Company No. 63611 - U

PELIKAN INTERNATIONAL CORPORATION BERHAD
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT

31 December 2012

PELIKAN INTERNATIONAL CORPORATION BERHAD (63611-U)
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Interim report for the financial year ended 31 December 2012
The figures have not been audited.

	Note	Individual Quarter 3 months ended 31/12/2012 RM' 000	Individual Quarter 3 months ended 31/12/2011 RM' 000	Cumulative Quarter Financial year ended 31/12/2012 RM' 000	Cumulative Quarter Financial year ended 31/12/2011 RM' 000
Revenue		328,140	430,043	1,601,206	1,923,368
Other operating income		5,813	7,622	45,920	25,600
Expenses excluding finance cost and tax		(382,972)	(511,085)	(1,668,302)	(1,996,090)
Finance cost		(7,072)	(4,176)	(25,862)	(25,144)
Share of results of associates after tax		-	2,731	-	8,974
Loss before taxation		(56,091)	(74,865)	(47,038)	(63,292)
Taxation	B1	(853)	(22,596)	(16,376)	(38,010)
Loss for the financial period/year		(56,944)	(97,461)	(63,414)	(101,302)
Other comprehensive income/(loss): Exchange differences on translation of foreign operations		4,753	(29,761)	(7,678)	1,286
Total comprehensive loss for the financial period/year		(52,191)	(127,222)	(71,092)	(100,016)
Total loss attributable to:					
Owners of the parent		(51,302)	(89,381)	(57,322)	(88,423)
Non-controlling interest		(5,642)	(8,080)	(6,092)	(12,879)
		(56,944)	(97,461)	(63,414)	(101,302)
Total comprehensive loss attributable to:					
Owners of the parent		(46,397)	(121,133)	(64,225)	(86,063)
Non-controlling interest		(5,794)	(6,089)	(6,867)	(13,953)
		(52,191)	(127,222)	(71,092)	(100,016)
		sen	sen	sen	sen
Loss per share attributable to equity holders of the parent	B11	(10.05)	(17.63)	(11.32)	(17.44)

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2011 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 December 2012
The figures have not been audited.

	Note	31/12/2012 RM'000	Restated 31/12/2011 RM'000	Restated 1/1/2011 RM'000
ASSETS				
Non current assets				
Property, plant and equipment		481,449	559,637	603,809
Trademarks		15,004	15,017	14,932
Development costs		15,674	23,430	25,532
Goodwill		97,850	97,038	101,722
Computer software licence		1,238	2,268	3,447
Investment in associates		-	-	36,854
Available-for-sale financial assets		3,040	2,985	3,006
Pension Trust Fund		145,161	152,048	160,307
Deferred tax assets		31,658	35,333	39,329
		791,074	887,756	988,938
Current assets				
Inventories		292,287	370,272	388,200
Receivables, deposits & prepayments		333,091	406,430	395,019
Tax recoverable		4,535	1,780	5,234
Pension Trust Fund		17,347	19,448	21,335
Deposits, cash and bank balances		160,272	100,808	109,263
		807,532	898,738	919,051
Total Assets		**1,598,606**	**1,786,494**	**1,907,989**
EQUITY AND LIABILITIES				
Equity attributable to owners of the parent				
Share capital		512,796	512,796	512,796
Share premium		57,520	74,964	74,964
Currency translation		(79,967)	(73,064)	(71,212)
Retained profits		141,858	204,188	302,751
Treasury shares, at cost		(3,854)	(16,751)	(15,569)
		628,353	702,133	803,730
Non-controlling interests		15,246	22,378	36,580
Total Equity		643,599	724,511	840,310
Non current liabilities				
Post employment benefit obligations	B4			
- Removable pension liabilities		141,171	151,548	158,675
- others		30,664	33,547	48,080
Borrowings	B2	117,204	107,827	193,134
Deferred tax liabilities		32,891	38,006	20,859
		321,930	330,928	420,748
Current liabilities				
Payables		295,325	339,559	389,545
Post employment benefit obligations	B4			
- Removable pension liabilities		9,587	9,582	9,600
- others		10,618	11,213	1,202
Provisions		90	189	346
Derivative liabilities		4,773	3,280	-
Borrowings	B2	300,775	350,920	231,539
Current tax liabilities		11,909	16,312	14,699
		633,077	731,055	646,931
Total Liabilities		955,007	1,061,983	1,067,679
Total Equity and Liabilities		**1,598,606**	**1,786,494**	**1,907,989**
Net assets per share attributable to owners of the parent (RM)		1.23	1.37	1.57

This Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2011 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 year ended 31 December 2012
The figures have not been audited.

	Share Capital	Share premium	Currency translation (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
Balance at 1 January 2012	512,796	74,964	(61,063)	204,188	(16,751)	714,134	22,378	736,512
Effects of adopting MFRS121	-	-	(12,001)	-	-	(12,001)	-	(12,001)
As restated	512,796	74,964	(73,064)	204,188	(16,751)	702,133	22,378	724,511
Total comprehensive loss for the financial year	-	-	(6,903)	(57,322)	-	(64,225)	(6,867)	(71,092)
Purchase of own shares	-	-	-	-	(4,547)	(4,547)	-	(4,547)
Dividends	-	(17,444)	-	(5,008)	17,444	(5,008)	(265)	(5,273)
Balance at 31 December 2012	512,796	57,520	(79,967)	141,858	(3,854)	628,353	15,246	643,599
Balance at 1 January 2011	512,796	74,964	(63,423)	335,009	(15,569)	843,777	36,580	880,357
Prior year adjustment	-	-	-	(32,258)	-	(32,258)	-	(32,258)
Effects of adopting MFRS121	-	-	(7,789)	-	-	(7,789)	-	(7,789)
As restated	512,796	74,964	(71,212)	302,751	(15,569)	803,730	36,580	840,310
Total comprehensive loss for the financial year	-	-	(1,852)	(88,423)	-	(90,275)	(13,953)	(104,228)
Purchase of own shares	-	-	-	-	(1,182)	(1,182)	-	(1,182)
Dividends	-	-	-	(10,140)	-	(10,140)	(249)	(10,389)
Balance at 31 December 2011	512,796	74,964	(73,064)	204,188	(16,751)	702,133	22,378	724,511

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 2011 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 year ended 31 December 2012
The figures have not been audited.

	Financial period ended	
	31/12/2012	**31/12/2011**
	RM' 000	**RM' 000**
Operating activities		
Cash receipts from customers	1,697,184	1,982,306
Cash paid to suppliers and employees	(1,600,846)	(1,954,169)
	96,338	28,137
Interest received	1,116	1,500
Interest paid	(9,615)	(18,014)
Taxation paid	(25,527)	(10,831)
Net cash from operating activities	62,312	792
Investing activities		
Disposal of subsidiaries, net of cash and bank balances disposed of	73,467	-
Purchase of property, plant and equipment	(21,114)	(25,802)
Proceeds from disposal of property, plant and equipment	17,168	15,217
Proceeds from disposal of investments in associate	-	9,549
Purchase of intangible assets	(421)	(725)
Development expenses paid	(2,481)	(7,290)
Interest paid	(14,486)	(9,539)
Dividends received	-	5,093
Net cash from/(used in) investing activities	52,133	(13,497)
Financing activities		
Drawdown of bank borrowings	397,028	364,695
Repayments of bank borrowings	(425,335)	(334,064)
Hire purchase and finance lease principal payments	(272)	(919)
Deposits uplifted	-	23,774
Purchase of own shares	(4,547)	(1,182)
Dividends paid to shareholders	(5,008)	(10,140)
Net cash (used in)/from financing activities	(38,134)	42,164
Net increase in cash and cash equivalents during the financial year	76,311	29,459
Currency translation	(15,248)	(6,471)
Cash and cash equivalents at beginning of financial year	94,990	62,911
Cash and cash equivalents at end of financial year	156,053	85,899
Cash and cash equivalents comprise :		
Cash and bank balances	160,272	91,717
Bank overdrafts	(4,219)	(5,818)
	156,053	85,899

This Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2011 and the accompanying explanatory notes attached to the interim financial statements.

