

SAMKO TIMBER LIMITED

Company Registration Number: 200517815M

Unaudited Third Quarter Financial Statement and Dividend Announcement for the Period Ended 30/09/2009

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF THIRD QUARTER RESULTS

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

	Group					
	3rd Qtr 1 Jul 2009 to 30 Sep 2009	3rd Qtr 1 Jul 2008 to 30 Sep 2008	Increase/ (Decrease)	1 Jan 2009 to 30 Sep 2009	1 Jan 2008 to 30 Sep 2008	Increase/ (Decrease)
	Rp'million	Rp'million	Rp'million	Rp'million	Rp'million	Rp'million
Revenue	642,283	858,467	-25%	1,900,568	2,466,030	-23%
Cost of sales	(649,599)	(767,536)	-15%	(1,898,056)	(2,128,491)	-11%
Gross (loss)/ profit	(7,316)	90,931	n.m	2,512	337,539	-99%
Other items of income						
Finance income	772	432	79%	1,797	2,010	-11%
Other income	84,885	13,482	530%	228,206	95,370	139%
Other items of expenses						
Selling expenses	(28,188)	(48,775)	-42%	(92,592)	(126,039)	-27%
General & administrative expenses	(48,482)	(54,103)	-10%	(147,055)	(150,520)	-2%
Finance expense	(24,096)	(45,328)	-47%	(90,648)	(123,343)	-27%
Other expenses	(453,284)	(385,595)	18%	(472,093)	(347,489)	36%
Loss before tax	(475,709)	(428,956)	11%	(569,873)	(312,472)	82%
Tax expenses	(87,139)	(36,639)	138%	(168,278)	(71,184)	136%
Loss, net of tax	(562,848)	(465,595)	21%	(738,151)	(383,656)	92%
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss for the period	(562,848)	(465,595)	21%	(738,151)	(383,656)	92%
Loss attributable to:						
Owners of the Company	(496,632)	(452,856)	10%	(603,633)	(397,795)	52%
Minority interests	(66,216)	(12,739)	420%	(134,518)	14,139	n.m
	(562,848)	(465,595)	21%	(738,151)	(383,656)	92%
Total comprehensive loss attributable to:						
Owners of the Company	(496,632)	(452,856)	10%	(603,633)	(397,795)	52%
Minority interests	(66,216)	(12,739)	420%	(134,518)	14,139	n.m
	(562,848)	(465,595)	21%	(738,151)	(383,656)	92%

n.m: not meaningful

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

Group						
3rd Qtr 1 Jul 2009 to 30 Sep 2009	3rd Qtr 1 Jul 2008 to 30 Sep 2008	Increase/ (Decrease)	1 Jan 2009 to 30 Sep 2009	1 Jan 2008 to 30 Sep 2008	Increase/ (Decrease)	
Rp Million	Rp Million	%	Rp Million	Rp Million	%	
Gain/ (loss) on foreign exchange, net	83,351	(48,634)	n.m	205,991	15,952	1191%
Gain/ (loss) on changes in fair value of biological asset	1,169	9,440	-88%	(3,902)	20,252	n.m
Interest income	772	432	79%	1,797	2,010	-11%
Gain on sales of property, plant and equipment	365	1,627	-78%	6,564	1,627	303%
Employee termination benefits paid	(55)	-	n.m	(4,247)	-	n.m
Amortisation of intangible assets	(348)	(406)	-14%	(1,191)	(2,068)	-42%
Amortisation of land use rights	(1,750)	(1,731)	1%	(6,621)	(5,023)	32%
Written-down value in respect of assets held for sale	(4,648)	-	n.m	(4,648)	-	n.m
Provision for inventories	(7,518)	-	n.m	(7,914)	-	n.m
Interest expenses and charges	(24,096)	(45,328)	-47%	(90,648)	(123,343)	-27%
Depreciation of property, plant and equipment	(59,405)	(56,379)	5%	(168,058)	(144,694)	16%
Impairment of property, plant and equipment	(191,854)	(70,852)	171%	(191,854)	(70,852)	171%
Impairment of goodwill	(245,585)	(263,747)	-7%	(245,585)	(263,747)	-7%
Gain on sales of land use rights	-	-	-	9,406	-	n.m
Gain on dilution	-	119	-100%	-	2,132	-100%
Gain on loan waiver	-	-	-	-	50,968	-100%

