

MIRA INFORM REPORT

Report No. :	542472
Report Date :	29.11.2018

IDENTIFICATION DETAILS

Name :	PT. INDAH KIAT PULP & PAPER TBK
Formerly Known As :	PT. INDAH KIAT PULP & PAPER CORPORATION
Registered Office :	Sinarmas Land Plaza Menara 2 Lantai 7,8,9,11,15,18, Jl. MH. Thamrin No. 51, Kelurahan Gondangdia, Kecamatan Menteng, Kota Jakarta Pusat 10350, DKI Jakarta
Country :	Indonesia
Financials (as on) :	31.03.2018 [Subject's and its subsidiaries]
Date of Incorporation :	07.12.1976
Legal Form :	Public Listed Company or Terbuka (Tbk)
Line of Business :	<ul style="list-style-type: none"> • Manufacture of paper and paper products • Financial service activities, except insurance and pension funding • Activities of holding companies • Manufacture of pulp
No. of Employees :	13000 [2018]

RATING & COMMENTS

(Mira Inform has adopted New Rating mechanism w.e.f. 23rd January 2017)

MIRA's Rating :

B

Credit Rating	Explanation	Rating Comments
B	Medium Risk	Business dealings permissible on a regular monitoring basis

Status :	Moderate
Payment Behaviour :	Slow
Litigation :	Exist

NOTES :

Any query related to this report can be made on e-mail : infodept@mirainform.com while quoting report number, name and date.

ECGC Country Risk Classification List

Country Name	Previous Rating (30.06.2018)	Current Rating (30.09.2018)
Indonesia	A2	A2

Risk Category	ECGC Classification
Insignificant	A1
Low Risk	A2
Moderately Low Risk	B1
Moderate Risk	B2
Moderately High Risk	C1
High Risk	C2
Very High Risk	D

INDONESIA - ECONOMIC OVERVIEW

Indonesia, the largest economy in Southeast Asia, has seen a slowdown in growth since 2012, mostly due to the end of the commodities export boom. During the global financial crisis, Indonesia outperformed its regional neighbors and joined China and India as the only G20 members posting growth. Indonesia's annual budget deficit is capped at 3% of GDP, and the Government of Indonesia lowered its debt-to-GDP ratio from a peak of 100% shortly after the Asian financial crisis in 1999 to 34% today. In May 2017 Standard & Poor's became the last major ratings agency to upgrade Indonesia's sovereign credit rating to investment grade.

Poverty and unemployment, inadequate infrastructure, corruption, a complex regulatory environment, and unequal resource distribution among its regions are still part of Indonesia's economic landscape. President Joko WIDODO - elected in July 2014 – seeks to develop Indonesia's maritime resources and pursue other infrastructure development, including significantly increasing its electrical power generation capacity. Fuel subsidies were significantly reduced in early 2015, a move which has helped the government redirect its spending to development priorities. Indonesia, with the nine other ASEAN members, will continue to move towards participation in the ASEAN Economic Community, though full implementation of economic integration has not yet materialized.

Source : CIA

COMPANY IDENTIFICATION

Company Name	PT. Indah Kiat Pulp & Paper Tbk (Previous Name : PT. Indah Kiat Pulp & Paper Corporation)
Address	Sinarmas Land Plaza Menara 2 Lantai 7,8,9,11,15,18, Jl. MH. Thamrin No. 51 Kelurahan Gondangdia, Kecamatan Menteng Kota Jakarta Pusat 10350 DKI Jakarta - Indonesia
Telephone	+62213929266, +62213929267, +62213929268, +62213929269
Fax	+62213926179
Mobile Phone	N.A.
Email	cs_iks@app.co.id heri_santoso@app.co.id suhendra_wiriadinata@app.co.id
Web	www.iktangerang.com www.ikperawang.com www.ikserang.com

PROFILE

Address	Sinarmas Land Plaza Menara 2 Lantai 7,8,9,11,15,18, Jl. MH. Thamrin No. 51 Kelurahan Gondangdia, Kecamatan Menteng Kota Jakarta Pusat 10350 DKI Jakarta - Indonesia
Office Building	a. Area - Commercial b. Status - Owned
Date Of Establishment	- 07 December 1976 as PT. Indah Kiat Pulp & Paper Corporation - 16 May 1990 as PT. Indah Kiat Pulp & Paper Tbk
Start Operation	1978
Legal Status	Public Listed Company or Terbuka (Tbk)
Legalization (historical)	<u>No. YA.5/50/2</u> <i>Dated, 09 February 1978</i> <u>No. AHU-72836.AH.01.02.TH.2008</u> <i>Dated, 13 October 2008</i> <u>No. AHU-0940287.AH.01.02.Tahun.2015</u> <i>Dated, 07 August 2015</i> <u>No. AHU-AH.01.03-0955308</u> <i>Dated, 07 August 2015</i>
Government Permit (s)	<u>Presiden Republik Indonesia</u>

