

PT Medco Energi Internasional Tbk. **Monthly Newsletter**



STOCK DATA*

Market Cap. (bn Rp)	:	5,698.5
Highest (12mth)	:	2,600
Lowest (12mth)	:	1,590
Last Price	:	1,710
Free Float	:	37.56%

*as of 30 September 2012

News Release

MedcoEnergi and Puma Energy to form a strategic alliance. Puma Energy LLC, the global midstream and downstream energy company, announced the signing of an agreement to purchase 63.88% of PT Medco Sarana Kalibaru, the fuel storage and distribution subsidiary of PT Medco Energi Internasional Tbk on October 11th, 2012. The new venture will be called PT Puma Medco Petroleum. This agreement is subject to review by the Indonesian regulatory authority.

The acquisition will add 60 members of staff and increase Puma Energy's fast-growing Asian presence. Indonesia will be the 34th country worldwide in which Puma Energy operates. Both companies are investing together in this new venture to become a leading player in the industry. The strategic alliance is designed to bring together the strengths and expertise of both companies to create the best fuel trading and distribution business in Indonesia and the surrounding region for the benefit of our customers, employees, as well as other stakeholders in the country.

The principal assets in the venture include a fuel storage facility in Tanjung Priok International Port, North Jakarta with a 22,700 m3 storage capacity, a dedicated jetty and truck loading bays, and distribution capabilities in Kalimantan and Sumatra to serve the mining industry. Following the closing of the agreement, which is expected to be completed in early December 2012, the new company will continue the delivery of high quality fuel products including High Speed Diesel (HSD) to clients throughout Indonesia.

Puma Energy has grown rapidly over the previous years through organic growth and by buying downstream assets from ExxonMobil, BP and Chevron. Each time the company has retained local staff and grown the business. On July 18 this year, Puma Energy announced its intention to acquire Chevron Kuo Pte Ltd, which owns 70% of Chevron Bitumen Vietnam Ltd.

MedcoEnergi Will Supply More Gas to Domestic Market. PT Medco Energi Internasional Tbk, through its subsidiaries PT Medco E&P In-

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donesia and PT Medco E&P Simenggaris continues to expand its role as a national oil and gas company that supports the supply of gas for domestic market. A testament to this are the signing of a gas sales and purchase agreement (GSPA) between Joint Operating Body (JOB) Pertamina-Medco E&P Simenggaris (consisting of PT Medco E&P Simenggaris, PT Pertamina Hulu Energi Simenggaris, and Salamander Energy Simenggaris Limited), and Perusahaan Daerah Nusa Serambi Persada and also the signing of a GSPA Amendment between PT MEPI and PT Perusahaan Listrik Negara during the Gas Information Exchange in the Western Pacific Area or GASEX 2012, in Bali, October 9th.

The signing of the GSPA with Perusahaan Daerah Nusa Serambi Persada was represented by JOB P-MEPS as the operator of the working area in the Simenggaris PSC Block, East Kalimantan. The gas, which is scheduled to be sent in the third quarter of 2013 by JOB P-MEPS, will be converted into Compressed Natural Gas (CNG) by Perusahaan Daerah Nusa Serambi Persada. It will then be used to fulfill the energy demand of Nunukan Regency and other surrounding regencies in the northern East Kalimantan province with a daily gas supply of 5 MMSCFD for 11 years (2013 – 2024). The agreed gas price was USD5.2/MMBTU with an escalation of 3% per year. This transaction is estimated to generate a total income approximately at USD129 million for the government and PSC contractor.

In addition, the Company also signed the 4th Amendment of the GSPA with PLN Borang, South Sumatra. The gas is used as fuel for the gasfired power plant in Borang, owned by PLN, to meet electricity demand in Palembang, South Sumatra. The GSPA Amendment constituted price increase for the Make-Up Gas, originally priced at USD2.55/MMBTU, now adjusted to a range of USD 4.7-6.0/MMBTU. Furthermore, the Amendment also set the gas price to be adjusted at USD6.00/MMBTU starting in June 2013. This gas price increase is estimated to to provide additional gross revenues of approximately USD39 million for the government and PSC contractor.

MedcoEnergi sends 38,000 tons of Coal in Maiden Shipment. PT MedcoEnergi Tbk, through its wholly owned subsidiary PT MedcoEnergi Mining International, proudly announced the maiden shipment of 38,000 tons of thermal coal from Duta Tambang Rekayasa (DTR) on October 1st, 2012. The coal was sold to China Coal Solution Pte Ltd. and shipped out from Nunukan port using five coal barges.

DTR, who holds mining permits under Medco Mining International, produces coal with distinctive features such as a calorific value of 5,900 kcal/kg (air dried basis), medium ash and low moisture content.



Several tests will be done to determine a final price.

Currently, DTR produces 25,000 tons of coal per month with plans to double the output after securing a long term contract with buyers. Medco intends to be more aggressive in achieving its targets in the coming months by continuing ongoing operations and optimizing available resources to produce 50,000 tons of coal per month. Production for 2012 is estimated at 165,000 tons with expectations to achieve full capacity as early as January 1, 2013.

With a second shipment of coal scheduled this October, DTR is hoping to attract attention of more coal traders and secure long term contracts. Presently, discussions are underway to negotiate a coal contract with an international buyer.



MedcoEnergi Sustained Strong Operation Performance fot the First Half of 2012. PT Medco Energi Internasional Tbk announced its business performance in the first half of 2012, showing good results aligned with its strategy to focus on Exploration & Production business.