n.m: not meaningful

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

	Group		Company	
	30 Sep 2009	31 Dec 2008	30 Sep 2009	31 Dec 2008
	Rp'million	Rp'million	Rp'million	Rp'million
Non-current assets				
Property, plant and equipment	1,905,991	2,180,785	1,409	1,308
Intangible assets	40,548	41,791	-	-
Goodwill	374,407	619,992	-	-
Investment in subsidiary company	-	-	298,943	544,528
Biological assets	210,358	403,219	-	-
Land use rights	95,145	101,625	-	-
Deferred tax assets	12,924	177,068	-	-
Other non-current assets	69,330	83,090	188	196
	2,708,703	3,607,570	300,540	546,032
Current assets				
Inventories	393,862	540,233	-	-
Trade and other receivables	130,004	168,093	761,627	790,115
Prepaid operating expenses	44,829	46,874	44	49
Advances to suppliers	148,240	179,296	-	-
Derivative financial instruments	-	15,959	-	-
Cash and cash equivalents	114,161	134,227	4,845	16,181
Restricted deposits	100,169	133,349	97,785	110,390
	931,265	1,218,031	864,301	916,735
Assets classified as held for sale	194,939	-	-	-
Current liabilities				
Trade and other payable*)	429,033	437,052	97,739	110,546
Other liabilities	348,113	292,714	4,706	666
Derivative financial instruments	-	32,476	-	-
Provision for taxation	21,131	22,479	-	-
Short term bank borrowings	348,043	416,162	48,405	54,750
Long term borrowings (current portion)	695,612	616,642	96,436	117,051
	1,841,932	1,817,525	247,286	283,013
Net current (liabilities)/ assets	(910,667)	(599,494)	617,015	633,722
Non-current liabilities				
Long term borrowings	782,338	1,062,159	-	-
Post-employment benefits	66,071	54,434	-	-
Deferred tax liabilities	42,773	91,195	-	-
Other liability	202,860	202,860	-	-
	1,094,042	1,410,648	-	-
Liabilities directly associated with assets classified as held for sale	39,656	-	-	-
Net assets	859,277	1,597,428	917,555	1,179,754

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	Group		Company	
	30 Sep 2009	31 Dec 2008	30 Sep 2009	31 Dec 2008
	Rp'million	Rp'million	Rp'million	Rp'million
Equity attributable to equity holders of the company				
Share capital	1,943,866	1,943,866	1,943,866	1,943,866
Reserves	(1,232,379)	(626,346)	(1,026,311)	(764,112)
Reserves relating to assets held for sale	2,400	-	-	-
	713,887	1,317,520	917,555	1,179,754
Minority Interests	145,390	279,908	-	-
	859,277	1,597,428	917,555	1,179,754

*) Trade and other payable include the amount of US\$10 million due to a company related to our substantial shareholder.

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 2009		As at 31 Dec 2008	
Secured Rp million	Unsecured Rp million	Secured Rp million	Unsecured Rp million
1,038,787	4,868	1,027,936	4,868

Amount repayable after one year

As at 30 Sep 2009		As at 31 Dec 2008	
Secured Rp million	Unsecured Rp million	Secured Rp million	Unsecured Rp million
782,338	-	1,062,159	-

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, shares of a subsidiary, time deposit, subsidiaries' inventories and property, plant and equipment of the Group, commitment from one of the Company's substantial shareholders and personal guarantees, property, plant and equipment and deposits from two directors and a relative of such directors and commitment from one of the Company's substantial shareholders;
- (2) Long term bank borrowings: corporate guarantee from subsidiaries, a corporate guarantee from the Company, land rights, buildings, inventories and machineries of the subsidiaries, shares of a subsidiary, time deposit and a commitment from the Company's substantial shareholder; 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, together with a comparative statement for the corresponding period of the immediately preceding financial period.

