

PELIKAN HOLDING AG

**INTERIM REPORT
AS OF JUNE 30, 2014**

KEY FIGURES

Pelikan Group

FINANCIAL KEY FIGURES

<i>CHF m</i>	JUNE 30, 2014	JUNE 30, 2013
Net sales	136.6	100.0
Operating results	8.0	6.7
Earnings before interest, taxes, depreciation and amortization (EBITDA)	10.4	9.2
Result attributable to shareholders of Pelikan Holding AG	3.6	2.6
Total assets	204.4	155.3
Total equity excluding minorities	(4.2)	(7.8)
<i>Total equity excluding minorities in % of total assets</i>	(2.0%)	(5.0%)
Net debts*	16.0	8.3

OPERATING KEY FIGURES

Number of employees	1,259	1,136
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SHARE PRICE

<i>CHF</i>		
High/ low	26.70/22.00	45.00/16.00
At June 30	24.00	27.00

*Interest-bearing debt less cash and cash equivalent

Pelikan shares, Swiss security number 632875

CONSOLIDATED INCOME STATEMENT

Pelikan Holding AG Group (not audited)

<i>CHF m</i>	JAN - JUNE, 2014	1. HALF 2013
Net sales	136.6	100.0
Other operating income	2.1	1.0
Change in the level of finished goods and work in process	0.2	(1.4)
	138.9	99.6
Materials purchased	(68.0)	(42.4)
Personnel expenses	(30.4)	(26.0)
Depreciation on tangible fixed assets	(1.8)	(1.7)
Amortization of intangible assets	(0.6)	(0.7)
Impairment on intangible assets	-	-
Other operating expenses	(30.1)	(22.1)
Operating results	8.0	6.7
Financial result	(1.0)	(0.9)
Results from associated companies	0.1	0.1
Profit before taxation	7.1	5.9
Taxes – company and subsidiaries	(1.8)	(1.8)
Net profit	5.3	4.1
Profit / (loss) attributable to:		
- shareholders of Pelikan Holding AG	3.6	2.6
- minority interests	1.7	1.5
	5.3	4.1

CONSOLIDATED BALANCE SHEET

Pelikan Holding AG Group (not audited)

CHF m	JUNE 30, 2014	DECEMBER 31, 2013
ASSETS		
Current assets		
Cash and cash equivalents	5.7	7.3
Trade receivables	59.6	29.8
Other short term receivables	29.7	17.2
Inventories	63.0	39.9
Prepayments	0.6	0.5
	158.6	94.7
Non-current assets		
Tangible fixed assets	32.9	32.1
Financial assets		
Loans and investments	1.4	1.5
Deferred tax assets	3.8	3.8
Assets from employer contribution reserve	0.2	0.2
	5.4	5.5
Intangible assets	7.5	3.2
	45.8	40.8
TOTAL ASSETS	204.4	135.5
LIABILITIES AND EQUITY		
Current liabilities		
Bank liabilities	21.4	13.4
Accounts payable	29.6	12.0
Other short term liabilities	58.5	34.1
Short term provisions		
Provisions for pensions and similar commitments	5.2	5.3
Other provisions	1.7	2.0
	6.9	7.3
Deferred Income	0.2	0.0
	116.6	66.8
Non-current liabilities		
Bank liabilities	0.3	0.9
Long term provisions		
Provisions for pensions and similar commitments	45.3	47.1
Provisions for deferred tax	0.5	0.5
Other provisions	2.3	2.3
	48.1	49.9
Other long term liabilities	24.3	7.8
	72.7	58.6
Shareholders' Equity		
Capital stock	100.1	100.1
Capital reserve	11.8	11.8
Revaluation reserve	6.0	6.0
Foreign currency reserves	(1.3)	(1.1)
Retained earnings	(120.8)	(124.5)
Total equity excluding minorities	(4.2)	(7.7)
Minority Interests	19.3	17.8
Total equity including minorities	15.1	10.1
TOTAL EQUITY AND LIABILITIES	204.4	135.5

CONSOLIDATED STATEMENT OF CASH FLOWS

Pelikan Holding AG Group (not audited)

CHF m	JAN - JUNE, 2014	1. HALF 2013
<u>Cash flows from business activities</u>		
Profit before minority interest	5.3	4.1
Adjustments for :		
Depreciation and amortization	2.4	2.4
Impairment on tangible and intangible assets	-	-
Deferred taxes	-	(0.3)
Change in pension provisions	(1.5)	(1.9)
Change in other provisions	(0.2)	(0.3)
Results from associated companies	(0.1)	(0.1)
Revaluation financial asset	0.1	-
Change in trade receivables, other short term receivables and prepayments	(43.1)	(0.8)
Change in inventories	(23.8)	1.3
Change in accounts payables, other short term liabilities and deferred income	43.3	4.6
	<u>(17.6)</u>	<u>9.0</u>
<u>Cash flows from investing activities</u>		
Investments in tangible fixed assets	(2.9)	(1.8)
Investments in intangible assets	(4.9)	(0.2)
Dividend from associated companies	0.1	0.2
	<u>(7.7)</u>	<u>(1.8)</u>
<u>Cash flows from financing activities</u>		
Net advances from parent company	16.4	(1.0)
Changes in bank liabilities – current	8.3	(4.6)
Changes in bank liabilities – non-current	(0.5)	-
Dividend to minorities	-	(1.5)
	<u>24.2</u>	<u>(7.1)</u>
Effect of exchange rate changes	<u>(0.5)</u>	<u>0.4</u>
Net change in cash and cash equivalents	(1.6)	0.5
Cash and cash equivalents at January 1	7.3	5.1
Cash and cash equivalents at June 30	<u>5.7</u>	<u>5.6</u>

