



Maintaining A Balanced Life For Future Growth



MedcoEnergi Sustainability Report 2006

Contents

About MedcoEnergi Sustainability Report	1
Letter to Our Shareholders	2
Profile of MedcoEnergi	4
1. Who Is MedcoEnergi?	4
2. Operational Area & List of Assets	5
3. Achievement & Challenges	6
4. Summary of 2006 & 2005 Performance	7
Our View about Sustainability	8
Economic Performance	10
Environmental Performance	15
Health and Safety Performance	19
Social Performance	22



MedcoEnergi strives constantly to safeguard the long-term sustainability of its business in order to secure a bright future for the young. We owe it to ourselves to preserve the world and its environment, so that our children may enjoy a better life than what we have today.

This report covers economic, safety, health, environmental and social performances of MedcoEnergi group during 2006 and in comparison with the 2005 performances. The economics performance is based on the MedcoEnergi's consolidated financial report. The terms of PT Medco Energi International Tbk are also represented by "MedcoEnergi", the "Company", "We" and "Our" as consistent with the context.

About MedcoEnergi Sustainability Report 2006

As a responsible corporate citizen, we are pleased to publish our very first Sustainability Report, which highlights the results and achievements of our economic, social and environmental endeavors up to year-end 2006 compared to 2005.

The MedcoEnergi 2006 Sustainability Report is produced in accordance with the reporting guidelines and indicators of the International Petroleum Industry Environmental Conservation Association (IPIECA) and the American Petroleum Institute (API) Oil and Gas Industry Guidance on Voluntary Sustainability Reporting (April 2005). The majority of these indicators are also consistent with those in the Global Reporting Initiative (GRI). However, we have made some adjusted indicators in line with our practices.

Looking Beyond the Financial Bottom Line



Hilmi Panigoro

This year marks the first time that MedcoEnergi publishes a group-wide sustainability report presenting our wide-ranging commitments and efforts toward sustainable development which includes environmental and social issues, in addition to sustainable business and economic growth.

The concerns over social progress and environmental conservation have increased considerably in recent years as we are made acutely aware of the challenges faced by modern mankind, ranging from poverty, lack of education to global warming. As a business group engaged in energy, MedcoEnergi faces a unique challenge in its industry, which is how to meet the ever growing demand for energy. People around the world aspire to maintain and achieve a better quality of life that inevitably will consume more energy.

For over two decades, MedcoEnergi, the leading private national oil and gas company in Indonesia, carries no small responsibilities. Over the past several years, MedcoEnergi continues to develop a comprehensive

and integrated program in the areas of economic, environmental safety and social welfare in our pursuit of progressive business growth. It is our long term commitment to maximize value to our stakeholders today and in the future.

As the energy company of choice, we remain steadfast in our commitment to (i) find, harness and deliver energy to our customers in a responsible and sustainable manner over the long-term; (ii) maintain uncompromising operational standards on health, safety and environmental issues, (iii) recruit, train and retain the best talents available, (iv) support social and national development by providing education, healthcare and empowering communities in which we operate, and (v) safeguard and preserve the environment for future generations.

Our efforts in social investments are also marked as one of the Company's priorities. We not only aim to help communities through a single effort, but to develop a sustainable program in which we will be able to measure its benefits over the long-term. For instance, we are particularly pleased to note that MedcoEnergi is committed to supporting and increasing the quality of education in Indonesia. Or that our Micro Financing Services program, which is aimed at empowering small-scale businesses, has helped more than 1,000 small business owners and operators



to grow and thrive through our financing schemes in Sumatera, Kalimantan and Sulawesi.

In the energy industry itself, we continuously seek breakthroughs to minimize environmental impacts, while at the same time exerting every efforts to find the best solutions for industrial waste recyclement and renewal energy development.

MedcoEnergi has made substantial investments to develop an LPG plant at Banyuasin, South Sumatera, to off-take previously flared gas from our Kaji Semoga fields. While our ground breaking geothermal development project, the largest of its kind ever undertaken by a private domestic investment company, marks MedcoEnergi's entry into the renewable energy sector of geothermal of which Indonesia has great resources from its active volcanoes. We are also venturing into and developing other renewable sources of energy, namely the production of bio-fuel from organic sources such as cassava.

We ensure that our operations adhere to stringent government regulations as well as international best practices on greenhouse gas emission and other effluent standards. In the area of greenhouse gas emission, MedcoEnergi has received an official endorsement from the World Bank to register our LPG project in South Sumatera for the certifiable carbon emission reduction program of the Clean Development Mechanism (CDM) within the framework of the Kyoto Protocol. We are honored by the trust and confidence shown to us by the World Bank and other international agencies as well, and we will do our best to merit such a trust.

In 2006, our methanol plant on Bunyu Island received a Blue Rating from Proper, a government environmental audit program on industrial establishments in Indonesia. A blue rating signifies that a company has met the requirements for environmental safety standards and procedures. However, we aim to improve it to green, which means that we will have to exceed the required regulations.

Although we have made several accomplishments, we still have a great deal to do. As an energy company with working interests in six countries, MedcoEnergi has several non-operated interests in projects that we have not been or are currently not involved in any way at ground level.

Of those many interests, two non-Medco operated interests have had disastrous results, to the extent of causing collateral damage to third parties and even to the surrounding environment. While Medco has taken every measure to alleviate the sufferings of those affected by the damage, we cannot be liable for faulty actions in which we neither took part in, nor had any control over whatsoever. It has been a long-held policy of MedcoEnergi that for every working interest in which we are operating on the ground, we adhere to well-proven and time-tested standards of work and environmental safety standards. Thus far, our methods have proven to be reasonably safe and reliable, assuring the safety of all of our employees, contract workers, working partners, customers, regulators, and the communities in which we operate.

MedcoEnergi intends to continue to adhere to stringent Health, Safety and Environmental (HSE) measures to ensure that we remain committed to our long-term sustainable development.

Finally, may I thank the employees of MedcoEnergi who have been instrumental in driving our sustainability pursuits, as well as the numerous people in our organization who are in the forefront of these efforts and have contributed to our inaugural Sustainability Report.

A large part of this Report is based on the Oil and Gas Industry Guidance on Voluntary Sustainability Reporting of the International Petroleum Industry Environmental Conservation Association (IPIECA) and American Petroleum Institute (API). Our reporting also follows the guidelines of the Global Reporting Initiative (GRI) as well as the Indonesian Sustainability Reporting Association (ISRA).

We are pleased to draw your attention to our core business of harnessing affordable energy responsibly and sustainably, and welcome your criticism and suggestion to improve our business further in the future.

Jakarta, September 2007
For the Board of Directors,

Hilmi Panigoro
President Director

Who is MedcoEnergi?

Vision

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

Mission

To develop profitable investment portfolios from energy resources

Corporate Values

- Professional
- Ethical
- Open
- Innovative

MedcoEnergi is an integrated energy company with business activities consisting of oil and gas exploration, development and production, LPG production, drilling services, methanol production and power generation. Currently, MedcoEnergi employs more than 6,000 people in our operational areas in Indonesia, United States of America, Libya, Yemen, Cambodia and Oman as well as in 8 onshore and 6 offshore drilling rigs, 1 methanol and 1 LPG plants, and 3 power plants.

Our oil and gas exploration and production activities began when MedcoEnergi acquired Tesoro's exploration and production contracts in East Kalimantan (TAC and PSC) in 1992 and 100% shares of PT Stanvac Indonesia from Exxon and Mobil Oil in 1995. The successful IPO in 1994 supported MedcoEnergi to expand the business into chemical industry, which utilized gas reserves from the Tarakan Block. A Joint Operating Management Agreement with Pertamina to operate Pertamina's methanol plant at Bunyu Island, East Kalimantan was then signed in 1997.

In 2004, MedcoEnergi expanded its existing upstream oil and gas activities by acquiring 100% shares of Novus Petroleum Ltd, a publicly-listed Australian oil and gas company with operations in Australia, United States of America, the Middle East and South East Asia, including Indonesia. In that same year, MedcoEnergi also started the operations of an LPG plant, which processed associated gas from oil production in the Kajji/Semoga fields into condensate, lean gas and LPG. Simultaneously, MedcoEnergi also entered into the gas-fired power generation business.

Looking ahead, MedcoEnergi will remain as an integrated energy company with primary focus on oil and gas exploration, development and production. In addition, to meet the world's growing energy demand, we will also enter into other energy industries and its related businesses, including renewable energy, geothermal, and fuel distribution.

Oil & Gas

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



Power

Established in 2004, PT Medco Power Indonesia currently operates two power plants in Batam Island (Panaran I and Panaran II) and has a contract for the operation and maintenance of a coal-fired power plant in Tanjung Jati, Central Java. Further developments include a geothermal power plant in North Sulawesi, and Sarulla Geothermal in North Sumatera.



Chemicals

MedcoEnergi operates two chemical plants, a Pertamina-owned methanol plant on Bunyu Island, East Kalimantan, and an LPG plant at Musi Banyuasin, South Sumatera. The issue of future global energy challenges has attracted MedcoEnergi to enter the renewable energy business. The construction of our first ethanol plant, located in North Lampung, is expected to start its commercial operations by early 2008.

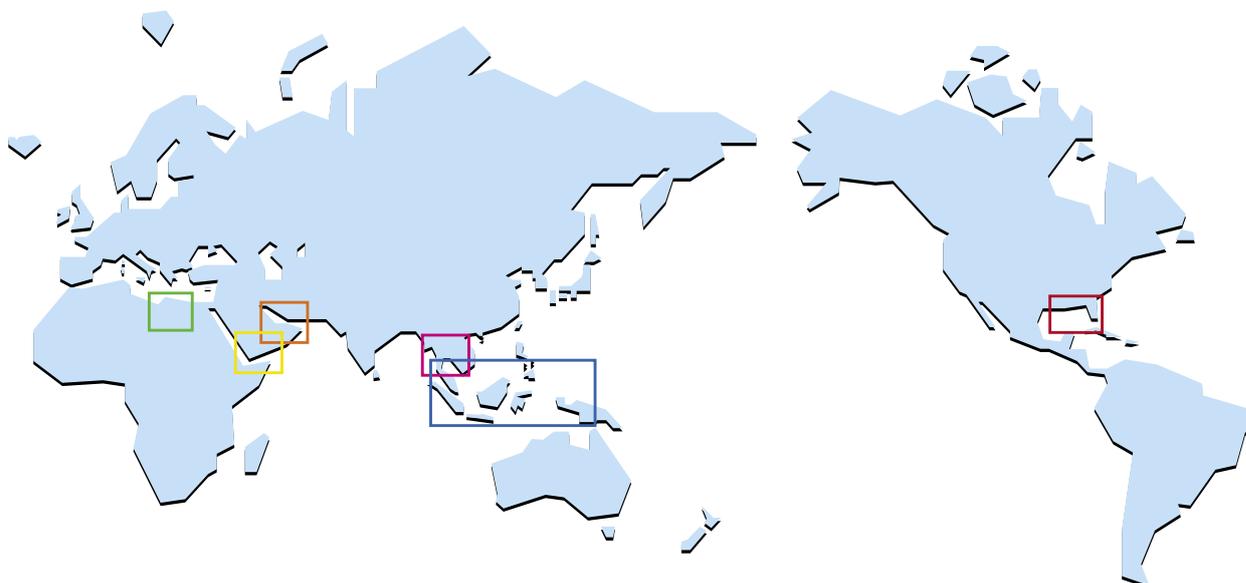


Drilling Services

MedcoEnergi manages its drilling services operations through its subsidiary, PT Apexindo Pratama Duta Tbk. Bringing high standards of expertise and quality services in the oil and gas industry, Apexindo has rapidly evolved into a leading drilling contractor in Indonesia, and even in Southeast Asia. Today, Apexindo owns and operates six offshore rigs (four of them are swamp barge rigs) and eight onshore rigs serving major oil companies throughout Indonesia and abroad.



