

SAMKO TIMBER LIMITED

Company Registration Number: 200517815M

Unaudited First Quarter Financial Statement and Dividend Announcement for the Period Ended 31/03/2013

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF FIRST QUARTER RESULTS

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

	Group		
	2013	2012 (Restated)	Increase/ (decrease)
	Rp'million	Rp'million	%
Revenue	718,905	686,750	5%
Cost of sales	(594,124)	(552,214)	8%
Gross profit	124,781	134,536	-7%
Other items of income			
Interest income	171	284	-40%
Other income	484	-	n.m
Other items of expenses			
Selling expenses	(26,959)	(25,164)	7%
General & administrative expenses	(55,606)	(51,699)	8%
Finance expenses	(10,728)	(10,706)	0%
Other expenses	(6,810)	(7,448)	-9%
Profit before tax	25,333	39,803	-36%
Income tax expense	(8,750)	(12,597)	-31%
Net profit for the period	16,583	27,206	-39%
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Net actuarial losses on post-employment benefits	(1,193)	(6,220)	-81%
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation	(162)	(133)	22%
Total comprehensive income for the period	15,228	20,853	-27%
Net profit attributable to:			
Owners of the Company	16,734	27,541	-39%
Non-controlling interests	(151)	(335)	-55%
	16,583	27,206	-39%
Total comprehensive income attributable to:			
Owners of the Company	15,379	21,188	-27%
Non-controlling interests	(151)	(335)	-55%
	15,228	20,853	-27%

n.m : not meaningful

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

	Group		
	2013	2012	Increase/ (decrease)
	Rp'million	Rp'million	%
Depreciation of property, plant and equipment	(25,193)	(23,994)	5%
Interest expense	(10,169)	(10,343)	-2%
Allowance for doubtful receivables	(3,614)	(1,819)	99%
Amortisation of land use rights	(823)	(1,242)	-34%
Amortisation of intangible assets	(368)	-	n.m
Inventories written-down	(360)	-	n.m
Gain/ (loss) on foreign exchange, net	401	(3,662)	n.m

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	
	31 Mar 2013 Rp'million	31 Dec 2013 (Restated) Rp'million	31 Mar 2013 Rp'million	31 Dec 2012 Rp'million
Non-current assets				
Property, plant and equipment	660,252	663,142	6	14
Intangible assets ⁽¹⁾	37,917	38,315	-	-
Investment in subsidiary companies	-	-	642,072	642,072
Investment in an associate ⁽²⁾	-	-	-	-
Biological assets	59,363	56,876	-	-
Land use rights	57,143	57,966	-	-
Deferred tax assets	55,748	50,846	1,873	3,661
Other non-current assets	17,774	17,988	41	40
	888,197	885,133	643,992	645,787
Current assets				
Inventories	377,261	342,078	-	-
Trade and other receivables	162,979	127,539	66,930	67,784
Prepaid operating expenses	34,957	35,027	67	76
Advances to suppliers	68,805	72,741	-	-
Restricted time deposits	20,217	15,763	-	-
Cash and cash equivalents	76,637	90,350	1,911	1,487
	740,856	683,498	68,908	69,347
Current liabilities				
Trade and other payables	223,442	195,644	3,436	3,380
Other liabilities	92,909	94,548	1,656	2,384
Advances from customers	31,426	31,808	-	-
Provision for taxation	35,026	30,166	-	-
Loans and borrowings	145,295	153,367	-	-
	528,098	505,533	5,092	5,764
Net current assets	212,758	177,965	63,816	63,583
Non-current liabilities				
Loans and borrowings	294,759	283,929	-	-
Post-employment benefits	185,766	175,678	-	-
Deferred tax liabilities	13,094	11,383	-	-
	493,619	470,990	-	-
Net assets	607,336	592,108	707,808	709,370
Equity attributable to owners of the Company				
Share capital	2,188,645	2,188,645	2,188,645	2,188,645
Accumulated losses	(1,898,580)	(1,914,121)	(1,480,837)	(1,479,275)
Other reserves	311,273	311,435	-	-
	601,338	585,959	707,808	709,370
Non-controlling interests	5,998	6,149	-	-
	607,336	592,108	707,808	709,370

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Notes:

- (1) As reported previously, the Group completed its acquisition of the entire equity of Bioforest Private Limited in June 2012. The difference between the net identifiable assets at fair value and purchase consideration has been allocated to intangible assets on provisional basis, as the final results of the independence valuation has not been finalised by the date of this reporting. Intangible assets arising from this acquisition will be adjusted accordingly on a retrospective basis when the valuation is finalised.
- (2) Represents the Company's 24.6% investment in PT Sumalindo Lestari Jaya Tbk. Full provision of impairment has been made for this investment previously.

