Medco Update

PT Medco Energi Internasional Tbk.

Energy from Nature. For Nature

Disclaimer

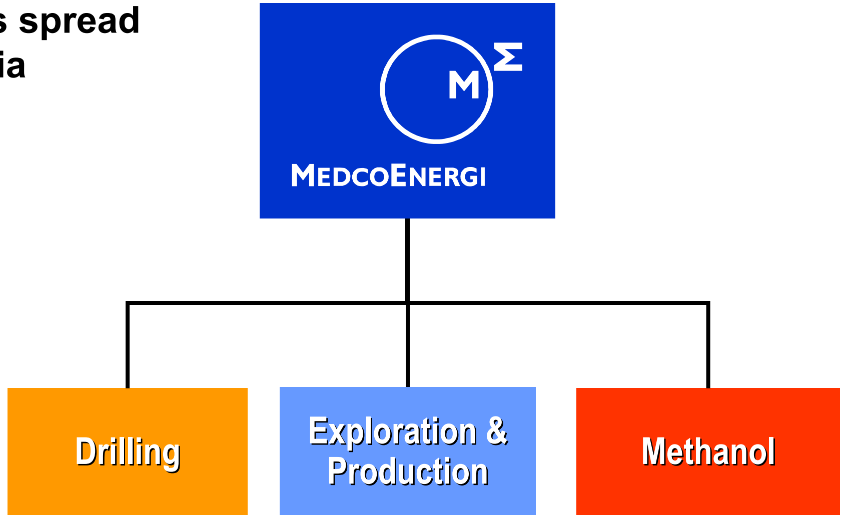
MEDCOENERGI

This document contains certain financial conditions and results of operation, and may also contain certain projections, plans, strategies, policies and objectives of the Company, which could be treated as forward looking statements within the meaning of applicable law. Forwards looking statements, by their nature, involve risks and uncertainties that could cause actual results and development to differ materially from those expressed or implied in these statements. PT MEDCO ENERGI INTERNASIONAL TBK. does not guarantee that any action, which should have been taken in reliance on this document will bring specific results as expected.

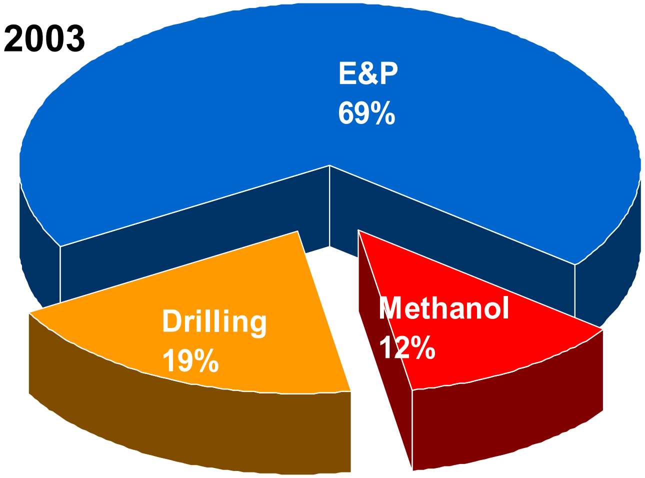
Introduction

Company Overview

Strategic assets spread across Indonesia



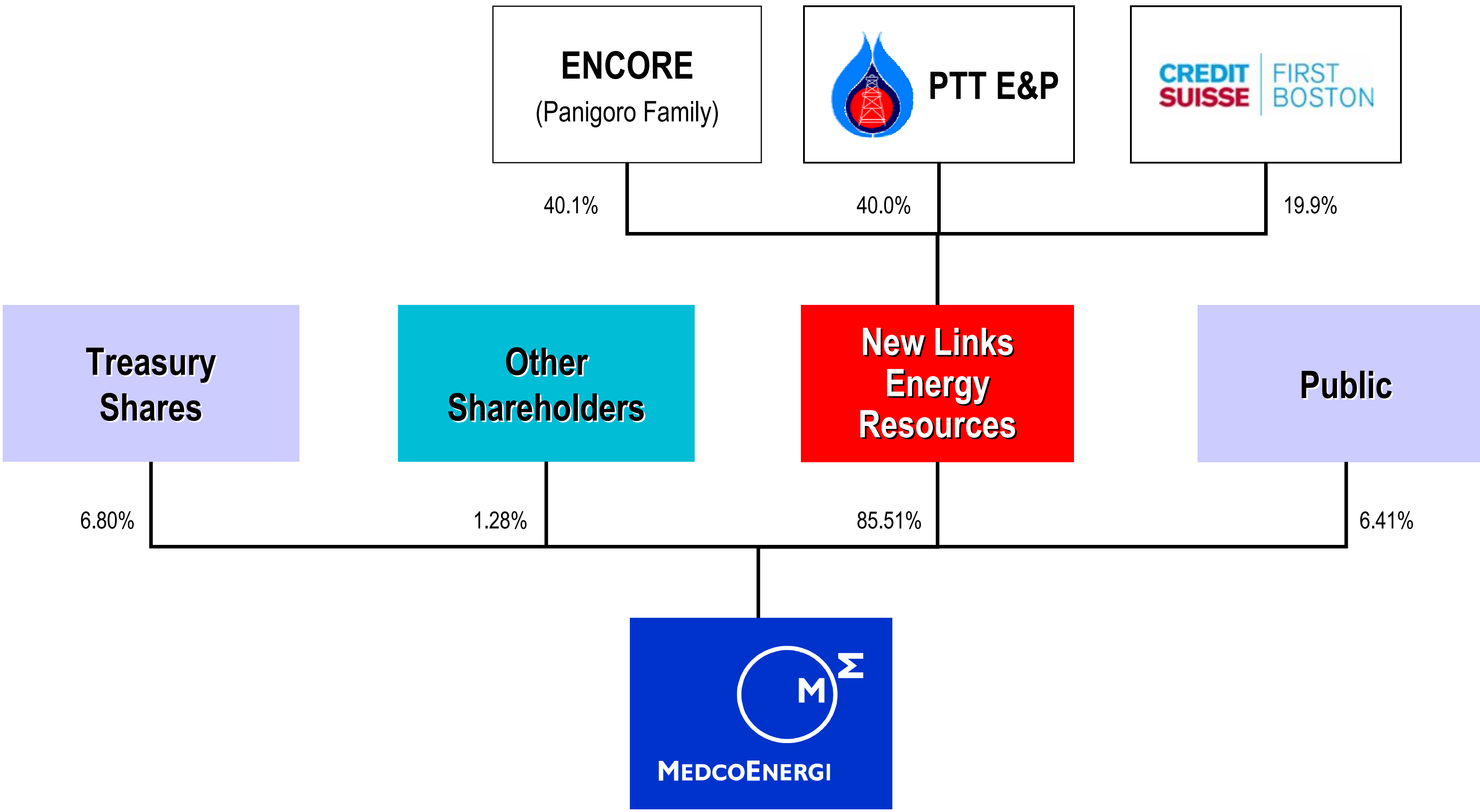
Revenue Breakdown 2003



- E&P focused company, supported by onshore and offshore drilling operations
- Largest independent E&P company in Indonesia
  - only publicly listed E&P company on Jakarta exchange
  - 1P ~ 140mmboe
  - 2P ~ 400mmboe
- Strong balance sheet and cashflows
- Rated above the sovereign by S&P
  - B+ (S&P)
  - B3 (Moody's)
  - AA- (Pefindo)

Ownership Structure

Medco is backed by strong credit worthy shareholders with financial, operational and local/political knowledge, experience and resources to ensure the successful execution of its business strategy.



Note: as of June 2004

Business Strategy—E&P, Drilling and Methanol

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Medco's corporate strategy is delivered through clear and well defined business strategies developed at the three business units

Exploration & Production

- Aggressive exploration within producing blocks.
- Replace, add and grow reserves through exploration and acquisition.
- Optimize productivity: Convert exploration success to fast track development.
- Monetize large uncommitted gas reserves through aggressive marketing effort.
- Extract maximum benefits from PTTEP offshore exploration and operating experience.

Drilling

- Continue to capitalize on competitive advantage as low-cost niche player.
- Consolidate on-shore and off-shore operations.
- Continue expanding in offshore drilling activities.

Methanol

- Increase productivity and utilization rates.
- Selectively explore diversification opportunities in the petrochemical sector.
- Capitalize on new LPG plant expected to go on stream 2004.

Company History

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2002 Acquired 5 new blocks in 2002, including onshore and offshore fields in **Papua (Rombebai, Yapen)**, Raised **USD 100 MM** Reg. S Bond.

2001 **PTTEP** indirectly acquired 34% of Medco through investment in New Links Energy Resources.

2000 Acquired 3 new exploration blocks – **Senoro-Toili, West Madura, Simenggaris.**

1999 Successful corporate **debt restructuring** completed and balance sheet recapitalised.

1997 Signed Gas Sales Agreements (GSA) with **power and methanol plants** in Kalimantan.

1996 Discovered huge **Kaji / Semoga** oilfield in Sumatra.

1995 Acquired Exxon/Mobil's **Stanvac** Sumatra assets.

1994 **IPO** as Medco Energi and listed on the **Jakarta Stock Exchange (JSX).**

1992 Established an oil & gas subsidiary and acquired **Tesoro's Kalimantan E&P** licenses.

1980 Incorporated as Indonesia's **first private sector** drilling contractor.

2003 Major Activities

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February

- Completed **refurbishment of Maera** swamp barge drilling rig.
- **Signed MoU with PLN** to perform joint study on utilizing stranded Gas Reserve.

March

- Completed **construction of Raissa** swamp barge drilling rig.