Operational Areas and List of Assets



Operational Areas

as of December 31, 2006

 Indonesia:	
Exploration	8
Development	1
Production	12 ¹
Onshore Rigs	8
Offshore Rigs	5 ²
Methanol Plant	1
LPG Plant	1
Ethanol Plant	1
Power Plant	2
O&M Steam-fired	1
Fuel Blending and Storage Plant	1 ⁴
 US Gulf of Mexico:	
Exploration	4
Development	1
Production	5
 Libya:	
Exploration	1
 Yemen:	
Exploration	2
 Cambodia:	
Exploration	1
 Oman:	
E&P Services	1
Offshore Rigs	1

List of Assets

as of December 31, 2006

Oil and Gas	
Exploration	16
Development	2 ¹
Production	17
E&P Services	1
Drilling Services	
Onshore Rigs	8
Offshore Rigs	6 ²
Chemicals	
Methanol Plant	1
LPG Plant	1
Ethanol Plant	1 ³
Power Generation	
Power Plant	2
O&M Steam-fired	1
Distribution	
Fuel Blending and storage Plant	14

1 Including the Bawean Block which is not in production

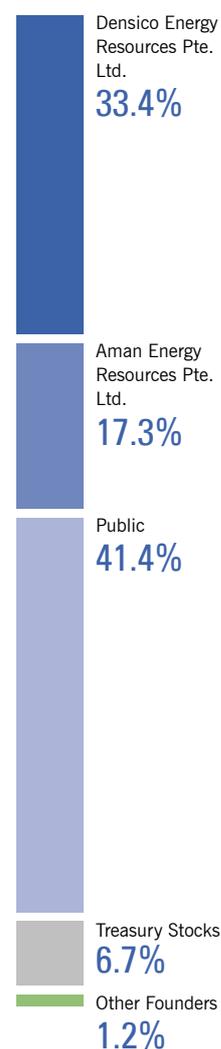
2 Including one additional Jack-up rig, Soehanah to be operated in 2007

3 Under construction

4 Acquisition completed in January 2007

Shareholders

as of December 31, 2006



Achievements and Challenges

	2006 ACHIEVEMENTS	FUTURE CHALLENGES
ECONOMIC	<p>Increased Revenues MedcoEnergi posted total revenues of USD 792.4 million in 2006, rising by 28% from USD 620.2 million in 2005.</p> <p>Acquired New Blocks MedcoEnergi acquired 11 new oil and gas properties in 2006, three in Indonesia, five in the USA, two in Yemen and one in Cambodia.</p>	<p>Increasing Reserves MedcoEnergi will continue to focus on improving reserves replacement ratio through secondary recoveries and discoveries in Libya and the USA.</p> <p>Monetizing Gas Gas monetization will be in the forefront of MedcoEnergi's initiatives as we seek to capitalize on substantial gas reserves.</p> <p>Going for Renewables Alternative sources of energy are being looked upon by MedcoEnergi, which has begun to invest in the development of biofuel in commercial scale.</p>
ENVIRONMENT, SAFETY, AND HEALTH	<p>Reduced Flared Gas MedcoEnergi built an LPG plant in a major gas field in South Sumatera which was previously flared.</p> <p>Received Gold Flag Two of Medco's operating units, Medco Methanol Bunyu and Medco LPG Kaji received the Gold Flag for excellence in safety, health and environment.</p>	<p>Reducing Emission Reduction of greenhouse gas emission will increasingly be a key priority of MedcoEnergi as we embark on a Clean Development Mechanism program under the Kyoto Protocol framework.</p> <p>Reducing LTI MedcoEnergi will strive to achieve zero loss-time-incident as we continue to enhance work safety, health and environmental protection.</p>
SOCIAL	<p>Yogyakarta Earthquake MedcoEnergi provided relief aids to earthquake victims, and was engaged in the post-disaster rehabilitation efforts.</p> <p>Pangandaran Tsunami MedcoEnergi distributed foods, clothings and provisions, and helped restore houses and livelihoods.</p> <p>Community Development We continue to support our community in the fields of education, local infrastructure development, healthcare, spiritual and sport activities.</p>	<p>Maintain Sustainable CSR Programs MedcoEnergi's corporate social responsibility programs are thoroughly surveyed and planned in advance, and designed for long-term sustainable development. These programs are carried out in line with our triple sustainability goals of economic growth, social welfare and environmental preservation.</p>



Summary of 2006 & 2005 Performance

		2006	2005	Variance
FINANCIAL & OPERATING				
Net income	(USD million)	38.2	74.7	-49%
Sales and other operating revenue	(USD million)	792.4	620.2	28%
Capital expenditures	(USD million)	388.9	226.6	72%
Total assets at year end	(USD million)	1,841.6	1,535.2	20%
Total long-term debt at year end	(USD million)	932.2	669.2	39%
Return on average capital employed	(per cent)	17.8	20.7	-14%
Oil lifting	(million of oil barrels daily)	56.4	53.3	6%
Natural gas sales	(billion of cubic feet daily)	127.2	132.2	-4%
LPG sales	(metric tons daily)	100.1	96.8	3%
Onshore Rigs utilization	(per cent)	68.0	51.0	33%
Offshore Rigs utilization	(per cent)	100.0	100.0	0%
Methanol sales	(thousand of metric ton)	137.0	199.7	-31%
LPG production	(thousand of metric ton)	36.5	36.1	1%
Taxes to governments	(USD million)	928.8	781.1	19%
Distribution to shareholders	(USD million)	32.6	34.8	-6%
Spending with suppliers	(USD million)	395.1	259.1	52%
SAFETY				
Fatalities-employees		0	0	0%
Fatalities-contractors		0	0	0%
Lost-time incident rate				
Oil & Gas*		0.6	0.2	288%
Drilling Services		1.0	0.3	194%
Chemicals		0	0	0%
Power		0	0	0%
Recordable incident rate				
Oil & Gas*		1.9	0.1	1,750%
Drilling Services		3.4	2.1	126%
Chemicals		8.3	12.8	-35%
Power		0	0	0%
ENVIRONMENT				
Land Rehabilitation*	(hectares)	60	53.1	13%
Coral Reef Rehabilitation*				
Artificial	(units)	80	0	800%
Transplantations	(installations)	80	0	800%
EMPLOYEES				
Number of Regular employees	(thousand)	2.7	2.4	13%
Total Direct Contract & 3rd Party Contract	(thousand)	3.3	1.6	106%
Total Percentage of Female Workforce	(per cent)	8	8	0%
Benefits to employees and workers (wage, salaries, pensions and other benefits)	(USD million)	63.4	59.0	7%
SOCIAL				
Community investment	(USD million)	1.3	0.9	44%

* Indonesia oil and gas operations only

Economics

The Company spent capital expenditures of USD 388.9 million in 2006 and booked total sales and other operating revenues of USD 792.4 million due to increase in oil price and steady growth of oil and gas liftings. However, the loss due to the divestment of Medco Brantas, the increase in the production and lifting cost and the exploration expenses have lowered the Company's net income to USD 38.2 million.

Safety

During 2006, the Company recorded no fatal accident on employees or contractors. Unfortunately, the lost time incident rate and recordable incident rate increased in Indonesian oil & gas as well as in drilling services operations in 2006 compared to 2005. However, the recordable incident rate decreased in chemical operation in 2006 compared to 2005.

Environment

In 2006, the Company continued to plant trees as part of its efforts to preserve the environment in its surrounding areas of operation in 60 hectares of land, increased by 13% compared to 53.1 hectares in 2005.

Employees

The increase in Company's operation during 2006 has affected the total number of regular employees, direct contract employees and third party contractors accordingly. The Company spent USD 63.4 million for manpower compensation and benefits in 2006, 7% higher compared to 2005.

Society

The Company developed various CSR programs particularly in the surrounding communities where we operate. In 2006, MedcoEnergi spent USD 1.3 million in social investment, rose by 44% compared to 2005.

Our View on Sustainability

MedcoEnergi is not complacent with what the Company has achieved today. Instead we aim to increase our business growth and to sustain it for many years to come. However, in order to achieve that, we need to be a responsible corporation in terms of economic, environmental and social developments.

1. Economic Responsibility

a. Deliver Value to Shareholders

One of MedcoEnergi's main objectives is to maximize value to shareholders by growing the business, delivering good financial results, increasing share price and distributing dividends approximately 20-50% from our total net income.

b. Maximize Revenues

Maximizing revenues remains a key focus of MedcoEnergi as we seek to increase our productivity in each of our business lines as well as diversify our revenue base so as not to rely excessively on just one or two main income streams. Although production of oil and gas still accounts for 71% of total revenues in 2006, we are experiencing rapid revenue growth from other sources such as drilling services, other work contracts, methanol sales and power generation.

c. Generate Profit and Competitiveness through Cost Effectiveness

MedcoEnergi strives to generate optimum profitability through cost effectiveness. Barrel-for-barrel, we remain to date the least cost producer of oil and gas among the major oil companies operating in Indonesia. Not only has this fact sustained our profitability over the years, but it has also enabled MedcoEnergi to submit winning bids for prospective blocks at home and abroad.

d. Enhance Assets Portfolio through Effective Business Strategy

The Company implements an integrated planning and performance management system that comprises of the Planning Cycle and Monitoring Cycle. The Planning Cycle evaluates the strategy implementation in the previous year as well as the formulation of strategic directions in the following year. The strategic directions are then incorporated into the annual planning and budget for each and every business and operating unit. Meanwhile, the Monitoring Cycle comprises of quarterly review sessions that evaluate the progress against the Annual Plan and Budget and to discuss the required corrective actions needed to ensure that the business is performing accordingly.

e. Good Corporate Governance

Good Corporate Governance is the foundation of our sustainable business. The shareholders, BOC and BOD are the three main organs in the implementation of GCG at MedcoEnergi, providing the required checks and balances for MedcoEnergi to conduct its businesses with transparency, accountability, responsibility, independency and fairness.

f. Talented Workforce

MedcoEnergi recognizes that the quality and competency of its human resources are critical in supporting the Company to achieve its vision and mission. Therefore, the Company places a great emphasis on its human resources development and focuses on implementing global human resources policies and strategies as part of its continuing expansion and maintaining a competitive edge.

2. Environment & Safety Responsibility

a. Environmental Plan in Our Operations

MedcoEnergi always makes sure that it conducts its operations by adhering to international best practices in environmental protection and conservation. We also comply with a number of regulations that have been enacted by the Government of Indonesia through the Ministry of Environment includes the Environmental Impact Assessment (Amdal) which contains several documents on: Guideline Framework for Environmental Impact, Analysis on Ecological Impact, Plan for Ecological Management and Plan or Ecological Monitoring.

b. Minimize Negative Impact

In our field operations, the oil and gas business unit of MedcoEnergi operating in Indonesia has undertaken a series of activities to restore ecological balance in conjunction with our business operations, including the protection against water contamination and air pollution and treatment of solid wastes (hazardous waste). Reports on these activities are periodically distributed to the Regional Environmental Impact Controlling Board at both the Regency and Provincial levels. Copies of the reports are also sent to the Ministry of Environment of the Republic of Indonesia.

c. Reduce Waste

MedcoEnergi is using its LPG plant at the Kaji-Semoga Field to undertake a Zero Discharge program, that is without generating water and air pollution. Water flowing along with the oil production is re-drained back into the earth core. While the associated gas products are directly used as the material for the adjacent LPG plant.

d. Rehabilitation Projects

As a company that thrives on natural resources, MedcoEnergi strives to rehabilitate the surrounding environment through rehabilitation projects. During 2006, we planted 113,100 trees in approximately 53 hectares in six exploration and production blocks where we operate. In addition, we also initiated rehabilitation of coral reefs in the offshore of Senoro Toili in Central Sulawesi where the Company operates a major gas interest.

e. Safe Operations

MedcoEnergi continues to adopt the Operational Reliability Guideline System (ORGS) in undertaking Safety, Health and Environment (SHE) procedures that have been implemented by Stanvac (which was formerly owned by ExxonMobil before being acquired by MedcoEnergi). To further enhance our control over the SHE procedures, we have adopted the International Safety Rating System - 7th Edition (ISRS7) - which constitutes a highly useful system in measuring the effectiveness of SHE procedures against the business performance of a company. Training and workshop in the implementation of the ISRS7 have been undertaken since 2006 and will continue in 2007 onwards.

f. A Healthy Working Environment

MedcoEnergi strives continuously to create a healthy working environment in order to improve operational efficiency and productivity. Our strong commitment to these efforts can be seen from the various policies and initiatives on the management of healthy working conditions that the Company espouses.

