

Company No. 63611 - U

**PELIKAN INTERNATIONAL CORPORATION BERHAD**  
**(Incorporated in Malaysia)**

**INTERIM FINANCIAL REPORT**

**31 MARCH 2009**

**PELIKAN INTERNATIONAL CORPORATION BERHAD (63611-U)**  
**CONDENSED CONSOLIDATED INCOME STATEMENT**  
**Interim report for the financial period ended 31 MARCH 2009**  
*The figures have not been audited.*

	Note	Individual Quarter 3 months ended		Cumulative Quarter Financial period ended	
		31/03/09 RM' 000	31/03/08 RM' 000	31/03/09 RM' 000	31/03/08 RM' 000
Revenue		285,411	312,958	285,411	312,958
Other operating income		2,134	14,704	2,134	14,704
Expenses excluding finance cost and tax		(269,556)	(294,338)	(269,556)	(294,338)
Finance cost		(6,100)	(7,821)	(6,100)	(7,821)
Share of results of associates after tax		162	667	162	667
Profit before taxation		<u>12,051</u>	<u>26,170</u>	<u>12,051</u>	<u>26,170</u>
Taxation	B1	(2,574)	(1,653)	(2,574)	(1,653)
Profit for the financial period		<u><u>9,477</u></u>	<u><u>24,517</u></u>	<u><u>9,477</u></u>	<u><u>24,517</u></u>
Attributable to:					
Equity holders of the Company		8,022	24,065	8,022	24,065
Minority Interest		1,455	452	1,455	452
		<u><u>9,477</u></u>	<u><u>24,517</u></u>	<u><u>9,477</u></u>	<u><u>24,517</u></u>
		sen	sen	sen	sen
Basic earnings per share attributable to equity holders of the Company	B14	2.36	8.32	2.36	8.32
Declared/ proposed dividend per share	A7/ B12	-	-	-	-

The Condensed Consolidated Income Statement should be read in conjunction with the audited financial statements for the financial year ended 31 December 2008 and the accompanying explanatory notes attached to the interim financial statements.

**PELIKAN INTERNATIONAL CORPORATION BERHAD (63611-U)**  
**CONDENSED CONSOLIDATED BALANCE SHEET**  
**Interim report as at 31 MARCH 2009**  
*The figures have not been audited.*

	Note	31/03/09 RM'000	Audited 31/12/08 RM'000
<b>ASSETS</b>			
<b>Non current assets</b>			
Property, plant and equipment		359,327	343,661
Trademarks		18,845	19,134
Development costs		19,931	19,300
Goodwill		118,510	119,516
Computer software licence		3,643	4,296
Investment in associates		28,069	29,044
Long term investments		17,241	16,845
Pension Trust Fund		185,847	185,847
Deferred tax assets		30,317	29,934
		<u>781,730</u>	<u>767,577</u>
<b>Current assets</b>			
Inventories		344,470	313,470
Receivables, deposits & prepayments		279,923	311,894
Tax recoverable		5,186	3,237
Pension Trust Fund		28,053	28,053
Deposits, cash and bank balances		58,445	77,009
		<u>716,077</u>	<u>733,663</u>
<b>Total Assets</b>		<u><b>1,497,807</b></u>	<u><b>1,501,240</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the parent</b>			
Share capital		343,169	343,169
Share premium		59,869	59,869
Currency translation		(47,427)	(34,888)
Retained profits		196,999	188,977
Treasury shares, at cost		(13,635)	(13,501)
Redeemable Convertible Unsecured Loan Stocks		-	-
		<u>538,975</u>	<u>543,626</u>
<b>Minority interest</b>		20,611	19,177
<b>Total Equity</b>		<u><b>559,586</b></u>	<u><b>562,803</b></u>
<b>Non current liabilities</b>			
Payables		13,564	10,607
Post employment benefit obligations	B7		
- Removable pension liabilities		205,489	227,296
- others		57,088	46,055
Provisions		-	-
Borrowings	B4	195,045	196,530
Redeemable Convertible Unsecured Loan Stocks		-	-
Deferred tax liabilities		8,448	8,617
		<u>479,634</u>	<u>489,105</u>
<b>Current liabilities</b>			
Payables		256,675	255,699
Post employment benefit obligations	B7		
- Removable pension liabilities		13,433	14,184
- others		1,522	613
Provisions		487	654
Borrowings	B4	179,032	169,876
Redeemable Convertible Unsecured Loan Stocks		-	-
Current tax liabilities		7,438	8,306
		<u>458,587</u>	<u>449,332</u>
<b>Total Liabilities</b>		<u><b>938,221</b></u>	<u><b>938,437</b></u>
<b>Total Equity and Liabilities</b>		<u><b>1,497,807</b></u>	<u><b>1,501,240</b></u>
Net assets per share attributable to equity holders of the Company (RM)		1.57	1.58

