Aldira | Bond Teaser Report

PT Lontar Papyrus Pulp and Paper Industry · LPPI

28 August 2026

Bond Instrument	
Issuer	PT Lontar Papyrus Pulp & Paper Industry (LPPI)
Instrument	Senior Unsecured IDR Bonds & Mudharabah Sukuk
Rating	idA / idA(sy) (Pefindo), stable outlook, reaffirmed 5 August 2026
Shelf Programme	Continuous Public Offering (Shelf Registration)
Bonds (Phase IV)	Obligasi Berkelanjutan IV Phase IV 2026 (IDR)
Sukuk Mudharabah (Phase IV)	Sukuk Mudharabah Berkelanjutan II Phase IV 2026 (IDR)
USD Bonds	None - this issuance is rupiah only
Series A (3Y) - Indicative	IDR Bonds Coupon / Sukuk Yield: 9.50%-10.00%
Series B (5Y) - Indicative	IDR Bonds Coupon / Sukuk Yield: 10.00%-10.50%
Collateral	Unsecured (no specific collateral)
Listing	Indonesia Stock Exchange (IDX)
Rating Agency	PT Pemeringkat Efek Indonesia (Pefindo)

Key Credit Statistics (1H26)	
Revenue	331.9 Mn
Net Profit (attributable)	127.4 Mn
EBITDA	143.8.
Total Interest-Bearing Debt	1,278.5 Mn
Cash & Equivalents	1,047.7 Mn
Net Debt	230.8 Mn
Current Ratio	2.64x
Liabilities / Equity	0.98x
Interest-bearing Debt / Equity	0.82x

Source: Lontar Papyrus consolidated financial statements as at 30 June 2026 (unaudited); PEFINDO rating action 5 August 2026; Aldiracita Research.

Sinar Mas/APP's – Backed Integrated Pulp and Tissue Producer with Established Scale

PT Lontar Papyrus Pulp & Paper Industry (LPPI) is a Jambi-based integrated pulp and tissue producer within the Sinar Mas/Asia Pulp & Paper (APP) ecosystem. Its Tebing Tinggi mill has approximately 1.08–1.10mn tonnes of pulp capacity and 234–254k tonnes of tissue capacity, providing exposure to both commodity pulp and higher-value tissue. Integration with PT Wirakarya Sakti's plantation operations supports fibre security, while in-house chemical production further strengthens input integration. Tissue products are exported to more than 50 countries, while pulp serves domestic and export markets.

Investment Highlights

Integrated Pulp and Tissue Producer Leads into More Resilient Margin. Lontar Papyrus is an integrated pulp and tissue producer within the Asia Pulp & Paper (APP) group, 99.92% owned by PT Pindo Deli Pulp and Paper Mills, operating a mill in Jambi with capacity of 1.08mn tonnes pulp and 234k tonnes tissue a year. Integration runs upstream, converting part of its pulp into tissue in-house, giving control over its largest input cost. Gross margin was 40.8% in FY25 and 43.0% in 1H26 (vs. 32.2% at Indah Kiat), widening each period, signaling resilience through the price cycle.

Strong Domestic Business Supported by Group Distribution and Scale. Lontar Papyrus benefits from a predominantly domestic revenue base, with 77% of sales generated in Indonesia and 23% from exports, providing a stable foundation supported by resilient domestic demand. Its strong group linkage enhances distribution reach and commercial access, while related-party receivables largely reflect established intra-group relationships, with USD13.5mn of USD17.8mn trade receivables attributable to related parties as of 30 June 2026, alongside USD213.4mn of non-current related-party receivables. Backed by its long operating track record and sizeable mill capacity, Lontar maintains a solid cost position and established market standing, with group integration providing additional operational and distribution advantages.

Strong Liquidity and Improving Debt-Service Capacity. Lontar Papyrus has strengthened liquidity, with cash rising from USD721.4mn in FY24 to USD829.7mn in FY25 and USD1,047.7mn in 1H26. This materially reduced net debt from USD533.2mn to USD230.8mn, bringing net debt/equity to just 0.15x and providing a strong buffer against operating and refinancing needs. Despite interest-bearing debt rising to USD1,278.5mn, stronger earnings improved EBIT coverage from 1.67x in FY24 to 2.09x in FY25 and 2.50x in 1H26. Underlying profitability remained healthy, with 1H26 pre-tax margin ex-FX at 24.6%. Continued bond and sukuk access, including Phase III in June and Phase IV in August 2026, further supports funding flexibility and maturity management.

Subscribe · Senior Unsecured (IDR): 9.50%–10.00% (3Y) / 10.00%–10.50% (5Y) – idA / idA(sy) (Pefindo)

Lontar Papyrus carries an idA corporate rating from PEFINDO, with idA(sy) for its sukuk and a stable outlook reaffirmed on 5 August 2026, supported by its strategic position within the Sinar Mas paper group. FY25 net profit reached USD146.3mn on USD648.6mn sales, implying a 22.6% net margin and 40.8% EBITDA margin, with net debt-to-equity of 0.25x and a 2.92x current ratio. In 1H26, revenue reached USD331.9mn, EBITDA USD143.8mn and net profit USD127.4mn, lifting EBITDA margin to 43.3% and net margin to 38.4%. Net debt declined to USD230.8mn, or 0.15x equity, while EBIT interest coverage improved to 2.50x. Although a USD63.3mn FX gain supported pre-tax profit, underlying profitability remained healthy. Overall, strong earnings, low net leverage and healthy liquidity support Lontar's investment-grade profile, with leverage and pulp, tissue and raw-material volatility remaining key constraints.

Instrument Summary

Exhibit: Obligasi Berkelanjutan IV and Sukuk Mudharabah Berkelanjutan II Lontar Papyrus Phase IV Year 2026 - Term Sheet

IDR Bonds and Sukuk Mudharabah	Indicative Structure
Issuer	PT Lontar Papyrus Pulp & Paper Industry
Security Name	Obligasi Berkelanjutan IV Lontar Papyrus Pulp & Paper Industry Phase IV Year 2026 & Sukuk Mudharabah Berkelanjutan II Lontar Papyrus Pulp & Paper Industry Phase IV Year 2026
Industry	Pulp and Tissue (Industri Bubur Kertas dan Tissue)
Instrument	Senior Rupiah Bonds & Sukuk Mudharabah
Offering Type	Public Offering under a Shelf Registration (Penawaran Umum Berkelanjutan)
Rating	idA (Single A) and idA(sy) (Single A Syariah)
Principal Amount	Bonds (IDR): up to IDR825,000,000,000 (IDR825.0bn). Sukuk (IDR): up to IDR676,630,000,000 (IDR676.6bn). Combined up to IDR1.50tn.
Tenor & Indicative Coupon - Series A	3 Years: 9.50%-10.00%
Tenor & Indicative Coupon - Series B	5 Years: 10.00%-10.50%
Collateral	Unsecured, no specific collateral (Tidak dijamin dengan jaminan khusus)
Use of Proceeds - Bonds (IDR)	Repayment of the Company's debt and working capital
Use of Proceeds - Sukuk (IDR)	The Company's business activities and working capital
Coupon Payment	Every 3 (three) months
Principal Repayment	Paid in full at maturity
Rating Agency	PT Pemeringkat Efek Indonesia (Pefindo)
Listing	Indonesia Stock Exchange (IDX)

Source: IDX Disclosure, Lontar Papyrus indicative term sheet (Indikasi Struktur Obligasi), Aldiracita Research. This issuance is Rupiah only.

Exhibit: Indicative Timetable

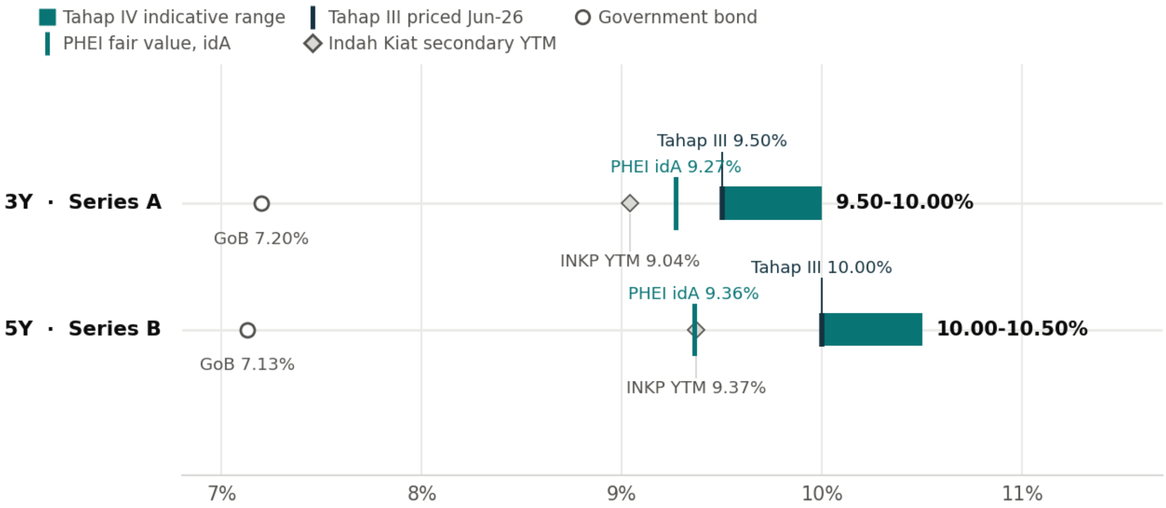
Milestone	Dates (Tentative)
Bookbuilding Period (Masa Penawaran Awal)	21 August - 8 September 2026
Public Offering Period (Masa Penawaran Umum)	23 - 25 September 2026
Allotment Date (Tanggal Penjatahan)	28 September 2026
Payment Date from Investors	29 September 2026
Payment Date to Issuer	30 September 2026
Distribution Date	30 September 2026
Listing Date (IDX)	1 October 2026

All dates are tentative per the Company's indicative timetable and subject to change. Bookbuilding opened on 21 August 2026.

