

SAMKO TIMBER LIMITED

Company Registration Number: 200517815M

Unaudited Third Quarter Financial Statements and Dividend Announcement for the Period Ended 30 September 2017

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.

	3-month ended			9-month ended		
	30 Sept 2017	30 Sept 2016	Change	30 Sept 2017	30 Sept 2016	Change
	Rp'million	Rp'million	%	Rp'million	Rp'million	%
Revenue	927,299	681,521	36	2,484,466	2,348,356	6
Cost of sales	(779,715)	(637,464)	22	(2,145,248)	(2,187,328)	(2)
Gross profit	147,584	44,057	235	339,218	161,028	111
Other items of income						
Interest income	105	157	(33)	337	432	(22)
Other income	2,483	64,007	(96)	1,210	118,611	(99)
Other items of expenses						
Selling expenses	(27,555)	(21,993)	25	(71,969)	(93,837)	(23)
General and administrative expenses	(62,368)	(74,165)	(16)	(195,054)	(236,289)	(17)
Finance expenses	(23,179)	(21,677)	7	(65,486)	(76,839)	(15)
Other expenses	(3,850)	(40,604)	(91)	(20,584)	(56,930)	(64)
Income (loss) before tax	33,220	(50,218)	n.m	(12,328)	(183,824)	(93)
Taxation	(8,269)	(54,009)	(85)	(10,218)	(43,289)	(76)
Net income (loss) for the period	24,951	(104,227)	n.m	(22,546)	(227,113)	(90)
Other comprehensive income:						
Items that will not be reclassified						
Net actuarial loss on post-employment benefits	(1,057)	(1,326)	(20)	(3,155)	(4,031)	(22)
Items that may be reclassified subsequently to profit or loss:						
Foreign currency translation (loss) gain	(2,762)	(344)	703	(2,791)	6,356	n.m
Total comprehensive income for the period	21,132	(105,897)	n.m	(28,492)	(224,788)	(87)
Net loss attributable to:						
Owners of the Company	25,430	(103,250)	n.m	(19,215)	(224,311)	(91)
Non-controlling interests	(479)	(977)	(51)	(3,331)	(2,802)	19
	24,951	(104,227)	n.m	(22,546)	(227,113)	(90)
Total comprehensive income attributable to:						
Owners of the Company	21,621	(104,917)	n.m	(25,139)	(221,981)	(89)
Non-controlling interests	(489)	(980)	(50)	(3,353)	(2,807)	19
	21,132	(105,897)	n.m	(28,492)	(224,788)	(87)

n.m : not meaningful

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

	3-month ended			9-month ended		
	30 Sept 2017	30 Sept 2016	Change	30 Sept 2017	30 Sept 2016	Change
	<i>Rp'million</i>	<i>Rp'million</i>	%	<i>Rp'million</i>	<i>Rp'million</i>	%
Interest expenses	(21,431)	(20,403)	5	(60,326)	(72,584)	(17)
Depreciation of property, plant and equipment	(15,956)	(27,538)	(42)	(68,291)	(83,787)	(18)
Post employment benefit expenses	(11,150)	(13,163)	(15)	(33,454)	(39,960)	(16)
Net foreign exchange (loss) gain	(1,800)	5,927	n.m	817	18,449	(96)
Allowance for doubtful receivables	(978)	(185)	429	(2,330)	(1,808)	29
Amortisation of land use rights	(905)	(1,048)	(14)	(2,643)	(3,013)	(12)
Workers separation expenses	(81)	(27,280)	(100)	(2,797)	(42,614)	(93)
Recovery of advance to suppliers	616	1,338	(54)	393	4,071	(90)
Interest income	105	157	(33)	337	432	(22)
Net gain (loss) on disposal of property, plant and equipment	-	94	(100)	(8)	402	n.m
Net gain on disposal of investment	-	56,648	(100)	-	95,689	(100)
Net VAT receivable written-off	-	(12,721)	(100)	-	(12,721)	(100)
Expense for the Group's re-organisation exercise *)	-	-	-	(15,534)	-	n.m