3. Social Responsibility

a. Supporting National Development

In order to advance social welfare particularly in our surrounding communities, we have designed CSR programs to support the Government's National Mid Term Development Plan (RPJMN) for the year 2004-2009, which focuses on an agenda of Improving Public Welfare.

b. Add Value to Surrounding Communities

MedcoEnergi aims to improve the quality of life within the communities in which we operate. We develop programs that are in accordance with the needs of the community in the areas of education, infrastructure, sports, spiritual, culture, healthcare and environment. Through these programs, we wish that our presence can bring added values to our surrounding communities.

c. Care and Attention for Social Issues

Being a responsible corporate citizen, MedcoEnergi is always on hand to provide relief aids and other supporting activities for communities that are affected by natural disasters. In 2006, there were several major natural disasters that struck Indonesia, including the earthquake in Yogyakarta and parts of Central Java, the tsunami in the southern shores of West Java in Pangandaran, mud slides in North Sumatera and others. In each and every one of these disasters, MedcoEnergi was on hand to help alleviate the sufferings of those who were caught in the tragic events.

Economic Performance

Main Subject

How We Govern Ourselves

A. Good Corporate Governance

1. Three Major Organs & Committees
 2. Internal Control over Financial Reporting
 3. CG&E Manual
-

B. Management System

1. Strategic Planning & Monitoring
 2. Enterprise Resource Planning
-

Our 2006-2005 Financial Performance

A. Revenues

B. Cost of Sales

C. Net Income

D. Assets

E. Liabilities

Our Contributions:

A. Government

B. Shareholders

C. Bondholders & Lenders

D. Employees and Workers

E. Suppliers

F. Community and Society

MedcoEnergi believes that a combination of good corporate governance and good business process will lead to good economic performance. This way, we can deliver value to our stakeholders.

How We Govern Ourselves

A. Good Corporate Governance (GCG)

GCG is the foundation of our sustainable business through a process by which MedcoEnergi is directed and controlled. By implementing GCG, we aim to improve the Company's prosperity and accountability in such way that will deliver increasing value to shareholders in the long-term. We expect that everyone in MedcoEnergi should adhere to the highest standards of GCG principles which are transparency, accountability, responsibility, independence and fairness at all times, through the implementation of our corporate values: Professional, Ethical, Open, and Innovative.

1. Three Major Organs & Committees

The shareholders, through the General Meeting of Shareholders (GMS), Board of Commissioner (BOC), and Board of Directors (BOD) are the three major organs in implementing GCG at MedcoEnergi. Each of them has different roles and responsibilities in the implementation of GCG at MedcoEnergi.

General Meeting of Shareholders (GMS)

As at year-end 2006, MedcoEnergi recorded 2,968 shareholders who held 3,108,854,450 shares (exclusive of 223,597,000 treasury stock) which are listed on the Jakarta Stock Exchange (JSX). These shareholders have control over the Company through a GMS. The shareholders with valid voting rights have the right to attend and exercise their voting rights at the GMS. MedcoEnergi also provides the same rights to its GDRs holders registered on the Luxembourg Stock Exchange (LuxSX) based on their number of shares listed on the JSX. A shareholder who is unable to attend the GMS may request a representative to attend with a written proxy.

In addition, MedcoEnergi ensures that certain corporate actions, which by its Article of Association (AoA), the Company Law, the Capital Market Law and Bapepam's Regulations require shareholders' approval, is proposed to the Extraordinary GMS for approval.

Board of Commissioners

The duties of the BOC in MedcoEnergi are to supervise the policies prepared and issued by the BOD and provide advice to the BOD with regards to the governance of MedcoEnergi. To enable the BOC to exercise their duties effectively, the BOC has established an Audit Committee, a Risk Management Committee, a Remuneration Committee, and a Nomination Committee. Each of the committees assist the BOC in carrying out their roles and responsibilities.

All members of the BOC in MedcoEnergi shall take a role in the strategic planning of MedcoEnergi and provide written approval for the work program and budget of MedcoEnergi and its business units for the following year.

The BOC in MedcoEnergi is also responsible to ensure that the BOD has properly recorded and presented financial transactions in the consolidated financial statements.

Board of Directors

The BOD is fully responsible for managing MedcoEnergi for the interests and the objectives of the Company. The BOD is also responsible to represent MedcoEnergi both in and outside a court law in accordance with the provisions in the Company's AoA.

2. Internal Control over Financial Reporting

As a commitment to practice the highest standards of GCG principles, MedcoEnergi has implemented a strong internal control system in all aspects of its business operations. The framework of internal control system introduced by the Committee of Sponsoring Organization (COSO) has been adopted to ensure that a systematic and efficient internal control system is established in the Company. This framework allows

us to evaluate and improve the effectiveness of risk management control and governance process which is in line with our business environment and the operations of our business units.

The Corporate Internal Audit group is assigned to monitor and improve the internal control system within MedcoEnergi and its business units. To carry out its duty effectively in business units, the Corporate Internal Audit is assisted by an internal audit group in all business units.

3. CG&E Manual

To strengthen MedcoEnergi's commitment toward the GCG implementation, in late 2003 we have issued a Corporate Governance and Code of Ethics Manual (CG&E Manual). The CG&E Manual was written with the objective to ensure that the Boards and employees of MedcoEnergi gain common perception on GCG practices throughout all aspects of MedcoEnergi's operations. It contains policies and ethical standards for Shareholders, Boards, and all employees in conducting their professional responsibilities.

Commitment of the Boards and employees to adhere and comply with the policies and ethical standards outlined in the CG&E Manual in performing their duties are shown by signing an adherence form. From the beginning of issuance, the Boards and every employee in MedcoEnergi have returned the signed adherence forms to MedcoEnergi's Human Resources Division. Meanwhile, all subsidiary companies also implement their own Code of Ethics and require their employees to sign similar adherence forms.

We are now in the process of updating the CG&E Manual and expect to issue the revised one by the end of 2007.

To ensure that the employees of the Group have a good grasp and understanding of GCG, the Board plans to design a GCG e-learning method and socialize it directly to employees.

The Boards of MedcoEnergi believes that through high commitment in implementing the CG&E Manual, the interests of its shareholders and stakeholders can be better protected.

CORPORATE GOVERNANCE MANUAL & CODE OF ETHIC IS A GUIDELINE IN IMPLEMENTING GCG

Corporate Governance Manual¹

1. Shareholders Policy
2. Boards Policy
3. Human Resource Policy
4. Conflict of Interest Policy
5. Financial & Accounting Policy
6. Gift, Asset and Other Benefit Policy
7. Contribution & Donation Policy
8. Disclosure Information Policy
9. Insider Trading Policy
10. Information Technology and Telecommunication Policy
11. Safety, Health & Environment Policy

Code of Ethics

Board Code of Ethics

Reference for Boards in governing MedcoEnergi and carrying out duties, roles and responsibilities.

Code of Ethics²

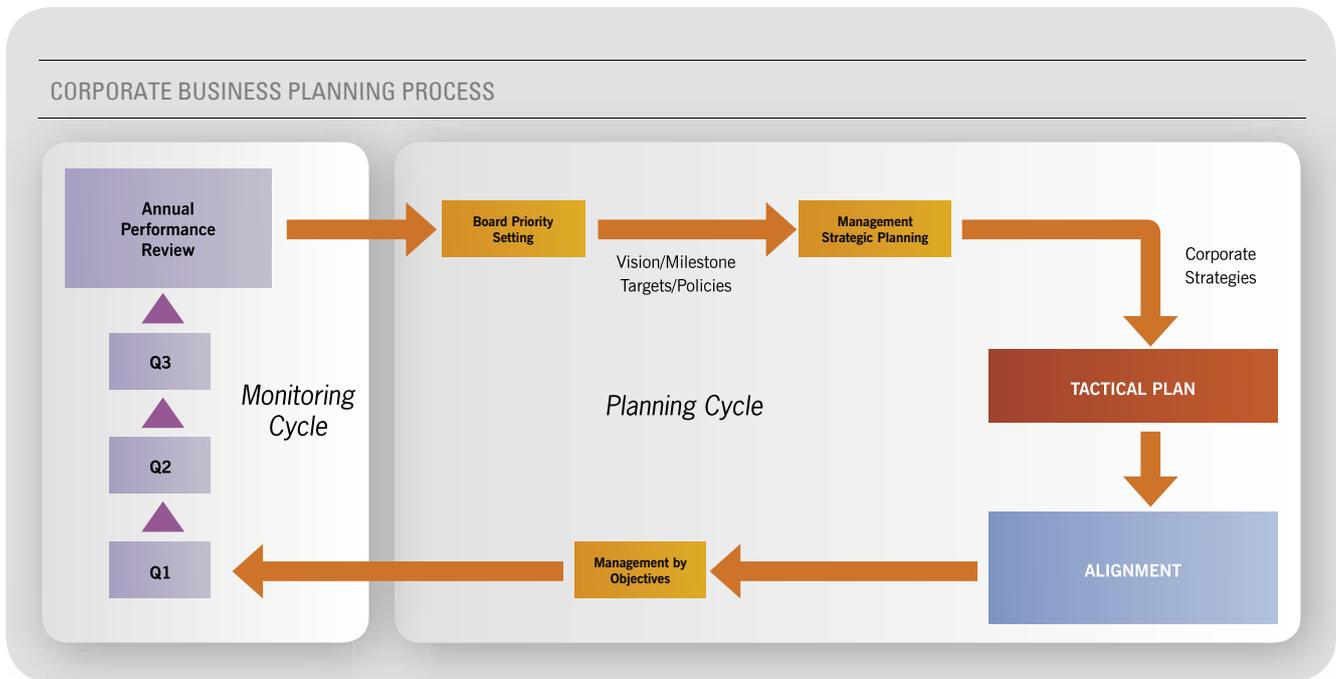
Reference for employees and Boards in carrying out their roles and responsibilities.

Procurement Ethics

Reference for procuring goods/ materials and services.

1 Launched in late 2003

2 Launched in 1998 and refined in 2003



B. Management System

To enhance support for the corporate office as well as for the subsidiaries, MedcoEnergi has revitalized its organization structure to reflect, among others, the formation of two dedicated units: the Corporate Planning and the Corporate Growth Groups which replaces the Corporate Planning and Business Development Group, respectively.

1. Strategic Planning & Monitoring

The Company has, since 2002, implemented an integrated planning and performance management system that largely comprises of the Planning Cycle and Monitoring Cycle. The Planning Cycle begins with an evaluation of both the strategy implementation in the previous year as well as the formulation of strategic directions for the following year which are defined by the Company's BOD as determined in the Board Priority Setting (BPS) session. The strategic directions are then incorporated into the annual planning and budget for every division within both the corporate office and subsidiary operations. The planning and budget preparation is conducted through the Management Strategic Planning (MSP) process. Going forward, the proposed Annual Plan and Budget submitted within the Company's BOD shall be implemented through the Management by Objectives (MBO) session.

The Monitoring Cycle, on the other hand, comprises quarterly review sessions that seek to evaluate the implementation progress as well as assess achievements against the Annual Plan and Budget, and to discuss the required corrective actions needed to ensure that the business and supporting units perform in accordance with the planning that was agreed upon.

2. Enterprise Resource Planning (ERP)

In order to support the Company's activities, MedcoEnergi has developed systems and procedures. Begun in 2002, MedcoEnergi initiated SAP Implementation Update which was subsequently followed by an Enterprise Resource Planning (ERP) system that was designed to support the management and control of multi-business corporations. In 2004, the SAP Implementation Project focused on the implementation of a Finance & Control (FI/CO) module at the company's subsidiaries, including implementation at PT Medco Methanol Bunyu in East Kalimantan and at PT Medco Moeco Langsa, in Nanggroe Aceh Darussalam. With the implementation of these FI/CO modules, the company was able to standardize its finance and accounting management systems and processes, and more importantly, to consolidate the financial reports of the subsidiaries into the corporate-level financial statement in an accurate and timely manner. MedcoEnergi also continues to upgrade its systems with better and current technologies.

2006-2005 Financial Performances

A. Revenues

The Company substantially derives all of its total sales and other operating revenues from net oil and gas sales, revenues from drilling operations and related services, net methanol sales, electric power sales, and share of profits of joint ventures.

