

# Providing Energy for Life

MedcoEnergi Company Profile



**MEDCOENERGI**



Table of Contents

1	Vision and Mission; Company Strategy
2	Milestones
4	Working Areas
6	Oil and Gas
	Exploration and Production
	Liquified Petroleum Gas (LPG)
10	Chemicals
12	Power
14	Drilling Services
16	Renewable Energy
18	Technology
20	Human Resources
22	Safety, Health & Environment
24	Corporate Social Responsibility
26	Expanding the Horizon
28	Shared Values



## Vision

The Energy Company of Choice

## Mission

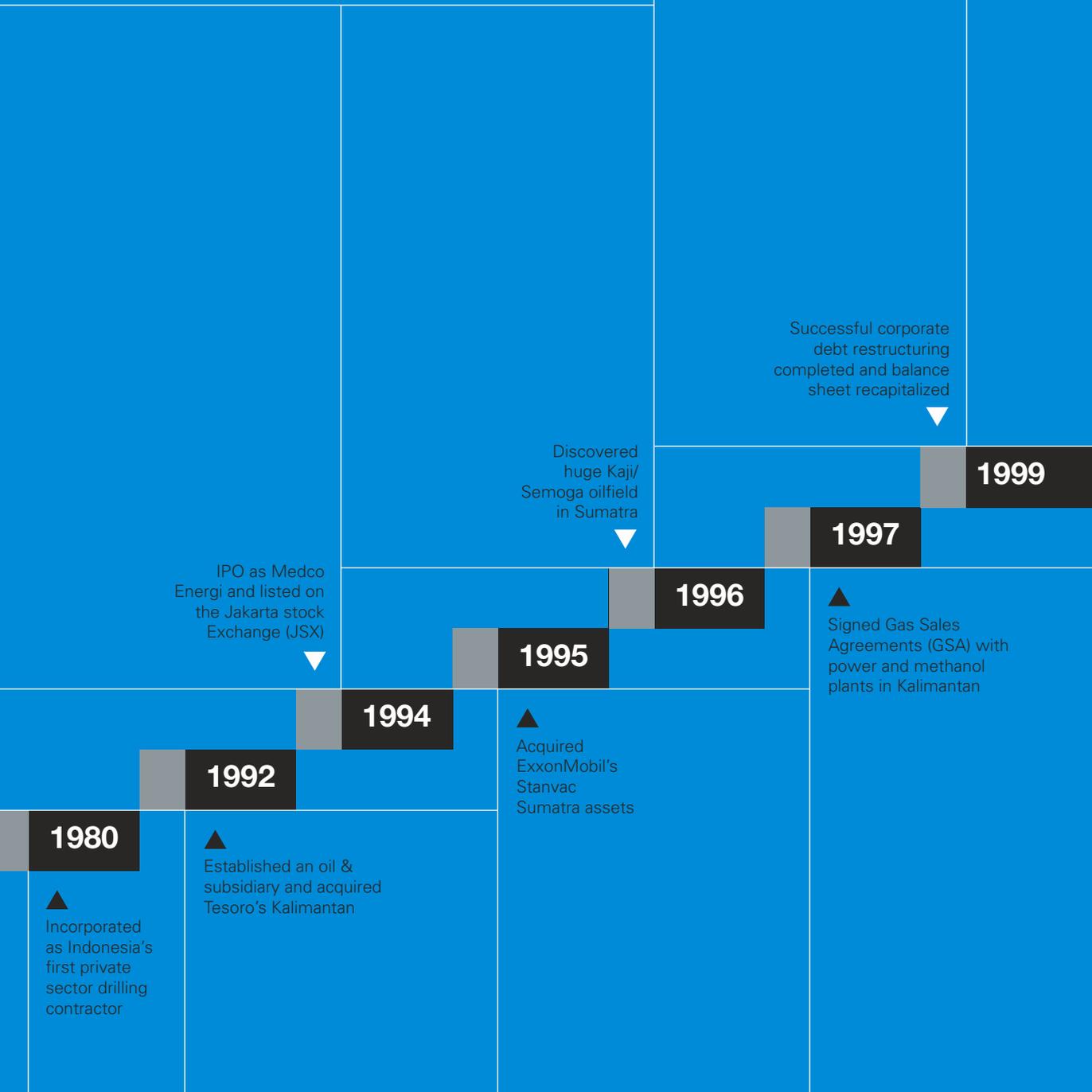
To develop energy resource potentials into profitable investment portfolios

