



The Energy Company of Choice

“Since 2011, by refocusing on the Company’s core competence in the E&P business, we have already seen tangible results in the form of increased productivity in existing oil and gas assets as well as in the progress of major project developments.”

Lukman Mahfoedz, CEO of MedcoEnergi

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# Message from President Commissioner



In 2011, we implemented our new business strategy which essentially refocuses our efforts on our 32-year plus core competence in oil and gas exploration and production, with four key components: strengthening our producing assets portfolio, increasing reserve life index, completing major oil and gas projects, and accelerating growth of other energy related assets through strategic partnership. Refocusing on oil-and-gas E&P activities has been extremely beneficial for the Company. It has enabled us to extract greater value from our operations and form the development of our oil and gas assets.

We believe that the Company has been moving safely on track to sustain its operating profitability over the next few years, at which time we will start to reap the benefits of our major oil and gas capital projects, including the Senoro development, the largest upstream and downstream gas development project in Indonesia in recent memory. We remain cautiously optimistic that at least one of the Company's major projects, especially the Senoro development, could be realised by end of 2014 as planned.

In areas of corporate governance, MedcoEnergi continues to strengthen its capabilities, including the monitoring of good corporate governance by the Board of Commissioners, ensuring that principles pertaining to transparency, responsibility, accountability, independence and fairness are properly implemented throughout the Company. Our business generates considerable value and through corporate social responsibility (CSR), we create jobs, empower communities, and support the development of local economies in the areas where the Company operates.

I am extremely pleased at the way MedcoEnergi is being led and managed in all facets of its operations, and how the Company has recently shown a renewed sense of vigor and purpose to deliver increasing returns and value to shareholders and other stakeholders.

Yours sincerely,

**Hilmi Panigoro**  
President Commissioner

# Foreword from President Director & CEO

PT Medco Energi Internasional Tbk (MedcoEnergi) is a publicly-listed Indonesian company with current oil and gas production of around 80 thousand barrels of oil equivalent per day (including 20 thousand barrels oil equivalent per day under a service contract in Oman).

MedcoEnergi was founded in 1980 by Arifin Panigoro, one of Indonesia's leading oil and gas businessmen, as the first private national oil and gas drilling company. Within three decades, we have significantly grown our business and become an integrated energy company engaged in exploration and production (E&P), integrated gas value chain, Liquefied Petroleum Gas (LPG) processing, high speed diesel trading, storage and transportation, drilling rigs and services, electrical power generation, gas transportation, operation & maintenance, and coal mining. Since 2011, by refocusing on the Company's core competence in the E&P business, we have already seen tangible results in the form of increased productivity in existing oil and gas assets as well as in the progress of major project developments.

MedcoEnergi continues to seek opportunities for potential oil and gas assets acquisition selectively, with a focus on producing assets in Indonesia and overseas, especially in the regions of the Middle East, North Africa and Asia Pacific which have proven to bear oil and gas resources in substantial amounts. The Company aims to acquire oil and gas assets that have potentially long life span and significant gas reserves that meet the required economic benefits. Today, we have expanded our operation to Libya, Oman, United States of America, and Yemen.

MedcoEnergi is committed to providing energy for society. The Company is set to double its current production rate in the near future by delivering successful major projects, growing its reserves organically and inorganically, while always complying with the highest safety, health and environmental standards. Our aim is to maximize value for our stakeholders. We welcome your interest, involvement and support as we continue to pursue aggressively the Company's growth agenda.

Warm greetings,

**Lukman Mahfoedz**  
President Director & CEO



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# Our Belief



{ Professional }



{ Open }



{ Ethical }



{ Innovative }

## Becoming the Energy Company of Choice

Our vision is to be the energy company of choice for our investors, shareholders, partners, employees, communities and the greater public.

It is a vision that will be realized by developing energy resource potential into profitable investment portfolios.

We operate our business in adherence to the highest standards of Good Corporate Governance (GCG) and of Safety, Health and the Environment (SHE). In addition, we implement a consistent Corporate Social Responsibility (CSR) program. In all of these areas MedcoEnergi has received accolades from its stakeholders.

All of our work is conducted in a professional, ethical, open, and innovative way. These values are the core of our corporate culture, which drives MedcoEnergi towards sustainability.

# Capitalizing on Core Competence

Backed by proven achievements in E&P, the Company refocused its efforts on oil and gas E&P, capitalizing on its core competence in this segment to fuel future growth.

Oil and Gas Assets

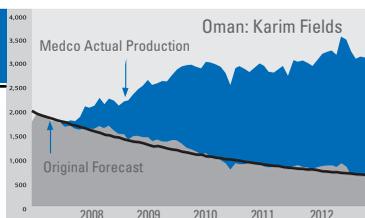
26

Operating Countries

5

Rejuvenation on Mature Oil Fields

250%



Major Project Completion

7

Capex Spending in Next 5 Years (US\$ Billion, Gross)

4.2

Gross Managed Operations (MBOEPD)

85.02\*

Petro-Technical Professionals

500+

Strategic Partners

2

\* PROJECTED 2013 NUMBER



# Milestones

1980 Incorporated as an Indonesian drilling contractor.

1992 Established an oil and gas subsidiary.

Acquired a Technical Assistance Contract (TAC) and Production Sharing Contract (PSC) for two oil and gas blocks in East Kalimantan from Tesoro.

1994 Initial public offering as MedcoEnergi on the Indonesia Stock Exchange. Ticker symbol is MEDC.

1995 Acquired 100% shares of PT Stanvac Indonesia from Exxon and Mobil which held PSCs for 3 oil and gas blocks in South Sumatra: South & Central Sumatra, Rimau, and Pasemah.

1996 Discovered the giant oil field, Kaji and Semoga, Rimau Block, South Sumatra.

1997 Entered into the downstream industry through a Joint Management Agreement to operate Pertamina's methanol plant at Bunyu Island.

2000 Acquired three new working areas: Simenggaris, Western Madura and Senoro-Toili. Discovered an oil field in Soka, South Sumatra.

2002 Acquired 25% working interest in Tuban block.

Awarded a "B+" corporate credit rating with stable outlook by Standard & Poor's on February 4, 2002, above Indonesia's credit rating.

2003 Signed Gas Supply Agreement with PLN (state-owned power producer) for gas produced from South & Central Sumatra PSC.

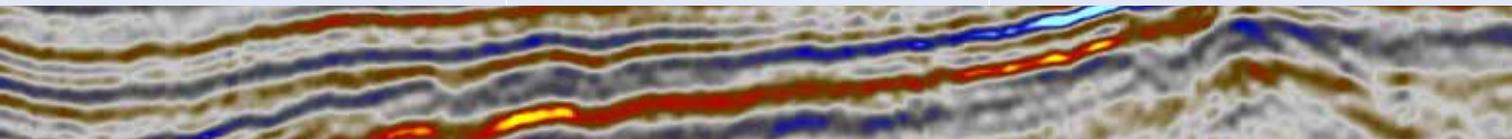
2004 Acquired 100% shares of Novus Petroleum Ltd, marking the Company's expansion into the international oil and gas arena.

Inaugurated the Company's first gas-fueled power plant in Batam Island, Panaran I.

2005 Awarded Oil & Gas Exploration and Production Sharing Agreement of Area 47 from the Government of Libya.

Acquired Langsa block and Sembakung block in Indonesia.

Signed Tanjung Jati Operation & Maintenance Agreement with PLN.



**2006** Awarded ten-year E&P Service Agreement of Karim Fields, in Oman.

Commissioned Panaran II gasfired power plant.

Awarded 3 x 110 MW of geothermal power project in Sarulla, North Sumatra.

**2007** Launched exploration of Area 47 in Libya. Made six discoveries from exploration wells in 1 year.

Launched pilot project for Enhanced Oil Recovery (EOR) in Rimau Block.