	Group	
	1 Jan 2009 to 30 Sep 2009 Rp'million	1 Jan 2008 to 30 Sep 2008 Rp'million
Cash flows from operating activities		
Loss before tax	(569,873)	(312,472)
Adjustments:		
Impairment of goodwill	245,585	263,747
Impairment of property, plant and equipment	191,854	70,852
Depreciation of property, plant and equipment	168,058	144,694
Interest expense	90,648	123,343
Post employment benefits expenses	11,701	-
Provision for inventories	7,914	-
Amortisation of land use rights	6,621	5,023
Written-down value in respect of assets held for sale	4,648	-
Loss/ (gain) on change in fair value of biological assets	3,902	(20,252)
Amortisation of intangible assets	1,191	2,068
Interest income	(1,797)	(2,010)
Gain on sales of property, plant and equipment	(6,564)	(1,627)
Gain on sales of land use rights	(9,406)	-
Foreign exchange gain	(123,685)	(10,064)
Amortisation of deferred losses on sales and leaseback	-	436
Gain on loan waiver	-	(50,968)
Gain on dilution of investment	-	(2,132)
Operating cash flow before changes in working capital	20,797	210,638
Changes in working capital		
Inventories	136,012	(132,159)
Trade and other receivables	38,062	11,002
Prepaid operating expenses	2,031	111,041
Advance to suppliers	31,056	(46,352)
Trade and other payable	(19,558)	39,215
Other liabilities	47,285	54,902
Other non-current assets	227	(60,365)
Cash flow provided by operations	255,912	187,922
Income tax paid	(19,612)	(40,245)
Net cash provided by operating activities	236,300	147,677
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	12,646	10,043
Proceeds from disposal of land use rights	9,566	-
Interest received	1,797	2,010
Additions to land use rights	(301)	(38,919)
Additions of biological assets	(2,726)	(20,802)
Purchase of property, plant, and equipment	(64,321)	(386,868)
Acquisition of subsidiaries, net of cash acquired	-	(29,994)
Deduction of intangible assets	-	(1,064)
Net cash used in investing activities	(43,339)	(465,594)

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	Group	
	1 Jan 2009 to 30 Sep 2009	1 Jan 2008 to 30 Sep 2008
	Rp'million	Rp'million
Cash flows from financing activities		
Repayments of short term bank borrowings	(66,692)	(14,334)
Repayments of long-term borrowings	(60,773)	(597,087)
Interest expense paid	(84,075)	(150,802)
Proceeds from issuance of ordinary shares	-	661,509
Proceeds from long-term loans	-	365,323
	<u>(211,540)</u>	<u>264,609</u>
Net cash (used in)/ provided by financing activities		
Net decrease in cash and cash equivalents	(18,579)	(53,308)
Cash and cash equivalents at beginning of period	132,800	172,867
	<u>114,221</u>	<u>119,559</u>
Cash and cash equivalents at end of period		

