

Company No. 63611 - U

PELIKAN INTERNATIONAL CORPORATION BERHAD
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT

30 September 2014

PELIKAN INTERNATIONAL CORPORATION BERHAD (63611-U)
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Interim report for the financial period ended 30 September 2014
The figures have not been audited.

	Note	Individual Quarter 3 months ended		Cumulative Quarter Financial period ended	
		30/9/2014 RM' 000	30/9/2013 RM' 000	30/9/2014 RM' 000	30/9/2013 RM' 000
Revenue		401,453	405,965	1,098,304	1,118,668
Other operating income		4,757	6,087	18,912	22,386
Expenses excluding finance cost and tax		(390,612)	(394,833)	(1,077,052)	(1,110,587)
Finance cost		(6,127)	(5,761)	(17,007)	(16,730)
Profit before taxation		9,471	11,458	23,157	13,737
Taxation	B1	(3,629)	(5,123)	(11,130)	(12,632)
Profit for the financial period		5,842	6,335	12,027	1,105
Other comprehensive (loss)/income: Item that may be reclassified subsequently to profit or loss: Exchange differences on translation of foreign operations		(9,543)	7,605	(17,698)	8,001
Total comprehensive (loss)/income for the financial period		(3,701)	13,940	(5,671)	9,106
Total profit/(loss) attributable to:					
Owners of the parent		3,489	4,322	9,508	3,875
Non-controlling interests		2,353	2,013	2,519	(2,770)
		5,842	6,335	12,027	1,105
Total comprehensive (loss)/income attributable to:					
Owners of the parent		(4,206)	11,388	(4,953)	10,551
Non-controlling interests		505	2,552	(718)	(1,445)
		(3,701)	13,940	(5,671)	9,106
Earnings per share attributable to equity holders of the parent:		sen	sen	sen	sen
- Basic	B11	0.65	0.85	1.80	0.76
- Diluted	B11	0.64	0.85	1.78	0.76

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013 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 30 September 2014
The figures have not been audited.

	Note	30/9/2014 RM'000	31/12/2013 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		430,272	481,655
Trademarks		15,161	16,529
Development costs		9,930	13,967
Goodwill		98,673	94,735
Computer software licence		2,248	2,849
Investment in associates		-	-
Available-for-sale financial assets		2,557	3,227
Pension Trust Fund		138,184	138,184
Deferred tax assets		32,791	34,346
		<u>729,816</u>	<u>785,492</u>
Current assets			
Inventories		284,078	285,473
Receivables, deposits & prepayments		402,227	309,458
Tax recoverable		2,749	3,450
Pension Trust Fund		12,680	12,680
Deposits, cash and bank balances		103,195	114,434
		<u>804,929</u>	<u>725,495</u>
TOTAL ASSETS		<u>1,534,745</u>	<u>1,510,987</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital		553,296	512,796
Share premium		65,591	57,519
Foreign currency translation reserves		(90,218)	(75,757)
Retained profits		65,344	55,836
Other reserve		223	-
Treasury shares, at cost		(5,150)	(5,150)
		<u>589,086</u>	<u>545,244</u>
Non-controlling interests		6,149	6,921
Total equity		<u>595,235</u>	<u>552,165</u>
Non-current liabilities			
Post employment benefit obligations	B4		
- Removable pension liabilities		147,130	169,850
- others		80,995	84,955
Borrowings	B2	83,406	101,901
Deferred tax liabilities		29,973	30,189
		<u>341,504</u>	<u>386,895</u>
Current liabilities			
Payables		256,529	236,060
Post employment benefit obligations	B4		
- Removable pension liabilities		17,917	19,474
- others		8,612	9,388
Derivative liabilities		3,213	3,829
Provisions		116	100
Borrowings	B2	301,743	289,869
Current tax liabilities		9,876	13,207
		<u>598,006</u>	<u>571,927</u>
Total liabilities		<u>939,510</u>	<u>958,822</u>
TOTAL EQUITY AND LIABILITIES		<u>1,534,745</u>	<u>1,510,987</u>
Net assets per share attributable to owners of the parent (RM)		1.06	1.06

This Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013 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 30 September 2014
 The figures have not been audited.

