

# SAMKO TIMBER LIMITED

Company Registration Number: 200517815M

## Unaudited Second Quarter Financial Statements and Dividend Announcement for the Period Ended 30/06/2014

### 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 year.

	Group			Group		
	2nd Qtr 1 Apr 2014 to 30 Jun 2014	2nd Qtr 1 Apr 2013 to 30 Jun 2013	Increase/ (decrease)	1 Jan 2014 to 30 Jun 2014	1 Jan 2013 to 30 Jun 2013	Increase/ (decrease)
	Rp'million	Rp'million	%	Rp'million	Rp'million	%
Revenue	777,903	742,810	5	1,588,581	1,461,715	9
Cost of sales	(661,091)	(636,787)	4	(1,326,050)	(1,230,910)	8
<b>Gross profit</b>	<b>116,812</b>	<b>106,023</b>	<b>10</b>	<b>262,531</b>	<b>230,805</b>	<b>14</b>
<b>Other items of income</b>						
Interest income	16	214	(93)	316	385	(18)
Other income	2,501	10,329	(76)	2,411	10,412	(77)
<b>Other items of expenses</b>						
Selling expenses	(35,254)	(26,836)	31	(69,871)	(53,795)	30
General & administrative expenses	(66,480)	(57,400)	16	(126,115)	(113,006)	12
Finance expenses	(15,513)	(11,666)	33	(29,831)	(22,394)	33
Other expenses	(13,386)	(5,237)	156	(12,799)	(11,646)	10
<b>Profit (loss) before tax</b>	<b>(11,304)</b>	<b>15,427</b>	<b>n.m</b>	<b>26,642</b>	<b>40,761</b>	<b>(35)</b>
<b>Taxation</b>	<b>240</b>	<b>(5,388)</b>	<b>n.m</b>	<b>(13,269)</b>	<b>(14,138)</b>	<b>(6)</b>
<b>Net profit (loss) for the period</b>	<b>(11,064)</b>	<b>10,039</b>	<b>n.m</b>	<b>13,373</b>	<b>26,623</b>	<b>(50)</b>
<b>Other comprehensive income:</b>						
<b>Items that will not be reclassified to profit or loss:</b>						
Net actuarial loss on post-employment benefits	(841)	(1,193)	(30)	(1,606)	(2,386)	(33)
<b>Items that may be reclassified subsequently to profit or loss:</b>						
Foreign currency translation gain/ (loss)	(1,717)	303	n.m	7,396	141	5,145
<b>Total comprehensive income for the period</b>	<b>(13,622)</b>	<b>9,149</b>	<b>n.m</b>	<b>19,163</b>	<b>24,378</b>	<b>(21)</b>
<b>Net profit (loss) attributable to:</b>						
Owners of the Company	(10,770)	10,301	n.m	13,651	27,036	(50)
Non-controlling interests	(294)	(262)	12	(278)	(413)	(33)
	<b>(11,064)</b>	<b>10,039</b>	<b>n.m</b>	<b>13,373</b>	<b>26,623</b>	<b>(50)</b>
<b>Total comprehensive income attributable to:</b>						
Owners of the Company	(13,319)	9,411	n.m	19,450	24,791	(22)
Non-controlling interests	(303)	(262)	16	(287)	(413)	(31)
	<b>(13,622)</b>	<b>9,149</b>	<b>n.m</b>	<b>19,163</b>	<b>24,378</b>	<b>(21)</b>

