

# SAMKO TIMBER LIMITED

Company Registration Number: 200517815M

## Unaudited First Quarter Financial Statement and Dividend Announcement for the Period Ended 31/03/2008

### PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF FIRST 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.

#### Consolidated Income Statement for the First Quarter Ended 31 March 2008<sup>1)</sup>

	Group		Increase/ (Decrease) %
	2008 Rp million	2007 Rp million	
Revenue	830,750	499,878	66%
Cost of sales	(726,369)	(407,524)	78%
<b>Gross Profit</b>	<b>104,381</b>	<b>92,354</b>	<b>13%</b>
<b>Other items of income</b>			
Finance income	818	1,762	(54%)
Other income	58,064	9,426	516%
<b>Other items of expense</b>			
Selling expenses	(35,569)	(29,582)	20%
General and administrative expenses	(41,479)	(25,425)	63%
Finance expense	(41,631)	(23,854)	75%
Other expense	(2,105)	(10,161)	(79%)
Share of results in associate	-	5,423	(100%)
Profit before taxation	42,479	19,943	113%
Taxation	(14,048)	(7,789)	80%
Profit for the period	28,431	12,154	134%
<b>Attributable to:</b>			
Equity holders of the parent	26,438	12,542	111%
Minority interests	1,993	(388)	n.m.
	28,431	12,154	134%

n.m (not meaningful)

#### Notes:

- 1) The consolidated report of the Group for the first quarter ended 31 March 2007 excludes PT. Sumalindo Lestari Jaya ("Sumalindo") accounts. Sumalindo was consolidated commencing on 29 August 2007.

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

	<b>Group</b>	
	<b>2008</b>	<b>2007</b>
	Rp million	Rp million
Gain/(loss) on change in fair value of biological assets	1,499	(115)
Realised exchange gain	13,681	10,735
Unrealised exchange gain/(losses)	36,349	(17,226)
Gain on dilution of investment	-	(5,771)
Depreciation of property, plant and equipment	(43,159)	(19,641)
Amortisation of deferred losses on sales and lease back	(671)	(989)
Amortisation of land use rights	(2,135)	(720)
Amortisation of intangible assets	(135)	-

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**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.**

## **Unaudited Balance Sheet as at the First Quarter Ended 31 March 2008 and Audited Balance Sheet as at the Full Year ended 31 December 2007**

	Group		Company	
	31 Mar 2008 Rp million	31 Dec 2007 Rp million	31 Mar 2008 Rp million	31 Dec 2007 Rp million
<b>Non-current assets</b>				
Property, plant and equipment	1,966,775	1,877,722	1,278	534
Intangible assets	41,520	41,655	-	-
Goodwill	841,103	841,103	-	-
Investment in subsidiary companies	-	-	1,290,693	1,290,693
Biological assets	422,132	412,403	-	-
Land use rights	96,950	66,197	-	-
Deferred tax assets	104,850	181,548	-	-
Other non-current assets	72,522	52,171	-	-
	<u>3,545,852</u>	<u>3,472,799</u>	<u>1,291,971</u>	<u>1,291,227</u>
<b>Current assets</b>				
Inventories	571,573	582,605	-	-
Trade and other receivables	220,004	158,566	522,387	256,798
Prepaid operating expenses	54,419	160,814	200	16,988
Advances to suppliers	250,329	186,031	106	41
Derivative financial instruments	1,765	-	-	-
Cash and cash equivalents	507,995	172,867	321,768	10,278
	<u>1,606,085</u>	<u>1,260,883</u>	<u>844,461</u>	<u>284,105</u>
<b>Current liabilities</b>				
Trade and other payable	275,881	236,264	26,196	3,683
Other liabilities	204,983	226,949	3,847	-
Derivatives financial instruments	-	1,269	-	-
Provision for taxation	33,960	40,323	-	-
Short term bank borrowings	303,010	324,917	-	-
Long term borrowings (current portion)	422,180	288,807	-	-
	<u>1,240,014</u>	<u>1,118,529</u>	<u>30,043</u>	<u>3,683</u>
<b>Net current assets</b>	<u>366,071</u>	<u>142,354</u>	<u>814,418</u>	<u>280,422</u>

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**Unaudited Balance Sheet as at the First Quarter Ended 31 March 2008 and Audited Balance Sheet as at the Full Year ended 31 December 2007 (cont'd)**