Began the development of Senoro Gas Project by establishing PT Donggi-Senoro LNG (DSLNG).

**2008** Signed a Production Sharing Agreement with the Ministry of Oil and Minerals of the Republic of Yemen for Block 82 and 83.

Completed the sale of its drilling subsidiary, PT Apexindo Pratama Duta Tbk.

Signed the first Coal Bed Methane (CBM) PSC in Indonesia to carry out activities in development of CBM in Musi Banyuasin Regency, South Sumatra.

**2009** Entered into the coal mining business by acquiring two companies which hold mining concession rights in Nunukan, East Kalimantan.

**2010** Secured operatorship and successfully made three discoveries from three exploration wells in Area 47 in Libya.

Obtained 20 year extensions for three PSC working areas: South & Central Sumatra, Block A, and Bawean.

**2011** Completed the sale of Medco Tunisia Anaguid Limited.

Invited PT Saratoga Power to become a shareholder of PT Medco Power Indonesia.

Secured Commerciality declaration of Area 47, Ghadames Basin, Libya.

**2012** Acquired 25% of Block 9 Malik, Yemen.

Inaugurated maiden shipment of 38,000 tons of coal.

Earned PROPER gold for Rimau Block for second year running (2011 and 2012).

Signed a strategic partnership with Puma Energy LLC for PT Medco Sarana Kali Baru.





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31 HAL 201

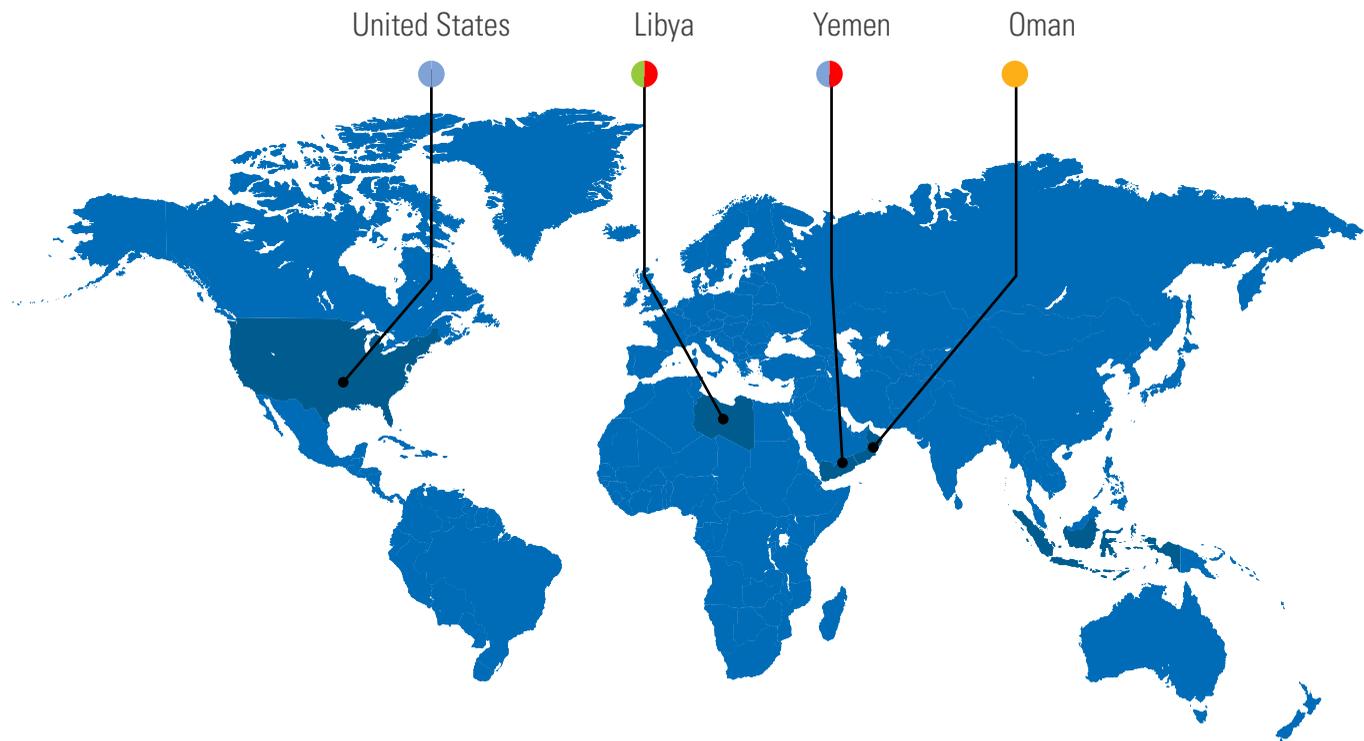
# Exploration and Production



## Growth through Partnership

Partnership is a key success factor for MedcoEnergi, enabling it to increase production, maintain reserve growth, and obtain advanced technology.





● Exploration ● Service Contract ● Development ● Production ● CBM ● Economic Participation

Partnership is a key success factor for MedcoEnergy, enabling it to increase production, maintain reserve growth and assess advanced technology.

In the last two decades, MedcoEnergy has successfully grown its exploration and production business and consistently added to and replaced reserves. We have expanded our business to include five countries, i.e. Indonesia to Libya, Oman, USA and Yemen. These operations include exploration, development and production of crude oil and natural gas, as well as their support services.

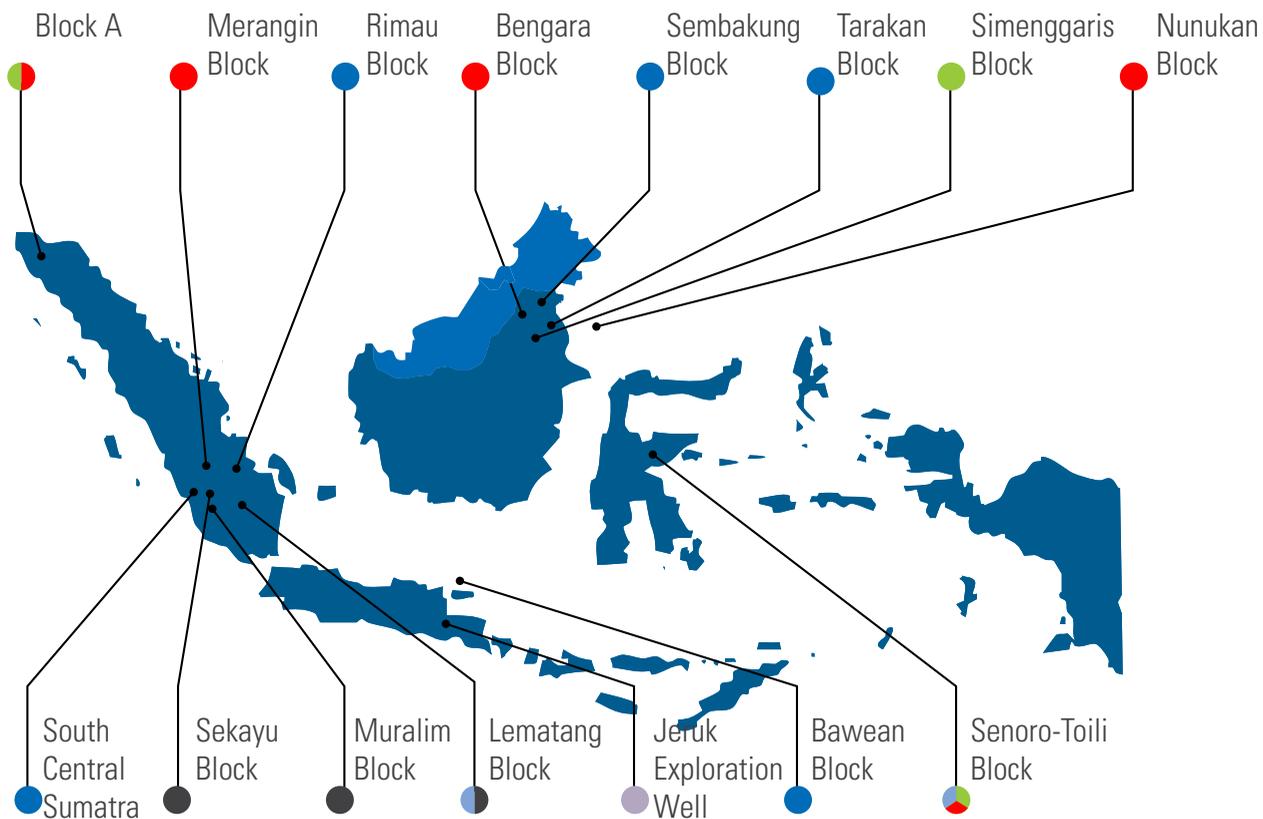
Partnership is one of the key success factors in expanding our exploration and production business. We have

been working together with various reputable companies worldwide to maximize the value of our assets and at the same time to grow our businesses.