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Dekrit Presiden - B-3/Pres/9/1976
Dated, 11 September 1976

Kementerian Perdagangan

TDP - 300811702611
Dated, 03 October 2016

TDP - 300824700104

Dated, Valid Until 2018

SIUP - 503/000885-BP2T/30-08/PK/VII/2013

Dated, Valid Until 2018

Direktorat Jenderal Pajak

NPWP - 01.000.566.8-092.000

Significant change

Formerly named as PT. Indah Kiat Pulp & Paper Corporation, the Company was established on December 7, 1976, with the authorized capital of USD 17 million, entirely issued and paid up.

The Company was founded and initially owned by Chung Hwa Pulp Corporation, Yen Foong Yu Paper Manufacturing Company Ltd (both of Taiwan) and CV. Berkas (a national trading company). The local partner was then changed its name to PT. Berkas Indah Agung, but with the same owners namely Mr. Sutopo Jananto alias Jap Soei Kie and members of his family.

Later, when Mr. Sutopo Jananto died in 1985, there was a dispute among his family.

In late 1985, PT. Satria Perkasa Agung took the acquisition of 33% of the Company's shares. In the meantime, PT. Berkas Indah Agung still controlled 34% shares.

The notarial act of the Company has changed several times, including in 1987, when PT. Satria Perkasa Agung took over the whole shares previously controlled by the national partner, and the authorized capital was set at USD 270,900,000 (IDR 112,423,500,000).

On May 16, 1990, the Company's authorized capital was increased to IDR 800,000 million, of which IDR 458,282 million was issued and paid up.

In the meantime, the Company's shareholders consisted of PT. Purinusa Eka Persada, CHP International (BVI) Corporation and YFY Global Investment (BVI) Corporation of Taiwan.

This change was related to the public offering of the Company's 13.09% shares through the Indonesia Stock Exchange.

Being a listed company, then, the Company changed its name to become PT. Indah Kiat Pulp & Paper Tbk (the Company).

Per September 30, 2012, the Company's authorized capital amounted to IDR 20,000 billion, of which IDR 5,470,982,941,000 was issued and paid up.

Meanwhile, shareholders of the Company changed, to consist of PT. Purinusa Ekapersada (52.723%) and Public of PT. Indah Kiat Pulp & Paper Tbk (47.277%).

Based on information from the Company's financial statement

ended on September 30, 2016, capitalization and shareholder structure of the Company remained the same.

Per September 30, 2017, there has been no change in the Company's capitalization and shareholder structures.

Per December 31, 2017, there has been no change in the Company's capitalization and shareholder structures.

Per March 31, 2018, there has been no change in the Company's capitalization and shareholder structures.

The Company becomes a member of Sinar Mas Group (the Group), a private group involving in pulp and paper, agribusiness and food, financial services, real estate development, telecommunications and energy and infrastructure business.

Capitalization

- Authorized Capital	IDR 20,000,000,000,000
- Issued Capital	IDR 5,470,982,941,000
- Paid Up Capital	IDR 5,470,982,941,000

SHAREHOLDERS & MANAGEMENT

Shareholders

Total No. of Shareholders: 2

Shareholders as *Financial Statement ended on 31 March 2018*

Total Shareholding private - 5,470,982,941 shares

Name of Shareholders

- PT. Purinusa Ekapersada
(2,884,473,498 shares) - 52.723%
- Public of PT. Indah Kiat Pulp & Paper Tbk
(2,586,509,443 shares) - 47.277%

Management Board

Name	Mr. Hendra Jaya Kosasih
Position	President Director
Nationality	Indonesian
Name	Mr. Lan Cheng Ting
Position	Vice President Director
Nationality	Taiwanese
Name	Mr. Suresh Kilam
Position	Vice President Director
Nationality	Indonesian
Name	Mr. Heri Santoso Liem
Position	Director
Nationality	Indonesian
Name	Mr. Didi Harsa Tanaja
Position	Director
Nationality	Indonesian
Name	Mr. Kurniawan Yuwono
Position	Director
Nationality	Indonesian