This Condensed Consolidated Balance Sheet should be read in conjunction with the audited financial statements for the financial year ended 31 December 2008 and the accompanying explanatory notes attached to the interim financial statements.

PELIKAN INTERNATIONAL CORPORATION BERHAD (63611-U)  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
Interim report for the financial period ended 31 MARCH 2009  
*The figures have not been audited.*

	Share Capital	Share premium (non distributable)	Currency translation (non distributable)	Retained profits (distributable )	Treasury shares, at cost (distributable)	Redeemable Convertible Unsecured Loan Stocks (equity component)	Equity attributable to equity holders of the parent	Minority interest	Total equity
	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000
<b>Balance at 1 January 2009</b>	343,169	59,869	(34,888)	188,977	(13,501)	-	543,626	19,177	562,803
Exchange differences on translation of foreign operations	-	-	(12,539)	-	-	-	(12,539)	(21)	(12,560)
Profit for the financial period	-	-	-	8,022	-	-	8,022	1,455	9,477
Total recognised income and expense for the financial period	-	-	(12,539)	8,022	-	-	(4,517)	1,434	(3,083)
Purchase of own shares	-	-	-	-	(134)	-	(134)	-	(134)
<b>Balance at 31 March 2009</b>	<b>343,169</b>	<b>59,869</b>	<b>(47,427)</b>	<b>196,999</b>	<b>(13,635)</b>	<b>-</b>	<b>538,975</b>	<b>20,611</b>	<b>559,586</b>
<b>Balance at 1 January 2008</b>	288,068	46,093	(13,113)	166,595	(3,314)	4,406	488,735	20,779	509,514
Exchange differences on translation of foreign operations	-	-	(4,414)	-	-	-	(4,414)	82	(4,332)
Profit for the financial period	-	-	-	24,065	-	-	24,065	452	24,517
Total recognised income and expense for the financial period	-	-	(4,414)	24,065	-	-	19,651	534	20,185
Issue of share capital - conversions of Redeemable Convertible Unsecured Loan Stocks	4,001	1,001	-	164	-	(320)	4,846	-	4,846
Purchase of own shares	-	-	-	-	(7,332)	-	(7,332)	-	(7,332)
<b>Balance at 31 March 2008</b>	<b>292,069</b>	<b>47,094</b>	<b>(17,527)</b>	<b>190,824</b>	<b>(10,646)</b>	<b>4,086</b>	<b>505,900</b>	<b>21,313</b>	<b>527,213</b>

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2008 and the accompanying explanatory notes attached to the interim financial statements.

**PELIKAN INTERNATIONAL CORPORATION BERHAD (63611-U)**  
**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**  
**Interim report for the financial period ended 31 MARCH 2009**  
*The figures have not been audited.*