A. Notes to the Interim Financial Report For the fourth quarter and financial year ended 31 December 2012

A1. Basis of Preparation

This interim financial report is based on the unaudited financial statements for the quarter ended 31 December 2012 and has been prepared in accordance with applicable disclosure provisions of paragraph 9.22 of the Listing Requirements of the Bursa Malaysia Securities Berhad and MFRS134, *Interim Financial Reporting* in Malaysia. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the audited financial statements of the Group as at end of the financial year ended 31 December 2011.

Since the issue of the previous annual audited financial statements as at 31 December 2011, the Group has adopted the Malaysian Financial Reporting Standard ("MFRS") framework issued by the Malaysian Accounting Standards Board ("MASB") with effect from 1 January 2012. This MFRS framework was introduced by the MASB in order to fully converged Malaysia's existing Financial Reporting Standards ("FRS") framework with the International Financial Reporting Standards ("IFRS") framework issued by the International Accounting Standards Board. MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards ("MFRS 1") has been applied.

In preparing its opening MFRS Statement of Financial Position as at 1 January 2011 (which is also the date of transition), the Group has adjusted the amounts previously reported in financial statement prepared in accordance with FRS. An explanation of how the transition from FRS to MFRS has affected the Group's financial performance, financial position and cash flows is set out in Note A2 below. These notes include reconciliations of the affected financial statements captions reported in accordance with the previous FRS framework and the MFRS framework at the date of transition and the comparative period. The transition from FRS to MFRS has not had a material impact on the statement of comprehensive income and statement of cash flows.

A. Notes to the Interim Financial Report
For the fourth quarter and financial year ended 31 December 2012

A2. Prior Year Adjustment, Significant Accounting Policies and Application of MFRS1

Prior Year Adjustment

In 2011, the Group changed the basis of measurement of the Pension Trust Fund to reflect the recovery of its carrying amount.

The adjustments to the carrying amount of the Pension Trust Fund arising from this change in measurement basis have been effected retrospectively resulting in the comparative figures and opening retained profits of the Group being restated.

The comparative figures as of 1 January 2011 have been restated accordingly and presented below, together with the impact of the application of MFRS 1.

Significant Accounting Policies and Application of MFRS1

The audited financial statement of the Group for the year ended 31 December 2011 was prepared in accordance with FRS. Except for certain differences, the requirement under FRS and MFRS are similar. The significant accounting policies adopted in preparing these condensed consolidated interim financial statements are consistent with those of the audited financial statements for the year ended 31 December 2011 except as discussed below:

<u>The Effects of Changes in Foreign Exchange Rates</u>

MFRS 121: The Effects of Changes in Foreign Exchange Rates requires goodwill and fair value adjustments to assets and liabilities that arise on the acquisition of a foreign operation to be treated as part of the assets and liabilities of the acquired entity and translated at the closing rate.

As allowed under the transitional provisions in FRS 121, goodwill and fair value adjustments which arose on the acquisition of foreign subsidiaries before 1 January 2006 are deemed to be assets and liabilities of the parent company and are recorded in RM at the rates prevailing at the date of acquisition.

Upon transition to MFRS, the Group has elected to apply MFRS 121 retrospectively to all past business combinations and restated the translation of goodwill and fair value adjustments arising in past business combinations (including those occurred before 1 January 2006) to use the closing rate at the end of previous reporting periods.

