# **Delivering Energy**

**Investor Update – 9M16 Performance** 





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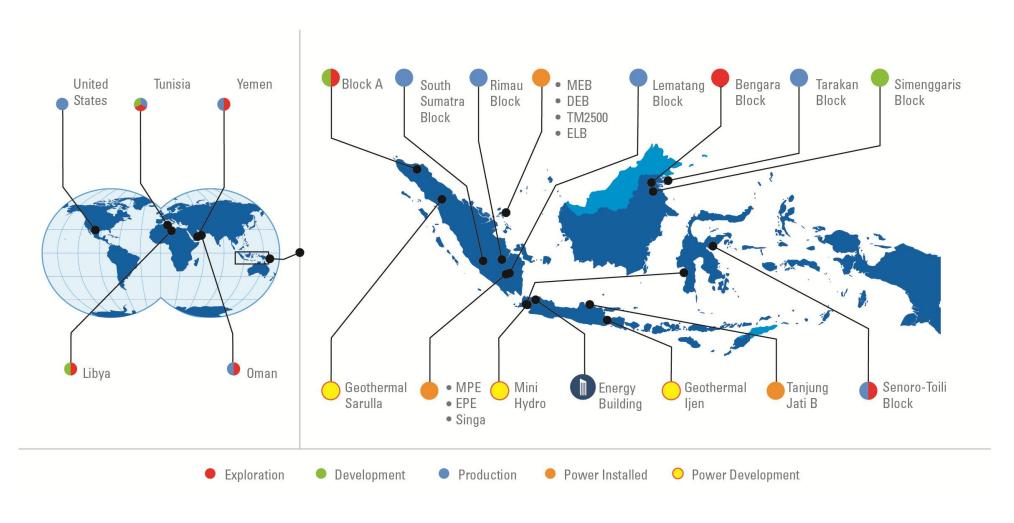


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#### Main Business Activities



MedcoEnergi is a publicly listed, integrated energy company with significant interests in Power Generation and support services alongside its core Oil & Gas Exploration & Production activities in Indonesia, the Middle East, North Africa and the US.



#### 2016 Milestones







Obtained shareholders approval to acquire an effective 41.1% interest in PT Newmont Nusa Tenggara. The transaction is expected to close in October 2016.



Signed SPA with ConocoPhillips to acquire a 40% interest in the South Natuna Sea Block B PSC, along with the West Natuna Transportation System gas transportation and Onshore Receiving Facilities.



Divested 100% participating interest in Bawean PSC. Closing is expected in Q4.



Awarded a 10 year extension of the Lematang PSC and concluded the acquisition of Lundin's Lematang equity which will potentially increase reserves by 41 bcf.



Acquired Japex's 16.67% interest in the Block A Aceh PSC. Completion is expected in Q4, subsequently Medco will own 58.33% operating interest in the block.



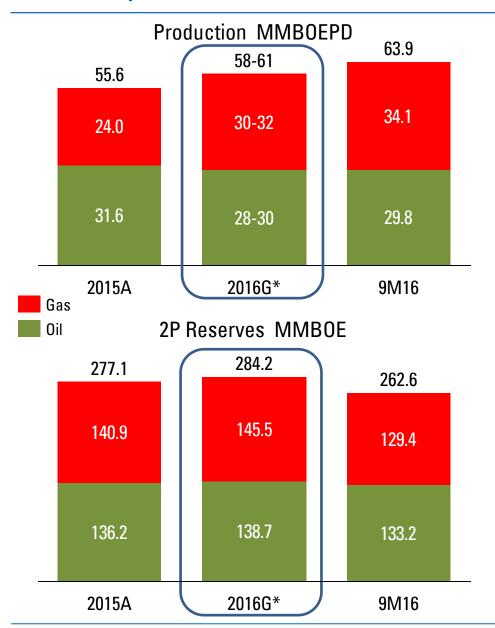
9M16 gas sales almost doubled, operational cash cost per unit reduced by 28% to \$7.9/B0E. Continued focus upon efficiency and effectiveness.



Raised Rp 2.5 Trillion from a Rp 5 Trillion Shelf-Registered IDR bond program in two phases. Recent issuance was heavily oversubscribed.