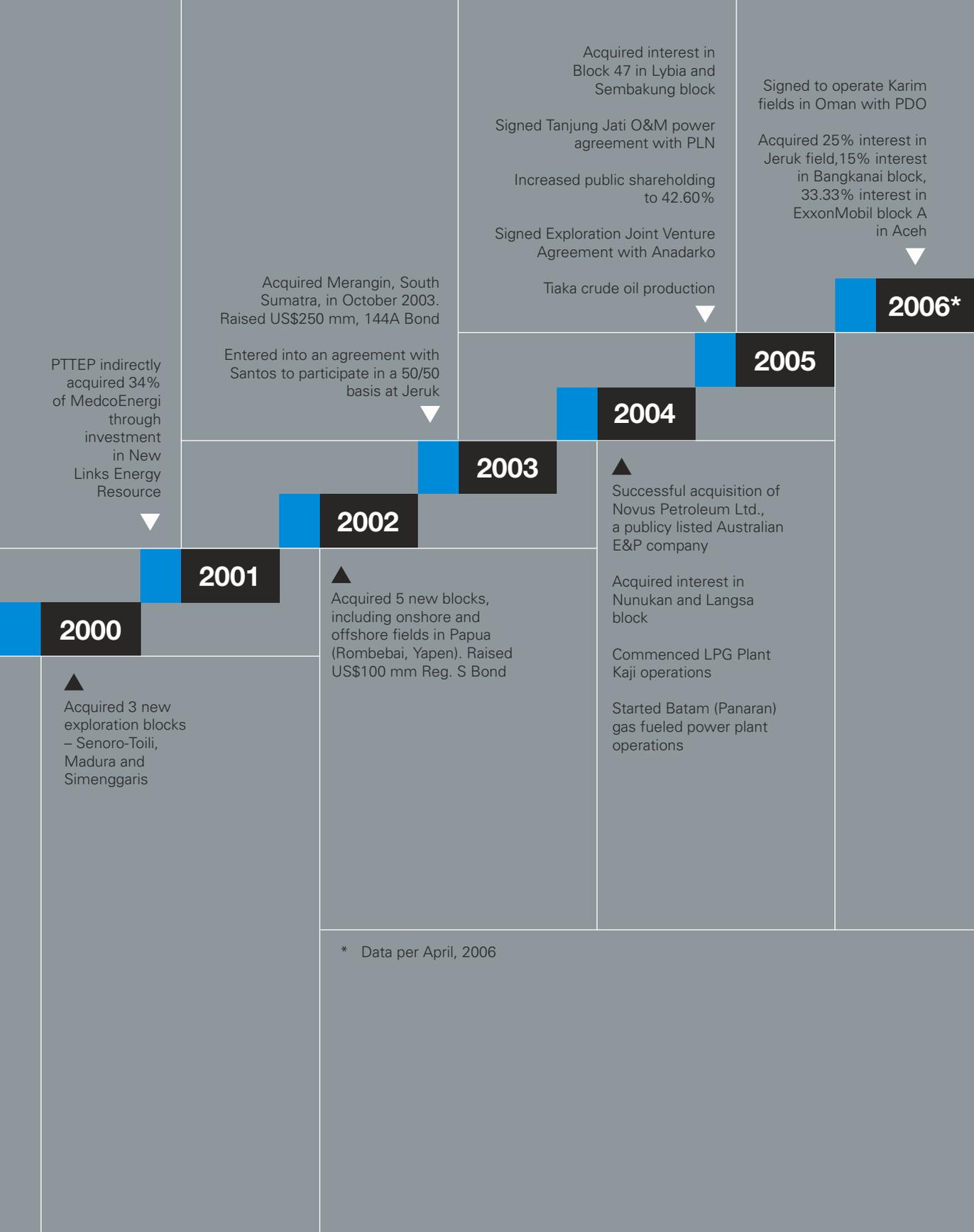
## Company Strategy

To become the leader in the Indonesian energy industry through the implementation of the seven strategic objectives, which primarily focus on the oil and gas exploration and production activities. The seven strategies are:

- Replace or add reserves through acquisition and exploration.
- Replace and increase production volumes through the development of reserves.
- Develop new market for uncommitted gas.
- Maintain financial flexibility and conservative financial structure and cost control.
- Build strategic alliances with international operators.
- Ensure support from local community.
- Focus on maintaining Good Corporate Governance standards.

# Milestones





PTTEP indirectly acquired 34% of MedcoEnergi through investment in New Links Energy Resource

Acquired Merangin, South Sumatra, in October 2003. Raised US\$250 mm, 144A Bond

Entered into an agreement with Santos to participate in a 50/50 basis at Jeruk

Acquired interest in Block 47 in Lybia and Sembakung block  
 Signed Tanjung Jati O&M power agreement with PLN  
 Increased public shareholding to 42.60%  
 Signed Exploration Joint Venture Agreement with Anadarko  
 Tiaka crude oil production

Signed to operate Karim fields in Oman with PDO  
 Acquired 25% interest in Jeruk field, 15% interest in Bangkanai block, 33.33% interest in ExxonMobil block A in Aceh

**2000**

▲ Acquired 3 new exploration blocks – Senoro-Toili, Madura and Simenggaris

**2001**

**2002**

▲ Acquired 5 new blocks, including onshore and offshore fields in Papua (Rombebai, Yapen). Raised US\$100 mm Reg. S Bond

**2003**

**2004**

▲ Successful acquisition of Novus Petroleum Ltd., a publicly listed Australian E&P company