A. Notes to the Interim Financial Report
For the fourth quarter and financial year ended 31 December 2012

A2. Prior Year Adjustment, Significant Accounting Policies and Application of MFRS1 (cont'd)

The reconciliations of the affected financial statements captions reported in accordance with the previous FRS framework and the MFRS framework at the date of transition and the comparative period are provided below:

Reconciliation as at 1 January 2011 (including the prior year adjustment mentioned above):

	FRS as at 1.1.2011 RM'000	Reclassifications/ Effect of prior year adjustment RM'000	MFRS as at 1.1.2011 RM'000
Statement of Financial Position			
Intangible assets	153,422	(7,789)	145,633
Currency translation	(63,423)	(7,789)	(71,212)
Pension Trust Fund	192,565	(32,258)	160,307
Retained profits	335,009	(32,258)	302,751

Reconciliation as at 31 December 2011:

	FRS as at 31.12.2011 RM'000	Reclassifications RM'000	MFRS as at 31.12.2011 RM'000
Statement of Financial Position			
Intangible assets	149,754	(12,001)	137,753
Currency translation	(61,063)	(12,001)	(73,064)

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 2011 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 Cyclicality 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 business of Herlitz AG ("Herlitz") generates better results towards the second half of the year. Sales of the Group's printer consumable products such as inkjet and toner cartridges, thermal transfer, office media and impact cartridges, are generally not influenced by seasonal fluctuation.

A. Notes to the Interim Financial Report
For the fourth quarter and financial year ended 31 December 2012

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

There were no exceptional and/or extraordinary items affecting assets, liabilities, equity, net income or cash flows for the current quarter ended 31 December 2012.

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 prior interim periods of the current financial year or prior financial years.

A7. Debt and Equity Securities

The Company repurchased a total of 5,536,600 of its shares from the open market for a total consideration of RM4,547,054 during the financial year ended 31 December 2012. The Company repurchased a total of 391,000 of its share from the open market for total consideration of RM297,245 during current quarter. Subsequent to the current quarter, a total of 776,700 ordinary shares were repurchased from the open market for a total consideration of RM504,709.

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 December 2012.

A8. Dividends

No dividends have been paid during the current quarter ended 31 December 2012.

For the financial year ended 31 December 2011, a final share dividend on the basis of one (1) treasury share for every fifty (50) existing ordinary shares of RM1 each held in the Company, amounting to 10,016,389 treasury shares and a final single tier dividend, of one (1.0) sen per ordinary share of RM1.00 each ("Cash Dividend") amounting to RM5,008,359 had been approved by the shareholders at the Annual General Meeting held on 26 June 2012, had been credited and paid on 24 September 2012 respectively.

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

A. Notes to the Interim Financial Report
For the fourth quarter and financial year ended 31 December 2012

A9. Segment Information

	Germany RM'000	Switzerland RM'000	Italy RM'000	Rest of Europe RM'000	Americas RM'000	Rest of world RM'000	Elimination RM'000	Group RM'000
12 months ended 31 December 2012								
External revenue	927,658	103,763	40,099	266,306	196,690	66,690	-	1,601,206
Intersegment revenue	775,903	64,477	260	51,076	10,579	110,703	(1,012,998)	-
	1,703,561	168,240	40,359	317,382	207,269	177,393	(1,012,998)	1,601,206
Segment result	(15,791)	(16,723)	(2,416)	(8,513)	31,839	12,627	(22,199)	(21,176)
3 months ended 31 December 2012								
External revenue	177,998	25,773	7,407	55,096	44,932	16,934	-	328,140
Intersegment revenue	140,085	11,533	37	8,831	2,259	22,777	(185,522)	-
	318,083	37,306	7,444	63,927	47,191	39,711	(185,522)	328,140
Segment result	(32,659)	(7,835)	(1,570)	(2,222)	7,863	5,753	(18,349)	(49,019)

Germany

The weakening Euro currency against Malaysian Ringgit had a major impact in the translated revenue for the German segment, which represents 57.9% of the Group's revenue. The translated revenue has declined by 21.7% as compared to previous year. Foreign exchange effects is about 7.0% and the rest of the decline in sales is mainly attributed to the effects of the lower sales contribution of the Herlitz Group due to the disposal of the manufacturing units and certain sales associated to these units which took effect since the second quarter of 2012 of approximately RM64.0 million. Besides that, the structural changes in the markets and strategic decisions undertaken for the hardcopy segment business also contributed approximately RM72 million reductions in sales.

