



**PELIKAN HOLDING AG**

**2014 ANNUAL REPORT**

## CONTENTS

	<u>Page</u>
Report of the Board of Directors	2
Key Figures	3
Management Report	4 – 9
Corporate Governance	10 – 19
<b>Pelikan Group Financial Statements 2014</b>	
Consolidated Income Statement	21
Consolidated Balance Sheet	22 – 23
Consolidated Statement of Cash Flows	24
Consolidated Statement of Changes in Equity	25
Notes to the Consolidated Financial Statements	26 – 43
Group and Associated Companies	44 – 45
Report of the Statutory Auditors on the Consolidated Financial Statements to the General Meeting	46 – 47
<b>Pelikan Holding AG, Feusisberg Financial Statements 2014</b>	
Income Statement	49
Balance Sheet	50
Statement of Changes in Equity	51
Notes to Financial Statements	52 – 56
Proposal of the Board of Directors for the Treatment of Accumulated Deficit	57
Report of the Statutory Auditor to the General Meeting	58 – 59
Institutions / Management	60
Addresses	61 – 63

## REPORT OF THE BOARD OF DIRECTORS

Dear Shareholders,

In 2014, the Group achieved an operating profit of CHF 6.8 million compared to prior year's operating profit of CHF 8.9 million. The Group had on 1 March 2014 integrated the PBS Business of Germany and Austria of Herlitz AG Group via the asset deal after which the Group incurred one-time costs to integrate the Herlitz PBS Business during the year.

The integration of Herlitz PBS Business had a significant effect on the Group's overall sales which had increased by 55 % to CHF 285.8 million. In addition, the subsidiaries in Latin America showed once again a satisfying growth in sales.

The Group is cognisance of the importance of sales growth and has introduced various new products in 2014 and focus on investments in research and development to ensure a periodical launch of innovative and attractive product assortments. With the commitment of the management to innovation and brand sales for "Pelikan", "herlitz", "Geha" and "Susycard", the Group is poised to tap the market with the right products, brand strategies and pricing.

In 2014, the Group won some important international awards. The fine writing fountain pen Maki-e Ginko & Maple Leaves won the 20<sup>th</sup> Annual Readers' Choice Award in the category "Best Urushi Arts Pen" from the magazine Pen World. In addition, the Pelikan calendar "Moments of Joy" gained the finalist certificate of the World Luxury Awards.

In December 2014, the shareholders have approved the contribution in kind by the Company to contribute 100% of Pelikan Vertriebsgesellschaft mbH & Co.KG, 100 % of Pelikan Vertrieb Verwaltungs-GmbH, 100% of Pelikan N.V./S.A., 100 % of Pelikan (Schweiz) AG, 49.99 % of Pelikan Mexico S.A. de CV, 25 % of Pelikan Japan K.K., 9.13 % of Pelikan Colombia S.A.S. and 3.24 % Pelikan Argentina S.A. into Herlitz AG in exchange for 123'410'554 new Herlitz shares at 1.00 EUR each. The parent company Pelikan International Corporation Berhad and its subsidiaries are also contributing certain assets into Herlitz AG to form an enlarged stationary group going forward. The Company will participate in this exercise and expects to yield benefits from a larger scale operations going forward. The Group looks forward to the completion of this exercise to move ahead on its plans and investment participation under the new enlarged Pelikan organization under Herlitz AG which will be renamed "Pelikan AG" on completion.

On behalf of the Board of Directors



Loo Hooi Keat  
28 April 2015

## KEY FIGURES

### Pelikan Group

Figures in CHF million

	2014	2013	2012	2011	2010
Net sales	285.8	184.3	201.2	225.6	272.7
Operating results	6.8	8.9	1.1	(1.8)	(7.2)
Profit / (loss) before taxation	6.3	7.6	(1.4)	0.6	(6.1)
Net profit / (loss)	13.3	5.4	(4.8)	(7.9)	(10.7)
Non-current assets	56.6	40.8	40.0	43.4	69.6
Total equity excluding minorities	(0.1)	(7.7)	(10.5)	(10.0)	(2.7)
Provisions for pensions and similar commitments	49.3	52.4	54.6	56.0	60.6
Balance sheet total	179.7	135.6	154.3	180.5	203.2
Share of the balance sheet total in %					
Non-current assets	31.5%	30.1%	25.9%	24.1%	34.3%
Total equity excluding minorities	(0.1%)	(5.7%)	(6.8%)	(5.5%)	(1.3%)
Provisions for pensions and similar commitments	27.4%	38.6%	35.4%	31.0%	29.8%
Tangible and intangible assets					
Investments	11.4	5.3	3.9	2.8	3.7
Depreciation and amortization	4.8	5.1	6.9	10.2	11.1
Number of employees	1,264	1,062	1,119	1,275	1,384
Personnel expenses	62.9	51.2	58.0	61.4	72.6

### Pelikan Holding AG

Result for the year	(6.7)	(2.0)	(2.8)	12.5	3.5
Dividend	-	-	-	-	-
Shareholders' equity	55.3	61.9	64.0	66.8	54.3

### Key figures per share

Data per bearer share in CHF					
Nominal value each CHF65					
Earnings / (loss) per share	6.3	1.4	(5.0)	(6.6)	(8.6)
Dividend per share in %	-	-	-	-	-
Share prices					
Highest	25.7	45	50	63	65
Lowest	19	16	10	39	40

## **PELIKAN GROUP**

### **MANAGEMENT REPORT**

#### **Business in 2014**

The Group's net sales increased by 55.1% to CHF 285.8 million from CHF 184.3 million in year 2013. This significant increase is mainly driven by the integration of Herlitz PBS business in Germany and Austria to Pelikan Vertriebsgesellschaft mbH & Co. KG, Germany. Due to this integration the European net sales contributed 75.1% to the Group's net sales. Also in the other parts of the world net sales could be increased by 2.9% from CHF 69.1 million in prior year to CHF 71.2 million in 2014. Mainly the Latin America countries came back to a growth of 3.7% after a year of slight decrease.

The integration of Herlitz PBS business in Germany and Austria also influenced the Group's operating result. In the first year of integration, the Group had to invest to gain future synergies. Nevertheless, the efforts of the last year was to focus on core competencies and to increase the profitability of assortments and such actions contributed to an operating profit of CHF 6.8 million. This is again mainly driven by the positive development of German entities as well as the positive results of the Latin America subsidiaries.

The Group achieved a profit before taxation in an amount of CHF 6.3 million compared to CHF 7.6 million in 2013. The consolidated net result for the year shows a profit of CHF 13.3 million compared to CHF 5.4 million in the year before. The significant increase is due to higher income from deferred taxes which is referring a faster usage of tax losses.

#### **Important contracts**

On 27 December 2013 Pelikan Holding AG entered into an agreement to purchase from Herlitz PBS Aktiengesellschaft Papier-, Büro- und Schreibwaren ("Herlitz") the German and Austrian stationery business as well as the brands HERLITZ and SUSYCARD with effect from 1 March 2014 for a purchase consideration of EUR 15.6 million. Herlitz is a 71.3% subsidiary company of Pelikan International Corporation Berhad.

At the beginning of 2014, Pelikan Holding AG has incorporated a 100% subsidiary, Pelikan Hardcopy Distribution Gesellschaft mbH & Co. KG, Hanover, Germany. This entity has taken over the German distribution of printer consumables from Pelikan Vertriebsgesellschaft mbH & Co. KG from 1 June 2014 on. With this step, the Group has a sales entity with clear focus on the profitable expansion of the distribution of printer consumables while Pelikan Vertriebsgesellschaft will bring forward the German PBS business under PELIKAN and HERLITZ brand.

In July 2014, the Group's main shareholder, Pelikan International Corporation Berhad, proposed the integration of equity participations of the Pelikan Group into Herlitz AG. In December 2014, the extraordinary shareholders meeting resolved on the contribution in kind in an exchange of 123'410'554 new shares in Herlitz AG, Berlin, Germany.

## Sales

### Sales by region

Germany	52.6%
Italy	3.3%
Switzerland	2.4%
Rest of Europe	16.8%
Latin-America	20.9%
Other countries	4.0%

The Group's net sales increased from CHF 184.3 million in year 2013 to CHF 285.8 in 2014 which is an increase of 55.1% compared to previous year. This increase was due to the integration of Herlitz PBS business in Germany and Austria. While the sales of school, hobby and office products showed a solid development, the Group realized lower sales of printer consumables, especially in Germany and on other European markets.

Overall, the contribution of sales from the European markets to the Group sales increased from 62.5% in 2013 to 75.1% in 2014. In the same period of time, the net sales in Latin America contributed 20.9 % to the Group's turnover compared to 31.3% a year ago. This development is due to the integration of Herlitz PBS business which is based in Europe.

## Results

In million CHF	2014	2013
Profit / (loss) before taxation	6.3	7.6

The operating results of Pelikan Group amounted to CHF 6.8 million (2013: CHF 8.9 million). Included in operating results are expenses for pensioners in the amount of CHF 4.5 million (2013: CHF 3.6 million). The result from associated companies showed an after tax profit of CHF 0.2 million compared to CHF 0.1 million in the previous year. The Pelikan Group incurred a reduced financial result of CHF 0.6 million due to foreign exchange rate gains in 2014 (2013: CHF 1.4 million). Overall, the Group achieved a net profit of CHF 13.3 million which is an increase compared to CHF 5.4 million in 2013.

At Pelikan Holding AG company level, the financial statements showed a net loss of CHF 6.7 million for the year (2013: net loss of CHF 2.0 million). In year 2014, the result of Pelikan Holding AG had been negatively influenced by extraordinary expenses of CHF 4.2 million (2013: CHF 5.8 million) resulting from necessary equity measurements for subsidiaries in Europe as well as from value adjustment for a loan to a subsidiary in the Netherlands. In addition, Pelikan Holding AG bears the costs for restructuring in Pelikan Vertriebsgesellschaft mbH & Co. KG in 2014 in amount of CHF 2.5 million.

## Personnel

The Group's number of employees increased in 2014 due to the takeover of Herlitz business in Germany:

Personnel	31 Dec. 2014	31 Dec. 2013	31 Dec. 2012
Germany	497	338	356
Switzerland	14	16	16
Italy	17	21	28
Rest of Europe	75	67	73
<b>Total Europe</b>	<b>603</b>	<b>442</b>	<b>473</b>
Latin-America	631	597	618
Other countries	30	23	28
<b>Group's total</b>	<b>1,264</b>	<b>1,062</b>	<b>1,119</b>

## Investments in fixed assets

Investments in fixed assets during the year amounted to CHF 5.9 million (2013: CHF 4.9 million). Major investments were made in Germany, amongst others, for the following projects:

- Tooling and equipment for new production lines for:
  - a) Fine writing instruments:
    - Special Edition M805 Demonstrator
    - Porsche Design ShakePen Big Carbon
    - P200 Ink cartridge fountain pen
    - Edelstein Ink cartridge
  - b) School – writing:
    - Griffix Stylus pen
    - Griffix - relaunch
    - Pelikano - relaunch
  - c) School – painting
    - Color paint box Space+
  - d) Office
    - Erasable highlighter
- Other new equipment for production included tools and machines for roller pen cartridge, machine for laser treatment, injection moulding machines as well as central cooling for injection moulding department.
- “Shop in Shop” projects have been continued with investment in furniture for fine writing instruments dealers.

