

Registration No.: 198001009827 (63611 - U)

PELIKAN INTERNATIONAL CORPORATION BERHAD
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT

30 JUNE 2022

PELIKAN INTERNATIONAL CORPORATION BERHAD (Registration No.: 198001009827 (63611-U))
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Interim report for the financial period ended 30 June 2022
The figures have not been audited.

	Note	Individual Quarter 3 months ended		Cumulative Quarter Financial period ended	
		30/06/2022 RM'000	30/06/2021 RM'000	30/06/2022 RM'000	30/06/2021 RM'000
Revenue		295,856	287,326	496,229	489,736
Other operating income		6,849	6,209	16,784	11,236
Expenses excluding finance costs and tax		(273,085)	(268,284)	(484,585)	(481,028)
Finance costs		(2,961)	(4,403)	(5,230)	(8,486)
Profit before tax		26,659	20,848	23,198	11,458
Tax expense	B1	(3,610)	(2,821)	(6,652)	(4,310)
Profit for the financial period		23,049	18,027	16,546	7,148
Other comprehensive (loss)/income: Items that may be reclassified subsequently to profit or loss: Exchange differences on translation of foreign operations		(2,378)	4,110	(366)	(637)
Total comprehensive income for the financial period		20,671	22,137	16,180	6,511
Total profit/(loss) attributable to:					
Owners of the parent		22,984	17,948	16,877	5,223
Non-controlling interests		65	79	(331)	1,925
		23,049	18,027	16,546	7,148
Total comprehensive income/(loss) attributable to:					
Owners of the parent		20,711	24,500	16,809	7,746
Non-controlling interests		(40)	(2,363)	(629)	(1,235)
		20,671	22,137	16,180	6,511
		sen	sen	sen	sen
Basic earnings per ordinary share attributable to equity holders of the parent	B10	3.81	2.98	2.80	0.87

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2021 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 June 2022
The figures have not been audited.

	Note	30/06/2022 RM'000	31/12/2021 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		210,869	224,048
Trademarks		16,794	17,252
Development costs		367	502
Goodwill		126,699	128,001
Computer software license		3,343	4,148
Investments in associates		56	57
Other financial assets		1,960	2,312
Pension Trust Fund		138,867	138,867
Deferred tax assets		89,532	93,628
		<u>588,487</u>	<u>608,815</u>
Current assets			
Inventories		273,749	205,733
Receivables, deposits and prepayments		300,007	233,554
Tax recoverable		11,214	10,354
Pension Trust Fund		11,997	11,997
Deposits, cash and bank balances		39,412	189,160
		<u>636,379</u>	<u>650,798</u>
		<u>1,224,866</u>	<u>1,259,613</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital		640,273	640,273
Foreign currency translation reserves		(86,946)	(86,878)
Accumulated losses		(106,407)	(123,284)
Treasury shares, at cost		(5,150)	(5,150)
		<u>441,770</u>	<u>424,961</u>
Non-controlling interests		2,435	3,064
		<u>444,205</u>	<u>428,025</u>
Non-current liabilities			
Post-employment benefit obligations	B3	219,481	229,880
Borrowings	B2	17,602	22,406
Lease liabilities		75,424	88,171
Deferred tax liabilities		12,971	12,684
		<u>325,478</u>	<u>353,141</u>
Current liabilities			
Payables		227,848	290,291
Borrowings	B2	151,043	110,211
Lease liabilities		23,659	24,407
Current tax liabilities		52,633	53,538
		<u>455,183</u>	<u>478,447</u>
		<u>780,661</u>	<u>831,588</u>
		<u>1,224,866</u>	<u>1,259,613</u>
Net assets per share attributable to owners of the parent (RM)		0.73	0.70

