

# SAMKO TIMBER LIMITED

Company Registration Number: 200517815M

## Unaudited Third Quarter Financial Statements and Dividend Announcement for the Period Ended 30/09/2014

### PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF THIRD QUARTER RESULTS

- 1(a) Consolidated statement of comprehensive income for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group			Group		
	3rd Qtr 1 Jul 2014 to 30 Sep 2014	3rd Qtr 1 Jul 2013 to 30 Sep 2013	Increase/ (decrease)	1 Jan 2014 to 30 Sep 2014	1 Jan 2013 to 30 Sep 2013	Increase/ (decrease)
	Rp'million	Rp'million	%	Rp'million	Rp'million	%
Revenue	743,371	729,670	2	2,331,952	2,191,385	6
Cost of sales	(633,665)	(632,521)	0	(1,959,715)	(1,863,432)	5
<b>Gross profit</b>	<b>109,706</b>	<b>97,149</b>	<b>13</b>	<b>372,237</b>	<b>327,953</b>	<b>14</b>
<b>Other items of income</b>						
Interest income	138	357	(61)	454	743	(39)
Other income	538	71	658	2,950	10,059	(71)
<b>Other items of expenses</b>						
Selling expenses	(31,772)	(28,948)	10	(101,643)	(82,743)	23
General & administrative expenses	(71,169)	(61,054)	17	(197,284)	(174,060)	13
Finance expenses	(16,881)	(12,915)	31	(46,711)	(35,309)	32
Other expenses	(17,412)	(47,716)	(64)	(30,211)	(58,938)	(49)
<b>Loss before tax</b>	<b>(26,852)</b>	<b>(53,056)</b>	<b>(49)</b>	<b>(208)</b>	<b>(12,295)</b>	<b>(98)</b>
<b>Taxation</b>	<b>2,489</b>	<b>11,866</b>	<b>(79)</b>	<b>(10,780)</b>	<b>(2,273)</b>	<b>374</b>
<b>Net loss for the period</b>	<b>(24,363)</b>	<b>(41,190)</b>	<b>(41)</b>	<b>(10,988)</b>	<b>(14,568)</b>	<b>(25)</b>
<b>Other comprehensive income:</b>						
<b>Items that will not be reclassified to profit or loss:</b>						
Net actuarial loss on post-employment benefits	(865)	(1,193)	(27)	(2,470)	(3,579)	(31)
<b>Items that may be reclassified subsequently to profit or loss:</b>						
Foreign currency translation gain (loss)	(2,742)	6,970	n.m	4,654	7,111	(35)
<b>Total comprehensive income for the period</b>	<b>(27,970)</b>	<b>(35,413)</b>	<b>(21)</b>	<b>(8,804)</b>	<b>(11,036)</b>	<b>(20)</b>
<b>Net profit (loss) attributable to:</b>						
Owners of the Company	(23,167)	(47,093)	(51)	(9,514)	(20,058)	(53)
Non-controlling interests	(1,196)	5,903	n.m	(1,474)	5,490	n.m
	<b>(24,363)</b>	<b>(41,190)</b>	<b>(41)</b>	<b>(10,988)</b>	<b>(14,568)</b>	<b>(25)</b>
<b>Total comprehensive income attributable to:</b>						
Owners of the Company	(26,769)	(41,316)	(35)	(7,316)	(16,526)	(56)
Non-controlling interests	(1,201)	5,903	n.m	(1,488)	5,490	n.m
	<b>(27,970)</b>	<b>(35,413)</b>	<b>(21)</b>	<b>(8,804)</b>	<b>(11,036)</b>	<b>(20)</b>

n.m : not meaningful

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The following items have been included in arriving at loss before tax:

