

Company No. 63611 - U

PELIKAN INTERNATIONAL CORPORATION BERHAD
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT

30 June 2015

PELIKAN INTERNATIONAL CORPORATION BERHAD (63611-U)
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Interim report for the financial period ended 30 June 2015
The figures have not been audited.

	Note	Individual Quarter 3 months ended		Cumulative Quarter Financial period ended	
		30/6/2015 RM' 000	30/6/2014 RM' 000	30/6/2015 RM' 000	30/6/2014 RM' 000
Revenue		342,121	384,277	624,127	696,851
Other operating income		5,519	4,959	11,233	14,155
Expenses excluding finance cost and tax		(321,789)	(363,089)	(612,728)	(686,440)
Finance cost		<u>(5,135)</u>	<u>(5,695)</u>	<u>(10,572)</u>	<u>(10,880)</u>
Profit before taxation		20,716	20,452	12,060	13,686
Taxation	B1	<u>(41,057)</u>	<u>(3,817)</u>	<u>(45,729)</u>	<u>(7,501)</u>
(Loss)/Profit for the financial period		(20,341)	16,635	(33,669)	6,185
Other comprehensive loss:					
Item that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of foreign operations		<u>(8,150)</u>	<u>(120)</u>	<u>(40,163)</u>	<u>(8,155)</u>
Total comprehensive (loss)/income for the financial period		<u><u>(28,491)</u></u>	<u><u>16,515</u></u>	<u><u>(73,832)</u></u>	<u><u>(1,970)</u></u>
Total (loss)/profit attributable to:					
Owners of the parent		(22,062)	17,217	(32,778)	6,019
Non-controlling interests		<u>1,721</u>	<u>(582)</u>	<u>(891)</u>	<u>166</u>
		<u><u>(20,341)</u></u>	<u><u>16,635</u></u>	<u><u>(33,669)</u></u>	<u><u>6,185</u></u>
Total comprehensive (loss)/income attributable to:					
Owners of the parent		(41,562)	17,886	(82,621)	(747)
Non-controlling interests		<u>13,071</u>	<u>(1,371)</u>	<u>8,789</u>	<u>(1,223)</u>
		<u><u>(28,491)</u></u>	<u><u>16,515</u></u>	<u><u>(73,832)</u></u>	<u><u>(1,970)</u></u>
		sen	sen	sen	sen
(Loss)/Earnings per share attributable to equity holders of the parent	B11	(4.02)	3.39	(5.98)	1.19

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2014 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 June 2015
The figures have not been audited.

	Note	30/6/2015 RM'000	31/12/2014 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		429,496	433,650
Trademarks		15,358	15,515
Development costs		5,465	6,905
Goodwill		82,020	97,832
Computer software licence		5,814	4,858
Investment in associates		-	-
Available-for-sale financial assets		2,577	2,615
Pension Trust Fund		138,184	138,184
Deferred tax assets		46,792	43,048
		<u>725,706</u>	<u>742,607</u>
Current assets			
Inventories		304,434	272,270
Receivables, deposits & prepayments		373,869	338,755
Tax recoverable		1,157	3,059
Pension Trust Fund		12,680	12,680
Deposits, cash and bank balances		51,302	73,635
		<u>743,442</u>	<u>700,399</u>
TOTAL ASSETS		<u>1,469,148</u>	<u>1,443,006</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital		553,296	553,296
Share premium		65,591	65,591
Foreign currency translation reserves		(155,829)	(105,986)
Equity-settled employee benefits		226	226
Accumulated losses		(53,883)	(21,105)
Treasury shares, at cost		(5,150)	(5,150)
		<u>404,251</u>	<u>486,872</u>
Non-controlling interests		12,771	3,982
Total equity		<u>417,022</u>	<u>490,854</u>
Non-current liabilities			
Post employment benefit obligations	B4		
- Removable pension liabilities		168,135	173,852
- others		106,108	99,548
Borrowings	B2	94,262	87,209
Deferred tax liabilities		21,136	18,371
		<u>389,641</u>	<u>378,980</u>
Current liabilities			
Payables		248,643	222,516
Post employment benefit obligations	B4		
- Removable pension liabilities		14,689	17,628
- others		8,854	8,822
Derivative liabilities		2,345	2,989
Borrowings	B2	331,201	293,507
Current tax liabilities		56,753	27,710
		<u>662,485</u>	<u>573,172</u>
Total liabilities		<u>1,052,126</u>	<u>952,152</u>
TOTAL EQUITY AND LIABILITIES		<u>1,469,148</u>	<u>1,443,006</u>
Net assets per share attributable to owners of the parent (RM)		0.73	0.88

This Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2014 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 June 2015
 The figures have not been audited.

