

Registration No.: 198001009827 (63611 - U)

PELIKAN INTERNATIONAL CORPORATION BERHAD
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT

31 DECEMBER 2022

PELIKAN INTERNATIONAL CORPORATION BERHAD (Registration No.: 198001009827 (63611-U))
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Interim report for the financial year ended 31 December 2022
The figures have not been audited.

	Note	Individual Quarter 3 months ended		Cumulative Quarter Financial year ended	
		31/12/2022 RM'000	31/12/2021 RM'000	31/12/2022 RM'000	31/12/2021 RM'000
Revenue		228,593	197,711	1,051,219	1,000,468
Other operating income		40,348	151,725	64,453	168,412
Expenses excluding finance costs and tax		(250,166)	(248,509)	(1,024,533)	(1,014,496)
Finance costs		<u>(3,357)</u>	<u>(4,424)</u>	<u>(12,012)</u>	<u>(16,204)</u>
Profit before tax		15,418	96,503	79,127	138,180
Tax expense	B1	<u>(7,776)</u>	<u>(33,386)</u>	<u>(19,875)</u>	<u>(45,127)</u>
Profit for the financial period/year		7,642	63,117	59,252	93,053
Other comprehensive income/(loss):					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of foreign operations		6,118	(6,781)	7,203	(13,588)
Items that will not be reclassified subsequently to profit or loss:					
Actuarial gain on defined benefit plans		25,963	5,954	25,963	5,954
Income tax		<u>(962)</u>	<u>(1,055)</u>	<u>(962)</u>	<u>(1,055)</u>
Total comprehensive income for the financial period/year		<u>38,761</u>	<u>61,235</u>	<u>91,456</u>	<u>84,364</u>
Total profit/(loss) attributable to:					
Owners of the parent		7,957	59,019	57,376	85,077
Non-controlling interests		<u>(315)</u>	<u>4,098</u>	<u>1,876</u>	<u>7,976</u>
		<u>7,642</u>	<u>63,117</u>	<u>59,252</u>	<u>93,053</u>
Total comprehensive income/(loss) attributable to:					
Owners of the parent		38,771	60,670	90,453	83,085
Non-controlling interests		<u>(10)</u>	<u>565</u>	<u>1,003</u>	<u>1,279</u>
		<u>38,761</u>	<u>61,235</u>	<u>91,456</u>	<u>84,364</u>
		sen	sen	sen	sen
Basic earnings per ordinary share attributable to equity holders of the parent	B10	1.32	9.78	9.51	14.10

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 31 December 2022
The figures have not been audited.

	Note	31/12/2022 RM'000	31/12/2021 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		172,862	224,048
Trademarks		17,214	17,252
Development costs		251	502
Goodwill		130,292	128,001
Computer software license		2,892	4,148
Investments in associates		57	57
Other financial assets		1,868	2,312
Pension Trust Fund		140,063	138,867
Deferred tax assets		82,996	93,628
		<u>548,495</u>	<u>608,815</u>
Current assets			
Inventories		296,381	205,733
Receivables, deposits and prepayments		243,782	233,554
Tax recoverable		11,473	10,354
Pension Trust Fund		10,801	11,997
Deposits, cash and bank balances		79,009	189,160
		<u>641,446</u>	<u>650,798</u>
TOTAL ASSETS		<u>1,189,941</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		(79,503)	(86,878)
Accumulated losses		(40,206)	(123,284)
Treasury shares, at cost		(5,150)	(5,150)
		<u>515,414</u>	<u>424,961</u>
Non-controlling interests		4,067	3,064
Total equity		<u>519,481</u>	<u>428,025</u>
Non-current liabilities			
Post-employment benefit obligations	B3	185,890	229,880
Borrowings	B2	21,861	22,406
Lease liabilities		27,740	88,171
Deferred tax liabilities		13,782	12,684
		<u>249,273</u>	<u>353,141</u>
Current liabilities			
Payables		212,683	290,291
Borrowings	B2	133,300	110,211
Lease liabilities		25,570	24,407
Current tax liabilities		49,634	53,538
		<u>421,187</u>	<u>478,447</u>
Total liabilities		<u>670,460</u>	<u>831,588</u>
TOTAL EQUITY AND LIABILITIES		<u>1,189,941</u>	<u>1,259,613</u>
Net assets per share attributable to owners of the parent (RM)		0.85	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 year ended 31 December 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 year	-	-	57,376	-	57,376	1,876	59,252
Other comprehensive income/(loss)	-	7,375	25,702	-	33,077	(873)	32,204
Total comprehensive income	-	7,375	83,078	-	90,453	1,003	91,456
At 31 December 2022	640,273	(79,503)	(40,206)	(5,150)	515,414	4,067	519,481
At 1 January 2021	640,273	(79,876)	(92,730)	(5,150)	462,517	1,785	464,302
Profit for the financial year	-	-	85,077	-	85,077	7,976	93,053
Other comprehensive (loss)/income	-	(7,002)	5,010	-	(1,992)	(6,697)	(8,689)
Total comprehensive (loss)/income	-	(7,002)	90,087	-	83,085	1,279	84,364
Transaction with owners: Dividends	-	-	(120,641)	-	(120,641)	-	(120,641)
At 31 December 2021	640,273	(86,878)	(123,284)	(5,150)	424,961	3,064	428,025

