

# SAMKO TIMBER LIMITED

Company Registration Number: 200517815M

## Unaudited Third Quarter Financial Statement and Dividend Announcement for the Period Ended 30/09/2008

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

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

	Group					
	3rd Qtr 1 Jul 2008 to 30 Sep 2008	3rd Qtr 1 Jul 2007 to 30 Sep 2007	Change	1 Jan 2008 to 30 Sep 2008	1 Jan 2007 to 30 Sep 2007	Change
	Rp Million	Rp Million	%	Rp Million	Rp Million	%
Revenue	858,467	597,985	43.6%	2,466,030	1,583,459	55.7%
Cost of Sales	(767,536)	(483,115)	58.9%	(2,128,491)	(1,270,219)	67.6%
<b>Gross profit</b>	<b>90,931</b>	<b>114,870</b>	<b>-20.8%</b>	<b>337,539</b>	<b>313,240</b>	<b>7.8%</b>
<b>Other items of income</b>						
Finance income	432	1,525	-71.7%	2,010	4,314	-53.4%
Other income	13,482	15,582	-13.5%	95,370	20,721	360.3%
<b>Other items of expenses</b>						
Selling expenses	(48,775)	(24,269)	101.0%	(126,039)	(80,891)	55.8%
General & administrative expenses	(54,103)	(38,110)	42.0%	(150,520)	(98,126)	53.4%
Finance expense	(45,328)	(29,666)	52.8%	(123,343)	(88,324)	39.6%
Other expenses	(385,595)	(4,285)	8898.7%	(347,489)	(19,002)	1728.7%
Share of results in associate	-	(2,381)	-100.0%	-	27,736	-100.0%
<b>(Loss)/profit before tax</b>	<b>(428,956)</b>	<b>33,266</b>	<b>n.m</b>	<b>(312,472)</b>	<b>79,668</b>	<b>-492.2%</b>
Taxation	(36,639)	(21,485)	70.5%	(71,184)	(29,837)	138.6%
<b>(Loss)/profit for the period</b>	<b>(465,595)</b>	<b>11,781</b>	<b>-4052.1%</b>	<b>(383,656)</b>	<b>49,831</b>	<b>-869.9%</b>
<b>Attributable to:</b>						
Equity holders of the Company	(452,856)	10,060	n.m	(397,795)	49,270	-907.4%
Minority interests	(12,739)	1,721	n.m	14,139	561	2420.3%
	<b>(465,595)</b>	<b>11,781</b>	<b>-4052.1%</b>	<b>(383,656)</b>	<b>49,831</b>	<b>-869.9%</b>

n.m: not meaningful

#### Notes:

The consolidated report of the Group for the third quarter ended 30 September 2007 included PT Sumalindo Lestari Jaya ("Sumalindo") accounts. Sumalindo was consolidated commencing on 29 August 2007.

# SAMKO TIMBER LIMITED

Company Registration Number: 200517815M

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

Group						
3rd Qtr 1 Jul 2008 to 30 Sep 2008	3rd Qtr 1 Jul 2007 to 30 Sep 2007	Change	1 Jan 2008 to 30 Sep 2008	1 Jan 2007 to 30 Sep 2007	Change	
Gain (loss) on foreign exchange, net	(48,634)	3,137	1650.3%	15,952	10,098	-58.0%
Gain (loss) on derivative contract	2,303	13,579	83.0%	4,439	(362)	1326.2%
Changes in fair value of biological asset	9,440	(2,903)	425.2%	20,252	(3,018)	771.0%
Realization of difference arising from changes in equity transaction of an associated company	-	27,736	100.0%	-	27,736	100.0%
Depreciation of property, plant and equipment	(56,379)	(34,915)	-61.5%	(144,694)	(79,703)	-81.5%
Impairment of goodwill	(263,747)	(125)	-210897.6%	(263,747)	(125)	-210897.6%
Impairment of machinery and equipment	(70,852)	-	n.m	(70,852)	-	n.m
Gain on loan waiver	-	-	n.m	50,968	-	n.m
Amortisation of land use rights	(1,731)	(615)	-181.5%	(5,023)	(1,845)	-172.2%
Gain on dilution of investment	119	1,597	92.5%	2,132	5,583	61.8%

