

MEDCOENERGI

# Investors' Update

PT Medco Energi Internasional Tbk.

August, 2006

[www.medcoenergi.com](http://www.medcoenergi.com)

Energy Company of Choice

# 1. Introduction

2. Highlights

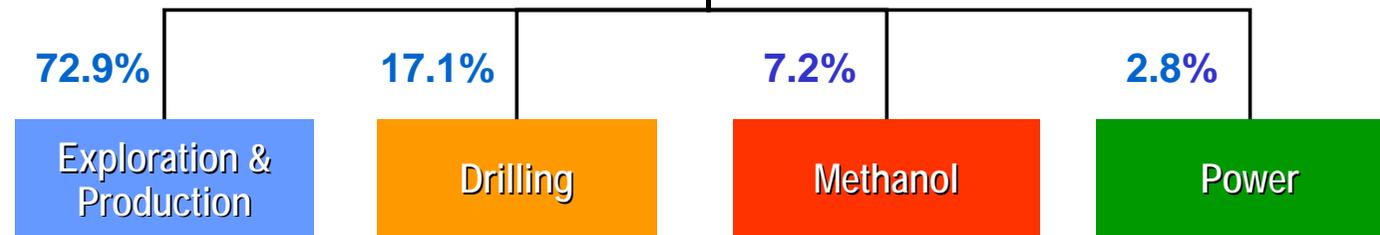
3. Financials

4. Operations

5. 2006 Outlook



## Highlights Revenue Contributions

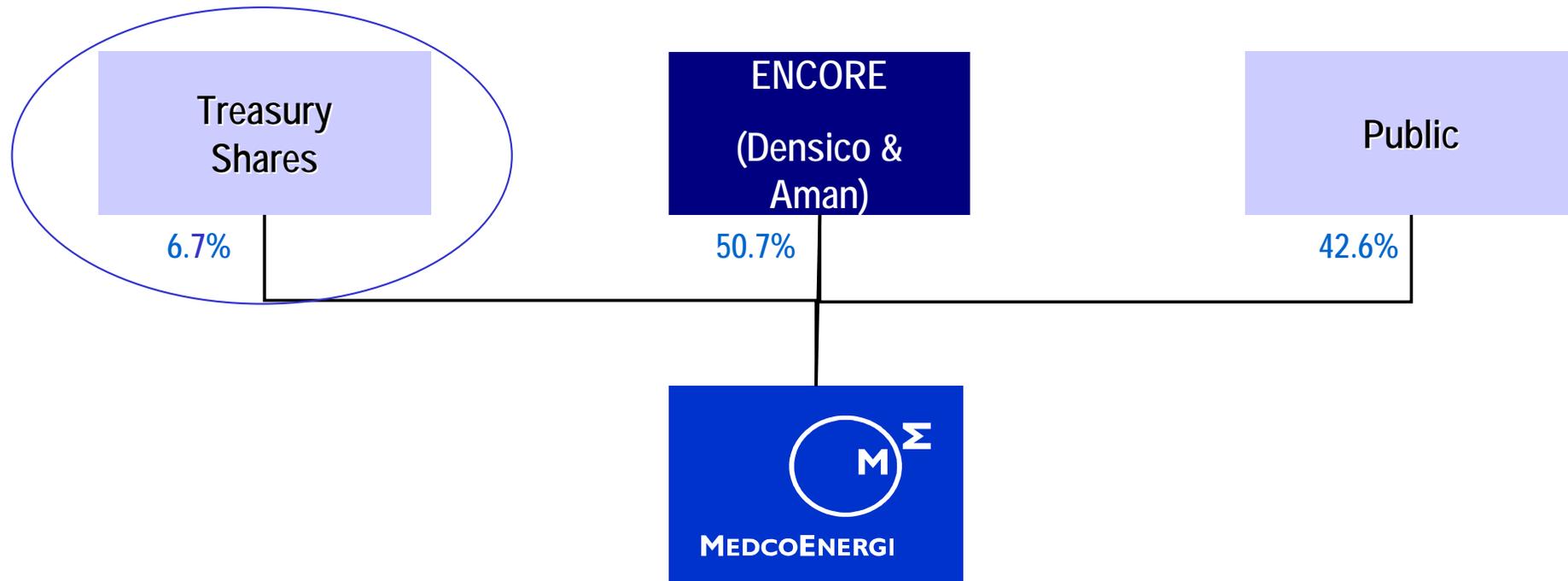


- E&P Oil and Gas focused company, supported by onshore and offshore drilling operations, expanding to power opportunities.
- Strategic assets spread across Indonesia's prolific hydrocarbon bearing basins.
- Reserves Portfolio (per January 1, 2006):
  - Gross 1P reserve – 173 MMBOE (68% oil, 32% gas)
  - Gross 2P reserve – 532 MMBOE (35% oil, 65% gas)

# Ownership Structure



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- Medco (MEDC IJ) is listed in Jakarta Stock Exchange and Luxembourg (GDS)
- Market Capitalization ~ USD 1.25 billion (at IDR. 3,475/share and IDR 9,235)
- Number of shares 3,332,451,450

Note: as of June 30, 2006



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- **Medco won bid to operate** a cluster of 18 fields in Nimr-Karim area in south of Oman (“**Karim Fields**”) under a service agreement. (see page 22)
- Jeruk acquisition completed. **Jeruk field** is currently undergoing further appraisal drilling. (see page 18)
- **15% farm-in at Bangkanai Block** (Central Kalimantan). (see page 19)
- In March signed 2 new gas contracts:
  - HoA with Mitra Energi Buana for 6 BCF of gas, **average price of USD 3.10/mmbtu**, from 2007 – 2013
  - MoU with Petromuba for 2.1 BCF, from 2007 - 2010
- Acquired 50% **Block A from Exxon-Mobil**, North Sumatra. (see page 20)
- PT Medco Energi Internasional issued **Convertible Bonds** to be converted in Treasury Shares of the Company valued at Approximately **USD 177 million**.
- Acquired 43.75% working interest in **Mustang Island Block 758**, located offshore of Texas.

# Oil and Gas Operations



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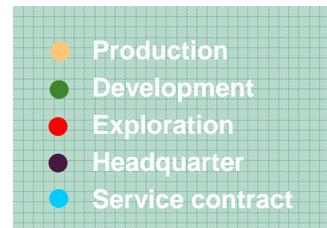


Medco Energi's E&P operations:

- 14 producing blocks/operations
- 3 development blocks
- 9 exploration blocks
- 1 service contract

Major assets are:

- ❖ Rimau, SS Extension and Kampar (oil production)
- ❖ Senoro – Toili (gas reserves)



Diversified block portfolio with strategic locations next to Java, Sumatra and Singapore

