

# SAMKO TIMBER LIMITED

Company Registration Number: 200517815M

## Unaudited Half Year Financial Statement and Dividend Announcement for the Period Ended 30/06/2009

### PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF SECOND QUARTER AND HALF YEAR RESULTS

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

#### Consolidated Statement of Comprehensive Income For the Period Ended 30 June 2009 and 2008

	Group					Increase/ (Decrease)
	2nd Qtr 1 Apr 2009 to 30 Jun 2009	2nd Qtr 1 Apr 2008 to 30 Jun 2008	Increase/ (Decrease)	1 Jan 2009 to 30 Jun 2009	1 Jan 2008 to 30 Jun 2008	
	Rp'million	Rp'million	Rp'million	Rp'million	Rp'million	Rp'million
Revenue	620,177	776,813	-20%	1,258,285	1,607,563	-22%
Cost of Sales	(629,425)	(634,586)	-1%	(1,248,457)	(1,360,955)	-8%
<b>Gross profit/ (loss)</b>	<b>(9,248)</b>	<b>142,227</b>	<b>n.m</b>	<b>9,828</b>	<b>246,608</b>	<b>-96%</b>
<b>Other items of income</b>						
Finance income	472	760	-38%	1,025	1,578	-35%
Other income	236,598	65,080	264%	144,489	123,144	17%
<b>Other items of expenses</b>						
Selling expenses	(29,986)	(41,695)	-28%	(64,404)	(77,264)	-17%
General & administrative expenses	(47,919)	(54,938)	-13%	(98,573)	(96,417)	2%
Finance expense	(27,955)	(36,384)	-23%	(66,552)	(78,015)	-15%
Other expenses	(3,474)	(3,180)	9%	(19,977)	(3,150)	534%
<b>Profit/ (loss) before tax</b>	<b>118,488</b>	<b>71,870</b>	<b>65%</b>	<b>(94,164)</b>	<b>116,484</b>	<b>n.m</b>
Tax expenses	(92,618)	(20,497)	352%	(81,139)	(34,545)	135%
<b>Profit/ (loss), net of tax</b>	<b>25,870</b>	<b>51,373</b>	<b>-50%</b>	<b>(175,303)</b>	<b>81,939</b>	<b>n.m</b>
<b>Other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income/ (loss) for the period</b>	<b>25,870</b>	<b>51,373</b>	<b>-50%</b>	<b>(175,303)</b>	<b>81,939</b>	<b>n.m</b>
<b>Profit/ (loss) attributable to:</b>						
Owners of the Parent	36,328	26,488	37%	(107,001)	55,061	n.m
Minority interests	(10,458)	24,885	n.m	(68,302)	26,878	n.m
	<b>25,870</b>	<b>51,373</b>	<b>-50%</b>	<b>(175,303)</b>	<b>81,939</b>	<b>n.m</b>
<b>Total comprehensive income/ (loss) attributable to:</b>						
Owners of the Parent	36,328	26,488	37%	(107,001)	55,061	n.m
Minority interests	(10,458)	24,885	n.m	(68,302)	26,878	n.m
	<b>25,870</b>	<b>51,373</b>	<b>-50%</b>	<b>(175,303)</b>	<b>81,939</b>	<b>n.m</b>

n.m: not meaningful

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

	Group					
	2nd Qtr 1 Apr 2009 to 30 Jun 2009	2nd Qtr 1 Apr 2008 to 30 Jun 2008	Increase/ (Decrease)	1 Jan 2009 to 30 Jun 2009	1 Jan 2008 to 30 Jun 2008	Increase/ (Decrease)
	Rp Million	Rp Million	%	Rp Million	Rp Million	%
Gain on foreign exchange, net	225,161	18,738	1102%	122,641	64,587	90%
Gain/ (loss) on foreign derivative	11,199	(2,045)	n.m	6,245	2,136	192%
Gain on sales of fixed assets	238	-	n.m	6,197	-	n.m
(Loss)/ gain changes in fair value of biological asset	(101)	9,313	n.m	(5,071)	10,812	n.m
Employee termination benefits	-	-	-	(4,192)	-	n.m
Amortisation of intangible assets	(462)	(2,551)	-82%	(843)	(2,686)	-69%
Amortisation of land use rights	(1,747)	(1,157)	51%	(4,871)	(3,292)	48%
Depreciation of property, plant and equipment	(56,081)	(37,930)	48%	(108,653)	(81,089)	34%
Gain on loan waiver	-	50,968	-100%	-	50,968	-100%
(Loss)/ gain on dilution	-	(333)	-100%	-	2,013	-100%
Gain on sales of landrights	-	-	-	9,406	-	n.m