**2005**

Acquired interest in Nunukan and Langsa block

Commenced LPG Plant Kaji operations

Started Batam (Panaran) gas fueled power plant operations

**2006\***

\* Data per April, 2006

# Working Areas

MedcoEnergi is proud to take an active role in the development of Indonesia's energy sector. In upstream business, MedcoEnergi manages exploration and production fields in Indonesia, as well as overseas. Meanwhile, MedcoEnergi's downstream business remains to focus in serving the Indonesian market.



	Indonesian	International
<b>Exploration and Production</b>		
Exploration	9	1
Production	11	3
Services	-	1
<b>Drilling Services</b>		
Onshore	10	-
Offshore (Swamp barge)	4	1
<b>Chemicals (Methanol)</b>	1	-
<b>LPG</b>	1	-
<b>Power</b>	3	-

**Legends**

-  Exploration
-  Production
-  E&P Contract Services
-  LPG Plant
-  Power Plant
-  Methanol Plant



# Oil and Gas



# Building knowledge and competence in energy exploration and production

MedcoEnergi is proud to be the first Indonesian company operating in the oil and gas exploration and production business listed in the Jakarta Stock Exchange since 1994. It was back in 1992, when MedcoEnergi entered into the business, through the acquisition of a relatively small oil field in East Kalimantan area, from Tesoro, a US based oil company, producing 5,000 barrels of oil per day, which subsequently yielded significant gas reserves supplied to nearby power and methanol plants. Being the industry's newcomer and surrounded by international competition, MedcoEnergi was determined to quickly build a strong knowledge and competence base, to continuously improve its competitive position.