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 owners of the Company					Minority Interests	
	Equity, Total	Share Capital	Accumulated losses	Restructuring reserves	Reserves relating to assets held for sale	Total	
	Rp million	Rp million	Rp million	Rp million	Rp million	Rp million	Rp million
Balance at 1 January 2009	1,597,428	1,943,866	(935,396)	309,050	-	1,317,520	279,908
Total comprehensive loss for the period	(738,151)	-	(603,633)	-	-	(603,633)	(134,518)
Amount accumulated in equity relating to assets held for sale	-		(2,400)		2,400	-	-
Balance at 30 September 2009	<u>859,277</u>	<u>1,943,866</u>	<u>(1,541,429)</u>	<u>309,050</u>	<u>2,400</u>	<u>713,887</u>	<u>145,390</u>
Balance at 1 January 2008	1,912,194	1,269,167	(70,608)	309,050	-	1,507,609	404,585
Issuance of ordinary shares	661,509	661,509	-	-	-	661,509	
Total comprehensive loss for the period	(383,656)	-	(397,795)	-	-	(397,795)	14,139
Balance at 30 September 2008	<u>2,190,047</u>	<u>1,930,676</u>	<u>(468,403)</u>	<u>309,050</u>	<u>-</u>	<u>1,771,323</u>	<u>418,724</u>

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Company

	Attributable to owners of the Company		
	Share Capital	Accumulated (losses)/ profit	Total
	Rp million	Rp million	Rp million
Balance at 1 January 2009	1,943,866	(764,112)	1,179,754
Total comprehensive loss for the period	-	(269,178)	(269,178)
Balance at 30 September 2009	1,943,866	(1,033,290)	910,576
Balance at 1 January 2008	1,269,167	(8,345)	1,260,822
Issuance of ordinary shares	661,509	-	661,509
Total comprehensive income for the period	-	9,703	9,703
Balance at 30 September 2008	1,930,676	1,358	1,932,034

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.

	Company
	Number of shares
At 1 January 2009	898,162,562
Additional/ (deduction) during the period	-
At 30 September 2009	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 2009	31 Dec 2008
	Actual	Actual
Total number of issued shares excluding treasury shares	898,162,562	898,162,562

There were no shares held as treasury shares as at 30 September 2009 and 31 December 2008.

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

Not applicable, as there were no shares held as treasury shares as at 30 September 2009 and 31 December 2008.

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

The figures have not been reviewed or audited 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 same accounting policies and method of computation have been applied to these unaudited financial statements as those applied in the most recently audited financial statements as at 31 December 2008, except for the adoption of the new and revised Singapore Financial Reporting Standards (FRS) which became effective for the financial year beginning on or after 1 January 2009 as disclosed in paragraph 5 below.

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.

The group adopted the amendments to FRS 1 (Presentation of Financial Statements), FRS 107 (Financial Statements Disclosures), FRS 108 (Operating Segments), FRS 23 (Borrowing Cost), INT FRS 116 (Hedges of Net Investment in Foreign Operation) and INT FRS 117 (Distributions of Non-Cash Assets to Owners).

The adoption of these accounting standards has no material impact on the Group's and the Company's financial statements except for the FRS 1 which introduces the concept of statement of comprehensive income. The statement of comprehensive income present non-owners changes in equity separately from transactions with owners which are presented in statement of changes in equity.

Certain comparatives have been reclassified to be consistent with the current period's presentation.

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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 2009 to 30 Sep 2009	3rd Qtr 1 Jul 2008 to 30 Sep 2008	1 Jan 2009 to 30 Sep 2009	1 Jan 2008 to 30 Sep 2008
Weighted average number of ordinary shares for basic earnings per share computation	898,162,562	898,162,562	898,162,562	855,141,956
Weighted average number of ordinary shares for diluted earnings per share computation	898,162,562	898,162,562	898,162,562	855,141,956
	Rp (full amount)	Rp (full amount)	Rp (full amount)	Rp (full amount)
Loss per share attributable to owners of the Company				
Basic	(553)	(504)	(672)	(465)
Diluted	(553)	(504)	(672)	(465)

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:
- current financial period reported on; and
 - immediately preceding financial year.

