## 

# **2018 RESULTS**

PT Medco Energi Internasional Tbk. (IDX Ticker: MEDC)

**BUILDING A BRIGHT AND SUSTAINABLE FUTURE** 

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The following presentation has been prepared by PT Medco Energi Internasional Tbk. (the "Company") and contains certain projections, plans, business strategies, policies of the Company and industry data in which the Company operates in, which could be treated as forward-looking statements within the meaning of applicable law. Such forward-looking statements, by their nature, involve risks and uncertainties that could prove to be incorrect and cause actual results to differ materially from those expressed or implied in these statements. The Company does not guarantee that any action, which may have been taken in reliance on this document will bring specific results as expected. The Company disclaims any obligation to revise forward-looking statements to reflect future events or circumstances

EBITDA<sup>1</sup> US\$596million up by 37% year-on-year

Production 85mboepd in line with guidance

Strong Liquidity with cash and cash equivalent above US\$600million

Oil & Gas: Tarakan and Rimau PSCs extended by 20 years

Power: Generated power sales 2,704 GWh up by 24% year-on-year

Mining: Progressing phase 7 and 1.3 million ton Sumbawa smelter

<sup>1)</sup> Including newly held for sale assets



- Gross Profit<sup>1</sup> US\$645 million (US\$632 million consolidated), 53% higher y-o-y with an improved 52% gross margin.
- EBITDA<sup>1</sup> US\$596million (US\$582 million consolidated), 37% higher y-o-y from improved margins, commodity and power prices and consolidation of Medco Power.
- Oil and gas segment generated Net Income of US\$135 million 80% higher y-o-y. Consolidated US\$51million loss mainly due to non-cash losses from mining affiliate PT Amman Mineral Nusa Tenggara ("AMNT").
- Net Debt to EBITDA<sup>1</sup> excluding MPI 3.3x (3.6x in 2017). Consolidated Net Debt to EBITDA<sup>1</sup> 3.7x (4.5x in 2017).
- Sale of coal and water businesses completed in 2018. Sale of USA oil and gas assets and 51% interest in the Energy Building completed in Q1 2019
- Liquidity is strong with cash and cash equivalents of US\$627million at year-end



- Received shareholder approval for non-preemptive private placement of up to 10% of issued shares at a minimum price of IDR868/share, ~US\$100million. Discussions continue to place these shares to qualified and preferred buyers.
- Drilling, project efficiencies and deferrals together with favorable exchange rates allowed the Company to reduce capital spending to US\$329 million.
- MPI Revenue and EBITDA contributed 19% and 13% to MedcoEnergi's revenue and EBITDA respectively, higher 326% y-o-y and 357% y-o-y, following the full consolidation of MPI.
- Successfully issued USD\$500 million global bonds in January 2018. 2019 maturing facilities are secured in escrow.
- MedcoEnergi issued ~ IDR1.7 trillion of IDR Bonds for refinance. Medco Power issued IDR1.2 trillion sharia-compliant and conventional bonds for refinance and fund future project equity.

# 2018 Operational Summary



- Oil and gas production 85mboepd and in line with guidance, unit cash costs US\$8.7 per boe
- 20-year extensions for Rimau and Tarakan PSCs.
- The Nowera-1 exploration well discovered gas of 27TBTU in South Sumatra PSC, plan of development approved, first gas 2021. Signed GSA with PGN for South Sumatra PSC 30bbtupd.



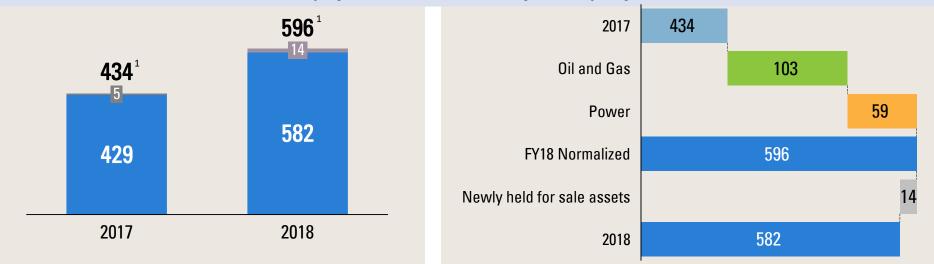
- MPI gross operating installed capacity 2,819 MW following completion of the 330MW Sarulla Geothermal facility.
- MPI generated power sales were 2,704 GWh, 24% higher y-o-y and in line with 2018 guidance following the commissioning of Sarulla Geothermal Unit 3.
- MPI's Riau gas fired CCPP signed project finance agreements with a consortium of international banks.
- MPI progressed Geothermal assets. Completed exploration of Ijen, East Java and signed a new concession in Bonjol, West Sumatera