The learning curve was greatly accelerated when MedcoEnergi in 1995 acquired 100% shares of PT Stanvac Indonesia (Stanvac)

from ExxonMobil. Stanvac held 100% working interests of three blocks, primarily located in Central and South Sumatra, with production of around 11,000 BOPD. The success of such acquisition was followed by the discovery of Kaji Semoga fields in Rimau Block, which has been recognized as Indonesia's most significant oil discovery in the 90's.

Today, MedcoEnergi holds working interests in various exploration and production blocks in Indonesia and overseas, producing more than 21 million barrel of oil and 61 billion cubic feet of gas annually. The Company's Indonesian operations span from Aceh in Indonesia's western border to Papua in the eastern territory. Looking beyond borders, MedcoEnergi continues to expand its operations, from the current working areas in the United States, Lybia, and Oman.

## Oil and Gas



# Toward maximum utilization of flare gas

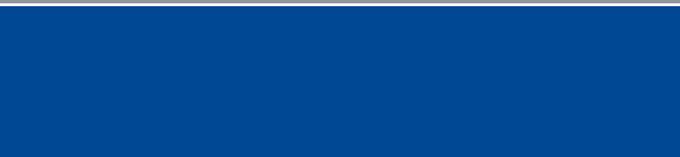
MedcoEnergi's strong commitment to responsible and productive energy management is signified by the official inauguration of the Company's first LPG Plant in December 2004 in South Sumatra. Operated by the Company's subsidiary, PT Medco LPG Kaji, the LPG Plant has started its operation since April 2004.

The plant is capable to process 20 MMCFD of flare gas and to produce about 200 metrics tons of LPG per day. Through the commencement of the LPG plant, MedcoEnergi is not only able to generate additional income from the LPG sold to Pertamina, but also to enhance utilization of its previously flared gas from the nearby Kaji Semoga fields.

Besides the plant's operational excellence, MedcoEnergi is also satisfied with the rigorous safety standards implemented throughout the plant facilities, resulting in 1.5 million manhours with no lost time accident since early 2003. Such strict standards in safety, health, and environment (SHE) are critical for sustainable and productive operation of the LPG Plant and other operations area.

Going into the future, the Company continues to explore opportunities for responsible and productive use of its energy reserves, and ultimately to create values to all of its stakeholders.

# Chemicals



# Turning gas reserves into values

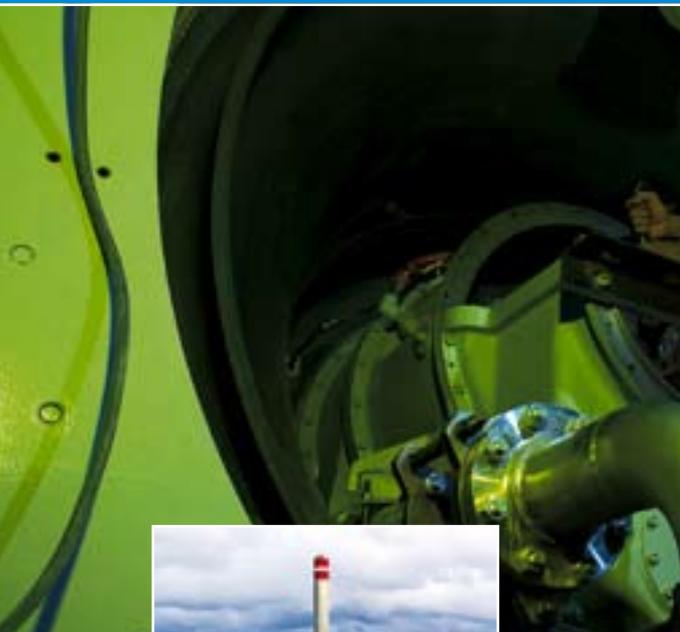
MedcoEnergi embarked on downstream activities with the founding of PT Medco Methanol Bunyu (MMB) in 1997.

