5,267)	(6,395)
Net pension liability in balance sheet	92,711	97,899

The unrecognized actuarial loss does not exceed 10 percent (the so-called corridor) and therefore does not yet 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

## **Pelikan Group**

### **12. Other provisions**

CHF (000)	2004	2003
Balance Jan. 1	7,046	6,658
Charged to income statement	1,875	1,168
Utilized during the year	(1,450)	(1,265)
Translation adjustments	(68)	485
Balance Dec. 31	7,403	7,046
Current	1,267	1,142
Non-current	6,136	5,904
	7,403	7,046

Other provisions comprise of warranty claims of TCHF541 (2003: TCHF468) and personnel related benefits of TCHF6,862 (2003: TCHF6,578).

### **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)	2004	2003
Receivables	4,967	5,242

### **14. Net sales**

CHF (000)	2004	2003
Sales to third parties	186,723	186,146
Sales to related parties	7,894	5,460
Total	194,617	191,606

Sales by product group	2004		2003	
	CHF (000)	%	CHF (000)	%
General office supplies	45,530	23.4%	49,383	25.8%
Writing instruments	70,905	36.4%	67,342	35.1%
School/ Leisure time	58,497	30.1%	60,661	31.7%
Hardcopy	7,717	4.0%	9,402	4.9%
Others	11,968	6.1%	4,818	2.5%
Total	194,617	100.0%	191,606	100.0%

## **Pelikan Group**

<b>Sales by region</b>	<b>2004</b>		<b>2003</b>	
	<b>CHF (000)</b>	<b>%</b>	<b>CHF (000)</b>	<b>%</b>
Germany	<b>97,649</b>	<b>50.2%</b>	101,766	53.1%
Switzerland	<b>12,409</b>	<b>6.4%</b>	11,886	6.2%
Rest of Europe	<b>46,857</b>	<b>24.0%</b>	41,011	21.4%
Total Europe	<b>156,915</b>	<b>80.6%</b>	154,663	80.7%
USA/ Canada	<b>2,556</b>	<b>1.3%</b>	3,458	1.8%
Latin-America	<b>23,729</b>	<b>12.2%</b>	23,895	12.5%
Other countries	<b>11,417</b>	<b>5.9%</b>	9,590	5.0%
Total	<b>194,617</b>	<b>100.0%</b>	191,606	100.0%

### **15. Other operating income**

<b>CHF (000)</b>	<b>2004</b>	<b>2003</b>
Income from the release of provisions	<b>3</b>	12
Income from licenses	<b>1,963</b>	1,703
Others	<b>2,039</b>	2,188
Total	<b>4,005</b>	3,903

### **16. Personnel expenses**

<b>CHF (000)</b>	<b>2004</b>	<b>2003</b>
Salaries and wages	<b>40,050</b>	39,090
Social security contributions and other welfare expenses	<b>10,441</b>	9,770
Pension contributions	<b>1,024</b>	1,220
Total	<b>51,515</b>	50,080

The headcount as well as the changes in the number of employees are shown on page 5. Pension expenses for retired employees are shown separately below the result before non-operating items. Personnel expenses for the year 2004 include an allocation of CHF0.7 million (prior year CHF0.7 million) to the early retirement provision related to the German companies.

### **17. Depreciation and amortization**

Depreciation on tangible and amortization on intangible assets amounted to CHF6.5 million (prior year CHF6.5 million). No impairment charges were required in the years 2004 and 2003.



## **Pelikan Group**

### **18. Other operating expenses**

CHF (000)	2004	2003
Occupancy costs	4,767	5,129
Outwards freight, packaging	3,762	3,729
Energy, other operating expenses	2,896	2,245
Licenses and commissions	1,656	2,314
External costs for logistics, administration, sales	11,274	11,630
Sales promotion	9,332	9,017
Travel expenses	1,882	1,973
Communication, EDP	1,209	1,161
Administration costs	5,162	5,357
Losses on disposal of fixed assets	106	63
Provision for doubtful debts	1,047	475
Others	1,494	1,343
Total	44,587	44,436

“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.

