

Registration No.: 198001009827 (63611 - U)

PELIKAN INTERNATIONAL CORPORATION BERHAD
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT

30 SEPTEMBER 2020

PELIKAN INTERNATIONAL CORPORATION BERHAD (Registration No.: 198001009827 (63611-U))
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Interim report for the financial period ended 30 September 2020
The figures have not been audited.

	Note	Individual Quarter 3 months ended		Cumulative Quarter Financial period ended	
		30/09/2020 RM'000	30/09/2019 RM'000	30/09/2020 RM'000	30/09/2019 RM'000
Revenue		314,589	303,310	777,279	837,432
Other operating income		1,362	6,185	14,894	16,357
Expenses excluding finance costs and tax		(289,994)	(294,287)	(742,689)	(800,803)
Finance costs		(4,747)	(5,443)	(13,970)	(15,282)
Profit before tax		21,210	9,765	35,514	37,704
Tax expense	B1	(4,339)	(3,240)	(7,326)	(11,064)
Profit for the financial period		16,871	6,525	28,188	26,640
Other comprehensive loss: Item that may be reclassified subsequently to profit or loss: Exchange differences on translation of foreign operations		(1,029)	(14,496)	(13,676)	(23,663)
Total comprehensive income/(loss) for the financial period		15,842	(7,971)	14,512	2,977
Total profit attributable to:					
Owners of the parent		15,060	4,890	26,822	25,112
Non-controlling interests		1,811	1,635	1,366	1,528
		16,871	6,525	28,188	26,640
Total comprehensive income/(loss) attributable to:					
Owners of the parent		13,907	(9,609)	12,924	1,843
Non-controlling interests		1,935	1,638	1,588	1,134
		15,842	(7,971)	14,512	2,977
		sen	sen	sen	sen
Basic earnings per ordinary share attributable to equity holders of the parent	B10	2.50	0.83	4.45	4.43

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements.

PELIKAN INTERNATIONAL CORPORATION BERHAD (Registration No.: 198001009827 (63611-U))
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
Interim report as at 30 September 2020
The figures have not been audited.

	Note	30/09/2020 RM'000	31/12/2019 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		388,277	396,766
Trademarks		17,770	16,710
Development costs		2,328	2,249
Goodwill		139,095	131,400
Computer software license		3,279	3,042
Investments in associates		59	55
Other financial assets		2,498	2,327
Pension Trust Fund		137,146	137,146
Deferred tax assets		108,418	108,952
		<u>798,870</u>	<u>798,647</u>
Current assets			
Inventories		223,372	228,778
Receivables, deposits and prepayments		325,225	255,038
Tax recoverable		8,513	9,396
Pension Trust Fund		13,718	13,718
Deposits, cash and bank balances		50,114	32,545
		<u>620,942</u>	<u>539,475</u>
		<u>1,419,812</u>	<u>1,338,122</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital		640,273	640,273
Foreign currency translation reserves		(104,029)	(90,131)
Accumulated losses		(74,892)	(101,714)
Treasury shares, at cost		(5,150)	(5,150)
		<u>456,202</u>	<u>443,278</u>
Non-controlling interests		2,831	1,243
		<u>459,033</u>	<u>444,521</u>
Non-current liabilities			
Post-employment benefit obligations	B3	259,068	259,714
Borrowings	B2	137,387	84,923
Lease liabilities		21,056	20,187
Deferred tax liabilities		13,060	14,432
		<u>430,571</u>	<u>379,256</u>
Current liabilities			
Payables		192,816	190,258
Borrowings	B2	297,473	276,327
Lease liabilities		5,030	9,175
Current tax liabilities		34,889	38,585
		<u>530,208</u>	<u>514,345</u>
		<u>960,779</u>	<u>893,601</u>
		<u>1,419,812</u>	<u>1,338,122</u>
Net assets per share attributable to owners of the parent (RM)		0.75	0.73

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements.

PELIKAN INTERNATIONAL CORPORATION BERHAD (Registration No.: 198001009827 (63611-U))
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Interim report for the financial period ended 30 September 2020
The figures have not been audited.

