

Registration No.: 198001009827 (63611 - U)

PELIKAN INTERNATIONAL CORPORATION BERHAD
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT

30 SEPTEMBER 2022

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

	Note	Individual Quarter 3 months ended		Cumulative Quarter Financial period ended	
		30/09/2022 RM'000	30/09/2021 RM'000	30/09/2022 RM'000	30/09/2021 RM'000
Revenue		326,397	313,021	822,626	802,757
Other operating income		7,321	5,451	24,105	16,687
Expenses excluding finance costs and tax		(289,782)	(284,959)	(774,367)	(765,987)
Finance costs		<u>(3,425)</u>	<u>(3,294)</u>	<u>(8,655)</u>	<u>(11,780)</u>
Profit before tax		40,511	30,219	63,709	41,677
Tax expense	B1	<u>(5,447)</u>	<u>(7,431)</u>	<u>(12,099)</u>	<u>(11,741)</u>
Profit for the financial period		35,064	22,788	51,610	29,936
Other comprehensive income/(loss):					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of foreign operations		<u>1,451</u>	<u>(6,170)</u>	<u>1,085</u>	<u>(6,807)</u>
Total comprehensive income for the financial period		<u>36,515</u>	<u>16,618</u>	<u>52,695</u>	<u>23,129</u>
Total profit attributable to:					
Owners of the parent		32,542	20,835	49,419	26,058
Non-controlling interests		<u>2,522</u>	<u>1,953</u>	<u>2,191</u>	<u>3,878</u>
		<u>35,064</u>	<u>22,788</u>	<u>51,610</u>	<u>29,936</u>
Total comprehensive income attributable to:					
Owners of the parent		34,873	14,669	51,682	22,415
Non-controlling interests		<u>1,642</u>	<u>1,949</u>	<u>1,013</u>	<u>714</u>
		<u>36,515</u>	<u>16,618</u>	<u>52,695</u>	<u>23,129</u>
		sen	sen	sen	sen
Basic earnings per ordinary share attributable to equity holders of the parent	B10	5.39	3.45	8.19	4.32

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 September 2022
The figures have not been audited.

	Note	30/09/2022 RM'000	31/12/2021 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		206,272	224,048
Trademarks		16,569	17,252
Development costs		301	502
Goodwill		127,937	128,001
Computer software license		2,996	4,148
Investments in associates		55	57
Other financial assets		1,852	2,312
Pension Trust Fund		138,867	138,867
Deferred tax assets		87,327	93,628
		<u>582,176</u>	<u>608,815</u>
Current assets			
Inventories		262,639	205,733
Receivables, deposits and prepayments		297,030	233,554
Tax recoverable		12,339	10,354
Pension Trust Fund		11,997	11,997
Deposits, cash and bank balances		53,664	189,160
		<u>637,669</u>	<u>650,798</u>
TOTAL ASSETS		<u>1,219,845</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		(84,615)	(86,878)
Accumulated losses		(73,865)	(123,284)
Treasury shares, at cost		(5,150)	(5,150)
		<u>476,643</u>	<u>424,961</u>
Non-controlling interests		4,077	3,064
Total equity		<u>480,720</u>	<u>428,025</u>
Non-current liabilities			
Post-employment benefit obligations	B3	213,172	229,880
Borrowings	B2	15,499	22,406
Lease liabilities		68,602	88,171
Deferred tax liabilities		13,111	12,684
		<u>310,384</u>	<u>353,141</u>
Current liabilities			
Payables		228,391	290,291
Borrowings	B2	125,467	110,211
Lease liabilities		22,773	24,407
Current tax liabilities		52,110	53,538
		<u>428,741</u>	<u>478,447</u>
Total liabilities		<u>739,125</u>	<u>831,588</u>
TOTAL EQUITY AND LIABILITIES		<u>1,219,845</u>	<u>1,259,613</u>
Net assets per share attributable to owners of the parent (RM)		0.79	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 September 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 for the financial period	-	-	49,419	-	49,419	2,191	51,610
Other comprehensive income/(loss)	-	2,263	-	-	2,263	(1,178)	1,085
Total comprehensive income	-	2,263	49,419	-	51,682	1,013	52,695
At 30 September 2022	640,273	(84,615)	(73,865)	(5,150)	476,643	4,077	480,720
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

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 September 2022
The figures have not been audited.