	Group			Group		
	3rd Qtr 1 Jul 2014 to 30 Sep 2014	3rd Qtr 1 Jul 2013 to 30 Sep 2013	Increase/ (decrease)	1 Jan 2014 to 30 Sep 2014	1 Jan 2013 to 30 Sep 2013	Increase/ (decrease)
	Rp'million	Rp'million	%	Rp'million	Rp'million	%
Loss on foreign exchange, net	(13,490)	(44,490)	(70)	(17,967)	(45,623)	(61)
Gain on sale of property, plant and equipment	284	71	300	324	463	(30)
Allowance for doubtful receivables	(213)	(917)	(77)	(874)	(4,683)	(81)
Amortisation of intangible assets	(75)	(320)	(77)	(729)	(949)	(23)
Amortisation of land use rights	(1,777)	(740)	140	(3,263)	(2,306)	42
Workers voluntarily separation expenses*)	-	-	-	(5,526)	-	n.m
Post employment benefits expenses	(7,860)	(10,276)	(24)	(25,282)	(27,133)	(7)
Interest expense	(16,144)	(11,342)	42	(43,841)	(32,286)	36
Depreciation of property, plant and equipment	(27,022)	(27,380)	(1)	(83,293)	(78,315)	6
Insurance claim	-	-	-	1,107	9,536	(88)
Inventories written-down	-	-	-	-	(360)	(100)
Property, plant and equipment written-off due to fire incident	-	-	-	-	(1,702)	(100)

\*) Included in "Other expenses" on page 11 of the announcement  
n.m : not meaningful

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## 1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	30 Sep 2014 Rp'million	31 Dec 2013 Rp'million	30 Sep 2014 Rp'million	31 Dec 2013 Rp'million
<b>Non-current assets</b>				
Property, plant and equipment	640,763	641,103	259	327
Intangible assets <sup>(1)</sup>	36,198	37,199	-	-
Investment in subsidiary companies	-	-	672,145	672,822
Investment in an associate <sup>(2)</sup>	-	-	-	-
Biological assets	63,577	59,782	-	-
Land use rights	68,795	60,582	-	-
Deferred tax assets	73,483	60,390	1,860	1,437
Other non-current assets	2,138	14,397	41	41
	<b>884,954</b>	<b>873,453</b>	<b>674,305</b>	<b>674,627</b>
<b>Current assets</b>				
Inventories	580,839	412,464	-	-
Trade and other receivables	221,973	165,487	44,581	37,961
Prepaid operating expenses	66,120	38,248	779	2,015
Advances to suppliers	121,749	82,444	-	-
Restricted deposits	7,245	27,814	-	-
Cash and cash equivalents	100,113	102,841	3,546	6,864
	<b>1,098,039</b>	<b>829,298</b>	<b>48,906</b>	<b>46,840</b>
<b>Current liabilities</b>				
Trade and other payables	260,176	207,914	9,755	3,236
Other liabilities	136,939	127,084	2,490	3,311
Advances from customers	34,564	29,565	-	-
Provision for taxation	21,386	19,397	-	-
Loans and borrowings	343,942	249,068	-	-
	<b>797,007</b>	<b>633,028</b>	<b>12,245</b>	<b>6,547</b>
<b>Net current assets</b>	<b>301,032</b>	<b>196,270</b>	<b>36,661</b>	<b>40,293</b>
<b>Non-current liabilities</b>				
Loans and borrowings	377,649	275,111	-	-
Post-employment benefits	170,135	147,565	-	-
Deferred tax liabilities	6,335	6,376	-	-
	<b>554,119</b>	<b>429,052</b>	<b>-</b>	<b>-</b>
<b>Net assets</b>	<b>631,867</b>	<b>640,671</b>	<b>710,966</b>	<b>714,920</b>
<b>Equity attributable to owners of the Company</b>				
Share capital	2,188,645	2,188,645	2,188,645	2,188,645
Accumulated losses	(1,880,233)	(1,868,263)	(1,477,679)	(1,473,725)
Other reserves	313,099	308,445	-	-
	<b>621,511</b>	<b>628,827</b>	<b>710,966</b>	<b>714,920</b>
<b>Non-controlling interests</b>	<b>10,356</b>	<b>11,844</b>	<b>-</b>	<b>-</b>
	<b>631,867</b>	<b>640,671</b>	<b>710,966</b>	<b>714,920</b>