- AMNT 2018 production from stockpile 141.9 Mlbs of copper, 70.9 Koz of gold.
- Progressing phase 7 development now fully financed with US\$1.2Bn committed facilities from four major Asian based banks. Production first half of 2020.
- Obtained the Environmental Impact Assessment and Environment Feasibility permits for development of a 1.3 million ton smelter at Benete, West Sumbawa.
- Outotec Oyj appointed to develop the Front-End Engineering Design.

# **Financial Highlights**

Underlying EBITDA<sup>1</sup> (US\$ mn) Categorized by Segments

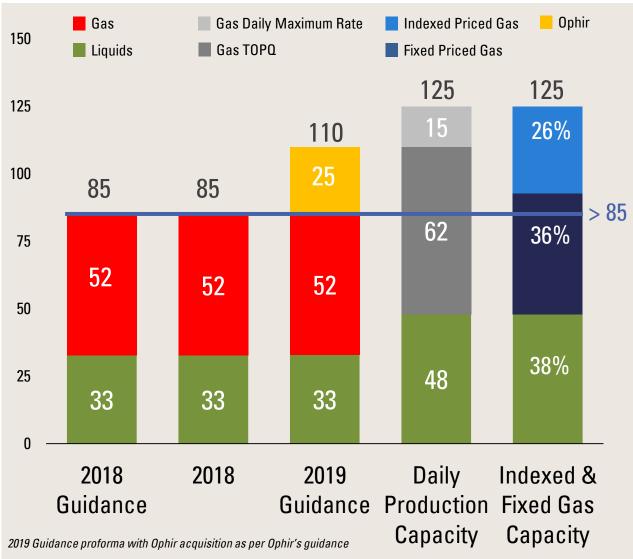


Underlying Net Income (US\$ mn) Categorized by Segments 127 2017 69 Oil and Gas 127 Power 7 AMNT<sup>2</sup> (51) 73 181 Non-recurring<sup>2</sup> 2018 - (51) 2017 2018

<sup>1)</sup> Including newly held for sale assets

<sup>2)</sup> Non-cash items

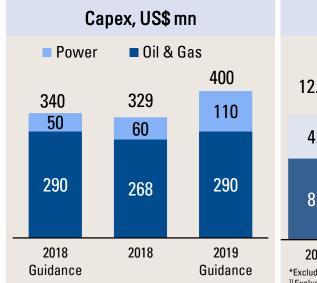




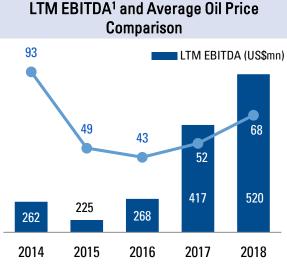
- Aceh gas development passed capacity tests. Resumed Yemen production.
- 2019 guidance 110 mboepd including Ophir. Daily Production Capacity 125 mboepd. Gas to Oil split ~60:40.
- Gas market demand will determine annual production.
- Long term gas contracts underpinned by take-or-pay. Split ~58:42 fixed price and commodity indexed pricing.
- Continue to hedge up to 25% of liquids production and up to 50% of index price gas



- 2018 capex US\$329 million from drilling, project efficiencies, deferrals and favorable exchange rates
- 2019 pro-forma capex US\$400 million including Ophir
- 2018 oil and gas unit cash costs US\$8.7/boe. Oil and gas unit cash costs, including Ophir will be maintained below US\$10/boe.
- Production and margin growth driving increased EBITDA despite volatility in commodity prices



