

Registration No.: 198001009827 (63611 - U)

PELIKAN INTERNATIONAL CORPORATION BERHAD
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT

30 JUNE 2023

PELIKAN INTERNATIONAL CORPORATION BERHAD (Registration No.: 198001009827 (63611-U))
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Interim report for the financial period ended 30 June 2023
The figures have not been audited.

	Note	Individual Quarter 3 months ended		Cumulative Quarter Financial period ended	
		30/06/2023 RM'000	30/06/2022 RM'000	30/06/2023 RM'000	30/06/2022 RM'000
Revenue		353,015	295,856	589,671	496,229
Other operating income		7,158	6,849	13,802	16,784
Expenses excluding finance costs and tax		(321,088)	(273,085)	(551,272)	(484,585)
Finance costs		(5,887)	(2,961)	(9,773)	(5,230)
Profit before tax		33,198	26,659	42,428	23,198
Tax expense	B1	(8,366)	(3,610)	(13,320)	(6,652)
Profit for the financial period		24,832	23,049	29,108	16,546
Other comprehensive income/(loss): Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of foreign operations		37,548	(2,378)	46,356	(366)
Total comprehensive income for the financial period		62,380	20,671	75,464	16,180
Total profit/(loss) attributable to:					
Owners of the parent		24,164	22,984	28,812	16,877
Non-controlling interests		668	65	296	(331)
		24,832	23,049	29,108	16,546
Total comprehensive income/(loss) attributable to:					
Owners of the parent		63,353	20,711	77,045	16,809
Non-controlling interests		(973)	(40)	(1,581)	(629)
		62,380	20,671	75,464	16,180
		sen	sen	sen	sen
Basic earnings per ordinary share attributable to equity holders of the parent	B10	4.01	3.81	4.78	2.80

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 30 June 2023
The figures have not been audited.

	Note	30/06/2023 RM'000	31/12/2022 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		179,362	172,862
Trademarks		18,540	17,214
Development costs		135	250
Goodwill		140,253	130,292
Computer software license		3,199	2,893
Investments in associates		61	57
Other financial assets		1,763	1,868
Pension Trust Fund		140,063	140,063
Deferred tax assets		86,917	81,533
		<u>570,293</u>	<u>547,032</u>
Current assets			
Inventories		338,772	296,272
Receivables, deposits and prepayments		366,660	243,827
Tax recoverable		10,894	11,473
Pension Trust Fund		10,801	10,801
Deposits, cash and bank balances		79,397	79,009
		<u>806,524</u>	<u>641,382</u>
		<u>1,376,817</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		(31,275)	(79,508)
Accumulated losses		(11,483)	(40,295)
Treasury shares, at cost		(5,150)	(5,150)
		<u>592,365</u>	<u>515,320</u>
Non-controlling interests		2,475	4,056
		<u>594,840</u>	<u>519,376</u>
Non-current liabilities			
Post-employment benefit obligations	B3	199,813	185,890
Borrowings	B2	21,449	21,861
Lease liabilities		19,207	27,740
Deferred tax liabilities		10,774	12,319
		<u>251,243</u>	<u>247,810</u>
Current liabilities			
Payables		270,536	212,724
Borrowings	B2	175,221	133,300
Lease liabilities		26,066	25,570
Current tax liabilities		58,911	49,634
		<u>530,734</u>	<u>421,228</u>
		<u>781,977</u>	<u>669,038</u>
		<u>1,376,817</u>	<u>1,188,414</u>
Net assets per share attributable to owners of the parent (RM)		0.98	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 30 June 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 for the financial period	-	-	28,812	-	28,812	296	29,108
Other comprehensive income/(loss)	-	48,233	-	-	48,233	(1,877)	46,356
Total comprehensive income/(loss)	-	48,233	28,812	-	77,045	(1,581)	75,464
At 30 June 2023	<u>640,273</u>	<u>(31,275)</u>	<u>(11,483)</u>	<u>(5,150)</u>	<u>592,365</u>	<u>2,475</u>	<u>594,840</u>
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>

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 30 June 2023
The figures have not been audited.