We have demonstrated our expertise in enhancing production of mature and marginal fields and operating the assets efficiently, both in domestic and international assets. We have been able to obtain strong support from local government and communities. We empower local communities in the surrounding areas of our operations, create jobs for them and increase their education level. It is our long-term commitment to create and deliver sustainable value to all local communities wherever we operate.

We are committed to providing energy for society's needs and set our goal to double the current production rate in the near future. We will continue to conduct exploration activities in the most potential prospects, implement Enhanced Oil Recovery (EOR) technology at our mature assets, and pursue acquisitions of new potential or producing oil and gas assets. We are looking at the opportunity to expand our exploration and production business to unconventional hydrocarbons, including CBM, heavy oils and potentially shale gas/oil in our blocks in Indonesia.

Our major projects, exploration and development activities at challenging areas and development of new



unconventional energy require high technology application and massive capital investment. The involvement of our experienced partner in those areas is a key element to materialize our objectives. We are confident that our history of successful performance combined with partnership with reputable companies will enable MedcoEnergi to demonstrate an even better performance thus maximizing value for our stakeholders in the near future.

Country	Partners
Indonesia	Anadarko, Cue Energy, Dart Energy, JAPEX, KOGAS, Lundin, Mitsubishi Corporation, MOECO, Pertamina, Premier Oil, Salamander Energy, and SPC.
Oman	Kuwait Energy, Oman Oil Company, Petrovest, and Vision Oil.
Yemen	Calvalley, Hood Oil, Indian Oil, Kuwait Energy, Oil India and YOGC.
Libya	Libyan Investment Authority, NOC Libya.
USA	Northstar Offshore.

# Exploration



## Libya; Breaking the Record

MedcoEnergi entered into the Exploration and Production Sharing Agreement IV (EPSA IV) of Area 47 with a participating interest of 50% in 2005. In 2008, the discovery of 352 MMBOE contingent resources in Area 47 was successfully made. We became the operator of Area 47 in 2010 and since then increased gross contingent reserves to 588 MMBOE (up by 67% from the level in 2008) through the drilling and testing of an additional three exploration wells. The discovery of contingent resources in 2008 and additional resources discovered until early 2011 demonstrated MedcoEnergi's success in executing exploration program in Libya.

From the commencement of exploration drilling activities in September 2006 to the end of 2010, we have drilled 20 exploration wells and six appraisal wells, and completed a third 3D seismic program of 1,225 km<sup>2</sup> in the eastern part of Area 47 and 2,400 km of 2D seismic in the western and southern part. We have successfully discovered resources from 18 out of

the 20 exploration wells drilled in four years, and achieved an exploration success ratio of 90%, well above the global average success rate.

Commerciality of Area 47 was obtained in late 2011. The Joint Operating Company (JOC) has been established on February 2013. In February 2013, namely Nafusah, Oil Operations B.V. MedcoEnergi will own an interest of 24.5%, while National Oil Corporation (NOC) of Libya and Libyan Investment Authority (LIA) will own interest of 51% and 24.5% respectively. The Management Committee oversees both Medco International Ventures Limited as the Operator of the exploration/appraisal phase and Nafusah Oil Operations B.V. as the Operator of the development/production phase.

We are also continuing our exploration program in Area 47 and are confident that the program will unlock upside exploration potential remains in area 47.



## Matang-1, Block A

Through its exploration activities, MedcoEnergi seeks to increase the Company's gas reserves by undertaking a new exploration well drilling activity in Block A, located in the East Aceh Regency, Aceh Province. This Matang well is the first exploration well to be drilled in the last 17 years in Aceh. Gas from three existing fields and yet-to-found Matang exploration field will be used for domestic consumption by a fertilizer Company, PT Pupuk Iskandar Muda and the State-Owned Electricity Company.

The Company began drilling Matang-1 exploration well in November 2012. The drilling works and a Drill Stem Test (DST) to prove up gas reserves are slated for completion by mid 2013. This Matang-1 exploration well drilling has been successfully encountered the main reservoir objective, capable of flowing significant gas rate with relatively low CO<sub>2</sub> and H<sub>2</sub>S content. The potential additional gas reserves will be used to supply domestic markets.



## Block 82 & 83, Yemen

As part of the Company's strategy to increase its oil reserves, MedcoEnergi expanded its operations in Yemen where it was awarded Blocks 82 and 83 after winning the International Bid held by Ministry of Oil and Minerals of the Republic of Yemen through the Petroleum Exploration and Production Authority in December 2006.

MedcoEnergi has completed the 2D and 3D seismic data acquisition areas of 349.9 km and 248.1 km<sup>2</sup> respectively in Block 83 and is completing a similar program in Block 82. An exploration well drilling program in Block 83 has been defined based on seismic interpretation result, to be executed in 2013.

# Development



## Senoro Development; Breaking through Gas Market Barrier

MedcoEnergi is committed to monetizing and innovatively creating a market for its abundant stranded gas reserves from remote areas in Indonesia. One of the examples is Senoro gas field, which is located in a remote area in Central Sulawesi Province. The Senoro gas field contains sufficient reserves and contingent resources to supply 250 MMSCFD to a LNG plant under a long term gas supply commencing in the fourth quarter of 2014. In addition, another gas supply of 55 MMSCFD has been contracted for domestic market of an ammonia plant, located near the gas field.

We are proud that we can enter into the elite market to produce LNG and have obtained the support of the Indonesian government and partners. The LNG plant is jointly owned by MedcoEnergi, Pertamina, Mitsubishi, and Korea Gas Corporation and operated under DSLNG. The

plant will produce approximately 2 million tons of LNG per annum. Construction of the plant is currently underway, reaching 85%, 10% ahead of planned schedule. Production is slated to start at the end of 2014. Commercial production is targeted to commence and deliver the first LNG cargo in 2015. This will be the fourth LNG plant in Indonesia and the first LNG project built together by national companies within a downstream business scheme in Indonesia. It is an honor for us to have the full support of the Government of Indonesia.

We rigorously apply the Medco Project Excellence Process (MPEP) throughout the lifecycle of the projects to ensure any capital investment made by MedcoEnergi and our partner is utilized effectively and successful delivery of the project.



## Simenggaris

The development of the Simenggaris Block in East Kalimantan was intended to monetize its proven and probable hydrocarbon reserves of 9,800 MBOE, supplying gas for 25 – 30 MMSCF per day to the State-Owned Electricity Company, PLN, as well as surrounding industries while continuing on-going exploration activities.

Our operations in Simenggaris continue to support the Government's program to supply energy for the domestic market, and improve the welfare of the communities surrounding the Nunukan Regency.