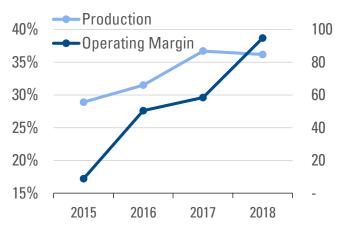
\*) 2019 Capex Oil & Gas pro-forma with Ophir acquisition



#### Cash Cost/Unit\*, US\$/boe G&A Lifting Cost 12.3 <10 9.1 8.8 8.7 4.3 2~3 2.7 2.9 4.0 8.0 6.1 6~7 5.8 5.1 2018<sup>1</sup> 2017 2019 2015 2016 Guidance \*Excludes Oman Service Contract <sup>1)</sup> Excludes newly held for sale assets

Notes: 2019 Proforma with Ophir based on Ophir's guidance without taking into account any synergies with Medco.

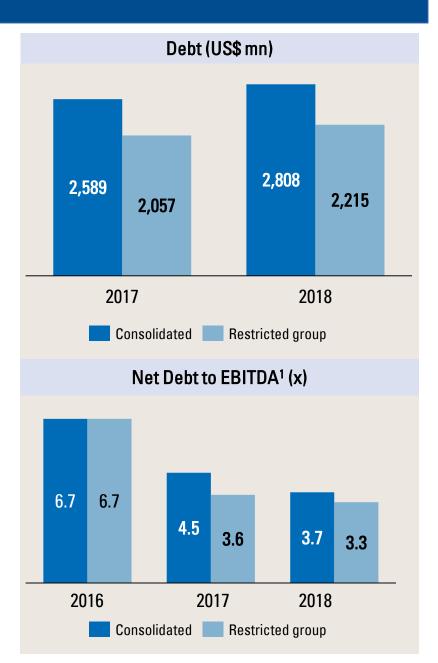
#### Operating Margin % (LHS) and Production, mboepd (RHS) Comparison



<sup>1)</sup> EBITDA excl. Medco Power



- January 2018 USD bond extended average debt maturity to > 4 years.
- US\$142 million cash in escrow secures maturing 2019 debt
- Net Debt to EBITDA<sup>1</sup> excluding Medco Power 3.3x, consolidated Net Debt to EBITDA<sup>1</sup> 3.7x below 4.5x at year end 2017.
- 2018 IDR bond for refinancing and equity for MPI projects
- Excludes applying cash from 1H19 monetization and dispositions above US\$400 million
- Post Ophir acquisition the Company Net Debt to EBITDA target will be at 3.0x or below



# **Delivering On Our Commitments**

- Rights issue repaid debt Q1 2018. 2019 maturities fully secured in escrow following January 2018 USD bond. Shareholder approval for 10% private placement.
- Cash cost maintained <\$10/boe. Gross Profit<sup>1</sup> and EBITDA<sup>1</sup> up by +53% and +37% YoY. US\$150 million of EBITDA per quarter.
- AMNT acquisition debt repaid, phase 7 development fully financed. Shareholder loan monetized in April 2019
- Sale of non core businesses completed Q4 2018 and Q1 2019

**AMNT** acquisition

debt repaid,

Medco PCG

released

AMNT Phase

7 financed

injections

• Net Debt to EBITDA target of 3.0x or below.