May

- Raised **USD 250 million 144A Bonds**.
- Completed **construction of Yani** swamp barge drilling rig.
- **Signed GSA 15 MMCFD** – PLTGU Tanjung Batu, E. Kalimantan.

July

- **Signed MoU with Marathon and Pertamina to develop LNG Project** in the US West Coast.

August

- Joint Cooperation Agreement with Ministry of Research and Tech. On Fuel Cell Technology.

October

- **Acquired Merangin-1**, S. Sumatra.
- **Signed GSA 10 MMCFD** PLTG Talang Dukuh, S. Sumatra (utilizing flared gas).

December

- **Signed GSA 13 MMCFD** PLTG Borang, S. Sumatra.

2004H1 Major Activities

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In 2004H1, Medco realized significant gains towards commercializing its gas reserves and growing operations through a land-mark acquisition

January

- Acquired **additional Lematang stake.**
- Signed HOA to supply **100 mmcfd gas sales to Krakatau Steel** (Lematang).

March

- Acquisition of gas-fired **Batam Power Plant** completed.

June-July

- Raised **Rp1.35 trillion (USD165 million) five-year bonds** raised to help finance the Novus acquisition.

July

- Successful **Acquisition of Novus Petroleum.**
- Signed MoU for **100 mmcfd of gas sales to PGN** for 15 years starting in 2006 (Lematang).
- Signed contract to **buy 1.45 bcf of gas from ConocoPhillips** South Sumatra fields for 5 years starting in 2004.
- Signed MOU for **20 mmcfd of gas sales to the PLTG** Sebaya plant (Madura).

Business Strategy

Into the Future

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Power

- In 2004 Medco Energi ventured to the Power sector to create market for the Company’s significant gas reserves and to seize new opportunities in the deregulated Indonesian power sector

Geothermal

- Geothermal Power Opportunities

Energy Infrastructure

- Pipeline
- Distribution

Operational Highlights

E & P Asset Portfolio

MEDCOENERGI

Recent major acquisitions include:
- Tuban
- Lematang
- Yapen
- Asahan
- Merangin
- Langsa

Upstream operations focused on exploration and production of oil and gas for international and domestic consumption

Medco's exploration assets include:
- 6 producing areas
- 8 exploration blocks

Major assets are:
- Rimau for oil reserves
- Senoro –Toili and Lematang for gas reserves
- Kampar / Extension for oil reserves

E & P Reserves and Production

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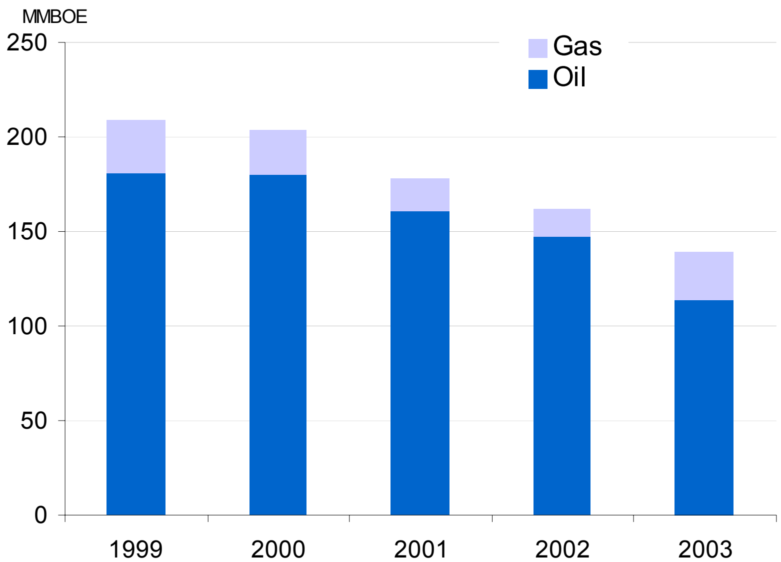
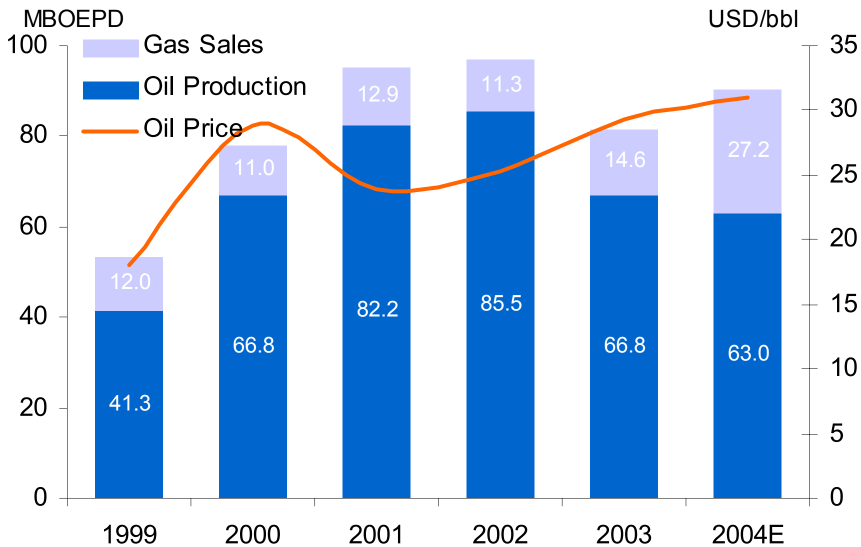
Gross Reserves (MMBOE)



Source: Gaffney Cline & Associates (1 January 2004)

Average daily production (MBOEPD)



6M04 production: Oil: 52,600 BOPD
Gas: 98.4 MMCFD

E & P Sizeable and Quality Reserve Portfolio

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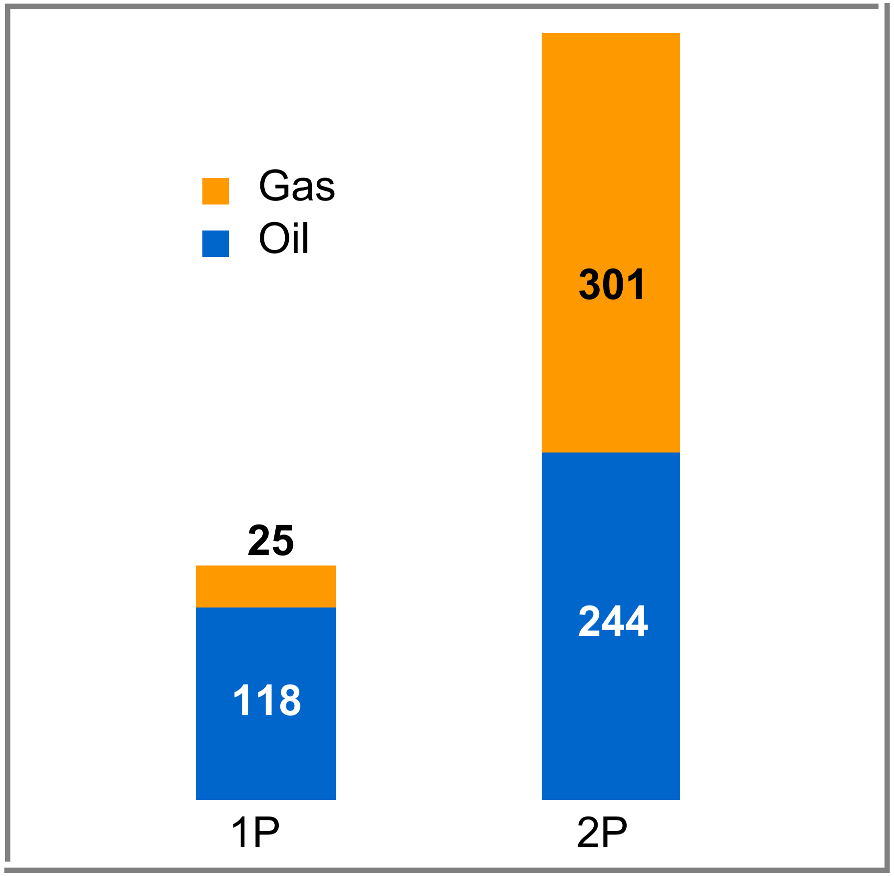
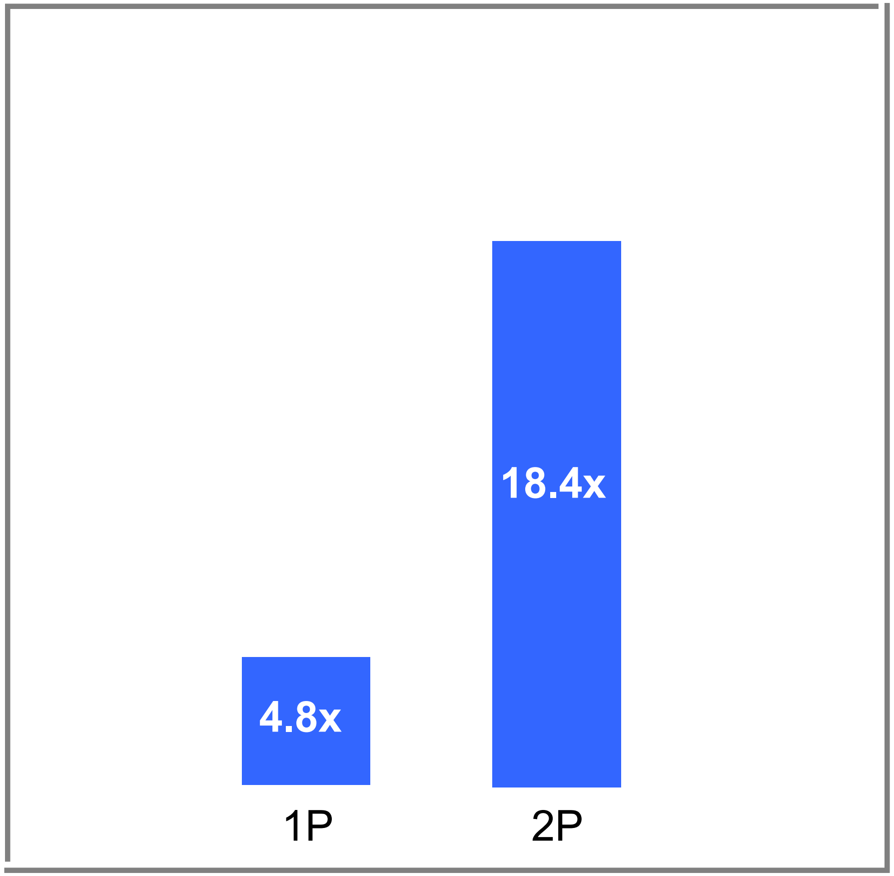
Reserves (mmboe)