	Financial period ended	
	31/03/09	31/03/08
Note	RM' 000	RM' 000
<b>Operating activities</b>		
Cash receipts from customers	330,248	322,341
Cash paid to suppliers and employees	(299,417)	(331,466)
	<u>30,831</u>	<u>(9,125)</u>
Interest received	243	485
Interest paid	(4,704)	(4,825)
Taxation paid	(9,682)	(5,847)
<b>Net cash from / (used in) operating activities</b>	<u>16,688</u>	<u>(19,312)</u>
<b>Investing activities</b>		
Acquisition of a subsidiary	(14,724)	-
Purchase of property, plant and equipment	(8,567)	(7,380)
Proceeds from disposal of property, plant and equipment	107	3,899
Dividend received	1,314	-
Interest paid	(741)	(1,156)
Development expenses paid	(2,046)	(2,781)
Purchase of investments	-	(446)
<b>Net cash used in investing activities</b>	<u>(24,657)</u>	<u>(7,864)</u>
<b>Financing activities</b>		
Drawdown of bank borrowings	46,537	80,342
Repayments of bank borrowings	(46,373)	(68,383)
Hire purchase and finance lease principal payments	(772)	(447)
Interest paid	-	(1,025)
Purchase of own shares	(134)	(7,332)
<b>Net cash (used in) / from financing activities</b>	<u>(742)</u>	<u>3,155</u>
<b>Net decrease in cash and cash equivalents during the financial period</b>	<u>(8,711)</u>	<u>(24,021)</u>
<b>Currency translation</b>	(9,037)	(7,868)
<b>Cash and cash equivalents at beginning of financial period</b>	43,848	70,773
<b>Cash and cash equivalents at end of financial period</b>	<u><u>26,100</u></u>	<u><u>38,884</u></u>
<b>Cash and cash equivalents comprise :</b>		
Cash and bank balances	58,445	86,419
Bank overdrafts	(32,345)	(47,535)
	<u><u>26,100</u></u>	<u><u>38,884</u></u>

This Condensed Consolidated Cash Flow statement should be read in conjunction with the audited financial statements for the financial year ended 31 December 2008 and the accompanying explanatory notes attached to the interim financial statements.

**A. Notes to the Interim Financial Report**  
**For the first quarter and financial period ended 31 March 2009**

**A1. Basis of Preparation**

The quarterly interim financial report is unaudited and has been prepared in accordance with FRS134 “Interim Financial Reporting” and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad and should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2008.

The significant accounting policies adopted are consistent with those of the audited financial statements for the financial year ended 31 December 2008.

**A2. Report of the Auditors to the Members**

The report of the auditors on the annual financial statements for the financial year ended 31 December 2008 was not subject to any qualification and did not include any adverse comments made under subsection (3) of Section 174 of the Companies Act, 1965.

**A3. Seasonality or Cyclicity of Interim Operations**

The Group’s traditional business dealing with stationery, especially for school and office, was affected by the “back to school” season in Europe which normally records higher sales in mid year. Sales of Pelikan Hardcopy Holding AG (“PHH”) Group and German Hardcopy AG (“GHAG”) groups, dealing with hardcopy related products and printer consumables are generally not influenced by seasonal fluctuation. The combined sales of the Group therefore have lesser effects of seasonality. However, second quarter remains the strongest quarter.

**A4. Exceptional and/or Extraordinary Items Affecting Assets, Liabilities, Equity, Net Income or Cash flows**

Except as disclosed elsewhere in this interim financial report, there were no exceptional and/ or extraordinary items affecting assets, liabilities, equity, net income or cash flows for the current quarter ended 31 March 2009.

**A. Notes to the Interim Financial Report**  
**For the first quarter and financial period ended 31 March 2009**

**A5. Material Effect of Changes in Estimates of Amounts Reported in the Prior Interim Periods of the Current Financial Year or Prior Financial Years**

There were no material changes in estimates of amounts reported in the current quarter, prior interim periods or prior financial years.

**A6. Debt and Equity Securities**

The Company repurchased a total of 148,000 of its shares from the open market for a total consideration of RM133,492 during the current quarter. Subsequent to the current quarter, a total of 57,100 ordinary shares were repurchased from the open market for a total consideration of RM43,061. The repurchased transactions were financed by internally generated funds. The repurchased shares are held as treasury shares in accordance with Section 67A (as amended) of the Companies Act, 1965.

There were no other issuances, cancellations, repurchases, resales and repayments of debt and equity securities during the current quarter ended 31 March 2009.

**A7. Dividends**

No dividends have been paid during the current quarter ended 31 March 2009.