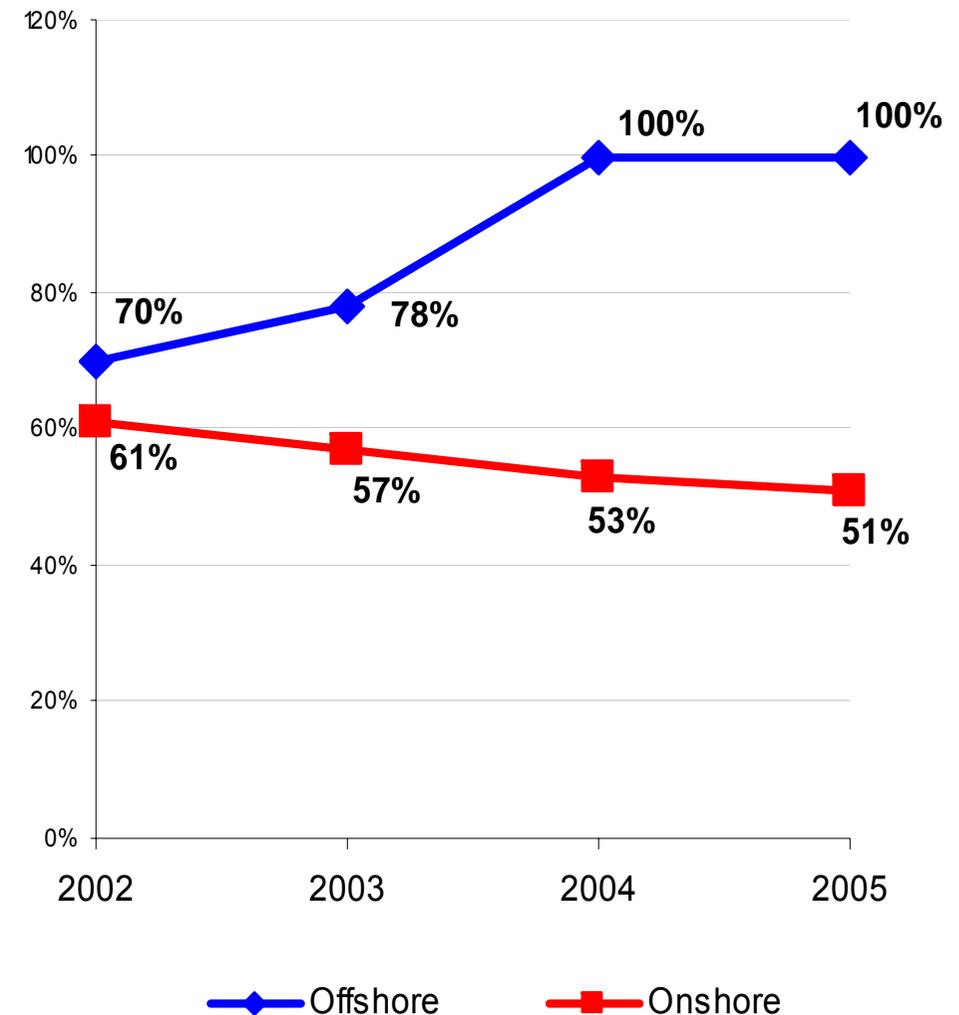


52%

## PT Apexindo Pratama Duta Tbk. (onshore / offshore drilling)

- ◆ Incorporated in 1991.
- ◆ Operates 5 offshore rigs (1 additional jack-up rig scheduled operating in early 2007).
- ◆ Currently operates 9 onshore rigs.
- ◆ Key long term clients like Total ensure high utilization.
- ◆ Revenue of USD105.9 M in FY05.

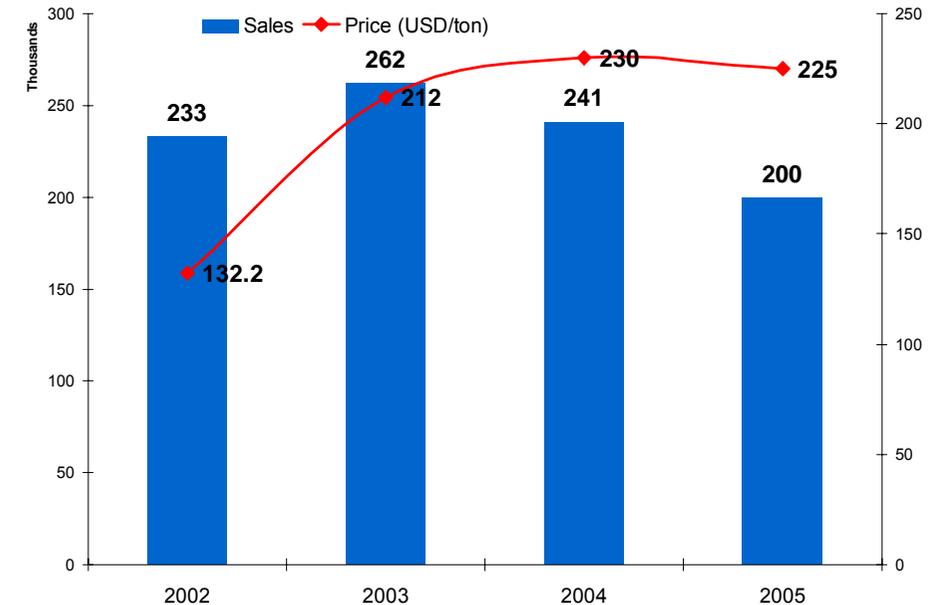
Average Utilization



## Methanol Business Overview

- Lease and operate a Methanol Plant owned by PERTAMINA.
- Plant location on Bunyu Island—East Kalimantan.
- 330,000 ton / annum (900 Ton/day operating capacity).
- Natural Gas feedstock from Tarakan.
- 60% exports, 40% domestic market sales.

## Methanol Sales



## Mitra Energi Batam

- Panaran I with capacity of 2x31.5 MW.

## Dalle Energi Batam

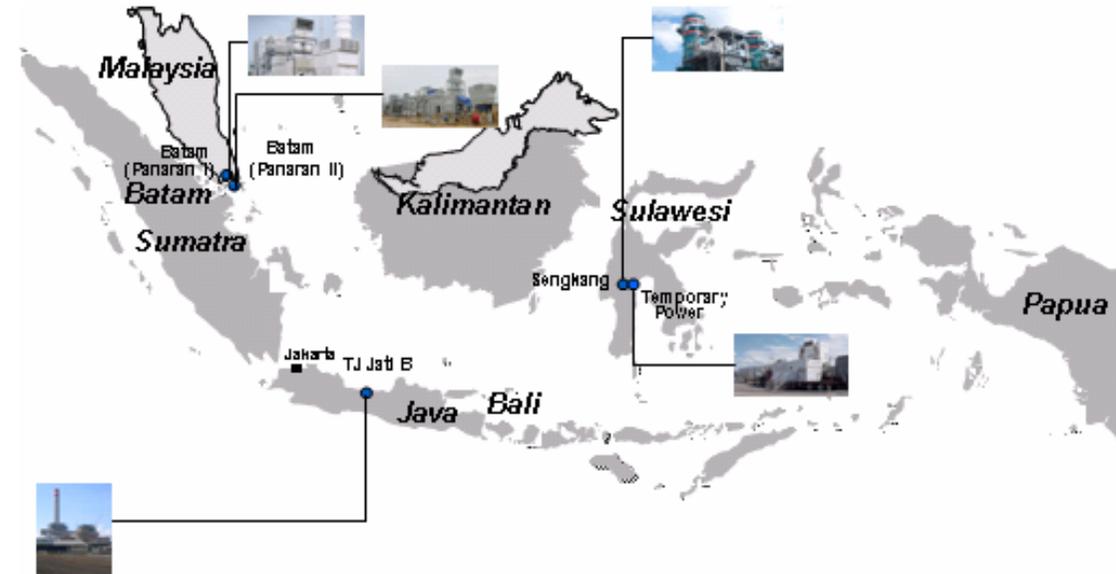
- Panaran II with capacity of 2x27.5 MW.

## Medco Power Indonesia

- Signed Taking Over Agreement of 65% shares of 2x40 MW Gas Fired Power Plant in South Sumatra.
- Signed MoU Agreement with PLN Tarakan for 20 MW Temporary Power Sengkang.

## Tanjung Jati B

- O&M Agreement has been effective as of 19 September 2005 for 23 years.
- Consortium: Medco and Fortum.



## Location

- **Kotabumi**, North Lampung, Sumatra.

## Plant Output

- **180 kiloliters** per day (1,130 boepd) or **60 million liters** per year

## General

- **Raw Material** of 396,000 MT of cassava or 236,000 MT of molasses
- **Operation** 330days per year 24 hours per day.
- **13,200 ha** of cassava plantation area, run and owned by independent farmers.



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FINANCIAL HIGHLIGHTS (in million USD)	6M06	6M05	Δ%
Revenue	372.0	294.4	26.4
Gross Profit	195.4	169.9	15.0
Income from Operations	134.6	124.8	7.9
EBITDA	191.1	168.5	13.4
Earnings Before Tax	135.9	97.6	39.2
<b>Net Income</b>	<b>55.1</b>	<b>47.7</b>	<b>15.4</b>
EPS (USD/share)	0.0177	0.0154	14.9
Equity	554.1	516.6	7.3
Total Assets	1,757.6	1,402.2	25.3
Debt to Equity Ratio	1.30	1.14	14.0
Net Debt to Equity Ratio	0.84	0.70	14.3
Total Liabilities / Total Equity	1.98	1.64	21.0