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 year ended 31 December 2022
The figures have not been audited.

	Financial year ended	
	31/12/2022 RM'000	31/12/2021 RM'000
Cash Flows From Operating Activities		
Cash receipts from customers	1,099,825	1,156,631
Cash paid to suppliers and employees	<u>(1,050,399)</u>	<u>(1,087,635)</u>
	49,426	68,996
Interest received	2,447	1,400
Interest paid	<u>(11,421)</u>	<u>(13,125)</u>
Taxation paid	<u>(12,681)</u>	<u>(8,792)</u>
Net cash from operating activities	<u>27,771</u>	<u>48,479</u>
Cash Flows From Investing Activities		
Interest paid	(557)	(3,079)
Purchase of property, plant and equipment	<u>(11,977)</u>	<u>(4,837)</u>
Proceeds from disposal of property, plant and equipment and assets held for sale - net	376	369,727
Purchase of intangible assets	<u>(298)</u>	<u>(865)</u>
Net cash (used in)/from investing activities	<u>(12,456)</u>	<u>360,946</u>
Cash Flows From Financing Activities		
Deposits pledged	(61)	(3)
Drawdowns of bank borrowings	213,840	163,810
Repayments of bank borrowings	<u>(192,258)</u>	<u>(424,781)</u>
Repayments of lease liabilities	<u>(27,201)</u>	<u>(9,927)</u>
Dividends paid	<u>(120,641)</u>	<u>-</u>
Net cash used in financing activities	<u>(126,321)</u>	<u>(270,901)</u>
Net (decrease)/increase in cash and cash equivalents during the financial year	(111,006)	138,524
Effects of exchange rate changes on cash and cash equivalents	666	3,397
Cash and cash equivalents at beginning of the financial year	<u>178,636</u>	<u>36,715</u>
Cash and cash equivalents at end of the financial year	<u><u>68,296</u></u>	<u><u>178,636</u></u>
Cash and cash equivalents comprise:		
Deposits, cash and bank balances	79,009	189,160
Bank overdrafts	<u>(10,110)</u>	<u>(9,982)</u>
	68,899	179,178
Less: Deposits pledged to licensed banks	<u>(603)</u>	<u>(542)</u>
	<u><u>68,296</u></u>	<u><u>178,636</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 fourth quarter and financial year ended 31 December 2022

A1. Basis of Preparation

This interim financial report is based on the unaudited financial statements for the quarter ended 31 December 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 31 December 2022 except as mentioned in Note B5.

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 31 December 2022.