n.m: not meaningful

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

### Unaudited Statement of Financial Position as at 30 June 2009 Audited Statement of Financial Position as at 31 December 2008

	Group		Company	
	30 Jun 2009	31 Dec 2008	30 Jun 2009	31 Dec 2008
	Rp'million	Rp'million	Rp'million	Rp'million
<b>Non-current assets</b>				
Property, plant and equipment	2,127,779	2,180,785	1,541	1,308
Intangible assets	40,948	41,791	-	-
Goodwill	619,992	619,992	-	-
Investment in subsidiary company	-	-	544,528	544,528
Biological assets	401,445	403,219	-	-
Land use rights	96,849	101,625	-	-
Deferred tax assets	112,162	177,068	-	-
Other non-current assets	71,230	83,090	188	196
	<b>3,470,405</b>	<b>3,607,570</b>	<b>546,257</b>	<b>546,032</b>
<b>Current assets</b>				
Inventories	414,719	540,233	-	-
Trade and other receivables	128,358	168,093	773,827	790,115
Prepaid operating expenses	45,824	46,874	60	49
Advances to suppliers	162,921	179,296	-	-
Derivative financial instruments	-	15,959	-	-
Cash and cash equivalents	125,288	134,227	12,382	16,181
Restricted deposits	114,617	133,349	103,239	110,390
	<b>991,727</b>	<b>1,218,031</b>	<b>889,508</b>	<b>916,735</b>
<b>Current liabilities</b>				
Trade and other payable*)	424,161	437,052	103,228	110,546
Other liabilities	298,491	292,714	4,818	666
Derivative financial instruments	-	32,476	-	-
Provision for taxation	21,277	22,479	-	-
Short term bank borrowings	384,751	416,162	51,125	54,750
Long term borrowings (current portion)	678,235	616,642	109,301	117,051
	<b>1,806,915</b>	<b>1,817,525</b>	<b>268,472</b>	<b>283,013</b>
<b>Net current (liabilities)/ assets</b>	<b>(815,188)</b>	<b>(599,494)</b>	<b>621,036</b>	<b>633,722</b>
<b>Non-current liabilities</b>				
Long term borrowings	878,294	1,062,159	-	-
Post-employment benefits	61,554	54,434	-	-
Deferred tax liabilities	90,384	91,195	-	-
Other liability	202,860	202,860	-	-
	<b>1,233,092</b>	<b>1,410,648</b>	<b>-</b>	<b>-</b>
<b>Net assets</b>	<b>1,422,125</b>	<b>1,597,428</b>	<b>1,167,293</b>	<b>1,179,754</b>
<b>Equity attributable to equity holders of the parent</b>				
Share capital	1,943,866	1,943,866	1,943,866	1,943,866
Reserves	(733,347)	(626,346)	(776,573)	(764,112)
	<b>1,210,519</b>	<b>1,317,520</b>	<b>1,167,293</b>	<b>1,179,754</b>
<b>Minority Interests</b>	<b>211,606</b>	<b>279,908</b>	<b>-</b>	<b>-</b>
	<b>1,422,125</b>	<b>1,597,428</b>	<b>1,167,293</b>	<b>1,179,754</b>

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

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**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**