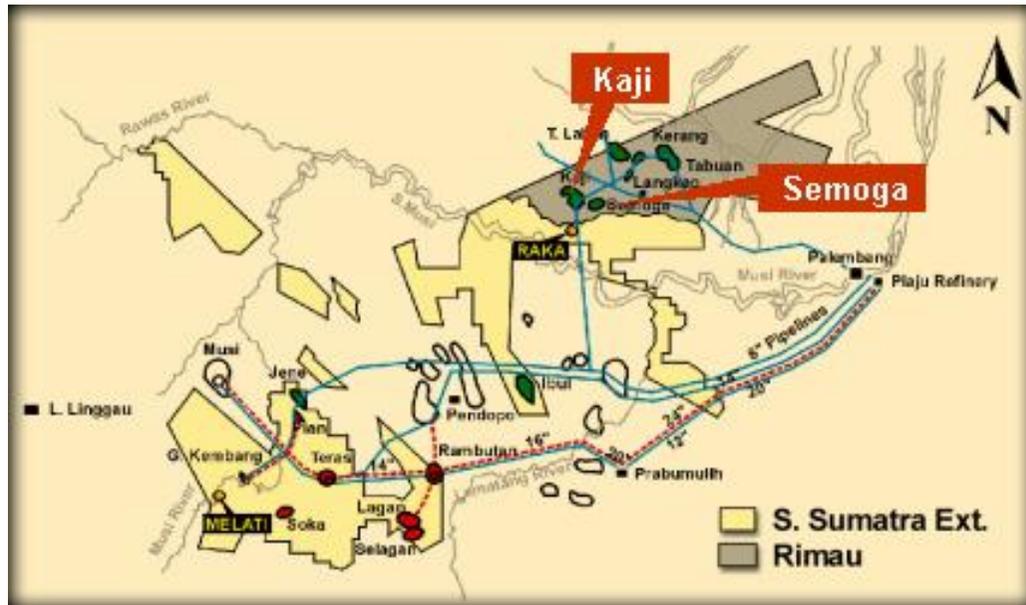
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OPERATION HIGHLIGHTS	6M06	6M05	Δ%
Oil Lifting / BOPD	58.661	54.685	7.3%
Gas Sales / MMCFD	134.91	145.09	-7.0%
<b>TOTAL Oil and Gas (MBOEPD)</b>	<b>81.72</b>	<b>79.49</b>	<b>2.8%</b>
Crude Price, USD/barrel	65.06	50.22	39.5%
Gas Price, USD/mmbtu	2.30	2.33	-1.2%
Onshore Rig Utilization (Land rig) / %	54%	42%	28.6%
Offshore Rig Utilization (Swambarges) / %	100%	100%	0.0%
Offshore Rig Utilization (Jackup) / %	100%	100%	0.0%
Methanol Production / 000' MT	93	112	-16.7%
Methanol Sales / 000' MT	87	111	-21.4%
Methanol Price, USD/MT	228	245	-6.9%
LPG / MTD	102.38	82.48	24.1%
LPG price, USD/MT	317	345	-8.1%

# Rimau PSC – Optimization of Kaji-Semoga Field



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- Average daily production **36,000 boepd** for 12M05 period.
- Contract expires on 23 April 2023, acquired from Exxon-Mobil (Stanvac) in 1995.
- Medco: 95%  
Contract oil sale to; e.g. Itochu, PTTEP and Mitsui.
- Reserves:
  - 1P 74.86 MMBO, 18.6 bcf (GCA Jan 2006);
  - 2P 93.42 MMBO, 23.9 bcf (GCA Jan 2006).
- Optimizing production efforts:
  - Completed 44 development wells FY 2005;
  - POD progress on waterflooding;
  - Study for EOR in 2006 (Schlumberger/Mitsubishi).
- An LPG plant in Kaji/Semoga to allow 200 tons/day of propane and butane production. 12M05 average daily production is 96.81 MTD.



## Numerous Developments on Senoro

- **JOB with Pertamina:** Medco 50% Pertamina 50%
- **Tiaka oil field average production FY 2005 was 850 BOPD.**
- **Company's 2P estimate 2.6 tcf (444 mmboe) of natural gas under marketing.** Medco share 222 mmboe.
- **Progress Update:**
  - Senoro 4 appraisal well completed in February, and determined non-commercial. Additional 3 wells to be drilled in 2006;
  - June '05: Exclusivity agreement to sell to mini-LNG project of an Australian-listed company (120 mmcf/d); **(exclusivity expired in September 2005)**
  - May '05: Development plan approved in 2005 for up to 230 mmcf/d (Phase I);
  - March '05: Binding-HOA to supply Ammonia Plant (reduced to 60 mmcf/d), PT Panca Amara Utama.
  - Compressed Natural Gas (CNG) as method of transportation studied.



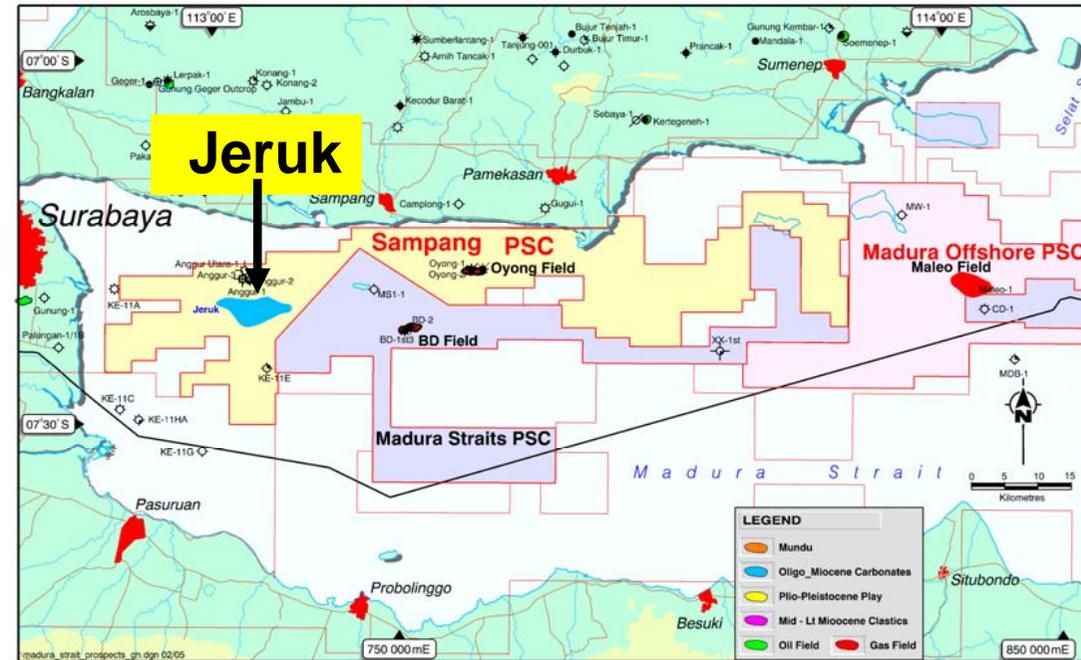
- **Upstream Development:**
  - Appoint EPC contractor from Australia to construct upstream facilities for Senoro gas reserves (2x130 mmcf/d).

# Jeruk Prospect – Update



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- Located offshore east of Surabaya, within Sampang PSC.
- Medco Economic Interest in Jeruk prospect: 22.5%.
- Contract Terms: December 4, 2027.
- Estimated Jeruk Reserve: Operator (Santos) pre-drill estimates of 170 million barrel oil 2P total reserves. Recent announcement by Santos on Jeruk-3 wells may lower the initial reserves.
- “Acquisition cost” of USD 20.25 million.
- Appraisal Activities:
  - Jeruk-3 well flowing 3,200 bopd;
  - Plan to drill 3 more appraisal wells.
- Target Depth ~5,500 m.
- Target Reservoir: Kujung Formation.
- Target production in 2008.