A. Notes to the Interim Financial Report
For the fourth quarter and financial year ended 31 December 2022

A8. Dividends

No dividends have been paid during the current quarter ended 31 December 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
12 months ended						
31 December 2022						
External revenue	556,701	230,634	222,816	41,068	-	1,051,219
Intersegment revenue	302,088	32,732	17,597	112,784	(465,201)	-
	<u>858,789</u>	<u>263,366</u>	<u>240,413</u>	<u>153,852</u>	<u>(465,201)</u>	<u>1,051,219</u>
Segment result	<u>47,683</u>	<u>15,713</u>	<u>28,484</u>	<u>5,212</u>	<u>(5,953)</u>	<u>91,139</u>
3 months ended						
31 December 2022						
External revenue	106,395	48,007	62,391	11,800	-	228,593
Intersegment revenue	65,454	5,674	2,034	29,213	(102,375)	-
	<u>171,849</u>	<u>53,681</u>	<u>64,425</u>	<u>41,013</u>	<u>(102,375)</u>	<u>228,593</u>
Segment result	<u>14,756</u>	<u>(433)</u>	<u>1,253</u>	<u>2,220</u>	<u>979</u>	<u>18,775</u>

Germany

The German segment's revenue which represents 53.0% of the Group's revenue showed a decrease of RM3.9 million (3.6%) as compared to the previous year's corresponding quarter. Sales for the quarter was generally lower due to the year-end holidays in particular second half of December.

The segment achieved a result of RM14.8 million in the current quarter mainly due to the compensation received from lessor for earlier termination of a lease.

A. Notes to the Interim Financial Report
For the fourth quarter and financial year ended 31 December 2022

A9. Segment Information (cont'd)

Rest of Europe

The contribution in revenue from all other European countries, except Germany, represents 21.9% of the Group's total revenue.

Compared with the same quarter of the previous year, seasonally adjusted Gross Domestic Product ("GDP") increased by 1.9% in the euro area and by 1.8% in the European Union ("EU") in the fourth quarter of 2022, after +2.3% in the euro area and +2.5% in the EU in the previous quarter.

The positive economic data had improved consumer sentiment and this can be seen in the increase in sales in certain Eastern Europe countries. However, the region recorded a segment loss of RM0.4 million mainly due to the negative effects on foreign exchange on translation.

Americas

Americas, which comprise 21.2% 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 35.5% as compared to previous year's corresponding quarter. Sales performance in Colombia also shows positive growth, especially in the export market.

The region achieved a segment result of RM1.3 million in the current quarter.

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. These markets are relatively stable and growing albeit its' small percentage over the sales of the Group.

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 31 December 2022.

A. Notes to the Interim Financial Report
For the fourth quarter and financial year ended 31 December 2022

A11. Changes in the Composition of the Group

There were no changes in the composition of the Group during the current quarter ended 31 December 2022.

A12. Events Subsequent to the End of the Reporting Period

There was no event subsequent to the financial year ended 31 December 2022.

A13. Contingent Liabilities

There were no material contingent liabilities as at 31 December 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 15 February 2023, 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	3,702	20,898
Estimated expenses for the Proposed Disposal	12,800	12,800	-
Total	393,660	372,762	20,898

* 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 year ended	
	31/12/22	31/12/21	31/12/22	31/12/21
	RM'000	RM'000	RM'000	RM'000
Tax expense charged in respect of current financial period				
- income tax	466	(22,410)	(7,352)	(29,114)
- deferred tax	(8,242)	(10,976)	(12,523)	(16,013)
	<u>(7,776)</u>	<u>(33,386)</u>	<u>(19,875)</u>	<u>(45,127)</u>

On a cumulative basis, for the financial year ended 31 December 2022, the Group's effective tax rate were lower 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 31 December 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
Colombian Peso	-	9	-	-	9
Czech Koruna	967	-	6,458	-	7,425
Euro	78,763	1,801	12,075	-	92,639
Japanese Yen	-	202	-	3,328	3,530
Mexican Peso	-	6,737	-	-	6,737
Polish Zloty	3,406	-	-	-	3,406
US Dollar	33,244	8,171	-	-	41,415
Total	<u>116,380</u>	<u>16,920</u>	<u>18,533</u>	<u>3,328</u>	<u>155,161</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 2022.

