

## PT KIMIA FARMA (PERSERO) Tbk

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| CREDIT PROFILE                          |                     | FINANCIAL HIGHLIGHTS                 |                       |                       |                       |         |
|-----------------------------------------|---------------------|--------------------------------------|-----------------------|-----------------------|-----------------------|---------|
|                                         |                     | As of/for the year ended             |                       |                       |                       |         |
| Corporate Rating                        |                     | Mar-2019<br>(Unaudited)              | Dec-2018<br>(Audited) | Dec-2017<br>(Audited) | Dec-2016<br>(Audited) |         |
|                                         | <i>idAA-/Stable</i> | Total Adjusted Assets [IDR Bn]       | 11,461.9              | 9,413.6               | 6,088.9               | 4,606.4 |
| <b>Rated Issues</b>                     |                     | Total Adjusted Debt [IDR Bn]         | 6,863.6               | 4,039.6               | 2,019.5               | 822.4   |
| MTN 2017-2018                           | <i>idAA-</i>        | Total Adjusted Equity [IDR Bn]       | <sup>^</sup> 2,523.7  | 3,309.6               | 2,565.3               | 2,265.3 |
| Proposed MTN 2019                       | <i>idAA-</i>        | Total Sales [IDR Bn]                 | 1,814.8               | 7,454.1               | 6,127.5               | 5,811.5 |
| Proposed MTN Syariah<br>Mudharabah 2019 | <i>idAA-(sy)</i>    | EBITDA [IDR Bn]                      | 80.4                  | 676.7                 | 474.2                 | 436.8   |
|                                         |                     | Net Income after MI [IDR Bn]         | 20.6                  | 415.9                 | 326.8                 | 267.4   |
|                                         |                     | EBITDA Margin [%]                    | 4.4                   | 9.1                   | 7.7                   | 7.5     |
| <b>Rating Period</b>                    |                     | Adjusted Debt to EBITDA [X]          | *21.4                 | 6.0                   | 4.3                   | 1.9     |
| May 31, 2019 – May 1, 2020              |                     | Adjusted Debt to Adjusted Equity [X] | 2.7                   | 1.2                   | 0.8                   | 0.4     |
|                                         |                     | FFO to Adjusted Debt [%]             | *(0.6)                | 6.8                   | 13.5                  | 34.1    |
| <b>Rating History</b>                   |                     | EBITDA to IFCCI [X]                  | 0.8                   | 2.5                   | 4.5                   | 7.3     |
| JUL 2018                                | <i>idAA-/Stable</i> | USD Exchange Rate [IDR/USD]          | 14,244                | 14,481                | 13,548                | 13,436  |
| JUL 2017                                | <i>idAA-/Stable</i> |                                      |                       |                       |                       |         |
| AUG 2016                                | <i>idAA-/Stable</i> |                                      |                       |                       |                       |         |
| SEP 2015                                | <i>idAA-/Stable</i> |                                      |                       |                       |                       |         |
| SEP 2014                                | <i>idAA-/Stable</i> |                                      |                       |                       |                       |         |
| JUL 2014                                | <i>idAA-/Stable</i> |                                      |                       |                       |                       |         |
| APR 2013                                | <i>idAA-/Stable</i> |                                      |                       |                       |                       |         |

FFO = EBITDA – IFCCI + Gross Interest Income – Current Tax Expense  
 EBITDA = Operating Profit + Depreciation Expense + Amortization Expense  
 IFCCI = Gross Interest Expense + Other Financial Charges + Capitalized Interest; (FX Loss not included)  
 MI = Minority Interest \* Annualized  
 ^ = Restatement due to acquisition of PT Phapros Tbk (PEHA)  
 The above ratios have been computed based on information from the company and published accounts. Where applicable, some items have been reclassified according to PEFINDO's definitions.

### PEFINDO affirms “*idAA-*” rating for PT Kimia Farma (Persero) Tbk, assigns “*idAA-*” rating for its proposed MTN 2019 and “*idAA-(sy)*” rating for MTN Syariah Mudharabah

PEFINDO has affirmed its “*idAA-*” ratings for PT Kimia Farma (Persero) Tbk (KAEF) and KAEF's Medium-Term Notes (MTN) Year 2017-2018. We have also assigned “*idAA-*” rating to KAEF's proposed MTN Year 2019 of IDR900 billion and “*idAA-(sy)*” rating for the proposed MTN Syariah Mudharabah Year 2019 of IDR600 billion. The proceed from MTN issuance will be used to finance the Company's business expansion and working capital needs. The outlook for the corporate rating is “**stable**”.

An obligor rated *idAA* differs from the highest-rated obligors only to a small degree, and has a very strong capacity to meet its long-term financial commitments relative to that of other Indonesian obligors.

The minus (-) sign in a particular rating indicates that it is relatively weak within its rating category.

The suffix (sy) indicates that the rating mandates compliance with Islamic principles.

The corporate rating reflects KAEF's strategic role in providing medicines for the nation, its strong market position in the pharmaceutical industry, and integrated business operations. However, the rating is constrained by its high financial leverage following significant capital expenditure (capex) programs and lower profitability margins compared to other listed pharmaceutical companies.

The rating could be raised if KAEF consistently achieves its targeted revenue growth with stronger and sustained margins, and significantly improves its market share in the pharmaceutical industry through existing business and/or its merger and acquisition (M&A) strategy. At the same time, it has to improve its financial leverage and cash flow protection measures. The rating could be lowered if its net debt to EBITDA ratio exceeds 4.0x on a sustained basis because of weaker profitability margins, or if it incurs higher than projected debt due to significant investments and/or because of M&A. The rating could also be under pressure if its EBITDA margin declines due to a weakening rupiah, as most of its raw materials are imported.

As Indonesia's largest state-owned pharmaceutical company, KAEF is focused on drug manufacturing, trading and distribution, and retail. Its trading and distribution activities are handled by subsidiary PT Kimia Farma Trading and Distribution (KFTD), which had 48 branches nationwide as of March 31, 2019, while its retail activities are carried out by subsidiary PT Kimia Farma Apotek (KFA), which managed 1,178 drugstores, 550 health clinics, and 55 laboratories as of March 31, 2019, and PT Kimia Farma Dawaa Co Ltd, which managed 34 drugstores and two warehouses in Saudi Arabia as of March 31, 2019. KAEF manages eleven production facilities in Jakarta, Bandung, Banjaran, Semarang, Watudakon, Medan, Cikarang, and Denpasar which make products including consumer health products, generics, branded ethicals, antiretrovirals, narcotics, contraceptives, and pharmaceutical raw materials. Its shareholders as of March 31, 2019 were the Indonesian government (90.025%), the public (9.974%), and management (0.001%).

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