

Registration No.: 198001009827 (63611 - U)

PELIKAN INTERNATIONAL CORPORATION BERHAD
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT

30 SEPTEMBER 2021

PELIKAN INTERNATIONAL CORPORATION BERHAD (Registration No.: 198001009827 (63611-U))
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Interim report for the financial period ended 30 September 2021
The figures have not been audited.

	Note	Individual Quarter 3 months ended		Cumulative Quarter Financial period ended	
		30/09/2021 RM'000	30/09/2020 RM'000	30/09/2021 RM'000	30/09/2020 RM'000
Revenue		313,021	314,589	802,757	777,279
Other operating income		5,451	1,362	16,687	14,894
Expenses excluding finance costs and tax		(284,959)	(289,994)	(765,987)	(742,689)
Finance costs		(3,294)	(4,747)	(11,780)	(13,970)
Profit before tax		30,219	21,210	41,677	35,514
Tax expense	B1	(7,431)	(4,339)	(11,741)	(7,326)
Profit for the financial period		22,788	16,871	29,936	28,188
Other comprehensive loss: Item that may be reclassified subsequently to profit or loss: Exchange differences on translation of foreign operations		(6,170)	(1,029)	(6,807)	(13,676)
Total comprehensive income for the financial period		16,618	15,842	23,129	14,512
Total profit attributable to:					
Owners of the parent		20,835	15,060	26,058	26,822
Non-controlling interests		1,953	1,811	3,878	1,366
		22,788	16,871	29,936	28,188
Total comprehensive income attributable to:					
Owners of the parent		14,669	13,907	22,415	12,924
Non-controlling interests		1,949	1,935	714	1,588
		16,618	15,842	23,129	14,512
		sen	sen	sen	sen
Basic earnings per ordinary share attributable to equity holders of the parent	B10	3.45	2.50	4.32	4.45

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2020 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 2021
The figures have not been audited.

	Note	30/09/2021 RM'000	31/12/2020 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		192,623	208,639
Trademarks		17,695	18,020
Development costs		579	787
Goodwill		136,122	137,986
Computer software license		3,822	3,265
Investments in associates		59	60
Other financial assets		2,414	2,534
Pension Trust Fund		137,388	137,388
Deferred tax assets		108,337	115,100
		<u>599,039</u>	<u>623,779</u>
Current assets			
Inventories		197,490	237,705
Receivables, deposits and prepayments		286,849	231,401
Tax recoverable		10,807	10,070
Pension Trust Fund		13,476	13,476
Deposits, cash and bank balances		45,847	47,897
		<u>554,469</u>	<u>540,549</u>
Non-current assets classified as held for sale		<u>178,270</u>	<u>180,997</u>
TOTAL ASSETS		<u>1,331,778</u>	<u>1,345,325</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital		640,273	640,273
Foreign currency translation reserves		(83,519)	(79,876)
Accumulated losses		(66,672)	(92,730)
Treasury shares, at cost		(5,150)	(5,150)
		<u>484,932</u>	<u>462,517</u>
Non-controlling interests		<u>2,499</u>	<u>1,785</u>
Total equity		<u>487,431</u>	<u>464,302</u>
Non-current liabilities			
Post-employment benefit obligations	B3	250,589	261,123
Borrowings	B2	113,626	134,564
Lease liabilities		14,514	16,937
Deferred tax liabilities		14,258	14,232
		<u>392,987</u>	<u>426,856</u>
Current liabilities			
Payables		190,353	150,268
Borrowings	B2	221,313	263,673
Lease liabilities		5,495	6,139
Current tax liabilities		34,199	34,087
		<u>451,360</u>	<u>454,167</u>
Total liabilities		<u>844,347</u>	<u>881,023</u>
TOTAL EQUITY AND LIABILITIES		<u>1,331,778</u>	<u>1,345,325</u>
Net assets per share attributable to owners of the parent (RM)		0.80	0.76

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2020 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 2021
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 2021	640,273	(79,876)	(92,730)	(5,150)	462,517	1,785	464,302
Profit for the financial period	-	-	26,058	-	26,058	3,878	29,936
Other comprehensive loss	-	(3,643)	-	-	(3,643)	(3,164)	(6,807)
Total comprehensive (loss)/income	-	(3,643)	26,058	-	22,415	714	23,129
At 30 September 2021	640,273	(83,519)	(66,672)	(5,150)	484,932	2,499	487,431
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

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 2020 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 2021
The figures have not been audited.

