

Registration No.: 198001009827 (63611 - U)

PELIKAN INTERNATIONAL CORPORATION BERHAD
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT

31 MARCH 2023

PELIKAN INTERNATIONAL CORPORATION BERHAD (Registration No.: 198001009827 (63611-U))
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Interim report for the financial period ended 31 March 2023
The figures have not been audited.

	Note	Individual Quarter 3 months ended		Cumulative Quarter Financial period ended	
		31/03/2023 RM'000	31/03/2022 RM'000	31/03/2023 RM'000	31/03/2022 RM'000
Revenue		236,656	200,373	236,656	200,373
Other operating income		6,644	9,935	6,644	9,935
Expenses excluding finance costs and tax		(230,184)	(211,500)	(230,184)	(211,500)
Finance costs		(3,886)	(2,269)	(3,886)	(2,269)
Profit/(loss) before tax		9,230	(3,461)	9,230	(3,461)
Tax expense	B1	(4,954)	(3,042)	(4,954)	(3,042)
Profit/(loss) for the financial period		4,276	(6,503)	4,276	(6,503)
Other comprehensive income: Items that may be reclassified subsequently to profit or loss: Exchange differences on translation of foreign operations		8,808	2,012	8,808	2,012
Total comprehensive income/(loss) for the financial period		13,084	(4,491)	13,084	(4,491)
Total profit/(loss) attributable to:					
Owners of the parent		4,648	(6,107)	4,648	(6,107)
Non-controlling interests		(372)	(396)	(372)	(396)
		4,276	(6,503)	4,276	(6,503)
Total comprehensive income/(loss) attributable to:					
Owners of the parent		13,692	(3,902)	13,692	(3,902)
Non-controlling interests		(608)	(589)	(608)	(589)
		13,084	(4,491)	13,084	(4,491)
		sen	sen	sen	sen
Basic earnings/(loss) per ordinary share attributable to equity holders of the parent	B10	0.77	(1.01)	0.77	(1.01)

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2022 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 March 2023
The figures have not been audited.

	Note	31/03/2023 RM'000	31/12/2022 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		173,422	172,862
Trademarks		17,505	17,214
Development costs		191	250
Goodwill		131,786	130,292
Computer software license		3,165	2,893
Investments in associates		58	57
Other financial assets		1,904	1,868
Pension Trust Fund		140,063	140,063
Deferred tax assets		83,070	81,533
		<u>551,164</u>	<u>547,032</u>
Current assets			
Inventories		336,715	296,272
Receivables, deposits and prepayments		259,358	243,827
Tax recoverable		13,526	11,473
Pension Trust Fund		10,801	10,801
Deposits, cash and bank balances		62,411	79,009
		<u>682,811</u>	<u>641,382</u>
		<u>1,233,975</u>	<u>1,188,414</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital		640,273	640,273
Foreign currency translation reserves		(70,464)	(79,508)
Accumulated losses		(35,647)	(40,295)
Treasury shares, at cost		(5,150)	(5,150)
		<u>529,012</u>	<u>515,320</u>
Non-controlling interests		3,448	4,056
		<u>532,460</u>	<u>519,376</u>
Non-current liabilities			
Post-employment benefit obligations	B3	186,278	185,890
Borrowings	B2	18,931	21,861
Lease liabilities		22,867	27,740
Deferred tax liabilities		11,885	12,319
		<u>239,961</u>	<u>247,810</u>
Current liabilities			
Payables		215,310	212,724
Borrowings	B2	166,888	133,300
Lease liabilities		25,411	25,570
Current tax liabilities		53,945	49,634
		<u>461,554</u>	<u>421,228</u>
		<u>701,515</u>	<u>669,038</u>
		<u>1,233,975</u>	<u>1,188,414</u>
Net assets per share attributable to owners of the parent (RM)		0.88	0.85

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2022 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 31 March 2023
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 2023	640,273	(79,508)	(40,295)	(5,150)	515,320	4,056	519,376
Profit/(loss) for the financial period	-	-	4,648	-	4,648	(372)	4,276
Other comprehensive income/(loss)	-	9,044	-	-	9,044	(236)	8,808
Total comprehensive income/(loss)	-	9,044	4,648	-	13,692	(608)	13,084
At 31 March 2023	<u>640,273</u>	<u>(70,464)</u>	<u>(35,647)</u>	<u>(5,150)</u>	<u>529,012</u>	<u>3,448</u>	<u>532,460</u>
At 1 January 2022	640,273	(86,878)	(123,284)	(5,150)	424,961	3,064	428,025
Loss for the financial period	-	-	(6,107)	-	(6,107)	(396)	(6,503)
Other comprehensive income/(loss)	-	2,205	-	-	2,205	(193)	2,012
Total comprehensive income/(loss)	-	2,205	(6,107)	-	(3,902)	(589)	(4,491)
At 31 March 2022	<u>640,273</u>	<u>(84,673)</u>	<u>(129,391)</u>	<u>(5,150)</u>	<u>421,059</u>	<u>2,475</u>	<u>423,534</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 2022 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 31 March 2023
The figures have not been audited.

