PT Indah Kiat Pulp & Paper Tbk (INKP IJ)

2Q26 Earnings Flash · Consolidated · 11 August 2026

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INKP — 2Q26 Results MIXED, as a large foreign exchange gain masks Karawang ramp-up margin dilution

2Q26 · Revenue +13.2% yoy to USD 884 Mn | Operating Profit +2.2% yoy to USD 159 Mn | EBITDA +12.0% yoy to USD 234 Mn | Net Profit USD 216 Mn (+38.5% qoq) | Gross Margin 28.9% (-2.0pp yoy) | Net FX gain USD 146 Mn

Revenue (2Q26)	Operating Profit (2Q26)	EBITDA (2Q26)	Net Profit (2Q26)
USD 884 Mn	USD 159 Mn	USD 234 Mn	USD 216 Mn
+13.2% YoY | +8.3% QoQ	+2.2% YoY | -19.5% QoQ	+12.0% YoY | -8.9% QoQ	+816.5% YoY | +38.5% QoQ

KEY TAKEAWAYS

- 2Q26 net sales rose **13.2% YoY and 8.3% QoQ to USD 884 Mn**, but 1H26 sales of USD 1,700 Mn are only 8.7% ahead of 1H25 and **43.1% of the FY26 consensus of USD 3,941 Mn**, which embeds 24.3% full-year growth. Industrial paper is the whole story: 2Q26 industrial paper sales reached USD 316 Mn, up 38.1% YoY and 26.7% QoQ after the Karawang Phase 1 start-up in February 2026, lifting its share of sales to 35.8% from 29.3% in 2Q25. Cultural paper and pulp were flat, at USD 270 Mn and USD 265 Mn.
- 2Q26 gross profit of USD 256 Mn was up 6.0% YoY but **down 9.3% QoQ, and gross margin fell 5.6pp QoQ to 28.9%**. Operating profit of USD 159 Mn was up only 2.2% YoY and down 19.5% QoQ, a 17.9% margin against 24.1% in 1Q26. The dilution is entirely in the new capacity: **industrial paper and tissue segment operating profit fell to USD 18 Mn in 2Q26 from USD 41 Mn in 1Q26, a 5.1% margin against 14.8%**, while cultural paper and pulp held 26.3% against 28.9%. 2Q26 EBITDA of USD 234 Mn was up 12.0% YoY and down 8.9% QoQ, a 26.4% margin; 1H26 EBITDA is 44.8% of FY26F.
- 2Q26 net profit of USD 216 Mn rose 38.5% QoQ, taking 1H26 to USD 372 Mn or **71.5% of FY26F consensus, the only line running ahead of pace**. It is foreign exchange: 2Q26 carries a **net foreign exchange gain of USD 146 Mn, taking 1H26 to USD 185 Mn against USD 19 Mn in 1H25**. Excluding it, 2Q26 profit was USD 70 Mn, down 39.8% QoQ and 11.4% YoY, and 1H26 falls to 35.9% of FY26F.
- INKP's first half is structurally light: **1H25 was 44.0% of FY25 operating profit and 45.2% of FY25 EBITDA**, so on its own pattern 1H26's 41.4% and 44.8% are close to normal and the genuine shortfall is the top line, at 43.1% against a 49.3% prior-year pace. **1H26 capex of USD 314 Mn is 56.3% of FY26F consensus capex**. INKP trades at 3.3x blended-forward EV/EBITDA, below its five-year mean of 3.8x. **Key watch 3Q26 for industrial paper margin as Karawang utilisation builds, and for pulp and paper pricing.**

INCOME STATEMENT · USD Mn, Consolidated

(USD Mn)	2Q25	1Q26	2Q26	QoQ	YoY	1H25	1H26	YTD YoY
Net Sales	781	816	884	+8.3%	+13.2%	1,564	1,700	+8.7%
Gross Profit	241	282	256	-9.3%	+6.0%	475	537	+13.2%
Operating Profit	155	197	159	-19.5%	+2.2%	294	356	+21.0%
EBITDA	209	257	234	-8.9%	+12.0%	400	490	+22.5%
Net Profit	24	156	216	+38.5%	+816.5%	164	372	+127.4%

