

SAMKO TIMBER LIMITED

Company Registration Number: 200517815M

Unaudited Second Quarter Financial Statements and Dividend Announcement for the Period Ended 30 June 2018

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF SECOND 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 period.

	3-month ended			6-month ended		
	30 Jun 2018	30 Jun 2017	Change	30 Jun 2018	30 Jun 2017	Change
	Rp'million	Rp'million	%	Rp'million	Rp'million	%
Revenue	954,099	711,452	34	1,978,752	1,557,167	27
Cost of sales	(816,640)	(627,636)	30	(1,625,880)	(1,335,345)	22
Gross profit	137,459	83,816	64	352,872	221,822	59
Other items of income						
Interest income	121	83	46	287	232	24
Other income	30,429	1,735	1,654	30,428	2,617	1,063
Other items of expenses						
Selling expenses	(28,596)	(22,058)	30	(60,160)	(44,415)	35
General and administrative expenses	(81,551)	(65,424)	25	(195,699)	(162,874)	20
Finance expenses	(21,449)	(21,888)	(2)	(41,288)	(42,308)	(2)
Other expenses	(23,799)	(4,021)	492	(27,706)	(20,624)	34
Profit (loss) before tax	12,614	(27,757)	n.m	58,734	(45,550)	n.m
Taxation	659	(4,301)	n.m	(15,165)	(1,949)	678
Net profit (loss) for the period	13,273	(32,058)	n.m	43,569	(47,499)	n.m
Other comprehensive income:						
Items that will not be reclassified to profit or loss:						
Net actuarial loss on post-employment benefits	(1,234)	(1,310)	(6)	(2,472)	(2,098)	18
Items that may be reclassified subsequently to profit or loss:						
Foreign currency translation gain (loss)	5,442	(1,714)	n.m	2,541	(29)	n.m
Total comprehensive income for the period	17,481	(35,082)	n.m	43,638	(49,626)	n.m
Net loss attributable to:						
Owners of the Company	13,284	(30,558)	n.m	44,374	(44,647)	n.m
Non-controlling interests	(11)	(1,500)	(99)	(805)	(2,852)	(72)
	13,273	(32,058)	n.m	43,569	(47,499)	n.m
Total comprehensive income attributable to:						
Owners of the Company	17,502	(33,575)	n.m	44,480	(46,762)	n.m
Non-controlling interests	(21)	(1,507)	(99)	(842)	(2,864)	(71)
	17,481	(35,082)	n.m	43,638	(49,626)	n.m

n.m : not meaningful

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

	3-month ended			6-month ended		
	30 Jun 2018	30 Jun 2017	Change	30 Jun 2018	30 Jun 2017	Change
	<i>Rp'million</i>	<i>Rp'million</i>	%	<i>Rp'million</i>	<i>Rp'million</i>	%
Depreciation of property, plant and equipment	(23,215)	(25,462)	(9)	(44,862)	(52,335)	(14)
Interest expenses	(18,958)	(20,015)	(5)	(37,346)	(38,896)	(4)
Post-employment benefits expense	(11,930)	(11,151)	7	(23,776)	(22,304)	7
Net foreign exchange (loss) gain	(12,749)	1,266	n.m	(14,824)	2,617	n.m
Amortisation of land use rights	(875)	(889)	(2)	(1,750)	(1,738)	1
Allowance for doubtful receivables	(3,838)	(1,323)	190	(4,489)	(1,353)	232
Workers separation expenses	(1,024)	(293)	249	(1,493)	(2,716)	(45)
Net gain (loss) on disposal of property, plant and equipment	302	(269)	n.m	302	(8)	n.m
Gain on disposal of assets held for sale	30,014	-	n.m	30,014	-	n.m
Allowance for advance to suppliers	(384)	(223)	72	(384)	(223)	72
Interest income	121	83	46	287	232	24
Expense for the Group's re-organisation exercise *)	-	(15,534)	(100)	-	(15,534)	(100)