	Financial period ended	
	31/03/2023	31/03/2022
	RM'000	RM'000
Cash Flows From Operating Activities		
Cash receipts from customers	229,884	205,986
Cash paid to suppliers and employees	<u>(258,030)</u>	<u>(233,136)</u>
	(28,146)	(27,150)
Interest received	875	214
Interest paid	(3,941)	(2,202)
Taxation paid	<u>(3,134)</u>	<u>(2,664)</u>
Net cash used in operating activities	<u>(34,346)</u>	<u>(31,802)</u>
Cash Flows From Investing Activities		
Interest paid	(24)	(90)
Purchase of property, plant and equipment	(2,123)	(3,436)
Proceeds from disposal of property, plant and equipment	20	41
Purchase of intangible assets	<u>(57)</u>	<u>(75)</u>
Net cash used in investing activities	<u>(2,184)</u>	<u>(3,560)</u>
Cash Flows From Financing Activities		
Deposits pledged	-	(61)
Drawdowns of bank borrowings	73,954	71,399
Repayments of bank borrowings	(50,255)	(55,233)
Repayments of lease liabilities	(6,644)	(6,188)
Dividends paid	<u>-</u>	<u>(120,641)</u>
Net cash from/(used in) financing activities	<u>17,055</u>	<u>(110,724)</u>
Net decrease in cash and cash equivalents during the financial period	(19,475)	(146,086)
Effects of exchange rate changes on cash and cash equivalents	(695)	1,014
Cash and cash equivalents at beginning of the financial period	<u>67,647</u>	<u>178,636</u>
Cash and cash equivalents at end of the financial period	<u><u>47,477</u></u>	<u><u>33,564</u></u>
Cash and cash equivalents comprise:		
Deposits, cash and bank balances	62,411	48,442
Bank overdrafts	<u>(13,682)</u>	<u>(14,275)</u>
	48,729	34,167
Less: Deposits pledged to licensed banks	<u>(1,252)</u>	<u>(603)</u>
	<u><u>47,477</u></u>	<u><u>33,564</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 2022 and the accompanying explanatory notes attached to the interim financial statements.

A. Notes to the Interim Financial Report
For the first quarter and financial period ended 31 March 2023

A1. Basis of Preparation

This interim financial report is based on the unaudited financial statements for the quarter ended 31 March 2023 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 2022.

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 2022.

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 2022 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 March 2023.

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 March 2023.

A. Notes to the Interim Financial Report
For the first quarter and financial period ended 31 March 2023

A8. Dividends

No dividends have been paid during the current quarter ended 31 March 2023.

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
3 months ended 31 March 2023						
External revenue	110,685	39,327	77,412	9,232	-	236,656
Intersegment revenue	75,952	6,613	7,004	20,914	(110,483)	-
	<u>186,637</u>	<u>45,940</u>	<u>84,416</u>	<u>30,146</u>	<u>(110,483)</u>	<u>236,656</u>
Segment result	<u>3,905</u>	<u>(1,789)</u>	<u>16,415</u>	<u>(468)</u>	<u>(4,947)</u>	<u>13,116</u>

Germany

The German segment's revenue which represents 46.8% of the Group's revenue showed an increase of RM4.0 million (3.7%) as compared to the previous year's corresponding quarter. Positive sales growth was evident in certain distribution channels such as non-food discounter, fine writing instruments shops, supermarkets and hypermarkets.

The region's segment result improved as compared to the previous year's corresponding quarter mainly due to the higher sales contribution.

Rest of Europe

The contribution in revenue from all other European countries, except Germany, represents 16.6% of the Group's total revenue.

The region recorded a small decrease in revenue and results in the current quarter as compared to the previous year's corresponding quarter as the high inflation situation continued to restrain the purchasing power of households.

A. Notes to the Interim Financial Report
For the first quarter and financial period ended 31 March 2023

A9. Segment Information (cont'd)

Americas

Americas, which comprise 32.7% of the Group's revenue are represented by Mexico, Colombia and Argentina. The Group's business in the Americas region showed significant increase of 75.0% as compared to the previous year's corresponding quarter's revenue. The reactivation of sales continues in the Americas region in the current quarter to pre-pandemic levels and positive sales growth was also evident in the export markets. Accordingly, the segment results improved from RM5.8 million in the previous year's corresponding quarter to RM16.4 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, Southeast Asia and Middle East. These markets are relatively stable, however, the negative effects of foreign exchange resulted in a segment loss of RM0.5 million during the current quarter.

A10. Valuation of Property, Plant and Equipment

There were no valuations of property, plant and equipment during the current quarter ended 31 March 2023.

A11. Changes in the Composition of the Group

There were no changes in the composition of the Group during the current quarter ended 31 March 2023, except that Pelikan France S.A.S. (a wholly owned subsidiary of Pelikan Holding AG) had been merged into Pelikan Holding AG (a 97.36% owned subsidiary of the Company).