	Financial period ended	
	30/09/2021	30/09/2020
	RM'000	RM'000
Cash Flows From Operating Activities		
Cash receipts from customers	759,281	733,519
Cash paid to suppliers and employees	<u>(672,536)</u>	<u>(743,665)</u>
	86,745	(10,146)
Interest received	470	330
Interest paid	(9,339)	(13,212)
Taxation paid	<u>(6,714)</u>	<u>(8,743)</u>
Net cash from/(used in) operating activities	<u>71,162</u>	<u>(31,771)</u>
Cash Flows From Investing Activities		
Interest paid	(2,427)	(825)
Purchase of property, plant and equipment	(3,760)	(3,361)
Proceeds from disposal of property, plant and equipment	311	1,738
Purchase of intangible assets	(586)	(905)
Purchase of other financial assets	<u>-</u>	<u>(5)</u>
Net cash used in investing activities	<u>(6,462)</u>	<u>(3,358)</u>
Cash Flows From Financing Activities		
Drawdowns of bank borrowings	131,963	265,727
Repayments of bank borrowings	(191,354)	(208,237)
Repayments of lease liabilities	<u>(6,975)</u>	<u>(6,315)</u>
Net cash (used in)/from financing activities	<u>(66,366)</u>	<u>51,175</u>
Net (decrease)/increase in cash and cash equivalents during the financial period	(1,666)	16,046
Effects of exchange rate changes on cash and cash equivalents	585	(1,446)
Cash and cash equivalents at beginning of the financial period	<u>36,715</u>	<u>22,373</u>
Cash and cash equivalents at end of the financial period	<u><u>35,634</u></u>	<u><u>36,973</u></u>
Cash and cash equivalents comprise:		
Deposits, cash and bank balances	45,847	50,114
Bank overdrafts	<u>(9,674)</u>	<u>(12,607)</u>
	36,173	37,507
Less: Deposits pledged to licensed banks	<u>(539)</u>	<u>(534)</u>
	<u><u>35,634</u></u>	<u><u>36,973</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 2020 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 2021

A1. Basis of Preparation

This interim financial report is based on the unaudited financial statements for the quarter ended 30 September 2021 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 2020.

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 2020.

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 2020 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 2021.

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 2021.

A. Notes to the Interim Financial Report
For the third quarter and financial period ended 30 September 2021

A8. Dividends

No dividends have been paid during the current quarter ended 30 September 2021.

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 2021						
External revenue	480,366	193,774	97,433	31,184	-	802,757
Intersegment revenue	214,246	20,397	10,392	54,348	(299,383)	-
	<u>694,612</u>	<u>214,171</u>	<u>107,825</u>	<u>85,532</u>	<u>(299,383)</u>	<u>802,757</u>
Segment result	<u>34,738</u>	<u>15,241</u>	<u>9,846</u>	<u>(1,483)</u>	<u>(4,885)</u>	<u>53,457</u>
3 months ended						
30 September 2021						
External revenue	171,183	91,747	38,610	11,481	-	313,021
Intersegment revenue	65,203	4,123	2,396	7,779	(79,501)	-
	<u>236,386</u>	<u>95,870</u>	<u>41,006</u>	<u>19,260</u>	<u>(79,501)</u>	<u>313,021</u>
Segment result	<u>18,708</u>	<u>13,757</u>	<u>4,771</u>	<u>(1,538)</u>	<u>(2,185)</u>	<u>33,513</u>

Germany

The German segment's revenue which represents 59.9% of the Group's revenue showed a decrease of RM26.0 million (13.2%) as compared to previous year's corresponding quarter. In the previous year's corresponding quarter, sales in Germany spiked up due to the easings of lockdowns and movement controls. In the current quarter, sales are normalised thus, reflecting a lowered sales as compared to the previous year's corresponding quarter.