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Name	Mr. Suhendra Wiriadinata
Position	Director
Nationality	Indonesian
Name	Mr. Lioe Djohan AKA Djohan Gunawan
Position	Director
Nationality	Indonesian
Name	Mr. Agustian Rachmansjah Partawidjaja
Position	Director
Nationality	Indonesian
Name	Mr. Suryamin Halim
Position	Independent Director
Nationality	Indonesian
Supervisory Board	
Name	Mr. Saleh Husin
Position	President Commissioner
Nationality	Indonesian
Name	Mr. Kosim Sutiono
Position	Commissioner
Nationality	Indonesian
Name	Mr. Arthur Tahya AKA Arthur Tahija
Position	Commissioner
Nationality	Indonesian
Name	Mr. Sukirta Mangku Djaja
Position	Commissioner
Nationality	Indonesian
Name	Mr. Deddy Saleh
Position	Independent Commissioner
Nationality	Indonesian
Name	Mr. Pande Putu Raka
Position	Independent Commissioner
Nationality	Indonesian
Name	Mr. Ramelan
Position	Independent Commissioner
Nationality	Indonesian
Management Assessment	The management is deemed to have sufficient experience and industry expertise to manage subject properly.
Authorized Signatories	Mr. Hendra Jaya Kosasih as President Director, Mr. Lan Cheng Ting and Mr. Suresh Kilam as Vice President Director, Mr. Didi Harsa Tanaja, Mr. Kurniawan Yuwono, Mr. Suhendra Wiriadinata, Mr. Lioe Djohan AKA Djohan Gunawan, Mr. Heri Santoso Liem, Mr. Agustian Rachmansjah Partawidjaja as Directors and Mr. Suryamin Halim as Independent Director which must be approved by shareholder meeting.
Affiliate (s) / Associate (s)	<ul style="list-style-type: none"> - Sinar Mas Group (Unlimited Company) - PT. Graha Kemasindo Indah (Non-specialised wholesale trade) - Global Fibre Limited of Malaysia

- (Activities of investment trusts)*
- **Indah Kiat Finance (VIII) Mauritius Limited of Mauritius**
(Trusts, funds and similar financial entities)
 - **IK Import & Export Limited of British Virgin Islands**
(Non-specialised wholesale trade)
 - **Indah Kiat Finance (IV) Mauritius Limited of Mauritius**
(Trusts, funds and similar financial entities)
 - **IK Trading Limited of Cayman Islands**
(Non-specialised wholesale trade)
 - **PT. Indah Kiat Global Ventura**
(Activities of holding companies)
 - **PT. Purinusa Ekapersada**
*(Manufacture of corrugated paper and paperboard and of
containers of paper and paperboard)*
 - **Indah Kiat International Finance Company BV of
Netherland**
(Trusts, funds and similar financial entities)
 - **Indah Kiat Finance Mauritius Limited of Mauritius**
(Trusts, funds and similar financial entities)
 - **Indah Kiat Finance (III) limited of Mauritius**
(Trusts, funds and similar financial entities)
 - **Imperial Investment Limited of Malaysia**
(Activities of investment trusts)
 - **PT. Paramitra Abadimas Cemerlang**
(Non-specialised wholesale trade)
 - **PT. Cakrawala Mega Indah**
(Wholesale of other intermediate products)

KEY DATA ON OPERATIONS

Registered Activities	SIC Code 17	: Manufacture of paper and paper products
	SIC Code 64	: Financial service activities, except insurance and pension funding
Employee	<i>Per 31 December 2016</i>	
	14000	
	<i>Per 30 September 2017</i>	
	13000	
	<i>Per 31 December 2017</i>	
	13000	
	<i>Per 31 March 2018</i>	
	13000	
Bussiness Category	SIC Code 17.1	: Manufacture of pulp, paper and

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		paperboard
Line of Business	SIC Code 64.2	: Activities of holding companies
	SIC Code 17.11	: Manufacture of pulp
	SIC Code 17.12	: Manufacture of paper and paperboard
	SIC Code 64.20	: Activities of holding companies
Product & Capacity	-	Packaging - 1863000 tons p.a.
	-	Paper - 1279000 tons p.a.
	-	Pulp - 2881000 tons p.a.
Status of Investment	Non-facilities based Company	
Sales Territory	Local	50%
	International	50%
Main Items Imported And Country Origin	-	Spare part - Singapore
Main Items Exported And Country Destination	-	Paper Products - China
	-	Paper Products - USA
	-	Paper Products - Singapore
Major Customers	-	PT. Pabrik Kertas Tjiwi Kimia Tbk
	-	PT. Cakrawala Mega Indah
	-	PT. Pindo Deli Pulp & Paper Mills
	-	PT. The Univenus
	-	Yalong Paper Products Co. Ltd., of China
	-	Toprint Computer Supplies Pte. Ltd., Singapore
Major Suppliers	-	PT. Ekamas Fortuna
	-	PT. Sinar Mas Specialty Minerals
	-	PT. Intercipta Kimia Pratama
	-	Toprint Computer Supplies Pte. Ltd., Singapore
	-	PT. Arara Abadi
Terms of Payment	Purchase Payment	
	Domestic	: Telegraphic Transfer (T.T) with Credit Term 30-120 days
	Overseas	: Letter of Credit (L.C) and Telegraphic Transfer (T.T) with credit term up to 30 days
	Sale Term	
	Domestic	: Telegraphic Transfer (T.T) with Credit Term 30-120 days
	Overseas	: Letter of Credit (L/C) and Telegraphic Transfer (T.T)
Activity Comment	PT. Indah Kiat Pulp & Paper Tbk (the Company) is a non-facilities based company engaged in the pulp and paper industry. The Company has been operating since 1978. The Company's	