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Notes:

- (1) Included in the intangible assets is goodwill arising from the acquisition of subsidiaries of Rp25,992 million.
- (2) Represents the Company's 24.6% investment in PT SLJ Global Tbk (formerly PT Sumalindo Lestari Jaya Tbk). Full provision of impairment has been made for this investment previously.

## (b)(ii) Aggregate amount of group's borrowings and debt securities.

### Amount repayable in one year or less, or on demand

As at 30 September 2014		As at 31 December 2013	
Secured Rp'million	Unsecured Rp'million	Secured Rp'million	Unsecured Rp'million
343,942	-	249,068	-

### Amount repayable after one year

As at 30 September 2014		As at 31 December 2013	
Secured Rp'million	Unsecured Rp'million	Secured Rp'million	Unsecured Rp'million
377,649	-	275,111	-

### Details of any collateral

As at 30 September 2014, our bank borrowings are secured by the following:

- (1) Land use rights, buildings, machinery and equipment, inventories, account receivables, collection and restricted deposits of certain subsidiaries, and corporate guarantees from the Company and certain subsidiaries of the Company. The loan facilities from our major lenders also include a clause demanding mandatory repayment of all the loan facilities if (i) there is any reduction in direct and/or indirect shareholding interests of PT Sumber Graha Sejahtera ("PT SGS") by Sampoerna Strategic Group, or (ii) the representatives appointed by Sampoerna Strategic Group are no longer present in PT SGS; or (iii) Mr Putera Sampoerna and his family is directly or indirectly no longer the controlling ultimate beneficiary owner of PT SGS and the Company. All other assets of the subsidiaries are on negative pledge to the financial institution and some restriction on dividend payment is imposed on them; and
- (2) All assets acquired under finance leases are secured against the assets under lease.

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**1(c) Consolidated statement of cash flow (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

	<b>Group</b>	
	<b>1 Jan 2014 to 30 Sep 2014 Rp'million</b>	<b>1 Jan 2013 to 30 Sep 2013 Rp'million</b>
<b>Cash flows from operating activities</b>		
Loss before tax	(208)	(12,295)
Adjustments:		
Depreciation of property, plant and equipment	83,293	78,315
Interest expense	43,841	32,286
Post-employment benefits expense	25,282	27,133
Foreign exchange loss	7,788	43,945
Amortisation of land use rights	3,263	2,306
Allowance for doubtful receivables	874	4,683
Amortisation of intangible assets	729	949
Gain on disposal of property, plant and equipment	(324)	(463)
Interest income	(454)	(743)
Inventories written-down	-	360
Property, plant and equipment written-off	-	1,702
<b>Operating cash flow before changes in working capital</b>	<b>164,084</b>	<b>178,178</b>
<b>Changes in working capital :</b>		
Inventories	(168,375)	(46,195)
Trade and other receivables	(57,360)	(38,146)
Prepaid operating expenses	(40,823)	(12,683)
Advances to suppliers	17,445	(5,111)
Trade and other payable	52,262	20,293
Other liabilities	9,952	(5,909)
Advance from customers	4,999	2,880
Other non-current assets	1,823	744
<b>Cash flow (used in) provided by operations</b>	<b>(15,993)</b>	<b>94,051</b>
Income tax paid, net of refund	(8,118)	(43,151)
Post-employment benefit paid	(3,472)	(993)
<b>Net cash flows (used in) provided by operating activities</b>	<b>(27,583)</b>	<b>49,907</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment (Note (i))	(139,226)	(64,238)
Additions of land use rights	(983)	-
Additions of biological assets	(3,795)	(3,170)
Interest received	454	743
Proceeds from disposal of property, plant and equipment	698	2,279
<b>Net cash flows used in investing activities</b>	<b>(142,852)</b>	<b>(64,386)</b>
<b>Cash flows from financing activities</b>		
Drawdown of loans and borrowings	1,545,068	494,088
Repayment of loans and borrowings	(1,355,261)	(467,856)
Proceed from sale and lease back transactions - finance lease arrangements	-	14,031
Interest paid	(42,549)	(28,108)
Withdrawal of restricted deposits	20,421	-
Placement of restricted deposits	-	(4,402)
<b>Net cash flows provided by financing activities</b>	<b>167,679</b>	<b>7,753</b>