Reserves Life Index (years)



Source: Gaffney Cline & Associates (1 January 2004)

E & P Gas Opportunities

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- Through active exploration program, Medco successfully discovered large accumulation of gas reserves
- Currently, Medco has long-term sale contracts for its natural gas to Fertilizer plant, Methanol plant and PLN power plants
- Medco has taken a pro-active approach in commercializing its significant gas reserves. Medco is working together with downstream investors to secure long term contracts for its natural gas, especially the 1.3 Tcf (2P basis) reserves at Senoro field in Central Sulawesi

Options	Status
1. Gas pipeline	▪ For power plants nearby Medco's operations ▪ Signed HOA with Krakatau Steel to supply ~100 MMCFD, and advanced discussion to supply gas to PLN and other industrial complexes (~100 MMCFD) from Sumatra to West Java
2. Methanol Plants	▪ Study for Methanol Plant in Senoro with capacity of 3000-5000 ton per day ▪ Study of relocating idle plant with up to 1500 ton capacity from UK or USA
3. DME feedgas	▪ Currently, joint study is in progress with Itochu + Mitsubishi, JFE Consortium and Mitsui
4. Fertilizer plant feed gas	▪ Study with Pupuk Kaltim and PUSRI (fertilizer company)

E & P Exploration Activities

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Lematang	• Singa gas field and Banteng prospect. Singa 1 and 2 wells are gas discoveries. Banteng-1 is being drilled in 2Q04. • Estimated reserves (in-house) about 230 BCF
Simenggaris	• Prepared the drilling of Bangku Besar-A1 well • Gas prone block, with potential power market for PLN
Bengara	• Completed the acquisition of the 274 kms seismic data • Gas prone block
Madura	• Drilled 1 exploration well and reprocesses 8 seismic lines • Gas prone province. Nearby markets in East Java industrial complexes
Senoro-Toili	• Continued the infrastructure development activities that would support the exploration and production activities • Potential market: nearby mining companies, methanol plant, power

Drilling Business

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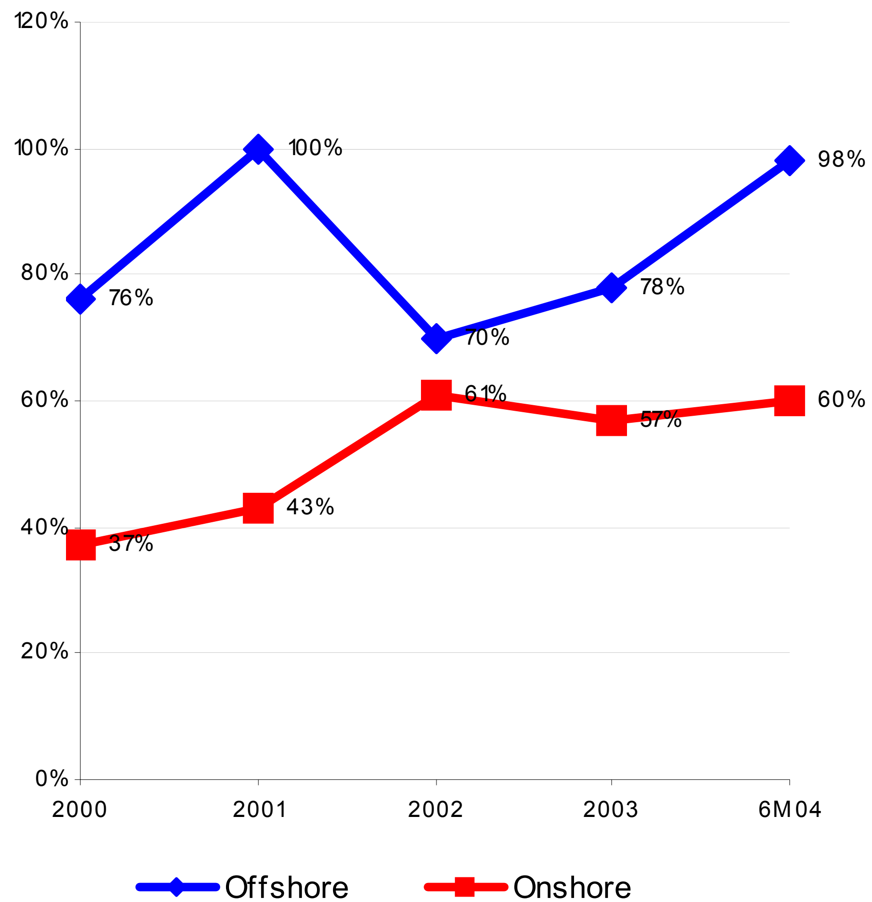
78%

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

- Incorporated in 1991
- Operates 5 offshore rigs
- Operates 11 onshore rigs
- Key long term clients like Total ensure high utilisation
- Revenue of US$52.9m in 2002



Drilling Business

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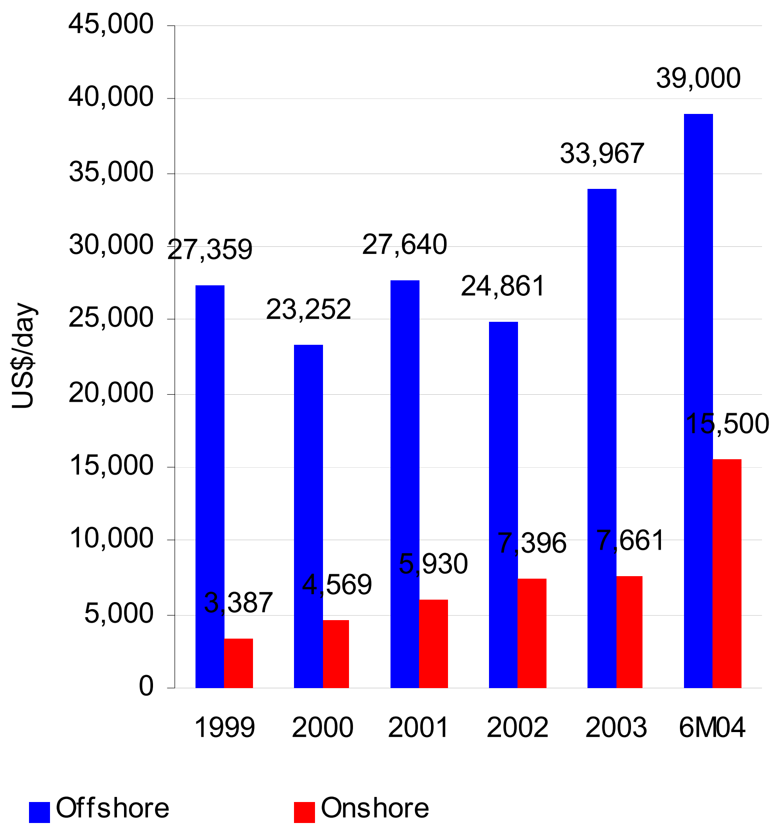
Average Utilization Rate



- Revenues are USD based while the bulk of operating cost are Rupiah based (approx. 60%)
- Drilling Services are provided under short-term basis (normally less than 1 year) for onshore contracts
- Longer-term (>1 year) typical for offshore contracts
- Drilling Services IPO concluded in July 2002 with the proceeds used for financing swamp barge rigs
- New swamp barge rigs Raissa and Yani in service in 2003

Methanol Business

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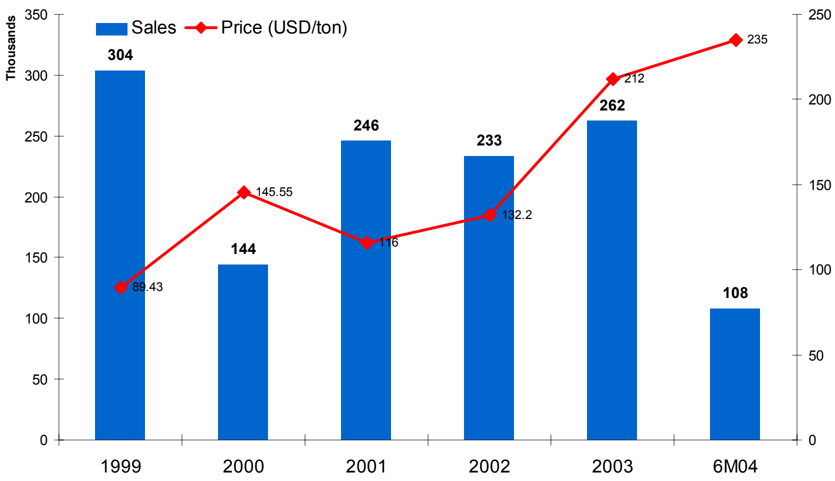
Methanol Business Overview