## Libya Area 47 Development

Commerciality approval of the Area 47 was obtained in late 2011. Following the commerciality declaration, we have established a JOC named Nafusah Oil Operations BV, with NOC and our partner, LIA, to undertake the development, production and maintenance of discovered oil and gas fields. In this current phase of development project in Area 47, we expect to commercialize six out of 16 oil and gas fields that we found from the 18 discovery wells. Together with NOC and LIA, we aim to build a production facility for 50,000 BOPD of oil and 50 MMCFD of gas which is expected to be completed in 2016 (phase-1 development). The remaining ten oil and gas fields will be appraised in 2013 and 2014 and followed by phase-2 development.

# Production



## Rimau; Long Live the Giant

One of the major milestones in our successful history was the discovery of the huge Kaji-Semoga oil field in South Sumatra, which played a major part in helping MedcoEnergi position itself as one of the largest oil producers in Indonesia in the early 2000's. The fields were discovered in 1996 and started its production in 1997. The Kaji-Semoga fields reached its peak production in 2002.

MedcoEnergi is striving to arrest the declining production and increase oil recovery factors by implementing secondary and tertiary recovery techniques. We have taken several key initiatives including utilizing sand fracturing techniques, drilling infill wells, minimizing pressure drawdown and implementing Enhanced Oil Recovery (EOR) techniques using surfactants and polymers.

By implementing these EOR techniques, we aim to increase the recovery factor of Kaji-Semoga fields to 60%

from the current recovery factor of 40%. In late 2011, we started our EOR pilot program by implementing pre-flush injection at several wells and completed the injections by the end of 2012. Upon its completion, we continued with EOR pilot program evaluation. EOR full scale implementation is expected to start in 2014.

MedcoEnergi is one of the first E&P companies and the first national company in Indonesia to apply EOR technology. Having the experience and technological capacity, we will be able to utilize this EOR technique in our assets worldwide.

In addition, our environmentally friendly approach in developing the Rimau Block, where the Kaji-Semoga oil fields reside, made us the first E&P Company to receive the highest recognition from the Indonesian Ministry of Environment by obtaining Gold PROPER (Corporate Performance Rating Program) rating for two years running, in 2011 and 2012.



## Block 9, Yemen

In line with the Company's business strategy, MedcoEnergi acquired interest in an oil producing block in Yemen in 2012. Block 9 is an exploration and production block, located in the province of Hadramaut, Republic of Yemen. The block is located within the Sayun-Masila Basin and has an area of 2,234 km<sup>2</sup>, in which some of its area has previously been successfully explored. The Company acquired 25% participating interest in Block 9 from Reliance Exploration & Production DMCC on 1 January 2012, gaining access to approximately 58.9 MMBO of 2P oil reserves. Future plans are in place to further develop the oil field in order to increase total production from the existing fields as well as from successful exploration of many exciting upside potentials in this Block 9.



## Oman KSF Service Contract

The Company has signed exploration and production services contract with Petroleum Development Oman (PDO), a joint venture between the Government of Oman and Shell, to operate the Karim Small Field (KSF), Oman. MedcoEnergi is responsible for providing services and conducting operations on behalf of PDO Oman. As operator, the Company is responsible to arrest the decline in production and even increase the production through various means where a set of Key Performance Indicators are applied to measure and to become the basis for awarding MedcoEnergi.

MedcoEnergi took full-field responsibility over 115 wells initially producing 9 MBOPD in August 2006. Through the end 2012, not only has the Company successfully arrested natural production decline, but also increased oil production rate to more than 22,000 BOPD. In addition, the Company received the Health Safety and Environment (HSE) Shield Award from PDO for successfully achieving an outstanding record of 4.7 million man-hours without lost-time-injury as of January 2013.

# E&P Technologies



## Enhanced Oil Recovery

Since discovery in 1996, the Kaji-Semoga Fields continues to produce with increasingly advanced production technology. Primary recovery using conventional methods with artificial lift was successfully followed by secondary recovery with waterflood. At the end of 2012, tertiary recovery will be initiated with a pilot project EOR with surfactant and polymer injection. If successful, the pilot will evolve into a full field development. MedcoEnergi is the first in Indonesia to attempt such EOR in limestone reservoirs.

By implementing this EOR techniques, we aim to increase the recovery factor of Kaji-Semoga fields to 60% from the current recovery factor of 40%.

In late 2011, we started our EOR pilot program by implementing pre-flush injection at several wells and completed the injections by the end of 2012. Upon its completion, we continued with EOR pilot program evaluation. EOR full scale implementation is expected to start in 2014.

MedcoEnergi is one of the first exploration and production companies and the first national company in Indonesia to apply EOR technology. Having the experience and technological capacity, we will be able to utilize this EOR technique in our assets worldwide.



## High Pressure High Temperature (HPHT)

The Company began development of the Lematang Block in 2007 and completed the construction of production facilities and produced first gas in 2010, using advanced technology and sophisticated material. The Singa-3 was the first well in Indonesia to be drilled horizontally using the MPD (Managed Pressure Drilling) technology, applicable for wells of extreme operation conditions with a temperature of 342 °F (172.2 °C), a pressure of 8,000 psig (approximately 55 MPa), with CO<sub>2</sub> and H<sub>2</sub>S content of 32% and 200 ppm respectively.

MedcoEnergi collaborates with academic institutions and industry to determine the material and technology to manage the unique characteristics of the Singa Well. The collaboration called for a retrofit of the wellhead that was rated well beyond the API specs. for oil & gas wells, allowing MedcoEnergi to ramp-up gas production up to 35%. In addition, the wellhead is inlaid with INCONEL material and applied with NASA's technology on its heat sink.



## Extended Reach Drilling (ERD)

Joint Operating Body (JOB) Tomori, a joint partnership of MedcoEnergi-Pertamina, began drilling three exceptional wells on the man-made island of Tiaka in Central Sulawesi in September 2012. These wells are considered exceptional because of the Extended Reach Drilling technique in order to reach the targeted reservoir. The oil well drilling was using a rotary steerable system to reach a total measured depth of almost 15,000 ft with a well inclination of 69 degrees.