USD bond

extended

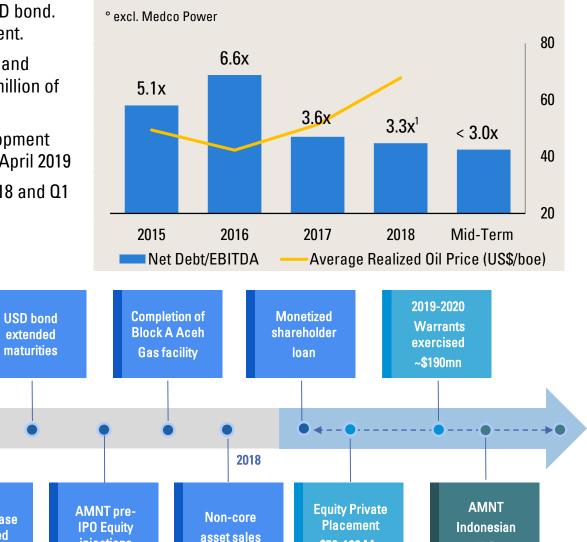
maturities

\$195million

**Rights issue** 

repaying debt

## Net Debt to EBITDA°



\$50-100 Mn

**IPO** 

<sup>1)</sup> Including newly held for sale assets

Delivered

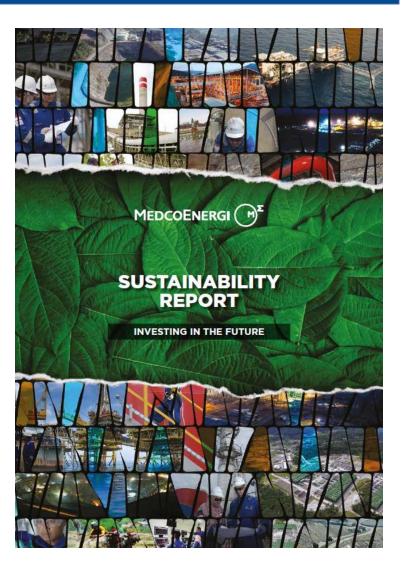
Ongoing

Further plans

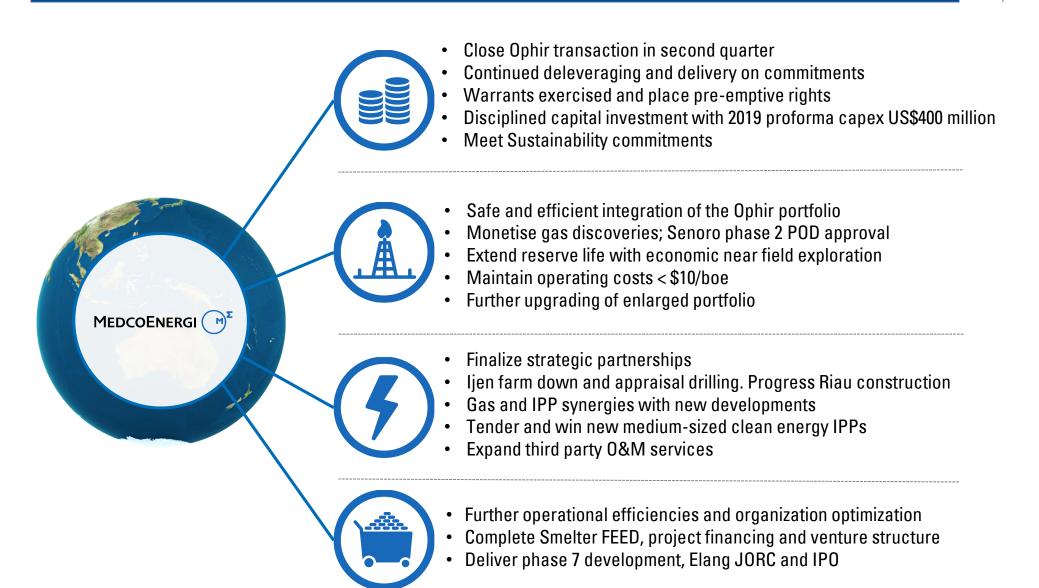
2017

## Sustainable Development

- The 2018 Sustainability Report presents 2014 2017 KPIs and short-medium and medium-long term objectives for continuous improvement.
- Engaged with Business for Social Responsibility (BSR) to conduct a materiality assessment and develop KPIs with our stakeholders
- Issued MedcoEnergi Sustainability Policy based upon three pillars:
  - Leadership of and by Our Employees,
  - o Environmental and Social Development,
  - Sustainable Livelihoods and Community Development.
- Ernst & Young conducted a pre-assurance review of 2018 Sustainability Report.
- The report is accessible through <u>www.medcoenergi.com</u>



# What To Expect



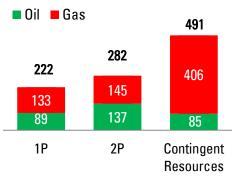
# Significant Player in Three Key Business Segments