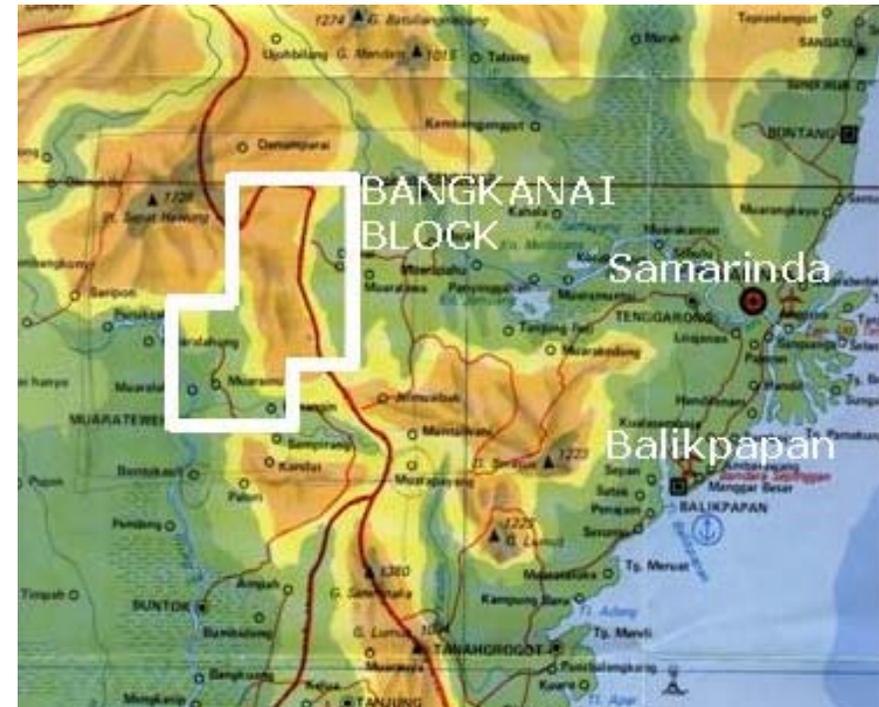


# Recent Acquisition – Bangkanai PSC

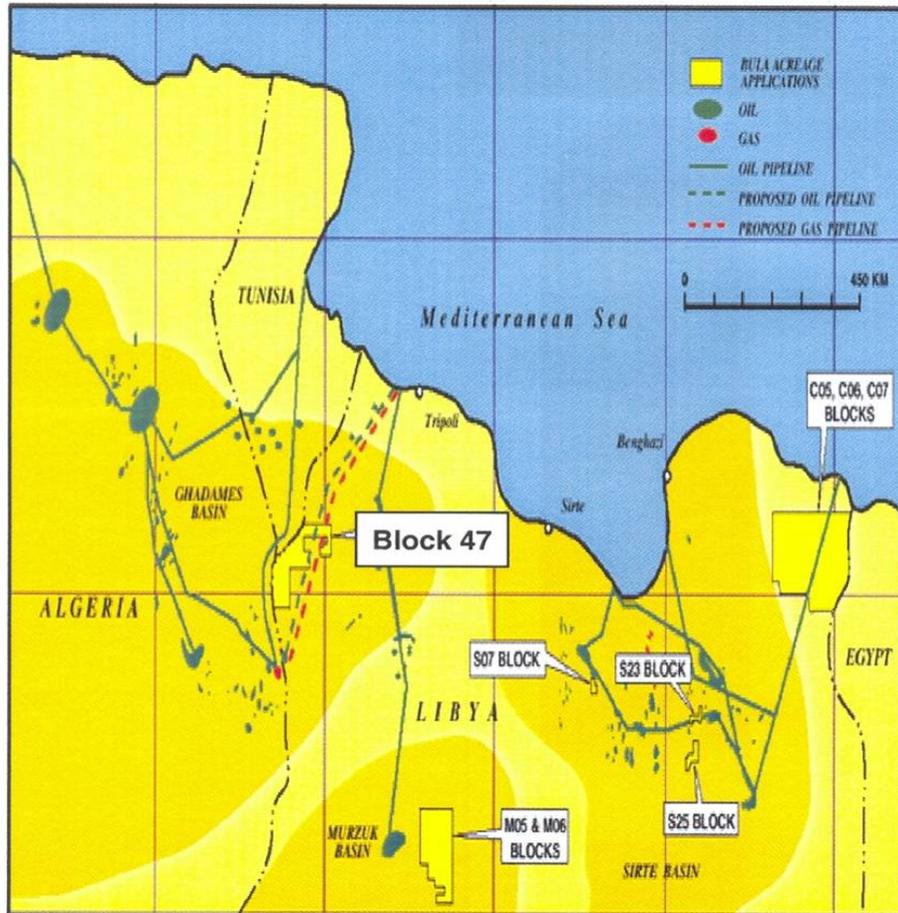


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- Located in Central Kalimantan, about 200km west of Balikpapan.
- Block size: 6,976 sq km.
- Medco: 15%.
- Contract expire: December 4, 2033.
- Discovery of one gas field: Karendan gas filed with estimated 3P reserves of about 400 BCF.







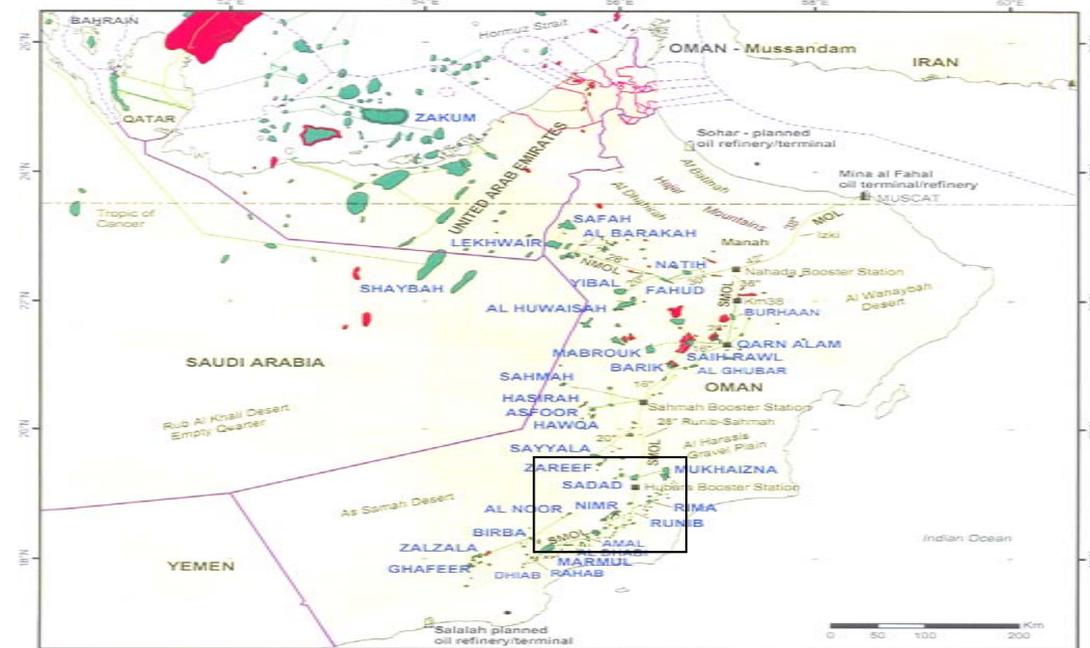
- Medco signed an Exploration and Production Sharing Agreement (“EPSA”) with Libya’s National Oil Company for Area 47;
  - Effective March 12, 2005. Expires in 2035;
  - Medco 50% and Verenex 50%.
- 6,812 sq kilometer area in the Ghadames Basin, Northwest Libya.
- Exploration Activities 2006:
  - 2D & 3D seismic 1H06;
  - Drilling commences 2H06: 3 wells and 1 work-over well.
- Significant oil upside: existing discoveries of 2 oil fields, estimated ranges 120-150 million barrels 2P basis.
- Reserve estimates based on Libyan government estimates and are not booked by the company.

# Karim Fields- Oman



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- Location: The Sultanate of Oman.
- Status: Producing fields; ~16,000 bopd.
- Signed: February, 2006.
- Effective: August, 2006.
- Service Contract Tenor: 10 years.
- Economic Interest:
  - Medco Energi 51%.
- Service Contract Arrangement:
  - 100% cost recovery with a maximum of 30% of gross revenue annually;
  - Signature Bonus of USD 30 million.
- Plan to double the existing production by 2008.
- Strategy: “beach-head” to the prolific oil and gas assets of the Middle East.



# Anadarko – Exploration Joint Venture



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- On July 26, 2005, Medco entered into an **Exploration Joint Venture Agreement (“EJVA”)** with a wholly-owned subsidiary of **Anadarko Petroleum Corporation (“Anadarko”)**.
- **Under the EJVA, Anadarko has committed to:**
  - 3 year work program (exploration);
  - Medco’s Indonesian blocks (except Merangin) at a cost USD 80 million;
  - Anadarko’s interest up to 40% in initial interest.
- **Activities up-to-date:**
  - Executed 3 implementation agreements on EJVA; Nunukan, Simenggaris and Tarakan Seismic;
  - Drilled Sesayap B1 in Simenggaris Block, East Kalimantan;
  - Drilling South Sembakung 2.



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- **Total Capex estimated of about USD 275 Million.**
- **Drilling Program:**
  - ~ 20 exploration wells;
  - ~ 110 development wells.
- **Development Status:**
  - **Rimau** - 67 wells to be drilled in 2006, 1 wildcat;
  - **Jeruk** - to drill Jeruk-3 in 1H 2006. Plan to drill 4 wells in total over 2006;
  - **Lematang** gas field – Singa field;
  - **Tarakan**, to cope with the gas deliverability short-fall for Methanol Bunyu Plant;

## ACQUISITION

- Medco will continue to look for opportunities, both domestic and international assets within its financial strength.

## PRODUCTION

- Oil production is expected to be ~ 56,000 bopd in 2006 from existing oil and gas portfolio;
- Gas production is projected to maintain ~ 160 mmcfd in 2006.