Following its establishment, MedcoEnergi signed an agreement with Pertamina to operate Bunyu Methanol Plant for 20 years period starting in April 1997. The plant converts natural gas into methanol, with an installed capacity of 330,000 metric tons per year. Bunyu product, pure Methanol US Grade AA, is well known world wide for its quality.

The plant operation provides MedcoEnergi with not only an expanded downstream horizon, but also an outlet up to 30 MMCFD for its natural gas production from Tarakan PSC area, which is located adjacent to Bunyu Island. Until today, Tarakan PSC area serves as the major gas feedstock supplier.

As part of MedcoEnergi management, MMB ensures that safety is top priority. Until September 30, 2005, the Company has reached more than 24,000,000 working hours without loss time accident (LTA) and received Zero Accident Award from the Indonesian Government since 1986. In addition to this achievement, in complying with Good Environmental Governance, the Company has received "Green Flag" for PROPER program by the Ministry of Environment in March 2005, which supported by competent human resources. Going forward, MMB is looking ahead with confidence to provide fine quality petrochemical supply to domestic and regional markets.

# Power



# Exploring opportunities in downstream energy business, in pursuit of optimum gas monetization

MedcoEnergi's latest expansion is the Company's entrance into the power generation business, so that to monetize its gas production.

In October 2003, MedcoEnergi purchased 5% shareholding interest in PT Energi Sengkang, the operator of the 135 MW gas fired Sengkang Electricity Power Plant located in South Sulawesi.

Established in 2004, PT Medco Power Indonesia currently manages a 55 MW Panaran Gas Power Plant in Batam Island, in joint partnership with PT PLN YPK, a subsidiary of State Electricity Company (PLN). To support the increasing demand, the power plant capacity will be upgraded to 85 MW in 2006, through the use of non-polluting combined power generation; upgrade is partially made possible through innovative financing for the encouragement of clean energy in Indonesia.

Our involvement in future large power increased considerably when in September 2005, PT PLN entrusted the operation and maintenance of its 2x660 MW, Tanjung Jati B Power Plant to the consortium of MedcoEnergi and Fortum Service (a US Company) for a 23-year contract period.

Going forward, the Company is determined to build a sustainable path of business growth by expanding into the broader spectrum of power industries, encompassing not only the power generation segment, but also the operation and maintenance segment. All such efforts are geared toward providing ample and affordable electricity as one of the key infrastructures to support the economic growth. Hence our aspirations: Electricity for prosperity could be realized.

## Drilling Services



# Delivering superior performance in drilling services

MedcoEnergi manages its drilling services operations through its subsidiary, PT Apexindo Pratama Duta Tbk. Bringing high standards of expertise and quality service in the oil and gas industry, Apexindo has rapidly developed into a leading drilling contractor in Indonesia, and perhaps even in Southeast Asia since its establishment in 1980.

Started out by providing offshore drilling services, in 2001 Apexindo merged with its sister company, PT Medco Antareja, which was Indonesia's largest onshore drilling contractor in terms of horse power capacity. As the surviving company, the merger strengthened Apexindo's position as a leading offshore and onshore drilling services provider.

