

are expected to strengthen. Its debt coverage, measured by funds from operation (FFO) to debt and EBITDA to interest ratios, improved consistently to 17.4% and 2.8x in 1Q2018 from 3.4% and 1.3x in 2013, respectively, and we expect this to continue going forward.

Constraining factors for the above rating are:

- **Relatively high financial leverage.** As JLB1 is a relatively newly operated toll road, its financial leverage is considered high for the rating category. Its debt to EBITDA ratio and debt to equity ratio (DER) in 1Q2018 were 3.2x and 1.0x, respectively, and these capital structure indicators are expected to remain high in the near-term, before improving modestly in the medium-term. It has no exposure to foreign currency risk as all of its debt is denominated in rupiah, matching the currency of its revenue.
- **Exposure to traffic risk.** Despite benefitting from the full integration of the JORR toll road network after the completion of JORR-W2 in 2014, resulting in a significant increase in traffic volume, its exposure to traffic risk on its only toll road, JORR-W1 (Kebun Jeruk-Penjaringan), remains. Some of its traffic consists of heavy vehicles from surrounding industrial areas as well as people travelling to and from Soekarno-Hatta International Airport. A slowdown in the economy may lead to businesses reducing their logistics activities, which means a lower frequency in the transportation of goods and/or lower business or leisure air travel through Soekarno-Hatta airport. This may negatively impact its traffic volume and, consequently, its revenue.

DISCLAIMER

PT Pemeringkat Efek Indonesia (PEFINDO) does not guarantee the accuracy, completeness, timeliness or availability of the contents of this report or publication. PEFINDO cannot be held liable for its use, its partial use, or its lack of use, in combination with other products or used solely, nor can it be held responsible for the result of its use or lack of its use in any investment or other kind of financial decision making on which this report or publication is based. In no event shall PEFINDO be held liable for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses including but not limited to lost profits and opportunity costs in connection with any use of the contents of this report or publication. Credit analyses, including ratings, and statements in this report or publication are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold or sell any securities or to make any investment decision. The contents cannot be a substitute for the skill, judgment and experience of its users, its management employees and/or clients in making investment or other business decisions. PEFINDO also assumes no obligation to update the content following publication in any form. PEFINDO does not act as fiduciary or an investment advisor. While PEFINDO has obtained information from sources it believes to be reliable, PEFINDO does not perform an audit and does not undertake due diligence or independent verification of any information used as the basis of and presented in this report or publication. PEFINDO keeps the activities of its analytical units separate from its business units to preserve independence and objectivity of its analytical processes and products. As a result, certain units of PEFINDO may have information that is not available to other units. PEFINDO has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process. PEFINDO may receive compensation for its ratings and other analytical work, normally from issuers of securities. PEFINDO reserves the right to disseminate its opinions and analyses. PEFINDO's public ratings and analyses are made available on its website, <http://www.pefindo.com> (free of charge) and through other subscription-based services, and may be distributed through other means, including via PEFINDO publications and third party redistributors. Information in PEFINDO's website and its use fall under the restrictions and disclaimer stated above. Reproduction of the content of this report, in full or in part, is subject to written approval from PEFINDO.