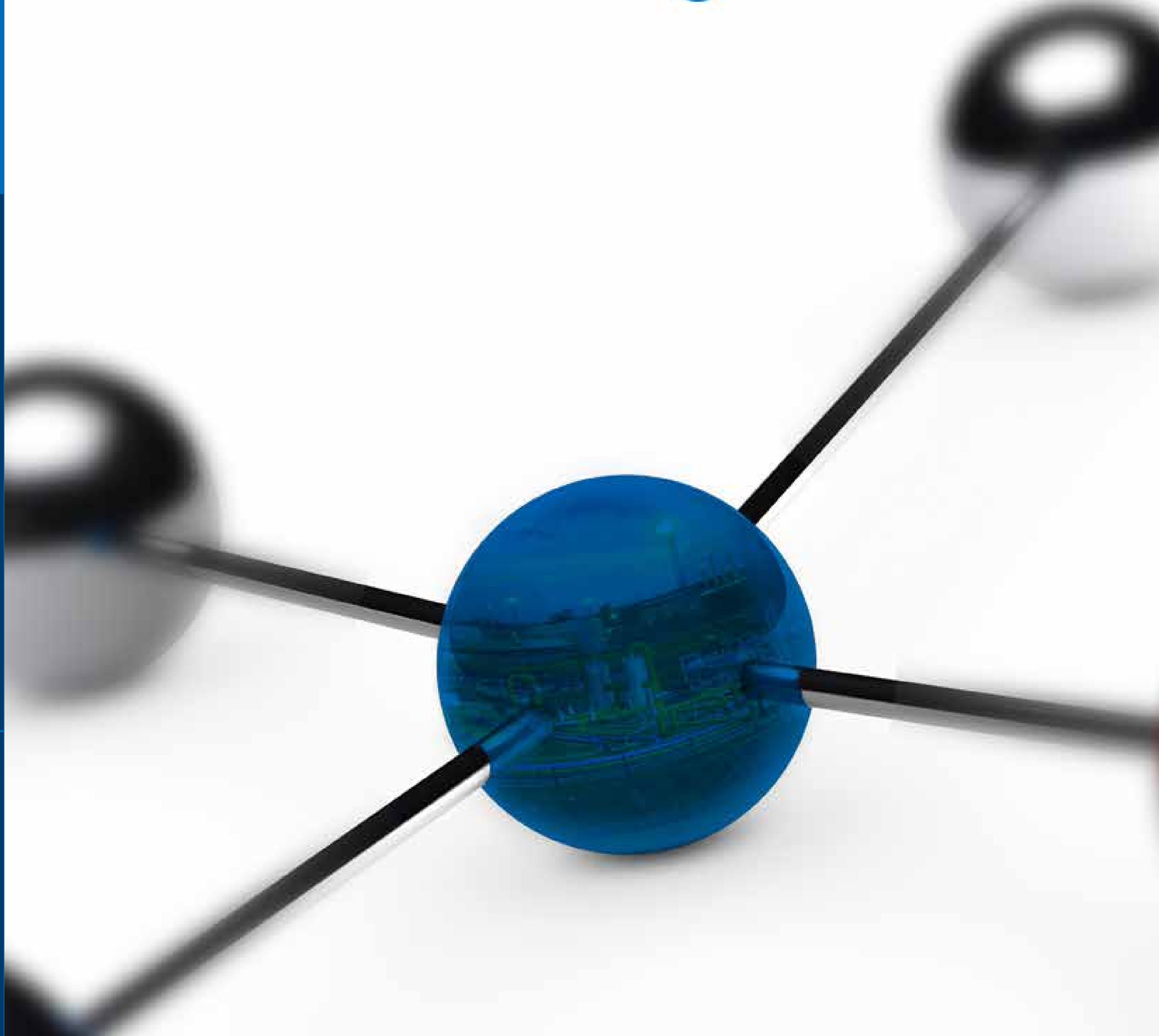
MEDCOENERGI



CAPITALIZING ON

CORE

COMPETENCE

PT Medco Energi Internasional Tbk 2012 Annual Report

Detailed Information about MedcoEnergi

www.medcoenergi.com

PT Medco Energi Internasional Tbk
2012 Annual Report
is available at
www.medcoenergi.com

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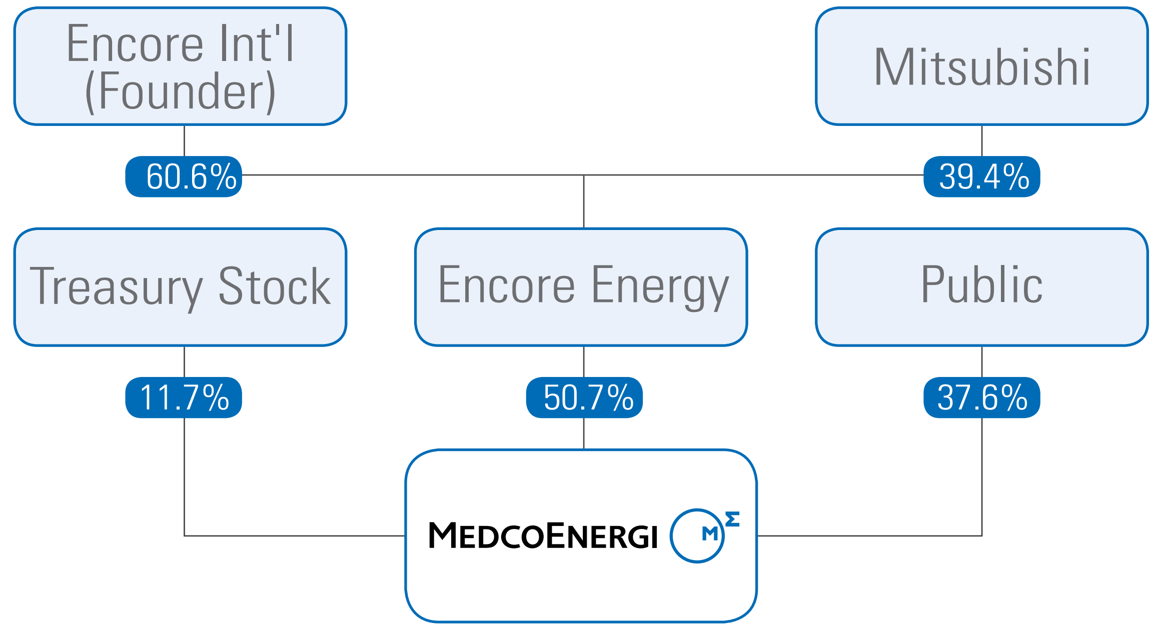
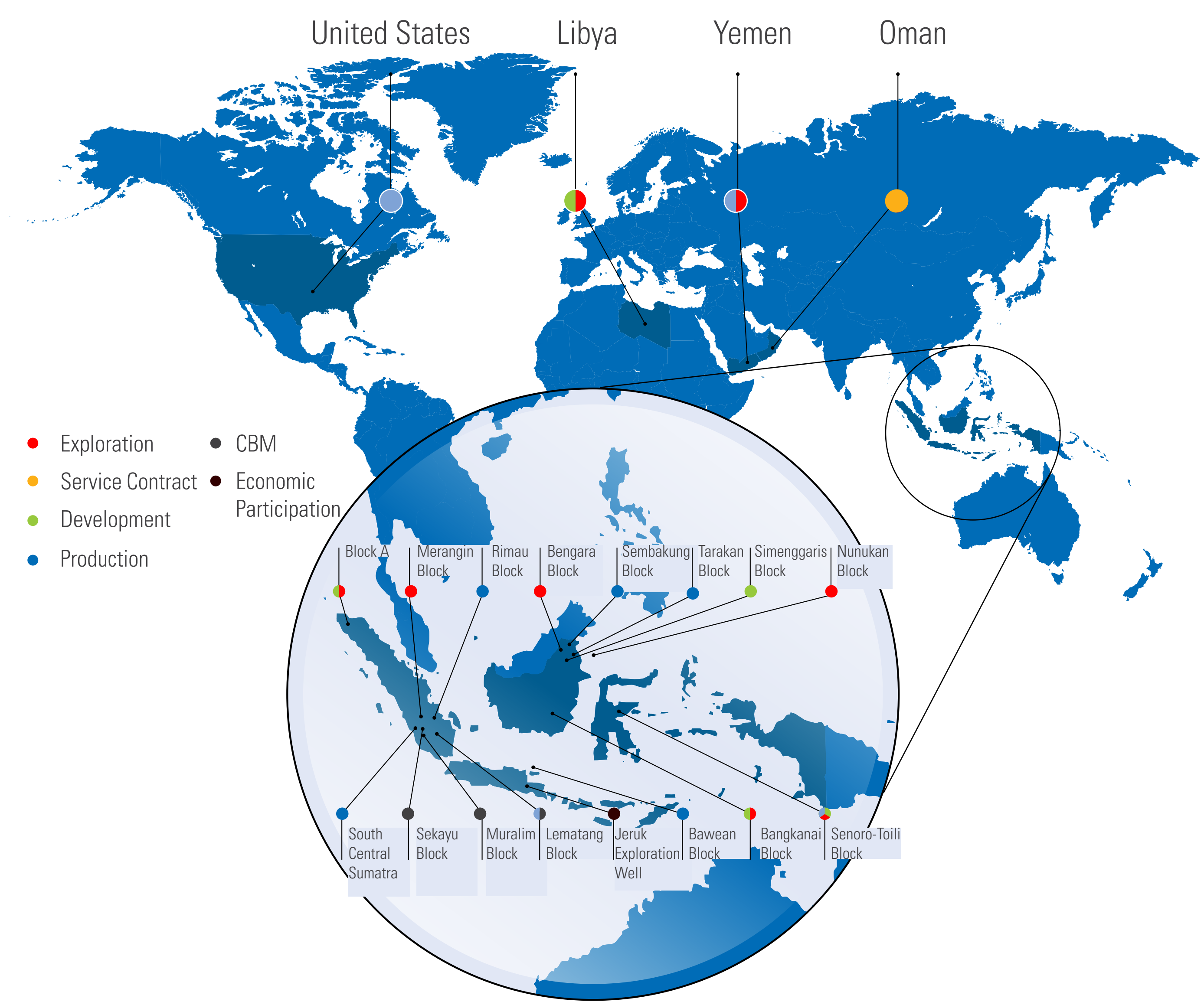


Operation Areas



MedcoEnergi

MedcoEnergi at a Glance

"The successful operations of mature fields enable MedcoEnergi to maintain production to a level that is sustainable over the long term by using current oil lifting methods and discipline."

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Milestones

1980

Incorporated a company called Meta Epsi Pribumi Drilling Company (MEDCO)

1994

Initial Public Offering as MedcoEnergi on the Indonesia Stock Exchange.

1995

Acquired 100% shares of PT Stanvac Indonesia from Exxon/Mobil.

2006

Received of the service contract of Karim Small Fields from PDO Shell in Oman.

2007

Discovered reserves of 352 MMBOE in Area 47, Libya.

2009

Signed LNG Sales Agreement with buyers from Japan and Korea, gas to be supplied from Senoro Toili Block.

Obtained Production Sharing Agreement from the government of Yemen.for Blocks 82 and 83.

Company Achievements in 2012

16 Jan
Signed a strategic partnership with PT Saratoga Power for PT Medco Power Indonesia.

5 Jul
Signed a sale-and-purchase agreement for 25% rights to Block 9 Malik, Yemen, with Reliance Exploration & Production DMCC.

11 Jun
Issued Rupiah Bonds III amounting to Rp1.5 trillion with five-year maturity period.

1 Oct
First shipment of 38,000 tons of thermal coal by PT Duta Tambang Rekayasa, a subsidiary entity of MedcoEnergi.

1996

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

2004

"Go International" through the acquisition of Novus assets.

2005

Awarded the EPSA IV contract for Area 47, Libya.

2010

Received contract extension for 20 years for 3 PSCs in Indonesia (Block A, South & Central Sumatra-SCS and Bawean).

2011

Received commerciality approval for Area 47, Libya, following exploration success rate of 90%.

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).

9 Oct Signed GSA with the Regional Company Nusa Serambi Persada (East Kalimantan) and the Amendment of GSA with PLN Borang, South Sumatra.

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

1 Dec
- Signed the Amendment GSA with PT Mitra Energi Buana, South Sumatra.
- Commenced Chemical Injection for the Enhanced Oil Recovery (EOR) pilot project at Rimau Block.

12 Dec Issued Shelf-Registered Rupiah Bond I, amounting to Rp4.5 trillion for a five-year maturity period.

"MedcoEnergi continues to implement best practice principles of Good Corporate Governance that include a responsible, accountable and independent Management; conducting transparent and fair transactions with every stakeholders; and achieving sustainable development through corporate social responsibility activities and initiatives."

Vision

To become the Energy Company of Choice for our investors, shareholders, partners, and employees as well as for the greater public community.

Mission

To develop profitable investment portfolios from energy resources.

Corporate Values

PROFESSIONAL

- Competent in one's area of expertise.
- Possessing a "champion spirit."
- Continously seeking self-improvement.
- Having professional ability and knowing one's limits.

ETHICAL

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

OPEN

- Encouraging informality and openness in communication at all levels.
- Building an environment of trust among the employees and management in MedcoEnergi.
- Behaving with respect, open mind and highest work ethics.

INNOVATIVE

- Building a culture of trail-blazers.
- Continuously search for innovative solutions to achieve better, safer, more cost-effective, and faster outcomes.
- Possessing intellectual maturity.

Financial Highlights

> Entering 2013, we have sufficient liquidity to carry the Company safely through to the Senoro and Donggi Senoro LNG development horizon by year-end 2014, and to other major projects completion in 2015/2016."

Operating Profit
(in million US$)

14.9%

2011	2012
220.3	253.2

EBITDA
(in million US$)

5.7%

2011	2012
323.0	341.5

Oil and Gas Sales
(in million US$)

9.1%

2011	2012
800.5	873.0

in million US$

Statements of Net Income	2011	2012	^%
Income and Sales	817.7	909.1	11.2
Oil & Gas	800.5	873.0	9.1
Non Oil & Gas	17.2	36.0	109
Gross Profit	350.9	396.2	12.9
Operating Profit	220.3	253.2	14.9
EBITDA	323.0	341.5	5.7
Income before tax expense	213.7	180.5	(15.5)
Net income*	90.9	12.6	(86.1)

*Attributed to Shareholder of Parent Company

More Data Starting on Page 186

Revenues (in million US$)

11.2%

817.7 | 909.1
2011 | 2012

Total Liabilities (in million US$)

4.7%

1,730 | 1,812
2011 | 2012

Total Assets (in million US$)

2.2%

2,597 | 2,655
2011 | 2012

Total Equity (in million US$)

2.8%

867.7 | 843.2
2011 | 2012

in million US$

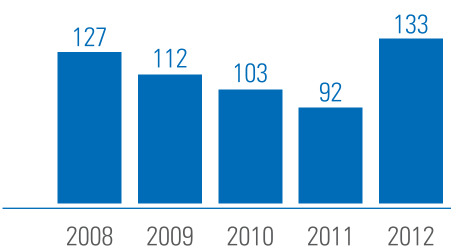
Statements of Net Income	2011	2012	^%
Cash and cash equivalents	703.9	523.7	(25.6)
Total Assets	2,597	2,655	2.2
Total liabilities	1,730	1,812	4.7
Equity*	867.7	843.2	(2.8)
Market Capitalisation	891.2	561.7	(37.0)
Earnings per share (US$/Share)	0.0309	0.0043	(86.1)
Capital Expenditures (US$ million)	225	414	84.0

*Attributed to Shareholder of Parent Company

Operational Highlights

> "It must be said, core competence in E&P has given MedcoEnergi a solid foundation to sustain its business and to create value for many more decades to come."

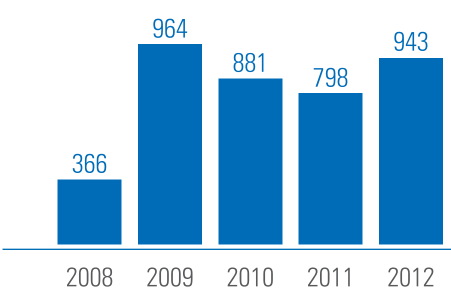
Oil Reserves 2P
(in MMBO)



133

2012

Gas Reserves 2P
(in BCF)



943

2012

Oil Sales
(in MBOPD)

1.9%

30.4 29.8

2011 2012

Gas Sales
(in BBTUPD)

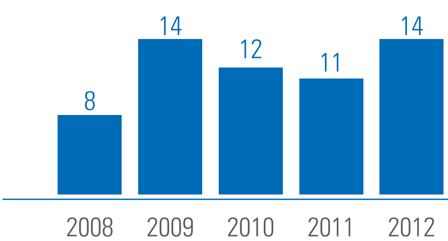
5.7%

163.2 153.9

2011 2012

More Data Starting on Page 188

Reserves Life Index
(in Years)



14

2012

Reserves 1P
(in MMBOE)

27.9%

177.6 227.1

2011 2012

Reserves 2P
(in MMBOE)

28.9%

228.1 294.0

2011 2012

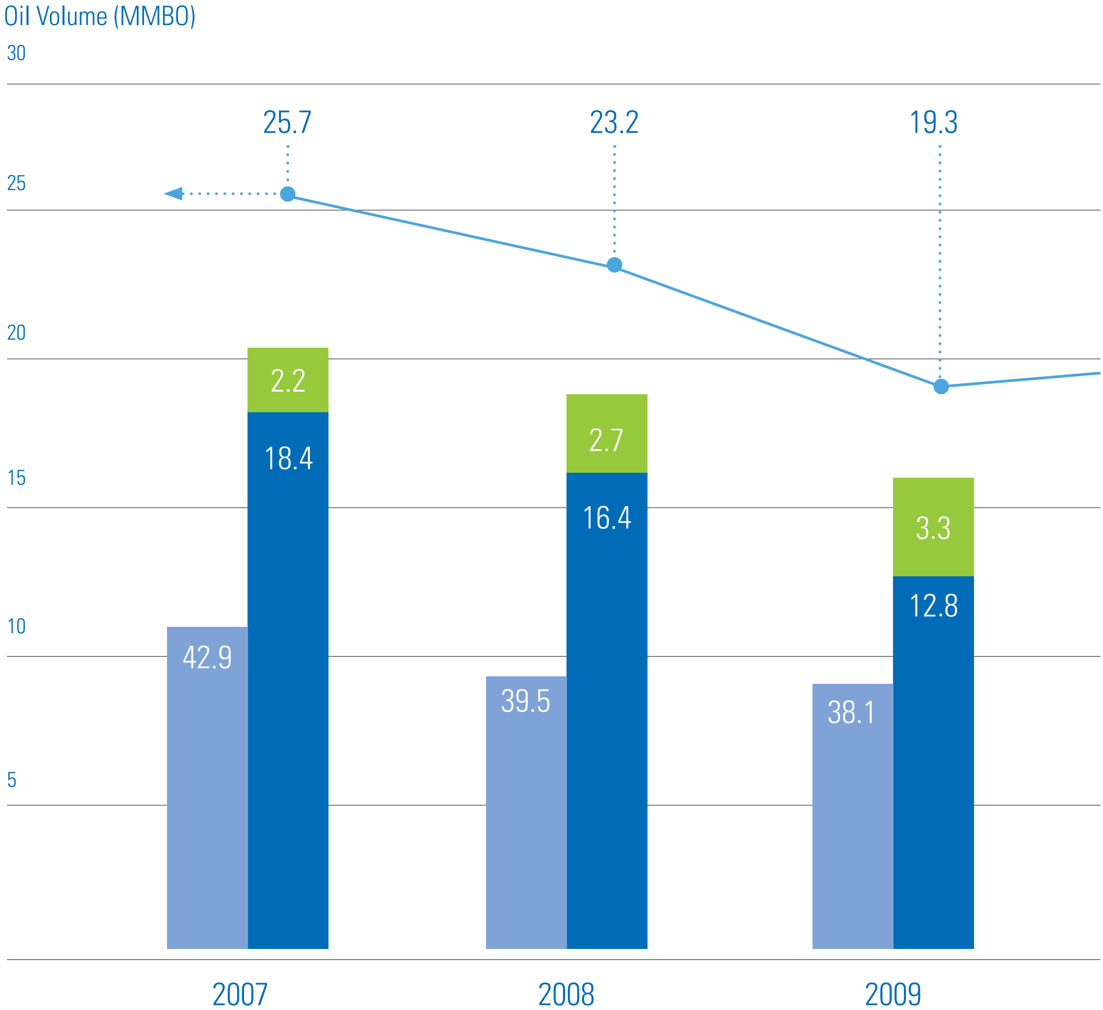
E&P Oil & Gas	2011	2012	^%
Proved Reserves - 1P (MMBOE)	177.6	227.1	27.9
Proven and Probable Reserves - 2P (MMBOE)	228.1	294.0	28.9
Oil Sales (MBOPD)	30.4	29.8	0.7
Contract Service in Oman (MBOPD)	9.5	10.4	9.9
Gas Sales (BBTUPD)	163.2	153.9	(5.7)
Production Level of Oil and Gas* (MBOEPD)	57.2	56.1	(2.1)
Average Selling Oil Price (US$/barrel)	113.7	115.6	1.7
Average Selling Gas Price (US$/MMBTU)	3.8	4.0	6.1
LPG sales (MT per Day)	41.8	40.1	(4.1)

*Excluding Contract Service in Oman

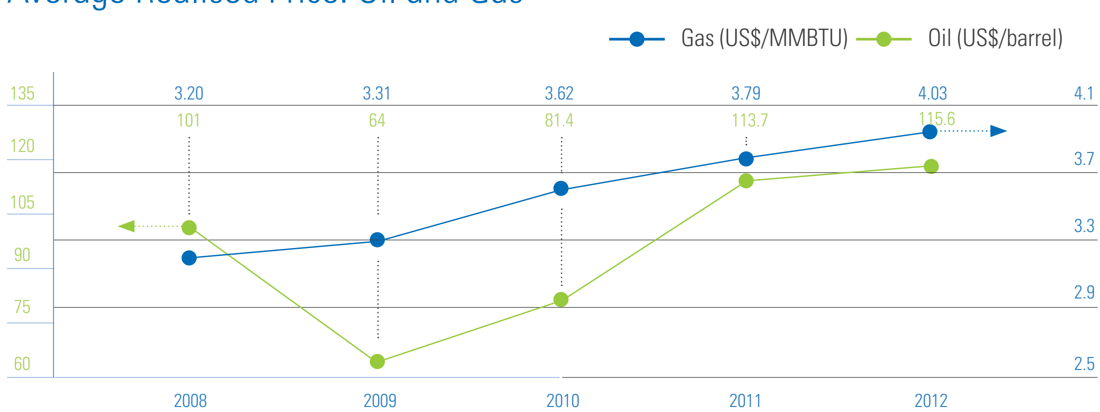
Sales and Market Price

> Oil-and-gas E&P is an extremely risky business, but the companies that have the expertise, know-how, technology, ingenuity and experience to remain in the business will be rewarded."

Oil and Gas Sales and Service Contract

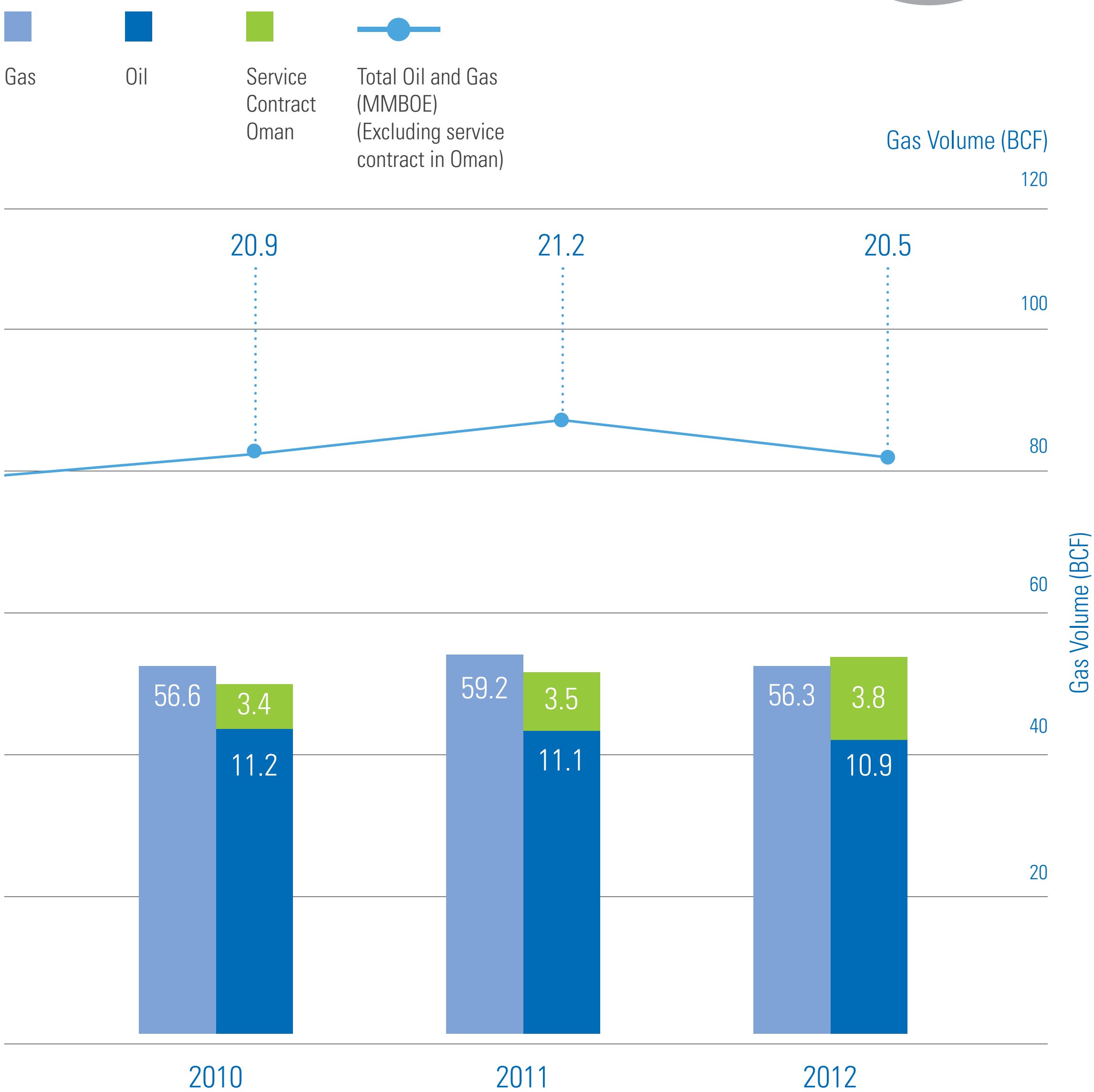


Average Realised Price: Oil and Gas

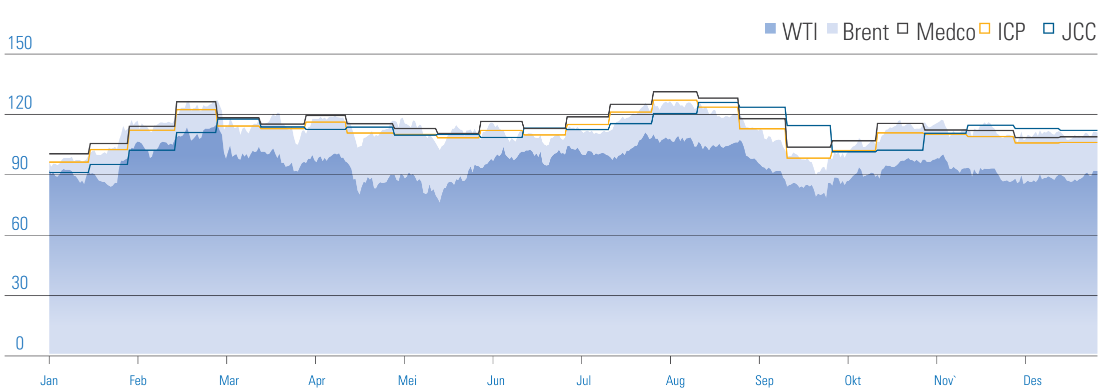


Sales and Market Price

More Data Starting on Page 172



Oil Price Comparison



MedcoEnergi Today and Tomorrow

"...MedcoEnergi has sustained its business for over three decades and today it is much stronger in the E&P business than ever."

Business Strategy

01

Strengthen the business portfolio of producing assets, including acquisitions.

02

Increase the reserve life index through high-graded exploration activities.

03

Complete all Major Projects as planned.

04

Accelarate the growth of other energy related assets through partnerships.

Production Assets

01

"We have reorganised our operations based on E&P phases of work from exploration to development to production, enabling us to devote the right expertise and resources on the right phases of work, leading to better operational execution and control."

In Indonesia, MedcoEnergi operates 10 oil and gas blocks, maintains ownership in three blocks, and owns one economic participation in an exploration block.

Overseas, MedcoEnergi operates in Oman, Yemen, Libya and the Gulf of Mexico in the USA.

Rimau

Type of Contract

PSC

Participation Interest Ownership

PT Medco E&P Rimau - 95%
Perusahaan Daerah Pertambangan & Energi
Provincial Government of South Sumatra - 5%

Operator

PT Medco E&P Indonesia

Proven and Probable **38,502** MBO

Oil Lifting **14.94** MBOPD

More Data Starting on Page 77

SCS

Type of Contract
PSC

Participation Interest Ownership
PT Medco E&P Indonesia - 100%

Operator
PT Medco E&P Indonesia

Proven and Probable 59,992 MBOE

Average Oil and Gas Sales Volume 26.62 MBOEPD

Tarakan

Type of Contract
PSC

Participation Interest Ownership
PT Medco E&P Tarakan - 100%

Operator
PT Medco E&P Indonesia

Proven and Probable 3,902 MBOE

Average Oil and Gas Sales Volume 3.13 MBOEPD

Production Assets

01

> MedcoEnergi increased the oil production of mature fields in Karim Small Fields, Oman from 9,000 BOPD to 22,000 BOPD within six years, a success that earned formal recognitions from Shell and the Omani government."

Sembakung

Type of Contract

TAC

Participation Interest Ownership

PT Medco E&P Sembakung - 100%

Operator

PT Medco E&P Sembakung

Proven and Probable 1,285 MBOE

Total Average Oil Sales 2.26 MBOPD

Lematang

Type of Contract

PSC

Participation Interest Ownership

MedcoEnergi - 74.12% (through its subsidiaries PT Medco E&P Lematang 51.12% and Lematang E&P Ltd 23%)
Lundin Lematang BV - 25.88%

Operator

PT Medco E&P Lematang

Proven and Probable 52,535 MMSCF

Total Average Gas Sales 18.02 BBTUPD

Yemen (Block 9)

Type of Contract

PSA

Participation Interest Ownership

Calvalley Petroleum Ltd - 42.50%
Medco Yemen Malik Limited - 21.25%
Hood Oil Limited - 21.25%
YOGC - 15.00%

Operator

Calvalley Petroleum Ltd

Proven and Probable **12.1** MMBO

Total Average Oil Sales **1.0** MBOPD

Oman (Karim Small Fields)

Type of Contract

Service Contract

Participation Interest

Medco Oman LLC – 51%
Oman Oil Company – 25%
Kuwait Energy – 15%
Vision Oil & Gas – 5%
PetroVest – 4%

Operator

Medco Oman LLC

The Company has full responsibility over the operations of 190 wells that produce crude oil.

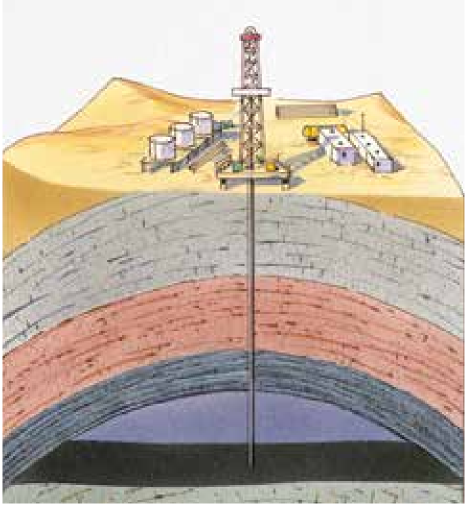
Total Average Oil Lifting **20,475** BOPD

Increasing Reserves

02

Area 47

In Area 47, Libya, MedcoEnergi struck oil in commercial quantities in 18 of 20 exploration wells (a success ratio of 90%).



> The combined reserves of oil and gas in MedcoEnergi's portfolio today helps maintain a sustainable production for many years to come."

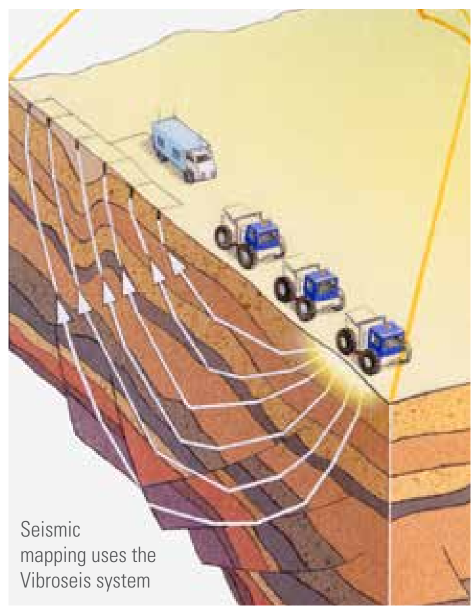
After MedcoEnergi became the operator in 2010, contingent reserves were increased from 352 mmboE (D&M, 2008) to 588 MMBOE (internal estimates, 2011).

588 MMBOE

More Data Starting on Page 62

Block 82 & 83

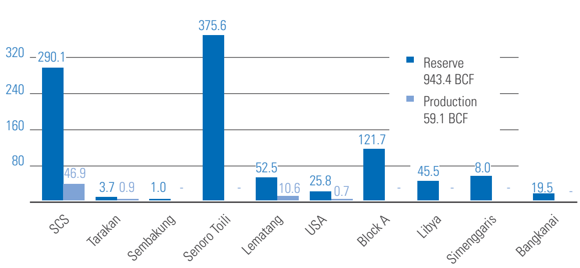
As of year-end 2012, the Company acquired 2D and 3D sesmic data over areas of 349.9 km^2 and 248.1 km^2 respectively.



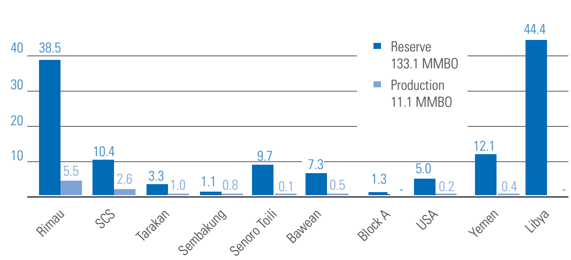
Seismic mapping uses the Vibroseis system

"A majority of 2P and contingent reserves have been 'technically proven'. Conversion to proven reserves will follow after commercial approval such as Plan of Development is accepted."

2P Gas Reserves



2P Oil Reserves



Major Projects

03

> Significant progress has been achieved in the Company's largest major project to date, the Senoro upstream development and the downstream LNG Donggi Senoro. By year-end 2012, construction of the Senoro upstream facility has begun, while that of DSLNG downstream facility has progressed ahead of the plan."

Senoro Development

percentage of completion

71%

Partnership

A partnership with the same partners, in upstream and downstream ensures an integrated execution of the projects.

	MedcoEnergi	Pertamina	Mitsubishi Corporation	Korea Gas Corporation
Upstream	30%	50%	10.1%	9.9%
Downstream	11.1%	29%	44.9%	15%

More Data
Starting on
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70

Major Projects

03

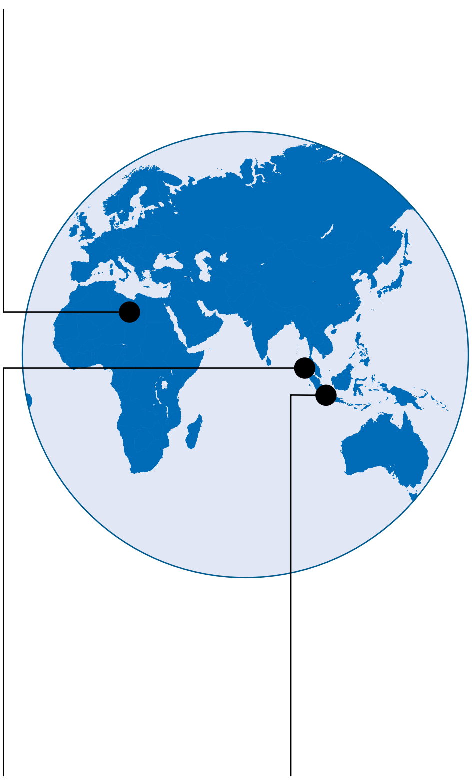
"The Company's major project in Libya has progressed encouragingly despite the revolution and change of government - MedcoEnergi became the first oil company to receive a Commerciallity approval from the new government in Libya."

Area 47

Total 2P Reserve

50%
Participation Interest Ownership in Exploration

51,974
MBOE



Block A

41.67%
Participation Interest Ownership

Rimau EOR

95%
Participation Interest Ownership

Area 47

Preparation for project development has begun with a pre-engineering study, which was completed in October 2012. The establishment of a Joint Operating Company is planned for the first quarter of 2013 with partners NOC (National Oil Corporation) Libya and LIA (Libyan Investment Authority)

Production facility able to produce 50,000 barrels of oil per day.

50,000 BOPD

Major Projects

More Data Starting on Page 71

Block A

Block A in the province of Aceh is a gas development project that will supply gas to PT Pupuk Iskandar Muda (fertilizer) and PT Perusahaan Listrik Negara (electricity). The Company has begun the process of selecting an EPC contractor, and the drilling of the exploratory well, Matang-1, to increase gas reserves.

Estimates of Proven and Probable Reserves of 121.7 BCF.

121.7 BCF

Rimau EOR

The Kaji-Semoga Field in Rimau Block, is the largest oil-producing field of the Company. An enhanced oil recovery (EOR) pilot project facility has been constructed and the first chemical injection carried out at year-end 2012. The close monitoring of the reservoir performance is taking place, while design plans for the full-scale development has begun.

Cummulative oil production (gross) since first day of production until 31 December 2012 reached a total of 190.3 MMBO.

190.3 MMBO

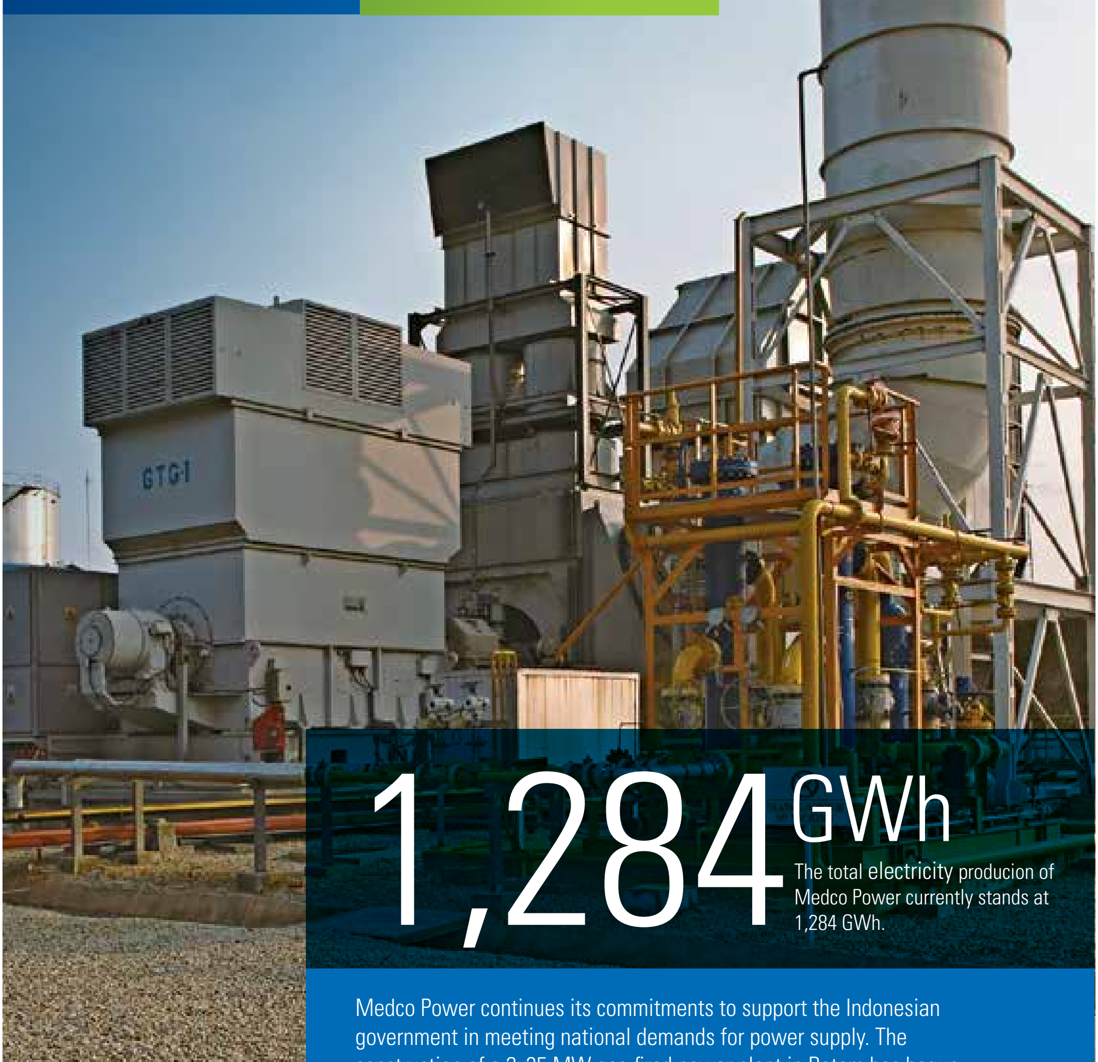
Strategic Partnership

04

MedcoEnergi remains the energy company of choice for strategic partners and investors – evidenced by the decision of Puma and Saratoga to take majority stakes in our downstream and power-generation ventures, respectively."

Medco Power

Saratoga



1,284 GWh

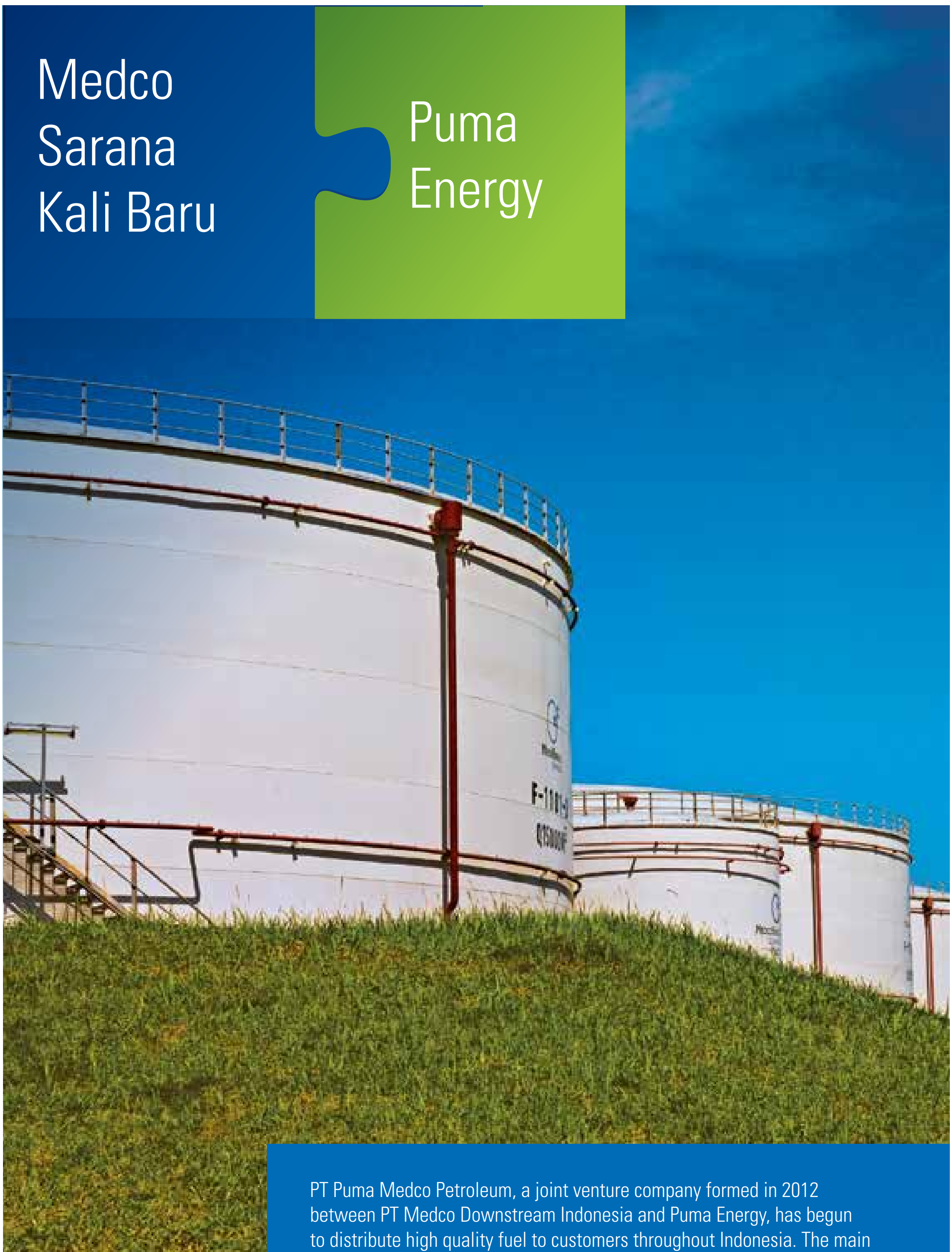
The total electricity producion of Medco Power currently stands at 1,284 GWh.

Medco Power continues its commitments to support the Indonesian government in meeting national demands for power supply. The construction of a 2x35 MW gas-fired power plant in Batam has begun and is expected to reach its commercial operation date in 2014. Medco Power is also developing renewable projects comprising of mini-hydro and geothermal power plants, including the Sarulla (North Sumatera) and Ijen (East Java) Geothermals. The total electricity production of Medco Power currently stands at 1,284 GWh.

More Data Starting on Page 89

Medco Sarana Kali Baru

Puma Energy



PT Puma Medco Petroleum, a joint venture company formed in 2012 between PT Medco Downstream Indonesia and Puma Energy, has begun to distribute high quality fuel to customers throughout Indonesia. The main assets of this company is a fuel storage facility at the international port of Tanjung Priok, in North Jakarta, and distribution capacities in Sumatra and Kalimantan, mainly to serve the needs of the mining industry.

Awards

> MedcoEnergi is the first oil and gas company in Indonesia to have earned the PROPER Gold award from the Ministry of Environment of the Republic of Indonesia for two consecutive years, in 2011 and 2012.

2003

PADMA Award

In recognition of the Company's consistent and sustained Community Development programs, The President of the Republic of Indonesia awarded MedcoEnergi with the PADMA Award.

2003

2006

2012

2006

GCG Award

Through its commitment to implement the highest standards of the principles of Good Corporate Governance across its business activities, MedcoEnergi was judged one of the Best Companies in the GCG Perception Index by the Indonesian Institute for Corporate Governance (IICG). In addition, for four straight years between 2009 and 2012 the Company has earned the GCG Award from the Indonesian Institute for Corporate Directorship (IICD).

bpmigas

EXECUTIVE AGENCY
FOR UPSTREAM OIL AND GAS BUSINESS ACTIVITIES

CDM AWARD 2007

PRESENTED TO

PT. MEDCO E&P INDONESIA

TO APPRECIATE STRONG COMMITMENT AND CONTINUOUS EFFORTS IN NATIONAL EMPLOYEES DEVELOPMENT. CONGRATULATIONS AND KEEP UP THE GOOD WORK.

CHAIRMAN OF BPMIGAS

KARDAYA WARNIKA

CDM Award 2007

The Company received the CDM Award 2007 for being the best oil and gas company in terms of human resources management and *Career Development Monitoring* from BPMigas.

2012

PROPER Gold

In recognition of the Company's efforts to conserve the environment, at a level that exceed the statutory requirement, MedcoEnergi earned the highest rating of Gold in PROPER (the Company Performance Rating Evaluation Program) for the second year running since 2011, from the Minstry of Environment of the Republic of Indonesia. Indonesia.

SCM Award

The Company achieved the award for Best KPI (Key Performance Indicator) for the second year running since 2011 from SKKMigas in fulfilling all requirements for procurement and asset management.

2010

MDGs Award

Through its E&P business unit, MedcoEnergi succeeded in undertaking a community program for organic rice cultivation called SRI Organik, which won a recognition from the Millenium Development Goals (MDGs) Award of 2010 with a Certificate of Recognition for being one of the best corporate initiatives for environmental conservation and sustainability.

