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FOR IMMEDIATE RELEASE

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ASIA PULP & PAPER COMPANY LTD ANNOUNCES DETAILS OF PRELIMINARY AGREEMENT WITH IBRA REGARDING RESTRUCTURING TERMS IN RESPECT OF ITS INDONESIAN OPERATIONS

Singapore, December 5, 2002—Asia Pulp & Paper Company Ltd (“***APP***”) today announced details of preliminary agreements with respect to the restructuring of its Indonesian operations (the “***Preliminary Agreements***”) between the Indonesian Bank Restructuring Agency (“***IBRA***”) and each of APP’s principal Indonesian subsidiaries — PT Indah Kiat Pulp & Paper Tbk (“***Indah Kiat***”), PT Pabrik Kertas Tjiwi Kimia Tbk (“***Tjiwi Kimia***”), PT Pindo Deli Pulp & Paper Mills (“***Pindo Deli***”) and PT Lontar Papyrus Pulp & Paper Industry (“***Lontar Papyrus***”) (collectively the “***PIOCs***”).

The Preliminary Agreements are the product of intensive negotiations, most recently between the PIOCs and IBRA. IBRA has presented the Preliminary Agreements to representatives of creditor committees representing a number of APP Group’s principal creditors in the proposed restructuring of the Group’s outstanding debt. IBRA and each of the PIOCs propose to negotiate definitive restructuring documentation that will contain detailed debt restructuring terms and implementation provisions based the terms set out in the Preliminary Agreements (“***Definitive Restructuring Documentation***”). The Preliminary Agreements contemplate that Definitive Restructuring Documentation will be signed by each of the PIOCs and creditors by 31 May 2003 (or later as agreed) and implemented in an agreed manner thereafter. The Preliminary Agreements remain subject to Indonesian Financial Sector Policy Committee approval, and will be binding only on those creditors that sign the agreements. A signing ceremony is scheduled for 18 December 2002, to which members of the creditor committees have been invited.

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Set forth below is a summary of the principal commercial terms set out in the Preliminary Agreements:

1. **Financial Terms**

1.1 Term of Restructured Debt

10 years.

1.2 Restructured Debt

The outstanding debt of the PIOCs will be restructured into three separate tranches:

- Tranche A (Sustainable Debt): (aggregate US$1.2 billion);
- Tranche B (Refinanceable Debt): (aggregate US$3.0 billion);
- Tranche C (Unsustainable Debt): balance of debt,

allocated between the PIOCs as follows:

	Indah Kiat	**Tjiwi Kimia**	**Pindo Deli**	**Lontar Papyrus**
Proportion	55%	18%	13.5%	13.5%
Tranche A	$660.0 million	$216.0 million	$162.0 million	$162.0 million
Tranche B	$1.65 billion	$540.0 million	$405.0 million	$405.0 million
Tranche C	Balance of debt	Balance of debt	Balance of debt	Balance of debt

1.3 Accrual of Interest

Past Due Interest: Interest will accrue on the non-Rupiah denominated debt of each PIOC from the date interest was last paid to 31 December 2002 at the Singapore Interbank Offered Rate ("***SIBOR***") + 1%, capped at 4%. Interest will accrue on all Rupiah-denominated debt from the date interest was last paid to 31 December 2002 at the rate based on Bank Indonesia Certificates ("***SBI***") + 1%, capped at 12%. Past due interest will be paid at a time and in a manner to be agreed.

Interest on Restructured Debt Accruing after 1 January 2003: Interest will accrue on the Tranche A and Tranche B debt of each PIOC from 1 January 2003 to the date upon which the restructuring becomes effective in accordance with Definitive Restructuring Documentation (the "***Effective Date***") at the rates set forth below and will be paid by each PIOC:

– to those creditors who sign Definitive Restructuring Documentation on or prior to 31 May 2003 (or such later date as may be agreed), in cash from the escrow account previously established for the purposes for the restructuring ("***Escrow Account***") on the Effective Date; and

– to those creditors who sign Definitive Restructuring Documentation after 31 May 2003 (or such later date as may be agreed) (i) by way of issuance of Tranche C debt in respect of debt accruing between 1 January 2003 and the date of signing by that creditor and (ii) in cash from the Escrow Account on the Effective Date in respect of interest accruing between the day following the signing by that creditor and the Effective Date.

