Press Release
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PT Medco Energi Internasional Tbk

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CREDIT PROFILE

Corporate Rating	*$_{id}$A+/Negative*
Rated Issues	
Shelf Registration Bond II	*$_{id}$A+*
Shelf Registration Bond I	*$_{id}$A+*
Bond III/2012	*$_{id}$A+*
Shelf Registration USD Bond I	*$_{id}$A+*

Rating Period
September 7, 2016 – April 1, 2017

Rating History	
APR 2016	*$_{id}$A+/Negative*
OCT 2015	*$_{id}$A+/Stable*
JUN 2015	*$_{id}$AA-/Negative*
2012 - 2014	*$_{id}$AA-/Stable*

FINANCIAL HIGHLIGHTS

As of/for the year ended	**Mar-2016** (Audited)	**Dec-2015** (Audited)	**Dec-2014** (Audited)	**Dec-2013** (Audited)
Total Adjusted Assets [USD Mn]	2,889.5	2,872.7	2,667.8	2,509.0
Total Adjusted Debt [USD Mn]	1,741.6	1,737.8	1,335.4	1,204.3
Total Adjusted Equity [USD Mn]	686.8	664.5	887.1	875.2
Total Sales [USD Mn]	144.6	628.5	750.7	886.5
EBITDA [USD Mn]	65.5	217.0	269.9	355.6
Net Income after MI [USD Mn]	10.2	(188.1)	5.2	12.6
EBITDA Margin [%]	45.3	34.5	36.0	40.1
Adjusted Debt/EBITDA [X]	*6.7	8.0	4.9	3.4
Adjusted Debt/Adjusted Equity [X]	2.5	2.6	1.5	1.4
FFO/Adjusted Debt [%]	*7.2	6.1	9.1	13.4
EBITDA/IFCCI [X]	2.4	2.7	3.4	4.6
USD Exchange Rate [IDR/USD]	13,276	13,795	12,440	12,189

FFO = EBITDA – IFCCI + 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*
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 affirmed its "$_{id}$A+" rating with a negative outlook for PT Medco Energi Internasional Tbk

PEFINDO has affirmed its **"$_{id}$A+"** ratings for PT Medco Energi Internasional Tbk (MEDC), its Shelf Registration Bond II Year 2016 including its proposed second phase issuance of IDR1.25 trillion to be used for refinancing (60%) and capital expenditure (40%), Shelf Registration Bond I Year 2012-2013, Bond III Year 2012, and Shelf Registration USD Bond I Year 2011-2012. However, we maintained the **"negative"** outlook for the corporate rating, which was assigned to anticipate the Company's more aggressive capital structure and cash flow protection measures, particularly if not accompanied by stronger cash flow amid the low commodity prices, while its debt level increases. PEFINDO views that the Company's announcement to acquire PT Newmont Nusa Tenggara (NNT), which is financed by debt, does not affect the current rating. It may potentially impact the rating positively in the medium term provided that the Company's capital structure and cash flow protection significantly improve on a sustainable basis with potential higher cash flow from NNT. The acquisition, which is expected to close in the fourth quarter of 2016, is subject to the approvals from regulator and the Company's extraordinary general meeting of shareholders. Although the acquisition is expected to diversify the Company's business and bring positive cash flow, NNT's business is exposed to commodity price risk as both copper and gold are commodities with fluctuated prices, and risks related to export licenses and further development of the business including to the downstream sector. We will continue to monitor the progress of the acquisition and its impact to the Company's rating and outlook in the near to medium term.

An obligor rated $_{id}$A indicates that the obligor has a strong capacity to meet its long-term financial commitments relative to that of other Indonesian obligors. However, the obligor is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than higher-rated obligors.

The Plus (+) sign in a particular rating indicates that the rating is relatively strong within the respective rating category.

The ratings reflect the Company's strong liquidity position, diversified assets, and favorable oil and gas reserves. However, its aggressive capital structure, moderate cash flow protection measures, and the inherent risks related to the oil and gas industry constrain the ratings.

The rating will be lowered if the Company incurs higher-than-projected debt without being compensated by a stronger business profile, which could weaken its capital structure and cash flow protection measures on a sustained basis. The rating could also be under pressure if commodity prices continue to decline, which could affect the Company's revenue and profitability. These factors may result in an adjusted debt to EBITDA ratio of more than 5x on a sustained basis, which is aggressive for the current rating category. The rating outlook will be revised into stable if MEDC is able to significantly improve its capital structure and cash flow protection measures on a sustainable basis.

MEDC is the largest privately owned Indonesian oil and gas company, with domestic and overseas operations. It is focused on oil and gas exploration and production (E&P). Through its subsidiaries and affiliated companies, it is also engaged in other energy-related businesses, such as coal mining, and has minority interests in power generation. In the first quarter of 2016 (1Q2016), 90.4% of its revenue was generated from oil and gas, while coal sales and other services accounted for the remaining 9.6%. At the end of March 2016, its shareholders consisted of Encore Energy Pte Ltd (51.7%), Credit Suisse AG SG Trust Account Client (21.1%), PT Prudential Life Assurance (10.0%), and others including the public (17.2%). Encore Energy is owned by the Panigoro family, through Encore International (60.6%), and Mitsubishi Corp (39.4%).