B4. Capital Commitments

Capital commitments not provided for in the financial statements as at 31 December 2022 were as follows:

	RM'000
Authorised and contracted for:	
Property, plant and equipment	<u>2,864</u>

B5. Review of Performance

The Group achieved revenue of RM228.6 million in the current quarter as opposed to RM197.7 million in the previous year's corresponding quarter.

On a full year basis, the Group achieved revenue of RM1,051.2 million as compared to RM1,000.5 million in previous year. Positive sales growth were evident in the Americas, certain European countries and Asia regions. In addition, real sales growth were also evident in the German logistic services and certain German channels, particularly, sales to food discounters and non-food discounters.

The Group's profit before tax after adjusting the one-off effects has improved as compared to the results of the previous year as shown below:

	12 months ended	
	31/12/2022	31/12/2021
	RM'000	RM'000
Profit before tax	79,127	138,180
Add/(Less):		
Compensation received from lessor	(30,076)	-
Gain on disposal of assets held for sale	-	(144,534)
Restructuring cost	-	30,000
	<u>49,051</u>	<u>23,646</u>
Adjusted operating profit before tax		

Excluding these one-off effects, the Group recorded a profit before tax of RM49.0 million as opposed to RM23.6 million in the previous year mainly on the back of better operating results of the America's region and German plant.

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

B6. Variation of Results Against Preceding Quarter

	Current Quarter 31/12/22 RM'000	Immediate Preceding Quarter 30/09/22 RM'000	Changes %
Revenue	228,593	326,397	-30.0
Profit before interest and tax	18,775	43,936	-57.3
Profit before tax	15,418	40,511	-61.9
Profit for the financial period	7,642	35,064	-78.2

The Group's revenue decreased to RM228.6 million in the current quarter as compared to RM326.4 million in the preceding quarter. The final quarter is a weak quarter for the Group's school products due to the holiday season in particular the European region.

The Group recorded profit before tax of RM15.4 million in the current quarter as compared to profit before tax of RM40.5 million in the preceding quarter mainly due to the compensation received from lessor for earlier termination of lease. The compensation received was partially offset by the lower margin contribution as a result of lower sales during the current quarter.

B7. Prospects

The global markets in particular European markets are still faced with high inflation, although it has come down from its peak, market uncertainties still exist. The Russia-Ukraine conflict still continued after almost a year and rising interest rates also slowed overall economic growth. As a result, consumer confidence is still weak and we expect continued challenging markets especially in the European region. Nevertheless, the Group's business in other regions such as the Americas is expected to continue strong after years of stagnant sales growth due to Covid. The Group will continue to monitor the market situation and undertake mitigating factors such as cost control and cost reduction plans. 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 year ended	
	31/12/22	31/12/21	31/12/22	31/12/21
Profit attributable to owners of the parent (RM'000)	<u>7,957</u>	<u>59,019</u>	<u>57,376</u>	<u>85,077</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>1.32</u>	<u>9.78</u>	<u>9.51</u>	<u>14.10</u>

B11. Additional Notes to the Statement of Comprehensive Income

	3 months ended		Financial year ended	
	31/12/22 RM'000	31/12/21 RM'000	31/12/22 RM'000	31/12/21 RM'000
Profit before tax is arrived at after charging/(crediting):				
Interest income	(1,414)	(930)	(2,447)	(1,400)
Interest expense	3,357	4,424	12,012	16,204
Depreciation, amortisation and impairment	9,295	13,960	35,062	35,232
Impairment losses on receivables	1,466	1,272	3,207	1,806
Reversal of inventories written down	(1,517)	(646)	(1,216)	(612)
Loss/(Gain) on disposal of property, plant and equipment and assets held for sale	198	(144,576)	(380)	(144,724)
Loss on disposal of intangible assets	84	-	-	-
Foreign exchange (gain)/loss	(527)	(1,937)	(2,344)	1,875