

## Medco's ratings affirmed at "idAA-", outlook revised to negative

PEFINDO has revised the outlook for the corporate rating of PT Medco Energi Internasional Tbk (MEDC) to "**negative**" from "**stable**". The negative outlook was assigned to reflect the impact of low crude oil price, which resulted in a weaker-than-projected capital structure and cash flow protection measures of MEDC, and lesser profitability. In the first quarter of 2015 (1Q2015), the Company realized a lower average oil price by 53.4% year on year (YoY), which caused a 32.6% YoY lower revenue and 44.3% YoY lower EBITDA. The outlook could be revised to stable if additional cash flow contribution from Senoro project combined with better crude oil price could provide a better profile of capital structure. The ratings will be lowered if crude oil price gets lower than our estimation, potential cash flow from Senoro project is lower than projected, and/or the Company's debt is higher than projected. These factors may result in debt to EBITDA ratio of more than 5x, which is aggressive for the rating category. MEDC's corporate rating and the ratings of its Shelf Registration Bond I Year 2012-2013, Shelf Registration USD Bond I Year 2011-2012, and Bond III Year 2012 were maintained at "idAA-". The ratings reflect its additional revenue potential in the near to medium term from Senoro projects, favorable oil and gas reserves, and strong liquidity position in the near term. However, its aggressive capital structure and exploration failure risk, which is naturally inherent factor within the oil and gas industry, put constraints to the ratings.

MEDC is the largest privately owned Indonesian oil and gas company, with operations domestically and overseas, focusing on the oil and gas exploration and production (E&P) business. Through its subsidiaries and affiliated companies, MEDC is also engaged in other energy related businesses, such as in coal mining, and has minority stakes in power generation. In 1Q2015, 90% of its revenue was generated from oil and gas, while coal sales and other services accounted for the remaining 10%. On March 31, 2015, its shareholders consisted of Encore Energy Pte Ltd (50.7%) and others including the public (49.3%). Encore Energy is owned by the Panigoro family, through Encore International (60.6%), and Mitsubishi Corp. (39.4%).

Rating Period: June 18, 2015 – October 1, 2015  
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