n.m: not meaningful

# SAMKO TIMBER LIMITED

Company Registration Number: 200517815M

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

	Group		Company	
	As at 30 Sep 2008	As at 31 Dec 2007	As at 30 Sep 2008	As at 31 Dec 2007
	Rp Million	Rp Million	Rp Million	Rp Million
<b>Non-current assets</b>				
Property, plant and equipment	2,137,472	1,877,722	1,183	534
Intangible assets	40,901	41,655	-	-
Goodwill	700,843	841,103	-	-
Investment in subsidiary company	-	-	1,290,693	1,290,693
Biological assets	453,457	412,403	-	-
Land use rights	100,093	66,197	-	-
Deferred tax assets	135,908	181,548	-	-
Other non-current assets	114,702	52,171	159	-
	<b>3,683,376</b>	<b>3,472,799</b>	<b>1,292,035</b>	<b>1,291,227</b>
<b>Current assets</b>				
Inventories	714,764	582,605	-	-
Trade and other receivables	147,648	158,566	730,527	256,798
Prepaid operating expenses	49,773	160,814	53	16,988
Advances to suppliers	232,383	186,031	252	41
Derivative financial instruments	72	-	-	-
Cash and cash equivalents	119,559	172,867	11,081	10,278
	<b>1,264,199</b>	<b>1,260,883</b>	<b>741,913</b>	<b>284,105</b>
<b>Current liabilities</b>				
Trade and other payable	275,479	236,264	1,878	3,683
Other liabilities	262,058	226,949	5,105	-
Derivative financial instruments	1,477	1,269	-	-
Provision for taxation	22,026	40,323	-	-
Short term bank borrowings	310,583	324,917	-	-
Long term borrowings (current portion)	459,247	288,807	94,931	-
	<b>1,330,870</b>	<b>1,118,529</b>	<b>101,914</b>	<b>3,683</b>
<b>Net current (liabilities)/ assets</b>	<b>(66,671)</b>	<b>142,354</b>	<b>639,999</b>	<b>280,422</b>
<b>Non-current liabilities</b>				
Long term borrowings	1,046,083	1,322,874	-	310,827
Post-employment benefits	42,169	44,894	-	-
Deferred tax liabilities	135,546	132,331	-	-
Other liability	202,860	202,860	-	-
	<b>1,426,658</b>	<b>1,702,959</b>	<b>-</b>	<b>310,827</b>
<b>Net assets</b>	<b>2,190,047</b>	<b>1,912,194</b>	<b>1,932,034</b>	<b>1,260,822</b>
<b>Equity attributable to equity holders of the parent</b>				
Share capital	1,930,676	1,269,167	1,930,676	1,269,167
Reserves	(159,353)	238,442	1,358	(8,345)
	<b>1,771,323</b>	<b>1,507,609</b>	<b>1,932,034</b>	<b>1,260,822</b>
<b>Minority Interests</b>	<b>418,724</b>	<b>404,585</b>	<b>-</b>	<b>-</b>
	<b>2,190,047</b>	<b>1,912,194</b>	<b>1,932,034</b>	<b>1,260,822</b>

# SAMKO TIMBER LIMITED

Company Registration Number: 200517815M

1(b)(ii) In relation to the aggregate amount of the group's borrowings and debt securities, specify the following as at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year:-

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

As at 30 Sep 2008		As At 31 Dec 2007	
Secured Rp million	Unsecured Rp million	Secured Rp million	Unsecured Rp million
764,962	4,868	606,604	7,120

## Amount repayable after one year

Secured Rp million	Unsecured Rp million	Secured Rp million	Unsecured Rp million
1,046,083	-	1,322,874	-

## Details of any collateral

Our bank borrowings are secured and guaranteed by the following:

- (1) Short term working capital facilities: corporate guarantees, pledge on asset, accounts receivable, subsidiaries' inventories and fixed assets of the Group and personal guarantees, fixed assets and deposits from two directors and a relative of such directors;
- (2) Long term bank borrowings: corporate guarantees, land, buildings, inventories and machineries of the Group; and
- (3) All assets acquired under finance leases are secured against the assets under lease.