A12. Events Subsequent to the End of the Reporting Period

There was no event subsequent to the financial period ended 31 March 2023.

A13. Contingent Liabilities

There were no material contingent liabilities as at 31 March 2023.

A. Notes to the Interim Financial Report
For the first quarter and financial period ended 31 March 2023

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 May 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 period ended	
	31/03/23	31/03/22	31/03/23	31/03/22
	RM'000	RM'000	RM'000	RM'000
Tax expense charged in respect of current financial period				
- income tax	(5,431)	(1,901)	(5,431)	(1,901)
- deferred tax	477	(1,141)	477	(1,141)
	<u>(4,954)</u>	<u>(3,042)</u>	<u>(4,954)</u>	<u>(3,042)</u>

On a cumulative basis, for the financial period ended 31 March 2023, 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 31 March 2023 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	1,660	-	7,081	-	8,741
Euro	110,746	1,564	8,616	-	120,926
Japanese Yen	-	197	-	3,234	3,431
Mexican Peso	-	5,603	-	-	5,603
Polish Zloty	7,177	-	-	-	7,177
US Dollar	34,150	5,791	-	-	39,941
Total	<u>153,733</u>	<u>13,155</u>	<u>15,697</u>	<u>3,234</u>	<u>185,819</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 March 2023 were as follows:

	RM'000
Authorised and contracted for:	
Property, plant and equipment	<u>2,782</u>

B5. Review of Performance

The Group achieved revenue of RM236.7 million in the current quarter as opposed to RM200.4 million in the previous year's corresponding quarter. The Group's business in the Americas region showed significant increase of 75.0% as compared to the previous year's corresponding quarter's revenue. The reactivation of sales continues in the Americas region in the current quarter to pre-pandemic levels and positive sales growth was also evident in the export markets. The increase was also due to the early start of school season in Central America. In Germany, the Group is achieving stable development with growth of 3.7% as compared to the previous year's corresponding quarter. Positive sales growth was evident in certain distribution channels such as non-food discounter, fine writing instruments shops, supermarkets and hypermarkets.

The Group recorded a profit before tax of RM9.2 million in the current quarter as compared to loss before tax of RM3.5 million in the previous year's corresponding quarter on the back of better operating results of the Americas' region and Germany.

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

B6. Variation of Results Against Preceding Quarter

	Current Quarter 31/03/23 RM'000	Immediate Preceding Quarter 31/12/22 RM'000	Changes %
Revenue	236,656	228,593	+3.5
Profit before interest and tax	13,116	18,675	-29.8
Profit before tax	9,230	15,318	-39.7
Profit for the financial period	<u>4,276</u>	<u>7,542</u>	-43.3

The Group's revenue increased to RM236.7 million in the current quarter as compared to RM228.6 million in the preceding quarter. Positive sales growth continues to be evident in the current quarter from the Americas region and certain European countries since the preceding quarter.

In the preceding quarter, a non-recurring gain and related provisions arising from earlier termination of lease of RM28.0 million was recognised, which resulted in the Group recording a profit before tax of RM15.3 million. In the current quarter, the Group recorded a profit before tax of RM9.2 million on the back of better operating results from our key regions.

B7. Prospects

The business performance in key regions such as Latin Americas is expected to continue its significant business growth surpassing pre-covid business levels. Whilst the European region are still faced with high inflation and the Russia-Ukraine conflict still exist after more than a year, the business is still showing a high resilience against a weak economic growth in the European region as Pelikan's core strength is on the school stationeries and education is still a necessity spending amongst parents. In addition, the high end fine writing instruments is more of a global products and a bigger part is sold within the Asian market which is now coming back to normalcy post covid period, in particular China, Japan and Korea.

Nevertheless, the Group will still monitor closely the business development in its key region and undertake mitigating actions in event any of the economic and business environment changes that could affect its business.

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/(Loss) Per Ordinary Share

Basic earnings/(loss) per ordinary share:	3 months ended		Financial period ended	
	31/03/23	31/03/22	31/03/23	31/03/22
Profit/(loss) attributable to owners of the parent (RM'000)	<u>4,648</u>	<u>(6,107)</u>	<u>4,648</u>	<u>(6,107)</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/(loss) per ordinary share (sen)	<u>0.77</u>	<u>(1.01)</u>	<u>0.77</u>	<u>(1.01)</u>

B11. Additional Notes to the Statement of Comprehensive Income

	3 months ended		Financial period ended	
	31/03/23 RM'000	31/03/22 RM'000	31/03/23 RM'000	31/03/22 RM'000
Profit/(loss) before tax is arrived at after charging/(crediting):				
Interest income	(875)	(214)	(875)	(214)
Interest expense	3,886	2,269	3,886	2,269
Depreciation, amortisation and impairment	6,585	8,489	6,585	8,489
Impairment losses on receivables	75	123	75	123
(Reversal of inventories written down)/Inventories written down	(202)	198	(202)	198
Loss/(gain) on disposal of property, plant and equipment	21	(41)	21	(41)
Foreign exchange loss/(gain)	1,179	(2,116)	1,179	(2,116)