*) Included in "Other expenses"

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 Sept 2017	31 Dec 2016	30 Sept 2017	31 Dec 2016
	<i>Rp'million</i>	<i>Rp'million</i>	<i>Rp'million</i>	<i>Rp'million</i>
Non-current assets				
Property, plant and equipment	510,130	558,243	-	32
Investment in subsidiary companies ⁽¹⁾	-	-	437,486	126,076
Biological assets	49,943	49,971	-	-
Land use rights	58,728	61,372	-	-
Deferred tax assets	50,120	40,755	-	-
Other non-current assets	15,835	7,322	-	311,410 ⁽¹⁾
	684,756	717,663	437,486	437,518
Current assets				
Inventories	474,052	510,436	-	-
Trade and other receivables	282,466	175,196	42,802	32,670
Prepaid operating expenses	41,282	47,442	454	410
Advances to suppliers	45,651	17,870	-	-
Restricted deposits	13,088	12,555	-	-
Cash and cash equivalents	68,477	58,724	2,169	4,543
	925,016	822,223	45,425	37,623
Assets classified as held for sale	26,865	26,865	-	-
	951,881	849,088	45,425	37,623
Current liabilities				
Trade and other payables	229,813	277,723	27,143	12,844
Other liabilities	153,570	147,352	2,593	6,327
Advances from customers	34,282	12,439	-	-
Provision for taxation	20,081	10,963	-	-
Loans and borrowings	700,271	502,499	-	-
	1,138,017	950,976	29,736	19,171
Net current (liabilities) assets	(186,136)	(101,888)	15,689	18,452
Non-current liabilities				
Loans and borrowings	222,557	329,033	-	-
Post-employment benefits	235,325	215,845	-	-
Deferred tax liabilities	-	1,667	-	-
	457,882	546,545	-	-
Net assets	40,738	69,230	453,175	455,970
Equity attributable to owners of the Company				
Share capital	2,501,056	2,501,056	2,501,056	2,501,056
Accumulated losses	(2,788,135)	(2,765,786)	(2,047,929)	(2,045,086)
Other reserves	324,414	327,204	48	-
	37,335	62,474	453,175	455,970
Non-controlling interests	3,403	6,756	-	-
	40,738	69,230	453,175	455,970

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Notes:

- (1) Included in the Company's balance in 2016 is a quasi capital loan granted to a subsidiary amounted to Rp311 billion. This loan has been capitalised into the share capital of the subsidiary in 1Q 2017.

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

Amount repayable in one year or less, or on demand

As at 30 Sept 2017		As at 31 Dec 2016	
Secured	Unsecured	Secured	Unsecured
<i>Rp'million</i>	<i>Rp'million</i>	<i>Rp'million</i>	<i>Rp'million</i>
640,550	59,721	502,499	-

Amount repayable after one year

As at 30 Sept 2017		As at 31 Dec 2016	
Secured	Unsecured	Secured	Unsecured
<i>Rp'million</i>	<i>Rp'million</i>	<i>Rp'million</i>	<i>Rp'million</i>
222,557	-	329,033	-

Details of collaterals

As at 30 September 2017, our bank borrowings are secured by the following:

- (1) Land use rights, buildings, machinery and equipment, inventories, account receivables, collection and restricted deposits of a subsidiary, 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; and
- (2) All assets acquired under finance leases are secured against the assets under lease.

As mentioned previously, a subsidiary of the Company has not met certain financial covenant ratios as set out in the loan agreement with one of its lenders. The subsidiary continues to breach such financial covenants in this quarter but it did not default on any loan principal and interest repayments as of to-date.

As at the date of this announcement, the lender has granted the subsidiary a temporary relief of having to comply with such covenants and continued to support the subsidiary. At this moment, any declaration of dividends is subject to approval of this lender.

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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.