# SAMKO TIMBER LIMITED

Company Registration Number: 200517815M

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

	Group	
	1 Jan 2008 to 30 Sep 2008 Rp Million	1 Jan 2007 to 30 Sep 2007 Rp Million
<b>Cash flows from operating activities</b>		
(Loss)/ profit before tax	(312,472)	79,668
Adjustments:		
Impairment of goodwill	263,747	125
Depreciation of property, plant and equipment	144,694	79,703
Interest expense	123,343	88,324
Impairment of property, plant and equipment	70,852	
Amortisation of land use rights	5,023	1,845
Amortisation of intangible assets	2,068	-
Amortization of deferred losses on sales and lease back	436	-
Gain on loan forgiven	(50,968)	1,980
(Gain)/ Loss on change in fair value of biological assets	(20,252)	3,018
Unrealised exchange (gain)/ loss	(10,064)	8,698
Gain on dilution of investment	(2,132)	(5,583)
Interest income	(2,010)	(4,314)
Share of results in associate	(1,627)	(27,736)
<b>Operating cash flow before changes in working capital</b>	210,638	225,728
<b>Changes in working capital</b>		
Inventories	(132,159)	(26,841)
Trade and other receivables	11,002	1,159
Prepaid operating expenses	111,041	(17,100)
Advance to suppliers	(46,352)	31,006
Trade and other payable	39,215	149,818
Post-employment benefits	(2,725)	6,639
Other liabilities	57,627	85,283
Other non-current assets	(60,365)	(339,857)
<b>Cash flow provided by operations</b>	187,922	115,835
Income tax paid	(40,245)	(41,925)
<b>Net cash provided by operating activities</b>	147,677	73,910
<b>Cash flows from investing activities</b>		
Purchase of property, plant, and equipment	(386,868)	(216,979)
(Additions)/ deduction of land use rights	(38,919)	(18,641)
Acquisition of subsidiaries, net of cash acquired	(29,994)	(693,018)
(Addition)/ deduction of biological assets	(20,802)	(2,093)
Deduction of intangible assets	(1,064)	-
Proceeds from disposal of property, plant and equipment	10,043	8,610
Interest received	2,010	4,314
Investment in an associate	-	(46,891)
Acquisition of subsidiaries under common control	-	(7,800)
Proceeds from disposal of available for sale financial assets	-	9,278
<b>Net cash used in investing activities</b>	(465,594)	(963,220)
<b>Cash flows from financing activities</b>		
Proceeds from issuance of ordinary shares	661,509	793,327
Proceeds from long-term loans	365,323	396,047
Repayment of long-term loans	(597,087)	(57,531)
(Repayments)/ proceeds of short term bank loans	(14,334)	8,336
Interest expense paid	(150,802)	(88,324)
<b>Net cash provided by financing activities</b>	264,609	1,051,855
Net (decrease)/ increase in cash and cash equivalents	(53,308)	162,545
Cash and cash equivalents at beginning of period	172,867	164,162
Cash and cash equivalents at end of period	119,559	326,707

### Notes:

The consolidated report of the Group for the third quarter ended 30 September 2007 includes Sumalindo accounts. Sumalindo was consolidated commencing on 29 August 2007.

# SAMKO TIMBER LIMITED

Company Registration Number: 200517815M

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 period.