## Quality Management

Pelikan's Hanover, Falkensee and Voehrum operations as well as Pelikan's operation in Mexico have obtained ISO 9001:2008 certification and ISO 14001:2004 certification awarded by SGS-International Certification Services GmbH, Hamburg in 2014 respectively SGS Société Générale de Surveillance SA in 2012. These certifications and its frequent audits confirm that an efficient and well documented Quality Management System is being implemented to ensure reliability and business processes of the highest quality and that the certified entities are environmental friendly companies with a certified environmental management system.

Additional to the above mentioned certification, Pelikan Mexico was audited by the Secretaria del Trabajo y Prevision Social (STPS) and received the certification of Procuraduria Federal de Proteccion al Ambiente (PROFEPA) for the 8<sup>th</sup> time as clean environmental friendly industry as well as a recognition of loyalty to the National Program of Environmental Audit.

## Research and development

In 2014, CHF 3.4 million (2013: CHF 3.2 million) were spent on research and development projects to further strengthen the Pelikan products assortment. Beside others, important projects were:

- Development of Special Edition "P200 Ink Cartridge Fountain Pen"
- Development of "Porsche Design ShakePen BIG Carbon"
- Advancement "Griffix 2.0"
- Development "Pelikan Erasable Highlighter"

## Risks of future development

Pelikan Group offers an extensive assortment of products worldwide for the high-end market, school and hobby, as well as office supplies and printer consumables. In our major markets we have to face structural changes and an increasing market concentration in the trade as well as a trend in trade to strengthen its business with own private labels leading to pressure on prices and margins. Also the high prices for the main raw materials of the Group such as plastics granulate and gold seen in the last years and expected to remain high in the near future, will result in further pressure on gross margins. The Group will react on these risks with a continuous focus on the development of innovative products as well as a further strengthening of the brands PELIKAN and herlitz.

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. As a major part of this system, also a cash flow monitoring system has been implemented to monitor and manage the liquid funds of the Group.



## **Risk management policy and framework**

The enterprise risk management policy of Pelikan Group is to identify, measure and control risks that may prevent the Group from achieving its business objectives. Pelikan Group seeks to apply risk management in all parts of its business to ensure risks are minimized and opportunities are explored.

Risk management practices have been inherent in the way Management has conducted business. The practice, values and culture that have endured to the present day have always exercised profound effect on management's conduct. The Board of Directors has always regarded risk management as an integral part of this conduct.

The key elements of the Group's risk management strategies are described below:

- Clearly defined lines of accountability and delegated authority;
- Regular and comprehensive information provided to Management, covering operating and financial performance and key business indicators such as resource utilisation and cash flow performance;
- Detailed budgeting process where operating units prepare budgets for the coming year, which are approved both at operating unit level and by the Board;
- Monthly monitoring of results against budget, with major variances being followed up and management action taken; and
- Regular visits to operating units by members of the Board and Senior Management.

## **Internal control**

The Group's approach to internal control is based on the underlying principle of line management's accountability for risk and control management. The Group adopts the risk-based approach towards internal control and that the Management in the Group is responsible for implementing, operating and monitoring the system of internal controls, which is designed to provide reasonable but not absolute assurance of achieving business objectives.

Pelikan Holding AG has implemented an Internal Control System in accordance with Swiss Code of Obligations on Group level in the form of the Enterprise Risk Management System (ERM) of Pelikan International Corporation Berhad. The procedures described in this Internal Control System have been applied and constantly reviewed by the Board of Directors for the financial year 2014 on Group and selected major subsidiaries level.

## **Risk management and internal audit function**

The Pelikan Group has an internal audit function that assists the Board of Directors in providing an independent assurance on risk management and internal controls. The audit focuses on regular and systematic review of the internal controls and management information systems. The scopes of the internal audit function cover the audit of the adequacy of risk management, operational controls, compliance with established procedures, guidelines and statutory requirements of the Group.

The Board of Directors discusses and approves on measures regarding significant changes in business activities as well as on restructuring.

## Outlook

Going forward the Group will still be focussed on growing its key stationary business via its investment in Herlitz AG. In addition, it will also focus on improving the performances of its remaining subsidiaries in smaller European and Asian markets which still have opportunities for growth.

The business activities in the rest of Europe are still affected by the uncertainties in the markets. Especially in Southern Europe the consumer demand and buying power is still on a low level. The Group is looking on these developments with care.

The concentration of the Group's stationary business into Herlitz AG is expected to provide the Group with more focused management and cost structures to compete in changing and competitive market. Accordingly, strengthening the business and provide future growth opportunities to the Group as a whole.

The statements in this business report relating to matters that are not historical facts are forward-looking statements that are not guaranteed for future performance and involve risks and uncertainties, including but not limited to future global economic conditions, foreign exchange rates, regulatory rules, market conditions, actions of competitors and other factors beyond the control of the Group.

## **PELIKAN GROUP**

### **CORPORATE GOVERNANCE**

Pelikan Holding AG (the “Company”) is incorporated in Switzerland and governed by Swiss law.

#### **Group structure**

Pelikan Holding AG Group is organized into four geographical units: Europe, Americas, Middle East/Africa/India and South East Asia/China/Taiwan/Japan/Korea. These units are supported by four centralized functions of Procurement, Brand Management, Production and Research & Development (R&D) and Group Corporate Services.

The subsidiaries and associated companies are not listed on a stock exchange and are disclosed on pages 44 to 45 of the Group’s consolidated financial statements.

#### **Capital structure**

As at 31 December 2014, the share capital of Pelikan Holding AG is CHF 100.1 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 the share capital since 1997.

Pelikan Holding AG has neither authorized nor conditional capital. There were no participation certificates or warrants issued as at the balance sheet date.

There are no cross-shareholdings.

The bearer shares of Pelikan Holding AG, Feusisberg, Switzerland were listed on the SIX Swiss Exchange on the Domestic Standard with security no. 632875 until 2 March 2015. The market capitalization of the listed shares amounted to CHF 21.1 million as of 31 December 2014. The delisting has been resolved by the shareholders at Annual General Meeting at 21 June 2012 and was completed at 2 March 2015.

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

Pelikan International Corporation Berhad, a company listed in Bursa Malaysia Securities Berhad (the Malaysia Stock Exchange) (“Bursa Malaysia”) has a direct holding of 1,448,853 (94.08%) and indirect holding of 40,000 (2.60%) in Pelikan Holding AG shares. Due to the pledge of some of the shares with transfer of the voting rights to certain Malaysian banks for financing purposes, the percentage of voting rights of Pelikan International Corporation Berhad by 31 December 2014 is 67.46% (2013: 51.69%). The voting rights percentage of HSBC Bank Malaysia Berhad is 16.23% and CIMB Bank Malaysia Berhad holds 12.99% of the voting rights by 31 December 2014 due to the pledge of shares as mentioned above. In 2013, 12.99 % of the voting rights were held by OCBC Bank Malaysia Berhad and Overseas Chinese Banking Corporation Berhad (as a group) due to a pledge of shares. This pledge has been released in 2014 and voting rights were given back to Pelikan International Corporation Berhad.

## **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 ("CO").

## **Legitimacy of shareholders**

For each share, the Company accepts only one beneficiary: for bearer shares by legitimation through the possession of the titles and for registered shares, the legitimacy of shareholders is determined by the names as per the register of shares.

## **Transfers of registered shares**

The transfers of registered shares require in each case the consent of the Board of Directors (the "Board"). Until such consent is granted, the ownership of the shares and all rights therefrom remain with the seller. The Board can refuse the transfer of registered shares of the Company without explanation when the Board is prepared to buy these shares at their actual value for the account of the Company (up to a maximum of 20 % of the share capital) or for other shareholders or third parties at the time of application for registration into the share register. Further, the Board of Directors can refuse the registration in the share register without any obligation to buy these shares, if (i) a purchaser would directly or indirectly hold 5% of all registered shares, (ii) such registration would impede the company to comply with legal requirements of Swiss law, (iii) the purchaser is directly or indirectly in competition with the company, (iv) the purchaser does not declare to hold these shares for its own name and for its own account.

## **Board of Directors**

The duties of the Board are governed by the CO, the Articles of Association, and the Organizational Regulations.

The composition of the Board shall be no less than three members. At least half of the members of the Board must be persons proposed by the registered shareholders.

The General Shareholders' Meeting annually elects a President and the Board annually elects a Vice-President among those members who were elected based on the proposal of the registered shareholders. The Board establishes regulations and elects a Secretary who does not have to be a member of the Board nor a shareholder.

Elections and resolutions of the Board are passed by absolute majority of the votes casted by its elected members. In the case of a tie, the President casts the deciding vote.

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 to the judge in case of insolvency.

## Board of Directors (Contd.)

The Board issued the Organizational Regulations of the Company on 22 September 1997. The Organizational Regulations set out the duties and the responsibilities of the Company's governing bodies, which are comprised of: 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). The Board actually convened twice in 2014.

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. A remuneration committee (members are Mr. Loo and Mr. Ho) has been elected at General Shareholders' Meeting 2014.

The Board is briefed on a monthly basis. Detailed management reports from the controlling system show the business development including budget-actual comparisons. The Board furthermore constantly reviews the Internal Control System and Risk Management System being assisted by the internal audit functions (please also refer to page 8).

The Board also attends meetings and conferences with the Group Management to discuss about the Group's business and strategic directions. Ad hoc meetings were also held by advisers of certain subsidiaries to brief the Board on certain ongoing projects.

## Members of the Board

Members of the Board as of 31 December 2014:

Name	Age	Function	Nationality	Since	Elected until
Loo Hooi Keat	60	President	Malaysia	1997	AGM 2015
Frauke Wandrey	46	Vice-President	Germany	2011	AGM 2015
Ho Ming Hon	40	Member	Malaysia	2012	AGM 2015

(AGM = Annual General Meeting)

Secretary of the Board is Frauke Wandrey, Hanover.

The Members of the Board and the President are elected by the general meeting individually by the majority of the shareholders in the general meeting (simple majority of the present votes). The Board of Directors will be (re)elected each year.

### **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 1997. He received his training in accountancy from a reputable international accounting firm in Malaysia where he obtained his Certified Public Accountant accreditation. Since then, he has gained over 30 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. Loo Hooi Keat is presently the President/Chief Executive Officer of Pelikan International Corporation Berhad. Until 8 December 2010, he was also Executive Vice President and sat on the board of directors of Konsortium Logistik Berhad, a public company listed in the Bursa Malaysia. In June 2010 he has furthermore been appointed as Supervisory Board Member of Herlitz AG and Herlitz PBS AG. He was temporarily seconded to the Management Board of Herlitz AG and Herlitz PBS AG as of October 2012 and was elected by the Supervisory Board as a permanent member of the Management Board of Herlitz AG and Herlitz PBS AG in June 2013.