For the financial year ended 31 December 2008, the Board of Directors proposed a final dividend of 2 sen per share single tier dividend\*. The proposed final dividend is subject to the approval by the shareholders at the forthcoming Annual General Meeting. This dividend, upon approval by the shareholders will be accounted for as an appropriation of retained earnings in the year in which it is approved. The dividend payment date and entitlement date are 8 September 2009 and 10 August 2009 respectively.

\* - single tier dividend is non-tax deductible under Section 108 of the Income Tax Act 1967 and is exempt from Income Tax in the hands of the shareholders pursuant to paragraph 12B of Schedule 6 of the said Act.

**A. Notes to the Interim Financial Report**  
**For the first quarter and financial period ended 31 March 2009**

**A8. Segment Information**

	Germany RM'000	Switzerland RM'000	Italy RM'000	Rest of Europe RM'000	Latin- America RM'000	Others RM'000	Elimination RM'000	Group RM'000
<b>3 months ended 31 March 2009</b>								
External revenue	138,102	28,319	13,046	51,454	36,329	18,161		285,411
Intersegment revenue	87,426	68,415	71	3,332	1,722	32,072	(193,038)	-
	<u>225,528</u>	<u>96,734</u>	<u>13,117</u>	<u>54,786</u>	<u>38,051</u>	<u>50,233</u>	<u>(193,038)</u>	<u>285,411</u>
Segment result	18,351	1,839	(2,490)	(5,847)	3,022	4,140	(6,289)	12,726
Unallocated income (net of cost)								<u>5,263</u>
Profit from operations								<u>17,989</u>

**A9. Valuation of Property, Plant and Equipment**

There were no valuations of property, plant and equipment during the current quarter.

**A10. Events Subsequent to Balance Sheet Date**

Other than Note A6, there is no event subsequent to balance sheet date ended 31 March 2009.



**A. Notes to the Interim Financial Report**  
**For the first quarter and financial period ended 31 March 2009**

**A11. Changes in the Composition of the Group**

On 13 January 2009, a subsidiary of the Company in Mexico, Productos Pelikan S.A. de C.V., acquired a further 80.5% equity interest in Indistri S.A., Colombia (“Indistri”) for a cash consideration of RM15,200,000 (USD4,250,000). The principal activities of Indistri are the manufacturing and distribution of office, schools and stationery supplies. The Group has an effective interest of 92.62% in Indistri after this acquisition. The acquisition is expected to expand our market opportunities in Colombia.

**A12. Contingent Liabilities**

- (a) In the ordinary course of business, the business of PHH and GHAG groups (dealing with manufacturing and distribution of hardcopy related products and printer consumables such as inkjet and toner cartridges, thermal transfer, office media and impact cartridges, hereinafter referred to as the “Hardcopy business”) is involved in several lawsuits. In particular, the Group has several large legal claims brought by Original Equipment Manufacturers for perceived breach of patents with an assessed potential maximum exposure of EUR20.3 million (RM97.9 million). The Group is of the view that litigation matters are an inherent part of the Hardcopy business. Historically, the Group has been successful in defending most cases and management remains confident that the Group's exposure to these claims can be reduced or can be successfully defended. In the opinion of the management, the lawsuits, claims and proceedings which are pending against the Group will not have a material effect on the Group's financial statements.
- (b) Based on the latest actuaries assumptions as at 30 September 2008, PHH's wholly owned subsidiary Pelikan Hardcopy Scotland Limited (“PHSL”)s retirement fund has GBP15.6 million (RM80.96 million) assets to meet pension liabilities of GBP24.7 million (RM128.2 million). An amount of GBP1.6 million (RM8.5 million) has been recognised as a pension liability in the financial statements of PHSL as at 31 March 2009 in accordance with the Financial Reporting Standard 119 – Employee Benefits (“FRS 119”).

The Group believes that the operational cash flow of the Group and the assets in the retirement fund of PHSL are sufficient to meet the payouts of the retirement scheme in the foreseeable future.