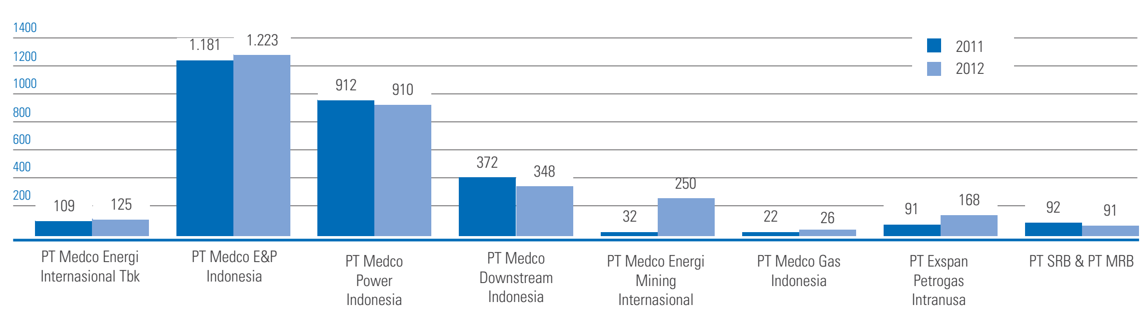
MAKE Award 2008

The knowledge-based corporate culture of the Company was deemed to be one of the factors for the Most Admired Knowledge Enterprise (MAKE), in a study by Dunamis Organization Services. The Company is best at leadership development programs based on knowledge, the learning organization, and the delivery of cutting-edge products and services.

Human Capital

> MedcoEnergi is firmly committed to attracting, developing and retaining a strong human capital, and is even more determined to build on its E&P expertise."

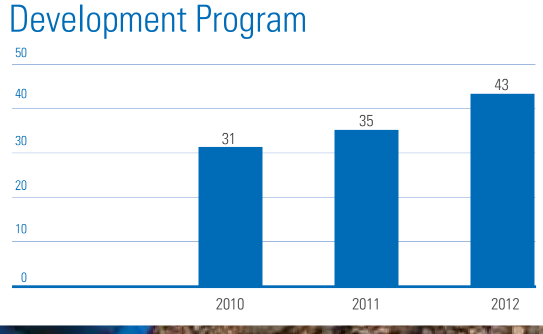
Number of Workforce



More Data Starting on Page 94

Four accelerated development programs were undertaken by the Company in 2012, testifying to MedcoEnergi's strong commitments to human capital development programs, not only for senior and mid-level staffs, but for junior level as well.

Participants of Accelerated Development Program



Safety, Health and Environment

> MedcoEnergi is always mindful of safety, health and environmental aspects. Its campaign program of "Going Back to Basics, doing it, doing it well", pushes every employee to understand the 3K principles (Know Your Work, Know its Hazards, and Know How to Cope with the Hazards).

More Data
Starting on
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100

PROPER Gold:
The highest Indonesia rating award for the environment and community empowerment.

The year 2012 was a memorable year for MedcoEnergi in terms of environmental management. PT Medco E&P Indonesia through its Rimau Asset for the second straight year received PROPER Gold, the highest rating award given by the Ministry of Environment of the Republic of Indonesia.

This is in recognition of the Company's commitment in undertaking its business with the highest environmental protection standards and ethics.

MedcoEnergi earned the Award through adherence to the regulation on environmental management, as well as for initiatives that go beyond the basic requirements.

Several environmental programs undertaken by MedcoEnergi include the reduction and utilisation of the B3 (hazardous and toxic materials) through an advanced waste treatment center, the water conservation program by utilizing household wastes, and the energy efficiency program through the shuttle bus service in Jakarta and operating sites.

Efforts to reduce air pollution is also carried out by the Company, including the recycling of associated gas, vehicle emission test, and through a community development program involving organic rice cultivation (SRI).

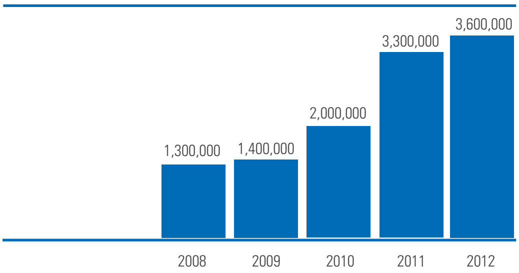
Corporate Social Responsibility

> Medco continues to implement best practice principles of Good Corporate Governance that include among other things a sustainable development through corporate social responsibility activities and initiatives.

2012

US$3,600,000

Total CSR Outlays (US$)



Organic Cultivation

Methods of organic agriculture, plantation and farming that are clean and free of chemical substances such as pesticides, and are environmentally friendly and health-oriented, increasingly are needed by communities. In addition to being environmentally friendly, organic cultivation can increase the income of communities. These factors are the primary reason behind the Company's program of community empowerment, through organic rice cultivation, fresh water farming and organic rubber plantation in the Company's operating areas.

Output of organic rubber cultivation by farmers increased by 72% in 2012.

72%

More Data Starting on Page 104

Access to Continuing Education

The opportunity to learn should be the right of every citizen of Indonesia. The Company believes that education is a key element in developing high caliber national human resources. MedcoEnergi places a strong emphasis on education in its empowerment programs to improve the quality of lives in areas where the Company operates.

The number of children in Jakarta who have been helped by the Parent Fostering of Street Childrten Program: 160 children.

160 children

Infrastructure Development

MedcoEnergi believes that a good infrastructure will provide opportunities for economic growth, welfare improvement, which will broaden knowledge and strengthen inter-community ties. A number of infrastructure development and renovation are being carried out in the operating areas of MedcoEnergi such as renovating and constructing school buildings, village roads, bridges, electricity, hospital, clean water installation and religious facilities.

Funds for Infrastructure Development that have disbursed total more than Rp10 billion.

>Rp10 billion

MedcoEnergi in 2012

"With strong achievements in E&P, we have refocused on the E&P business, leveraging core competence in E&P to drive future growth."

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Message from President Commissioner

Hilmi Panigoro
President Commissioner

We are well ahead in our pilot project of applying advanced Enhanced Oil Recovery (EOR) technology in Indonesia. Results of this EOR project are forthcoming in 2013, and if successful, there is a real possibility that we will raise our oil lifting by some 20% from the Company's mature fields in the Rimau Block, Indonesia.

Dear shareholders,

There is no denying that MedcoEnergi has experienced considerable challenges in its Major Projects over the past several years. But with every challenge comes opportunities.

In 2012, we made significant progress in securing the Company's long-term growth and sustainability from having implemented our new business strategy in 2011. This strategy essentially refocuses our efforts on our 30-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 partners.

Performance Review

Last year, on behalf of the Board of Commissioners, I spoke of the new direction that MedcoEnergi has taken under a new Board of Directors, and changes to our organization, both of which have enabled us to increase production and sales, increase production, sales and operating income while at the same time optimize operating costs. Improved operating results were evident in 2011 and have continued apace in 2012.

Greater operating excellence clearly arose from redirecting the focus of our efforts to core E&P (Exploration & Production) competencies – a key strategy of MedcoEnergi today, and the theme of our annual report this year.

Refocusing on oil-and-gas E&P projects 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 are able to make use of proven expertise in managing mature oil fields to optimize oil-and-gas lifting that many of our peers would be hard put to match. In Indonesia, we managed to arrest the decline of oil production from mature fields to just 5%-10%, well below the normal rate of 20%-25%. In Oman, we applied the same E&P expertise to raise oil production from the Karim Small Fields (KSF) from 9,000 BOPD in 2006 to 22,000 BOPD in 2012.

At the same time, we are well ahead in our pilot project of applying advanced Enhanced Oil Recovery (EOR) technology in Indonesia. Results of this EOR project are forthcoming in 2013, and if successful there is a real possibility that we will raise our oil lifting by some 20% from the Company's mature fields in the Rimau Block, Indonesia.

Good Corporate Governance is also manifested in our corporate social responsibility (CSR), that is the investments that we continue to make in the communities where we operate. Our business generates considerable value by creating jobs, empowering communities, and supporting the development of local economies in the areas where the Company operates.

The Board of Commissioners recognizes the roles and contributions of the Board of Directors in leading a successful rejuvenation process at MedcoEnergi. We believe that the Company is now safely on track to sustain its current growth and operating profitability over the next two to three years, at which time we will start to reap new income streams from our queue of 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 within the next two years.

I encourage you to read more on the progress of our major capital projects in other sections of this annual report.

In addition, we are also encouraged by the progress of our Power Generation and Downstream businesses, both of which have been recapitalized and currently managed by reputable strategic partners.

Continuing Business Prospects

With the help of the Audit Committee, the Board of Commissioners has reviewed the Company's financial statements for the year ending 31 December 2012, and duly endorses those financial statements for shareholders' approval at the upcoming Annual General Meeting of Shareholders (AGMS) of the Company.

The Board of Commissioners has also reviewed and approved the work program and budget for 2013 proposed by the Board of Directors at the budget meeting in December 2012. The Board of Commissioners hereby confer to the Board of Directors the mandate to carry on with the Business Strategy and 2013 work program as planned.

We are 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 vigour and purpose to deliver increasing returns and value to shareholders and other stakeholders.

GCG Implementation

MedcoEnergi continues to strengthen corporate governance, including the monitoring of good corporate governance by the Board of Commissioners. The Committees under the

Board of Commissioners (BOC) have worked hard to ensure that GCG principles pertaining to transparency, responsibility, accountability, independence and fairness are properly implemented throughout the Company. We also ensure that non-discriminatory policies with regard to gender, race and religion are properly observed and implemented. A whistleblowing system has also enhanced oversight on conduct that is not in line with the Company Code of Ethics.

Good Corporate Governance is also manifested in our corporate social responsibility (CSR), that is the investments that we continue to make in the communities where we operate. Our business generates considerable value by creating jobs, empowering communities, and supporting the development of local economies in the areas where the Company operates.

Closing Remarks

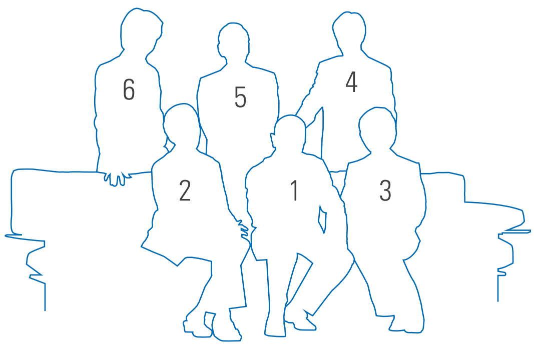
As always, I express my heart-felt gratitude to all of our employees, to the Board of Directors and to my fellow Commissioners for their commitment and perseverance, and to other stakeholders for their continuing trust.

To our shareholders in particular, I thank you for your valuable support and enduring faith in MedcoEnergi.

Yours sincerely,

Hilmi Panigoro
President Commissioner

Board of Commissioners:



1. Hilmi Panigoro, President Commissioner
2. Retno D. Arifin, Commissioner
3. Yani P. Rodyat, Commissioner
4. Masayuki Mizuno, Commissioner
5. Marsillam Simandjuntak, Independent Commissioner
6. Gustiaman Deru, Independent Commissioner

Hilmi Panigoro
President Commissioner

Indonesian citizen, born in 1955. He has been appointed as the President Commissioner since 2008.

Previously he served as the President Director of the Company since 2001. He also holds positions as Commissioner of PT Meta Archipelago Hotels and President Director of PT Medco Duta and PT Medco Intidinamika. He has extensive experience in the oil & gas industry and held various key positions while working at VICO Indonesia in 1982-1996.

Hilmi Panigoro earned a Bachelor degree in Geological Science from the Institut Teknologi Bandung in 1981.

He received a Master of Science degree in Geological Science from the Colorado School of Mines, USA, in 1988, and took a core program in Business Administration at the Thunderbird University, USA, in 1984.

Main Role
Hilmi Panigoro's role is to supervise and advise the Board of Directors with regard to the operation and business development of the Company and subsidiaries, and the implementation of Corporate Governance and Risk Monitoring policy. The Chairperson of Remuneration and Risk Management Committees. He is also a member of Audit, GCG and Nomination Committees.

Retno D. Arifin
Commissioner

An Indonesian citizen, born in 1945. She was re-appointed as the Commissioner of the Company in 2003 and currently also holds the position of Commissioner of PT Kreasi Megah Sarana. Joined Medco Group in 1990 and held the Commissioner position at the Company's drilling services subsidiaries (1990-1994), and served as Commissioner of the Company (1994-1998).

She received a Bachelor degree in Architecture Engineering from Institut Teknologi Bandung in 1972.

Main Role
To supervise and advise the Board of Directors on general business issues. She is a member of the Nomination and Remuneration Committees.

Yani Y. Rodyat
Commissioner

An Indonesian citizen, born in 1951. She has been a Commissioner of the Company since 1998. She currently also holds positions as Director of PT Medco Duta and PT Medco Intidinamika, Commissioner of PT Sentrafood Indonusa, Lecturer at the University of Indonesia, and Commissioner of PT Sarana Jabar Ventura. She has extensive experience in education and science, and is a lecturer at various reputable universities in Indonesia. She also worked in the Indonesian Science Institute (1975-1982).

She received a Master degree in Management from Sekolah Tinggi Manajemen, Bandung in 1977 and a Bachelor degree in Electrical Engineering from Institut Teknologi Bandung in 1973.

Main Role
As the Chairperson of the Nomination Committee, she supervises and advises the Board of Directors with regard to the Company's policy on employees' nomination and remuneration as well as develop and evaluate the policy for nomination of the Company's and its subsidiaries' Board of Directors. She is also a member of the Risk Management Committee.

Masayuki Mizuno
Commissioner

A Japanese citizen, born in 1951. He was appointed as Commissioner in 2010. He is currently the Executive Vice President, Regional CEO, Asia & Oceania and Chief Representative for Indonesia in Mitsubishi Corporation.

He received a Bachelor of Economics from Nagoya University in 1974.

Main Role
To supervise and advise the Board of Directors with regard to the operations and business development activities of the Company and its subsidiaries, as well as to ensure and monitor the implementation of risk management at all business activities. He is a member of the Risk Management Committee.

Marsillam Simandjuntak
Independent Commissioner

An Indonesian citizen, born in 1943. He was appointed as an Independent Commissioner in 2010.

Before joining MedcoEnergi, he served as a Special Staff to the Ministry of Finance for Tax Reform Initiative and Customs from 2006 - 2010, Head of the Presidential Working Unit Program and Reform Governance (UKP-PPR) in 2006 – 2009. He was a former Secretary of Cabinet and Minister of Justice and Attorney General of the Republic of Indonesia in 2001. He also had experiences as President Commissioner of PT Garuda Indonesia from (2003-2005), President and Independent Commissioner of PT Gunung Agung Tbk from (2003-2005), and Senior Editor Consultant of TEMPO magazine from (2002-2006). He began his career as medical doctor at PT Garuda Indonesia (1971-1980).

He received a Medical Degree from the University of Indonesia in 1971, a Law Degree from the University of Indonesia in 1989 and a visiting scholar at the University of California, Berkeley, United States of America (1985-1987).

Main Role
To supervise and advise the Board of Directors with regard to the operations and business development activities of the Company and its subsidiaries and the implementation of Corporate Governance. He chairs the Audit and GCG Committees, and is also a member of the Risk Management Committee.

Gustiaman Deru
Independent Commissioner

An Indonesian citizen, born in 1960. He was appointed as the Company's Independent Commissioner in 2002. He previously held positions as a Director, Senior Investment Professional post in Matlin Patterson Advisers (Asia) Limited, Hong Kong (2002-2009); Commissioner of the Company (2000-2002), Director of Workout and Special Situation Group in Credit Suisse First Boston, Hong Kong (1998-2002); Director, for Asian Local Markets Trading of ING Barings, Hong Kong (1996-1998), and Director of Peregrine Fixed Income Limited, Singapore (1994-1996) and various others prominent positions.

He received a Master of Business Administration degree in Banking and Finance from the Rotterdam School of Management (Erasmus Universiteit – Rotterdam), the Netherlands in 1990, and a Bachelor degree in Civil Engineering from the Parahyangan University, Bandung in 1985.

Main Role
To supervise and advise the Board of Directors on financial issues. He is a member of the Audit Committee and Nomination Committee.

Message from President Director & CEO

Lukman Mahfoedz
President Director & CEO

In the past several years, MedcoEnergi has been perceived as not having been able to complete its Major Development Projects that it had embarked upon from six or seven years ago. Let us assess this perception more deeply.

Dear shareholders,

It gives me great pleasure to greet our shareholders and report the results of the operations and financial condition of MedcoEnergi for the year ending, and on, 31 December 2012.

But before I go further to discuss those results of operations, allow me to give a clear picture of the real condition of MedcoEnergi, together with its challenges and opportunities today and in the future.

Over the past several years, MedcoEnergi has seemed unable to complete major projects that have been in development since six or seven years ago.
Let us assess this perception carefully.

The oil and gas industry is capital intensive and fraught with risks. It requires adequate laws and regulations and government approvals to support and protect the huge amount of investments to develop specific oil and gas assets. As we all know, the enactment of legislations and government regulations often take up a long time, and sequentially could even take several years to evolve.

Because of these factors the development of major oil and gas assets in various parts of the world could, on average, take up more than 10 years to complete. This applies to leading global oil and gas companies in general.

Now, if we assess the progress of MedcoEnergi's major projects lately, one thing that immediately comes to mind is that many of these projects can be categorized as global-scale because of the sheer size of the investments, reaching up to hundreds of millions of US Dollars, while also involving foreign strategic partners. One example is the Senoro gas development project that as of year-end 2007 had entered only its seventh year. Two huge projects, the Senoro upstream project and the downstream Donggi Senoro Liquefied Natural Gas (DSLNG), are projected for commissioning by year-end 2014. This means that the Senoro development will have taken around ten year to complete (more or less at par with most other major oil and gas projects in general).

From a different perspective, let us also view the size and composition of MedcoEnergi's major projects as of year-end 2012. Up to the year 2017, investments in all of our Major Projects will reach approximately US$3.7 billion, of which MedcoEnergi's share is roughly US$920 million. This represents the Company's on-going investments in the oil and gas business, in which the Company has vested for over three decades, both nationally and internationally.

Since two years ago, 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.

Focus on Core Competence: E&P

The growth of MedcoEnergi currently hangs on two things: (i) the increasing productivity of existing oil and gas assets, and (ii) the completion of major projects as planned.

Our investment of US$920 million in Major Projects, stretching forward over the next five years, is not a small sum by any measure. The development of all major projects (comprising of upstream Senoro, DSLNG, gas fields in Aceh and oil fields in Libya, as well as the utilization of EOR technology in the Kaji-Semoga oil fields), upon their commercialization within the next two or three years, is expected to ramp up the Company's oil and gas production by 2016 and onwards.

Since two years ago, 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.

Overview of 2012 Performance

With the change of Management in May 2011, MedcoEnergi has implemented a new strategy, undertaken business processes that are more effective and efficient, and expedited the decision-making process.

The change in Management brought forth the need to restructure the Company's organization into seven Directorates, namely: Finance, Oil and Gas Operations, Human Capital, Planning, Exploration & New Ventures, Other Energy Related Operations, and Business Support, in which each Directorate is headed by a Director or Chief Officer. The results of this restructuring were already evident in 2012.

Productivity in oil and gas was maintained and in certain fields was even enhanced. This contributed to the growth of the Company's sales and operating revenues by 11.2% to US$909 million in 2012, from US$ 818 million in 2011. The main revenue contributor of approximately 96% still came from the oil and gas business, which vindicated the Company's decision to refocus on our core competence E&P.

In order to sustain long-term growth and complete Major Projects, the Company will continue to ensure strong cash flow and financial liquidity to the year 2016, at which time additional revenues from the completed major projects will have come on-stream one after another.

I am pleased to be able to report that the Company has been successful in increasing the productivity of existing oil and gas assets, and in undertaking novel corporate finance actions to safeguard our cashflow and liquidity, while also reducing the cost of our borrowing.

Company's sales and operating revenues

11,2%

US$909million

The main revenue contributor of approximately 96% still came from the oil and gas business, which vindicated the Company's decision to refocus on our core competence of E&P.

Financials

On the back of robust results of operations in 2012, we decided to several impaired assets from the Company's balance sheet, including the Merangin exploration asset, the development of which was not commercially viable, as well as several units of our other energy related business, namely the bio-ethanol plant and the fuel storage and distribution business. The Company also recognized as expenses in its 2012 profit-and-loss statement the deferred tax assets and the drilling expense of one dry-hole in the exploration of Block SCS. The total amount of assets written off was US$51.0 million. We are confident that this decision will strengthen the Company's financials going forward and also facilitate the Company to achieve its goals in the intermediate and long-term future.

With those write offs, the Company's net profit in 2012 amounted to U$12.6 million. Management is confident that the steps taken to strengthen the Company's financial balance sheet will enable us to achieve our growth targets in the coming years.

Capitalising on Opportunities

Throughout 2012, the Company made sure that long-term goals were well on track while also maintaining consistent growth. At the same time, the Company also made efforts to strengthen its financial performance by among other things divesting non-core assets and streamlining its operations.

In that regard, I am pleased to highlight several milestones that were met in 2012. The Company continued to make encouraging progress in the Major Projects, including:

1. Upstream Senoro. The EPC (Engineering Procurement Construction) contractor was appointed in September 2012 and EPC works have commenced, with preparation for the site location of the gas production facility nearing completion.

2. Donggi-Senoro LNG (DSLNG). As of year-end 2012, the progress of LNG plant construction had reached 71%, which is 10% ahead of schedule.

3. Area 47 Libya. Entering 2012, MedcoEnergi received the commerciality approval from NOC Libya for structure A, D and F in Area 47. Preliminary engineering study (Pre-Front End Engineering Design/Pre-FEED) has been completed. Preparation for the establishment of a Joint Operating Company (JOC) with business partners (NOC Libya and LIA) has entered final stage.

4. Block A. Drilling the exploratory well Matang-1 has commenced with a completion target date set for 2013. The EPC contract and renegotiation for gas sales price are in the final stages and is expected to be finalized by mid 2013.

5. Enhanced Oil Recovery (EOR) Rimau Entering 2012 the Company completed the Pre-Flush program at Rimau Block, after which chemical injection followed at year-end 2012.

With regards to exploration programs in 2012, the Company remained focused on exploration drilling in operating areas in Indonesia, both in production fields and in exploration blocks. Overseas, we increased 2D and 3D data acquisitions in Block 82 and Block 83 in Yemen, and completed several analyses of additional test wells in Area 47, Libya, following the recovery of political stability in post-revolution Libya. As a result the Company was able to increase oil and gas reserves by 29% in 2012, bringing the total 2P oil reserves to 294 MMBOE, especially since receiving commercialization in Area 47 in Libya and acquiring Block 9 Malik in Yemen.

New Business Development

The Company continues to seek opportunities for potential oil and gas assets acquisition selective, 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.

In addition, asset optimization and strategic partnership will be the norm for the Company to continue developing other energy related businesses. As referred earlier, MedcoEnergi has forged strategic partnerships with PT Saratoga Power, the subsidiary entity of Saratoga Capital, which currently manages the power generating business of Medco Power as a majority controlling shareholder. Whereas in the downstream business, Puma Energy, a global company that is engaged in midstream and downstream energy businesses, signed an agreement to acquire 63.88% shares of PT Medco Sarana Kalibaru (MSK), which is owned by MedcoEnergi, and formed a new company named PT Puma Medco Petroleum.

Streamlining Financing Cost

Throughout 2012 , MedcoEnergi successfully undertook three bond issues, a portion of which was used to refinance debts with lower interest-bearing liabilities. In 2012, the Company significantly reduced interest expense compared to that of 2011. The Company will continue to manage its financing needs carefully and prudently, opting for alternative financing with better terms, and ensuring financial liquidity at all times.

Prospects for 2013: Focused on E&P and the progress of Major Projects
Throughout 2012, the Company was increasingly focused on oil and gas exploration and production (E&P) activities, and the completion of Major Projects, in particular the Senoro gas development. This is in line with the new business strategy of the Company, which is to (i) strengthen producing assets portfolio, (ii) increase the life span index reserves through high quality exploration, (iii) complete all Major Projects as planned, and (iv) accelerate the growth of other energy related assets through partnerships.

Similar to 2012, production of oil and gas for 2013 is targeted to be stable at around 57 thousand BOEPD (barrel of oil equivalent per day) from all of the Company's assets in Indonesia, at an estimated per unit operating cost of US$14.7/ BOE.

Corporate Governance

At MedcoEnergi, we are committed to carry out our business by adhering to the highest standards of Good Corporate Governance and protecting the rights of shareholders and other stakeholders. In addition, for the past several years the Company has put in place a Whistleblowing system, which enables internal and external parties to report, anonymously, fraud, deceit, harassment, unethical conduct, safety alarm and other issues that could on the Company.

Closing

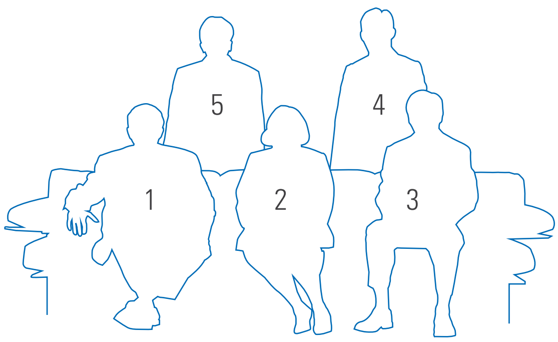
Entering 2013, the Management is confident that MedcoEnergi can face up to any challenge, while responding to opportunities that may come our way.

Finally, on behalf of the Board of Directors, I would like to express my appreciation to our shareholders, the Board of Commissioners and business partners, as well as all employees of MedcoEnergi, for their dedication and trust.
We are also indebted to the government of the Republic of Indonesia, including SKKMigas (as the successor of BPMigas), and the Ministry of Energy and Mineral Resources of the Republic of Indonesia for their support and guidance, and also, to the governments of the nations where MedcoEnergi operates.

Warm Greetings,

Lukman Mahfoedz
President Director & CEO

Board of Directors:



1. Lukman Mahfoedz, President Director & Chief Executive Officer
2. Frila Berlini Yaman, Director & Chief Operation Officer (E&P)
3. Akira Mizuta, Director & Chief Planning Officer
4. Syamsurizal Munaf, Director & Chief Financial Officer
5. Dasril Dahya, Director & Chief Human Capital Officer

Lukman Mahfoedz
President Director &
Chief Executive Officer

An Indonesian citizen, born in 1954.
Mr. Lukman Mahfoedz commands more than 30 years of experience in oil & gas industry, starting out at VICO Indonesia, Jakarta as Planning Engineer in 1983. Eventually, he raised to become Project Planning & Control Superintendent (1988), Assistant Manager Projects & Construction (1990), Engineering & Construction Manager (1991), and moved up to executive management position in operation and maintenance as Senior Manager (1993), then to Vice President Technical Support (1996) and Vice President Human Resources & General Support (1999-2001). In 2001 he started his assignment as Vice President of Java LNG Delivery Unit at BP Indonesia, Jakarta, and later he was appointed as Senior Vice President of Tangguh LNG, a position held until 2005. His engagement with MedcoEnergi commenced afterward in 2005 as President Director of PT Medco E&P Indonesia, and in 2008 Mr. Mahfoedz started serving at the holding company as Corporate Project Director, a position held until his appointment as President Director in May 2011. A graduate of Institut Teknologi Surabaya with a degree in Mechanical Engineering (1980), Mr. Mahfoedz is a member of the Board of Directors of Indonesian Petroleum Association. In the past, he had also served at DKT Consortium in Balikpapan as Planning & Scheduling Engineer and Construction Engineer (1981-1983), and Truba Jurong Engineering as Field Engineer (1980-1981).

Dasril Dahya
Director &
Chief Human Capital Officer

An Indonesian citizen, born in 1954, Mr. Dasril Dahya has spent most of his professional career at MedcoEnergi, which culminated in his appointment as Director & Chief Human Capital Officer in May 2011. Mr. Dahya has previously served in various technical and senior executive positions including Director of Producing Assets (2008-2011), General Manager of S&CS Asset (2008), General Manager of Kalimantan and Sembakung Asset (2008), General Manager of Tarakan (2004-2007), Relations Vice President (1998-2003), Human Resources Manager (1996-1998), Benefits & Policies Section Head (1995-1996), Senior Petroleum Geologist (1990-1995), Senior Geologist (1986-1990), Geologist (1983-1986), and Associate Geologist (1981-1983). A graduate of Institut Teknologi Bandung (1981), Mr. Dahya has also completed numerous trainings in various topics including leadership, accounting, finance, human resources, and petroleum geology.

Frila Berlini Yaman
Director &
Chief Operation Officer (E&P)

An Indonesian citizen, born in 1956, Ms. Frila Berlini Yaman has 31 years of experience in Exploration & Production, with more than half spent in international assignments at senior management level with major international companies. She holds a Chemical Engineering Degree from Institut Teknologi Bandung, Indonesia (1981) and a Master in Management from Stanford University, USA (2000).

She started her career in Jakarta working for ARCO as a Petroleum Engineer, and since 1996 worked internationally with BP and Shell in commercial and operational roles. Her assignments have included: Manager Corporate Planning at ARCO Headquarters in Los Angeles (1996-2000); Commercial Manager San Juan CBM, BP America in Houston (2000-2003); President BP China E&P, in Shekou and Beijing (2003-2006); Director of Midstream Business, BP Vietnam in Ho Chi Minh City (2006-2009); and Regional Executive Shell Asia Pacific, in Singapore (2009-2010)

During her tenure with BP she was also concurrently Regional Head of BP Diversity & Inclusion in Asia (2004-2005), to pursue her interest in the promotion and development of national talent and leadership.

She received the prestigious Adhicipta Rekayasa Award for Engineering Excellence from the association of Indonesian Engineers PII (1995). She was also honored with an Award and Recognition for the Promotion of Education from the Vung Tau Provincial Government, Vietnam (2006) and Recognition of Performance in the Energy Sector from PetroVietnam (2008).

She is a past president of the Society of Petroleum Engineers (SPE) Indonesia (1995) and is an active member of various professional associations.

Syamsurizal Munaf
Director &
Chief Financial Officer

An Indonesian citizen, born in 1965, Mr. Syamsurizal Munaf has served at MedcoEnergi for 15 years, with the first position being Finance Manager in 1997. Prior to his appointment as Director & Chief Financial Officer in May 2011, he served as Director of Business Shared Services (2002-2011) and Director of Technical Shared Services (2010-2011), both at PT Medco E&P Indonesia. A graduate of Institut Teknologi Bandung with a degree in Civil Engineering (1989) and Sekolah Tinggi Manajemen Prasetya Mulya with Magister Management degree (1994), Mr. Munaf commenced his career as Assistant Supervisor of PT Total Bangun Persada (1989), followed by Civil Engineer of PT Nippon Steel Construction Indonesia (1990); Construction Manager, PT Dwima Mandiri Jayatama (1990-1993); Assistant Commercial Manager, PT Bakrie Pipe Industries (1994); General Manager, and PT Bahana Artha Ventura (1994).

Akira Mizuta
Director &
Chief Planning Officer

A Japanese citizen, born in 1956, Mr. Akira Mizuta has served as Director & Chief Planning Officer since May 2011, after previously serving as General Manager, Energy Business Group, Mitsubishi Corporation (2006-2011). In the past, he had served in various managerial positions in Mitsubishi Corporation, including General Manager, Alaska Project Unit & Leader, GTL Task Force, Coordination/ Strategy Unit, Natural Gas Business Division (2003); General Manager, GTL Task Force, Coordination/ Strategy Unit, Natural Gas Business Division (2002); General Manager, Alaska Project Unit & Senior Manager, LNG Shipping Project, Coordination/ Strategy Unit, Natural as Business Division (2001); Manager, Alaska Project Team, LNG Business Dept. A (2000); Manager, Asia Project Development Dept., Fuels Division C (1997); Manager, Downstream, Fuels Strategic Planning, Fuels Division A (1996); Manager, Project Coordination Team, Petroleum Feedstock Dept. (1995); as well as at Feedstock Section A (Tokyo) (1989); Manager Petroleum Trading, Singapore Branch (1985); Manager, Fuels Dept., Jakarta Representative Office (1984); and at Feedstock Section, Petroleum Product Dept. (1978). Mr. Mizuta graduated from Hitotsubashi University with a Bachelor of Economics degree in 1978.

MedcoEnergi in 2012

Operations

MedcoEnergi has a proven track record of enhancing the production of mature oil fields in Sumatra and Kalimantan, and this expertise was again proven by similar successes in the operations of mature oil fields overseas.

The main focus of MedcoEnergi is in adding the life index of oil and gas reserves, arresting the decline in production from mature fields, and completing Major Projects as planned.

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.

Operational Review: Exploration and Production of Oil and Gas in Indonesia

All of the interests of MedcoEnergi's Indonesian oil and gas blocks are held through wholly owned subsidiaries of MedcoEnergi. Meanwhile, the exploration, development and production activities in Indonesia are managed and performed either directly through PT Medco E&P Indonesia (MEPI), a subsidiary of MedcoEnergi, or jointly with strategic partners.

Indonesian Oil and Gas Production Sharing Arrangements

MedcoEnergi oil and gas E&P subsidiaries in Indonesia operate under various production sharing arrangements, as regulated by SKKMigas in accordance with the Indonesian Oil and Gas Laws and Regulations.

1. **Production Sharing Contracts (PSC)**

   A PSC is awarded to explore and establish commercial hydrocarbon reserves in a specific area prior to commercial production.

   The responsibilities of a contractor under a PSC generally include financing all activities and preparing and executing the work program and budget. In return, the contractor may freely lift and dispose of its share of crude oil and gas production.

   A share in the form of First Tranche Petroleum (FTP) in the range of 10 - 20% of total production before deduction of cost recovery is available to both the Government and the contractor in line with their entitlement shares.

   The balance of production after FTP is available to the contractor for cost recovery which is calculated by reference to the prevailing Indonesian crude price and actual gas prices. After the contractor has recovered all allowable costs, the Government is entitled to a specified share of the remaining natural gas and crude oil production and the contractor is entitled to the balance as its equity (profit) share.

   The contractor is obligated to pay Indonesian corporate taxes on its specified profit share, generally at the Indonesian corporate tax rate in effect at the time the PSC is executed.

   PSCs in Indonesia are subject to a domestic market obligation (DMO) under which the contractor is required to supply the domestic market with maximum 25% of contractor's portion.

2. **Technical Assistance Contracts (TAC)**

   TAC is a management contract on oil & gas fields belonging to PT Pertamina (Persero) (Pertamina). A TAC is awarded when a field has prior or existing production and is given a certain number of years depending on the contract terms. The oil or gas production is first divided into non-shareable and shareable portions. The non-shareable portion represents the Production which is expected from the field at the time a TAC agreement is signed and becomes the property of Pertamina.

The Company's gas producing field in the Singa Field, Lematang Block

Under a TAC, the non-shareable portion of production declines annually. The shareable portion corresponds to the additional production resulting from the operator's investment in the field and is in general split between the parties in the same way as for a PSC.

3. Joint Operating Body (JOB)

In a JOB, operations are conducted by a joint operating body usually headed by Pertamina and assisted by the contractor as the second party in JOB. In a JOB, part of the production is retained by Pertamina, and the balance is the shareable portion which is split between the parties in the same way as in a PSC.

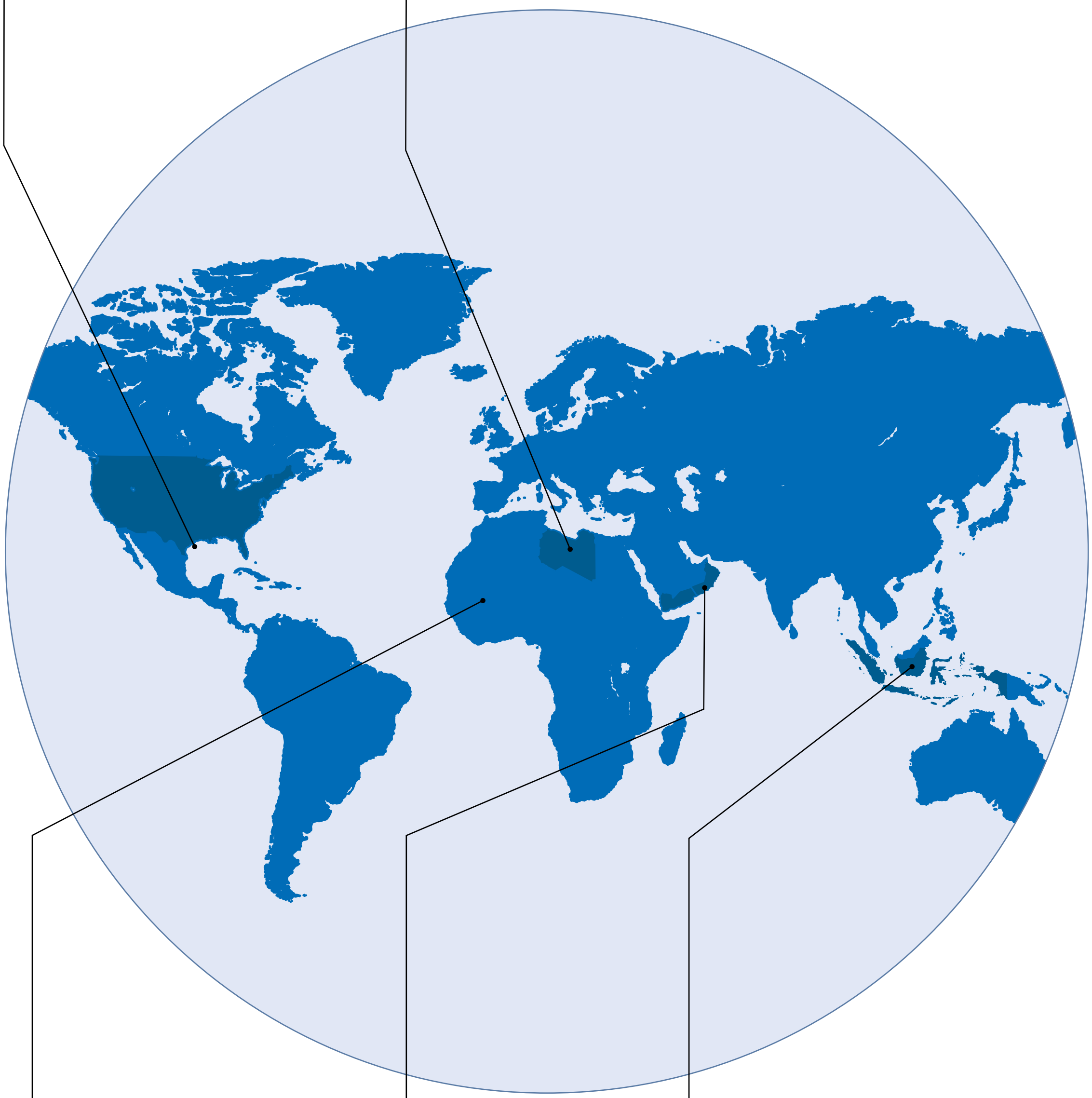
Upon the expiration or termination of the contract, relinquishment of part of the Contract Area, or abandonment of any fields, the contractors may be required to remove all equipment and installations from the Contract Area, and perform site restoration activities in accordance with the terms of the contract or applicable government regulations. The cost of abandonment and site restoration work is cost recoverable under the respective contract.

United States

Production Blocks	5

Libya

Exploration Block	1
Development Block	1



Yemen

Production Block	1
Exploration Blocks	2

Oman

Indonesia

Production Blocks	7
Development Blocks	2
Exploration Blocks	4
Economic Participation	1
CBM	3

Summary of Contracts in Indonesia

Block	Subsidiaries	Areas	Status
Rimau	PT Medco E&P Rimau	South Sumatra	Production
SCS	PT Medco E&P Indonesia	South Sumatra	Production
Tarakan	PT Medco E&P Tarakan	East Kalimantan	Production
Sembakung	PT Medco E&P Sembakung	East Kalimantan	Production
Senoro-Toili	PT Medco E&P Tomori Sulawesi	Central Sulawesi	Production (Tiaka Field)
Bawean	Camar Resources Canada, Inc. and Camar Bawean Petroleum Ltd (afiliated)	East Java	Production
Lematang	PT Medco E&P Lematang (and Lematang E&P Ltd)	South Sumatra	Production
Block A	PT Medco E&P Malaka	Aceh	Development
Simenggaris	PT Medco E&P Simenggaris	East Kalimantan	Development
Merangin	PT Medco E&P Merangin	South Sumatra	Exploration
Bangkanai	Bangkanai Petroleum Berhad (afiliated)	Central Kalimantan	Development
Bengara	PT Medco E&P Bengara	East Kalimantan	Exploration
Nunukan	PT Medco E&P Nunukan	East Kalimantan	Exploration
Jeruk	Medco Straits Services Pte Ltd	East Java	Economic Participation
CBM Sekayu	PT Medco CBM Sekayu	South Sumatra	Exploration
CBM Muralim	PT Medco CBM Pendopo	South Sumatra	Exploration
CBM Lematang	PT Medco CBM Lematang	South Sumatra	Exploration

Summary of Overseas Contracts

Subsidiaries	Block Ownership	Country	Type of Contract	Period of Contract
Medco Energi US LLC	Main Pass 64/65, East Cameron 316/317/318	United States	Lease Agreement	Unlimited period, until production ends.
Medco International Ventures Ltd.	Area 47	Libya	Exploration and Production Sharing Agreement-2038	5 years – exploration 25 years – production
Medco Yemen Amed Ltd.	Block 82	Yemen	Production Sharing Agreement-2027	3 (+3) years – exploration 20 years – production
Medco Yemen Arat Ltd.	Block 83	Yemen	Production Sharing Agreement-2027	3 (+3) years – exploration 20 years – production
Medco Yemen Malik Ltd.	Block 9	Yemen	Production Sharing Agreement	20 years - production
Medco Oman LLC	Karim Small Field	Oman	Service Agreement	10 years

Ownership Structure and Participating Interest: Oil and Gas Indonesia

No.	Name of Block	Type and end-period of contracts	Participating Interest	Partner Name	Partner Participating Interest	Operator
1.	Kampar - S&CS	PSC 2033	100%	-	-	MedcoEnergi
2.	Lematang	PSC 2017	74.12%	Lundin Lematang BV	25.88%	MedcoEnergi
3.	Rimau	PSC 2023	95%	Perusahaan Daerah Pertambangan & Energi Sumsel	5%	MedcoEnergi
4.	Bawean	PSC 2031	100%	-	-	MedcoEnergi
5.	Tarakan	PSC 2022	100%	-	-	MedcoEnergi
6.	Sembakung	TAC 2013	100%	-	-	MedcoEnergi
7.	Senoro-Toili	PSC-JOB 2027	30%	• PT PHE Tomori • Tomori E&P Ltd	50% 20%	Pertamina-Medco JOB
Development Block						
1.	Block A	PSC 2031	41.67%	• Premier Oil Sumatra (North) BV • Japex Block A Ltd	41.67%	MedcoEnergi
2.	Simenggaris	PSC JOB 2028	41.5%	• PT PHE Simenggaris • Salamander Energy (Simenggaris) Ltd	37.5% 21.0%	Pertamina - Medco JOB
Exploration Block						
1.	Merangin	PSC 2033	80%	• Moeco Merangin Co.Ltd.	20%	MedcoEnergi
2.	Bengara	PSC 2029	58.33%	• Salamander Energy (Bengara) Ltd.	41.67%	MedcoEnergi
3.	Bangkanai	PSC 2033	15%	• Salamander Energy (Bangkanai) Ltd. • Mitra Energia Bangkanai Ltd • Chairot Energi International Ltd	69% 5% 11%	Salamander Energy (Bangkanai) Ltd.
4.	Nunukan	PSC 2034	40%	• Anadarko Indonesia Nunukan Co. • BPRL Venture Indonesia BV • Videocon Indonesia Nunukan Inc.	35% 12.5% 12.5%	Anadarko Indonesia Nunukan Co.
Economic Interest						
1.	Jeruk Field	EA* 2027	25%	• Santos (Sampang) Ltd. • Singapore Petroleum Company • Cue Energy Resources	45% 21.8% 8.2%	Santos (Sampang) Ltd.

Volume of Oil and Gas Production

Block	31 December					
	2007	2008	2009	2010	2011	2012
	BOPD					
Oil Production						
Indonesian Assets						
Rimau	25,819.40	21.468.24	20,172.84	17,145.83	16,505.12	14,935.71
SCS	9.698,88	9.054,74	8,622.30	7,999.88	7,475.17	7,048.75
Lematang	21,54	12,87	-	-	-	-
Sanga-sanga	4.732,78	3.433,15	-	-	-	-
Tarakan	1.664,49	2.046,89	1.927,03	1.893,51	2.393,69	2.705,11
Sembakung	2.808,82	2.221,35	1.925,66	1.904,11	2.226,89	2.196,76
Senoro Toili (Tiaka Field)	1.654,74	1.308,56	1.082,53	917,81	493,60	366,57
Langsa	583,37	1.052,70	693,13	-	-	-
Tuban	1.693,15	1.145,65	-	-	-	-
Kakap	1.276,40	960,06	249,20	-	-	-
Bawean	482,19	352,46	637,11	634,29	1.022,80	1.296,01
International Assets						
United States	306,32	313,20	248,03	307,57	441,10	542,44
Yemen Block 9						1.034,45
Total Production	50,742.08	43,369.85	35,557.82	30,803.01	30,558.36	30,123.60

Gas Production

Block	31 December					
	2007	2008	2009	2010	2011	2012
	BBTUPD					
Indonesian Assets						
Rimau	15,39	15,39	-	-	-	-
SCS	76,72	72,65	88,87	128,67	135,38	128,13
Lematang	1,04	0,10	-	12,72	20,74	28,86
Sanga-sanga	2,62	0,58	-	-	-	-
Tarakan	17,86	19,82	6,88	6,50	-	2,64
Tuban	-	-	-	-	-	-
Kakap	13,53	12,17	2,77	-	-	-
International Assets						
United States Assets	7,04	6,72	3,07	6,91	2,27	1,79
Total Production	134,20	127,44	101,60	154,80	163,15	161,41

Drilling operation in the Tiaka oil field

The Company's total production of oil and gas in Indonesia in 2012 was maintained at approximately 20 MMBOE.

The Company succeeded in maintaining its production of oil and gas by arresting the natural rate of decline from 15%-20% to 5%-10% through a number of initiatives such as maintaining reservoir pressure, water injection, sand fracturing, drilling of infill wells, horizontal drilling, well workovers, and the use of advanced technology including secondary and tertiary recovery techniques.

Realized Average Crude Oil and Natural Gas Price in 2012

The Company uses the *Indonesian Crude Price* (ICP)-*Sweet Light Crude* (SLC) set by the Ministry of Energy and Mineral Resources of the Republic of Indonesia. The Global crude oil price (Brent) that continued to rise until its peak at US$106.90/barrel in December 2012, resulted in a significant rise of the ICP-SLC price. The realized average selling price of oil by the Company increased by 1.7% to US$115.6/barrel during the year, from US$113.7/barrel in 2011. In 2012, the Company succeeded in renegotiating three gas sale and purchase agreements that resulted in a 6.1% increase in the average selling price of gas from US$3.8/MMBTU in 2011 to US$4.0/MMBTU.

Estimated Reserves

The following information is an estimate on the amount of the Company's proven reserves.

Estimates on oil and gas reserves are presented in line with the Company's gross participating interest (including government portion), except for reserves of the Company's blocks in the United States that are presented based on a net revenue basis[1)]

Estimates on Proven Reserves (1P)

BLOCK	2008		2009		2010		2011		2012	
	Oil	Gas	Oil	Gas	Oil	Gas	Oil	Gas	Oil	Gas
	MMBO	BCF	MMBO	BCF	MMBO	BCF	MMBO	BCF	MMBO	BCF
Indonesian Assets										
A. Production Assets										
Rimau Block, South Sumatra	41.58	21.33	49.62	-	43.36	-	37.33	-	32.23	-
South & Central Sumatra	8.62	75.37	8.54	143.27	11.06	193.11	8.3	146.92	9.98	254.94
Tarakan, East Kalimantan	1.54	13.35	3.94	12.65	3.25	10.28	2.38	8.39	2.70	3.16
Sembakung, East Kalimantan	3.70	-	2.71	-	2.01	-	1.20	-	1.00	1.03
Senoro-Toili (Tiaka Field), Central Sulawesi	1.76	-	1.36	-	0.48	-	0.30	-	1.04	-
Bawean, East Java	13.58	-	11.84	-	11.61	-	11.23	-	5.40	-
Lematang, South Sumatra	-	29.93	-	64.67	-	60.03	-	47.29	(0.00)	43.16
B. Development Assets										
Block A, Aceh	-	-	-	-	0.91	40.44	0.91	40.44	0.91	40.43
Simenggaris, East Kalimantan	-	-	-	-	-	-	-	-	-	7.99
Senoro-Toili (Senoro Gas Field), Central Sulawesi	-	-	9.60	599.50	5.76	359.70	5.76	359.70	5.76	359.70
Bangkanai, Central Kalimantan	-	-	-	-	-	-	-	-	-	19.50
International Assets										
United States Assets	1.15	25.99	2.22	32.84	4.39	30.99	4.12	18.12	3.92	17.46
Area 47, Libya	-	-	-	-	-	-	-	-	26.12	26.94
Block 9, Yemen	-	-	-	-	-	-	-	-	5.87	-
Total Proven Reserves	74.86	186.47	89.83	852.94	82.83	694.54	71.56	620.86	94.91	774.31

[*)] The figures of reserve estimates in the Company's consolidated financial statements are presented aggregately for oil and gas, such that the figures presented herein should be converted from MMBO to MBOE with a conversion factor of 1,000 times, and from BCF to MBOE with a conversion factor of 5.85 for gas assets in Indonesia and a conversion factor of 6.00 for international gas assets.