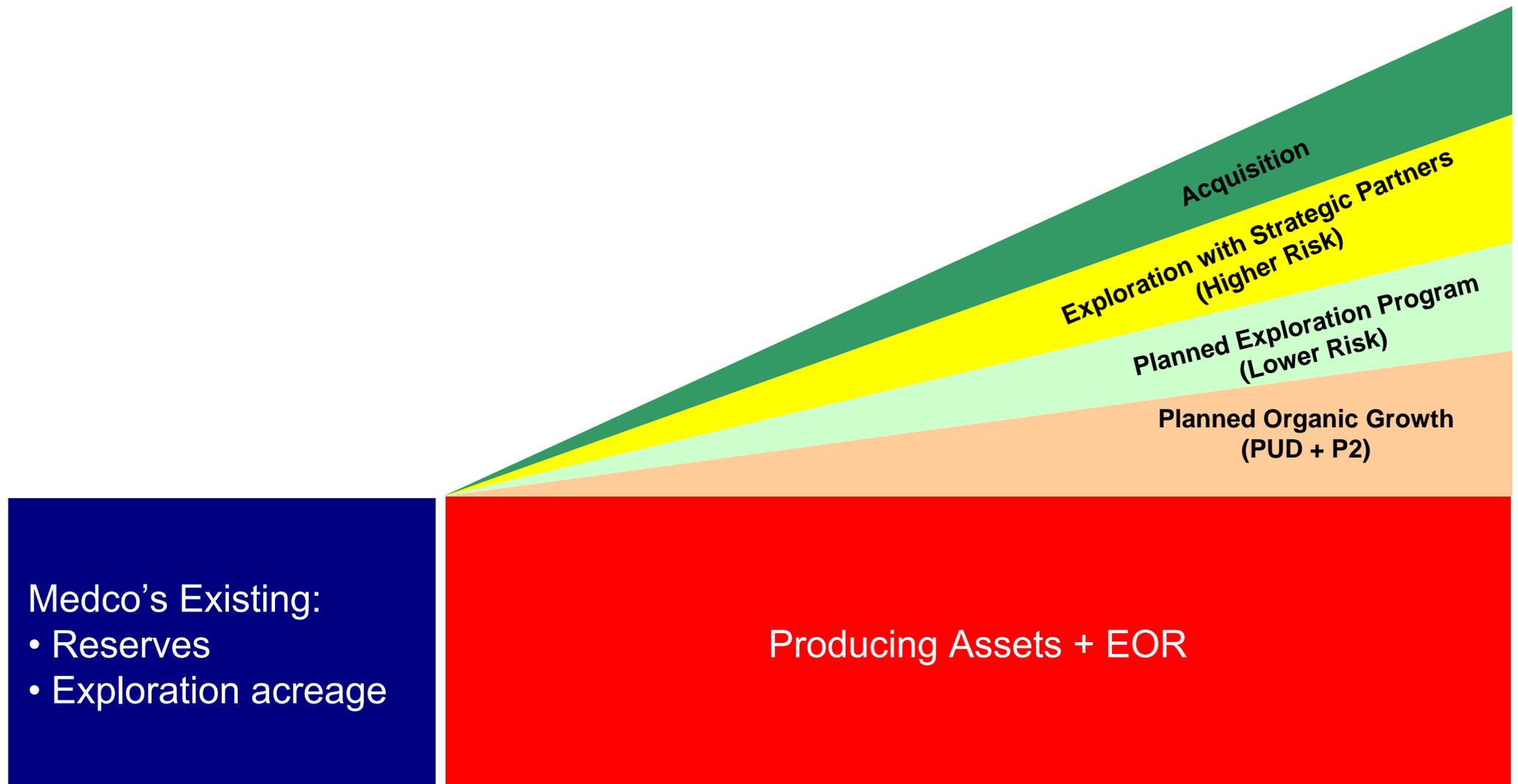
## LIABILITY – LONG TERM DEBT

- Raise funds on project by project basis
- Conservative on financial leverage.

# Comprehensive Growth Strategy



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# Awards



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Rated B+, Stable Outlook



Rated AA- Stable Outlook



One of Best Managed Companies



Good Corporate Governance



One of Best Managed Companies on EVA Concept



Best Listed Company



The KNOW Network

4<sup>th</sup> Indonesian Most Admired Knowledge Enterprises



The Best Annual Report 2004



The Best Annual Report 2004



3rd Best Practice in Social Program within Mining Industry

## Company address:

PT Medco Energi Internasional Tbk.  
Graha Niaga Building 16th Floor  
Jl. Jend. Sudirman Kav. 58  
Jakarta 12190  
Indonesia.  
P. +62-21 250 5459  
F. +62-21 250 5536

## Investor Relations:

**Gamala Katoppo**

M. +62-812 802 3402

Email: [gamala.katoppo@medcoenergi.com](mailto:gamala.katoppo@medcoenergi.com)

**Nusky Suyono**

M. +62-816 895 928

Email: [nusky.suyono@medcoenergi.com](mailto:nusky.suyono@medcoenergi.com)

Website: [www.medcoenergi.com](http://www.medcoenergi.com)



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# Supplements

## Strategy

## Implementation

### Optimization/ Development

- Indonesia focus
- Optimizing existing oil and gas portfolio

- Optimize production from maturing fields
- Gas monetization

### Acquisition

- Indonesian and International
- Balanced mix of producing and exploration assets

- Presence in US and Middle East
- Leverage Indonesia network, market intelligence and experience to acquire new blocks

### Exploration

- Primary Indonesia focus
- Focus on:
  - Best prospects
  - Near existing fields
- Strategic alliance with foreign partners

- From 2006-2008, plan to drill 46 exploration wells
  - 33 wildcats and 13 delineation wells
  - Target 5 Indonesian exploration & 6 production blocks, and Libya
- Anadarko Exploration Joint Venture

# Reserves Replacements (cont'd)



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MBOE	Production 2005	Addition 2005
1. Rimau PSC	13,069	27,812
2. SSE & Kampar PSC	7,702	15,416
3. Tarakan PSC	1,893	1,060
4. East Kalimantan TAC	2,525	(286)
5. Kakap PSC	1,403	-
6. Brantas PSC	1,026	-
7. Tuban PSC – JOB	568	-
8. Sembakung TAC	-	4,830
9. Lematang PSC	77	29
10. Langsa TAC	456	1,129
11. Senoro – Toili PSC – JOB	155	(545)
12. Middle East*)	502	-
13. Novus US	503	-
<b>Total</b>	<b>29,879</b>	<b>49,445</b>

**Reserves replenishment of 165% for the year.**

Note: Production and addition to reserves are based on gross working interest

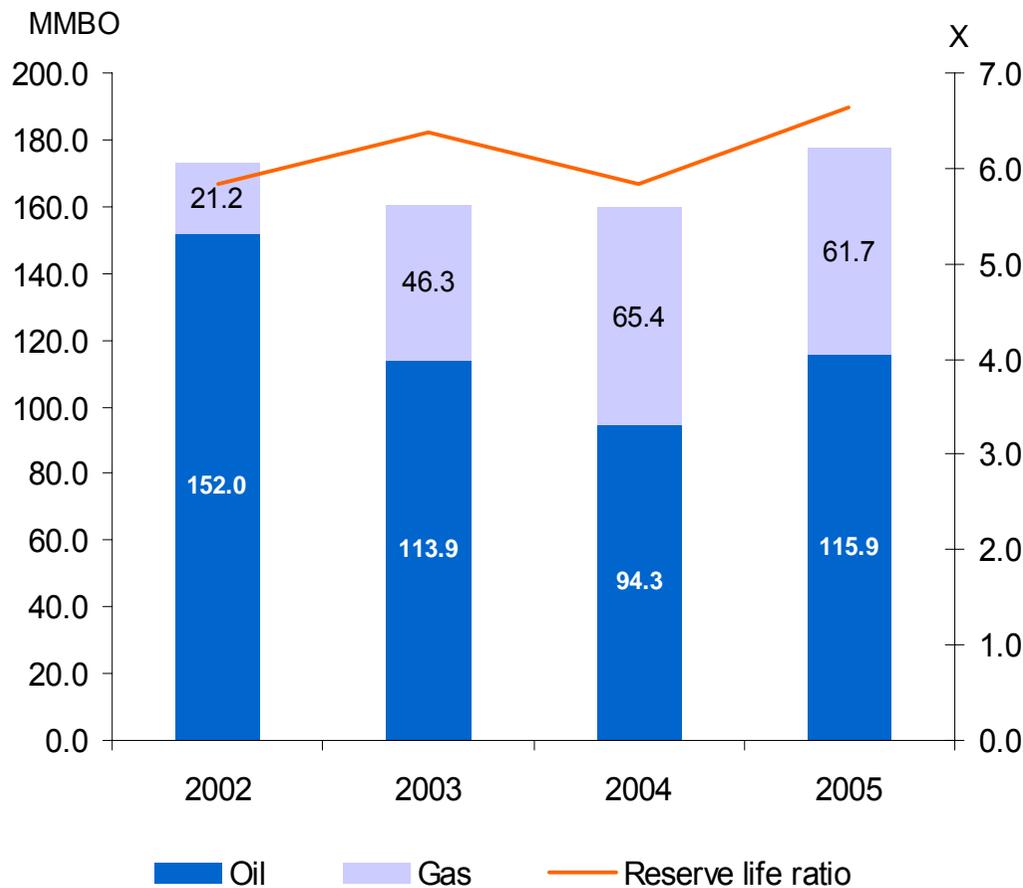
\*) Novus Middle East assets were sold on July 15, 2005