Source: Lontar Papyrus indicative term sheet (Jadwal Emisi); Aldiracita Research.

Priced In-Line With the Issuer’s Own Recent Primary Curve

The proposed Phase IV coupon ranges of 9.50%–10.00% (3Y) and 10.00%–10.50% (5Y) are broadly consistent with Lontar Papyrus's own most recent primary pricing following the repricing of the Indonesian corporate credit market. In June 2026, the company's Obligasi Berkelanjutan IV Phase III was allotted at 9.50% for the 3-year series and 10.00% for the 5-year series, and was listed on 1 July 2026. The proposed pricing therefore represents a curve-consistent issuance at the lower bound of the indicative range, with up to 50 bps of additional new-issue concession available at the upper bound relative to the issuer's own recent primary levels. Measured against PHEI fair value for the idA rating notch of 9.27% (3Y) and 9.36% (5Y), the indicative ranges imply a new-issue concession of 23–73 bps at the 3-year tenor and 64–114 bps at the 5-year tenor, while INKP, rated one notch higher at idA+, was trading at approximately 9.04% and 9.37% YTM as of 22 July 2026, placing the proposed coupons 46–96 bps and 63–113 bps wider in a manner consistent with the one-notch rating differential. The higher absolute yield environment primarily reflects the broad repricing of domestic corporate credit spreads since September 2025, during which investment-grade idA/idA+ issuers experienced an estimated 200–275 bps upward shift in required yields. Against this backdrop, the proposed coupons offer investors an opportunity to gain exposure to an established investment-grade credit at pricing that is aligned with prevailing market conditions while remaining consistent with the issuer's own recent primary valuation, and the transaction is therefore expected to provide fair value to both the issuer and investors without disrupting the company's existing credit curve.



Source: PHEI Fair Spread and Bloomberg; issue documentation for Obligasi Berkelanjutan IV Phase III and Phase IV Year 2026; PEFINDO rating action of 5 August 2026; Aldiracita Research.

Company Overview

PT Lontar Papyrus Pulp & Paper Industry (LPPI) is an integrated pulp and tissue producer under the Asia Pulp & Paper (APP) / Sinar Mas group, operating from Tebing Tinggi, Jambi. Established in 1994 for pulp and expanded into tissue production in 1998, the company currently has approximately 1.1 million tonnes per annum of pulp capacity and around 254,000 tonnes per annum of tissue capacity. Its operations span the value chain from wood fibre sourcing and kraft pulping to downstream tissue production, supported by access to plantation timber, internal chemical production and R&D capabilities. LPPI produces elemental-chlorine-free bleached hardwood kraft pulp (LBKP) primarily from acacia and eucalyptus and serves both domestic and export markets, while its tissue business supplies jumbo rolls for facial, toilet, napkin and kitchen-towel applications to more than 50 countries. The combination of large-scale pulp capacity, integrated fibre supply, downstream tissue exposure and international distribution provides LPPI with a diversified and vertically integrated operating platform within Indonesia’s pulp and paper industry.

Strong Sinarmas and APP Backing Support Long-term Competitiveness

Lontar Papyrus benefits from its position within the Sinar Mas–Asia Pulp & Paper (APP) ecosystem, giving the company access to a well-established global pulp, paper, tissue and forestry platform. As part of this broader ecosystem, LPPI benefits from established customer relationships, technical expertise, procurement capabilities, R&D resources and global distribution networks, supporting both operational efficiency and market access. Its close linkage with plantation operations also strengthens fibre security, providing greater visibility over a critical raw material and supporting consistent mill utilisation. The broader APP platform further enables LPPI to leverage decades of experience in pulp and tissue manufacturing, sustainability management and international market development. In our view, this backing provides LPPI with a meaningful competitive foundation, combining local production capabilities with the scale, expertise and global reach of one of the region’s established pulp and paper groups.

Governance & Leadership Continuity

Lontar Papyrus benefits from the governance framework and institutional capabilities of the broader Sinar Mas–Asia Pulp & Paper (APP) group, providing access to established management expertise across forestry, pulp, tissue manufacturing and global distribution. Its operating model is supported by specialised teams covering plantation management, manufacturing, engineering, quality control, R&D, sustainability and commercial operations, which are critical in managing a large-scale, capital-intensive pulp and tissue platform. Management’s focus on operational efficiency, fibre security, product quality and sustainability is also supported by APP’s broader experience in managing integrated forestry and manufacturing assets. In our view, the combination of experienced operational leadership, group-level resources and specialised technical capabilities provides

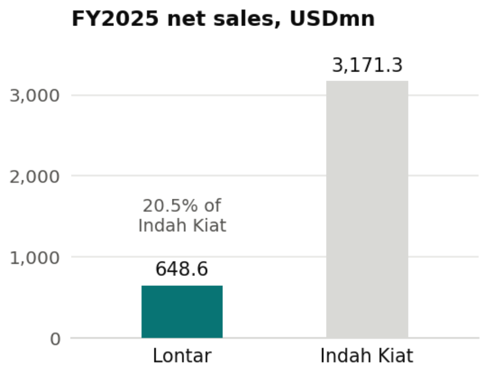
LPPI with a strong foundation to maintain mill efficiency, execute capacity and productivity initiatives and respond to evolving global customer and environmental requirements..

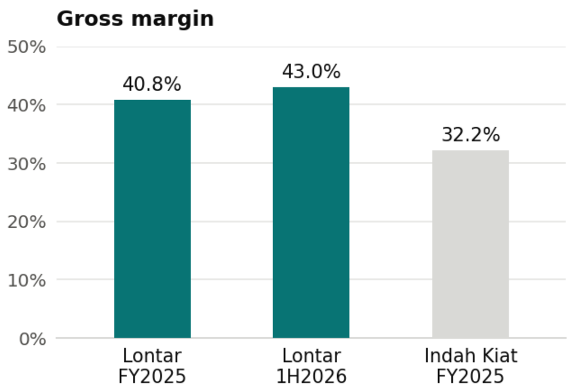
Scale and Integrated Operations Support Cost Competitiveness

Lontar Papyrus operates at meaningful scale, with approximately 1.1 million tonnes of annual pulp capacity and around 254,000 tonnes of tissue capacity, positioning it as a sizeable integrated pulp and tissue producer in Indonesia. Its operations span wood-fibre sourcing, pulp production, tissue manufacturing and downstream distribution, allowing the company to capture efficiencies across multiple stages of the value chain. The mill's access to plantation-based fibre provides greater visibility over raw-material availability, while integrated production of selected chemicals and supporting utilities helps improve supply reliability and operating efficiency. The combination of large-scale capacity, integrated fibre access and downstream tissue exposure also provides flexibility to optimise production and product mix according to market conditions. We believe this scale creates meaningful operating leverage, as higher mill utilisation can spread fixed manufacturing and logistics costs over a larger production base, while the integrated structure strengthens LPPI's ability to compete on cost and maintain consistent product quality across domestic and international markets.

Focused Product Mix and Domestic Exposure Promote Competitive Position

Lontar Papyrus faces competition from both domestic and overseas producers, with periodic dumping allegations in export markets presenting a potential risk. However, this exposure is relatively contained given that around 77% of sales are generated domestically. Within the APP group, Lontar serves as the dedicated pulp and tissue producer rather than the flagship diversified paper platform. At USD648.6mn of FY25 net sales, it is around one-fifth the size of Indah Kiat and has a more focused product portfolio, without exposure to industrial paper, packaging board and cultural paper grades. Despite its smaller scale, Lontar's FY25 gross margin of 40.8%, rising to 43.0% in 1H26, compares favourably with Indah Kiat's 32.2%, highlighting the benefits of upstream integration and its focus on higher-value tissue products..





Source: Indah Kiat Pulp and Paper, Lontar Papyrus consolidated financial statements FY24, FY25 and 1H26; Aldiracita Research.

Business Model

Pulp Provides Scale, Tissue Adds Value Capture

LPPI's business model combines large-scale pulp production with downstream tissue manufacturing, allowing the company to capture value across different segments of the paper value chain. As of 1H26, LPPI generated approximately USD 331.9 million in revenue, with EBITDA of USD 143.8 million and net profit of USD 127.4 million, demonstrating the earnings contribution from its integrated operating platform. Its approximately 1.1 million tonnes of annual pulp capacity provides meaningful exposure to global pulp pricing and demand, while around 254,000 tonnes of tissue capacity adds downstream exposure to more consumption-driven categories such as facial, toilet, napkin and kitchen tissue. The complementary nature of these businesses is important, as pulp provides production scale and access to global markets, while tissue allows greater value capture closer to the end consumer and provides a more defensive demand component. We therefore view the combination as strategically positive, as LPPI is positioned to participate in both the cyclical recovery in pulp and the longer-term growth in tissue consumption rather than relying exclusively on commodity pulp pricing.

