PEFINDO
CREDIT RATING AGENCY

PRESS RELEASE
September 21, 2015

PEFINDO changed TRIO's ratings to "$_{id}$BBB" with "stable" outlook

PEFINDO has lowered the corporate rating of PT Trikomsel Oke Tbk (TRIO or the Company) to **"$_{id}$BBB"** from **"$_{id}$BBB+"**, and the rating of its Mandatory Convertible Bond (MCB) I Year 2012 to **"$_{id}$BBB-"** from **"$_{id}$BBB"**. The rating changes mainly reflects the Company's weakened capital structure and cash flow protection measures due to lower-than-projected EBITDA as a result of challenging market conditions amid its high working capital requirements funded by borrowing. Its revenue fell by 32.1% year-on-year (YoY) in the first six months of 2015 (1H2015), as a result of 43.5% declining cellular phones revenue growth, while EBITDA dropped by 43.6% YoY in the same period. The combination of lackluster performance and high debt pushed TRIO to record a debt to annualized EBITDA ratio of 15.6x at the end of June 2015. The outlook for the corporate rating has also been revised to **"stable"** from **"negative"** as the rating downgrade has already factored in our expectation that the Company's capital structure will remain aggressive and its cash flow protection will remain weak in the next 12 months despite its strategic initiatives to have a leaner business model.

The ratings reflect TRIO's strong market position in the retail and distribution of telecommunications products, extensive retail and distribution network, and relatively diversified products. However, the ratings are constrained by TRIO's high working capital needs, aggressive capital structure and weak cash flow protection measures, as well as the intense competition in the industry. Established in 1996, TRIO is engaged in the retail and distribution of mobile phones, computers, and telecommunications operator products and content. As of June 30, 2015, its shareholders consisted of Polaris Limited (44.9%), J.P. Morgan Bank Luxembourg SA. RE JP Morgan (25.7%), UOB Kay Hian Private Limited (25.3%), and the public (4.1%). Its revenue is derived mainly from the sales of cellular phones (60% of total revenue in 1H2015), followed by sales of prepaid cellphone vouchers (39%), and content and others (1%).

Rating Period: September 17, 2015 – March 1, 2016
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