### **19. Result from unconsolidated companies**

The proportionate share in the 2004 result before taxation of the investments accounted for under the equity method amounted to CHF3.9 million (prior year CHF3.1 million). Share of result after taxation of the investments amounted to CHF2.6 million (prior year CHF2.1 million).

### **20. Interest and similar income**

CHF (000)	2004	2003
Interest income		
- third parties	371	306
- main shareholder	329	423
Total	700	729

### **21. Interest and similar expenses**

CHF (000)	2004	2003
Interest expense third parties	796	599
Monetary correction due to inflation	342	348
Total	1,138	947

## **Pelikan Group**

### **22. Expenses for pensioners**

The pension expenses for retired employees amounted to CHF5.2 million compared to CHF5.5 million in prior year. These expenses relate mainly to pensioners in Germany.

### **23. Taxes**

CHF (000)	2004	2003
Expense from current taxes	3,188	2,823
Income from deferred taxes	(1,098)	(1,719)
Total	2,090	1,104

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	2004	2003
Leasing and rent commitments		
- due next year	3,548	3,318
- due within 2-5 years	10,442	10,721
- due after 5 years	3,244	5,965
Total	17,234	20,004

The rental periods for land and buildings extend up to the year 2012.  
No material capital commitments existed at December 31, 2004.

### **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 2004 was CHF0.3 million (prior year CHF0.1 million). The Board Member with the highest total remuneration received net CHF 0.2 million in cash. As at December 31, 2004, loan outstanding granted by a subsidiary of Pelikan Holding AG to a Non-Executive Board Member amounted to CHF84,000. This loan with an interest rate of 3.25% is repayable in full by 31 July 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)	2004	2003
Discounted bills	881	897

Pelikan Holding AG guaranteed a maximum amount of TEUR850 to the bank of Faber-Castell Pelikan Austria GmbH for the loan facility granted by the bank to this company. As of December 31, 2004, no loans were taken up under this facility.

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.

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

### **27. 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. As of December 31, 2003 there were none.

### **28. Related party transactions**

Besides the transactions with related parties which are separately disclosed in the Notes there are the following transactions to be reported:

CHF (000)	2004	2003
<u>Expenses</u>		
Guarantee commission	-	284
Management fees/ Personnel expenses	240	370
Other expenses	-	19
<u>Income</u>		
License fees and commissions	547	457
Interest income	332	427
Other income	-	72

The guarantee commission as well as "Management Fees" were paid to the main shareholder. In 2004, the main shareholder waived its right for this commission.

During the year, Pelikan Holding AG acquired Pelikan Asia Sdn. Bhd. from Pelikan Holding Sdn. Bhd. for a consideration of MYR14,400,000.

## ***Pelikan Group***

### **29. Significant post balance sheet event**

On 8 April 2005, Diperdana Holdings Berhad (Diperdana), a company listed in Bursa Malaysia Securities Berhad (formerly known as the Kuala Lumpur Stock Exchange) has completed the acquisition of 64.94% of the equity interest in Pelikan Holding AG comprising 539,000 registered shares of CHF65.00 each and 461,000 bearer shares of CHF65.00 each from Pelikan Holding Sdn. Bhd. for a total consideration of MYR299 million. On 5 May 2005, pursuant to the Voluntary General Offer by Diperdana for the remaining bearer shares, 349,677 bearer shares were acquired by Diperdana for a total consideration MYR42 million. With this additional shareholding, Diperdana now holds 87.64% of Pelikan Holding AG.

On 11 April 2005, Pelikan Holding AG received a notification from OZ Bankers AG, Switzerland, of their shareholding of 5.07% in the Company.