After the Effective Date, interest on the Tranche A, Tranche B and Tranche C debt of each PIOC will be payable quarterly.

Interest will accrue from and after 1 January 2003 on the Tranche A and Tranche B debt of each of the PIOCs at the following rates (assuming that the Effective Date occurs in 2003):

– from 2003 to 2005, at SIBOR (or the equivalent rate for debt denominated in Euro, Yen or Rupiah) +1% (capped at 6%, except Tranche A or Tranche B debt denominated in Rupiah, which will be capped at 14%);

– from 2006 to 2007, at SIBOR (or the equivalent rate for debt denominated in Euro, Yen or Rupiah) +2%, with no cap; and

– from 2008 to 2012, at SIBOR (or the equivalent rate for debt denominated in Euro, Yen or Rupiah) +3%, with no cap,

and on the Tranche C debt of each PIOC, at the following rates:

– from 2003 to 2005, at 1% fixed; and

– from 2006 to 2012, at 2% fixed.

1.4 Payment Terms

The Preliminary Agreement provides that the PIOCs make monthly mandatory debt service payments ("***MMDS***") in the following aggregate amounts (assuming that the Effective Date occurs in 2003):

– from 2003 to 2005, US$30.0 million;

– from 2006 to 2007, US$35.0 million; and

– from 2008 to 2012, US$40.0 million,

allocated between the PIOCs as follows:

	Indah Kiat	**Tjiwi Kimia**	**Pindo Deli**	**Lontar Papyrus**
2003-2005	$16.5 million	$5.4 million	$4.05 million	$4.05 million
2006-2007	$19.25 million	$6.3 million	$4.725 million	$4.725 million
2008-2012	$22 million	$7.2 million	$5.4 million	$5.4 million

These amounts are subject to reductions to US$13.75 million per month for Indah Kiat, US$4.5 million per month for Tjiwi Kimia, US$3.375 million for Pindo Deli and US$3.375 million for Lontar Papyrus, for any month in which average pulp prices (based upon independent indices) fall below US$400.00 per metric tonne.

The Preliminary Agreements provide that the MMDS for each PIOC will be applied as follows:

- first, to interest payments under Tranche A;
- second, to interest payments under Tranche B; and
- then, to prepayments of the principal of Tranche A and, upon repayment of Tranche A in full, to prepayments of the principal of Tranche B.

1.5 Other expenditures

Other available funds of the PIOCs will be applied to the following:

(i) Taxes;

(ii) Capital Expenditures (subject to the limitations set forth below);

(iii) Working Capital;

(iv) A make-up of any reductions of MMDS as a result of average pulp prices falling below the specified level;

(v) Payment of Interest on its Tranche C debt;

(vi) Management Fee to APP (subject to the limitations set forth below); and

(vii) Repurchases of its outstanding debt (subject to the restrictions set forth below).

Each PIOC will be permitted to make dividend payments to its shareholders to the extent that cash is available after payment of the above items and if no event of default has been declared.

1.6 Debt Outstanding at Maturity

The Tranche A, Tranche B and Tranche C debt of each PIOC will mature on the 10th anniversary of the Effective Date.

The Preliminary Agreements provide that any Tranche B debt outstanding at maturity will be refinanced, or, if not refinanceable, upon approval of creditors holding at least 75% of the then outstanding principal amount of the Tranche B debt of a PIOC, the creditors of that PIOC may elect to (a) give such PIOC an additional year to refinance the outstanding amounts, or (b) restructure the amount outstanding.

At maturity, holders of the Tranche C debt of each PIOC will have the right to either:

(i) convert the outstanding amounts to non-voting preference shares of the PIOC; or

(ii) retain the debt as outstanding debt upon terms to be agreed at such time.

1.7 Rupiah Bondholders

The Preliminary Agreements provide that the Rupiah denominated bonds of each PIOC will be converted to Tranche A debt of the relevant PIOC on the Effective Date, at interest rates to be agreed.