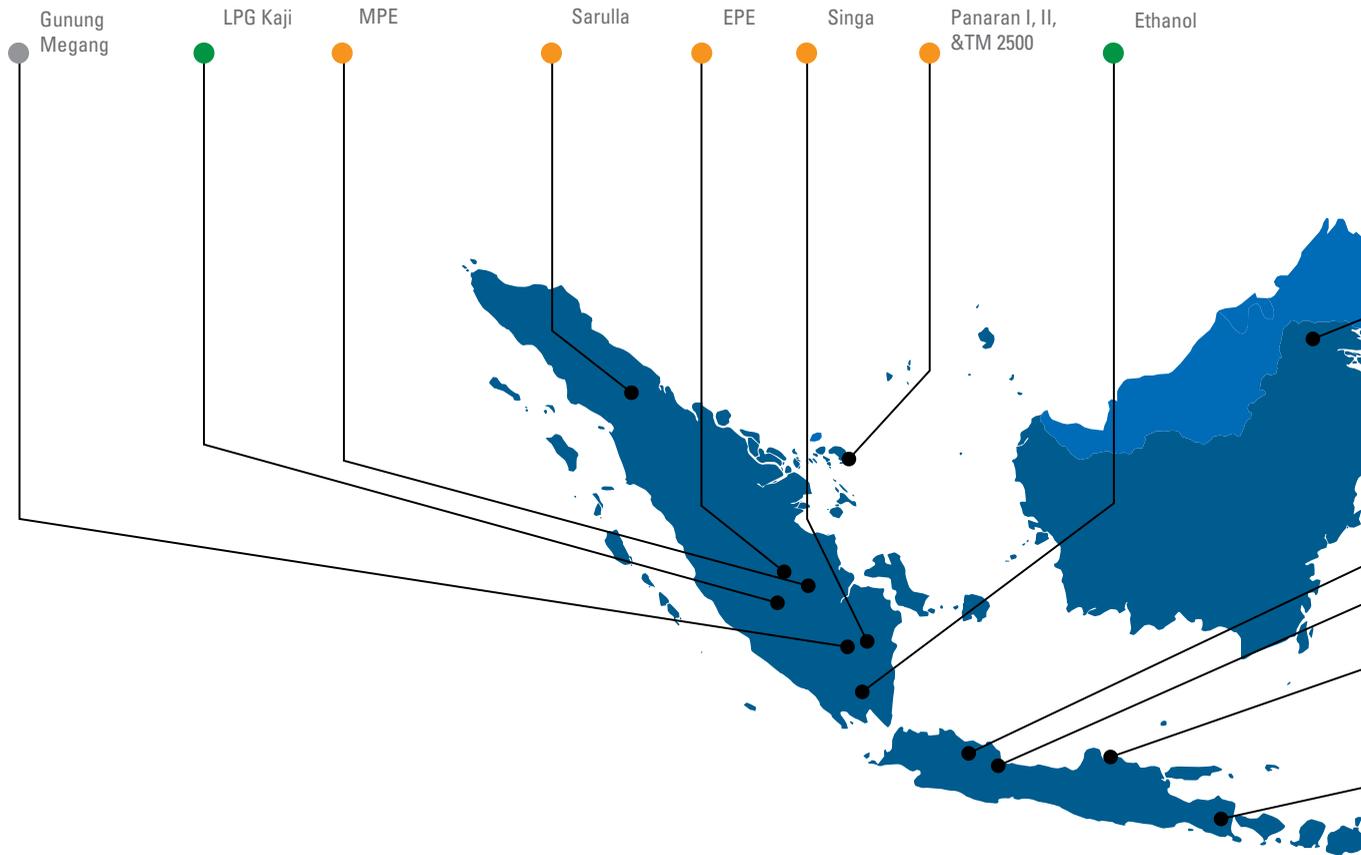
# Other Energy Related Business



## CNG conversion

The use of Compressed Natural Gas (CNG) in our operational cars can save up to around US\$ 440 thousand per year and reduce emissions by 380 tonnes of CO<sub>2</sub> equivalent per year, i.e. 25% lower than when using conventional fuel-oil based cars.

GMB-ZALF-5H



● Power   
 ● Downstream   
 ● Mining   
 ● Gas

MedcoEnergi is committed to providing energy for society. Our expertise and ability to grow the exploration and production business have strengthened our commitment to expand the business into other energy-related businesses. The year 1997 marked the beginning of MedcoEnergi's effort to become an integrated energy company.

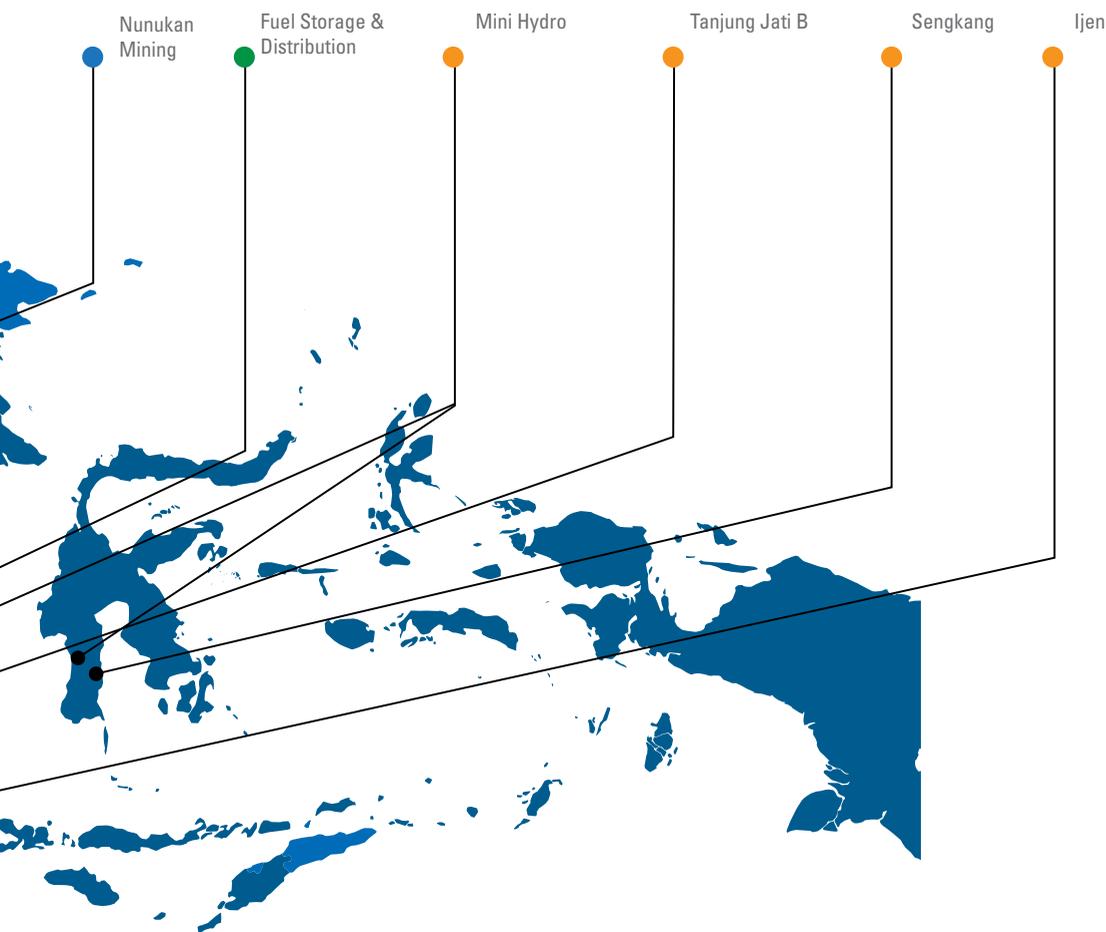
Since then, MedcoEnergi has significantly grown its other related energy businesses, and is engaged in LPG processing; high speed diesel marketing, storage and transportation;

gas transportation; drilling rigs and services; electrical power generation and coal mining. Subsequently, MedcoEnergi is now working on a pilot project to develop renewable energy business and begin producing bio ethanol from cassava and molasses.

We developed our LPG processing and gas distribution businesses as an integration of our exploration and production business. Meanwhile, the establishment of drilling rigs and services, electrical power generation and coal mining businesses were driven by the increasing demand for such products.

MedcoEnergi is always searching for any available opportunity to grow its energy business. The global issue in reducing green house gas emission has attracted MedcoEnergi to diversify its energy business to renewable energy. We realize that renewable energy demands will continue to grow in the future and MedcoEnergi is in a strong position to develop renewable energy in the near future.

We believe that our other related energy businesses have great future in Indonesia.



We are endeavoring to grow those businesses and integrate them with our exploration and production business.

However, we realize that to accomplish this growth will require more advanced technology, competent people and significant capital. We are confident that the involvement of prominent strategic partners with expertise in each area of our energy-related businesses will enable us to grow these businesses and add more value to our stakeholders.

Business	Customers, Partners
Downstream	Astiku Sakti Budiarta, Acro Intertrade Pte. Ltd, Budiarta, Colliba Chemical, Citus Trading Pte.Ltd, Freeport Indonesia, Global Arta Borneo, Heartychem Corp, Indo Acidatama, Jetcon Trading Ltd, Karsavicta Satya, Medcopapua Industri Lestari, Medco E&P Rimau, Molindo Raya Industrial, Pasadena Biofuels Mandiri, Vale Indonesia (INCO).
Power	Itochu Corporation, Kyushu Electric, Ormat Technologies, PLN Pusat, PLN Batam, PLN Tanjung Jati, PLN South Sumatra.
Gas & Pipeline Distribution	Medco E&P Indonesia, Pertagas.
E&P Service	ADERA, KSO EP (Pertamina Business Unit), Benakat Bara, Medco E&P Indonesia, Medco E&P Tarakan, Medco E&P Rimau, Medco E&P Sembakung, Pertamina EP Region Jawa Cirebon, Pertamina E&P Tanjung.