<b>As at 30 Jun 2009</b>		<b>As at 31 Dec 2008</b>	
<b>Secured</b>	<b>Unsecured</b>	<b>Secured</b>	<b>Unsecured</b>
<b>Rp million</b>	<b>Rp million</b>	<b>Rp million</b>	<b>Rp million</b>
1,058,118	4,868	1,027,936	4,868

### **Amount repayable after one year**

<b>As at 30 Jun 2009</b>		<b>As at 31 Dec 2008</b>	
<b>Secured</b>	<b>Unsecured</b>	<b>Secured</b>	<b>Unsecured</b>
<b>Rp million</b>	<b>Rp million</b>	<b>Rp million</b>	<b>Rp million</b>
878,294	-	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) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial period.

### Consolidated Statement of Cash Flows For the Period Ended 30 June 2009 and 2008

	Group	
	1 Jan 2009 to 30 June 2009 Rp'million	1 Jan 2008 to 30 June 2008 Rp'million
<b>Cash flows from operating activities</b>		
(Loss)/ profit before tax	(94,164)	116,484
Adjustments:		
Depreciation of property, plant and equipment	108,653	81,089
Interest expense	66,552	78,015
Post employment benefits expenses	7,120	-
Loss/ (gain) on change in fair value of biological assets	5,071	(10,812)
Amortisation of land use rights	4,871	3,292
Amortisation of intangible assets	843	2,686
Interest income	(1,025)	(1,578)
Gain on sales of property, plant and equipment	(6,197)	-
Gain on sales of land use rights	(9,406)	-
Foreign exchange gain	(90,378)	(45,225)
Amortisation of deferred losses on sales and leaseback		436
Gain on loan waiver	-	(50,968)
<b>Operating cash flow before changes in working capital</b>	<b>(8,060)</b>	<b>173,419</b>
<b>Changes in working capital</b>		
Inventories	125,514	(53,378)
Trade and other receivables	39,735	(13,687)
Prepaid operating expenses	1,050	126,330
Advance to suppliers	16,375	(92,821)
Trade and other payable	(12,891)	24,516
Other liabilities	(6,019)	(9,968)
Other non-current assets	(1,515)	(63,671)
<b>Cash flow provided by operations</b>	<b>154,189</b>	<b>90,740</b>
Income tax paid	(18,246)	(32,225)
<b>Net cash provided by operating activities</b>	<b>135,943</b>	<b>58,515</b>
<b>Cash flows from investing activities</b>		
Proceeds from disposal of land use rights	9,566	-
Proceeds from disposal of property, plant and equipment	7,788	-
Interest received	1,025	1,578
Additions to land use rights	(255)	(38,150)
Additions of biological assets	(3,297)	(15,191)
Purchase of property, plant, and equipment	(43,863)	(249,761)
Acquisition of subsidiaries, net of cash acquired	-	(24,994)
<b>Net cash used in investing activities</b>	<b>(29,036)</b>	<b>(326,518)</b>

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

## Consolidated Statement of Cash Flows (cont'd) For the Period Ended 30 June 2009

	Group	
	1 Jan 2009 to 30 June 2009	1 Jan 2008 to 30 June 2008
	Rp'million	Rp'million
<b>Cash flows from financing activities</b>		
Repayments from short term bank loans	(29,954)	(37,904)
Repayment of long-term loans	(32,993)	(464,323)
Interest expense paid	(51,442)	(100,129)
Proceeds from issuance of ordinary shares	-	661,509
Proceeds from long-term loans	-	311,198
<b>Net cash (used in)/ provided by financing activities</b>	<b>(114,389)</b>	<b>370,351</b>
Net (decrease)/ increase in cash and cash equivalents	(7,482)	102,348
Cash and cash equivalents at beginning of period	132,770	172,867
Cash and cash equivalents at end of period	125,288	275,215

- 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.