### **Frauke Wandrey, Germany**

Frauke Wandrey has a degree in Law (First and Second State Exam) and is admitted as Attorney (Rechtsanwältin). She joined Pelikan Group in March 2000 as Head of Legal Department, Germany, after practicing as Attorney in an international law firm. Since June 2011, she is appointed additionally to her function as General Counsel of Pelikan Holding AG Group and Company Secretary, Managing Director of Pelikan PBS-Produktionsgesellschaft mbH & Co. KG and Pelikan GmbH, Hanover, she stepped down from these positions on 7 November 2014 and 24 October 2014 resp. By 1 January 2014 Frauke Wandrey has furthermore been appointed as Board Member of Herlitz AG.

### **Ho Ming Hon, Malaysia**

Ho Ming Hon graduated with a Bachelor of Accounting in 1998 and was attached with a “Big 4” audit firm where he gained his professional qualification as a Certified Public Accountant. He subsequently joined an investment bank where he specialised in corporate finance and had undertaken various corporate exercises such as mergers and acquisitions, restructuring, fund raising and also initial public offerings. He joined the Pelikan Group in 2007 as the Vice President of Group Corporate Services.

## Group Management

Name	Age	Nationality	Function
Loo Seow Beng	57	Malaysia	Head of Group Procurement
Claudio Esteban Seleguan	52	Argentina	CEO Pelikan Americas
Torsten Jahn	40	Germany	CEO Pelikan Europe
Sven Josef Vergauwen	42	Belgium	European Sales Director (ex. Germany and Austria)
Elisabeth Gebler	47	Germany	Head of European Marketing

### Loo Seow Beng

Loo Seow Beng has a Bachelor of Science in Business. Previously, he worked with a large international audit firm. He joined Pelikan Singapore-Malaysia Pte. Ltd. in 1995 and was subsequently seconded to Pelikan Hanover, responsible for the coordination of sales in Asia and the rest of the world in early 2000s. He is presently in charge of International Procurement.

### 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 CEO for Latin America, United States of America and Canada. In December 2014, he joined the board of Herlitz AG with responsibility for sales and marketing (ex Germany, Austria and Switzerland).

### Torsten Jahn

Torsten Jahn graduated with a Diploma in Economics. After that he gained his specialities as Certified German Tax Consultant and Certified Valuation Analyst. He is a Member of the International Association of Consultants, Valuators and Analysts. He started his career in 1999 as an auditor in a “Big 4” audit firm. Torsten Jahn joined Pelikan in 2003 and has been appointed as Managing Director of Pelikan Vertriebsgesellschaft mbH & Co KG as from January 2011. Beside his role as Managing Director of Pelikan Vertriebsgesellschaft mbH & Co KG, Torsten Jahn acted as Member of the Board of Directors of Pelikan Holding AG from AGM June 2011 until AGM June 2012. By 1<sup>st</sup> January 2014 Torsten Jahn has been appointed as the CEO of Pelikan Europe. In March 2015, he joined the board of Herlitz AG with responsibility for sales and marketing in Germany, Austria and Switzerland.

### Sven Josef Vergauwen

Sven Vergauwen has a Masters in Marketing Management. He served as a Product Manager, Key Account Manager and Marketing Manager at Geha Benelux N.V. From 1999 til 2002 he acted as International Sales and Marketing Manager at Agfa-Gevaert N.V. Sven Vergauwen joined Pelikan Benelux N.V. as Business Development Manager in 2002 and was appointed as Managing Director of Pelikan Benelux in 2004. Sven Vergauwen has furthermore been appointed as European Sales Director (ex Germany and Austria) for Pelikan and Herlitz.

## Elisabeth Gebler

Elisabeth Gebler holds a Diploma in Economics and has more than 18 years of experience in the FMCG Business. Before joining Pelikan in December 2010, she worked for Newell Rubbermaid in various functions for 13 years. She is in charge of European Marketing and Product Development.

## Compensation, shareholdings and loans

During the financial year, there were no variable board fees paid to any Board Members. There is no board fee for the AGM period 2013-2014. Remuneration to the Board Members is effected according to the rules set out for the Group Management.

Like all employees of the Group, the members of the Group Management 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 labour market environment. Compensation based on individual contracts 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 by the President of the Board of Directors and the respective Member of the Group Management, have been attained and is also linked to the financial results of the Group (earnings before interest and tax and turnover) for each preceding financial year. The President of the Board of Directors approves the compensation of the members of the Group Management and informs the Board of Directors during the Board Meetings. The variable component of pay to members of the Group Management amounted to between 0 and 56 percent of the fixed components.

Details of the compensation paid to active members of the governing bodies are set out below.

### Remuneration of members of the Board of Directors

CHF (000)

	Salaries	Bonus	Compensation for Board committee members	Pension, social insurance fund and benefits in kind	Total 2014	Total 2013
<b>Executive directors</b>						
Loo Hooi Keat*	-	-	-	-	-	-
Ho Ming Hon**	107	4	-	9	120	109
Frauke Wandrey***	225	44	-	14	283	244
<b>Total remuneration of Board of Directors</b>	<b>332</b>	<b>48</b>	<b>-</b>	<b>23</b>	<b>403</b>	<b>353</b>



**Remuneration of the Executive Committee and Group Management**  
CHF (000)

	Salaries	Bonus	Compensation for Board committee members	Pension, social insurance fund and benefits in kind	Total 2014	Total 2013
<b>Chief Executive Officer</b>						
Loo Hooi Keat*	653	-	-	62	715	565
<b>Others</b>						
Annual salaries and fees					880	900
Bonus					286	362
Pension and social insurance fund					81	86
Benefits in kind					29	47
Severance payment****					-	16
					<b>1,991</b>	<b>1,976</b>

- \* Remuneration of Loo Hooi Keat was mainly paid by the parent company, Pelikan International Corporation Berhad, in the capacity as Chief Executive Officer ("CEO") of Pelikan International Corporation Berhad Group (including Pelikan International Corporation Berhad's direct subsidiaries, Pelikan Holding AG Group, Pelikan Hardcopy Holding AG Group and Herlitz AG Group). Part of his payment (CHF 218,000) Loo Hooi Keat received in his capacity as Member of the Management Board of Herlitz AG.
- The President and CEO, Loo Hooi Keat was the member of the Board of Directors and Group Management with the highest total remuneration for 2014.
- \*\* Remuneration of Ho Ming Hon was mainly paid by the parent company, Pelikan International Corporation Berhad, in the capacity as Head of Group Corporate Services of Pelikan International Corporation Berhad Group (including Pelikan International Corporation Berhad direct subsidiaries, Pelikan Holding AG Group, Pelikan Hardcopy Holding Group and Herlitz AG Group). Part of his payment (CHF 36,000) Ho Ming Hon received in his capacity as Managing Director of ReMerch GmbH.
- \*\*\* Remuneration of Frauke Wandrey was paid by Herlitz AG, a subsidiary of the main shareholder Pelikan International Corporation Berhad, in her capacity as Member of the Management Board of Herlitz AG. Bonus was taken into account in degree of goal attainment (100% CHF 60,000).
- \*\*\*\* The severance payment disclosed above was paid to Arno Telkämper who resigned in 2013. There was no severance payment made in 2014 to any Board Member or Member of the Group Management who resigned in earlier years. There are no other contracts with Members of the Board of Directors or Group Management providing for severance payments during the year.
- No compensation was paid in 2014 financial year to members of the Board of Directors or Group Management who stepped down in the previous period.
- There was no non-cash compensation in the form of shares or options or any other form given to the Company's governing bodies.
- None of the members of the management team held shares in Pelikan Holding AG as of 31 December 2014. The direct and indirect interest of Loo Hooi Keat in Pelikan International Corporation Berhad is 10.12% and 7.76% respectively.
- No advances or credits were granted to any members of the Board of Directors.
- There are no pension commitments in respect of current or former members of the Board of Directors of Pelikan Holding AG.
- In case of dissolving the engagement with the company, there are no agreements providing for a benefit of the members of the Board of Directors or the Management.
- There are no management contracts in 2014.

## **Options**

Since options have never been part of the compensation package paid to members of the Group Management or the Board of Directors, neither they nor persons closely linked to them possess any such options.

## **Loans to members of the governing bodies**

As of 31 December 2014, neither Pelikan Holding AG nor its subsidiaries had granted any guarantees, loans, advances or credit facilities to members of the Group Management or the Board of Directors.

## **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.

In case of a change of control in the company, there are no agreements providing for a benefit of the members of the Board of Directors or the Management (“golden parachutes”).

## **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. At least twenty days must elapse between the day of publication or the dispatch of the invitation and the day of the General Meeting. The deadline is considered to be observed if the written invitations are posted not later than 23 days before the date of the General Meeting.

## **Agenda**

A shareholder or several shareholders representing together a par value of at least more than one million Swiss Francs are entitled to request Ordinary General Shareholders’ Meetings to discuss and resolve upon specific matters of business that will be included in the agenda and sent with the invitation. The Board, at the latest, must receive this request by the end of the financial year preceding the meeting in writing. Motions not in line with laws or the Articles of Association must not be included for discussion.

## Resolutions and elections at General Meetings

Each share carries one vote. Each shareholder can be represented by proxy in writing at the General Shareholders' Meeting. The Board can issue conditions to verify the possession of the share titles. The Board can regulate the issuance of voting cards and the form of the power of attorney. The company does not make any registration in the share register during the period starting from the day of sending the invitation to a shareholders' meeting up to and including the day after the shareholders' meeting.

The General Shareholders' Meeting can pass a resolution independent of the number of shareholders present or shares represented, subject to any compulsory provisions set out in the Swiss Code of Obligations. The General Shareholders' Meeting makes its resolutions and executes its elections with the simple majority of the submitted shareholder votes, subject to any compulsory provisions set out in the Swiss Code of Obligations.

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 CO;
- d) the discharge of the members of the Board;
- e) the election of members of the Board, the President and the remuneration committee;
- 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**

### **Duration of the mandate and term of office of the lead auditor / auditor supervision and control mechanisms in respect of the auditors**

BDO Ltd has been appointed as external auditor of Pelikan Holding AG and Group auditors since 2005. The auditors are elected during the Annual General Meeting of Shareholders every year. Pursuant to the Swiss Code of Obligations, the lead auditor is replaced after a maximum term of seven years. The auditor in charge for the year 2014 (since year 2011) is Reto Frey.

The communication with the Board of Directors by the auditors is via a written representation such as the comprehensive report and ad-hoc meetings as required. The Board of Directors assesses the performance, invoicing and independence of the external auditors. The auditors' reports set out the results of their work and recommendations. The Board of Directors annually reviews the scope of the external audit, the audit plans and the relevant procedures and discusses the audit reports with the external auditors.

### **Audit and additional fees**

BDO had charged Pelikan Holding AG Group CHF 0.43 million in the 2014 financial year for services in connection with auditing the annual statements of Pelikan Holding AG and the Group companies as well as the consolidated statements of the Pelikan Holding AG Group. Furthermore, the audit company invoiced a fee of CHF 0.03 million in the 2014 financial year for agreed-upon review services.

### **Information Policy**

Pelikan Holding AG provides information to its shareholders through annual report. In addition, press releases on significant events in accordance with the SIX ad-hoc reporting requirements were published until 2 March 2015.