	Share Capital	Share premium	Foreign currency translation reserves (non distributable)	Equity-settled employee benefits (non distributable)	(Accumulated losses)/ Retained profits (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 2015	553,296	65,591	(105,986)	226	(21,105)	(5,150)	486,872	3,982	490,854
Total comprehensive loss for the financial period	-	-	(49,843)	-	(32,778)	-	(82,621)	8,789	(73,832)
Balance at 30 June 2015	<u>553,296</u>	<u>65,591</u>	<u>(155,829)</u>	<u>226</u>	<u>(53,883)</u>	<u>(5,150)</u>	<u>404,251</u>	<u>12,771</u>	<u>417,022</u>
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	-	-	(6,766)	-	6,019	-	(747)	(1,223)	(1,970)
Balance at 30 June 2014	<u>512,796</u>	<u>57,519</u>	<u>(82,523)</u>	<u>-</u>	<u>61,855</u>	<u>(5,150)</u>	<u>544,497</u>	<u>5,698</u>	<u>550,195</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 2014 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 June 2015
The figures have not been audited.

	Financial period ended	
	30/6/2015 RM' 000	30/6/2014 RM' 000
Cash Flows From Operating Activities		
Cash receipts from customers	563,821	540,694
Cash paid to suppliers and employees	<u>(576,714)</u>	<u>(606,439)</u>
	(12,893)	(65,745)
Interest received	320	309
Interest paid	(6,874)	(5,098)
Taxation paid	<u>(15,641)</u>	<u>(10,903)</u>
Net cash used in operating activities	<u>(35,088)</u>	<u>(81,437)</u>
Cash Flows From Investing Activities		
Interest paid	(3,726)	(5,782)
Purchase of property, plant and equipment	(15,820)	(9,977)
Proceeds from disposal of property, plant and equipment	512	2,818
Purchase of intangible assets	(1,629)	(183)
Proceeds from disposal of intangible assets	8	-
Development expenses paid	(195)	(308)
Purchase of available-for-sale financial assets	(8)	-
Proceeds from disposal of available-for-sale financial assets	-	603
Proceeds from disposal of subsidiaries, net of cash balances and bank disposed off	<u>-</u>	<u>5,992</u>
Net cash used in investing activities	<u>(20,858)</u>	<u>(6,837)</u>
Cash Flows From Financing Activities		
Drawdown of bank borrowings	141,422	126,487
Repayment of bank borrowings	(107,391)	(109,672)
Repayment of hire purchase and lease payables	<u>(185)</u>	<u>(468)</u>
Net cash from financing activities	<u>33,846</u>	<u>16,347</u>
Net decrease in cash and cash equivalents during the financial period	(22,100)	(71,927)
Foreign currency translation	768	(1,408)
Cash and cash equivalents at beginning of financial period	<u>60,080</u>	<u>103,099</u>
Cash and cash equivalents at end of financial period	<u><u>38,748</u></u>	<u><u>29,764</u></u>
Cash and cash equivalents comprise :		
Deposits, cash and bank balances	51,302	39,741
Bank overdrafts	<u>(7,287)</u>	<u>(7,006)</u>
	44,015	32,735
Less: Deposits pledged to licensed banks	<u>(5,267)</u>	<u>(2,971)</u>
	<u><u>38,748</u></u>	<u><u>29,764</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 2014 and the accompanying explanatory notes attached to the interim financial statements.

**A. Notes to the Interim Financial Report
For the second quarter and financial period ended 30 June 2015**

A1. Basis of Preparation

This interim financial report is based on the unaudited financial statements for the quarter ended 30 June 2015 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 2014.

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 2014.

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 2014 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 June 2015.

A6. Material Changes in Estimates

There were no material changes in estimates of amounts reported in prior financial years that have a material effect in the quarter ended 30 June 2015.

**A. Notes to the Interim Financial Report
For the second quarter and financial period ended 30 June 2015**

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 June 2015.

A8. Dividends

No dividends have been paid during the current quarter ended 30 June 2015.