# Power



## Independent Power Producer & Power Services Provider

MedcoEnergi, together with its partner PT Saratoga Power, has conducted power business through PT Medco Power Indonesia since December 2011.

MedcoPower is developing renewable projects comprising of mini-hydro and geothermal power plants in Sarulla in North Sumatra and Ijen in East Java. Plans for the development of the Sarulla Geothermal Power Plant Project are in place and would produce the largest single-contract of geothermal power in the world of 3 x 110 MW. While in East Java, MedcoPower starts exploring a geothermal power plant development of 2 x 55 MW in Ijen, following a geology & geophysics study.

We are also operating a total of six gas-fired power plants in Batam and South Sumatra. Our Independent Power Producer (IPP) in Batam utilizes various types of engines

to ensure a continuous supply of electricity, including simple cycle, combined cycle engines and a truck mounted plant. Whereas in South Sumatra, our IPP engines supply energy to gas production facilities and the surrounding communities, with most of the electricity produced will be delivered to local PLN.

Indonesia state-owned electricity company, PLN, has recognized MedcoPower's commitment and capability to supply electricity. PLN awarded MedcoPower an operation and maintenance service contract for the 2 x 660 MW coal-fired power plant in Tanjung Jati, Central Java, which commenced operation in 2006, supplying 8% of total electricity flowing through the Java-Bali transmission. MedcoPower has succeeded in operating this plant to its full capacity maintaining the highest SHE standards.

# Coal Mining



## Diversifying our Energy Sources

In 2009 MedcoEnergi began its coal mining business by acquiring two mining companies, PT Duta Tambang Sumber Alam (DTSA) and PT Duta Tambang ReKayasa (DTR). These two companies own mining business licenses (IUP) in Nunukan, East Kalimantan. Based on DTSA and DTR geological data and the historical success rates of neighboring operators, it is estimated that Nunukan will be capable of producing coal with a high calorific-value of 6,800kCal/kg adb.

Our approach has always been to maintain an environmentally friendly operation with good mining practices. Moving forward, we will grow our business with a focus on small to medium size of coal and mineral miner and saleable commodity; implement joint venture schemes with existing mining business license holders; and in the long term look for opportunities to develop low rank coal prospects using coal utilization process.

MedcoEnergi's production target is 600,000 metric tons per year with initial production starting in fourth quarter of 2012. In October 2012, the Company has successfully shipped its maiden coal sales to China. In the coming years, we believe that we will be able to discover more coal prospects as well as to enter the new venture of gold mining as operator and developer.

# Gas Pipeline



## Gas Pipeline & Distribution

MedcoEnergi entered into the gas pipeline and distribution business in 2008. Our first facility was the gas pipeline and booster compression station at Gunung Megang in South Sumatra.

This facility is used to transport the gas produced from MedcoEnergi's gas producing field, located in Singa Lematang block. The 17.5 kilometers of 10" pipeline was built to connect the Gunung Megang facility to the Singa Lematang facility, pushing the gas through the booster compression station at a capacity of 3 x 22.5 MMSCFD.

In addition, MedcoEnergi also plans to produce Natural Gas Liquid (NGL) and construct multi-user gas pipelines in Sumatra and Kalimantan.

We are geared towards building a large gas distribution business in Indonesia, encompassing trading, processing, transportation, and operating and maintaining relevant facilities.

# E&P Service



## Exploration & Production Services

MedcoEnergi provides first-class E&P services at a competitive price. MedcoEnergi's E&P Services unit was established in 1997 with the purpose of providing a first-class competitive services.

Our expanding network of affiliations with prominent international partners has assured the continuing application of state-of-the-art technologies, thus leveraging our investments. The unit has more than seven years' experience and employs a highly-qualified workforce.

Our oil and gas E&P supporting services, which focus mainly on work-over well and well service hoist, are contracted in many locations throughout Indonesia. Currently, we operate six work-over rigs and plan to increase our capacity and by procuring additional rigs in 2012.

MedcoEnergi has always continuously improved both the management and integration of its oil and gas E&P supporting services in order to improve client satisfaction.

We have successfully attained ISO 9001, ISO14001 and OHSAS 18001 certification and declaration of competence from TÜV-Nord Indonesia. These certificates represent a significant accomplishment and exemplify the Company's strong commitment to quality management system, environmental management system and occupational health and safety in the area of oil & gas services. It has always been our commitment to deliver the best possible result in whatever we do.

# Downstream



Medco  
Sarana  
Kali Baru

Puma  
Energy

## Fuel Storage & Distribution Facility

In 2007, MedcoEnergi began to operate a fuel storage facility comprising of five storage tanks and distribution facilities in Cilincing, North Jakarta. The operation deals with High Speed Diesel trading, which has now expanded from Jakarta to several other areas in Indonesia, such as Palembang, Banjarmasin, and Sorong. Our facility is comprised of five storage tanks, with a total capacity of 22,700 KL and distribution facilities

This facility services a large number of industrial customers, and is supported by a distribution fleet comprising of dedicated truck units. Commencing in 2010, MedcoEnergi has been awarded several contracts with prominent mining companies, proving our ability to deliver a high quality product and excellent service.

MedcoEnergi has expanded its capability through a strategic partnership with Puma Energy, the global midstream and downstream energy Company, in 2012 to serve the needs of the mining industry in Sumatra and Kalimantan.

The new joint venture, PT Puma Medco Petroleum, is well positioned to become a significant fuel trading and distribution business in Indonesia, benefiting customers, employees and other Stakeholders.



## LPG Processing Plant

In 2003, MedcoEnergi expanded its downstream business by constructing and operating an LPG plant near our Kaji field, in Rimau block of South Sumatra. We operate two trains with a total production capacity of 150 MT per day of LPG, 400 BOPD of condensate and 12 MMSCFD of lean gas.

Besides integrating our upstream and downstream business, the objective of establishing our LPG business is to meet MedcoEnergi's commitment to reduce gas flare at Kaji and Semoga fields. Naturally, reducing the associated gas flare contributes to the reduction of CO<sub>2</sub>.

Our LPG processing plant has been operating in recent years without any lost time incidents or accidents. In addition, we have acquired a Voluntary Emission Reduction (VER) certificate and received revenues from the carbon credit reduction produced from the operation of the LPG plant.



## Bio-Ethanol Plant

We began a bio-ethanol pilot project in Lampung, Sumatra at the end of 2006. The construction of the plant, with a capacity of 18,469 KL, was completed in 2008. It was specifically designed to utilize cassava and molasses as feedstock. The plant commenced production of industrial grade bio-ethanol in 2010 and will eventually reach fuel grade production quality level.

MedcoEnergi delivers ethanol in two different product grades: EGRA—Export Grade Rectified Alcohol and a side product, Technical Alcohol, which can be exported to nearby regional markets.

Meanwhile, to increase the quality and diversity of feedstock from the planted land managed by MedcoEnergi, numerous collaborations with sugar mills, molasses traders and agricultural research institutions, particularly those specializing in sugar cane plantation, have been established.



# Our People, Standards and Information Systems



## Obtain Highest Recognition

The Indonesia Vice President presented Gold PROPER award, the highest recognition for preserving the environment from the Indonesian Ministry of Environment, to the COO of MedcoEnergi, Frila B. Yaman.

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# Our Human Capital



## Developing and Building on Core Competence

People are our capital and the key to our success. People competency and engagement are crucial to the Company's performance. We therefore organize, develop, and reward our employees so that they can continuously increase their competency and deliver their best performance.