The link for such publications is

[http://www.pelikan.com/pulse/Pulsar/de\\_DE.CMS.displayCMS.198617./pelikan-holding-ag](http://www.pelikan.com/pulse/Pulsar/de_DE.CMS.displayCMS.198617./pelikan-holding-ag)

The Company's official publication medium 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 61 to 63.

**Pelikan Group**

**Financial Statements  
2014**

**CONSOLIDATED INCOME STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER**

	Note	2014 CHF(000)	2013 CHF(000)
Net sales	3	<b>285,812</b>	184,250
Other operating income	4	<b>3,545</b>	2,144
Change in the level of finished goods and work in process		<b>1,337</b>	(884)
Materials purchased		<b>(150,402)</b>	(79,839)
Personnel expenses	5	<b>(62,851)</b>	(51,218)
Depreciation on tangible fixed assets	13	<b>(3,589)</b>	(3,472)
Amortization on intangible assets	16	<b>(1,247)</b>	(1,642)
Other operating expenses	6	<b>(65,789)</b>	(40,462)
Operating results		<b>6,816</b>	8,877
Financial result	7	<b>(638)</b>	(1,421)
Results from associated companies	14	<b>154</b>	136
Profit / (loss) before taxation		<b>6,332</b>	7,592
Taxes			
- Company and subsidiaries	8	<b>6,976</b>	(2,200)
Net profit / (loss)		<b>13,308</b>	5,392
Profit / (loss) attributable to:			
- shareholders of Pelikan Holding AG		<b>9,643</b>	2,097
- minority interests		<b>3,665</b>	3,295

**CONSOLIDATED BALANCE SHEET  
AS AT 31 DECEMBER**

	Note	2014 CHF(000)	2013 CHF(000)
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and bank balances		6,134	7,323
Trade receivables	10	35,956	29,849
Other short term receivables	11	29,318	17,183
Inventories	12	51,308	39,885
Prepayments		415	488
		<b>123,131</b>	<b>94,728</b>
<b>Non-current assets</b>			
Tangible fixed assets	13	32,665	32,089
Financial assets			
Loans and investments	14	1,391	1,520
Deferred tax assets	15	14,968	3,817
Assets from employer contribution reserve	20	238	234
		<b>16,597</b>	<b>5,571</b>
Intangible assets	16	7,303	3,168
		<b>56,565</b>	<b>40,828</b>
<b>TOTAL ASSETS</b>		<b>179,696</b>	<b>135,556</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Bank liabilities	17	13,217	13,433
Accounts payable	18	23,850	12,022
Other short term liabilities	19	44,152	34,077
Short term provisions			
Provisions for pensions and similar commitments	21	4,951	5,248
Other provisions	22	2,052	2,025
		<b>7,003</b>	<b>7,273</b>
Deferred income		5	4
		<b>88,227</b>	<b>66,809</b>
<b>Non-current liabilities</b>			
Bank liabilities	17	299	879
Long term provisions			
Provisions for pensions and similar commitments	21	44,335	47,146
Provisions for deferred tax	15	442	494
Other provisions	22	2,416	2,279
		<b>47,193</b>	<b>49,919</b>
Other long term liabilities	23	24,392	7,817
		<b>71,884</b>	<b>58,615</b>

**CONSOLIDATED BALANCE SHEET  
AS AT 31 DECEMBER (CONTD.)**

	Note	2014 CHF(000)	2013 CHF(000)
<b>Shareholders' equity</b>			
Capital stock	24	<b>100,100</b>	100,100
Capital reserve	25	<b>11,790</b>	11,790
Revaluation reserve		<b>5,873</b>	5,969
Foreign currency reserves		<b>(3,077)</b>	(1,101)
Retained earnings	25	<b>(114,811)</b>	(124,454)
<b>Total equity excluding minorities</b>		<b>(125)</b>	(7,696)
Minority interests		<b>19,710</b>	17,828
<b>Total equity including minorities</b>		<b>19,585</b>	10,132
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>179,696</b>	135,556



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

	Note	2014 CHF(000)	2013 CHF(000)
<u>Cash flows from operating activities</u>			
Net profit / (loss)		13,308	5,392
Adjustments for:			
Depreciation and amortization		4,836	5,114
Deferred taxes		(11,381)	(1,166)
Change in pension provisions		(2,139)	(3,038)
Change in other provisions		247	(696)
Book loss / (gain) from disposals of financial assets (net)		-	4
Results from associated companies		(154)	(136)
Revaluation financial asset		(4)	24
Change in trade receivables, other short term receivables and prepayments	26	(23,401)	15,365
Change in inventories	26	1,364	6,585
Change in accounts payables, other short term liabilities and deferred income	26	23,761	(9,840)
		<b>6,437</b>	<b>17,608</b>
<u>Cash flows from investing activities</u>			
Investments in tangible fixed assets	26	(4,921)	(4,874)
Disposals of tangible fixed assets		89	141
Disposals of financial assets		118	-
Investments in intangible assets	26	(726)	(396)
Disposal of intangible assets		85	-
Dividend from associated companies		125	162
		<b>(5,230)</b>	<b>(4,967)</b>
<u>Cash flows from financing activities</u>			
Repayments to / advances from parent company	26	(223)	(3,471)
Changes in bank liabilities – current		234	(3,968)
Changes in bank liabilities – non-current		(573)	308
Dividend to minorities		-	(2,618)
		<b>(562)</b>	<b>(9,749)</b>
Effect of exchange rate changes		(1,834)	(714)
Net change in cash		(1,189)	2,178
Cash at 1 January		7,323	5,145
Cash at 31 December		<b>6,134</b>	<b>7,323</b>

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

Restated CHF (000)	Capital stock	Capital Reserve (Note 25)	Revaluation reserves	Foreign currency reserves	Retained earnings (Note 25)	Total equity excluding minorities	Minority interest	Total Equity
<b>Balance 1 Jan. 2013</b>	<b>100,100</b>	<b>10,468</b>	<b>6,153</b>	<b>(642)</b>	<b>(126,551)</b>	<b>(10,472)</b>	<b>17,869</b>	<b>7,397</b>
Capital Contribution	-	1,322	-	-	-	1,322	-	1,322
Dividend	-	-	-	-	-	-	(2,618)	(2,618)
Result 2013	-	-	-	-	2,097	2,097	3,295	5,392
Translation adjustments	-	-	(184)	(459)	-	(643)	(718)	(1,361)
		-						
<b>Balance 31 Dec. 2013</b>	<b>100,100</b>	<b>11,790</b>	<b>5,969</b>	<b>(1,101)</b>	<b>(124,454)</b>	<b>(7,696)</b>	<b>17,828</b>	<b>10,132</b>
Result 2014	-	-	-	-	9,643	9,643	3,665	13,308
Translation adjustments	-	-	(96)	(1,976)	-	(2,072)	(1,783)	(3,855)
<b>Balance 31 Dec. 2014</b>	<b>100,100</b>	<b>11,790</b>	<b>5,873</b>	<b>(3,077)</b>	<b>(114,811)</b>	<b>(125)</b>	<b>19,710</b>	<b>19,585</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2014**

**1. Summary of Significant Accounting Policies for the year ended 31 December 2014**

**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 44 to 45. Pelikan Mexico S.A. de C.V. and its subsidiaries, in which the parent company holds an investment of less than 50%, but which is under its management control, (e.g. by enforcing rights determined in the Licensing agreement for trademarks), have also been consolidated.

**Associated companies**

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.

**Participations**

Investments of less than 20% are carried at cost less necessary valuation provisions.

**Consolidation period**

The consolidation period is the calendar year.

**Accounting**

The individual financial statements included in the consolidation have been prepared according to the Group's standard accounting and valuation principles. For this purpose, the companies prepare Group Reporting Packages (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.

### **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 for the year. The differences resulting from utilization of differing exchange rates for the translation of balance sheets and income statement are applied to shareholders' equity. Unrealised foreign exchange gains or losses on long term intra-group loans with equity nature are recognized in shareholders' equity. The exchange rates used are as follows:

	2014		2013	
	Year-end rate	Average rate	Year-end rate	Average rate
	<u>CHF</u>	<u>CHF</u>	<u>CHF</u>	<u>CHF</u>
1 EUR	1.20	1.21	1.23	1.23
1 USD	0.99	0.92	0.89	0.93
1 MYR	0.28	0.28	0.27	0.29
100 MXN	6.70	6.87	6.81	7.21
1 ARS	0.12	0.11	0.14	0.17
1 SEK	0.13	0.13	0.14	0.14
1 million COP	0.45	0.46	0.50	0.50
1 JPY	0.01	0.01	0.01	0.01

### **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 income statement as minority interest.

### **Consolidation adjustments**

All intercompany balances and transactions including intercompany profits 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**

#### **Cash**

Cash includes cash on hand, postal checking, bank account balances and time deposits (duration < 3 months), which are at nominal value.

#### **Receivables**

Trade receivables and other short-term receivables are shown at invoiced amounts less appropriate provisions for debtors' risks. Specific provisions for doubtful accounts are accounted for where required and deferred credit risks are also considered.

#### **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.

## *Pelikan Group*

### **Tangible fixed assets**

Tangible fixed assets are stated at their acquisition or manufacturing cost less accumulated depreciation. Yearly impairment tests are made and the appropriate charge, if any, is booked to income statement.

Any profit or loss from disposal of tangible fixed assets is booked to income statement.

Estimated useful lives of tangible fixed assets are as follows:

Land	No depreciation
Buildings	48 – 50 years
Machinery and technical equipment	10 – 30 years
Moulds	1 – 25 years
Office and other equipment	3 – 10 years
Motor vehicles	4 – 7 years

The estimated useful lives in the machinery and technical equipment category ranges from: equipment for design writing instruments for 10 years, moulding machines for 20 years and technical equipment for production facilities (infrastructure for building) for 30 years. Moulds have useful lives ranging from 1 year for limited editions of fine writing instruments due to one-time production cycle and up to 25 years for moulds for ink cartridges.

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. Assets of relatively minor value are also charged directly to the income statement.

Financing cost incurred during the construction of property, plant and equipment is taken directly to the income statement.

### **Financial assets**

Financial assets are valued at acquisition cost less provisions for specific debtors' risks.

### **Intangible assets**

Intangible assets include goodwill arising from the acquisition of subsidiaries and business activities as well as development costs, 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 of 5 to 15 years, using the straight-line method. The valuation of intangible assets is yearly checked and required impairment adjustments are charged to the income statement.

Research expenditure is recognised as an expense when incurred. Development costs are capitalized when it is probable that the project will be a success considering its commercial and technological feasibility, and only if the costs can be measured reliably and are amortised from the commencement of commercial production of the product to which they relate over the period of their expected benefit, not exceeding 10 years.

## *Pelikan Group*

### **Bank liabilities**

Bank liabilities are amounts payable to financial institutions for the facilities used.

### **Payables**

Accounts payable and other short term liabilities are stated at their nominal value.

### **Deferred tax**

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 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.