Operational Integration Enhances Efficiency

LPPI's operating platform benefits from integration across fibre sourcing, pulp manufacturing, tissue production and selected supporting inputs, providing greater control over production costs and operating reliability. The company's access to plantation-based fibre within the broader Sinar Mas and APP ecosystem supports raw-material security, while internal production of selected chemicals and integrated utilities reduces reliance on external suppliers. This operating structure is reflected in the strong 1H26 financial profile, with EBITDA of approximately USD 143.8 million translating into an EBITDA margin of around 43%, based on reported revenue of USD 331.9 million. The scale of the mill also creates operating leverage as utilisation improves, while R&D and process optimisation provide scope for further efficiency gains in fibre productivity, energy consumption and manufacturing yields. In our view, the combination of secure fibre access, large-scale manufacturing, downstream tissue capacity and operational integration gives LPPI a structurally competitive cost base and greater earnings resilience through pulp-price and demand cycles.

Exhibit: Net Sales and Margin by Period (USDmn)

Item	FY2024	FY2025	1H2025	1H2026
Net sales	600.4	648.6	313.9	331.9
Gross profit	223.3	264.6	125.2	142.7
Gross margin	37.19%	40.80%	39.87%	43.00%
Operating profit	170.7	207.3	96.3	114.0
Operating margin	28.43%	31.97%	30.67%	34.35%
Net profit	121.4	146.3	51.1	127.4
Net margin	20.22%	22.56%	16.27%	38.40%

Source: Lontar Papyrus consolidated financial statements FY24, FY25 and 1H26; Aldiracita Research.

Product Mix (as of 1H26)

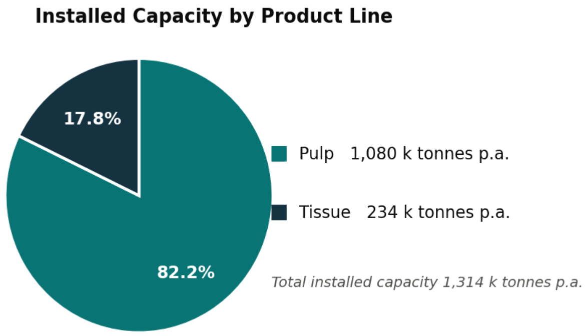
Product Line	Capacity (k tonnes p.a.)	% of Total
Pulp	1,080	82.19%
Tissue	234	17.81%
Total installed capacity	1,314	100.00%

Source: Lontar Papyrus consolidated financial statements FY24, FY25 and 1H26; Aldiracita Research.

LPPI maintains a diversified market footprint across both domestic and international customers, although the business remains primarily oriented toward the Indonesian market for pulp. The company's pulp capacity is approximately 1.1 million ADT per year, with management indicating that the majority of production is historically absorbed by the domestic market, while around 140,000 tonnes per year is exported to markets including China, India, Vietnam, Australia and the UAE.

Tissue has a more export-oriented profile, with the company stating that its tissue products are sold across approximately 55 countries, including the US, UK and Australia. This creates a complementary market structure, with domestic pulp demand providing a relatively stable volume base while tissue exports broaden geographic exposure and provide access to higher-value international markets. From an investment perspective, the diversified customer footprint reduces dependence on a single geography, while LPPI's access to the broader APP distribution network should support market reach as tissue capacity expands. The key trade-off is that greater export exposure also increases sensitivity to global pulp prices, freight costs, foreign-exchange movements and demand conditions in major overseas markets.

Installed Capacity by Product Lines



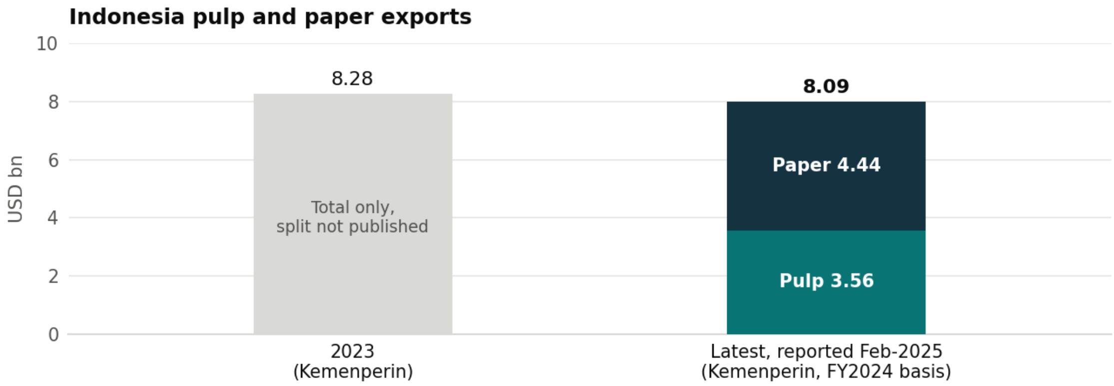
Source: Additional Disclosures for installed capacity; June 2023 prospectus for the domestic and export split; Aldiracita Research.

Industry Outlook

Structural Demand Shift Might Support Long-term Growth

Indonesia's pulp and paper industry remains an important contributor to the manufacturing and export economy, supported by the country's large plantation base, competitive fibre costs and established export infrastructure. The latest Ministry of Industry data indicate that pulp and paper exports reached around USD8.2bn in 2025, comprising approximately USD3.6bn of pulp and USD4.6bn of paper, while the industry supports more than 280,000 direct workers and around 1.2mn indirect workers. The industry's growth profile is increasingly shifting toward tissue, packaging and other paper-based consumer products, while traditional printing and writing paper faces longer-term pressure from digitalisation. This change in product mix is structurally positive, as packaging demand continues to benefit from e-commerce, consumer goods and food delivery, while tissue demand is supported by population growth, urbanisation and rising hygiene awareness.

The industry also benefits from the broader global move toward paper-based alternatives to plastic. Increasing environmental awareness and regulatory efforts to reduce single-use plastics are supporting demand for recyclable and renewable fibre-based packaging. Indonesia is well positioned to capture this trend given its large-scale plantation forestry base and integrated pulp and paper production capacity. However, industry profitability remains cyclical, with earnings still sensitive to global pulp and paper prices, fibre and energy costs, foreign-exchange movements and changes in export-market demand..



Source: Ministry of Industry in February 2025

Sustainability and Regulations Increasingly Shape Industry Competitiveness

Sustainability is becoming an increasingly important competitive factor for Indonesia's pulp and paper industry, particularly as global customers and regulators place greater emphasis on responsible forestry, traceable fibre and lower environmental impact. Certification standards such as PEFC Chain of Custody, FSC, SVLK and ISO environmental-management standards are increasingly relevant for maintaining access to international markets and multinational customers. These requirements are particularly important for exporters to developed markets, where procurement policies increasingly require evidence of sustainable sourcing and supply-chain traceability. At the regulatory level, Indonesia continues to strengthen standards around sustainable forest management, timber legality, environmental compliance and industrial emissions. While tighter requirements can increase compliance costs and capital expenditure, they also create a barrier to entry for smaller or less-integrated producers and can favour established players with access to certified plantation fibre and modern production facilities.

The industry's increasing focus on renewable fibre, energy efficiency, waste management and water treatment should therefore be viewed as both a regulatory requirement and a potential source of competitive differentiation. Overall, Indonesian producers that can demonstrate traceable fibre, sustainable plantation management and consistent environmental compliance should be better positioned to retain international customers and participate in higher-value export markets. This provides a structural advantage for the country's larger integrated producers while raising the cost and operational requirements for less-compliant competitors.

Export Competitiveness Remains a Key Industry Advantage

Indonesia's pulp and paper industry also benefits from its strong position in regional and global markets, supported by competitive fibre availability, large-scale mills and an established export base. Indonesian producers compete with major suppliers from Brazil, China, the US and other Southeast Asian countries, making global pricing and capacity additions important drivers of industry profitability. Export competitiveness is supported by Indonesia's relatively low-cost plantation fibre base, but margins remain exposed to global pulp and paper price cycles, freight costs and movements in the rupiah. Changes in trade policy, including anti-dumping investigations and import restrictions in key destination markets, can also affect export volumes and pricing. The industry therefore remains structurally competitive, but earnings visibility depends on maintaining cost efficiency and disciplined capacity growth relative to global demand.