*) Included in "Other expenses"

n.m : not meaningful

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

	Group		Company	
	30 Jun 2018	31 Dec 2017	30 Jun 2018	31 Dec 2017
	<i>Rp'million</i>	<i>Rp'million</i>	<i>Rp'million</i>	<i>Rp'million</i>
Non-current assets				
Property, plant and equipment	475,839	502,306	-	-
Investment in subsidiary companies	-	-	437,486	437,486
Biological assets	51,499	51,454	-	-
Land use rights	56,128	57,877	-	-
Deferred tax assets	101,712	111,318	-	-
Other non-current assets	22,878	17,194	-	-
	708,056	740,149	437,486	437,486
Current assets				
Inventories	604,250	496,809	-	-
Trade and other receivables	342,182	269,131	49,158	35,624
Prepaid operating expenses	65,832	35,176	526	394
Advances to suppliers	72,412	58,246	-	-
Restricted deposits	17,412	12,987	-	-
Cash and cash equivalents	36,892	33,905	2,534	2,597
	1,138,980	906,254	52,218	38,615
Assets classified as held for sale	-	29,840	-	-
	1,138,980	936,094	52,218	38,615
Current liabilities				
Trade and other payables	425,916	283,433	36,384	20,766
Other liabilities	116,135	124,239	2,211	3,294
Advances from customers	18,813	86,050	-	-
Provision for taxation	14,888	13,442	-	-
Loans and borrowings	732,820	647,122	-	-
	1,308,572	1,154,286	38,595	24,060
Net current (liabilities) assets	(169,592)	(218,192)	13,623	14,555
Non-current liabilities				
Loans and borrowings	135,522	181,062	-	-
Post-employment benefits	272,733	254,324	-	-
	408,255	435,386	-	-
Net assets	130,209	86,571	451,109	452,041
Equity attributable to owners of the Company				
Share capital	2,501,056	2,501,056	2,501,056	2,501,056
Accumulated losses	(2,697,881)	(2,739,797)	(2,050,865)	(2,049,117)
Other reserves	323,059	320,495	918	102
	126,234	81,754	451,109	452,041
Non-controlling interests	3,975	4,817	-	-
	130,209	86,571	451,109	452,041

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

Amount repayable in one year or less, or on demand

As at 30 Jun 2018		As at 31 Dec 2017	
Secured	Unsecured	Secured	Unsecured
<i>Rp'million</i>	<i>Rp'million</i>	<i>Rp'million</i>	<i>Rp'million</i>
674,626	58,194	633,716	13,406

Amount repayable after one year

As at 30 Jun 2018		As at 31 Dec 2017	
Secured	Unsecured	Secured	Unsecured
<i>Rp'million</i>	<i>Rp'million</i>	<i>Rp'million</i>	<i>Rp'million</i>
135,522	-	181,062	-

Details of collaterals

As at 30 June 2018, our bank borrowings are secured by the following:

- (1) Land use rights, buildings, machinery and equipment, inventories, account receivables, collection and restricted deposits of a subsidiary, and corporate guarantees from the Company and certain subsidiaries of the Company. The loan facilities from our major lenders also include a clause demanding mandatory repayment of all the loan facilities if (i) there is any reduction in direct and/or indirect shareholding interests of PT Sumber Graha Sejahtera ("PT SGS") by Sampoerna Strategic Group, or (ii) the representatives appointed by Sampoerna Strategic Group are no longer present in PT SGS; or (iii) Mr Putera Sampoerna and his family is directly or indirectly no longer the controlling ultimate beneficiary owner of PT SGS and the Company. All other assets of the subsidiaries are on negative pledge to the financial institution and some restriction on dividend payment is imposed; and
- (2) All assets acquired under finance leases are secured against the assets under lease.

In July 2018, PT SGS has obtained new additional loan facilities from existing lenders to expand its working capital. The facilities increased by a Rp140 billion loan facility granted by PT Bank OCBC NISP Tbk and a US\$25 million loan facility granted by OCBC Ltd Singapore. The loan facilities are secured by existing collaterals as mentioned above.

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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 period.

