

Company No. 63611 - U

PELIKAN INTERNATIONAL CORPORATION BERHAD
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT

31 MARCH 2011

PELIKAN INTERNATIONAL CORPORATION BERHAD (63611-U)
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Interim report for the financial period ended 31 March 2011
The figures have not been audited.

	Note	Individual Quarter 3 months ended		Cumulative Quarter Financial period ended	
		31/03/2011 RM' 000	31/03/2010 RM' 000	31/03/2011 RM' 000	31/03/2010 RM' 000
Revenue		460,750	272,789	460,750	272,789
Other operating income		16,993	147,229	16,993	147,229
Expenses excluding finance cost and tax		(466,777)	(302,905)	(466,777)	(302,905)
Finance cost		(5,216)	(4,345)	(5,216)	(4,345)
Share of results of associates after tax		1,075	1,451	1,075	1,451
Profit before taxation		<u>6,825</u>	<u>114,219</u>	<u>6,825</u>	<u>114,219</u>
Taxation	B1	(4,136)	(2,190)	(4,136)	(2,190)
Profit for the financial period		<u>2,689</u>	<u>112,029</u>	<u>2,689</u>	<u>112,029</u>
Other comprehensive income / (loss):					
Net gain on revaluation of financial investments available-for-sale		-	1,364	-	1,364
Exchange differences on translation of foreign operations		13,953	(16,586)	13,953	(16,586)
Total other comprehensive income / (loss)		<u>13,953</u>	<u>(15,222)</u>	<u>13,953</u>	<u>(15,222)</u>
Total comprehensive income for the period		<u>16,642</u>	<u>96,807</u>	<u>16,642</u>	<u>96,807</u>
Total profit / (loss) attributable to:					
Owners of the parent		7,209	111,409	7,209	111,409
Minority Interest		(4,520)	620	(4,520)	620
		<u>2,689</u>	<u>112,029</u>	<u>2,689</u>	<u>112,029</u>
Total comprehensive income / (loss) attributable to:					
Owners of the parent		21,675	96,706	21,675	96,706
Minority Interest		(5,033)	101	(5,033)	101
		<u>16,642</u>	<u>96,807</u>	<u>16,642</u>	<u>96,807</u>
Earnings per share attributable to equity holders of the parent	B14	sen 1.42	sen 25.36	sen 1.42	sen 25.36

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial statements.

PELIKAN INTERNATIONAL CORPORATION BERHAD (63611-U)
 CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
 Interim report as at 31 March 2011
 The figures have not been audited.

	Note	31/03/2011 RM'000	Audited 31/12/2010 RM'000
ASSETS			
Non current assets			
Property, plant and equipment		614,742	603,809
Trademarks		15,585	14,932
Development costs		25,548	25,532
Goodwill		111,129	109,511
Computer software licence		3,545	3,447
Investment in associates		37,798	36,854
Available-for-sale financial assets		3,114	3,006
Pension Trust Fund		192,565	192,565
Deferred tax assets		28,116	27,980
		<u>1,032,142</u>	<u>1,017,636</u>
Current assets			
Inventories		431,673	388,200
Receivables, deposits & prepayments		400,502	395,019
Tax recoverable		3,551	5,234
Pension Trust Fund		21,335	21,335
Deposits, cash and bank balances		92,841	109,263
		<u>949,902</u>	<u>919,051</u>
Total Assets		<u>1,982,044</u>	<u>1,936,687</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital		512,796	512,796
Share premium		74,964	74,964
Currency translation		(48,957)	(63,423)
Retained profits		342,218	335,009
Treasury shares, at cost		(15,569)	(15,569)
		<u>865,452</u>	<u>843,777</u>
Minority interest		31,166	36,580
Total Equity		<u>896,618</u>	<u>880,357</u>
Non current liabilities			
Payables		6,649	6,303
Post employment benefit obligations	B7		
- Removable pension liabilities		162,959	158,675
- others		40,504	48,080
Borrowings	B4	185,871	193,134
Deferred tax liabilities		9,514	9,510
		<u>405,497</u>	<u>415,702</u>
Current liabilities			
Payables		375,811	383,242
Post employment benefit obligations	B7		
- Removable pension liabilities		10,006	9,600
- others		9,209	1,202
Provisions		295	346
Borrowings	B4	269,772	231,539
Current tax liabilities		14,836	14,699
		<u>679,929</u>	<u>640,628</u>
Total Liabilities		1,085,426	1,056,330
Total Equity and Liabilities		<u>1,982,044</u>	<u>1,936,687</u>
Net assets per share attributable to equity holders of the parent (RM)		1.69	1.65

This Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2010 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 2011
 The figures have not been audited.