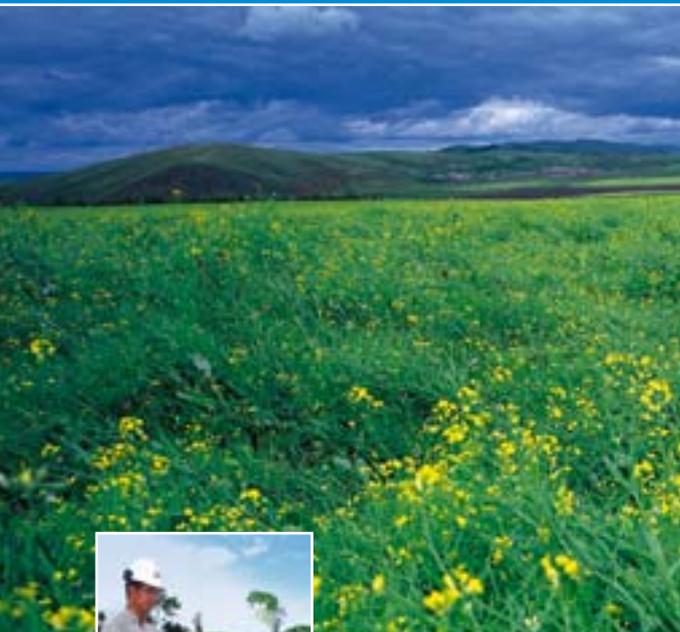
In July 2002, Apexindo engaged in a successful initial public offering of shares to firmly set its drilling service expansion program in motion. Apexindo became the first drilling contractor to be listed in the Jakarta Stock Exchange. The offering was significantly oversubscribed that indicated a measure of confidence for Apexindo's business.

Today, Apexindo owns and operates 5 offshore rigs (4 of them are swamp barge rigs) and 10 onshore rigs, serving major oil companies throughout Indonesia and overseas, including Total E&P Indonesia, VICO, Unocal, Pertamina and Statoil.

Supported by professional human resources, advanced technology and rigorous safety standard, Apexindo continues to grow its business with grand reputation. The Company's recent accomplishments includes the Letter of Commendations from Unocal and Statoil for excellent performance of Apexindo's personnel. Apexindo was also one of the six finalists who received Chief Executive HSE Award from Statoil, in addition to an award for "The Most Caring Company in 2004" for the category of mining, oil & gas and service company presented by one of Indonesia's leading business magazines. Lastly, Apexindo has always taken pride in the Certificate of Appreciation from the Minister of Manpower and Transmigration for consistent performance on Zero Lost Time Accident.

Looking ahead, with the support of our modernized fleet of offshore and onshore drilling rigs, Apexindo is confident to provide excellent, integrated drilling services to our domestic and international clients, to maintain a healthy path of business growth and to become a reputable drilling contractor.

# Renewable Energy



# Pursuing Energy Diversification, Ensuring Sustainability

Exploration for renewable energy has become increasingly vital, amidst the world's soaring energy demand, while the sources of fossil-based energy continues to diminish. In the pursuit to become the Energy Company of Choice, MedcoEnergi has taken up the challenges of exploring renewable energy, in cooperation with the Ministry of Research and Technology and other organizations.

Through joint research and development programs, MedcoEnergi focuses its efforts in two areas: Fuel Cell and Bio-fuels. In Fuel Cell development, initial studies on potential types and applications of fuel cells are currently in progress. While studies on Bio-fuel are geared toward the development of Indonesia's first multi-feedstock bio-ethanol production facility in Lampung.

MedcoEnergi is confident that these efforts will enhance the Company's knowledge and expertise in renewable energy, and ultimately, enable the Company to diversify its energy resources.

# Technology



# Achieving continuous performance improvement through technology

Technology has been instrumental in providing MedcoEnergi with necessary tools and information, in the pursuit of continuous performance improvements.