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2021 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 June 2022
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 2022	640,273	(86,878)	(123,284)	(5,150)	424,961	3,064	428,025
Profit/(loss) for the financial period	-	-	16,877	-	16,877	(331)	16,546
Other comprehensive loss	-	(68)	-	-	(68)	(298)	(366)
Total comprehensive (loss)/income	-	(68)	16,877	-	16,809	(629)	16,180
At 30 June 2022	<u>640,273</u>	<u>(86,946)</u>	<u>(106,407)</u>	<u>(5,150)</u>	<u>441,770</u>	<u>2,435</u>	<u>444,205</u>
At 1 January 2021	640,273	(79,876)	(92,730)	(5,150)	462,517	1,785	464,302
Profit for the financial period	-	-	5,223	-	5,223	1,925	7,148
Other comprehensive income/(loss)	-	2,523	-	-	2,523	(3,160)	(637)
Total comprehensive income/(loss)	-	2,523	5,223	-	7,746	(1,235)	6,511
At 30 June 2021	<u>640,273</u>	<u>(77,353)</u>	<u>(87,507)</u>	<u>(5,150)</u>	<u>470,263</u>	<u>550</u>	<u>470,813</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 2021 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 June 2022
The figures have not been audited.

	Financial period ended	
	30/06/2022	30/06/2021
	RM'000	RM'000
Cash Flows From Operating Activities		
Cash receipts from customers	440,537	447,961
Cash paid to suppliers and employees	<u>(483,678)</u>	<u>(437,082)</u>
	(43,141)	10,879
Interest received	566	275
Interest paid	(5,052)	(6,314)
Taxation paid	<u>(4,451)</u>	<u>(4,652)</u>
Net cash (used in)/from operating activities	<u>(52,078)</u>	<u>188</u>
Cash Flows From Investing Activities		
Interest paid	(226)	(1,602)
Purchase of property, plant and equipment	(3,916)	(2,855)
Proceeds from disposal of property, plant and equipment	1,453	226
Purchase of intangible assets	(116)	(163)
Proceeds from disposal of intangible assets	<u>70</u>	<u>-</u>
Net cash used in investing activities	<u>(2,735)</u>	<u>(4,394)</u>
Cash Flows From Financing Activities		
Deposits pledged	(61)	-
Drawdowns of bank borrowings	125,273	115,370
Repayments of bank borrowings	(92,408)	(126,212)
Repayments of lease liabilities	(12,478)	(4,736)
Dividends paid	<u>(120,641)</u>	<u>-</u>
Net cash used in financing activities	<u>(100,315)</u>	<u>(15,578)</u>
Net decrease in cash and cash equivalents during the financial period	(155,128)	(19,784)
Effects of exchange rate changes on cash and cash equivalents	1,549	69
Cash and cash equivalents at beginning of the financial period	<u>178,636</u>	<u>36,715</u>
Cash and cash equivalents at end of the financial period	<u><u>25,057</u></u>	<u><u>17,000</u></u>
Cash and cash equivalents comprise:		
Deposits, cash and bank balances	39,412	30,827
Bank overdrafts	<u>(13,752)</u>	<u>(13,288)</u>
	25,660	17,539
Less: Deposits pledged to licensed banks	<u>(603)</u>	<u>(539)</u>
	<u><u>25,057</u></u>	<u><u>17,000</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 2021 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 2022

A1. Basis of Preparation

This interim financial report is based on the unaudited financial statements for the quarter ended 30 June 2022 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 2021.

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 2021.

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 2021 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 June 2022.

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 June 2022.

A. Notes to the Interim Financial Report
For the second quarter and financial period ended 30 June 2022

A8. Dividends

No dividends have been paid during the current quarter ended 30 June 2022.

The Company paid a single-tier special dividend of 20 sen per ordinary share for the financial year ended 31 December 2021 on 11 January 2022.

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
6 months ended						
30 June 2022						
External revenue	279,703	97,610	99,723	19,193	-	496,229
Intersegment revenue	153,445	18,946	10,235	56,295	(238,921)	-
	<u>433,148</u>	<u>116,556</u>	<u>109,958</u>	<u>75,488</u>	<u>(238,921)</u>	<u>496,229</u>
Segment result	<u>11,164</u>	<u>4,002</u>	<u>15,230</u>	<u>2,027</u>	<u>(3,995)</u>	<u>28,428</u>
3 months ended						
30 June 2022						
External revenue	173,013	58,150	55,481	9,212	-	295,856
Intersegment revenue	88,727	9,784	4,170	31,662	(134,343)	-
	<u>261,740</u>	<u>67,934</u>	<u>59,651</u>	<u>40,874</u>	<u>(134,343)</u>	<u>295,856</u>
Segment result	<u>16,603</u>	<u>5,547</u>	<u>9,462</u>	<u>142</u>	<u>(2,134)</u>	<u>29,620</u>

Germany

The German segment's revenue which represents 56.4% of the Group's revenue showed a decrease of RM11.5 million (6.2%) as compared to the previous year's corresponding quarter. The decrease was mainly attributed to the weakened translation rates of RM/EUR and slower than anticipated sales due to the weak consumer sentiment and rising inflation. The decrease was partially offset by the improved sales from logistic services.