**B. Additional Information Required by the Bursa Malaysia Securities Berhad's Listing Requirements**

**B1. Taxation**

	3 months ended		Financial period ended	
	31/03/09	31/03/08	31/03/09	31/03/08
	RM'000	RM'000	RM'000	RM'000
Taxation (charged)/ credited in respect of current financial period				
- income tax	(3,687)	(2,779)	(3,687)	(2,779)
- deferred tax	1,113	1,126	1,113	1,126
	<u>(2,574)</u>	<u>(1,653)</u>	<u>(2,574)</u>	<u>(1,653)</u>

The Group's effective tax rate is lower than the statutory income tax rate in Malaysia mainly due to utilisation of prior year tax losses and differing tax rates in different countries where the Group operates

**B2. Unquoted investment and/or properties**

During the current quarter, the Group increased its unquoted investment by RM113,000 through the acquisition of Indistri S.A. refer to in Note A11.

Other than that, there was no disposal of unquoted investments or properties during the current quarter ended 31 March 2009.

**B3. Marketable securities**

Investments as at 31 March 2009:

	RM'000
Cost	17,046
Carrying value/book value	17,046
Market value	11,779

The Company increased its quoted shares investments by RM343,201 through dividend shares received in the current quarter. Other than this purchase, there was no additional purchase or disposal of securities during the current quarter.

**B. Additional Information Required by the Bursa Malaysia Securities Berhad's Listing Requirements**

**B4. Borrowings**

Details of the Group's borrowings as at 31 March 2009 are as set out below:

Currency	Short Term		Long Term	Total
	Secured RM' 000	Unsecured RM' 000	Secured RM' 000	RM' 000
Ringgit Malaysia	42,540	1,000	9,089	52,629
Euro	64,680	39,389	158,689	262,758
Swiss Franc	14,633	-	-	14,633
US Dollar	7,001	-	20,488	27,489
Argentine Peso	-	877	-	877
Poland Zloty	118	3,904	255	4,277
Czech Koruna	90	205	346	641
Colombia Peso	4,595	-	6,178	10,773
<b>Total</b>	<b>133,657</b>	<b>45,375</b>	<b>195,045</b>	<b>374,077</b>

**B5. Off Balance Sheet Financial Instruments**

Other than the operating leases as disclosed below, the Group did not enter into any contracts involving off balance sheet financial instruments during the current financial period.

	<b>Future minimum lease payments RM'000</b>
Not later than 1 year	12,358
Later than 1 year and not later than 5 years	21,955
Later than 5 years	883
	<u>35,196</u>

**B. Additional Information Required by the Bursa Malaysia Securities Berhad's Listing Requirements**

**B6. Material Litigation**

In the ordinary course of business, the business of PHH and GHAG groups (dealing with manufacturing and distribution of hardcopy related products and printer consumables such as inkjet and toner cartridges, thermal transfer, office media and impact cartridges, hereinafter referred to as the "Hardcopy business") is involved in several lawsuits. In particular, the Group has several large legal claims brought by Original Equipment Manufacturers for perceived breach of patents with an assessed potential maximum exposure of EUR20.3 million (RM97.9 million). The Group is of the view that litigation matters are an inherent part of the Hardcopy business. Historically, the Group has been successful in defending most cases and management remains confident that the Group's exposure to these claims can be reduced or can be successfully defended. In the opinion of the management, the lawsuits, claims and proceedings which are pending against the Group will not have a material effect on the Group's financial statements.

**B7. Post employment benefit obligation**

	<b>RM'000</b>
Payable within 12 months	14,955
Payable after 12 months	262,577
	<u>277,532</u>
<b>Removable Pension Liabilities:</b>	
Liabilities assumed by Pension Trust Fund	153,835
Liabilities assumed by the Company	65,087
	218,922
Other pension liabilities of the Group	58,610
	<u>277,532</u>

Pursuant to the acquisitions of Pelikan Holding AG and Pelikan Japan KK by the Company completed in April 2005, part of the pension liabilities of the Group (known as "Removable Pension Liabilities") has been assumed by an external Pension Trust Fund created for this purpose, whilst the Company is assuming the balance of the said Removable Pension Liabilities fixed in Ringgit Malaysia as at the completion date of the acquisitions. If the assets in the Pension Trust Fund are capable of paying the entire Removable Pension Liabilities, the Removable Pension Liabilities assumed by the Company will be relinquished.