	Group		Company	
	30 Sep 2009	31 Dec 2008	30 Sep 2009	31 Dec 2008
Net asset for the period attributable to owners of the company used in computation of net asset value per share (Rp'million)	713,887	1,317,520	917,555	1,179,754
Number of ordinary shares at the end of period	898,162,562	898,162,562	898,162,562	898,162,562
Net asset value per ordinary share (Rp full amount)	795	1,467	1,022	1,314

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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

Revenue

Group						
3rd Qtr 1 Jul 2009 to 30 Sep 2009 Rp'million	3rd Qtr 1 Jul 2008 to 30 Sep 2008 Rp'million	Increase/ (Decrease) Rp'million	1 Jan 2009 to 30 Sep 2009 Rp'million	1 Jan 2008 to 30 Sep 2008 Rp'million	Increase/ (Decrease) Rp'million	
Domestic sales	497,165	570,334	-13%	1,456,598	1,671,347	-13%
Export sales	145,118	288,133	-50%	443,970	794,683	-44%
Total	642,283	858,467	-25%	1,900,568	2,466,030	-23%

The decrease in our revenue for the third quarter and the nine months ended 30 September 2009 was mainly due to the decrease in our sales volume and average sales price.

Our export sales in the third quarter of 2009 decreased by 50% to Rp145 billion compared to Rp288 billion in the corresponding period of 2008. In the third quarter of 2009, our domestic sales decreased by 13% to Rp497 billion compared to Rp570 billion in the corresponding period of 2008.

For the period of nine months ended 30 September 2009, our export sales decreased by 44% to Rp444 billion compared to Rp795 billion in the corresponding period last year. Our domestic sales for the nine months of 2009 decreased by 13% to Rp1,457 billion from Rp1,671 billion in the same period of last year.

As mentioned in the last quarter our subsidiary PT Sumalindo Lestari Jaya, Tbk ("Sumalindo") was the worst affected by the slowdown in the markets. In the period under review, Sumalindo's revenue performance continued to deteriorate where during the first nine months of 2009 saw a 56% decline in its export sales compared to the previous year's corresponding period. On the domestic front Sumalindo saw a 41% decline during the first nine months of 2009 compared to the same period last year.

Our total sales volume for the nine months ended 30 September 2009 decreased by 22% compared to the same period of last year. In the third quarter of 2009 our sales volume decreased by 19% compared to the corresponding period of 2008. The decrease in our sales volume was due to slower market demand.

Our average selling price in the third quarter of 2009 decreased by 8% compared to the same period of last year. During the first nine months of 2009 our average selling price decreased by 1.3% compared to the same period of last year which was mainly due to the ongoing depressed market situation in particular, the export market.

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Cost of Sales

Group						
	3rd Qtr 1 Jul 2009 to 30 Sep 2009	3rd Qtr 1 Jul 2008 to 30 Sep 2008	Increase/ (Decrease)	1 Jan 2009 to 30 Sep 2009	1 Jan 2008 to 30 Sep 2008	Increase/ (Decrease)
	Rp'million	Rp'million	Rp'million	Rp'million	Rp'million	Rp'million
Raw materials used	321,456	425,460	-24%	935,645	1,078,344	-13%
Labour costs	98,930	108,254	-9%	279,077	285,054	-2%
Factory overhead	188,289	261,426	-28%	547,194	750,482	-27%
Movement in finished goods	40,924	(27,604)	n.m	136,140	14,611	832%
Total	649,599	767,536	-15%	1,898,056	2,128,491	-11%

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.

Our raw materials used during the third quarter of 2009 were Rp321 billion or 24% lower compared to Rp425 billion during the same period of 2008. The decreased raw material costs in the third quarter of 2009 compared to the same period of 2008 were mainly driven by the lower production during the period.

For the period of nine months ended 30 September 2009, our raw materials used were Rp936 billion or 13% lower compared to Rp1,078 billion during the corresponding period of 2008. The lower amount of raw materials used in the nine months of 2009 was mainly due to the drop in our overall volume.

Labor costs

Our cost of direct labor decreased by 9% to Rp99 billion in the third quarter of 2009 from Rp108 billion in the corresponding period of 2008. However, during the reported corresponding periods our labor costs decreased by 2% from Rp285 billion in 2008 to Rp279 billion in 2009.