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- 10 Operated Indonesian assets, 8 producing
- ~67:33 gas to oil production capacity
- Gas sold under long term TOPQ contracts, ~58:42 mix of fixed; commodity linked pricing
- Operating costs below \$10/boe through 2020
- Medco Operation has long term contract to supply Gas and LNG to SembCorp, Chubu Electric, Kyushu Electric and Korea Gas

#### Net Reserves and Contingent Resources

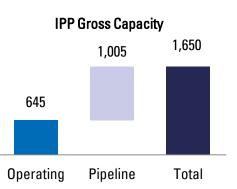


# Power

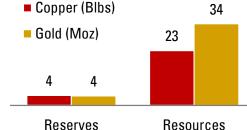
- Independent Power Producer (IPP) for 9 Operated Indonesian assets with 645 MW gross capacity
- IPPs with PLN under long term TOPQ backed clean energy contracts
- Specialized in clean and renewable IPPs
- Third party 0&M contracts with 2,174
  MW existing contract



- Batu Hijau open pit porphyry copper and gold mine, Sumbawa Indonesia
- Developing phase 7 of the existing mine site
- Exploring 6 further prospective resources including Elang
- Progressing Smelter Development

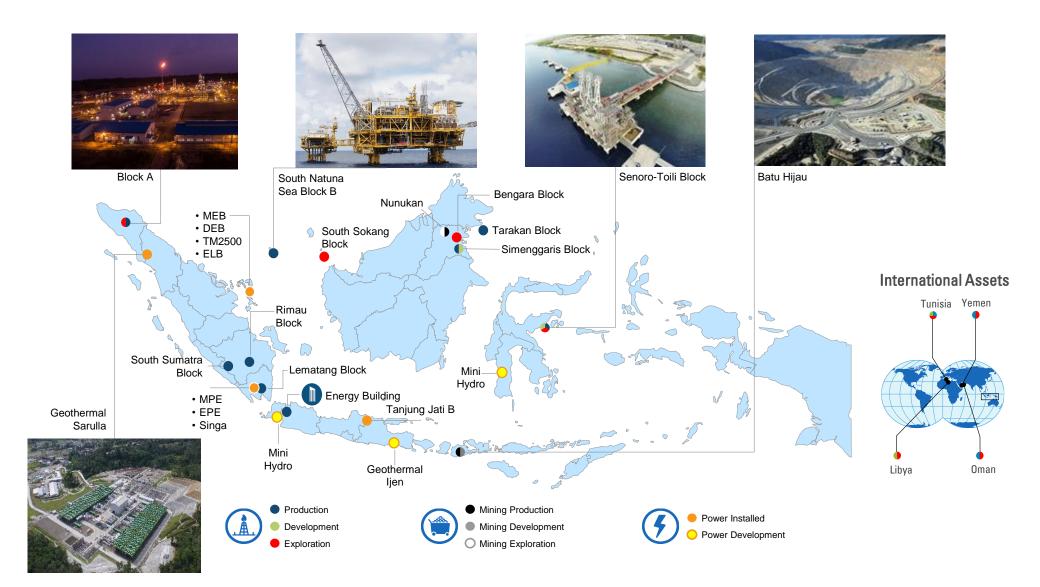




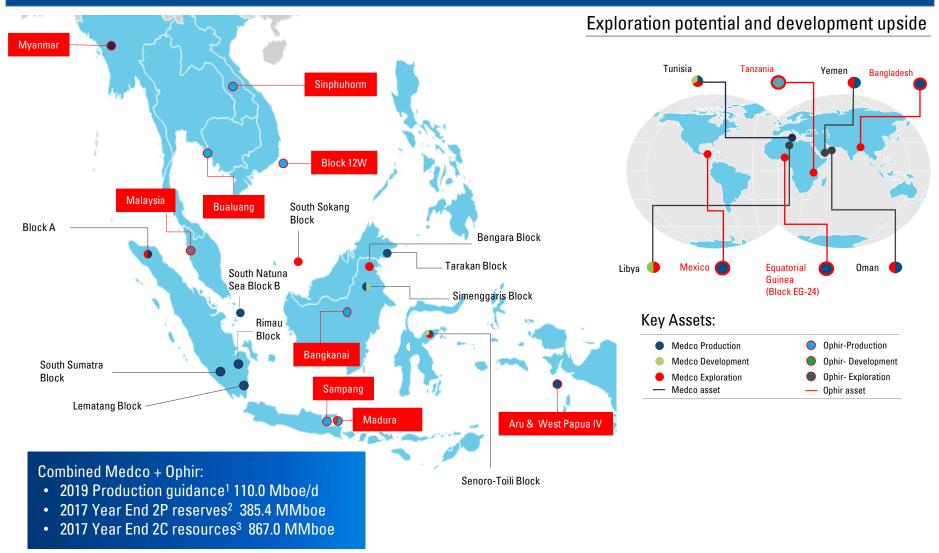


0&G reserve (mmboe), Power capacity (MW) and Mining reserves data as of 31 Dec 2018

## Energy & Natural Resources Company Focused in Indonesia



## Creating a Leading E&P player in Southeast Asia



1) Pro forma production guidance: Medco's 2019 production guidance of 85 Mboe/d added to Ophir's 2019 production guidance of 25 Mboe/d equals to 110 Mboe/d