For the years ended December 31, 2006 and 2005, the Company had total sales and other operating revenues of USD 792.4 million and USD 620.2 million, respectively; EBITDA of USD 304.0 million, USD 328.2 million, respectively. The main contributors for this achievement was the increase in oil price and the Company's steady growth of oil and gas lifting.

B. Cost of Sales

Our cost of sales increased by 88% to USD 381.9 million in 2006 from USD 203.2 million in 2005 due to higher operating cost derived from production and lifting cost, exploration expenses and drilling operation cost.

Production and lifting cost increased year on year by 42% to USD 106.1 million in 2006 from USD 74.6 million in 2005. Drilling operation cost increased by 34% to USD 91.6 million in 2006 compared to USD 68.2 million in 2005. Cost of methanol sales decreased by 27% to USD 23.6 million in 2006 from USD 32.2 million in 2005. Exploration expenses increased by 117% to USD 41.2 million in 2006 from USD 19.0 million in 2005.

C. Net Income

The Company's net Income decreased by 49% from USD 74.7 million in 2005 to 38.2 million in 2006. It was mainly due to the recognition of loss as a result of the divestment of Medco Brantas, the increase in the production and lifting costs as well as exploration expenses.

The situation of Banjar Panji-1 Well incident forced the Company to pursue the divestment of 100% shares of Medco Brantas. The divestment in the block required us to recognize a loss in the amount of USD 61.7 million at the end of year 2006.

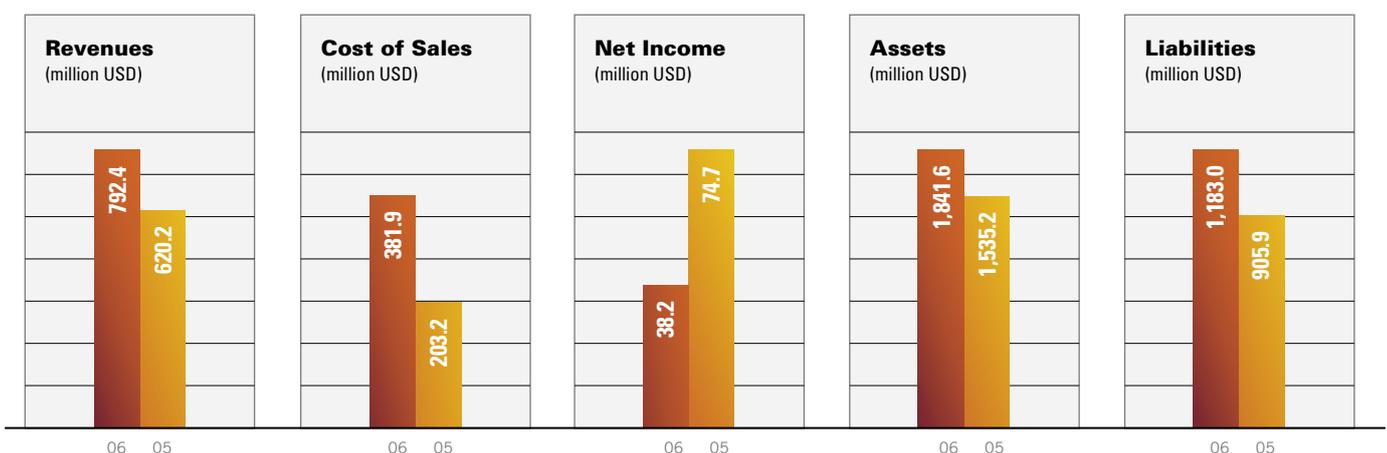
We returned 50% of the 2006 net income or a total of USD 19 million to the shareholders in the form of dividends payment.

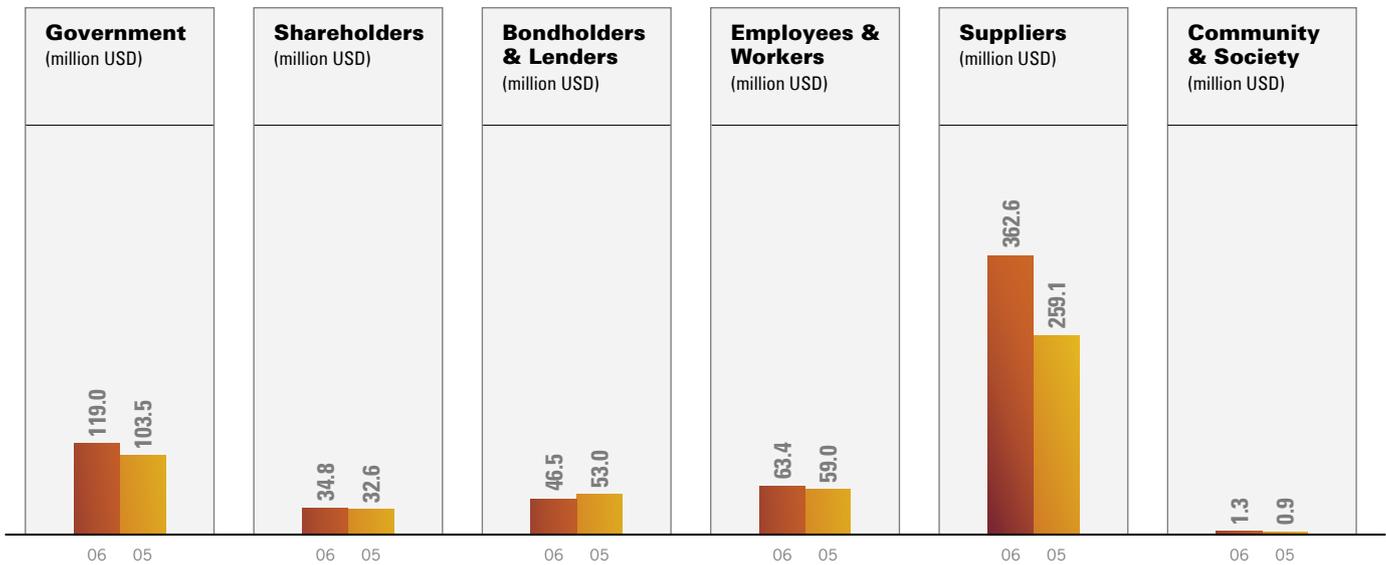
D. Assets

The implementation of an upstream oil and gas acquisition program resulted in the increase of oil and gas reserves as well as the development of new businesses. These activities have grown the Company's Total Assets by 20% to USD 1.8 billion in 2006 compared to USD 1.5 billion in 2005.

E. Liabilities

To support the Company's growth, MedcoEnergi issued Convertible Bonds and obtained project financing from several banks in 2006. As a result, the Company's Total Debts increased to USD 834.3 million as at year-end 2006, along with current and non-current liabilities. The sum of MedcoEnergi liabilities increased by 30% from USD 905.9 million in 2005 to USD 1,183 million in 2006.





Our Contributions to:

A. Government

MedcoEnergi paid corporate taxes amounting to USD 119.0 million from its 2006 operating income of USD 169.5 million. In 2005, our contribution to state tax income amounted to USD 103.5 million which was derived from an operating income of USD 181.1 million.

B. Shareholders

Total returns on shareholders' equity were 7.1% and 14.0% in 2006 and 2005, respectively. From these earnings, the Company paid back to shareholders a total of USD 34.8 million and USD 32.6 million in dividends for fiscal years 2006 and 2005, respectively.

C. Bondholders & Lenders

As at year-end 2006, MedcoEnergi had total outstanding USD Bonds, IDR Bonds and Convertible Bonds amounting to USD 277.0 million, IDR 1,902 billion, and USD 185.1 million, respectively. While the Company's loan was USD 57.4 million as at year-end 2006, rose by 45% compared to USD 39.7 million in 2005. These loans were acquired from several local banks and two foreign financial institutions. During

2006, the Company spent USD 46.5 million in interest expenses, a decrease of 12% from USD 53.0 million in 2005.

D. Employees and Workers

The employees, contract workers and professionals of MedcoEnergi received in aggregate a total of USD 63.4 million in salaries, wages, professional fees and contract charges in 2006. This amount was up by 7.4% from USD 59.0 million paid out to employees, contract workers and professionals hired by the Company in 2005.

E. Suppliers

In 2006, the Company spent a total of USD 362.6 million in purchases and procurement of goods and services from vendors. This amount was 40% higher compared to USD 259.1 million in 2005.

F. Community and Society

We spent approximately USD 1.3 million in 2006 for our CSR activities which was 10% higher than USD 0.9 million in 2005. Our programs range from education, economic empowerment, spiritual, sports, healthcare, cultural to natural disaster relief aids.

Environmental Performance

Main Subject

Our Commitment to Preserving Environment

Policy and Procedures in Preserving Environment

Activities Report

A. Environmental Impact Assessment (EIA)

B. Rehabilitation Projects

C. Waste Center

D. Clean Development Mechanism

Future Challenge

Renewable Energy

MedcoEnergi places a strong emphasis on the safety and security features of all of its activities, ensuring that both the natural and social environment surrounding the Company's area of operations are constantly protected.

To achieve this, the Company adheres fully to government regulations on environmental protection policy at all times. MedcoEnergi strives continuously to maintain environmental and ecological balance throughout its business activities.

Our Commitment to Preserving Environment

Policy and Procedures in Preserving the Environment

MedcoEnergi ensures that employees and contractors are provided with a healthy and safe working environment. Among other things, the Company protects the community, environment and socio-economic interests in and around its operating areas from potentially harmful activities, hazardous products and/or wastes and pollutants.

The Company's SHE (Safety, Health and Environment) policy refers to the Company's commitment to protect the safety, health and working environment of its employees, contractors, and surrounding communities from potentially damaging incidents that may arise from the operations of the Company as stated in the MedcoEnergi Guidelines and CG&E Manuals.

As a responsible energy group company, MedcoEnergi ensures that maintaining SHE practices becomes one of Management's highest priorities. These practices are reflected in MedcoEnergi's achievement to meet or exceed the regulatory requirement standards of SHE both in Indonesia and globally. In meeting these regulatory standards, MedcoEnergi employs a holistic and integrated SHE management system, providing adequate capabilities to identify potential hazards and necessary counter measures.

Activities Report

A. Environmental Impact Assessment (EIA)

AMDAL which stands for the Assessment for Environmental Impact is a government regulation that requires businesses with significant industrial activities to undertake a comprehensive assessment/analysis study on the potential impact that these industrial activities may have on the environment and surrounding communities. MedcoEnergi undertakes these AMDAL studies on all of its operating areas, using certifiable and fully independent consultants, to ensure that it meets and in most cases exceeds the prevailing requirement standards on environmental protection and conservation.

During 2006, we made two environmental impact assessments as follows:

1. Development of Singa field in Lematang Block, Muara Enim Regency, South Sumatera.



2. Development of Senoro gas field and Senoro-Kintom pipeline, Banggai Regency, Central Sulawesi.

To supply information to authorities on the progress of our environmental management, MedcoEnergi E&P prepares an Environmental Management and Monitoring report every six month and submit it to the Ministry of Environment, Oil and Gas Upstream Regulator and Implementing Agency (BP Migas) and Environmental Management and Planning Body (Bapedal). The following outlines the reports that we submitted in 2006:

1. The installation and operation of 16-inch gas pipeline for Rambutan station to PLN (State Power Company), Gunung Megang SSE Block, South Sumatera Province.
2. The land exploration well drilling in Tiram #1 placement at Bengara Block, Bulungan Regency, East Kalimantan Province.
3. The exploration drilling (wildcat) in Gemuruh Deep #1 and Kaju #1 Well at Kampar Block, Kerumutan subdistrict, Pelalawan Regency, Riau Province.
4. The exploration well drilling in Meta #1 placement at South Sumatera Extension SSE Block, Musi Banyuasin Regency, South Sumatera Province.
5. The exploration well drilling in Rejeki #1 and Berkah #1 Iliran High placement at Rimau Block, Banyuasin Regency, South Sumatera Province.

B. Rehabilitation Projects

We make efforts to restore the environment in a given area after being used for our operations. Currently, we have on-going land rehabilitation and coral reef rehabilitation programs.