- 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

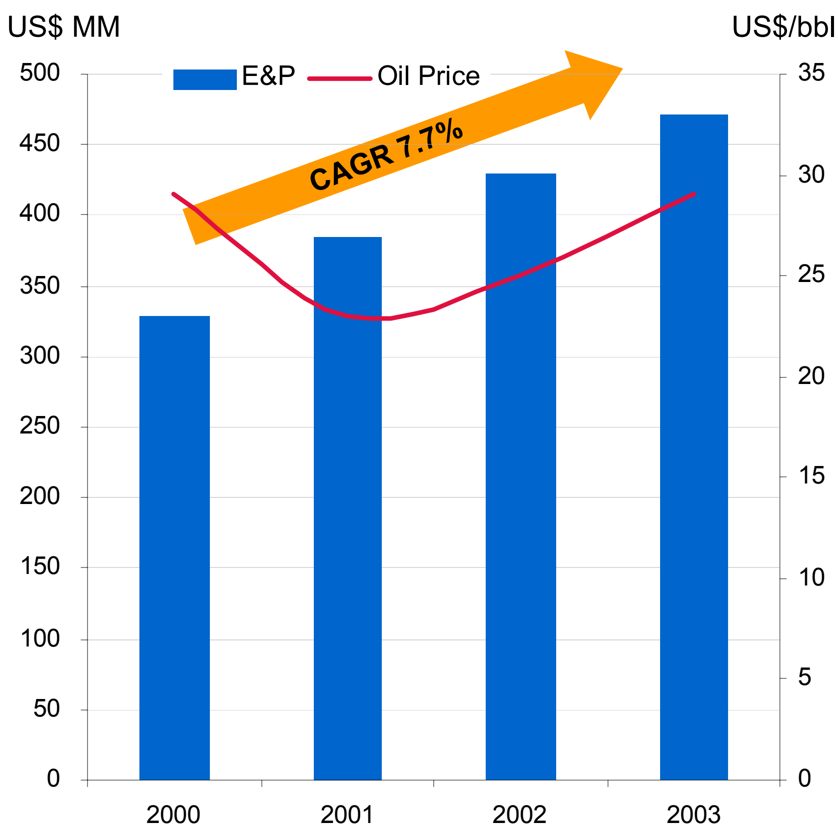


Financial Highlights

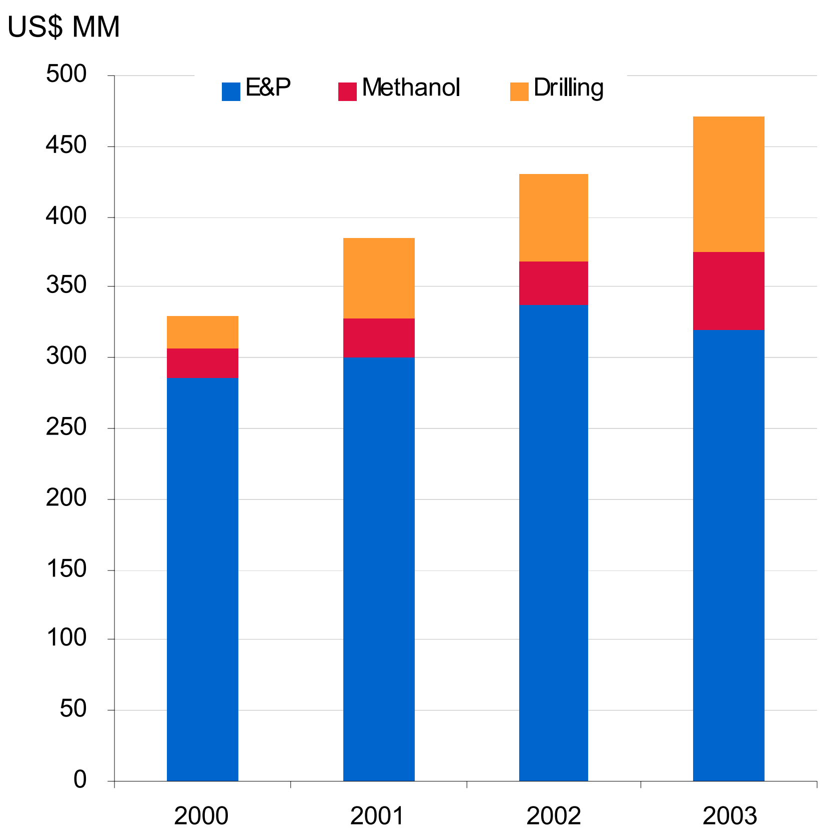
Revenue Growth

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

Revenues

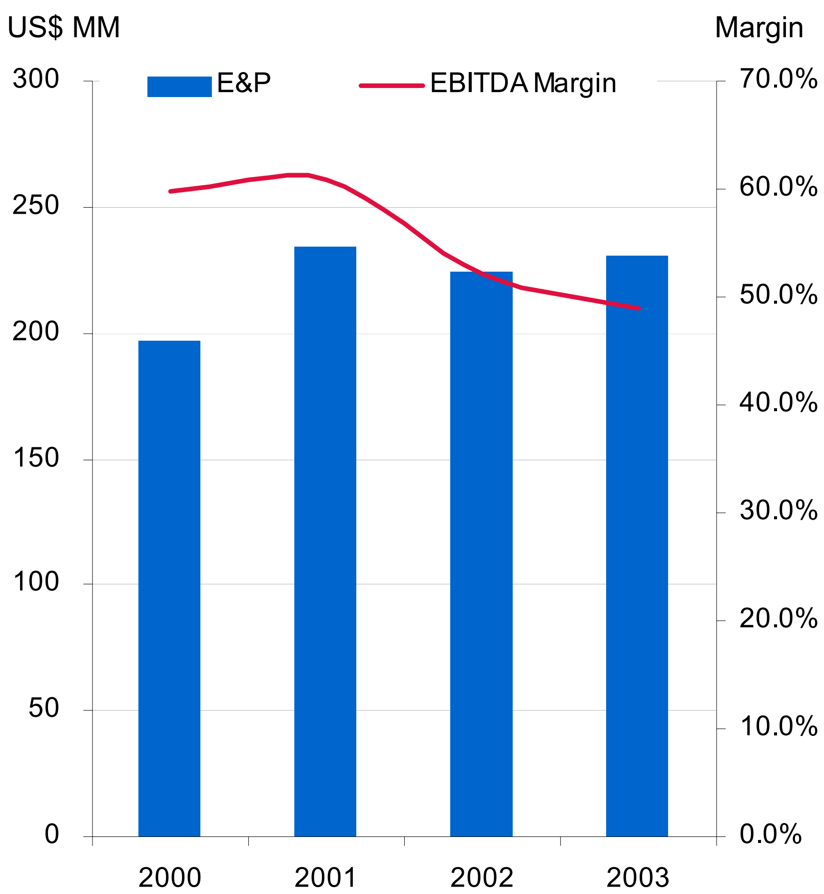


Revenue Contribution

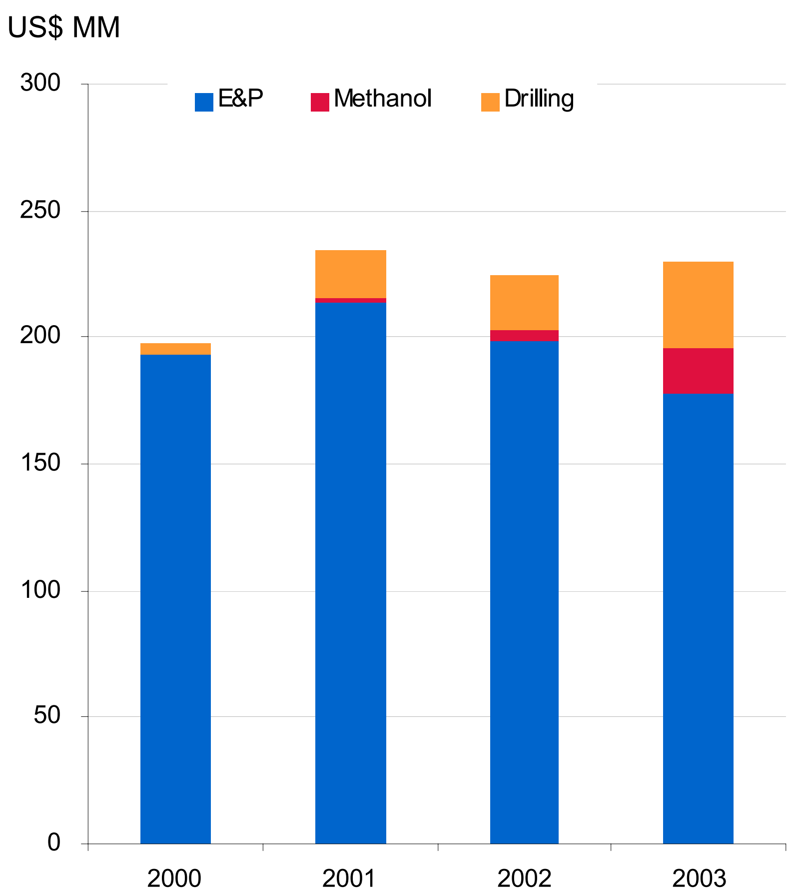


EBITDA Growth

EBITDA

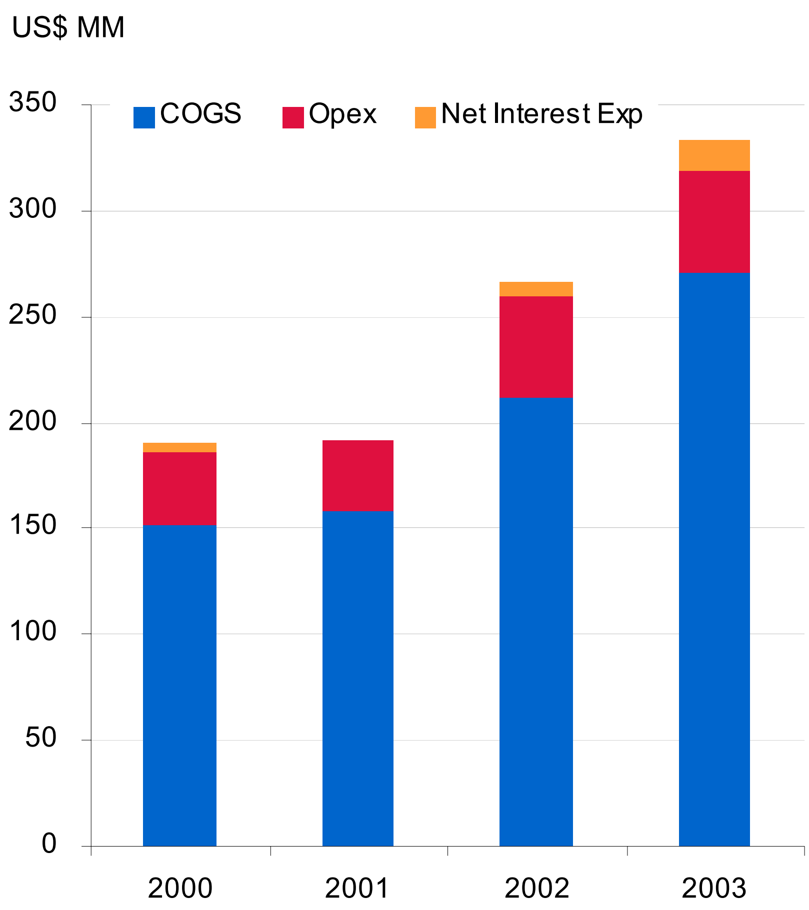


EBITDA Contribution

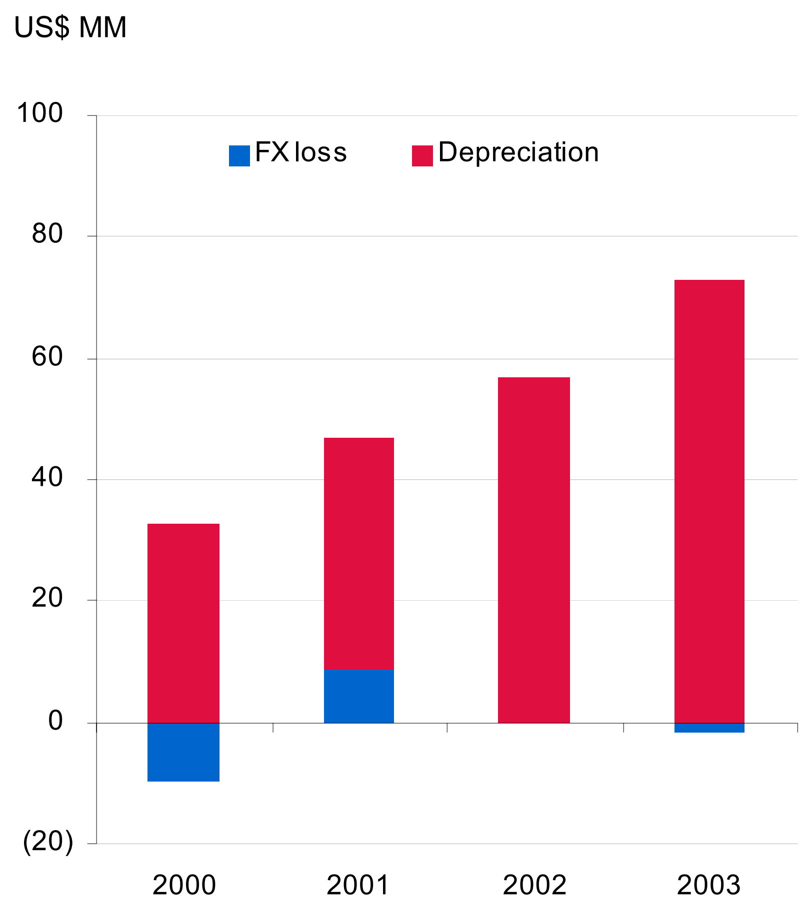


Cost Structure

Medco Cash Costs (before Tax)