### **Employee pensions**

There are several employee pension plans within the Group, each of which complies with legal requirements for the country in question. In Switzerland, a majority of employees are insured against retirement, death and disability, through a defined benefit plan. This plan is funded by contributions from employees and employers. Actual economic impacts of employee pension plan on the Group are calculated on the balance sheet date. The pension plan's financial position is relevant to the measurement of pension assets and pension liabilities. In the case of Swiss pension plan, the financial statements prepared in accordance with FER 26 "Accounting of pension plans" constitute the basis. With regard to the foreign subsidiaries, the basis for provision of pension liabilities are the actuarial reports in accordance with statutory accounting (HGB) in the German entities and the actuarial reports in accordance with IAS 19 revised for all the other countries. An economic obligation is carried as a liability if the conditions for the formation of a provision are met. An economic benefit is capitalized if it is used for the Group's future employee benefit expenses. Freely disposable employer contribution reserves are capitalized. The economic impacts of pension fund surpluses and shortfalls and the change in any employer contribution reserves are recognized in the income statement together with the amounts accrued over the same period. These same principles are applied in the case of foreign pension plans.

### **Other Provisions**

Provisions are recognized if present obligations based on past events are known and probable, and a reliable estimate of the amount can be made.

### **Leases**

Operating lease instalments are charged to the income statement over the lease term on a straight-line basis. There are no finance lease contracts.

## 2. Risk Management

Beside the assessment of strategies, the exploration of market opportunities and the periodical analysis of results, the Board of Directors has also assessed the risks inherent in the business of the Group. The enterprise risk management policy of Pelikan Group is to identify, measure and control risks that may prevent the Group from achieving its business objectives. Pelikan Group seeks to apply risk management in all parts of its business to ensure risks are minimized and opportunities are explored.

The key elements of the Group's risk management strategies are:

- Clearly defined lines of accountability and delegated authority;
- Regular and comprehensive information provided to Management, covering operating and financial performance and key business indicators such as resource utilisation and cash flow performance;
- Detailed budgeting process where operating units prepare budgets for the coming year, which are approved both at operating unit level and by the Board;
- Monthly monitoring of results against budget, with major variances being followed up and Management action taken; and
- Regular visits to operating units by members of the Board and Senior Management.

## 3. Net sales

CHF (000)	2014	2013
Sales to third parties	261,495	174,700
Sales to associates	3,425	3,228
Sales to related parties	20,892	6,322
<b>Total</b>	<b>285,812</b>	<b>184,250</b>

Sales by region	2014		2013	
	CHF (000)	%	CHF (000)	%
Germany	150,247	52.6	70,334	38.2
Italy	9,414	3.3	10,810	5.9
Switzerland	6,901	2.4	6,194	3.3
Rest of Europe	48,080	16.8	27,763	15.1
<b>Total Europe</b>	<b>214,642</b>	<b>75.1</b>	<b>115,101</b>	<b>62.5</b>
Latin-America	59,807	20.9	57,660	31.3
Other countries	11,363	4.0	11,489	6.2
<b>Total</b>	<b>285,812</b>	<b>100.0</b>	<b>184,250</b>	<b>100.0</b>

## *Pelikan Group*

### 4. Other operating income

CHF (000)	2014	2013
Other operating income from Herlitz AG Group	1,289	64
Income from staff lease	688	1,066
Income from release of accruals	295	-
Income from licences	266	2
Income from product repairs	265	30
Refunds from insurances	147	327
Profit on disposal of fixed assets	51	54
Income from product development	10	14
Income from release of provisions	10	65
Others	524	522
Total	3,545	2,144

### 5. Personnel expenses

CHF (000)	2014	2013
Salaries and wages	46,637	38,337
Social security contributions and other welfare expenses	11,744	9,302
Pension expenses	4,470	3,579
Total	62,851	51,218

The headcount as well as the changes in the number of employees are shown on page 6.

### 6. Other operating expenses

CHF (000)	2014	2013
External costs for logistic services	21,290	8,826
Sales promotion	11,271	10,617
External costs for merchandising	5,819	199
Occupancy costs	5,022	5,282
Administration costs	4,874	3,752
Other operating expenses from Herlitz AG Group	3,294	340
Energy	3,077	4,333
Communication, EDP	2,787	1,185
Licenses and commissions	2,397	2,113
Travel expenses	1,718	1,534
Other public duties and charges	849	749
Others	3,391	1,532
Total	65,789	40,462

The deviation in several positions of other operating expenses is due to the integration of Herlitz PBS Business into Pelikan Vertriebsgesellschaft mbH & Co. KG.



## Pelikan Group

### 7. Financial result

CHF (000)	2014	2013
Interest and similar income	339	248
Interest and similar expenses	(2,109)	(1,696)
Gain / (loss) on exchange rate (net)	1,132	27
Total	(638)	(1,421)

#### Interest and similar expenses

CHF (000)	2014	2013
Interest to third parties	1,623	1,492
Interest to parent	480	171
Interest to other related parties	6	33
Total	2,109	1,696

### 8. Taxes

CHF (000)	2014	2013
Expense from current taxes	4,405	3,366
(Income) from deferred taxes	(11,381)	(1,166)
Total	(6,976)	2,200

Tax expense comprises the income taxes of the current business year and tax adjustments in respect of prior years. Non-recoverable withholding taxes on distributions and licences by group companies are also included under this heading.

The increase in income from deferred taxes is mainly due to a faster realisation of tax loss carry forward due to the planned transfer of a German subsidiary to Herlitz AG.

### 9. Remuneration of / advances to the Board of Directors

For Directors' and Group Management's remunerations, refer to Note 9 of the Notes to the Financial Statements 2014 of Pelikan Holding AG on page 54 and 55.

### 10. Trade receivables

CHF (000)	2014	2013
Trade receivables from third parties	34,200	31,622
Trade receivables from Herlitz AG Group	3,747	-
Provisions for doubtful debts	(1,991)	(1,773)
Total	35,956	29,849

As of 31 December 2014 derecognized accounts receivables under financing agreement amounted to CHF 15.8 million (2013: CHF 3.4 million).

## *Pelikan Group*

### 11. Other short term receivables

CHF (000)	2014	2013
<b>From parent company and its related companies (related parties)</b>		
Pelikan International Corporation Berhad, Malaysia	4,288	1,962
Pelikan Production (Malaysia) Sdn Bhd, Malaysia	1,336	1,431
Pelikan Singapore-Malaysia Pte. Ltd., Singapore	1,300	1,244
Pelikan Hardcopy Production AG, Switzerland	771	1,026
Pelikan Middle East FZE	552	317
Pelikan Singapore Pte. Ltd., Singapore	165	2,117
Herlitz AG (Group)	132	604
Others	38	1,986
Total	8,582	10,687
<b>From associated companies</b>	591	676
<b>From third parties</b>	20,145	5,820
Total	29,318	17,183

The increase in other short term receivables from third parties is caused by a change in factoring of the German subsidiary Pelikan Vertriebsgesellschaft mbH & Co.KG. This increase is also reflected in increase of derecognized receivables in note 10.

### 12. Inventories

CHF (000)	2014	2013
Finished products and merchandise	35,688	27,656
Work in process	10,718	9,908
Raw material, stores and operating supplies	7,910	7,437
Goods in transit	3,346	2,797
Payments on account	106	359
Valuation adjustments	(6,460)	(8,272)
Total	51,308	39,885

13. Tangible fixed assets

CHF (000) 2013	Land and buildings	Machinery and technical equipment	Motor vehicles, moulds, production and office equipment	Assets under construction	Total
<b>Cost</b>					
<b>Opening balance 1 Jan. 2013</b>	20,640	46,933	35,110	1,816	104,499
Investments	1,004	1,106	1,134	1,630	4,874
Disposals	-	(1,439)	(975)	-	(2,414)
Transfers	(1)	616	910	(1,557)	(32)
Translation differences	(305)	80	283	7	65
<b>Opening balance 1 Jan. 2014</b>	<b>21,338</b>	<b>47,296</b>	<b>36,462</b>	<b>1,896</b>	<b>106,992</b>
Investments	149	815	2,002	2,912	5,878
Disposals	(28)	(423)	(575)	-	(1,026)
Transfers	(549)	464	1,351	(1,283)	(17)
PPE Written off	-	(64)	(50)	-	(114)
Translation differences	(1,084)	(2,449)	(921)	(193)	(4,647)
<b>Ending Balance 31 Dec. 2014</b>	<b>19,826</b>	<b>45,639</b>	<b>38,269</b>	<b>3,332</b>	<b>107,066</b>
<b>Accumulated depreciation</b>					
<b>Opening balance 1 Jan. 2013</b>	11,520	37,445	24,533	-	73,498
Disposals	-	(1,386)	(892)	-	(2,278)
Depreciation	325	1,226	1,921	-	3,472
Translation differences	(29)	43	197	-	211
<b>Opening balance 1 Jan. 2014</b>	<b>11,816</b>	<b>37,328</b>	<b>25,759</b>	<b>-</b>	<b>74,903</b>
Disposals	-	(399)	(538)	-	(937)
Depreciation	307	1,206	2,076	-	3,589
PPE Written off	-	(63)	(36)	-	(99)
Translation differences	(336)	(2,035)	(684)	-	(3,055)
<b>Ending Balance 31 Dec. 2014</b>	<b>11,787</b>	<b>36,037</b>	<b>26,577</b>	<b>-</b>	<b>74,401</b>
<b>Net book value</b>					
<b>Ending Balance 31 Dec. 2014</b>	<b>8,039</b>	<b>9,602</b>	<b>11,692</b>	<b>3,332</b>	<b>32,665</b>
Ending Balance 31 Dec. 2013	9,522	9,968	10,703	1,896	32,089

Insurance values of the tangible fixed assets amounted to CHF 142.3 million as of 31 December 2014 (2013: CHF 164.6 million).

**14. Loans and investments**

CHF (000) 2013	Investments in associated companies	Loans to third parties	Long-term securities	Total
<b>Opening balance 1 Jan. 2013</b>	859	-	872	1,731
Share of current year net result	136	-	-	136
Dividends	(162)	-	-	(162)
Other movements	(9)	-	(27)	(36)
Translation adjustments	(163)	-	14	(149)
<b>Opening balance 1 Jan. 2014</b>	<b>661</b>	<b>-</b>	<b>859</b>	<b>1,520</b>
Share of current year net result	154	-	-	154
Dividends	(125)	-	-	(125)
Other movements	-	-	(118)	(118)
Translation adjustments	(25)	-	(15)	(40)
<b>Ending Balance 31 Dec. 2014</b>	<b>665</b>	<b>-</b>	<b>726</b>	<b>1,391</b>

Significant balance sheet information for associated companies is as follows:

CHF (000)	2014	2013
Current assets	3,823	3,863
Non-current assets	188	198
Current liabilities	(1,123)	(1,203)
Non-current liabilities	(266)	(256)

The associated companies are shown in the list of group companies on pages 44 to 45.