Capacity Expansion and Commodity Cycles Remain the Key Risks

Despite favourable long-term demand trends, the industry remains capital-intensive and exposed to periodic oversupply. Large-scale pulp and paper projects can materially increase regional capacity, putting pressure on global prices when supply growth outpaces consumption. This is particularly relevant for commodity pulp, where pricing can move sharply with changes in Chinese demand, mill downtime and global inventory levels. Producers also face volatility in wood costs, chemicals, energy and logistics, while higher interest rates can increase financing costs for expansion projects. We therefore expect industry performance to remain cyclical despite the favourable structural demand outlook. In our view, the stronger operators will be those with integrated fibre supply, efficient mills, diversified end-markets and disciplined capital allocation, which should provide greater resilience through commodity downturns while allowing them to benefit from the longer-term shift toward tissue and sustainable paper-based packaging

SWOT Analysis

STRENGTHS

+ Upstream integration on a focused base - 1.08mn tpa pulp and 234k tpa tissue, converted in-house, removing reliance on third-party pulp
+ Best-in-group margins - FY25 gross margin 40.8%, operating 32.0% and net 22.6%, against 14.3% net at Indah Kiat
+ Comfortable liquidity - 2.92x current ratio and a cash balance of USD1,047.7mn at 1H26
+ Low and falling leverage - interest-bearing debt to equity 0.82x, net debt at 0.15x equity in 1H26, down from 0.89x at FY24 (with FY25 at 0.78x)
+ Improving coverage - EBIT interest cover 1.67x in FY24, 2.09x in FY25, 2.50x in 1H26
+ Sinar Mas and APP group backing, 99.92% owned by PT Pindo Deli Pulp and Paper Mills

WEAKNESSES

- Scale - FY25 net sales of USD648.6mn, roughly a fifth of Indah Kiat
- Narrow product base - pulp and tissue only, with no segment disclosure at all in the financial statements
- No cash flow statement or depreciation disclosure in the interim filing, so EBITDA and cash conversion cannot be verified
- Single agency rating - idA from PEFINDO alone, one notch below Indah Kiat's idA+, which also carries an irAA from KRI
- Related-party concentration - USD13.5mn of USD17.8mn in trade receivables, plus USD213.4mn of non-current related-party receivables
- Earnings quality - USD63.3mn, or 44%, of 1H26 pre-tax profit was a net foreign exchange gain; the underlying pre-tax margin is 24.6% against 43.7% reported
- Single-site operations at one mill complex in Jambi

OPPORTUNITIES

+ Tissue and hygiene demand growth, and continued plastic-to-paper substitution in packaging
+ Tightening global BHK pulp supply supporting a recovering pricing cycle into FY2026 and FY2027
+ Continued deleveraging could support a rating review toward idA+ if the 1H26 metrics hold
+ Group synergies with Indah Kiat, OKI Pulp & Paper Mills, Pindo Deli and Tjiwi Kimia
+ Domestic anchor - around 77% of sales are domestic, which insulates the revenue base from export trade remedies and freight cycles

THREATS

- Pulp and tissue price cyclicality tied to the global commodity cycle
- Currency asymmetry - the company reports in US dollars while the bonds and sukuk are rupiah, so a weaker rupiah flatters reported profit and a stronger one reverses it; this is why foreign exchange drove 44% of 1H26 pre-tax profit
- Rising domestic funding costs - the company's own coupon moved from 6.50% on an earlier print to 9.50% in June 2026
- Recoverability and timing risk on the large related-party receivable balance
- Refinancing profile - proceeds of Phase IV are partly for debt repayment, so continued market access matters more than headline leverage

Source: Lontar Papyrus consolidated financial statements FY24, FY25 and 1H26; Informasi Tambahan Ringkas and the June 2023 prospectus; PEFINDO rating action of 5 August 2026; Ministry of Industry export data; Company sustainability disclosures; Aldiracita Research.

Bond Market Overview

Global Market Update: The July Risk Premium Has Partially Unwound

Since our last cross-check, the risk premium that drove the sharp market repricing in July has eased, particularly in oil. Brent fell to USD86.12/bbl on 27 August from USD100.69/bbl on 23 July, although prices remain volatile and briefly reached USD92.67/bbl on 21 August. The decline followed a temporary Hormuz transit arrangement between Iran and Oman, but geopolitical risks remain elevated. Gulf crude exports are still below pre-conflict levels, while the Houthi blockade of Saudi-linked shipping through Bab el-Mandeb remains in place. Shipping conditions have improved more quickly for containers than for tankers, but war-risk premiums on Gulf routes remain well above pre-conflict levels.

US Treasury yields, however, have remained elevated despite the decline in oil prices. The US 10-year yield was 4.65% as of 27 August, after reaching 4.74% on 21 August, while the 30-year yield rose to 5.29% on 17 August, its highest level since 2007. The key shift has been in expectations for the Fed. After keeping the policy rate at 3.50–3.75% in July, weaker-than-expected payroll data reduced expectations for a near-term rate hike, with markets now placing greater weight on a December move. Meanwhile, July PCE inflation remained elevated at 3.7% headline and 3.3% core, keeping the path for US rates uncertain. Overall, the easing in oil prices is supportive for global risk sentiment, but elevated US Treasury yields and persistent geopolitical risks suggest that the global rates backdrop remains challenging for emerging-market bonds.

Indonesian Bond Market Still Offers Attractive Yields Despite Higher Volatility

Indonesia’s bond market continues to offer attractive yields, although market volatility has increased amid global risk-off sentiment and renewed inflation concerns. As of end-2Q26, the 10-year SBN benchmark yield stood at 7.14%, up 31bps qoq, and rose further to 7.29% by 30 July 2026, or 122bps higher ytd. Despite the rise in yields, foreign investors remained net buyers of SBN, suggesting that Indonesia’s relatively high real yields and improving domestic growth outlook continue to support investor demand.

BI Leadership Uncertainty Is Nearing Resolution

The uncertainty around Bank Indonesia’s leadership is now close to being resolved. Perry Warjiyo resigned on 25 July 2026, with Senior Deputy Governor Destry Damayanti appointed as Acting Governor the following day. President Prabowo subsequently nominated Destry as the sole candidate for Governor on 10 August, while Komisi XI completed the fit-and-proper test on 26 August. Final confirmation by the DPR plenary is scheduled for 1 September. We see policy continuity as the most likely outcome rather than a major shift in monetary policy. The August RDG chaired by Destry kept the policy rate unchanged while continuing to use liquidity measures and policies aimed at attracting foreign inflows. For the bond market, we expect the central-bank independence premium that drove wider spreads in late July to gradually ease once the appointment is formally confirmed, making 1 September an important near-term event risk for Indonesian fixed income.

Inflation Eases, Supporting the Case for Lower Rates

Indonesia's inflation backdrop has become more supportive for the bond market. July CPI eased to 2.88% yoy from 3.34% in June, while core inflation remained contained at 2.76% yoy. Prices also fell 0.14% m/m in July, bringing ytd inflation to 1.65%. Headline inflation therefore remains comfortably within BI's 2.5% ±1% target range and well below the 3.5% upper bound. Bank Indonesia kept the BI-Rate unchanged at 5.75% at its 18–19 August meeting, following 100bps of cumulative tightening earlier in the year from 4.75% in April to 5.75% in June. With inflation no longer a major constraint, BI's focus has shifted toward maintaining rupiah stability while supporting economic growth. This creates a more supportive medium-term backdrop for Indonesian bonds, although the timing and pace of further rate cuts will remain dependent on the rupiah and global rate environment.

Rupiah Stability Remains Key Policy Constrain

The rupiah remains the main constraint on BI's ability to ease monetary policy. JISDOR stood at IDR17,705/USD on 21 August, while rupiah stability was again highlighted as a key policy priority in BI's August statement. Elevated global uncertainty, a narrower trade surplus and still-high global yields are likely to keep BI cautious about cutting rates too quickly. At the same time, BI continues to introduce measures to attract foreign portfolio inflows, improve market liquidity and deepen domestic money and FX markets. We therefore see the rupiah as the key link between global risk sentiment and Indonesia's bond market: a more stable currency would give BI greater room to ease, while renewed rupiah weakness could delay further cuts.

Trade Surplus Narrows, but External Position Remains Supportive

Indonesia's external position remains manageable, although the narrowing trade surplus warrants monitoring. June exports reached USD25.46bn, while imports rose to USD25.91bn, resulting in a monthly trade deficit of around USD0.45bn. Despite this, the January–June trade balance remained in surplus at USD3.58bn. The main source of pressure has been stronger import growth, with 1H26 imports rising 18.7% yoy to USD137.2bn, compared with 4.1% yoy export growth to USD140.8bn. The oil and gas deficit remained the main drag at USD15.8bn, partly offset by a USD19.4bn non-oil and gas surplus. For bonds, the key risk is that faster import growth and a smaller trade surplus could increase pressure on the rupiah and current account, limiting BI's ability to cut rates aggressively despite the benign inflation backdrop.

Indonesia Government Bond Market: Attractive Carry, with Duration Upside Still Depends on BI

Indonesia's government bond market remains attractive on carry, but investors should remain selective on duration following the sharp repricing earlier in 2026. The 10-year government bond yield remains well above the BI-Rate, offering a meaningful term premium, while shorter maturities continue to reflect relatively tight monetary conditions. With inflation easing to 2.88% and BI holding the policy rate at 5.75%, the domestic backdrop has become more supportive for bonds. However, we do not expect yields to decline sharply until the rupiah stabilises and BI gains greater room to ease. In the near term, we therefore see carry as the main return driver, with duration providing additional upside if the monetary easing cycle eventually resumes.

