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

MTN V/2016	*$_{id}$A+*
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
May 24, 2017 – November 1, 2017

Rating History

NOV 2016	*$_{id}$A+/Negative*
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	**Dec-2016**	**Dec-2015**	**Dec-2014**	**Dec-2013**
	(Audited)	(Audited)	(Audited)	(Audited)
Total Adjusted Assets [USD Mn]	3,580.9	2,872.7	2,667.8	2,509.0
Total Adjusted Debt [USD Mn]	2,064.6	1,737.8	1,335.4	1,204.3
Total Adjusted Equity [USD Mn]	874.3	664.5	887.1	875.2
Total Sales [USD Mn]	600.4	575.3	750.7	886.5
EBITDA [USD Mn]	273.8	220.4	269.9	355.6
Net Income after MI [USD Mn]	184.8	(188.1)	5.2	12.6
EBITDA Margin [%]	45.6	38.3	36.0	40.1
Adjusted Debt/EBITDA [X]	7.5	7.9	4.9	3.4
Adjusted Debt/Adjusted Equity [X]	2.4	2.6	1.5	1.4
FFO/Adjusted Debt [%]	6.0	6.2	9.1	13.4
EBITDA/IFCCI [X]	2.6	2.7	3.4	4.6
USD Exchange Rate [IDR/USD]	13,436	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
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 "$_{id}$A+" ratings for PT Medco Energi Internasional Tbk's maturing bonds

PEFINDO has affirmed its **"$_{id}$A+"** ratings for PT Medco Energi Internasional Tbk's (MEDC) Shelf Registration USD Bond I Year 2011-2012 Third Phase of USD20 million, which will mature on August 1, 2017, and Bond III Year 2012 of IDR1.5 trillion, which will mature on June 19, 2017. MEDC plans to repay the maturing bonds using internal fund, with cash of USD164.6 million on December 31, 2016 and cash flow generated from newly acquired assets, and proceeds of its financing activities.

We still maintain our **"negative"** outlook for the corporate rating, which was assigned to anticipate a more aggressive capital structure and cash flow protection measures with increasing debt, particularly if not accompanied by stronger cash flow amid unfavorable commodity prices. The Company is in the process to conduct several corporate actions and initiatives, such as portfolio rationalization and strategic partnership, to finance its further development of PT Amman Mineral Nusa Tenggara (AMNT, previously PT Newmont Nusa Tenggara). Although AMNT diversifies MEDC's business and potentially brings positive cash flow, AMNT is exposed to commodity price risk as both copper and gold have fluctuating prices, as well as risks related to export licenses and further business development, including to the downstream sector and mining development in seventh phase of Batu Hijau field and a first phase of Elang field. Despite the fact that AMNT has obtained export license up to February 2018, the license is subject to evaluation by the government for its smelter development progress. We will continue to monitor the impact of the Company's corporate actions and initiatives on MEDC's rating and outlook in the short 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 commodity based sectors 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. We expect that the Company would achieve its targeted adjusted debt to EBITDA of less than 5x in the short to medium term with the realization of its corporate actions and initiatives. Thus, 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 mining and power generation alongside its core oil and gas exploration and production (E&P) activities in Indonesia, the Middle East, North Africa, and the United States. In 2016, 97.1% of its revenue was generated from oil and gas, while revenue from rental accounted for the remaining 2.9%. At the end of 2016, its shareholders were Encore Energy Pte Ltd (36.4%), Credit Suisse AG SG Trust Account Client (21.2%), PT Mitsubishi UFJ (15.3%), PT Prudential Life Assurance (7.3%), and others including the public (19.8%). Encore Energy is mostly owned by the Panigoro family through Encore International.