Estimates on Proven and Probable Reserves (2P)

BLOCK	31 December											
	2007		2008		2009		2010		2011		2012	
	Oil	Gas	Oil	Gas	Oil	Gas	Oil	Gas	Oil	Gas	Oil	Gas
	MMBO	BCF	MMBO	BCF	MMBO	BCF	MMBO	BCF	MMBO	BCF	MMBO	BCF
Indonesian Assets												
A. Production Assets												
Rimau Block, South Sumatra	60.07	5.63	41.58	21.33	49.62	-	43.36	-	46.72	-	38.50	-
South & Central Sumatra	7.56	112.30	8.62	75.37	8.54	143.27	11.06	193.11	11.12	202.03	10.40	290.11
Tarakan, East Kalimantan	0.92	13.48	1.54	13.35	3.94	12.65	3.25	10.28	3.09	12.74	3.28	3.64
Sembakung, East Kalimantan	1.68	-	3.70	-	2.71	-	2.01	-	1.1.60	-	1.11	1.03
Senoro-Toili (Tiaka Field), Central Sulawesi	3.14	-	1.76	-	1.36	-	0.48	-	01.52	-	2.54	-
Bawean, East Java	13.71	-	13.58	-	11.84	-	11.61	-	14.13	-	7.27	-
Lematang, South Sumatra	(0.01)	95.40	-	29.93	-	64.67	-	60.03	-	59.17	(0.00)	52.54
B. Development Assets												
Block A, Aceh	-	-	-	-	-	-	0.91	40.44	1.27	121.69	1.27	121.69
Simenggaris, East Kalimantan	-	-	-	-	-	-	-	-	-	-	-	7.99
Bangkanai, Central Kalimantan	-	-	-	-	-	-	-	-	-	-	-	19.50
Senoro-Toili (Senoro Gas Field), Central Sulawesi	-	-	-	-	9.60	599.50	5.76	359.70	7.14	375.60	7.14	375.60
International Assets												
United States Assets	1.02	292	1.15	25.99	2.22	32.84	4.39	30.99	5.22	26.48	5.03	25.83
Area 47, Libya	-	-	-	-	-	-	-	-	-	-	44.39	45.49
Block 9, Yemen	-	-	-	-	-	-	-	-	-	-	12.06	-
Total Proven and Probable Reserves	99.06	285.67	74.86	186.47	89.83	852.94	82.83	694.54	90.21	797.71	132.99	943.42

Estimates on Contingent Reserves

BLOCK	31 December										31 December	
	2007		2008		2009		2010		2011		2012	
	Oil	Gas	Oil	Gas	Oil	Gas	Oil	Gas	Oil	Gas	Oil	Gas
	MMBO	BCF	MMBO	BCF	MMBO	BCF	MMBO	BCF	MMBO	BCF	MMBO	BCF
Indonesian Assets												
Senoro Toili (Senoro Gas Field)	3.45	878.45	17.50	878.45	-	264.50	-	158.70	-	158.70	10.71	386.10
Bangkanai, Central Kalimantan	-	21.29	-	21.29	-	21.29	-	21.29	-	21.29	-	1.79
Simenggaris	-	61.63	-	61.63	-	61.63	-	61.63	-	61.63	-	53.64
International Assets												
Area 47, Libya	-	-	153.45	131.04	153.45	131.04	153.45	131.04	153.45	131.04	60.27	115.03
Block 9, Yemen	-	-	-	-	-	-	-	-	-	-	2.20	17.63
Total Contingent Reserves	3.45	1,097.21	172.22	1,214.09	154.72	600.15	153.45	372.65	153.45	372.65	73.18	574.19

The end-balance figure of estimated reserves in 2012 is derived from the calculation of the beginning balance figure of estimated reserves in 2012 less total production in 2012.

The following is a brief description of the amount of reserves of the Company based on the above table:

South & Central Sumatra Block

Estimated reserves as of 31 December 2012 for the Kampar Block increased based on the certification from NSAI (Netherlands, Sewell, & Associates Inc.) with due consideration for the PSC contract extension until 2033.

Senoro Toili Block

The reserves of the gas field in the Senoro Toili Block were certified by GCA (Gaffney, Cline & Associates) in a report dated 1 February 2010, with a 30% participating interest.

Block A

The estimated reserves of Block A were certified by GCA in a report dated 31 December 2007 with a 41.67% participating interest. In 2010 the Company received a PSC contract extension until 2031.

Simenggaris Block

The estimated proven reserves in the Simenggaris Block were made based on a 41.5% participating interest and a gas sale and purchase agreement with Perusahaan Daerah Nusa Serambi Persada (Perusda NSP). Estimated contingent reserves were made based on reserves certification by LAPI ITB in May 2008.

Bangkanai Block

The estimated reserves for Bangkanai Block were made based on a 15% participating interest and a gas sale and purchase agreement with Perusahaan Listrik Negara (PLN) Bangkanai. The estimated contingent reserves were made based on a study by LAPI ITB in 2005.

Blocks in the United States

Estimated reserves of blocks in the United States were certified by NSAI in a report dated 31 December 2010.

Area 47, Libya

The Company had already been granted the commercial rights for A, D and F structures on 14 December 2011, therefore the Company decided to move a portion of contingent resources to Proven and Probable reserves with 25% participating interest (based on the Company's participating interest after the declaration of commerciality). The Company's contingent reserves estimates for the Libya Block are based on DeGoyler MacNaughton's evaluation as of 30 September 2008 and in-house estimates, with effective working interest of 25%.

Block 9, Yemen

Reserves estimates for Block 9 Yemen were certified in the Report by McDaniel & Associates Consultants Ltd signed on 16 February 2012 with effective working interest of 21.25%

Assets	Assayer	Date of Certificate
Rimau	Netherland, Sewell, & Associates, Inc.	27 April 2012
South & Central Sumatra	Netherland, Sewell, & Associates, Inc.	27 April 2012
Sembakung	Netherland, Sewell, & Associates, Inc.	27 April 2012
Senoro Toili	Netherland, Sewell, & Associates, Inc.	Tiaka Field: 27 April 2012
	Gaffney, Cline and Associates	Senoro Gas Field: 1 February 2010
Tarakan	Netherland, Sewell, & Associates, Inc.	27 April 2012
Block A	Gaffney, Cline and Associates	31 December 2007
Lematang	Netherland, Sewell, & Associates, Inc.	Singa Field: 27 April 2012
USA	Netherland, Sewell, & Associates, Inc.	31 December 2010
Libya	DeGoyler and Macnaughton	30 September 2008

Note: Estimate on reserves of assets that are not listed above is made based on the estimation of the Company or operator.

Exploration Assets

Merangin-I Block, South Sumatra

Merangin PSC-I is an oil and gas Production Sharing Contract located Northwest of the Kaji Semoga fields. The Company purchased 100% interest in this Block through an open tender process conducted by BPMigas in mid-2003. In July 2005, the Company entered into a Farm-in Agreement with PTTEP Merangin Company Ltd and Moeco Merangin Co. Ltd., reducing the Company's interest to 41%. PTTEP then took 39% participating interest in the Merangin-I Block from PT Medco E&P Merangin in 2009.

Since 2005 the Company has drilled four exploration wells and found a source of hydrocarbons. In 2012, the Company evaluated the results of the Solo-1 exploration drilling completed a year earlier. The evaluation, which includes the determination of proven gas reserves and a field-development plan to supply gas to a local power plant, will be completed in 2013.

Type of contract	PSC
Areas (km^2)	1,286.6
Contract expiry	2033
Participating interest	PT Medco E&P Merangin, 80% (operator)
	Moeco Merangin Co. Ltd., 20%
Status	Exploration

Bangkanai Block, Central Kalimantan

The Company acquired a 15% participating interest in this Block from Mitra Bangkanai Energy in 2006. Since 2011, Bangkanai Block has been operated by Salamander Bangkanai Energy Ltd.

The main program completed in 2012 was the preparation for the development of the Kerendan gas field, based on the Plan of Development (POD) that has been approved by the Government of Indonesia, and the signing of a GSA (Gas Sales Agreement) with PLN. The agreement calls for the supply of 20 million cubic feet of gas per day for a period of 20 years for electricity generation. In 2013 the Company will complete a thorough evaluation of this project, both technically and commercially.

Type of contract	PSC
Areas (km^2)	1,395.2
Contract expiry	2033
Participating interest	Salamander Bangkanai Energy Ltd., 69% (operator),
	Chariot Energi International Ltd., 11%
	Mitra Energi Bangkanai Ltd., 5%,
	Bangkanai Petroleum (L) Berhad (BPLD)*, 15%,
	*BPLD is MedcoEnergi's affiliate
Status	Exploration-Development Kerendan Gas Field

Bengara-I Block, East Kalimantan

In December 2001, the Company purchased 95% shares of PT Petroner Bengara Energy, which holds a 100% participating interest of the Bengara Block. The first drilling was conducted in June 2006, with first discovery of gas at South Sebuku-1 in July 2009. Delineation drilling at South Sebuku-2 was subsequently conducted in July 2011.

In 2013 the Company aims to obtain approval for the South Sebuku gas field POD, and complete negotiations with PLN to supply gas for an electricity generation of 10MW.

Type of contract	PSC
Areas (km^2)	922.1
Contract expiry	2029
Participating interest	PT Medco E&P Bengara, 58.33% (operator)
	Salamander Energy (Bengara) Ltd., 41.67%
Status	Exploration-Plan of Development (POD) on South Sebuku field

Nunukan Block, East Kalimantan

In 2004 the Company obtained the Nunukan PSC Block and today the Company still holds a 40% participating interest. An exploration drilling of the Badik-1 well has successfully found gas.

In 2013 preparation for a delineation drilling will be carried out before filing a field development plan to the Government of Indonesia.

Type of contract	PSC
Areas (km^2)	3,196 (will become 983.5 km^2 after final relinquishment that is now delayed)
Contract expiry	2034
Participating interest	PT Medco E&P Nunukan, 40%,
	Anadarko Indonesia Nunukan Co. 30% (operator)
	BPRL Venture Indonesia BV, 12.5%
	Videocon Indonesia Nunukan, 12.5%
Status	Exploration-appraisal drilling preparation after gas discovery at Badik-1

Development Assets

Senoro-Toili Block, Central Sulawesi

The Company currently owns a 30% participating interest in the Senoro-Toili Block based on a PSC contract dated 4 December 1997. The Block is operated by JOB Pertamina-Medco E&P Tomori Sulawesi (JOB Tomori) with operations consisting of Senoro (onshore) covering 188 square kilometers and Toili (offshore) covering 263 square kilometers.

The Tiaka oil field in the Senoro-Toili Block has proven reserves of 1,099 MBOE and proved and probable reserves of 2,606 MBOE. It is already on production. To maintain production rates and increase reserves, in 2013 the Company will drill three development wells in Tiaka.

The Senoro gas field development began in 2012 and is expected to be completed by end of 2014. This development is one of the Major Projects of the Company.

Type of contract	PSC – JOB
Areas (km^2)	451
Contract expiry	2027
Participating interest	PT Medco E&P Tomori Sulawesi, 30%
	Tomori E&P Limited, 20%
	PT Pertamina Hulu Energi Sulawesi, 50%,
Operator	JOB Pertamina - Medco E&P Tomori Sulawesi
Status	Development - Gas (Senoro Fields)
	Production - OIl (Tiaka Field)

Further information about this project can be seen in the "Major Project of the Company" in this section.

Block A, Aceh

This Block has proven and probable reserves of 121.7 BCF (1,266 MBOE) and is currently in the development phase. The Block A gas development project is one of the major projects of the Company at this time.

In 2012 the Company commenced drilling an exploration well, Matang-1, which is expected to be completed in 2013.

Further information about this project can be seen in the "Major Project of the Company" in this section.

Type of contract	PSC
Areas (km^2)	1,680.5
Contract expiry	2031
Participating interest	PT Medco E&P Malaka, 41.67% (operator)
	Premier Oil Sumatera (North) BV , 41.67%
	Japex Block A Ltd, 16.67%
Status	Development

Simenggaris Block, East Kalimantan

The Company obtained the Simenggaris Block in 1998 for 30 years, until the year 2028. Currently the Company holds a 41.5% participating interest. The Block has estimated proven and probable reserves of 9,800 MBOE and contingent reserves of 735 MBOE. The development of this Block is expected to supply gas for the domestic market, in East Kalimantan.

Type of contract	PSC – JOB
Areas (km^2)	547
Contract expiry	2028
Participating interest	PT Medco E&P Simenggaris, 41.5%
	PT Pertamina Hulu Energi Simenggaris, 37.5%
	Salamander Energy (Simenggaris) Ltd., 21.0%
Operator	JOB Pertamina - Medco E&P Tomori Sulawesi
Status	Development

Major Projects Portofolio

The following is a summary of the Company's portfolio of Major Projects at present. The total investment that will be spent by the Company and its partners over the next five years amounts to US$3.7 billion.

- Oil Major Project
- Gas Major Project

Project	Target Start up	Project Description	% Ownership	Partners
A. Development LNG Senoro-Toili				
Senoro Upstream	2014	Gas field development 310 MMSCFD	30.00%	Pertamina, Mitsubishi, KOGAS
Senoro Downstream (DSLNG)	2014	LNG plant, capacity of 2.1 MTPA, 1 train	11.10%	Pertamina, Mitsubishi, KOGAS
B. Development Gas Block A				
Block A	2015	Gas field development 60 MMSCFD	41.67%	Premier, Japex
C. Development Gas Simenggaris				
Simenggaris	2013 (5 MMSCFD) 2016 (25 MMSCFD)	Gas field development 30 MMSCFD	41.50%	Pertamina, Salamander
D. Development Oil Area 47, Libya				
Area 47	2016	Oil field development 50,000 bopd and 47 MMcfd of gas	25.00%	National Oil Corporation (NOC) Libya, Investment Authority (LIA)
E. Development EOR Rimau				
Rimau	2017	Chemical – Enhanced Oil Recovery	95.00%	PD-PDE

The following briefly describes the Company's Major Projects:

A. Senoro-Toili LNG Development

Strategy

Our strategy is to monetize gas reserves, primarily in the form of LNG, to supply export markets as well as to supply gas for domestic market in Central Sulawesi. Commercialization of the Senoro gas reserves in Central Sulawesi is completed.

Background

The Company, through its Subsidiary Entitiy PT Medco E&P Tomori Sulawesi (Medco Tomori), holds 30% participating interest in the Senoro-Toili Block and operates the Block together with its partner, Pertamina, which owns 50% participating interest through its subsidiary PT Pertamina Hulu Energi (PHE). Mitsubishi Corporation and Korea Gas Corporation (KOGAS) jointly hold the remaining 20% participating interest through its subsidiary Tomori E&P Limited.

Upstream Sector

The Senoro gas field is slated to startup by year-end 2014, following completion of production facilities, with a capacity of up to 310 MMSCFD. Development study and design for upstream facilities have been completed in 2011, including location investigation and topographic surveys, as well as EPC tender documents for the central refinery plant, jetties and pipeline construction.

To meet the scheduled gas shipment to the LNG refinery plant (downstream sector) by end of 2014 the Company, through JOB Tomori, has already completed the land acquisition and is progressing with location preparation. The tender process for the Gas Production Facility (CPP) EPC has been completed with announcement of the winning bidder, the Tripatra-Samsung Engineering consortium, in the third quarter of 2012. EPC works commenced in September 2012.

In addition to the supply of 260 MMCFD of gas to the LNG plant, the Company, through JOB Tomori, also entered in negotiations in 2012 with PT Panca Amara Utama (PAU) concerning the supply of 55 MMSCF of gas to an ammonia plant that will be built by PAU in Central Sulawesi.

In 2013, the Company through JOB Tomori will continue with the CPP EPC works as well as drilling development wells in the Senoro field towards gas production by end of 2014.

Downstream Sector

The Company, together with Pertamina, Mitsubishi and KOGAS, are currently in the execution stage of the plan for the construction and operation of an LNG plant with 2.1 MTPA (million tons per annum) capacity located at Banggai Regency, Central Sulawesi. The plant will absorb 1.7 TCF of the Senoro gas reserves.

DSLNG is a joint venture established in 2007 by the Company through its Subsidiary Entity PT Medco LNG Indonesia (MLI), jointly with Mitsubishi and KOGAS through subsidiary Sulawesi LNG Development Ltd. (SLD), and Pertamina through its subsidiary PT Pertamina Hulu Energi (PHE).

Construction of LNG storage silo entering final phase

Ownership in DSLNG is as follows:

- SLD : 59.9%
- PHE : 29.0%
- MLI : 11.1%

DSLNG will be the first in Indonesia to use a business model whereby the downstream LNG business is set up as a separate business entity from the upstream business activity, as provided for in Law No. 22 Year 2001 on Oil and Natural Gas. Within this scheme, DSLNG purchases gas from the upstream sector, operates the LNG plant, and sells the LNG to international customers.

Gas Sales Agreement

On 22 January 2009, the Company through JOB Tomori as Seller/Upstream signed a Gas Sales Agreement (GSA) with DSLNG as Buyer/Downstream. Under the GSA, JOB Tomori will supply DSLNG with 1,417 TBTU of gas, or an average of 277 BBTU/day of gas (250 MMSCFD) starting from year-end 2014 up until the expiry of the JOB Senoro PSC term in 2027. The price of the supplied gas will be tied to crude price based on Japan Crude Cocktail (JCC) reference price index.

With the effective signing of the GSA, the Company was able to increase its proven reserve of gas at year-end 2009 to 153.6 MMBOE (gross). In addition, the GSA allows the Company to recover the development costs for the gas fields as well as to secure a new future revenue stream.

LNG Sale & Purchase Agreement

In January 2011, DSLNG and KOGAS signed an LNG Sale & Puchase Agreement (LNG SPA) for 0.7 million ton per annum. This agreement was subsequently amended in August 2012. In May 2012, DSLNG signed an LNG SPA with Chubu Electric Power Co. Inc., for the supply of 1.0 million ton of LNG per annum. Also in May 2012, DSLNG signed an LNG SPA with Kyushu Electric Power Co. Inc., for the shipment of 0.3 million ton of LNG per annum. The three LNG SPAs are for a period of 13 years commencing in 2014.

Current Developments and Future Plans

In December 2010, the shareholders of DSLNG announced the Final Investment Decision (FID) for the development of the LNG plant. By 21 January 2011, all the requirements to begin construction were fulfilled.

The total development cost for the LNG Project will amount to approximately US$2.8 billion, including costs for land acquisition, infrastructure, operation cost during construction (owner cost), and project financing expenses. Construction of the LNG plant is undertaken by the JGC Corporation. Construction commenced on 1 March 2011, and as of year-end 2012 has progressed to 71% completion. Work will continue for a scheduled completion date by year-end 2014.

B. Block A Gas Development

Strategy

The Company's strategy is to monetize the gas reserves for a domestic market, and increasing the gas reserves through exploration activities.

Background

Block A is an onshore PSC block located in East Aceh Regency, Aceh Province. Participating interest in the PSC is held by the Company (41.67%), Premier Oil (41.66%) and Japex (16.67%), with the Company as the operator.

On 28 October 2010, the Company obtained an extension on the PSC contract from BPMigas, effective until 11 September 2031.

The Government of Indonesia approved the Plan of Development for the gas field in December 2007. Gas will be delivered from three fields, namely Alur Rembong, Julu Rayeu and Alur Siwah, for domestic consumption by PT Pupuk Iskandar Muda (PIM) and PLN.

Gas Sales Agreement

The Company signed a GSA with PIM on 10 December 2007. At present, the plan is for the Company to deliver over a 11-year period, from 2015 to 2025, a total of 180 TBTU of gas, or 55 BBTU of gas per day. Initial price for the gas was agreed at US$6.50/MMBTU including a price increase index tied to ammonia.

In April 2008, the Company signed a GSA with PLN for the delivery of 5-15 BBTU of gas per day at a price of US$5.3/MMBTU, with a 3% annual increase. The Company will supply PLN with a total of 52 TBTU of gas over a period of 17 years, commencing on the first quarter of 2016.

Current Developments

Development study and design of the gas production facilties were completed in 2012, while the tender process for the selection of EPC contractor is nearing completion.

To preserve the economic viability of the project, the Company is currently negotiating adjustments to the gas price, in consideration of higher development cost requirements.

In addition to project development activities, the Company has also started drilling an exploration well (Matang-1) in November 2012. The exploration well is expected to increase the Company's gas reserve.

Plans for the Future

Negotiation for gas price adjustment with PIM and PLN is expected to be completed by mid-2013. In addition, appointment of the EPC contractor is expected by the second quarter of 2013, in order to meet the planned schedule for the first delivery of gas to PIM by the third quarter of 2015. Also in 2013, the Company will conclude drilling the Matang-1 Well and prepare for development drilling on Block A.

C. Simenggaris Gas Development

Strategy

To monetize the Company's gas reserve for the domestic market, namely for PLN and industries located in the working area, while also increasing oil and gas reserves through exploration activities.

Background

The onshore Simenggaris PSC is located in East Kalimantan, with JOB Pertamina-Medco E&P Simenggaris (JOB P-MEPS) as operator. Participating interest in this block is held by the Company (41.5%), Pertamina (37.5%) and Salamander (21.0%). The Plan of Development for Simenggaris Block gas fields was approved by the Government of Indonesia in 2008 for the supply of gas to Pertamina's Bunyu Methanol Plant (KMB).

Gas Sales Agreement

In August 2009, the Company through JOB P-MEPS signed a GSA with the consortium of Pertagas (subsidiary of Pertamina) and Medco Gas Indonesia (subsidiary of the Company), or Pertagas-MGI, for gas supplies of 25 MMSCFD. Pertagas-MGI will build the pipeline from Simenggaris Block to KMB and sell the gas to KMB.

Aside from KMB, the Company through JOB P-MEPS also signed a GSA with Perusda NSP in October 2012 for the supply of 5 BBTU of gas per day for a period of 11 years from 2013 until 2024. The agreed price for the gas is US$5.2/MMBTU with a 3% annual escalation. Perusda NSP will use the gas to fulfill the energy needs in Nunukan Regency and surrounding areas.

Current Developments

Development of the gas fields started in 2011 and to date is basically completed. In April 2012, the Company obtained the Mechanical Completion Certificate for the gas production facilities. At year-end 2012, the Company through JOB P-MEPS completed the gas production facilities as well as the drilling of three development wells that will produce 25 MMSCFD of gas for approximately 11 years.

During 2012, plans to supply gas to KMB encountered a number of technical difficulties, while fluctuations in the market price for methanol also resulted in uncertainties regarding the economics and operations of KMB. As an alternative buyer for the domestic market, PLN has shown interest in obtaining a supply of 25 MMSCF of gas per day from the Simenggaris Block to replace the oil fuel used in its power plants in East Kalimantan.

Future Plans
In 2013, the Company plans to drill an exploration well to increase reserves as well as a workover well to produce 5 BBTU of gas per day for sale to Perusda NSP. The Company, through JOB P-MEPS, expects to conclude a Gas Sale & Purchase Agreement with PLN sometime in mid-2013.

D. Area 47 Libya Development

Strategy
The strategy is to monetize of proven and probable oil reserves of some 300 MMBOE, to transfer contingent reserves to proven and probable reserves through reserve commercialization, and to increase oil reserves through exploration activities.

Background
Since obtaining the participating interest in Area 47, Libya, from 2005 until 2009 the Company, together with Verenex, drilled a total of 20 exploration wells and 6 appraisal wells, with 18 of the exploration wells showing indication of considerable oil reserves. The exploration success rate of 90% is well above the global average success rate. According to a D&M report dated 30 September 2008, gross contingent reserves in Area 47 is estimated at 352 million barrels of oil equivalent (MMBOE).

Following the acquisition of Verenex's interest in Area 47 by the Libyan Investment Authority (LIA) in 2009, the Company and LIA held equal portions of 50% participating interest in Area 47 Exploratory Block. In August 2010, the Company through its Subsidiary Entity, Medco International Ventures Limited, was entrusted to replace LIA as the operator for the Block throughout the exploration period. Since the appointment as operator, the Company has continued the drilling of three exploration wells, with all three showing indication of large oil discoveries. Internal Company analysis in 2011 indicated an increase of gross contingent reserves at Area 47 to 588 MMBOE (up by 67% from the level in 2008).

Current Developments
At year-end 2011, the Company obtained commerciality approval from NOC Libya for A, D and F structures at Area 47, enabling the Company to transfer the contingency reserves to proven and probable reserves. Following the commerciality approval, the Company and its partners (LIA and NOC Libya) have entered into final preparations for the establishment of a Joint Operating Company (JOC) to undertake the development and operation of oil fieds in A, D, and F structures. In the fourth quarter of 2012, the Company also completed the initial engineering study and design (Pre-FEED) as the first stage in the project development phase.

Future Plans
The Company plans to conlude the establishment of the JOC by the first quarter of 2013. Next, the JOC will commence the follow-up stage of the engineering study and design (FEED) for oil production facilities with a capacity of 50,000 barrels oil per day, as well as a study for engineering the development drilling. The Company and its partners expect that production facilities will be in place by 2016 and production to start in 2016/2017.

E. EOR Rimau

Strategy

The strategy is to maintain a stable production in the mature Rimau Block through the implementation of EOR technology to improve the recovery factor at the Kaji-Semoga oil field.

Background

In September 1996, the Company discovered large oil reserves as well as significant gas reserves in the Kaji-Semoga field, Rimau Block, which amounted to oil and gas reserves of 304 MMBOE. Cumulative gross production since first production up to December 2012 amounted to 190 MMBO and 76 BCF.

As the operator for the block, the Company has taken a number of initiatives to arrest the decline in oil production, among others by maintaining reservoir pressure, developing and stimulating tight sand formation at Telisa reservoir through the utilization of sand fracturing techniques, developing the Talang Akar reservoir through infill well drilling, minimizing pressure drawdown through the drilling of horizontal wells, and the implementation of chemical injection EOR pilot project.

With primary recovery and waterflood technology, the recovery factor of oil reserves at Kaji-Semoga field can be improved up to 37.6%. The chemical injection EOR technology is expected to provide an additional recovery factor of 16.4% (equivalent to 64 MMBO of recoverable oil reserves). With EOR, total recovery factor may reach up to 54%.

Current Developments

The Company's EOR program comprises a number of phases, including laboratory tests and study, preparation and implementation of pilot project, (including construction of injection facilities, chemical injection to test wells, monitoring of well output), and implementation of full scale EOR program in the field. Construction of pilot chemical injection facilities has been completed and chemical injection has commenced since December 2012.

Future Plans

Following chemical injection at a number of test wells, the Company will continue to monitor their performance. Positive results are expected in 2013, to be followed by further development study for full scale EOR implementation. Target start up for full scale EOR implementation at the Kaji-Semoga field is in 2017.

Production Assets

Rimau Block, South Sumatra

The PSC Rimau Block is one of the primary producing blocks of the Company, which remains to this day a major contributor to the Company's crude oil production. The Company acquired an extension of this PSC contract from the Government of Indonesia in December 2001, to expire in April 2023. The Company, through its Subsidiary Entitiy, PT Medco E&P Rimau, holds a 95% participating interest and is the operator of this PSC.

In the second half of 2012, the average amount of oil sales (oil lifting) from the Rimau Block was 16.29 MBOPD. During the year, the Company's drilling program included four production wells and two exploration wells. In addition to oil production, the Company also sold Liquefied Petroleum Gas (LPG) amounting to 14,764 MT in 2012. To arrest the rate of decline in oil production, the Company will drill two development wells and one exploration well in 2013. The Company will also undertake a pilot project for the production of heavy oil.

Type of contact	PSC
Areas (km^2)	1,103
Contract expiry	2023
Participating interest	PT Medco E&P Rimau, 95% (operator) Perusahaan Daerah Pertambangan & Energi Sumsel (PDPDE), 5%
Operator	PT Medco E&P Indonesia
Status	Production

South & Central Sumatra Block

South & Central Sumatra PSC (SCS) is another important block of the Company that contributes to significant production, especially natural gas. The Company, as the operator of the Block, acquired a PSC contract extension to last into the year 2031. In 2012, the average amount of oil sales (oil lifting) was 7.03 MBOPD, while gas sales averaged 132.19 BBTU per day. During the year, the SCS Block saw the drilling of two development oil wells and one exploration well.

To maintain and increase the rate of production from the oil and gas reserves of this Block in 2013, the Company will drill six additional development wells and two additional exploration wells and conduct 2D (547.2 km) and 3D (110 km^2) seismic surveys.

Type of contact	PSC
Areas (km^2)	4,470
Contract expiry	2033
Participating interest	PT Medco E&P Indonesia, 100% (operator)
Status	Production

Tarakan Block, East Kalimantan

The Company began operations at the Tarakan PSC in 1982 for a period of 20 years that ended in 2002. The Company then obtained a contract extension for the Block for a period of 20 years until 2022. Currently the Company, through its Subsidiary Entity PT Medco E&P Tarakan, is the operator of the Block with a 100% participating interest.

Current production of hydrocarbons in Tarakan has experienced a transition from gas to oil, where gas production and reserves continue to decline, while oil production has increased. In 2012, the Company drilled one production well and undertook workover in eight wells, producing an average amount of oil sales (oil lifting) of 2.72 MBOPD while gas sales averaged at 2.44 BBTU per day.

To maintain production rates and increase reserves, the Company will drill two development wells, two exploration wells and undertake workover of 10 wells in 2013, while at the same time complete field development proposals.

Type of contract	PSC
Areas (km²)	180
Contract expiry	2022
Participating interest	PT Medco E&P Tarakan, 100%
Operator	PT Medco E&P Indonesia
Status	Production

Sembakung Block, Kalimantan Timur

The Company operates the Sembakung Block through a TAC contract with Pertamina. The Sembakung Block is located near the Tarakan Block. In 2012, the Company implemented well workover programs, and produced an average amount of oil sales (oil lifting) of 2.26 MBOPD. The contract will expire at the end of 2013 and will be handed back to Pertamina.

Type of contract	TAC
Areas (km²)	23
Contract expiry	2013
Participating interest	PT Medco E&P Sembakung - 100% (operator)
Status	Production

Senoro-Toili Block, Sulawesi Tengah

The Senoro-Toili Block is operated by JOB Tomori, in which the Company holds 30%, Pertamina 50%, and the Mitsubishi and KOGAS consortium 20% of participating interests. The Senoro-Toili Block consists of the Senoro gas field and Tiaka oil field. The Tiaka Field is currently on production.

In 2013, the Company, through JOB Tomori, will three development wells (Tiaka-11,12, and 13 wells) in order to maintain production rates while increasing oil reserves.

Type of Contract	PSC - JOB
Areas (km^2)	451
Contract expiry	2027
Participating Interest	PT Medco E&P Tomori Sulawesi, 30%
	Tomori E&P Limited, 20%
	PT Pertamina Hulu Energi Sulawes, 50%,
Operator	JOB Pertamina - Medco E&P Tomori Sulawesi
Status	Development - Gas (Senoro Field)
	Production – Oil (Tiaka Field)

Bawean Block, East Java

The Bawean PSC Block is an offshore oil and gas block off the coast of East Java. The Company operates the Bawean PSC since 2004 through a nominee company, Camar Resources Canada Inc. (CRC). Currently, participating interests in the Bawean Block is held by CRC (35%) and Camar Bawean Petroleum Ltd (CBPL), a Subsidiary Entity of the Company (65%). The Company acquired an extension contract for the Bawean PSC from the Government of Indonesia in 2010 for a period of 20 years, expiring in 2031. The main contribution of oil in the Bawean Block is derived from the Camar field. In 2012, the Company recorded oil sales (oil lifting) of 1.36 MBOPD from the Camar field.

In the year 2013, the Company will prepare for drilling exploration wells in Camar and Tuban Fields. Further plans for the development of the Bawean PSC include well workovers, and study on the potential production of heavy oil from Camar.

Type of Contract	PSC
Areas (km^2)	3,063
Contract expiry	2031
Participating Interest	Camar Resources Canada Inc., 35% (operator)
	Camar Bawean Petroleum Ltd (CBPL), 65%,
Status	Production

The study will include G&G to prepare plans for future exploratory drilling.

Lematang Block, East Sumatra

The Company began development of the Lematang Block in 2007, following approval of the development plan by BPMigas in 2006. The Company initially had a GSA with Perusahaan Gas Negara (PGN) of up to 53.3 TBTU of gas. Thereafter, gas sales contract was replaced with a GSA to PLN to last until the expiry of the Lematang PSC contract. The Company, through its Subsidiary Entity PT Medco E&P Lematang, is the operator of this Block. The Company successfully completed the construction of production facilities and produced first gas in 2010, using advanced technology. 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 condition (high temperature, high pressure, and relatively high CO_2 and H_2S contents).

In 2012, the average amount of gas sales was 18.02 BBTU per day.

Gas production in the Lematang Block is derived from two wells, Singa-1 and Singa-3. In 2012, the Singa-3 well head was replaced with a higher rated wellhead enabling the elimination of various technical problems related to pressure and temperature. The two Singa wells have since produced gas at maximum level, producing 40 BBTU of gas per day.

Type of contract	PSC
Areas (km^2)	409
Contract expiry	2017
Participating ninterest	PT Medco E&P Lematang – 51.1176% (operator)
Operator	Lematang E&P Ltd - 23%
	Lundin Lematang BV - 25.88%
Status	Production

Coal Bed Methane

The Company currently has three CBM blocks, namely Sekayu, Muralim and Lematang. The Company is currently the operator of Sekayu and Lematang, while Muralim is operated by Dart Energy.

To date, the Company has drilled four wells in the Sekayu Block, two of which have been followed by dewatering process and produced gas that is used to generate electricity around the well sites. The Company also plans to supply gas from these CBM blocks to meet the electricity needs of the surrounding communities over the next five years. In the CBM Lematang Block, the Company partners with PT Metahnindo Energy Resources and PT Saka Energi Indonesia, with participating interest of 40% and 5%, respectively.

In the Muralim Block, the Company partners with Dart Energy Limited, as the operator of the Block. Plan is underway for the drilling of two coring wells.

Studies to evaluate for other CBM blocks will continue, and the Company plans to acquire new CBM blocks in the future.

Economic Participation

Jeruk Field in Sampang Block PSC, East Java

Type of contract	Economic Participation
Areas (km^2)	2,007
Contract expiry	2027
Participating interest	Santos, 45% (operator)
	Medco Straits Services Pte Ltd, 25%
	Singapore Petroleum Company, 21.8%
	Cue Energy Resources, 8.2%
Status	Exploration

In early 2006, the Company received a 25% economic participation from Singapore Petroleum Sampang (SPC) and Cue Sampang Pty. Ltd. (Cue), and in return covered the drilling cost and working capital that were previously expended by SPC and Cue up to year-end 2006. The Jeruk field is located within the Sampang PSC Block and operated by Santos.

Exploration and Production Oil and Gas – International

MedcoEnergi's International Oil and Gas E&P business activities cover exploration, development and production of crude oil and natural gas. The activities include management and operation of oil and gas fields. MedcoEnergi holds participating interests on oil and gas blocks through its subsidiaries in which the Company has indirect 100 percent ownership. All the shares of those subsidiaries are held by Medco Energi Global Pte Ltd, (Medco Global), a wholly-owned Subsidiary Entity of MedcoEnergi established under the laws of the Republic of Singapore. Medco Global acts as a sub-holding company of MedcoEnergi's international oil and gas companies.

International Oil and Gas Leases and Contracts

The Company oil and gas E&P subsidiaries are operated under the laws and regulations applicable in the relevant countries. Therefore the conditions governing the leases and contracts of participating interests on each asset vary.

The followings are types of leases or contracts that are held by MedcoEnergi:

Lease Agreements, USA

Lease means any contract, profit-sharing arrangement, joint venture or other agreements issued or approved by the Government of the United States of America under the Mineral Leasing Law that authorizes the exploration for, extraction of, or removal of oil and gas.

MedcoEnergi holds several Lease Agreements that are governed by the U.S. Mineral Management Services. The Company as holder of the Lease Agreements shall pay royalties stipulated by the license in cash annually, in accordance with the amount of oil and gas produced during the year.

Production Sharing Contract/ Agreements, Various Countries

Most oil and gas producing countries apply the Production Sharing Contact/Agreement (PSC/A) for any block awarded to oil and gas contractors to

Oil production process in KSF oil field, Oman

explore, develop and produce oil and gas resources in the respective countries. PSC/A is usually conducted with either a government entity or the national oil company of the respective countries. Pursuant to the PSC, the contractor is required to provide all financing and bear the risk of exploration and appraisal activities.

In return, the contractor is entitled to a production share which consists of a fixed portion and a variable portion that are reserved for the recovery of cost expended by the contractor. The remaining portion of the production is shared among the contractor and the government based on certain percentages of the production volume or revenue.

Up to the end of 2012, the Company holds three PSA with Yemen Oil & Gas Corporation in Yemen, one Exploration and Production Sharing Agreement (EPSA IV) with the National Oil Corporation (NOC) of the Great Socialist People's Libyan Arab Jamahiriya, and one Petroleum Agreement (PA) with the Cambodia National Petroleum Agency. Agreements for the results of these contracts differ from one to the other.

Service Exploration and Production Agreement, Oman

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, Oman.

The Company is responsible for providing services and conducting operations on behalf of PDO Oman. As operator, the Company is responsible to improve the decline in production and, improve the production and exploitation of oil reserves in the production field in accordance with the contract. The Company is entitled to the benefits of production and obtain redress for all expenses incurred (cost recovery) for such activities.

International Assets

Until the end of 2012, the Company operates five production blocks in the United States, one exploration block in Libya, two exploration blocks in Yemen and one production block in Oman. In addition, the Company also holds a participating interest in a production block in Yemen, and one development block in Libya.

List of Oil and Gas Blocks and International Contracts

No.	Block	Period of Contract	Participating Interest	Partner: Name	Partner: Participating Interest	Areas (Km²)	Operator	Status
United States								
1.	Block 317/318 East Cameron	Not limited by time, will extend through end of production	75.00%	Northstar Offshore Group, LLC	25.00%	40.50	MedcoEnergi US LLC	Production
2.	Block 316 East Cameron	Not limited by time, will extend through end of production	100%	-	-	23.23	MedcoEnergi US LLC	Production
3.	Block 64/65 Main Pass	Not limited by time, will extend through end of production	75.00%	Northstar Offshore Group, LLC	25.00%	28.40	MedcoEnergi US LLC	Production
Oman – Service Contract								
1.	Karim Small Field	2016	51.00%	• Oman Oil Co. • Kuwait Energy • Vision Oil & Gas • PetroVest	25.00% 15.00% 5.00% 4.00%	N.A	Medco LLC	Production
Republic of Yemen – Production Sharing Agreement								
1.	Block 82	PSA 2027, 3 years exploration, 20 years exploitation	38.25%	• Kuwait Energy Co. • Indian Oil Co. • Oil India Ltd • Yemen Oil & Gas Corporation	21.25% 12.75% 12.75% 15.00%	1,853	Medco Yemen Amed Ltd	Exploration
2.	Block 83	PSA 2027, 3 years exploration, 20 years exploitation	38.25%	• Kuwait Energy Co. • Indian Oil Co. • Oil India Ltd • Yemen Oil & Gas Corporations	21.25% 12.75% 12.75% 15.00%	346	Medco Yemen Arat Ltd	Exploration
3.	Block 9	PSA 2030, 6 years exploration, 25 years exploitation	21.25%	• Calvalley Petroleum (Cyprus) Ltd • Hood Oil Limited • YOGC	42.50% 21.25% 15.00%	4,728	Medco Yemen Malik Ltd	Production
Libya – Exploration & Development								
1.	Area 47	EPSA IV	50.00%	LIA	50.00%	6,182	Medco International Ventures Ltd	Exploration
2.	Area 47	EPSA IV	25.00%	• NOC • LIA	50.00% 25.00%	6,182	Medco International Ventures Ltd	Development

Percentage of Production Sharing and Locations of Respective Blocks

Subsidiary	Block	Country	Contract Expiry	Production Sharing Concession	
				Government	Subsidiary
Medco Energi US LLC	Main Pass 64/65, East Cameron 316/317/318	United States	See details in next page	Government royalty on each blocks	Profit sharing after government royalty
Medco Yemen Amed Ltd.	Block 82	Yemen	3 (+3) years – exploration 20 years - production	80% profit (if production reaches 25,000 BOPD) and 82.5% - 90% (if production exceeds 25,000 BOPD)	20% profit (if oil production reaches 25,000 BOPD) and 17.5% - 10% (if production exceeds 25,000 BOPD)
				72.5% profit (if gas production reaches 25 MMSCFPD) and 75% - 82.5% (if production exceeds 25 MMSCFPD)	27.5% profit (if gas production reaches 25 MMSCFPD) and 25% - 17.5% (if production exceeds 25 MMSCFPD)
Medco Yemen Arat Ltd.	Block 83	Yemen	3 (+3) years – exploration 20 years - production	75% profit (if production reaches 25,000 BOPD) and 82.5% - 90% (if production exceeds 25,000 BOPD)	25% profit (if oil production reaches 25,000 BOPD) and 17.5% - 10% (if production exceeds 25,000 BOPD)
				72.5% profit (if gas production reaches 25 MMSCFPD) and 75% - 82.5% (if production exceeds 25 MMSCFPD)	27.5% profit (if gas production reaches 25 MMSCFPD) and 25% - 17.5% (if production exceeds 25 MMSCFPD)
Medco Yemen Malik Ltd	Block 9	Yemen	20 (+5) years - production	Production up to and including 25,000 barrel of monthly average daily net production is 70%	Production up to and including 25,000 barrel of monthly average daily net production is 30%
Medco International Ventures Ltd	Area 47	Libya	30 years (5 years exploration & 25 years production)	86.3% from production	13.7% from production for contractors (MIVL and LIA) or 6.85% for MIVL

Block 317 and 318, East Cameron, Offshore Lousiana State, Gulf of Mexico, USA

Block 317 and 318

Country	United States
Type of Contract	Concession
Areas (Km²)	40.5
Contract expiry	Not limited by time, will extend through to end of production
Participating Interest	Medco Energi US LLC, 75% (operator)
	Northstar Offshore Group, LLC, 25%
Status	Production

The Company holds Lease Agreements over Blocks 317 and 318 in the East Cameron territories, through the 100% acquisition of Novus Petroleum Ltd. in 2004. The blocks produce natural gas.

Block 316, East Cameron, Offshore Lousiana State, Gulf of Mexico, USA

Block 316

Country	United States
Type of Contract	Concession
Areas (Km²)	20.23
Contract expiry	Not limited by time, will extend through to end of production
Participating Interest	Medco Energi US LLC, 100% (operator)
Status	Production

In February 2009, the Company, through its Subsidiary Entity Medco Energi US LLC, acquired 100% participating interest in Block 316 from Energy Resources Technology GOM, Inc. (ERT) and assumed operatorship of the Block.

Block 64 and 65, Main Pass, Offshore Louisiana State, Gulf of Mexico, USA

Block 64 and 65

Country	United States
Type of contract	Concession
Areas (Km2)	28.4
Contract expiry	Lease agreement held by production
Participating interests	Medco Energi US LLC, 75% (operator)
	Northstar Offshore Group, LLC, 25%
Status	Production

The Company holds Lease Agreements over Blocks 64 and 65 at the Main Pass area through its 100% acquisition of Novus Petroleum Ltd. in 2004.

The blocks produce crude oil and natural gas.

Block 82 and 83, Yemen

Block 82 and 83

Country	Yemen
Type of contract	Production Sharing Agreement (PSA)
Areas (Km^2)	Block 83 : 364 Block 82 : 1,853
Contract expiry	2040 (Total exploration and production years)
Participating interests	Medco Yemen Amed Ltd & Medco Yemen Arat Ltd, 38.25% (operator)
	Kuwait Energy, 21.25%
	Indian Oil Corporation, 12.75%
	Oil India Limited, 12.75%
	YOGC - 15.00%
Status	Exploration

The Company was awarded Blocks 82 and 83 after winning the International Bid held by the Ministry of Oil and Minerals of the Republic of Yemen through the Petroleum Exploration and Production Authority in December 2006. MedcoEnergi and partners, Kuwait Energy Co., Indian Oil Corporation Ltd., Oil India Ltd. and Yemen Oil & Gas Corporation, signed a Petroleum Sharing Agreement (PSA) in 2007.

Block 9 Malik, Yemen

Country	Yemen
Type of contract	PSA
Areas (Km^2)	4,728
Contract expiry	2030
Participating interests	Calvalley Petroleum (Cyprus) Ltd, 42.50% (operator)
	Medco Yemen Malik Ltd, 21.25%;
	Hood Oil Limited, 21.25%
	YOGC, 15.00%
Status	Production

In line with the Company's business strategy, the Company through its Subsidiary Entity, Medco Yemen Malik Ltd., acquired interest in an oil producing block in Yemen in 2012. The Company acquired 25% participating interest in Block 9 from Reliance Exploration & Production DMCC on 1 January 2012. The participating interest ownership in this Block are Calvalley Petroleum (as the operator), Medco Yemen Malik, Hood Oil Ltd and Yemen Oil & Gas Corporation. Future plans are in place to further develop the oil field in order to increase total production.

Area 47, Libya

Country	Libya
Type of contract	EPSA IV
Areas (Km^2)	6,182
Contract expiry	2035
Participating interests (exploration)	Medco International Ventures Limited (MIVL), 50.00% (operator)
	Libyan Investment Authority (LIA), 50.00%
Participating interests (development and production)	Medco International Ventures Limited (MIVL), 25%
	National Oil Corporation (NOC) Libya, 50%
	Libyan Investment Authority (LIA), 25%
Operator (development and production)	Joint Operating Company (JOC)
Status	Exploration and development

The Company and its partner, Verenex Energy Inc. (Verenex), were awarded the rights to explore Area 47 in the Ghadames basin, in northwestern Libya in 2005. Further information can be seen in the Major Project Portfolio.

Karim Small Fields (KSF), Oman Sultanate

Country	Oman
Type of contract	Participation & Economic Sharing Agreement
Areas (Km^2)	N.A.
Contract expiry	2016
Participating interests	Medco Oman LLC, 51% (operator)
	Oman Oil Company, 25%
	Kuwait Energy, 15%
	Vision Oil & Gas, 5% PetroVest, 4%
Status	Production

In January 2006, MedcoEnergi won a tender for a ten-year Service E&P Agreement (the first of its kind in Oman) whereby Petroleum Development Oman, PDO, outsourced an onshore field area, Karim Fields, to MedcoEnergi as a third party contract operator to operate on its behalf with the objective of arresting decline, increasing production and exploiting the potential of the fields.

MedcoEnergi took full-field responsibility over 115 wells initially producing 9 MBOPD in August 2006.

MedcoEnergi earns a fee from production, and is cost reimbursed.

Through the end 2012, not only has the Company successfully arrested natural production decline, but also increased oil production rate to 22,400 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 loss time injury.

Other Energy Related Operation Review

Downstream Business

HSD Trading and Distribution

In 2012, the Company completed the divestment of part of its ownership of PT Medco Sarana Kalibaru (MSK) amounting to 63.88% to Puma Energy LLC (Puma Energy). MSK is a subsidiary of the Company in downstream business, namely fuel storage and distribution. Puma Energy is a global company in midstream and downstream businesses. The share purchase transaction was completed on 3 December 2012, whereby it was agreed that MSK will undertake a name change into PT Puma Medco Petroleum. The primary assets of the company comprise storage facilities at the Tanjung Priok international seaport, North Jakarta, and distribution networks serving mining operations in Sumatra and Kalimantan.

In 2012, MSK distributed a total of 236,629 (kiloliters of HSD (High Speed Diesel) fuel. Operational activities at MSK emphasize strict Safety, Health and Environment standards resulting in zero accident operation.

With the completion of the divestment of MSK, the Company and Puma Energy in 2013 have plans to accelerate the business growth of the new company, Puma Medco Petroleum, through organization restructuring, market share expansion, and focused capital expenditures in order to achieve more sustainable growth in the short- and long-term horizon.

LPG Processing Plant

Through year-end 2012, gas from the Company's Kaji-Semoga field, Rimau Block, was processed at the LPG Processing Plant.

Production of the LPG plant in 2012 amounted to 14,669 MT from an average of 6.18 MMSCFD of feedstock gas. Compared to 2011 with average feedstock gas of 6.41 MMSCFD and production of 15,304 MT of LPG, the decline in LPG production resulted from a reduction of feedstock gas by some 3%.

The company's revenue from processing fees in 2012 amounted to US$3.9 million, increasing from US$3.8 million in 2011 due to higher processing fee per MMSCF for processed gas in 2012.

As of 31 December 2012, the Company has terminated production activity at the LPG plant due to insufficient supply of feedstock gas from the Rimau Block, the gas instead going in support of oil production in the Block. The Company will continue to seek alternative sources of feedstock gas, while also looking at other options including the operation of an LPG plant at other locations.

Bio-Ethanol Plant

The Company's bio-ethanol plant utilizes a dual-feedstock system, from cassavas and molasses. The plant produces Export Grade Rectified Alcohol (EGRA) and its derivative, Technical Alcohol. Bio-ethanol production depends to a high degree on the availability of feedstock material. In 2012, the Company experienced difficulties in the procurement of cassavas, leading to lower production of bio-ethanol. The Company then started to use mollasses as feedstock material. The use of mollasess is expected to improve the efficiency of bio-ethanol production. In addition, market prices for mollases-derived ethanol products are higher that those produced from cassavas as feedstock material.

In 2012, the Company produced a total of 18,469 kiloliters of ethanol from 67,680 MT of mollasses. The supply of mollasess is secured from sugar plant processing facilities around the ethanol plant, through a work arrangement with a trading company in Lampung.