n.m : not meaningful

# SAMKO TIMBER LIMITED

Company Registration Number: 200517815M

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

	Group			Group		
	2nd Qtr 1 Apr 2014 to 30 Jun 2014	2nd Qtr 1 Apr 2013 to 30 Jun 2013	Increase/ (decrease)	1 Jan 2014 to 30 Jun 2014	1 Jan 2013 to 30 Jun 2013	Increase/ (decrease)
	Rp'million	Rp'million	%	Rp'million	Rp'million	%
Loss on foreign exchange, net	(12,616)	(1,534)	722	(4,478)	(1,133)	295
Insurance claim	1,107	9,536	(88)	1,107	9,536	(88)
Gain on sale of property, plant and equipment	-	392	(100)	40	392	(90)
Allowance for doubtful receivables	(379)	(152)	149	(661)	(3,765)	(82)
Amortisation of intangible assets	(326)	(262)	24	(653)	(629)	4
Inventories written-down	-	-	-	-	(360)	(100)
Property, plant and equipment written-off due to fire incident	-	(1,702)	(100)	-	(1,702)	(100)
Amortisation of land use rights	(812)	(743)	9	(1,486)	(1,566)	(5)
Workers voluntarily separation expenses*)	-	-	-	(5,526)	-	n.m
Post employment benefits expenses	(8,995)	(8,497)	6	(17,422)	(16,857)	3
Interest expense	(14,396)	(10,775)	34	(27,698)	(20,944)	32
Depreciation of property, plant and equipment	(27,913)	(25,741)	8	(56,271)	(50,934)	10

\*) Included in "Other expenses" on page 11 of the announcement

n.m : not meaningful

# SAMKO TIMBER LIMITED

Company Registration Number: 200517815M

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

	Group		Company	
	30 Jun 2014	31 Dec 2013	30 Jun 2014	31 Dec 2013
	Rp'million	Rp'million	Rp'million	Rp'million
<b>Non-current assets</b>				
Property, plant and equipment	644,151	641,103	281	327
Intangible assets <sup>(1)</sup>	36,527	37,199	-	-
Investment in subsidiary companies	-	-	672,822	672,822
Investment in an associate <sup>(2)</sup>	-	-	-	-
Biological assets	62,164	59,782	-	-
Land use rights	70,433	60,582	-	-
Deferred tax assets	74,222	60,390	1,519	1,437
Other non-current assets	3,342	14,397	41	41
	<b>890,839</b>	<b>873,453</b>	<b>674,663</b>	<b>674,627</b>
<b>Current assets</b>				
Inventories	531,635	412,464	-	-
Trade and other receivables	169,765	165,487	35,960	37,961
Prepaid operating expenses	49,604	38,248	4,501	2,015
Advances to suppliers	108,486	82,444	-	-
Restricted deposits	7,198	27,814	-	-
Cash and cash equivalents	74,294	102,841	2,815	6,864
	<b>940,982</b>	<b>829,298</b>	<b>43,276</b>	<b>46,840</b>
<b>Current liabilities</b>				
Trade and other payables	242,118	207,914	2,873	3,236
Other liabilities	143,176	127,084	1,989	3,311
Advances from customers	28,300	29,565	-	-
Provision for taxation	26,446	19,397	-	-
Loans and borrowings	247,086	249,068	-	-
	<b>687,126</b>	<b>633,028</b>	<b>4,862</b>	<b>6,547</b>
<b>Net current assets</b>	<b>253,856</b>	<b>196,270</b>	<b>38,414</b>	<b>40,293</b>
<b>Non-current liabilities</b>				
Loans and borrowings	317,527	275,111	-	-
Post-employment benefits	160,582	147,565	-	-
Deferred tax liabilities	6,752	6,376	-	-
	<b>484,861</b>	<b>429,052</b>	<b>-</b>	<b>-</b>
<b>Net assets</b>	<b>659,834</b>	<b>640,671</b>	<b>713,077</b>	<b>714,920</b>
<b>Equity attributable to owners of the Company</b>				
Share capital	2,188,645	2,188,645	2,188,645	2,188,645
Accumulated losses	(1,856,209)	(1,868,263)	(1,475,568)	(1,473,725)
Other reserves	315,841	308,445	-	-
	<b>648,277</b>	<b>628,827</b>	<b>713,077</b>	<b>714,920</b>
<b>Non-controlling interests</b>	<b>11,557</b>	<b>11,844</b>	<b>-</b>	<b>-</b>
	<b>659,834</b>	<b>640,671</b>	<b>713,077</b>	<b>714,920</b>

## SAMKO TIMBER LIMITED

Company Registration Number: 200517815M

Notes:

- (1) Included in the intangibles is goodwill arising from the acquisition of subsidiaries of Rp25,992 million.
- (2) Represents the Company's 24.6% investment in PT SLJ Global Tbk (formerly PT Sumalindo Lestari Jaya Tbk). Full provision of impairment has been made for this investment previously.