1. Land Rehabilitation

We endeavor to restore land to its original condition after we have completed our activities in the area. Among other things, MedcoEnergi E&P rehabilitates the

environment by planting many trees in various blocks. The following table outlines the total land hectarages that have been rehabilitated in and surrounding our operating areas:

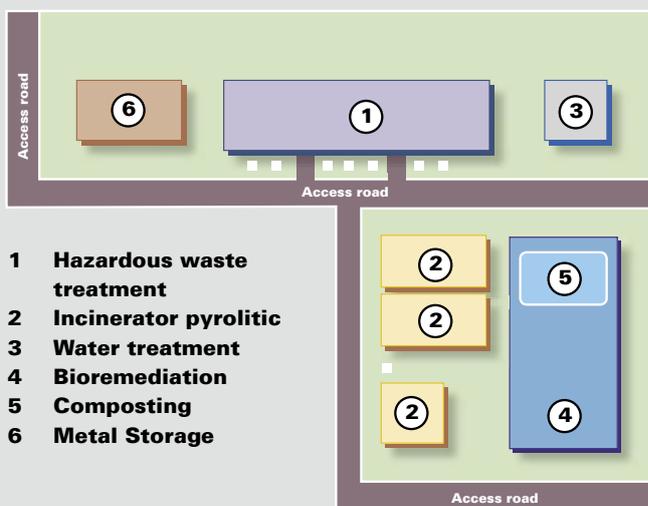
Blocks	2006 (hectare)	2005 (hectare)
Lirik	2.3	5.0
Rimau	20.0	20.0
South Sumatera/Soka	20.8	20.0
Sanga Sanga	5.0	5.0
Tarakan	5.0	5.0
Sembakung	0.0	5.0
Total	53.1	60.0

2. Coral Reef Rehabilitation

To preserve the offshore environment in Tiaka Senoro-Toili Block, we initiate efforts through artificial reefs conception as well as reefs transplantation in order to enrich the habitat, increase the productivity of marine life, and trigger the reproductive cycle of several organisms in the marine ecosystems.

The artificial reefs are planted in eight different locations totaling up to 80 units at 6-20 meter depth. The first installations began in May 2005 and were monitored periodically by the marine experts. While the coral reefs transplantations are attached in four locations totaling up to 80 transplantations at 2-4 meter depth. These have simulated the habitat and marine life in and around the corals. The modules create dense and natural-like reefs for herbivorous fish and juvenile fish to flourish. Small reef fish living in the artificial reefs naturally keep algae and soft coral overgrowth under control, creating favorable conditions for rapid coral colonization.

WASTE CENTER LAY OUT



C. Waste Center

In 2006, the Company built a Waste Treatment Center (WTC) situated in Rimau block, South Sumatera. The WTC currently has five facilities with plans to expand to seven facilities in the future.

1. Hazardous waste treatment

Wastes that pose as substantial or potential threats to public health or the environment and generally exhibit flammable, oxidizing, corrosive, toxic, radioactive and eco-toxic nature are classified as hazardous. In our hazardous waste treatment facility, all chemical-spent drums, lubricant residues, ashes, filter lubricants and spent batteries are processed. After processing, the output is collected by waste management vendors.

2. Incinerator pyrolytic

To process domestic trashes and liquid wastes, we burn these wastes in an incinerator, which converts these wastes into ashes. This way, the volume of wastes are reduced.

3. Water treatment

We use water treatment to optimize most water-based domestic waste processes, such as: heating, cooling, processing, cleaning, and rinsing, so that risks are reduced.

4. Bioremediation

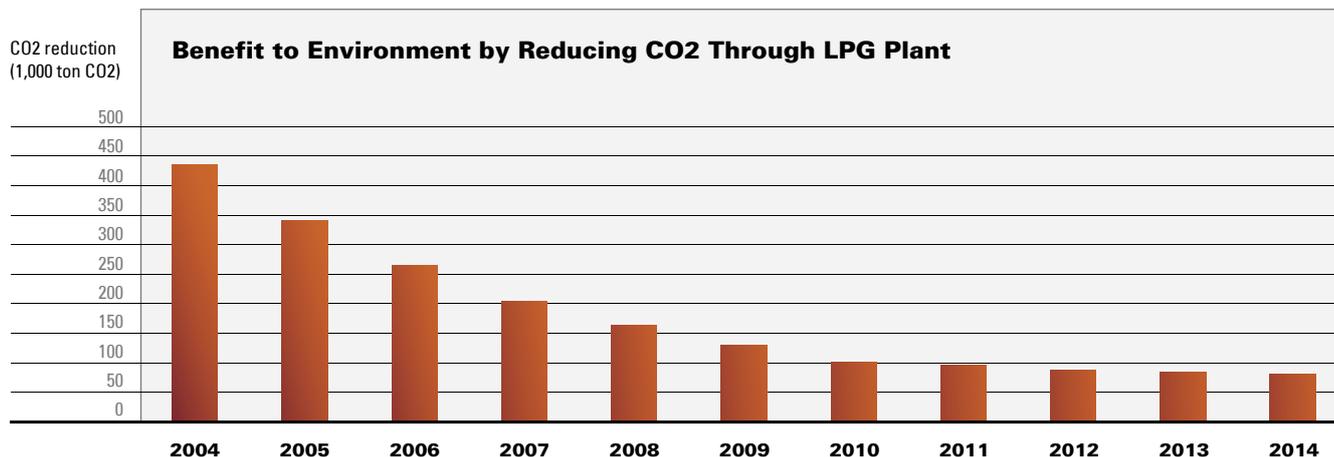
To reduce crude-oil contaminated soil, we employ bioremediation process to facilitate decomposition of the crude oil and ultimately restore environments that have been altered by contaminants to their original condition.

5. Composting

To provide a healthier environment, we recycle organic household waste into compost. It allows wastes to be converted into fertilizers and at the same time helps prevent the collection of garbages into mounts in landfills.

D. Clean Development Mechanism

Green House Gas or GHG (CO₂, CH₄, N₂O, HFC, PFC, SF₆) are gasses released by activities on the earth surface, either by natural activities (CO₂ release by plants) or human activities. The growth of human civilization over the past several decades has contributed to the significant rise of GHG release and concentration in the atmosphere. High level concentration of GHG is regarded as the source of global warming phenomenon, with CO₂ as the main contributor (60%). Global Warming has had several environmental impacts, including the rising of sea level, the melting of icecaps in the North Pole, and significant climatic changes worldwide. In the fight against global warming, the Earth Summit in Rio de Janeiro in 1992 produced signatures on the United Nations Framework Convention on Climate Change (UNFCCC), which came into force in 1994. Subsequent summit held in Kyoto in 1998 concluded with the Kyoto Protocol, which then came into force in February 2004.



Clean Development Mechanism (CDM) is the only mechanism under the Kyoto Protocol which involves developing countries (non-Annex 1 countries) in global action of greenhouse gas emission abatement in order to prevent the climate change. The CDM is supervised by the CDM Executive Board (CDM EB) and is under the guidance of the Conference of the Parties (COP/MOP) of the UNFCCC.

MedcoEnergi is involved in CDM through the “associated gas recovery and utilization project”. The project was initiated in 2003 to reduce the amount of associated gas flared at the Kaji-Semoga oil field. The flaring activity itself is not prohibited by Government regulation but it releases CO₂ emission into the atmosphere. The installation of the LPG Plant allows

the validation process is completed, the project will be registered to CDM EB, with July 2007 as the expected registration date. Once registered, the next steps would be the implementation of monitoring period and verification & certification process, prior to the issuance of CERs (Certified Emission Reductions).

Future Challenges Renewable Energy

Exploration for renewable energy has become increasingly vital, amid the world’s soaring-energy demand, while the source of fossil-based energy continues to diminish. In its pursuits to become the Energy Company of Choice, MedcoEnergi has taken up the challenges of exploring renewable energy,



the recovery and processing of the associated gas into LPG, condensate, and residue gas. One of the main factors in choosing LPG as an option for associated gas utilization has been due to the relatively high composition ($\pm 16\%$) of propane and butane. The LPG Plant commenced operations in 2004 under the management of PT Medco LPG Kaji.

The associated gas is produced as a by-product of oil production activity at Kaji-Semoga oil field, operated by PT Medco E&P Indonesia, located ± 80 km from Palembang, the capital city of South Sumatera province, Indonesia. Limited amount of the associated gas had been used for oil production, gas injection, utilities, and on-site consumption whilst the major amount was flared, prior to the LPG Plant operation.

This project has received the Letter of Approval from Indonesian DNA (Designated National Authority) – Komisi Nasional Mekanisme Pembangunan Bersih (KNMPB) in December 2006. The approval shows that it has complied with the sustainability requirements aspects of the CDM project. The project is currently under validation process, carried out by DNV. After

in cooperation with the Ministry of Research and Technology and other organizations.

Through joint research and development programs, MedcoEnergi focuses its efforts in two areas: Fuel Cell and Bio-fuels. In Fuel Cell development, initial studies on potential types and applications of fuel cells are currently in progress.

As stated in MedcoEnergi’s 2006 Annual Report, the construction of the Company’s first bio-ethanol plant located in Kotabumi, Lampung, has begun since October 2006. The plant is targeted for commissioning by the end of 2007 and is expected to produce commercially in the first-quarter 2008. This plant is capable of producing ethanol from cassava and sugar cane starch.

MedcoEnergi has also reported in the same Annual Report that it is committed to developing renewable energy in the form of bio-ethanol and bio-diesel fuel. Therefore, the Company has initiated a number of feasibility studies with several parties to develop the next ethanol plants.

Health & Safety Performance

Main Subject

Our Management System

International Safety Rating System - 7th Edition (ISRS7)

Employee Participation

Workforce Health

- A. Medical Coverage
 - B. Substance Abuse
-

Occupational Injury and Illness Rate

The Company constantly strives to apply work, health, and environmental safety management practices effectively throughout its production activities.

“There is no such work that is deemed to be so urgent and vital that it could not be accomplished safely.” This statement serves as the motto for implementing the culture of work, health, and environmental safety throughout all of PT Medco Energi Internasional Tbk’s business units.

The Company fully realizes the importance of ensuring work safety for all its employees, related parties involved in production activities, its partners, and the people of the surrounding communities for a mining company’s success. For its part, MedcoEnergi constantly strives to enhance the standards of quality for managing work, health, and environmental safety.

In line with these efforts, the Company has formulated a policy statement pertaining to work, health, and environmental safety that are incorporated within its corporate vision and mission.

Our Management System

International Safety Rating System - 7th Edition (ISRS7)

Due to the various industries that MedcoEnergi is engaged in, the Company allows discretions to each business unit to adopt a system or program of SHE procedures, which is suited for the needs of each and every business unit within the respective industries. However, MedcoEnergi requires all of its business units to adopt a system that is fully compliant with the prevailing laws and regulations as well as being in line with international best practices.

All of MedcoEnergi’s subsidiary companies that are engaged in the exploration and production of oil and gas in Indonesia continues to adopt the Operational Reliability Guideline System (ORGS) that has been implemented by Stanvac (previously owned by ExxonMobil), in undertaking SHE procedures. The ORGS contains 11 key elements, which defines in detail the extent to which every operation has to comply with the SHE requirements. These elements comprise the key aspects of safety, security, health and environmental management, from the time a project commences to its operations. This policy also ensures that each operating unit has resources, expertise, systems, procedures and rules to facilitate a secure, reliable and environmentally-safe working conditions.

ORGS has also become the guideline for MedcoEnergi to ensure that its operations do not encroach upon the local communities. Another aspect of the ORGS is that the Company can fully assess the social and environmental impact of new projects. In addition, every activity of each operating business unit is monitored through an

evaluation process that is consistently and regularly applied within three to five years period.

To further enhance our control over SHE procedures, and to ensure consistent evaluation to these procedures, starting in 2006, the oil and gas business unit has adopted the International Safety Rating System - 7th Edition (ISRS7). The ISRS7 constitutes a highly useful system in measuring the effectiveness of SHE procedures that is related to the business performance of a company. Training and workshop in the implementation of the ISRS7 have been undertaken since 2006 and will continue in 2007 onwards.

As for the chemical business unit, the ISRS7 has been adopted since 2005. Training and workshops on issues of SHE care are carried out for various levels of management. They are aimed at a common understanding both vertically and horizontally towards this work safety program.

In the drilling service business unit, the DNV International Safety Rating System has been adopted which requires this business unit to develop a work safety management system that aims at building robust preventive measures and the ability to respond swiftly to emergency situations.