## Groups

	Attributable to owners of the Parent					Minority Interest
	Equity, Total	Share Capital	Accumulated losses	Restructuring	Total	
	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	(175,303)	-	(107,001)	-	(107,001)	(68,302)
<b>Balance at 30 June 2009</b>	<b>1,422,125</b>	<b>1,943,866</b>	<b>(1,042,397)</b>	<b>309,050</b>	<b>1,210,519</b>	<b>211,606</b>
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 income for the period	81,939	-	55,061	-	55,061	26,878
<b>Balance at 30 June 2008</b>	<b>2,655,642</b>	<b>1,930,676</b>	<b>(15,547)</b>	<b>309,050</b>	<b>2,224,179</b>	<b>431,463</b>

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## Company

	<b>Attributable to owners of the Parent</b>		
	<b>Share Capital</b>	<b>Accumulated (losses) profit</b>	<b>Total</b>
	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	-	(12,461)	(12,461)
<b>Balance at 30 June 2009</b>	<b>1,943,866</b>	<b>(776,573)</b>	<b>1,167,293</b>
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	-	18,864	18,864
<b>Balance at 30 June 2008</b>	<b>1,930,676</b>	<b>10,519</b>	<b>1,941,195</b>

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.

	<b>Company</b>
	Number of shares
At 1 January 2009	898,162,562
Additional/ (deduction) during the period	-
At 30 June 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.

	<b>Company</b>	
	<b>30 Jun 2009</b> Actual	<b>31 Dec 2008</b> 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 June 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 June 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 accounting policy have been prepared consistently applied by the Group and the Company and were consistent with those used in the audited financial statements for the year ended 31 December 2008.

**5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

There are no changes in the accounting policies and methods of computation. However, the comparative figures have been reclassified to be consistent with the current period presentation.

**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		Company	
	2nd Qtr 1 Apr 2009 to 30 Jun 2009	2nd Qtr 1 Apr 2008 to 30 Jun 2008	1 Jan 2009 to 30 Jun 2009	1 Jan 2008 to 30 Jun 2008
Weighted average number of ordinary shares for basic earnings per share computation	898,162,562	898,162,562	898,162,562	833,275,128
Weighted average number of ordinary shares for diluted earnings per share computation	898,162,562	898,162,562	898,162,562	833,275,128
	Rp (full amount)	Rp (full amount)	Rp (full amount)	Rp (full amount)
<b>Earnings/ (loss) per share attributable to owners of the Parent</b>				
Basic	40	29	(119)	66
Diluted	40	29	(119)	66



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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	
	30 Jun 2009	31 Dec 2008	30 Jun 2009	31 Dec 2008
Net asset for the period attributable to owners of the parent used in computation of net asset value per share (Rp'million)	1,210,519	1,317,520	1,167,293	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)	1,348	1,467	1,300	1,314

### 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					
	2nd Qtr 1 Apr 2009 to 30 Jun 2009	2nd Qtr 1 Apr 2008 to 30 Jun 2008	Increase/ (Decrease)	1 Jan 2009 to 30 Jun 2009	1 Jan 2008 to 30 Jun 2008	Increase/ (Decrease)
	Rp'million	Rp'million	Rp'million	Rp'million	Rp'million	Rp'million
Domestic sales	491,423	546,667	-10%	959,433	1,096,971	-13%
Export sales	128,754	230,146	-44%	298,852	510,592	-41%
<b>Total</b>	<b>620,177</b>	<b>776,813</b>	<b>-20%</b>	<b>1,258,285</b>	<b>1,607,563</b>	<b>-22%</b>

During the second quarter and first half year of 2009, our revenue respectively decreased by 20% and 22% compared to the corresponding periods of 2008. Our revenue during the second quarter of 2009 was Rp620 billion, decreased by Rp157 billion from the previous corresponding period result of Rp777 billion. Our revenue for the first half of 2009 was Rp1,258 billion, decreased by Rp349 billion compared to the previous corresponding period of Rp1,608 billion.

The decrease in our revenues for the second quarter and first half year of 2009 were mainly due to the weakened export markets during the first half of 2009 compared to first half of 2008. Our export sales for the first half year of 2009 decreased by 41% from the same period of last year while our domestic sales declined by 13%. Our subsidiary Sumalindo Lestari Jaya ("Sumalindo") was the worst affected by the slowdown in the export market. Sumalindo during the first half of 2009 saw a 55% decline in its export sales compared to the previous year's corresponding period. On the domestic front Sumalindo saw a 37% decline during the first half of 2009 compared to the same period last year.