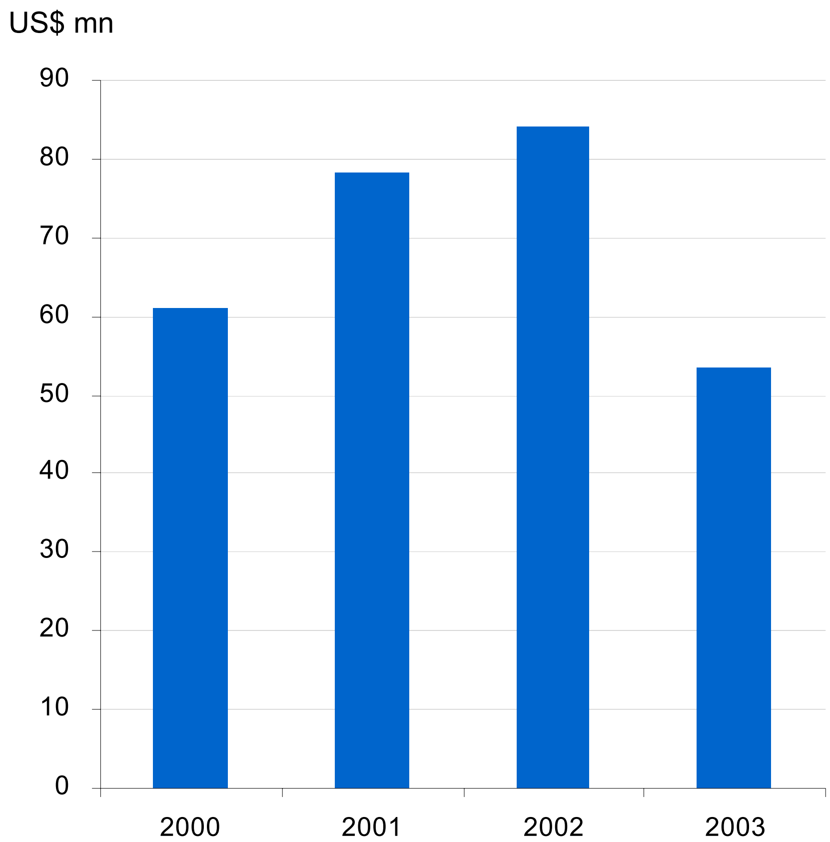


Medco Non-Cash Costs

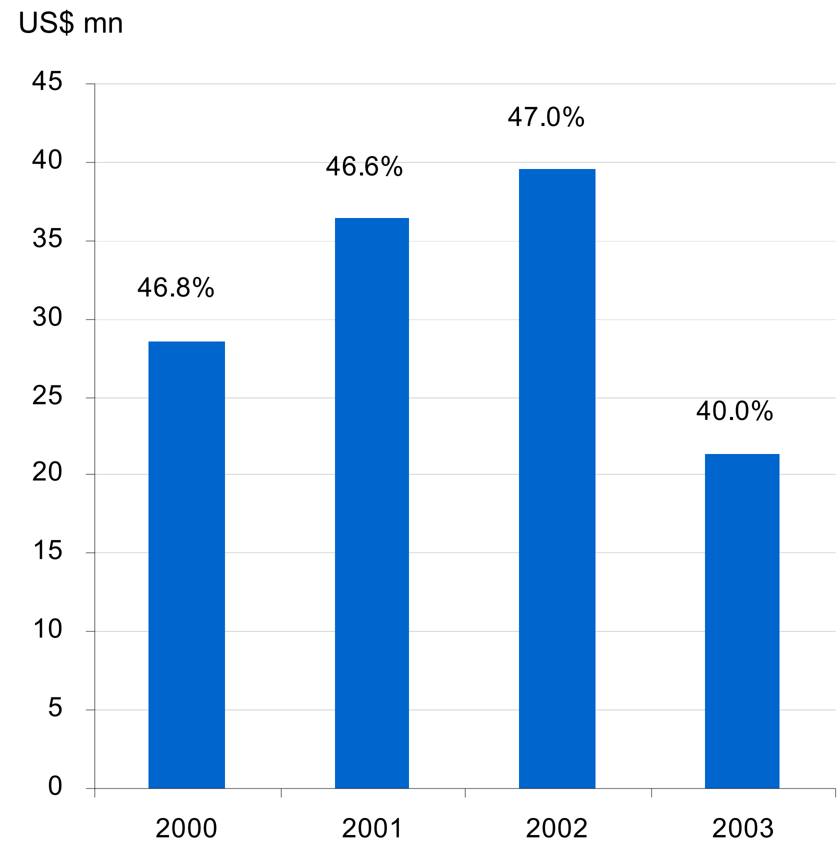


Net Profit and Dividends

Net Profit

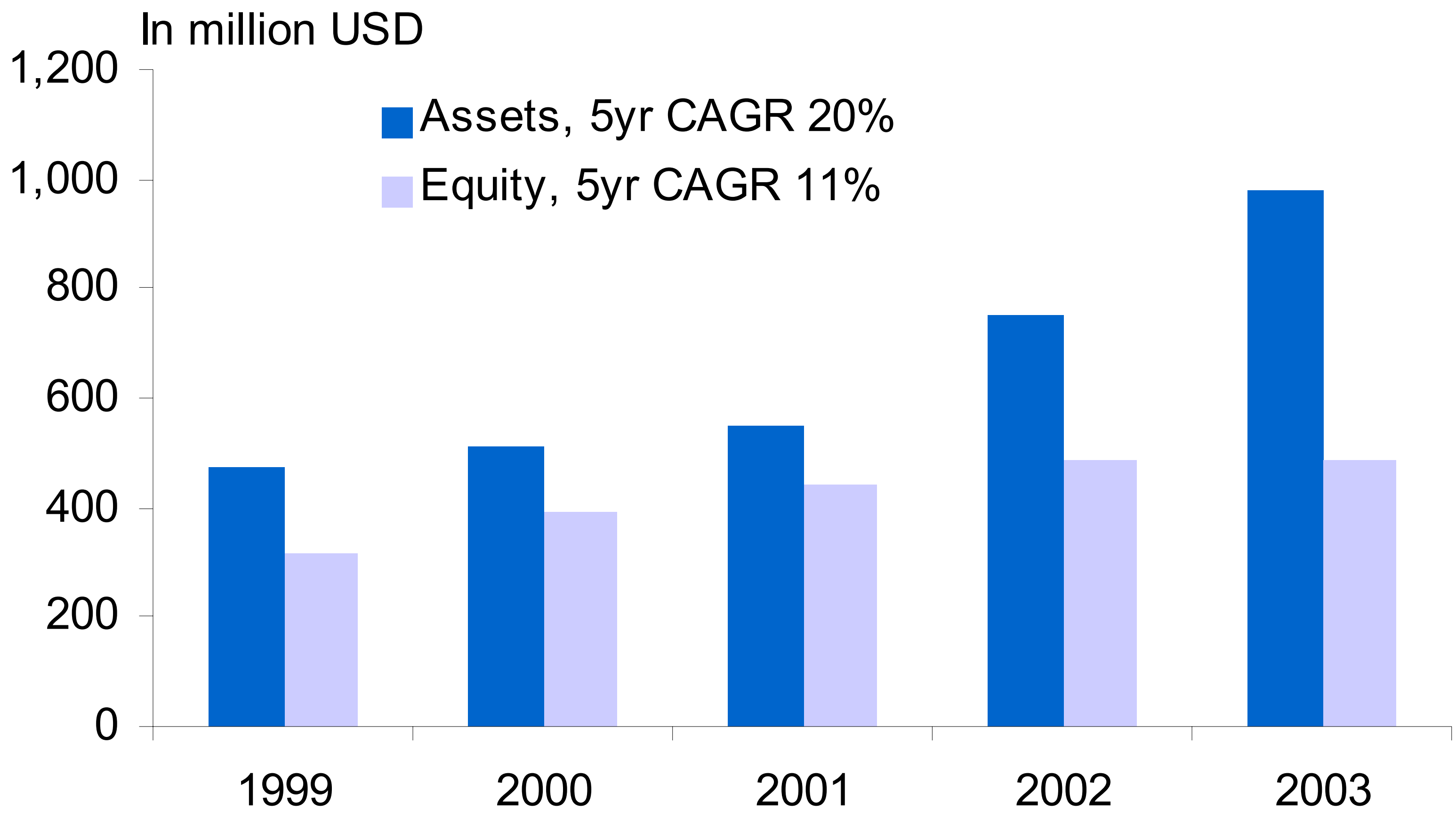


Dividends and Dividend Payouts



Note: Dividend payout ratio above bars
Exchange rate in 2000 and 2001 used was 1US$ = Rp8,420

Strong asset growth



Novus Acquisition

Novus - An Attractive Acquisition Target

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Medco viewed Novus as a cost-effective means of acquiring attractive assets

- Novus breakup value higher was significantly higher than its market or bid values
- Attractive Indonesian and Middle Eastern assets - commercial reserves, in operation

NOVUS

United States		Middle East		Indonesia		Australia		Others	
Stratton	23.3MMBOE	Greater Bukha	25.9MMBOE	Kakap	19.3MMBOE	Cooper Basin	12.3MMBOE	Philippines	N.A.
Padre Island	0.1MMBOE	N. Arabian Gas Condensate	N.A.	Brantas	23.7MMBOE			Pakistan	6.9MMBOE
Sorrento Dome	4.7MMBOE								
East Cameron	9.7MMBOE								
Main Pass	5.0MMBOE								

NOTES: Reserve estimates are Novus working interest hare of 2P reserves as at 31 December 2003 (Source: Novus).

History of The Novus Acquisition

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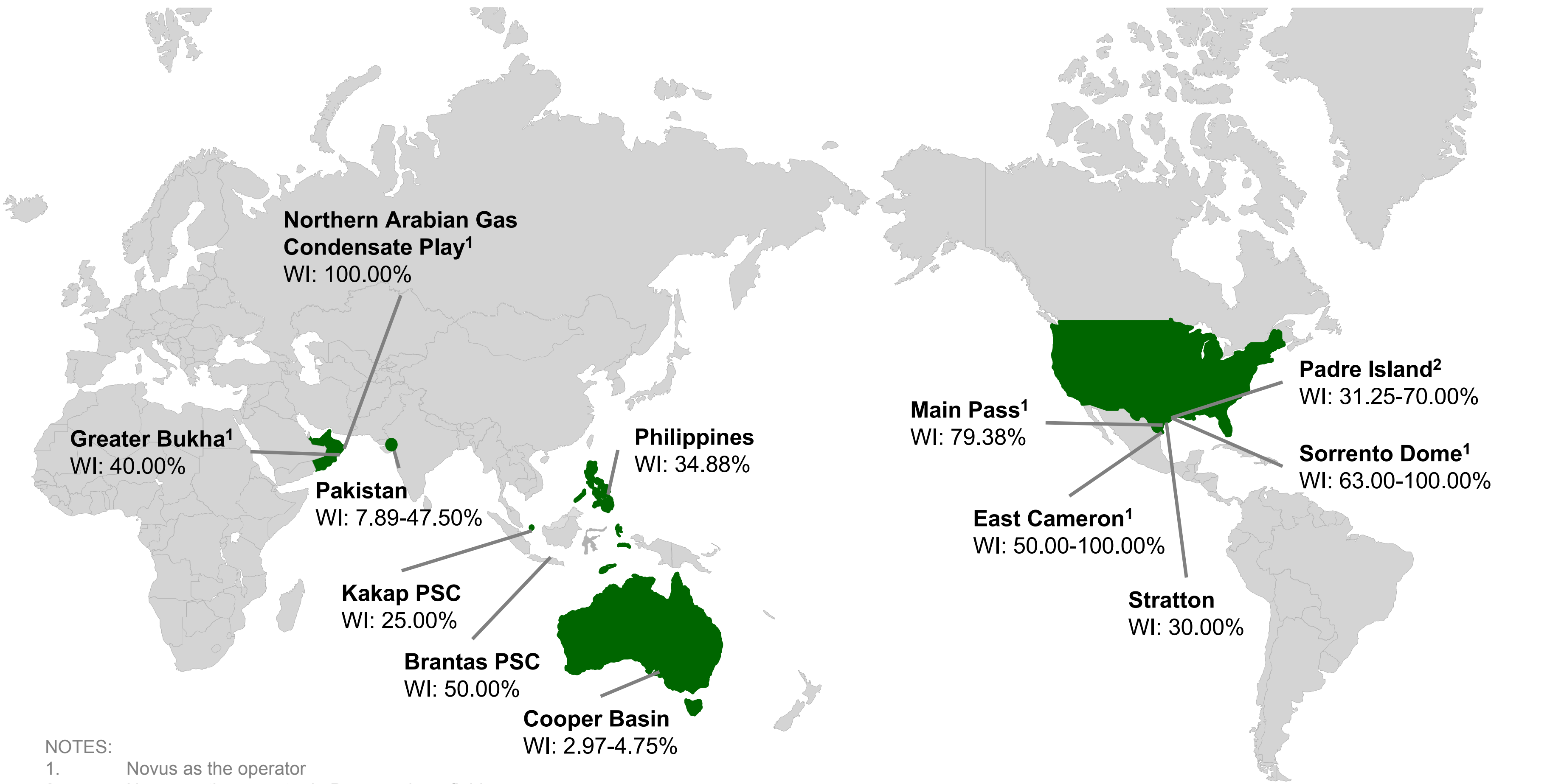
22 December 2003	• **Medco** announced unsolicited takeover of Novus Petroleum ("Novus"). • Offer of **A$1.74 per share** valuing Novus at **A$320 million**.