	Share Capital	Share premium	Foreign currency translation reserves (non distributable)	Retained profits (distributable)	Equity-settled employee benefit reserve (non distributable)	Treasury shares, at cost (distributable)	Equity attributable to owners of the parent	Non-controlling interests	Total equity
	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000
Balance at 1 January 2014	512,796	57,519	(75,757)	55,836	-	(5,150)	545,244	6,921	552,165
Total comprehensive (loss)/income for the financial period	-	-	(14,461)	9,508	-	-	(4,953)	(718)	(5,671)
Recognition of share based payments	-	-	-	-	223	-	223	-	223
Transactions with owners:									
Issue of shares	40,500	8,072	-	-	-	-	48,572	-	48,572
Dividends	-	-	-	-	-	-	-	(54)	(54)
	40,500	8,072	-	-	-	-	48,572	(54)	48,518
Balance at 30 September 2014	553,296	65,591	(90,218)	65,344	223	(5,150)	589,086	6,149	595,235
Balance at 1 January 2013	512,796	57,521	(84,688)	55,833	-	(3,855)	537,607	13,773	551,380
Total comprehensive loss for the financial period	-	-	6,676	3,875	-	-	10,551	(1,445)	9,106
Transactions with owners:									
Purchase of own shares	-	-	-	-	-	(1,338)	(1,338)	-	(1,338)
Sale of own shares	-	(2)	-	-	-	42	40	-	40
Dividends	-	-	-	-	-	-	-	(492)	(492)
	-	(2)	-	-	-	(1,296)	(1,298)	(492)	(1,790)
Balance at 30 September 2013	512,796	57,519	(78,012)	59,708	-	(5,151)	546,860	11,836	558,696

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 2013 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 30 September 2014
The figures have not been audited.

	Financial period ended	
	30/9/2014 RM' 000	30/9/2013 RM' 000
Cash Flows From Operating Activities		
Cash receipts from customers	977,560	1,120,623
Cash paid to suppliers and employees	<u>(1,008,678)</u>	<u>(1,092,431)</u>
	(31,118)	28,192
Interest received	926	321
Interest paid	(10,824)	(9,461)
Taxation paid	<u>(12,924)</u>	<u>(14,909)</u>
Net cash (used in)/from operating activities	<u>(53,940)</u>	<u>4,143</u>
Cash Flows From Investing Activities		
Interest paid	(6,170)	(6,885)
Purchase of property, plant and equipment	(13,062)	(15,724)
Proceeds from disposal of property, plant and equipment	2,805	20,814
Purchase of intangible assets	(253)	(320)
Proceeds from disposal of intangible assets	30	-
Development expenses paid	(591)	(875)
Proceeds from disposal of subsidiaries, net of cash balances and bank disposed off	5,992	-
Proceeds from disposal of available-for-sale financial assets	<u>590</u>	<u>29</u>
Net cash used in investing activities	<u>(10,659)</u>	<u>(2,961)</u>
Cash Flows From Financing Activities		
Deposits uplifted, net	522	5,499
Proceeds from issue of shares	48,572	-
Repurchase of own shares	-	(1,338)
Proceeds from sale of own shares	-	40
Drawdown of bank borrowings	204,901	167,132
Repayment of bank borrowings	(202,660)	(189,366)
Repayment of hire purchase and lease payables	<u>(503)</u>	<u>(395)</u>
Net cash from/(used in) financing activities	<u>50,832</u>	<u>(18,428)</u>
Net decrease in cash and cash equivalents during the financial period	(13,767)	(17,246)
Foreign currency translation	3,899	(8,428)
Cash and cash equivalents at beginning of financial period	<u>103,099</u>	<u>133,667</u>
Cash and cash equivalents at end of financial period	<u><u>93,231</u></u>	<u><u>107,993</u></u>
Cash and cash equivalents comprise :		
Deposits, cash and bank balances	103,195	130,299
Bank overdrafts	<u>(7,514)</u>	<u>(6,126)</u>
	95,681	124,173
Less: Deposits pledged to licensed banks	<u>(2,450)</u>	<u>(16,180)</u>
	<u><u>93,231</u></u>	<u><u>107,993</u></u>

This Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements.

**A. Notes to the Interim Financial Report
For the third quarter and financial period ended 30 September 2014**

A1. Basis of Preparation

This interim financial report is based on the unaudited financial statements for the quarter ended 30 September 2014 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 MFRS 134, 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 2013.

A2. Significant Accounting Policies

The accounting policies applied by the Group in this interim financial report are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2013.

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 2013 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. 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.