	6-month ended	
	30/Jun/18	30/Jun/17
	<i>Rp'million</i>	<i>Rp'million</i>
Cash flows from operating activities		
Profit (loss) before tax	58,734	(45,550)
Adjustments:		
Depreciation of property, plant and equipment	44,862	52,335
Interest expenses	37,346	38,896
Post-employment benefits expense	23,776	22,304
Net foreign exchange loss (gain)	14,891	(4,734)
Allowance for doubtful receivables	4,489	1,353
Amortisation of land use rights	1,750	1,738
Allowance for advance to suppliers	384	223
Interest income	(287)	(232)
Net (gain) loss on disposal of property, plant and equipment	(302)	8
Gain on disposal of assets held for sale	(30,014)	-
Operating cash flow before changes in working capital	155,629	66,341
Changes in working capital :		
Inventories	(107,441)	(18,610)
Trade and other receivables	(77,540)	21,236
Prepaid operating expenses	(24,724)	(1,089)
Advances to suppliers	(14,550)	(10,475)
Trade and other payable	142,483	(57,071)
Other liabilities	(20,886)	(47,220)
Advance from customers	(67,237)	(5,891)
Other non-current assets	(3,309)	(1,173)
Cash flow used in operations	(17,575)	(53,952)
Income tax paid	(4,793)	(6,072)
Post-employment benefits paid	(267)	(2,775)
Net cash flows used in operating activities	(22,635)	(62,799)
Cash flows from investing activities		
Purchase of property, plant and equipment	(23,223)	(13,437)
Proceeds from disposal of property, plant and equipment	376	285
Proceeds from disposal of assets held for sale	63,637	-
Additions of biological assets	(45)	(83)
Interest received	287	232
Net cash flows provided by (used in) investing activities	41,032	(13,003)

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	6-month ended	
	30/Jun/18	30/Jun/17
	<i>Rp'million</i>	<i>Rp'million</i>
Cash flows from financing activities		
Drawdown of loans and borrowings	1,105,590	1,058,880
Repayment of loans and borrowings	(1,140,771)	(1,000,103)
Interest paid	(35,200)	(34,208)
Placement of restricted deposits	(3,852)	(868)
	<hr/>	<hr/>
Net cash flows (used in) provided by financing activities	(74,233)	23,701
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(55,836)	(52,101)
Effect of exchange rate changes on cash and cash equivalents	629	(56)
Cash and cash equivalents at beginning of period	33,905	58,724
	<hr/>	<hr/>
Cash and cash equivalents at end of period	<u>(21,302)</u>	<u>6,567</u>

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

Cash and cash equivalents	36,892	43,934
Less: Bank overdraft	(58,194)	(37,367)
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	<u>(21,302)</u>	<u>6,567</u>

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- 1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial period.

Group	Attributable to owners of the Company						Non-controlling interests	Total equity
	Share capital	Accumulated losses	Restructuring reserves	Premium paid on acquisition of non-controlling interest	Foreign currency translation reserves	Total		
				interest				
<i>Rp'million</i>	<i>Rp'million</i>	<i>Rp'million</i>	<i>Rp million</i>	<i>Rp million</i>	<i>Rp'million</i>	<i>Rp'million</i>	<i>Rp'million</i>	
Balance at 1 Jan 2018	2,501,056	(2,739,797)	309,050	(3,037)	14,482	81,754	4,817	86,571
Profit (loss) for the period	-	44,374	-	-	-	44,374	(805)	43,569
Other comprehensive income for the period:								
- Net actuarial loss on post-employment benefits	-	(2,458)	-	-	-	(2,458)	(14)	(2,472)
- Foreign currency translation gain (loss)	-	-	-	-	2,564	2,564	(23)	2,541
Other comprehensive income for the period, net of tax	-	(2,458)	-	-	2,564	106	(37)	69
Total comprehensive income for the period	-	41,916	-	-	2,564	44,480	(842)	43,638
Balance at 30 Jun 2018	2,501,056	(2,697,881)	309,050	(3,037)	17,046	126,234	3,975	130,209
Balance at 1 Jan 2017	2,501,056	(2,765,786)	309,050	-	18,154	62,474	6,756	69,230
Loss for the period	-	(44,647)	-	-	-	(44,647)	(2,852)	(47,499)
Other comprehensive income for the period:								
- Net actuarial loss on post-employment benefits	-	(2,084)	-	-	-	(2,084)	(14)	(2,098)
- Foreign currency translation (loss) gain	-	-	-	-	(31)	(31)	2	(29)
Other comprehensive income for the period, net of tax	-	(2,084)	-	-	(31)	(2,115)	(12)	(2,127)
Total comprehensive income for the period	-	(46,731)	-	-	(31)	(46,762)	(2,864)	(49,626)
Balance at 30 Jun 2017	2,501,056	(2,812,517)	309,050	-	18,123	15,712	3,892	19,604

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Company	Attributable to owners of the Company			
	Share capital	Accumulated losses	Foreign currency translation reserves	Total
	<i>Rp'million</i>	<i>Rp'million</i>	<i>Rp'million</i>	<i>Rp'million</i>
Balance at 1 Jan 2018	2,501,056	(2,049,117)	102	452,041
Total comprehensive income for the period	-	(1,748)	816	(932)
Balance at 30 Jun 2018	2,501,056	(2,050,865)	918	451,109
Balance at 1 Jan 2017	2,501,056	(2,045,086)	-	455,970
Total comprehensive income for the period	-	(2,854)	(149)	(3,003)
Balance at 30 Jun 2017	2,501,056	(2,047,940)	(149)	452,967

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial period. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial period.