**15. Deferred tax**

CHF (000)	2014	2013
Deferred tax assets from:		
- Net losses	13,400	2,834
- Temporary differences	1,568	983
Total deferred tax assets	14,968	3,817
Deferred tax liabilities from:		
- Temporary differences	442	494
Total deferred tax assets, net	14,526	3,323

Movements in deferred taxes during the year were as follows:

CHF (000)	2014	2013
<b>Opening Balance 1 Jan.</b>	3,323	2,301
Effect due to change in tax rate	-	3
Income from deferred taxes	11,381	1,166
Translation adjustments	(178)	(147)
<b>Ending Balance 31 Dec.</b>	14,526	3,323

The Group's average tax rate used for deferred taxes is at 15.9% (2013: 21.0%).

The available trade tax losses carried forward related to companies in Germany amounted to CHF 89.7 million (2013: CHF 111.7 million), for which no deferred tax asset has been recognised. Assuming a tax rate of 13.2%, a further CHF 11.8 million (2013: CHF 15.6 million at a tax rate of 14.0%) would be available to be offset against future taxes payable.

16. Intangible assets

CHF (000) 2013	Trademarks	Development costs	Goodwill Business Activities	Goodwill Subsidiaries	Computer software licence	Total
<b>Cost</b>						
Opening balance 1 Jan. 2013	8,308	3,325	14,387	15,864	623	42,507
Investments	-	341	-	-	55	396
Transfers	-	-	-	-	32	32
Translation difference	128	50	218	-	9	405
<b>Opening balance 1 Jan. 2014</b>	<b>8,436</b>	<b>3,716</b>	<b>14,605</b>	<b>15,864</b>	<b>719</b>	<b>43,340</b>
Investments	4,817	220	24	-	499	5,560
Disposals	-	-	(340)	-	(51)	(391)
Transfers	-	-	-	-	17	17
Translation difference	(201)	(72)	(266)	-	(18)	(557)
<b>Ending Balance 31 Dec. 2014</b>	<b>13,052</b>	<b>3,864</b>	<b>14,023</b>	<b>15,864</b>	<b>1,166</b>	<b>47,969</b>
<b>Accumulated amortisation</b>						
Opening balance 1 Jan. 2013	7,900	2,464	12,196	15,119	507	38,186
Amortisation	416	359	562	231	74	1,642
Translation difference	120	37	180	-	7	344
<b>Opening balance 1 Jan. 2014</b>	<b>8,436</b>	<b>2,860</b>	<b>12,938</b>	<b>15,350</b>	<b>588</b>	<b>40,172</b>
Disposals	-	-	(255)	-	(51)	(306)
Amortisation	267	316	398	231	35	1,247
Translation difference	(161)	(57)	(240)	-	11	(447)
<b>Ending Balance 31 Dec. 2014</b>	<b>8,542</b>	<b>3,119</b>	<b>12,841</b>	<b>15,581</b>	<b>583</b>	<b>40,666</b>
<b>Net book value</b>						
<b>Ending Balance 31 Dec. 2014</b>	<b>4,510</b>	<b>745</b>	<b>1,182</b>	<b>283</b>	<b>583</b>	<b>7,303</b>
Ending Balance 31 Dec. 2013	-	856	1,667	514	131	3,168

The investment in trademarks is referring to the integration of Herlitz PBS Business into Pelikan Vertriebsgesellschaft mbH & Co.KG. The mark-up on purchase price was allocated to the brands HERLITZ and SUSYCARD.

*Pelikan Group*

**17. Bank liabilities**

CHF (000)	2014	2013
Current	<b>13,217</b>	13,433
Non-current	<b>299</b>	879
	<b>13,516</b>	14,312
Unsecured bank liabilities	<b>4,984</b>	6,385
Secured bank liabilities	<b>8,532</b>	7,927
Total	<b>13,516</b>	14,312
Secured by (carrying amounts of the securities):		
Receivables	<b>1,978</b>	2,405
Inventories	<b>4,988</b>	5,186
Tangible assets	<b>6,915</b>	7,074

**18. Accounts payable**

CHF (000)	2014	2013
<b>Payables to third parties</b>	<b>12,007</b>	8,404
<b>Payables to related parties</b>		
Herlitz AG Group, Germany (ex eCom Logistik GmbH & Co. KG)	<b>5,859</b>	-
eCom Logistik GmbH & Co. KG	<b>4,145</b>	852
Pelikan Hardcopy Production AG, Switzerland	<b>1,750</b>	1,435
Pelikan Hardcopy Scotland Ltd., United Kingdom	<b>89</b>	118
Pelikan Production (Malaysia) Sdn Bhd, Malaysia	-	1,213
	<b>23,850</b>	12,022

19. Other short term liabilities

CHF (000)	2014	2013
<b>Payables to parent company and its related companies (related parties)</b>		
Pelikan International Corporation Berhad, Malaysia	17,821	16,264
Others	391	689
	<b>18,212</b>	<b>16,953</b>
<b>Payables to third parties</b>		
Income taxes payable	2,742	1,749
Accruals	17,574	9,152
Others	5,554	6,216
	<b>25,870</b>	<b>17,117</b>
<b>Payables to associated companies</b>	<b>70</b>	<b>7</b>
<b>Total</b>	<b>44,152</b>	<b>34,077</b>

20. Assets from employer contribution reserve

CHF (000)	Nominal value 2014	Renounced use	Balance sheet 2014	Accumulation 2014	Balance sheet 2013	Result from employer contribution reserve in personnel expenses	
						2014	2013
Patronage funds / patronage pension institution	-	-	-	-	-	-	-
Pension institution	238	0	238	-	234	(4)	(3)
<b>Total</b>	<b>238</b>	<b>0</b>	<b>238</b>	<b>-</b>	<b>234</b>	<b>(4)</b>	<b>(3)</b>

The employer contribution reserve is referring to the subsidiary in Switzerland. The renounced use of the pension institution has been taken out by end of 2012.

21. Pension institutions

CHF (000)	Surplus / (deficit) 2014	Economical part of the organization		Change to prior year	Contributions actual period 2014	Pension benefit expenses within personnel expenses	
		2014	2013			2014	2013
Patronage funds / patronage pension institution	-	-	-	-	-	-	-
Pension institution without surplus / deficit	-	-	0	0	-	-	-
Pension institution with surplus	0	0	-	0	150	152	196
Pension institution with deficits	(1,533)	(1,533)	(1,654)	121	-	548	135
Pension institutions without own assets	(47,753)	(47,753)	(50,740)	2,987	-	3,774	3,251
<b>Total</b>	<b>(49,286)</b>	<b>(49,286)</b>	<b>(52,394)</b>	<b>3,108</b>	<b>150</b>	<b>4,474</b>	<b>3,582</b>
thereof short-term		(4,951)	(5,248)				
thereof long-term		(44,335)	(47,146)				



**22. Other provisions**

CHF (000)	Provision for warranty	Provision for staff related benefits	Others	Total
<b>Balance at 1 January 2013</b>	540	3,435	946	4,921
Transfer	-	25	7	32
Additional provision	188	455	41	684
Unused amount reversed	-	(65)	-	(65)
Utilized during the year	1	(1,205)	(140)	(1,344)
Translation difference	9	57	10	76
<b>Balance at 1 January 2014</b>	<b>738</b>	<b>2,702</b>	<b>864</b>	<b>4,304</b>
Transfer	-	-	-	-
Additional provision	16	869	39	924
Unused amount reversed	-	(10)	-	(10)
Utilized during the year	(38)	(627)	-	(665)
Translation difference	(15)	(53)	(17)	(85)
<b>Ending Balance at 31 Dec. 2014</b>	<b>701</b>	<b>2,881</b>	<b>886</b>	<b>4,468</b>
<b>2014</b>				
Current	357	924	771	2,052
Non-Current	344	1,957	115	2,416
	<b>701</b>	<b>2,881</b>	<b>886</b>	<b>4,468</b>
<b>2013</b>				
Current	374	864	787	2,025
Non-Current	364	1,838	77	2,279
	<b>738</b>	<b>2,702</b>	<b>864</b>	<b>4,304</b>

The Group recognises the estimated liability to repair or replace products still under warranty at end of reporting period. This provision is calculated based on past history of the level of repairs and replacements.

The provision for staff related benefits comprises statutory and non-statutory staff related welfare and benefits which the Group has undertaken, in according to the relevant laws applicable in the countries concerned.

### 23. Other long term liabilities

CHF (000)	2014	2013
<b>Payables to parent company and its related companies (related parties)</b>		
Pelikan International Corporation Berhad, Malaysia	24,392	7,449
Others	-	368
<b>Total</b>	<b>24,392</b>	<b>7,817</b>

The increase in payables to the parent company is due to the integration of Herlitz PBS Business into Pelikan Vertriebsgesellschaft mbH & Co. KG.

### 24. Capital stock

At 31 December 2014, the capital stock of CHF 100.1 million comprises the following shares:

539,000 Registered shares of nominal CHF 65

1,001,000 Bearer shares of nominal CHF 65

### 25. Retained earnings / Capital reserve

Retained earnings include legal and local statutory revaluation reserves of Pelikan Holding AG of CHF 13.5 million (2013: CHF 13.5 million) which are not distributable.

Capital reserves are several waiver of claim with debt warrant received from Pelikan International Corporation Berhad, the major shareholder of Pelikan Holding AG.

### 26. Investment in Herlitz PBS business

With the integration of Herlitz PBS business into Pelikan Vertriebsgesellschaft mbH & Co. KG the Group is reporting an increase of its net working capital as well as other assets and liabilities. In the asset deal agreement both parties agreed on the transfer of inventories in an amount of EUR 12.0 million, intangible assets of EUR 4.0 million, tangible assets of EUR 0.8 million and short-term liabilities of EUR 1.2 million as per 1 March 2014. The purchase price for the asset deal has been financed via a shareholder loan by Pelikan International Corporation Berhad, the main shareholder of both parties, in an amount of EUR 13.65 million. The remaining amount of EUR 1.93 million was set-off against short-term receivables from Herlitz AG Group.

### 27. Significant shareholders

Pelikan International Corporation Berhad, a company listed in Bursa Malaysia Securities Berhad (the Malaysia Stock Exchange) ("Bursa Malaysia") has a direct holding of 1,448,853 (94.08%) and indirect holding of 40,000 (2.60%) in Pelikan Holding AG shares. Due to the pledge of some of the shares with transfer of the voting rights to certain Malaysian banks for financing purposes, the percentage of voting rights of Pelikan International Corporation Berhad by 31 December 2014 is 67.46% (2013: 51.69%). The voting rights percentage of HSBC Bank Malaysia Berhad is 16.23% and CIMB Bank Malaysia Berhad holds 12.99% of the voting rights by 31 December 2014 due to the pledge of shares as mentioned above. In 2013, 12.99 % of the voting rights were held by OCBC Bank Malaysia Berhad and Overseas Chinese Banking Corporation Berhad (as a group) due to a pledge of shares. This pledge has been released in 2014 and voting rights were given back to Pelikan International Corporation Berhad.

## *Pelikan Group*

### 28. Other financial commitments

CHF (000) at nominal values	2014	2013
Leasing and rent commitments		
- due next year	1,125	1,529
- due within 2-5 years	429	2,531
- due after 5 years	-	-
Total	1,554	4,060

The rental periods for land and buildings extend up to the year 2016. As of 31 December 2014, capital commitment authorised and contracted for amounted to CHF 0.5 million (2013: CHF 0.5 million).