## Pelikan Group

### GROUP AND ASSOCIATED COMPANIES AS AT DECEMBER 31, 2004

Country and location	Name	Capital stock in 1000	Group Holding in %	thereof directly held by Pelikan Holding AG in %	Consolidation	Operation
<b>EUROPE</b>						
<b>Austria</b>						
Brunn	Pelikan Austria GesmbH	EUR	872	100	100	C H
Brunn	Faber-Castell Pelikan Austria GmbH	EUR	1,500	50		E D
<b>Germany</b>						
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
<b>Greece</b>						
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
<b>Italy</b>						
Milan	Pelikan Italia S.p.a.	EUR	1,560	100		C D
<b>Netherlands</b>						
Rotterdam	G. Wagner Pelikan Maatschappij B.V.	EUR	3,630	100	100	C H
<b>Spain</b>						
Barcelona	Pelikan S.A.	EUR	601	100		C D
<b>Switzerland</b>						
Feusisberg	Pelikan Faber-Castell (Schweiz) AG	CHF	500	75	75	C D
Freiburg	Günther Wagner SA	CHF	100	100	100	C O
<b>Belgium</b>						
Groot-Bijgaarden	Pelikan Benelux N.V./ S.A.	EUR	837	100	100	C D

**Pelikan Group**

**GROUP AND ASSOCIATED COMPANIES AS AT DECEMBER 31, 2004**

Country and location	Name	Capital stock in 1000	Group Holding in %	thereof directly held by Pelikan Holding AG in %	Consolidation	Operation
<b>USA</b>						
Nashville, TN	Pelikan, Inc.	USD	7,633	100	100	C O
<b>LATIN-AMERICA</b>						
<b>Argentina</b>						
Buenos Aires	Pelikan Argentina S.A.	ARS	2,864	12	12	A P/D
<b>Colombia</b>						
Santafé de Bogotá	Indistri S.A.	COP	3,800,000	20	20	E P/D
<b>Mexico</b>						
Puebla	Productos Pelikan S.A. de C.V.	MXP	14,570	49	49	C P/D
<b>Peru</b>						
Lima	Carbolan S.A.	PEN	20,807	11	11	A P/D
<b>Venezuela</b>						
Caracas	Artof C.A.	VEB	50,020	35	25	E O
<b>OTHER COUNTRIES</b>						
<b>Australia</b>						
Milperra	Columbia Pelikan PTY Limited	AUD	2,659	40	40	E P/D
<b>Japan</b>						
Tokyo	Pelikan Japan K.K.	JPY	200,000	25	25	E D
<b>Malaysia</b>						
Puchong	Pelikan Asia Sdn. Bhd. (formerly known as Kolok Malaysia 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

***Pelikan Group***

**REPORT OF THE GROUP AUDITORS TO THE GENERAL MEETING**

As auditors of the group, we have audited the accompanying consolidated financial statements (consolidated balance sheet, consolidated profit and loss account, consolidated statements of cash flows and changes in equity and notes set on pages 17 to 37) of Pelikan Holding AG for the year ended December 31, 2004.

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 professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession as well as International Standards on Auditing, 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, with the following qualification, the consolidated financial statements give a true and fair view of the financial position, the results of operations and the cash flows in accordance with Swiss GAAP FER and comply with Swiss law:

The receivable from the parent company of CHF 10.2 million is stated at its nominal value. Based on the documentary evidence available to us, we are not in a position to ultimately assess the collectibility of this receivable and the value of the pledges received as security.

Despite this qualification, we recommend that the consolidated financial statements submitted to you be approved since the valuations of the pledges estimated by management at CHF 9.7 million do not appear unreasonable and the ability of the main shareholder to repay the balance on the loan account does not appear to be impossible.