2) 2017YE 2P reserves: Medco's 2P reserves of 315.0 MMboe + Ophir's 2P reserves of 70.4 MMboe = 385.4MMboe. Ophir's 2P reserves of 70.4 MMboe includes subsequently acquired Santos assets (pro forma) 3) 2017YE 2C resources: Medco's 2C resources of 263.4 MMboe + Ophir's 2C resources of 603.6 MMboe = 867.0MMboe. Ophir's 2C reserves includes subsequently acquired Santos assets (pro forma) and excludes Fortuna 2C resources of 401 MMboe

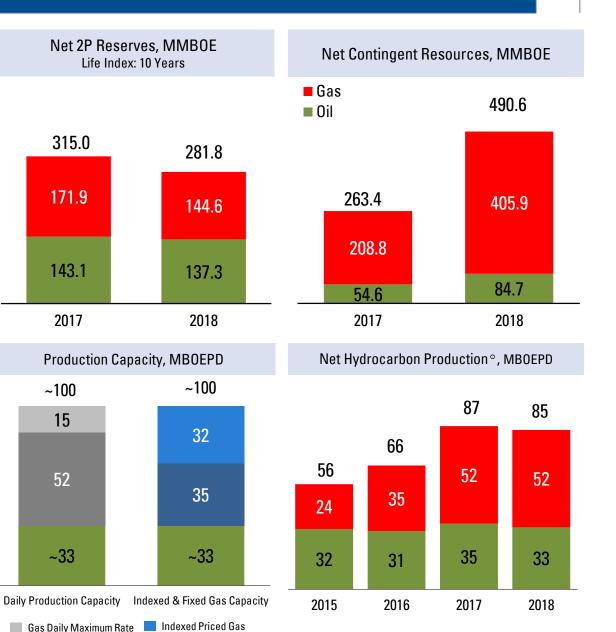
Sources: Ophir:15 January 2019 operations and trading update, 1H'18 Results Presentation, Santos Acquisition Circular Documents, 2017 Annual Report. Medco: 9M'18 and 2017FY Investor Presentation



Metrics	2017	2018	YoY ∆%
Production <sup>o</sup>			
Oil, MBOPD	35.1	32.8	(6.5)
Gas, MMSCFD	278.0	279.2	0.4
Lifting/Sales			
Oil Lifting, MBOPD	26.2	26.5	1.0
Gas Sales, BBTUPD	273.4	267.8	(2.1)
Oman Service Contract, MBOPD	8.0	7.2	(9.9)
Average Realized Price			
Oil, USD/barrel	51.5	67.8	31.7
Gas, USD/MMBTU	5.5	6.4	16.4

°Includes Oman Service Contract

- 2018 production 85 mboepd in line with guidance; daily production capacity ~100 mboepd
- GCA certified additional 9mmboe 1P reserves in Natuna recertification and certified additional 131.3 mmboe contingent resources in Aceh
- Average realized gas price \$6.4/MMBTU; blend of fixed \$5.5/MMBTU and indexed \$7.2/MMBTU contracted gas sales