The German entities continue to undertake and spend on certain restructuring exercises which had resulted in lower contribution to the segment results in the current quarter.

Switzerland

The Switzerland segment which represents 6.5% of the total Group revenue showed a decrease in revenue of 9.9% as compared to the previous year mainly due to the translation effects of the weakening Swiss Franc into RM of approximately 5.0%.

The segment result was lower than the corresponding quarter with a loss of RM7.8 million for the current quarter mainly due to the provisions and write offs of inventories and assets.

**A. Notes to the Interim Financial Report
For the fourth quarter and financial year ended 31 December 2012**

A9. Segment Information (cont'd)

Italy

This segment generated lower sales as compared to the corresponding quarter due to the weakened Euro currency exchange against Ringgit Malaysia by 7.0% as compared to corresponding quarter in previous financial year. The overall economy in the Italian market is still generally weak and is continuing to affect consumer sentiment and spending in office stationery.

Rest of Europe

The contribution in revenue from all other European countries, except Germany, Switzerland and Italy, represents 16.6% of the Group's total revenue. The sales in Hungary, Romania and Slovakia were affected by the disposal of the manufacturing units of the Herlitz Group which was completed in the first quarter of 2012. The weakening of Euro currency against Ringgit Malaysia by 7.0% as compared to corresponding quarter in previous financial year also further contributed to the decline in the translated revenues.

Americas

The segment revenue from Americas, which represents Mexico, Colombia and Argentina, generated higher sales by 7.7% as compared to the corresponding quarter. This segment has achieved a good revenue growth in particular for office stationery segment business.

Rest of the World

Rest of the world which comprise 4.2% of the Group's revenue consist mainly countries such as Japan, South East Asia and Middle East. This segment generated lower sales as compared to the corresponding quarter in previous financial year due to the decrease in sales in Middle East, particularly in office stationery segment business arising from the trade sanctions, political instability and economic crisis within the Middle Eastern countries.

A10. Valuation of Property, Plant and Equipment

There were no valuations of property, plant and equipment during the current quarter ended 31 December 2012.

A. Notes to the Interim Financial Report
For the fourth quarter and financial year ended 31 December 2012

A11. Changes in the Composition of the Group

In March 2012, the Group disposed of the following indirect subsidiaries to certain third parties for a total consideration of EUR22,229,000 (RM90,774,344):
- 650,000 ordinary shares of EUR1.00 each in Falken Office Products GmbH ("FOP") representing 100% of the equity interest in FOP.
- 1,681,835 ordinary shares of GBP1.00 each in Herlitz UK Limited ("Herlitz UK") representing 100% of the equity interest in Herlitz UK.
- 1,000 ordinary shares of RON10.00 each in DELMET PROD srl ("Delmet") representing 100% of the equity interest in Delmet.

The transaction was completed on 30 March 2012 and these companies ceased to be subsidiaries of the Group as of that date.

In November 2012, Pelikan Productions AG (Switzerland), a direct subsidiary was liquidated.

A12. Events Subsequent to the End of the Reporting Period

There is no event subsequent to the financial year ended 31 December 2012.

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 EUR17.2 million (RM70.6 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.

**A. Notes to the Interim Financial Report
For the fourth quarter and financial year ended 31 December 2012**

A13. Contingent Liabilities (cont'd)

(b) Based on the latest actuaries assumptions as at 31 December 2011, the Company's wholly owned subsidiary Pelikan Hardcopy Scotland Limited ("PHSL")'s retirement fund has GBP21.5 million (RM108.2 million) assets to meet pension liabilities of GBP30.4 million (RM152.9 million). An amount of GBP0.4 million (RM2.2 million) has been recognised as a pension liability in the financial statements of PHSL as at 31 December 2012 in accordance with the MFRS 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 year ended**	
	31/12/12	**31/12/11**	**31/12/12**	**31/12/11**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Taxation charged in respect of current financial period				
- income tax	(3,770)	(1,889)	(17,827)	(15,637)
- deferred tax	2,917	(20,707)	1,451	(22,373)
	(853)	(22,596)	(16,376)	(38,010)

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.