	9-month ended	
	30-Sep-17	30-Sep-16
	<i>Rp'million</i>	<i>Rp'million</i>
Cash flows from operating activities		
Loss before tax	(12,328)	(183,824)
Adjustments:		
Depreciation of property, plant and equipment	68,291	83,787
Interest expense	60,326	72,584
Post-employment benefits expense	33,454	39,960
Amortisation of land use rights	2,643	3,013
Allowance for doubtful receivables	2,330	1,808
Loss (gain) on disposal of property, plant and equipment	8	(402)
Interest income	(337)	(432)
Recovery of advance to suppliers	(393)	(4,071)
Foreign exchange gain	(958)	(24,804)
Net VAT receivable written-off	-	12,530
Net gain on disposal of investment	-	(95,689)
Operating cash flow before changes in working capital	153,036	(95,540)
Changes in working capital :		
Inventories	36,384	107,534
Trade and other receivables	(109,438)	27,319
Prepaid operating expenses	7,420	(25,790)
Advances to suppliers	(27,388)	2,296
Trade and other payable	(47,910)	(49,151)
Other liabilities	(16,101)	12,756
Advance from customers	21,843	(9,414)
Other non-current assets	95	420
Cash flow provided by (used in) operations	17,941	(29,570)
Income tax paid, net of refund	(7,931)	(7,698)
Post-employment benefit paid	(8,450)	(13,108)
Net cash flows provided by (used in) operating activities	1,560	(50,376)
Cash flows from investing activities		
Purchase of property, plant and equipment	(21,174)	(18,619)
Additions of biological assets	(134)	(199)
Proceeds from disposal of property, plant and equipment	439	2,633
Interest received	337	432
Advance received from sale of investment	-	20,000
Net cash flows (used in) provided by investing activities	(20,532)	4,247

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	9-month ended	
	30-Sep-17	30-Sep-16
	<i>Rp'million</i>	<i>Rp'million</i>
Cash flows from financing activities		
Drawdown of loans and borrowings	1,517,979	1,480,655
Repayment of loans and borrowings	(1,494,830)	(1,510,240)
Interest paid	(53,842)	(61,810)
Proceed from shareholder's loan	-	64,990
Placement of restricted deposits	(495)	(6,151)
	<u> </u>	<u> </u>
Net cash flows used in financing activities	(31,188)	(32,556)
	<u> </u>	<u> </u>
Net decrease in cash and cash equivalents	(50,160)	(78,685)
Effect of exchange rate changes on cash and cash equivalents	192	(279)
Cash and cash equivalents at beginning of period	58,724	91,075
	<u> </u>	<u> </u>
Cash and cash equivalents at end of period	<u>8,756</u>	<u>12,111</u>

For the purpose of presenting the consolidated statement of cash flow, the consolidated cash and cash equivalent comprise the followings:

Cash and cash equivalents	68,477	71,549
Less: Bank overdraft	(59,721)	(59,438)
	<u> </u>	<u> </u>
	<u>8,756</u>	<u>12,111</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	Attributable to owners of the Company					Non-controlling interests	Total equity
	Share capital	Accumulated losses	Restructuring reserves	Foreign currency translation reserve	Total		
	Rp'million	Rp'million	Rp'million	Rp million	Rp'million		
Balance at 1 Jan 2017	2,501,056	(2,765,786)	309,050	18,154	62,474	6,756	69,230
Loss for the period	-	(19,215)	-	-	(19,215)	(3,331)	(22,546)
Other comprehensive income for the period:							
- Net actuarial loss on post-employment benefits	-	(3,134)	-	-	(3,134)	(21)	(3,155)
- Foreign currency translation loss	-	-	-	(2,790)	(2,790)	(1)	(2,791)
	-	(3,134)	-	(2,790)	(5,924)	(22)	(5,946)
Total comprehensive income for the period	-	(22,349)	-	(2,790)	(25,139)	(3,353)	(28,492)
Balance at 30 Sept 2017	2,501,056	(2,788,135)	309,050	15,364	37,335	3,403	40,738
Balance at 1 Jan 2016	2,188,645	(2,370,739)	309,050	17,773	144,729	10,847	155,576
Loss for the period	-	(224,311)	-	-	(224,311)	(2,802)	(227,113)
Other comprehensive income for the period:							
- Net actuarial loss on post-employment benefits	-	(4,013)	-	-	(4,013)	(18)	(4,031)
- Foreign currency translation gain	-	-	-	6,343	6,343	13	6,356
	-	(4,013)	-	6,343	2,330	(5)	2,325
Total comprehensive income for the period	-	(228,324)	-	6,343	(221,981)	(2,807)	(224,788)
Balance at 30 Sept 2016	2,188,645	(2,599,063)	309,050	24,116	(77,252)	8,040	(69,212)