Zurich, May 26, 2005

Ernst & Young Ltd

Beat Röthlisberger  
Swiss Certified Accountant  
(in charge of the audit)

Daniel Odermatt  
Swiss Certified Accountant

**Pelikan Holding AG, Baar**

**Financial Statements  
2004**



**BALANCE SHEET AS AT DECEMBER 31, 2004**

	Note	Dec. 31, 2004 CHF(000)	Dec. 31, 2003 CHF(000)
<b>ASSETS</b>			
<b>Fixed assets</b>			
Tangible assets		40	-
Investments	1	56,257	51,000
Loans receivable from subsidiary companies	2	3,525	4,448
		<b>59,822</b>	<b>55,448</b>
<b>Current assets</b>			
Other receivables		603	10
Receivables from associated companies		-	63
Receivables from subsidiary companies		391	551
Receivable from parent company	3	9,878	18,239
Bank		3,743	2,315
		<b>14,615</b>	<b>21,178</b>
<b>TOTAL ASSETS</b>		<b>74,437</b>	<b>76,626</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
Capital stock	4	100,100	100,100
Legal reserve		1,166	1,166
Revaluation reserve	5	12,286	12,286
Retained earnings		(56,997)	(60,481)
		<b>56,555</b>	<b>53,071</b>
<b>Current liabilities</b>			
Payables to subsidiary companies	6	14,655	17,485
Payable to related company of parent company		71	-
Other liabilities to third parties		228	177
Tax provisions		14	13
Other provisions		154	120
		<b>15,122</b>	<b>17,795</b>
<b>Deferred income</b>	7	<b>2,760</b>	<b>5,760</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>74,437</b>	<b>76,626</b>
<b>Contingent liabilities</b>	11	<b>17,536</b>	<b>16,925</b>

*Pelikan Holding AG, Baar*

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Note	<b>2004</b> <b>CHF(000)</b>	2003 CHF(000)
Income from investments		<b>2,137</b>	1,951
Other income		-	21
Administration expenses		<b>(1,959)</b>	(1,987)
Depreciation		<b>(11)</b>	-
Exchange differences		<b>(703)</b>	(224)
Interest income		<b>540</b>	648
Interest expense		<b>(446)</b>	(540)
Extraordinary income	8	<b>6,787</b>	59,096
Extraordinary expenses	9	<b>(2,865)</b>	(122,215)
Result before taxation		<b>3,480</b>	(63,250)
Taxes		<b>4</b>	60
Net result for the year		<b>3,484</b>	(63,190)

*Pelikan Holding AG, Baar*

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2004**

CHF (000)	Capital stock	Legal reserves	Revaluation reserve	Retained earnings	Total Equity
Balance Jan. 1, 2003	100,100	609	-	2,771	103,480
Allocation to legal reserve	-	62	-	(62)	-
Allocation to revaluation reserve	-	-	12,286	-	12,286
Merger Pelikan Int. Corporation	-	495	-	-	495
Result 2003	-	-	-	(63,190)	(63,190)
Balance Dec. 31, 2003	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

## **NOTES TO THE FINANCIAL STATEMENTS 2004**

### **1. Investments**

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

In order to eliminate the undercapitalisation resulting from the write-off of the long-term loans in 2003, prior year value adjustments on investments amounting to CHF38.7 million were reversed and credited to income and the carrying amount of the investments increased by a further CHF12.3 million over the original acquisition cost in accordance with Art. 670 of the Swiss Code of Obligations. This revaluation was based on a valuation report prepared by an independent third party.

During the year, investment in two new subsidiaries were made namely Pelikan Benelux N.V./ S.A. and Pelikan Asia Sdn. Bhd. (formerly known as Kolok Malaysia Sdn. Bhd.) for TCHF820 (TEUR520) and TCHF4,835 (MYR14.4 million) respectively. Further, a capital reduction by Productos Pelikan S.A. de C.V., Mexico reduced the investment by TCHF398.

### **2. Loans receivable from subsidiary companies**

In 2003, loans receivable from two German Pelikan companies of nominal CHF106,0 million were fully written off. Pelikan Holding AG has given waivers of claim with debt warrants on these receivables. Pelikan Holding AG can re-activate its claims when the German Pelikan companies report profits. Should the German companies irrefutably be unable to repay the loans, the main shareholder has guaranteed to make good any loss. The guarantee is not secured.