Our average selling price increased by 2% during the first half of 2009 compared to the first half of 2008, however our sales volume during the reported period was down by 23%. The increase in our average selling price during the first half of 2009 were mainly driven by the

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strengthening average domestic selling price by 4% and average export selling price by 11% during the reported period. However, in the second quarter of 2009 alone, the average selling price for export was decreased by 10% due to the strengthening of Indonesian Rupiah against the US Dollars. Our domestic selling price increased by 7% compared to the second quarter of 2008 as we optimized our product mix.

Our domestic and export sales volumes dropped respectively by 16% and 38% in the second quarter of 2009 compared to the same period of 2008 which was mainly due to the slower demand.

As a percentage of sales, domestic sales contributed 79% and 70% of our revenues in the respective second quarters of 2009 and 2008, respectively. For the corresponding periods of 2009 and 2008, exports sales contribution was 21% and 30%, respectively, reflecting the depressed export market globally.

### Cost of Sales

	Group					
	2nd Qtr 1 Apr 2009 to 30 Jun 2009	2nd Qtr 1 Apr 2008 to 30 Jun 2008	Increase/ (Decrease)	1 Jan 2009 to 30 Jun 2009	1 Jan 2008 to 30 Jun 2008	Increase/ (Decrease)
	Rp'million	Rp'million	Rp'million	Rp'million	Rp'million	Rp'million
Raw materials used	325,565	297,301	10%	614,189	627,713	-2%
Labour costs	89,596	94,372	-5%	180,147	176,800	2%
Factory overhead	178,562	241,734	-26%	358,905	514,227	-30%
Movement in finished goods	35,702	1,179	2928%	95,216	42,215	126%
<b>Total</b>	<b>629,425</b>	<b>634,586</b>	<b>-1%</b>	<b>1,248,457</b>	<b>1,360,955</b>	<b>-8%</b>

#### 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 second quarter of 2009 were Rp326 billion or 10% higher compared to Rp297 billion during the same period of 2008. The increased raw material costs in the second quarter of 2009 compared to the same period of 2008 were mainly driven by firm log prices.

For the first half of 2009, our raw materials used were Rp614 billion or 2% lower compared to Rp628 billion during the corresponding period of 2008. The lower amount of raw materials used in the first half of 2009 was mainly due to the drop in our overall volume.

#### 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 26% to Rp179 billion in the second quarter of 2009 compared to Rp242 billion in the corresponding period of 2008 due to the decrease in production volume.

Our factory overheads in the first half of 2009 and the first half of 2008 were Rp359 billion and Rp514 billion, respectively. The 30% decrease in our factory overheads between the respective corresponding interim periods of 2009 and 2008 were 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 Rp37 billion in the second quarter of 2008 compared to Rp55 billion in the corresponding period of 2009. For the first half of 2009 and the first half of 2008 our depreciation expense were Rp107 billion and Rp80 billion, respectively. The increased depreciation expense was due to major capital expenditure in 2008.

Our energy costs decreased by 49% in the second quarter of 2009 to Rp23 billion in 2009 compared to Rp45 billion in the corresponding period of 2008. For the first half of 2009 and the first half of 2008 our energy costs were Rp47 billion and Rp86 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 40% to Rp40 billion in the second quarter of 2009 compared to Rp72 billion in the corresponding period of 2008 owing to decreased production volume and lower prices of glue. For the first half of 2009 and the first half of 2008 our glue costs were Rp87 billion and Rp151 billion, respectively.

### *Labor costs*

Our cost of direct labor decreased by 5% to Rp90 billion in the second quarter of 2009 from Rp94 billion in the corresponding period of 2008. However, during the reported corresponding interim periods our labor costs increased by 2% from Rp177 billion in 2008 to Rp180 billion in 2009.