	Financial period ended	
	30/06/2023	30/06/2022
	RM'000	RM'000
Cash Flows From Operating Activities		
Cash receipts from customers	495,734	440,537
Cash paid to suppliers and employees	<u>(485,849)</u>	<u>(483,678)</u>
	9,885	(43,141)
Interest received	2,693	566
Interest paid	(9,811)	(5,052)
Taxation paid	<u>(6,592)</u>	<u>(4,451)</u>
Net cash used in operating activities	<u>(3,825)</u>	<u>(52,078)</u>
Cash Flows From Investing Activities		
Interest paid	(79)	(226)
Purchase of property, plant and equipment	(5,111)	(3,916)
Proceeds from disposal of property, plant and equipment	487	1,453
Purchase of intangible assets	(126)	(116)
Proceeds from disposal of intangible assets	-	70
Proceeds from disposal of other financial assets	<u>247</u>	<u>-</u>
Net cash used in investing activities	<u>(4,582)</u>	<u>(2,735)</u>
Cash Flows From Financing Activities		
Deposits pledged	-	(61)
Drawdowns of bank borrowings	109,096	125,273
Repayments of bank borrowings	(92,786)	(92,408)
Repayments of lease liabilities	(13,772)	(12,478)
Dividends paid	<u>-</u>	<u>(120,641)</u>
Net cash from/(used in) financing activities	<u>2,538</u>	<u>(100,315)</u>
Net decrease in cash and cash equivalents during the financial period	(5,869)	(155,128)
Effects of exchange rate changes on cash and cash equivalents	(4,026)	1,549
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>57,752</u></u>	<u><u>25,057</u></u>
Cash and cash equivalents comprise:		
Deposits, cash and bank balances	79,397	39,412
Bank overdrafts	<u>(20,393)</u>	<u>(13,752)</u>
	59,004	25,660
Less: Deposits pledged to licensed banks	<u>(1,252)</u>	<u>(603)</u>
	<u><u>57,752</u></u>	<u><u>25,057</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 second quarter and financial period ended 30 June 2023

A1. Basis of Preparation

This interim financial report is based on the unaudited financial statements for the quarter ended 30 June 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 30 June 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 30 June 2023.

A. Notes to the Interim Financial Report
For the second quarter and financial period ended 30 June 2023

A8. Dividends

No dividends have been paid during the current quarter ended 30 June 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
6 months ended						
30 June 2023						
External revenue	304,940	108,562	154,760	21,409	-	589,671
Intersegment revenue	176,027	14,448	13,133	41,004	(244,612)	-
	<u>480,967</u>	<u>123,010</u>	<u>167,893</u>	<u>62,413</u>	<u>(244,612)</u>	<u>589,671</u>
Segment result	<u>34,152</u>	<u>6,520</u>	<u>31,669</u>	<u>(12,968)</u>	<u>(7,172)</u>	<u>52,201</u>
3 months ended						
30 June 2023						
External revenue	194,255	69,235	77,348	12,177	-	353,015
Intersegment revenue	100,075	7,835	6,129	20,090	(134,129)	-
	<u>294,330</u>	<u>77,070</u>	<u>83,477</u>	<u>32,267</u>	<u>(134,129)</u>	<u>353,015</u>
Segment result	<u>30,247</u>	<u>8,309</u>	<u>15,254</u>	<u>(12,500)</u>	<u>(2,225)</u>	<u>39,085</u>

Germany

The German segment's revenue which represents 51.7% of the Group's revenue showed an increase of RM21.2 million (12.3%) as compared to the previous year's corresponding quarter. Positive sales growth was evident in certain distribution channels such as non-food discounter, drug stores, supermarkets, hypermarkets and online. In addition, the overall translated revenue increased as compared to previous year's corresponding quarter due to the appreciation of Euro currency against Ringgit Malaysia of approximately 4.1% as compared to previous year's corresponding quarter.