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 30 September 2014.

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 changes in estimates that have had any material effect on the quarter ended 30 September 2014.

**A. Notes to the Interim Financial Report
For the third quarter and financial period ended 30 September 2014**

A7. Debt and Equity Securities

There were no issuances, cancellations, repurchases, resales and repayments of debt and equity securities during the current quarter ended 30 September 2014.

A8. Dividends

No dividends have been paid during the current quarter ended 30 September 2014.

A9. Segment Information

	Germany RM'000	Switzerland RM'000	Rest of Europe RM'000	Americas RM'000	Rest of world RM'000	Elimination RM'000	Group RM'000
9 months ended 30 September 2014							
External revenue	572,744	85,583	234,348	159,970	45,659	-	1,098,304
Intersegment revenue	<u>463,486</u>	<u>39,078</u>	<u>54,655</u>	<u>9,612</u>	<u>93,117</u>	<u>(659,948)</u>	<u>-</u>
	<u>1,036,230</u>	<u>124,661</u>	<u>289,003</u>	<u>169,582</u>	<u>138,776</u>	<u>(659,948)</u>	<u>1,098,304</u>
Segment result	<u>21,267</u>	<u>(1,068)</u>	<u>2,943</u>	<u>32,192</u>	<u>4,504</u>	<u>(19,674)</u>	<u>40,164</u>
3 months ended 30 September 2014							
External revenue	211,766	28,580	95,159	52,977	12,971	-	401,453
Intersegment revenue	<u>146,762</u>	<u>11,641</u>	<u>16,919</u>	<u>1,967</u>	<u>25,755</u>	<u>(203,044)</u>	<u>-</u>
	<u>358,528</u>	<u>40,221</u>	<u>112,078</u>	<u>54,944</u>	<u>38,726</u>	<u>(203,044)</u>	<u>401,453</u>
Segment result	<u>8,170</u>	<u>1,435</u>	<u>1,929</u>	<u>12,219</u>	<u>(2,535)</u>	<u>(5,620)</u>	<u>15,598</u>

**A. Notes to the Interim Financial Report
For the third quarter and financial period ended 30 September 2014**

A9. Segment Information (cont'd)

Germany

Germany, Eurozone's largest economy contracted in the second quarter, but had rebounded to grow at 0.1% in the third quarter of 2014.

As compared to the previous year's corresponding quarter, the segment revenue had decreased by 5.7%. The decline was attributable to the decrease in sales of certain wholesale and printer consumable customers during the current quarter. Nevertheless, positive sales development was achieved from the school business segment. New range of Back-To-School ("BTS") products were introduced to capture sales during the BTS season. In addition, efforts are being made to realign the sales channels and product mix which provides better contribution to the Group.

Switzerland

The Swiss market concentrated mainly in printer consumable business. Following a slowdown in economic activity in the previous quarter, recent economy trend sent mixed signals in the current quarter. Despite the slowdown in Swiss economy, positive sales development were evident in certain printer consumable products, mainly toners which contributed to increased sales of approximately 20.0% as compared to the previous year's corresponding quarter.

The region had achieved segment results of RM1.4 million in the current quarter.

Rest of Europe

The contribution in revenue from all other European countries, except Germany and Switzerland, represents 21.3% of the Group's total revenue.

Germany's growth, together with stronger than expected expansion in France of 0.3%, helped the Eurozone as a whole to grow by 0.2% in the current quarter. Italy remained in recession in the current quarter with its economy shrinking by 0.1%, after unexpectedly slipping back into recession in the previous quarter. The overall weak economy, which continues to affect customer sentiment and spending resulted in negative sales development in this region.

Despite the decreased in sales, the region had achieved segment results of RM1.9 million in the current quarter as compared to a segment loss of RM1.9 million as a result of certain costs measures undertaken in the region.

**A. Notes to the Interim Financial Report
For the third quarter and financial period ended 30 September 2014**

A9. Segment Information (cont'd)

Americas

The segment revenue from Americas, which represents Mexico, Colombia and Argentina, generated higher sales by 13.5% as compared to the previous year's corresponding quarter. This segment has achieved a good revenue growth in particular for school and office stationery segment business as the brand is well established in the market. The introductions of new products and special promotions for customers had resulted in increased demand from key customers, local government bodies and export markets.

The segment results improved from segment result of RM6.9 million in the previous year's corresponding quarter to RM12.2 million in the current quarter mainly due to the improved sales and better production efficiencies and cost measure undertaken in the region.