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

#### Amount repayable in one year or less, or on demand

As at 30 June 2014		As at 31 December 2013	
Secured Rp'million	Unsecured Rp'million	Secured Rp'million	Unsecured Rp'million
247,086	-	249,068	-

#### Amount repayable after one year

As at 30 June 2014		As at 31 December 2013	
Secured Rp'million	Unsecured Rp'million	Secured Rp'million	Unsecured Rp'million
317,527	-	275,111	-

Group's borrowings in 2013 include a loan facility of S\$10,000,000 which had an option allowing the lender to subscribe for new shares in a subsidiary if the subsidiary was unable to meet its obligation and or when the subsidiary is undertaking a public offering or the Company undertakes to sell the subsidiary's shares during the certain period. This loan facility has been fully repaid in the current period.

#### Details of any collateral

As at 30 June 2014, our bank borrowings are secured by the following:

- (1) Land use rights, buildings, machinery and equipment, inventories, account receivables, collection and reserve accounts of certain subsidiaries, 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 these subsidiaries are on negative pledge to the financial institution and some restriction on dividend payment is imposed on them; and
- (2) All assets acquired under finance leases are secured against the assets under lease.

# SAMKO TIMBER LIMITED

Company Registration Number: 200517815M

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

	Group	
	1 Jan 2014 to 30 Jun 2014 Rp'million	1 Jan 2013 to 30 Jun 2013 Rp'million
<b>Cash flows from operating activities</b>		
Profit before tax	26,642	40,761
Adjustments:		
Depreciation of property, plant and equipment	56,271	50,934
Interest expense	27,698	20,944
Post-employment benefits expense	17,422	16,857
Foreign exchange loss	2,358	3,429
Amortisation of land use rights	1,486	1,566
Allowance for doubtful receivables	661	3,765
Amortisation of intangible assets	653	629
Gain on disposal of property, plant and equipment	(40)	(392)
Interest income	(316)	(385)
Inventories written-down	-	360
Property, plant and equipment written-off	-	1,702
<b>Operating cash flow before changes in working capital</b>	132,835	140,170
<b>Changes in working capital :</b>		
Inventories	(119,171)	(26,273)
Trade and other receivables	(4,939)	(27,101)
Prepaid operating expenses	(8,346)	(3,746)
Advances to suppliers	4,066	2,950
Trade and other payable	34,204	1,928
Other liabilities	17,570	3,043
Advance from customers	(1,265)	(1,646)
Other non-current assets	619	408
<b>Cash flow provided by operations</b>	55,573	89,733
Income tax paid	(22,112)	(22,907)
Post-employment benefit paid	(3,953)	-
<b>Net cash flows generated from operating activities</b>	29,508	66,826
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment (Note (i))	(89,166)	(31,531)
Additions of land use rights	(844)	-
Additions of biological assets	(2,382)	(3,430)
Interest received	316	385
Proceeds from disposal of property, plant and equipment	158	-
<b>Net cash flows used in investing activities</b>	(91,918)	(34,576)
<b>Cash flows from financing activities</b>		
Drawdown of loans and borrowings	989,492	239,612
Repayment of loans and borrowings	(945,648)	(223,093)
Proceed from sale and lease back transactions - finance lease arrangements	-	14,032
Interest paid	(29,865)	(20,060)
Withdrawal of restricted deposits	20,421	-
Placement of restricted deposits	-	(4,402)
<b>Net cash flows provided by financing activities</b>	34,400	6,089

# SAMKO TIMBER LIMITED

Company Registration Number: 200517815M

	Group	
	1 Jan 2014 to 30 Jun 2014	1 Jan 2013 to 30 Jun 2013
	Rp'million	Rp'million
Net (decrease) increase in cash and cash equivalents	(28,010)	38,339
Effect of exchange rate changes on cash and cash equivalent	(537)	613
Cash and cash equivalents at beginning of period	102,841	90,350
Cash and cash equivalents at end of period	<u>74,294</u>	<u>129,302</u>
<b>(i) Purchase of property, plant and equipment</b>		
Property, plant and equipment were purchased by:		
- Cash payment	59,058	31,531
- Advances for property, plant and equipment	30,108	-
	<u>89,166</u>	<u>31,531</u>
<b>Non-cash transaction:</b>		
Reclassification of other non-current assets to land use rights	<u>10,436</u>	<u>-</u>