### 29. Related party transactions

Besides the transactions with related parties which are separately disclosed in the Notes, the other related party transactions are as follows:

CHF (000)	2014	2013
<u>Income</u>		
Sales to Herlitz AG Group	17,938	3,237
Other operating income Herlitz AG Group	1,289	64
Other operating income Pelikan Hardcopy Holding AG Group	694	1,078
Other operating income Pelikan International Corporation Berhad and its other direct subsidiaries	36	13
<u>Expenses</u>		
Purchases from Pelikan International Corporation Berhad and its other direct subsidiaries	25,239	18,939
Purchase of logistic and related services from Herlitz AG Group	24,368	6,076
Purchases of products from Herlitz AG Group	23,061	3,464
Purchases of products from Pelikan Hardcopy Holding AG Group	13,953	13,907
Purchase of information technology services from Herlitz AG Group	1,806	199
Purchase of sales related services from Herlitz AG Group	1,108	1,175
Facility rent from Molkari Vermietungsgesellschaft mbH & Co. Objekt Falkensee KG	559	-
Purchase of logistic and related services from Pelikan Hardcopy Holding AG Group	-	32

Pelikan Hardcopy Holding AG, Herlitz AG and Molkari Vermietungsgesellschaft mbH & Co. Objekt Falkensee KG are subsidiaries of the Group's parent company, Pelikan International Corporation Berhad.

### **30. Events after the balance sheet date**

These Consolidated Financial Statements were approved by the Board of Directors on 28 April 2015.

In July 2014, the Group's main shareholder, Pelikan International Corporation Berhad, proposed the integration of equity participations of Pelikan Group into Herlitz AG. In December 2014 the extraordinary shareholders meeting resolved on the contribution in kind in of 100% of Pelikan Vertriebsgesellschaft mbH & Co.KG, 100 % of Pelikan Vertrieb Verwaltungs-GmbH, 100% of Pelikan N.V./S.A., 100 % of Pelikan (Schweiz) AG, 49.99 % of Pelikan Mexico S.A. de CV, 25 % of Pelikan Japan K.K., 9.13 % of Pelikan Colombia S.A.S. and 3.24 % Pelikan Argentina S.A. for an exchange of 123'410'554 new shares in Herlitz AG, Berlin, Germany. On 5 March 2015, the parties entered into a contribution agreement to effect the transaction and the transactions are being implemented therefrom.

On 15 January 2015, Swiss National Bank (SNB) decided not to keep the minimum foreign exchange conversion between CHF and EUR at a level of 1.20. After this revocation of foreign exchange rate the Swiss Francs strengthens against the Euro. This change in foreign exchange rates will have a significant impact on the Groups results in 2015 due to main investments in entities in Euro area.

No other significant events have occurred since the balance sheet date and up to 28 April 2015, which could have an impact on these consolidated financial statements or which are required to be disclosed.

*Pelikan Group*

**GROUP AND ASSOCIATED COMPANIES AS AT 31 DECEMBER 2014**

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>							
Wiener Neudorf	Pelikan Austria GesmbH	EUR	872	100	100	C	D
<b>Belgium</b>							
Groot-Bijgaarden	Pelikan N.V./ S.A.	EUR	837	100	100	C	D
<b>France</b>							
Les Ulis	Pelikan France SAS	EUR	250	100	100	C	D
<b>Germany</b>							
Brilon	Linea GmbH (formerly Geha GmbH)	EUR	237	100	90	C	D
Hanover	Kreuzer Produktion + Vertrieb GmbH	EUR	26	100		C	O
Hanover	Pelikan GmbH	EUR	7,670	100		C	S
Hanover	Pelikan Hardcopy Distribution Verwaltung GmbH	EUR	25	100	100	C	O
Hanover	Pelikan Hardcopy Distribution GmbH & Co. KG	EUR	100	100	100	C	D
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	ReMerch GmbH	EUR	95	100	100	C	S
<b>Greece</b>							
Markopoulo-Attica	Pelikan Hellas E.P.E.	EUR	497	100	95	C	D
<b>Italy</b>							
Milan	Pelikan Italia S.p.a.	EUR	1,560	100		C	D
<b>Netherlands</b>							
Rotterdam	Pelikan Nederland B.V.	EUR	3,630	100	100	C	S
<b>Spain</b>							
Lliçà del Vall	Pelikan S.A.	EUR	1,000	100		C	D
<b>Switzerland</b>							
Feusisberg	Pelikan (Schweiz) AG	CHF	500	100	100	C	D
<b>Sweden</b>							
Malmö	Pelikan Nordic AB	SEK	1000	100	100	C	D

*Pelikan Group*

**GROUP AND ASSOCIATED COMPANIES AS AT 31 DECEMBER 2014**

Country and location	Name		Capital stock in 1000	Group Holding in %	thereof directly held by Pelikan Holding AG in %	Consolidation	Operation
<b>LATIN-AMERICA</b>							
<b>Argentina</b>							
Buenos Aires	Pelikan Argentina S.A.	ARS	11,030	51.6	3.2	C	D
<b>Colombia</b>							
Santafé de Bogotá	Pelikan Colombia S.A.S.	COP	15,487,749	54.6	9.1	C	P/D
<b>Costa Rica</b>							
San Jose	Pelikan Costa Rica S.A.	COL	150,059	100	100	C	O
<b>Mexico</b>							
Puebla	Pelikan Mexico S.A. de CV	MXP	20,119	49.9	49.9	C*	P/D
<b>Venezuela</b>							
Caracas	Artof C.A.	VEB	50,020	25	25	E	O
<b>OTHER COUNTRIES</b>							
<b>Japan</b>							
Tokyo	Pelikan Japan K.K.	JPY	200,000	25	25	E	D
<b>Malaysia</b>							
Puchong	Pelikan Asia Sdn. Bhd.	MYR	10,500	100	100	C	D
<b>Turkey</b>							
Istanbul	Pelikan Ofis Ve Kirtasiye Malzemeleri Ticaret Ltd Sirketi	TRY	100	60	60	C	D
<b>USA</b>							
Nashville, TN	Pelikan, Inc.	USD	7,633	100	100	C	O

**Consolidation:**

C = Fully consolidated

E = Equity Accounting

\* refer to note 1, Consolidation principles

**Operation:**

P = Production companies

D = Distribution companies

S = Service/Real estate companies

H = Holding companies

O = Companies without operational activity

The subsidiaries Pelikan Hardcopy Distribution Verwaltung GmbH and Pelikan Hardcopy Distribution GmbH & Co. KG were incorporated in 2014. Apart from these incorporations, there have been no changes in the percentages of participation of the group and associated companies compared to prior year.

## REPORT OF THE STATUTORY AUDITOR

1

To the General Meeting of Pelikan Holding AG, Feusisberg

### Report of the Statutory Auditor on the Consolidated Financial Statements

As statutory auditor, we have audited the accompanying consolidated financial statements of Pelikan Holding AG, which comprise the consolidated balance sheet as at 31 December 2014, and the consolidated income statement, consolidated statement of cash flows, consolidated statement of changes in equity and notes (page 21 to 45) to the consolidated financial statements for the year then ended.

#### Board of Directors' Responsibility

The Board of Directors is responsible for the preparation of these consolidated financial statements in accordance with Swiss GAAP FER and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

#### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2014 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.

### Report on Other Legal Requirements


We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 Code of Obligations (CO) and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a para. 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

Zurich, 28 April 2015

BDO Ltd



Reto Frey  
Auditor in Charge  
Licensed Audit Expert



ppa. Guido Schwengeler  
Licensed Audit Expert



**Pelikan Holding AG, Feusisberg**

**Financial Statements  
2014**

**INCOME STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER**

	Note	2014 CHF(000)	2013 CHF(000)
Income from investments		535	2,707
Administration expenses		(2,870)	(465)
Exchange differences		(83)	(34)
Interest income		868	533
Interest expense		(856)	(392)
Extraordinary income	3	-	1,422
Extraordinary expenses	4	(4,245)	(5,813)
Result before taxation		<u>(6,651)</u>	<u>(2,042)</u>
Taxes		(2)	(3)
Net result for the year		<u>(6,653)</u>	<u>(2,045)</u>

**BALANCE SHEET AS AT 31 DECEMBER**

	Note	2014 CHF(000)	2013 CHF(000)
<b>ASSETS</b>			
<b>Current assets</b>			
Receivables from subsidiary companies		14,121	5,249
Receivables from parent and its related companies		178	685
Other receivables		-	66
Bank		65	47
		<u>14,364</u>	<u>6,047</u>
<b>Non-current assets</b>			
Investments	1	78,958	78,805
Loans receivable from subsidiary companies		7,217	-
		<u>86,175</u>	<u>78,805</u>
<b>TOTAL ASSETS</b>		<u>100,539</u>	<u>84,852</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Current liabilities</b>			
Payables to subsidiary companies	5	18,484	13,845
Payables to parent	6	2,545	2,921
Other liabilities to third parties		272	277
Short term provision		2,934	2,534
		<u>24,235</u>	<u>19,577</u>
<b>Non-current liabilities</b>			
Payables to parent	6	21,013	3,331
		<u>21,013</u>	<u>3,331</u>
<b>Shareholders' equity</b>			
Capital stock	7	100,100	100,100
Legal reserve	8	1,166	1,166
Revaluation reserve	8	12,286	12,286
Retained earnings		(58,261)	(51,608)
		<u>55,291</u>	<u>61,944</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>100,539</u>	<u>84,852</u>

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

<b>CHF (000)</b>	<b>Capital stock</b>	<b>Legal reserves</b>	<b>Revaluation reserve</b>	<b>Retained earnings</b>	<b>Total equity</b>
Balance 1 Jan. 2013	100,100	1,166	12,286	(49,563)	63,989
Result 2013	-	-	-	(2,045)	(2,045)
<b>Balance 31 Dec. 2013</b>	<b>100,100</b>	<b>1,166</b>	<b>12,286</b>	<b>(51,608)</b>	<b>61,944</b>
Result 2014	-	-	-	(6,653)	(6,653)
<b>Balance 31 Dec. 2014</b>	<b>100,100</b>	<b>1,166</b>	<b>12,286</b>	<b>(58,261)</b>	<b>55,291</b>

## NOTES TO THE FINANCIAL STATEMENTS 2014

### 1. Investments

The investments of Pelikan Holding AG are shown in the list of group companies pages 44 and 45.

### 2. Risk Management

Beside the assessment of strategies, the exploration of market opportunities and the periodical analysis of results, the Board of Directors has also assessed the risks inherent in the business of the Group. The enterprise risk management policy of Pelikan Group is to identify, measure and control risks that may prevent the Group from achieving its business objectives. Pelikan Group seeks to apply risk management in all parts of its business to ensure risks are minimized and opportunities are explored.

The key elements of the Group's risk management strategies are:

- Clearly defined lines of accountability and delegated authority;
- Regular and comprehensive information provided to Management, covering operating and financial performance and key business indicators such as resource utilisation and cash flow performance;
- Detailed budgeting process where operating units prepare budgets for the coming year, which are approved both at operating unit level and by the Board;
- Monthly monitoring of results against budget, with major variances being followed up and management action taken; and
- Regular visits to operating units by members of the Board and Senior Management.