In 2012, the Company began to consider the divestment of its bio-ethanol business to a number of potential strategic partners. The divestment aims at securing a stable supply of feedstock while also giving added value to ethanol production.

Gas Distribution Unit

The Company, through an indirect ownership of PT Mitra Energi Gas Sumatera (a Subsidiary Entity of PT Medco Gas Indonesia, MGI, which is itself a Subsidiary Entity of the Company) operates a compression station and 17.5 km of gas pipelines located in Gunung Megang, South Sumatra. In operation since September 2009, the Compression Station has served to increase gas pressure for delivery from the South Sumatra Extension (SSE) Block to the facility of PGN (the State Gas Company) at Pagardewa and the Meppogen power plant, with an average of 30 BBTU of compressed gas and 22 BBTU of delivered gas each day.

Operations have ran smoothly throughout 2012, with the level of work-hours without accident reaching 97,511 man-hours. Total work-hours without accident from 17 August 2009 to 31 December 2012 was 347,660 man-hours. During 2012, an average of 25.75 MMSCF of gas per day was compressed, equivalent to 11,992 BBTU (or 89.0% of operational target), while delivery of gas from SSE to PGN at Pagardewa on average was 19.34 MMSCF of gas per day, equivalent to 7,903 BBTU (107.97% compared to operational target) at a pressure of 1,050 PSIG.

As part of the Soka Upgrading Project, PT Mitra Energi Gas Sumatera is currently preparing the installation of three gas compressor units with a unit capacity of 15 MMSCFD , scheduled for commissioning by mid-2013.

Coal Mining Unit

As part of a new business diversification into coal mining, the Company in 2009 acquired two mining work permits (IUP) at Nunukan, East Kalimantan, comprising of a Production IUP and a Coal Exploration IUP, owned respectively by PT Duta Tambang Rekayasa (DTR) and PT Duta Tambang Sumber Alam (DTSA). DTR and DTSA are Subsidiary Entities of PT Medco Energi Mining Internasional (MEMI), a wholly-owned Subsidiary Entity of the Company.

The Company's mining concessions at DTSA and DTR cover a total areas of 1,700 hectares and 4,492 hectares, respectively, with probable coal reserves of 4 million MT and 1,7 million MT, respectively.

In 2012, the Company completed the coal production facilities at the DTR mining site. Monthly coal production was 25,000 tons with calorific value of 6,500 kcal/kg (air-dried basis), medium ash content, and low water content. Initial coal shipment of 38,000 tons was delivered to China Coal Solution Pte. Ltd. in October 2012. Total coal shipped during 2012 amounted to 132,000 tons. Meanwhile, the Company has secured long-term coal sale contracts at an average price of US$83 per ton.

The Company has set a target for coal sales of 500,000 tons in 2013. Concurrently, the Company has plans to apply for a requisite permit from the Ministry of Forestry and to upgrade the IUP status at DTSA from coal exploration to coal production.

Workover Drilling and Logging Equipment Rental Unit

The Company, through its Subsidiary Entity PT Exspan Petrogas Intranusa (EPI), owns six units of workover drilling rigs of 350-450 HP capacity, nine units of electric wireline logging trucks and one unit of mud logging truck, serving many E&P activities throughout Indonesia. In the third quarter 2012, the Company through EPI acquired seven units of workover drilling rig of 350-450 HP

Production activity of the Company's mining business in Nunukan, East Kalimantan.

capacity and one drilling rig of 1,500 HP capacity, from PT Antareja Resources. All of these units are now managed and operated by EPI.

In 2012, the Company recorded a utilization rate of 80% for its drilling rig fleet. Most of its workover drilling rigs are currently in operation with Pertamina and Pertamina's business units, while several others are in operation at MEPI fields in Sumatra and Kalimantan. The remaining units are in various project tender process.

From the fourth quarter 2012, the Company's 1,500 HP drilling rig is in operation at the Lahendong geothermal site, North Sulawesi, working for Pertamina Geothermal Energy.

In 2012 the Company began the divestment process of EPI through strategic partnerships, aiming to add value for EPI to promote higher growth. The Company has been in talks with a number of potential partners, and expects negotiations to conclude in 2013.

In 2013, the Company will continue to expand its drilling rig rental business. The 1,500 HP drilling unit will continue operations at the Pertamina geothermal project, and subsequently will operate at the Lagan Deep 1A Well with MEPI in South Sumatra in the fourth quarter of 2013. Meanwhile, the workover drilling rigs will continue working with Pertamina and MEPI in Java, Sumatra and Kalimantan.

Power Unit

The Company's power business is conducted through PT Medco Power Indonesia (MPI), with an ownership structure of PT Saratoga Power (51%) and MedcoEnergi (49%) since December 2011.

In 2012, MPI produced 1,284 GWh of electricity from six power plants in Batam and South Sumatra, a slight increase from electricity production of 1,201 GWh in 2011. Near the end of 2012, MPI obtained an integrated management certification comprising the ISO 9001:2008 (Quality Management System), the ISO 14001:2004 (Environmental Management System) and the OHSAS 18001:2007 (Occupational Health and Safety Management System).

MPI, through the operations of its Subsidiary Entitiy PT Dalle Energy Batam (DEB), has also been officially listed as a Clean Development Mechanism (CDM) project by the United Nations Framework Convention on Climate Change

The Company is confident about the prospects of its power business in order to add value to MedcoEnergi in the future.

(UNFCCC) Executive Board for CDM. With a capacity of 20.6 MW, the CCTG installation of DEB at Batam is expected to achieve a reduction of 157,317 ton of CO_2 emission annually.

In a bid to increase the capacity for electricity production at Batam, MPI signed a Power Purchase Agreement (PPA) with PLN Batam in October 2012, whereby PLN will undertake to purchase the electricity produced from the additional combined cycle generator capacity being installed at MPI's power plant in Batam. The Combined Cycle Add On project is scheduled for completion and commercial operations by the third quarter of 2014. Also in October 2012, MPI signed another PPA with PLN Batam concerning the installation of 2x35 MW gas-fired power plant, which is expected to begin commercial operations in 2014.

In the Operation & Maintenance (O&M) business, MPI has been successful in improving the plant availability factor rate at the Tanjung Jati B coal-fired power plant in 2012 to 95%, higher than the plant availability factor rate of 92% achieved in 2011. MPI was also able to maintain Zero Accident in the operation of Tanjung Jati B power plant with total work-hours of 11,601,976 hours up until year-end 2012, as well as obtaining Blue PROPER certification from the Ministry of Environment of the Republic of Indonesia. Meanwhile, in the EPC business, MPI in 2011 secured a contract valued at Rp114 billion for the construction of a 25 MW power plant for PLN Batam. Construction work has been completed and the power plant has been in commercial operations since November 2012.

Geothermal Projects

MPI currently has two geothermal projects in Indonesia, in Sarulla, North Sumatra, and in Ijen, East Java.

Sarulla

MPI, together with partners Itochu, Ormat and Kyushu Electric (Sarulla Consortium), are currently in the final phase of an Energy Sales Contract (ESC) negotiation with PLN, as well as the negotiation with PT Pertamina Geothermal Energy (PGE) for a Joint Operating Contract (JOC). The Sarulla Consortium is also awaiting the decision by the Government of Indonesia regarding the asset transfer from PGE to the consortium during the project financing period. The Sarulla Consortium will develop geothermal power generating plants with a total capacity of 330 MW to be built in three phases. The Commercial Operation Date (COD) of the first 110 MW unit is slated for 2016, while the remaining two units, each of 110 MW capacity, will be finished in 2017 and in 2018, respectively.

Ijen

In June 2011, MPI secured a contract from the Provincial Government of East Java for the development of a 2x55 MW geothermal power plant at Ijen. A geology and geophysics (G&G) study to determine the geothermal reserves at the site was conducted in 2012. Currently, MPI is preparing to drill an exploration well at the site. Concurrently, MPI is negotiating a Power Purchase Agreement (PPA) with PLN, and expects to sign the PPA in 2013.

Mini Hydro

Since 2011, MPI has developed new business initiatives in the mini hydro power generating plant (PLTMH) sector, through a number of projects located in Cianjur and Sukabumi, and in Sulawesi. The following is a brief description of the PLTMH projects currently being developed by MPI.

Cibalapulang PLTMH

The Cibalapulang PLTMH is the first mini hydro project of MPI, located at Waringinsari, Cianjur, with a planned capacity of 9 MW. The PPA for Cibalapulang PLTMH with PLN was signed in February 2012, and the installation is scheduled for commercial operation in 2013.

Pembangkitan Pusaka Parahiangan PLTMH

MPI has acquired the assets of PT Pembangkitan Pusaka Parahiangan, which is involved in the development of three PLTMH projects in Cianjur, West Java, with a total generating capacity of 15 MW. Construction of two of the three projects, with total capacity of 11.8 MW, will begin in the first quarter 2013 for a scheduled completion date in the third quarter of 2014.

Plans for 2013

The Company is confident about the prospects of its power business in order to add value to MedcoEnergi in the future. The Company, along with partner Saratoga Power, have formulated a strategy to improve the business performance of MPI through (i) improvement of the operational performance of existing assets, (ii) acquisition of potential operating power plants, and (iii) completion of existing development projects as scheduled.

MedcoEnergi
2012

Human Capital

The Management of MedcoEnergi is fully aware of the importance of Human Capital in the achievement of the Company's vision to be the company of choice in the energy industry.

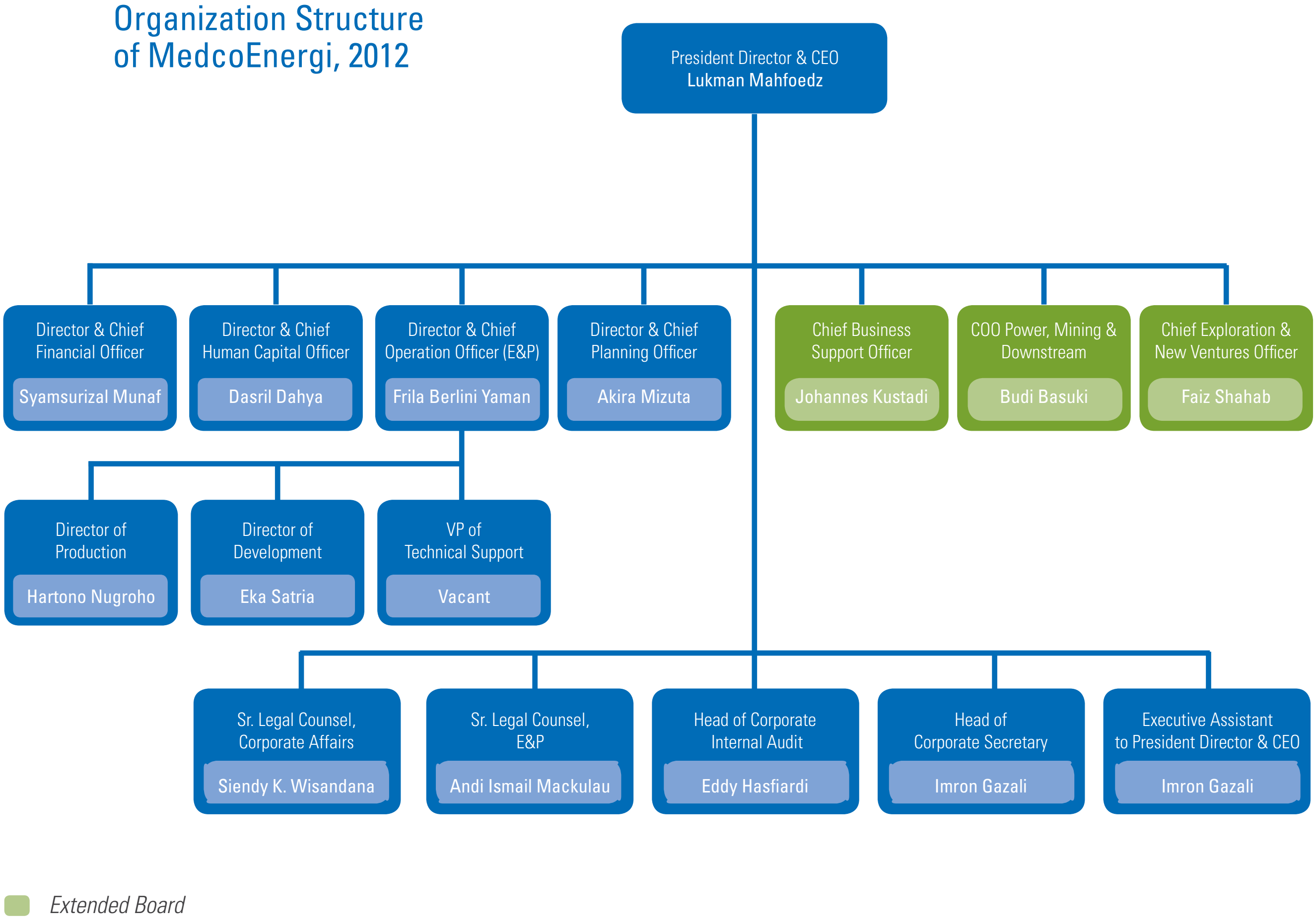
The oil and gas industry relies heavily on leadership and technical competence in order to achieve short- and long-term goals, Human Capital is the spearhead of the Company in achieveing its goals.

Human Capital Report

The high emphasis that is placed by Management in Human Capital (HC) is manifested with the establishment of the Human Capital Directorate in 2011. The major change signifies that HC is no longer a function of support and administration, but it is a strategic force of the Company, headed by a Director who reports directly to the President Director and CEO of the Company.

Soon after the organization restructuring in 2011, the Company, through the Human Capital Directorate, went further by integrating manpower planning with the business plan of the Company. Accurate mapping of manpower needs has become a key factor for success and a more efficient business process for the Company, including the management of its Major Projects.

Organization Structure of MedcoEnergi, 2012

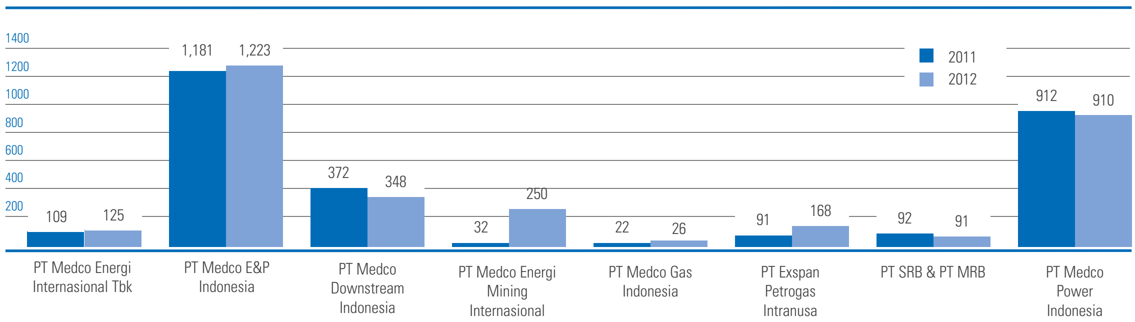


In 2012, Manpower Planning was executed in all directorates - starting from E&P operations, Major Projects to Business & Function Support, in both the domestic and overseas fronts. The organizational structure of the Company has been shaped to accomodate future growth in terms of number of employees, competencies and HC effectiveness. With better manpower planning, the Company is now able to capitalize on both internal recruitment (through rotations and promotions) and external recruitment (external hiring).

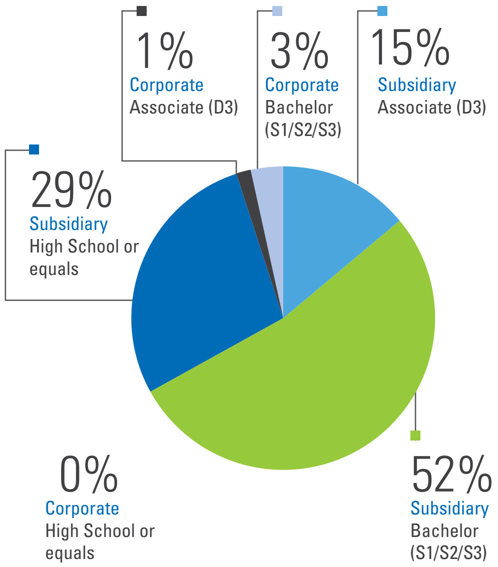
Talent Management: Development Program for Key Employees through Sustainable Successions

Throughout 2012, the Company invested a total of US$4 million in training programs, an increase of 14% from US$3.5 million spent on training programs in 2011. The number of training participants in 2012 reached a total of 2,719 people while the number of productive work days used for training amounted to 14,727 man-days.

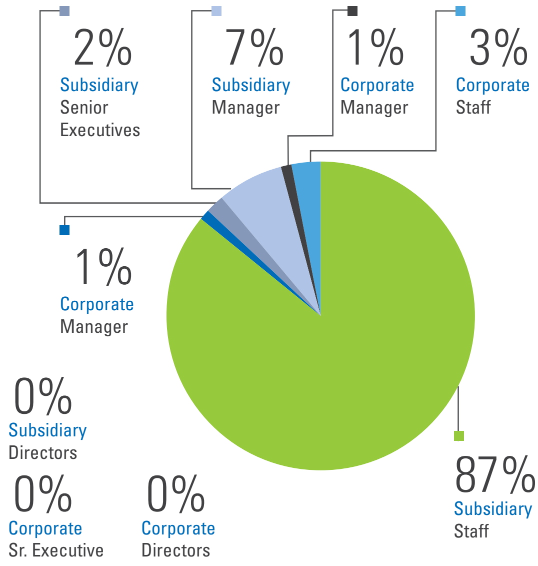
Total Employees



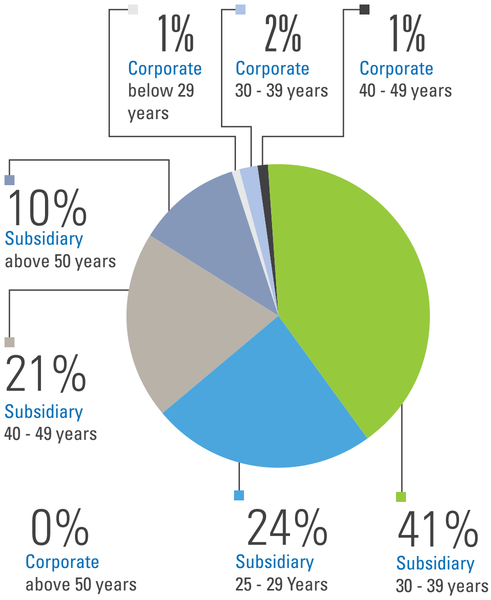
Based on Education - 2012



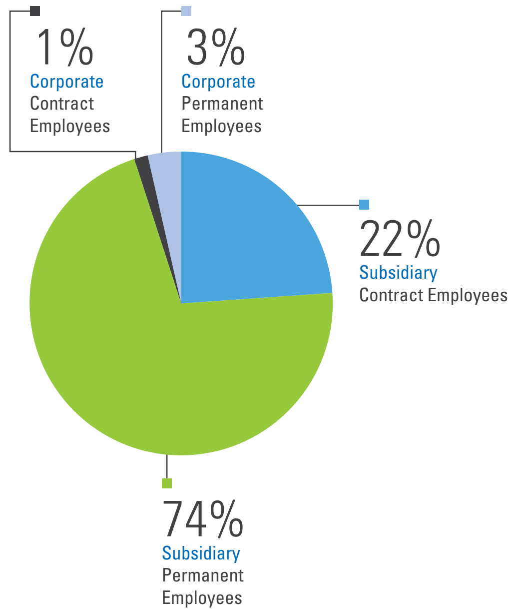
Based on Management Level - 2012



Based on Age - 2012



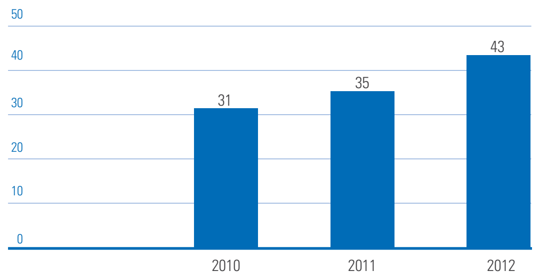
Based on Employment Status - 2012



The training and development of HC at MedcoEnergi is divided into three major programs:

1. Accelerated development program;
2. Leadership competence development program;
3. Technical competence development program.

Accelerated Development Program Participants



Accelerated Development Program

The Accelerated Development Program is designed for fresh graduates with the aim of filling key positions in the Company, whether structural or non-structural. Program participants are generally recruited from prominent universities throughout Indonesia and overseas. The Accelerated Development Program is subdivided into four categories that comprise Graduate Engineer Trainee Program, Graduate Relations Trainee Program, Driller Development Program and Technician Development Program.

Leadership Competence Development Program

This Program is focused on training supervisors and managers with the aim of improving team management skills, achieving of the Company's vision, and instilling professional and leadership character among the future leaders of the Company.

Female staff at the Company's operations site

The Leadership Training Programs carried out in 2012 comprised the Medco Basic Leadership Program (MBLP), Medco Supervision Program (MSP), Medco Serial Management Development for Section Head, Medco Serial Management Development for Department Head and Leadership Development Program for Senior Managers and Division Heads.

Technical Competence Development Program

With the ever-higher need for petro-technical experts, the Company has devoted more attention and efforts to develop technically oriented managers. To this end, the Company undertook a petro-technical competence assessments involving more than 250 select personnel between August-November 2011. Subsequently, the Company administered a Petro-technical Competence Development Program, which was divided into independent study, training, mentoring, and placement in the Company's working assets in Indonesia and abroad.

Harmonizing Human Resource Policies: Post-Organizational Restructuring Strategic Steps

Following the organizational restructuring of the Company in 2011, the Human Capital Directorate re-evaluated HR policies in the Company and Subsidiary Entities. The message of “one working organization” is clearly disseminated to all MedcoEnergi employees, regardless of their stations throughout the organization.

Throughout 2012, the Human Capital Directorate mapped out new HR policies and harmonized these policies with the business objectives of MedcoEnergi. These harmonizing initiatives will continue throughout 2013.

In addition to this, the Company also places a strong emphasis on good industrial relations between and among employees of the Company and Subsidiary Entities, and Management. The harmonious relationship that currently exists between Management and the employee union at MEPI, has become a model of the Company's excellent camaraderie and teamwork among employees.

The Company's workforce in the Oman work area.

The collective work agreement between MEPI and its labor union has been approved by the Ministry of Labour and Transmigration of the Republic of Indonesia.

Information System: The Administrative Backbone of the Human Capital Function

An important role of the Human Capital function is as a strategic partner for the business units or business functions of the Company. Without an integrated information system that manages the human resources, this role cannot be achieved, because of the numerous administrative activities that must be executed by the Human Capital function. MedcoEnergi is aware that a strong and integrated information system must be the backbone of the administrative function of Human Capital.

Several initiatives and application development that is based on the Business Process Management (BPM) and SAP continue to be updated to enhance the efficiency of existing systems. The Human Capital information system projects that were undertaken in 2012 include: Performance Management System (Performance Planning, Performance Assessment and Performance Valuation), Promotion Management, Training Management (Training Application, Training Evaluation, and Monitoring of Training Results), Recruitment Application Management, and Updating of Personnel Data.

Awards

The sustained efforts to develop HC in the Company is appreciated by both employees and the government. In 2012, the Company, through its Subsidiary Entity MEPI, once again earned an award as the best oil and gas company in the management of HR and Career Development Monitoring from BPMigas. The same award had been presented to the Company in 2011. This underlined the commitment of the Company’s Management to continuously develop employees in accordance with the Company's vision to become an Energy Company of Choice.

In addition, in 2012 the Company published the book “20 Years MedcoEnergi in Exploration & Production – Journey of Knowledge & Expertise”. This is an anthology of 74 select scientific works of the engineers of MedcoEnergi over two decades. This book is proof of the Company's success at competence development over the years.

MedcoEnergi
2012

Safety, Health and Environment

The Safety, Health, and Environmental Management System of the Company is called PRIME (Performance Integrity of MedcoEnergi), comprising of 15 management processes in Safety, Health, and Environment (SHE) that are required to ensure safe, effective and efficient operations.

The system is consistent with international standards of ISO 9001 (Quality Management System), ISO 14001 (Environmental Management System), OHSAS 18001 (Occupational Health And Safety Management), PAS 55 (Asset Management System), and GRI (Global Reporting Initiative for Corporate Social Responsibility).

Safety, Health, Environment

Health and Safety Performance in 2012

In 2012, the Company undertook an external audit on the performance of its Safety, Health and Environment Management System referencing to the international standard ISRS7. The external audit was the second of its kind to be held, the first one being in 2008. The level of achievement of the ISRS7 in 2012 showed a higher result than that of 2008. This indicated an improvement in the sustainability of the Company's SHE Management System. The higher score was also reflected in lower frequency rate of incidents than the average in the past four years.

Assets	isrs7 Audit Achievements	
	2008	2012
Rimau	Level 3	Level 5
South Sumatera Extension	Level 3	Level 5
Tarakan	Level 3	Level 4
Jakarta Office	Level 3	Level 4
Lirik*	Level 2	N/A
Lematang**	N/A	Level 4

Lirik was unaudited in 2012*
Initial external audit for Lematang**

Parameter	2008	2009	2010	2011	2012
Total Recordable Injury Rate	1.67	1.52	1.30	1.83	1.21
Lost Time Incident Frequency Rate	0.22	0.40	0.37	0.42	0.23
Severity Rate	175.11	497.44	584.83	8.41	30.91

The external audit also concluded that the cause of accidents were largely due to non-compliance with work procedures, work permits, task safety analysis, and monitoring. In 2012, the Company sought to improve its performance in Safety and Health and to anticipate and prevent causes of incidents by focusing on six initiatives: (i) the program “Going Back to Basics: doing it, doing it well”, that encourages all workers to understand the 3Ks principle (Know your Work, Know its Risks and Know How to Cope with Risks), (ii) training by using an "SHE Passport" that is issued to every field worker to increase their awareness and knowledge of SHE issues, (iii) Behaviour Observation program to inhibit risky behaviour through direct intervention and to improve work safety culture, (iv) safety inspection program by management and contractors to improve SHE performance by contractors, (v) technical field equipment inspection to monitor equipment reliability and (vi) health inspection at operating facilities.

Environmental Performance in 2012

Achievement

In 2012, the Company through its Subsidiary Entitiy, MEPI, for the second time in succession earned the Gold PROPER (a corporate performance rating program for environmental management) from the Ministry of Envrionment of the Republic of Indonesia. The Gold PROPER, given for the successful management of Rimau Block by MEPI, is the highest rating for environmental management. The Rimau Block is the first E&P asset in industry in Indonesia awarded the Gold PROPER. It is also the first to have earned that distinction twice consecutively.

The SCS Block, Tarakan Block, and Sembakung Block each obtained a Green PROPER for the second time in 2012. The Lematang Block, which participated in 2012 for the first time, earned a Blue rating, signifying that it has met with all environmental management regulations.

What We Have Achieved

The Company is fully aware that the E&P business in which it is engaged is not a low-carbon industry. Nevertheless, this does not diminish the Company's commitments to continue managing its business with the highest environmental ethics and standards. The continuing evolution of the Green Economy has also inspired the Company to adopt the green principles of managing a business sustainably around the three pillars of profit, people, and planet.

In line with these commitments, the Company, through its Subsidiary Entity, MEPI, has among other things converted the fuel used in its operational vehicles and employee car pools from petrol to gas since 2010. With 25 operational vehicles in the Jakarta Head Office using gas instead of petrol, the Company succeeded in reducing fuel consumption by as much as 453,000 liters per annum (or equal to a cost saving of Rp4.3 billion per annum), and also reduced carbon emission by 3,054 tons of CO_2 equivalent as of 2012.

In the efforts to revegetate the open areas surrounding the Company's operations, MedcoEnergi succeeded in planting 329,598 plants covering a size of 527 hectares as of year-end 2012. The Company has also launched a water conservation program that includes efforts to conserve rainwater, create biopores, and also reduce water waste by reinjecting water produced from the wells for the purpose of well-pressure maintenance. By using produced water, the amount of clean water used for pressure maintenance is reduced. Throughout 2012, the Company, through MEPI, was able to reduce the use of clean water by as much as 42,663 m^3/day and reuse it for the purpose of pressure maintenance.

Waste Processing

Since 2007, operations in the Rimau Block, South Sumatra, have an integrated Waste Treatment Center (WTC), the purpose of which is to process the waste recycles from the entire production activities in Sumatra, especially those from the Rimau Block, which is one of the largest production assets of the Company. The WTC is outfitted with facilities for handling B3 (Toxic and Hazardous Waste) and non-B3 waste, and boasts of bio-remediation facilities, domestic waste processing facilities as well as facilities for compost making and oil sludge recovery, all of which reduce waste in the production site.

The Company earned the Gold PROPER for the Rimau Block for two consecutive years. (2011-2012).

Waste Recycling

The Company continues to encourage steps to utilize resources more wisely through the implementation of waste reduction and recycling programs. The waste recycling program is carried out among other things by using both sides of a paper for internal documents, and encourage people to bring their own utensils to reduce food packaging wastes.

Waste Water is processed and recycled for use in fire hydrants or to water plants. Papers that have been used on both sides are recycled into new paper. Recycling is done together with the local communities, enabling them to benefit from the added value.

MedcoEnergi
2012

Corporate Social Responsibility

The strategy behind the Company's Corporate Social Responsibility (CSR), is to create sustainable businesses. In fact, the Company views its CSR program as enabling a *license to operate* in areas where the Company operates.

The Company conserves the environment among other things by providing training programs for communities to benefit from the recycling of household and plastic wastes, development of biogas, cultivation of herbal family medicine, manufacturing of recycled paper, and revegetation programs.

Corporate Social Responsibility

MedcoEnergi believes that sustainable business growth can only be achieved by integrating the interests of communities with key business activities.

Background

People, Planet, Profit

The Company carries out its business activities with a strong awareness of its responsibilities for the well-being of communities and the environment in which it operates. This is manifested in the Company's Corporate Social Responsibility (CSR) initiatives, through which the Company applies the principle of Triple Bottom Line (people, planet and profit) in all of its business activities to maintain sustainability.

- **Community Involvement and Development**
  The Company believes that sustainable business growth can be obtained by integrating community interest with key business activities. The development and empowerment of communities in and around the areas where the Company operates, constitute a key objective of the Company's CSR initiatives to better the lives of communities.

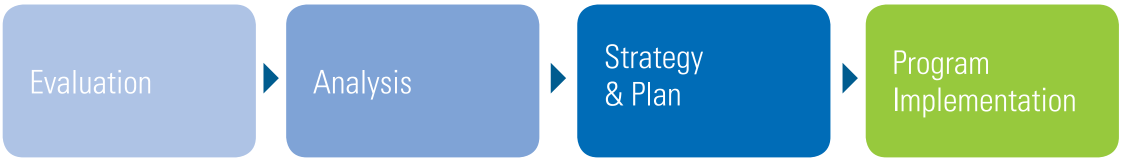
- **Environmentally-friendly Practices**
  The Company constantly strives to implement international best practices in its environmental protection and preservation activities.

- **Sustainable Operational Strategies**
  Throughout decades of development and growth, MedcoEnergi believes that in order to sustain its business, the Company must earn the trust of its surrouding communities by improving their welfare while also preserving the environment.

Strategies and Goals

Strategies

The Company undertakes CSR programs to create a sustainable business. It employs a four-step strategy to implement these programs as follows:



Goals

In general, the Corporate Social Responsibility Program aims to achieve the following:

1. Create economic opportunities through community empowerment programs.
2. Improve the quality of people by providing educational facilities.
3. Improve the quality of life by constructing and renovating public infrastructures.
4. Minimize operational impact on local environment and community

In practice, the Company first reviews the potential of a region, both its natural resources and social welfare. By engaging local communities, the Company aims to develop these potentials by designing programs that suit their needs. The program implementation is subdivided into several stages: planning, lectures, feasibility study, training and learning, followed by field implementation. Thereafter, the Company will provide further guidance through mentorship and partnering, as well as evaluating results, so as to enable the communities to develop their business to commercial success that will increase community income.

Strategic Planning for Sustainability

In carrying out its CSR program, the Company always aims towards sustainability. Since 2008, the Company has focused on programs that are not just related to both the community and its economy, but also to the environment. In that context, the Company has engaged communities in organic farming, livestock breeding, and fresh-water fishery. In 2014, the Company will target programs to develop the use of alternative energy sources by relying on local culture and wisdom.

As a proponent of the oil and gas industry in Indonesia and abroad, the Company participated in the formulation of ISO 26000, an international standard guidelines for social responsibility. Currently, the Company has adopted the principles of ISO 26000, which include sustainable growth, openness, compliance with regulations, ethics, acknowledgement of international instruments, care, diversity, accountability, and fundamental principles of human rights to be applied to the Company's CSR programs.

CSR Programs in 2012

Creating Economic Opportunities through Community Empowerment

Organic SRI Farming

Organic SRI (System of Rice Intensification) is a specialty program of the Company. This program has been developed jointly with the community since 2009.

In the Organic SRI system, the Company trains farmers to not use chemical fertilizers and pesticides, thereby reducing farming costs. In fact, without the use of chemical fertilizers and pesticides, the average rice harvest yield can increase up to two to four times that of conventional farming production yield. Also, the cultivation of Organic SRI reduces water needs as well as redues up to 63% of methane gas production, lessening the impacts of global warming.

The distribution of the Organic SRI program is as follows:

Location		Area (Ha)	No. of Farmer
Musi Rawas	South Sumatra	40	52
Banyuasin	South Sumatra	24	21
Musi Banyuasin	South Sumatra	6.7	7
Muara Enim	South Sumatra	45	40
Indragiri hulu	South Sumatra	80	73
Tarakan	East Kalimantan	2.2	20
Nunukan	East Kalimantan	12	30

Organic Fresh-water Farming

MedcoEnergi has developed an organic fresh-water farming system, for organic catfish breeding, in several operating areas of the Company. The steps taken in this program comprises of a study of location and markets, socialization and training programs, as well as training in the production of fish feed, including mentoring and partnering.

The distribution of this organic fresh-water farming program, and the number of farmers engaged in the program, can be seen from the following breakdown:

South Sumatra:

- Musi Banyuasin: 41 breeder groups with 247 tarpaulin ponds.
- Muara Enim: 6 breeder groups with 52 tarpaulin ponds.

East Kalimantan:

- Tarakan: 23 breeder groups with 26 tarpaulin ponds and 17 fresh-water ponds.

With the implementation of this program, breeder groups are expected to be more independent in obtaining fish feed, so that they enjoy greater profits compared to previous systems of farming.

The Company also provides training for fresh-water shrimp cultivation in the East Tarakan Regency, Tarakan City, East Kalimantan. The result of this program has been an increase is pond productivity from 25 kg of shrimps to 108 kg of shrimps in a pond of two-hectare size.

2008 Development of Organic Agricultural System

2009 Organic SRI Expansion

2010 Diversification of Organic Agricultural Development

2011 Development of the BUKOR Program

Organic Rubber Cultivation (BUKOR)

The Company has developed an organic rubber cultivation program in South Sumatra. A sizeable portion of agricultural land in South Sumatra are rubber plantations, providing steady livelihood for a majority of the people.

Since 2011 the Company, through its Subsidiary Entity, MEPI, has been cooperating with the Sembawa Research Agency (Balai Penelitian Sembawa - BPS) and the Office of Plantations of the Regency of Musi Rawas, to pioneer the organic cultivation of rubber and hold field training camps surrounding the SCS Block working area. There are 147 farmers from five villages in the Gunung Kembang District, Musi Rawas Regency, South Sumatra, who are currently engaged in the program.

This program provides training and mentoring to local farmers to maintain the ecosystem of the land, understand the use and benefit of organic materials to enrich soil nutrients, recognize the characteristics of rubber trees, and master the proper techniques of cultivating and sapping of rubber, and ability to harvest the yield independently.

Enhancing the Quality of People by Providing Educational Facilities

Smart Home and Smart Car

In the field of education, the Company participates actively in raising the education of the population. To this end, the Company has established a Community Awareness Center, in the form of Smart Homes and Smart Cars that are used as a community center for information and competence development in the vicinity of the Company's operating areas. The presence of a Smart Home also serves as a learning facility for school-age children, to empower community members , while also relied upon by all elements of the community to forward their social programs.

This program has been in existence in several operating areas of the Company, including the Musi Banyuasin Regency (South Sumatra), Muara Enim Regency (South Sumatra), Pelalawan Regency (Riau), and Mamburungan Regency (Tarakan).

Improving Teachers' Quality

MedcoEnergi believes that teachers are a key element that determines the quality of the students at school. The Company places a strong emphasis in the quality and skills of teaching staffs

2012 Implementation of the BUKOR Program

2013 Diversification (into holticulture) of the Organic Agricultural Development

2014 Tapping into local wisdom (energy)

Building a Better Future with Organic Cultivation

MedcoEnergi believes that in order to empower communities and manage sustainable development in villages, active participation on the part of the Company is required, in addition to the support from the community itself. As a result, the program for Organic Cultivation of Rubber that has been organized by MedcoEnergi since 2011 focuses on the transfer of knowledge and facilitating the communities to learn and have the ability to improve the cultivation of rubber, which in turn will increase their income from farming.

Steps taken in the Organic Rubber Cultivation Program:
1. Identify problems and opportunities with farmers
2. Formulate the program plan with farmers
3. Provide education on rubber cultivation through field camps
4. Provide mentoring and partnering support

Like any other school program, the field camp study program for this organic rubber cultivation has a methodology, curriculum and exams.

"It turns out that by relying on nature, we can increase our yields. Previously, we rarely use fertilizers because they are so expensive, but with this system, we can fertilize our rubber fields."

- Usmadi, Head of the Farmers Group of Sungai Naik Village, South Sumatra

at schools. To that end, the Company organized a competence development program for 30 teachers around the operating area of SCS Block in the Indragiri Hulu and Pelalawan Regencies, Riau, from the 1st to 5th of March 2012. This training was followed up with a one-month partnering program for each participant.

Apart from that, since 2010, the Company has cooperated with the Al-Khairaat Foundation, an Islamic educational institution established in 1930, to improve the quality of teachers in Central Sulawesi. The cooperation entails the provision of teaching/learning facilities and aid for improving teachers' welfare.

Scholarship Programs

In line with the commitment of the Company to improve the quality of life of communities through better quality education, the Company continues to undertake the scholarship programs from previous years.

In cooperation with Rumah Zakat Indonesia Foundation, the Company grants scholarships to 70 male and female elementary school students located around the Rimau Block area and six students of the Madrasah 'Aliyah Pertanian (Agricultural High School) of the Pesantren (Islamic School) Darul Fallah in the SCS Block area.

Sharing Love Through Fostering Parent Program

The opportunity to study and to be healthy should be a given right to every citizen of Indonesia, including children from underprivileged families. Their travails and misfortunes, especially of street children, are the main concerns of the Ministry of Social Welfare of the Republic of Indonesia. As part of the Company's commitment to the field of education and social welfare, MedcoEnergi through the Medco Foundation supports the government program for alleviation of street children.

This program that has been in progress since 2011 not only engaged the Company but also all employees of MedcoEnergi. The Company asks employees to participate as foster parents to these street children, and the Company will provide the participating employee with matching funds in the same amount that is spent by the employee as a foster parent.

To date, the number of street children who are helped by MedcoEnergi and employees totaled 160 children. In addition to providing access to education, the funds provided to these children are also used for skills development such as sewing, computing, automotive, beauty salons, music, craftsmanship and others.

"I'm very proud to receive savings from MedcoEnergi and I'm deeply motivated to learn and achieve the best that I can."

Ace Sugianto, recepient of the Street Children Foster Parent Program.

In addition, MedcoEnergi also cooperates with the Ministry of National Education of the Republic of Indonesia to support 26 Indonesian college students who studied in Libya but were able to continue their education in Tunisia. These students had their studies interrupted due to political conflicts in Libya.

Enterpreneurship Training

In line with MedcoEnergi's commitment to improve the quality of life of the surrounding communities, the Company undertakes programs that support the development of Micro, Small and Medium-sized Businesses and the Regional Cooperatives of Tabuan Asri Village and Teluk Betung Village, Banyuasin Regency, South Sumatra. The program aims to empower local communities to become economically self-sustaining with the ability to improve their quality of life through sustainable economic growth.

Construction of Public Infrastructures

As a form of social responsibility, MedcoEnergi helps repair and construct various public facilities and infrastructures required by the community. Some areas where these activities have been carried out include the construction of the Regional Public Hospital of the East Aceh Regency; the construction of Smart Homes; the construction

Arifin Panigoro, Hilmi Panigoro and the Board of Directors of MedcoEnergi received Anies Baswedan and the entire group of Young Teachers who are ready to take up teaching positions across the far reaches of Indonesia.

Creating a Bigger Impact Through Cooperation

Underscoring the commitment of MedcoEnergi to provide access to quality education, the Company supports the "Indonesia Mengajar" (Indonesia Teaches), a movement aimed at educating a nation.

The movement that has been pioneered by Anies Baswedan since 2009 carries the mission of filling the position for quality teachers across Indonesia, in regions that still yearn for quality education that can mold bright, young Indonesians into leaders of world-class competence

This movement undertakes recruitment, training and placement of the best and brightest of Indonesia's young generation to become teachers in Elementary School and communities in various towns and villages throughout Indonesia for at least one year tenure.

MedcoEnergi together with PT Donggi Senoro LNG participate to support the *Gerakan Indonesia Mengajar* (The Indonesia Teaches Movement) by sending six young teachers who are now teaching in several villages in Banggai, Central Sulawesi

"What a happy occasion if every learning process should inspire cooperation, as if we were to enter a race and strive to win it. Parents are moved to help, schools that are not in the race donate funds, teachers help in any way they can (some by cooking food, taking stocks, or arranging for transportation and training), and then UPT announces its support by attending and rooting for us. And our efforts had not been in vain, we won three trophies in all three categories that we entered in the scout competition at the Regency level."

Marliyanti, a Young Teacher of the fifth batch, placement at elementary school, SDN Inpres Moilung, Moilung Village, Banggai Regency, Central Sulawesi Province

and repair of public roads, places of worships, school buildings and village offices; construction of clean water and public sanitary facilities; and the construction of multi-use parks.

Preserving the Environment

In the effort to preserve the environment, the Company provides training on how to utilize household and plastic wastes, how to develop biogas, family medicinal plants, paper recycling program, and training of revegetation programs and its use to local communities.

CSR Expenditures in 2012

Throughout 2012, the Company spent a total of US$3.6 million for CSR programs. This is an increase of 9.1% from that of the previous year at US$ 3.3 million.

Statutory Report

"The implementation of Good Corporate Governance at the highest standards is not merely a commitment of MedcoEnergi but is more of a way of doing business within the corporate culture of MedcoEnergi."

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Statutory
Report

Implementation of Good Corporate Governance

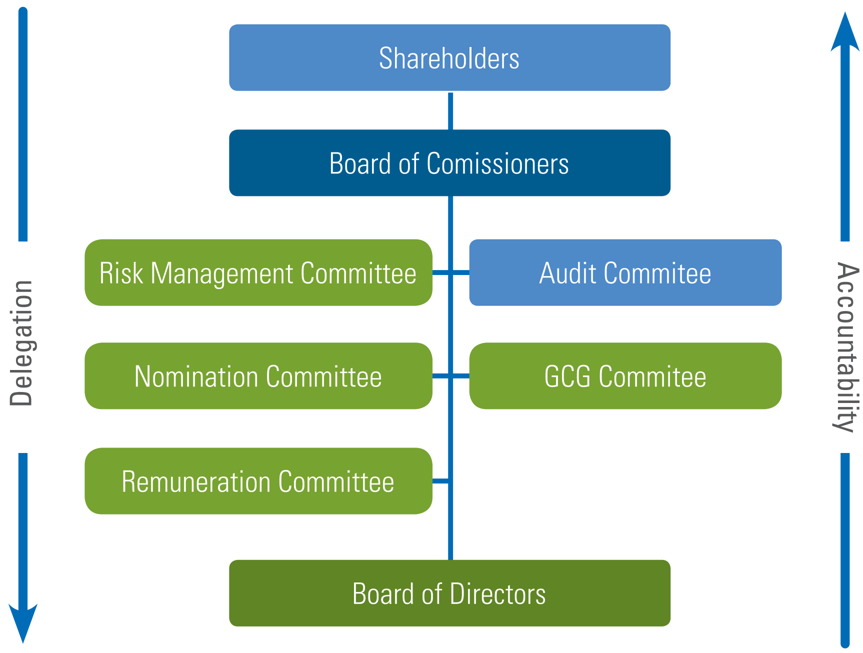
Adherence to the principles of Good Corporate Governance (GCG) namely Transparency, Accountability, Responsibility, Independence, and Fairness of the highest standards, is a key factor in realizing the vision and mission of MedcoEnergi.

Implementation of Good Corporate Governance

The principles of GCG are implemented pursuant to the Law No. 40 of 2007 on Limited Liability Corporation, Law No. 8 of 1995 on Capital Market, the Company's Articles of Association, the regulations of the Indonesian Capital Markets and Financial Institution Supervisory Agency (Bapepam-LK), the regulations of the Indonesia Stock Exchange (IDX), and other related laws and regulations. The Company also adheres to the GCG principles stipulated by the Organization for Economic Cooperation and Development (OECD) as well as the Indonesian GCG Guidelines.

The implementation of GCG is reviewed periodically and is an important aspect in the annual evaluation of the Company's performance.

MedcoEnergi's Governance Framework



MedcoEnergi's Board of Commissioners and Board of Directors work within a clear framework described in the Company's Articles of Association and Guidelines of Good Corporate Governance and Code of Conduct (GCG & CoC). These stipulate the role and responsibility of the Board of Commissioners and Board of Directors, how they shall execute their functions and duties effectively, how they interact with each other and the main tasks of each Board committee.

Shareholders

Shareholders have the rights and the highest authority on the ownership of MedcoEnergi that is represented through the General Meeting of Shareholders (GMS). The GMS among other things decides on the appointment and dismissal of members of the Board of Comissioners and Board of Directors, determines the remuneration for the Commissioners and Directors, and makes resolutions in connection with key measures taken by the Company on the basis of the Company's Articles of Association.

Board of Commissioners (BOC)

The BOC has the duty to undertake general as well as specific supervision and provide advice to the Board of Directors (BOD) pursuant to the Articles of Association of MedcoEnergi.
In general, the BOC chairs the GMS, recommends the amount of remuneration for members of the BOC and BOD, monitors the execution of internal and external audits, supervises the risk management process and internal control of the Company, and ensures the implementation of Good Corporate Governance in the management of the Company.

To ensure that the BOC can perform in accordance with its duties and responsibilities, MedcoEnergi sees that each member of the BOC has expertise that is in line with the businesses of MedcoEnergi.

Composition of the Board of Commissioners

The number of BOC members should be at least three. Each member is appointed through the GMS for a period of five years and could be re-elected for the following period. In that regard, the GMS has the authority to terminate the tenure of members of the BOC at any time before the end of term, if and when a member of the BOC cannot fulfill his/her duties as stipulated by the Articles of Association and/or the decision of the GMS.

As of the year end 2012, the Board of Commissioners of MedcoEnergi comprises of the following members:

President Commissioner: Hilmi Panigoro
Independent Commissioner: Marsillam Simandjuntak
Independent Commissioner: Gustiaman Deru
Commissioner: Masayuki Mizuno
Commissioner: Yani Y. Rodyat
Commissioner: Retno D. Arifin

Independence of the Board of Commissioners

Between then, members of the BOC and members of the BOD must not have filial relation up to the third degree, either vertically or horizontally.

Independent Commissioners

Marsillam Simandjuntak and Gustiaman Deru are Independent Commissioners who are appointed by the GMS, having met the criteria for independence as follows:
(i) are not part of the Management, (ii) do not own business that can influence decision, (iii) are not majority shareholders, (iv) are not employees of the Company or its afilliation; at least three years prior to becoming members of the BOC, (v) were not a major supplier to the Company, (vi) do not have filial relations with the Company and its afilliates.

Duties and Responsibilities of the BOC

Pursuant to the Company Law and article 14 of the Articles of Association (AOA), the Company has assigned to the BOC the roles and responsibilities to perform the oversight function and to provide advice to the BOD on operations and governance. In order to ensure the effective performance of duties, the BOC has formed the Audit Committee, Risk Management Committee, Remuneration Committee and Nomination Committee, as well as the GCG Committee. Each committee supports the BOC in executing its roles and responsibilities. The BOC is charged with the following roles and responsibilities.

The specific duties and authorities of the BOC include among others:

- Supervise the policies and management of the Company, the business risks of MedcoEnergi, in the interest of the Company and its shareholders, while also advising the BOD in the management of the Company.
- Review and approve the financial statements prepared by the Directors.
- Ensure the implementation of Good Corporate Governance on every level of business or organization, including avoiding conflict of interest in discharging their duties in order to carry out their responsibilities effectively.

Procedure and Determination of Remuneration for the Commissioners

Every member of the BOC of MedcoEnergi is entitled to a remuneration that is approved by the shareholders through the GMS. The amount of remuneration is determined by the Remuneration Committee on the basis of yearly evaluation that covers a benchmarking of market best practice in board remuneration, and is based on the annual performance, the scope of work and responsibility of each member of the BOC, and the Company performance.

Members of the BOC who are also assigned as Commissioners in Subsidiary Entities are not entitled to receive additional remuneration for their assignments.