The segment achieved a lower segment result mainly due to lower margin contribution from lower sales, higher freight and energy costs. Pressures are broadening further as higher energy costs are passed through to services and other goods, resulting in overall increased cost to the business.

A. Notes to the Interim Financial Report
For the second quarter and financial period ended 30 June 2022

A9. Segment Information (cont'd)

Rest of Europe

The contribution in revenue from all other European countries, except Germany, represents 19.7% of the Group's total revenue. The decrease was mainly attributed to the weakened translation rates of RM/EUR during the current quarter as compared to the previous year's corresponding quarter. Nevertheless, the decrease was partially offset with the positive developments in certain Eastern European countries.

The region achieved a segment result of RM5.5 million in the current quarter.

Americas

Americas, which comprise 20.1% of the Group's revenue are represented by Mexico, Colombia and Argentina. Economic conditions in the Americas improved since the last quarter of previous financial year as the pandemic eased and external conditions remained supportive. Mexico achieved growth in local currency of approximately 49.0% as compared to previous year's corresponding quarter. Sales performance in Colombia also shows positive growth, especially in the export market.

The segment results improved from RM3.2 million in the previous year's corresponding quarter to RM9.5 million in the current quarter mainly due to the improved sales.

Rest of the World

Rest of the World which comprise 3.8% of the Group's revenue consist mainly countries such as Japan, Taiwan/China, South East Asia and Middle East.

Segment results were lower than the previous year's corresponding quarter, mainly due to lower margin contribution from lower sales and the negative effects on foreign exchange on translation.

A10. Valuation of Property, Plant and Equipment

There were no valuations of property, plant and equipment during the current quarter ended 30 June 2022.

A11. Changes in the Composition of the Group

There were no changes in the composition of the Group during the current quarter ended 30 June 2022.

A. Notes to the Interim Financial Report
For the second quarter and financial period ended 30 June 2022

A12. Events Subsequent to the End of the Reporting Period

There was no event subsequent to the financial period ended 30 June 2022.

A13. Contingent Liabilities

There were no material contingent liabilities as at 30 June 2022.

A14. Utilisation of Proceeds Raised From Corporate Proposals

Pelikan Group GmbH (“PGG”), a subsidiary of the Company had on 7 July 2021 entered into a conditional Sale and Purchase Agreement dated 7 July 2021 (“SPA”) with HE4 Falkensee 1 S.à.r.l. and HE4 Falkensee 2 S.à.r.l., (“Purchasers”) in relation to the disposal of property located at Straße der Einheit 142-148, 14621 Falkensee, Germany (“Property”) by PGG to the Purchasers, for the cash consideration of EUR81.0 million (equivalent to RM393.7 million) (“Proposed Disposal”).

The Company had raised approximately RM393.7 million from the Proposed Disposal which was completed on 13 December 2021 pursuant to the terms and conditions of the SPA.

As at 17 August 2022, the status of utilisation of the proceeds from the Proposed Disposal was as follows:

Purpose	Proposed Utilisation* RM'000	Amount Utilised RM'000	Amount Unutilised RM'000
Repayment of bank borrowings	200,000	200,000	-
Special dividend	120,640	120,640	-
Working capital requirements	35,620	35,620	-
Internal reorganisation related costs	24,600	-	24,600
Estimated expenses for the Proposed Disposal	12,800	12,800	-
Total	393,660	369,060	24,600

* As per Circular to Shareholders dated 22 October 2021.

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

B1. Tax Expense

	3 months ended		Financial period ended	
	30/06/22	30/06/21	30/06/22	30/06/21
	RM'000	RM'000	RM'000	RM'000
Tax expense charged in respect of current financial period				
- income tax	(2,105)	(1,869)	(4,006)	(3,537)
- deferred tax	(1,505)	(952)	(2,646)	(773)
	<u>(3,610)</u>	<u>(2,821)</u>	<u>(6,652)</u>	<u>(4,310)</u>

On a cumulative basis, for the financial period ended 30 June 2022, 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 and temporary differences movement.