Pelikan Holding AG is integrated in this risk management process of Pelikan Group.

### 3. Extraordinary income

CHF (000)	2014	2013
Service of debt warrant granted in prior years	-	1,422
Total	-	1,422

### 4. Extraordinary expenses

CHF (000)	2014	2013
Value adjustment for waiver of loan with debt warrant to a subsidiary	2,228	3,840
Value adjustment for loan to subsidiaries	1,378	1,091
Provision for guarantee granted to a subsidiary	400	602
Value adjustment for waiver of loan to subsidiaries	239	280
Total	4,245	5,813

**5. Payables to subsidiary companies**

At the end of 2014, payables to subsidiary companies include mainly the interest bearing liabilities to Pelikan PBS-Produktionsgesellschaft mbH & Co. KG (CHF 8.6 million; 2013: CHF 6.4 million) and Pelikan Vertriebsgesellschaft mbH & Co. KG (CHF 4.6 million; 2013: CHF 1.9 million) as well as to Pelikan Belux NV/SA (CHF 4.2 million; 2013: CHF 3.6 million).

**6. Payables to parent**

At the end of 2014 and 2013, these are payables to the parent, Pelikan International Corporation Berhad. The increase in payables to the parent company is due to the integration of Herlitz PBS Business into Pelikan Vertriebsgesellschaft mbH & Co. KG.

**7. Capital stock**

At 31 December 2014, the capital stock of CHF 100.1 million comprises the following shares:

539,000 Registered shares of nominal CHF 65  
1,001,000 Bearer shares of nominal CHF 65

As at 31 December 2014, the total equity of Pelikan Holding AG was less than 50 % of share capital and legal reserves. Due to this the management board of Pelikan Holding AG has to take action according to Article 725 para. 1 CO for a measure to achieve a total equity of at least 50 % of share capital and legal reserves.

**8. Legal and 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.

In total, legal and revaluation reserves in an amount of CHF 13.5 million are not distributable to shareholders.

**9. Compensation, shareholdings and loans**

**Remuneration of members of the Board of Directors**

CHF (000)

	Salaries	Bonus	Compensation for Board committee members	Pension, social insurance fund and benefits in kind	Total 2014	Total 2013
<b>Executive directors</b>						
Loo Hooi Keat*	-	-	-	-	-	-
Ho Ming Hon**	107	4	-	9	120	109
Frauke Wandrey***	225	44	-	14	283	244
<b>Total remuneration of Board of Directors</b>	<b>332</b>	<b>48</b>	<b>-</b>	<b>23</b>	<b>403</b>	<b>353</b>

**Remuneration of the Executive Committee and Group Management**

CHF (000)

	Salaries	Bonus	Compensation for Board committee members	Pension, social insurance fund and benefits in kind	Total 2014	Total 2013
<b>Chief Executive Officer</b>						
Loo Hooi Keat*	653	-	-	62	715	565
<b>Others</b>						
Annual salaries and fees					880	900
Bonus					286	362
Pension and social insurance fund					81	86
Benefits in kind					29	47
Severance payment****					-	16
					<b>1,991</b>	<b>1,976</b>

## 9. Compensation, shareholdings and loans (Contd.)

- \* Remuneration of Loo Hooi Keat was mainly paid by the parent company, Pelikan International Corporation Berhad, in the capacity as Chief Executive Officer ("CEO") of Pelikan International Corporation Berhad Group (including Pelikan International Corporation Berhad's direct subsidiaries, Pelikan Holding AG Group, Pelikan Hardcopy Holding AG Group and Herlitz AG Group). Part of his payment (CHF 218,000) Loo Hooi Keat received in his capacity as Member of the Management Board of Herlitz AG.
- The President and CEO, Loo Hooi Keat was the member of the Board of Directors and Group Management with the highest total remuneration for 2014.
- \*\* Remuneration of Ho Ming Hon was mainly paid by the parent company, Pelikan International Corporation Berhad, in the capacity as Head of Group Corporate Services of Pelikan International Corporation Berhad Group (including Pelikan International Corporation Berhad direct subsidiaries, Pelikan Holding AG Group, Pelikan Hardcopy Holding Group and Herlitz AG Group). Part of his payment (CHF 36,000) Ho Ming Hon received in his capacity as Managing Director of Remerch GmbH.
- \*\*\* Remuneration of Frauke Wandrey was paid by Herlitz AG, a subsidiary of the main shareholder Pelikan International Corporation Berhad in her capacity as Member of the Management Board of Herlitz AG. Bonus was taken into account in degree of goal attainment (100% CHF 60,000).
- \*\*\*\* The severance payment disclosed above was paid to Arno Telkämper who resigned in 2013. There was no severance payment made in 2014 to any Board Member or Member of the Group Management who resigned in earlier years. There are no other contracts with Members of the Board of Directors or Group Management providing for severance payments during the year.
- No compensation was paid in 2014 financial year to members of the Board of Directors or Group Management who stepped down in the previous period.
- There was no non-cash compensation in the form of shares or options or any other form given to the Company's governing bodies.
- None of the members of the management team held shares in Pelikan Holding AG as of 31 December 2014. The direct and indirect interest of Loo Hooi Keat in Pelikan International Corporation Berhad is 10.12% and 7.76% respectively.
- No advances or credits were granted to any members of the Board of Directors.
- There are no pension commitments in respect of current or former members of the Board of Directors of Pelikan Holding AG.
- In case of dissolving the engagement with the company, there are no agreements providing for a benefit of the members of the Board of Directors or the Management.  
There are no management contracts in 2014.

## 10. Parent company

As of 31 December 2014, Pelikan International Corporation Berhad, Malaysia, a company listed in Bursa Malaysia Securities Berhad (the Malaysia Stock Exchange) held effectively 96.64 % (direct and indirect) (31 December 2013: 96.49 %) of the shares of Pelikan Holding AG.



## **11. Significant shareholders**

Pelikan International Corporation Berhad, a company listed in Bursa Malaysia Securities Berhad (the Malaysia Stock Exchange) ("Bursa Malaysia") has a direct holding of 1,448,853 (94.08%) and indirect holding of 40,000 (2.60%) in Pelikan Holding AG shares. Due to the pledge of some of the shares with transfer of the voting rights to certain Malaysian banks for financing purposes, the percentage of voting rights of Pelikan International Corporation Berhad by 31 December 2014 is 67.46% (2013: 51.69%). The voting rights percentage of HSBC Bank Malaysia Berhad is 16.23% and CIMB Bank Malaysia Berhad holds 12.99% of the voting rights by 31 December 2014 due to the pledge of shares as mentioned above. In 2013, 12.99 % of the voting rights were held by OCBC Bank Malaysia Berhad and Overseas Chinese Banking Corporation Berhad (as a group) due to a pledge of shares. This pledge has been released in 2014 and voting rights were given back to Pelikan International Corporation Berhad.

## **12. Contingent liabilities/ Guarantees**

Pelikan Holding AG granted letters of comfort, guarantees and an additional assumption of debt to banks and financial institutions in favour of its subsidiaries for credit line of a maximum of CHF 7.8 million (2013: CHF 7.7 million).

In 2013, Pelikan Holding AG, Pelikan GmbH and Pelikan PBS-Produktionsgesellschaft mbH & Co. KG jointly guaranteed the obligations of a subsidiary related to the assignment of receivables for financing purposes up to maximum of CHF 12.3 million. The financed amount as at 31 December 2013 was CHF 0.5 million. This jointly guarantee was reversed due to the cancellation of the underlying agreement for assignment of receivables in 2014.

## **13. Events after the balance sheet date**

These statutory financial statements were approved by the Board of Directors on 28 April 2015.

In July 2014, the Group's main shareholder, Pelikan International Corporation Berhad, proposed the integration of equity participations of Pelikan Group into Herlitz AG. In December 2014 the extraordinary shareholders meeting resolved on the contribution in kind in of 100% of Pelikan Vertriebsgesellschaft mbH & Co.KG, 100 % of Pelikan Vertrieb Verwaltungs-GmbH, 100% of Pelikan N.V./S.A., 100 % of Pelikan (Schweiz) AG, 49.99 % of Pelikan Mexico S.A. de CV, 25 % of Pelikan Japan K.K., 9.13 % of Pelikan Colombia S.A.S. and 3.24 % Pelikan Argentina S.A. for an exchange of 123'410'554 new shares in Herlitz AG, Berlin, Germany. On 5 March 2015, the parties entered into a contribution agreement to effect the transaction and the transactions are being implemented therefrom.

On 15 January 2015, Swiss National Bank (SNB) decided not to keep the minimum foreign exchange conversion between CHF and EUR at a level of 1.20. After this revocation of foreign exchange rate the Swiss Francs strengthens against the Euro. The strengthening of the Swiss Franc of around 10 % will lead to an additional unrealized foreign exchange gain of around CHF 1.3 million.

No other significant events have occurred since the balance sheet date and up to 28 April 2015, which could have an impact on these financial statements or which are required to be disclosed.

**PROPOSAL OF THE BOARD OF DIRECTORS FOR THE TREATMENT OF ACCUMULATED DEFICIT AS OF 31 DECEMBER 2014**

<u>CHF (000)</u>	<u>2014</u>	<u>2013</u>
Accumulated deficit at 1 January	<b>(51,608)</b>	(49,563)
Net result for the year	<b>(6,653)</b>	(2,045)
Accumulated deficit at 31 December to be carried forward	<b><u>(58,261)</u></b>	<b><u>(51,608)</u></b>

## REPORT OF THE STATUTORY AUDITOR

To the General Meeting of Pelikan Holding AG, Feusisberg

### Report of the Statutory Auditor on the Financial Statements

As statutory auditor, we have audited the accompanying financial statements of Pelikan Holding AG, which comprise the balance sheet as at 31 December 2014, and the income statement, statement of changes in equity and notes (page 49 to 56) for the year then ended.

#### Board of Directors' Responsibility

The Board of Directors is responsible for the preparation of these financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

#### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the financial statements for the year ended 31 December 2014 comply with Swiss law and the company's articles of incorporation.

## Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 Code of Obligations (CO) and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a para. 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of accumulated deficit complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Furthermore, we draw attention to the fact that half of the share capital and legal reserves is no longer covered (article 725 para.1 CO).

Zurich, 28 April 2015

BDO Ltd



Reto Frey  
Auditor in Charge  
Licensed Audit Expert



ppa. Guido Schwengeler  
Licensed Audit Expert

**INSTITUTIONS / MANAGEMENT as at 31 December 2014**

**Board of Directors**

**Loo Hooi Keat**

President

Selangor Darul Ehsan / Malaysia

**Frauke Wandrey**

Vice-President

Hanover / Germany

**Ho Ming Hon**

Member

Selangor Darul Ehsan / Malaysia

**Secretary of the Board of Directors**

**Frauke Wandrey**

Hanover / Germany

**Auditors**

**BDO Ltd**

Zurich / Switzerland

**Management**

**Loo Hooi Keat**

Selangor Darul Ehsan / Malaysia

**Frauke Wandrey**

Hanover / Germany

**Ho Ming Hon**

Selangor Darul Ehsan / Malaysia

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