head office is located in one of the best commercial sites of Jakarta, precisely at Sinarmas Land Plaza Menara 2 (previously named as Plaza BII or Bank International Indonesia) Lantai 7,8,9,11,15,18, Jl. MH. Thamrin No. 51, Kelurahan Gondangdia, Kecamatan Menteng, Kota Jakarta Pusat 10350, DKI Jakarta - Indonesia.

This address is joining with head offices of several other members of the Sinar Mas Group. We believe this location is owned by the Sinar Mas Group.

The head office is supported by three factories. One of the factories is located in Siak, Riau Islands. Meanwhile, the other two factories are located in Banten, precisely at the address Jl. Raya Serpong Km. 8, Kota Tangerang Selatan and at Jl. Raya Serang Km. 76 Kab. Serang 42184, Banten - Indonesia.

The Company becomes a member of Sinar Mas Group (the Group), a private group involving in pulp and paper, agribusiness and food, financial services, real estate development, telecommunications and energy and infrastructure business.

Per March 31, 2018, the Company has 12 direct subsidiaries that are engaged in trading, distribution, finance, and industry.

Besides operating in Indonesia, subsidiaries of the Company are also operating in the Netherlands, Cayman Islands, Mauritius, and the British Virgin Islands. The information about the Company's subsidiaries' name and the number of assets is as shown in the table at the end of this section.

In 2015, the Company was able to produce 2,942,000 tons of pulp per annum, 1,186,000 tons per annum of paper and 1,840,000 tons per annum of paper packaging. The production capacity was increased, at least since 2011 up to 2015.

In 2016, the Company's production capacity was 2,881,000 tons of pulp per annum, 1,279,000 tons of paper per annum and 1,863,000 tons of paper packaging per annum.

Brands of papers that are produced by the Company are *Spectra Color, Sinar Spectra, Paperline, Sinar Tech, Sinar Color, Kokoru, and Sinar Vanda*.

For the production process, the Company uses supplies of raw materials, supporting materials and spare parts from the related parties in Indonesia and abroad, such as from PT. Arara Abadi, PT. Sinar Mas Specialty Minerals, PT. Ekamas Fortuna, PT. Intercipta Kimia Pratama, PT. Dian Swastatika Sentosa Tbk, PT. Purinusa Ekapersada, and Toprint Computer Supplies Pte. Ltd., Singapore.

The Company products are 50% traded in the domestic market and the other 50% are exported to several countries, such as China, Singapore, and the USA. Some of the Company's customers in the local market are PT. Pindo Deli Pulp & Paper Mills, PT. Pabrik Kertas Tjiwi Kimia Tbk, PT. Cakrawala Mega Indah, and PT. The Univenus.

Meanwhile, one of the overseas customers of the Company is

now Yalong Paper Products Co. Ltd., of China.

The Company performance is sensitive to fluctuations in the prices of pulp and paper in the world market, which is affected by supply and demand at regional and international levels.

Today, the pulp and paper consumption in Asia is far lower than in Europe and America. Yet, regarding the economic growth and high population growth rate in Asia, the Company estimates that the demand for and prices of the Company products could continue to rise.

In term of annual performance, the Company only recorded a total revenue of USD 3,127,928,000 per December 31, 2017, or increasing by 14.98% from USD 2,720,473,000 in 2016. The Company's cost of revenue also decreased by 3.98% to USD 2,224,399,000 from USD 2,139,207,000, influenced by the decreasing price of pulp and paper in the world market.

Meanwhile, the Company's gross profit decreased to USD 903,529,000, compared to USD 581,266,000 in a previous year.