B2. Borrowings

Details of the Group's borrowings as at 30 June 2022 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	7,939	-	-	-	7,939
Euro	83,703	3,015	15,032	-	101,750
Hungarian Forint	686	-	-	-	686
Japanese Yen	-	191	-	2,331	2,522
Mexican Peso	-	7,778	-	-	7,778
Polish Zloty	7,939	-	239	-	8,178
Ringgit Malaysia	3,015	-	-	-	3,015
US Dollar	31,033	5,744	-	-	36,777
Total	<u>134,315</u>	<u>16,728</u>	<u>15,271</u>	<u>2,331</u>	<u>168,645</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 2021.

B4. Capital Commitments

Capital commitments not provided for in the financial statements as at 30 June 2022 were as follows:

	RM'000
Authorised and contracted for:	
Property, plant and equipment	<u>101</u>

B5. Review of Performance

The Group achieved revenue of RM295.9 million in the current quarter as opposed to RM287.3 million in the previous year's corresponding quarter. The increase was mainly due to higher sales growth in the America region. The increase was partially offset by the lower RM/EUR rates in the current quarter and demand continues to be soft in the German and European markets.

The Group recorded a profit before tax of RM26.7 million in the current quarter as opposed to RM20.8 million in the previous years' corresponding quarter due to the improved results from the Americas region and also lower interest cost from the loan repayments using disposal proceeds of the German logistic centre.

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

B6. Variation of Results Against Preceding Quarter

	Current Quarter 30/06/22 RM'000	Immediate Preceding Quarter 31/03/22 RM'000	Changes %
Revenue	295,856	200,373	+47.7
Profit/(Loss) before interest and tax	29,620	(1,192)	+>100.0
Profit/(Loss) before tax	26,659	(3,461)	+>100.0
Profit/(Loss) for the financial period	<u>23,049</u>	<u>(6,503)</u>	+>100.0

The Group's revenue increased to RM295.9 million in the current quarter as compared to RM200.4 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. As a result of higher sales, the Group recorded profit before tax of RM26.7 million in the current quarter as compared to loss before tax of RM3.5 million in the preceding quarter.

B7. Prospects

The Russia-Ukraine conflict continues to negatively affect the global economy, in particular the European region, resulting in high energy prices and rising cost. These factors will continue to pose challenges for us ahead as it dampens consumer sentiment and results in increased inflation rates. The continued supply chain bottlenecks and higher logistic cost is increasing supply lead time and cost. Although the Group implements price increase to its products and services, a prolongation of higher cost rates may dampen sales growth. Notwithstanding these, sales in regions such as Americas is better than expected and these will enable the Group to cushion the slower demand in the European market. Until the situation normalises, the Group will continue to monitor the market situation and undertake mitigating factors such as cost control and reduction plans. Nevertheless, the Group will need to endure the challenges ahead and exploit new opportunities within tough business environment.

B8. Dividend

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

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

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	
	30/06/22	30/06/21	30/06/22	30/06/21
Profit attributable to owners of the parent (RM'000)	<u>22,984</u>	<u>17,948</u>	<u>16,877</u>	<u>5,223</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>3.81</u>	<u>2.98</u>	<u>2.80</u>	<u>0.87</u>

B11. Additional Notes to the Statement of Comprehensive Income

	3 months ended		Financial period ended	
	30/06/22 RM'000	30/06/21 RM'000	30/06/22 RM'000	30/06/21 RM'000
Profit before tax is arrived at after charging/(crediting):				
Interest income	(352)	(160)	(566)	(275)
Interest expense	2,961	4,403	5,230	8,486
Depreciation, amortisation and impairment	8,659	7,836	17,148	14,821
Impairment losses on receivables	439	260	562	359
Inventories written down	205	15	403	25
Gain on disposal of property, plant and equipment	(17)	(109)	(58)	(148)
Gain on disposal of intangible assets	(70)	-	(70)	-
Foreign exchange loss/(gain)	818	1,341	(1,298)	2,384