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

### **3. Receivable from parent company**

The receivable from the parent company, Pelikan Holding Sdn. Bhd., Malaysia, are partially secured by assets in Japan, Malaysia and Singapore.

### **4. Capital stock**

At December 31, 2004, 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.

## ***Pelikan Holding AG, Baar***

### **6. Loans payable to subsidiary companies**

At the end of 2004 the loans payable to subsidiary companies include mainly the liabilities to Pelikan GmbH, Hanover, Germany, in the amount of CHF 12.6 million (prior year CHF 15.3 million).

### **7. Deferred income**

In 1998 a considerable profit on disposal resulted from an intercompany sale of the investment in Pelikan GmbH which has been partially deferred. In 2004 CHF 3.0 million (prior year CHF 3.0 million) are regarded as realized and have been credited to the profit and loss account.

### **8. Extraordinary income**

CHF (000)	2004	2003
Release provisions for investments and profit from sale of investments	-	39,364
Revaluation of investments exceeding acquisition value	-	12,286
Service of debt warrants granted in prior years	3,787	4,446
Partial release of deferred income from intercompany sale of an investment	3,000	3,000
	<u>6,787</u>	<u>59,096</u>

The income from “release provisions for investments” and “revaluation of investments exceeding acquisition value” in 2003 are explained in Note 1. The “profit from sale of investments” arose from the sale of shares in Pelikan Faber-Castell (Schweiz) AG.

### **9. Extraordinary expenses**

CHF (000)	2004	2003
Value adjustment for loan to subsidiary	83	-
Value adjustment for loan with debt warrant to subsidiary	2,782	3,978
Value adjustment for loans with debt warrant to subsidiaries guaranteed by main shareholder	-	105,951
Allocation to revaluation reserve	-	12,286
Total	<u>2,865</u>	<u>122,215</u>

Value adjustment on the loans guaranteed by the main shareholder was recorded as disclosed in Note 2. According to SCO article 670, a revaluation reserve was created in an amount equal to the “income from revalued investments exceeding acquisition value” (See Note 1).

### **10. Parent company**

As of December 31, 2004 Pelikan Holding Sdn. Bhd. in Selangor Darul Ehsan, Malaysia, held 64.94 % of the shares of Pelikan Holding AG.

***Pelikan Holding AG, Baar***

**11. Contingent liabilities/ Guarantees**

Pelikan Holding AG guaranteed a maximum amount of TEUR850 to the bank of Faber-Castell Pelikan Austria GmbH for the loan facility granted by the bank to this company. As of December 31, 2004 no loans were taken up under this facility.

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.

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

*Pelikan Holding AG, Baar*

**PROPOSAL OF THE BOARD OF DIRECTORS FOR THE TREATMENT OF ACCUMULATED DEFICIT AS AT 31 DECEMBER 2004**

CHF (000)	2004	2003
Accumulated deficit/ retained earnings at January 1	(60,481)	2,709
Net result for the year	3,484	(63,190)
Accumulated deficit at December 31, to be carried forward	<b>(56,997)</b>	(60,481)

***Pelikan Holding AG, Baar***

**REPORT OF THE STATUTORY AUDITORS TO THE GENERAL MEETING**

As statutory auditors, we have audited the accounting records and the accompanying 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 December 31, 2004.

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 auditing standards promulgated by the Swiss profession, 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, with the following qualification, the accounting records and financial statements comply with Swiss law and the company's articles of incorporation:

The receivable from parent company of CHF 9.9 million is stated at its nominal value. Based on the documentary evidence available to us, we are not in a position to ultimately assess the collectibility of this receivable and the value of the pledges received as security.

Despite this qualification, we recommend that the financial statements submitted to you be approved since the valuations of the pledges estimated by management at CHF 9.7 million do not appear unreasonable and the ability of the main shareholder to repay the balance on the loan account does not appear to be impossible.