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	<b>Group</b>	
	<b>1 Jan 2014 to 30 Sep 2014</b>	<b>1 Jan 2013 to 30 Sep 2013</b>
	<b>Rp'million</b>	<b>Rp'million</b>
Net decrease in cash and cash equivalents	(2,756)	(6,726)
Effect of exchange rate changes on cash and cash equivalent	28	6,756
Cash and cash equivalents at beginning of period	<u>102,841</u>	<u>90,350</u>
Cash and cash equivalents at end of period	<u><u>100,113</u></u>	<u><u>90,380</u></u>
<b>(i) Purchase of property, plant and equipment *)</b>		
Property, plant and equipment were purchased by:		
- Cash payment	82,476	60,713
- Advances for property, plant and equipment	<u>56,750</u>	<u>3,525</u>
	<u><u>139,226</u></u>	<u><u>64,238</u></u>

\*) The acquisitions above were made in the ordinary course of business and they were mainly machinery and equipment for use in the operations.

#### Non-cash transaction:

Reclassification of other non-current assets to land use rights	<u>10,436</u>	<u>-</u>
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**1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.**

#### Group

	<b>Attributable to owners of the Company</b>				<b>Total</b>	<b>Non-controlling interests</b>	<b>Total equity</b>
	<b>Share capital</b>	<b>Accumulated losses</b>	<b>Restructuring reserves</b>	<b>Foreign currency translation reserve</b>			
	Rp'million	Rp'million	Rp'million	Rp million	Rp'million	Rp'million	Rp'million
<b>Balance at 1 January 2014</b>	2,188,645	(1,868,263)	309,050	(605)	628,827	11,844	640,671
Profit (loss) for the period	-	(9,514)	-	-	(9,514)	(1,474)	(10,988)
Other comprehensive income for the period	-	(2,456)	-	4,654	2,198	(14)	2,184
<b>Balance at 30 September 2014</b>	<u><b>2,188,645</b></u>	<u><b>(1,880,233)</b></u>	<u><b>309,050</b></u>	<u><b>4,049</b></u>	<u><b>621,511</b></u>	<u><b>10,356</b></u>	<u><b>631,867</b></u>
<b>Balance at 1 January 2013</b>	2,188,645	(1,914,121)	309,050	2,385	585,959	6,149	592,108
Profit (loss) for the period	-	(20,058)	-	-	(20,058)	5,490	(14,568)
Other comprehensive income for the period	-	(3,579)	-	7,111	3,532	-	3,532
<b>Balance at 30 September 2013</b>	<u><b>2,188,645</b></u>	<u><b>(1,937,758)</b></u>	<u><b>309,050</b></u>	<u><b>9,496</b></u>	<u><b>569,433</b></u>	<u><b>11,639</b></u>	<u><b>581,072</b></u>

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## Company

	Attributable to owners of the Company		
	Share capital	Accumulated losses	Total
	Rp'million	Rp'million	Rp'million
Balance at 1 January 2014	2,188,645	(1,473,725)	714,920
Total comprehensive income for the period	-	(3,954)	(3,954)
<b>Balance at 30 September 2014</b>	<b>2,188,645</b>	<b>(1,477,679)</b>	<b>710,966</b>
Balance at 1 January 2013	2,188,645	(1,479,275)	709,370
Total comprehensive income for the period	-	1,189	1,189
<b>Balance at 30 September 2013</b>	<b>2,188,645</b>	<b>(1,478,086)</b>	<b>710,559</b>

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

There was no change in the Company's shares during the period ended 30 September 2014.