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
6 months ended 30 June 2015							
External revenue	302,880	57,720	117,226	111,260	35,041	-	624,127
Intersegment revenue	<u>231,977</u>	<u>26,384</u>	<u>28,345</u>	<u>7,011</u>	<u>62,723</u>	<u>(356,440)</u>	<u>-</u>
	<u>534,857</u>	<u>84,104</u>	<u>145,571</u>	<u>118,271</u>	<u>97,764</u>	<u>(356,440)</u>	<u>624,127</u>
Segment result	<u>(1,154)</u>	<u>12,447</u>	<u>662</u>	<u>24,110</u>	<u>(2,768)</u>	<u>(10,665)</u>	<u>22,632</u>
3 months ended 30 June 2015							
External revenue	176,754	24,801	65,972	54,805	19,789	-	342,121
Intersegment revenue	<u>121,725</u>	<u>11,491</u>	<u>14,254</u>	<u>3,407</u>	<u>32,594</u>	<u>(183,471)</u>	<u>-</u>
	<u>298,479</u>	<u>36,292</u>	<u>80,226</u>	<u>58,212</u>	<u>52,383</u>	<u>(183,471)</u>	<u>342,121</u>
Segment result	<u>12,915</u>	<u>2,795</u>	<u>1,486</u>	<u>13,214</u>	<u>2,309</u>	<u>(6,868)</u>	<u>25,851</u>

**A. Notes to the Interim Financial Report
For the second quarter and financial period ended 30 June 2015**

A9. Segment Information (cont'd)

Germany

The German segment which represents 48.5% of the Group's revenue showed a decrease in revenue of RM27.3 million (13.4%) as compared to previous year's corresponding quarter. The total sales in this segment is lower than the previous year's corresponding quarter mainly due to weakened foreign exchange rate in Euro, which resulted in lower translated sales in the current quarter. The Euro exchange rate against Ringgit Malaysia had weakened by 9.1% as compared to previous year's corresponding quarter.

The segment result decreased as compared to the previous year's corresponding quarter mainly attributable to the lower margin contribution due to lower sales value in the current quarter.

Switzerland

The Swiss market concentrated mainly in printer consumables business. The cessation of the 3rd party toner powder production business has resulted in a lower turnover in the current period as compared to previous year's corresponding quarter. Currently the toner plant is only producing for a contract OEM customer.

The region had achieved segment results of RM2.8 million in the current quarter, mainly due to the positive development of Swiss Franc against Ringgit Malaysia and other foreign currencies.

Rest of Europe

The contribution in revenue from all other European countries, except Germany and Switzerland, represents 18.8% of the Group's total revenue.

Compared to the same quarter of the previous year, seasonally adjusted GDP rose by 1.2% in the euro area and by 1.6% in the European Union ("EU28") in the current quarter. Despite the improvement, the overall economy is generally still weak and is continuing to affect customer sentiment and spending. In addition, the effects of cessation of sales in Nordic, political and financial instability in Greece, coupled with the weakening of the Euro currency against Ringgit Malaysia by 9.1% as compared to previous year's corresponding quarter has resulted in the overall decrease in the translated revenues.

As a result of the lower sales, the segment results reduced by RM1.1 million. The impact of the reduction in sales was partially compensated by higher product contributions and lower cost base as compared to the previous year's corresponding quarter.

**A. Notes to the Interim Financial Report
For the second quarter and financial period ended 30 June 2015**

A9. Segment Information (cont'd)

Americas

The segment revenue from Americas, which represents Mexico, Colombia and Argentina, generated slightly higher sales in their respective countries as compared to the previous year's corresponding quarter. The region had a successful "Back to School" campaign during the period. The positive sales growth was partially offset by the adverse foreign exchange impact, mainly due to weakening of Colombia Peso against Ringgit Malaysia of approximately 12.8% as compared to previous year's corresponding quarter and also implementation of protective import duties measures by certain export market.

The region had achieved segment results of RM13.2 million in the current quarter.

Rest of the World

Rest of the world which comprise 5.6% of the Group's revenue consist mainly countries such as Japan, South East Asia and Middle East. These markets are relatively stable and growing albeit its small percentage over the total sales of the Group.

The effects of foreign exchange continue to be unfavourable in the current quarter due to the weakened RM against USD in particular, wherein the region incurred additional translation losses. The segment result of RM2.3 million, as a consequence, was lower than the previous year's corresponding quarter.

A10. Valuation of Property, Plant and Equipment

There were no valuations of property, plant and equipment during the current quarter ended 30 June 2015.