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

Amount repayable in one year or less, or on demand

As at 31 March 2013		As at 31 December 2012	
Secured Rp'million	Unsecured Rp'million	Secured Rp'million	Unsecured Rp'million
145,295	-	153,367	-

Amount repayable after one year

As at 31 March 2013		As at 31 December 2012	
Secured Rp'million	Unsecured Rp'million	Secured Rp'million	Unsecured Rp'million
294,759*	-	283,929*	-

*) Includes a loan facility of up to S\$5,000,000 and it carries an option which allow the lender to subscribe for new shares in a subsidiary if the subsidiary is unable to meet its obligation and or when the subsidiary is undertaking a public offering or the Company undertakes to sell the subsidiary's shares.

Details of any collateral

As at 31 March 2013, our bank borrowings are secured and guaranteed by the following:

- (1) Short term working capital facilities: secure over the land use rights, buildings, machinery, inventories and account receivables of certain subsidiaries;
- (2) Long term bank borrowings:
 - Guarantee undertaking from two major shareholders of the Company, the Company and certain subsidiaries;
 - Secured over the land use rights, buildings, machinery, inventories, account receivables, bank balances of certain subsidiaries. All other assets of these subsidiaries are on negative pledge to the financial institution and some restriction on dividend payment is imposed on them; and
- (3) All assets acquired under finance leases are secured against the assets under lease.

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

	Group	
	2013	2012
	Rp'million	Rp'million
Cash flows from operating activities		
Profit before tax	25,333	39,803
Adjustments:		
Depreciation of property, plant and equipment	25,193	23,994
Interest expense	10,169	10,343
Post employment benefits expense	8,497	6,257
Allowance for doubtful receivables	3,614	1,819
Amortisation of land use rights	823	1,242
Foreign exchange loss	311	2,367
Amortisation of intangible assets	368	-
Inventories written-down	360	-
Interest income	(171)	(284)
Operating cash flow before changes in working capital	74,497	85,541
Changes in working capital		
Inventories	(35,543)	(63,790)
Trade and other receivables	(35,743)	(8,225)
Prepaid operating expenses	(1,185)	(2,056)
Advance to suppliers	(3,069)	(2,300)
Trade and other payable	27,798	17,704
Other liabilities	(1,797)	9,423
Advances from customers	(382)	(2,608)
Other non-current assets	214	64
Cash flow provided by operations	24,790	33,753
Income tax paid	(5,428)	(10,723)
Net cash flows from operating activities	19,362	23,030
Cash flows from investing activities		
Purchase of property, plant, and equipment	(17,449)	(18,646)
Additions of biological assets	(2,487)	(6,109)
Interest received	171	284
Net cash flows used in investing activities	(19,765)	(24,471)
Cash flows from financing activities		
Drawdown of loans and borrowings	94,682	15,000
Repayment of loans and borrowings	(94,250)	(14,009)
Interest paid	(9,169)	(7,189)
Placement of restricted deposits	(4,402)	-
Net cash flows used in financing activities	(13,139)	(6,198)
Net decrease in cash and cash equivalents	(13,542)	(7,639)
Effect of exchange rate changes on cash and cash equivalent	(171)	239
Cash and cash equivalents at beginning of period	90,350	95,028
Cash and cash equivalents at end of period	76,637	87,628

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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 ("NCI")	
	Equity, total	Share capital	Accumulated losses	Restructuring reserves	Foreign currency translation reserve		
	Rp'million	Rp'million	Rp'million	Rp'million	Rp million		
Balance at 1 January 2013 (As perviously stated)	655,361	2,188,645	(1,850,868)	309,050	2,385	649,212	6,149
Cummulated effect of adopting FRS 19 - Revised	(63,253)	-	(63,253)	-	-	(63,253)	-
Balance at 1 January 2013 (As restated)	592,108	2,188,645	(1,914,121)	309,050	2,385	585,959	6,149
Total comprehensive income for the period	15,228	-	15,541	-	(162)	15,379	(151)
Balance at 31 March 2013	607,336	2,188,645	(1,898,580)	309,050	2,223	601,338	5,998
Balance at 1 January 2012 (As perviously stated)	513,448	2,134,271	(1,933,927)	309,050	237	509,631	3,817
Cummulated effect of adopting FRS 19 - Revised	(38,324)	-	(38,324)	-	-	(38,324)	-
Balance at 1 January 2012 (As restated)	475,124	2,134,271	(1,972,251)	309,050	237	471,307	3,817
Total comprehensive income for the period	20,853	-	21,321	-	(133)	21,188	(335)
Balance at 31 March 2012	495,977	2,134,271	(1,950,930)	309,050	104	492,495	3,482