	Share Capital	Share premium (non distributable)	Currency translation (non distributable)	Available-for-sales reserve (non distributable)	Retained profits (distributable)	Treasury shares, at cost (distributable)	Equity attributable to owners 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
Balance at 1 January 2011	512,796	74,964	(63,423)	-	335,009	(15,569)	843,777	36,580	880,357
Total comprehensive income / (loss) for the period	-	-	14,466	-	7,209	-	21,675	(5,033)	16,642
Dividends	-	-	-	-	-	-	-	(381)	(381)
Balance at 31 March 2011	<u>512,796</u>	<u>74,964</u>	<u>(48,957)</u>	<u>-</u>	<u>342,218</u>	<u>(15,569)</u>	<u>865,452</u>	<u>31,166</u>	<u>896,618</u>
Balance at 1 January 2010	343,169	59,869	(27,902)	-	218,583	(13,678)	580,041	23,095	603,136
- effects of adopting FRS 139	-	-	-	(984)	(96)	-	(1,080)	(4)	(1,084)
As restated	<u>343,169</u>	<u>59,869</u>	<u>(27,902)</u>	<u>(984)</u>	<u>218,487</u>	<u>(13,678)</u>	<u>578,961</u>	<u>23,091</u>	<u>602,052</u>
Total comprehensive (loss) / income for the period	-	-	(16,067)	1,364	111,409	-	96,706	101	96,807
Acquisition of subsidiaries	-	-	-	-	-	-	-	36,438	36,438
Rights Issue, net of share issue costs	169,627	15,122	-	-	-	-	184,749	-	184,749
Purchase of own shares	-	-	-	-	-	(152)	(152)	-	(152)
Balance at 31 March 2010	<u>512,796</u>	<u>74,991</u>	<u>(43,969)</u>	<u>380</u>	<u>329,896</u>	<u>(13,830)</u>	<u>860,264</u>	<u>59,630</u>	<u>919,894</u>

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 2010 and the accompanying explanatory notes attached to the interim financial statements.

PELIKAN INTERNATIONAL CORPORATION BERHAD (63611-U)
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
Interim report for the financial period ended 31 March 2011
The figures have not been audited.

	Financial period ended	
	31/03/2011	31/03/2010
	RM' 000	RM' 000
Operating activities		
Cash receipts from customers	486,721	271,952
Cash paid to suppliers and employees	(504,783)	(270,276)
	(18,062)	1,676
Interest received	48	284
Interest paid	(5,431)	(2,784)
Taxation paid	(4,060)	(1,041)
Net cash used in operating activities	(27,505)	(1,865)
Investing activities		
Acquisition of subsidiaries	-	23,404
Purchase of property, plant and equipment	(7,146)	(4,947)
Proceeds from disposal of property, plant and equipment	2,817	73
Purchase of intangible assets	(263)	(140)
Purchase of investments	-	(348)
Development expenses paid	(1,530)	(1,442)
Interest paid	(980)	(1,272)
Net cash (used in) / from investing activities	(7,102)	15,328
Financing activities		
Drawdown of bank borrowings	113,377	69,570
Repayments of bank borrowings	(86,735)	(139,579)
Hire purchase and finance lease principal payments	(340)	(652)
Rights issue, net of share issue costs	-	184,749
Purchase of own shares	-	(152)
Interest paid	-	(33)
Net cash from financing activities	26,302	113,903
Net (decrease) / increase in cash and cash equivalents during the financial	(8,305)	127,366
Currency translation	(7,833)	(9,753)
Cash and cash equivalents at beginning of financial period	95,776	50,926
Cash and cash equivalents at end of financial period	79,638	168,539
Cash and cash equivalents comprise :		
Cash and bank balances	92,841	172,925
Bank overdrafts	(13,203)	(4,386)
	79,638	168,539

This Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2010 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 2011

A1. Basis of Preparation

The quarterly interim financial report is unaudited and has been prepared in accordance with FRS 134 “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 2010.

A2. Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the financial year ended 31 December 2010, except for the adoption of the following:

FRSs/Interpretations	Effective date
FRS 1, First-time Adoption of Financial Reporting Standards (Revised)	1 July 2010
FRS 3, Business Combinations (Revised)	1 July 2010
FRS 127, Consolidated and Separate Financial Statements (Revised)	1 July 2010
Amendments to FRS 1, Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters and Additional Exemptions for First-time Adopters	1 January 2011
Amendments to FRS 2, Share-based Payment	1 July 2010
Amendments to FRS 2, Group Cash-settled Share-based Payment Transactions	1 January 2011
Amendments to FRS 5, Non-current Assets Held For Sale and Discontinued Operations	1 July 2010
Amendments to FRS 7, Improving Disclosures about Financial Instruments	1 January 2011
Amendments to FRS 132, Financial Instruments: Presentation – Classification of Rights Issues	1 March 2010
Amendments to FRS 138, Intangible Assets	1 July 2010
Improvements to FRSs (2010)	1 January 2011
IC Interpretation 4, Determining whether an Arrangement contains a Lease	1 January 2011
IC Interpretation 12, Service Concession Arrangements	1 July 2010
IC Interpretation 16, Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17, Distributions of Non-cash Assets to Owners	1 July 2010
IC Interpretation 18, Transfers of Assets from Customers	1 January 2011
Amendments to IC Interpretation 9, Reassessment of Embedded Derivatives	1 July 2010