Notwithstanding the lower sales contribution, in the current quarter, the region contributed a segment result of RM18.8 million to the Group.

Rest of Europe

The contribution in revenue from all other European countries, except Germany, represents 24.1% of the Group's total revenue. As vaccination campaigns progressed and restrictions started to gradually lifted since the last quarter, economic growth continues in the current quarter, which resulted in higher sales and better operating profit as compared to the previous year's corresponding quarter.

A. Notes to the Interim Financial Report
For the third quarter and financial period ended 30 September 2021

A9. Segment Information (cont'd)

Americas

Americas, which comprise 12.1% of the Group's revenue are represented by Mexico, Colombia and Argentina. Positive sales growth was evident in Mexico from the growth in local markets subsequent to the reopening of school from the COVID lockdown during the quarter. Colombia and Argentina also achieved better sales. Nevertheless, the overall market sentiment is still weak in this region.

The region achieved a segment result of RM4.8 million in the current quarter as compared to a segment result of RM2.4 million in the previous year's corresponding quarter due to better sales being achieved.

Rest of the World

Rest of the World which comprise 3.9% of the Group's revenue consist mainly countries such as Japan, Taiwan/China, South East Asia and Middle East. Accelerated steps were undertaken by the region on the vaccination to alleviate the COVID-19 situation and fasten the process back to normalcy. Although higher sales were achieved as compared to the previous year's corresponding quarter, overall, the market sentiment is still weak in this region.

The segment loss was lower than the previous year's corresponding quarter as a result of the better sales being achieved.

A10. Valuation of Property, Plant and Equipment

There were no valuations of property, plant and equipment during the current quarter ended 30 September 2021.

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 2021.

A12. Events Subsequent to the End of the Reporting Period

Other than as disclosed in Note A14, there was no event subsequent to the financial period ended 30 September 2021.

A. Notes to the Interim Financial Report
For the third quarter and financial period ended 30 September 2021

A13. Contingent Liabilities

There were no material contingent liabilities as at 30 September 2021.

A14. Status of Corporate Proposal

On 8 July 2021, the Company had announced a proposed disposal of German logistics centre for a disposal consideration of EUR81.0 million (equivalent to RM399.33 million) (“Proposed Disposal”).

On 12 November 2021, the Company had announced that all the conditions precedent under the sale and purchase agreement have been fulfilled as of 11 November 2021.

Barring any unforeseen circumstances, the Board expects the Proposed Disposal to be completed by last quarter of 2021.

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

B1. Tax Expense

	3 months ended		Financial period ended	
	30/09/21	30/09/20	30/09/21	30/09/20
	RM'000	RM'000	RM'000	RM'000
Tax expense charged in respect of current financial period				
- income tax	(3,167)	827	(6,704)	(2,678)
- deferred tax	(4,264)	(5,166)	(5,037)	(4,648)
	<u>(7,431)</u>	<u>(4,339)</u>	<u>(11,741)</u>	<u>(7,326)</u>

On a cumulative basis, for the financial period ended 30 September 2021, 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.

B2. Borrowings

Details of the Group's borrowings as at 30 September 2021 are as set out below:

Currency	Short Term		Long Term		Total
	Secured	Unsecured	Secured	Unsecured	
	RM'000	RM'000	RM'000	RM'000	RM'000
Czech Koruna	3,564	-	-	-	3,564
Euro	149,534	3,938	84,200	-	237,672
Hungarian Forint	233	-	-	-	233
Japanese Yen	-	1,532	-	2,861	4,393
Mexican Peso	-	5,295	-	-	5,295
Polish Zloty	1,537	-	1,416	-	2,953
Ringgit Malaysia	9,515	-	25,149	-	34,664
US Dollar	37,165	9,000	-	-	46,165
Total	<u>201,548</u>	<u>19,765</u>	<u>110,765</u>	<u>2,861</u>	<u>334,939</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 2020.