2. Non-Financial Terms

2.1 Pre-Restructuring Escrow Account

The aggregate sum of US$20.0 million per month will continue to be paid into escrow during 2002. Starting from January 2003, each PIOC will pay an amount into escrow equivalent to its respective MMDS set out above.

On the Effective Date, the funds in each Escrow Account will be applied to (i) approved out of pocket expenses and professional fees incurred by the members of creditor committees; (ii) interest payable on the Effective Date; and (iii) fund the initial debt buyback on the terms set out in the Definitive Restructuring Agreements.

2.2 Capital Expenditures

The Preliminary Agreements provide that each PIOC may incur capital expenditures without creditor consent to the extent cash is available therefor and subject to an aggregate annual limitation of US$180.0 million.

2.3 Management Fee

The Preliminary Agreements provide that if the non-Indonesian subsidiaries of APP agree to pay an equivalent annual management fee to APP, each PIOC will pay its allocable portion of a management fee to APP in an amount to be determined, but not in excess of an aggregate of US$25.0 million per year.

2.4 Debt Buybacks

The Preliminary Agreements provide that each PIOC may offer to repurchase its outstanding debt from time to time subject to the provisions thereof. The Preliminary Agreements contemplate an initial debt buyback offer on or about the Effective Date.

2.5 Events of Default

- The Preliminary Agreements provide that payment default may be declared only if the MMDS in any year falls below US$250.0 million in aggregate across the PIOCs, where such deficit has not been remedied within one year.

- Other events of default, which will be specified in Definitive Restructuring Documentation, will be subject to a 90 day remedy period.

2.6 Cross Default

- Cross default will apply among Tranche A, Tranche B and Tranche C issued by any PIOC.

- No cross default will apply among PIOCs unless at least three PIOCs default.

2.7 Consequences of Default

Upon the occurrence of an event of default in respect of the debt of any PIOC:

The holders of at least 75% of the outstanding Tranche A or Tranche B debt of that PIOC (including IBRA) may elect to:

(i) restructure its Tranche A debt or (as the case may be) the Tranche B debt on terms to be agreed;

(ii) convert its Tranche A debt and its Tranche B debt into the common shares of the PIOCs on terms to be agreed; or

(iii) enforce relevant security interests.

The holders of at least 75% of the outstanding Tranche C debt of that PIOC (including IBRA) may elect to:

(i) convert its Tranche C debt into non-voting preference shares; or

(ii) retain its Tranche C debt as outstanding debt on terms to be agreed,

Provided that in no circumstances shall Tranche C debt be accelerated or declared immediately due and payable.

2.8 Security

- The Preliminary Agreements provide that the security over the property and assets of each PIOC currently securing the debt held by IBRA will be extended to secure the Tranche A and Tranche B debt of each such PIOC on the Effective Date.

- Upon request of a majority of the creditors of a PIOC, on or after the Effective Date the PIOC will grant to the holders of its Tranche A and Tranche B debt security over certain unencumbered assets.

- Any time after repayment of all amounts outstanding under its Tranche A debt and 50% of all amounts outstanding under its Tranche B debt, any PIOC may request release of any security over its property or assets so long as the value of the remaining collateral securing its Tranche B debt has a value (determined by an independent assessor) of at least 120% of the amount of its Tranche B debt outstanding.

2.9 PT Purinusa Ekapersada (“**Purinusa**”)

The Preliminary Agreements provide that each PIOC will repay an allocable portion of the outstanding debt of Purinusa.

2.10 Forestry Issues

- The Preliminary Agreements provide that the wood prices paid by Indah Kiat and Lontar Papyrus to related forestry companies will be set by a mechanism involving forestry consultancy experts nominated by both creditors and APP.

- In addition, the existing advances by Indah Kiat and Lontar Papyrus to related forestry companies in the approximate amount of US$700.0 million will be repaid by (i) crediting the related forestry companies with the difference between a notional market price of US$30.00 per metric tonne of wood and the actual historical prices paid by the relevant PIOC; and (ii) in respect of any remaining outstanding portion of the advances, setting net future wood prices payable to the related forestry companies by Indah Kiat and Lontar Papyrus at a US$30.00/per metric tonne and crediting an additional notional amount of US$5.00 per metric tonne until the advances have been extinguished.