Corporate Bond Market: A-Rated Credit Offers Attractive Carry After 2026 Repricing

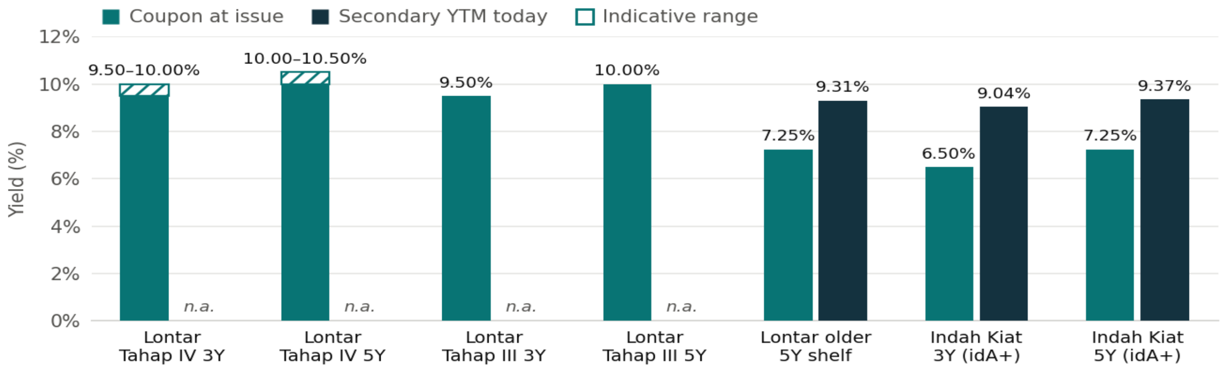
Indonesia's corporate bond market has repriced meaningfully in 2026, driven mainly by higher government bond yields and funding costs rather than a broad deterioration in corporate credit quality. The INDOBeX Corporate Effective Yield reached 7.59% on 21 August 2026, up from 7.07% in September 2025, making absolute yields more attractive than a year ago. Government bond yields have also moved higher, with the 2Y, 5Y and 10Y benchmarks at around 6.68%, 6.85% and 7.04%, respectively, as of 24 August 2026. This suggests that much of the corporate bond repricing has been driven by the broader rates environment rather than issuer-specific credit deterioration. A-rated corporate bonds now generally offer yields around 9–10%, providing a more attractive carry opportunity, particularly for issuers with strong cash flow, adequate liquidity and manageable leverage. With inflation at 2.88% and BI holding rates at 5.75%, a stabilisation in the government curve could provide additional mark-to-market gains on top of the relatively high coupon income. We therefore favour fundamentally sound A-rated issuers, particularly in intermediate maturities, where investors can capture attractive carry without taking excessive duration risk.

In the current environment, credit selection remains important. We favour issuers with strong liquidity, moderate leverage, predictable operating cash flow and manageable refinancing needs. The higher yield environment provides a better entry point into investment-grade corporate bonds, particularly where wider spreads reflect the broader government curve rather than a deterioration in the issuer's underlying credit profile. For investors, the key consideration is therefore not simply the absolute yield, but whether the additional spread adequately compensates for the underlying credit and liquidity risks.

Outlook: Carry Leads, with Duration as Additional Upside

Overall, Indonesia's bond market is becoming more attractive on carry, while the potential for duration gains remains dependent on rupiah stability and the timing of BI easing. Lower inflation and a stable 5.75% policy rate provide a more supportive domestic backdrop, but the narrower trade surplus, strong import growth and continued rupiah volatility argue against aggressive rate cuts in the near term. We therefore favour high-quality corporate credit and intermediate-duration government bonds, where investors can lock in elevated yields while maintaining exposure to potential capital gains if the rupiah stabilises, inflation remains contained and BI eventually gains room to ease..

Exhibit: Coupon at Issue vs Secondary YTM Today



Source: PHEI Fair Spread and Bloomberg, 1 July 2026; issue documentation for Obligasi Berkelanjutan IV Phase III and Phase IV Year 2026; Aldiracita Research.

Exhibit: PHEI Fair Spread by Rating Notch, 1Y / 3Y / 5Y (bps vs GoB)

Rating	1Y (bp)	3Y (bp)	5Y (bp)	5Y less 1Y	Fair value 3Y	Fair value 5Y	Position vs Lontar
idAA-	100	112	122	+22bp	8.32%	8.35%	Two notches above
idA+	136	150	160	+24bp	8.70%	8.73%	One notch above - Indah Kiat and OKI
idA	**186**	**207**	**223**	**+37bp**	**9.27%**	**9.36%**	**LONTAR PAPYRUS - own rating**
idA-	235	264	288	+53bp	9.84%	10.01%	One notch below
idBBB+	283	322	373	+90bp	10.42%	10.86%	Three notches below

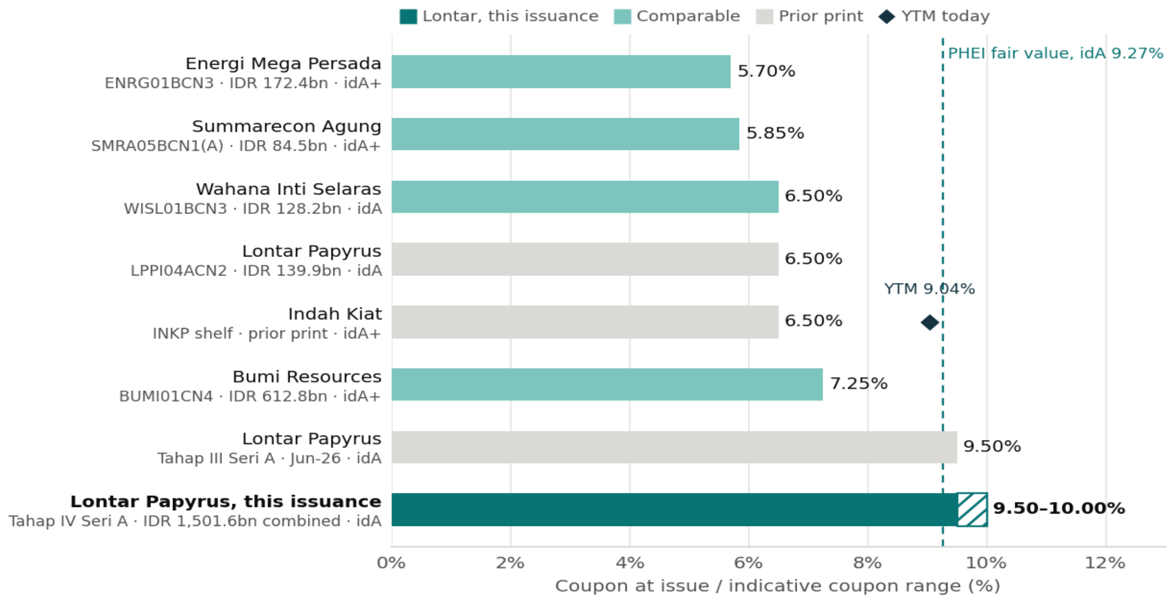
Source: PHEI Fair Spread; PEFINDO rating action of 5 August 2026; Aldiracita Research.

Lontar Pricing Against Fair Value

Series	Tenor	Indicative low	Indicative high	Fair value (idA)	Premium at low	Premium at high
Series A (bonds and sukuk)	3Y	9.50%	10.00%	9.27%	+23bp	+73bp
Series B (bonds and sukuk)	5Y	10.00%	10.50%	9.36%	+64bp	+114bp

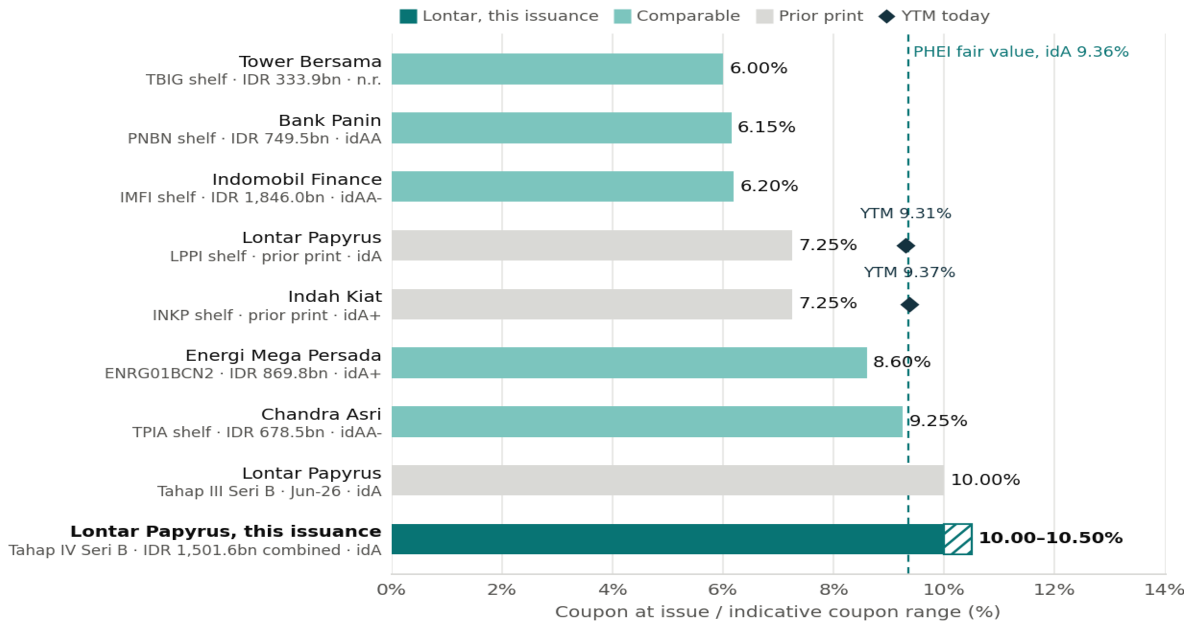
Source: PHEI Fair Spread; PEFINDO rating action of 5 August 2026; Aldiracita Research.