### 9M16 Operational Performance





Oil and Gas E&P	9M15	9M16	$\Delta\%$
Production (including service cont	ract)		
Oil, MBOPD	31.3	29.8	(4.8)
Gas, MMSCFD	125.3	199.2	59.0
Total Oil and Gas, MBOEPD°	52.7	63.9	21.1
Lifting/Sales			
Oil Lifting, MBOPD	21.1	20.0	(5.0)
Gas Sales, BBTUPD	113.7	207.0	82.0
Oman Service Contract , MBOPD	8.6	8.2	(5.1)
Average Realized Price			
Average Oil Price, US\$/barrel	53.5	39.5	(26.1)
Average Gas Price, US\$/mmbtu	5.5	4.2	(23.4)

<sup>\*</sup> Excluding acquisitions

<sup>°</sup> Including Oman Service Contract, excluding own used fuel

### 9M16 Financial Performance



Profit & Loss (US\$ mn)	9M15	FY15	9M16	НоН∆%
Revenue	418.1	628.5	416.9	(0.3)
• Oil and Gas	385.1	574.4	382.3	(0.7)
<ul> <li>Non Oil and Gas</li> </ul>	32.9	54.1	34.6	5.1
Production & Lifting Costs	122.9	215.3	122.8	(0.1)
Gross Profit	165.4	208.3	159.5	(3.5)
S, G & A	84.0	118.7	73.0	(13.1)
Operating Income	81.3	89.5	86.5	6.4
EBITDA	165.2	216.8	181.5	9.9
Net Income	(51.1)	(188.1)	22.3	n.m.

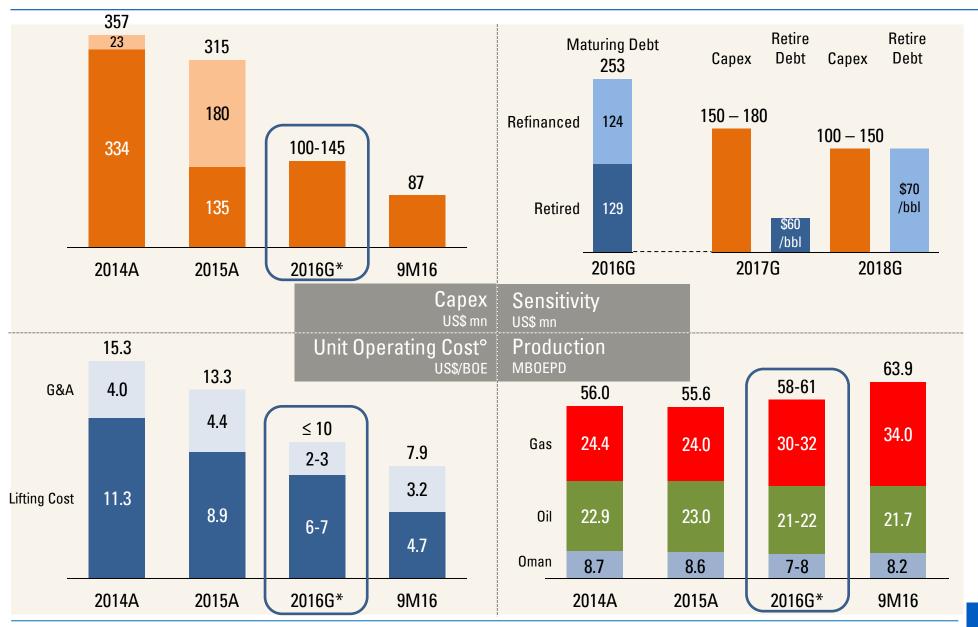
Balance Sheet (US\$ mn)	9M15	FY15	9M16	НоН∆%
Cash & cash equivalents	224.1	463.2	181.0	(19.2)
Investments	646.7	532.3	906.7	40.2
Fixed Assets	1,268.1	1,510.7	1,487.9	17.3
Total Assets	2,558.1	2,909.8	3,013.4	17.8
Total Liabilities	1,726.3	2,208.2	2,266.8	31.3
Bank Loans	628.5	1,087.7	1,048.0	66.7
Capital Market Debt	472.2	492.5	654.7	38.7
• Other Liabilities	625.6	628.0	564.1	(9.8)
Equity	822.1	696.5	742.0	(9.7)

Financial Ratios (x)	9M15	FY15	9M16
Gross Margin	39.6%	33.6%	38.3%
Operating Margin	19.5%	14.2%	20.8%
EBITDA Margin	39.5%	34.5%	43.5%
Net Margin	-12.2%	-29.9%	5.3%

Financial Ratios (x)	9M15	FY15	9M16
Current Ratio	1.82	1.98	1.84
Debt to Equity	1.34	2.27	2.29
EBITDA to Interest	2.95	2.80	2.27
Net Debt to EBITDA	3.98	5.15	6.29

