



PEFINDO CREDIT RATING INDONESIA

## PRESS RELEASE September 2, 2014

### Ratings of PT Perkebunan Nusantara X and its Bond Lowered to “**idA**”

PEFINDO has lowered the ratings for PT Perkebunan Nusantara X (Persero) (PPNX) and its Bond I/2013 to “**idA**” from “**idA+**”. We also revised the Company’s rating outlook to “**negative**” from “**stable**”. The downgrade was driven by sluggish performance of sugar business unit, which weakens the Company’s cash flow generation. Unfavorable performance of sugar business unit was mainly triggered by weak sugar price, and low sales volume. The negative outlook is to anticipate further deterioration in the Company’s cash flow protection measures and capital structure. The ratings could be lowered if the Company fails to achieve its targeted sales volume, accompanied by lower-than-expected sugar price, which could weaken its cash flow protection measures and capital structure. The ratings could also be under pressure if the Company incurs new debt higher than anticipated, which could adversely affect its financial profile. The outlook could be revised to stable if the Company could improve its cash flow protection measures and capital structure on a sustainable basis, supported by improvement in the sugar price and sales volume, and have higher contribution from other business lines, such as bio-ethanol, tobacco, and hospital.

PPNX is a state-owned plantation company, engaging in sugar cane and tobacco plantation and processing. At end of 2013, the Company’s total plantation area amounted to 79,115 hectare (ha). It consisted of the plasma farmers’ plantation area of 74,814 ha and self-owned plantation area of 4,300 ha. The Company’s sugar cane plantation area was 77,788 ha, while tobacco plantation area was 1,327 ha. The Company’s production facilities include 11 sugar cane mills and one bio-ethanol plant, all of which are located in East Java. As of June 30, 2014, PPNX is fully owned by the Government of Indonesia.

Rating Period: August 29, 2014 – April 1, 2015

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