We draw your attention to the fact that any valuation adjustment that might ultimately require to be made on the shareholder's loan could result in the loss of one half of the company's share capital and legal reserves and, in such circumstances, the provisions of Art. 725 (1) of the Swiss Code of Obligations should be observed.

Zurich, May 26, 2005

Ernst & Young Ltd

Beat Röthlisberger  
Swiss Certified Accountant  
(in charge of the audit)

Daniel Odermatt  
Swiss Certified Accountant



*Pelikan Holding AG, Baar*

## **INSTITUTIONS / MANAGEMENT as at December 31, 2004**

### **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**

**Ernst & Young Ltd.**

Zurich/ Switzerland

### **Management**

**Loo Hooi Keat**

Selangor Darul Ehsan/ Malaysia

**Peter Raijmann**

Hanover/ Germany

## ADDRESSES

### EUROPE

#### Austria

Faber-Castell Pelikan Austria Ges.m.b.H.  
Industriestrasse B16  
A-2345 Brunn am Gebirge  
Tel. +43 2236 3010  
Fax +43 2236 33655  
E-Mail office@fc-pau.at  
Website www.pelikan.at

#### Italy

Pelikan Italia S.p.A.  
Via Stephenson 43/A  
I-20157 Milan  
Tel. +39 02 39016 312  
Fax +39 02 39016 361  
E-Mail dirigen@pelikanitalia.it  
Website www.pelikan.it

#### Germany

Pelikan GmbH  
Werftstrasse 9  
D - 30163 Hanover  
Tel. +49 511 6969 1  
Fax +49 511 6969 212  
E-Mail info@pelikan.de

#### Spain

Pelikan S.A.  
Valencia, 307-313  
E-08009 Barcelona  
Tel. +34 93 476 2600  
Fax +34 93 459 1867  
E-Mail pelikan@pelikan.es  
Website www.pelikan.es

Pelikan PBS-Produktionsgesellschaft mbH & Co. KG  
Factory Vöhrum  
Pelikanstrasse 11  
D - 31228 Peine  
Tel. +49 5171 299 0  
Fax +49 5171 299 205  
E-Mail produktion@pelikan.de

#### Switzerland

Pelikan Faber-Castell (Schweiz) AG  
Chaltenbodenstrasse 8  
CH-8834 Schindellegi  
Tel. +41 1 786 70 20  
Fax +41 1 786 70 21  
E-Mail info@pelikan.ch  
Website www.pelikan.ch

Pelikan Vertriebsgesellschaft mbH & Co. KG  
Werftstrasse 9  
D - 30163 Hanover  
Tel. +49 511 6969 0  
Fax +49 511 6969 212  
E-Mail vertrieb@pelikan.de (domestic sales)  
E-Mail international@pelikan.de (international sales)  
Website www.pelikan.de

Pelikan Holding AG  
Zugerstrasse 76b  
CH-6340 Baar  
Tel. +41 41 768 50 90  
Fax +41 41 768 50 95  
E-Mail pelikan@zsp.ch  
Website www.pelikan.ch

#### Greece

Pelikan Hellas E.P.E.  
8 km of Vari-Koropi Avenue  
Koropi Industrial Zone  
GR-194 00 Koropi  
Tel. +30 210 6625 129  
Fax +30 210 6626 232  
E-Mail pelikan@pelikan.gr  
Website www.pelikan.gr

#### Belgium

Pelikan Benelux N.V./ S.A.  
Stationsstraat 43  
B - 1702 Groot-Bijgaarden  
Tel. +32 2 481 87 00  
Fax +32 2 481 87 19  
E-Mail info@pelikan.be  
Website www.pelikan.be

## **LATIN-AMERICA**

### **Argentina**

Pelikan Argentina S.A.  
Av. Belgrano 1586 Piso 8  
Edificio Belgrano Plaza  
C1093AAQ Buenos Aires, Argentina  
Tel. +54 11 4124 3100  
Fax +54 11 4124 3199  
E-Mail [info@pelikan.com.ar](mailto:info@pelikan.com.ar)  
Website [www.pelikan.com.ar](http://www.pelikan.com.ar)