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

B2. Borrowings

Details of the Group's borrowings as at 31 December 2012 are as set out below:

	Short Term		Long Term		Total
	Secured	Unsecured	Secured	Unsecured	
Currency	RM'000	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	64,227	18,392	107,183	-	189,802
Euro	36,965	7,801	1,608	-	46,374
Swiss Franc	4,462	-	1,962	-	6,424
US Dollar	62,240	89,471	4,341	-	156,052
Czech Koruna	98	-	-	-	98
Mexican Peso	-	8,244	-	515	8,759
Colombian Peso	-	4,270	-	-	4,270
Great Britain Pound	-	911	-	1,575	2,486
Japanese Yen	-	1,381	-	-	1,381
Argentina Peso	2,219	76	-	-	2,295
Singapore Dollar	18	-	20	-	38
Total	170,229	130,546	115,114	2,090	417,979

B3. 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 EUR17.2 million (RM70.6 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. Additional Information Required by the Bursa Malaysia Securities Berhad's Listing Requirements

B4. Post employment benefit obligation

	RM'000
Payable within 12 months	20,205
Payable after 12 months	171,835
	192,040
Removable Pension Liabilities:	
Liabilities assumed by Pension Trust Fund	85,671
Liabilities assumed by the Company	65,087
	150,758
Other pension liabilities of the Group	41,282
	192,040

Pursuant to the acquisitions of Pelikan Holding AG group ("PHAG group") in 2005, part of the defined benefits retirement plans of the PHAG group in Germany (known as "Removable Pension Liabilities") is now funded 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 of PHAG group. 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.

B5. Capital commitments

Capital commitments not provided for in the financial statements as at 31 December 2012 were as follows:

	RM'000
Authorised and contracted for:	
Property, plant and equipment	1,328
Authorised but not contracted for:	
Property, plant and equipment	319

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

B6. Review of Performance

The Group's revenue for the current financial quarter was RM328.1 million compared to RM430.0 million for the corresponding quarter last year, a decline of 23.7%. The decline is partly contributed by the lower translation due to the weakening of Euro currency which forms almost 70% of the Group's revenue. The weakening of the Euro currency was 7.0% against Malaysian Ringgit as compared to corresponding quarter in previous financial year. The real declines in revenues are mainly attributable to the effects of the reduced sales arising from the disposal of the manufacturing units of the Herlitz Group completed end of March 2012, business and products rationalisations within the Group to eliminate low margin product assortments and non profitable distribution channels. The Group continued to focus on its core products in the school category and office category which remains strong.

The Group continued to spend on restructuring measures in its European entities in particular on structural reorganisations to eliminate non-profitable business and the support costs associated with such business segments/products and manufacturing reorganisations to improve efficiencies and lower production costs. The Group's staff force reduced by approximately 500 personnel arising from disposals of plants and redundancies made during the year. Overall, the impact of redundancies on the Group is approximately RM30 million.

In addition, certain reorganisation measures has resulted in accelerated amortisation and impairment of assets as some of the non-profitable product lines or business units have been terminated or scaled down. Total assets impaired or written-off during the year amounted to approximately RM15 million.

B7. Variation of results against preceding quarter

In the current quarter, the Group's revenue decrease to RM328.1 million compared to RM427.8 million in the preceding quarter, as a result of the slowdown of sales in the European Markets subsequent to the "back to school" season and also because of the effects of the disposal of plants by Herlitz.

The Group recorded a loss before tax of RM56.1 million in the current quarter. The losses are mainly attributable to the lower margin contribution due to the lower sales value in the last quarter of the year and also additional charges related to the remaining restructurings implemented or approved in the last quarter. In addition, certain assets and inventories were written off as a result of such restructurings.

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

B8. Prospects

Based on the economic data, the German economy will have positive growth rate of 0.5% for 2013 before growing at 2% for 2014. Such data may improve consumer sentiment and increase demand level for the country. The Group is churning approximately 58% of its revenue from this market alone.