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. The introduction of new fine writing instruments and positive demand of certain school products in Taiwan had resulted in improvement of the segment revenue as compared to the previous year's corresponding quarter.

The effects of foreign exchange was unfavourable in the current quarter wherein the region had incurred a loss on foreign exchange of RM4.5 million. As a consequence, the region recorded a segment loss of RM2.5 million in the current quarter.

A10. Valuation of Property, Plant and Equipment

There were no valuations of property, plant and equipment during the current quarter ended 30 September 2014.

A11. Changes in the Composition of the Group

There were no other changes in the composition of the Group during the current quarter ended 30 September 2014.

A12. Events Subsequent to the End of the Reporting Period

There were no event subsequent to the financial period ended 30 September 2014, apart from those described in Note A14.

**A. Notes to the Interim Financial Report
For the third quarter and financial period ended 30 September 2014**

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 EUR5.0 million (RM20.8 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 2013, Pelikan Hardcopy Scotland Limited (“PHSL”)’s retirement fund has GBP24.2 million (RM128.8 million) assets to meet pension liabilities of GBP33.6 million (RM178.8 million). An amount of GBP9.4 million (RM50.0 million) has been recognised as a pension liability in the financial statements of PHSL as at 30 September 2014 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.

A14. Status of Corporate Proposals

The Company had on 23 May 2014 announced a proposed private placement of up to 50,000,000 new ordinary shares of RM1.00 each in the Company (“Placement Shares”), representing up to approximately ten percent (10%) of the issued and paid-up share capital of the Company (“Private Placement”).

Bursa Malaysia Securities Berhad (“Bursa Securities”) had vide its letter dated 17 June 2014 approved the listing and quotation of the Placement Shares. The first tranche of the Private Placement comprising 40,500,000 Placement Shares were fixed at an issue price of RM1.33 per Placement Share. The aforementioned Placement Shares were subsequently listed on the Main Market of Bursa Securities on 10 July 2014.

On 8 July 2014, the Company announced that it intends to undertake a proposed listing of its key subsidiaries and selected assets via its listed entity, Herlitz Aktiengesellschaft (“Herlitz”), a 70.92% subsidiary of the Company. Herlitz is listed on the Frankfurt Stock Exchange (“Proposed Listing of Subsidiaries and Assets in Germany”).

**A. Notes to the Interim Financial Report
For the third quarter and financial period ended 30 September 2014**

A14. Status of Corporate Proposals (cont'd)

The Proposed Listing of Subsidiaries and Assets in Germany would entail the following exercises:

- a) Asset streamlining exercise involving injection of assets within Pelikan and Pelikan Holding AG (“PHAG”), its 96.45% owned subsidiary (listed on the SIX Stock Exchange) into Herlitz for a total consideration of EUR266.0 million (RM1.19 billion) in exchange for issuance of 266.0 million new bearer shares with a nominal value of EUR1.00 per share in Herlitz (“Herlitz Shares”) (“Proposed Assets Streamlining”);
- b) Proposed private placement of up to 50.0 million Herlitz Shares at a minimum offer price of EUR1.00 per share;
- c) Proposed offer for sale by Pelikan of up to 30.0 million Herlitz Shares; and
- d) Proposed offer for sale by PHAG of up to 30.0 million Herlitz Shares.

On 11 November 2014, the Board of Directors had announced that the Company, PHAG, Pelikan Netherlands B.V. (a 100% subsidiary of PHAG) and Molkari Vermietungsgesellschaft mbH & Co. Objekt Falkensee KG (a 98.54% subsidiary of the Company) had on 10 November 2014 entered into a Heads of Agreement with Herlitz on the key terms of the transaction, which incorporates certain changes to the proposals announced on 8 July 2014.

The proposals have yet to be completed.

A15. Status of Utilisation of Proceeds

The first tranche of the Private Placement comprising the issuance of 40,500,000 new ordinary shares was completed on 10 July 2014.