## Group

	Attributable to equity holders of the Parent				Minority Interest	Total Equity
	Share Capital	Restructuring reserves	Accumulated losses	Total		
	Rp million	Rp million	Rp million	Rp million		
Balance at 1 January 2008	1,269,167	309,050	(70,608)	1,507,609	404,585	1,912,194
Issuance of ordinary shares	661,509	-	-	661,509	-	661,509
Profit for the period, representing total recognised income and expense for the period	-	-	(397,795)	(397,795)	14,139	(383,656)
Balance at 30 September 2008	<u>1,930,676</u>	<u>309,050</u>	<u>(468,403)</u>	<u>1,771,323</u>	<u>418,724</u>	<u>2,190,047</u>
Balance at 1 January 2007	475,840	168,027	(117,726)	526,141	55,298	581,439
Issuance of ordinary shares	793,327	-	-	793,327	-	793,327
Minority interest on acquisition of subsidiary	-	-	-	-	340,998	340,998
Adjustment arising from the restructuring exercise	-	144,587	-	144,587	-	144,587
Profit/ (loss) for the period, representing total recognised income and expense for the period	-	-	49,270	49,270	561	49,831
Balance at 30 September 2007	<u>1,269,167</u>	<u>312,614</u>	<u>(68,456)</u>	<u>1,513,325</u>	<u>396,857</u>	<u>1,910,182</u>

## Company

	Attributable to equity holders of the Parent		
	Share Capital	Accumulated (losses)/ profit	Total
	Rp million	Rp million	Rp million
Balance at 1 January 2008	1,269,167	(8,345)	1,260,822
Issuance of ordinary shares	661,509	-	661,509
Profit for the period, representing total recognised income and expense for the period	-	9,703	9,703
Balance at 30 September 2008	<u>1,930,676</u>	<u>1,358</u>	<u>1,932,034</u>
Balance at 1 January 2007	475,840	3,036	478,876
Issuance of ordinary shares	793,327	-	793,327
Loss for the period, representing total recognised income and expense for the period	-	-	-
Balance at 30 September 2007	<u>1,269,167</u>	<u>3,036</u>	<u>1,272,203</u>

# SAMKO TIMBER LIMITED

Company Registration Number: 200517815M

- 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 at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial period.

	Group and Company Number of Shares
Ordinary shares at 30 September 2008	898,162,562

- 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 period.

	Company	
	30 Sep 2008 Actual	31 Dec 2007 Actual
Total number of issued shares excluding treasury shares	898,162,562	684,623,916

There were no shares held as treasury shares as at 30 September 2008 and 31 December 2007.

- 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.

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

The financial statements have not been audited nor reviewed by the auditors.

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.

There were no changes in the accounting policies and methods of computation adopted by the Group and the Company for the preparation of the financial statements for the current reporting period compared to the audited financial statements as at 31 December 2007.

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.

There are no changes in the accounting policies and methods of computation.

# SAMKO TIMBER LIMITED

Company Registration Number: 200517815M

**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			
	3rd Qtr 1 Jul 2008 to 30 Sep 2008	3rd Qtr 1 Jul 2007 to 30 Sep 2007	1 Jan 2008 to 30 Sep 2008	1 Jan 2007 to 30 Sep 2007
Weighted average number of ordinary shares for basic earnings per share computation	898,162,562	629,757,861	855,141,956	609,955,755
Weighted average number of ordinary shares for diluted earnings per share computation	898,162,562	633,949,107	855,141,956	614,147,002
	Rp (full amount)	Rp (full amount)	Rp (full amount)	Rp (full amount)
Earnings per ordinary share - basic	<u>(504)</u>	<u>16</u>	<u>(465)</u>	<u>81</u>
Earnings per ordinary share - diluted	<u>(504)</u>	<u>16</u>	<u>(465)</u>	<u>80</u>

**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	
	As at 30 Sep 2008	As at 31 Dec 2007	As at 30 Sep 2008	As at 31 Dec 2007
Net asset for the period attributable to ordinary equity holders of the parent used in computation of net asset value per share (Rp million)	<u>1,771,323</u>	<u>1,507,609</u>	<u>1,932,034</u>	<u>1,260,822</u>
Number of ordinary shares at the end of period	<u>898,162,562</u>	<u>684,623,916</u>	<u>898,162,562</u>	<u>684,623,916</u>
Net asset value per ordinary share (Rp)	<u>1,972</u>	<u>2,202</u>	<u>2,151</u>	<u>1,842</u>

**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; and

The Group's consolidated income statement for the third quarter ended 30 September 2008 has fluctuated significantly as compared to the same period last year. The acquisition of additional shares in the share capital of Sumalindo has resulted in the Company having control of Sumalindo and the consolidation of Sumalindo's results in the Group's third quarter ended 30 September 2008 below.