Our labor costs represented 15% of our total cost of sales in the third quarter and the nine months of 2009, respectively due to the effect of business expansion last year and the increased regional minimum wages ("UMR") requirement set by the provincial government.

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 decreased by 28% to Rp188 billion in the third quarter of 2009 compared to Rp261 billion in the corresponding period of 2008 due to the decrease in production volume.

Our factory overheads in the first nine months of 2009 and the corresponding period of 2008 were Rp547 billion and Rp750 billion, respectively. The 27% decrease in our factory overheads between the respective corresponding periods of 2009 and 2008 was mainly due to the decrease in our production volume and lower price of chemical glue and energy cost.

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Our depreciation expense increased from Rp53 billion in the third quarter of 2008 to Rp58 billion in the corresponding period of 2009. For the first nine months of 2009 and the corresponding period of 2008 our depreciation expense were Rp164 billion and Rp138 billion, respectively. The increase in depreciation expense was due to major capital expenditure in 2008.

Our energy costs decreased by 37% in the third quarter of 2009 to Rp26 billion compared to Rp41 billion in the corresponding period of 2008. For the first nine months of 2009 and the corresponding period of 2008 our energy costs were Rp73 billion and Rp127 billion, respectively. The decrease in our energy costs was mainly due to the decrease in production volume and lower energy price.

Our glue costs decreased by 26% to Rp42 billion in the third quarter of 2009 compared to Rp56 billion in the corresponding period of 2008 owing to decreased production volume and lower prices of glue. For the nine months of 2009 and 2008 our glue costs were Rp128 billion and Rp207 billion, respectively.

Gross Profit

During the third quarter of 2009 we experienced a gross loss of Rp7 billion. In the third quarter of 2008 our gross profit was Rp91 billion. Our gross profit in the first nine months of 2009 was Rp3 billion, compared to gross profit of Rp338 billion during the corresponding period of 2008.

As explained in our last results announcement, our subsidiary Sumalindo continues to make losses. Our gross loss during the third quarter and first nine months of 2009 was mainly caused by the drop in Sumalindo's sales and production volume. If not for the gross loss incurred by Sumalindo, the Group's gross profit would be Rp52 billion and Rp119 billion in the third quarter and first nine months of 2009, respectively.

As a percentage of sales, our gross profit margin declined to -1% in the third quarter of 2009 from 11% in the same period of 2008. For the first nine months of 2009, we reported our gross profit margin of 0.1% compared to 14% in the same period of 2008.

The decline in our gross profit margin was mainly due to drop in our revenue. We reported a higher unit cost as our fixed cost remained relatively unchanged while our volume declined. Our revenue decreased by 25% and 23% while our cost of sales only dropped by 15% and 11% in the third quarter of 2009 and first nine months of 2009 compared to the same periods of 2008, respectively.

Other Income

In the third quarter of 2009, our other income increased to Rp85 billion which was mainly derived from foreign exchange gain of Rp83 billion compared to none in the corresponding period of 2008.

In the first nine months of 2009, our other income increased by Rp133 billion to Rp228 billion compared to Rp95 billion in the same period of last year which was mainly due to foreign exchange gain of Rp206 billion as compared to Rp16 billion in 2008 offset by the absence of a loan waiver of Rp51 billion recorded in 2008.

General and Administration ("G&A") Expenses

Our G&A expenses was downed by 10% in the third quarter of 2009 compared to the same period of 2008. During the first nine months of 2009 our G&A expenses was down by 2% at Rp147 billion compared to Rp151 billion in the same period of 2008 due mainly to lower depreciation and traveling expenses.

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Other Expense

In the third quarter of 2009 our other expense increased by Rp68 billion to Rp453 billion compared to Rp386 billion in the same period of 2008. The increase was mainly due to the impairments of goodwill on consolidation and property, plant and equipment in the third quarter of 2009.