Exhibit: Comparable Rupiah Issuances · 3Y Tenor



Source: KSEI and Bloomberg, Corporate Bonds and Sukuk Issues tracker 2026; PEFINDO rating reports; Aldiracita Research.

Exhibit: Comparable Rupiah Issuances · 5Y Tenor



Source: KSEI and Bloomberg, Corporate Bonds and Sukuk Issues tracker 2026; PEFINDO rating reports; Aldiracita Research.

Financial Overview

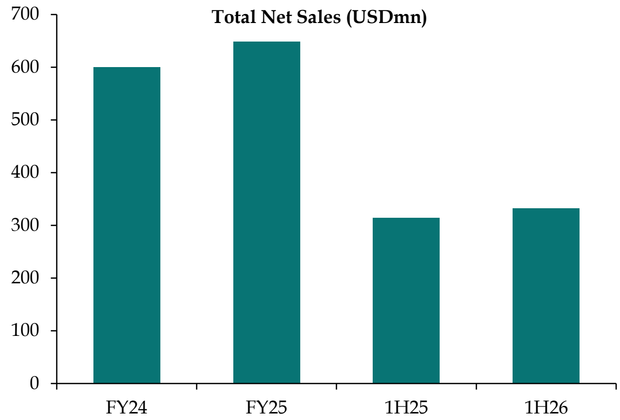
Revenue Remained Resilient, Supporting a Strong 1H26 Earning Base

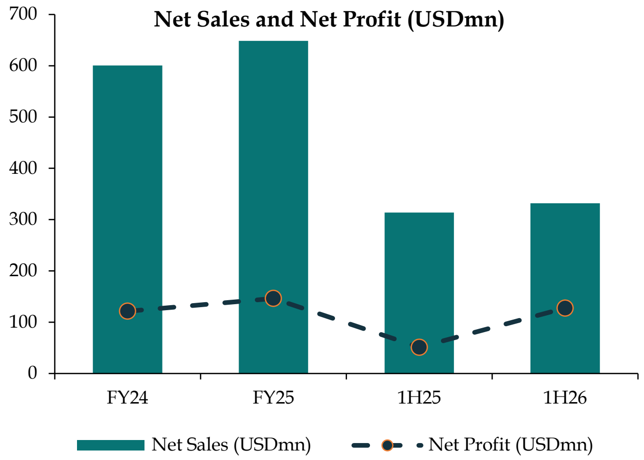
Lontar Papyrus Pulp & Paper Industry (LPPI) maintained a solid operating performance in 1H26, generating USD331.9mn of revenue, equivalent to 51% of its FY25 sales of USD648.6mn. The pace of revenue generation provides a healthy starting point for the full year and indicates that LPPI continues to maintain a relatively resilient operating base despite the cyclical nature of the pulp and paper industry. The company's revenue profile is supported by its integrated pulp and tissue platform, which provides greater flexibility across product markets and reduces its reliance on a single downstream product. Its predominantly domestic sales exposure also provides some insulation from volatility in international export markets, while its established distribution network supports relatively stable access to end-market demand.

More importantly from a credit perspective, LPPI's strong revenue generation translated into robust profitability in 1H26. EBITDA reached USD143.8mn, implying a 43.3% EBITDA margin, while net profit stood at USD127.4mn, equivalent to a 38.4% net margin. The high EBITDA conversion provides meaningful operating cash-flow capacity relative to revenue and gives the company a stronger buffer against potential fluctuations in pulp prices, raw-material costs and other operating expenses. The significant contribution from integrated pulp production also supports earnings quality, as the company benefits from greater control over its fibre supply and production costs compared with less-integrated producers.

The 1H26 results are particularly encouraging given that LPPI operates in a commodity-sensitive industry where earnings can fluctuate materially with pulp prices, tissue demand, energy costs and foreign-exchange movements. While the current level of profitability may not be fully representative of a through-cycle margin, the combination of more than half of FY25 revenue generated in 1H26 and a 43.3% EBITDA margin demonstrates strong current earnings capacity. This is important for bondholders because stronger operating earnings provide greater flexibility to absorb market volatility while maintaining debt-servicing capacity.

Overall, LPPI enters the second half of 2026 with a strong earnings base, supported by healthy revenue generation, high operating margins and an integrated business model. We view the 1H26 performance as a positive credit factor, particularly as sustained EBITDA generation should help support liquidity and gradually improve balance-sheet flexibility. The key monitor remains whether the company can maintain its elevated margins as pulp and tissue prices normalise, but the current earnings profile provides a meaningful cushion against moderate operating and market volatility.





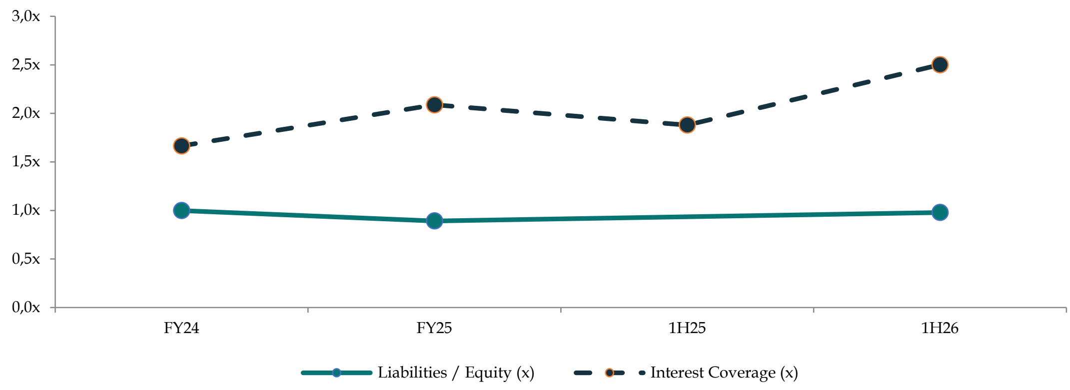
Source: Lontar Papyrus consolidated financial statements as at 30 June 2026 (unaudited, with the 30 June 2025 comparative) and 31 December 2025 and 2024; Aldiracita Research.

Strong Earnings Provide a Buffer Against Elevated Leverage

LPPI's credit profile remained supported by strong earnings generation in 1H26, although balance-sheet leverage remains the key constraint on financial flexibility. EBITDA reached USD143.8mn, translating into a strong 43.3% EBITDA margin and providing a sizeable earnings buffer against interest and other financial obligations. As of June 2026, adjusted debt stood at USD1.28bn, resulting in adjusted debt/EBITDA of 4.4x and debt/equity of 0.8x. While these metrics indicate that leverage remains relatively high, the company's strong operating profitability provides meaningful capacity to absorb moderate volatility in pulp and tissue prices, raw-material costs and operating expenses.

The quality of LPPI's earnings is also supported by its vertically integrated operating structure, which provides greater control over fibre supply and production costs. This integration is important from a credit perspective as it can help protect operating cash flow during periods of weaker pulp pricing or higher input costs. Strong EBITDA generation also supports liquidity and debt-servicing capacity, although the absolute debt burden remains significant relative to operating earnings. Consequently, the company's credit profile remains more sensitive to sustained margin deterioration or weaker operating conditions than higher-rated peers with lower leverage.

Looking ahead, the key credit driver will be the company's ability to convert its strong operating profitability into sustainable deleveraging. Continued EBITDA generation, disciplined capital expenditure and positive free cash flow would allow LPPI to gradually reduce debt and improve financial flexibility. A sustained decline in debt/EBITDA toward below 3.0x would represent a meaningful improvement in credit metrics and could provide greater headroom against cyclical earnings volatility. Conversely, a prolonged decline in pulp or tissue prices, margin compression, or additional debt-funded investment could slow deleveraging and push leverage higher, potentially weakening the company's credit profile.



Source: Lontar Papyrus consolidated financial statements as at 30 June 2026 (unaudited) and 31 December 2025 and 2024; Aldiracita Research.

Stable Rating Supported by Business Strength, Constrained by Leverage

LPPI's resilient earnings profile continues to support its current idA rating, with PEFINDO's stable outlook reflecting the company's established market position, vertically integrated operations and proven operating track record. Its focused exposure to pulp and tissue also provides access to relatively resilient end-markets, while integration across the production chain supports cost efficiency and operating resilience. These strengths are balanced by relatively elevated leverage and the inherent cyclicality of the pulp and paper industry, particularly LPPI's exposure to pulp, tissue and raw-material price movements.