The status of utilisation of the proceeds from Proposed Private Placement as at 17 November 2014 are as follows:

Purpose	Proposed Utilisation RM'000	Amount Utilised RM'000	Amount Unutilised RM'000
Repayment of bank borrowings	20,000	14,029	5,971
Working capital for the Company and its subsidiaries	33,365	14,503	18,862
Estimated expenses relating to the Private Placement	500	500	-
Total	53,865	29,032	24,833

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

B1. Taxation

	3 months ended		Financial period ended	
	30/09/14 RM'000	30/09/13 RM'000	30/09/14 RM'000	30/09/13 RM'000
Taxation charged in respect of current financial period				
- income tax	(3,610)	(4,805)	(11,102)	(12,833)
- deferred tax	(19)	(318)	(28)	201
	<u>(3,629)</u>	<u>(5,123)</u>	<u>(11,130)</u>	<u>(12,632)</u>

For the current quarter and financial period ended 30 September 2014, 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. Borrowings

Details of the Group's borrowings as at 30 September 2014 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	52,089	19,046	75,007	-	146,142
Euro	26,909	42,192	1,816	-	70,917
Swiss Franc	-	-	5,096	-	5,096
US Dollar	68,528	86,422	-	-	154,950
Czech Koruna	62	-	-	-	62
Colombian Peso	-	2,608	-	-	2,608
Great Britain Pound	32	-	-	1,479	1,511
Argentina Peso	2,357	-	-	-	2,357
Japanese Yen	-	1,495	-	-	1,495
Singapore Dollar	3	-	8	-	11
Total	<u>149,980</u>	<u>151,763</u>	<u>81,927</u>	<u>1,479</u>	<u>385,149</u>

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

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 EUR5.0 million (RM20.8 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.

B4. Post employment benefit obligation

	RM'000
Payable within 12 months	26,529
Payable after 12 months	<u>228,125</u>
	<u>254,654</u>
Removable Pension Liabilities:	
Liabilities assumed by Pension Trust Fund	99,960
Liabilities assumed by the Company	65,087
	165,047
Other pension liabilities of the Group	<u>89,607</u>
	<u>254,654</u>

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.

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

B5. Capital commitments

Capital commitments not provided for in the financial statements as at 30 September 2014 were as follows:

	RM'000
Authorised and contracted for:	
Property, plant and equipment	<u>4,451</u>
Authorised but not contracted for:	
Property, plant and equipment	<u>1,604</u>

B6. Review of Performance

The Group achieved revenue of RM401.5 million in the current quarter as opposed to RM406.0 million in the previous year's corresponding quarter, a decline of RM4.5 million. The decline was attributable to the decrease in sales of certain wholesale and printer consumable customers during the current quarter. Efforts are being made to realign the sales channels and products mix which provides better contribution to the Group. The Americas region, however achieved a steady increase in revenue in the current quarter by 13.5% as compared to the previous year's corresponding quarter.

Despite the drop in revenue, the operations were better in the current quarter as compared to the previous year's corresponding quarter. The Group's overall normalised profit before taxation after adjusting for foreign exchange losses/gains have improved in the current quarter as opposed to the corresponding year's quarter:

	3 months ended	
	30/9/2014	30/9/2013
	RM'000	RM'000
Profit before taxation	9,471	11,458
Add/(Less):		
Foreign exchange effects	<u>5,079</u>	<u>(2,003)</u>
Normalised profit before taxation	<u>14,550</u>	<u>9,455</u>

The improvement in profitability is mainly as a result of the lower cost base arising from the reorganisation measures previously taken and improvement in contribution from better sales and product mix.

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

B7. Variation of results against preceding quarter

The Group's revenue increased to RM401.5 million in the current quarter as compared to RM384.3 million in the preceding quarter. The increase in revenue continue to be driven by the BTS for the European region. Sales in the Eastern Europe has been more encouraging with increase in sales of approximately 20.0% compared to the preceding quarter.

The Group's overall normalised profit before taxation after adjusting for foreign exchange losses/gains are as follows:

	3 months ended	
	30/9/2014	30/6/2014
	RM'000	RM'000
Profit before taxation	9,471	20,452
Add/(Less):		
Foreign exchange effects	5,079	884
Normalised profit before taxation	14,550	21,336

Despite the overall increase in sales, the Group recorded a normalised profit before taxation of RM14.6 million in the current quarter as compared to RM21.3 million in the preceding quarter mainly due to the additional promotional and advertising expenses and higher allowances incurred during the current quarter.