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

	Group and Company
	Number of shares
At 30 September 2014 and 31 December 2013	1,401,445,464

There were no shares held as treasury shares as at 30 September 2014 and 31 December 2013.

- 1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Not applicable, as there were no shares held as treasury shares as at 30 September 2014 and 31 December 2013.

- 2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The figures have not been audited or reviewed by the auditor.

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3. **Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

4. **Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

The Group has adopted the new and revised accounting standards which came into effect for the financial year beginning 1 January 2014 and has applied the same accounting policies and methods of computation as those of the previous financial year ended 31 December 2013. The adoption of the new and revised accounting standards has no material impact on the financial statements of the Group and the Company for the period ended 30 September 2014.

Consistent with the prior period's accounting policy, the Group appraises the fair value of its biological assets only at the end of the financial year.

5. **If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

Please refer to point 4.

6. **Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

	Group		Group	
	3rd Qtr 1 Jul 2014 to 30 Sep 2014	3rd Qtr 1 Jul 2013 to 30 Sep 2013	1 Jan 2014 to 30 Sep 2014	1 Jan 2013 to 30 Sep 2013
Weighted average number of ordinary shares for basic earnings per share computation	1,401,445,464	1,401,445,464	1,401,445,464	1,401,445,464
Weighted average number of ordinary shares for diluted earnings per share computation	1,401,445,464	1,401,445,464	1,401,445,464	1,401,445,464
	Rp (full amount)	Rp (full amount)	Rp (full amount)	Rp (full amount)
<b>Earnings (loss) per share attributable to owners of the Company</b>				
Basic and diluted	(17)	(34)	(7)	(14)



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**7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-**

- (a) current financial period reported on; and  
(b) immediately preceding financial year.**

	Group		Company	
	30 Sep 2014	31 Dec 2013	30 Sep 2014	31 Dec 2013
Net assets for the year attributable to owners of the Company used in computation of net asset value per share (Rp'million)	621,511	628,827	710,966	714,920
Number of ordinary shares at the end of the period	1,401,445,464	1,401,445,464	1,401,445,464	1,401,445,464
Net asset value per ordinary share (Rp full amount)	443	449	507	510

**8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-**

- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors**

Our Group reported a loss of Rp11 billion for 9M 2014 versus loss of Rp15 billion for the same period ended 30 September 2013.

Despite an increase in the sales and gross profit for the period, the Group's results remains in the loss position. This was mainly due to the impact of higher operating and finance costs incurred, exceptional workers' voluntarily separation expenses paid of Rp6 billion and exchange loss of Rp18 billion booked during the period under review.

The Group reported a net loss of Rp24 billion in 3Q 2014. The performance was mainly affected by increase in operating and finance expenses and, an exchange loss of Rp13 billion incurred during the quarter.

## Revenue

	Group			Group		
	3rd Qtr 1 Jul 2014 to 30 Sep 2014	3rd Qtr 1 Jul 2013 to 30 Sep 2013	Increase/ (decrease)	1 Jan 2014 to 30 Sep 2014	1 Jan 2013 to 30 Sep 2013	Increase/ (decrease)
	Rp'million	Rp'million	%	Rp'million	Rp'million	%
Domestic sales	520,333	538,115	(3)	1,633,052	1,639,694	(0)
Export sales	223,038	191,555	16	698,900	551,691	27
Total	743,371	729,670	2	2,331,952	2,191,385	6

Our export sales continued to performance well. Both export price and sales volume registered an increase of 6% and 19% respectively for 9M 2014 and, 2% and 15% respectively for 3Q 2014. The composition of our export sales to overall sales rose from 25% to 30% in 9M 2014.

