PEFINDO
CREDIT RATING AGENCY

Press Release
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PT Medco Energi Internasional Tbk

Analysts: *Niken Indriarsih/Gifar Indra Sakti*

Phone/Fax/E-mail: *(62-21) 72782380 / 72782370 / niken.indriarsih@pefindo.co.id / gifar.sakti@pefindo.co.id*

CREDIT PROFILE

Corporate Rating *$_{id}$A+/Stable*

Rated Issues

MTN V/2016	*$_{id}$A+*
Shelf Registration Bond II	*$_{id}$A+*
Shelf Registration Bond I	*$_{id}$A+*

Rating Period
November 6, 2017 – November 1, 2018

Rating History

MAY 2017	*$_{id}$A+/Negative*
APR, SEP, NOV 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	**Jun-2017** (Audited)	**Dec-2016** (Audited)	**Dec-2015** (Audited)	**Dec-2014** (Audited)
Total Adjusted Assets [USD Mn]	3,673.7	3,580.9	2,872.7	2,667.8
Total Adjusted Debt [USD Mn]	1,844.5	2,064.6	1,737.8	1,335.4
Total Adjusted Equity [USD Mn]	962.9	874.3	664.5	887.1
Total Sales [USD Mn]	403.5	590.0	582.3	701.9
EBITDA [USD Mn]	200.3	267.8	224.8	265.5
Net Income after MI [USD Mn]	80.7	184.8	(188.1)	5.2
EBITDA Margin [%]	49.6	45.4	38.6	37.8
Adjusted Debt/EBITDA [X]	*4.6	7.7	7.7	5.0
Adjusted Debt/Adjusted Equity [X]	1.9	2.4	2.6	1.5
FFO/Adjusted Debt [%]	*9.9	6.1	6.6	9.4
EBITDA/IFCCI [X]	3.3	2.7	2.9	4.0
USD Exchange Rate [IDR/USD]	13,319	13,436	13,795	12,440

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 and revises the outlook to stable 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 2016-2017, Medium Term Notes (MTN) V Year 2016 Phase I Seri A, and Shelf Registration Bond I Year 2012-2013, including the maturing first phase bond of IDR500 billion on December 19, 2017, which will be repaid using the proceeds of MTN V Year 2016 Phase I Seri A, while MEDC's cash balance was USD217.6 million on June 30, 2017. We have revised the outlook to **"stable"** from "negative" for the corporate rating to reflect the Company's corporate actions and initiatives on deleveraging its aggressive capital structure, in addition to portfolio rationalization and strategic partnership to finance its further development of PT Amman Mineral Nusa Tenggara (AMNT). Despite potential higher debt at the end of 2017 with the consolidation of the power business since October 2017, we expect the Company's corporate actions and initiatives in the near term could result in lower adjusted debt to EBITDA ratio to less than 5x starting in 2018.

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 raised if MEDC significantly improves its capital structure to a moderate level, supported by its deleveraging plans and potential improvement in its profitability on the back of efficiency efforts and expected better commodity prices. 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.

MEDC is a publicly listed, integrated energy and natural resources company, with interests in mining and power generation along with its core business of oil and gas exploration and production (E&P) activities in Indonesia, Middle East, North Africa, and the United States. In the first half of 2017, 99.5% of its revenue was generated from oil and gas, while revenue contribution from rental was insignificant at 0.5%. At the end of June 2017, its shareholders were Encore Energy (35.71%), PT Medco Duta (0.25%), PT Multifabrindo Gemilang (0.06%), Clio Capital Ventures Ltd (20.73%), Mitsubishi Corporation (9.99%), PT Medco Daya Abadi Lestari (4.99%), and public (28.27%). Mitsubishi Corporation has recently sold its shares to PT Medco Daya Abadi Lestari. Encore Energy is mostly owned by the Panigoro family through Encore International.