A. Notes to the Interim Financial Report
For the first quarter and financial period ended 31 March 2011

A2. Accounting Policies (cont'd)

Adoptions of the above standards, amendments and interpretations do not have any material impact on the financial performance, position or presentation of financials of the Group, other than the disclosures under the Amendments to FRS 7 which will affect the 2011 annual financial statements.

A3. Report of the Auditors to the Members

The report of the auditors on the annual financial statements for the financial year ended 31 December 2010 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.

A4. 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. The gift business of Herlitz AG ("Herlitz") generates better results towards the end of the year. Sales of Pelikan Hardcopy Holding AG ("PHH") group and Geha GmbH ("Geha") group dealing with hardcopy related products and printer consumables such as inkjet and toner cartridges, thermal transfer, office media and impact cartridges, are generally not influenced by seasonal fluctuation.

A5. Exceptional and/or Extraordinary Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows

There were no other exceptional and/or extraordinary items affecting assets, liabilities, equity, net income or cash flows for the current quarter ended 31 March 2011.

A6. 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.

A. Notes to the Interim Financial Report
For the first quarter and financial period ended 31 March 2011

A7. Debt and Equity Securities

The Company repurchased a total of 100 of its shares from the open market for a total consideration of RM145 during the current quarter. Subsequent to the current quarter, a total of 137,500 ordinary shares were repurchased from the open market for a total consideration of RM145,808.

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.

Other than mentioned above, there were no other issuances, cancellations, repurchases, resales and repayments of debt and equity securities during the current quarter ended 31 March 2011.

A8. Dividends

No dividends have been paid during the current quarter ended 31 March 2011.

A9. 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
3 months ended 31 March 2011								
External revenue	283,345	30,678	12,390	68,576	44,956	20,805	-	460,750
Intersegment revenue	230,535	47,470	38	16,867	3,151	31,637	(329,698)	-
	<u>513,880</u>	<u>78,148</u>	<u>12,428</u>	<u>85,443</u>	<u>48,107</u>	<u>52,442</u>	<u>(329,698)</u>	<u>460,750</u>
Segment result	(6,728)	1,669	(76)	(3,205)	5,559	5,000	(6,181)	(3,962)
Unallocated income (net of cost)								<u>14,928</u>
Profit from operations								<u>10,966</u>

A. Notes to the Interim Financial Report
For the first quarter and financial period ended 31 March 2011

A10. Valuation of Property, Plant and Equipment

There were no valuations of property, plant and equipment during the current quarter ended 31 March 2011.

A11. Changes in the Composition of the Group

There were no changes in the composition of the Group during the current quarter ended 31 March 2011

A12. Events Subsequent to the End of the Reporting Period

There is no event subsequent to the financial period ended 31 March 2011.

A13. Contingent Liabilities

(a) In the ordinary course of business, the business of PHH and Geha 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 (“OEM”) for perceived breach of patents with an assessed potential maximum exposure of EUR26.1 million (RM111.4 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 successfully be 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 31 December 2010, the Company’s wholly owned subsidiary Pelikan Hardcopy Scotland Limited (“PHSL”)’s retirement fund has GBP21.1 million (RM102.4 million) assets to meet pension liabilities of GBP28.6 million (RM138.9 million). An amount of GBP1.3 million (RM6.2 million) has been recognised as a pension liability in the financial statements of PHSL as at 31 March 2011 in accordance with the FRS 119, Employee Benefits.

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	
	31/03/11	31/03/10	31/03/11	31/03/10
	RM'000	RM'000	RM'000	RM'000
Taxation charged in respect of current financial period				
- income tax	(3,743)	(2,079)	(3,743)	(2,079)
- deferred tax	(393)	(111)	(393)	(111)
	<u>(4,136)</u>	<u>(2,190)</u>	<u>(4,136)</u>	<u>(2,190)</u>

The Group's effective tax rate is higher than the statutory income tax rate in Malaysia mainly due to non-availability of group relief where subsidiaries with taxable profits cannot utilise the unutilised losses of other subsidiaries.

B2. Unquoted investment and/or properties

There was no purchase or disposal of unquoted investments or properties during the current quarter ended 31 March 2011.