A11. Changes in the Composition of the Group

On 30 April 2015, the Group completed the asset streamlining exercise (as further elaborated in Note A14). Arising thereto, the effective interest of the Group on the following subsidiaries has changed:

	Before (%)	After (%)
Pelikan AG	71.32	98.36
Pelikan Argentina S.A.	98.27	98.36
Pelikan Colombia S.A.S	98.17	98.36
Pelikan Italia S.p.A	96.64	98.36
Pelikan Japan K.K.	99.16	98.36
Pelikan México S.A. de C.V.	98.32	98.36
Pelikan Middle East FZE	100.00	98.36
Pelikan N.V./S.A.	96.64	98.36

**A. Notes to the Interim Financial Report
For the second quarter and financial period ended 30 June 2015**

A11. Changes in the Composition of the Group (cont'd)

	Before (%)	After (%)
Pelikan (Schweiz) AG	96.64	98.36
Pelikan Vertriebsgesellschaft mbH & Co. KG	96.64	98.36
Pelikan Vertrieb-Verwaltungs-GmbH	96.64	98.36

Other than as stated, there were no other changes in the composition of the Group during the current quarter ended 30 June 2015.

A12. Events Subsequent to the End of the Reporting Period

Other than those stated in Note A14, there were no other event subsequent to the financial period ended 30 June 2015.

A13. Contingent Liabilities

- (a) In the ordinary course of business, the business of Pelikan Hardcopy Holding AG and German Hardcopy AG 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 EUR6.0 million (RM25.3 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.
- (b) Based on the latest actuaries assumptions as at 31 December 2014, Pelikan Hardcopy Scotland Limited's ("PHSL") retirement fund has GBP25.7 million (RM152.2 million) assets to meet its estimated pension liabilities of GBP38.0 million (RM225.0 million). An amount of GBP12.3 million (RM72.8 million) has been recognised as a pension liability of the Group for the financial period ended 30 June 2015 in accordance with the MFRS 119 Employee Benefits.

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

**A. Notes to the Interim Financial Report
For the second quarter and financial period ended 30 June 2015**

A14. Corporate Proposals

On 8 July 2014 (“**Initial Announcement**”), the Board of Directors (“**Board**”) of the Company had announced its intention to undertake a streamlining of its key subsidiaries and selected assets via its listed entity Pelikan AG (formerly known as Herlitz Aktiengesellschaft), a 71.32% subsidiary of the Company. Pelikan AG is listed on the Frankfurt Stock Exchange.

On 11 November 2014, the Board had announced that the Company, Pelikan Holding AG (“**PHAG**”), a 96.64% subsidiary of the Company, Pelikan Netherlands B.V., a 100% subsidiary of PHAG (“**PNBV**”) and MOLKARI Vermietungsgesellschaft mbH & Co. Objekt Falkensee KG, a 98.54% subsidiary of Pelikan (“**Molkari**”) had on 10 November 2014 entered into a Heads of Agreement (“**HoA**”) with Pelikan AG to agree on the assets to be contributed, its valuation of EUR231.22 million and offering structure.

The final size of proposed offering are as follows:-

- (a) the issuance of up to 32,867,765 new Pelikan AG Shares against cash contribution at a minimum issue price of EUR1.00 per share; and
- (b) the offer for sale of up to 60,000,000 new Pelikan AG Shares received by the Contributors from the Proposed Contribution in Kind at a minimum price of EUR1.00 per share.

On 17 December 2014, 18 December 2014 and 19 December 2014, the shareholders of the Company, PHAG and Pelikan AG approved the transactions.

On 27 February 2015, the Board announced that Pelikan AG has obtained clearance from the Court in Berlin on 26 February 2015 to file the extraordinary general meeting resolution to the Commercial Court for the registration of the capital increase for the asset injection into Pelikan AG.

On 30 April 2015, the resolutions for the capital increase for the asset injection into Pelikan AG has been entered into the Commercial Registers of Pelikan AG. Accordingly, 231.2 million new Pelikan AG shares has been issued and the assets injection has been completed.

Pelikan AG issued 124,402 new Pelikan AG shares at EUR1.00 each whilst Pelikan Holding AG sold 96,919 Pelikan AG shares at EUR1.00 each pursuant to the Proposed Offering and was admitted to listing and trading on the Frankfurt Stock Exchange on 27 August 2015. Accordingly, the aforesaid corporate proposals have been completed.