# SAMKO TIMBER LIMITED

Company Registration Number: 200517815M

## Revenue

	3rd Qtr 1 Jul 2008 to 30 Sep 2008	3rd Qtr 1 Jul 2007 to 30 Sep 2007	Change	1 Jan 2008 to 30 Sep 2008	1 Jan 2007 to 30 Sep 2007	Change
	Rp Million	Rp Million	%	Rp Million	Rp Million	%
Domestic sales	570,334	424,208	34.4%	1,671,347	1,056,976	58.1%
Export sales	288,133	173,777	65.8%	794,683	526,483	50.9%
	<u>858,467</u>	<u>597,985</u>	<u>43.6%</u>	<u>2,466,030</u>	<u>1,583,459</u>	<u>55.7%</u>

Our revenue during the third quarter and the nine months ended 30 September 2008, respectively increased by 44% and 56% compared to the corresponding periods last year. These were resulted mainly from the consolidation of Sumalindo's revenues commencing from 29 August 2007. Our revenue during the third quarter of 2008 was Rp858 billion, increased by Rp260 billion from the previous year's corresponding period result of Rp598 billion, where Sumalindo for the same period of 2008 contributed Rp190 billion to the revenue increase.

Our revenue for the nine months of 2008 was Rp2,466 billion, increased by Rp883 billion compared to the previous corresponding period of Rp1,583 billion, where Sumalindo for the same period of 2008 contributed Rp741 billion to the revenue increase.

The increase in our revenues for the third quarter and the nine months ended 30 September 2008 were mainly driven by the increase in our export and domestic sales volumes and prices. Our total sales volume for the nine months ended 30 September 2008 increased by 52% to 675,835 cubic meters compared to 444,659 cubic meters during the same period of last year.

Our average sales price in the third quarter of 2008 increased by 11% compared to the same period of last year. Our export sales in the third quarter of 2008 increased by 66% to Rp288 billion compared to Rp174 billion in the corresponding period of 2007. For the period of nine months ended 30 September 2008, our export sales increased by 51% to Rp795 billion compared to Rp526 billion in the corresponding period last year. Our domestic sales for the nine months of 2008 increased by 58% to Rp1,671 billion from Rp1,057 billion in the same period of last year. In the third quarter of 2008, our domestic sales increased by 34% to Rp570 billion compared to Rp424 billion in the corresponding period of 2007.

## Cost of Sales

Group						
	3rd Qtr 1 Jul 2008 to 30 Sep 2008	3rd Qtr 1 Jul 2007 to 30 Sep 2007	Change	1 Jan 2008 to 30 Sep 2008	1 Jan 2007 to 30 Sep 2007	Change
	Rp Million	Rp Million	%	Rp Million	Rp Million	%
Raw material used	425,460	252,183	68.7%	1,078,344	688,961	56.5%
Labour costs	108,254	76,290	41.9%	285,054	184,578	54.4%
Factory overhead	261,426	170,067	53.7%	750,482	382,862	96.0%
Movement in finished goods	(27,604)	(15,425)	79.0%	14,611	13,818	5.7%
	<u>767,536</u>	<u>483,115</u>	<u>58.9%</u>	<u>2,128,491</u>	<u>1,270,219</u>	<u>67.6%</u>

# **SAMKO TIMBER LIMITED**

Company Registration Number: 200517815M

## *Raw materials used*

Our raw materials used comprise of cost of logs purchased from third parties, which typically includes cost of transportation to our processing plants, reforestation fees, costs of veneer purchased from third parties and logging costs.

The raw material costs had increased by 69% to Rp425 billion in the third quarter of 2008 from Rp252 billion in the corresponding period of 2007, in line with the consolidation of Sumalindo's third quarter results and the increase in sales volume. As a percentage of our cost of sales, our raw material cost increased to 55% in the third quarter of 2008 from 52% in the corresponding quarter of 2007 which is mainly due to a significant increase in log prices during third quarter 2008.