Company	Attributable to owners of the Company			
	Share capital	Accumulated losses	Foreign currency translation reserve	Total
	Rp'million	Rp'million	Rp'million	Rp'million
Balance at 1 Jan 2017	2,501,056	(2,045,086)	-	455,970
Total comprehensive income for the period	-	(2,843)	48	(2,795)
Balance at 30 Sept 2017	2,501,056	(2,047,929)	48	453,175
Balance at 1 Jan 2016	2,188,645	(2,033,832)	-	154,813
Total comprehensive income for the period	-	(5,580)	-	(5,580)
Balance at 30 Sept 2016	2,188,645	(2,039,412)	-	149,233

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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 the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings 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. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed 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.**

Please see point 1(d)(iii) below.

- 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.**

	<u>Group and Company</u>
	<u>Number of shares</u>
At 30 September 2017 and 31 December 2016	<u>2,374,050,505</u>

The Company did not have any treasury shares, subsidiary holdings or other convertibles as at 30 September 2017 and 31 December 2016.

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

Not applicable. The Company did not have any treasury shares during and as at the end of the current financial period reported on.

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

Not applicable. The Company did not have any subsidiary holdings during and as at the end of the current financial period reported on.

- 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.

- 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 2017 and has applied the same accounting policies and methods of computation as those of the previous financial year ended 31 December 2016, save as disclosed below. 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 2017.

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Consistent with the prior year'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.**

	3-month ended		9-month ended	
	30 Sept 2017	30 Sept 2016	30 Sept 2017	30 Sept 2016
Weighted average number of ordinary shares for basic earnings per share computation	2,374,050,505	1,401,445,464	2,374,050,505	1,401,445,464
Weighted average number of ordinary shares for diluted earnings per share computation	2,374,050,505	1,401,445,464	2,374,050,505	1,401,445,464
	Rp (full amount)	Rp (full amount)	Rp (full amount)	Rp (full amount)
Earnings per share attributable to owners of the Company				
Basic and diluted	11	(74)	(8)	(160)

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 Sept 2017	31 Dec 2016	30 Sept 2017	31 Dec 2016
Net assets for the period attributable to owners of the Company used in computation of net asset value per share (Rp'million)	37,335	62,474	453,175	455,970
Number of ordinary shares at the end of the period	2,374,050,505	2,374,050,505	2,374,050,505	2,374,050,505
Net asset value per ordinary share (Rp full amount)	16	26	191	192

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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

Our Group reported a net loss of Rp23 billion in 9M 2017 as compared to Rp227 billion in 9M 2016. Our Group's performance greatly improved in 9M 2017 mainly due to lower unit production costs incurred, lower staff related costs and provision of pension costs, decrease in freight costs and interest expense, while the losses for 2016 included one off tax assets written-off arising from re-organisation of operations, offsetted by the gain on disposal of investment in PT SLJ Global Tbk.

In this consolidation period, the Group reported a turnaround in its bottom line. In the 3Q 2017, the Group posted a net income of Rp25 billion, compare to a loss of Rp104 billion in 3Q 2016. The performance was mainly affected by lower unit production costs incurred, lower staff related costs and provision of pension costs, as mentioned above.