19 January 2004	• Counter bid from Sunov Limited ("Sunov"). • Offer of **A$1.77 per share** valuing Novus at **A$326 million**.
23 January 2004	• Independent Expert values Novus between **A$1.96 to 2.75 per share**. • Independent Directors recommend Novus shareholders **reject** Medco's bid.
31 March 2004	• Independent Directors recommend Novus shareholders **reject** Sunov's bid based on Independent Expert's report.
30 April 2004	• Sunov raises its bid from **A$1.77 per share** to **A$1.85 per share** valuing Novus at **A$340 million**.
25 May 2004	• **Medco** raises bid from **A$1.74 per share** to **A$1.90** per valuing Novus at **A$350 million**.
June 2004	• Sunov **does not extend offer** for Novus on **7 June 2004**. • Independent Directors recommend shareholders accept Medco bid. • Medco achieves **92% ownership** of Novus on **25 June 2004** and proceeds with compulsory acquisition for remaining shares.

Novus - Asset Overview

Diversified portfolio of oil and gas assets in 7 countries



NOTES:
1. Novus as the operator
2. Novus as the operator in Deep onshore field

Asset Divestment Strategy

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Medco arranged for the divestiture of key Novus assets before closing the transaction, including Australia and Pakistan. It intends to also divest the U.S. assets

Santos Ltd.