In the third quarter of 2009, we reported total other expense of Rp453 billion. This expense comprised mainly of impairment of goodwill from our investment in subsidiary of Rp 246 billion, impairment on some of our plywood producing subsidiaries' plant and equipment amounted to Rp192 billion and write down of value in respect of assets held for sales (disposal of our shares in PT Sumalindo Hutani Jaya) of Rp5 billion.

The impairment of goodwill and plant and equipment were mainly due to the worse than expected economic performances of these assets and subsequent cessation of operation.

In the first nine months of 2009, our other expense increased by Rp125 billion as compared to the corresponding period. The increase was mainly due to the reasons as mentioned above.

Taxation

Our tax expenses consisted of the following:

Group						
3rd Qtr 1 Jul 2009 to 30 Sep 2009	3rd Qtr 1 Jul 2008 to 30 Sep 2008	Increase/ (Decrease)	1 Jan 2009 to 30 Sep 2009	1 Jan 2008 to 30 Sep 2008	Increase/ (Decrease)	
Rp'million	Rp'million	Rp'million	Rp'million	Rp'million	Rp'million	
Current income tax	170	7,727	-98%	(6,629)	(21,948)	-70%
Deferred income tax	(85,903)	(44,366)	94%	(149,998)	(49,236)	205%
Under provision of prior years	(1,406)	-	n.m	(11,651)	-	n.m
Total	(87,139)	(36,639)	138%	(168,278)	(71,184)	136%

During the nine months ended 30 September 2009 the group made a reversal of our brought forward deferred tax assets totaling Rp153 billion.

Some of our subsidiaries continue to incur losses and the attainment of future taxable profits maybe uncertain. Accordingly our group has made an adjustment to reverse the bulk of the deferred tax assets for those subsidiaries.

Indonesia adopts individual company income tax system.

(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

Our non-current assets as at the end of third quarter of 2009 decreased by Rp899 billion to Rp2,709 billion compared to financial year ended 31 December 2008 of Rp3,608 billion. The decrease in our non-current assets was mainly caused by the impairment of goodwill, the reversal of deferred tax assets (as explained above) and the decrease in the value of our biological assets (due mainly to reclassification to assets held for sale).

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Our inventory as at the end of third quarter of 2009 declined to Rp394 billion compared to financial year ended 31 December 2008 of Rp540 billion. The decline in inventory was mainly caused by the lower production output due to the unfavorable market condition and the continued management effort to maintain working capital by reducing the stock holding level.

Our trade and other receivable as at the end of third quarter of 2009 decreased by Rp38 billion compared 31 December 2008. The decrease in trade and other receivable was in line with the decrease in our sales performance as discussed above.

Our non-current portion of long term borrowings decreased by Rp280 billion to Rp782 billion in the third quarter of 2009 from Rp1,062 billion in the corresponding period of 2008 which mainly resulted from reclassification of some of loans under rescheduling negotiation and supported by a stronger Rupiah exchange rate versus US Dollar.

We were in a net current liabilities position of Rp911 billion which mainly due to the decrease in current assets of Rp287 billion, mostly from inventory and trade and other receivables as discussed above.

Statement of Cash Flow

Our net cash provided by operating activities increased by 60% to Rp236 billion in 2009 from Rp148 billion in 2008 mainly due to improved working capital management.

Our net cash used in investing activities reduced to Rp43 billion as compared to Rp466 billion for the period ended 30 September 2008. This was mainly due to lower capital expenditure incurred in 2009.

Our net cash used for financing activities for the period under review was Rp212 billion as compared to a net cash inflow of Rp265 billion for the period ended 30 September 2008. Our cash inflow in 2008 was mainly due to the proceeds from our IPO and new loans drawdown more than offset the repayment of loans during the period while we report only loan and interest repayment in 2009. During the period under review our loan and interest repayment was lower than that of the corresponding period of 2008 which was mainly due to rescheduling of our loans.