# E & P Reserves and Production

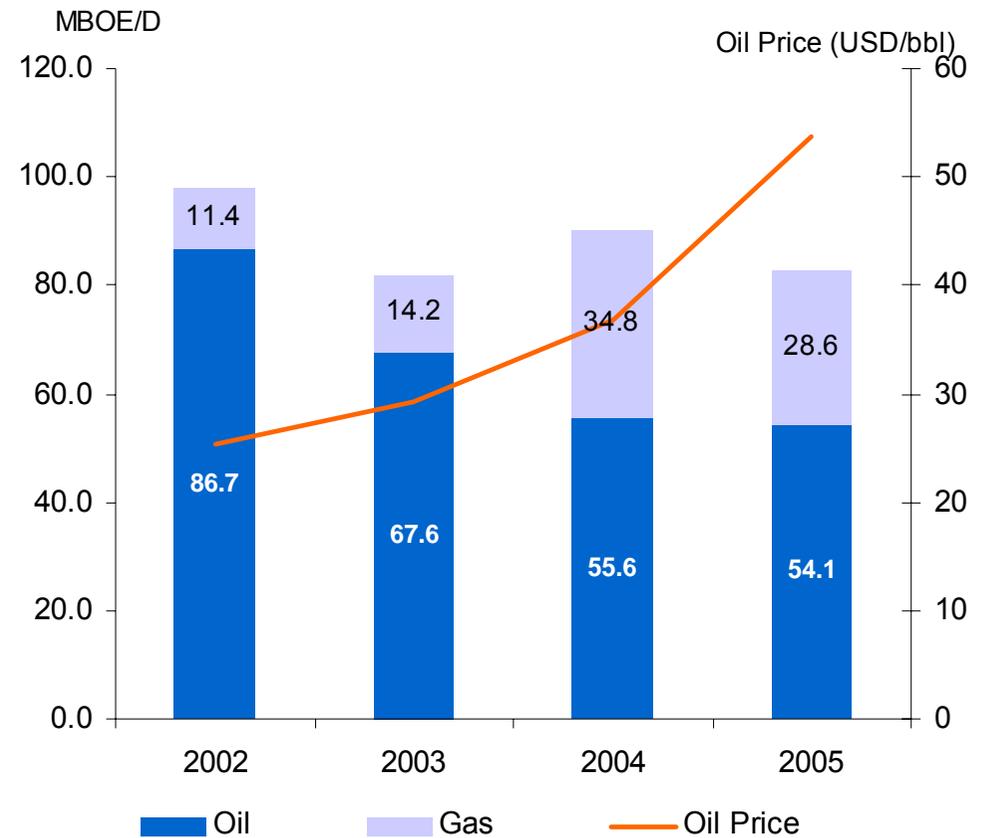


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## Gross 1P Reserves (MMBOE)



## Average daily production (MBOEPD)



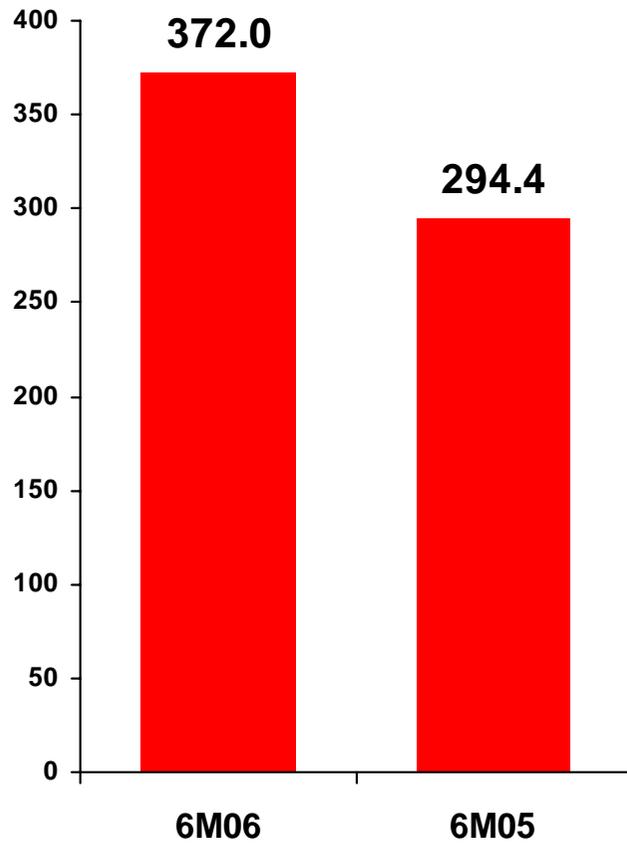
Source: Gaffney Cline & Associates (1 January 2006) and in-house estimates

# 6M06 Financial Results (in million USD)

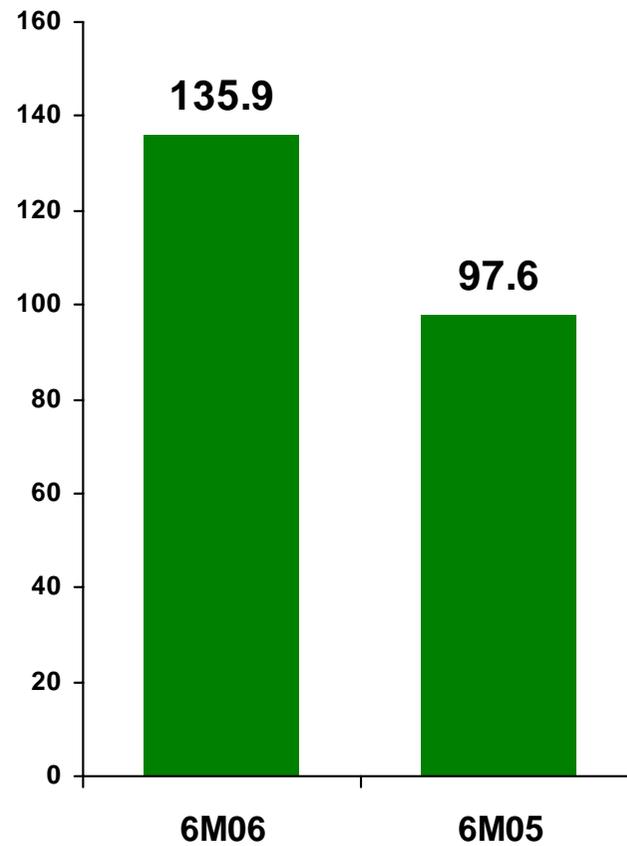


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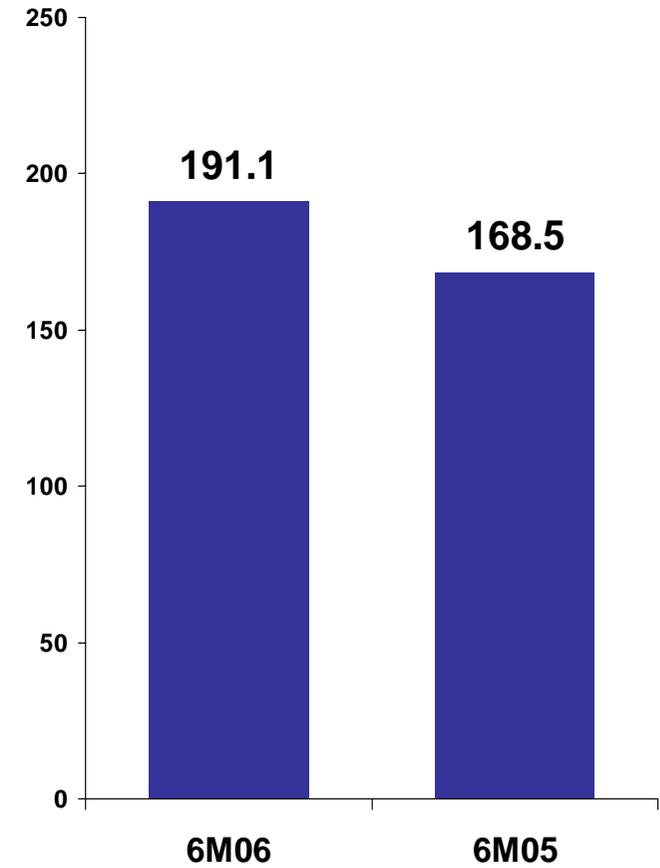
## Revenues



