

Medco's ratings revised to "idA+" /stable outlook

PEFINDO has revised its ratings for PT Medco Energi Internasional Tbk (MEDC) and its Shelf Registration Bond I Year 2012-2013, Shelf Registration USD Bond I Year 2011-2012, and Bond III Year 2012 to "idA+" from "idAA-". The lower ratings were assigned to reflect the impact of the low crude oil price, which lowered MEDC's revenue and profitability resulting in its weaker-than-projected capital structure and cash flow protection measures. The outlook of the corporate rating is "Stable". In the first half of 2015 (1H2015), it realized a lower average crude oil price by 48.6% year-on-year (YoY), which caused a 22.4% YoY fall in revenue and a 35.7% YoY EBITDA fall. The ratings reflect additional revenue from Senoro projects, favorable oil and gas reserves, and a strong liquidity position. However, the Company's aggressive capital structure, moderate cash flow protection measures, and inherent risks related to oil and gas industry put constraints on 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, it is also engaged in other energy related businesses, such as coal mining, and has minority stakes in power generation. In 1H2015, 90.9% of its revenue was generated from oil and gas, while coal sales and other services accounted for the remaining 9.1%. On June 30, 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: October 8, 2015 – October 1, 2016

Contact Analyst: Niken Indriarsih & Gifar Sakti

niken.indriarsih@pefindo.co.id & gifar.sakti@pefindo.co.id

DISCLAIMER

PT Pemeringkat Efek Indonesia (PEFINDO) does not guarantee the accuracy, completeness, timeliness or availability of the contents in this report or publication. PEFINDO cannot be held liable for its use, its partial use, lack of use, in combination with other products or used solely, nor can it be held responsible for the result from its use or lack of its use in any investment or other kinds of financial decision making on which this report or publication is based. In no event shall PEFINDO be held liable for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses including but not limited to lost profits and opportunity costs in connection with any use of the contents of this report or publication. Credit analyses, including ratings, and statements in this report or publication are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold or sell any securities or to make any investment decision. The contents cannot be a substitute for the skill, judgment and experience of its users, its management employees and/or clients in making investment or other business decisions. PEFINDO also assumes no obligation to update the content following publication in any form. PEFINDO does not act as fiduciary or an investment advisor. While PEFINDO has obtained information from sources it believes to be reliable, PEFINDO does not perform an audit and does not undertake due diligence or independent verification of any information used as the base of and presented in this report or publication. PEFINDO keeps the activities of its analytical units separate from its business units to preserve independence and objectivity of its analytical processes and products. As a result, certain units of PEFINDO may have information that is not available to other units. PEFINDO has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process. PEFINDO may receive compensation for its ratings and other analytical work, normally from issuers of securities. PEFINDO reserves the right to disseminate its opinions and analyses. PEFINDO public ratings and analyses are made available on its Website, <http://www.pefindo.com> (free of charge) and through other subscription-based services, and may be distributed through other means, including via PEFINDO publications and third party redistributors. Information in PEFINDO's website and its use fall under the restrictions and disclaimer stated above. Reproduction of the content of this report, in full or in part, is subject to written approval from PEFINDO.