	Financial period ended	
	30/09/2022	30/09/2021
	RM'000	RM'000
Cash Flows From Operating Activities		
Cash receipts from customers	773,291	759,281
Cash paid to suppliers and employees	<u>(756,785)</u>	<u>(672,536)</u>
	16,506	86,745
Interest received	1,033	470
Interest paid	(8,274)	(9,339)
Taxation paid	<u>(9,509)</u>	<u>(6,714)</u>
Net cash (used in)/from operating activities	<u>(244)</u>	<u>71,162</u>
Cash Flows From Investing Activities		
Interest paid	(402)	(2,427)
Purchase of property, plant and equipment	(6,761)	(3,760)
Proceeds from disposal of property, plant and equipment	182	311
Purchase of intangible assets	(111)	(586)
Proceeds from disposal of intangible assets	<u>84</u>	<u>-</u>
Net cash used in investing activities	<u>(7,008)</u>	<u>(6,462)</u>
Cash Flows From Financing Activities		
Deposits pledged	(61)	-
Drawdowns of bank borrowings	137,625	131,963
Repayments of bank borrowings	(132,958)	(191,354)
Repayments of lease liabilities	(18,954)	(6,975)
Dividends paid	<u>(120,641)</u>	<u>-</u>
Net cash used in financing activities	<u>(134,989)</u>	<u>(66,366)</u>
Net decrease in cash and cash equivalents during the financial period	(142,241)	(1,666)
Effects of exchange rate changes on cash and cash equivalents	2,681	585
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>39,076</u></u>	<u><u>35,634</u></u>
Cash and cash equivalents comprise:		
Deposits, cash and bank balances	53,664	45,847
Bank overdrafts	<u>(13,985)</u>	<u>(9,674)</u>
	39,679	36,173
Less: Deposits pledged to licensed banks	<u>(603)</u>	<u>(539)</u>
	<u><u>39,076</u></u>	<u><u>35,634</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 third quarter and financial period ended 30 September 2022

A1. Basis of Preparation

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

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

A8. Dividends

No dividends have been paid during the current quarter ended 30 September 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
9 months ended						
30 September 2022						
External revenue	450,306	182,627	160,425	29,268	-	822,626
Intersegment revenue	236,634	27,058	15,563	83,571	(362,826)	-
	<u>686,940</u>	<u>209,685</u>	<u>175,988</u>	<u>112,839</u>	<u>(362,826)</u>	<u>822,626</u>
Segment result	<u>32,927</u>	<u>16,146</u>	<u>27,231</u>	<u>2,992</u>	<u>(6,932)</u>	<u>72,364</u>
3 months ended						
30 September 2022						
External revenue	170,603	85,017	60,702	10,075	-	326,397
Intersegment revenue	83,189	8,112	5,328	27,276	(123,905)	-
	<u>253,792</u>	<u>93,129</u>	<u>66,030</u>	<u>37,351</u>	<u>(123,905)</u>	<u>326,397</u>
Segment result	<u>21,763</u>	<u>12,144</u>	<u>12,001</u>	<u>965</u>	<u>(2,937)</u>	<u>43,936</u>

Germany

The German segment's revenue which represents 54.7% of the Group's revenue showed a decrease of RM0.6 million (0.3%) as compared to the previous year's corresponding quarter. The decrease was mainly attributed to the weakened translation rates of RM/EUR. The decrease was partially offset by the improved sales from logistic services and certain distribution channels such as non-food discounter.

The segment result increased as compared to the previous year's corresponding quarter mainly attributable to the lower personnel expenses in the current quarter.

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

A9. Segment Information (cont'd)

Rest of Europe

The contribution in revenue from all other European countries, except Germany, represents 22.2% 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 RM12.1 million in the current quarter.

Americas

Americas, which comprise 19.5% 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 52.0% 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 RM4.8 million in the previous year's corresponding quarter to RM12.0 million in the current quarter mainly due to the improved sales.