We have invested in several strategic human capital initiatives to attract, motivate and retain the right talents. In developing our future leaders, we have embarked on a structured leadership development program, involving employees from staff to senior management level.

Our talent management process ensures MedcoEnergi has a sustainable supply of talent to fill various key positions within the organization.

Today, MedcoEnergi employs more than 3,100 people worldwide, including over 500 petro-technical professionals. Our human capital is made up of people from various nations who all embrace the MedcoEnergi culture and spirit.

# Empowering Local Communities



## Sustainable Growth through Social Activities and Initiatives

Growing an energy business in a pluralistic society such as Indonesia carries the responsibility of empowering the local communities and interacting respectfully with the environment. Close cooperation with the government at national and local levels is a key to ensuring the sustainability of economic and social growth in addition to conservation of the environment.

MedcoEnergi has contributed in a unique way. Our community development activity in operation areas has provided energy to local communities through small gas-fired and hydro-power plants in several villages in South Sumatra. The Company provides financial support, such as micro financing to local small-scale entrepreneurs (e.g. carpenters, fishermen, cracker producers, etc). We also support the local community to plant organic paddy fields. Briefly, we develop small-scale energy-related

and community-based projects using locally available resources. In this way, we also preserve the environment.

Our Company has demonstrated a strong commitment to local education particularly in our operation areas. We continue providing scholarships and improving school facilities.

We believe that a better education will improve the quality of life of the community. MedcoEnergi has introduced various initiatives to empower women in the community, such as a community development program for organic System of Rice Intensification (SRI). Indeed, the United Nations has recognized MedcoEnergi with its Millennium Development Goals award in the category of "Promoting Gender Equality and Empowerment of Women."

# High SHE Standard



## Safe, Effective and Efficient Operations

MedcoEnergi is committed to managing its operations safely, effectively and efficiently. MedcoEnergi always ensures that all of its assets implement Performance Integrity of MedcoEnergi (PRIME) as its SHE management system. PRIME was developed in accordance with the International Safety Rating System 7th edition (ISRS7), the audit standard that is implemented in all MedcoEnergi assets.

As a high standard of SHE system, the contents of PRIME are also in line with various international standard management systems: ISO 9001 (Quality Management System), ISO 14001 (Environmental Management Systems), OHSAS 18001 (Occupational Health and Safety Assessment Series), PAS 55-Asset Management, and GRI (Global Reporting Initiative).

PRIME is a guideline for MedcoEnergi to implement operation management system, risk management, employee

competency management, facility integrity management, crisis management, and knowledge management.

MedcoEnergi has been implementing various initiatives to regularly enhance its SHE performance and to show appreciation for employees and contractors who implement our behavior based safety program.

We have conducted Health Risk Assessment programs and provided specific health program for our employees to prevent any potential occupational illness.

MedcoEnergi requires all of its contractors to implement Contractor Safety Management (CSM) and evaluate their SHE performance during their service to ensure that they understand and implement CSM properly and effectively.

# Preserving Environment



## Respecting Nature for Future Generations

Currently about 6.8 billion people inhabit the Earth. Our world is faced with serious challenges, among others: poverty, environment, and health. MedcoEnergi is continuously trying to find better ways to produce and use energy to drive the economy, industries, and transportation.

MedcoEnergi has undertaken several initiatives to restore the ecological balance that is affected by its operations, including management of water and air pollution, and hazardous solid waste materials.

We always strive for our operations to comply with the environmental law and regulation wherever we operate. We regularly produce a feasibility study on the environment for every activity, such as analysis of environmental impact and efforts on environmental management and ecological monitoring.

In preserving the environment, we are committed to implementing various initiatives, including: greenhouse gas emission reduction, water conservation, waste management, utilization of resources, and biodiversity conservation.

These initiatives have enabled us to enhance our performance in preserving the environment. We also obtained Green PROPER ratings for our other oil and gas producing blocks in South Sumatra and East Kalimantan.

We are endlessly pursuing better, more environmentally friendly operations to produce and use energy to reduce greenhouse gas emissions and global warming.

# GCG as a Culture



## Key Factor in Realizing the Vision and Mission

MedcoEnergi is recognized by the Indonesian capital market community as a pioneer in adhering to the highest standards of GCG principles and business ethics.

We have received several GCG awards since 2005 and are always striving to achieve an even better performance.

MedcoEnergi has implemented a policy whereby all employees are required to declare that they will comply with the GCG principles and business ethics. In addition, the Company has introduced a 'whistle-blowing' system to support the policy, which has been utilized by the Directors to monitor the implementation of corporate values by all members of MedcoEnergi.

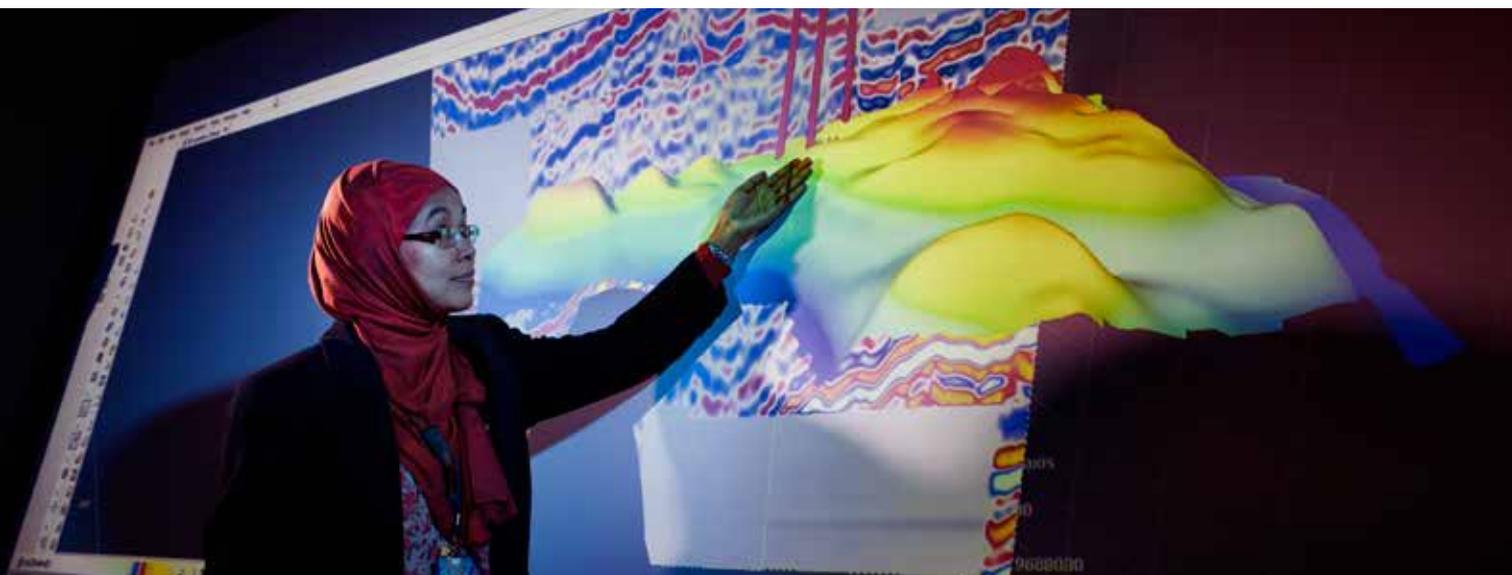
Fraud, dishonesty, harassment, unethical behaviour and workplace safety hazards have a negative effect on our

workplace. By reporting misconduct, our stakeholders can help us to ensure that our people are safe and secure in their work environment and also that fraud and dishonesty can be eliminated, thus saving the company financial losses.

Type of wrongdoings that are covered in our system include; Fraud, Corruption, Bribery, Conflict of Interest, Misconduct Behaviours, Financial Statement Fraud, Breaches of Policy, and Other Unethical Behaviour.