	Group		Company	
	31 Mar 2008 Rp million	31 Dec 2007 Rp million	31 Mar 2008 Rp million	31 Dec 2007 Rp million
<b>Non-current liabilities</b>				
Long term borrowing	985,343	1,322,874	151,603	310,827
Post-employment benefits	47,158	44,894	-	-
Deferred tax liabilities	51,525	132,331	-	-
Other liabilities	202,860	202,860	-	-
	1,286,886	1,702,959	151,603	310,827
<b>Net assets</b>	2,625,037	1,912,194	1,954,786	1,260,822
<b>Equity attributable to equity holder of the parent</b>				
Share capital	1,953,579	1,269,167	1,953,579	1,269,167
Reserve	264,880	238,442	1,207	(8,345)
	2,218,459	1,507,609	1,954,786	1,260,822
<b>Minority Interest</b>	406,578	404,585	-	-
	2,625,037	1,912,194	1,954,786	1,260,822

**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**

31 March 2008		31 December 2007	
Secured Rp million	Unsecured Rp million	Secured Rp million	Unsecured Rp million
720,322	4,868	606,604	7,120

**Amount repayable after one year**

31 March 2008		31 December 2007	
Secured Rp million	Unsecured Rp million	Secured Rp million	Unsecured Rp million
985,343	-	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.

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

### **Consolidated Statement of Cash Flows For the first quarter ended 31 March 2008<sup>1)</sup>**

	First Quarter Ended	
	31 Mar 2008 Rp million	31 Mar 2007 Rp million
<b>Cash flows from operating activities</b>		
Profit before tax	42,479	19,943
Adjustments:		
Depreciation of property, plant and equipment	43,159	19,641
Unrealised exchange (gain)/losses	(36,349)	17,226
(Gain)/ loss on change in fair value of biological assets	(1,499)	115
Amortisation of land use rights	2,135	720
Share of results in associate	-	(5,423)
Gain on dilution of investment in associate	-	(5,771)
Interest expense	41,631	23,854
Interest income	(818)	(1,762)
Amortization of deferred losses on sales and lease back	671	989
Post employment benefits expense	2,264	1,358
Amortisation of intangible assets	135	-
<b>Operating cash flow before changes in working capital</b>	<b>93,808</b>	<b>70,890</b>
<b>Changes in working capital</b>		
Inventories	11,032	3,097
Trade and other receivables	(61,438)	(22,328)
Prepaid operating expenses	106,395	4,421
Advance to suppliers	(64,298)	(20,473)
Trade and other payable	39,617	(20,944)
Other liabilities	1,669	46,157
Other non-current assets	(29,549)	(32,066)
<b>Cash flow provided by operations</b>	<b>97,236</b>	<b>28,754</b>
Income tax paid	(21,472)	(17,741)
<b>Net cash provided by operating activities</b>	<b>75,764</b>	<b>11,013</b>
<b>Cash flows from investing activities</b>		
Interest received	818	1,762
Additions to land use rights	(24,360)	-
Additions to biological assets	(8,230)	-
Purchase of property, plant, and equipment	(79,011)	(21,554)
<b>Net cash used in investing activities</b>	<b>(110,783)</b>	<b>(19,792)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issuance of ordinary shares	684,412	-
Proceeds/ (repayments) of short term bank loans	6,968	(2,815)
Repayment of long-term loans	(330,870)	(22,109)
Proceeds from long-term loans	74,903	57,343
Interest expense paid	(65,266)	(23,775)
<b>Net cash provided by financing activities</b>	<b>370,147</b>	<b>8,644</b>
Net increase/(decrease) in cash and cash equivalents	335,128	(135)
Cash and cash equivalents at beginning of period	172,867	164,162
Cash and cash equivalents at end of period	507,995	164,027

#### Notes:

- 1) The consolidated report of the Group for the first quarter ended 31 March 2007 excludes Sumalindo accounts. Sumalindo was consolidated commencing on 29 August 2007.

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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 period.**

## Statements of Changes in Equity For the First Quarter Ended 31 March 2008

### Group

	Attributable to equity holders of the Parent			Equity attributable to equity holders of the parent, total Rp million	Minority Interests Rp million	Total Equity Rp million
	Share Capital Rp million	Restructuring reserves Rp million	Accumulated losses 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	684,412	-	-	684,412	-	684,412
Profit for the period, representing total recognised income and expense for the period	-	-	26,438	26,438	1,993	28,431
<b>Balance at 31 March 2008</b>	<b>1,953,579</b>	<b>309,050</b>	<b>(44,170)</b>	<b>2,218,459</b>	<b>406,578</b>	<b>2,625,037</b>
Balance at 1 January 2007	475,840	168,027	(117,726)	526,141	55,298	581,439
Minority interest on acquisition of subsidiary	-	-	-	-	(218)	(218)
Adjustment arising from the restructuring exercise	-	6,662	-	6,662	-	6,662
Profit for the period, representing total recognised income and expense for the period	-	-	12,542	12,542	(388)	12,154
<b>Balance at 31 March 2007</b>	<b>475,840</b>	<b>174,689</b>	<b>(105,184)</b>	<b>545,345</b>	<b>54,692</b>	<b>600,037</b>