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Our domestic sales amount remained marginally the same for 3Q and 9M 2014 over the same periods last year. Though the domestic selling price has increased as compared to the previous periods, the sales volume did not follow. The volume decreased 15% in 3Q 2014 and over a 9 month basis. The sales volume was affected by the unfavorable wet weather condition and the recent parliamentary and the presidential election events, which have somewhat slowed down the local business activities as a whole.

## Cost of sales

	Group			Group		
	3rd Qtr 1 Jul 2014 to 30 Sep 2014	3rd Qtr 1 Jul 2013 to 30 Sep 2013	Increase/ (decrease)	1 Jan 2014 to 30 Sep 2014	1 Jan 2013 to 30 Sep 2013	Increase/ (decrease)
	Rp'million	Rp'million	%	Rp'million	Rp'million	%
Raw material	293,458	310,850	(6)	932,562	956,418	(2)
Labour costs	178,400	148,977	20	534,000	443,046	21
Factory overhead	173,261	157,128	10	598,217	479,629	25
Movement in finished goods	(11,454)	15,566	n.m	(105,064)	(15,661)	571
<b>Total</b>	<b>633,665</b>	<b>632,521</b>	<b>0</b>	<b>1,959,715</b>	<b>1,863,432</b>	<b>5</b>

Our raw materials comprise of cost of logs and veneer purchased and its incidental costs. The factory overheads consist of cost of chemical glues (production and outright purchases) and costs related directly and indirectly to production.

The increase in the costs of sales was mainly due to higher labour costs (a result of the increase in minimum wage in Indonesia) and other production costs (consequences of reduction in fuel subsidy by the Indonesian government).

## Gross profit

Our gross profit increased by 13% in both 9M and 3Q 2014. This was mainly due to higher revenue generated particularly from the export sales.

## Other Income

Other income in 9M 2013 comprises mainly an insurance claim on damaged equipment of Rp10 billion. In this reporting period, it comprises insurance claim for damaged stock amounting to Rp1 billion and miscellaneous income. Movement in 3Q was not significant in value.

## Selling expenses

The increase in the selling expenses came mainly from freight costs which were in line with the increase in the export activities and higher spending on promotional activities to promote the products overseas. In 9M 2014, freight and promotional expenses increased by Rp14 billion and Rp4 billion respectively. For the quarter ended, the increase was mainly due to freight costs.

## General and administration ("G&A") expenses

Our G&A expenses have increased over that of previous periods due mainly to increase in staff costs, training expenses, corporate travelling and transportation expenses and professional fees.

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## Finance Expenses

Our finance expenses relate mainly to interest expense. The increase was mainly due to drawdown of additional loans for capital expenditure and working capital.

## Other expenses

Other expenses in 9M 2014 comprises mainly workers' voluntarily separation expenses of Rp6 billion and an exchange loss of Rp18 billion. Other expenses for 3Q 2014 and 2013 comprises mainly exchange losses of Rp13 billion and Rp44 billion respectively.

The workers' expenses arose as a result of the Group's manufacturing plants restructuring and relocation exercise to central Java to improve production efficiency and to stem rising costs in the long-term. The strengthening of US dollar has resulted in the exchange loss, mainly because of translation of our US dollar denominated loans.

## Taxation

Our tax expenses comprise the following:

	Group			Group		
	3rd Qtr 1 Jul 2014 to 30 Sep 2014 Rp'million	3rd Qtr 1 Jul 2013 to 30 Sep 2013 Rp'million	Increase/ (decrease) %	1 Jan 2014 to 30 Sep 2014 Rp'million	1 Jan 2013 to 30 Sep 2013 Rp'million	Increase/ (decrease) %
Current income tax	5,194	(988)	n.m	(20,956)	(23,060)	(9)
Deferred income tax	(604)	13,063	n.m	12,278	21,700	(43)
Under provision of prior years taxes	(2,101)	(209)	905	(2,102)	(913)	130
Total	<u>2,489</u>	<u>11,866</u>	<u>(79)</u>	<u>(10,780)</u>	<u>(2,273)</u>	<u>374</u>

Indonesia adopts individual company income tax system.