B8. Prospects

The European Commission's autumn forecast projects weak economic growth for the rest of this year in both the EU and the euro area. Real GDP growth is expected to reach 1.3% in the EU and 0.8% in the euro area for 2014 as a whole. Growth is expected to rise slowly in the course of 2015, to 1.5% and 1.1% respectively, on the back of improving foreign and domestic demand. Mexico's economy has recently gathered pace, following several quarters of underperformance through early 2014. Based on International Monetary Fund, economic activity for Mexico is expected to pick up modestly with GDP growth projected at 2.7% for 2014 and 3.5% in 2015. Notwithstanding improvements in the general economy of the Group's key operating countries, the markets shall continue to be challenging as consumers and business remains cautious on spending and expansions.

The Group had in the past two years reorganised its key operating companies in particular in the European region and had also completed the integration of the stationery business of Pelikan Germany and Herlitz Germany in March 2014. Further thereto the Group's proposal to streamline its stationery assets and the public offer exercise in Germany shall provide a good path for the Group to further strengthen its European business in particular the German business where it is able to better deploy resources and serve its customers under the new merged organisation.

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

B8. Prospects (cont'd)

In addition, the Group's current proposal to streamline its assets and businesses shall also provide the group with a clear organisation and business structure to further develop its businesses and improve its performance going forward. Opportunities for growth markets such as Latin America, Eastern Europe and Asia still exist and the Group would seek to tap into such opportunities going forward.

B9. Dividend

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

B10. Variance on Profit Forecast / Shortfall in Profit Guarantee

Not applicable.

B11. Earnings per share

Basic earnings per share:		3 months ended		Financial period ended	
		30/09/14	30/09/13	30/09/14	30/09/13
Profit for the financial period attributable to equity holders of the parent	(RM'000)	<u>3,489</u>	<u>4,322</u>	<u>9,508</u>	<u>3,875</u>
Weighted average number of ordinary shares in issue	('000)	545,196	512,796	533,046	512,796
Shares repurchased	('000)	(4,928)	(4,804)	(4,928)	(3,642)
Shares reissued	('000)	<u>-</u>	<u>27</u>	<u>-</u>	<u>7</u>
		<u>540,268</u>	<u>508,019</u>	<u>528,118</u>	<u>509,161</u>
Earnings per share	(sen)	<u>0.65</u>	<u>0.85</u>	<u>1.80</u>	<u>0.76</u>

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

B11. Earnings per share (cont'd)

Diluted earnings per share:	3 months ended		Financial period ended		
	30/09/14	30/09/13	30/09/14	30/09/13	
Profit for the financial period attributable to equity holders of the parent	(RM'000)	3,489	4,322	9,508	3,875
Weighted average number of ordinary shares in issue	('000)	545,196	512,796	533,046	512,796
Shares repurchased	('000)	(4,928)	(4,804)	(4,928)	(3,642)
Shares reissued	('000)	-	27	-	7
Shares assumed exercise of Employee Share Option Scheme	('000)	7,444	-	7,444	-
		<u>547,712</u>	<u>508,019</u>	<u>535,562</u>	<u>509,161</u>
Earnings per share	(sen)	<u>0.64</u>	<u>0.85</u>	<u>1.78</u>	<u>0.76</u>

B12. Additional notes to the Statement of Comprehensive Income

	3 months ended		Financial period ended	
	30/09/14	30/09/13	30/09/14	30/09/13
	RM'000	RM'000	RM'000	RM'000
Profit for the period is arrived at after charging / (crediting):				
Interest income	(617)	(106)	(926)	(321)
Interest expense	6,127	5,761	17,007	16,730
Depreciation and amortisation	9,688	11,461	32,109	33,999
Impairment loss on receivables	405	620	984	2,861
Inventories write down	348	390	798	986
Loss/(Gain) on disposal of				
- Property, plant and equipment	143	(2,047)	46	(6,889)
- Intangible assets	(17)	-	(17)	-
- Investment in subsidiaries	-	-	(3,566)	-
- Available-for-sale financial assets	-	-	(13)	-
Foreign exchange loss/(gain)	<u>5,079</u>	<u>(2,003)</u>	<u>6,380</u>	<u>2,322</u>

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	<u>10,000</u>	<u>3,213</u>

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 30/09/14 RM'000	As at 31/12/13 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised profit	80,805	56,398
- Unrealised loss	(15,829)	(3,047)
	64,976	53,351
Add : Consolidation adjustments	<u>368</u>	<u>2,485</u>
Total retained profits as per Statement of Financial Position	<u>65,344</u>	<u>55,836</u>