PEFINDO
CREDIT RATING AGENCY

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

November 1, 2016 – November 1, 2017

Rating History

SEP 2016	*$_{id}$A+/Negative*
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	Sep-2016 (Unaudited)	Dec-2015 (Audited)	Dec-2014 (Audited)	Dec-2013 (Audited)
Total Adjusted Assets [USD Mn]	2,976.3	2,872.7	2,667.8	2,509.0
Total Adjusted Debt [USD Mn]	1,812.8	1,737.8	1,335.4	1,204.3
Total Adjusted Equity [USD Mn]	709.5	664.5	887.1	875.2
Total Sales [USD Mn]	416.9	628.5	750.7	886.5
EBITDA [USD Mn]	181.5	217.0	269.9	355.6
Net Income after MI [USD Mn]	22.3	(188.1)	5.2	12.6
EBITDA Margin [%]	43.5	34.5	36.0	40.1
Adjusted Debt/EBITDA [X]	*7.5	8.0	4.9	3.4
Adjusted Debt/Adjusted Equity [X]	2.6	2.6	1.5	1.4
FFO/Adjusted Debt [%]	*6.1	6.1	9.1	13.4
EBITDA/IFCCI [X]	2.3	2.7	3.4	4.6
USD Exchange Rate [IDR/USD]	12,998	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 affirms 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, Shelf Registration Bond I Year 2012-2013, Bond III Year 2012, and Shelf Registration USD Bond I Year 2011-2012, including the maturing second phase bond of USD30 million on November 11, 2016, which repayment has been funded through proceeds from the Shelf Registration Bond II Phase I Year 2016. However, we maintained the **"negative"** outlook for the corporate rating to anticipate its more aggressive capital structure and cash flow protection measures with increasing debt, particularly if not accompanied by stronger cash flow amid low commodity prices. PEFINDO is of the view that MEDC's acquisition of PT Newmont Nusa Tenggara (NNT), financed by debt, does not immediately affect the current rating. It may potentially impact the rating positively in the medium term, provided that its capital structure and cash flow protection significantly improve on a sustainable basis with potential higher cash flow from NNT. Although the acquisition diversifies MEDC's business and bring positive cash flow, NNT's business is exposed to commodity price risk as both copper and gold are commodities with fluctuating prices, as well as risks related to export licenses and further development of the business, including to the downstream sector. We will continue to monitor the impact of the acquisition on MEDC's rating and outlook in the near to medium term.

An obligor rated $_{id}$A 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 it is relatively strong within the respective rating category.

The ratings reflect MEDC's diversified assets, favorable oil and gas reserves, and good operating management. 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 MEDC 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 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 to stable if MEDC significantly improves its capital structure and cash flow protection measures on a sustainable basis.

MEDC is a publicly listed, integrated energy and natural resources company with interests in power generation and support services alongside its core oil and gas exploration and production (E&P) activities in Indonesia, the Middle East, North Africa, and the United States. In the first nine months of 2016 (9M2016), 91.7% of its revenue was generated from oil and gas, while sales from services, rental, and coal businesses accounted for the remaining 8.3%. At the end of September 2016, its shareholders consisted of Encore Energy Pte Ltd (51.7%), Credit Suisse AG SG Trust Account Client (21.1%), PT Prudential Life Assurance (8.5%), and others including the public (18.7%). Encore Energy is owned by the Panigoro family through Encore International (60.6%) and Mitsubishi Corp (39.4%).