In the nine months of 2008, our raw material costs increased by 57% to Rp1,078 billion from Rp689 billion in the corresponding period of 2007 mainly due to the consolidation of Sumalindo. As a percentage of our cost of sales, raw material cost in the nine months of 2008 and 2007 was 51% and 54%, respectively. The lower percentage of raw material cost in the nine months of 2008 compared to the same period last year was mainly due to the consolidation of Sumalindo which has a lower percentage of log cost in its cost structure.

## *Factory overheads*

Our factory overheads consist of chemical glues (including cost of production of chemical glues at our factory and third party purchases), energy costs for operation of our processing plants, ancillary raw materials, depreciation of our production facilities, spare parts and other costs relating to production.

Our factory overheads increased by 54% to Rp261 billion in the third quarter of 2008 from Rp170 billion in the corresponding quarter of 2007 in line with the consolidation of Sumalindo, increase in production volume, increase in glue price and general price increases caused by inflation.

For the nine months of 2008, our factory overheads increased by 96% to Rp750 billion compared to Rp383 billion in the corresponding period of 2007, mainly as result of the consolidation of Sumalindo, in particular related to depreciation expense, increase in energy cost and increase in the glue cost as well as general price increases due to inflation.

Our depreciation expense increased from Rp80 billion in the nine months of 2007 to Rp145 billion in the same period of 2008 where Sumalindo contributed a depreciation expense of Rp73 billion during the period.

Our energy cost increased by 35% in the nine months of 2008 to Rp192 thousand per cubic meter compared to Rp144 thousand per cubic meter in the corresponding period last year, giving a total energy cost of Rp127 billion in the nine months of 2008 compared to Rp63 billion in the corresponding period last year.

Our glue costs increased by 14% to Rp312 thousand per cubic meter in the nine months of 2008 compared to Rp274 thousand per cubic meter in the same period last year.

## **Gross Profit**

Our gross profit decreased by 21% to Rp91 billion in the third quarter of 2008 from Rp115 billion in the third quarter of 2007. As a percentage of sales however, our gross profit margin declined to 11% in the third quarter of 2008 from 19% in the corresponding quarter of 2007.

For the nine months of 2008 our gross profit margin has decreased by 6% to 14% compared to 20% in the corresponding period of 2007.

The decline in our gross profit margin was mainly affected by the increase in our cost of raw material, glue, energy and depreciation.

# **SAMKO TIMBER LIMITED**

Company Registration Number: 200517815M

## **Other Income / Expense**

In the third quarter of 2008 we incurred other expenses of Rp372 billion compared to other income of Rp11 billion in the corresponding quarter of 2007. The increase in our other expense during the period mainly comprised of a foreign exchange loss of Rp46 billion (mainly arises from the translation foreign exchange loss in our balance sheet), provisions for the impairment of goodwill from our investment in a subsidiary of Rp264 billion and impairment of fixed assets of Rp71 billion.

The impairment of goodwill from our investment in a subsidiary was based on our internal valuation which is subject to final valuation by a third party independent valuer.

For the nine months of 2008, our other expenses were Rp252 billion compared to other income of Rp2 billion in the corresponding period of 2007. Our other expenses for the nine months of 2008 were mainly derived from the provision for impairment of goodwill and fixed assets as described above, partially offset by a foreign exchange gain of Rp20 billion (please see above explanation on foreign exchange), gain on the fair value of our biological assets of Rp20 billion and a loan prepayment discount of Rp51 billion exercised by a subsidiary of Sumalindo.

## **Selling Expenses**

Our selling expenses increased by 101% to Rp49 billion in the third quarter of 2008 from Rp24 billion in the corresponding period of 2007. For the nine months of 2008 our selling expenses increased by 56% to Rp126 billion compared to Rp81 billion in the corresponding period of 2007. The increase in our selling expense was mainly due to the consolidation of Sumalindo and the overall increase in the freight costs owing to high fuel costs. As a percentage of sales, our selling expenses for the third quarter of 2008 were approximately 6% of revenue compared to 4% in the corresponding period last year.