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

B1. Taxation

	3 months ended		Financial period ended	
	30/06/15 RM'000	30/06/14 RM'000	30/06/15 RM'000	30/06/14 RM'000
Taxation charged in respect of current financial period				
- income tax	(40,412)	(3,857)	(45,219)	(7,492)
- deferred tax	(645)	40	(510)	(9)
	<u>(41,057)</u>	<u>(3,817)</u>	<u>(45,729)</u>	<u>(7,501)</u>

For the current quarter ended 30 June 2015 and financial period ended 30 June 2015 and 30 June 2014, the Group's effective tax rate were 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 unused tax losses of other subsidiaries. In addition, for the current quarter ended 30 June 2015, there were one-off income tax effects amounting to RM34.0 million arising from the proposed asset streamlining exercise (disclosed in Note A14). Taking out this effect, the normalised taxation charge for the current quarter and cumulative quarter would amount to RM7.1 million and RM11.7 million respectively.

For the current quarter ended 30 June 2014, the Group's effective tax rate is lower than the statutory income tax rate in Malaysia due to the utilisation of previous year's tax losses.

B2. Borrowings

Details of the Group's borrowings as at 30 June 2015 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	
Colombian Peso	-	3,779	-	-	3,779
Czech Koruna	29	-	-	-	29
Euro	56,800	23,263	8,566	-	88,629
Great Britain Pound	24	-	-	1,439	1,463
Mexican Peso	-	12,003	-	-	12,003
Ringgit Malaysia	25,125	18,527	84,257	-	127,909
Swiss Franc	5,988	-	-	-	5,988
US Dollar	76,468	109,195	-	-	185,663
Total	<u>164,434</u>	<u>166,767</u>	<u>92,823</u>	<u>1,439</u>	<u>425,463</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 Pelikan Hardcopy Holding AG and German Hardcopy AG 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 EUR6.0 million (RM25.3 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.

B4. Post Employment Benefit Obligation

	RM'000
Payable within 12 months	23,543
Payable after 12 months	274,243
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	297,786
Removable Pension Liabilities:	
Liabilities assumed by Pension Trust Fund	117,737
Liabilities assumed by the Company	65,087
	<hr/>
	182,824
Other pension liabilities of the Group	114,962
	<hr/>
	297,786
	<hr/> <hr/>

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 June 2015 were as follows:

	RM'000
Authorised and contracted for:	
Property, plant and equipment	<u>1,452</u>
Authorised but not contracted for:	
Property, plant and equipment	<u>181</u>

B6. Review of Performance

The Group achieved revenue of RM342.1 million in the current quarter as opposed to RM384.3 million in the previous year's corresponding quarter, a decrease of 11.0%. The decrease was partly as a result of the depreciation of Euro currency, being the main sales currency of the Group by 9.1% against Ringgit Malaysia ("RM") as compared to the previous year's corresponding quarter. The decrease was partially offset by the positive sales growth in the Americas and Asia regions.

The Group achieved an earnings before interest, taxation and depreciation ("EBITDA") of RM35.3 million and a profit before taxation of RM20.7 million in the current quarter. Despite a drop in sales, the Group was able to maintain the aforesaid profits on the back of lower operating costs. Notwithstanding this, the depreciation of RM against USD continue to affect the USD denominated borrowings with an additional unrealised foreign exchange loss of RM2.1 million incurred in the current quarter.

The taxes of RM41.1 million in the current quarter was higher as compared to the preceding year's quarter mainly due to one-off tax incurred of RM34.0 million as a result of the assets streamlining exercise and also higher operational taxes for the subsidiaries. The Group's overall normalised (loss)/profit for the financial period for the one-off income tax effects are as follows:

	3 months ended	
	30/6/2015	30/6/2014
	RM'000	RM'000
(Loss)/Profit for the financial period	(20,341)	16,635
Add/(Less):		
One-off income tax effects as a result of the assets streamlining exercise	<u>34,036</u>	<u>-</u>
Normalised profit for the financial period	<u>13,695</u>	<u>16,635</u>
Operational taxation	<u>7,021</u>	<u>3,817</u>

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

B6. Review of Performance (cont'd)

Nevertheless, the Group benefited from this exercise by creating a streamlined stationery Group under Pelikan AG which has a capital of EUR242.1 million which can be further capitalised and developed by the Group.