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

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

	Group and Company
	Number of shares
At 30 June 2018 and 2017	2,374,050,505

The Company did not have any treasury shares, subsidiary holdings or other convertibles as at 30 June 2018 and 2017.

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

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

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

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

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

The figures have not been audited or reviewed by the auditor.

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

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The Singapore Accounting Standards Council has introduced a new Singapore financial reporting framework that is equivalent to the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The new framework is referred to as 'Singapore Financial Reporting Standards (International)' ("SFRS(I)") hereinafter.

Subsequent to the last financial year end, as required by the listing requirements of the Singapore Exchange, the Group has adopted SFRS(I) on 1 January 2018 and issued its second set of financial information prepared under SFRS(I) for the financial period ended 30 June 2018.

The adoption of new SFRS(I) did not result in significant change to the Group's and Company's accounting policies and did not have material impact on the amounts reported for the current or prior financial years.

Consistent with the prior year's accounting policy, the Group appraises the fair value of its biological assets only at the end of the financial year.

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

Please refer to point 4.

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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.**

	3-month ended		6-month ended	
	30 Jun 2018	30 Jun 2017	30 Jun 2018	30 Jun 2017
Weighted average number of ordinary shares for basic earnings per share computation	2,374,050,505	2,374,050,505	2,374,050,505	2,374,050,505
Weighted average number of ordinary shares for diluted earnings per share computation	2,374,050,505	2,374,050,505	2,374,050,505	2,374,050,505
	Rp (full amount)	Rp (full amount)	Rp (full amount)	Rp (full amount)
Earnings per share attributable to owners of the Company				
Basic and diluted	6	(13)	19	(19)

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 period.

	Group		Company	
	30 Jun 2018	31 Dec 2017	30 Jun 2018	31 Dec 2017
Net assets for the period attributable to owners of the Company used in computation of net asset value per share (Rp/million)	126,234	81,754	451,109	452,041
Number of ordinary shares at the end of the period	2,374,050,505	2,374,050,505	2,374,050,505	2,374,050,505
Net asset value per ordinary share (Rp full amount)	53	34	190	190

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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

Certain comparative figures in 1H 2017 have been reclassified to conform with the presentation adopted in the current period.

Our Group reported a net profit of Rp44 billion in 1H 2018 as compared to a net loss of Rp47 billion in 1H 2017. This was due mainly to higher sales volume and better overall pricing achieved and the gain on disposal of assets held for sale (factory and land), offset by higher exchange loss incurred during the period, while the losses for 1H 2017 included one off expense for the Group's re-organisation exercise.

In the 2Q 2018, the Group registered a net profit of Rp13 billion, compared to a net loss of Rp32 billion in 2Q 2017. The performance was due to mainly the same factors as mentioned above. In addition, performance in 2Q 2018 was impacted by the long "Lebaran/Hari Raya" holiday period in Indonesia in the month of June 2018 which affected production and sales considerably.

Revenue

	3-month ended			6-month ended		
	30 Jun 2018	30 Jun 2017	Change	30 Jun 2018	30 Jun 2017	Change
	<i>Rp'million</i>	<i>Rp'million</i>	%	<i>Rp'million</i>	<i>Rp'million</i>	%
Domestic sales	429,793	411,593	4	957,226	947,837	1
Export sales	524,306	299,859	75	1,021,526	609,330	68
Total	954,099	711,452	34	1,978,752	1,557,167	27

In 1H and 2Q 2018, our total sales increased by 27% and 34% as compared to 1H and 2Q 2017, mainly due to the surge in export sales by 68% and 75% compare to 1H and 2Q 2017, respectively, while our domestic sales remained relatively stable. The Group was able to maintain the sales growth momentum although there was a long "Lebaran/Hari Raya" holiday period in Indonesia during the 2Q 2018.