## Earnings Before Tax



## EBITDA



EPS (in US dollars) 0.0177 0.0154

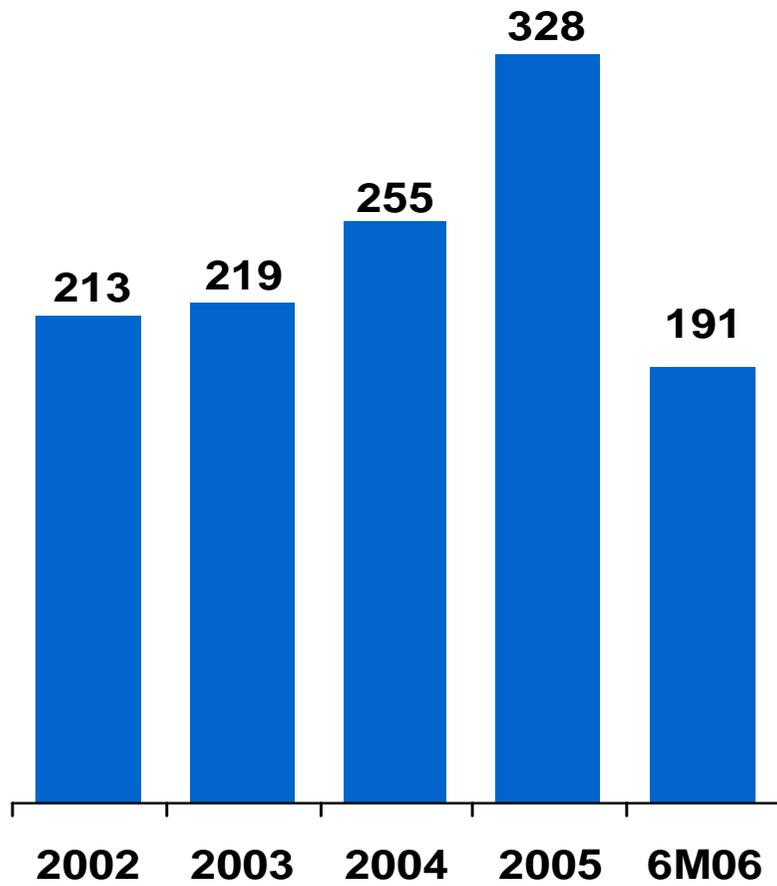
# EBITDA Growth



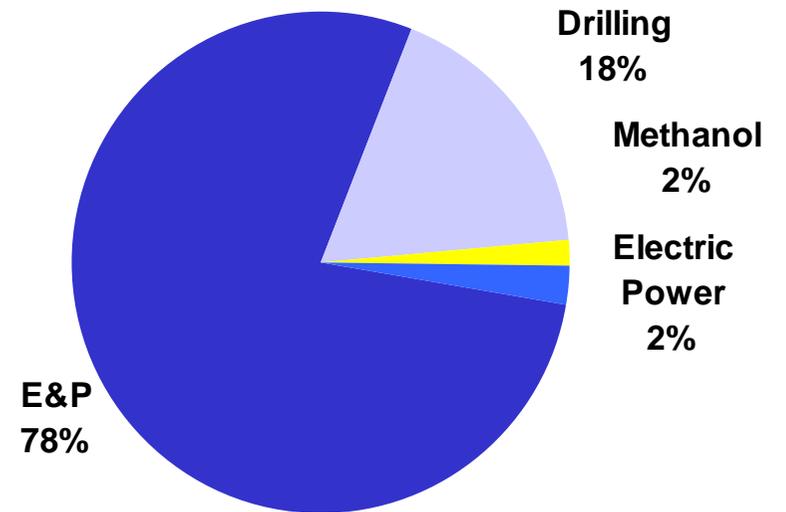
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## EBITDA

USD mm



## EBITDA 2005



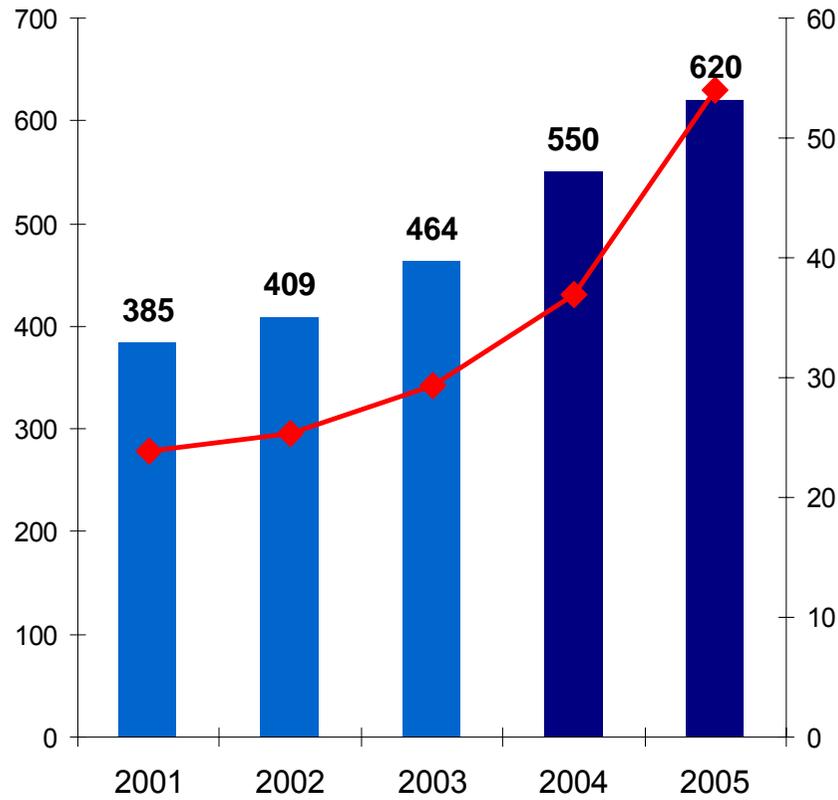
USD 328 mm

Despite oil price volatility, Medco grew its revenues by diversification of its assets