### 2016 Guidance







Hilmi Panigoro



Director Chief Executive Officer Roberto Lorato



Director Chief Financial Officer Anthony Mathias



Chief Human Capital &
Business Support
Amri Siahaan



Director
Chief Operating Officer
Ronald Gunawan

- Cost and capital efficiency, operational effectiveness
- Optimum project cycle time with renewed focus upon value and delivery
- Portfolio rationalization to meet return and profitability benchmarks
- Leveraging MedcoEnergi's strong domestic position through focused acquisitions and contract extensions
- No compromise on safety

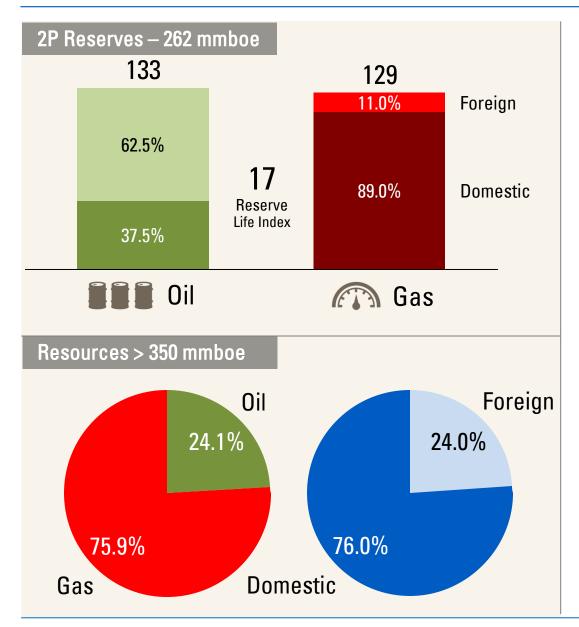
## Cost and capital efficiency, operational effectiveness





- Sustainable reductions in our cash cost structure
- Manage base production decline and reduce downtime
- Deferral and renegotiation of exploration commitments
- Selectively capture the benefits of further supplier market deflation

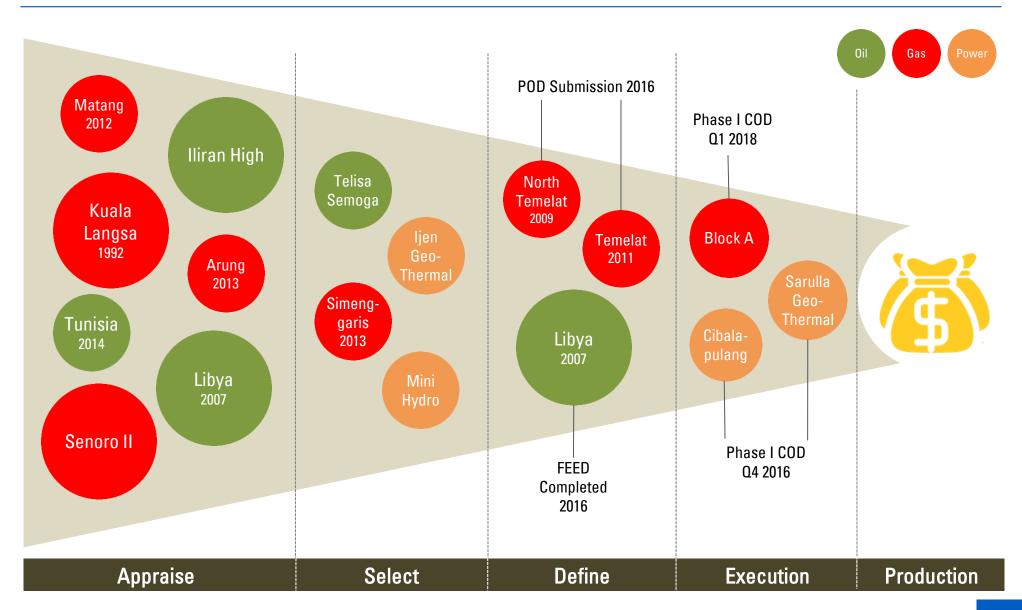
#### Well balanced 2P reserves



- Large well balanced 2P reserves backed by a strong resource base
- Monetize our resources through capital discipline and project execution
- Prioritize domestic projects for early cash generation
- Focus on lower risk, cost effective near field resources and exploration