The following is the procedure and determination of remuneration for members of the BOC in 2012:

a. The Remuneration Committee proposes a remuneration budget for the BOC to be presented at the GMS for approval.
b. The GMS authorizes the BOC to determine policies on remuneration.
c. The BOC requests the Remuneration Committee to determine the distribution of remuneration including other benefits based on several reviews such as benchmarking against peer companies and the performance of the Company.

Remuneration Component of Each Member of the BOC

The components of remuneration for members of the BOC comprise of salary and benefit, and bonus.

Board of Commissioners' Remuneration in 2012

in million (US$)

Salary and Benefits	Bonus	Tax	Total
1.01	0.78	0.49	2.28

Meetings of the Board of Commissioners

Pursuant to the Articles of Association and Guidelines on the Corporate Governance of MedcoEnergi, the BOC is mandated to convene in a regular meeting once every two months. These meetings are held at a place that is agreed upon by the consensus of the BOC. All members of the BOC have to attend the meetings of the BOC, and when unable to attend, should notify his/her absence beforehand to the President Commissioner and submit a written opinion on the agenda of the meeting.

The regular meetings of the BOC can be held in conjunction with other meetings that are attended by the members of the BOC, such as the Audit Committee meeting, Board Priority Settings (BPS) meeting, Management by Objective (MBO) meeting, and Quarterly Performance Evaluation meeting.

Frequency of Meetings

In 2012, the BOC convened a total of six meetings with an attendance rate of 78%, included thereof the meeting of Board Priority Setting and Budget Meeting.

Board of Commissioners Meeting Attendance

No	Name	12 January 2012	19 March 2012	1 October 2012	6 December 2012	11 December 2012	30 December 2012	Total	%
1	Hilmi Panigoro	•	•	•	•	•	•	6	100
2	Gustiaman Deru	-	•	-	•	-	•	3	50
3	Marsillam Simandjuntak	•	•	-	•	•	•	5	83
4	Masayuki Mizuno	•	•	-	-	-	•	3	50
5	Yani Y. Rodyat	•	•	•	•	•	•	6	100
6	Retno Dewi Arifin	•	•	•	•	-	•	5	83
Rate of Attendance Status (%)									78%

Training Programs to Enhance Competence

In order to ensure that the BOC carries out its duties effectively in supervising the management of the Company by the BOD, members of the BOC constantly advance their knowledge.

Throughout 2012, the President Commissioner participated in several conferences as follows:

Date	Training/ Conference/ Seminar	Participation	Organizer	Venue
5 September 2012	*Learning Centre*	Guest Speaker	Pertamina	Jakarta
7-9 October 2012	*Renewable Conference*	Participant	STS Forum	Kyoto
17 October 2012	*Learning Centre*	Guest Speaker	Pertamina	Jakarta
22 October 2012	*Learning Centre*	Participant	Pertamina	Jakarta
13-14 November 2012	*Oil Money Conference*	Participant	International Herald Tribune	London

Performance Assessment of the Board of Commissioners

The assessment of the performance of the BOC is carried out by the Nomiation Committee and Remuneration Committee, both of which are chaired by an Independent Commissioner. The assessment is based on the Key Performance Indicator (KPI) for eventual decision by the BOC meeting to be forwarded to the GMS.

The KPI assessment comprises of an evaluation of the effectiveness of GCG practices, the quarterly results, the achievement of Company Budget and business plan of the Company, as well as the accomplishment of the duties and responsibilities of the committees under the BOC.

The Board of Directors

The BOD has the authority and responsibility to perform the management of MedcoEnergi in the best interests of MedcoEnergi which fall in line with the objectives and goals of the Company. The BOD must represent the Company inside and outside the court, in accordance with the Articles of Association of MedcoEnergi.

The BOD of MedcoEnergi should be composed of at least three members. Each member is appointed through the GMS for a period of five years and could be re-elected for the following period. In that regard, the GMS has the authority to terminate the tenure of members of the BOD at any time before the end of term, if and when a member of the BOD cannot fulfill his/her duties as stipulated by the Articles of Association and/or the decision of the GMS.

Composition of the BOD

To ensure that the Board of Directors can perform in accordance with its duties, responsibilities and obligations, MedcoEnergi sees that each member of the BOD has the expertise and knowledge that are aligned with the businesses of MedcoEnergi.

In line with the Resolution of the Annual GMS of May 27, 2010, the BOD of MedcoEnergi is comprised of five members, who are experts and are knowledgable in the fields of oil & gas and finance. The composition of the BOD as at year end 2012 is as follows:

President Director & CEO	: Lukman Mahfoedz
Director & Chief Financial Officer	: Syamsurizal Munaf
Director & Chief Operating Officer	: Frila B. Yaman
Director & Chief Planning Officer	: Akira Mizuta
Director & Chief Human Capital Officer	: Dasril Dahya

Independency of the Board of Directors

Between then, members of the BOD and members of the BOC do not have filial relations up to the third degree, either vertically or horizontally.

Duties and Responsibilities of the BOD

The BOD is fully responsible for managing MedcoEnergi for the interests and the objectives of the Company, in accordance with the provisions in the Company's Articles of Association, as follows:

- Guide and manage MedcoEnergi in accordance with the Company's strategy and objectives
- Formulate the business strategy and plan of the Company that is endorsed by BPS and Company Budget
- Implement a risk mangement system against potential risks that may arise from the implementation of the above business strategy and plan
- Ensure the growth of the Company in line with its strategic planning

The delegation of duties and rights of each member of the BOD is based on the title of the respective directors as stipulated in the appointment of the Directors by the GMS. The Directors undertake their duties and make decision in line with the delegation of rights and duties. However, the conduct of each director remains the collective responsibilities of the BOD.

Responsibility of Each Director

The scope of responsibilities of each Director are as follows:

President Director

Scope of Work

The President Director has the function of coordinating all activities involving the development and operations of the Company, the implementation of which is assisted by, and in cooperation with the other Directors, in addition to stipulating, managing, and controlling the supervision over the management of the Company as well as the GCG and corporate culture.

Responsibilities:

a. To plan, manage, and control among other things the supervision of the management of the Company, the execution of Work Plan and Budget and the evaluation of its achievements, the compliance with prevailing laws and regulations, and policy on corporate communications, government relations, and investor relations.
b. To control among other things the activities of exploration, production, marketing, sales as well as work safety and health, the corporate responsibility to social and environmental programs, the management of budget, treasury, accounting, corporate finance, the activities of HR development, organization and business process as well strategic planning, business development and risk management.

Director of Finance

Scope of Work:

The Director of Finance establishes, manages and controls corporate policies related to the work plan of the Directorate of Finance and the corporate budget, the treasury, the organization of accounting activities, the preparation of financial statements, taxation, financial management and corporate social responsibility programs.

Responsibilities:

To plan, manage, and control among other things the financial work plan and budget and evaluate its achievement, to plan, manage and control the work plan and budget of the Directorate of Finance and evaluate its achievement, the policies and activities related to the Company's treasury, accounting policy, financial statements and taxation, and policies related to long-term financing

Director of Operations

Scope of Work:
The Director of Operations has the function of establishing, managing, and controlling Company policies on E&P operations, supporting facilities and the planning and management of oil and gas assets.

Responsibility:
To plan, manage, and control among other things the work plan and budget for the Operation Directorate and evaluate its achievement, develop policies that are related the Operations and E&P, policies on the production on oil & gas and sales and marketing, and policies related to corporate social responsibility.

Director of Human Capital

Scope of Work:
The Director of Human Capital has the function of establishing, managing, and controlling Company policies on human resources, education and training, organization, business process and corporate culture.

Responsibilities:
To plan, manage, and control among other things the work plan and budget for the HR Directorate and evaluate its achievements, develop policies that are related to the planning of manpower, development and empowerment of human capital, remuneration and industrial relations as well as the development of management systems and corporate culture.

Director of Planning

Scope of Work:
The Director of Planning has the function of establishing, managing, and controlling Company policies on the formulation and evaluation of strategic plans, business development, the evaluation of Company performance and risk management.

Responsibilities:
To plan, manage, and control among other things the work plan and budget for the Planning Directorate and evaluate its achievements, develop policies andn activities that are related to the formulation and evaluation of the Company's strategic plan, policies on business development, investment planning, and risk management analyses.

Remuneration Policy

The amount of remuneration for members of the BOD of MedcoEnergi is based on the achievement of KPI and Company performance as a whole, as well as on market benchmarking among peer companies in Indonesia. The BOC assisted by the Remuneration Committee formulates the calculation and determination of the amount and distribution of remuneration among the Directors, which subsequently are proposed for the approval of the AGMS.

The following is the procedure and determination of remuneration for members of the BOD in 2012:

a. The Remuneration Committee reviews the remuneration, formulates the recommendation and proposes the remuneration for the Directors to the BOC.
b. The BOC discusses the proposal and recommendation of the Remuneration Committee and proposes to the AGMS the remuneration for members of the BOD.
c. The AGMS approves and determines the remuneration for members of the BOD and authorizes the BOC to distribute such remuneration to members of the BOD.
d. The BOC, assisted by the Remuneration Committee, formulates the calculation and determines the amount of remuneration and its distribution to members of the BOD.

For the year 2012, the BOC proposes remuneration for all members of the BOC and BOD of the Company to the shareholders at the AGMS on 9 May 2012, totalling US$5.8 million.

Components of the Remuneration for Members of BOD

The components of BOD Remuneration comprises of salary and benefit, and bonus.

Directors's Remuneration 2012

in million (US$)

Salary and Benefit	Bonus	Tax	Total
1.57	1.20	0.73	3.50

BOD Meetings

Pursuant to the AOA of MedcoEnergi, the BOD must convene meetings at all times when deemed necessary. To enhance oversight on the performances of MedcoEnergi and its Subsidiary Entities, routine BOD meetings are convened four times in a month. Throughout 2012, the BOD convened regular meetings with an attendance rate of 89%.

No.	Name	Directors' Meeting Attendance for January - December 2012 (%)
1.	Lukman Mahfoedz	89.4
2.	Syamsurizal Munaf	85.1
3.	Frila B. Yaman	78.7
4.	Akira Mizuta	95.7
5.	Dasril Dahya	95.7
	Total	88.92

Training Programs to Enhance the Competence of the BOD

Members of the BOD participate in training programs to enhance their competence and improve the execution of the BOD duties and responsibilities. Throughout 2012, members of the BOD participated in special education programs, training, conferences, and seminars, including:

President Director's Competency Improvement Program

Training/Conference/ Seminar	Participation	Organizer	Venue	Date
CERA Week	Guest Speaker	CERA	Houston, USA	6-8 March 2012
36th Annual IPA	Participant	Indonesia Petroleum Asociation	Jakarta, Indonesia	23 - 25 May 2012

Finance Director's Competency Improvement Program

Training/Conference/ Seminar	Participation	Organizer	Venue	Date
The New Energy Landscape	Participant	SIS Global Forum	Paris	9 -17 March 2012
Non Deal Roadshow	Participant	-	USA	19 Nov - 7 Dec 2012

Planning Director's Competency Improvement Program

Training/Conference/ Seminar	Participation	Organizer	Venue	Date
Renewable Conference	Participant	STS Forum	Kyoto	7 - 9 October 2012

Operations Director's Competency Improvement Program

Training/Conference/ Seminar	Participation	Organizer	Venue	Date
The 4th Intl. Indonesian CBM Conference	Guest Speaker	IndoCBM	Jakarta	18 April 2012
Influential Women in Energy	Participant	Schlumberger	Paris	31 May 2012

Human Capital Director's Competency Improvement Program

Training/Conference/ Seminar	Participation	Organizer	Venue	Date
Program Pengembangan Eksekutif Pertamina (PPEP) Angkatan X/2012	Guest Speaker	PT Pertamina	Jakarta	18 July 2012
Coaching for Extraordinary Results – Developing Successful Coaching and Mentoring Skills	Participant	Clariden Global Pte Ltd	Singapore	18-19 October 2012

BOD Performance Indicators

The KPI of BOD comprises of targets that are related to the realisation of the Company's Work Plan and Budget, operational performance covering amount of production, operating expense, additional oil and gas reserves, SHE quality, financial performance, sustainable growth and progress of Major Development Projects.

The evaluation of BOD KPI represents the basis for the quantitative and objective evaluation in the determination of salary, benefit, and bonus. In addition to KPI for the BOD as a whole, KPIs are also assigned to individual directors in line with their respective duties and rights. The performance of the BOD and respective directors in 2012 have been evaluated by the BOC in line with the above process. The results of this evaluation is presented by the BOC to the AGMS.

General Meeting of Shareholders

GMS comprises of the Annual General Meeting of Shareholders (AGMS) and Extraordinary General Meeting of Shareholders (EGMS). Through the GMS, strategic decisions are made, including the appointment and dismissal of members of the BOC and BOD, oversight report of the BOC, approval of the Annual Report, audited financial statements, changes in the AOA, material resolutions on investments and divestments, appropriation of profits, and capital structure.

AGMS is convened once a year at the latest six months after the close of financial statements, while EGMS can be convened at all times when deemed necessary based on the decision and interests of the Company.

In 2012, the AGMS was held on 9 May 2012 with a quorum of 68.43% or an attendance of 2,280,276,543 shares out of the total outstanding shares of 3,332,451,450; with the following resolutions:

1. For the first and second meeting agenda, the Meeting unanimously agreed on the following:
   a. Accept in good faith the BOD Report concerning the Company's performance for the year ended 31 December 2012 and approved and ratified the Balance Sheet and Income Statements of the Company and its Subsidiaries for the years ended December 31, 2012 and 2011 that had been audited by the Public Accounting Firm of PURWANTONO, SUHERMAN & SURJA as stated in its letter No. RPC-3400/PSS/2013 dated March 15, 2013, with an "UNQUALIFIED OPINION"
   b. Grant full release and discharge (acquit et de charge) to the members of the BOC and BOD from their responsibilities with respect to the supervision and management of the Company performance during the year 2012.

2. For the third agenda of the meeting, the meeting agreed with a majority vote the following:
   - Appropriation of the Company's Net Profit for the year ended 31 December 2012 amounting to US$ 85,073,777 (eighty five million seventy three thousand seven hundred and seventy seven US Dollars) as follows:

- Appropriated as cash dividends amounting to US$22,531,772 (twenty two million five hundred and thirty one thousand seven hundred seventy two US Dollars) to 2,941,996,950 (two billion nine hundred and forty one million nine hundred and ninety six thousand nine hundred fifty) shares - equivalent to US$0.00766 (zero point zero zero seven hundred sixty six US Dollars) per share.
- Booked the remaining net profit of 2011 amounting to US$62,542,005 (sixty two million five hundred fourty two thousand and five US Dollars), as retained earnings;

• Extend power of attorney to the Company's BOD to undertake all efforts in the distribution of said cash dividends to the respective shareholders, including announcing in a daily newspaper the procedure and schedule of dividends payment.

3. For the fourth agenda of the meeting, the meeting agreed with a majority vote the following:
   Conferring the rights to the BOC and BOD of the Company to appoint a Public Accounting Firm that is registered with Bapepam-LK and formally afilliated as a member of the largest Global Public Accounting Firm to audit the balance sheet, profit and loss statement, and other parts of the consolidated financial report of the Company and its Subsidiary Entities for the year ended 31 December 2012, and determine the amount of honorarium for said Public Accounting Firm.

4. For the fifth agenda of the meeting, since there was no proposal to change the composition of the Company's BOD by the Nomination Committee to the BOC, this fifth agenda was neither discussed nor carried out.

5. For the sixth agenda of the meeting, the meeting agreed with a majority vote the following :
   - Determined the salary and benefit to be afforded to members of the BOC and BOD for the financial year 2012 (including tax), effective from 1 January 2012 to 31 December 2012, a maximum total of US$5,800,000 (five million eight hundred thousand US Dollars) and endorsed the appropriation of salary and benefit that have been paid to the members of the BOC and BOD for the month of January 2012 until April 2012.
   - Grant the power of attorney to the BOC to determine the policy on the distribution of bonus, salary and benefit to each member of the BOC and BOD, including the determination of other forms of benefits to be provided to the members of the BOC and BOD

Realization of GMS Resolutions

All of the resolutions of the GMS that have been approved by shareholders have been carried out by the BOC and BOD of the Company in 2012.

Process of Evaluation of Members of Board of Commissioners and Board of Directors

Process and Criteria for the Evaluation of Members of the Board of Commissioners

Evaluation with respect to members of the members of the BOC is determined through the GMS. The criteria for the evaluation of the BOC is determined by the oversight of the BOC on the BOD in carrying out the policies to manage the Company and the execution of duties specially assigned to the Directors in accordance with the AOA and/or on the basis of the resolution of GMS.

Process and Criteria for the Evaluation of Members of the Board of Directors

Evaluation of the performance of the BOD based on BOD KPI as referred to earlier, is carried out by the BOC assisted by the Nomination Committee and Remuneration Committee. The results of this evaluation is presented by the BOC to the GMS. The BOC also evaluates BOD performances based on other factors on an individual basis.

Committees

The Audit Committee

Its main responsibility is to assist the BOC in assessing the integrity of operation and financial reports prepared by the BOD, as well as to identify any financial violation issues related to the applicable law, rules, and regulations within the businesses of MedcoEnergi and its subsidiaries. The Audit Committee also reviews the quality implementation of the internal audits through strict audits towards planning, implementation, results and effectivity of audit findings, and rating the external auditor performance as well as providing recommendation to the BOC.

Composition and Independency of Members of the Audit Committee

Based on the Decision of the BOC, the composition and membership of the Audit Committee comprises of a chairman and four members, of which three members are from the BOC and two members are non-Commissioners. The composition of the Audit Committee as of year-end 2012 was as follows:

Member of Audit Committee

Name			Position
Marsillam Simandjuntak	MS	Chairman	Independent Commissioner
Gustiaman Deru	GD	Member	Independent Commissioner
Hilmi Panigoro	HP	Member	President Commissioner
Djoko Sutardjo	DS	Member	External Member
Zulfikri Aboebakar	ZA	Member	External Member

From the above table, it can be seen that the chairman of the Audit Committee is an Independent Commissioner, whereas the majority of members, three out of four members, are independent Commissioners, and the other two are external members of the Audit Committee.

Duties and Responsibilities of the Audit Committee

- Review the Company's financial information for publications such as financial statements, business projection and estimates
- Review compliance towards prevailing laws and regulations as well as the Company's Code of Conduct, placing an emphasis on transparency and fairness in carrying out its business
- Approve the Charter of the Internal Audit Unit, annual audit program and plan, and review the feedback from management on the audit findings
- Review the appointment of the Independent External Auditor, including verifying their qualifications and Independence; and submit the recommendations to the BOC for approval
- Resolve all disputes between the management and independent auditors on the financial statements
- Assist the BOC in assessing the report of the Internal Audit Unit and the Risk Management Committee
- Review the Audit Committee Charter periodically
- Review all grievances addressed to the Company and report them to the Board of Commmissioners
- Ensure the confidentiality of all documents, data and information
- Issue the Audit Committee report for submission to the BOC at least once a year

Rights of the Audit Committee

The Audit Committee has full rights to audit all personnel data, documents, facilities, and funding that are relevant to the Company in the course of its duties. In carrying out its duties, the Committee will cooperate with the Internal Audit Unit with the approval of the BOC, possessing the rights to appoint the services of a third party in connection with audit duties.

Frequency of Meetings and Attendance Rate of the Audit Committee

During 2012, the Audit Committee has reviewed the quarterly and annual financial statements and provided assurance to the Board of Commisioners that all consolidated financial statements comply with the Generally Accepted Accounting Principles of Indonesia (PSAK), and all of the information is disclosed accurately prior to their publication.

Based on the inputs from the Audit Committee, the BOC has approved the disclosure of consolidated financial statements, such as reviewing the performance of the Public Accountant that also carried out the consolidated financial statements from the previous year and assured the Board of Commisioners to engage with the said Public Accountant to audit the consolidated financial statement of 2010.

Based on the four meetings conducted in 2012 from January 1, 2012 until December 31, 2012, wherein all meetings were attended by 70 percent of the total members, below is the detail attendance of the Audit Committee meetings:

Audit Committee Meeting Attendance

No.	Date	Meeting Agenda	MS	GD	HP	DS	ZA	Total
1	19 March 2012	Approval of Consolidated Financial Statement as of 31 December 2011	•	-	•	-	•	3
2	4 May 2012	Approval of Consolidated Financial Statement of 1st Quarter 2012 (as of 31 March 2012)	-	-	•	•	•	3
3	19 September 2012	Approval of Consolidated Financial Statement of 2nd Quarter 2012 (as of 31 March 2012)	•	-	•	•	•	4
4	12 December 2012	Approval of Consolidated Financial Statement of 3rd Quarter 2012 (as of 31 March 2012)	•	-	•	•	•	4
Rate of Attendance Status								70%

Execution of Duties

In 2012, the Audit Committee carried out its duties in accordance with the Audit Committee Charter, as follows:

- Undertook review and assessment on the adequacy of audit works by the external auditors, and commented on the audit results on the Company's financial statements for financial year 2011.
- Undertook review and commented on the audit results by external auditors on the Company's mid-year financial statements for the financial year 2012.
- Evaluated the performance, competence, independence, and objectivity of the Public Accounting Firm that carried out audit of the previous year and make recommendations for the consideration of the BOC and to be proposed to the GMS as the consolidated financial statements for the financial year 2012.
- Undertook review on the Audit Findings Report of 2011 and presented certain points that required the attention of the BOC.
- Discussed the methodology for audit and monitored the progress of the audit of the consolidated financial statements for the year 2012 by external auditors.
- Undertook review on the Company's compliance to laws and regulations of the Capital Market and others, and presented certain points that required the attention of the BOC.
- Carried out special assignments from the BOC.
- Formulated work plan, and made periodical reports on the execution of duties of the Audit Committee.

The Nomination Committee

The main responsibility of the Nomination Committee is to assist the BOC in selecting and nominating candidates to the Board of Directors and the BOC.

Duties and Responsibilities of Nomination Committee

- Identify qualified candidates for membership to the BOC and Board of Directors, including determining the qualifications and vetting the candidates through due diligence.
- Nominate and select candidates for the BOC and Board of Directors.
- Review and evaluate the performance of the BOC and Board of Directors.
- Terminate individual members of the BOC and Board of Directors with reference to the Company's policies.
- Review and recommend members for the Committee of the BOC.
- Develop training and basic orientation for members of the BOC and Board of Directors.
- Evaluate the performance of the BOD in line with the mission and objectives of the Company.
- Prepare a succession plan for the BOD and senior Executives.

Rights of the Nomination Committee

The Committee shall have the right to full access to all personnel, documents, data, facilities, and funds relevant to the discharge of its duties. In exercising these rights, the Committee shall work together with Human Capital and Senior Talent Management.

Membership Structure

The membership structure of the Nomination Committee is based on the Decision of the BOC and comprise of eight members, of which four are members of the BOC, and the four others are non-Commissioners. One of the members of the Nomination Committee is an Independent Commissioner.

No	Nomination Committee Member			Position
	Name			
1	Yani P. Rodyat	YP	Chairwoman	Commissioner
2	Gustiaman Deru	GD	Member	Independent Commissioner
3	Hilmi Panigoro	HP	Member	President Commissioner
4	Retno Dewi Arifin	RDA	Member	Commissioner
5	Lukman Mahfoedz	LM	Member	President Director
6	Syamsurizal Munaf	SRM	Member	Finance Director
7	Frila B. Yaman	FBY	Member	Operations Director
8	Dasril Dahya	DAS	Member	Human Capital Director

Report of the Nomination Committee for 2012

Throughout 2012, the Committee carried out the evaluation process on the composition of BOC and BOD, at both the Company and Subsidiary Entitiy levels. This was in line with the principles of GCG that is fully adhered to by the Company. In addition, the Committee was also assigned to supervise the appointment of members of the BOC and BOD. The Committee convened a total of four meetings in 2012 to determine subsequent steps in connection with its duties.

No	Date	Meeting Attendance of Nomination Committee in 2012								Total
		YP	GD	HP	RDA	LM	SRM	FBY	DAS	
1	2 Febuary 2012	•	-	•	•	•	•	•	•	7
2	7 May 2012	•	•	•	•	•	-	-	-	5
3	25 June 2012	•	-	•	•	•	-	•	•	6
4	28 September 2012	•	•	•	•	•	•	•	•	8
Rate of Attendance Status (%)		4	2	4	4	4	2	3	3	81%

The Remuneration Committee

The Remuneration Committee is responsible to assist the BOC in formulating the policies on remuneration and evaluating the remuneration for members of the BOC and BOD.

Membership and Composition

The membership structure of the Remuneration Committee based on the Decision of the BOC comprises of six members, three of which are Directors of the Company.

No	Member of Remuneration Committee			Position
	Name			
1	Hilmi Panigoro	HP	Chairman	President Commissioner
2	Yani P. Rodyat	YP	Member	Commissioner
3	Retno Dewi Arifin	RDA	Member	Commissioner
4	Lukman Mahfoedz	LM	Member	President Director
5	Syamsurizal Munaf	SRM	Member	Finance Director
6	Dasril Dahya	DAS	Member	Human Capital Director

Duties and Responsibilities of Remuneration Committee

- Develop a General Guideline of the Company's remuneration system for approval by the Corporate BOC and BOD
- Develop and review policy on the remuneration of the Directors and Commissioners of the Company
- Review and recommend the remuneration for members of BOC and BOD of the Company
- Review and recommend incentive-driven compensations, including plans for an equity-based compensation regime
- Review the Remuneration Policy and System of Subsidiary Entities to ensure uniformity with the General Reference on the Company's remuneration system
- Periodically report to the BOC and BOD and produce year-end report for the Company's Annual Report.

Right of the Remuneration Committee

The Committee shall have the right to fully access the policies, system and remuneration of the Company Executives, down to the Subsidiary Entity level.

Report of the Remuneration Committee

In 2012, the Committee reviewed the remuneration policies for members of the BOC and BOD and the disbursement of such remuneration. Based on the review and actual disbursement, the Committee estimated the remuneration of the BOC and BOD for the financial year 2012 to be submitted for the approval of the 2013 AGMS.

No	Date	Meeting Attendance of Remuneration Committe in 2012						Total
		HP	YP	RDA	LM	SRM	DAS	
1.	20 Febuary 2012	•	•	•	•	•	•	6
2.	30 April 2012	•	•	•	•	•	•	6
3.	28 May 2012	•	•	•	•	-	-	4
4.	29 May 2012	•	•	•	•	-	-	4
Rate of Attendance Status								83%

Risk Management Committee

The Risk Management Committee (RMC) is established to ensure appropriste business risks have been defined and understood, mitigation has been addressed and complied by the executor level for every major transaction proposed to be undertaken by MedcoEnergi and the respective Subsidiaries.

The RMC is the last line of defense in ensuring that the degree of acceptance to risks is consistent with the strategy of the business and must satisfy itself that the relevant parties such as shareholders, BOC are appropriately informed of the enterprise risk profile.

No	Member of Risk Monitoring Committee			Position
	Name			
1	Hilmi Panigoro	HP	Chairman	President Commissioner
2	Marsillam Simandjuntak	MS	Member	Independent Commissioner
3	Masayuki Mizuno	MM	Member	Commissioner
4	Yani P. Rodyat	YP	Member	Commissioner
5	Syamsurizal Munaf	SRM	Member	Finance Director
6	Akira Mizuta	AM	Member	Planning Director
7	Frila B. Yaman	FBY	Member	Operations Director

Members of the RMC are officially appointed and dismissed by the BOC, and the membership of the Committee comprises of at least five members as follows:

1. Three members should be representatives of the Company's BOC, in which two members are Commissioners and one member an Independent Commissioner
2. Two members should be representatives of the Director of Planning and Director of Finance of the Company.

The President Commissioner acts as the Chairman of the RMC while the Head of Risk Management Department serves as the Secretary of the Committee.

Independence of the Committee

The Risk Management Committee carries out its duties and responsibilities in a professional and independent manner without interference from any party or infringements of laws and regulations. A member of the Risk Management Committee is an Independent Commissioner.

Duties and Responsibilities

Pursuant to the RMC Charter, the members of the Committee have the following duties and responsibilities:

- Review the effectiveness of the organizational structure to manage potential risks
- Review the evolving risk management capability against best practices in related industries
- Review and assess the risk profiles of MedcoEnergi and its subsidiaries
- Review risk limits and measure the correlation between the Company's operations and those limits including the risk management policies and mitigation techniques
- Ensure that the identification, understanding and control of risks related to business operations and technical means at every level of the organization are effectively served
- Periodically report its activities in the annual report to the BOC

The above duties and responsibilities are carried out in connection with the Company's corporate action or initiatives such as:

- Acquisition or divestment of shares or assets
- Material agreements and commitments
- Derivative Transactions
- Establishment of new business units or liquidation of existing business
- Entry or exit of the Company to and from joint ventures/strategic alliances
- Large financing activities
- Major litigation cases
- Evaluate adequacy of insurance coverage.

The above list is not all-inclusive and RMC can review from time to time other corporation actions or initiatives that are not listed above.

Rights of the Risk Management Committee

The RMC have the rights to full access to all personnel, documents, data, facilities and funds relevant to the discharge of its duties. In exercising these rights the Committee shall work in cooperation with the Audit Committee.

Risk Monitoring Committee Report

In 2012, the Committee reviewed several transactions and corporate actions and gave its consideration on contingency measures that needed to be taken to mitigate the potential risks resulting from such transactions and corporate actions. Based on the recommendations of the Committee, the BOC gave its approval to undertake the transactions and corporate actions. In the course of its duties, the Committee met for a total of nine times in 2012, attended by members of the Committee and the relevant Senior Executives to review the proposed transactions and corporate actions. These meetings were attended by 89 percent of the members of the Committee.

Frequency of Meetings

The frequency of meetings is on a need basis and in line with circumstances that require a meeting of the Committee, such as when a large-scale corporate action is required or when there is a request from members of the Committee. In 2012, the Risk Management Committee convened a total of eight meetings with an attendance rate of 84%.

No	Name	Meeting Attendance of Risk Monitoring Committe in 2012								Total	%
		6/1	14/2	8/3	14/3	4/7	26/7	9/10	13/12		
1	Hilmi Panigoro	•	•	•	•	•	•	•	•	8	100
2	Marsillam Simandjuntak	•	-	•	•	•	•	•	•	7	87.5
3	Masayuki Mizuno	-	-	-	-	-	•	-	•	2	25
4	Yani P. Rodyat	•	•	•	•	•	•	•	-	7	87.5
5	Syamsurizal Munaf	•	•	•		•	•	•	•	7	87.5
6	Akira Mizuta	•	•	•	•	•	•	•	•	8	100
7	Frila Berlini Yaman	-	-	-	-	-	•	•	•	3	100
Rate of Attendance Status											84

GCG Committee

The GCG Committee is formed to assist the BOC in strengthening and ensuring consistent implementation of GCG and Corporate Values practices at all levels, as well as CSR programs throughout the Company.

Membership Structure

The membership structure of the GCG Committee based on the Decision of the BOC comprises of seven members, three members of which are members of the BOC and four members are non-Commissioners. The Chairman of the Committee is an Independent Commissioner.

No	Member of GCG Committee			Posisi
	Name			
1	Marsillam Simandjuntak	MS	Chairman	Independent Commissioner
2	Hilmi Panigoro	HP	Member	President Commissioner
3	Yani P. Rodyat	YP	Member	Commissioner
4	Lukman Mahfoedz	LM	Member	President Director
5	Syamsurizal Munaf	SRM	Member	Finance Director
6	Frila B. Yaman	FBY	Member	Operations Director
7	Dasril Dahya	DAS	Member	Human Capital Director

Duties and Responsibilities of the GCG Committee

- Develop and recommend a set of GCG principles and standards for the MedcoEnergi Group, and to review these standards periodically in terms of relevancy to the present global and local conditions.
- Review GCG policies set by the BOD periodically to ensure that the policies are in line with the recommended GCG principles and standards as well as recommend adjustment/amendment/improvement on the GCG policies whenever necessary.
- Promote consistent implementation of GCG practices within MedcoEnergi Group by setting members of the leadership as role models.
- Evaluate any potential conflict of interest or any other potential violation among BOD or Executive Directors and provide recommendations to the BOC on the resolution of the matter.

Rights of the GCG Committee

All members of the GCG Committee shall have the rights to full access to all personnel, documents, data, facilities and fund relevant to the discharge of its duty.

Realised Program of the GCG Committee

Throughout 2012, the GCG Committee realized its working program, which among other things include the review on several newly enacted regulations and its implication on the Company, ensured that the Company implements the GCG principles by monitoring the signing of GCG Adherence Form by all Commissioners, Directors, and employees by electronic means through the BPM. As a follow up to the signing of the GCG Adherence Form, the Committee also undertook a GCG socialisation program at Head Office and Subsidiary Entities, aimed at increasing the awareness of both internal and external stakeholders on the importance of GCG implementation.

Corporate Secretary

It is the commitment of MedcoEnergi to maintain compliance with the Rules of Bapepam-LK and PT Bursa Efek Indonesia (IDX). Since the year 1997, MedcoEnergi has complied with the Rules of Bapepam-LK No. IX.I.4 and IDX No. I-A regarding the Formation of Corporate Secretary. Initially the BOD of MedcoEnergi appointed one of the members of BOD to act as the Corporate Secretary. However, in line with the growth of the Company's business, and to ensure that the Corporate Secretary is capable to maximize his/her function in performing the duty of a Corporate Secretary in fulfilling various requirements of the Capital Market, as well as bridging communications among MedcoEnergi and its stakeholders, the BOD of MedcoEnergi formed a Corporate Secretary Unit that is led by a Head of Division starting from the year 2005. In performing its duties and functions, the Corporate Secretary Divison reports and answers to the President Director. The Head of Corporate Secretary is appointed pursuant to the Resolution of the BOD with the approval of the BOC. The current Head of Secretary Division is appointed pursuant to the BOD Decision Letter dated 28 June 2012, which went into effect on 2 July 2012. This appointment has been reported to Bapepam-LK through letter No. 376/MGT/MEGC/VII/2012 dated 2 July 2012 and announced in print media on 3 July 2012

The Function of Corporate Secretary

As stipulated under the Rules of Bapepam-LK No. IX.I.4 and IDX No. I-A, the Corporate Secretary in MedcoEnergi holds a relation function between MedcoEnergi and its shareholders, Bapepam-LK, Stock Exchange, other capital market authorities, and public in general. In addition, the Corporate Secretary Unit also holds the responsibility to stay updated with the developments of laws and regulations related to the Capital Market, Company Law, and other laws and regulations related to the business sectors and business activities of MedcoEnergi and its subsidiaries. The Corporate Secretary Unit of MedcoEnergi closely works with the Corporate Legal Division and is responsible to advise on any changes on the prevailing laws and regulations for the BOD and BOC, as well as to ensure such changes in laws and regulations are complied with by MedcoEnergi and its subsidiaries. The Corporate Secretary is also responsible to assist the BOD and BOC in ensuring the implementation of the highest standard of Corporate Governance principles in MedcoEnergi, and at the same time also ensuring that all requirements of the Articles of Association of MedcoEnergi and its subsidiaries are complied with.

Imron Gazali
Company Corporate Secretary

Born in Surabaya Indonesia in 1971, graduated in 1995 from the Institute Technology Bandung (ITB), majoring in Chemical Engineering, and in 1998 from Texas A&M University, USA, for a master degree (Master of Engineering) in chemical engineering. He began his career with an oil company ARCO Indonesia in the strategic development planning area, then joined BP Indonesia in 2000 as commercial & financial analyst for various oil/gas producing and development assets. In 2004 he moved to BP Singapore Global Power team, where he had various experience in financials, business development, commercial, and energy projects (gas, LNG, power projects) for five years. His last position in BP Singapore was Director Power Development for Indonesia. In October 2008, he moved to PT. Medco Energi Internasional Tbk ("MedcoEnergi") and held two positions, the Vice President of Project Commercial and the Deputy Project Director for Sarulla Geothermal Power Project. In March 2011, he was appointed as the Executive Assistant to CEO and Board of Director of MedcoEnergi until present. Starting July 2012, he was tasked with another role as the Corporate Secretary of MedcoEnergi, with the main responsibility of managing corporate policy and compliance (including corporate governance), corporate social responsibility activities, and corporate communications.

Implementation of Corporate Secretary's Duties and Functions

During 2012, the Corporate Secretary Unit has assisted the BOD and BOC in enhancing the communications of MedcoEnergi's BOD with all its stakeholders, both internal and external; enhancing the relationship of MedcoEnergi and the community through the implementation of the Social Responsibility program; enhancing the relationship of MedcoEnergi with institutions and Government authorities; ensuring MedcoEnergi's compliance with the Rules of Bapepam-

LK and IDX, as well as the Articles of Association; and implementing the internalization of GCG Guidelines and CoC, re-energizing the Corporate Values, as well as launching the Whistleblowing System.

Ensuring Compliance with Rules of Bapepam-LK and IDX, and the Articles of Association

As a form of MedcoEnergi's commitment in implementing Corporate Governance of the highest standards, the Company strives to ensure compliance with Rules of Bapepam-LK and IDX at all times. In addition, the Company ensures that all requirements of the Company's Articles of Association are complied with, as well as ensuring the availability of the Registry of Shareholders and Special Registry, Minutes of Meetings, Financial Statements and Annual Reports; holding the Annual GMS as scheduled; and ensuring that all corporate actions are undertaken in compliance with the regulations of Bapepam-LK and IDX, as well as the Articles of Association.

Annual Financial Report

The Company has filed its consolidated financial report in conjuction with the Independent Auditor's Report for the year ending 31 December 2011, with Comparison Figures for 2010, on 22 March 2012.

Quarterly Financial Report

The Company has filed its quarterly financial report to IDX and Bapepam-LK as follows: (i) First quarter report on 12 June 2012, (ii) Second quarter report on 27 September 2012 dan (iii) Third quarter report on 18 December 2012.

Annual Report

The Company has filed its 2011 Annual Report to Bapepam-LK and IDX on 26 April 2012.

Credit Rating

The Company has filed its latest ratings, statements, or opinions on Debt Securities issued by the Credit Rating Company to Bapepam-LK, Trustee Agent, and IDX on the following dates:

No	Date	Subject
1	5 April 2012	Certificate of Credit Rating on Medco Energi Internasional Bonds II 2009 Serie B, USD Medco Energi Internasional Continuing Bonds Tranche I, Tranche II 2011, and Medco Energi Internasional Bonds II 2009 Serie A, and Certificate of Annual Rating on PT Medco Energi Internasional Tbk.
2	11 October 2012	Certificate of Credit Rating on USD Medco Energi Internasional Continuing Bonds Tranche I 2011, and Medco Energi Internasional Bonds II 2009 Serie B, MTN II Serie B 2009, MTN II Serie B 2010, and MTN III 2010, and Certificate of Rating on PT Medco Energi Internasional Tbk.

Realization of the Use of Proceeds From the Public Offering

The Company has submitted its Quarterly Report on the realization of the use of proceeds from the Public Offering to Bapepam-LK and Trustee Agent within the stipulated period of Bapepam-LK Regulation No. X.K.4.

Information Disclosure and Press Release

Throughout 2012, the Company undertook information disclosure to Bapepam-LK, IDX, and the general public for business decisions or information and material facts that could affect the price of the Company's shares or investment decisions, and Press Releases including:

No	Date	Subject
1	10 May 2012	Press Release of “MedcoEnergi AGMS Approves the Net Income Attributable to Parent Company of US$85.1 Million and Devidend Payment of US$0.00766 Per Share.”
2	6 August 2012	Press Releaseof “MedcoEnergi Acquisition on Block 9 (Malik) in Yemen”.
3	2 October 2012	Press Release of “First Shipment of 38,000 Ton Coal“.
4	3 December 2012	Disclosure Report of PT Medco Energi Internasional Tbk re: Divestment of the Company's 63.88% shares in PT Medco Downstream Indonesia by Puma Energy (Singapore) Pte. Ltd.

Monthly Report on Exploration Activities

The Company has fulfilled the requirement to submit monthly reports on exploration activities to IDX from January through December 2012. The report submission follows the stipulated deadline.

Information Disclosure

The Corporate Secretary is responsible in ensuring that Company information has been disclosed through electronic media such as website, and email in a timely manner, accurately and comprehensively in line with prevailing laws and regulations, and that such information has been submitted first to the regulator of the Capital Market and officially disclosed to the general public before being disseminated to electronic media.

Internal Audit Unit

The management and implementation of Internal Audit within MedcoEnergi abide by the standards of the Institute of Internal Auditors (IIA). In the Code of Ethics of IIA, Internal Audit is defined as an independent and objective function to assure the provision of advice and recommendations to enhance the value and improve the Company’s operating performance.

Internal Audit helps the Company achieve its objectives by bringing a systematic, disciplined approach to the evaluation and improvement of the effectiveness of Risk Management, Internal Control and Governance processes.

Bapepam-LK has issued Decision No. Kep-496/BL/2008 dated 28 November 2008, and Regulation No. IX.I.7 on the formation of the Internal Audit Unit for Publicly Listed Company.

As a Publicly Listed Company, the Company have fulfilled said Bapepam-LK regulations by having a fully fledged Internal Audit Unit that has been functioning since 1998. From the start, the Company has been aware that Internal Audit constitutes an integral part of the Company that is crucial to the implementation of Good Corporate Governance through its oversight function.

Internal Audit Charter

The Internal Audit Charter of MedcoEnergi was prepared in 2003. The Internal Audit Charter specifically elaborates on the following points:

- Vision, Mission and Goal of Internal Audit
- Role of Internal Audit
- Scope of Activities
- Independence and Authority
- Working Accountabilities
- Reporting Accountabilities
- Handling Fraud

Head of Internal Audit

Based on the Decision of BOC of 29 October 2010, the Head of the Internal Audit Division of the Company is served by Eddy Hasfiardi. To support the execution of internal audit within the Company and Subsidiary Entities, the Company's Internal Audit Unit employed 13 personnel including the Internal Audit Head as of 31 December 2012.

Eddy Hasfiardi
Head of Company Internal Audit Unit

Indonesian citizen, born in 1963. Served as Head of Corporate Internal Audit since November 2010.

He has been working closely with the Company’s management since 2004 and previously held the position of Head of Internal Audit & Compliance in PT Medco E&P Indonesia, the subsidiary of MedcoEnergi, from 2004 up to October 2010. Prior to joining the Company, he worked in the Indonesian Banking Restructuring Agency (IBRA) at its Forensic Asset Tracing Division (FORSAT) and the Asset Management Investment Division (AMI). He previously also worked in several national banks in managerial positions.

He received his Bachelor degree in Economics from Jayabaya University in 1987 and Master of Business Administration from the Bandung Institute of Technology in 2001.

Internal Audit Professional Certification

In carrying out the audit works, Internal Audit is supported by professional auditors, many of whom have been professionally certified, while all of the auditors possess adequate experience to undertake their assignments in line with the Company's operations and development.

Duties of Internal Audit

The duties of Internal Audit are as follow:

1. Prepare and execute the Annual Audit Plan;
2. Undertake audit work in line with the audit plan and assess the efeciency effectiveness of finance, accounting, operation, human capital, supply chain, marketing and business activities;
3. Test and evalute the implementation of internal control and risk management system in line with Company policies;
4. Provide advice on improvements and objective information on the activities being audited at every level of management;
5. Prepare the audit findings report and present the report to the President Director and Chairman of the Audit Committee;
6. Monitor, analyze, and report the follow up action as recommended;
7. Evaluate the quality of the internal audit works periodically in carrying out the audit program; and
8. Undertake special audits when required.

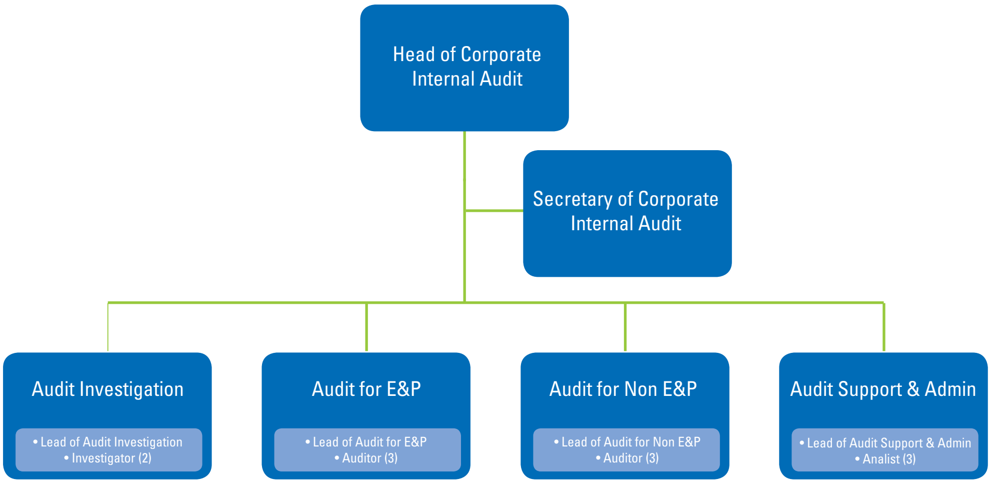
Responsibility of the Internal Audit Unit

Responsibilities of the Internal Audit Unit cover the following:

1. Internal Audit is responsible to carry out the audit process in line with the prevailing audit standards and code of ethics, allocating audit resources effectively and efficiently, enhance the professionalism of auditors and undertake quality assurance programs in discharging the duties and management of the Internal Audit Unit;
2. Internal Audit is responsible for safeguarding classified materials, documents and information related to the audit assignments and audit findings reporting in line with information confidentiality policies of the Company as set by the BOD and Auditor's Code of Ethics;
3. Internal Audit must receive the approval of the President Director with respect to the annual audit plan and the planned development of the audit organization;
4. Internal Audit must report to the President Director pertaining to information related to the audit findings;
5. Internal Audit is prohibited from carrying out double duties including the operational activities of the Company and those of Subsidiary Entities.

Internal Audit Structure

The structure of the Internal Audit Unit comprises of four departments, namely Department of Investigative Audit, Department of E&P Audit, Department of non-E&P Audit, and Department of Audit Support and Administration, as follows:



Execution of Internal Audit Works

In 2012, Internal Audit carried out 12 general audits and two special audits on Subsidiary Entities. The audit findings have been responded by the auditees by 90% and followed up by auditees by 70%.

In order to expedite and enhance the follow-up to audit findings, the Internal Audit Division cooperates with the Information System Division to develop the Audit Tracking application that has been in effect since December 2012.

Internal Control System

Pursuant to the implementation of the Company's GCG, MedcoEnergi continues to develop an internal control system that is designed to safeguard the Company's assets and investments.

This Internal Control System comprises of:

a. An internal control environment that is disciplined and structured within the Company;
b. Assessment and management of business risks;
c. Control activities;
d. Information System and Communication; and
e. Monitoring.

Evaluation on the Effectiveness of the Internal Control System

Each division of the Company and Subsidiary Entities undertakes an Internal Control System over every dutie and authoritie of the respective divisions which are then evaluated by Management.

The evaluation results of the execution of the internal control system constitute one of the main evaluation by management of the system'seffectiveness in order to pinpoint improvements and enhancement to the system or policies that would enable the management to carry out operations more effectively, in terms of finance or operations.

Independent Accountants

The Company has appointed the external auditors that have been approved by the AGMS of the Company on 9 May 2012, namely the Public Accounting Firm Purwantono, Suherman & Surja, a member firm of Ernst & Young Global Limited, to perform the audit on the Company's Financial Statement for financial year 2012 based on the recommendation of the BOC, and being a Public Accounting Firm that is registered with Bapepam-LK. The total fee for the audit of the Consolidated Financial Statements of 2012 amounted to US$685,000.

The Public Accounting Firm of Purwantono, Suherman & Surja, member firm of Ernst & Young Global Limited, has been the Company's auditors since financial year 2010. Said Accounting Firm has carried out its duties independently in line with the professional standards of public accountants, and the work agreement and audit scope that has been agreed. Said Accounting Firm does not provide any other consultancy service to the Company.

Code of Ethics

Pursuant to the commitments of the BOC and BOD to implement GCG of the highest standards, the Company has set a Code of Ethics and Code of Conduct that is based on the Company Values, namely, Professional, Ethical, Open, Innovative, which have been instilled since 2004. The implementation of GCG forms a key part of the Company's vision to become the Energy Company of Choice for employees, shareholders, investors, partners, and the general public.

Content of Code of Ethics

The Company has estabished a statement on a code of conduct in line with the values of the Company that serves as the guidelines for the BOC, BOD and each and every employee at all levels of the organization to behave ethically and responsibly in carrying out their duties and responsibilities consistently. In addition, the Code of Ethics is communicated to all contractors, vendores, suppliers, partners as well as guests of the Company.

The Code of Ethics sets forth the positive conducts of the BOC, BOD and all employees in the best interest of the Company.

Specifically, the Code of Ethics and Code of Conduct of the Company cover the interest of employees, safety health and environmental aspects, protection of Company assets and its financial integrity, respect for business partners, while also protecting the interest of the general public and government.

Code of Ethics Throughout the Organization

The Company requires all employees, BOC, and BOD to undertake their roles and responsibilities in line with the Code of Ethics, Code of Conduct, and the Values of the Company.

Implementation and Upholding of the Code of Ethics

In implementing and upholding the Code of Ethics, MedcoEnergi has formulated policies that include the Guideline for GCG Implementation and Code of Conduct. These guidelines contains instruction by which to act correctly when interacting with stakeholders.

GCG as a Corporate Culture

Since the implementation of GCG within the Company, the BOC, BOD, and all employees must adhere to the practices of GCG in MedcoEnergi.

