PEFINDO CREDIT RATING INDONESIA

PRESS RELEASE
December 17, 2009

Perusahaan Daerah Air Minum Kota Surakarta

PEFINDO assigned a corporate rating of **"$_{id}$BB-"** to Perusahaan Daerah Air Minum (PDAM) Kota Surakarta (PAKS or the Company). The outlook of the rating is **"stable"**. The rating reflects the Company's failure to fulfill its financial obligations in relation with an IBRD loan, aggressive financial leverage, increasing trend of water losses ratio, water tariff adjustment that is highly related to social and political issues as well as limited financial flexibility. Nevertheless, those factors are offset by the Company's exclusive position as the only treated water operator in Kota Surakarta and improving profitability as a result of tariff adjustment. PAKS is a treated water operator company in Kota Surakarta. The Company has been operating in Kota Surakarta since 1977. Pemerintah Kota (city government) Surakarta is the sole owner of PAKS. PAKS is supported by 340 employees and 26 deep wells, IPA Jurug, and Cokrotulung spring water with total production capacity of 897.48 l/s (liter/second). In 2008, the Company had 54,284 connections number, produced 25.69 million m^3 and sold 15.31 million m^3 of water.

Rating Period: November 20, 2009 – November 1, 2010

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