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 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) Exchange rate risk remains high in 2009. Our Group's borrowings are mostly in US\$ and for this year the decline in our export revenue is expected to continue. The risk of foreign exchange ("FX") fluctuation remains high. Any currency risk which materialises may materially affect our Company's books (positively or negatively depending on, *inter alia*, the direction of the fluctuation) and hence profitability in the form of foreign exchange translation gain or loss.

The impact of the FX movements on our profitability is dependent on, *inter alia*, the sensitivity of our loans denominated in US\$. The following table illustrates the sensitivity of our loans denominated in US\$ to a possible change in the Rupiah exchange rates (against US\$), with all other variables held constant, on our group's loss after tax for the financial period ended 30 September 2009 (assuming tax rate of 28%).

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Exchange Rate 1 US\$ is equal to :	<u>Group</u> Financial period ended 30 September 2009 Rp'million
Actual	Loss attributable to owner of the Company
9,681	(603,633)
Test Rate	(Increase)/ Decrease
10,200	(42,757)
10,000	(26,280)
9,800	(9,804)
9,400	23,150
9,200	39,626
9,000	56,103

Note:

- Exchange rate of Indonesian Rupiah ("IDR") to 1 US\$ at 30 September 2009 was Rp9,681
 - Exchange rate of IDR to 1 US\$ at 30 September 2008 was Rp9,378
 - Exchange rate of IDR to 1 US\$ at 31 December 2008 was Rp10,950
 - Exchange rate of IDR to 1 US\$ at 11 November 2009 was Rp9,420
 - Our US\$ loans as of 30 September 2009 amounts to US\$169 million.
- 2) We see some of our export markets have recovered positively however we have yet to reach the pre-crisis level. Sales focus continues to be on the domestic and regional market where we have cost and logistic advantages over our competitors.
- Our export business is expected to remain difficult at least in the next six-month. Our MDF (*Medium Density Fibreboard*) market is still weak and we expect a longer recovery period and therefore reduced operation at one of our plants might be required. Our MDF production caters mainly to the domestic (which is used mainly in the production of finished products for the export market) and Japanese market. Both markets are still experiencing slowdown.
- 3) Following our tax objection submitted, the Indonesian Tax Office ("ITO") has revised their tax assessment from Rp135 billion to Rp71 billion (including interest and penalty payable of Rp17 billion). Sumalindo's management has made an appeal on the tax assessment to the Tax Court. Sumalindo's management believes that the potential tax exposure is not likely to be material. We will provide further announcements to update Shareholders on the progress of this tax appeal.
- 4) Sumalindo's deteriorating performance may take some time to recover. The management of Sumalindo has taken steps to mitigate the going concern risk which may include among others, selling of its assets, rescheduling the maturing financial obligations and exploring various fund raising options to raise liquidity. However, in light of the current unfavourable economic situation the management is taking careful measures in anticipation for potential adverse development.
- 5) Various fund raising options are still being studied by the management.

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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 the third quarter ended 30 September 2009 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 2009 to 30 September 2009	
	Rp'million	Rp'million
PT Pelayaran Nelly Dwi Putri • Time charter of tug, barges and freight	30,902*	-
PT Nelly Jaya Pratama • Purchase of veneer, fuel and glue • Machinery rental	2,448 4,500	- -

Note:

*) This amount includes Rp9,422 million for time charter contracts already disclosed in our prospectus.

During the nine-month period ended 30 September 2009, our Group made a down payment of Rp3,888 million for the purchase of trees from PT Bioforest Indonesia.

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

The Directors confirm that, to the best of their knowledge, nothing has come to the attention of the Directors which may render the unaudited financial statements for the third quarter ended 30 September 2009 to be false or misleading in any material aspects.

By Order of the Board

Aris Sunarko @ Ko Tji Kim
Chief Executive Officer
11 November 2009

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