In practice, the system has to implement 12 aspects of safety management which among other things comprise of leadership and administration, risk management, work safety analysis, incident and accident reporting, and analysis and investigation.

Employee Participation

To obtain feedback from employees, HR Management has conducted its second Employee Opinion Survey which particularly aims at enhancing favorable working climate in line with corporate vision and mission, corporate HR strategy, HR systems and processes, corporate culture and employee behavior, and

employee and business performance. The survey is regularly done every two years.

With regards to compensation and benefits (C&B), the Company provides health insurance in addition to pension plan, house allowance, transportation allowance, leave allowance, etc. In addition, MedcoEnergi believes that a happy and healthy working environment will encourage employees to be more creative and productive in carrying out their duties. The Company initiated several efforts to build a healthy two-way communication between management and employees.

Workforce Health

MedcoEnergi continuously strives to create a healthy working environment to improve operational efficiency and productivity. Our strong commitment to these efforts can be seen from the various policies and initiatives on the management of healthy working conditions that the Company espouses.

A. Medical Coverage

One of the key aspects of this policy is the number of trainings and information that has been devoted to espousing a healthy lifestyle which centers on regular exercise, a healthy diet and weight control. A high standard of health and fitness such as high-quality foods and healthy living quarters can be found in all locations of the Company. These conditions are further enhanced by regular medical check-ups such that preventive measures can be administered.

In addition to preventive measures, MedcoEnergi has continuously advanced its ability to cope with emergency situations and handle emergency medical treatment. Currently, the Company has an emergency procedure that is supported by round-the-clock medical service.



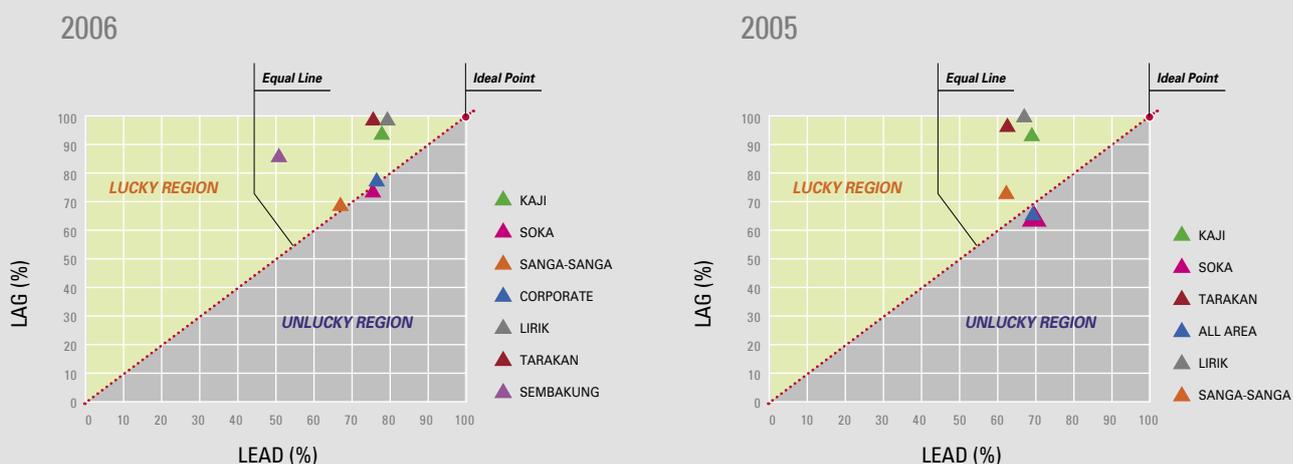
B. Substance Abuse

All employees, contractors and partners are bound not to intentionally abuse, keep, or distribute alcohol and other prohibited drugs while conducting their work or being in the Company working areas as mentioned in the policy on Alcohol and Prohibited Drugs. Random test and specific medical test on employees and at the Company workplaces are carried out regularly. Strict sanction is also in place for any employees proven to have violated laws and regulations concerning alcohol and prohibited drugs. The Company also maintains regular coordination meeting with related institutions to seek advice when needed in order to create a working environment that is free from alcohol and prohibited drugs abuse.

Occupational Injury and Illness Rate

Regularly the Company conducts risk identification in order to eliminate or to manage work related risks as well as maintaining the design of facilities according to industry standards, and ensuring that such facilities are operated in accordance with established standards. Training are given to all employees in every working units on how to work safely and provide supervision to improve employees awareness of the rights and responsibilities related to occupational health matters. Along the way, other programs such as Hazardous and Waste Management also play significant roles in preventing work-related diseases from occurring. The application of some of these assessments on the programs have resulted in safer daily activities, as well as in their compliance to internal policies and external regulations.

Quadrant SHE Indicators in Indonesian E&P Operations



Note: LEAD indicator reflects the proper rating of the SHE performance. LAG indicator reflects the number of occurred cases in SHE record.

Social Performance

Main Subject

How We Manage Our CSR Programs

- A. In Line with Government Plan
- B. For Society and Surrounding Communities
- C. Community Relationship
 - 1. Education & Sports
 - 2. Infrastructure
 - 3. Spiritual
 - 4. Culture
 - 5. Healthcare
 - 6. Environment
- D. External Capacity Building
 - 1. Economic Empowerment & Social Activities
 - 2. Promotion of Skills
- E. Social Investments
- F. Humanitarian Relief for Natural Disasters' Victims
 - 1. Humanitarian Aid of Medco Cares
 - 2. Medco Cares for Aceh Tamiang and Mandailing Natal

MedcoEnergi deeply cares about the welfare of communities in and around the operating locations of all of its business units and elsewhere. We are fully aware of our responsibility to make profits for our shareholders as well as to contribute to the welfare of our surrounding communities.

How We Manage Our CSR Programs

MedcoEnergi views CSR activities as an integrated effort within its business activities, not only to create value for shareholders but also to contribute real solutions for relevant stakeholders, especially for our surrounding communities and for the society at large, in sustainable CSR programs in ways that are also good for our business.

MedcoEnergi takes into consideration its possible impact on all stakeholders, including social and environmental consequences in every business decisions. In that regard, MedcoEnergi positions itself as an active partner within a mutually beneficial and harmonious relationship with other community members.

A. In Line with Government Program

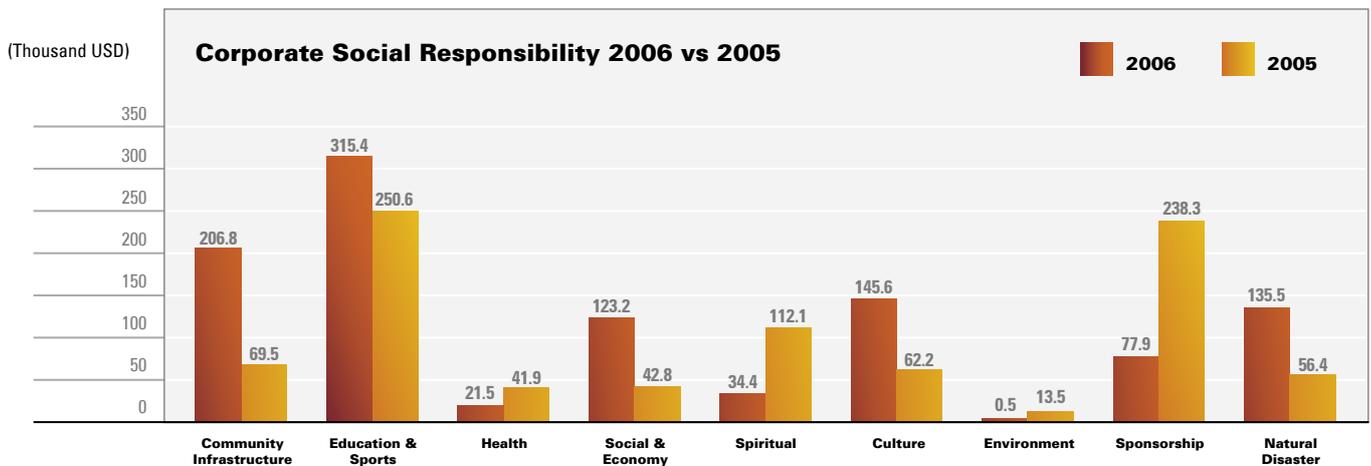
To advance social welfare, MedcoEnergi has designed its CSR programs to support the Government's National Mid Term Development Plan (RPJMN) for the year 2004-2009, which focuses on an agenda of Improving Public Welfare. This involves directing our 2006 CSR programs to the communities in which we operate with the following aims:

- 1. Reduce poverty and unemployment rates by empowering small businesses;
- 2. Provide access to improve qualities of educational and spiritual lives; and
- 3. Assist in upgrading infrastructure to improve quality of educational and spiritual lives.

To achieve those objectives, MedcoEnergi has developed a variety of well-planned and continuous programs in support of small-scale businesses development, education, and religious activities. In addition, our CSR activities also involve charitable donations and sponsorship, humanitarian aids for victims of natural disasters, and support through the provision of funding or facilities for various community-based activities in the areas of education, sports, infrastructure, spiritual, healthcare, culture and environment. In addition, as a responsible Indonesian corporate citizen, MedcoEnergi is also committed to supporting communities that were affected by natural disasters in 2006.

B. For Society and Surrounding Communities

The main target of our sustainable CSR programs is for people in our surrounding communities. It is our objective that our presence, in the areas where we operate, should be able to give added value to the communities. However, on a larger scale, we also aim to be able to contribute to the society as a whole.



Our total expenditure for CSR activities in 2006 was approximately USD 1.3 million compared to USD 0.9 million in 2005. The above chart illustrates our efforts in various CSR programs in 2006 and in 2005.

C. Community Relationship

Over the years, MedcoEnergi has been involved in a highly coordinated and integrated CSR programs through its Community Development (CD) programs, which includes empowering communities.

Our CD programs focus on improving the productivity of local economies as well as increasing the social and economic self-sufficiency of communities in which we operate by stimulating local potential. In addition to this, our CD program espouses the four core values of MedcoEnergi: professionalism, ethics, transparency and innovative.

MedcoEnergi carefully selects its CSR programs on the basis of priorities scale. The top priority goes to the communities immediately surrounding the Company's operating areas (Ring-1). We work closely with members of these communities by engaging them in open dialogues and exchanging ideas, and establishing a consensus whereby programs can be planned and undertaken in line with the aspirations and expectations of the communities.

To ensure a common understanding for the goals and execution of these programs, MedcoEnergi undertakes an exhaustive social mapping, identifies the potential of local communities, and develop a comprehensive program that includes project design, execution and monitoring as well as evaluation.

On the ground, our bottom-up approach, which ensures active participation from the communities, is also supported by close coordination with local government authorities as well as the support from the private sector. This includes community groups and organizations as well as opinion leaders who are involved in the socialization of the program.

By being highly coordinated, our CSR programs are expected to yield maximum results, and not overlap with other programs. Instead, our programs are designed to work in tandem and in synergies with those of the local government and other organizations.

1. Education & Sports

The commitment of MedcoEnergi to improve the quality of life of communities includes increasing access to education by providing scholarships for elementary school children, junior-high and high-school students in the vicinity of the operating areas



of our business units, especially for those coming from less-fortunate families. The scholarships are provided continuously until the students have completed their education.

Educational assistance funds are also provided to students of state universities that are related to the business of MedcoEnergi. Scholarship grants are part of the annual agenda of the Company, for those meeting the criteria of, among other things, students must come from under-privileged families, having the academic qualification of a minimum grade point average of 3.0, active in student organization and pass aptitude and health tests.

For the academic year 2005-2006 and 2006-2007, a total of 65 students have been granted MedcoEnergi scholarships. These students hail from Universitas Borneo, Tarakan, Universitas Hasanuddin, Universitas Riau, Universitas Sriwijaya, Universitas Airlangga, Universitas Gadjah Mada, Universitas Veteran Yogyakarta, Institut Teknologi Bandung, Universitas Padjadjaran, Universitas Diponegoro and Universitas Mulawarman.

The support of MedcoEnergi to increase the quality of life of these communities through education is also provided by means of organizing training and courses for teachers, students and the youth. Through learning, members of the communities are given a chance to increase their knowledge and skills.