## **General and Administration Expense**

Our general and administration (“G&A”) expenses in the third quarter and the nine months of 2008 were respectively increased by 42% and 53% compared to the corresponding periods of 2007. Our G&A expenses for the third quarter of 2008 was Rp54 billion and in the same period of 2007 was Rp38 billion. The increase in our G&A expenses were mainly affected by the consolidation of Sumalindo and the increase in headcount at our head office. As a percentage of sales, the G&A expenses accounted for 6% of revenue in the third quarters of 2008 and 2007.

## **Taxation**

Tax expenses for the third quarter of 2008 increased by Rp15 billion compared to the same period last year. During the period there was a provision of some deferred tax assets of Rp57 billion which arose from accumulated tax losses of our subsidiaries, PT Putra Sumber Utama Timber (“PSUT”) (Rp46 billion) and Sumalindo (Rp11 billion), that could not be realised.

Our subsidiary Sumalindo received tax assessment letters from the Indonesian Tax Office confirming underpayments of income tax (Rp116 billion) and value-added tax (VAT) (Rp27 billion) for the fiscal year of 2006. Sumalindo’s management disagreed with the assessment results and filed an objection to the Indonesian Tax Office. Sumalindo’s management believes that the potential tax exposure is not likely to be material and therefore no provision was provided for the tax issue. As at the date of this announcement the objection is being processed.

# SAMKO TIMBER LIMITED

Company Registration Number: 200517815M

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

In line with our business expansion, our assets and liabilities as at 30 September 2008 have fluctuated significantly compared to 31 December 2007, mainly on the following:

- a. Increases in our non-current assets where property, plant and equipment - net was increased by 14% or Rp260 billion to Rp2,137 billion, increased advances for purchase of machineries of 120% to Rp63 billion, and increased land rights by 51% or Rp34 billion due to the acquisition of new land assets for the expansion in Java.
- b. Increases in our inventory by 23% or Rp132 billion, increased advances for the purchase of logs by 25% or Rp46 billion, and a decrease in our cash and cash equivalents by 31% or Rp53 billion.
- c. Increases in trade and other payables by 17% or Rp39 billion and a 15% or Rp35 billion increase in other current liabilities mainly derived from customer advances.

Our subsidiary, Sumalindo, has completed its acquisition of PT Essam Timber in June 2008. The acquisition has a significant impact on our consolidated balance sheet for the reported period, mainly in the increase in fixed assets – net by Rp97 billion, increase in goodwill by Rp119 billion and increase in bank loan by Rp140 billion.

Prepaid operating expenses (deferred IPO expenses) decreased by Rp117 billion, which were subsequently offset against the IPO proceeds.

The Company has recently been informed by its subsidiary, PT Sumalindo Lestari Jaya Tbk (“SULI”), a public company listed on the Jakarta Stock Exchange, that certain current ratio covenants under its loan agreement with its lender, have been breached. SULI has informed the relevant banks of the covenant breaches and none of the banks have declare any event of default or make any demand of repayment. SULI is currently in discussions with its lenders to amend the ratio covenants under these facilities, and the Company will update its shareholders on the status of such discussions should there be any material developments.

In addition another subsidiary, PT Sumber Graha Sejahtera, had breached a covenant in a US\$15 million loan facility to maintain an EBITDA to Debt Service ratio of at least 1.3 to 1. After discussions with the lender, the lender agreed to waive the breach and to reduce the EBITDA to Debt Service ratio, and this subsidiary is in full compliance with the terms of the facility.

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

We have issued a profit warning announcement on 28 October 2008.

**10. A commentary at the date of the announcement of the significant 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 weakening of the Rupiah against the USD in September has increased the unrealised foreign exchange (“FX”) translation loss in the Group’s balance sheet arising from the Group’s USD borrowings. The Board does not expect to see any strengthening of the Rupiah in the near future and expects higher FX losses in the fourth quarter of 2008.
- 2) The Group’s operating environment has been challenging and competitive with the slow downs in the economic growth of many countries, caused by the global financial crisis. The tightening of liquidity in the financial market globally as well as in Indonesia especially in the recent 1 – 2 months has affected the Group’s working capital funding and will remain tight for the next few months.