From a rating perspective, deleveraging remains the clearest pathway toward stronger financial flexibility. Sustained EBITDA generation combined with debt reduction would improve debt-service capacity and provide a larger cushion against operating volatility, with debt/EBITDA moving toward or below 3.0x representing a meaningful positive credit development. In contrast, weaker revenue, sustained margin compression or material debt-funded capex could result in slower deleveraging and higher financial risk. Overall, we view LPPI's current credit profile as supported by strong earnings and business fundamentals, but with leverage remaining the primary factor limiting further rating upside.

Exhibit: Financial Summary (USDmn unless stated)

	FY24	FY25	1H25	1H26
Income Statement Summary				
Net Sales	600.4	648.6	313.9	331.9
Gross Profit	223.3	264.6	125.2	142.7
Operating Profit	170.7	207.3	96.3	114.0
Net Profit	121.4	146.3	51.1	127.4
Balance Sheet Summary				
Total Assets	2,831.0	2,915.6	n.a.	3,099.5
Total Liabilities	1,414.7	1,374.5	n.a.	1,533.2
Total Equity	1,416.3	1,541.0	n.a.	1,566.3
Cash Flow from Operations	n.a.	n.a.	n.a.	n.a.
Memorandum				
Interest Expense	102.5	99.3	51.2	45.6
Sukuk Mudharabah Profit-Sharing	2.1	14.5	6.8	9.7
Interest-bearing Debt	1,254.6	1,209.2	n.a.	1,278.5
Net Debt	533.2	379.5	n.a.	230.8

Source: Lontar Papyrus consolidated financial statements as at 30 June 2026 (unaudited) and 31 December 2025 and 2024; Aldiracita Research.

Strong Earnings and Continued Market Access Support Liquidity

Lontar Papyrus maintained a solid financial profile in 1H26, generating USD331.9mn of revenue, USD143.8mn of EBITDA and USD127.4mn of net profit. The resulting 43.3% EBITDA margin and 38.4% net margin demonstrate strong earnings capacity, providing a meaningful buffer for operating cash generation and debt servicing. While leverage remains relatively elevated, the company's strong profitability and cash-generative operations provide important support for meeting financial obligations and absorbing moderate operating volatility.

Lontar also demonstrated continued access to the domestic funding market through the June 2026 issuance of IDR800.9bn under its Fourth Sustainable Bond Programme. Proceeds were primarily allocated toward refinancing the company's outstanding 2023 bonds, alongside working-capital requirements. The successful refinancing is credit positive as it demonstrates continued investor access and allows LPPI to actively manage its maturity profile, reducing immediate refinancing pressure and extending funding flexibility. This is particularly relevant given the company's sizeable debt obligations and the still relatively high domestic interest-rate environment.

Combined with resilient 1H26 profitability, established market access and its strategic position within the APP group, LPPI enters the remainder of 2026 with a solid liquidity position and funding profile. We view the combination of strong operating earnings and continued access to the bond market as supportive of the company's overall credit quality. Going forward, maintaining healthy cash generation, managing refinancing requirements prudently and avoiding excessive debt-funded expansion will remain important to preserve financial flexibility and support gradual deleveraging.

Exhibit: Leverage Summary (USDmn unless stated)

	FY24	FY25	1H25	1H26
Total Assets	2,831.0	2,915.6	n.a.	3,099.5
Total Liabilities	1,414.7	1,374.5	n.a.	1,533.2
Total Equity	1,416.3	1,541.0	n.a.	1,566.3
Liabilities / Equity (x)	1.00x	0.89x	n.a.	0.98x
Liabilities / Assets (x)				
Interest-bearing Debt / Equity (x)	0.89x	0.78x	n.a.	0.82x
Net Debt / Equity (x)	0.38x	0.25x	n.a.	0.15x
Interest Coverage (EBIT / Interest, x)	1.67x	2.09x	1.88x	2.50x
Interest Coverage incl. sukuk (x)	1.63x	1.82x	1.66x	2.06x

Source: Lontar Papyrus consolidated financial statements as at 30 June 2026 (unaudited) and 31 December 2025 and 2024; Aldiracita Research.

Manageable Capex Requirements Support Financial Flexibility

LPPI's capex requirements are expected to remain manageable relative to its operating earnings, with investment primarily focused on maintenance, efficiency improvements and supporting existing pulp and tissue capacity. While the pulp and paper industry is inherently capital-intensive, disciplined capex allocation is important to preserve cash flow and avoid additional balance-sheet pressure. LPPI's strong 1H26 EBITDA provides a sizeable internal funding base for maintenance and selective investment, reducing the need for incremental debt financing. From a credit perspective, maintenance and efficiency-related capex are more supportive than aggressive capacity expansion, particularly while leverage remains elevated. Sustained positive free cash flow after working capital and capex would provide the clearest pathway for debt reduction and further strengthen LPPI's financial flexibility.

Disciplined Working Capital Management Supports Cash Flow

LPPI's working capital requirements are primarily driven by the scale of its pulp and tissue operations, including inventories of raw materials, finished goods and spare parts, as well as trade receivables from customers and related parties. Given the company's integrated production model, maintaining adequate inventory is important to ensure uninterrupted mill operations and mitigate supply-chain disruptions. At the same time, disciplined inventory management and timely collection of receivables are critical to maintaining healthy cash conversion and preventing earnings from being absorbed by working capital. From a credit perspective, stable working capital requirements and effective cash conversion should support operating cash flow and reduce reliance on short-term funding. We would therefore monitor any material increase in working-capital absorption relative to revenue, particularly during periods of higher pulp prices or weaker demand, as this could reduce free cash flow available for debt reduction.

Management Structure

Board of Directors

Name	Position	Background
Hendri	President Director	APP career production executive; oversees the Jambi mills. Joined PT Pindo Deli in 1991, Deputy Mill Head 2014-2015, then Mill Head and President Director of Pindo Deli from 2015. President Director of Lontar Papyrus since 2017. MSc Chemistry, Northern Arizona University.

Name	Position	Background
Kosim Sutiono	Director - Finance & Accounting	Corporate finance at PT Bank Bali 1993-2000, then Tjiwi Kimia. CFO of PT Pindo Deli 2006-2011 and a Director there since 2011. Concurrently Commissioner of PT Indah Kiat Pulp & Paper Tbk since 2017. Director of Lontar Papyrus since 2018.
Benny Iswandy	Director - Sales & Marketing	Twenty-five years in APP sales and marketing. Regional head roles across Southeast Asia, Eastern Europe and the Americas at Tjiwi Kimia; Head of Corporate Global Sales, Pulp Division at Indah Kiat 2015-2018, then head of its tissue business unit 2018-2022. Director of Lontar Papyrus since 2020.
Irsyal Yasman	Director - HRD & General Affairs	Director of PT Inhutani I (Persero) 2001-2012. Joined APP Group in 2017 and heads its Corporate Affairs department. PhD Environmental Science, Wageningen University. Director of Lontar Papyrus since 2023.
Davit Boentoro	Director - Supply Chain	With APP Group since 1994. Head of Commercial and Import 2005-2019, then Head of Commercial, License & Import. Director of Lontar Papyrus since 2023.

Board of Commissioners

Name	Position	Background
Arman Dwiartono	President Commissioner	Head of Global MBOS at APP Group since 2018; previously Head of the Chairman Office and Head of Corporate MBOS. Concurrently a Director of PT APP Purinusa Ekapersada, of PT Pindo Deli Pulp and Paper Mills - the 99.92% shareholder - and of PT OKI Pulp & Paper Mills. MSc Mechanical Engineering, Michigan State University. President Commissioner since 2022.
Hengkie Wongosari	Commissioner	Head of Corporate Finance at APP Group since 2019; previously Head of Banking, Investor Relations and Risk Management 2010-2019 and in Pindo Deli's finance department from 1997. Commissioner since 2018.
Drs. Pande Putu Raka, M.A.	Independent Commissioner	Career regulator: Secretary of Bapepam, the capital market supervisory agency, 1998-2004; Commissioner of the Surabaya Stock Exchange 2004-2007 and of the Indonesia Stock Exchange 2007-2008. Chairs both the Audit Committee and the Nomination and Remuneration Committee of Lontar Papyrus. Independent Commissioner of Indah Kiat and Tjiwi Kimia since 2007 and of OKI Pulp & Paper Mills since 2021.
Hengkie Wongosari	Commissioner	Head of Corporate Finance at APP Group since 2019; previously Head of Banking, Investor Relations and Risk Management 2010-2019 and in Pindo Deli's finance department from 1997. Commissioner since 2018.