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

## Group

	Attributable to owners of the Company				Total	Non-controlling interests	Total equity
	Share capital	Accumulated losses	Restructuring reserves	Foreign currency translation reserve			
	Rp'million	Rp'million	Rp'million	Rp million	Rp'million	Rp'million	Rp'million
<b>Balance at 1 January 2014</b>	2,188,645	(1,868,263)	309,050	(605)	628,827	11,844	640,671
Profit (loss) for the period	-	13,651	-	-	13,651	(278)	13,373
Other comprehensive income for the period	-	(1,597)	-	7,396	5,799	(9)	5,790
<b>Balance at 30 June 2014</b>	<u>2,188,645</u>	<u>(1,856,209)</u>	<u>309,050</u>	<u>6,791</u>	<u>648,277</u>	<u>11,557</u>	<u>659,834</u>
<b>Balance at 1 January 2013</b>	2,188,645	(1,914,121)	309,050	2,385	585,959	6,149	592,108
Profit (loss) for the period	-	27,036	-	-	27,036	(413)	26,623
Other comprehensive income for the period	-	(2,386)	-	141	(2,245)	-	(2,245)
<b>Balance at 30 June 2013</b>	<u>2,188,645</u>	<u>(1,889,471)</u>	<u>309,050</u>	<u>2,526</u>	<u>610,750</u>	<u>5,736</u>	<u>616,486</u>

# SAMKO TIMBER LIMITED

Company Registration Number: 200517815M

## Company

	Attributable to owners of the Company		
	Share capital	Accumulated losses	Total
	Rp'million	Rp'million	Rp'million
Balance at 1 January 2014	2,188,645	(1,473,725)	714,920
Total comprehensive income for the period	-	(1,843)	(1,843)
<b>Balance at 30 June 2014</b>	<b>2,188,645</b>	<b>(1,475,568)</b>	<b>713,077</b>
Balance at 1 January 2013	2,188,645	(1,479,275)	709,370
Total comprehensive income for the period	-	(3,392)	(3,392)
<b>Balance at 30 June 2013</b>	<b>2,188,645</b>	<b>(1,482,667)</b>	<b>705,978</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 well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

There was no change in the Company's shares during the period ended 30 June 2014.

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

	Group and Company
	Number of shares
At 30 June 2014 and 31 December 2013	1,401,445,464

There were no shares held as treasury shares as at 30 June 2014 and 31 December 2013.

- 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 2014 and 31 December 2013.

- 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.

# SAMKO TIMBER LIMITED

Company Registration Number: 200517815M

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

Not applicable.

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

The Group has adopted the new and revised accounting standards which came into effect for the financial year beginning 1 January 2014 and has applied the same accounting policies and methods of computation as those of the previous financial year ended 31 December 2013. The adoption of the new and revised accounting standards has no material impact on the financial statements of the Group and the Company for the period ended 30 June 2014.

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

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

Please refer to point 4.

6. **Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

	Group		Group	
	2nd Qtr 1 Apr 2014 to 30 Jun 2014	2nd Qtr 1 Apr 2013 to 30 Jun 2013	1 Jan 2014 to 30 Jun 2014	1 Jan 2013 to 30 Jun 2013
Weighted average number of ordinary shares for basic earnings per share computation	1,401,445,464	1,401,445,464	1,401,445,464	1,401,445,464
Weighted average number of ordinary shares for diluted earnings per share computation	1,401,445,464	1,401,445,464	1,401,445,464	1,401,445,464
	Rp (full amount)	Rp (full amount)	Rp (full amount)	Rp (full amount)
<b>Earnings (loss) per share attributable to owners of the Company</b>				
Basic and diluted	(8)	7	10	19



## SAMKO TIMBER LIMITED

Company Registration Number: 200517815M

**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 2014	31 Dec 2013	30 Jun 2014	31 Dec 2013
Net assets for the year attributable to owners of the Company used in computation of net asset value per share (Rp'million)	648,277	628,827	713,077	714,920
Number of ordinary shares at the end of the period	1,401,445,464	1,401,445,464	1,401,445,464	1,401,445,464
Net asset value per ordinary share (Rp full amount)	463	449	509	510