Our stakeholders' active involvement will make MedcoEnergi a safe, fair and honest place to work.

# Information System Excellence



## Seamless Communications

MedcoEnergi relies heavily on seamless communications. We have invested extensively in Information Communication Technology (ICT). Technology is our enabler, which allows us to grow as well as to strengthen our internal control system.

Since 2001, we have used a robust infrastructure of ICT System. The system is a single integrated centralized data centre, which is protected with disaster recovery system using virtualization technology.

MedcoEnergi already has most of its business process already online, highly integrated with its Enterprise Resource Program (ERP) system. In addition, we are also one of the first companies in Indonesia to fully use online collaboration technology in our daily business system integrated with an electronic document management system. We are able to work any time anywhere with proper security and data integrity.

With such a system, we are now able to build up our internal control system and make decisions more quickly and more effectively. At the same time, we can reduce our carbon footprint due to using less paper and fewer business trips.

We have also established a technology-centric collaborative room. MedcoEnergi has empowered its employees to perform multidisciplinary collaborative work on all of our assets. When needed, the collaborative room can transform itself into a crisis management center.

MedcoEnergi's commitment to the information system has been proven by obtaining international IT standard, the ISO/IEC 20000 in IT service management. This ensures reliability in the information system which will greatly support MedcoEnergi's growth.

# Awards

2013



- Achieved 4.7 million man-hours without lost-time injury in Karim Small Fields from Petroleum Development Oman.

2012



- Gold PROPER for Rimau Block for the second year running since 2011 in recognition of the Company's efforts to conserve the environment, at a level that exceed the statutory requirement.
- GCG award - The Best Non-Financial from Indonesian Institute for Corporate Directorship
- Supply Chain Management (SCM) award - for Best KPI for the second year running since 2011 from SKKMigas in fulfilling all requirements for procurement and asset management.

2011



- Gold PROPER for Rimau Block in South Sumatra and Green PROPER for South Sumatra Extension Block (South Sumatra), Tarakan Block (East Kalimantan), and Kampar Block (Riau)
- GCG award - The Best Non-Financial from Indonesian Institute for Corporate Directorship
- Asia's Best Corporate Social Responsibility from Finance Asia Magazine
- Attained 4 awards for four different categories in CSR Award 2011 from *CFCD for Rimau Block*

2010



- GCG award -The Best Equitable Treatment of Shareholders from Indonesian Institute for Corporate Directorship
- Green PROPER for Rimau Block, South Sumatra Extension and Kampar from the Ministry of Environment of Indonesia
- Millennium Development Goals award from Metro TV for category of Environmental of Sustainability

2009



- GCG award - Best GCG Overall 2009 from Indonesian Institute for Corporate Directorship
- Annual Report Award 2008 as first runner-up in the category of private non-financial public and listed company
- Millennium Development Goals award from Metro TV in the category of Improvement in Gender Equality and Women Empowerment through its community development program of Organic SRI

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**2008**



- Green Corporate award in the category of Environment for Medco Methanol Bunyu from the Association of Indonesian Engineers
- Environmental Management & Monitoring award for Medco Power Indonesia from the Ministry of Environment of Indonesia
- Zero Accident award for PT Medco LPG Kaji from the Ministry of Manpower RI

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**2007**



- "No Lost Time Accident" awards from the Government for several assets including Tarakan and Rimau Blocks
- Social Empowerment award from the Coordinating Ministry of Peoples Welfare (Menko Kesra) in 2007.
- One of Indonesia's Most Admired Knowledge Enterprises (MAKE) 2007

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**2006**



- The best Annual Report in the Annual Report Award 2005
- The best of top 10 Companies at GCG Perception Index by IICG and SWA Magazine

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**2005**



- The best Annual Report in the Annual Report Award 2004
  - Zero Accident award for PT Medco LPG Kaji from the Ministry of Manpower RI
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# Approximate Conversion Factors

Crude oil*	To	tons (metric)	kilolitres	barrels	US gallons	tons/year
<b>From</b>	Multiply by					
Tons (metric)		<b>1</b>	<b>1.165</b>	<b>7.33</b>	<b>307.86</b>	<b>-</b>
Kilolitres		<b>0.8581</b>	<b>1</b>	<b>6.2898</b>	<b>264.17</b>	<b>-</b>
Barrels		<b>0.1364</b>	<b>0.159</b>	<b>1</b>	<b>42</b>	<b>-</b>
US gallons		<b>0.00325</b>	<b>0.0038</b>	<b>0.0238</b>	<b>1</b>	<b>-</b>
Barrels/day		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>49.8</b>

\*Based on worldwide average gravity

Products	To convert	barrels to tons	tons to barrels	kilolitres to gallons	tons to kilolitres
	Multiply by				
LPG		<b>0.086</b>	<b>11.6</b>	<b>0.542</b>	<b>1.844</b>
Gasoline		<b>0.118</b>	<b>8.5</b>	<b>0.740</b>	<b>1.351</b>
Kerosene		<b>0.128</b>	<b>7.8</b>	<b>0.806</b>	<b>1.240</b>
Gas oil/diesel		<b>0.133</b>	<b>7.5</b>	<b>0.830</b>	<b>1.192</b>
Fuel oil		<b>0.149</b>	<b>6.7</b>	<b>0.939</b>	<b>1.065</b>

Natural gas and LNG	To convert	billion cube metres NG	billion cube feet NG	million tons oil equivalent	million tons LNG	trillion British thermal units	million barrels oil equivalent
<b>From</b>	Multiply by						
1 billion cubic metres NG		<b>1</b>	<b>35.3</b>	<b>0.90</b>	<b>0.73</b>	<b>36</b>	<b>6.29</b>
1 billion cubic feet NG		<b>0.028</b>	<b>1</b>	<b>0.026</b>	<b>0.021</b>	<b>1.03</b>	<b>0.18</b>
1 million tons oil equivalent		<b>1.111</b>	<b>39.2</b>	<b>1</b>	<b>0.805</b>	<b>40.4</b>	<b>7.33</b>
1 million tons LNG		<b>1.38</b>	<b>48.7</b>	<b>1.23</b>	<b>1</b>	<b>52.0</b>	<b>8.68</b>
1 trillion British thermal units		<b>0.028</b>	<b>0.98</b>	<b>0.025</b>	<b>0.02</b>	<b>1</b>	<b>0.17</b>
1 million barrels oil equivalent		<b>0.16</b>	<b>5.61</b>	<b>0.14</b>	<b>0.12</b>	<b>5.8</b>	<b>1</b>

## Units

1 metric ton = 2204.62 lb. = 1.1023 short tons  
 1 kilolitre = 6,2898 barrels  
 1 kilolitre = 1 cubic metre  
 1 kilocalorie (kcal) = 4,187 kJ = 3,968 Btu  
 1 kilojoule (kJ) = 0.239 kcal = 0,948 Btu  
 1 British thermal unit (Btu) = 0.252 kcal = 1,055 kJ  
 1 kilowatt-hour (kWh) = 860 kcal = 3600 kJ = 3412 Btu

## Calorific equivalents

One ton of oil equivalent equals approximately:

Heat units            10 million kilocalories  
                               42 gigajoules  
                               40 million Btu

Solid fuels            1.5 tons of hard coal  
                               3 tons of lignite

Gaseous fuels        See natural gas and LNG table

Electricity            12 megawatt-hours

One million tons of oil produces about 4500 gigawatt-hours  
 (= 4.5 terawatt-hours) of electricity in a modern power station.





**MEDCOENERGI**

**PT Medco Energi Internasional Tbk**

The Energy Building, 52nd Floor  
SCBD Lot 11A  
Jl. Jend. Sudirman  
Jakarta 12190, Indonesia  
Phone. (62-21) 2995 3000  
Fax. (62-21) 2995 3001  
Email. [medc@medcoenergi.com](mailto:medc@medcoenergi.com)