As a result, per December 31, 2017, the Company only recorded a net income of USD 413,282,000 or increased significantly compared to the same period in the year 2016 that amounted to USD 206,262,000.

The Company has positive operating and financing cash flows, yet negative investment cash flow.

Based on the Company's press release on December 20, 2017, in the near future, the Company will release medium-term debt notes (MTN) valued at IDR 450 billion. The signing of the issuance agreement was made on December 15, 2017.

The bond will be used to refinance the debt and sufficient working capital and corporate capital expenditure. The selection of MTN as an external source of corporate financing is due to its relatively quicker disbursement time compared to bank loans.

Referring to the Company's financial statements, as of September 30, 2017, the issuance of MTN only reached 0.0013% of the Company's equity value of IDR 41.79 trillion. The Company already appointed PT. Sinarmas Sekuritas to become the arranger in the corporate action.

Furthermore, based on the press release, the MTN has a 2-year term with a fixed interest rate of 10.25%. Meanwhile, acting as the monitoring agent is Bank BNI.

As of March 31, 2018, the Company booked net sales increased by 13.10% into USD 843,715,000 from USD 745,975,000 in the same period of 2017. The Company's cost of revenue was USD 541,012,000 or decreased by 1.70% from USD 550,351,000. As a result, the Company recorded a profit of USD 155,172,000 or increased by 80.67% from USD 85,886,000 in 2017.

In this 2018, the Company has issued MTN by 10 times, which some of them are MTN Indah Kiat Pulp & Paper III Tahun 2018 and MTN Indah Kiat Pulp & Paper XI Tahun 2018. These MTNs will due in 2020 and 2021. From those two MTNs, the Company

earns IDR 1.5 trillion.

Furthermore, the Company allocates capital expenditure of USD 618 million or IDR 9 trillion that will be used for the expansion of tissue products, maintenance, and expansion for paper factory. The Company received Indonesia Investment Award 2017 by becoming 'Indonesia Best Issuer' for a category of basic industry and chemicals.

As an additional information, so far the Company has received some certifications, such as ISO 14000:2004, ISO 9001: 2008, ISO 26000: 2010, ISO 18001: 2007.

In January 2014, the Company through Tangerang Mill received ISO 50001 certification for the achievement in managing energy usage. The Tangerang Mill is the first pulp and paper mill in Indonesia and Southeast Asia receiving that certification.

The Company is also the first and the only one Paper Factory that has HALAL Certification in Indonesia. The Company is also the only manufacturer of QPP or Quran Pulp & Paper in Indonesia. With such advantages, the Company has exported papers valued at USD 1,000 per ton to countries that print Quran, such as Syria, Egypt, and Turkey.

The following table shows the subsidiaries and assets of the Company per March 31, 2018:

Subsidiaries	Ownership (%)
Indah Kiat International Finance Company B.V. of Netherlands	100
Indah Kiat Finance Mauritius Limited of Mauritius	100
IK Trading Limited of Cayman Islands	100
Indah Kiat Finance (IV) Mauritius Limited of Mauritius	100
Indah Kiat Finance (III) Limited of Mauritius	100
IK Import & Export Limited of British Virgin Islands	100
Indah Kiat Finance (VIII) Mauritius Limited of Mauritius	100
Global Fibre Limited of Malaysia	100
Imperial Investment Limited of Malaysia	100
PT. Graha Kemasindo Indah	99.5
PT. Paramitra Abadimas Cemerlang	95.16
PT. Indah Kiat Global Ventura	99

Litigation

The followings are the significant litigation and claims, directly and indirectly, faced by the Company:

- In August 2002, Bank One, N.A. (Bank One) filed a complaint in the United States District Court for the Northern District of Illinois against the Company, PT Pabrik Kertas Tjiwi Kimia Tbk (Tjiwi Kimia) and APP.

The claim against the Company and Tjiwi Kimia was in respect to their failure to pay two (2) promissory notes issued by the Company and Tjiwi Kimia that as of April 25, 1998, had a face

value of USD21.8 million and USD16.2 million, respectively. APP was named as the co-defendant because it was the guarantor for both promissory notes. The promissory notes were originally issued to Beloit Corporation as part-payment for machinery and they were subsequently assigned to the First National Bank of Chicago, the predecessor of Bank One. - On June 26, 2013, the Company, Tjiwa Kimia, and APP filed a petition for writ of certiorari with the United States Supreme Court to review the Court of Appeal's opinion. On September 17, 2013, the Petition for Writ of Certiorari has been withdrawn. Following the withdrawal of the Petition for Writ of Certiorari, Shenton World Partners was substituted for JP Morgan as the plaintiff.