2.11 Corporate Governance

The Preliminary Agreements require each PIOC to undertake a number of corporate governance initiatives, including:

(i) an overall review of management to be carried out by an international consultancy firm;

(ii) a review of cash control and management to be carried out by an international consultancy firm;

(iii) Sales and Purchases/Efficiency and Productivity initiatives:

- establishing an Executive Committee (“**Exco**”) of Purinusa which will supervise the trading activities of the PIOCs;

- the Exco will be chaired by a candidate selected by IBRA from APP-nominated candidates and comprise industry experts appointed by the creditors and APP as well as PIOC representatives;

- the PIOC’s domestic distribution agent, PT Cakrawala Megah Indah (“**CMI**”), will continue to operate as distribution agent, but withdraw from its activities in domestic pulp sales by the Effective Date; and

- requiring that proceeds of sales by the PIOCs be deposited in escrow accounts established for restructuring purposes.

2.12 Control Period

During a control period each PIOC will be subject to monitoring and agreed controls. The control period will cease with respect to each PIOC when the Tranche A debt of that PIOC has been repaid.

The Exco shall continue in effect in respect of each PIOC so long as restructured debt of that PIOC remains outstanding.

Commenting on the Preliminary Agreements, Mr Teguh Ganda Wijaya, Chief Executive Officer of APP stated: "We are delighted that the restructuring discussions have progressed to the stage where these terms have been agreed. The negotiation process has been significantly enhanced and accelerated through the guidance and leadership provided by IBRA. We now hope to proceed rapidly to a finalisation of the debt restructuring with all relevant creditors."

Mr. Wijaya further noted: "As we have previously indicated, the assumptions on which the restructuring terms are based are challenging, particularly during this uncertain market environment. However, we will do our level best to meet these challenges for the benefit of all our stakeholders, especially our creditors and employees. I offer my sincere appreciation to those employees, customers, creditors and others who have supported APP and its subsidiaries during these difficult times."

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APP is one of the world's leading pulp and paper companies. With current pulp capacity of 2.3 million tonnes and paper and packaging capacity of 5.7 million tonnes, it ranks number one in non-Japan Asia. Headquartered in Singapore, APP currently has 16 manufacturing facilities in Indonesia and China and markets its products in more than 65 countries on six continents.

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following: the ability of APP and its subsidiaries to continue as going concerns; the ability of APP and its subsidiaries to operate pursuant to the terms of their existing credit facilities and arrangements; the ability to fund, develop and execute the business plans of APP and its subsidiaries; the ability of APP and its subsidiaries to restructure their outstanding indebtedness on a satisfactory and timely basis; the ramifications of any restructuring of the outstanding indebtedness of APP and its subsidiaries; risks associated with not completing a restructuring of the outstanding indebtedness of APP and its subsidiaries consistent with APP's timetable; risks associated with third parties seeking and obtaining approval of a court of competent jurisdiction to take actions inconsistent with, or detrimental to, the consummation of any restructuring; potential adverse developments with respect to the liquidity, results of operations, cash flows or financial condition of APP and its subsidiaries; competitive pressures from other companies in the same or similar lines of business as APP and its subsidiaries; trends in the economy as a whole which may affect demand for the goods and services supplied by APP and its subsidiaries; the ability of APP and its subsidiaries to predict consumer demand as a whole, as well as demand for specific goods and services; the acceptance and continued use by customers and potential customers of the products of APP and its subsidiaries; changes in technology and competition; the ability of APP and its subsidiaries to achieve expected operational efficiencies and economies of scale and their ability to generate expected revenue and achieve assumed margins; the ability of APP and its subsidiaries to attract, retain and compensate key executives and other personnel; the ability of APP and its subsidiaries to maintain existing arrangements and/or enter into new arrangements with third party providers and contract partners; potential adverse publicity, as well as other factors detailed from time to time in the filings of APP and its subsidiaries with governing and regulatory agencies, including the U.S. Securities and Exchange Commission and the Indonesian Capital Markets Supervisory Agency (*Badan Pengawas Pasar Modal*). Given these uncertainties, readers are cautioned not to place undue reliance on the forward-looking statements contained in this press release.