	2006	2005
Total scholarship recipients (1-12 K Students) and amount of scholarship		
Scholarship Recipients (person)	16	5
Amount of Scholarship (USD)	21,060	3,112
Total Scholarship Recipients (University Students) and Amount of Scholarship		
Scholarship Recipients (person)	65	149
Amount of Scholarship (USD)	27,188	45,137
Trainings and Participants		
Number of Trainings	5	N/A
Number of Participants (person)	263	N/A
Amount of training spent (USD)	10,724	N/A
Refurbishment of School Infrastructure and Total Amount		
Number of School	4	2
Total Amount (USD)	88,454	36,922

DRINKING WATER FOR STUDENTS

Pondok Pesantren Al Hikmah, an Islamic boarding school in the village of Betung in the Banyuasin Regency of South Sumatera, is very modest. The building of the school is made of wood and gravel floor that turns muddy with the rain. The school houses 92 students in total, including 42 schoolgirls who share lodging in two modest houses with minimum facilities.

However, despite lacking in facilities, it did not prevent the school from achieving something proudful. Alfian, a first-year senior high student of Al Hikmah, came out second in an English



speech contest for schools throughout the Banyuasin Regency, excelling other students who were all in their third-year of senior high school. English classes are compulsory subjects at the Islamic school. "We gave our students 12 hours a week of English lessons," says KH Ikhsan, the principal of Pondok Pesantren Al-Hikmah.

Starting from a TPA (Islamic Elementary School) which had eventually grown into a boarding school, the first class opened in 2003 for 20 students equivalent to a junior high school. The senior high school with a general curriculum then opened in 2005 with 14 students. From morning to three o'clock in the afternoon these students receive general education. In the evening, they receive Islamic teachings for three hours.

Most of the students who reside in the boarding schools came from underprivileged families. To run the school, which requires textbooks, board and lodging for students, not to mention the salaries of 24 teachers - money is often lacking. Then there is also the lack of clean water during dry season. "Every month we have to spend Rp 3.0 million for clean water alone," says KH Ikhsan.

Responding to this need, MedcoEnergi provided a clean water facility. In cooperation with the Masyarakat Ekonomi Terbarukan Indonesia (METI) foundation and the Lions Club Chapter of Wiesbaden, Germany, Medco E&P Indonesia



in the Rimau Fields of South Sumatera provided a drinking water installation that uses solar energy as its power source. The installation can produce up to 28,000 liters of water a day. By having the new facility, the school can use the Rp 3.0 million budget to support its educational programs.

Within three months from May 2006, the one-billion Rupiah water reservoir equipment was completely installed. On 14 November 2006, this installation was presented to the principal of the Islamic Boarding School. Present during the presentation were the Regent of Banyuasin, Amirudin Inoed, Commissioner of MedcoEnergi, Yani Rodyat Panigoro, and the management board of Medco E&P Indonesia for South Sumatera working areas.

To improve infrastructure that supports the quality improvement for education, in 2006 MedcoEnergi helped with the construction of classrooms, libraries, and the furnishing of school desks and chairs for schools in the vicinity of its South Sumatera operating areas. MedcoEnergi also provided other supporting facilities that are needed by the schools and their students.

The support of MedcoEnergi to increase the quality of life of these communities through education is also provided by means of organizing training and courses for teachers, students and the youth. Through learning, members of the communities are given a chance to increase their knowledge and skills.

To increase readership and the love of sports among students, MedcoEnergi has donated books and sports equipment to several schools.

2. Infrastructure

In addition, the Company also provided a drinking water installation that is powered by solar energy to the Pondok Pesantren Al-Hikmah, Betung, Banyuasin, South Sumatera. With this donation, this Islamic

religious school can divert some of its operating funds to cater to other primary needs of its students. (see box: Drinking Water for Students)

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MedcoEnergi also assisted the development of social facilities such as religious places (mosque), bridges and village halls.

This program is intended to support the environmental and developmental activities on government facilities and infrastructures based on the participative and consensus concepts.

In 2006, the Company helped the construction of a Polantas Post in Lais, Police Sector Headquarter of Gandus in South Sumatera. In addition, the Company also

actively supported community events such as contests on Indonesia's Independence Day, gate construction or other activities held by local government of province, regency, and district to village office.

3. Spiritual

We believe that spiritual activities will build individual character development, which in turn will greatly benefit the community itself. MedcoEnergi supports spiritual programs through donations for development or renovation of community spiritual centers and also by sponsoring spiritual events and celebrations. We support spiritual activities including those that have been launched through employee initiatives where the activities are open to the public. In line with our ethical principles, MedcoEnergi's support for spiritual life does not distinguish among any particular spiritual beliefs.

In addition, the Company has been actively supporting the construction of spiritual facility centers in its surrounding communities, for instance, in Tarakan, East Kalimantan and Musi and Banyuasin, in South Sumatera. Those assistance are the Company's commitment to inspire the residents to enhance their spiritual life. In addition to the physical assistance, MedcoEnergi regularly supports community spiritual activities during Ramadhan, spiritual teacher training and other life skills training for residents that are conducted through the spiritual centers.

4. Culture

While on sponsorship purposes, MedcoEnergi also participated in organizing events, seminars, book production and others. MedcoEnergi's participation were widely conducted, both internationally such as a sponsor of Java Jazz Festival 2006, and locally such as regional cultural festival.

Every efforts undertaken by MedcoEnergi to advance our community development programs are noteworthy in one or more aspects. Through these activities, MedcoEnergi also seeks to position itself as a public company with a social responsibility that gives back to the community.

5. Healthcare

In East Kalimantan and South Sumatera, our CSR programs also provide healthcare facilities for the communities. In general the activities include free medical check ups, mass circumcisions for children, medicine distribution and nutritious food supply.

6. Environment

As referred to earlier, this activity falls under our Health, Safety and Environment program. However, we also support any environment improvement efforts by the community such as tree planting and others.

D. External Capacity Building

In addition to our Community Relations programs, we designed our external capacity building in a way that can enhance social-economy condition of communities by introducing micro financing system (MFS), facilitating training to enhance the skills, knowledge and experience of members of the community.

1. Economic Empowerment & Social Activities

Economic empowerment is a focal point of MedcoEnergi CD programs. This program is undertaken through the Micro Financing Services (MFS) for communities in and around MedcoEnergi's working areas. In a broader term, the MFS program is orientated towards four key aspects, namely to develop entrepreneurial spirit, community-based initiatives, reliances upon local resources, and sustainability.

In 2003 MFS program was first introduced in South Sumatera with the objective of improving the community's welfare in which MedcoEnergi operates. The Panigoro family, as the initiator of the idea, envisaged that by providing much-needed financing to support the growth of local micro businesses, local economies can be expected to flourish, leading to self sufficiency and better welfare for the communities.

The MFS program targets communities that may impact directly on the Company's operations (the so-called Ring 1 areas). While the amount of budget allocated to each area is based on the contribution of these respective units to the Medco operations and businesses. At this stage, communities in South Sumatera and East Kalimantan have participated in this program.

To date, the MFS program has been in progress in the Company's operating areas of Musi Banyuasin, South Sumatera and in Sanga-sanga, East Kalimantan. The successful MFS program has won recognition in the form of the 2005 Micro Financial Award from the Indonesian Institute of Micro Finance presented to the

MFS Participants and Total Disbursement from 2003 to 2006

Years	South Sumatera			East Kalimantan		
	Partners	Disbursement (USD)	NPL	Partners	Disbursement (USD)	NPL
2003	153	9,060	8.96	-	-	-
2004	221	16,873	5.11	-	-	-
2005	268	25,392	3.07	101	13,922	3.64
2006	152	15,299	-	120	7,511	3.07
Total	794	66,624		221	21,433	

Medco Group by the State Coordinating Minister for Social Welfare of the Republic of Indonesia.

The success factor of this program does not lie on the amount of funds that are being funneled, but rather on how the program can systematically educate and train community members to become professional entrepreneurs with an ability to manage their finances responsibly. Mentoring, partnering and monitoring are continuously undertaken by the MFS team once the funds have been disbursed.

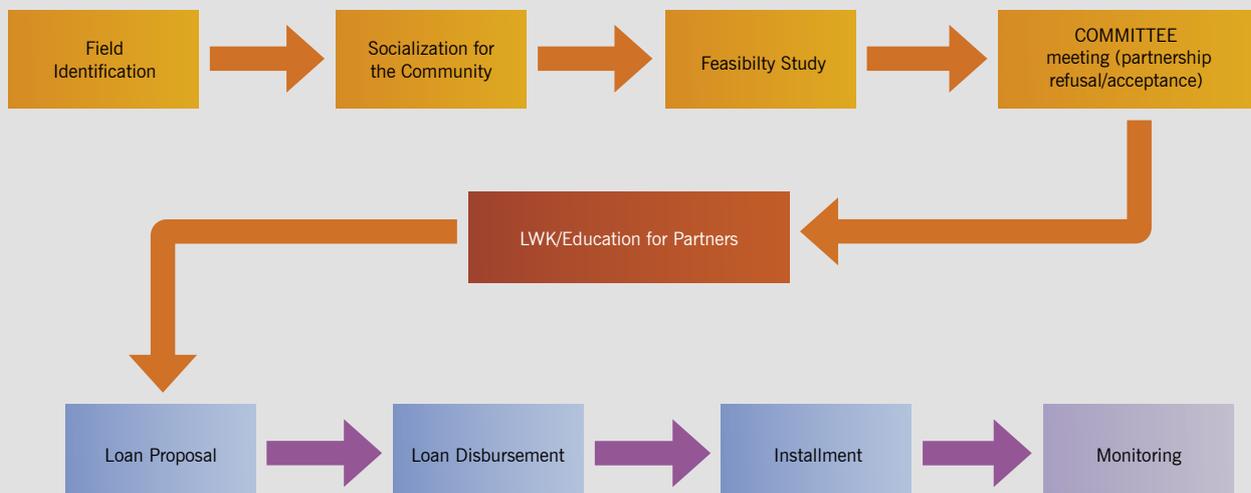
In the period of 2003-2004, the MFS program adopted the system of Grameen Bank of Bangladesh, and then in 2005 also adopted the sharia system. But since 2006, the program has synergized both approaches by using the two methods. For the targeted partner, it uses Grameen Bank approach, while for operational, it uses sharia approach in the form of

profit sharing. These approaches enable the team to monitor the partner's business development as well as to provide basic lessons of business management. As a result, the beneficiaries are able to optimize their businesses.

Through these revolving fund activities, a number of the participating partners in the MFS program have experienced an improvement in their revenues. This at least was proven by the result of MFS Team's research on 198 partners in Rimau, South Sumatera in 2004. This research also has been re-examined by LPEM of University of Indonesia, with the following results:

Improvement of Income			
Increased by 100-250%	Increased by 50-100%	Increased by 10-50%	0% (Stagnant)
113 partners	65 partners	18 partners	2 partners

FLOW OF MFS IMPLEMENTATION PROGRAM: FROM IDENTIFICATION TO MONITORING



SPREADING ENTREPREUNIAL SPIRIT THROUGH MFS



Nuraina's drive and determination set an example for others in her village to follow, transforming the Sekar Ayu Village into a thriving home industry that produces this delectable fish cracker.

In Kayu Ara Village of the Sekayu District, Musi Banyuasin Regency, South Sumatera, an MFS Partner, Nuraina, succeeded in galvanising other women like her in the village to produce fish-flavored crackers in support of the family economy. These crunchy crackers that are mainly made of fish and flour are indigenous to the region and a popular snack food of Palembang, the capital city of South Sumatera.

Nuraina, a 42-year old homekeeper, says that the revolving financing she receives from MFS is a boon to her growing fish cracker business. "I had barely any capital when I started," she confides. "Roughly around Rp 100,000 (about US\$10) a day, which could only buy 10 kilograms of flour and fish," says this mother of nine children. In 2003, when the MFS program was launched in MedcoEnergi's South Sumatera operating areas, Nuraina became an MFS Partner.

Her first loan was for Rp 500,000 which she immediately used to add to her working capital. "From 10 kilograms a day, I gradually increased to 20 kilograms of flour and fish, with which I was able to produce up to 1,000 pieces of crackers," she points out.

Subsequently, her loan was increased to Rp 750,000, and then to Rp 1 million. Today, in a single day, the Nuraina family produces up to 2,000 cracker pieces from 50 kilograms of flour and fish. These crackers are distributed and

sold to markets, stores and homes throughout the Musi Banyuasin area. From the proceeds of the sale, profits range between Rp 150,000 to Rp 200,000 a day. "With the additional working capital, our business is not hindered by the family's other financial needs," she adds.