Factory Address

Factory Address 1 :

Jl. Raya Minas Perawang KM. 26
Kelurahan Pinang Sebatang, Kecamatan Tualang
Kab. Siak 28772
Kepulauan Riau - Indonesia
Phone : +6276191030, +6276191091
Fax : +6276191373
Email : N.A.-

Factory Address 2 :

Jl. Raya Serpong KM. 8
Kelurahan Pakulonan, Kecamatan Serpong Utara
Kota Tangerang Selatan 15325
Banten - Indonesia
Phone : +622153120001, +622153120002, +622153120003
Fax : +622153120363
Email : N.A.-

Factory Address 3 :

Jl. Raya Serang Km. 76
Kelurahan Kragilan, Kecamatan Kragilan
Kab. Serang 42184
Banten - Indonesia
Phone : +62254280088
Fax : +62254282430
Email : N.A.-

BANKING INFORMATION

Banker (s)

- PT. Bank Central Asia Tbk
- PT. Bank Maybank Indonesia Tbk
- PT. Bank Sinarmas Tbk
- PT. Bank Syariah Mandiri
- PT. Bank Pan Indonesia Tbk

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- Insurance**
- PT. Asuransi Sinar Mas
 - Badan Penyelenggara Jaminan Sosial (BPJS)

BUSINESS PROSPECTS

Business Prospects

According to the Indonesian Pulp and Paper Association (APKI), the world demand for pulp and paper will continue to grow, especially in Asia.

Based on data from Poyry (Kon Global Sultan focused on the energy, forest industry and infrastructure, and the environment), the demand for pulp in Asia increases by 1.8% per year and is expected to grow to 5.7 million MT in 2025.

The highest growth in Asia is contributed by China. The pulp demand in China grows by 6.4% per year, and is predicted to rise to 14.3 million MT in 2025.

APKI hoped that the government has a greater focus on economic growth and investment. It also requested the regulator not to continue to open opportunities for the imported pulp and paper, because the industry players could potentially face charges of dumping abroad.

The reason is that the businesses are forced to lower the selling price in the domestic market to compete against the imported products that are much cheaper.

Based on the data shown above, we believe the paper and pulp industry is still prospective.

FINANCIAL STATEMENT

Y, Santosa and Colleagues

**PT INDAH KIAT PULP & PAPER Tbk AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2018-2017 AND DECEMBER 31, 2017-2016**

(Amounts in tables are expressed in thousands of USD, unless otherwise stated)

	31-Mar-18	31-Dec-17	31-Mar-17	31-Dec-16
	Unaudited	Audited	Unaudited	Audited

ASSETS

CURRENT ASSETS

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Cash and cash equivalents				
Third parties	567,779		129,420	
Related party	8,204	617,670	2,188	183,862
		2,433		27,073
Trade receivables				
Third parties	295,254		185,216	
Related parties	654,487	265,879	508,109	155,464
		603,290		525,002
Other receivables - third parties	1,659	2,855	2,563	2,036
Inventories	980,821		939,918	
Advances and prepaid expenses	162,545	949,560	155,548	977,762
Prepaid taxes	16,783	166,334	15,972	131,840
Other current assets		14,128		26,175
Third parties	726,366		295,431	
Related parties	5,340	518,240	4,784	152,760
		4,960		5,005
Total Current Assets	3,419,238	3,145,349	2,239,149	2,186,979
NON-CURRENT ASSETS				
Due from related parties	132,695		132,712	
		132,442		132,599
Advances to related parties	300,639		300,639	
		300,639		300,639
Investment in an associate	5,085	5,062	4,670	4,623
Fixed assets - net of accumulated depreciation	3,858,502		3,983,109	
		3,835,657		4,043,525
Advances for purchase of fixed assets - third parties	226,764		130,380	
		171,399		127,563
Other non-current assets	40,591		77,244	
		43,688		82,872
Total Non-Current Assets	4,564,276	4,488,887	4,628,754	4,691,821
TOTAL ASSETS	7,983,514	7,634,236	6,867,903	6,878,800

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LIABILITIES AND EQUITY

CURRENT LIABILITIES

Short-term bank loans	962,424		799,823	
		888,546		833,600
Short-term musyarakah financing	20,355		9,759	9,675
		16,977		
Trade payables				
Third parties	123,194		61,040	
		112,675		96,747
Related parties	24,617		21,299	
		24,806		14,732
Other payables				
Third parties	17,729		19,426	
		15,720		13,194
Accrued expenses	39,762		34,015	
		31,829		26,133
Taxes payable	50,187	9,367	11,948	2,973
Current maturities of long-term debts liabilities:				
Finance lease liabilities	61,159		39,890	
		60,511		40,042
Long-term bank loans				
Third parties	194,794		175,525	
		190,684		164,973
Long-term murabahah payables and musyarakah financing	10,769	4,095	4,178	5,686
Loans and notes payable	144,664		158,245	
		147,720		160,539
Total Current Liabilities	1,649,654	1,502,930	1,335,148	1,368,294