B7. Variation of Results Against Preceding Quarter

The Group's revenue increased to RM342.1 million in the current quarter as compared to RM282.0 million in the preceding quarter. The second quarter is normally a stronger quarter for the Group's school products due to the "Back To School" season in Europe.

In addition, the introduction of new fine writing, school and office products and special promotions for customers, in other regions like South East Asia had also resulted in increased of demand from key customers and export markets.

As a result of the higher sales, the Group recorded a profit before taxation of RM20.7 million in the current quarter as compared to loss before taxation of RM8.7 million in the preceding quarter.

B8. Prospects

According to the European Commission's spring forecast, the economies of all European Union Member States are expected to grow in 2015. The economic activity is expected to pick up moderately in the EU and in the euro area, with growth forecasted to rise to 1.8% for the EU as a whole and to 1.5% for the euro area. In 2016, annual growth should reach 2.1% and 1.9% respectively. The German economy which is the largest market for the Group is expected to grow by 1.9% in 2015 and 2.0% in 2016. Based on the International Monetary Fund, economic activity for Mexico is expected to pick up modestly with GDP growth projected at 3.0% for 2015 and 3.3% in 2016. 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 recent volatility in major global currencies in particular against Malaysia Ringgit will also result in volatility in the Group's result going forward as majority of its business is located outside Malaysia and will be translated to RM for reporting purposes. The strengthening of the Euro currency against RM would benefit the Group whilst the strengthening of the USD against RM will have a negative results on the Group.

On completion of the asset streamlining exercise, the stationery group under Pelikan AG shall have the ability to capitalise on its own strength and compete in the market for more business and market share. The Pelikan AG Group would have a stronger balance sheet as a Group and would appeal better to the market, investors and other external stakeholders.

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

B8. Prospects (cont'd)

The Group shall continue to address the remaining business outside the Pelikan AG Group in order to improve its position and profitability.

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. (Loss)/Earnings Per Share

		3 months ended		Financial period ended	
		30/06/15	30/06/14	30/06/15	30/06/14
(Loss)/Profit for the financial period attributable to equity holders of the parent	(RM'000)	<u>(22,062)</u>	<u>17,217</u>	<u>(32,778)</u>	<u>6,019</u>
Weighted average number of ordinary shares in issue	('000)	553,296	512,796	553,296	512,796
Shares repurchased	('000)	<u>(4,928)</u>	<u>(4,928)</u>	<u>(4,928)</u>	<u>(4,928)</u>
		<u>548,368</u>	<u>507,868</u>	<u>548,368</u>	<u>507,868</u>
(Loss)/Earnings per share	(sen)	<u>(4.02)</u>	<u>3.39</u>	<u>(5.98)</u>	<u>1.19</u>

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

B12. Additional Notes to the Statement of Comprehensive Income

	3 months ended		Financial period ended	
	30/06/15	30/06/14	30/06/15	30/06/14
	RM'000	RM'000	RM'000	RM'000
(Loss)/Profit for the period is arrived at after charging / (crediting):				
Interest income	(69)	(155)	(320)	(309)
Interest expense	5,135	5,695	10,572	10,880
Depreciation and amortisation	9,423	9,041	19,184	22,421
Impairment/(Reversal) loss on receivables	158	429	(244)	579
(Reversal of)/Inventories write down	(82)	16	344	450
Loss/(Gain) on disposal of				
- Property, plant and equipment	56	548	(331)	(97)
- Intangible assets	(8)	-	(8)	-
- Investment in subsidiaries	-	-	-	(3,566)
- Available-for-sale financial assets	(19)	(13)	(19)	(13)
Foreign exchange (gain)/loss	<u>(2,529)</u>	<u>884</u>	<u>(4,820)</u>	<u>1,301</u>

B13. Derivative Liabilities

	Contract/ Notional amount EUR'000	Liabilities RM'000
Interest rate swap	<u>10,000</u>	<u>2,345</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.

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

B14. Realised and Unrealised Profits/(Losses) Disclosure

	As at 30/06/15 RM'000	As at 31/12/14 RM'000
Total accumulated losses of the Company and its subsidiaries:		
- Realised loss	(31,927)	(24,826)
- Unrealised loss	(13,558)	(3,811)
	(45,485)	(28,637)
Add : Consolidation adjustments	(8,398)	7,532
Total accumulated losses as per Statement of Financial Position	<u>(53,883)</u>	<u>(21,105)</u>