	Share Capital	Foreign currency translation reserves (non distributable)	Accumulated losses	Treasury shares, at cost	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
At 1 January 2020	640,273	(90,131)	(101,714)	(5,150)	443,278	1,243	444,521
Profit for the financial period	-	-	26,822	-	26,822	1,366	28,188
Other comprehensive (loss)/income	-	(13,898)	-	-	(13,898)	222	(13,676)
Total comprehensive (loss)/income	-	(13,898)	26,822	-	12,924	1,588	14,512
At 30 September 2020	640,273	(104,029)	(74,892)	(5,150)	456,202	2,831	459,033
At 1 January 2019	618,887	(78,500)	(96,663)	(5,150)	438,574	464	439,038
Profit for the financial period	-	-	25,112	-	25,112	1,528	26,640
Other comprehensive loss	-	(23,269)	-	-	(23,269)	(394)	(23,663)
Total comprehensive (loss)/income	-	(23,269)	25,112	-	1,843	1,134	2,977
Transaction with owners: Issue of shares	21,386	-	-	-	21,386	-	21,386
At 30 September 2019	640,273	(101,769)	(71,551)	(5,150)	461,803	1,598	463,401

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 2019 and the accompanying explanatory notes attached to the interim financial statements.

PELIKAN INTERNATIONAL CORPORATION BERHAD (Registration No.: 198001009827 (63611-U))
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
Interim report for the financial period ended 30 September 2020
The figures have not been audited.

	Financial period ended	
	30/09/2020	30/09/2019
	RM'000	RM'000
Cash Flows From Operating Activities		
Cash receipts from customers	733,519	805,582
Cash paid to suppliers and employees	<u>(743,665)</u>	<u>(774,958)</u>
	(10,146)	30,624
Interest received	330	213
Interest paid	(13,212)	(12,150)
Taxation paid	<u>(8,743)</u>	<u>(7,165)</u>
Net cash (used in)/from operating activities	<u>(31,771)</u>	<u>11,522</u>
Cash Flows From Investing Activities		
Interest paid	(825)	(2,472)
Purchase of property, plant and equipment	(3,361)	(15,408)
Proceeds from disposal of property, plant and equipment	1,738	190
Purchase of intangible assets	(905)	(69)
Proceeds from disposal of intangible assets	-	18
Purchase of other financial assets	<u>(5)</u>	<u>-</u>
Net cash used in investing activities	<u>(3,358)</u>	<u>(17,741)</u>
Cash Flows From Financing Activities		
Proceeds from issue of shares	-	21,386
Drawdowns of bank borrowings	265,727	264,842
Repayments of bank borrowings	(208,237)	(269,974)
Repayments of lease payables	<u>(6,315)</u>	<u>(4,635)</u>
Net cash from financing activities	<u>51,175</u>	<u>11,619</u>
Net increase in cash and cash equivalents during the financial period	16,046	5,400
Effects of exchange rate changes on cash and cash equivalents	(1,446)	949
Cash and cash equivalents at beginning of the financial period	<u>22,373</u>	<u>39,593</u>
Cash and cash equivalents at end of the financial period	<u><u>36,973</u></u>	<u><u>45,942</u></u>
Cash and cash equivalents comprise :		
Deposits, cash and bank balances	50,114	51,444
Bank overdrafts	<u>(12,607)</u>	<u>(4,984)</u>
	37,507	46,460
Less: Deposits pledged to licensed banks	<u>(534)</u>	<u>(518)</u>
	<u><u>36,973</u></u>	<u><u>45,942</u></u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 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 2020

A1. Basis of Preparation

This interim financial report is based on the unaudited financial statements for the quarter ended 30 September 2020 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 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 2019.

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 2019.

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 2019 was not subject to any qualification and did not include any adverse comments made under subsection (3) of Section 266 of the Companies Act 2016.

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.

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 2020.

A6. Material Changes in Estimates

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

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 2020.

A. Notes to the Interim Financial Report
For the third quarter and financial period ended 30 September 2020

A8. Dividends

No dividends have been paid during the current quarter ended 30 September 2020.