- HOA with Santos Limited to purchase Novus' interests in Cooper Basin and Indonesia.
  - Sale to Santos 100% interest in Cooper Basin.
  - Sale of 36% of Novus' working interest in Kakap and Brantas.
- Cash consideration will be USD110 million, plus a contingent consideration (capped at USD3.5 million) for reserve upside in the Wunut field at Brantas.

Silk Route Investments

- Agreement with respect to Novus' interests in the United States, Middle East and Pakistan.
- Option to acquire up to 49% in the Middle East assets based on an agreed total value of USD65 million.
- Entitled to 35% of the net proceeds from the sale of the United States assets.
- Sale of 7.89-47.5% interest Pakistan for a nominal amount, which reflects the book value of the interest.

Financing the Novus Acquisition

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Medco will fund the acquisition of Novus through a combination of existing cash reserves and additional financing

Acquisition Consideration (US$ MM)	
Market Capitalisation	245.2
Unlisted Options	0.9
Revolving Credit Facility	32.0
U.S. Notes	80.0
Make Good Payement (U.S. Notes)	16.3
Total Consideration	**374.4**

Note: Assumes AUD / USD FX rate of A$0.72

Source of Funds (US$ MM)	
Cash on Hand	61.9
Bridge Financing	150.0
Rupiah Bond (Rp1,350bn)	165.0
Total Sources	**376.9**

Note: Assumes USD / IDR FX rate of Rp8,182

Pro-Forma Oil and Gas Reserves

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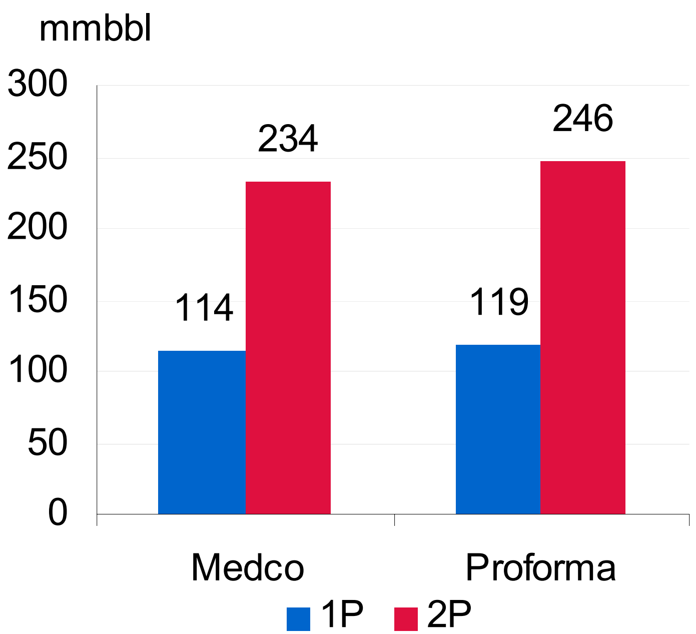
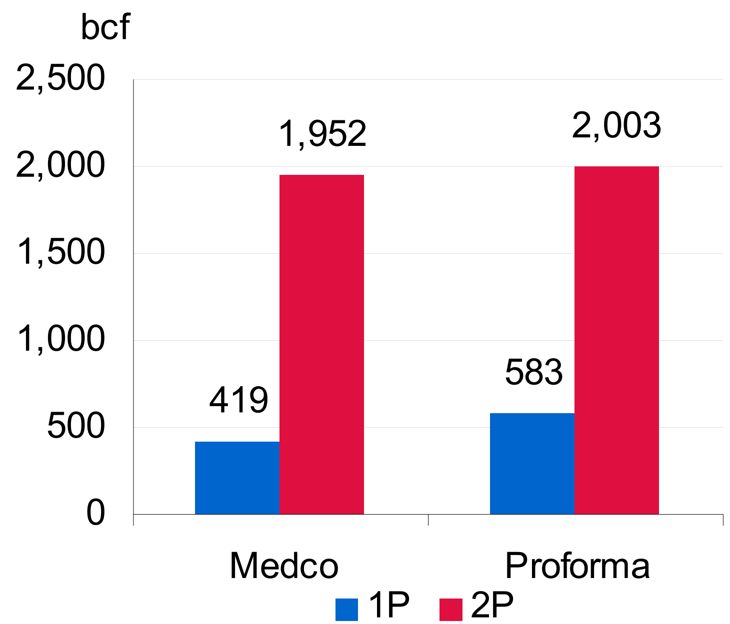
Pro-forma for the acquisition of Novus (assuming retention of Indonesian and Middle East assets), Medco will have 2P reserves of 246MMBBL of oil and 2.0 TCF of gas

Gross (Working Interest) Oil Reserves (MMBBL)



Gross (Working Interest) Gas Reserves (BCF)



NOTES: (1) Pro forma analysis includes Indonesian and Middle East assets only, excluding Santos' share.
(2) As at 1 January 2004

Pro-Forma Production

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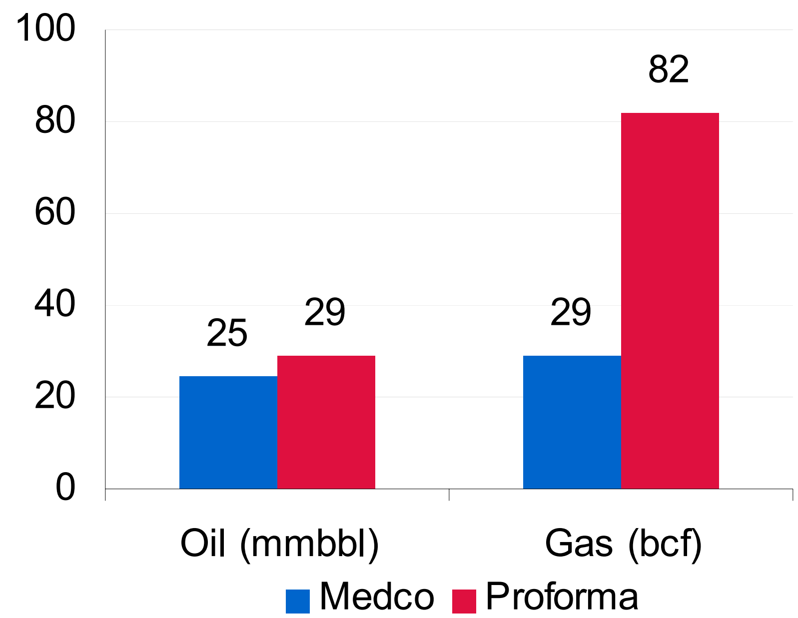
The most significant contribution of the acquisition is with production growth, which translates into immediate cashflow accretion to Medco

43% increase in total production (2003 pro-forma):

- 180% increase in gas production
- 15% increase in oil production

Gross (Working Interest) Production - 2003



NOTES: (1) Pro forma analysis includes Indonesian and Middle East assets only, excluding Santos' share.
(2) As at 1 January 2004.

Closing Remarks

Closing Remarks

MEDCOENERGI

Medco is well positioned within the competitive landscape of the Indonesian oil and gas industry

- USD revenues from international offtakers
- Quality reserve portfolio of producing and development assets
- Historically successful acquisition and development strategy
- Strategic relationship with PTTEP
- Domestic operator with experienced management team

Supplemental Slides

Indonesian Oil and Gas Industry

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Established Industry Sector

- Extensive foreign investment and competition since 1960
- 30+ year history of PSC structure

Fuelling Indonesian Growth

- About a quarter of 2003 GDP
- 90% of primary energy consumption

Promising Gas Market

- Government promoting natural gas usage
- Declining oil production increases reliance on natural gas
- Attractive gas pricing after fuel oil subsidies reform in 2001

Fuelling Asian Growth

- Largest oil exporter in Asia
- Largest LNG supplier to Asia
- Largest gas supplier to Singapore

Management

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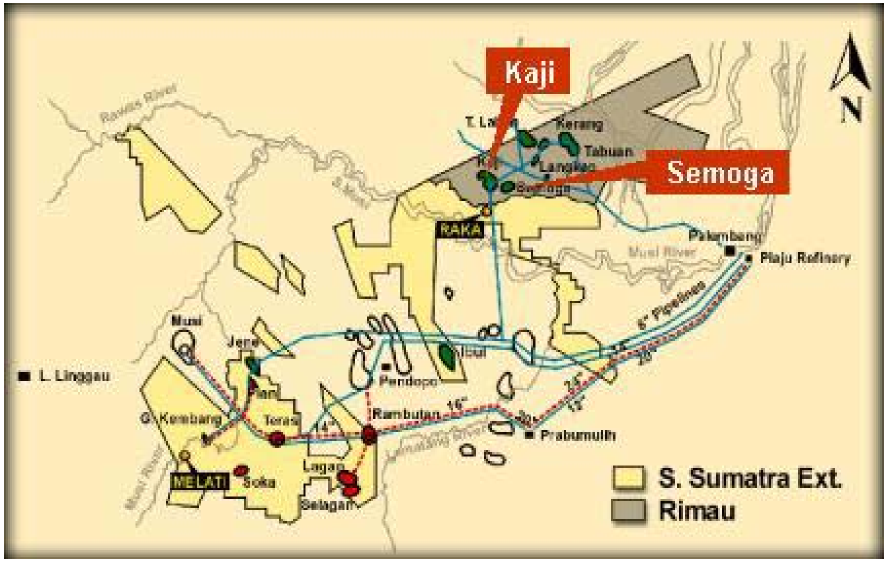
HILMI PANIGORO
President Director / CEO