In 2012, the Company continued to instill the commitment and required all BOC, BOD, and employees to sign and submit an annual electronic adherence form through the BPM. By signing on this adherence form, the BOC, BOD, and employees have made GCG a personal commitment and also ingrained it as a culture within the Company.

Whistleblowing System

In order to strengthen the implementation of GCG principles and internal control systems, the Company launched a Whistleblowing system in 2010. This system enables the reporter/whistleblower to submit a written report to the Company in a safe and secure manner.

A whistleblowing report comprises disclosures on fraudulent activities, transgression of rules, unethical and immoral behavior and such likes that are harmful to the organization and/or stakeholders, which are perpetrated by employees or members of the BOD. This report is addressed to the President Commisioner, President Director, and Head of Internal Audit of the Company. Each report is treated confidentially.

Protection for the Whistleblower

As stated in the Guideline Book on the Implementation of GCG and Code of Conduct, the confidentiality of every report shall be guaranteed and the Company will protect the right and security of every whistleblower from any potential danger or repercussion.

Complaints Handling and Management

In 2011 and 2012, MedcoEnergi received a number of whistleblowing reports from external and internal parties. The Company, through Corporate Internal Audit Division, processed and investigated several of the reports, specifically related to Fraud, Corruption, Breaches of Policy and Conflict of Interest cases.

Results of Complaints Resolution

The company was able to investigate several reported cases and resolved the issues by taking appropriate steps and meting out punishments in line with the GCG manual and Company Regulation.

Reporting Mechanism and Whistleblower Protection

To ensure the independency of whistleblowing report, the Company has engaged with Deloitte Touche and Tohmatsu (Deloitte). The Company limits the reporting of whistleblowing to the following areas: Fraud, Corruption, Breaches of Policy, Conflict of Interest, Financial Statement Fraud, Bribers, Misconduct, and any unethical behavior.

Any one, internally and externally, may file the report on any violation that relates to the above areas to Deloitte through the Company's website: www.medcoenergi.com or intranet or email: lapor-medcoenergi@tipoffs.com.sg. Following the acceptance of the report, Deloitte is obliged to screen and categorize the reports and may require more information and supporting documents from the whistleblower. Once all the necessary information and supporting documents are obtained, Deloitte will report and submit the complete reports to the President Commissioner, President Director and Head of Corporate Internal Audit. The Company will process the complete reports and conduct the necessary investigation thoroughly. Once the investigation is completed, the Company, through Deloitte, will announce the results of the investigation.

As stated on the Company's GCG and Code of Conduct, any whistleblowing report will be treated confidentially and the Company will protect the right and security of the whistleblower from any potential friction.

Employee Stock Option and Management Stock Option Program (ESOP dan MSOP)

In 2012, the Company was not able to undertake the ESOP and MSOP for employees, Directors, and Commissioners as approved and decided upon by the EGMS of 27 May 2010, in which the offered shares amounted to a maximum of 166,622,572 shares from the Company's treasury stock.

Litigation

i. Hamzah Bin M. Amin's lawsuit pertaining to Block A PSC.

   In September, 2008, Hamzah Bin M. Amin and five other villagers (Plaintiff) filed a legal claim against PT Medco E&P Malaka (Defendant), a Subsidiary, alleging that land erosion from the exploration activities by Asamera Oil, the previous owner of the Block A PSC in Alur Rambong I well, resulted in material damage to the Plaintiffs' land. The case was registered at Idi District Court. The Plaintiffs demand that the Defendant, as the operator of Block A, should pay compensation from land erosion totaling approximately Rp4.8 billion. MedcoEnergi's portion is 41.67% (in line with participating interest in Block A PSC) of the possible total compensation, or approximately Rp1.99 billion. The District Court has issued its decision ordering the defendant to return the field in its original condition. Responding to the ruling, the plaintiff and defendant are now seeking cassation at the Supreme Court level.

   Based on the decision of the Supreme Court No. 431K/Pdt/2011 on May 31, 2011, the Plaintiff's appeal was rejected and to date, MedcoEnergi has not made any provision for the claim.

ii. Partner Selection to Invest in the Donggi Senoro Project
The Commissioners' Panel of Commission for the Supervision of Business Competition (KPPU) decided on January 5, 2011 that MedcoEnergi, together with its business partners, PT Pertamina (Persero) ("Pertamina") and Mitsubishi Corporation ("Mitsubishi"), have allegedly violated Articles 22 and 23 of the Law No. 5 Year 1999 concerning Prohibition on Monopolistic Practices and Unfair Business Competition (Law No. 5/1999).

In its decision, the KPPU Commissioners' Panel, among other matters, imposed on MedcoEnergi an administrative penalty in the amount of Rp6 billion. However, the Commissioners' Panel's decision does not nullify or stop the ongoing business consensus and even recommends to the Government to encourage the Donggi Senoro Project to be accomplished within the planned project time frame.

In regard to the KPPU's decision which is not yet legally final and binding (in kracht van gewijsde), on January 31, 2011, pursuant to the Law No. 5/1999, MedcoEnergi officially filed an objection to the District Court. However, on November 17, 2011, the Central Jakarta District Court rejected the submission of the objection by MedcoEnergi, Pertamina and Mitsubishi regarding the said KPPU's decision.

In regard to the decision of the Central Jakarta District Court, which is also not final and binding (in kracht van gewijsde), on January 25, 2012, MedcoEnergi officially submitted the memorandum of cassation to the Supreme Court through the Central Jakarta District Court.

Based on website http://kepaniteraan.mahkamahagung.co.id, it was known that on July 30, 2012, the Supreme Court has decided to grant the memorandum of cassation filed by MedcoEnergi with PT Pertamina (Persero) and MC. Thus, this Supreme Court decision cancels the decision of the District Court of Central Jakarta and the above decision of the KPPU. As of the date of the completion of the consolidated financial statements, MedcoEnergi has yet to receive the copy of the said Supreme Court decision. Nevertheless, management believes that the decision issued by the Commissioners' Panel on MedcoEnergi has no strong legal merit, and as such, MedcoEnergi has not made any provision for the litigation.

iii. Legal Claim of PT Permata Alchemy Sejahtera
In 2011, PT Permata Alchemy Sejahtera (Plaintiff) filed a law suit against PT Medco E&P Rimau (Defendant) in the South Jakarta District Court for unlawful act regarding the execution of the contract No. 3510002608 about technichal service, procurement, and construction contract of work of clean water facility and production facility for Enhanced Oil Recovery Project in Kaji field, Rimau, South Sumatra. The plaintiff demanded that the defendant pay compensation for material and non-material loss of approximately Rp23,6 billion and Rp1trillion, respectively. PT Medco E&P Rimau is currently considering to sue and request for compensation from the plaintiff for the damage and potential losses related to the delay in the implementation of the contract. The case is being processed in the South Jakarta District Court. On June 21, 2012, the lawsuit of PT Permata Alchemy Welfare (Plaintiff) against PT Medco E&P Rimau (Defendant) with Registration No. 537/

Pdt.G/2011/ PN.Jkt.Sel. at the South Jakarta District Court was disqualified by the judges. PT Medco E&P Rimau believes that the legal case filed by the Plaintiff has no strong legal basis. Accordingly, no provision for the litigation was recognized in the consolidated financial statements.

iv. Legal Claim of PT Rio Kurnia Pratama
In 2011, PT Rio Kurnia Pratama (Plaintiff) filed a lawsuit against PT Medco E&P Rimau Defendant), a Subsidiary, in South Jakarta District Court. The plaintiff demanded that the defendant pay compensation of Rp9.2 billion for material losses and Rp50 billion for nonmaterial losses. The plaintiff claimed that the defendant did not comply with the law in regard to the termination of Contract No. 3510002261 for transportation of crude oil from Sei Karas, Ukui, Kayu Ara to the Terminal. The Defendant believes that the termination of the contract was in accordance with the agreement. Based on the results of the judges' deliberation, the judges of the South Jakarta District Court on July 2, 2012, decided that the Court has no authority to prosecute this case. PT Medco E&P Rimau believes that the lawsuit filed by the Plaintiff has no strong legal basis, therefore no provision for the lawsuit was recognized in the consolidated financial statements.

v. Arbitration against PT Pertamina (Persero) and PT Pertamina EP
On June 7, 2012, PT Medco E&P Indonesia and PT Medco E&P Kalimantan (Medco) filed an arbitration case based on International Chamber of Commerce (ICC) Rules of Arbitration against PT Pertamina (Persero) and PT Pertamina EP, with respect to unpaid invoices amounting to US$3.5 million related to MedcoEnergi's entitlement of the TAC East Kalimantan before the handover of TAC East Kalimantan from Medco to PT Pertamina (Persero). On July 10, 2012, PT Pertamina (Persero) filed a lawsuit against Medco and PT Pertamina EP (codefendant) because that involved PT Pertamina (Persero) as a Respondent in the arbitration court, whereas MedcoEnergi and PT Pertamina EP knew that PT Pertamina's position is no longer as part of the Technical Assistance Contract (TAC). In its lawsuit, PT Pertamina (Persero) asks MedcoEnergi to revise the arbitration case and pay both material and immaterial compensations amounting to Rp200 million and Rp5 billion. On August 31, 2012, based on the minutes of meeting between MedcoEnergi and PT Pertamina EP, both sides agreed to create a Settlement Agreement which states that PT Pertamina EP agrees to pay the invoice. In return, MedcoEnergi will withdraw the arbitration case against PT Pertamina EP and PT Pertamina (Persero) after its receipt of the invoice payment. On the other hand, PT Pertamina EP will ask PT Pertamina (Persero) to revoke the aforementioned lawsuit. PT Pertamina (Persero) has formally withdrawn the arbitration case and the District Court of South Jakarta has issued the final decision which is binding on November 21, 2012.

vi. Arbitration against Singapore Petroleum Sampang Ltd (SPC) and Cue Sampang Pty Ltd (Cue)
On August 10, 2012, Medco Strait Services Pte Ltd, a Subsidiary, served a Notice of Arbitration to Singapore Petroleum Sampang Ltd (SPC) and Cue Sampang Pty Ltd (Cue)

to recover its claims from these two parties totaling about US$35.06 million relating to the Subsidiary's investment in the Jeruk Project. As of the completion date of these consolidated financial statements, there has been no significant progress on this case.

vii. Muslim A. Gani Law Suit for Land Acquisition Matang Project

In December 2011, Muslim A. Gani and two other villagers (Plaintiff) filed a legal claim against PT Medco Energi Internasional Tbk (Defendant), relating to land acquisition by the Defendant in Matang. The case was registered at Idi District Court, Aceh. The Plaintiff demanded that the Defendant pay compensation for the land acquisition totaling Rp1.05 billion. Management believes that the claim has no strong legal basis, accordingly, no provision for such claim was recognized in the consolidated financial statements.

viii. Law Suit by PT Mira Mirza Samarinda Samudra

A legal claim against PT Medco E&P Indonesia (Defendant I) and PT Pertamina EP Region KTI (Defendant II) was filed by PT Mira Mirza Samarinda Samudra (Plaintiff) at the Tenggarong District Court. The claim was filed against Defendant I when Defendant was acting as the operator based on a Technical Assistance Contract (TAC). The TAC had ended and the operatorship transferred to Pertamina EP in October 2008. The substance of dispute involves a claim by Plaintiff of Rp 1,180,000,000 for an incident involving a boat that was chartered by Defendant I from Plaintiff for the purpose of operations under the TAC.

The Tenggarong District Court decided that the claim by Plaintiff was not acceptable and Plaintiff appealed against this decision to the Samarinda High Court. This law suit is currently under investigation by the Samarinda High Court.

ix. Law Suit of M. Nur AB and Jamaluddin Rani

A law suit by M. Nur AB and Jamaluddin Rani (Plaintiff) was filed against PT Medco Energi International Tbk (MEI) at the Idi District Court, however this case was represented by external lawyers for and on behalf of MEI and PT Medco E&P Malaka as Defendant. Plaintiff claims that Defendant acted against the law in the process of land clearing at Blang Simpo Village, Perureulak, Matang-1, East Aceh. Plaintiff is claiming for compensation of Rp 1,050,000,000 for material loss. To date, the case is still under investigation by the Idi District Court.

Statutory Report

Risk Management

The Company's commitments to strengthen GCG practises are manifested by managing risks in every aspect of the Company's activities and functions.

Risk Management

Risk management is part of the responsibility of Company management and is an integral part of the decision making process of the Company. Risk management also constitutes a key pillar in the implementation of GCG. The commitments of the Company to enhance GCG practices are manifested in the management of risks in every activity and function of the Company.

The Company has formed a Risk Management Committee (RMC) that is responsible for monitoring the implementaion of risk management that is based on reviews and risk assessments. The initiatives for risk management are carried out by the Division of Corporate Investment/Divestment and Risk Management, in which this division coordinates all risk management activities that exist in the Company and Subsidiary Entities. This division coordinates assessment activities and monitoring of strategic risks as well as the operating risks of the Company and Subsidiary Entities.

Risk Management is carried out by the Company towards a strategic corporate action or new initiative by the Company in the financial and operational areas, using an integrated process and system that begins with the reviewing of any strategic corporate action proposal in line with the business strategy and plan of the Company. The next step is to assess the economic viability and undertake extensive due diligence on the risk profiles including mitigation plan and risk monitoring. Risk mitigation is measured on the basis of cost-benefit considerations that is sorted by the target priority of the Company. Subsequently, RMC will review the process thoroughly and extensively and give its recommendations to the BOD for the approval of management and BOC. The assessment of risks and their mitigation are part and parcel of the decision making process of Management.

Principles of Risk Management

For businesses that are managed by the Company, the Risk Management Policy sets forth the princples of risk management as follows:

1. The Company's Management identifies and is aware of all inherent risks in all activities, whether strategically or operation wise. Risk management is part of the responsibility of Management and an integral part of the decision making process within the Company.
2. Management supports the disclosure of risk in a transparent manner by all personnel of the Company.
3. Risk management is treated by Management as part of the Company's corporate culture.
4. By having the best information to make informed decision, Management can prioritize Company activities and differentiate between several alternatives to arrive at a particular action with mitigated risks in order to achieve Company goals.
5. Risk mitigation is determined based on its cost and benefit and is sorted based on priorities with respect to Company goals.

6. The Assessment of risks and their mitigation forms an integral part of the decision making process.
7. Risk management continues to be enhanced and upgraded in order to ensure the sustainable development and growth of the Company.
8. Risk management is practiced within the Company in oder to help the Company achieve its goals optimally, in the interest of all stakeholders in a just and fair manner in accordance with the environment in which the Company operates.

The implementation of risk management is not just in the interest of adherence to GCG, but to actually benefit from having the insight to identify certain conditions that may pose a danger to the business continuity of the Company, if and when risks are not properly identified, managed and mitigated.

Key Risk Factors and Their Management

Throughout 2012, the Company assessed, managed, mitigated, and monitored risks that are inherent in all facets of its operations. These inherent risks have not significantly changed from those faced by the Company in the previous years.

The operations of MedcoEnergi is faced with a number of risks, in which a number of these risks are beyond the control of the Company and could affect the business continuity of the Company if they are not managed properly and adequately.

The following discussion analyzes certain key risk profiles of the Company and the strategic management thereof, which can be categorized into several factors:

1. Risk Factors from Type of Core Business

The Company has the core business of exploration and production (E&P) in the upstream part of the oil and gas business. The Company's main revenue source is the proceeds from the sale of oil and gas that are produced by the Company from oil and gas fields located in various parts of the world.

The Company strives carefully to obtain optimum production of oil and gas in line with business plan and estimated reserves of the production assets. The goal is to manage these assets in line with their estimated lifespan, such that assets are managed prudently according to expected economic viability. If the economies of scale of every oil and gas field under the management of the Company can be achieved, the long term sustainability of the Company is assured and the Company can grow to the expectations of its stakeholders.

The folllowing is the list of the risks facing the Company as an oil and gas Company:

a. Risk of Declining Reserves
The risk faced by an oil and gas company is declining reserves of oil and gas as continuous production depletes reservoirs. The success of the Company's

performance is based on the ability of the Company to maintain the production replacement/increase its proven reserves over the long term. Efforts to manage this risk include the enhancement of the technology for reserves mapping and its interpretation, certification by competent independent consultants, as well as the enhancement of human capital. In addition, the Company also seeks opportunities to acquire new oil and gas assets from year to year.

b. Exploration Risk
   Exploration activities in oil and gas are exposed to risks in which there is a possibility that no new oil or gas reserves are found, or that oil and gas reserves are found in less than commercial quantities that can provide gains to the Company. To mitigate this risk, the Company carries out all phases of development carefully and prudently, from the initial study of G&G (Geology and Geophysics), seismic, determination of point of drilling, cost estimate to economic feasibility. In addition, the Company strives to keep up with advancing technology and develops its own technology and standards in order to benefit from the use of internal resources as well as trained consultants who are experts in their respective fields. Starting in 2011, the Company has specifically appointed someone at the equivalent level of Director to manage exploration exclusively as part of the strategy to increase reserve life index by carrying out high quality exploration acitivities.
c. Development Risk
   The Company's development activities are exposed to several risks that are associated with the Company's ability to complete projects up to commercial operation, such as the risk of project delays, technical risks, and cost overruns. To mitigate this risk, the Company has placed a Director of Development since 2011 to ensure the completion of Major Development Projects according to schedule and budget of the respective project. In 2012, the Company continued its focus on the completion of Senoro, DSLNG, Libya 47, Block A, and EOR Rimau projects within their respective targets.
d. Production Risk
   Declining production is one of the risks faced by an oil and gas company. Moreover, the Company also faces other risks such as accidents, leakages, oil spills and fires that could cause damage to the wells. The Company has managed this risk suite well, with its success in maintaining the level of production of oil and gas over the past several years. The Management, under the guidance of the Director of Operations, has identified, mitigated and monitored all risks that can hinder production targets. These measures are carried out continuously through daily production reports, safety health and environment reports, and daily production meetings. Efforts by the Company to maintain the level of production include maintaining reservoir pressure, the use of sand fracturing technique, drilling of infill wells, horizontal drilling and application of secondary recovery techniques with high standard of SHE to maintain operational stability in the fields. The Company has also utilized advanced technology such as EOR (Enhanced Oil Recovery) in order to lift more oil, in addition to seeking opportunities to acquire producing assets.

If there is any indication from the daily reporting that points to certain risks, the BOD can immediately take mitigating steps and alternative measures before the risk actually realizes.

2. Risk Factors from Auxillary Businesses

In addition to its oil and gas E&P business, the Company also develops businesses in downstream oil and gas, renewable energy, rig rental services, coal mining, and power generation.

In downstream oil and gas, the Company has several businesses including trading in High Speed Diesel (HSD), LPG processing and gas distribution pipeline network.

In the trading of HSD, the Company has an operating margin that is highly sensitive towards fluctuating foreign currency exchange rates as well as the volatile price of HSD itself. In 2012, the Company invited a strategic partner, Puma Energy, which is a Subsidiary Entity of Trafigura Beheer BV, one of the largest commodity traders in the world. With the presence of Puma Energy, the Company can share its risks against currency exchange rate and HSD price volatility by expanding scale of economies and diversifying into other products in addition to HSD.

In the processing of LPG, the Company faces the risk of diminishing gas supply from the Kaji-Semoga field in the Rimau Block. The Company is assessing the relocation of the LPG refinery to another gas field location, in addition to weighing the option of engaging in a partnership with a party that has access to gas supplies.

In the business of gas distribution, the main risk is possible damage to the pipeline that can disrupt distribution of gas to customers. The Company mitigates this risk through adequate insurance coverage.

In the renewable energy, the Company owns an ethanol producing plant that uses cassava as raw material. A major risk of this business is the availability of raw material supplies that need to be continuous with stable pricing, the absence of which can hinder the continuity of production as well as a decline in the economic viability of the plant. The Company has anticipated such risks by using molasses as alternative raw material, and seeking for partnership opportunities with those who possess access to raw materials.

The Company owns a rig rental service and coal mining business. From the beginning, the process of establishment of these businesses have undergone rigorous risk assessments. Following extensive due diligence, Management is convinced that the risks are commensurate with the amount of sales contract that the business can generate. Whereas other risk factors such as damage to production equipment and other disruptions can be adequately covered by insurance.

In power generation, the Company manages its risks through a strategic partnership with PT Saratoga Power (Saratoga). Through the joint venture MPI, the Company together with Saratoga have built, managed, and produced electricity that is distributed and sold to the State Power Company (PLN). MPI operates gas-fired power generating plants, using fuel sources that are available in various parts of Indonesia. MPI has anticipated and mitigated risks associated with power generation, including damage to the generating unit, a spike in the price of gas, currency exchange rate volatility, by having favorable clauses in the Power Sale and Purchase Agreement, Gas Supply Agreement and Maintenance Contracts with PLN, the gas supplier and equipment manufacturers, respectively, in addition to relying on insurance coverages.

3. Financial Risk Factors

The global economy is affected by the dynamics of global markets, especially related to changes in the price of crude oil, currency exchange rates and interest rates, domestically as well as internationally. The risks of crude oil price, interest rates, and currency exchange rates can materialize into downside risks if the Company should fail to manage these risks properly and adequately.

a. Crude Oil Price Risk

The risk associated with the global price of crude oil has been faced by the global energy market for many years. With oil and gas businesses predominantly structured through PSC and PSA contracts, the Company shares this risk with the governments where MedcoEnergi operates. In addition, the Company also produces gas for the domestic market, in which the price of gas is determined through a formula that is not related to the global price of crude oil. With the production of gas for the domestic market, the Company is not exposed to the fluctuation of global crude oil price.

b. Interest Rate Risk

The Company is exposed to interest rate risk, the fluctuation of which may affect the financial cost of the Company with respect to its debt instruments and bank borrowings, especially when financial liquidity is tight. The Company manages its interest rate risk by closely monitoring domestic and international money markets. A strategy of financing with lower interest-bearing instruments is applied to settle debts of higher interest-bearing. This reduces the financial cost of the Company in the short-term as well as long-term. The Company has several alternatives of financing to realize its financial needs whether through bonds, bank borrowing or project financing and other means of financing in Rupiah or foreign currency denomination. The ability to analyze financial markets and obtain the best mix of financing alternatives becomes a strategic tool for the Company to manage its interest rate risk prudently.

c. Currency Exchange Rate Risk

The Company has businesses in diverse regions other than Indonesia, including in Oman, Libya, Yemen, and the United States. Exploration and production activities in various countries are exposed to potential currency exchange risk from the volatility of local currencies.

The revenues and a large portion of the Company's expenses are stated in US Dollars, just as the accounting of the Company uses US Dollar denomination. Operating expenses and some liabilities, including the Company's debts in Rupiah and other currencies, are exposed to currency exchange rate risk of the particular currency against the US Dollar. In mitigating these risks, the Company continuously monitors and reviews the security and economic risks in the region in which the Company operates, and resorts to financial hedging coverage if and when the risks should escalate near the maximum tolerance level of the Company's risk exposure.

4. Risks Factors Related to Government Regulation/Policy, Legal and Regional Security
   a. Risks related Government Regulation/Policies could have a direct impact on the Company's oil and gas, power generation, downstream, mining and renewable energy businesses. These businesses are considered strategic in certain countries, such that regulations and supervision on these businesses are undertaken by the govenment itself through, regulation, legislation, and other forms of government controls. The Company manages these risks among other things by actively providing inputs to the government in relation to legislation reforms and formulation of government policies. In addition, the Company is also active in energy industry associations and interest groups related to the Company's businesses. These efforts are taken in order to keep updated on information with regards to possible changes in laws, regulations and government policies.
   b. Legal risks in the form of law suits and litigation related to partnerships with other parties and/or relations with local communities in which the Company operates. The Company mitigates these risks among other things by undertaking CSR programs that benefit local communities, including social empowerment programs, education, and infrastructure development. In addition to that, the Company also strives to maintain open communications with local communities as well as with the Company's business partners.
   c. Regional Security Risk in countries where the Company operates is continuously monitored closely by Management by engaging consultants as well as in consultation with the Company's advisors. These efforts also include forming close ties with local companies and participating in social and informal inter-country friendship programs.

5. Risk Factors in Safety, Environment, and Natural Disasters
   a. Environment risks as a result of oil and gas blowouts and fire can result in potential damage to third parties in which the Company will be liable for damages to properties and lives. The Company seeks to reduce the possibility of these risks by adhering to rigorous and fixed standard operating procedures as well as through adequate insurance coverages.
   b. Operational Safety and Health Risks
      The safety and health of employees or people engaged in the Company's operations are the number one priority for the Company. Management seeks to mitigate safety and health risks by enforcing strict adherence to standard operating procedures, increasing awareness on safety issues (safety first) among personnel through training programs, as well as providing guidelines and strong enforcement of these programs. The Company also subscribes to insurance contracts that adequately covers any liability that may arise from these risks.
   c. Risk of Natural Disaster

The operation of the Companies is diversely located in Indonesia and other countries such as Libya, Oman, United States. The oil and gas E&P of the Company in those locations are subject to natural disasters such as tropical storms, hurricanes, earthquakes, tsunamis, floods, and well blow-outs and other calamities that may have an adverse impact on the Company's operations.

Insurance Coverage on Company Assets

To protect the operational activities and assets of the Company from possible liabilities or damages that may arise as a result of the above risks, MedcoEnergi takes out insurance policies to cover its operations and assets. Insurance coverages include the protection on production facilities and supporting equipment of the MedcoEnergi and its Subsidiary Entities, continuously evaluated to assess changes in the risk involved. MedcoEnergi and its Subsidiary Entities are covered by the following insurance policies:

1. **Energy Package Insurance Policy**
   This insurance covers the risk of potential loss to operational assets related to the production facility and machinery of oil and gas exploration and production activities. Those assets include the Company operations in the United States of America, Yemen, Libya and Oman, with an insurance value of US$268 million.
2. **Comprehensive Machine Insurance Policy**
   This insurance covers the risk of potential loss to operational assets related to the production facility of downstream industry such as LPG production, Methanol and High Speed Diesel trading. In 2010, the insurance value of this policy amounted to US$64 million.
3. **Marine Cargo Insurance Policy**
   This insurance policy covers the risk of potential loss to assets in the form of cargo transported using the vessel in its distribution, specifically the High Speed Diesel cargo of the Company's subsidiaries. In 2010, the insurance value of this policy amounted to US$6.5 million.
4. **Contractor Plant and Machinery Insurance Policy**
   This insurance policy covers the risk of potential loss to assets in the form of equipment and machinery facilities in the Company's subsidiaries activity in drilling services. The insurance value of this policy amounted to US$32 million.
5. **Third Party Liability Insurance Policy**
   This insurance policy is intended to cover the loss that the Company has to compensate for, which resulted from litigation from a third party in relation with operational activity and its excesses. Up to 2010, the insurance value of this policy amounted to US$207 million.

Statutory
Report

Management's Discussion and Analysis

Success in growing operating profit by MedcoEnergi in 2012 underlines the commitment of the Company to realize sustainable growth from year to year.

Management's Discussion and Analysis

The Company posted an operating profit of

14,9%

US$253million

MedcoEnergi posted an operating profit of US$253.19 million in 2012, an increase of 14.91% from US$220.33 million in 2011.

MedcoEnergi is satisfied with its performance in 2012. The renewed commitments of Management to focus on the oil-and-gas business have produced better results of operations compared to 2011. This is underscored by the increase of the Company's EBITDA from US$323 million in 2011 to US$341 million in 2012, an increase of 5.73%. Moreover, the achievement proves that the commitments of the Company to sustain growth from one year to the next have been realised.

Net Oil & Gas Sales

In 2012, MedcoEnergi posted US$873.03 million in oil-and-gas sales, higher by 9.06% than last year's sales of US$800.48 million. The primary contributor to this growth was the higher realised price of crude oil of US$115.89/barrel in 2012, compared to US$113.82/barrel in 2011. In addition, the Company was able to increase its average sales price for gas in 2012 to US$4.03/MMBTU, from previously US$3.74/MMBTU in 2011. For amended contracts signed in 2012, the Company achieved further improvement in the price of gas, at least 25% higher than the previous price.

Sales of Oil and Gas

(million US$)

Sales and Revenues from the Other Energy Related and Services Businesses

From other energy related businesses, the Company posted total sales and revenues of US$36.02 million in 2012, an increase of 108.92% from US$17.24 million in 2011. The increase was contributed by a subsidiary entity, PT Medco Energi Mining Internasional (MEMI), which is engaged in the mining of coal that produced sales revenue of US$9.09 million in 2012, as well as from an increase in revenue contribution from the drilling services of PT Exspan Petrogas Intranusa, another subsidiary entity, of US$9.19 million in 2012.

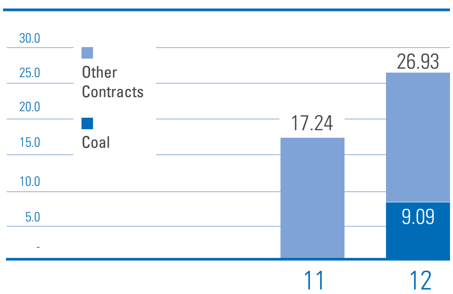
Gross Profit & Gross Profit Margin

In 2012, the Company strove to operate its businesses effectively and efficiently. MedcoEnergi succeeded in arresting cost escalation to its sales and other direct costs in 2012 to just 9.85%. MedcoEnergi posted total consolidated cost of sales and other direct costs of US$512.82 million in 2012 compared to US$466.83 million in 2011. The largest contributor came from the cost of production and distribution of oil and gas, which grew by 9.06% from US$279.93 million to US$326.94 million. This was mainly due to additional operating costs from Block 9 in Yemen that was acquired by the Company on 1 January 2012.

The Company continued to develop other related energy businesses through strategic partnerships, which is also part of an effort by the Company to mitigate operational and financial risk by reducing exposure to potential loss. With the growth of this business unit, cost of sales and other costs increased by 70.12% to US$32.25 million in 2012 from US$18.96

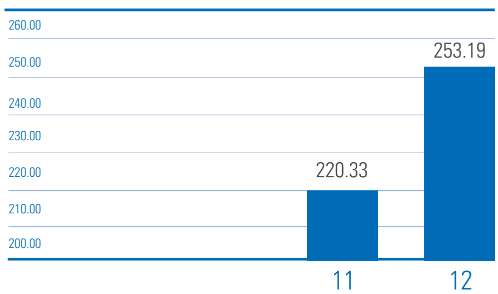
Sales of Other Energy Related

(million US$)

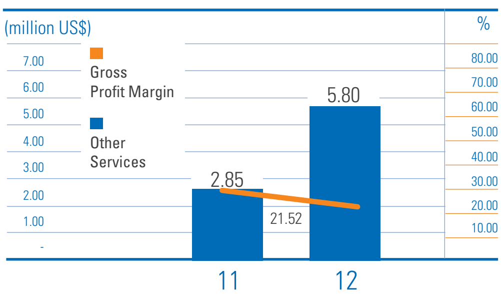


Operating Profit

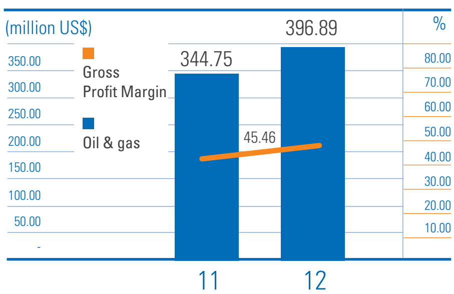
(million US$)



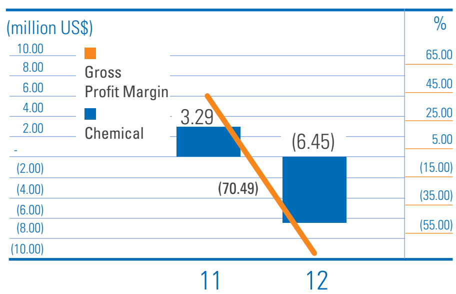
Gross Profit & Gross Profit Margin



Gross Profit & Gross Profit Margin



Gross Profit & Gross Profit Margin



million in 2011. The increase was primarily due to the production and sales of coal by PT Medco Energi Mining Internasional that have started operations in 2012.

All told the Company achieved a gross profit of US$396.23 million in 2012, which is 12.92% higher than US$350.88 million in 2011. The increase in gross profit margin brought a corresponding increase in the Company's gross profit margin to 43.59% from 42.91% in 2011. The oil and gas segment achieved a 15.12% growth in gross profit to US$396.89 million in 2012, up from a gross profit of US$344.75 million in 2011. This translated into an increase of gross profit margin to 45.46% in 2012 compared to 43.07% in 2011.

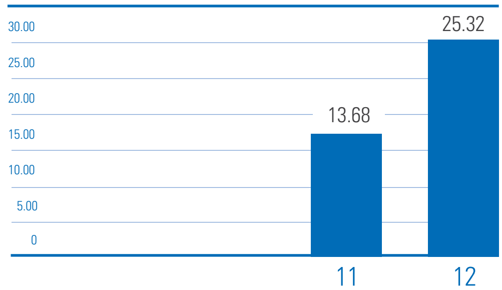
The chemical and other petroleum products segment posted an increase in sales of 5.89% from US$8.58 million in 2011 to US$9.09 million in 2012. However, there was an increase of direct cost from the sales of chemical products of 193.28% from US$5.29 million in 2011 to US$15.54 million in 2012. As a result, gross profit margin declined to minus 70.94% in 2012 from 38.28% in 2011.

Sales, General and Administration Expenses

The Company recorded an increase in total sales and G&A expenses by 9.57% from US$130.55 million in 2011 to US$143.04 million in 2012, the main reason of which was the significant increase of the Company's total sales, which also increased the operational cost of the Company in 2012.

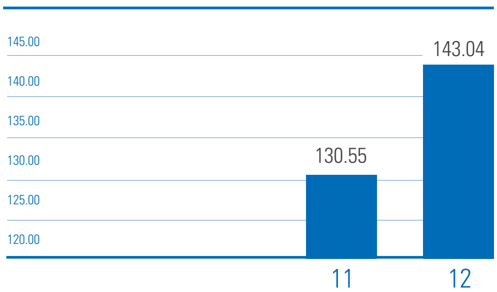
Other Income

(million US$)



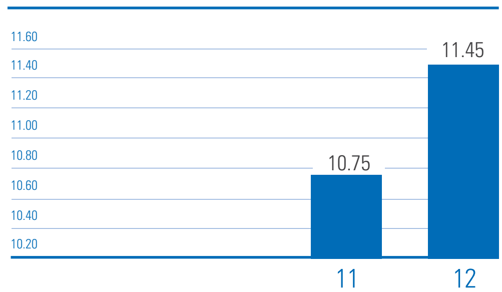
Operating Expense

(million US$)



Other Expenses

(million US$)



Operating Profit

MedcoEnergi posted an operating profit of US$253.19 million in 2012, an increase of 14.91% from US$220.33 million in 2011. As a result, operating profit margin increased to 27.85% in 2012 compared to 26.94% in 2011.

Other Revenues (Expenses)

In 2012, other revenues increased by 85.09% to US$25.32 million from US$13.68 million in 2011. The increase was derived mainly from gains made on short-term investments as well as from foreign currency translation.

Other expenses of the Company rose only by 6.49% to US$11.45 million from US$10.75 million in 2011, whereby the increase was mainly incurred from the cost of the adjustment of fair value from a hedging transaction by the Company.

Other Comprehensive Revenues After Tax

The account of Other Comprehensive Revenues After Tax arose in post accounting rule PSAK No.1 (Revision 2009) on the Accounting of Financial Statements effective 1 Januari 2011. Other Comprehensive Revenues After Tax comprised of:

- ### Foreing Currency Translation in the Financial Statements

  In 2012, Foreign Currency Translation in the Financial Statements produced gains of US$0.48 million, an increase of 123.67% from a loss of US$2.02 million in 2011. The gains were derived from the weakening Rupiah exchange rate to the US Dollar in 2012, such that the liabilities of Subsidiary Entities that report their financial statements in Indonesian Rupiah declined.

- ### Fair Value Adjustment on Hedging Instruments over Cash Flow

  In 2012, the Company sought to protect its cash flow by hedging several liability instruments including a Rupiah Bonds totaling Rp2 trillion and Bank Debts amounting to Rp1.4 trillion, with a fair value that was recognised in the Company's profit and loss statements of minus US$13.24 million.

- ### Profit Attributable to Minority Interests

  Profit Attributable to Minority Interests increased by 21.60% to US$6.26 million in 2012 from US$5.15 million in 2011. The increase was due to additional revenue contribution from the Company's operating block in Oman that increased the share of minority interests from the operating block.

- **Profit that is Attributable to Shareholders of the Parent Entity**

  In 2012, The Company posted profit that is attributable to shareholders of the parent entity amounting to US$12.59 million, a decline of US$78.35 million compared to US$90.94 million in 2011. As a result, the amount of earning per share declined to US$0.0043 from US$0.0309 in 2011.

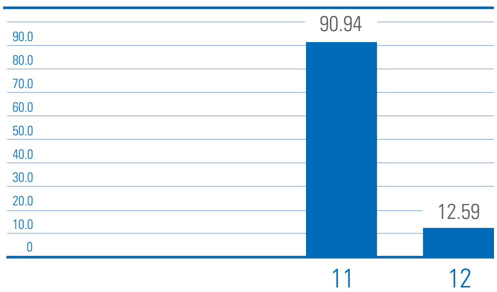
  Net profit of the Company in 2012 was exclusively derived from the net profit of oil and gas bussines that amounted to US$127.11 million. The net profit of the oil and gas bussines declined to US$127.11 million in 2012, from US$154.05 million in 2011. This decline was mainly due to the recognition of loss from impaired assets of US$9.12 million on the asset of PT Medco E&P Merangin, recognition on the recoverability of deferred tax asset amounting to US$5.92 million, and an increase in expenses on production and lifting, marketing and distribution, general and administration.

  In 2012, the Company entered into a strategic partnership for its other energy related business, PT Medco Sarana Kalibaru. The contribution of profit from this transaction amounted to US$5.36 million. In previous year of 2011, the Company undertook the same a similiar deal for PT Medco Power Indonesia, and the divestment of Medco Tunisia Anaguid Limited. Contribution to net profit from this transaction amounted to US$74.36 million.

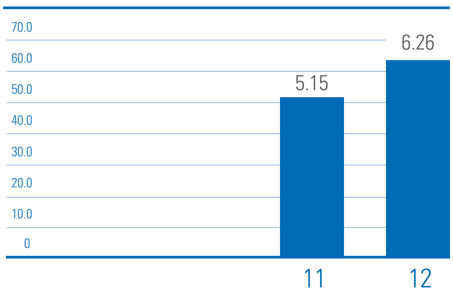
Profitability Ratio

Ratio (%)	2011	2012
Net Profit Margin	26.94	27.85
Return on Assets	3.50	0.40
Return on Equity	10.48	1.49

Profit Attributable to Equity Holders of Parent Company (million US$)



Profit Attributable to Non-controlling Interests (million US$)



Assets

Current Assets

The total current assets of MedcoEnergi declined by 12.13% as of year-end 2012 to US$1,144.66 million from US$1,302.65 million at year-end 2011, mainly due to repayment of Company debts that matured in 2012. Changes in the Company's current assets between 2011 and 2012 were as follows:

- cash and cash equivalent declined to US$523.65 million as of year-end 2012 from US$703.95 million at year-end 2011
- account receivables declined by 27.28% to US$147.13 million as of year-end 2012 from US$202.33 million at year-end 2011
- bank accounts with restricted use declined by 94.69% from US$25.28 million as of year-end 2012 to US$1.34 million at year-end 2011
- inventory declined by 16.48% to US$36.50 million as of year-end 2012 from US$43.70 million as at year-end 2011
- short-term investments increased by 26.03% to US$311.67 million as of year-end 2012 from US$247.30 million at year-end 2011
- other receivables increased by 27.23% to US$79.16 million as of year-end 2012from US$62.22 million at year-end 2011.

Composition of Current Assets

(US$)

Description	2011	Contribution (%)	2012	Contribution (%)	Δ (%)
Cash and cash equivalents	703,951,167	54.04	523,651,774	45.75	(25.61)
Restricted cash in banks	25,278,063	1.94	1,343,426	0.12	(94.69)
Short-term investments	247,304,920	18.98	311,668,012	27.23	26.03
Trade receivables - net	202,328,229	15.53	147,129,298	12.85	(27.28)
Other receiveables - net	62,216,151	4.78	79,157,762	6.92	27.23
Inventories - net	43,704,972	3.36	36,503,594	3.19	(16.48)
Prepaid taxes	9,913,564	0.76	9,379,589	0.82	(5.39)
Prepaid expenses	4,659,566	0.36	4,066,007	0.36	(12.74)
Derivative assets	2,844,957	0.22	-	-	(100.00)
Advance for purchase of shares	-	-	30,080,481	2.63	
Other current assets	447,208	0.03	1,682,237	0.15	276.16
Total	1,302,648,797	100	1,144,662,180	100	(12.13)

Non Current Assets

As of year-end 2012 non current assets increased by 16.68% to US$1,511.18 million from US$1,295.15 million at year-end 2011. Changes in the Company's non current assets between 2011 and 2012 were as follows:

- other receivables increased by 78.17% to US$106.12 million as of year-end 2012 from US$59.56 million at year-end 2011
- long-term investments increased by 47.30% to US$200.54 million as of year-end 2012 from US$136.14 million at year-end 2011
- fixed assets increased by 13.43% to US$120.41 million as of year-end 2012 from US$106.15 million at year-end 2011
- exploration and evaluation assets increased by 20.65% to US$109.55 million as of year-end 2012 from US$90.80 million at year-end 2011
- oil and gas assets increased by 11.62% to US$849.39 million as of year-end 2012 from US$760.95 million at year-end 2011.

Composition of Non Current Assets

(US$)

Description	2011	Contribution (%)	2012	Contribution (%)	Δ (%)
Other receivables - net	59,563,315	4.60	106,121,133	7.02	78.17
Restricted cash in banks	13,518,505	1.04	10,898,277	0.72	(19.38)
Deffered tax assets - net	65,339,990	5.04	59,541,169	3.94	(8.87)
Long-term investments	136,142,400	10.51	200,540,593	13.27	47.30
Investment in projects	30,324,414	2.34	30,324,414	2.01	-
Fixed assets	106,152,549	8.20	120,410,982	7.97	13.43
Exploration and evaluation assets	90,802,201	7.01	109,552,742	7.25	20.65
Oil and gas assets	760,947,154	58.75	849,387,645	56.21	11.62
Other assets - net	32,356,285	2.50	24,401,569	1.61	(24.58)
Total	1,295,146,813	100	1,511,178,524	100	16.68

Total Assets

Total assets as of year-end 2012 amounted to US$2,655.84 million, increasing by 2.23% from US$2,597.80 million as of year-end 2011. Despite the decline of current assets particularly cash and cash equivalent, the increase in non current assets, especially those of oil and gas assets and long-term investments, contributed to the increase of the Company's total assets in 2012.

Cash and Cash Equivalent

This account consists of Cash and Bank amounting to US$261.89 million and Cash Equivalent in the form of Bank Term Deposits that are restricted in their use amounting to US$261.76 million. The composition of Cash and Bank is 6.55% denominated in Indonesian Rupiah and 93.33% denominated in US$, with the remaining 0.12% denominated in other currencies. Cash Equivalent held by the Company was in the form of term deposits that were placed in several domestic and internationsl banks, of which 96.00% was denominated in US$ and 4.00% in Rupiah. The average rates of interest on these US Dollar deposits ranged from 0.05% to 3.25%, while those on Rupiah deposits ranged from 3.50% to 9.25%. In 2012, Cash and Cash Equivalent declined by 25.61% from US$703.95 million primarily due to the repayment of bank loan and other long-term debts totalling US$449.62 million, the increase of fixed assets by US$53.05 million, increase of oil and gas assets by US$161.17 million, increase of exploration and evaluation assets by US$28.04 million, additional short-term investments of US$143.69 million, additional equity investments of US$67.74 million, as well as from the proceeds of net cash inflow from operations of US$209.44 million and proceeds from bank borrowing and other long-term debts totalling US$533.68 million.

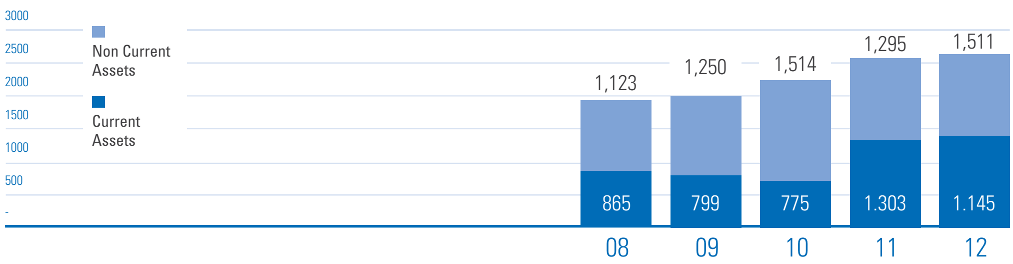
Composition of Cash and Cash Equivalent

(US$)

Description	2011	Contribution (%)	2012	Contribution (%)	Δ (%)
Cash on hand	55,427	0.01	86,239	0.02	55.59
Bank					
Rupiah	9,217,512	1.31	17,151,643	3.28	86.08
United States Dollar	286,598,763	40.71	244,345,159	46.66	(14.74)
Other foreign currencies	21,037	0.00	305,493	0.06	1.352.17
Total bank	295,837,312	42.03	261,802,295	50.00	(11.50)
Cash equivalent					
Time deposits					
Rupiah	16,835,328	2.39	10,476,509	2.00	(37.77)
Dollar	391,223,100	55.58	251,286,731	47.99	(35.77)
Total time deposits	408,058,428	57.97	261,763,240	49.99	(35.85)
Total cash and cash equivalent	703,951,167	100	523,651,774	100	(25.61)

Current and Non Current Assets

(Million US$)



Cash with Restricted Use

In 2012, cash with restricted use declined by 94.69% or US$23.93 million. The decline was mainly due to payment on the second-stage purchase of new shares issued by MPI as part of additional investment by the Company in MPI. While cash with restricted use - non current also declined by 19.38% or US$2.62 million.

Short Term Investment

In 2012, the Company placed an investment on the financial asset of bonds. The asset was recognised as marketable securities and assets under management by an investment manager. Total marketable securities increased by 2.38% to US$4.35 million as of year-end 2012 from US$4.25 million at year-end 2011. Investment in the form of assets under management of an investment manager comprised of equities of listed companies, fixed-income securities/bonds, money-market and other financial instruments. Investment in assets under management of an investment manager increased by 26.44% to US$307.32 million as of year-end 2012 from US$243.06 million at year-end 2011.

Short-term Investments

(US$)

Description	2011	Contribution (%)	2012	Contribution (%)	Δ (%)
Marketable securities - for trading					
Rupiah					
Mutual fund units	3,910,935	1.58	3,919,455	1.26	0.22
Bonds	338,553	0.14	430,972	0.14	27.30
United States Dollar				-	
Managed funds	243,055,432	98.28	307,317,585	98.60	26
Total	247,304,920	100	311,668,012	100	26.03

Trade Receivables - Net

Trade Receivables-Net in 2012 declined in 27.28% to US$147.13 million, from US$202.33 million in 2011, pushed by the decline in receivables from related parties of 53.08% and decline in receivable from third parties of 13.72%. The composition of trade receivables-net in 2012 was 22.23% receivables from related parties, and 77.77% receivables from third parties.

Fixed Assets-Net

Fixed assets-net increased by 13.43% to US$120.41 million as of year-end 2012, from US$106.15 million at year-end 2011. The increase resulted primarily from the purchase of a fixed asset by a subsidiary entity, PT Exspan Petrogas Intranusa, in the form of a rig that will be used in the drilling service provided by the subsidiary entity.

Oil and Gas Assets-Net

Oil and gas assets-net increased by 11.62% to US$849.39 million as of year-end 2012 from US$760.95 million at year-end 2011. The increase resulted primarily from the oil and gas asset of Block 9 Yemen that was acquired by a subsidiary entity, Medco Yemen Malik Ltd., effective 1 January 2012 and the addition of several exploratory and development wells.

Liabilities

Total liabilities as of year-end 2012 amounted to US$1,812.62 million that comprised of 23.84% short-term liabilities and 76.16% long-term liabilities. Total liabilities increased by US$82.49 million, or 4.77%, from US$1,730.13 million at year-end 2011. This was primarily due to an increase in aggregate liabilities, especially long-term liabilities, as well as due to the repayment of several short-term and long-term liabilities durng the year.

Short-term Liabilities

At year-end 2012, short-term liablities declined by 46.75% to US$432.17 million compared to US$811.56 million in 2011. The composition of this short-term liabilities was 13.8% short-term bank borrowing, 22.04% trade payables, 10.9% other payables, 16.71% deferred liabilities, 7.59% tax payables, 2.12% short-term post-employment benefits, 23.89% the portion of long-term borrowings that was due in one year, and 3.68% advances made by third-party customers. The decline of short-term liabilities by US$379.39 million, or 46.75%, was primarily due to the settlement of the portion of long-term borrowings that became due in one year, including bank borrowing amounting to US$379.39 million, medium-term notes of US$24.54 million, Rupiah bonds of US$56.56 million, settlement of short-term bank borrowing amounting to US$61.40 million and payment of tax payables amounting to US$8.77 million.