B3. Quoted securities

There was no purchase or disposal of securities during the current quarter ended 31 March 2011.

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 2011 are as set out below:

Currency	Short Term		Long Term		Total RM' 000
	Secured RM' 000	Unsecured RM' 000	Secured RM' 000	Unsecured RM' 000	
Ringgit Malaysia	53,539	11,381	2,211	-	67,131
Euro	73,917	10,339	42,266	-	126,522
Swiss Franc	36	-	6,573	-	6,609
US Dollar	87,796	-	124,156	-	211,952
Poland Zloty	46	-	59	-	105
Czech Koruna	97	-	178	-	275
Mexican Peso	2,010	17,838	6,700	-	26,548
Argentine Peso	2,322	-	-	-	2,322
Colombian Peso	4,402	20	1,595	-	6,017
Great Britain Pound	-	-	-	2,083	2,083
Hungarian Forint	-	3,467	-	-	3,467
Singapore Dollar	-	-	50	-	50
Japanese Yen	-	2,562	-	-	2,562
Total	224,165	45,607	183,788	2,083	455,643

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.

	Future minimum lease payments RM'000
Not later than 1 year	16,556
Later than 1 year and not later than 5 years	20,674
Later than 5 years	4,293
	<u>41,523</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 Geha 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 ("OEM") for perceived breach of patents with an assessed potential maximum exposure of EUR26.1 million (RM111.4 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 successfully be 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

	RM'000
Payable within 12 months	19,215
Payable after 12 months	203,463
	<u>222,678</u>
Removable Pension Liabilities:	
Liabilities assumed by Pension Trust Fund	107,878
Liabilities assumed by the Company	65,087
	172,965
Other pension liabilities of the Group	49,713
	<u>222,678</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 2011 were as follows:

	RM'000
Authorised and contracted:	
Property, plant and equipment	254

B9. Review of Performance

The Group's revenue for the current financial quarter was RM460.8 million compared to RM272.8 million for the corresponding quarter last year as a result of the full consolidation of the newly acquired Herlitz business. The strengthening of Ringgit Malaysia ("RM") against the Group's major trade currencies such as Euro and United States Dollar ("USD") has resulted in lower translation of revenues into the reporting currency. The profit before tax for the current quarter was RM6.8 million compared to profit before tax of RM114.2 million for the corresponding quarter last year. The profit last year included the negative goodwill and provision for related expenses recognised in connection to the acquisition of Herlitz AG and related assets.

B10. Variation of results against preceding quarter

In the current quarter, the Group's revenue reduced to RM460.8 million compared to RM488.0 million in the preceding quarter. Both first and fourth quarters are currently weaker quarters of the Group. The profit before tax of RM6.8 million as compared to RM9.3 million loss before tax of preceding quarter was partly contributed by the foreign exchange gain resulted from liabilities denominated in Euro.

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

B11. Prospects

The Group continues the efforts of merger and reorganization involving Herlitz to achieve synergies and reduce operating costs. Cost controls and margins maintenance are still the major concentration of the Group in 2011, besides expanding our markets in non-European countries in Latin America, Asia and Africa. Whilst not expecting significant growth in revenue in 2011, the Group expects costs to be reduced after the completion of the merger and reorganization in the coming financial periods.

B12. Dividend

For the financial year ended 31 December 2010, the Board of Directors proposed a final single tier dividend* of 2 sen per ordinary share of RM1 each. The proposed 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 entitlement date and payment date are 17 August 2011 and 14 September 2011 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.

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. Earnings per share

		3 months ended		Financial period ended	
		31/03/11	31/03/10	31/03/11	31/03/10
Profit for the financial period attributable to equity holders of the parent	(RM'000)	7,209	111,409	7,209	111,409
Weighted average number of ordinary shares in issue	('000)	512,796	427,982	512,796	427,982
Notional bonus shares in rights issue	('000)	-	15,238	-	15,238
Shares repurchased	('000)	(5,582)	(3,915)	(5,582)	(3,915)
		507,214	439,305	507,214	439,305
Earnings per share	(sen)	1.42	25.36	1.42	25.36

B15. Realised and Unrealised Profits/Losses Disclosure

	As at 31/03/11 RM'000	As at 31/12/10 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised profit	348,481	364,941
- Unrealised loss	(22,191)	(689)
	326,290	364,252
Total share of accumulated losses from associates:		
- Realised loss	(1,693)	(1,774)
- Unrealised profit	37	38
	(1,656)	(1,736)
Add / (less): Consolidation adjustments	17,584	(27,507)
Total retained profits as per Statement of Financial Position	342,218	335,009

Note: As per Bursa Malaysia's directive dated 20 December 2010, prior year comparatives are not required in the first year of complying with the Realised and Unrealised Profits/Losses Disclosure.