## Healthy project pipeline

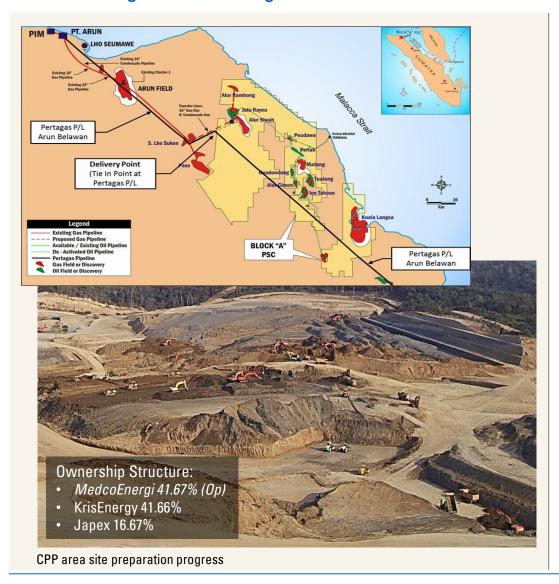




### Block A Aceh Phase I – Gas Development



#### Monetizing 237 TBTU of gas and 5.17 MMBO of condensate for domestic market



- EPC-1 contract of US\$240 million awarded to JEC, a consortium of PT JGC Indonesia and PT Encona Inti Industri. EPC-2 contract of IDR 279.5 billion awarded to PT Kelsri.
- Engineering, procurement, and construction work is progressing well. Critical land acquisition completed.
- Total project investment until first gas is US\$540 million. First gas Q1 2018.
- GSA with Pertamina, for delivery of 198 TBTU over 13 years (58 BBTUPD).
- Proactive engagement with local community (hospital handed over).
- Additional gross potential resources of up to 1.6 TCF from Kuala Langsa and Matang.
- Completion of Japex's 16.67% interest acquisition is expected in October. Thereafter Medco will hold 58.34% operating interest.

### Sarulla Phase I – Geothermal Power Development



#### The largest single-contract geothermal power project in the world



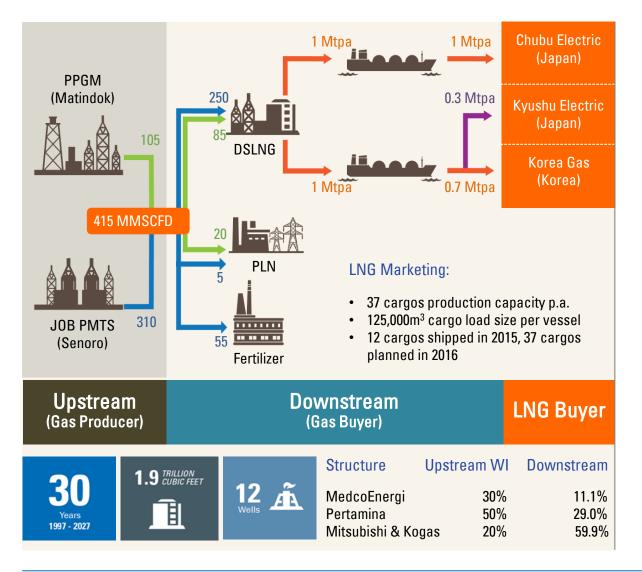


- Located in Tapanuli Utara district, North Sumatra with contracted capacity of 3X110MW.
- 30 years Energy Sales Contract with PT PLN with Take or Pay 90% capacity factor. Joint Operating Contract with PT PGE.
- Ownership:
  - MPI (18.9975%),
  - INPEX (18.2525%),
  - ORMAT (12.75%),
  - \_ ITOCHU (25%),
  - **KYUSHU (25%)**
- Total project investment cost of US\$1.6 billion.
- Secured project financing of US\$1.17 billion for 20 years with JBIC, ADB, and 6 commercial banks.
- As of September 2016 Phase I and Phase II power plant construction progress have reached 95.8% and 51.8% respectively.

### Senoro Phase II – Gas Development



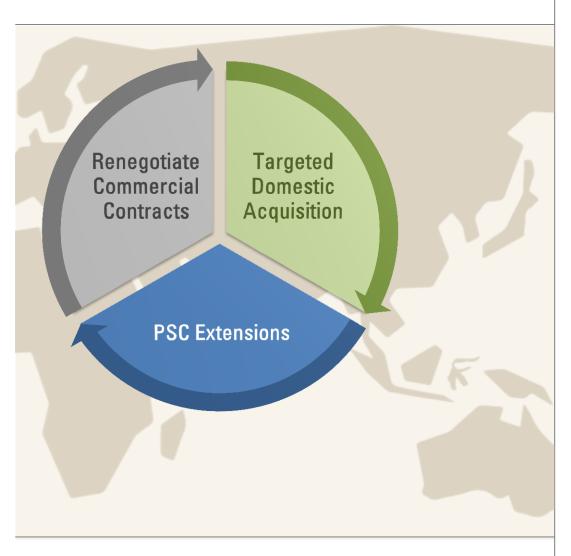
#### Enhancing the Senoro Upstream/Downstream LNG Value Chain



- Senoro Phase I existing proven reserve 1.4 TCF, COD in June 2015.
- Producing 323 mmscfd as of 9M16.
- Potential upside from North and South Senoro 500 BCF – 1 TCF.
- Senoro Phase 2 projected to increase production to above 400 mmscfd.