A9. Segment Information

	Germany RM'000	Rest of Europe RM'000	Americas RM'000	Rest of the World RM'000	Elimination RM'000	Group RM'000
9 months ended						
30 September 2020						
External revenue	492,206	168,743	89,400	26,930	-	777,279
Intersegment revenue	207,912	22,524	9,530	75,106	(315,072)	-
	<u>700,118</u>	<u>191,267</u>	<u>98,930</u>	<u>102,036</u>	<u>(315,072)</u>	<u>777,279</u>
Segment result	<u>38,045</u>	<u>12,957</u>	<u>9,501</u>	<u>(1,151)</u>	<u>(9,868)</u>	<u>49,484</u>
3 months ended						
30 September 2020						
External revenue	197,171	82,488	26,096	8,834	-	314,589
Intersegment revenue	70,886	7,481	3,343	14,870	(96,580)	-
	<u>268,057</u>	<u>89,969</u>	<u>29,439</u>	<u>23,704</u>	<u>(96,580)</u>	<u>314,589</u>
Segment result	<u>22,623</u>	<u>8,183</u>	<u>2,445</u>	<u>(4,804)</u>	<u>(2,490)</u>	<u>25,957</u>

Germany

The German segment's revenue represents 63.3% of the Group's revenue, an increase in contribution due to the lower sales in other countries due to the COVID-19 pandemic. The German segment continue to achieve positive sales growth despite the COVID-19 pandemic. On the channel side, the development of online channels during the quarter increased by approximately 70.4% and physical stores continued to restocked products for "back to school" season during the quarter, which resulted in an increase of approximately 5.2% as compared to previous year's corresponding quarter.

The region's segment result improved as compared to previous year's corresponding quarter due to higher sales contribution and positive impact from cost measures implemented.

A. Notes to the Interim Financial Report
For the third quarter and financial period ended 30 September 2020

A9. Segment Information (cont'd)

Rest of Europe

The contribution in revenue from all other European countries, except Germany, represents 21.7% of the Group's total revenue. The region's sales were relatively around the same levels as compared to the previous year's corresponding quarter.

The region's segment result approximates to previous year's corresponding quarter mainly due from the negative effects of foreign exchange on translation was offset with positive impact from better management of expenses.

Americas

Americas, which comprise 11.5% of the Group's revenue are represented by Mexico, Colombia and Argentina. The COVID-19 outbreak which resulted in extended quarantine periods had negatively impacted the region's sales in the current quarter. Sales in these countries contracted between the range of 22.6% to 35.0% as compared to previous year's corresponding quarter.

The region continued to take various cost control measures to mitigate the negative impact from the lower sales contribution which resulted from the prolonged quarantine periods.

Rest of the World

Rest of the World which comprise 3.5% of the Group's revenue consist mainly countries such as Japan, Taiwan/China, South East Asia and Middle East. Sales were delayed and product launches were deferred due to lockdown and containment measures in the current quarter.

The region suffered a negative result during the current quarter due to the lower sales contribution and unfavourable effects of foreign exchange.

A10. Valuation of Property, Plant and Equipment

There were no valuations of property, plant and equipment during the current quarter ended 30 September 2020.

A. Notes to the Interim Financial Report
For the third quarter and financial period ended 30 September 2020

A11. Changes in the Composition of the Group

There were no changes in the composition of the Group during the current quarter ended 30 September 2020 apart from the liquidation of Pelikan Hardcopy Asia Pacific Ltd. and Herlitz Slovakia s.r.o.

A12. Events Subsequent to the End of the Reporting Period

There was no event subsequent to the financial period ended 30 September 2020.

A13. Contingent Liabilities

There was no material contingent liabilities as at 30 September 2020.

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

B1. Tax Expense

	3 months ended		Financial period ended	
	30/09/20 RM'000	30/09/19 RM'000	30/09/20 RM'000	30/09/19 RM'000
Tax expense charged in respect of current financial period				
- income tax	827	(3,498)	(2,678)	(11,158)
- deferred tax	(5,166)	258	(4,648)	94
	<u>(4,339)</u>	<u>(3,240)</u>	<u>(7,326)</u>	<u>(11,064)</u>

On a cumulative basis, for the financial period ended 30 September 2020, the Group's effective tax rate were lower than the statutory income tax rate in Malaysia mainly due to the utilisation of previous year's tax losses.