Short-term Liabilities

(US$)

Description	2011	Contribution (%)	2012	Contribution (%)	Δ (%)
Short-term bank loans	121,399,984	14.96	60,000,000	13.88	(50.58)
Trade payables	113,004,919	13.92	95,264,604	22.04	(15.70)
Other payables	35,430,475	4.37	43,589,966	10.09	23.03
Tax payables	41,569,149	5.12	32,800,113	7.59	(21.10)
Accrued expenses and other provisions	67,516,463	8.32	72,224,141	16.71	6.97
Post-employement benefits obligations - current portion	217,708	0.03	9,153,439	2.12	4.104.46
Current maturities of long-term debts	413,213,453	50.92	103,242,121	23.89	(75.01)
Advances from customers	19,211,686	2.37	15,897,995	3.68	(17.25)
Total	811,563,837	100.00	432,172,379	100.00	(46.75)

Long-term Liabilities

The composition of long-term liabilities that amounted to US$1,380.44 million as of year-end 2012 was 85.99% long-term borrowing less the portion that was due in one year, 1.30% derivative debts, 1% other debts, 6.53% deferred tax liability, and 1.14% post-employment benefit liabilities.

The increase of long-term liabilities by US$461.86 million, or 50.28%, was primarily due to (i) the increase in long-term borrowing less the portion that became due in one year, which comprised of the increase in borrowing from a related party by US$55.74 million, (ii) the increase in bank borrowing by US$187.98 million, (iii) the increase in the issuance of Dollar bonds by US$19.95 million, and (iv) the increase in the issuance of Rupiah Bonds by US$199.19 million.

Composition of Long-term Liabilities

(US$)

Description	2011	Contribution (%)	2012	Contribution (%)	Δ (%)
Long-term debt - net of current maturities	764,468,894	83.22	1,186,996,294	85.99	55.27
Other payables	10,511,274	1.14	13,849,625	1.00	31.76
Deffered tax liabilities - net	76,253,828	8.30	90,167,043	6.53	18.25
Post-employement benefits obligations	12,370,076	1.35	15,769,959	1.14	27.48
Derivative liabilities	1,202,270	0.13	17,985,673	1.30	1.395.98
Asset abandonment and site restoration obligation and other provisions	53,757,992	5.85	55,675,546	4.03	3.57
Total	918,564,334	100.00	1,380,444,140	100.00	50.28

Equity

Shareholders' equity declined by 2.8%, or US$24.44 million, from US$867.67 million in 2011 to US$843.22 million in 2012. The decline resulted primarily from the decrease in the adjustment of the fair value in the hedging instrument on cash flow amounting to US$13.24 million, retained earnings that were not appropriated of US$9.94 million, and decreasing equity that was attributed to minority interest amounting to US$1.74 million.

Cash Flow

The Company's cash and cash-equivalent in 2012 declined by 25.61%, or US$180.30 million. This was primarily due to the financing for the acquisition of Block 9 Yemen by the Company in 2012, payment on medium term notes and bank borrowings that were due in 2012.

Cash Flow from Operating Activities

The Company's cash flow from operating activities increased by 96.24%, or US$102.71 million, which primarily came from the increase in cash receipt from customers, the largest contributor of which was the sales of oil and gas that benefited from higher average sale price for oil during the year, and several amendments to gas sales contracts carried out in 2012.

Cash Flow from Investment Activities

The Company's cash flow that was used for investment activities amounted to US$392.62 million, which was primarily due to additional short-term investments and additional oil and gas assets, as well as the acquisition of Block 9 Yemen in 2012.

Cash Flow from Financing Activities

The Company's cash flow that was used for financing activities in 2012 amounted to US$10.24 million. During the year under review, the Company took out a bank borrowing amounting to US$252.22 million, other debts in the form of bonds of US$230.75 million, and an additional debt from an affiliated party of US$50.70 million. The proceeds from these debt raising were used to repay medium term notes and bank borrowings that became due, as well as current interest expense in 2012.

Ability to Repay Debts and Collectibility of Receivables

Ability to Repay Debts

In 2012, there was a decline in the amount of current bank borrowings by 70.26%, or US$290.26 million, compared to those of 2011. This was due to the Company's successful refinancing of its current debts through the issuance of bonds in 2012.

Amount of Debts and Repayment Ability

(US$)

Description	2011	2012	%
Current			
Bank loans	413,121,348	122,855,699	(70.26)
Other liabilities			
Medium-term notes	64,928,129	40,386,422	(37.80)
Rupiah bonds	56,563,960	-	(100.00)
Total	534,613,437	163,242,121	(69.47)
Non-current			
Bank loans	466,408,082	654,384,407	40.30
Other liabilities			
Affiliated parties	69,997,758	125,735,136	79.63
Medium-term notes	40,320,379	-	(100.00)
Rupiah bonds	108,354,996	307,542,144	183.83
US Dollar bonds	79,387,679	99,334,607	25.13
Total	764,468,894	1,186,996,294	55.27

Level of Collectibility on Receivables

The Company's total current receivables as of year-end 2012 declined by 14.46%, or US$38.26 million, whereas non-current receivables increased by 78.17%, or US$46.56 million, in which the largest contributor was receivables from the on-going development of the DSLNG project.

Total Receivables and Repayment Abilities

(US$)

Description	2011	2012	%
Current			
Trade receivables			
Related party	69,701,987	32,701,117	(53.08)
Third party	132,626,242	114,428,181	(13.72)
Other receivables			
Third party	62,216,151	79,157,762	27.23
Total	264,544,380	226,287,060	(14.46)
Non-current			
Other receivables			
Affiliated party	46,827,782	101,615,237	117.00
Third party	12,735,533	4,505,896	(64.62)
Total	59,563,315	106,121,133	78.17

Total Debts

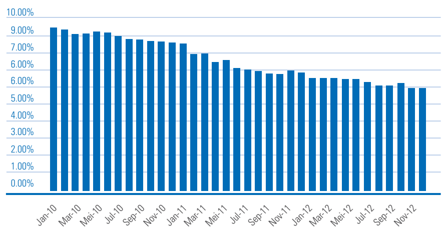
The Company's total debts as of year-end 2012 increased by 3.9% to US$1,350.2 million compared to US$1,299.1 million at year-end 2011. The increase was mainly attributed to:

- Issuance of Rupiah Bonds III of 2012 amounting Rp1.5 trillion
- Issuance of USD Continuing Bonds I Tranche II amounting US$20 million
- Issuance of IDR Continuing Bonds I Tranche I amounting Rp500 billion.

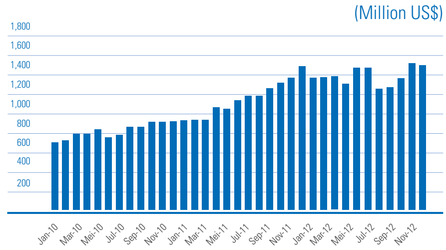
The increase in the Company's total debts represented the balance between new debt facilities and repayment of the Company's maturing debts.

In line with the increase of debts in 2012, the Company suceeded in reducing average interest expense to 6% from previously 7% in 2011. The Company repaid a portion of its debts that had matured with a high interest rate, and obtained refinancing with a lower interest rate expense.

Average Interest-rate



Total Debts



Capital Structure

As of year-end 2012 the Company's capital structure is as follows:

Capital Structure

(US$)

Description	2011	Contribution (%)	2012	Contribution (%)	Δ (%)
Total debt	1,299,082,331	59.96	1,350,238,415	61.56	3.94
Short-term	534,613,437	24.67	163,242,121	7.44	(69.47)
Long-term	764,468,894	35.28	1,186,996,294	54.12	55.27
Equity	867,667,439	40.04	843,224,185	38.44	(2.82)
Attributable to parent company	857,775,743	39.59	835,071,720	38.07	(2.65)
Non-controlling interest	9,891,696	0.46	8,152,465	0.37	(17.58)
Total	2,166,749,770	100.00	2,193,462,600	100.00	1.23

The above capital structure shows a debt-to-equity ratio of 1.60x that increased from 0.11x in 2011, primarily due to the issuance of the Company's Rupiah bonds in April 2012.

Liquidity

As of year-end 2012 the Company had a very sound liquidity strength. This was evident from its cash and cash-equivalent sum of US$523.65 million, while total current bank borrowings that will be due in one year amounted to US$163.24 million, such that the Company's current ratio in 2012 was 2.65x.

Management Policy on Capital Structure

The Company had set its policy on capital structure by maintaining debt ratio (not to exceed) the financial covenant that was set in the debt agreement on the issuance of the Company's Rupiah Bonds in 2009, which is a debt-to-equity ratio of (and not to exceed) 2.50x, and in covenants over other debt instruments or liabilities of (and not to exceed) 3.00x. Out of a total liability of US$1,812,616,519, a total of US$ 1,350,238,415 bore interest expense such that the ratio of liability to equity as of 31 December 2012 was 1.60x. This indicated that the Company had a strong capability to cover its debts during the year.

Material Commitments to Capital Expenditure

There were no material commitments to capital expenditure as of the date of publication of the Company's financial report.

Material Increase/Decrease of Sales and Net Income

Discussions on the increase or decrease in a material way of sales and net income are presented in analysis on Sales and Revenues of this Section.

Material Information and Facts Subsequent to Date of Financial Statements

There are no material information and facts subsequent to the date of financial statements.

Business Prospects

Currently the Company has evolved into an energy company, with a core focus on the exploration and production (E&P) of crude oil and natural gas.

Management believes that global crude oil price in the future will not fall below US$90/barrel (source: projection of the price of ICE Brent oil from Bloomberg dated 5 May 2012), as such Management is confident that the business of oil and gas will still remain the backbone of the Company for the foreseeable future.

Management also believes that the Company's business will have a certainty factor that is adequate and assured of its continuity in 2013 since Management does not foresee any political or economic issue that could hinder the Company's business. The Company has also made significant progress on its major development projects that will serve as the future backbone of the Company and ensure sustainable long-term growth.

The Company shall continue to seek for growth opportunities through the acquisition of producing oil and gas assets, especially in the regions of the Middle East, North Africa, and Asia Pacific. In addition, the Company will also strive to obtain service contracts to operate oil and gas fields in the Company's current operating areas or in new areas altogether.

Marketing Strategy

Marketing Strategy

Currently all of the gas produced by the Company from its operating fields is marketed in the domestic market, for fertilisers, power generation and industry use.

Market Share

Sales of Crude Oil

In 2012, the Company succeeded in selling crude oil totalling 10.4 MMBO of crude oil. This achievement was in line with the succesfull domestic production of crude oil that exceded the target set by the government of Indonesia, and additional crude oil sales from Block 9 (Malik) in Yemen, that was acquired by the Company in 2012. In addition, operating activities in Oman continued to register production growth for the fourth consecutive year.

The sale of crude oil in Indonesia refers to the Indonesian Crude Price (ICP). ICP represents a benchmark price for Indonesian crude oil that is also used as a basis to calculate the revenue sharing of a Production Sharing Contract. In practice, ICP is controlled by the Ministry of Energy and Mineral Resources of the Republic of Indonesia. The average ICP price in 2012 for crude oil of type SLC (that serves as reference to the Company's main crude oil product) was US$115.59 per barrel.

Sales of Natural Gas

In 2012, all of the Company's natural gas production was distributed to various strategic national sectors such as fertilisers, power generation, industries, household gas and LPG. This is in line with the program of the Indonesian government in which natural gas is expected to play a larger role in meeting the national energy needs in the future. The total volume of natural gas distributed by the Company in 2012 was 56,865 BBTU and 14,764 MT of LPG, in which the fertiliser sector received 15,989 BBTU (28%), power generation a total of 22,796 BBTU (40%) and industries and household gas a total of 18,079 BBTU (32%).

In 2012, The Company succeeded in amending a number of sales contract for natural gas, namely by extending the life of agreement and adding the total number of gas outlets, In this amendment, the price of natural gas was repriced upwards significantly, in line with the growing contribution of natural gas in meeting national energy demand. A summary of the amended contract with repricing is presented below:

Electricity Power Sector

- In the first semester 2012, the Company signed a contract amendment to distribute natural gas to PLN Indralaya with a contract volume starting from 19 BBTUPD and increasing to 24 BBTUPD. The agreed gas price was US$ 4.9/MMBTU (for total distribution of up to 19 BBTUPD), and US$ 5.9 /MMBTU (for distribution exceding 19 BBTUD) in 2012. The gas price prior to the amendment was US$ 2.685/MMBTU.
- The Company and PLN signed another contract amendment in the second semester of 2012, to distribute natural gas to the Borang power plant. The agreed volume was for 12.5 BBTUPD to increase up to 18.3 BBTUPD. It was agreed in the amendment that the price of gas starting in June 2013 would rise to US$ 6.0/MMBTU (to escalate 3% a year thereafter). The price prior to the amendment was US$ 4.8/MMBTU.

Industrial Customer

- In the second semester of 2012, the Company agreed to a contract amendment with PGN. The agreement stipulated the distribution of natural gas of 20 BBTUPD at a price of US$6.9/MMBTU with escalation of 3% per annum. The price prior to the amendment was US$ 4.69/MMBTU.
- Towards the end of 2012, the Company and Mitra Energi Buana signed a contract amendment stipulating the distribution of 3.7 BBTUPD of natural gas. The agreed price was US$ 6.04/MMBTU with escalation of 3% per annum. The price prior to the amendment was US$ 3.41/MMBTU.

In addition to the above contract amendments, in the second semester of 2012 the Company signed a new contract with Perusda Nusa Serambi Persada, in which both parties agreed to the distribution of natural gas starting from 2.5 BBTUPD, and to increase up to 5 BBTUPD at a selling price of US$5.2/MMBTU with 3% escalation per annum.

Subsequently, in January 2013, the Company signed two additional agreements, as follow:

- A contract amendment with MEPPOGEN. The contract agreed to the distribution of natural gas amounting to 14.5 BBTUPD and increasing to 17.3 BBTUPD, at a price of US$ 6.45/MMBTU (escalating by 3% per annum). The price prior to the amendment was US$ 2.3/MMBTU.
- Heads of Agreement (HOA) with Panca Amara Utama to distribute natural gas amounting to 55 BBTUPD. The price of gas is determined by using a formula that refers to the international price of ammonia. With the price of ammonia at US$720/ton (in December 2012), the price of natural gas is US$8.44/MMBTU.

In future, the Company will continue to strive to increase the sales of crude oil and natural gas in line with government objectives, and continue to work hard to create and increase shareholder value.

Dividends Policy and Distribution

The Company is committed to distribute net profit for the financial year to shareholders in the form of dividends with a maximum ratio of 30% of net profit.

In 2012, MedcoEnergi announced and distributed cash dividends out of net profit for the financial year 2011 amounting to US$22,531,772 to 2,941,996,950 shares.

Use of Proceeds from Public Offering

In 2012 the Company had realised the use of proceeds from the public offering denominated in Rupiah and US Dollar, as follows:

a. Realisation of the Use of Proceeds from the Shelf-registration Public Offering of PT Medco Energi Internasional Tbk USD Bonds I Phase I in 2011

   The Shelf-registration USD Bonds Phase I has been effective since 30 June 201, in which as of 14 July 2011, the Company has received the proceeds from this public offering of USD Shelf-registration Bonds I Phase I amounting to US$50 million. After deducting expense for the public offering of US$0.65 million, the net proceeds to the Company amounted to US$49.35 million.

   As stated in the Prospectus, the net proceeds from the public offering of the Shelf-registration Medco USD Bonds I Phase I will be used for: (i) settle all or a portion of the Company's debt notes accounting for 60% of the net proceeds or equivalent to US$29.61 million and (ii) capex accounting for 40% of the net proceeds or equivalent to US$19.74 million. As of 12 October 2012, a total of US$49.35 million of the net proceeds had been used by the Company to settle debts amounting to US$29.61 million and capital expenditure amounting to US$19.74 million.

   As a result, the balance of proceeds from the public offering of the Shelf-registraion Medco USD Bonds I Phase I as of year-end 2012 was US$0.00

b. Realisation of the Use of Proceeds from the Public Offering of the Shelf-registration PT Medco Energi Internasional Tbk USD Bonds I Phase II in 2011

   On 11 November 2011, the Company received the proceeds from public offering of the Shelf-registration Medco USD Bonds I Phase II amounting to US$30 million. After deducting expenses from the public offering of US$0.20 million, the net proceeds received by the Company amounted to US$29.80 million.

As stated in the Prospectus, the net proceeds from the public offering of the Shelf-registration Medco USD Bonds I Phase II will be used to settle all or a portion of the Company's debt notes accounting for 100% of the net proceeds or equivalent to US$29.80 million. As of 13 April 2012, a total of US$29.80 million of the net proceeds had been used by the Company to repay debts.

As a result, the balance of the proceeds from the public offering of the Shelf-registration Medco USD Bonds I Phase II as of year-end 2012 was US$0.00.

c. Realization of the Use of Proceeds from the Public Offering of Medco Energi Internasional Bonds III of 2012.

The Medco Energi Internasional Bonds III of 2012 had been effective since 11 June 2012. In June 19, 2012, the Company have received the proceeds of Medco IDR Bonds III public offering amounting to Rp1,500,000,000,000. After deducting expenses for the public offering of Rp8,100,000,000, the Company booked the total net proceeds of Rp1,491,900,000,000.

As stated in the Prospectus, the Company will utilize the net proceeds of Medco IDR Bonds III for financing the acquisition of producing oil and gas assets in Indonesia and/or overseas. If the Company does not utilize the proceed for acquisition, then (a) 70% of the proceeds will be used to refinance all or some of the Company's maturing notes; and (b) 30% will be used as additional working capital and/or capital expenditure.

As of January 12, 2013, the Company has utilized the net proceeds in the total amount of US$67.04 million for: Investment amounting US$90 million or equal to Rp855,000,000,000 and Capital expenditures amounting US$0.

The remaining balance of net proceeds from the Medco IDR Bonds III public offering is therefore Rp636,900,000,000 or equivalent to US$67.04 million using an exchange rate of Rp9,500.

Investment, Divestment, Acquisition or Debt/Capital Restructuring

Investment

Towards the close of 2012, the Company made investments by settling the sale and purchase agreement for the participating rights to Block 9 (Malik), in Yemen,with Reliance Exploration & Production DMCC that was signed earlier on 5 July 2012, having met all of the preliminary terms of the agreement at a value of US$ 90 million. This transaction was approved by the Minister of Oil and Minerals of the Republic of Yemen on 24 November 2012 as part of the preliminary terms of the Agreement.

Divestment

At year-end 2012, the Company divested one of its subsidiary entity that was indirectly held, PT Medco Sarana Kalibaru (MSK), a subsidiary entity of PT Medco Downstream Indonesia (MDI), by 63.88%, to Puma Energy (Singapore) Pte. Ltd., a global company engaged in midstream and downstream energy business, effective on 3 December 2012 having met with all preliminary transactions set in the Sale and Purchase and Placement Agreement dated 10 October 2012. Following this transaction, MDI will hold 36.12% shares of MSK. This transaction, which altogether was valued at US$36,000,000 was carried in two tranches on the same day, as follow:

1. The sale of MSK shares amounting to 63.88% that was held by MDI ("Shares Sale") valued at US$ 13,003,200; and
2. Placement of shares :
   - PUMA placed new shares that were issued by MSK numbering a total of 2,206,083 shares valued at US$ 22,996,800; and
   - MDI placed new shares that were issued by MSK numbering a total of 1,247,397 shares by using the proceeds from the Shares Sale at a placement value of US$13,003,200.

Acquisition

On 20 December 2012 the Company signed an Agreement for the Sale and Purchase of Shares in PT Api Metra Graha through which the Company acquired 49% shares of PT Api Metra Graha ("AMG") held by Jaden Holdings Limited ("JADEN") with a transaction value of US$101,610,000. AMG is the owner of the office building, The Energy, located at SCBD Lot 11A, Jl. Jend. Sudirman Kav. 52-53, South Jakarta. The transaction was carried out on 20 January 2013.

Transactions that Contain Conflicts of Interest and Transactions with Affiliated Parties

Throughout 2012, there were no material transactions that contaned a conflict of interest, nor was there any transaction with an affiliated party, pursuant to Bapepam-LK Regulation No. IX.E.1 and IX.E.2.

Changes in Laws and Regulations

There were no changes in the prevailing laws and regulations that had a material bearing on the Company in 2012.

Changes in Accounting Policies

The accounting policies that had been implemented in preparing the consolidated financial statements for 2012 are consistent with the accounting policies that were implemented in the construction of the consolidated financial statements for the year ending 31 December 2012, with the exception of the treatment for several Financial Accounting Standards (FAS) that had been revised and became effective on 1 January 2012.

The treament of FAS No. 30 on "Rent" over the rental transaction of a power plant, and FAS No. 64 on "Exploration and Evaluation Activities in the Mining of Mineral Resources" have been applied by the Company. As a result, the Company's Financial Statements for the years ending 31 December 2011, 2010 and 2009, and on 1 Januari 2009/31 December 2008 have been restated.

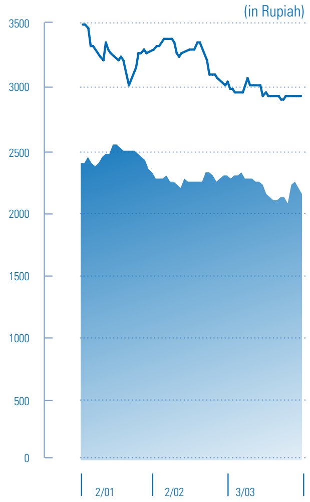
Statutory
Report

Corporate Data

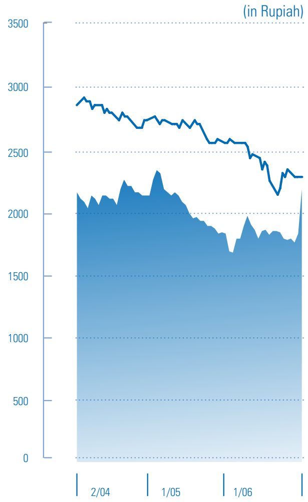
The Company's information and data can be accessed by the general public through the Company's official website, www.medcoenergi.com.

MedcoEnergi 1994-2012 share price

Q1



Q2



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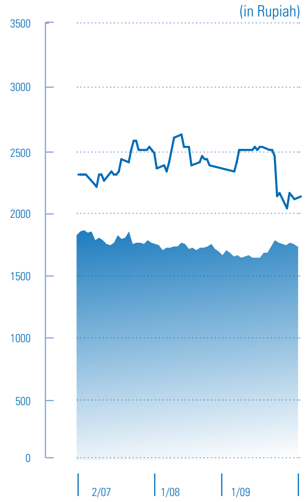
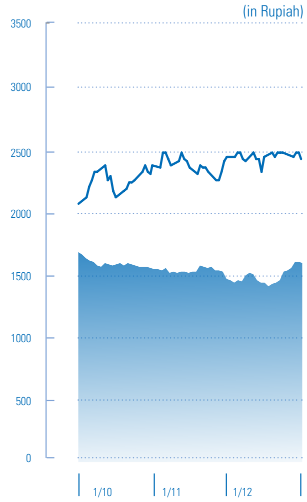


Q4



2012

(in Rupiah)

	Q1	Q2	Q3	Q4
Closing	2,150	1,800	1,710	1,630
High	2,600	2,375	1,860	1,730
Low	2,050	1,590	1,610	1,410

2011

(in Rupiah)

	Q1	Q2	Q3	Q4
Closing	2,875	2,225	2,150	2,425
High	3,500	2,925	2,650	2,525
Low	2,850	2,200	1,980	1,880

Share Information

The shares of MedcoEnergi were first listed on the Jakarta Stock Exchange (JSX) on 12 October 1994, a total of 22,000,000 shares with a nominal value of Rp1,000 per share. The Company carried out a Rights Issue I for a maximum of 379,236,000 shares, in which a total of 321,730,290 new shares were subscribed and listed on the JSX on 19 November 1999. To date, the total outstanding shares of the Company amount to 3,332,451,450 shares.

Price Changes and Stock Trading

(in Rupiah)

	'08	'09	'10	'11	'12
First Quarter					
Highest	5,550	2,475	2,750	3,500	2,600
Lowest	3,200	1,600	2,200	2,850	2,050
Closing	3,325	2,200	2,600	2,875	2,150
Trading Volume (Shares)	969,062,500	620,645,492	476,327,000	341,747,000	185,704,500
Trading Values	3,924,604,095,488	1,237,184,913,664	1,216,340,516,864	1,058,771,997,568	417,592,023,008
Second Quarter					
Highest	5,650	3,825	3,175	2,925	2,375
Lowest	2,675	2,225	2,275	2,200	1,590
Closing	4,725	3,050	2,950	2,225	1,800
Trading Volume (Shares)	849,628,000	840,532,996	697,090,500	286,443,500	345,133,500
Trading Values	3,706,783,751,168	2,521,641,355,008	2,028,673,233,024	764,536,050,432	695,606,650,560
Third Quarter					
Highest	5,250	3,400	3,450	2,650	1,860
Lowest	3,075	2,750	2,850	1,980	1,610
Closing	3,625	2,900	3,325	2,150	1,710
Trading Volume (Shares)	524,736,500	567,148,500	565,745,504	258,330,500	187,339,000
Trading Values	2,318,602,518,784	1,733,797,671,424	1,806,652,343,808	624,319,467,136	322,127,596,864
Fourth Quarter					
Highest	3,400	3,400	4,350	2,525	1,730
Lowest	1,560	2,350	3,050	1,880	1,410
Closing	1,870	2,450	3,375	2,425	1,630
Trading Volume (Shares)	395,372,500	1,222,904,004	1,099,947,000	204,695,500	226,295,000
Trading Values	827,931,780,064	3,656,946,731,520	4,020,683,418,112	464,187,943,648	349,801,544,064

Dividend Payment and Total Return to Shareholders

	'08	'09	'10	'11	'12
Net income (US$)	280,204,095.00	19,231,994.00	83,059,576.00	90,938,772.00	12,593,288
Earnings per share (US$)	0.09	0.01	0.03	0.03	0.004
Dividend per share (US$)	-	0.02	0.00	0.01	0.008
Dividend per share (Rp)	-	148.43	26.04	64.21	72.50
Total dividend paid (US$)	-	44,129,956.00	8,472,951.00	21,998,313.00	22,531,772
Dividend paid (US$)	-	33,311,613.00	6,602,910.00	15,522,160.32	18,287,296.61
Dividend paid (Rp)	-	107,047,504,777.00	16,910,786,762.00	41,585,727,541.35	40,173,595,566.36
(1) Dividend exchange rate (1 US$)	-	9,895.00	9,043.00	8,584.00	9,465.00
Shares buyback (US$)	52,459,694.00	-	-	-	-
Shares buyback per share (US$)	0.31	-	-	-	-
Share price closing (Rp)	1,870.00	2,450.00	3,375.00	2,425.00	1,630.00
(2) Share price exchange rate (1 US$)	10,950.00	9,400.00	8,991.00	9,068.00	9,670.00
Share price closing (US$)	0.17	0.26	0.38	0.27	0.25
(3) Total return to shareholders	(11)	61	45	27	51

(1) Dividend exchange rate converted to US$ by using mid-rate Indonesian Central Bank on the recording date

(2) The stock price is in Rupiah and converted to US$ by using mid-rate Indonesian Central Bank on the last day of each respective year

(3) Total return to shareholders is calculated based on the difference of closing stock prices at year end plus the dividend per share paid on each respective year

Public Shareholders List Below 5% Ownership

Group of Shareholders	Number of Group Shareholders	Number of Shares	Percentage
Banks	1	696,500	0.02%
Foreign Institutions	93	4,909,500	0.15%
Local Institutions	6,245	185,500,449	5.57%
Pension Funds	83	50,568,500	1.52%
Mutual Funds	26	32,368,364	0.97%
Foundations	10	3,457,000	0.10%
Cooperatives	1	12,500	0.00%
Insurances	19	46,610,500	1.40%
Brokers	39	97,400,716	2.92%
	6.517	421,524,029	12.65%

Share Ownership
Founding Shareholders

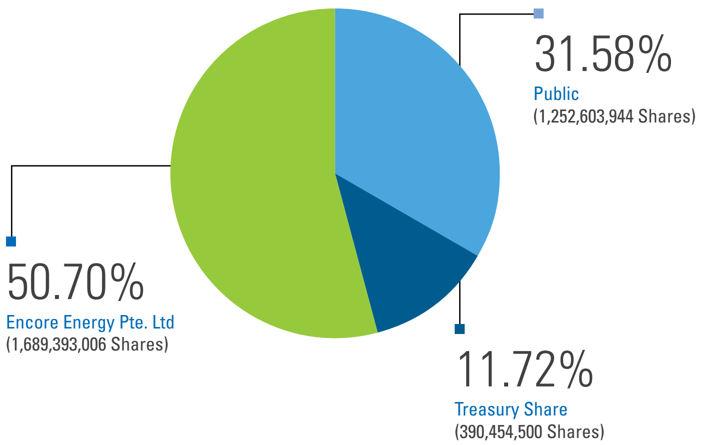
Name of Shareholder	Number of Shares	Percentage
PT Medco Duta	4,089,173	0.12%
PT Multifabrindo Gemilang	2,000,000	0.06%
	6,089,173	**0.18%**

Historical Listing
Indonesia Stock Exchange (IDX)

Currency : Rupiah
Indonesia Stock Exchange

Corporate Action	IPO	Bonus Shares	Stock Split	Right Issue	Stock Split
Date	12 October 1994	18 July 1996	18 August 1998	2 December 1999	2 June 2000
Ratio	-	10:7	1:2	10:11	1:5
Number of Shares Outstanding	101,400,000.00	172,380,000.00	344,760,000.00	666,490,290.00	3,332,451,450.00
Par Value	1,000.00	1,000.00	500.00	500.00	100.00

More Than 5% Ownership



Ownership by Commissioners and Directors

Name	Title	Number of Shares	Percentage
Board of Commissioners			
Hilmi Panigoro	President Commissioner	0	0
Gustiaman Deru	Independent Commissioner	0	0
Marsillam Simandjuntak	Independent Commissioner	0	0
Masayuki Mizuno	Commissioner	0	0
Yani Y. Rodyat	Commissioner	0	0
Retno Dewi Arifin	Commissioner	0	0
Board of Directors			
Lukman Mahfoedz	President Director	0	0
Syamsurizal Munaf	Director	0	0
Frila B. Yaman	Director	0	0
Akira Mizuta	Director	0	0
Dasril Dahya	Director	0	0

Information on the Listing of Other Securities

Number of Outstanding Bonds

Currency : US$
Indonesian Stock Exchange

	'08	'09	'10	'11	'12
Shelf - Registration Public Offering USD Bonds I phase I in 2011 with an interest rate of 6.05% and due on 14 July 2016					
Bonds ratings	-	-	-	AA-	AA-
Total	-	-	-	50,000,000	50,000,000
Total of buyback	-	-	-	-	-
Unamortized discounts	-	-	-	(410,562)	(358,521)
Total outstanding	-	-	-	49,589,438	49,641,478
Total of interest expense*)	-	-	-	647,014	3,899,520
Shelf - Registration Public Offering USD Bonds I phase II in 2011 with an interest rate of 6.05% and due on 11 November 2016					
Bonds ratings	-	-	-	AA-	AA-
Total	-	-	-	30,000,000	30,000,000
Total of buyback	-	-	-	-	-
Unamortized discounts	-	-	-	(201,759)	(165,037)
Total outstanding	-	-	-	29,798,241	29,834,962
Total of interest expense*)	-	-	-	247,042	1,866,849
Shelf - Registration Public Offering USD Bonds I phase II in 2011 with an interest rate of 6.05% and due on 1 August 2017					
Bonds ratings	-	-	-	AA-	AA-
Total	-	-	-	20,000,000	20,000,000
Total of buyback	-	-	-	-	
Unamortized discounts	-	-	-	-	(141,835)
Total outstanding	-	-	-	-	19,858,165
Total of interest expense*)	-	-	-	-	516,161

Medium Term Notes (MTN) Historical Listing

Stock Exchange	Indonesia Stock Exchange (IDX)				
Corporate Action	MTN I		MTN II		MTN III
	Seri A	Seri B	Seri A	Seri B	
Principal	7,400,000	22,000,000	40,000,000	10,000,000	50,000,000
Interest Rate	7.25%	8%	7.25%	8%	6.375%
Maturity	February 2012	December 2012 and February 2013	March 2012	March 2013	October 2013
Ratings (PEFINDO)	AA-	AA-	AA-	AA-	AA-

Currency : Rupiah
Indonesian Stock Exchange

	'08	'09	'10	'11	'12
Bonds Medco Energi Internasional Rupiah II year 2009 Seri A with an interest rate of 13,375% and due on 17 June 2012					
Bonds ratings	--	-	AA-	AA-	
Total	-	-	513,500,000,000	513,500,0 00,000	
Total of buyback	-	-	-	-	
Unamortized discounts	-	-	(2,858,424,209)	(925,615,460)	
Total outstanding	-	-	510,641,575,791	512,574,384,540	
Total of interest expense*)	-	-	36,820,466,181	68,680,625,000	
Bonds Medco Energi Internasional Rupiah II year 2009 Seri B with an interest rate of 14,25% and due on 17 June 2014					
Bonds ratings	-	-	AA-	AA-	AA-
Total	-	-	986,500,000,000	986,500,000,000	986,500,000,000
Total of buyback	-	-	-	-	-
Unamortized discounts	-	-	(5,492,216,191)	(2,528,647,892)	(2,850,080,228)
Total outstanding	-	-	981,007,783,809	983,971,352,108	983,649,919,771
Total of interest expense*)	-	-	75,364,489,583	140,576,250,000	333,639,034,733

Currency : Rupiah
Indonesian Stock Exchange

	'08	'09	'10	'11	'12
Bonds Medco Energi Internasional Rupiah III year 2012 with an interest rate of 8,75% and due on 15 June 2017					
Bonds ratings	-	-	-	-	AA-
Total	-	-	-	-	1,500,000,000,000
Total of buyback	-	-	-	-	-
Unamortized discounts	-	-	-	-	(7,030,548,557)
Total outstanding					1,492,969,451,443
Total of interest expense*)	-	-	-	-	40,226,874,2999
Shelf - Registration Public Offering Rupiah Bonds I phase I with an interest rate of 8,80% and due on 19 December 2017					
Bonds ratings	-	-	-	-	AA-
Total	-	-	-	-	500,000,000,000
Total of buyback	-	-	-	-	-
Unamortized discounts	-	-	-	-	(2,686,831,995)
Total outstanding	-	-	-	-	497,313,168,004
Total of interest expense*)	-	-	-	-	740,972,222

*) Including the accrual of interest rate up to 31 December 2012

Five-Year Financial Highlights

The following consolidated financial information of MedcoEnergi was derived and/or calculated based on the consolidated financial statements of the Company for the years ending 31 December 2012, 2011 and 2010 that have been audited by the Public Accounting Firm of Purwantono, Suherman & Surja, whereas for the years ending 31 December 2009 and 2008, were audited by the Public Accounting Firm of Purwantono, Sarwoko & Sandjaja. The consolidated financial statements of the Company for the year ending 31 December 2011 have been restated.

Currency

The reporting currency used in the preparation of the annual report is the United States Dollar (US Dollar), the functional currency on the basis of the Company's revenues, cash flows, and expense indicators as required by PSAK No.52 unless stated otherwise.

(in million US$)

Consolidated statements of comprehensive income	'08	'09	'10	'11	'12
Sales and other operating revenues	1,283.82	667.80	929.9	817.7	909.0
Cost of sales and other direct costs	(785.7)	(438.7)	(642.1)	(466.8)	(512.8)
Gross profit	498.1	229.1	287.8	350.9	396.2
Selling, general and administrative expenses	(154.4)	(156.9)	(173.3)	(130.6)	(143.0)
Income from operations	343.8	72.2	114.5	220.3	253.2
Other operating expenses	153.5	(21.6)	101.3	(10.8)	(11.5)
Profit before income tax expense from continuing operations	497.2	50.6	215.8	213.7	180.5
Income tax expense	(208.2)	(28.2)	(127.7)	(120.8)	(156.3)
Profit for the year attributable to owners of the parent	280.2	19.2	83.1	90.9	12.6
EBITDA	471.1	155.2	222.5	323.0	341.5
Earnings Per Share	0.09	0.01	0.03	0.03	0.0043
Outstanding shares	2,941,996,950	2,941,996,950	2,941,996,950	2,941,996,950	2,941,996,950
Consolidated statements of financial position					
Cash and cash equivalents	348.5	253.0	178.90	703.95	523.65
Current Assets	862.8	789.5	758.6	1.302.6	1.144.7
Long-term investments	10.5	9.9	11.0	136.1	200.5
Investment in project	31.7	22.4	17.5	30.3	30.3
Property, plant and equipment - net	157.4	235.9	252.8	106.2	120.4
Oil and gas properties - net	757.3	798.5	839.7	851.7	958.9
Other assets - net	35.5	38.6	41.8	32.4	24.4
Total Assets	1,980.2	2,040.5	2,278.1	2,597.8	2,655.8

	'08	'09	'10	'11	'12
Current Liabilities	387.8	509.2	500.3	811.6	432.2
Non-current liabilities	847.1	803.7	962.9	918.6	1,380.4
Total Liabilities	1,234.9	1,312.9	1,463.2	1,730.1	1,812.6
Total equity attributable to the equity holders of the parent company	733.2	708.8	786.1	857.8	835.1
Consolidated statements of cash flows					
Net cash provided by operating activities	384.8	76.6	87.9	106.7	209.4
Capital					
Capital expenditures	295.4	269.3	143.9	156.3	239.9
Average capital employed	1,714.9	1,561.9	1,654.5	1,776.8	2,004.9
Key financial indicators (in %)					
Return on assets	14.2	0.9	3.7	3.3	0.5
Return on equity	38.2	2.7	10.6	10.1	1.5
Return on investment	94.9	7.1	57.7	54.4	5.2
Cash ratio	0.9	0.5	0.4	0.9	1.2
Quick ratio	2.1	1.4	1.8	1.6	2.5
Current ratio	2.2	1.6	1.5	1.6	2.7
Current liabilities to total assets ratio	0.2	0.2	0.2	0.3	0.2
Long- term liabilities to total assets ratio	0.3	0.3	0.3	0.4	0.5
Total liabilities to stockholders' equity ratio	1.7	1.9	1.9	2.0	2.2
Debt to equity ratio	1.0	1.1	1.3	1.5	1.6
Net debt to equity ratio	0.5	0.8	1.0	0.7	1.0
Debt to capital ratio	0.5	0.5	0.6	0.6	0.6

Five-Year Historical Operation Data

The Company has evolved into an integrated energy company engaged in the exploration and production of oil and gas, power generation, and downstream industries that utilize oil and gas and renewable resources. Over time, the Company has been able to generate profitable growth from its sustainable operations.

Five Years Historical Operating Performance

Descriptions		'08	'09	'10	'11	'12
Oil and Gas Exploration & Production						
Proved reserves[1]						
Proved oil reserves	(MMBO)	74.9	89.8	82.8	71.6	94.9
Proved gas reserves	(BCF)	186.5	852.9	694.5	620.4	774.3
Lifting & gross sales[2]						
Oil	(MBOPD)	45.0	35.0	30.7	30.4	29.8
Gas	(BBTUPD)	108.1	104.3	155.2	163.2	153.9
LPG	(MTD)	45.3	45.2	42.0	41.8	40.1
Average realized price						
Oil	(US$/BBL)	101.0	64.0	81.5	113.7	115.6
Gas	(US$/ MMBTU)	4.2	3.1	3.6	3.8	4.0
LPG	(US$/MT)	713.9	447.5	651.0	787.5	855.1

Downstream		'08	'09	'10	'11	'12
Ethanol						
Production	(KL)	-	8,665.0	19,764.0	16,097.0	18,469.0
Average price	(US$/KL)	-	488.6	559.1	649.0	580.0
LPG						
Gas processed	(MMCF)	2,619.0	2,458.0	2,332.0	2,339.0	2,261.0
LPG production[3]	(MT)	16,684.2	16,424.0	15,359.6	15,304.1	14,669.1
Condensate production[3]	(BBL)	61,644.0	70,138.7	73,857.5	73,915.0	71,622.4
Lean gas production gas[3]	(MMCF)	2,104.6	1,237.0	1,490.9	1,502.0	1,390.9
Processing fee	(US$)	2.1	2.1	1.7	1.7	1.8
Fuel Storage & Distribution [(4)]						
High Speed Diesel (HSD) Sales [(4)]	(KL)	196,780.0	92,024.0	254,418.0	269,388.5	236,629
Power Generation						
Power supply	(GWH)	900.0	870.0	1,217.0	1,201.5	1,284

(1) The volume of proved reserves which are attributable to the Company's working interest in each contract area, include the government's share of production.
(2) Gross lifting and sales represents the sum of the oil lifting and gas sales from each of the Company's effective interest in such block.
(3) All LPG, Condensate and Lean Gas production are delivered to and sold by Indonesia E&P business unit.
(4) Operated in June 2007

Company Advisors

Arifin Panigoro

The founder of Medco Group began his stint in the oil and gas industry in 1980. In 1988, Panigoro withdrew from the Company's management and has since become an advisor, notably in identifying new oil and gas business opportunities.

Panigoro earned a bachelor degree in Electrical Engineering from the Bandung Institute of Technology in 1973 and was awarded his honorary degree (honoris causa) from the Bandung Institute of Technology on January 23, 2010 with a spech titled "Kuasai Teknologi, Bangun Ekonomi, Tegakkan Martabat Bangsa" (Conquer Technology, Build the Economy, Uphold National Dignity).

Alwi Shihab

Shihab is former Minister of Foreign Affairs of the Republic of Indonesia and Coordinating Minister of People's Welfare. He joined the Company as advisor in March 2007 with the main role of providing advice in penetrating the international oil and gas market.

Alwi Shihab earned a Bachelor of Arts degree and Master of Arts degree both from the University of Al-Azhar, Cairo, Egypt in 1966 and 1968 respectively. He also earned a Bachelor degree in Islamic Philosophy from IAIN Alauddin, Ujung Pandang, Indonesia in 1986. He received a Doctor of Philosophy degree from the University of Ain Shams, Cairo, Egypt in 1990, then continued his study and received a Master of Arts degree from Temple University, USA in 1990 which was then followed by a Doctor of Philosophy degree from Temple University, USA in 1995. The year 1996 saw Shihab receive another post doctorate from the Center For the Study of World Religions in Harvard University, USA.

Subroto

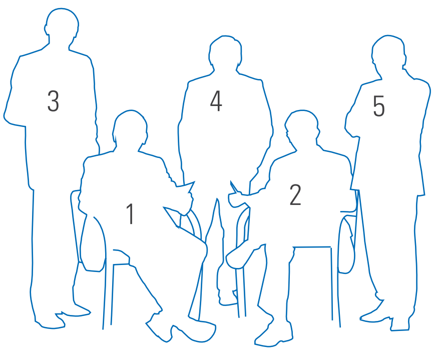
Former Minister of Mining and Energy of the Republic of Indonesia and former Secretary General of the Organization of Petroleum Exporter Committee (OPEC). Since 1997, he has been an advisor to the Company, mainly in providing information on macroeconomic issues and global developments in the oil and gas business.

Graduated from the Military Academy, Yogyakarta in 1948, he then continued his study to earn a Bachelor of Arts degree in Economics from the University of Indonesia in 1952. Subroto received a Master of Arts degree in Economics from McGill University in Montreal, Canada in 1956, followed by a Doctor of Philosophy degree in Economics from University of Indonesia in 1958. In 1963, he also received a post doctorate degree in Financial Management and Control from Standford University and in 1964 a post doctorate degree from Harvard University for International Teachers Program.

Extended Board of Directors

Extended Board of Directors:

1. Johannes Kustadi, Chief Business Support Officer
2. Eka Satria, Director of Development
3. Faiz Shahab, Chief Exploration & New Ventures Officer
4. Hartono Nugroho, Director of Production
5. Budi Basuki, COO Power, Mining & Downstream



Johannes Kustadi
Chief Business Support Officer

An Indonesian citizen, born in 1959. He was appointed as Director in 2010. Kustadi joined MedcoEnergi in 2005. He previously served as Financial Controller at BP Indonesia (2002 – 2005), Finance Manager at Gulf Indonesia Resources Ltd. (2000 – 2002), Business and Planning Manager at VICO Indonesia (1997 – 2000), Joint Venture Accounting Manager at VICO Services, Inc. – Houston, Texas (1995 – 1997), Controller and various positions at VICO Indonesia (1983 – 1995).

He received a Master of Business Administration in Finance from University of Houston-Texas, USA in 1997. Kustadi received a Bachelor degree in Accounting from Gadjah Mada University, Yogyakarta in 1983.

Eka Satria
Director of Development

An Indonesian citizen, born in 1967, Satria was appointed as Director in 2010. Satria joined MedcoEnergi in 2008. He previously served as Vice President of Project Capability at Medco Energi Internasional, Tbk (2008 – 2010), Senior Project Manager of Tangguh LNG Gas Processing Facilities (Papua) at BP Indonesia, as well as various positions at ARCO (1989 – 2000) as Project and Engineering professional for various offshore and onshore E&P projects and developments in Indonesia.

Satria participated in BP Executive Program – Major Project Leaders from the Massachusetts Institute of Technology (MIT), USA in 2004. He received a Master degree in Finance from the University of Indonesia in 2000. He received a Bachelor degree in Civil Engineering from the Bandung Institute of Technology (ITB), Indonesia in 1990.

Faiz Shahab
Chief Exploration & New Ventures Officer

An Indonesian citizen, born in 1954, Mr. Faiz Shahab first joined the Company via his engagement as Vice President – Project Development at Medco International Services Pte. Ltd. in Singapore (2010-2011). His experience overseeing exploration and development of overseas assets in Middle East and North Africa earned him international exposure that leveraged his 30 years of experience in energy business. Before his appointment as Exploration & New Ventures Officer in May 2011, Mr. Shahab had served in various executive positions in major energy concerns including President Director of PT Prime Petroservices (2008-2010); CEO, PT Indogas Kriya Dwiguna (2007-2010); Director & CEO, PT Energi Mega Persada Tbk. (2005-2007); Senior Vice President – Development, EMP Kangean Limited (2004-2005); Vice President – Java LNG, BP Indonesia (2002-2004); Vice President & General Manager, Lapindo Brantas Inc. (2000-2002); Engineer, Maintenance Superintendent, Engineering & Construction Manager, Vice President Field Support & HSE, VICO Indonesia (1983-2000); and Field Electrical Engineer, PT Purna Bina Indonesia (1981-1983). He graduated from Electrical Engineering Department, Institut Teknologi Bandung and is a Certified Project Management Professional.

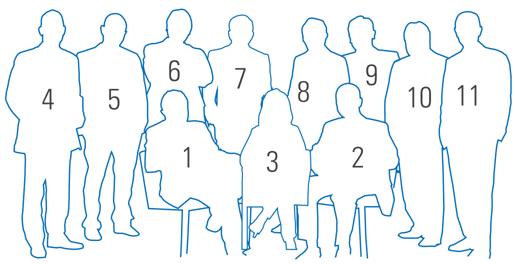
Budi Basuki
COO Power, Mining & Downstream

An Indonesian citizen, born in 1953. Mr. Budi Basuki was appointed as Chief Operation Officer in May 2011. Previously, he was the President Director (2008-2011) and Operation Director (2003-2008) of PT Medco E&P Indonesia. In the period of 2001-2002 and 2000-2001, he served as West Operation VP and Oil Movement Manager respectively, also at PT Medco E&P Indonesia. After his graduation from Universitas Gajah Mada with a degree in Mechanical Engineering in 1980, Mr. Basuki joined PT Stanvac Indonesia as Engineer (1981-2000). He is also a graduate of LPPM Prasetya Mulya, majoring in Management, and currently active in a number of organizations namely Society of Petroleum Engineer (SPE), Ikatan Ahli Teknik Perminyakan Indonesia (IATMI), and Indonesian Petroleum Association (IPA).

Hartono Nugroho
Director of Production

An Indonesian citizen, born in 1959. He was appointed as E&P Operation Director in 2011. Previously he held a number of positions including General Manager, Rimau Asset (2008); Senior Manager Drilling (2005); Area Manager, SSE & Rimau Block (2002); Area Manager, Sangasanga (2001); Operation Superintendent, SSE & Rimau Block (1996); Operation Support Department Head (1995); Production Engineer (1990); and Drilling & WO/ WS Engineer (1987). He graduated from California State University, USA, with a bachelor degree in Mechanical Engineering (1987).

Subsidiary Companies' Board of Directors



1. Yunar Panigoro, President Director PT Medco Gas Indonesia
2. Bambang W. Sugondo, President Director PT Medco Downstream Indonesia
3. Lany Wong, Director PT Exspan Petrogas Intranusa
4. Noorzaman Rivai, Director PT Medco Downstream Indonesia
5. Adrianto Kurniawan, Director PT Medco Downstream Indonesia
6. Aditya Mandala, Director PT Exspan Petrogas Intranusa
7. Fazil E. Alfitri, President Director PT Medco Power Indonesia
8. Elan B. Fuadi, Director PT Medco Power Indonesia
9. Yasirin Paeman, Director PT Medco Gas Indonesia
10. Kelana B. Mulia, Director PT Medco Power Indonesia
11. Arie Prabowo Ariotedjo, Director PT Medco Energi Mining Internasional

Yunar Panigoro
President Director PT Medco Gas Indonesia

An Indonesian citizen, born in 1957. He was appointed as the President Director of PT Medco Gas Indonesia in 2006, and currently also serves as President Director of PT Mitra Energi Gas Sumatra (since 2009). He first joined Medco Group in 1993 as Project Manager and Control Manager at PT Meta Epsi Engineering (1993-1999). He then served as Manager at PT Medco Holding (2000-2004), President Director of PT Graha Citramas Tbk (2001-2003) and Deputy Project Director of PT Multifab (2003-2004).