MARGIN

(Ratio %)	2Q25	1Q26	2Q26	QoQ pp	YoY pp	1H25	1H26	YTD pp
Gross Margin	30.9%	34.5%	28.9%	-5.6pp	-2.0pp	30.4%	31.6%	+1.2pp
Operating Margin	19.9%	24.1%	17.9%	-6.2pp	-1.9pp	18.8%	20.9%	+2.1pp
EBITDA Margin	26.7%	31.4%	26.4%	-5.0pp	-0.3pp	25.6%	28.8%	+3.2pp
Net Profit Margin	3.0%	19.1%	24.5%	+5.3pp	+21.4pp	10.5%	21.9%	+11.4pp

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REVENUE SEGMENTATION · USD Mn, net sales by product

(USD Mn)	2Q25	1Q26	2Q26	QoQ	YoY	1H25	1H26	YTD YoY
Industrial paper	229	250	316	+26.7%	+38.1%	443	566	+27.6%
Cultural paper	266	274	270	-1.3%	+1.4%	540	544	+0.7%
Pulp	257	267	265	-0.5%	+3.4%	525	532	+1.3%
Tissue and others	29	26	32	+23.9%	+11.4%	55	58	+6.1%
Total	**781**	**816**	**884**	**+8.3%**	**+13.2%**	**1,564**	**1,700**	**+8.7%**

OPERATIONAL PERFORMANCE · segment profitability, sales channel and capex

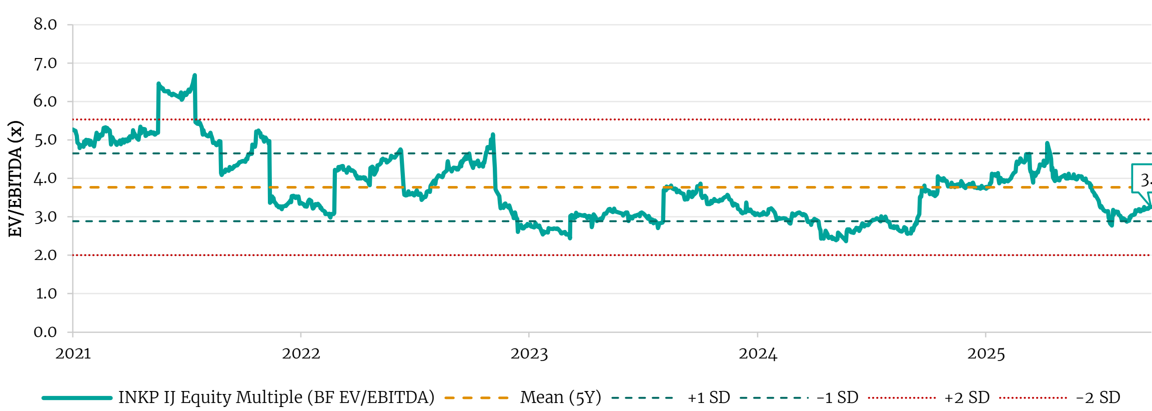
Key Metric (USD Mn)	2Q25	1Q26	2Q26	QoQ	YoY	1H25	1H26	YTD YoY
Cultural/pulp op. profit	136	156	141	-9.8%	+3.5%	263	297	+13.1%
Cultural/pulp op. margin (%)	26.0%	28.9%	26.3%	-2.6pp	+0.3pp	24.7%	27.6%	+2.9pp
Industrial/tissue op. profit	19	41	18	-56.6%	-7.0%	31	59	+87.8%
Industrial/tissue op. margin (%)	7.4%	14.8%	5.1%	-9.7pp	-2.3pp	6.3%	9.4%	+3.1pp
Export sales	435	428	465	+8.8%	+7.0%	868	893	+2.8%
Local sales	346	389	419	+7.8%	+21.0%	695	808	+16.1%
Capex, fixed assets	133	184	130	-29.6%	-2.7%	308	314	+1.8%

1H26 ACTUAL vs. BLOOMBERG CONSENSUS · % OF FY26F (1H26 PACE = 50%)

Metric (USD Mn)	1H26 Actual	FY26F Cons.	% of FY26F	Verdict
Net Sales	1,700	3,941	43.1%	Miss
Operating Profit	356	860	41.4%	Miss
EBITDA	490	1,095	44.8%	Miss
Net Profit	372	521	71.5%	Beat

Source: PT Indah Kiat Pulp & Paper Tbk financial statements; Bloomberg consensus.

VALUATION · INKP 5-YEAR BLENDED-FORWARD EV/EBITDA BAND



Current blended-forward EV/EBITDA 3.3x as of 10 Aug 2026 vs. 5-year mean 3.8x (+1 SD 4.6x / -1 SD 2.9x / +2 SD 5.5x / -2 SD 2.0x). Source: Bloomberg.

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