Revenue

	3-month ended			9-month ended		
	30 Sept 2017	30 Sept 2016	Change	30 Sept 2017	30 Sept 2016	Change
	Rp'million	Rp'million	%	Rp'million	Rp'million	%
Domestic sales	574,662	458,912	25	1,601,527	1,557,837	3
Export sales	352,637	222,609	58	882,939	790,519	12
Total	927,299	681,521	36	2,484,466	2,348,356	6

Our sales continued to perform well. In 9M 2017, our sales increased by 6% to Rp2,484 billion compare to 9M 2016, amid the increase in sales volume for both domestic and export markets by 10% and 24%, respectively, while the total average selling prices were slightly down by 6%. In 3Q 2017, our export sales volume jump by 77%, while the domestic sales volume rose by 36%, lower domestic sales volume in 3Q 2016 was also affected by the long "Lebaran" holiday.

The composition of our export sales to overall sales rose from 33% to 38% in 3Q 2017 and from 34% to 36% in 9M 2017.

Gross profit

The Group boost its gross profit by 111% and 235% for 9M and 3Q 2017, due mainly to higher sales generated particularly from the sales volume, and supported by lower unit production costs incurred as a result of higher production volume, lower labour costs mainly driven by the Group's costs cutting exercise in 2016, and followed by lower overhead costs.

The Group managed to improve the gross profit margin from 7% in 9M and 3Q 2016 to 14% and 16% in 9M and 3Q 2017. The Group registered a gross profit of Rp339 billion and Rp148 billion in 9M and 3Q 2017 as compared to Rp161 billion and Rp44 billion in 9M and 3Q 2016.

Other Income

In 9M and 3Q 2016, other income came mainly from the gain on disposal of investment in PT SLJ Global Tbk of Rp96 billion and net fair value gain of investment of Rp57 billion respectively, and exchange gain of Rp18 billion and Rp6 billion, respectively. Movement in 9M and 3Q 2017 was not significant in value.

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Selling expenses

In 3Q 2017, our selling expenses increased mainly due to increase in freight costs in line with the increase in export sales. While for 9M 2017, the decrease in the selling expenses came mainly from the reduction in the freight costs, mainly due to more customers using the term of delivery of Free on Board (FOB) instead of Cost and Freight (CNF), resulting in freight costs being paid by the customers.

General and administrative expenses

The general and administrative expenses have decreased in 9M and 3Q 2017 compare to 9M and 3Q 2016 due mainly to decrease in staff related costs, provision of pension costs, and rental expenses.

Finance Expenses

Our finance expenses relate mainly to interest expense. In 9M 2017, our interest expense decreased by Rp12 billion mainly due to lower interest rate for IDR loans and our banks borrowings were also reduced by the proceeds from the rights issue and the sale of PT SLJ Global Tbk's shares. In 3Q 2017, our interest expense slightly increased by Rp1 billion mainly due to net drawdown of additional loans for working capital.

Other expenses

Included in other expense for 9M 2017 and 2016 was the expense for the Group's re-organisation exercise and one off VAT receivable written-off, and the workers separation expense.

Taxation

Our taxation comprise the following:

	3-month ended			9-month ended		
	30 Sept 2017	30 Sept 2016	Change	30 Sept 2017	30 Sept 2016	Change
	Rp'million	Rp'million	%	Rp'million	Rp'million	%
Current income tax:						
- Current tax expense	(8,616)	(4,573)	88	(20,353)	(13,490)	51
- Impairment of prepaid taxes	-	(34,653)	(100)	-	(34,653)	(100)
- Under provision of prior year taxes	(263)	-	n.m	(263)	-	n.m
	<u>(8,879)</u>	<u>(39,226)</u>	<u>(77)</u>	<u>(20,616)</u>	<u>(48,143)</u>	<u>(57)</u>
Deferred income tax:						
- Current period addition	610	11,836	(95)	10,398	31,473	(67)
- Impairment during the period	-	(26,619)	(100)	-	(26,619)	(100)
	<u>610</u>	<u>(14,783)</u>	<u>n.m</u>	<u>10,398</u>	<u>4,854</u>	<u>114</u>
Total	<u>(8,269)</u>	<u>(54,009)</u>	<u>(85)</u>	<u>(10,218)</u>	<u>(43,289)</u>	<u>(76)</u>

Indonesia adopts individual company income tax system.