Revenues

USD MM

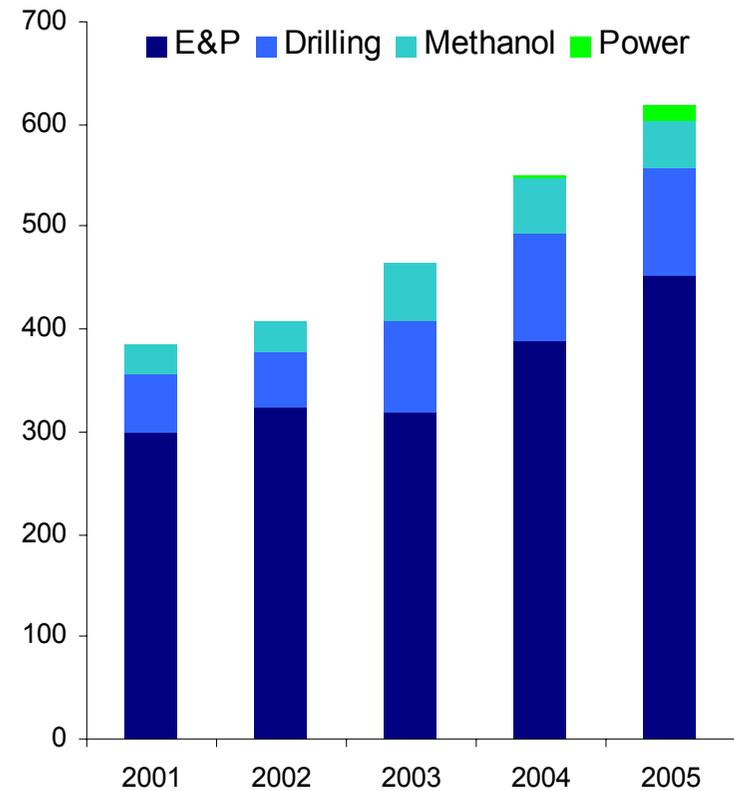
USD/bbl



■ Revenues ◆ Oil Price

Revenue Contribution

USD MM



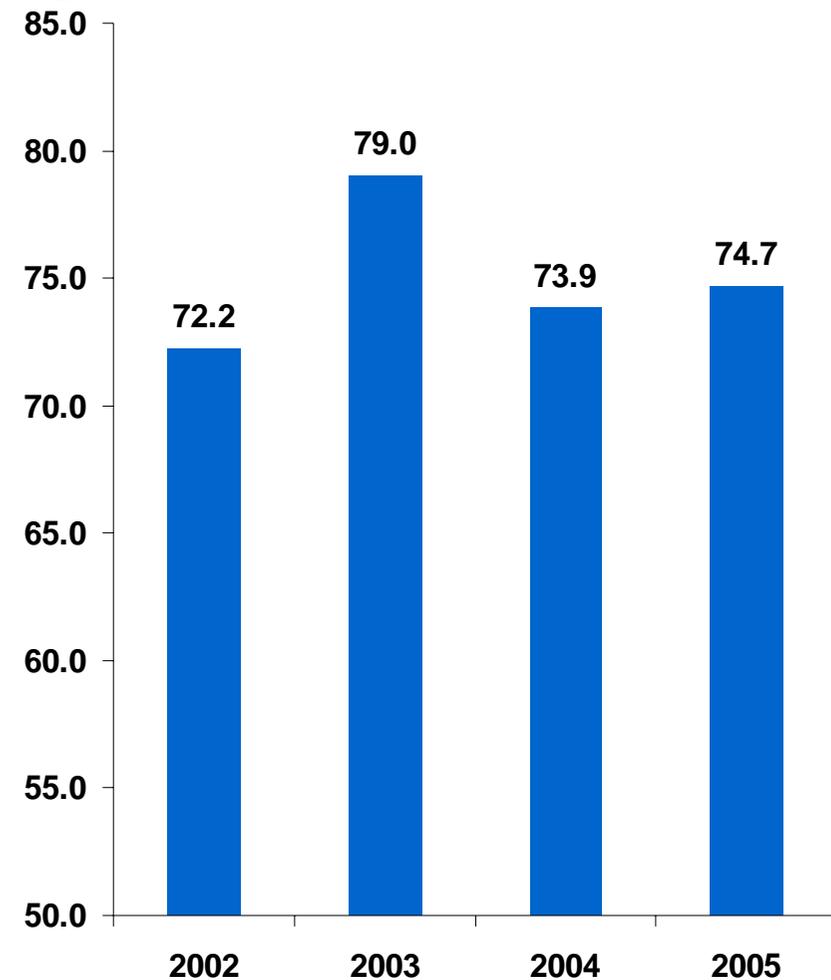
# Net Profit and Dividends



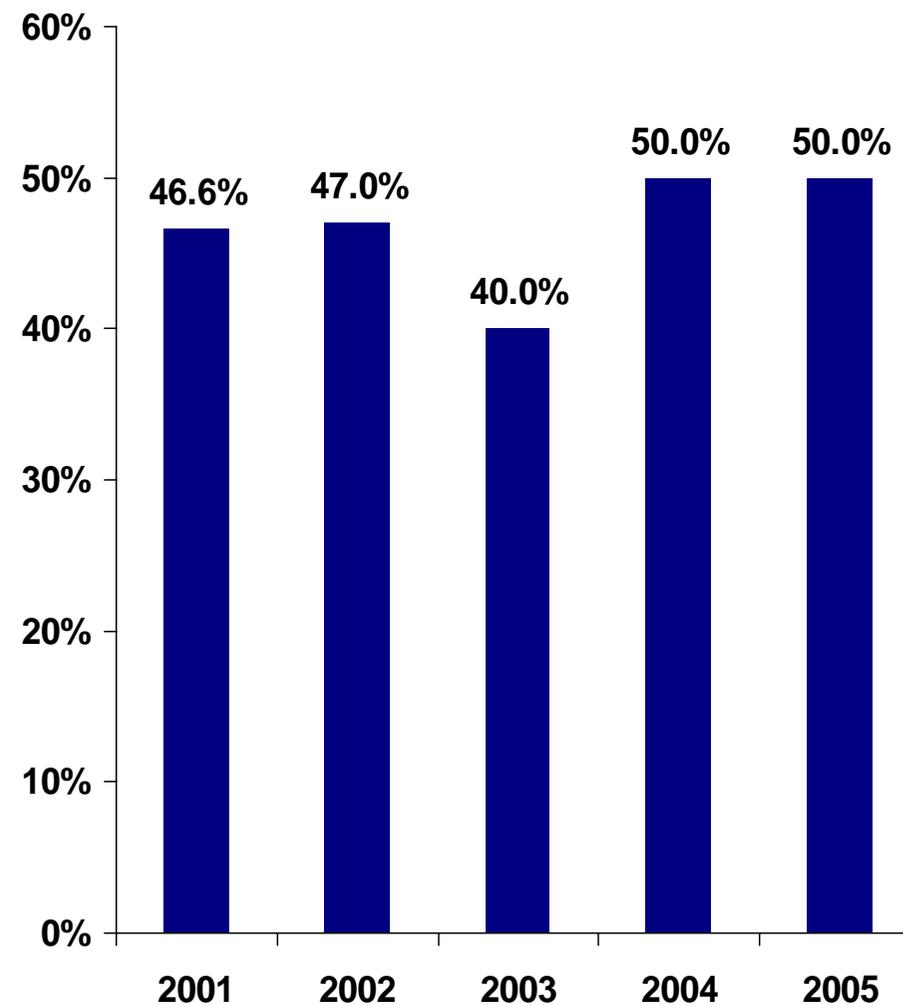
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## Net Profit

USD MM



## Dividend Payouts



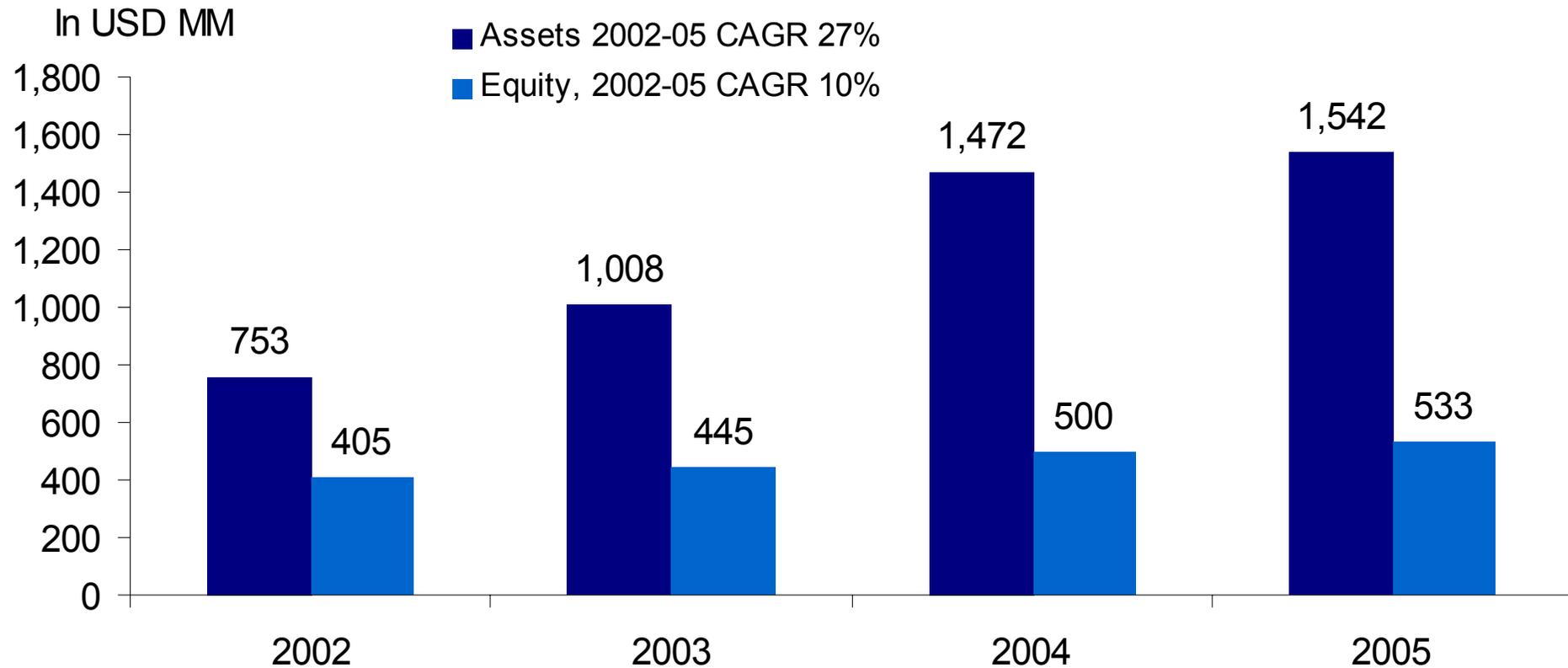
Note: Dividend payout ratio above bars

Exchange rate in 2000 and 2001 used was 1USD = Rp8,420

# Strong Asset Growth



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