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

A. Notes to the Interim Financial Report
For the second quarter and financial period ended 30 June 2023

A9. Segment Information (cont'd)

Rest of Europe

The contribution in revenue from all other European countries, except Germany, represents 18.4% of the Group's total revenue. Despite the high inflation situation which continued to restrain the purchasing power of households, positive sales growth was evident during the "back to school" season. In addition, the overall translated revenue also increased due to the appreciation of Euro currency against Ringgit Malaysia.

The region achieved a segment result of RM8.3 million in the current quarter.

Americas

Americas, which comprise 26.3% of the Group's revenue are represented by Mexico, Colombia and Argentina. The Group's business in the Americas region showed an increase of 39.4% 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 RM9.5 million in the previous year's corresponding quarter to RM15.3 million in the current quarter.

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, Southeast Asia and Middle East. These markets are relatively stable and growing albeit its small percentage over the total sales of the Group. However, the negative effects of foreign exchange resulted in a segment loss of RM12.5 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 30 June 2023.

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 2023.

A12. Events Subsequent to the End of the Reporting Period

There was no event subsequent to the financial period ended 30 June 2023.

A. Notes to the Interim Financial Report
For the second quarter and financial period ended 30 June 2023

A13. Contingent Liabilities

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

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

As at 17 August 2023, the status of utilisation of the proceeds from the abovementioned 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	12,800	12,800	-
Total	393,660	372,762	20,898

* As per Circular to Shareholders dated 22 October 2021.

A. Notes to the Interim Financial Report
For the second quarter and financial period ended 30 June 2023

A15. Status of Corporate Proposals

On 30 June 2023, the Company announced that together with its subsidiary companies, namely, Pelikan Holding AG (“PHAG”) and MOLKARI Vermietungsgesellschaft mbH & Co. Objekt Falkensee KG (“MOLKARI”) (collectively, the “Vendors”), as well as Pelikan PBS-Produktion Verwaltungs GmbH (“PBS”), had on 29 June 2023 entered into a conditional share purchase agreement (“CSPA”) with Holdham SAS (“Holdham” or “Purchaser”) for the following:

- (a) disposal by the Vendors of their entire equity interests held in Pelikan Group GmbH (“PGG”) for a cash consideration of €136,000,000 or approximately RM695.44 million;
- (b) assignment to the Purchaser, debts owing from Pelikan International Corporation Berhad (“PICB”) group (excluding PGG group of companies) to PGG amounting to €15,401,000 as at 31 December 2022 (“PGG Debts”);
- (c) disposal by PHAG of its entire limited partnership interest in Pelikan PBS-Produktionsgesellschaft mbH & Co KG (“PPG”) for a cash consideration of €1.00 or approximately RM5.11;
- (d) assignment to the Purchaser, debts owing from PHAG to PPG amounting to €16,382,157.96 as at 31 December 2022 (“PPG Debts”); and
- (e) disposal by PHAG of its entire equity interest held in PBS for a cash consideration of €1.00 or approximately RM5.11.

The above are collectively known as “Proposed Disposal”.

Upon the completion of the Proposed Disposal in accordance with the terms of the CSPA (“Completion”), the Board proposed to undertake a distribution (“Proposed Distribution”) where it would involve distribution of part of the disposal consideration to all entitled shareholders of PICB on an entitlement date to be determined and announced later by the Board, by way of:

- (i) proposed capital reduction cum repayment exercise under Section 116 of the Companies Act 2016 (“Act”) (“Proposed Capital Repayment”); and/or
- (ii) proposed special dividend (“Proposed Special Dividend”).

Barring any unforeseen circumstances and subject to all requisite approvals being obtained, the Board expects the Proposals to be completed by the 4th quarter of 2023.