He graduated from Institut Teknologi Bandung with a major in Physics (1983) and Sekolah Tinggi Manajemen Prasetya Mulya with Magister Management degree (2000).

Bambang W. Sugondo
President Director PT Medco Downstream Indonesia

An Indonesian citizen, born in 1951. He was appointed as President Director of PT Medco Downstream in 2010. He previously served as the Director of PT Medco Downstream (1999-2010), Vice President of Corporate Services at MedcoEnergi (1997-1999). He joined Medco Group in 1992 as Managing Director of PT Multifabrindo Gemilang and became an Operation Director in 1997. Before joining Medco Group he worked for PT Meta Epsi Engineering, PT Widya Pertiwi Engineering, and PT PBI.

Sugondo received a Bachelor degree in Physics Engineering from Institut Teknologi Bandung in 1976.

Noorzaman Rivai
Director PT Medco Downstream Indonesia

An Indonesian citizen, born in 1968, he was appointed Director in August 2007. Rival previously served as the President Director for Trada Group (2002- 2007) and several key positions in several telecommunication companies.

Received a Certificate State of the Art of Telecommunications from the Northeastern University, Boston-Massachusetts, USA. He earned his Master of Business Administration in General Management from National University, Los Angeles- California, USA. And Bachelor of Science in Electrical Engineering from Case Western Reserve University - Ohio, USA in 1990.

Adrianto Kurniawan
Director PT Medco Downstream Indonesia

An Indonesian citizen, born in 1969. He served as Director of PT Medco Downstream Indonesia since February 2012. Previously, he held the position of Director at PT Exspan Petrogas Intranusa (2009-2011). He first joined MedcoEnergi in 1996 as an EWL Engineer and later as General Manager of PT Exspan Petrogas Intranusa in 2007. Previously, he worked as Field Engineer for Schlumberger Wireline & Testing Inc. (1992-1994) and served as a Senior Field Engineer at PT Elnusa Geosains (1994-1996).

He earned a Bachelor degree in Electrical Engineering from Institut Teknologi Bandung in 1991.

Lany Wong
Director PT Exspan Petrogas Intranusa

An Indonesian citizen, born in 1969. She served as the Director of PT Exspan Petrogas Intranusa in September 2011. Previously, she held the position of the Company's Head of Corporate Planning and Performance. She joined MedcoEnergi in 2006 as Head of Corporate Finance (2006 - 2010). She previously worked for PricewaterhouseCoopers as Manager of Financial Advisory Services.

She graduated from Universitas Indonesia with a Bachelor degree in Economics (Accounting) in 1993. She then earned a Master in Finance in 1996 from Texas A&M University, College Station, USA.

Aditya Mandala
Director PT Exspan Petrogas Intranusa

An Indonesian citizen, born in 1962. He was appointed as Director of PT Exspan Petrogas Intranusa in February 2011. Previously he served as Senior Manager of Relations Division in PT Medco E&P Indonesia (2007-2011). He first joined MedcoEnergi in 2000 as Section Head of Public Affairs and became a Manager Corporate Communications in 2002. In the past he had also served as Exploration Geologist and Geophysicist at Vico Indonesia (1991-2000) and as Seismologist at PT Elnusa Geoscience (1989-1991).

Mandala graduated from UPN Yogyakarta, with a bachelor degree in Geology (1988) and Sekolah Tinggi Manajemen Prasetya Mulya with Magister Management degree in International Business (2006).

Fazil E. Alfitri
President Director PT Medco Power Indonesia

An Indonesian citizen, he was born in 1966. Alfitri has occupied the President Director post in December 2003. He previously served as the Country Manager for GE Power Systems Indonesia (2001-2003).

He received a Master of Science degree in Mechanical Engineering from Lehigh University, Pennsylvania, USA in 1990 and a Bachelor of Science degree in Mechanical Engineering from Wichita State University, Kansas, USA in 1988.

Elan B. Fuadi
Director PT Medco Power Indonesia

An Indonesian citizen, born in 1963, he was assigned as Business Development of PT Medco Power Indonesia in December 2011. Previously he served as Head of Project Financing of MedcoEnergi (2008-2011). He joined MedcoEnergi in 2001 as Vice President of Corporate Finance. He previously worked for Bank PDFCI with the last position as Vice President and Head of Corporate Finance (1994-2000).

Fuady graduated from Durham College, San Antonio, USA, with a degree in Business Administration.

Yasirin Paeman
Director PT Medco Gas Indonesia

An Indonesia citizen, born in 1969. He was appointed as Director of PT Medco Gas Indonesia in 2006. Currently he also holds a number of other positions including Director of PT Mitra Energi Gas Sumatra (since 2008), Director of PT Perta Kalimantan Gas (since 2009), Project/ Lead Director of Umbulan Water Main Pipeline Bidding (since 2011). He joined MedcoEnergi in 1996 as Business Development Manager (1996-1998), then transferred to PT Medco Methanol Bunyu as Vice President Technical – Operational (1998-1999) and Vice President for Technology Development & Procurement (2000-2002).
He was assigned as Advisor to the Board of Directors of PT Medco E&P Indonesia and CNG Project Manager in 2005. Before joining MedcoEnergi, he worked for PT Pupuk Kaltim (1995-1996) and PT Aspros Binareka (1990-1993).

He graduated from Institut Teknologi Bandung with a degree in Chemical Engineering (1993) and Insititut Pengembangan Manajemen Indonesia (IPMI), Jakarta, with a major in International Business & Finance (2004).

Kelana B. Mulia
Director PT Medco Power Indonesia

An Indonesian citizen, born in 1954, he was assigned to the Operations Director post in June 2009. He previously held the position of Director in PT Medco Power Indonesia subsidiary from 2003 to 2009. His career with MedcoEnergi started in 2003 and previously held several positions in a data management company.

Mulia earned a bachelor degree from the Bandung Institute of Technology majoring in Physics in 1980. This was then followed by a master degree in Engineering, majoring in Computers at the Asian Institute of Technology, Bangkok, Thailand in 1984.

Arie Prabowo Ariotedjo
Director PT Medco Energi Mining Internasional

An Indonesian citizen, born in 1960. He was appointed as Director of PT Medco Energi Mining Internasional in 2009. He joined Medco Group in 2006 and served as President Director of PT Medco Mining (2006-2008).

Previously he worked at PT Wikaraga Sapta Utama and served as President Director (1996-2005) and Technical Director (1994-1996), PT Menara Wenang as General Manager (1992-2005), PT Citra Permatasakti Persada as General Manager (1992-1998), Citra Kontraktor Nusantara consortium as Deputy Chairman of Project Control (1991-1993), and PT Citra Marga Nusaphala Persada as Head of Operation Division (1989-1992).

He graduated from University of Michigan, USA with Master of Science in Civil Engineering degree (1982) and Purdue University, USA with Bachelor of Science in Civil Engineering degree (1981).

Organization Structure

Board of Commissioners

- Hilmi Panigoro — President Commissioner
- Retno D. Arifin — Commissioner
- Yani Y. Rodyat — Commissioner
- Gustiaman Deru — Independent Commissioner
- Marsillam Simandjuntak — Independent Commissioner
- Masayuki Mizuno — Commissioner

Board of Directors

- Lukman Mahfoedz — President Director & CEO
- Syamsurizal Munaf — Director & Chief Financial Officer
- Dasril Dahya — Director & Chief Human Capital Officer
- Frila B. Yaman — Director & Chief Operation Officer (E&P)
- Akira Mizuta — Director & Chief Planning Officer

Committees

- Remuneration Committee
- Nomination Committee
- Risk Management Committee
- GCG Committee
- Audit Committee

Director & Chief Financial Officer — Syamsurizal Munaf

Position	Name
Head of Corporate Finance	Agung B. Indriyo
Head of Project Finance	Sumantri Slamet
Head of Corporate Tax	Ichwan Sukardi
Head of Corporate Accounting	Andrea G. Diliharto
Head of Investor Relation	Sumantri Slamet
Head of Corporate Treasury	Shinta Mahasuri
Head of Proc. & System Control	Krista

Director & Chief Operation Officer (E&P) — Frila B. Yaman

Position	Name
Production Director	Hartono Nugroho
Development Director	Eka Satria
VP of Technical Support	Vacant
Sr Manager of Commercial	Femi Sastrena
Sr Manager of Relations	Joang Laksanto
Bid Committee Chairman	Aldo S. Rachman
Sr Manager of SHE	Susanto

Director & Chief Planning Officer — Akira Mizuta

Position	Name
Head of Corp. Planning & Perf	Tomoyuki Watanabe
Head of Corp. Risk & Inv. / Div.	Triyadi Prayogo

Executive Assistant to President Director & CEO — Imron Gazali

Sr. Legal Counsel, Corporate Affairs — Siendy K. Wisandana

Advisors

Arifin Panigoro

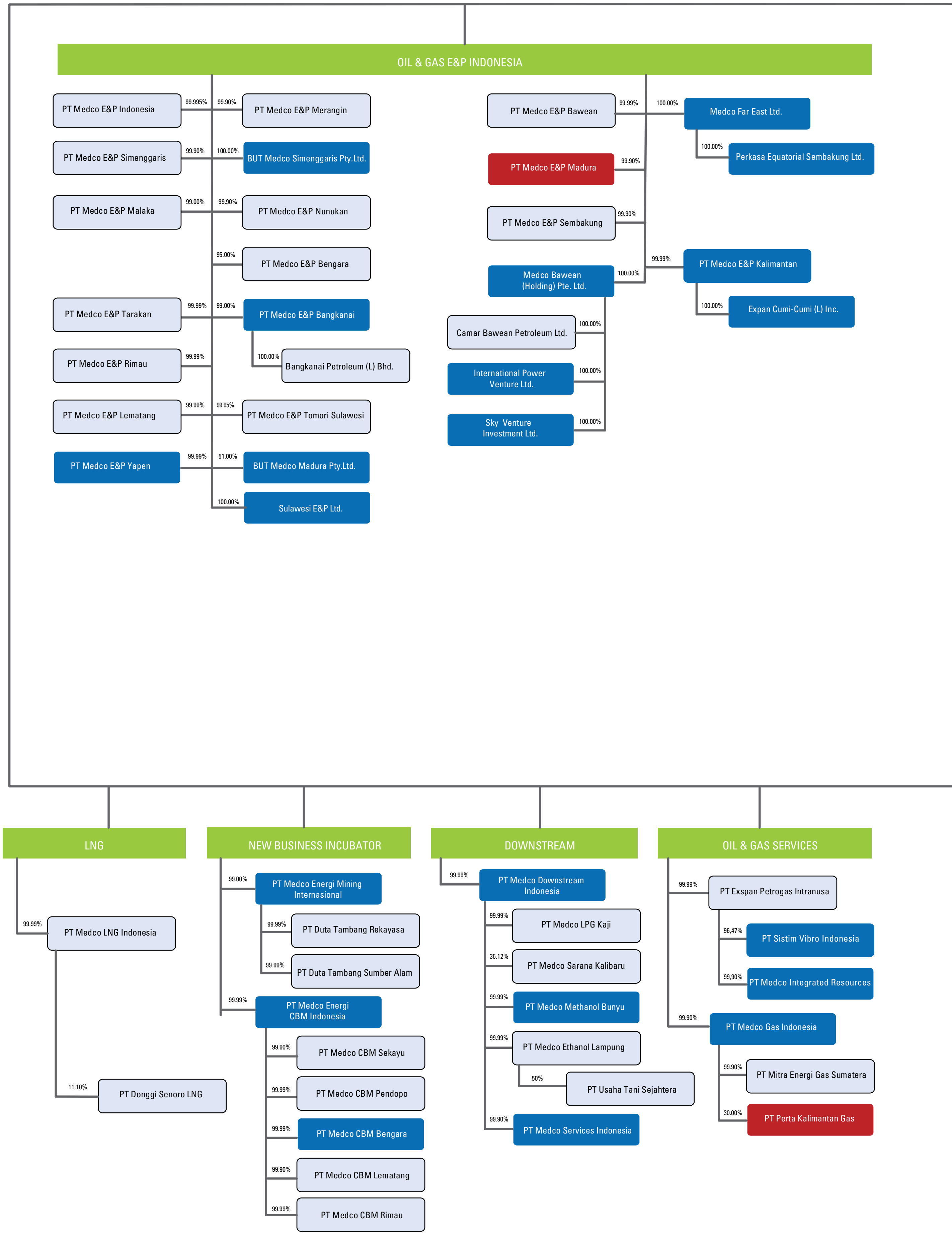
Subroto

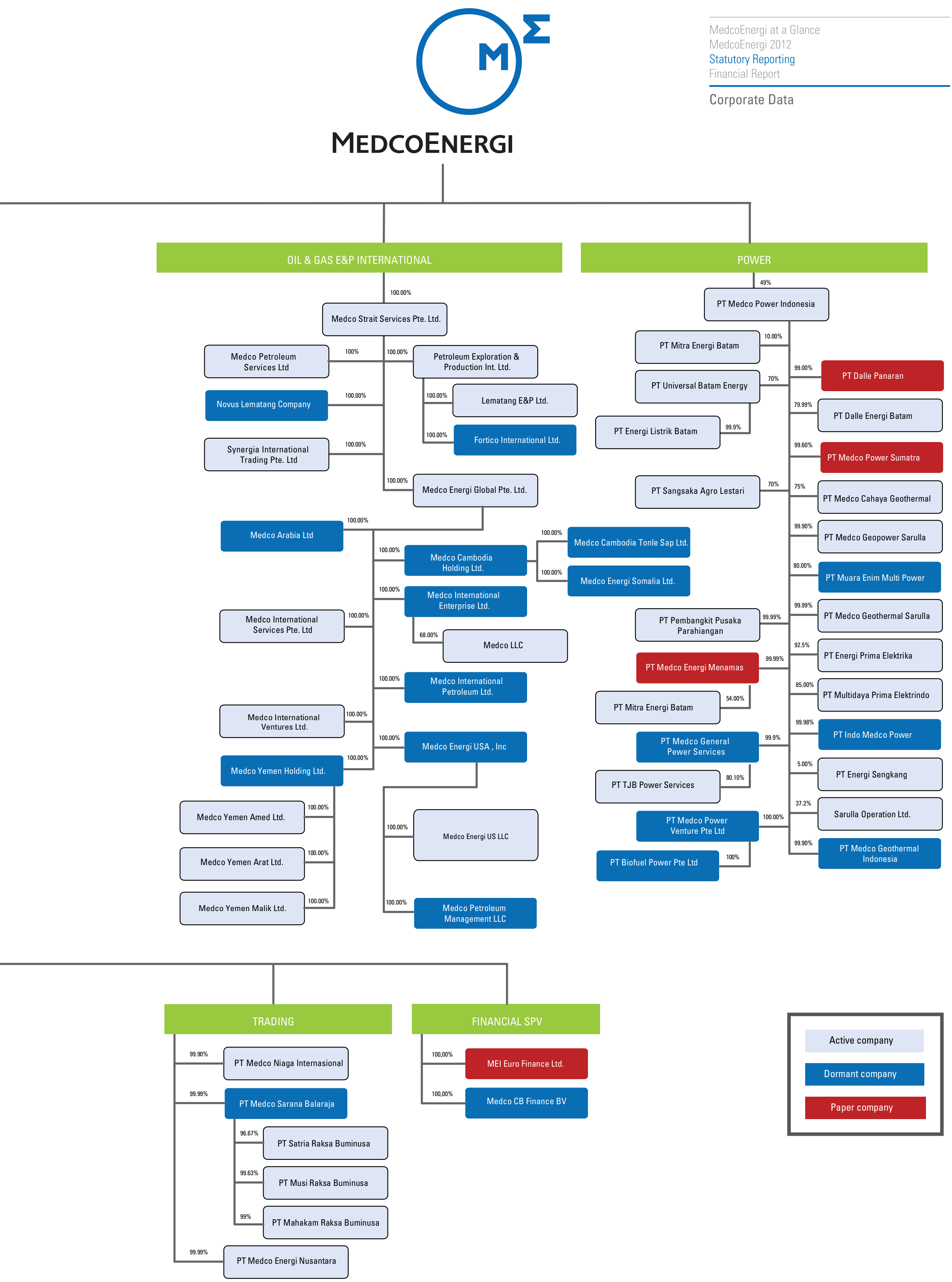
Alwi Shihab

Director & Chief Human Capital Officer	COO Power, Mining & Downstream	Chief Business Support Officer	Chief Exploration & New Ventures Officer
Dasril Dahya	Budi Basuki	Johannes Kustadi	Faiz Shahab
Sr. Manager of Talent Dev.	Downstream Director	Sr. Manager of Fin. Accounting	Sr. Manager of Exploration
Iwan Prajogi	Bambang W. Soegondo	Truelly Anriza	Mike Perkins
Sr. Manager of Perf. & Org. Eff	Power Director	Sr. Manager of Information Service	Sr. Manager of New Ventures
Tia N. Ardianto	Fazil E. Alfitri	Mohamad Baidowi	Ahmad Syaifudin
Sr. Manager of HR Operation	Mining Director	Sr. Manager of Supply Chain Mgt.	Sr. Manager of Expl. Projects
Son Fithroini	Arie P. Ariotedjo	Mark I. Doli	Harmen Rashid
Business Partner Domestic	EPI Director	Sr. Manager of Fin. Control & Gov. Audit	General Manager Yemen
Endang T. Hendrik	Aditya Mandala	Ronny Siahaan	Irfan S. Dozyn
Business Partner International	Medco Gas Director	Manager of General Services	General Manager Libya
Aviv Murtadho	Yunar Panigoro	Junuzar Rasyid	Esaam B. Ramadan
Lead of Board Adm. Office			
Retno Perdanakusuma			

Sr. Legal Counsel, E&P	Head of Internal Audit	Head of Corporate Secretary
Andi I. Mackulau	Eddy Hasfiardi	Imron Gazali

Company Structure




MEDCOENERGI
OIL & GAS E&P INTERNATIONAL
100.00%
Medco Strait Services Pte. Ltd.
Medco Petroleum Services Ltd
100%
100.00%
Petroleum Exploration & Production Int. Ltd.
Novus Lematang Company
100.00%
100.00%
Lematang E&P Ltd.
100.00%
Fortico International Ltd.
Synergia International Trading Pte. Ltd
100.00%
100.00%
Medco Energi Global Pte. Ltd.
Medco Arabia Ltd
100.00%
100.00%
Medco Cambodia Tonle Sap Ltd.
100.00%
Medco Cambodia Holding Ltd.
100.00%
Medco Energi Somalia Ltd.
100.00%
Medco International Enterprise Ltd.
Medco International Services Pte. Ltd
100.00%
68.00%
Medco LLC
100.00%
Medco International Petroleum Ltd.
Medco International Ventures Ltd.
100.00%
100.00%
Medco Energi USA , Inc
Medco Yemen Holding Ltd.
100.00%
Medco Yemen Amed Ltd.
100.00%
100.00%
Medco Energi US LLC
Medco Yemen Arat Ltd.
100.00%
Medco Yemen Malik Ltd.
100.00%
100.00%
Medco Petroleum Management LLC
POWER
49%
PT Medco Power Indonesia
PT Mitra Energi Batam
10.00%
99.00%
PT Dalle Panaran
PT Universal Batam Energy
70%
79.99%
PT Dalle Energi Batam
PT Energi Listrik Batam
99.9%
99.60%
PT Medco Power Sumatra
PT Sangsaka Agro Lestari
70%
75%
PT Medco Cahaya Geothermal
99.90%
PT Medco Geopower Sarulla
80.00%
PT Muara Enim Multi Power
PT Pembangkit Pusaka Parahiangan
99.99%
99.99%
PT Medco Geothermal Sarulla
PT Medco Energi Menamas
99.99%
92.5%
PT Energi Prima Elektrika
PT Mitra Energi Batam
54.00%
85.00%
PT Multidaya Prima Elektrindo
PT Medco General Pewer Services
99.9%
99.98%
PT Indo Medco Power
PT TJB Power Services
80.10%
5.00%
PT Energi Sengkang
PT Medco Power Venture Pte Ltd
100.00%
37.2%
Sarulla Operation Ltd.
PT Biofuel Power Pte Ltd
100%
99.90%
PT Medco Geothermal Indonesia
TRADING
99.90%
PT Medco Niaga Internasional
99.99%
PT Medco Sarana Balaraja
96.67%
PT Satria Raksa Buminusa
99.63%
PT Musi Raksa Buminusa
99%
PT Mahakam Raksa Buminusa
99.99%
PT Medco Energi Nusantara
FINANCIAL SPV
100,00%
MEI Euro Finance Ltd.
100,00%
Medco CB Finance BV
Active company
Dormant company
Paper company

External Audit Committee Members

Zulfikri Aboebakar
Member

Appointed as an external member of the Audit Committee in 2003 and re-appointed on August 2008 courtesy of his extensive experience as Auditor since 1975, which among others, PT Bimantara Citra, PT KODEL, Bank Internasional Indonesia Tbk., Bank Niaga Tbk., and Bank Lippo Tbk. As member of the Audit Committee, his function is to provide analysis of the Company's financial performance based on his expertise in finance and accounting as well as his in-depth understanding of the Country's laws and regulations.

Djoko Sutardjo
Member

Appointed as an external member of the Audit Committee in 2003 and re-appointed on August 2008, courtesy of his extensive experience as Public Accountant and Management Consultant since 1971, including his previous experiences in the oil industry and oil-related supporting industries, such as PT Stanvac Indonesia, Scepter Resources Indonesia, Bumi Modern, and PT Exspan Kalimantan Group. As member of the Audit Committee, his function is to provide analysis of the Company's financial performance based on his expertise in finance and accounting as well as his in-depth understanding of the Country's laws and regulations.

Abbreviation & Terms

Terms	Description
2P	Proved & Probable Reserves
AGMS	Annual General Meeting of Shareholders
AOA	Articles of Association
B3	Toxic and Hazardous Waste
Bapepam-LK	Badan Pengawas Pasar Modal dan Lembaga Keuangan (Indonesian Capital Markets and Financial Institution Supervisory Agency)
BBL	Barrel
BBTU	Billion British Thermal Units
BBTUPD	Billion British Thermal Unit Per Day
BCF	Billion Cubic Feet
BOC	Board of Commissioners
BOD	Board of Directors
BOPD	Barrel Oil Per Day
BPM	Business Process Management
BPMigas	Badan Pelaksana Kegiatan Usaha Hulu Minyak & Gas Bumi (Regulator of upstream oil and gas activities of the Government of Indonesia)
BPS	Balai Penelitian Sembawa
BPS	Board Priority Setting
CBM	Coal Bed Methane
CBPL	Camar Bawean Petroleum Ltd
CCTG	Combined Cycle Turbine Generator
CDM	Clean Development Mechanism
CO2	Carbon Dioxide
COD	Commercial Operation Date
Company	Medco Energi Internasional, PT
CPP	Central Processing Plant
CRC	Camar Resources Canada
CSR	Corporate Social Responsibility
Cue	Cue Sampang Pty. Ltd.
D&M	DeGoyler & MacNaughton
DDP	Driller Development Program
DEB	Dalle Energy Batam
Deloitte	Deloitte Touche and Tohmatsu
DMO	Domestic Market Obligation
DSLNG	Donggi Senoro LNG, PT
DTR	Duta Tambang Raya, PT
DTSA	Duta Tambang Sumber Alam, PT
E&P	Exploration & Production
EBITDA	Earning Before Interest, Income Tax, Depreciation, Depletion and Amortization
EGMS	Extraordinary General Meeting of Shareholders
EGRA	Export Grade Rectified Alcohol
EOR	Enhanced Oil Recovery
EPC	Engineering Procurement & Construction

Terms	Description
EPI	Exspan Petrogas Intranusa, PT
EPSA	Exploration and Production Sharing Agreement
ERT	Energy Resources Technology GOM, Inc.
ESC	Energy Sales Contract
ESDM	Energi dan Sumber Daya Mineral, Departemen
ESOP	Employee Stock Option Program
FEED	Front End Engineering and Design
FID	Final Investment Decision
FTP	First Tranche Petroleum
G&G	Geology & Geophysics
GCA	Gaffney, Cline & Associates Pte Ltd
GCG	Good Coporate Governance
GET	Graduate Engineer Trainee
GMS	General Meeting of Shareholders
GREST	Graduate Relations Trainee
GSA	Gas Supply Agreements
GWh	Giga Watt hours
HOA	Heads of Agreement
HP	Horsepower
HR	Human Resources
HSD	High Speed Diesel
ICE Brent	InterContinental Exchange
ICP	Indonesian Crude Price
ICP-SLC	Indonesian Crude Price - Sweet Light Crude
IDR	Rupiah
IDX	Indonesian Stock Exchange
IFRS	International Financial Reporting Standards
IIA	Institute of Internal Auditors
IICG	Indonesian Institute of Corporate Governance
Indonesia	Republic of Indonesia
IPM	Integrated Program Management (Manajemen Program Terpadu)
ISO	International Standard Organization
ISRS7	7th Edition of International Safety Rating System (Sistem Tingkat Keselamatan Internasional Edisi ke-7)
IUP	Mining Work Permit (Izin Usaha Pertambangan)
JCC	Japan Crude Cocktail
JGC Corporation	JGC Corporation
JOB	Joint Operating Body
JOB P-MEPS	JOB Pertamina Medco E&P Simenggaris
JOC	Joint Operating Company
JOC	Joint Operations Contract

Terms	Description
JSX	Jakarta Stock Exchange
kcal	kilo calories
KL	Kilo Liter
KMB	Kilang Metanol Bunyu
KPI	Key Performance Indicator
KSF	Karim Small Fields
LAPI - ITB	Lembaga Afiliasi Peneliti dan Industri Institut Teknologi Bandung (Research and Industry Afiliation - Bandung Institute of Technology)
LNG	Liquefied Natural Gas
LPG	Liquefied Petroleum Gas
MAKE	Most Admired Knowledge Enterprise, Award
MBLP	Medco Basic Leadership Program
MBO	Management by Objective
MBO	Thousand Barrels of Oil
MBOE	Thousand Barrels of Oil Equivalent
MBOEPD	Thousand Barrels of Oil Equivalent per day
MBOPD	Thousand Barrel of Oil Per Day
MC	Mitsubishi Corporation
MDGs	Millenium Development Goals
MDI	Medco Downstream Indonesia, PT
MedcoEnergi	Medco Energi Internasional, PT
MEI	Medco Energi Internasional, PT
MEMI	Medco Energi Mining Internasional, PT
MEPI	Medco E&P Indonesia, PT
MLI	Medco LNG Indonesia, PT
MMBO	Million Barrel of Oil
MMBOE	Million Barrel Oil Equivalent
MMBTU	Million British Thermal Unit
MMCF	Million Cubic Feet
MMSCF	Million Standard Cubic Feet
MMSCFD	Million Standard Cubic Feet Per Day
MOECO	Mitsui Oil Exploration Company Ltd.
MOU	Memorandum of Understanding
MPI	Medco Power Indonesia, PT
MRB	Musi Raksa Buminusa, PT
MSK	Medco Sarana Kalibaru, PT
MSOP	Management Share Option Program
MSP	Medco Supervisor Program
MT	Metric Tons
MTD	Million tons per Day
MTPA	Million tons per annum
MW	Mega Watt
MWH	Mega Watt Hour
NOC	National Oil Corporation (of Libya)
Novus	Novus Petroleum Limited
NSAI	Netherland, Sewell, & Associates, Inc.

Terms	Description
NSP	Nusa Serambi Persada, Perusda
O&M	Operations and Maintenance
OECD	Organization for Economic Co-operation and Development
OPEC	The Organization of Petroleum Exporting Countries
PA	Petroleum Agreement
PADMA	Pandu Daya Masyarakat Award
PAU	Panca Amara Utama, PT
PDO	Petroleum Development Oman
PDO Shell	Petroleum Development Oman - Shell
PDPDE	Perusahaan Daerah Pertambangan & Energi Sumsel
Pertamina	The Indonesian state-owned oil and gas company
PESA	Participation and Economic Sharing Agreement
PGE	Pertamina Geothermal Energy, PT
PGN	Perusahaan Gas Negara Tbk., PT, State Gas Company
PHE	Pertamina Hulu Energi, PT
PIM	Pupuk Iskandar Muda, PT
PJBG	Perjanjian Jual Beli Gas
PLN	Perusahaan Listrik Negara (Persero), PT , State Electricity Company
PLTMH	Mini Hydro Power Generating Plant
PMP	Puma Medco Petroleum, PT
POD	Plan of Development
PPA	Power Purchase Agreement
Pre-FEED	Pre-Front End Engineering Design
PRIME	Performance Integrity of MedcoEnergi
PROPER	Program Peringkat Kinerja Perusahaan (a corporate performance (rating program for environmental management)
PSA	Production Sharing Agreement
PSAK	Peraturan Standar Akuntansi Keuangan (General Accepted Accounting Practices of Indonesia)
PSC	Production Sharing Contract
PSC/A	Production Sharing Contract/Agreement
PSIA	Pounds per Square Inch Absolute
PSIG	Pressure per Square Inch Gauge
PTTEP	PTT Exploration & Production Public Company
RKAP	Rencana Kerja dan Anggaran Perseroan
RMC	Risk Management Committee (Komite Manajemen Risiko)
SAP	Systems, Applications, & Products (software)

Terms	Description
SCM	Supply Chain Management
SCS	South & Central Sumatra
SHE	Safety Health Environment
SKKMigas	Satuan Kerja Khusus Pelaksana Kegiatan Usaha Hulu Minyak dan Gas Bumi (Oil and gas regulatory body)
SLD	Sulawesi LNG Development Ltd.
SPC	Singapore Petroleum Sampang
SPE	Society of Petroleum Engineers
SRB	Satria Raksa Buminusa, PT
SRI	System of Rice Intensification
SSE	South Sumatra Extention
TAC	Technical Assistance Contract
TBTU	Trillion British Thermal Units
TCF	Trillion cubic feet
TDP	Technician Development Program
UNFCCC	United Nations Framework Convention on Climate Change
US/USA	The United States of America
USD	United States Dollar
WTC	Waste Treatment Center
WTI	West Texas Intermediate

Oil and Gas Terms	Description
Contingent Reserves	Refers to the volume of hydrocarbons that are excluded from the reserves category due to technical, market, or economic contingencies
Gross Reserves	Refers to reserves attributable to the Company's effective participating interest prior to deduction of Government take payable to the Government as the owner of the reserves under the applicable contractual arrangements.
Net Reserves	Refers to reserves attributable to the Company's effective participating interest after deduction of Government take to the Government pursuant to the terms of the relevant production sharing arrangement.
Proven Reserves (1P)	Refers to those quantities of petroleum which, by analysis of geological and technical data can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under current economic conditions, operating methods, and Government regulations.

Oil and Gas Terms	Description
Proven & Probable Reserves (2P)	Refers to proven reserves plus those reserves that are unproven, in which through analysis of geological and technical data, are more likely than not to be recoverable.
Dry Hole	Refers to an exploration, development, or appraisal well that could not produce oil or gas in sufficient quantities to justify completion as an oil or gas well.
EOR/Enhanced Oil Recovery	Refers to a process that is applied to increase the production through energy addition compared to natural production.
Contract Work Area	Refers to a specified geographic area that is the subject of a production sharing arrangement pursuant to which an operator and its partners provide financing and technical expertise to conduct exploration, development and production operations.
Net Production	Represents the Company's share of gross production after deducting the share payable to the Government pursuant to the terms of the relevant production sharing arrangement.
Gross Production	Represents the sum of the oil and gas production from each of the Company's blocks multiplied by the effective interest in such block.
Exploration Well / Wildcat Well	Refers to a well that is drilled in a newly discovered or known discovery to gain further information.
Development Well	Refers to a well that is drilled to exploit the hydrocarbon accumulation defined by an appraisal or delineation well.
Delineation Well / Appraisal Well	Refers to a well that is designed to test the validity of a seismic interpretation and to confirm the presences of hydrocarbons in an undrilled formation.
Dry Hole	Refers to an exploration, development, or appraisal well that could not produce oil or gas in sufficient quantities to justify completion as an oil or gas well.
Swamp-barge Rig	Refers to a drilling rig designed for operation in swamp areas.
Bonds	Refers to an instrument of indebtedness of the bond issuer to the holders

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	2. Short-term liabilities, long-term liabilities, and total liabilities;	v	166 - 167
	3. Equity	v	167
	4. Sales / operating income, expenses and net income (loss);	v	159 - 161
	5. Other comprehensive income, and total comprehensive income (loss)	v	160 - 161
	6. Cash flow	v	167
3	Discussion and analysis of the Company's debt and the collectability of accounts receivable.		
	Explanation of:		
	1. Ability to pay debt, both short term and long term	v	168
	2. The collectability of receivables	v	169
	by presenting the relevant ratio calculation		
4	A description of the capital structure and management's policy on capital structure.		
	Explanation of:		
	1. Capital structure	v	170
	2. Capital structure policy	v	170
5	Discussion of material commitments for capital investments. Explanation of:		
	1. The purpose of such commitments	v	171
	2. Sources of funds to meet the said commitments	v	171
	3. Currency of denomination	v	156 - 177
	4. Planned measures to protect the company from foreign currency risk	v	149 - 155
	Note: if the Company does not have ties related capital investments, so that disclosed		

Description		X.K.6	Pages
6	If the financial statement discloses a material increase or decrease in the sales or net income, then an explanation should be included concerning the extent that such changes can be linked to, among others, the amount of goods and services sold, and/or the existence of new products or services. Explanation of:		
	1. The amount of increase / decrease in sales or net income		
	2. Factors that caused a material increase / decrease in sales or net income associated with the sale of goods	v	171, 157 - 161
	or services, and the availability of new production or services	v	171, 157 - 161
7	Discussion on the impact of price changes on the Company's sales / net income and operational profit for 2 (two) years, or since the commencement of the business, if just starting the business less than 2 (two) years.	v	N/A
8	Material information and acts occurring after the date of the accountant's report. Description of significant events after the reporting date, including the impact on the performance and business risks in the future. If there are no significant events after the date of the accountant's report, please state.	v	171
9	Description of the Company's prospects associated with the industry and general economic supported by quantitative data from a reliable data source.	v	171
10	Description of the marketing of products and / or services of the Company, among other things:		
	1. Marketing strategies, and	v	172
	2. Market segment	v	172
11	Description of the dividend policy, the amount of cash dividends per share and the total dividend per year declared or paid since the previous two (2) years. Includes a description of:		
	1. Dividend policy		
	2. Dividend payment dates	v	174
	3. Total dividends	v	174
	4. Total dividend per share	v	171, 174, 181
	5. Payout ratio for each year	v	181
	Note: when there is no sharing of dividends, please provide reasoning.	v	181
12	Realized use of proceeds from the public offering (in the case of companies are still required to report actual use of funds). Includes a description of:		
	1. Total proceeds	v	174 - 175
	2. Plans on use the proceeds	v	174 - 175
	3. Details on the use of proceeds	v	174 - 175
	4. Proceeds balance	v	174 - 175
	5. AGMS approval date for the change of use of proceeds (if any)	v	N/A
13	Material information regarding the investment, expansion, divestiture, acquisition or restructuring of debt / equity. Includes a description of:		
	1. The purpose of the transaction,	v	176
	2. Transaction value or amount that was restructured,	v	176
	3. Sources of funding.	v	176
	Note: if no such transaction occurred, please state so.		
14	14 Information on material transaction involving conflict of interest and / or transactions with affiliates. Includes a description of:		
	1. Object of transaction	v	177
	2. Name of transaction parties and the nature of the affiliation	v	177
	3. Explanations about the fairness of the transaction	v	177
	4. Reasons for the transaction	v	177
	5. Realization of transactions in the current period	v	177
	6. Company policies related to the mechanism review on such transactions	v	177
	7. Regulatory compliance and related provisions	v	177
	Note: if no such transaction occurred, please state so.		
15	Description of changes in laws and regulations that significantly affect the Company. Note: if there is no change in legislation that can significantly affect the Company, please state so.	v	177
16	Description of the change in accounting policy. The description shall include, among others: changes in accounting policies, reasons and their impact on the financial statements.	v	177

Description	X.K.6	Pages
VI. GOOD CORPORATE GOVERNANCE		
1	Description on the Board of Commissioners, includes: 1. Description of the roles and responsibilities of the Board of Commissioners 2. Disclosure on procedure to determine remuneration 3. Remuneration structure that shows the components of remuneration and the nominal amount per component for each member of the Board of Commissioners 4. Frequency of the meeting of Board of Commissioners (including joint meetings with the Board of Directors) and their level of attendance 5. Training programs in order to improve the competence of the Board of Commissioners	 117 117 - 118 118 118 119
2	Description of the Board of Directors and their remuneration policy. The description shall include, among others: 1. The scope of work and responsibilities of each member of the Board of Directors. 2. Frequency of meetings 3. The attendance of Directors at these meetings (including the Board of Commissioners) 4. Training programs in order to improve the competence of the Board of Directors 5. Disclosure on procedure to determine remuneration 6. Remuneration structure that indicates the type and amount of short-term, long term / post-employment benefits for each member of the Board of Directors 7. Performance indicators to measure the performance of Directors 8. GMS decisions from the previous year and its realization in the current year 9. Reasons if there were decisions that have not have been realized	 120 123 123 124 122 - 123 123 125 125 - 126 N/A
3	Assessment of the members of the Board of Commissioners and Directors. Includes a description of: 1. Performance assessment process on the Board of Commissioners and/or Board of Directors 2. Criteria used in performance assessment of members of the Board of Commissioners and Board of Directors 3. Parties who perform the assessments	 127 127 127
4	Audit Committee. Includes, among others: 1. Name and title of the audit committee members 2. Educational qualifications and work experience of audit committee members 3. Legal basis of appointment 4. Independence of audit committee members 5. Description of duties and responsibilities 6. Brief report of the activities of the audit committee as stated in the Audit Committee charter 7. Frequency of meetings and attendance audit committee	 127 44 - 45, 200 127 127 128 129 129
5	Nomination Committee. Include, among others: 1. Name, title, and brief biography of the members of the nomination committee 2. Legal basis of appointment 3. Independence of the members of the nomination committee 4. Period of office for committee members 5. Description of duties and responsibilities 6. Description of the nomination committee activities 7. Frequency of meetings and attendance of the nomination committee members	 130, 44 - 45, 52 - 53 130 130 130 130 130 131
6	Remuneration Committee. Include, among others: 1. Name, title, and brief biography Remuneration Committee members 2. Legal basis of appointment 3. Independence of the members of the Remuneration Committee 4. Period of office of the Remuneration Committee members 5. Description of duties and responsibilities 6. Description of the Remuneration Committee activities 7. Frequency of meetings and attendance of the Remuneration Committee members	 131 131 131 131 131 132 132

Description		X.K.6	Pages
7	Other committees under the Board of Commissioners owned by the company.		
	Include, among others:		
	1. Name, title, and brief biography other committee members	V	132 - 135
	2. Legal basis of appointment	V	132 - 135
	3. Independence of the members of the other committees	V	132 - 135
	4. Period of office for committee members	V	132 - 135
	5. Description of duties and responsibilities	V	132 - 135
	6. Description of the other committees activities	V	132 - 135
	7. Frequency of meetings and attendance of the other committee members	V	132 - 135
8	Description of the duties and functions of the Company Secretary.		
	Include, among others:	V	136
	1. Name and a brief history of the company secretary position	V	135
	2. Legal basis of appointment	V	136
	3. Education history	V	136
	4. The period of office of the company secretary	V	136 - 138
	5. Description of the tasks performed by the company secretary		
9	Description of the internal audit unit.		
	Include, among others:	V	139
	1. The name of the head of internal audit unit	V	139
	2. Work history, experience and legal basis of appointment	V	139
	3. Number of employees in the internal audit unit	V	140
	4. Qualification / certification as an internal auditor	V	140
	5. Structure or position of the internal audit unit	V	140 - 141
	6. Description of duties performed	V	139
	7. Party who appoints and dismisses the head of internal audit unit		
10	Company Accountant.		
	Information includes, among others:	V	142
	1. Number of periods accountant has audited the annual financial statements of the company	V	142
	2. Number of periods public accounting firm that has audited the annual financial statements of the company	V	142
	3. The amount of audit fee and other attestation services (in the case of where the accountant provides		142
	attestation services along with audit)	V	142
	4. Other services rendered by accountant in addition to financial audit services		
11	Description of the Company's risk management.		
	Include, among others:	V	149 - 150
	1. A description of the risk management system	V	150 - 155
	2. A description of the risks facing the company	V	150 - 155
	3. Efforts to manage these risks	V	150 - 155
	4. A description on the evaluation of the effectiveness of risk management systems		
12	Description of the internal control systems. Include, among others:		
	1. Short description of the internal control system (regarding financial and operational)	V	141
	2. Explanation of the evaluation done on the effectiveness of internal control system	V	141
13	Description of corporate social responsibility related to the environment.		
	Include, among others, information about:		
	1. Policy,	V	104 - 106
	2. Activities undertaken, and	V	110 - 111
	3. Financial impact of Company's activities related environmental programs, such as the use of materials and energy that are environmentally friendly and recyclable material , waste treatment systems company, etc.	V	110 - 111
	4. Certification in the environmental field	V	92
14	Description of corporate social responsibility related to labor, health and safety. Include, among others, information about:		
	1. Policy,	V	104 - 106
	2. Activities undertaken and	V	107 - 108
	3. Financial impact of activities related to employment practices, health and safety, such as gender equality and employment opportunities, adequate facilities and work safety, employee turnover rates, accident rate, training, etc.	V	107 - 109

	Description	X.K.6	Pages
15	Description of related corporate social responsibility related to social and community development. Among others includes information about:		
	1. Policy	v	104 - 106
	2. Activities performed,	v	107 - 111
	3. Financial impact of related activities and social development, such as the use of local labor, community empowerment around the company's work area, improvement of social facilities and infrastructure, other forms of donation, etc.	v	107 - 111
16	16 Description of responsibility related to corporate social responsibility to consumers.		
	Include, among others, information about:		
	1. Policy	v	N/A
	2. Activities undertaken	v	N/A
	3. Financial impact of activities related to product liability/consumer protection, such as health and consumer safety, product information, tools, and number of consumer complaints and its countermeasures, etc.	v	N/A
17	Important cases faced by the Issuer or Public Company, current members of the Board of Directors and/or Commissioners in the annual reporting period.		
	Include, among others:	v	144 - 147
	1. Material of the case/claim	v	144 - 147
	2. Case status	v	144 - 147
	3. Potential impacts to the financial condition of the company	v	144 - 147
	4. Information regarding administrative sanctions by the capital market regulator or others (if any)		
	Note: in the absence of litigation, please state so.		
18	Access company information and data.	v	flap front cover
	Description of the availability of access to information and corporate data to the public, for example through the website, the mass media, mailing lists, newsletters, analyst meetings, and so on		
19	Discussion on the Code of Ethics.		
	Includes a description, among others:		
	1. The existence of a code of ethics	v	142
	2. The contents of the code of ethics	v	142
	3. Disclosure of a code of conduct that applies to all levels of the organization including the Board of Commissioners, Directors and employees of the company	v	142
	4. Efforts in its implementation and enforcement	v	142
	5. Statement on corporate culture of the company	v	143
20	The disclosure of the whistleblowing system.		
	A description regarding a whistleblowing mechanism system including:		
	1. Reporting an infringement the breach	v	142
	2. Protection for whistleblowers	v	142
	3. Complaint handling	v	142 - 143
	4. Party who manages complaints.	v	142
	5. Result from handling of complaints.	v	142
21	21 Information regarding an employee and/or management stock ownership program.		
	Among others:		
	1. Amount of stock allocated	v	144
	2. Period of the program	v	144
	3. Requirements for employee and management to join this program	v	144
	4. Exercise price (if any)	v	144

	Description	X.K.6	Pages
	VII. FINANCIAL INFORMATION		
1	Directors' Statement of Responsibility of the Board of Directors on the Financial Statements Compliance with Bapepam-LK Ruling No. VIII.G.11 on Responsibilities of Directors on Financial Statements	v	Financial statements
2	Independent auditor's opinion the financial statements.	v	Financial statements
3	Description of the independent auditor opinion. Contains: 1. Name & signature statements 2. Date of Audit Report 3. Public Accounting Firm license and permit numbers of Public Accountant	 v v v	Financial statements
4	Complete set of financial statements. Contains all elements of a complete financial statement: 1. Statement of financial position (balance sheet) 2. Statement of Comprehensive Profit (loss) 3. Statement of changes in equity 4. Statement of cash flows 5. Notes to the financial statements 6. Statement of financial position at the beginning of the comparative period presented when the Entity applied an accounting policy or makes restatement of financial statement items, or when the Entity reclassifies items in its financial statements (if applicable)	 v v v v v v	Financial statements
5	Disclosure in the notes to the financial statements when the entity applied an accounting policy retrospectively or made restatements of financial statement items, or when the entity reclassified items in its financial statements. Whether disclosed or not should be in accordance with the PSAK, and stated.		
6	Comparison of profitability. A comparison of income (loss) in the current year end in the previous years		
7	Statement of cash flows. Meet the following requirements: 1. Grouping into three categories of activities: operating, investing, and financing 2. The use of the direct method to report cash flows from operating activities 3. Separation in the presentation of cash receipts and cash disbursements during the year or run between operating, investing and financing cash flows 4. Disclosure of non-cash transactions in the notes to the financial statements	6	There is or was no disclosure in accordance with SFAS
8	Overview of accounting policy. Covering at least: 1. Statement of compliance with PSAK 2. Measurement basis and financial reporting arrangements 3. Revenue recognition and expense 4. Fixed Assets 5. Financial Instruments		
9	Disclosure of related party transactions. The things revealed are: 1. Name of related parties, and the nature and relationship with related parties 2. Transaction value and the percentage of the total revenue and the related cost 3. The balance amount and the percentage of total assets or liabilities 4. Terms and conditions of transactions with related parties		

Description		X.K.6	Pages
VII. FINANCIAL INFORMATION			
10	Disclosures relating to Taxation. Items which must be disclosed: 1. Explanation of the relationship between tax expense (income) and accounting income tax 2. Reconciliation of fiscal and current income tax calculation 3. Statement that the Taxable Income (CGC) reconciliation outcome as basis for charging Annual Income Tax Agency. 4. Details of deferred tax assets and liabilities are recognized in the statement of financial position for any periods presented, and the amount of expense (benefit) deferred is recognized in the income statement if the amount is not visible from the total assets or liabilities recognized in the statement of financial position. 5. Statement if there are no disclosures or tax disputes	v	Financial statements
11	Disclosures relating to Fixed Assets. Items which must be disclosed: 1. Depreciation method used 2. Description of the accounting policies selected between fair value model and cost model 3. Methods and significant assumptions used in estimating the fair value of fixed assets (re-evaluation model) or disclosure of the fair value of fixed assets (cost model) 4. Amount reconciled recorded gross fixed assets and accumulated depreciation at the beginning and end of the period showing: addition, subtraction and reclassification.	v	Financial statements
12	Recent Developments Financial Accounting Standards and Other Regulations. Description of the PSAK / regulations that have been issued but not yet effective, which has not been implemented by the company, by expressing: 1. Types and effective dates of PSAKs / new regulations 2. The nature of the changes which have not become effective or changes in accounting policies, and 3. Effect of implementation of the PSAK and the new regulations on the financial statements.	 v v v	Financial statements
13	Disclosure related to Financial Instruments. Items which must be disclosed: 1. Terms, conditions and accounting policies for each class of financial instruments 2. Classification of financial instruments 3. The fair value of each class of financial instruments 4. Explanation of the risks associated with financial instruments: market risk, credit risk and liquidity risk 5. Objectives and financial risk management policy	 v v v v v v	Financial statements
14	Issuance of the financial statements. Items disclosed are: 1. The date the financial statements were authorized for issue; and 2. Responsible party authorizing the financial statements		

Financial Statements

“MedcoEnergi continues to implement best practice principles of Good Corporate Governance that includes among other things responsible, accountable and independent Management; transparent and fair dealings with stakeholders; and sustainable development through corporate social responsibility engagements and initiatives.”

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Board of Directors & Board of Commissioners Statement

Regarding The Responsibilities Toward The 2012 Annual Report
PT Medco Energi Internasional Tbk

We, the undersigned, being the members of the Board of Commissioners and Board of Directors of MedcoEnergi, hereby, declare that we are fully responsible towards the preparation and presentation of the 2012 Annual Report and 2012 Financial Statements. All information on the 2012 Annual Report and 2012 Financial Statements have been fully and accurately disclosed, and the Reports do not contain false or omitted information or material fact.

In witness whereof, the undersigned have drawn up this statement truthfully.

Jakarta, April 12, 2013
Prepared by :

Lukman Mahfoedz
President Director &
Chief Executive Officer

Syamsurizal Munaf
Director & Chief Financial Officer

Frila Berlini Yaman
Director & Chief Operation Officer E&P

Akira Mizuta
Director & Chief Planning Officer

Dasril Dahya
Director & Chief Human Capital Officer

Approved by:

Hilmi Panigoro
President Commissioner

Gustiaman Deru
Independent Commissioner

Marsillam Simandjuntak
Independent Commissioner

Masayuki Mizuno
Commissioner

Yani Y. Rodyat
Commissioner

Retno Dewi Arifin
Commissioner

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Ticker Symbol:
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PT Medco Energi Internasional Tbk
2012 Annual Report

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