Rest of the World

Rest of the World which comprise 3.6% of the Group's revenue consist mainly countries such as Japan, Taiwan/China, South East Asia and Middle East. In the current quarter, the segment revenue was lower by 12.2% as compared to the previous year's corresponding quarter mainly due to slower sales in Japan fine writing business segment.

Segment results were higher than the previous year's corresponding quarter, mainly due to the positive 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 September 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 September 2022.

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

A12. Events Subsequent to the End of the Reporting Period

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

A13. Contingent Liabilities

There were no material contingent liabilities as at 30 September 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 16 November 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	
	30/09/22	30/09/21	30/09/22	30/09/21
	RM'000	RM'000	RM'000	RM'000
Tax expense charged in respect of current financial period				
- income tax	(3,812)	(3,167)	(7,818)	(6,704)
- deferred tax	(1,635)	(4,264)	(4,281)	(5,037)
	<u>(5,447)</u>	<u>(7,431)</u>	<u>(12,099)</u>	<u>(11,741)</u>

On a cumulative basis, for the financial period ended 30 June 2022, 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 2022 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	-	5	-	-	5
Czech Koruna	6,525	-	-	-	6,525
Euro	68,079	4,721	13,242	-	86,042
Hungarian Forint	436	-	-	-	436
Japanese Yen	-	191	-	2,257	2,448
Mexican Peso	-	2,534	-	-	2,534
Polish Zloty	1,255	-	-	-	1,255
US Dollar	34,361	7,360	-	-	41,721
Total	<u>110,656</u>	<u>14,811</u>	<u>13,242</u>	<u>2,257</u>	<u>140,966</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 September 2022 were as follows:

	RM'000
Authorised and contracted for:	
Property, plant and equipment	<u>100</u>

B5. Review of Performance

The Group achieved revenue of RM326.4 million in the current quarter as opposed to RM313.0 million in the previous year's corresponding quarter. The increase was mainly due to higher sales growth in the Americas region. The increase was partially offset by the lower RM/EUR rates in the current quarter and demand have been soft in the German and European markets.

The Group recorded a profit before tax of RM40.5 million in the current quarter as opposed to RM30.2 million in the previous years' corresponding quarter due to the improved results from 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 30/09/22 RM'000	Immediate Preceding Quarter 30/06/22 RM'000	Changes %
Revenue	326,397	295,856	+10.3
Profit before interest and tax	43,936	29,620	+48.3
Profit before tax	40,511	26,659	+52.0
Profit for the financial period	<u>35,064</u>	<u>23,049</u>	+52.1

The Group's revenue increased to RM326.4 million in the current quarter as compared to RM295.9 million in the preceding quarter. The increase in revenue continue to be driven by the "back to school" season for the European region, in particular sales in Eastern Europe. As a result of higher sales, the Group recorded profit before tax of RM40.5 million in the current quarter as compared to profit before tax of RM26.7 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	
	30/09/22	30/09/21	30/09/22	30/09/21
Profit attributable to owners of the parent (RM'000)	<u>32,542</u>	<u>20,835</u>	<u>49,419</u>	<u>26,058</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>5.39</u>	<u>3.45</u>	<u>8.19</u>	<u>4.32</u>

B11. Additional Notes to the Statement of Comprehensive Income

	3 months ended		Financial period ended	
	30/09/22 RM'000	30/09/21 RM'000	30/09/22 RM'000	30/09/21 RM'000
Profit before tax is arrived at after charging/(crediting):				
Interest income	(467)	(195)	(1,033)	(470)
Interest expense	3,425	3,294	8,655	11,780
Depreciation, amortisation and impairment	8,619	6,451	25,767	21,272
Impairment losses on receivables	1,179	175	1,741	534
(Reversal of inventories written down)/Inventories written down	(102)	9	301	34
Gain on disposal of property, plant and equipment	(124)	-	(182)	(148)
Gain on disposal of intangible assets	(14)	-	(84)	-
Foreign exchange (gain)/loss	(519)	1,428	(1,817)	3,812