### Leveraging MedcoEnergi's strong domestic position ...





- Strong track record in obtaining PSC extensions (2001 – Rimau, 2010 – South Sumatra, Block A, Bawean, 2016 – Lematang).
- With commodity prices projected to remain low, there will be opportunities to acquire domestic resources.
- Medco will create value by evaluating each opportunity against our return and profitability benchmarks.
- The acquisition of PT Newmont Nusa Tenggara and South Natuna Sea Block B are excellent examples of how targeted domestic resource acquisitions can create value for the Company's stakeholders.

### Overview: PT Newmont Nusa Tenggara



#### Leveraging MedcoEnergi's strategic position for value creation





Batu Hijau mine

- Transaction closing expected in October 2016
- 87,000 ha Copper & Gold mine located SW Sumbawa Island, W. Nusa Tenggara Province, 550 m above sea level. 81 km from Mataram town
- 4th generation CoW signed 1986, for 30 years operation from start of production in 2000
- Producing Mine

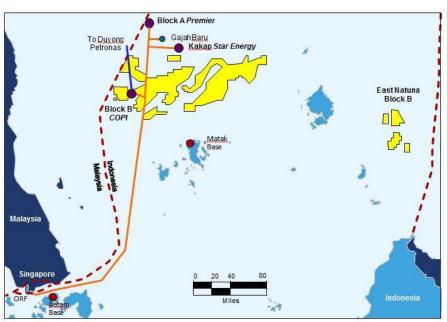
Batu Hijau Mine	Copper	Gold	
Proved Reserves	2.6 bil lbs	2.7 mil oz	
Resources	10.3 bil lbs	13.9 mil oz	
2015 Production	239.6 mil lbs	0.3 mil oz	
Facilities	120,000 tpd processing facility, grinding facility, pipe assembly facilities for tailings management, warehousing, 158 mw coal-fired powerplant, port with ferry terminal, air services and town site for housing and school		

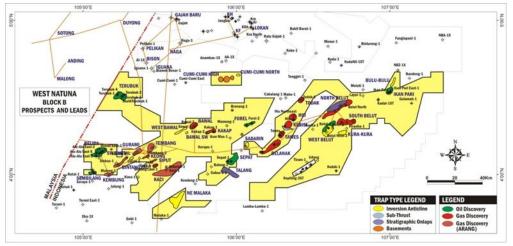
 Potential Development: Elang with est. resources 12,945 mil lbs copper, 19.7 mil oz gold with potential to produce 300-430 mil lbs copper and 0.35-0.60 mil oz gold annually

### Overview: South Natuna Sea Block B (SNSB)



### Leveraging MedcoEnergi's strategic position for value creation





- An offshore PSC located in the South Natura Sea with world class operating scale and large hydrocarbon base (gross 3P resources > 569 mmboe)
- Current Ownership Structure:

MedcoEnergi : 40% (Operator)

• INPEX : 35% • Chevron : 25%

- Current gross production: 266 mmcfd gas, 5 kboepd LPG, 19 mboepd oil/condensate (28 mboepd net)
- SNSB is Operator of the PSC and the West Natuna Transportation System (WNTS), a 650 km natural gas pipelines, which services gas sales from 3 producing PSCs in the South Natuna Sea to the Onshore Receiving Facility in Singapore
- Strong net cash flow linked to attractively priced gas sales agreements into premium markets
- In place gas-liquids processing, storage and export infrastructure with additional capacity for future expansion
- Best in class Health, Safety, and Environmental Records
- Highly experienced and proven operating team of 800 employees and 320 contractors



- Increased production in 9M16 by 21% to 63.9 mboepd
- 9M16 Revenue and EBITDA increased despite lower average realized price of oil and gas
- Reduced oil and gas cash cost per BOE by 28%
- Full year outlook on track with 2016 Guidance
- US\$181.5 million EBITDA as of end of 9M16
- US\$10/bbl oil price increase generates additional \$45 million cash available for debt service
- Raised Rp 2.5 Trillion from a Rp 5 Trillion Shelf-Registered IDR Bond program
- Added value from targeted domestic acquisitions and portfolio renewal; management focused now on integration
- Healthy project pipeline to monetize resource base and organic reserve replacement
- Sustainable reductions in our cash cost structure



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