**B. Additional Information Required by the Bursa Malaysia Securities Berhad's Listing Requirements**

**B8. Capital commitments**

Capital commitments not provided for in the financial statements as at 31 March 2009 were as follows:

	<b>RM'000</b>
Authorised and contracted: Property, plant and equipment	3,706

**B9. Review of Performance**

The Group's revenue for the current financial quarter was RM285.4 million compared to RM313.0 million for the corresponding quarter last year. The overall sales for the current quarter were softer as a result of the declining market conditions in major markets where the Group trades in, particularly in Europe. Our results were impacted by the decline in customer spending. In addition, the weakened Euro currency against Ringgit Malaysia in the current quarter had contributed to the lower revenue when translated into the reporting currency. The weakened Euro currency had also resulted in a slight foreign exchange loss this quarter as in Ringgit Malaysia compared to a foreign exchange gain of RM9.3 million classified as "other operating income" in the corresponding quarter last year.

In the current quarter, we have a better absorption of costs due to increase in production volumes from customary stocking up for the upcoming "Back to School" season in mid-year. With lower levels of sales performance this quarter and constant fixed costs, we are unable to sustain similar profit level as per last year.

**B10. Variation of results against preceding quarters**

In the current quarter, the Group's revenue increased to RM285.4 million compared to RM226.1 million in the fourth quarter last year. Both first and fourth quarters are currently weakest quarters of the Group in terms of sales. The results improved in the first quarter 2009 due to higher sales and better absorption of costs. One off expenses particularly relating to the closure of the Bosnian plant and also compensation for severance and retrenchments were charged in the last quarter of 2008 which had contributed to the reported loss.

**B. Additional Information Required by the Bursa Malaysia Securities Berhad's Listing Requirements**

**B11. Prospects**

The Group expects slower sales in 2009. Turnover in the first four months this year, especially in April, was lower than in 2008 mainly due to the lower demand and adverse economic condition in Europe (our largest market) particularly in Italy, Spain and Eastern Europe. New product development continues to be the focus in order to capture interest and generate sales. For instance, we have introduced griffix @ - Learn to write system for pre-school market for Europe in 2008 and for Asia in 2009 and thus far, the results have been encouraging.

Our markets in Latin America and Middle East are also expanding and indicated good progress to date, despite global economic slowdown. However, their contributions are smaller as compared to from Europe and therefore, the overall sales and results have not been significantly influenced by the positive development in these markets. Nevertheless, it is a good development as the Group constantly tries to expand markets outside Europe to lower the dependency of the Group to European market, and to cushion the sale seasonality of the Back to school ("BTS") season in Europe.

Even though we do expect better performance in the mid year from our traditional stationery and customary BTS businesses, our overall expectation for 2009 is sluggish resulting from the persisting global crisis and lowering domestic demands in our major markets. In the meantime, the Group is seeking to expand further its business opportunities in the under-developed and unrepresented markets with a motive to improve overall sales growth.

**B12. Dividend**

The Board of Directors does not recommend any dividend for the current quarter

**B13. Variance on Profit Forecast / Shortfall in Profit Guarantee**

Not applicable.

**B. Additional Information Required by the Bursa Malaysia Securities Berhad's Listing Requirements**

**B14. Basic Earnings per share**

		3 months ended		Financial period ended	
		31/03/09	31/03/08	31/03/09	31/03/08
Profit for the financial period attributable to equity holders of the Company	(RM'000)	<u>8,022</u>	<u>24,065</u>	<u>8,022</u>	<u>24,065</u>
Weighted average number of ordinary shares in issue	('000)	343,169	291,735	343,169	291,735
Shares repurchased	('000)	<u>(3,772)</u>	<u>(2,584)</u>	<u>(3,772)</u>	<u>(2,584)</u>
		<u>339,397</u>	<u>289,151</u>	<u>339,397</u>	<u>289,151</u>
Basic earnings per share	(sen)	2.36	8.32	2.36	8.32