### Company

	Attributable to equity holders of the Parent		
	Share Capital Rp million	Accumulated losses Rp million	Total Equity Rp million
Balance at 1 January 2008	1,269,167	(8,345)	1,260,822
Issuance of ordinary shares	684,412	-	684,412
Profit for the period, representing total recognised income and expense for the period	-	9,552	9,552
<b>Balance at 31 March 2008</b>	<b>1,953,579</b>	<b>1,207</b>	<b>1,954,786</b>
Balance at 1 January 2007	475,840	3,036	478,876
Profit for the period, representing total recognised income and expense for the period	-	26	26
<b>Balance at 31 March 2007</b>	<b>475,840</b>	<b>3,062</b>	<b>478,902</b>

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**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 2008
	Number of Shares
Balance at 1 January	684,623,916
Additional paid-in capital of the Company from:	
- Warrant option exercise by Sampoerna Forestry Ltd on 21 February 2008	27,941,646
- Initial Public Offering on 25 February 2008	183,000,000
- Public over-allotment portion on 21 March 2008	2,597,000
Balance at 31 March	<u>898,162,562</u>

**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	
	2008 Actual	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 31 March 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 or reviewed by our auditors.

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

Not applicable.

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**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 applied the same accounting policies and methods of computation in the financial statements for the current financial period compared to the most recent 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.

**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	
	2008 Shares	2007 Shares
Weighted average number of ordinary shares for basic earnings per share computation	767,666,723	600,000,000
Weighted average number of ordinary shares for diluted earnings per share computation	767,666,723	604,191,247
	Rp	Rp
Earnings per ordinary share - basic and diluted	34	21

**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	
	31 Mar2008	31 Dec2007	31 Mar2008	31 Dec2007
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>2,218,459</u>	<u>1,507,609</u>	<u>1,954,786</u>	<u>1,260,822</u>
Number of ordinary shares at the end of period ('000)	<u>898,163</u>	<u>684,624</u>	<u>898,163</u>	<u>684,624</u>
Net asset value per ordinary share (Rp)	<u>2,470</u>	<u>2,202</u>	<u>2,176</u>	<u>1,842</u>



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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 first quarter ended 31 March 2008 ("Q1 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 Q1 2008 revenue below.

### Revenue

	Group	
	2008 Rp million	2007 Rp million
Domestic sales	550,304	290,512
Export sales	280,446	209,366
	<u>830,750</u>	<u>499,878</u>

Our revenue increased by 66% or Rp331 billion in 1Q2008 as compared to the same period last year, primarily as a result of the inclusion of Sumalindo's sales of Rp299 billion. The increase in the sales of the other subsidiaries was partially off-set by the decrease in the sales volume of PT Putra Sumber Utama Timber ("PSUT"), due to the transition to plantation logs.

### Cost of Sales

	First Quarter ended March 31	
	2008 Rp million	2007 Rp million
Raw materials used	330,412	242,486
Labor Costs	82,428	54,424
Factory overheads	272,493	102,823
Movement in finished goods	41,036	7,791
	<u>726,369</u>	<u>407,524</u>

#### *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 36% to Rp330 billion in the first quarter of 2008 from Rp242 billion in the first quarter of 2007, in line with the inclusion of Sumalindo's first quarter results and the increase in the volume of sales. However, raw material cost as a percentage of our cost of sales decreased to 45% in the first quarter of 2008 from 60% in the first quarter of 2007 due to the consolidation of Sumalindo which has a lower percentage of log cost in its cost structure.

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### *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 165% to Rp272 billion in the first quarter of 2008 from Rp103 billion in the first quarter of 2007 in line with the inclusion of Sumalindo's costs, which contributed Rp148 billion for the first quarter of 2008 and the increase in production. In particular, our depreciation expense in the first quarter of 2008 was Rp43 billion as compared to Rp20 billion in the first quarter of 2007, resulting from our increased capital expenditure for capacity expansion in 2007 and 2008.