### **Colombia**

Indistri, S.A.  
Carrera 65-B 19-17  
Bogotá, D.C. Colombia  
Tel. +571 261 1711  
Fax +571 290 5550  
E-Mail [wjoecker@compuserve.com](mailto:wjoecker@compuserve.com)  
Website [www.indistripen.com.co](http://www.indistripen.com.co)

### **Mexico**

Productos Pelikan, S.A. de C.V.  
Carretera a Tehuacán 1033  
Col. Maravillas  
C.P. 72220 Puebla, Pue. México  
Tel. + 52-222-309-8000  
Fax + 52-222-309-8049  
E-Mail [direccion.general@pelikan.com.mx](mailto:direccion.general@pelikan.com.mx)  
Website [www.pelikan.com.mx](http://www.pelikan.com.mx)

## **REST OF THE WORLD**

### **Australia**

Columbia Pelikan PTY Ltd. / Pelikan Quartet PTY Ltd.  
91 Ashford Avenue  
Milperra, NSW 2214, Australia  
Tel. +61 2 8707 6100  
Fax +61 2 8707 6111  
E-Mail [customersupport@pelikan.com.au](mailto:customersupport@pelikan.com.au)  
Website [www.pelikanquartet.com.au](http://www.pelikanquartet.com.au)

### **Japan**

Pelikan Japan K.K.  
Ishida Bldg. 3F  
3-14-1, Ueno  
Taito-ku, Tokyo 110-0005, Japan  
Tel. +81 3 3836 6541  
Fax +81 3 3836 6545  
E-Mail [pelikan@pelikan.co.jp](mailto:pelikan@pelikan.co.jp)

### **Malaysia**

Pelikan Holding Sdn. Bhd.  
Lot 3410 Mukim Petaling  
12 1/2 Miles, Jalan Puchong  
47100 Puchong  
Selangor Darul Ehsan, Malaysia  
Tel. +603 8062 1223  
Fax +603 8062 3407  
E-Mail [hkloo@pelikan.com.my](mailto:hkloo@pelikan.com.my)  
Website [www.pelikan.com](http://www.pelikan.com)

### **Pelikan Asia Sdn. Bhd.**

Lot 3410 Mukim Petaling  
12 1/2 Miles, Jalan Puchong  
47100 Puchong  
Selangor Darul Ehsan, Malaysia  
Tel. +603 8062 1223  
Fax +603 8062 3407  
E-Mail [hkloo@pelikan.com.my](mailto:hkloo@pelikan.com.my)

### **Singapore**

Pelikan Singapore-Malaysia Pte. Ltd.  
41, Jalan Pemimpin # 02 - 04  
Kong Beng Industrial Building  
Singapore 577186  
Tel. +65 2585 231/2  
Fax +65 2584 157  
E-Mail [enquiry@pelikan.com.sg](mailto:enquiry@pelikan.com.sg)

### **Taiwan**

Pelikan Singapore-Malaysia Pte. Ltd.  
Taiwan Branch  
1F, 32, Lane 21, Hwang Chi Street  
Taipei, Taiwan 111  
Tel. +886 2 8866 5818  
Fax +886 2 8866 3102  
E-Mail [pelikan@cm1.hinet.net](mailto:pelikan@cm1.hinet.net)

### **Thailand**

Pelikan (Thailand) Co. Ltd.  
125/12-13 Moo6, Kanchana-pisek Road  
Bangkae Nua, Bangkae  
Bangkok 10160, Thailand  
Tel. +662 804 1415-8  
Fax +662 804 1420  
E-Mail [pelikan@pelikan.co.th](mailto:pelikan@pelikan.co.th)

Further information as well as representatives in other countries are listed in the Internet at [www.pelikan.com](http://www.pelikan.com)