Company

	Attributable to owners of the Company		
	Share capital	Accumulated losses	Total
	Rp'million	Rp'million	Rp'million
Balance at 1 January 2013	2,188,645	(1,479,275)	709,370
Total comprehensive income for the period - loss	-	(1,562)	(1,562)
Balance at 31 March 2013	2,188,645	(1,480,837)	707,808
Balance at 1 January 2012	2,134,271	(1,478,022)	656,249
Total comprehensive income for the period - loss	-	(4,088)	(4,088)
Balance at 31 March 2012	2,134,271	(1,482,110)	652,161

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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 well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

There was no change in the Company's shares during the period ended 31 March 2013.

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

	Group and Company
	Number of shares
At 31 March 2013 and 31 December 2012	1,401,445,464

There were no shares held as treasury shares as at 31 March 2013 and 31 December 2012.

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

Not applicable, as there were no shares held as treasury shares as at 31 March 2013 and 31 December 2012.

- 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.

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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.

In 1Q2013, the Group adopted the new and revised accounting standards which came into effect for the financial year beginning 1 January 2013 and has applied the same accounting policies and methods of computation as those of the previous financial year ended 31 December 2012. Save as disclosed in paragraph 5 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 31 March 2013.

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.

In accordance with Financial Reporting Standard (FRS) 19, Employee Benefits which took effect from 1 January 2013, all actuarial gains and losses arising from ascertaining the provision for post-employment benefits are now required to be recognised in other comprehensive income. Following the adoption of this revised FRS 19, the Group restated the comparatives equity as shown in paragraph 1(d)(i) above.

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	
	2013	2012
Weighted average number of ordinary shares for basic earnings per share computation	1,401,445,464	1,347,243,843
Weighted average number of ordinary shares for diluted earnings per share computation	1,401,445,464	1,347,243,843
	Rp (full amount)	Rp (full amount)
Earnings per share attributable to owners of the Company		
Basic	12	20
Diluted	12	20

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

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

	Group		Company	
	31 Mar 2013	31 Dec 2013 (Restated)	31 Mar 2013	31 Dec 2012
Net assets for the year attributable to owners of the Company used in computation of net asset value per share (Rp'million)	601,338	585,959	707,808	709,370
Number of ordinary shares at the end of the period	1,401,445,464	1,401,445,464	1,401,445,464	1,401,445,464
Net asset value per ordinary share (Rp full amount)	429	418	505	506

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's net profit decreased 39% to Rp17 billion in 1Q 2013. This attributable mainly to higher labour costs incurred following the increase in the minimum wage in Indonesia effective at the beginning of 2013. Our domestic and export sales remain strong, our sales was Rp719 billion in 1Q 2013, surged by 5% as compared to 1Q 2012.

Revenue

	Group		
	2013 Rp'million	2012 Rp'million	Increase/ (decrease) %
Domestic sales	557,996	537,095	4%
Export sales	160,909	149,655	8%
Total	718,905	686,750	5%

The local housing and construction projects continued to support our growth in 1Q 2013. Our local sales volume improved by 3% while the price of the products stabled as compared to 1Q 2012. On the export front, the increase in the revenue was mainly attributable to the improvement in sales volume as compared to that of 2012.

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Cost of sales

	Group		
	2013	2012	Increase/ (decrease)
	Rp'million	Rp'million	%
Raw material used	314,946	306,315	3%
Labour costs	148,494	116,244	28%
Factory overhead	157,138	149,455	5%
Movement in finished goods	(26,454)	(19,800)	34%
Total	594,124	552,214	8%

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

The increase in the costs in 1Q 2013 was mainly due to higher labour costs incurred as a result of the increase in minimum wages in Indonesia effective at the beginning of 2013 .

Gross profit

Despite higher sales reported in this quarter, our gross profit decreased by 7% for the same period ended, owing mainly to higher labour cost as mentioned above.

Selling expenses

As sales improved, our selling expenses have also increased. The expenses increased by 7% in 1Q 2013 and this were mainly due to the increase in freight charges and other selling expenses.

General and administration (“G&A”) expenses

Our G&A expenses have increased by 8% over that of the previous period. This owes mainly to salary and its related staff benefits adjustments in line with the business activities.