Our labor costs represented 14% of our total cost of sales in the second quarter and the first half of 2009 due to the effect of business expansion last year and the increased regional minimum wages ("UMR") requirement set by the provincial government.

### **Gross Profit**

During the second quarter of 2009 we experienced a gross loss of Rp9 billion. In the second quarter of 2008 our gross profit was Rp142 billion. Our gross profit in the first half of 2009 was Rp10 billion, compared to Rp247 billion during the corresponding period of 2008. The significant drop in our gross profit during the second quarter and first half of 2009 compared to 2008 were mainly caused by the drop in our sales and production volume, and the weakening performance of Sumalindo. If not for the gross loss in Sumalindo, the group's gross profit would be Rp38 billion and Rp67 billion in the second quarter and first half of 2009, respectively.

As a percentage of sales, our gross profit margin declined to -1% in the second quarter of 2009 from 18% in the same period of 2008. For the first half of 2009, our gross profit margin was 1% compared to 15% in the same period of 2008.

The decline in our gross profit margin was mainly due to the 22% decrease in our revenue while our cost of sales only dropped by 8% in the first half of 2009 compared to the same period of 2008; mainly due to the higher unit cost as our fixed cost remained relatively unchanged while our volumes declined.

### **Other Income**

In the second quarter of 2009, our other income increased to Rp237 billion which was mainly derived from foreign exchange gain of Rp225 billion compared to Rp19 billion in the corresponding period of 2008.

In the first half of 2009, our other income increased by Rp21 billion to Rp144 billion compared to Rp123 billion in the same period of last year which was mainly due to foreign exchange gain of Rp123 billion as compared to Rp65 billion in 2008 offset by the absence of a loan waiver of Rp51 billion recorded in 2008.

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## General and Administration (“G&A”) Expenses

Our G&A expenses was down by 13% in the second quarter of 2009 compared to the same period of 2008. Compared to the first quarter of 2009, our G&A expenses in the second quarter of 2009 were down by 5% as a result of the management’s effort in improving the company’s performance by increasing efficiency in G&A expenses.

Our G&A expenses during the first half of 2009 however was higher by 2% at Rp99 billion compared to Rp96 billion in the same period of 2008, in line with the group’s increasing organization size.

## Other Expense

In the second quarter of 2009 our other expense decreased by Rp294 million to Rp3,474 million compared to Rp3,180 million in the same period of 2008.

In the first half of 2009, our other expense increased by Rp17 billion which were mainly derived from the declining fair value of our biological asset, employee termination expenses in the first quarter of 2009 and miscellaneous expenses.

## Taxation

Our tax expenses consisted of the following:

Group						
2nd Qtr 1 Apr 2009 to 30 Jun 2009	2nd Qtr 1 Apr 2008 to 30 Jun 2008	Increase/ (Decrease)	1 Jan 2009 to 30 Jun 2009	1 Jan 2008 to 30 Jun 2008	Increase/ (Decrease)	
Rp'million	Rp'million	Rp'million	Rp'million	Rp'million	Rp'million	
Current income tax	(4,482)	(12,345)	-64%	(6,799)	(27,453)	-75%
Deferred income tax	(77,978)	(5,930)	1215%	(64,095)	(4,870)	1216%
Under provision of prior years taxes	(10,158)	(2,222)	357%	(10,245)	(2,222)	361%
<b>Total</b>	<b>(92,618)</b>	<b>(20,497)</b>	<b>352%</b>	<b>(81,139)</b>	<b>(34,545)</b>	<b>135%</b>

During the first half of 2009 the Group made an impairment on the deferred tax assets totaling Rp70 billion.

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 asset as at the end of second quarter of 2009 decreased by Rp12 billion to Rp71 billion compared to financial year ended 31 December 2008 of Rp83 billion. The decrease in our non-current asset was mainly caused by the decrease in advance payment for the purchase of fixed assets.