**8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-**

- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors**

Our Group's net profit for 1H 2014 decreased by 50% to Rp13 billion. This is attributable mainly to lower local sales volume transacted, general increase in operating expenses, exceptional workers' voluntarily separation expenses incurred of Rp6 billion and higher exchange loss incurred of Rp4 billion. In addition, included in other income of the prior period was a one off insurance claim for damaged equipment of Rp10 billion whereas in this period, the insurance claim was in respect of damaged goods amounted to Rp1 billion.

The Group reported a net loss of Rp11 billion in 2Q 2014. The performance was affected by unfavorable local sales, increase in operating expenses and an exchange loss of Rp13 billion.

### Revenue

	Group			Group		
	2nd Qtr 1 Apr 2014 to 30 Jun 2014	2nd Qtr 1 Apr 2013 to 30 Jun 2013	Increase/ (decrease)	1 Jan 2014 to 30 Jun 2014	1 Jan 2013 to 30 Jun 2013	Increase/ (decrease)
	Rp'million	Rp'million	%	Rp'million	Rp'million	%
Domestic sales	534,801	543,583	(2)	1,112,719	1,101,579	1
Export sales	243,102	199,227	22	475,862	360,136	32
Total	777,903	742,810	5	1,588,581	1,461,715	9

Our export sales continued to performance well with both export price and volume registered an increase of 8% and 22% respectively for 1H 2014 and 7% and 15% respectively for 2Q 2014. The composition of our export sales to overall sales rose from 25% to 30% in 1H 2014.

## SAMKO TIMBER LIMITED

Company Registration Number: 200517815M

Our domestic sales decreased by 2% compared to 2Q 2013 and remained marginally the same over 1H 2013. While the domestic selling price increased almost 15% over the previous periods, the sales volume did not follow. The volume decreased 17% in 2Q 2014 and 15% over a 6 month basis. The sales volume was affected by the unfavorable wet weather condition and the parliamentary and the presidential election events which have somewhat slowed down the local business activities as a whole.

### Cost of sales

	Group			Group		
	2nd Qtr 1 Apr 2014 to 30 Jun 2014	2nd Qtr 1 Apr 2013 to 30 Jun 2013	Increase/ (decrease)	1 Jan 2014 to 30 Jun 2014	1 Jan 2013 to 30 Jun 2013	Increase/ (decrease)
	Rp'million	Rp'million	%	Rp'million	Rp'million	%
Raw material	335,118	330,622	1	651,709	645,568	1
Labour costs	177,087	145,575	22	355,601	294,068	21
Factory overhead	200,298	165,380	21	412,383	322,518	28
Movement in finished goods	(51,412)	(4,790)	973	(93,643)	(31,244)	200
<b>Total</b>	<b>661,091</b>	<b>636,787</b>	<b>4</b>	<b>1,326,050</b>	<b>1,230,910</b>	<b>8</b>

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

The increase in the costs of sales was mainly due to higher labour costs (a result of the increase in minimum wage in Indonesia) and other production costs (consequences of reduction in fuel subsidy by the Indonesian government).

### Gross profit

Our gross profit increased by 14% in 1H 2014 and 10% in 2Q 2014. This was mainly due to higher revenue generated particularly from the export sales.

### Other Income

Other income in 1H 2013 and 2Q 2013 comprises mainly an insurance claim on damaged equipment of Rp10 billion. In this reporting period, it comprises insurance claim for damaged stock amounting to Rp1 billion and miscellaneous income.

### Selling expenses

The increase in the selling expenses came mainly from freight costs which were in line with the increase in the export activities and higher spending on promotional activities to promote the products overseas. The promotional expenses increased by Rp4 billion as compared to 1H 2013.

### General and administration ("G&A") expenses

Our G&A expenses have increased over that of previous periods due mainly to increase in staff costs, corporate travelling and transportation expenses and professional fees.

## SAMKO TIMBER LIMITED

Company Registration Number: 200517815M

### Finance Expenses

Our finance expenses relate mainly to interest expense. The increase was mainly due to draw down of additional loans for capital expenditure and working capital.