RASHID I. MANGUNKUSUMO
Director / COO

SUGIHARTO
Director / CFO

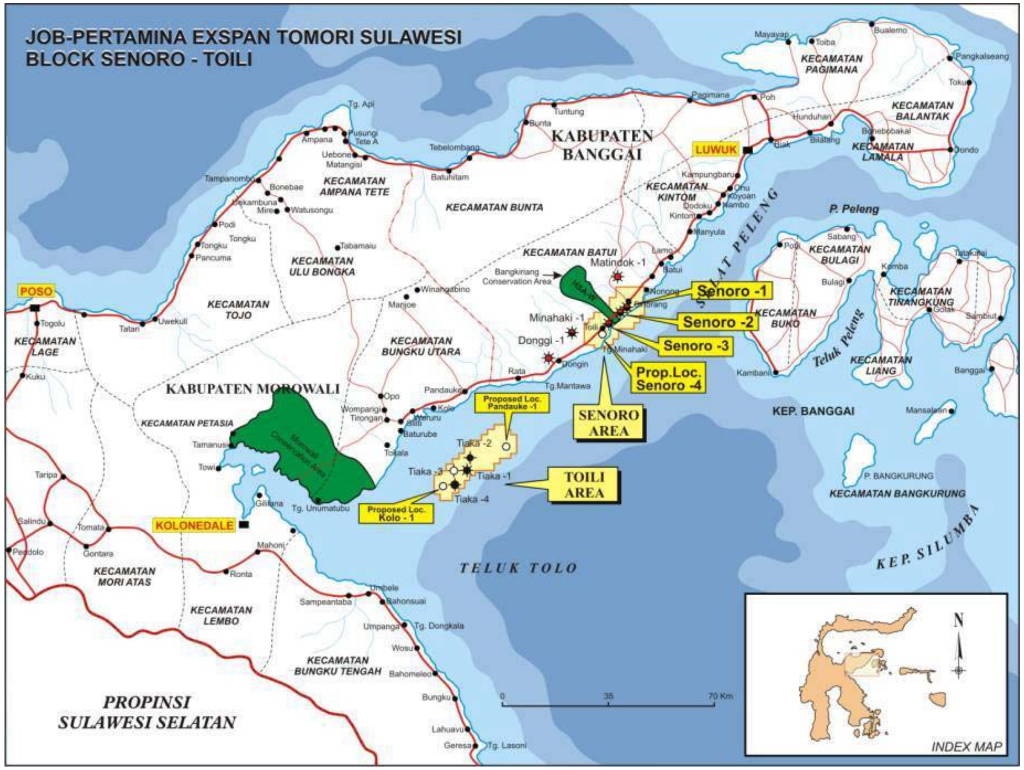
PEERACHAT PINPRAYONG
Director / CPO

E &P - Rimau PSC



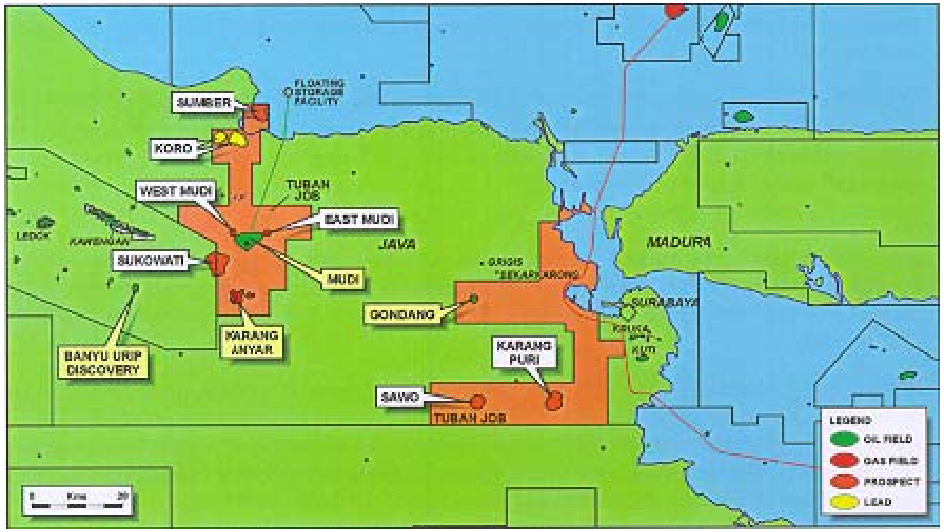
- Producing fields, average production **51.8 MBOPD** in 2003
- Contract expires on 23 April 2023 (recently extended), acquired from Exxon-Mobil (Stanvac) in 1995
- Contract sale to Itochu, PTTEP and Mitsui
- Reserves:
  - 1P 89.8 MMBBL (GCA Jan 2004)
  - 2P 163.6 MMBBL (GCA Jan 2004)
- An LPG plant in Kaji/Semoga to allow 200 tons/day of propane and butane production, has been completed by the end of 1Q04 and currently finishing trial production
- Working interest reduced to 95%, with the 5% farm-in of local government (PDPDE)

E & P - Senoro-Toili PSC



- June 2002, signed an MoU with Pertamina and Marathon to develop gas resources for the US West Coast market
- July 2003, signed an MoU with Pertamina & Marathon for up to 6 MTA of LNG sales to an Energy Center in Mexico
- Drilled Senoro-3 delineation well: encountered gas. Proved up 2.6 Tcf (GCA report Jan 2003)
- Senoro-5 well scheduled to be drilled in 2Q04
- Potential commercialization opportunities include:
  - Study with nearby mining companies to supply gas for power demand ~ 100 mmcfd
  - Study of methanol productions ~ 1000 to 5000 tons per day
  - Petrochemicals, negotiations with PUSRI and Pupuk Kaltim
  - GTL study with Shell

E & P Tuban PSC-JOB



- License type: PSC JOB
- Located in onshore East Java, consist of 2 geographical blocks
- Current equities:
  - 25% Petrochina
  - 25% Medco
  - 50% Pertamina
- Estimated (in-house) gross reserves of approximately 4.0 mmbo (Jan 2004)
- Contribution to the Company ~ 1.8 mbopd for 2003 period
- Upside: Sukowati field and gas prospects near industrial sites of Surabaya

E & P - Langsa TAC

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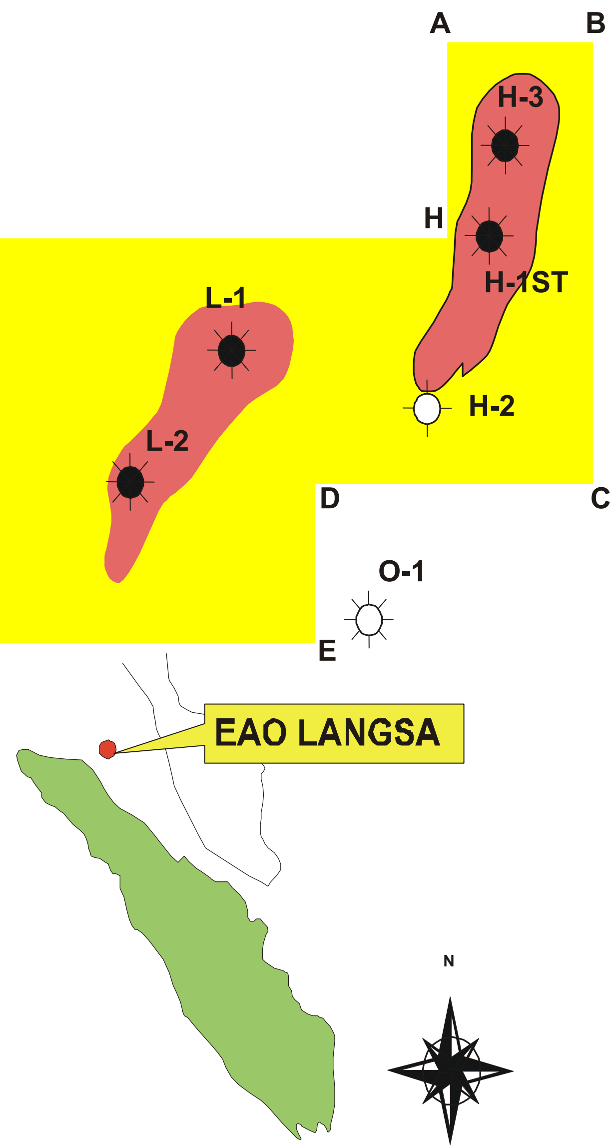
LANGSA TAC

50 kms of offshore East Aceh

Partnership (50:50)	Mitsui Oil Exploration Co. Ltd.
Date of Acquisition	Desember 2003
Contract Period	2007
Ownership Percentages	70%
Total Areas	77 kms^2
Water Depth	310 feet
Potential 2P Reserves	6 MMBO



E & P - LPG Plant

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Location:

Musi Banyuasin, next to Kaji/Semoga station

South Sumatra

Date of Construction	March 2003
Initial Operation	1st Quarter 2004
Production Capacity	200 MT/D LPG 400 Bbl/D Condensate 12 MMSCFD Lean Gas
Flared gas quantity	20 MMSCFD
Off-taker	LPG – Pertamina Lean Gas – PLN Condensate - Pertamina

Drilling Services - New Rigs Specifications

MAERA
Submersible Swamp barge
± USD 37 Million

Well Control	**15,000 psi**
Water Depth	**25 feet**
Drilling Depth	**30,000 feet**
Lessee	**Total Indonesie**

Drilling Services - New Rigs Specifications

RAISSA
Submersible Swampbarge
± USD 50 Million

Well Control	**15,000 psi**
Water Depth	**35 feet**
Drilling Depth	**30,000 feet**
Lessee	**Total Indonesie**

Drilling Services - New Rigs Specifications

MEDCOENERGI

YANI
Submersible Swampbarge
± US$ 40 Million

Well Control	**10,000 psi**
Water Depth	**25 feet**
Drilling Depth	**25,000 feet**
Lessee	**Total Indonesie**