Our inventory as at the end of second quarter of 2009 declined by Rp126 billion compared to financial year ended 31 December 2008. The decline in inventory was mainly caused by the lower production output due to the unfavourable market condition and the management’s effort to maintain working capital by reducing the stock holding level.

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Our trade and other receivable as at the end of second quarter of 2009 declined by Rp40 billion compared 31 December 2008. The decline in trade and other receivable was in line with the worsening sales performance as discussed above.

As part of our loan rescheduling we have unwound all of our hedging contracts. The unwinding was required to match with the new loan installment. As at the end of second quarter of 2009, we did not have any outstanding position in derivative financial instruments.

Our current portion of long term borrowings increased by Rp62 billion to Rp678 billion in the second quarter of 2009 from Rp617 billion in the corresponding period of 2008 which mainly resulted from the reclassification of subsidiaries' long-term to short-term loans due to the occurrence of technical defaults at some of our subsidiaries.

We were in a net current liabilities position of Rp815 billion which mainly due to the decrease in current assets of Rp226 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 132% to Rp136 billion in 2009 from Rp59 billion in 2008 mainly due to the reduction in working capital needs as market softens.

Our net cash used for financing activities in the second quarter of 2009 was Rp114 billion which was mainly for servicing 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 profit after tax for the financial period ended 30 June 2009 (assuming tax rate of 28%).

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Exchange Rate 1 US\$ is equal to :	<u>Group</u> Financial period ended 30 June 2009 Rp'million
Actual	Loss attributable to owner of the Parent
10,225	(107,001)
Test Rate	(Increase)/ Decrease
11,000	(64,634)
10,500	(22,935)
10,350	(10,425)
10,100	10,425
9,800	35,445
9,500	60,464

Note:

- Exchange rate of Indonesian Rupiah ("IDR") to 1 US\$ at 30 June 2009 was Rp10,225
  - Exchange rate of IDR to 1 US\$ at 30 June 2008 was Rp9,225
  - Exchange rate of IDR to 1 US\$ at 31 December 2008 was Rp10,950
  - Exchange rate of IDR to 1 US\$ at 11 August 2009 was Rp9,945
  - Our US\$ loans as of 30 June 2009 amounts to US\$170 million.
- 2) Sales in the next 3 – 6 months, taking out the effect of Hari Raya, are expected to slowly recover as market signals positive trends in particular the demand from overseas on the high value plywood. On the other hand, our MDF (*Medium Density Fibreboard*) market is still weak and we expect a longer recovery period and therefore reduced operation at one or two of our plants might be required. Our MDF production caters mainly to the domestic and Japanese market. In the case of domestic market, the larger users of MDF are still experiencing unfavourable market.
- 3) We have reached an advanced stage of negotiation with some of our banks to reschedule our maturing debts. Currently we are finalizing documentation and we expect to sign the rescheduling agreements soon.
- 4) 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 will make 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.
- 5) Sumalindo's deteriorating performance may take some time to recover. The management has taken steps to mitigate the going concern risk which may include among others, selling of its assets and rescheduling the maturing financial obligations to raise liquidity. The progress is so far encouraging. However, in light of the current unfavourable economic situation the management is taking careful measures in anticipation for potential adverse development.
- 6) 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 second quarter ended 30 June 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 June 2009	
	Rp'million	Rp'million
PT Pelayaran Nelly Dwi Putri <ul style="list-style-type: none"><li>• Time charter of tug, barges and freight</li></ul>	22,822*	-
PT Nelly Jaya Pratama <ul style="list-style-type: none"><li>• Purchase of veneer, fuel and glue</li><li>• Machinery rental</li></ul>	2,361 3,000	- -

Note:

\*) This amount includes Rp3,416 million for time charter contracts already disclosed in our prospectus.

During the six-month period ended 30 June 2009, our Group made a down payment of Rp2,726 million for the purchase of trees from PT Bioforest Indonesia.

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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 second quarter ended 30 June 2009 to be false or misleading in any material aspects.

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

Aris Sunarko @ Ko Tji Kim  
Chief Executive Officer  
12 August 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.