Other expenses

There was a foreign exchange gain of Rp0.4 billion in 1Q 2013 versus foreign exchange loss of Rp4 billion in 1Q 2012. The exchange rate between Rupiah and US dollars remained stable in this quarter as compared to last quarter of last year. The weakening of Rupiah will generally result in the Group incurring exchange loss due to the translation of US dollars denominated loans.

Besides the foreign exchange effect as mentioned above, in 1Q 2013, we made a provision for doubtful receivables of Rp4 billion.

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Taxation

Our tax expenses comprise the following:

	Group		
	2013	2012	Increase/ (decrease)
	Rp'million	Rp'million	%
Current income tax	(10,846)	(13,140)	-17%
Deferred income tax	2,793	543	414%
Under provision of prior years taxes	(697)	-	n.m
Total	(8,750)	(12,597)	-31%

Indonesia adopts individual company income tax system.

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

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

Statement of Financial Position

The Group's property, plant and equipment decreased by Rp3 billion owed mainly to depreciation charges more than offset the purchase of property, plant and equipment amounted to Rp17 billion during the quarter. Trees planting program continued in this quarter and we incurred Rp2 billion in various estates. The deferred tax assets has also increased by Rp5 billion in 1Q 2013 as we accrued for the tax benefits expected to be realized in the future.

For the period ended, our current assets have increased by Rp57 billion to Rp741 billion. The increase was due mainly to:

- 1) relative higher inventories level for raw material, work-in progress stocks and finished goods as our production and sales volume grew;
- 2) higher trade receivables as we have higher sales near quarter ending March; and
- 3) the above were offset by the decrease in advances to suppliers and cash and cash equivalents (as explained below).

Our Group's current liabilities have increased by Rp23 billion to Rp528 billion as at 31 March 2013. This was contributed mainly by the increase in the trade and other payables as a result of increased in the operating activities. For the same period ended, the non-current liabilities have increased by Rp23 billion and this was mainly due to additional provision for retirement benefits and the drawdown of long-term loans to refinance the short-term borrowings.

Overall, our Group's net working capital position improved by Rp35 billion due mainly to our operating income and better working capital management.

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Statement of Cash Flow

During the year, we generated Rp19 billion from our operations, incurred net cash outflow of Rp20 billion from our investing activities as well as outflow of Rp13 billion for financing activities. Net cash decreased by Rp14 billion.

Our cash generated from operating activities decreased by Rp4 billion over that of the previous period. This was due mainly to lower gross profit achieved owing to higher labour costs as mentioned above and other higher operating costs incurred as compared to 1Q 2012.

Our cash used in the investing activities were mainly for acquisitions of property, plant and equipment and expenditure on trees planting for our upstream activities.

Our cash outflow in the financing activities relates mainly to repayments of bank borrowings and its interests, offset against additional drawdown of loans as well as placement of deposits as security for the borrowings.

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.

Barring any unforeseen circumstances in the volatile global economic condition which may have an impact on the Indonesia economy, we believe our local sales are likely to remain stable or improve. Our current export market is mainly to North Asia, in particular Japan.

The significant increase in minimum wage at the beginning of the year has impacted our production cost in this quarter. In addition, if there is a reduction in fuel subsidy by the Government of Indonesia, our profit margin will be impacted. We are monitoring the situation and will take the necessary actions to mitigate the impact and strive to remain competitive.

We will continue to explore, develop and be innovative in our product offerings and manage our production efficiency. Our strategies remain that of expanding downstream and embark on our own tree planting activities (upstream) which we believe will benefit us in the long-term.

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11. Dividend**(a) Current Financial Period Reported On**

Any dividend declared for the current financial period reported on?

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

(b) Corresponding Period of the Immediately Preceding Financial Year

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

No.

(c) Date payable

Not applicable

(d) Books closure date

Not applicable

12. If no dividend has been declared/recommended, a statement to that effect.

No dividend for financial period ended 31 March 2013 has been declared.

13. Interested person transactions.

Name of interested person	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted during the financial period under review under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
	1 Jan – 31 March 2013	
	Rp'million	Rp'million
PT Pelayaran Nelly Dwi Putri Time charter of tug and barges; and Freight expense (Transactions entered into pursuant to contract approved by shareholders on 10 August 2010)	6,638	-
PT Wahana Sekar Agro Cooperation for cultivation of trees	969	-
PT Buana Sakti Office rental	780	-

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

The Directors confirm that, to the best of their knowledge, nothing has come to the attention of the Directors which may render the unaudited financial statements for the third quarter ended 31 March 2013 to be false or misleading in any material respects.

BY ORDER OF THE BOARD

Aris Sunarko @ Ko Tji Kim
Chief Executive Officer
15 May 2013