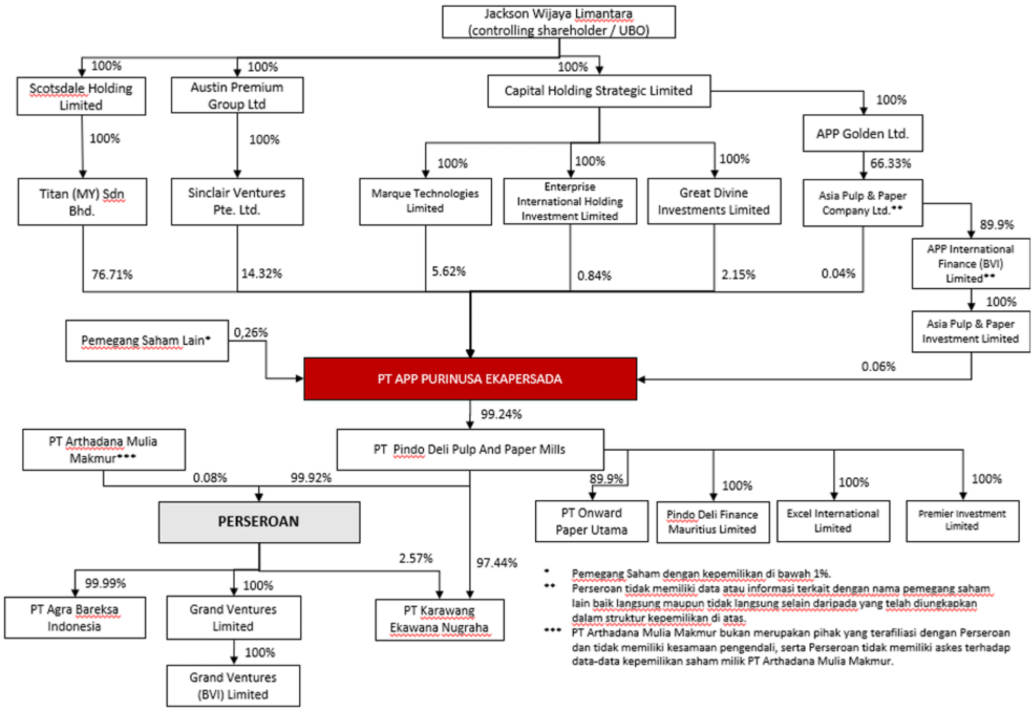
Source: Lontar Papyrus Pulp & Paper Industry Annual Report FY24, Additional Disclosures; Aldiracita Research

Shareholder Structure

Lontar Papyrus Pulp & Paper Industry benefits from an exceptionally strong and concentrated ownership structure, with PT Pindo Deli Pulp and Paper Mills holding 99.92% of the company. This near-total ownership provides clear strategic alignment and reinforces Lontar Papyrus' position within the broader Asia Pulp & Paper (APP) group, supporting operational integration, access to group expertise, and potential financial flexibility. The concentrated structure also facilitates efficient decision-making and long-term capital planning, which are positive from a bondholder perspective. Overall, the strong group ownership and strategic linkage provide additional comfort regarding Lontar Papyrus' role within the integrated APP platform and its capacity to benefit from the group's established industry presence.

Shareholder	Shares	Holding
PT Pindo Deli Pulp and Paper Mills	2,748,615	99.92%
PT Arthadana Mulia Makmur	2,100	0.08%
Total issued and paid-up	**2,750,715**	**100.00%**

Source: Lontar Papyrus Pulp & Paper Industry Annual Report FY24, Additional Disclosures on April 2025; Aldiracita Research



Key Risks

Exposure to pulp and tissue price volatility. Pulp remains a cyclical commodity, with selling prices influenced by global supply-demand balances, Chinese demand, inventory levels and new capacity additions.

Raw material and production – cost volatility. Although LPPI benefits from integrated fibre access through PT Wirakarya Sakti and internal chemical production, movements in wood, energy, chemicals and other operating inputs can pressure margins when selling prices cannot be adjusted immediately.

Working capital intensity risk. LPPI's high working-capital requirements as a constraint on its rating, meaning weaker operating conditions or longer collection and inventory cycles could increase reliance on external funding and reduce financial flexibility. This is particularly relevant for a capital-intensive producer with sizeable production capacity.

Environmental and regulatory risk. PPPI remains exposed to environmental, regulatory and group-related risks inherent in the pulp and paper industry. Stricter forestry, sustainability and emissions regulations could increase compliance costs or constrain fibre availability, while any deterioration in the financial or operating position of the broader APP ecosystem could indirectly affect LPPI through commercial, funding or operational linkages

Appendix: Financial Statements (FY2022-FY25 and 1H26, USDmn)

Exhibit A: Income Statement

Item	FY24	FY25	1H25	1H26
Net Sales	600.4	648.6	313.9	331.9
Cost of Revenue	377.1	384.0	188.7	189.2
Gross Profit	**223.3**	**264.6**	**125.2**	**142.7**
Gross Margin %	37.2%	40.8%	39.9%	43.0%
Operating Expenses	52.5	57.3	28.9	28.7
Operating Profit (EBIT)	**170.7**	**207.3**	**96.3**	**114.0**
Operating Margin %	28.4%	32.0%	30.7%	34.3%
Net Foreign Exchange Gain	39.0	36.4	15.4	63.3
Interest Income	20.4	29.7	2.4	13.4
Sukuk Mudharabah Profit-Sharing	(2.1)	(14.5)	(6.8)	(9.7)
Interest Expense	(102.5)	(99.3)	(51.2)	(45.6)
Other Income (Expenses) - net	19.2	17.7	7.8	9.5
Total Other Income (Expenses) - net	(26.0)	(30.0)	(32.4)	30.9
Profit Before Income Tax	**144.7**	**177.4**	**63.9**	**144.9**
Income Tax Expense	(23.4)	(31.1)	(12.8)	(17.5)
Net Profit	**121.4**	**146.3**	**51.1**	**127.4**
Net Margin %	20.2%	22.6%	16.3%	38.4%
Basic EPS (USD)	44.13	53.19	18.56	46.33

Exhibit B: Key Financial Ratios

Item	FY24	FY25	1H25	1H26
Growth Ratios (%)				
Net Sales Growth	-2.7%	8.0%	n.a.	5.7%
Net Profit Growth	87.8%	20.5%	n.a.	149.6%
Total Assets Growth	11.5%	3.0%	n.a.	6.3%
Total Liabilities Growth	15.0%	-2.8%	n.a.	11.5%
Profitability Ratios (%)				
Gross Margin	37.2%	40.8%	39.9%	43.0%
Operating Margin	28.4%	32.0%	30.7%	34.3%
Net Margin	20.2%	22.6%	16.3%	38.4%
Return on Equity (ROE)	8.6%	9.5%	n.a.	16.3%
Return on Assets (ROA)	4.3%	5.0%	n.a.	8.2%
Liquidity and Leverage Ratios (x)				
Current Ratio	3.10x	2.92x	n.a.	2.64x
Net Debt / EBIT	3.12x	1.83x	n.a.	1.01x
Debt / Equity (x)	0.89x	0.78x	n.a.	0.82x
Net Debt / Equity (x)	0.38x	0.25x	n.a.	0.15x
EBIT / Interest Expense (x)	1.67x	2.09x	1.88x	2.50x

Source:PT Lontar Papyrus Pulp and Paper Industry (LPPI) Disclosure,, Audited Consolidated Financial Statements FY2022–FY25; Aldiracita Research.

Exhibit C: Balance Sheet

Item	FY24	FY25	1H25	1H26
Assets				
Cash and Cash Equivalents	721.4	829.7	n.a.	1,047.7
Trade Receivables - net	118.6	45.4	n.a.	17.8
Other Receivables - net	0.3	0.4	n.a.	0.5
Inventories	72.1	66.9	n.a.	62.1
Prepaid Taxes	16.6	4.1	n.a.	0.1
Prepaid Expenses	6.2	12.2	n.a.	6.7
Advances	97.7	48.9	n.a.	47.8
Other Current Assets	493.9	627.8	n.a.	641.3
Total Current Assets	1,526.8	1,635.4	n.a.	1,824.0
Fixed Assets - net	862.4	879.0	n.a.	874.8
Other Non-Current Assets	441.8	401.2	n.a.	400.7
Total Non-Current Assets	1,304.2	1,280.2	n.a.	1,275.4
Total Assets	2,831.0	2,915.6	n.a.	3,099.5
Liabilities & Equity				
Short-term Bank Loans	113.0	93.8	n.a.	92.2
Trade Payables	57.8	50.8	n.a.	58.4
Current Maturities of Long-Term Debt	288.7	369.6	n.a.	407.5
Other Current Liabilities	33.1	46.7	n.a.	132.5
Total Current Liabilities	492.6	560.9	n.a.	690.6
Non-current Sukuk Mudharabah	77.3	146.6	n.a.	239.9
Other Non-Current Liabilities	844.7	667.0	n.a.	602.7
Total Non-Current Liabilities	922.0	813.6	n.a.	842.6
Total Liabilities	1,414.7	1,374.5	n.a.	1,533.2
Total Equity	1,416.3	1,541.0	n.a.	1,566.3
Memorandum				
Interest-bearing Debt	1,254.6	1,209.2	n.a.	1,278.5
Net Debt	533.2	379.5	n.a.	230.8

Source: Lontar Papyrus, Consolidated Financial Statements as at 30 June 2026 (unaudited, with the 30 June 2025 comparative) and 31 December 2025 and 2024; Aldiracita Research.

Important Disclosures & Disclaimers

Analyst Certification

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Rating	Definition
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