B4. Capital Commitments

Capital commitments not provided for in the financial statements as at 30 September 2021 were as follows:

	RM'000
Authorised and contracted for:	
Property, plant and equipment	<u>493</u>

B5. Review of Performance

The Group achieved revenue of RM313.0 million in the current quarter as opposed to RM314.6 million in the previous year's corresponding quarter. In the previous year's corresponding quarter, sales in Germany spiked up due to the easings of lockdowns and movement controls. In the current quarter, sales are normalised thus, reflecting a lowered sales as compared to the previous year's corresponding quarter. The decrease was offset by the positive sales growth evident in certain European countries, the Americas and Asia regions. Accelerated steps were undertaken by many countries on the vaccination to alleviate the COVID-19 situation and fasten the process back to normalcy.

The Group recorded a profit before tax of RM30.2 million as opposed to RM21.2 million in the previous year's corresponding quarter. Notwithstanding the lower sales contribution in the German region, in the current quarter, the region contributed a segment result of RM18.8 million to the Group. The Group was also able to achieve better profits on the back of better operating results of certain European countries and the Americas' region.

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

B6. Variation of Results Against Preceding Quarter

	Current Quarter 30/09/21 RM'000	Immediate Preceding Quarter 30/06/21 RM'000	Changes %
Revenue	313,021	287,326	+8.9
Profit before interest and tax	33,513	25,251	+32.7
Profit before tax	30,219	20,848	+44.9
Profit for the financial period	<u>22,788</u>	<u>18,027</u>	+26.4

The Group's revenue increased to RM313.0 million in the current quarter as compared to RM287.3 million in the preceding quarter. As vaccination campaigns progressed and restrictions started to be lifted since the previous quarter, the Group's revenue continue to be driven by the "back to school" season for the European region. Positive sales development was also evident in all other regions.

As a result of the higher sales, the Group recorded profit before tax of RM30.2 million in the current quarter as compared to profit before tax of RM20.8 million in the preceding quarter.

B7. Prospects

The Group will continue to focus on expanding the sales and distribution of its "Pelikan" and "herlitz" brands of stationery products to existing and underrepresented markets upon completion of the corporate proposal mentioned in Note A14. The Group is expected to achieve a higher level of production efficiency and cost base as part of the proceeds from the said corporate proposal would be allocated for its working capital requirements as well as its internal reorganisation exercise. There will also be more flexibility in scaling the Group's operations particularly in its distribution channels including its warehousing and logistic services. The reduction of the Group's borrowings will also result in the availability of operational cash flows to be utilised for more product and distribution expansions in the future.

The Group faced supply challenges during COVID-19 pandemic. Despite the challenges, revenue contribution from the German market remained strong while America and Asia were the most affected. The rest of Europe segment saw a better improvement in 2021 as the economy starts to return to norm. The Group will continue to remain cautious and continue its efforts to initiate cost control measures and focus, improve productivity and distribution efforts through online channels and cash and carry retail channels, which has remained resilient during the pandemic.

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	
	30/09/21	30/09/20	30/09/21	30/09/20
Profit attributable to owners of the parent (RM'000)	<u>20,835</u>	<u>15,060</u>	<u>26,058</u>	<u>26,822</u>
Weighted average number of ordinary shares in issue ('000)	<u>603,205</u>	<u>603,205</u>	<u>603,205</u>	<u>603,205</u>
Basic earnings per ordinary share (sen)	<u>3.45</u>	<u>2.50</u>	<u>4.32</u>	<u>4.45</u>

B11. Additional Notes to the Statement of Comprehensive Income

	3 months ended		Financial period ended	
	30/09/21 RM'000	30/09/20 RM'000	30/09/21 RM'000	30/09/20 RM'000
Profit before tax is arrived at after charging/(crediting):				
Interest income	(195)	(154)	(470)	(330)
Interest expense	3,294	4,747	11,780	13,970
Depreciation and amortisation	6,451	7,840	21,272	23,234
Impairment losses on receivables	175	244	534	477
Inventories written down	9	10	34	34
Gain on disposal of property, plant and equipment	-	(132)	(148)	(711)
Foreign exchange loss/(gain)	1,428	6,064	3,812	2,215