In the worst case scenario, if the current deteriorating business conditions in our industry were to continue for a prolonged period of time, it is possible that one or two of our subsidiaries may have their working capital funding curtailed.

## SAMKO TIMBER LIMITED

Company Registration Number: 200517815M

The management is aware of these risks and have taken proactive steps to control cost and cease our capex program. We are also working closely with our bankers to maintain our working capital facilities and fulfill our various financial obligations.

- 3) For the same reason as explained in point 2 above, there will be more uncertainty in the demand for our products. We expect our export market for commodity products to remain soft until next year and will re-align our export products to the OEM ("Original Equipment Manufacturer") segment of the market which we expect to be less affected.
- 4) Substantially all of the Group's export sales are denominated in US dollars. Products prices sold in the domestic market are also influenced by the international prices of timber products which are denominated in US dollars. The Group periodically reviews the impact of movements in foreign exchange rates on profitability so that appropriate action could be taken to mitigate these risks.

The following table demonstrates the sensitivity of our loans denominated in US dollars to a reasonably possible change in the Indonesian Rupiah exchange rates (against US dollars), with all other variables held constant, on the Group's profit after tax for the year (assuming tax rate of 30%).

Exchange Rate 1 US\$ is equal to :	<b>Group</b> <b>2008</b> Rp million
Actual	Loss after tax for the nine month ended 30 September
9,378	(465,595)
Test Rate	Increase
12,000	(210,997)
11,500	(170,761)
11,000	(130,525)
10,500	(90,289)
10,000	(50,053)
9,500	(9,818)

Note:

- Exchange rate of IDR to 1US\$ at 31 December 2007 was Rp9,419
- Exchange rate of IDR to 1US\$ at 30 September 2008 was Rp9,378
- Exchange rate of IDR to 1US\$ at 10 November 2008 was Rp11,000
- Our US\$ loans as of 30 September 2008 amounts to US\$170 million.

- 5) The management also anticipates that some other income or expenses from impairment losses might be incurred in relation to the valuation of our biological assets.
- 6) The Board is currently reviewing potential fund raising alternatives to strengthen the Group's liquidity, including if necessary the disposal of our certain assets which are subject to regulatory approvals. The Company will release further announcements to update Shareholders should there be further developments.

# SAMKO TIMBER LIMITED

Company Registration Number: 200517815M

## 11. Dividend

### (a) 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

Not applicable

### (c) Date payable

Not applicable

### (d) Books closure date

Not applicable

## 12. If no dividend has been declared (recommended), a statement to that effect.

No dividend for third quarter ended 30 September 2008 has been declared.

## 13. Interested persons transactions

Name of Interested Person	Aggregate value of all interested person transactions during the financial year 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 year under review under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
	1 Jan 2008 to 30 Sep 2008	
	Rp Million	Rp Million
PT Pelayaran Nelly Dwi Putri <ul style="list-style-type: none"><li>Time charter of tug and barges</li><li>Freight</li></ul>	39,497	-
Hasan Holding Pte Ltd <ul style="list-style-type: none"><li>Freight</li><li>Supply of spare parts and sub material</li></ul>	7,278	-
PT Nelly Jaya Pratama <ul style="list-style-type: none"><li>Supply of veneer and sales commission</li></ul>	19,919	-

During the nine months ended 30 September 2008 our Group has made a downpayment of Rp3,623 million for the purchase of trees from PT Bioforest Indonesia.

## **SAMKO TIMBER LIMITED**

Company Registration Number: 200517815M

### **14. Statement by Directors pursuant to rule 705(4) 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 2008 to be false or misleading in any material aspects.

#### **By Order of the Board**

Aris Sunarko @ Ko Tji Kim  
Chief Executive Officer  
**14 November 2008**

*Credit Suisse (Singapore) Limited is the Sole Global Coordinator, Bookrunner, Issue Manager and Underwriter for the initial public offering of shares in Samko Timber Limited.*