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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 not recognised as deferred tax assets due to the uncertainty of its recovery.

During 3Q 2016, the Group impaired prepaid taxes and deferred tax assets amounted to Rp35 billion and Rp27 billion, respectively. The one off impairment was made following the review of the recovery of tax assets as part of the Group's re-organisation exercise.

(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 Rp48 billion. This was due mainly to depreciation charges incurred during the period more than offset the addition of new assets amounted to Rp21 billion, primarily for production facilities due to the increase in production volume. In addition, in 4Q 2016, the Group re-designated its land and building as assets classified as held for sale as the Group plans to sell its factory and land in one of the subsidiaries. The net book value of these assets was Rp27 billion.

Deferred tax assets increased by Rp9 billion. This came mainly due to write-down of deferred tax liabilities from a certain subsidiary and additional deferred tax assets from the post-employment benefits expenses.

Other non-current assets increased by Rp8 billion. This was mainly due to increase in estimated tax refund.

In 9M 2017, our Group's current assets have increased to Rp952 billion. The increase was due mainly to:

1. increase in trade receivables was in line with the increase in sales;
2. higher advance to suppliers for logs and veneer to get a lower cost and advances to new suppliers; and
3. higher cash and bank balances owing mainly to higher operating income and working capital.

the increase in the above was partially offset by the following:

1. lower inventory level as a result of higher domestic and export sales; and
2. lower prepaid operating expenses. Prepayments were made in the ordinary course of business mainly for rental, insurance, VAT receivables and income tax.

As at 30 September 2017, our Group's current and non-current liabilities have increased by Rp98 billion to Rp1,596 billion. This was contributed mainly by the increase in the short-term borrowings as well as long term borrowings due within 12 months totaling Rp91 billion, increase in advance from customers by Rp22 billion, and increase in post-employment benefits liability by Rp29 billion, offset by the decrease in trade and other payables of Rp48 billion mainly due to timely payment to suppliers compare to previous period.

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Statement of Cash Flow

During the period, the Group generated cash inflow of Rp2 billion from operating activities and incurred cash outflow of Rp21 billion and Rp31 billion from investing and financing activities, respectively. Net cash decreased by Rp50 billion.

Our operating cash flow before changes in working capital was significantly higher than previous period, resulting in positive net cash inflows from operations for 9M 2017. This is attributable to improved operating margin caused by lower production costs and lower operating expenses incurred. In addition, cash generated was mainly used to support our working capital including paying our trade payables and to support higher sales and receivables.

Our cash used in the investing activities was mainly for addition of property, plant and equipment.

Our cash flow from the financing activities related mainly to net drawdown of additional loans offset by the interest expense. The repayments of bank borrowings and its interests were in accordance with the repayments schedule.

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 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 loss arising from the possible change in the US exchange rate, assuming all other variables are held constant with tax rate of 25% in Indonesia:

Indonesia Rupiah to US Dollar exchange rates	(Weakened) / strengthened	Loss after tax for the period Rp23 billion (Increase)/ decrease
<i>Rp/full amount</i>		Rp'million
14,504	(7.5%)	(27,785)
14,167	(5.0%)	(18,524)
13,829	(2.5%)	(9,262)
13,155	2.5%	9,262
12,817	5.0%	18,524
12,480	7.5%	27,785

Our US\$ loans as at 30 September 2017 US\$37 million.