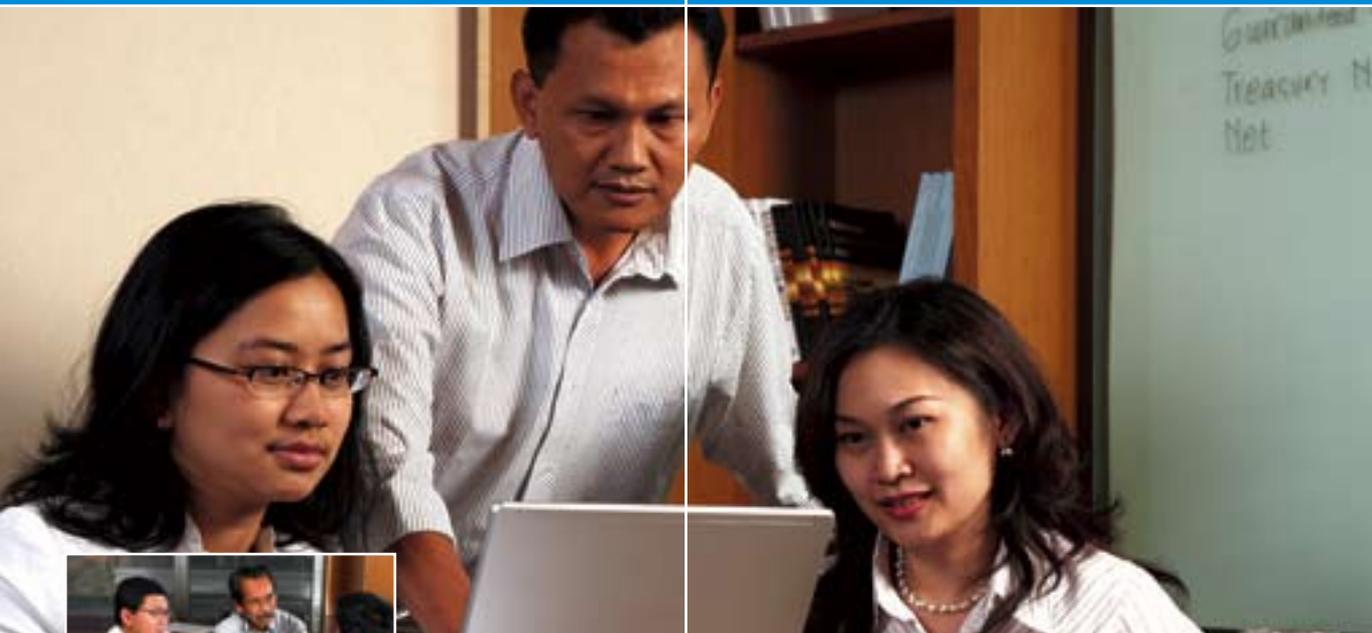
In the upstream business, a new production system has been installed to enable our engineers to prepare comprehensive and accurate production planning, monitor the realization, and ultimately, providing sustainable supply of energy.

To strengthen its drilling fleet, the Company has recently acquired two new offshore rigs, namely Raissa and Yani, equipped with sophisticated operation and control instruments to ensure efficient, reliable and safe drilling operations. These new rigs are currently working for Total E&P Indonesia to support its offshore drilling program in East Kalimantan.

Besides pursuing operational excellence, MedcoEnergi's investment in technology is also geared toward achieving synergy among business units through integrated planning and performance monitoring.

The Company has recently completed the implementation of an Enterprise Resource Management (ERP) system using SAP, a world-class ERP solution provider. Using SAP, management planning and control are conducted in an integrated manner, from financial management to plant maintenance, HR Management and financial reports consolidation.

# Human Resources



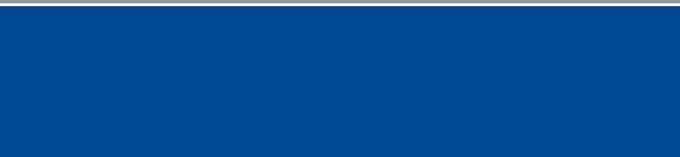
# Fostering conducive working climate and developing capabilities to bring the best of our people

MedcoEnergi believes that, despite large IT investments in tangible assets such as oil producing blocks or IT System, it is the investment on people that will determine the success of the Company.

Through integrated HR management, the Company is committed to attract, develop, motivate and maximize employee performance and productivity. Furthermore, to maintain the highest level of capabilities, MedcoEnergi continuously provides both in-house and outsourced enhancement and certification training.

Besides technical competence, the Company is keenly committed to fostering a working culture that is based on MedcoEnergi values: professional, open, ethical, innovative, and a solemn concern for safety, health and environment (SHE).