B2. Borrowings

Details of the Group's borrowings as at 30 September 2020 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	-	1,018	-	-	1,018
Czech Koruna	5,597	-	-	-	5,597
Euro	193,018	3,343	106,769	-	303,130
Japanese Yen	-	3,873	-	-	3,873
Mexican Peso	-	17,025	-	-	17,025
Polish Zloty	1,573	644	3,015	2,454	7,686
Ringgit Malaysia	31,822	-	25,149	-	56,971
US Dollar	19,696	19,864	-	-	39,560
Total	<u>251,706</u>	<u>45,767</u>	<u>134,933</u>	<u>2,454</u>	<u>434,860</u>

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

B3. Post-Employment Benefit Obligations

The Group operates both funded and unfunded defined benefit plans for its employees. The defined benefit plans, calculated using the projected unit credit method, is determined by independent actuaries, considering the estimated future cash outflows using market yields, at the end of each reporting period, of government securities which have currency and terms to maturity approximating the terms of the related liability. Judgement and estimates had been used to determine the valuation of the plans and the latest actuarial valuations of the plans were carried out in 2019.

B4. Capital Commitments

Capital commitments not provided for in the financial statements as at 30 September 2020 were as follows:

	RM'000
Authorised and contracted for:	
Property, plant and equipment	<u>409</u>

B5. Review of Performance

The Group achieved revenue of RM314.6 million in the current quarter as opposed to RM303.3 million in the previous year's corresponding quarter. The German segment continue to achieve real sales growth in Euro currency for the "back to school" season despite the current COVID-19 pandemic. However, the COVID-19 outbreak continued to negatively impact sales in most other countries where we operate, especially in the Americas.

The Group recorded a profit before tax of RM21.2 million in the current quarter as opposed to profit before tax of RM9.8 million in the previous year's corresponding quarter. The profit before tax increased due to higher sales contribution achieved from higher sales in the German region and also implementation of cost measures to mitigate COVID-19 impact coupled with government assistance in certain countries.

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

B6. Variation of Results Against Preceding Quarter

	Current Quarter 30/09/20 RM'000	Immediate Preceding Quarter 30/06/20 RM'000	Changes %
Revenue	314,589	255,412	+23.2
Profit before interest and tax	25,957	25,553	+1.6
Profit before tax	21,210	20,590	+3.0
Profit for the financial period	<u>16,871</u>	<u>20,172</u>	-16.4

The Group's revenue increased to RM314.6 million in the current quarter as compared to RM255.4 million in the preceding quarter. Due to further easing of lockdowns and movement controls around the world in the current quarter as compared to the previous quarter, the Group's revenue continue to be driven by the 'back to school' season for the European region. The stronger Euro also contributed partly to the increase in translated revenue.

The Group recorded a profit before tax of RM21.2 million in the current quarter as compared to profit before tax of RM20.6 million in the preceding quarter.

B7. Prospects

The global economic outlook remains uncertain as the recurrence of pandemic is faced by many countries worldwide and more measures for lockdowns or movement restrictions are being imposed. As such, the Group's operations continued to be affected by the pandemic as certain countries still restrict movements and non-essential business, schools and shops are closed. The prolonged closures may affect the business of the Group and we expect that the economic conditions to be slow for the rest of the year. Nevertheless, the Group experienced positive sales developments for "back to school" season for countries which have eased the movement or store opening restrictions such as Germany and many European countries. The Group has implemented measures to reduce operating costs and budgeted investments while taking on any support from government fiscal policies and assistance where available. Online sales efforts are also stepped up in countries where physical stores are not open or when customer visits to stores becomes lesser.

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

B8. Dividend

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

B9. Variance on Profit Forecast / Shortfall in Profit Guarantee

Not applicable.

B10. Earnings Per Ordinary Share

Basic earnings per ordinary share:	3 months ended		Financial period ended	
	30/09/20	30/09/19	30/09/20	30/09/19
Profit attributable to owners of the parent (RM'000)	15,060	4,890	26,822	25,112
Weighted average number of ordinary shares in issue ('000)	603,205	592,238	603,205	566,647
Basic earnings per ordinary share (sen)	2.50	0.83	4.45	4.43

B11. Additional Notes to the Statement of Comprehensive Income

	3 months ended		Financial period ended	
	30/09/20 RM'000	30/09/19 RM'000	30/09/20 RM'000	30/09/19 RM'000
Profit before tax is arrived at after charging/(crediting):				
Interest income	(154)	(92)	(330)	(213)
Interest expense	4,747	5,443	13,970	15,282
Depreciation and amortisation	7,840	7,870	23,234	22,753
Impairment loss on receivables	244	647	477	1,099
Inventories write down	10	14	34	51
Gain on disposal of property, plant and equipment	(132)	(6)	(711)	(103)
Foreign exchange loss/(gain)	6,064	(3,089)	2,215	(3,854)