In the first half of 2012, MedcoEnergi reached sales and other operating revenues of USD554.3 million, 5.5% lower compared to the same period last year which was USD586.4 million. This is because in 2012 we are no longer including revenues from the power generation business, which was deconsolidated in 2012. The net oil and gas sales were recorded at USD428.2 million, higher than the same period last year which was USD422.9 million. The increase was due to a higher



average sales price of oil in the first half of 2012 which reached USD120.8 per barrel, compared to USD113.2 per barrel in the same period last year, and supported by a stable oil and gas production rate of 56.7 MB0EPD.

The Company was able to book a gross profit of USD203.4 million in the first half of 2012, an increase from USD182.4 million from the same period last year, even though the Company's power generation business was deconsolidated (the Company's gross profit of the first half of 2011 without power business was calculated at USD169.9 million). For the first half of 2012, the Company's total costs decreased to USD428.0 million from USD474.8 million. As a result, the Company's operating income for the first half of 2012 was recorded at USD126.3 million, 13.2% higher than the same period last year of USD111.6 million. The net income for the first half of 2012 amounted to USD3.4 million, compared to USD8.0 million for the same period last year. In its first half of 2012 financial report, the Company, in compliance with prevailing accounting standards, conducted a more rigorous impairment test on its assets. The valuation of some assets was reduced, including the bio-ethanol plant and the fuel distribution business, as well as one dry-hole in SCS (South Central Sumatra) PSC Block, and the Merangin Exploration Block (due to current economic considerations). The Company also utilized deferred tax asset in its operation activity during the first half of 2012. This impairment tests and the utilization of deferred tax asset have resulted in the Company's lower net income compared to the same period last year. Moreover, MedcoEnergi applied new accounting standards (PSAK) which resulted in the restatement of last quarter and previous years' financial statements.

From the balance sheet side, MedcoEnergi's total assets in the first half of 2012 showed an increase of 12.8%, from USD2,328.0 million for the same period last year to USD2,626.6 million. The increase was due to higher cash and cash equivalents of USD733.4 million, compared to USD363.1 million at the same period last year. This was mainly due to the recent issuance of Rupiah bonds and drawdown from banks' standby loan.

Even though MedcoEnergi have deconsolidated its power generation business and booked a conservative impairment test of assets, the Company is still capable of showing a strong operation performance, particularly in the oil and gas business units. For more details, please download the full consolidated interim financial statements here and also our 1H12 Investors' Update.



Major Projects Report

Senoro Upstream

For EPC Tender, winner appointment letter has been sent to PT Tripatra Engineers and Contractors-Samsung Engineering Co., Ltd consortium, following receipt of BPMIGAS approval of award recommendation. Filling & Compaction on CPP area is 75.8% complete with total hauled landfill material as of September 14th around 452,615 m3.

Donggi-Senoro LNG EPC Progress is 59.9% compare to 49.6% as planned.

Blok A Overall land acquisition progress is 77.4%, or 111.5ha of 144 ha. For Matang-1 Exploration Drilling, rig mobilization already on site with estimated spud date within the 1st week of November.

Rimau EOR Following Mechanical Completion for chemical injection process, chemical injection is expected to be started at the end of Q4 2012.

WTI, Brent, ICP and Realized Oil Price





Production Report

Oil Production (mbbls)	2011A	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	YTD 2012
Rimau	6,024.4	520.5	471.5	505.6	490.2	495.8	478.3	479.3	477.2	459.7	4,378.0
South & Central Sumatra	2,728.4	194.6	202.0	216.0	204.1	219.2	221.1	237.2	230.2	217.2	1,941.5
Tarakan	873.7	82.4	84.9	102.8	93.6	90.6	87.3	100.4	84.8	73.8	800.6
Sembakung	812.8	83.0	73.0	71.3	69.3	71.2	68.8	69.6	65.4	60.1	631.7
Bawean	373.3	51.4	60.3	42.0	10.9	12.9	38.8	47.5	51.4	45.7	360.9
Tiaka	180.2	13.3	12.2	12.6	12.0	11.8	10.9	11.2	10.9	9.9	104.7
USA	161.0	15.7	12.2	14.8	14.2	14.4	11.9	12.3	9.6	7.3	112.3
TOTAL OIL	11,153.8	961.0	916.2	965.0	894.2	915.8	917.0	957.3	929.4	873.7	8,329.6
Gas Production (mmcf)	2011A	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	YTD 2012
South & Central Sumatra	46,191.2	3,774.9	3,551.6	4,096.3	3,988.5	4,124.9	3,999.3	4,066.3	4,040.9	3,801.6	35,444.2
Lematang	12,739.1	1,262.3	1,100.0	587.8	568.8	574.7	542.1	531.7	553.7	879.3	6,600.3
Tarakan	1,885.8	160.0	118.9	117.2	91.2	88.4	149.1	144.2	46.5	20.4	935.7
USA	826.9	58.9	48.7	67.9	62.1	55.8	54.0	26.4	16.1	40.5	430.4
TOTAL GAS	61,643.0	5,256.1	4,819.2	4,869.2	4,710.6	4,843.8	4,744.5	4,768.4	4,657.1	4,741.8	43,410.6
Service Contract (mbbls)	2011A	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	YTD 2012
Oman	3,507.0	318.3	301.3	327.6	309.1	341.2	341.8	336.2	314.2	305.5	2,895
Electricity (GWH)	2011A	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	YTD 2012
Power Production - IPP	1,202	111	102	109	91	90	85	103	99	96	886
Power Production - 0&M	9,520	678	720	819	835	840	786	681	560	836	6,756
Downstream	2011A	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	YTD 2012
Fuel Distribution / KL	268,468	36,834	9,821	25,446	22,265	21,552	17,075	8,967	13,063	9,154	164,177
Ethanol Production / KL	16,098	929	0	0	3,312	1,167	0	1,827	1,295	190	8,720
LPG Production / MT	15,304	1,306	1,188	1,289	1,234	1,275	1,224	1,217	1,314	1,226	11,273