NON-CURRENT LIABILITIES

Due to related parties	11,233		10,904	
		15,065		11,281
Deferred tax liabilities - net	123,939		87,471	
		118,321		78,191
Employee benefits liability	74,905		66,768	
		74,227		67,489
Long-term liabilities				
Finance lease liabilities	184,565		139,018	
		197,480		149,098

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Long-term bank loans				
Third parties	734,927		546,988	
		763,611		569,992
Murabahah payables and musyarakah financing	72,446		50,154	
		57,439		51,829
Medium-term notes	219,123		-	-
		107,027		
Notes payable	1,463,316		1,578,318	
		1,492,003		1,606,511
Long-term loans	488,620		523,167	
		491,496		527,969
Less current maturities of long-term liabilities				
Finance lease liabilities				
	(61,159)	(60,511)	(39,890)	(40,042)
Long-term bank loans				
Third parties				
	(194,794)	(190,684)	(175,525)	(164,973)
Long-term murabahah payables and musyarakah financing			(4,178)	
	(10,769)	(4,095)		(5,686)
Loans and notes payable				
	(144,664)	(147,720)	(158,245)	(160,539)
Total Non-Current Liabilities	2,961,688		2,624,950	
		2,913,659		2,691,120
Total Liabilities	4,611,342		3,960,098	
		4,416,589		4,059,414
EQUITY				
Share capital	2,189,016		2,189,016	
		2,189,016		2,189,016
Additional paid-in capital - net	5,883	5,883	5,883	5,883
Cumulative remeasurements on employee benefits liability	6,997	7,644	12,871	
				10,338
Retained earnings				
Appropriated	4,000	4,000	3,000	3,000
Unappropriated	1,165,782		696,598	
		1,010,642		610,754
Equity attributable to owners of the parent	3,371,678		2,907,368	
		3,217,185		2,818,991
Non-controlling interest	494	462	437	395

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Total Equity	3,372,172	2,907,805	3,217,647	2,819,386
TOTAL LIABILITIES AND EQUITY	7,983,514	6,867,903	7,634,236	6,878,800

Y, Santosa and Colleagues

PT INDAH KIAT PULP & PAPER Tbk AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

MARCH 31, 2018-2017 AND DECEMBER 31, 2017-2016

(Amounts in tables are expressed in thousands of USD, unless otherwise stated)

	31-Mar-18	31-Dec-17	31-Mar-17	31-Dec-16
	Unaudited	Audited	Unaudited	Audited
NET SALES	843,715	3,127,928	745,975	2,720,473
COST OF GOODS SOLD	541,012	2,224,399	550,351	2,139,207
GROSS PROFIT	302,703	903,529	195,624	581,266
OPERATING EXPENSES				
Selling	34,271	169,926	36,883	134,883
General and administrative	29,173	130,916	29,009	159,417
Total Operating Expenses	63,444	300,842	65,892	294,300
OPERATING PROFIT	239,259	602,687	129,732	286,966
OTHER INCOME (CHARGES)				
Interest income	2,262	4,661	1,194	3,876
Share in net profit of an associate	23	439	47	460
Musyarakah sharing expense	(301)	(2,465)	(99)	(1,421)

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Murabahah expense	(748)	(1,338)	(5,282)
Loss on foreign exchange - net		(2,916)	(8,319)
Interest expense	(10,365)	(29,300)	(19,877)
Others - net	(36,288)	(123,680)	(117,241)
	4,776	7,661	1,657
			(2,171)
Other Charges - Net			
	(40,641)	(145,600)	(35,199)
			(141,656)
PROFIT BEFORE INCOME TAX BENEFIT (EXPENSE)	198,618	457,087	94,533
			145,310
INCOME TAX BENEFIT (EXPENSE) - NET			(8,647)
	(43,446)	(43,805)	57,445
NET PROFIT	155,172	85,886	202,755
		413,282	202,755
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that will not subsequently be reclassified to profit or loss:			
Remeasurement of employee benefits liability	(815)	3,166	4,382
		(3,383)	
Related income tax	168	683	(633)
			(875)
Other Comprehensive Income (Loss) - Net of Tax	(647)	2,533	3,507
		(2,700)	
NET COMPREHENSIVE INCOME	154,525	88,419	206,262
		410,582	206,262
NET PROFIT ATTRIBUTABLE TO:			
Owners of the parent	155,140	413,209	85,844
			202,705
Non-controlling interest	32	73	42
			50
NET	155,172	85,886	202,755
		413,282	202,755
NET COMPREHENSIVE INCOME ATTRIBUTABLE TO:			