Exchange rate:	<u>Rp/US\$1</u>
- 14 November 2017	Rp13,542
- 30 September 2017	Rp13,492
- 31 December 2016	Rp13,436
- 30 September 2016	Rp12,998

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- 2) We have substantially completed our labor rationalisation in 2016. As a result, this has improved our gross profit margin in 2017, however we remain cautious of the rising production costs, continue to be discipline in managing costs, and explore opportunities to be more competitive in the challenging market outlook.
- 3) We expect the government spending on infrastructure projects in Indonesia will spur the local economy, and hence accelerate local demand for our products. As we are increasing our production volume to meet demand, we may face the risk of interrupted supplies of raw materials due to extreme weather condition in some parts of Indonesia. However during the period, the Group has undertaken some exercises focusing on optimising the plywood line of business which resulting in higher productivity and lower productions costs. These exercises are ongoing and are expected to continue producing postive results. Thus, we have also received positive feedbacks from overseas markets and anticipate to increase our production capacity to cater for potential increase in the demands. We will continue to explore new market, develop and be innovative in our product offerings.
- 4) The Group has also undertaken an internal restructuring which involves the merger of the Group's subsidiaries in Indonesia into one entity, PT Sumber Graha Sejahtera, as part of the Group's effort to streamline and rationalise the Group's structure, strengthen the corporate branding, improve efficiency and business performance.
- 5) To improve our liquidity, in 2016, we have succesfully completed the disposal of a non-core asset, the shares in PT SLJ Global Tbk, and raised additional funding through a right issue. We have raised a total Rp408 billion through these exercises. In 2017, we will continue to divest our investment in non-core assets to strengthen the Group's financial position. We have reached an agreement with a third party buyer to sell our factory and land located in Balaraja, Tangerang, West Java, and we are expecting to close the transaction in 2018. Although these actions may somewhat allay some of our liquidity pressures, the Group will continue to monitor the situation, exercise prudent cash management, and to raise debt funding as and when necessary.

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 year 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/recommended, a statement to that effect.

No dividend for financial period ended 30 September 2017 has been declared.

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13. Interested person transactions.

The following is the aggregate value of all transactions with interested persons for the period ended 30 September 2017:

<i>Name of interested person</i>	<i>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)</i>	<i>Aggregate value of all interested person transactions conducted during the financial period under review under shareholders' Rule 920 (excluding transactions less than \$100,000)</i>
	<i>Rp'million</i>	<i>Rp'million</i>
PT Sampoerna Land <i>Office rental</i>	3,629	-
PT Bank Sahabat Sampoerna <i>Finance expense</i>	4,331	-
PT Pelayaran Nelly Dwi Putri <i>Freight expense</i>	1,332	231
PT Basirih Industrial <i>Purchase of veneer</i>	2,496	-

Certain Sunarko family members are substantial shareholders of PT Pelayaran Nelly Dwi Putri Tbk (a listed company in Indonesia) and PT Basirih Industrial. They are also substantial shareholders and directors of the Company.

PT Sampoerna Land and PT Bank Sahabat Sampoerna are controlled by the Sampoerna family, who are substantial shareholders of the Company.

The Company has obtained shareholders' mandates under Rule 920 of the Listing Manual of the Singapore Exchange Securities Trading Limited at the Extraordinary General Meeting on 28 April 2017.

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

We, Eka Dharmajanto Kasih and Riko Setyabudhy Handoko, being two Directors of Samko Timber Limited (the "Company"), do hereby confirm on behalf of the Directors of the Company that, to the best of their knowledge, nothing has come to the attention of the Directors of the Company, which may render the unaudited financial statements for the third quarter ended 30 September 2017 to be false or misleading in any material aspect.

15. Confirmation Pursuant to Rule 720(1) of the Listing Manual

The Company has procured undertakings from all its directors and executive officers in the format set out in Appendix 7.7 under Rule 720(1) of the Listing Manual.

BY ORDER OF THE BOARD

Riko Setyabudhy Handoko
Executive Director and Chief Executive Officer
14 November 2017