### **Gross Profit**

Our gross profit increased by 13% to Rp104 billion in the first quarter of 2008 from Rp92 billion in the first quarter of 2007. As a percentage of sales however, our gross margin declined to 13% in the first quarter of 2008 from 18% in the first quarter of 2007 mainly due to PSUT's negative margin. PSUT's performance in the first quarter of 2008 worsened during the transition process, with sales and production decreasing below its break-even point. This negative margin was partly offset by the first quarter consolidation of Sumalindo and the increase in the other subsidiaries' operations.

### **Other Income / Expense**

Our other income increased from Rp9 billion in the first quarter of 2007 to Rp58 billion in the first quarter of 2008 due primarily to an exchange gain of Rp50 billion consisting of a realized gain of Rp14 billion and an unrealized gain of Rp36 billion. The strengthening of the Rupiah against the US Dollar during the first quarter of 2008 has positively affected our results as the majority of the Group's loans are denominated in US Dollar. Our other expenses in the first quarter of 2007 included a foreign exchange loss of Rp6 billion.

### **General and Administration Expense**

Our general and administration ("G&A") expenses increased by 63% to Rp41 billion in the first quarter of 2008 from Rp25 billion in the first quarter of 2007 due to the effect of Sumalindo's consolidation and the increase in headcount in our head office. As percentage of sales, the G&A expenses accounted for 5% in the first quarters of 2008 and 2007.

### **Finance Expense**

Finance expense increased by almost 75% to Rp42 billion in the first quarter of 2008 from Rp24 billion in the first quarter of 2007. The increase was mostly contributed by Sumalindo's interest of Rp 18 billion.

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### **Taxation**

Tax expenses for the first quarter of 2008 increased by Rp6 billion compared to the same period last year. This is in line with the higher profits for this quarter.

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

On 25 February 2008, the Company completed its Initial Public Offering (IPO) in respect of 183,000,000 ordinary shares at an offer price of S\$0.55. On 21 February 2008, the Company issued 27,941,646 additional shares from option exercise by Sampoerna Forestry Ltd and on 21 March 2008 the Company issued 2,597,000 shares for public over-allotment portion. Total net proceeds from this IPO was Rp 684 billion. Balance of cash and cash equivalent as at 31 March 2008 increased significantly as the result of these proceeds.

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

Not applicable at this point in time.

**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 Group's operating environment has been challenging and competitive with the slow downs in the economic growth of many countries, caused by the sub-prime problem in the US and rising crude oil and food prices. This continual softening of the market situation may result in lower average selling price of our products in Q2 2008
- 2) Following our acquisition of PT Essam Timber, which was announced on 22 April 2008, we will start preparing the required infrastructure for next year's operation.
- 3) PSUT's transformation is in progress and we expect to complete the program by the third quarter of 2008. Upon completion, we expect PSUT to provide less negative impact to the Group's bottom line. The transformation of PSUT may include worker retrenchment, which will require us to pay a significant amount of employee benefits and compensation.
- 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.

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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	Profit after tax for the period
Test Rate	28,431
9,400	Increase / (Decrease)
9,300	(21,875)
9,200	(9,921)
9,100	2,032
9,000	13,985
	25,939

Note:

- Exchange rate of IDR to 1US\$ at 31 December 2007 was IDR 9,419
- Exchange rate of IDR to 1US\$ at 31 March 2008 was IDR 9,217
- Exchange rate of IDR to 1US\$ at 12 May 2008 was IDR 9,263
- Our US\$ loans as of 31 March 2008 amounts to US\$171 million.

- 5) The Group is currently reviewing all its strategies in lieu of the recent development and is still confident in growing the business despite the changes in our operating environment.

### 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 first quarter ended 31 March 2008 has been declared.

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### 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)
PT Pelayaran Nelly Dwi Putri <ul style="list-style-type: none"><li>• Time charter of tug and barges</li><li>• Freight</li></ul>	Rp4,491,548,202	NIL
Hasan Holding Pte Ltd <ul style="list-style-type: none"><li>• Freight</li><li>• Supply of spare parts and sub material</li></ul>	Rp6,320,402,232	NIL
PT Nelly Jaya Pratama <ul style="list-style-type: none"><li>• Supply of veneer</li><li>• Sales of plywood</li></ul>	Rp5,996,215,241	NIL

### 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 first quarter ended 31 March 2008 to be false or misleading in any material aspects.

#### By Order of the Board

Aris Sunarko @ Ko Tji Kim  
Chief Executive Officer  
15 May 2008