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Owners of the parent	154,493	410,515	88,377	
Non-controlling interest	32	67	42	206,212
NET	154,525		88,419	50
		410,582		206,262
BASIC EARNINGS PER SHARE ATTRIBUTABLE TO THE OWNERS OF PARENT (in full amount)	0.02836	0.07553	0.01569	0.03705

Financial Data	Financial Ratio	31 March 2018	31 March 2017
	Current Ratio	0.74	3
	Cash to Debt Ratio	0.12	0.41
	Quick Ratio	0.53	0.97
	Account Receivable (days)	406	336
	Account Payable (days)	99	55
	Inventory (days)	653	615
	Debt to equity	1.37	1.36
	Debt to assets	0.58	0.58
	Return on Assets	1.94%	1.25%
	Return on Equity	4.60%	2.95%
	Net Profit Margin	18.39%	11.51%

CREDITWORTHINESS

Management Capability	Good
Business Morality	Adequate
Payment Manner	Slow
Financial Condition	Satisfactory
Operating Trend	Fluctuated
Conclusive remarks	

The Company has been involved in pulp and paper industry since 1978. It is a pulp paper division of Sinar Mas Group – one of the large-scale players in national and international pulp and paper industry. The Company's products are traded domestically and exported to many countries of the world.

Supported by its group, the Company has been able to maintain the stable performance, operationally. Since the Company is one of the large-scale players in pulp and paper industry, so the Company is able to maintain its existing customers, and even to capture new customers every year.

In term of the financial aspect, in 2016 the Company experienced a decline, due to the fluctuating price of pulp and paper in the world market. However, the Company earned increasing performance in 2017.

Meanwhile, in term of cash flow, the Company has positive

operating and financing cash flows, but negative investing cash flow. In 2018, the Company's sales and net profit continue to increase.

Next, in term of financial ratio, the Company's current assets are unable to meet the short-term liabilities. Furthermore, the Company has a poor payment manner. It is as indicated by the longer period for receivable flow than for payable flow.

The Company receives payment from the customers much longer than the Company pays to its suppliers. This condition may lead to payment delays.

The Company's transactions are mostly done with other parties in the Sinar Mas Group. Next, the Company's assets are able to cover its debts, but not with the Company's equity. Nevertheless, the Company is still able to earn positive returns from the assets and equity.

Related to the predicted growth of pulp and paper industry, we believe the Company is still prospective in the future.

However, as the operational and financial performance of the Company is less stable due to the fluctuating price of paper, and related to many obstacles possibly occurred in the Company's payment activities; we classify the Company's current credit rating at Medium to High Risk.

For security reason, we advise those wishing to cooperate with or grant loans to this Company to keep asking for adequate collateral from shareholders.

FOREIGN EXCHANGE RATES

Currency	Unit	Indian Rupees
US Dollar	1	INR 70.67
UK Pound	1	INR 90.14
Euro	1	INR 79.88
IDR	1	INR 0.0049

Note : Above are approximate rates obtained from sources believed to be correct

INFORMATION DETAILS

Analysis Done by :	PRA
Report Prepared by :	SYL

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RATING EXPLANATIONS

Credit Rating	Explanation	Rating Comments
A++	Minimum Risk	Business dealings permissible with minimum risk of default
A+	Low Risk	Business dealings permissible with low risk of default
A	Acceptable Risk	Business dealings permissible with moderate risk of default
B	Medium Risk	Business dealings permissible on a regular monitoring basis
C	Medium High Risk	Business dealings permissible preferably on secured basis
D	High Risk	Business dealing not recommended or on secured terms only
NB	New Business	No recommendation can be done due to business in infancy stage
NT	No Trace	No recommendation can be done as the business is not traceable

NB is stated where there is insufficient information to facilitate rating. However, it is not to be considered as unfavourable.

This score serves as a reference to assess SC's credit risk and to set the amount of credit to be extended. It is calculated from a composite of weighted scores obtained from each of the major sections of this report. The assessed factors are as follows:

- Financial condition covering various ratios
- Company background and operations size
- Promoters / Management background
- Payment record
- Litigation against the subject
- Industry scenario / competitor analysis
- Supplier / Customer / Banker review (wherever available)