# Safety, Health & Environment



# Rigorously maintaining the highest standard of Safety, Health and Environment

Ensuring stringent implementation of SHE standards is paramount at MedcoEnergi. The Company believes that implementing such standards is critical not only for our people's sake, but also for winning the competition in the domestic and international market. The SHE Standards encompasses guidelines for safety management, safety certifications, ensuring compliance on safety equipment and instruments and building a safety culture.

Throughout the year, MedcoEnergi earned various recognitions in safety, health and environment management, including the Certificate of Appreciation from the Minister of Manpower and Transmigration for consistent performance of zero loss time accident.

MedcoEnergi has also been taking active roles in ensuring environmental-friendly operations. "Zero discharge" policy has long been adopted by the Company in its drilling operations, while implementing a progressive "clean air" standards for the Company's methanol plant at Bunyu Island, East Kalimantan.

# Corporate Social Responsibility



# Building partnerships for growth

As a responsible corporate citizen, MedcoEnergi firmly believes that programs on Corporate Social Responsibility (CSR) should not be implemented because of compliance rules, but should be implemented out of a sincere dedication to building strong and sustainable partnerships between the Company and the local communities to achieve a common goal of prosperous coexistence. The CSR programs encompass in clean environment, economic empowerment, business ethics, community development and corporate philanthropy. Activities in business ethics area are focused in ensuring that every aspect of its operations are in compliance with the Company's Code of Conduct and the prevailing laws and regulations. Along with growing number of international shareholders, the Company also intensified its commitment to ensure conformity with international rules and standards.

In education sector, MedcoEnergi supports the efforts to ensure free access to elementary education for all children, particularly less-fortunate children. MedcoEnergi has been actively involved in enhancing the facilities of an elementary school in Bojonegara, Banten, by renovating the building and providing several units of personal computer. While in South Sumatra, the Company has also been instrumental in helping local communities to improve their elementary school facilities.

Besides education, MedcoEnergi has also been supporting the empowerment programs, particularly in the areas of grass-root economic development, in cooperation with the local governments. Through these programs, small-scale enterprises are provided with basic management knowledge such as production cost and pricing calculations, budget preparation and monitoring, as well as quality control.

# Expanding the Horizon



# Turning Opportunities into Values

Moving forward, MedcoEnergi reaffirms its steadfast commitment to continue exploring opportunities within the increasingly prospective energy industry, and turning them into values for shareholders and stakeholders. This will be achieved through the implementation of growth strategies that include replacements and additions of reserves through explorations and acquisitions, fostering alliance with international operators and prudent entrance into Power, Geothermal, Infrastructure and Renewable Energy sector.

Internally, MedcoEnergi continues to strive for improving operational efficiency and productivity, upholding stringent Good Corporate Governance (GCG) standard and maintaining conservative financial structure.

These efforts has resulted in strengthened investors' confidence, as reflected in recent favorable ratings by domestic and international rating companies and recognitions on excellent GCG practices from Indonesia's capital market community.

Capitalizing on past performance and achievements and supported by competent and professional human resources, MedcoEnergi is confident to achieve the vision of becoming "The Energy Company of Choice" within the foreseeable timeframe.

# Shared Values



## *Professional*

- Competent in your area of expertise
- Having a "champion spirit"
- Always seek self-improvement
- Having professional ability and knowing your limit

## *Ethical*

- Conducting business fairly, with moral integrity
- Applying the highest ethical standards at all time
- Understanding and following the Company's ethics and Good Corporate Governance policies

## *Openness*

- Encouraging informality and openness in communications at all levels
- Building environment and feeling of trust among the employees and management in MedcoEnergi Group
- Open-minded, respectable manner and excellent work ethics

## *Innovative*

- Building a culture of "trail-blazers"
- Continuous search for innovative solutions to achieve better, safer, cost-effective, and faster outcomes
- Having intellectual maturity