### Other expenses

Other expenses in 1H 2014 comprises mainly workers' voluntarily separation expenses of Rp6 billion and an exchange loss of Rp4 billion. The workers' expenses arose as a result of the Group's manufacturing plants restructuring and relocation exercise to central Java to improve production efficiency and to stem rising costs in the long-term. The strengthening of US dollar has resulted in the exchange loss, mainly because of translation of our US dollar denominated loans.

### Taxation

Our tax expenses comprise the following:

	Group			Group		
	2nd Qtr 1 Apr 2014 to 30 Jun 2014	2nd Qtr 1 Apr 2013 to 30 Jun 2013	Increase/ (decrease)	1 Jan 2014 to 30 Jun 2014	1 Jan 2013 to 30 Jun 2013	Increase/ (decrease)
	Rp'million	Rp'million	%	Rp'million	Rp'million	%
Current income tax	(10,290)	(11,226)	(8)	(26,151)	(22,072)	18
Deferred income tax	10,530	5,843	80	12,882	8,637	49
Under provision of prior years taxes	-	(5)	(100)	-	(703)	(100)
Total	240	(5,388)	n.m	(13,269)	(14,138)	(6)

Indonesia adopts individual company income tax system.

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

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

#### *Statement of Financial Position*

The Group's property, plant and equipment increased by Rp3 billion. This due mainly to addition of fixed assets (excluding advance payment for fixed assets) more than the depreciation charges incurred during the period.

Our trees planting program continued and we have incurred Rp2 billion in various estates in 1H 2014. For the same period ended, the Group has successfully obtained the tree plantation land use rights for its upstream activities. The total land use rights cost is Rp11 billion of which Rp10 billion was prepaid in previous years. The prepaid amount was reclassified from other non-current assets (prepayment) to land use rights account in 1H 2014.

The deferred tax assets have also increased by Rp14 billion mainly due to accrual of tax benefits arising from the provision for post-employment benefits and unutilised tax losses.

## **SAMKO TIMBER LIMITED**

Company Registration Number: 200517815M

For the period ended 1H 2014, our Group's current assets have increased by Rp112 billion to Rp941 billion. The increase was due mainly to:

- 1) higher inventories level for work-in progress stocks and finished goods as our production grew. The increase in finished goods was Rp97 billion over end of 2013;
- 2) higher export trade receivables as export sales grew. Total export receivables increased by Rp11 billion;
- 3) increase in VAT receivables as well as prepayment for income tax and insurance;
- 4) higher advances to suppliers mainly for the purchase of fixed assets. Total such advances grew by Rp26 billion; and
- 5) offset by lower cash generated and restricted deposits (as explained below).

As at 30 June 2014, our Group's current liabilities have increased by Rp54 billion to Rp687 billion. This contributed mainly by the:

- 1) increase in the trade and other payables of Rp34 billion as a results of increase in production and timing differences in payment;
- 2) increase in the accrual of salaries, bonuses and its related benefits costs; the increase was due mainly to salary adjustments and the absence of accrual for thirteen month bonus at end 2013 as it was paid by the end of FY 2013;
- 3) increase in provision for taxes; and
- 4) offset by lower advances from customers and reduction in short-term borrowings.

For the same period ended, the non-current liabilities have increased by Rp56 billion. This was mainly due to provision for retirement benefits made during the period, as assessed by professional actuary and draw downed of new loans.

### *Statement of Cash Flow*

During the period, we generated Rp30 billion from our operations, incurred net cash outflow of Rp92 billion from our investing activities and reported inflow of Rp34 billion for financing activities. Net cash decreased by Rp28 billion.

Our cash generated from operating activities was lower compared to 1H 2013. This was due mainly to higher cash used to reinvest in the production of goods and purchase of materials.

Our cash used in the investing activities were mainly for acquisitions of property, plant and equipment and expenditure on trees planting and land use rights for our upstream activities. The cash used was higher in 1H 2014 mainly due to acquisitions of machinery for the production facilities.

Our cash flow in the financing activities relates mainly to repayments of bank borrowings and its interests and drawdown of loans as well as placement of deposits as security for the borrowings. In June 2014, the Group has successfully refinanced its existing loans and also managed to get additional funding for its capital expenditures. During the current period, the Group has withdrawn some of the new loan facilities and restricted deposits to finance its investment activities.