1. Basis of Preparation

The interim consolidated financial statements are unaudited and have been prepared in accordance with Swiss GAAP FER 12. These consolidated financial statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2013.

2. General Business Activities

The Group basically engages in the manufacturing and distribution of writing instruments, art, painting and hobby products, school and office stationery as well as distribution of printer consumables. With the integration of the Herlitz PBS Business into the Group's German subsidiary Pelikan Vertriebsgesellschaft mbH & Co. KG as per 1 March 2014, the Group is engaged also in the distribution of filing and other paper products as well as the distribution of school bags. For further details we refer to para 5, Review of Performance.

3. Seasonality of Interim Operations

The Group's core business is generally affected by the "back to school" season in Europe, which normally records higher sales mid of the year. Also the Herlitz PBS business integrated in March 2014 shows higher sales mid of the year. As per 30 June 2014 trade receivables from the integrated business have not been used for financing purposes which led to an increase of the working capital of the Group at closing date.

4. Net Sales

CHF m	JAN - JUNE, 2014	1. HALF 2013
Sales to third parties	124.7	94.8
Sales to associates	2.1	1.8
Sales to related parties	9.8	3.4
Total	136.6	100.0

Sales by region

	JAN - JUNE, 2014		1. HALF 2013	
	CHF m	%	CHF m	%
Germany	66.2	48.5%	38.9	38.9%
Italy	5.4	3.9%	6.3	6.3%
Switzerland	3.7	2.7%	3.4	3.4%
Rest of Europe	26.3	19.3%	14.9	14.9%
Total Europe	101.6	74.4%	63.5	63.5%
Latin-America	29.9	21.9%	30.9	30.9%
Other countries	5.1	3.7%	5.6	5.6%
Total	136.6	100.0%	100.0	100.0%

5. Review of Performance

In the first six months of this year, the Group's net sales increased by 36.6% as compared to the prior year period. This increase is mainly the result of the integration of the Herlitz PBS Business in Germany and Austria into Pelikan Vertriebsgesellschaft mbH & Co. KG as per 1 March 2014 as announced before. In line with this transaction, also the sales to related parties in Europe increased from the distribution of Herlitz PBS products to direct subsidiaries of Herlitz AG in Eastern Europe. In total the net sales of the Group amounted to CHF 136.6 million after CHF 100.0 million in first half of 2013.

The other European sales entities as well as the subsidiaries in Latin America showed a stable development of net sales resulting in a lower percentage in relation to the Group's revenues driven by the strong increase of net sales in Germany.

The positive development of an improving profitability of the Group has continued also in the first half of year 2014. The operating results increased to CHF 8.0 million in the reporting period after CHF 6.7 million in the first half of year 2013. For the first six months of 2014, the Group reports a profit after tax of CHF 5.3 million after CHF 4.1 million in the first half of year 2013.

This further improvement is the result of the ongoing efforts of the Group to focus on an improved profitability after restructuring of the Pelikan business in the last years.

With the integration of Herlitz PBS business into Pelikan Vertriebsgesellschaft mbH & Co. KG the Group is also reporting an increase of its net working capital as well as other assets and liabilities. In the asset deal agreement both parties have 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 as well as short-term liabilities of EUR 1.2 million as per 01 March 2014. Furthermore it has been agreed that the purchase price for the asset deal shall be 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 shall be paid in cash before end of year 2014.

6. Outlook

The Group's result in the second half of the year will be affected by a lower operating result of its German subsidiary Pelikan Vertriebsgesellschaft mbH & Co.KG mainly due to the integration and reorganisation of the combined Pelikan and Herlitz business. One-time restructuring costs are going along with the integration of the Herlitz business and will lead to lower operating results of the Group in 2014 compared to last year. This operational reorganisation in Germany and Austria will bring the Group in a position to continue the positive trend of increasing results also in the coming years.

Furthermore the Group will continue its efforts in developing markets with material growth potential especially in Latin America to benefit from worldwide business opportunities and further spread its risks for business development globally.

The proposed integration of equity participations of Pelikan Group into Herlitz AG as announced in July 2014 is being evaluated by external advisers. Final proposals are to be tabled to the shareholders for approval at an extraordinary general meeting to be convened at the relevant time.

Feusisberg, September 2014