Our effective tax rate was not aligned with statutory tax rate due mainly to certain expenses not deductible for tax purposes and losses of certain subsidiaries which cannot be offset with the profits of the other profit making entities.

## (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

### Statement of Financial Position

The Group's property, plant and equipment decreased by Rp0.3 billion. This is due mainly to depreciation charges incurred during the period, offsetted by addition of fixed assets (excluding advance payment for fixed assets).

Our trees planting program continued and we have incurred Rp4 billion in various estates as at 9M 2014. For the same period ended, the Group has successfully obtained the tree plantation land use rights for its upstream activities. The total land use rights cost is Rp11 billion of which Rp10 billion was prepaid in previous years. The prepaid amount was reclassified from other non-current assets (prepayment) to land use rights account during the period.

The deferred tax assets have also increased by Rp13 billion mainly due to accrual of tax benefits arising from the provision for post-employment benefits and unutilised tax losses.

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For the period ended 9M 2014, our Group's current assets have increased by Rp269 billion to Rp1,098 billion. The increase was due mainly to:

- 1) higher inventories level for work in progress stocks and finished goods. The increase in finished goods and work in progress was Rp101 billion and Rp46 billion respectively over end of 2013;
- 2) higher trade receivables. Total domestic and export receivables increased by Rp57 billion and Rp5 billion respectively. The increase in domestic trade receivables was mainly due to increase in sales towards the quarter end, after the long Muslim "Hari Raya" holiday;
- 3) increase in VAT receivables as well as prepayment for income tax and insurance. The increase in VAT receivables is in line with the increase with the domestic trade receivables;
- 4) higher advances to suppliers mainly for the purchase of fixed assets. Total such advances grew by Rp57 billion; and
- 5) offset by lower cash generated and restricted deposits (as explained below).

As at 30 September 2014, our Group's current liabilities have increased by Rp164 billion to Rp797 billion. This contributed mainly by the:

- 1) increase in the trade and other payables of Rp52 billion as a results of working capital management and timing differences in the payment;
- 2) increase in the accrual of salaries, bonuses and its related benefits costs; the increase was due mainly to salary adjustments and the absence of accrual for thirteen month bonus at end 2013 as it was paid by the end of FY 2013;
- 3) increase in provision for taxes and accrual of freight costs; and
- 4) increase in borrowings.

For the same period ended, the non-current liabilities have increased by Rp125 billion. This was mainly due to provision for retirement benefits made during the period, as assessed by professional actuary and drawdown of new loans.

### *Statement of Cash Flow*

During the period, the Group incurred net cash outflow of Rp28 billion and Rp143 billion from the operating and investing activities, and reported inflow of Rp168 billion for financing activities. Net cash decreased by Rp3 billion.

Cash outflow from operating activities was due mainly to higher cash used to reinvest in the production of goods and purchase of materials.

Our cash used in the investing activities were mainly for acquisitions of property, plant and equipment and expenditure on trees planting and land use rights for our upstream activities. The cash used was higher in 9M 2014 mainly due to acquisitions of machinery for the production facilities.

Our cash flow in the financing activities relates mainly to repayments of bank borrowings and its interests and drawdown of loans as well as placement of deposits as security for the borrowings. In June 2014, the Group has successfully refinanced its existing loans and also managed to get additional funding for its capital expenditures. During the current period, the Group has drawdown some new loan facilities and restricted deposits to finance its investment activities and operations.

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**9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

Not applicable.