## SAMKO TIMBER LIMITED

Company Registration Number: 200517815M

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 and SG 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 increasing US dollar export sales (thus providing the natural hedging to the foreign currency fluctuation exposure), we illustrate below the sensitivity impact of our US and SG dollar borrowings to our net profit arising from the possible change in the US and SG dollar exchange rate, assuming all other variables are held constant with tax rates of 25% and 17% in Indonesia and Singapore respectively:

Indonesia Rupiah and Singapore Dollar to US Dollar exchange rates	Profit after tax for the period ended Rp13,373 million
(Weakened) / strengthened	Increase/ (decrease)
	Rp'million
(9%)	(20,498)
(6%)	(13,666)
(3%)	(6,833)
3%	6,833
6%	13,666
9%	20,498

Exchange rates:

	US\$1	S\$1
- 8 August 2014	Rp11,822	Rp9,428
- 30 June 2014	Rp11,969	Rp9,583
- 31 December 2013	Rp12,189	Rp9,628
- 30 June 2013	Rp9,929	Rp7,841

- 2) Escalation of production and operation costs is a key factor affecting the profitability of our operation. Although we saw a significant increase in the minimum wage and other overheads last year and a more moderate increase in these costs so far this year, we caution that the inflationary costs pressure remains a challenge in the near term. In the previous quarter, the Group undertook restructuring exercises which include optimising plywood line of business and relocating some of its manufacturing plants to Central Java. This will result in lower production costs, in particular labour and logistic costs. These exercises are ongoing and are expected to complete in the near term. We will continue to monitor the situation and will take further actions to mitigate the costs pressure and strive to remain competitive.

## **SAMKO TIMBER LIMITED**

Company Registration Number: 200517815M

- 3) The 2014 general election events in Indonesia have somewhat affected our local sales. In the near term, the unsettled outcome of the presidential election as well as the expected slowdown in the business activities during Muslims fasting month and “Hari Raya” celebration period may affect the demand of our products domestically. We also face domestic competition on our plywood products particularly from smaller set up manufacturers. We will strive to overcome these challenges with various strategies including penetrating directly to different market segments and emphasize on products quality. Barring any unforeseen and adverse circumstances, we believe our local sales will be slightly weaker and our export sales to improve. Our current export market is mainly to North Asia, in particular Japan.
  
- 4) The continuing efforts of our products innovation initiative have produced some positive results. We have received positive feedbacks from overseas markets, particularly on our decking products build quality. We anticipate to increase our decking production capacity to cater for potential increase in the demands. Consequent to that, our capital expenditure is expected to increase in the near term. Our recent other initiative includes converting the production of partial truck body parts using environmental friendly (eco) materials to full truck body parts using eco materials. We will continue to explore, develop and be innovative in our product offerings and manage our production efficiently. Our strategy of carrying out own tree planting remains and we believe it will benefit us in the longer term.

### **11. Dividend**

#### ***(a) Current Financial Period Reported On***

Any dividend declared for the current financial period reported on?

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

#### ***(b) Corresponding Period of the Immediately Preceding Financial Year***

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

No.

#### ***(c) Date payable***

Not applicable

#### ***(d) Books closure date***

Not applicable

### **12. If no dividend has been declared/recommendeded, a statement to that effect.**

No dividend for financial period ended 30 June 2014 has been declared.

**SAMKO TIMBER LIMITED**

Company Registration Number: 200517815M

**13. Interested person transactions.**

Name of interested person	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted during the financial period under review under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
	1 Jan – 30 June 2014	
	Rp'million	Rp'million
PT Pelayaran Nelly Dwi Putri Time charter of tug and barges; and Freight expense	12,317	
PT Wahana Sekar Agro Cooperation for cultivation of trees	785	-
PT Sampoerna Land (formerly PT Buana Sakti) Office rental	2,053	-

**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 2014 to be false or misleading in any material aspect.

**BY ORDER OF THE BOARD**

Aris Sunarko @ Ko Tji Kim  
Chief Executive Officer  
8 August 2014