Henceforth, the Group will put in more focus in sales and marketing in 2013 as in the past year the Group's focus was on reorganisation of the operations to align the current operating cost base and asset base towards the business level of the Group and also to address the risks of market uncertainties and changes in the business structure and demand trends at the customer level. With such measures undertaken, the Group should be more competitive in the market and will be more market focused to grow its business and product offerings.

The Group will continue to face challenges in the other European market as they are still faced with economic issues which are dampening the consumer sentiment and demand. Under such circumstances, the Group will need to adopt different marketing, product and operational strategies to avoid further risk of deterioration in sales and improve profitability.

The business in the other markets is still growing in particular the Latin America market which has continued to record positive growth. The Group will make efforts to grow this region even further as countries like Brazil is still relatively untapped by the Group. Currently, the Group is predominantly in Mexico, Argentina and Colombia.

As for the Asia market, in particular China, the Group will work alongside with its distributor to build up the market. Although, it is a difficult market to penetrate, the opportunities for the market are immense. Hence, the Group will tap into the local expertise of its distributor to expand into this market. The Group anticipates at least another 2-3 years before it sees any meaningful results from this market.

Barring any unforeseen circumstances and the challenges continued to be faced by the Group, the Group expects that it's current operating structure would be more resilient to face such challenges and would be better posed to capitalise on any future growth in the markets when things improve, in particular the European market.

B9. Dividend

The Board of Directors does not recommend any dividend for the current financial year.

B10. Variance on Profit Forecast / Shortfall in Profit Guarantee

Not applicable.

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

B11. Earnings per share

		3 months ended		Financial period ended	
		31/12/12	**31/12/11**	**31/12/12**	**31/12/11**
Loss for the financial period attributable to equity holders of the parent:	(RM'000)	(51,302)	(89,381)	(57,322)	(88,423)
Weighted average number of ordinary shares in issue	('000)	512,796	512,796	512,796	512,796
Shares repurchased	('000)	(2,556)	(5,946)	(6,350)	(5,749)
		510,240	506,850	506,446	507,047
Loss per share:	(sen)	(10.05)	(17.63)	(11.32)	(17.44)

B12. Additional notes to the Statement of Comprehensive Income

	3 months ended		Financial period ended	
	31/12/12	**31/12/11**	**31/12/12**	**31/12/11**
	RM'000	RM'000	RM'000	RM'000
Loss for the period is arrived at after charging / (crediting):				
Interest income	(272)	(1,037)	(1,116)	(1,500)
Interest expense	7,072	4,175	25,862	25,144
Depreciation and amortisation	14,080	18,617	52,594	67,744
(Reversal)/Impairment loss on receivables	(1,922)	369	(438)	1,758
Inventories write down	4,057	10,300	7,574	11,640
Loss/(gain) on disposal of				
- Property, plant and equipment	2,489	1,530	2,330	(1,027)
- Investment	-	-	(21,151)	-
Foreign exchange (gain)/loss	(7,106)	1,861	(8,378)	10,626

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

B13. Derivative Liabilities

	Contract/ Notional amount EUR'000	Liabilities RM'000
Interest rate swap	10,000	4,773

The Group has entered into interest rate swap contract with a total of EUR10 million resulting in an exchange of floating for fixed interest rates from fiscal year 2012 to hedge exposure to movements in interest rate on a financing transaction. For a period of 5 years, the variable interest rate is exchanged on the basis of the 3-month Euribor interest at 3.15%. The fair value of interest rate swap contracts is determined by reference to market values of similar instruments.

B14. Realised and Unrealised Profits/(Losses) Disclosure

	As at 31/12/12 RM'000	As at 31/12/11 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised profit	151,438	214,381
- Unrealised loss	(11,560)	(9,304)
	139,878	205,077
Total share of accumulated losses from associates:		
- Realised loss	-	(349)
- Unrealised profit	-	49
	-	(300)
Add : Consolidation adjustments	1,980	(589)
Total retained profits as per Statement of Financial Position	141,858	204,188