**10. A commentary at the date of the announcement of the trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

- 1) The Group has US dollar borrowings, where the risk of foreign exchange fluctuation may materially affect the Group's results (positively or negatively depending on, inter alia, the direction of the fluctuation). Although, the risk may be mitigated by our increasing US dollar export sales (thus providing the natural hedging to the foreign currency fluctuation exposure), we illustrate below the sensitivity impact of our US dollar borrowings to our net profit arising from the possible change in the US exchange rate, assuming all other variables are held constant with tax rates of 25% and 17% in Indonesia and Singapore respectively:

Indonesia Rupiah to US Dollar exchange rates	Loss after tax for the period ended Rp10,988 million
(Weakened) / strengthened	(Increase)/ decrease
	Rp'million
(9%)	(28,440)
(6%)	(18,960)
(3%)	(9,480)
3%	9,480
6%	18,960
9%	28,440

Exchange rates:

	<u>US\$1</u>
- 7 November 2014	Rp12,149
- 30 September 2014	Rp12,212
- 31 December 2013	Rp12,189
- 30 September 2013	Rp11,613

- 2) Escalation of production and operation costs is a key factor affecting the profitability of our operation. Although we saw a significant increase in the minimum wage and other overheads last year and a more moderate increase in these costs so far this year, we caution that the inflationary costs pressure remains a challenge in the near term. In the previous quarter, the Group undertook restructuring exercises which include optimising plywood line of business and relocating some of its manufacturing plants to Central Java. This will result in lower production costs, in particular labour and logistic costs. These exercises are ongoing and are expected to complete in the near term. We will continue to monitor the situation and will take further actions to mitigate the costs pressure and strive to remain competitive.
- 3) Following the conclusion of the 2014 general election in Indonesia, the political environment has improved somewhat. Domestic competition on our plywood products particularly from smaller set up manufacturers remains. We are working to overcome these challenges with various strategies including penetrating new market segments in Indonesia and emphasize on products quality. Barring any unforeseen circumstances, we believe our local sales will be stable and our export sales to improve. Our current export market is mainly to North Asia, in particular Japan.

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- 4) The continuing efforts of our products innovation initiative have produced some positive results. We have received positive feedbacks from overseas markets, particularly on our decking products build quality. We anticipate to increase our decking production capacity to cater for potential increase in the demands. Consequent to that, our capital expenditure is expected to increase in the near term. Our recent other initiative includes converting the production of partial truck body parts using environmental friendly (eco) materials to full truck body parts using eco materials. We will continue to explore, develop and be innovative in our product offerings and manage our production efficiently. Our strategy of carrying out own tree planting remains and we believe it will benefit us in the longer term.

## **11. Dividend**

### ***(a) Current Financial Period Reported On***

Any dividend declared for the current financial period reported on?

No dividend will be declared in the current period being reviewed.

### ***(b) Corresponding Period of the Immediately Preceding Financial Year***

Any dividend declared for the corresponding period of the immediately preceding financial year?

No.

### ***(c) Date payable***

Not applicable

### ***(d) Books closure date***

Not applicable

## **12. If no dividend has been declared/recommendeded, a statement to that effect.**

No dividend for financial period ended 30 September 2014 has been declared.

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### 13. Interested person transactions.

Name of interested person	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted during the financial period under review under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
	1 January – 30 September 2014	
	Rp'million	Rp'million
PT Pelayaran Nelly Dwi Putri Time charter of tug and barges; and Freight expense	18,872	-
PT Wahana Sekar Agro Cooperation for cultivation of trees	1,190	-
PT Sampoerna Land (formerly PT Buana Sakti) Office rental	3,083	-

### 14. Statement by Directors pursuant to rule 705(5) of the SGX Listing Manual

The Directors confirm that, to the best of their knowledge, nothing has come to the attention of the Directors which may render the unaudited financial statements for the third quarter ended 30 September 2014 to be false or misleading in any material aspect.

#### BY ORDER OF THE BOARD

Aris Sunarko @ Ko Tji Kim  
Chief Executive Officer  
7 November 2014