Our export sales continued to perform well, the increase was mainly due to the increase in sales volume by 55% and 59% in 1H and 2Q 2018, while the average selling price increased by 8% and 10% in 1H and 2Q 2018, as a result of strong demand from the global market.

The composition of our export sales to overall sales increase significantly from 39% in 1H 2017 to 52% in 1H 2018.

Gross profit

Our gross profit significantly increased by 59% and 64% in 1H and 2Q 2018, respectively, due mainly to higher sales, due mainly to the increase in export sales volume and selling prices, as mentioned above. Export sales generally have higher margin. The Group managed to improve the gross profit margin from 14% and 12% in 1H and 2Q 2017 to 18% and 14% in 1H and 2Q 2018, and registered a gross profit of Rp353 billion and Rp137 billion in 1H and 2Q 2018 as compared to Rp222 billion and Rp84 billion in 1H and 2Q 2017.

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Other Income

In 1H and 2Q 2018, other income came mainly from the gain on disposal of assets held for sale of Rp30 billion.

Selling expenses

Our selling expenses has increased by 35% and 30% in 1H and 2Q 2018 as compared to 1H and 2Q 2017. The increase in the selling expenses came mainly from freight costs which were in line with the increase in the export sales activities and higher spending on marketing activities to stimulate the market demand.

General and administrative expenses

The general and administrative expenses have increased over that of previous period due mainly to increase in staff incentive costs and professional fees.

Finance Expenses

Our finance expenses relate mainly to interest expense which remained stable as compare to 1H and 2Q 2017.

Other expenses

Our 1H 2017 Other Expenses were derived mainly from the workers separation expense and one off expense for the Group's re-organisation exercise. In 1H 2018, Other Expenses were derived mainly from net foreign exchange losses and allowance for doubtful receivables, offset by the decrease in workers separation expense and the absence of one off expense for the Group's re-organisation exercise. The net foreign exchange losses were mainly due to unrealised foreign exchange loss from translation of our US Dollar denominated loans.

Taxation

Our taxation comprise the following:

	3-month ended			6-month ended		
	30 Jun 2018	30 Jun 2017	Change	30 Jun 2018	30 Jun 2017	Change
	<i>Rp'million</i>	<i>Rp'million</i>	%	<i>Rp'million</i>	<i>Rp'million</i>	%
Current income tax	(2,079)	(6,153)	(66)	(4,633)	(11,736)	(61)
Deferred income tax (tax expense)	2,841	1,852	53	(10,429)	9,787	n.m
Total	<u>659</u>	<u>(4,301)</u>	<u>n.m</u>	<u>(15,165)</u>	<u>(1,949)</u>	<u>678</u>

Indonesia adopts individual company income tax system.

Our effective tax rate was not aligned with statutory tax rate due mainly to certain expenses not deductible for tax purposes.

During the period, we recognised deferred tax expense from utilisation of tax losses in this quarter, offset by the recognition of post-employment benefits.

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- (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 property, plant and equipment decreased by Rp26 billion. This was due mainly to depreciation charges during the period offset by the addition of assets amounted to Rp18 billion, primarily for production facilities due to increase in production volume and the ERP/SAP infrastructures.

In 2Q 2018, the Group has sold its factory and land previously classified as assets held for sale for total consideration of Rp64 billion and recognised a gain of Rp30 billion in other income.

Deferred tax assets decreased by Rp10 billion. This came mainly due to the utilisation of tax losses offset by the recognition of post-employment benefits, as explained above.

Other non-current assets increased by Rp6 billion. This was mainly due to increase in advance for purchase of property, plant and equipment.

In 1H 2018, our Group's current assets have increased to Rp1,139 billion. The increase was mainly due to:

1. higher inventory level as a result of higher production volume and higher sales;
2. increase in trade receivables which is in line with the increase in sales;
3. higher prepaid operating expenses. Prepayments were made in the ordinary course of business mainly for rental, insurance, VAT receivables, and thirteen month bonus amortised until end of the year;
4. higher advances to suppliers for logs and veneer to get a lower cost and advances to new suppliers; and
5. higher cash and bank balances.

As at 30 June 2018, our Group's current and non-current liabilities have increased by Rp127 billion to Rp1,717 billion. This was contributed mainly by:

1. increase in trade and other payables of Rp142 billion as a result of increase in production and business activities;
2. provision for post-employment benefits made during the period (increased by Rp27 billion);
3. increase in loans and borrowings totaling Rp40 billion; and
4. offset by decrease in advance from customers by Rp67 billion and other liabilities by Rp16 billion (excluding current portion of provision for post-employment benefits).