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

B1. Tax Expense

	3 months ended		Financial period ended	
	30/06/23	30/06/22	30/06/23	30/06/22
	RM'000	RM'000	RM'000	RM'000
Tax expense charged in respect of current financial period				
- income tax	(8,526)	(2,105)	(13,957)	(4,006)
- deferred tax	160	(1,505)	637	(2,646)
	<u>(8,366)</u>	<u>(3,610)</u>	<u>(13,320)</u>	<u>(6,652)</u>

On a cumulative basis, for the financial period ended 30 June 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 30 June 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
Colombian Peso	-	10	-	-	10
Czech Koruna	2,007	-	7,393	-	9,400
Euro	86,379	2,653	10,956	-	99,988
Hungarian Forint	923	-	-	-	923
Japanese Yen	-	193	-	3,100	3,293
Mexican Peso	-	27,403	-	-	27,403
Polish Zloty	10,960	-	-	-	10,960
US Dollar	36,030	8,663	-	-	44,693
Total	<u>136,299</u>	<u>38,922</u>	<u>18,349</u>	<u>3,100</u>	<u>196,670</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 30 June 2023 were as follows:

	RM'000
Authorised and contracted for:	
Property, plant and equipment	<u>3,689</u>

B5. Review of Performance

The Group achieved revenue of RM353.0 million in the current quarter as opposed to RM295.9 million in the previous year's corresponding quarter. The Group's business in the Americas region showed an increase of 39.4% 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. In Germany, positive sales growth was evident in certain distribution channels such as non-food discounter, drug stores, supermarkets, hypermarkets and online. In addition, the overall translated revenue increased as compared to previous year's corresponding quarter due to the appreciation of Euro currency against Ringgit Malaysia of approximately 4.1%.

The Group recorded a profit before tax of RM33.2 million in the current quarter as compared to profit before tax of RM26.7 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 30/06/23 RM'000	Immediate Preceding Quarter 31/03/23 RM'000	Changes %
Revenue	353,015	236,656	+49.2
Profit before interest and tax	39,085	13,116	+>100.0
Profit before tax	33,198	9,230	+>100.0
Profit for the financial period	24,832	4,276	+>100.0

The Group's revenue increased to RM353.0 million in the current quarter as compared to RM236.7 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 achieved profit before tax of RM33.2 million in the current quarter as compared to profit before tax of RM9.2 million in the preceding quarter.

B7. Prospects

The remaining quarters are expected to be a slower quarter for the Group as the main markets such as Germany and European markets slows down after the "back to school" season and into the holiday seasons towards the year end. In addition, the European region are still faced with high inflation and the Russia-Ukraine conflict still exist after more than a year. The business performance in other regions such as the Americas and Asian markets are expected to continue their business growth back to pre-covid business levels.

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 Per Ordinary Share

Basic earnings per ordinary share:	3 months ended		Financial period ended	
	30/06/23	30/06/22	30/06/23	30/06/22
Profit attributable to owners of the parent (RM'000)	<u>24,164</u>	<u>22,984</u>	<u>28,812</u>	<u>16,877</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>4.01</u>	<u>3.81</u>	<u>4.78</u>	<u>2.80</u>

B11. Additional Notes to the Statement of Comprehensive Income

	3 months ended		Financial period ended	
	30/06/23 RM'000	30/06/22 RM'000	30/06/23 RM'000	30/06/22 RM'000
Profit before tax is arrived at after charging/(crediting):				
Interest income	(1,818)	(352)	(2,693)	(566)
Interest expense	5,887	2,961	9,773	5,230
Depreciation, amortisation and impairment	9,071	8,659	15,656	17,148
Impairment losses on receivables	197	439	272	562
Inventories written down/(Reversal of inventories written down)	171	205	(31)	403
Gain on disposal of property, plant and equipment	(120)	(17)	(99)	(58)
Gain on disposal of intangible assets	-	(70)	-	(70)
Foreign exchange loss/(gain)	14,703	818	15,882	(1,298)