Day after day, the business flourished, and there were days when the Nuraina family could not keep pace with the growing demand. This forced Nuraina to seek out relatives and neighbors to take up the business of producing fish crackers. One such neighbor was another homekeeper, Sawalita, who took up the offer in 2003. Starting with the MFS revolving loan of Rp 500,000, this 37-year old housewife set off with 10 kilograms of flour and fish, gradually increasing to 20 kilograms per day. Sawalita discloses that her profit reaches an average of Rp 50,000 per day. "With support from MFS, I don't need to dip into our children school funds to produce the fish crackers," says this mother of three. "Besides, when our loans are fully repaid, all of our earnings become our savings."

The fish-cracker home industry of Kayu Ara Village is one of the success stories of MFS, which MedcoEnergi is proud to showcase in national and regional trade shows such as Muba Expo 2004 and Sriwijaya Expo 2005. For their part, Nuraina and friends are thinking of packaging their products, proudly bearing the logos of MFS and Medco.

2. Promotion of skills

MedcoEnergi not only implemented the MFS to help alleviate the welfare level of the communities but we also conducted various trainings to help improve the partners skills and knowledge. The training includes entrepreneurship skill, fish farming, sea products process, rubber business development, and many more. The training is customized in accordance with the needs of the community and partners.

E. Social Investments

We realize that our contribution to the community and society is actually a social investment. MedcoEnergi invests in these communities, not only those within the vicinity of our operations, and makes it into an investment by immersing the company fully in these social activities.

As such, the Company often receives proposals from various parties to support various activities. MedcoEnergi carefully selects these proposals and reviews those which have the most impact on improving social welfare.

F. Humanitarian Relief for Victims of Natural Disasters

Throughout the year 2006, a spate of natural disasters have stricken Indonesia, one after another. A tectonic earthquake struck the Special District of Yogyakarta in Central Java on May 27, 2006. Then, on July 17, 2006, the southern coast of Java was shaken by another quake and a tsunami. Towards the end of the year, and in quick succession, flash floods occurred in Aceh Tamiang Regency, followed by yet another earthquake and landslide in Mandailing Natal and Langkat Regencies, both in North Sumatera. As a result of these natural disasters several infrastructure, government offices, social facilities and several homes were destroyed or heavily damaged. The total losses reached upwards of hundreds of billions Rupiah, if not trillions. Economic activities in the stricken areas practically stopped which had an impact on the economic growth both regionally and nationally.

In the recovery of social facilities as a result of the Central Java earthquake, the Company, reconstructed the state elementary school (SDN) Gondosuli,



Sriharjo, Kecamatan Imogiri, Bantul. The renovated school was symbolically handed over to the Governor of the Special District of Yogyakarta, Sri Sultan Hamengkubuwono X, and the Regent of Bantul, M. Idham Samawi, on December 5, 2006. In addition, MedcoEnergi also helped in the construction of a kindergarten in the village of Sindet.

The reconstruction of this school was also attributed to the cooperation with the Medco Education Foundation (YPM), a non-profit foundation that supports education. The aim of YPM itself is to support the community development projects of MedcoEnergi and the Medco Group,

In Aceh, MedcoEnergi forged a synergy with Posko Jenggala, a non formal group dedicated to humanitarian causes, which set up a clinic for emergency medical treatment, as well as providing logistics and infant foods. Similar aid was also provided to the victims of the earthquake and landslide in the Mandailing Natal regency, North Sumatera, at the turn of 2006 into 2007.

While for those who suffered from the earthquake and tsunami in Pangandaran, MedcoEnergi was active in establishing a base camp at Balai Desa Mesawah, and provided free medical treatment in a makeshift clinic, distributing food and clothing, as well as providing several shelters and tent facilities.

MedcoEnergi's humanitarian program also covered social assistance for the mudflow victims in Porong, Sidoarjo. The Company delivered its aid through a number of volunteer organizations. The program consisted of technical support to handle the mudflow;

namely deployment of heavy equipment, pumps, pipe to divert the mud, and academic assistance to a number of universities to seek viable solutions to the mudflow. In addition, the Company delivered medical aid, nutrition for infants, water, scholarship, educational assistance and counselling for children.

1. Humanitarian Aid of Medco Cares

Moving beyond the concern to social and economical impacts of natural disasters, throughout 2006, MedcoEnergi's Corporate Social Responsibility programs were focused to humanitarian aid. These assistance were not only merely granted in the form of primary necessities at the emergency relief phase, but also were sustained to the recovery phase and facility reconstructions which were critically needed by the residents.

Synergies were sought and achieved between the Humanitarian Aid Volunteers of MedcoEnergi, the Medco Group, and the Posko Jenggala, a non-profit organisation engaged in social-humanitarian issues. Posko Jenggala itself was formed by the founder of Medco Group, Arifin Panigoro, along with several colleagues of his. This synergy was initially forged during the humanitarian relief activities for the Aceh tsunami. After the tsunami disaster, which practically stopped the life of Nanggroe Aceh Darussalam Province, MedcoEnergi and Medco Group formed a special team involving various foundations and subsidiaries, dozens of trained employees and five Company doctors. The Medco Peduli Aceh Team, led by Medco's founder, Arifin Panigoro, recruited a number of volunteers with their respective specialties to operate in the post-disaster areas. These volunteers then joined the Posko Jenggala.

The Medco Peduli Aceh model for aid distribution became the guidelines for the humanitarian aid programs of MedcoEnergi and Medco Group in other disaster areas. During these disasters, our trained employees were deployed to assist the emergency relief control. After the emergency phase, we chose a particular area to establish a more permanent presence in which to undertake the recovery phase program. During this phase, all aids from the subsidiaries of MedcoEnergi or the Medco Group were channelled through the Posko Jenggala.

At the same time, instructors from the Medco Cares Team evaluated the reconstruction requirements based on field observations that were also aligned with the aspiration of communities. From this, we were able to assign the proper weights on our aid programs, whether they would be heavy towards economical, educational, residential or other social factors.

To enhance economic recovery in post-disaster areas, we also relied on our micro financing service (MFS) programs, which were deployed by taking into account the characteristics of local economies as well as individual competencies. Whereas the Medco Educational Foundation facilitated aids for the restoration of education and educational facilities in the region.

The model for the Medco Cares humanitarian program was implemented by first observing the scale of the disaster as well as its social and economical impacts. Thus, the program has the flexibility to be ended at the emergency relief phase.

2. Medco Cares for Aceh Tamiang and Mandailing Natal

During the flash flood at the Tamiang River in Aceh, Posko Jenggala set up a base camp in Lintang Bawah Kualasimpang. All buildings in this area within a radius of 1 km from the riverbanks were severely damaged, some even drifted down river. The remaining houses and roads were awash by mud of up to 50 cm in height. The cost of damages reached in the hundreds of billion Rupiah.

Moreover, Kualasimpang is a key landline for travellers from Medan to Banda Aceh. During the flood on 24-25 December 2006, the road access from Medan to Langsa, the capital of East Aceh, was flooded by water of up to 1 to 1.5 meter in depth.

As a result of the disaster, the economical life of Kualasimpang was disrupted for one whole week. Entering the second week, the economical life of Kualasimpang began to recover slowly, although only about 80% of the available stores in the area could reopen for business. The rest, including the fish auction market, were still awash in mud.

Posko Jenggala distributed aids from MedcoEnergi and Medco Group in Kualasimpang by the end of December. The medical clinic of Posko Jenggala was the only one available nearest to the worst hit area at the time, in the city of Kuala Lintang Bawah. In addition to medical aids, there were also logistics aid and infant foods.

At the turn of the year 2006 to 2007, an earthquake and landslide also occurred in Mandailing Natal Regency, North Sumatera. Main road infrastructures were damaged with a total loss estimated at more than Rp 100 billion. Aids from MedcoEnergi and the Medco Group were distributed by Posko Jenggala throughout the stricken areas. They constituted infant foods, blankets and logistic goods.

HUMANITARIAN MISSION OF THE “MEDCO-CARE YOGYAKARTA” TEAM

The earthquake which struck the Special District of Yogyakarta and parts of Central Java on 27 May 2006 had left a deep sense of grief. More than 5,000 people lost their lives as a result of this tectonic quake which measured 5.9 on the Richter scale. In its assessment of the damage, the World Bank reported that more than 154,000 homes were completely destroyed and 200,000 more were heavily damaged. The social cost of this disaster, including health and school facilities, was estimated at approximately Rp 4.0 trillion.

Immediately upon learning of the disaster, several personnel of the MedcoEnergi and Medco group of companies joined with the Medco-Care Yogyakarta Team and Posko Jenggala to lend their hands. In less than

Art Institute (ISI), with the four other poskos situated within a perimeter of 20 kilometers of the main posko.

Through these poskos, several companies of MedcoEnergi, including Medco Exploration & Production Indonesia (MEPI), PT Apexindo Pratama Duta Tbk, PT Medco Methanol Bunyu, and PT Medco Power Indonesia (MPI) carried out their humanitarian programs, beginning with evacuating the quake survivors and organizing emergency shelter, medical, food and clothing aids. This includes the provision and management of logistics, more than 1,000 tents, and several power generators for electricity at several emergency camps throughout the stricken areas.

the MFS program began to be implemented in the area following an exhaustive mapping of the respective needs of each individual.

In addition, the Medco-Care Yogyakarta Team assists community members in rebuilding their devastated houses as a result of the quake. For example, the Medco Methanol Bunyu (MMB) team which since day one of the quake had been based in the Berut Village, Palbapang Districts, Bantul, participated with community members to build earthquake resistant houses made of bamboo springs.

The availability of permanent housing is naturally highly sought by the quake survivors who have long been exposed to the inconducive living conditions of shelter camps. On that



12 hours after the disaster, the Medco Team was on the ground, and quickly dispersed in several areas including Imogiri, Bantul, Prambanan, the city of Yogyakarta, and Klaten (Central Java).

Eventually, the Medco-Care Yogyakarta Team established a working base at Bantul. The Bantul regency was among the worst hit areas. The World Bank Report pointed out that the high rate of casualties could be attributed to the population density in the region. Indeed, Bantul has one of the highest population densities anywhere in Indonesia. Another reason cited was the lack of relief help and support that could reach Bantul and its surrounding areas in the immediate days following the quake.

Our activities in Bantul subsequently evolved to include the opening of command posts (or “posko”) in five different points, while our headquarters or Main Posko was established at an open field in the campus of the Indonesian

At the Main Posko, the Medco Team and Posko Jenggala, set up a public kitchen and a medical clinic. In a day, the medical clinic treated between 200 and 250 people. Many of them were children and the elderly who suffered broken bones and other serious injuries.

After a month of emergency relief, the activities of Medco-Care Yogyakarta began to focus on the rehabilitation of one location, which is the Sindet Village Wukirsari, Imogiri District, Bantul, which within several days following the quake, was specially targeted by the Medco Team for rehabilitation. In this village, we began to restore homes and livelihoods to their former condition, if not better.

We therefore designed a comprehensive program for the communities of Bantul. Among other things help came in the form of our micro financing service (MFS) program in which a qualified person can obtain loans ranging from Rp 500 thousand to Rp 1.0 million. In 2007,

basis, Medco-Care Yogya took the initiative to provide 1,000 tool kits, each of which contains 19 different tools to rebuild houses and villages. On 25 June 2006, this aid was presented by the Commissioner of MedcoEnergi, Yani Rodyat Panigoro, to Queen Hemas representing the victims of the Yogyakarta earthquake.

As a follow up to our immediate response to Yogyakarta earth quake, we aimed to focus on educational sector for our post-aid program. MedcoEnergi then determined to rebuild the elementary school (SDN) Gondosuli, Sriharjo, Imogiri District, Bantul, as it was the most affected area. The construction work took approximately 3.5 months to complete and the school was officially inaugurated on December 5, 2006. Today, the SDN Gondosuli comprises of eight class rooms, a faculty-member room and library. It is also equipped with a musholla, sanitation facilities, and a landscaped garden using corn block.

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MEDCOENERGI Sustainability Report 2006
Maintaining A Balanced Life
For Future Growth



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