Overall, our Group net working capital position has improved by Rp49 billion due mainly to our operating income and better working capital management.

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Statement of Cash Flow

During the period, the Group generated cash inflow of Rp41 billion from investing activities and incurred cash outflow of Rp23 billion and Rp74 billion from operating and financing activities, respectively. Net cash decreased by Rp56 billion.

Our operating cash flow before changes in working capital was significantly higher than the prior period, this is attributable to improved operating margin caused by higher sales incurred. Cash outflow from operating activities was due mainly to higher cash used to reinvest in the production of goods and purchase of materials, in addition, the realisation of the sales to cash was delayed due to the long "Lebaran/Hari Raya" holiday period before end of 2Q 2018.

Cash inflow from the investing activities was mainly derived from the gain on disposal of assets held for sale, offset by the addition of property, plant and equipment.

Our cash used in the financing activities related mainly to net repayments of loans and interests. The repayments of bank borrowings and its interests were in accordance with the repayments schedule.

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

Not applicable.

10. A commentary at the date of the announcement of the trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

- 1) The Group has US dollar borrowings, where the risk of foreign exchange fluctuation may materially affect the Group's results (positively or negatively depending on, *inter alia*, the direction of the fluctuation). Although the risk may be mitigated by our US dollar export sales (thus providing the natural hedging to the foreign currency fluctuation exposure), we illustrate below the sensitivity impact of our US dollar borrowings to our net loss arising from the possible change in the US exchange rate, assuming all other variables are held constant with tax rate of 25% in Indonesia:

Indonesia Rupiah to US Dollar exchange rates	(Weakened) / strengthened	Profit after tax for the period Rp44 billion (Increase)/ decrease
<i>Rp'full amount</i>		Rp'million
15,484	(7.5%)	(25,882)
15,124	(5.0%)	(17,255)
14,764	(2.5%)	(8,627)
14,044	2.5%	8,627
13,684	5.0%	17,255
13,324	7.5%	25,882

Our US\$ loans as at 30 June 2018 and 31 December 2017 were US\$32 million and US\$34 million, respectively.

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Exchange rate:	Rp/US\$1
- 14 August 2018	Rp14,625
- 30 June 2018	Rp14,404
- 31 December 2017	Rp13,436
- 30 June 2017	Rp13,319

- 2) We expect strong export sales, especially from North America, North Asia, and Europe, in 1H 2018 to continue to drive our growth in 2018. Domestic sales are expected to remain stable mainly due to the Indonesian economic growth and its government's continuous spending on infrastructure projects.
- 3) As we are increasing our production volume to meet demand, we may face the risk of higher log prices. During the period, the Group has taken steps to lower production costs by increasing the productivity and efficiency of our plywood business, as the escalation of production and operation costs is a key factor affecting the profitability of our operation.

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 Period

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

No.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

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

No dividend for financial period ended 30 June 2018 has been declared.

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13. Interested person transactions.

The following is the aggregate value of all transactions with interested persons for the period ended 30 June 2018:

<i>Name of interested person</i>	<i>Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)</i>	<i>Aggregate value of all interested person transactions conducted during the financial period under review under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)</i>
	<i>Rp'million</i>	<i>Rp'million</i>
PT Sampoerna Land		
<i>Office rental</i>	2,289	-
PT Bank Sahabat Sampoerna		
<i>Finance expense</i>	2,716	-
PT Pelayaran Nelly Dwi Putri		
<i>Freight expense</i>	260	462

PT Sampoerna Land and PT Bank Sahabat Sampoerna are controlled by the Sampoerna family, who are substantial shareholders of the Company. Certain Sunarko family members are substantial shareholders of PT Pelayaran Nelly Dwi Putri Tbk (a listed company in Indonesia). They are also substantial shareholders and directors of the Company.

The Company has obtained shareholders' mandates for the above interested party transactions under Rule 920 of the Listing Manual of the Singapore Exchange Securities Trading Limited at the Extraordinary General Meeting on 28 April 2018.

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 2018 to be false or misleading in any material aspect.

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

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

BY ORDER OF THE BOARD

Riko Setyabudhy Handoko
Executive Director and Chief Executive Officer
14 August 2018