° Includes Oman Service Contract

Fixed Priced Gas

Gas TOPQ

# Medco Power Indonesia

Metrics <sup>o</sup>	2017	2018	YoY ∆%
IPP Sold and O&M Capacity			
IPP Sold, GWh	2,174	2,704	24.4
0&M Capacity, MW	2,150	2,174	1.1
Average Realized Price*			
IPP, Cent/kwh	3.11	3.99	28.3
°Gross 100% interest and includes geother	mal production		

°Gross 100% interest and includes geothermal production \*Excludes Fuel Component

- Agreed mandate with IFC to increase Medco Power stake. Progressing to identify a second strategic investor to support continued growth
- MPI gross operating installed capacity rose to 2,819 MW following completion of the 330MW Sarulla Geothermal facility
- Riau CCPP secured Financing Declaration from PLN, and signed loan agreement with consortium of International Banks in Q1 2019. COD expected Q2 2021.
- Ijen farm down in progress. Appraisal drilling to begin Q2 2019.
- IDR 1.2 trillion raised to refinance debt and support new projects.

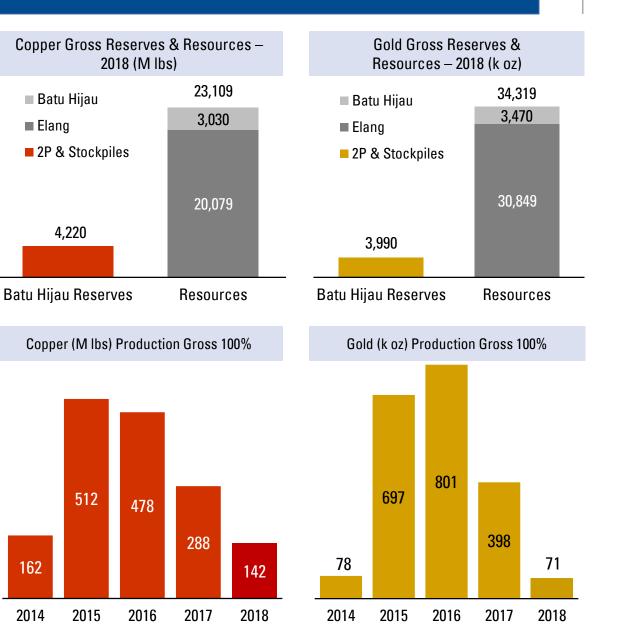


# Amman Mineral Nusa Tenggara

Metrics°	2017	2018	ΥοΥ Δ%
Production			
Copper, M lbs	288.4	141.9	(50.8)
Gold, k oz	398.2	70.9	(82.2)
Sales			
Copper, M lbs	330.6	130.2	(60.6)
Gold, k oz	491.9	68.1	(86.2)
Average Realized Price			
Copper, USD/lbs	2.71	2.69	(0.7)
Gold, USD/oz	1,219	1,225	0.5
°Gross 100% interest			

uross iuu% interest

- The Batu Hijau Mine is in Phase 7 development; during cut back of Phase 7, production are generated from processing of the stockpiled ore.
- Copper concentrate export permit extension for 2019 for 336,100 wmt
- Phase 7 now fully financed with \$1.2bn facilities from four major Asian based banks. Commercial operations expected in 1H 2020
- Elang JORC assessment in progress
- Obtained environment permits for development of a 1.3 million ton smelter to be located at Benete. West Sumbawa. Outotec Oyj has been appointed to develop the Front-End Engineering Design (FEED).
- Signed HoA with MPI for development of a 300MW onsite IPP



# **Consolidated Financial performance**

Profit & Loss (US\$ mn)	2017	2018	YoY $\Delta\%$
Revenue	905.1	1,218.3	34.6
- Oil and gas	834.6	980.2	17.4
- Power	67.5	235.9	249.4
- Others	3.0	2.2	(25.2)
DDA	161.6	110.4	(31.7)
Gross Profit	415.5	632.2	52.1
S, G & A	147.8	160.7	8.7
Operating Income	267.7	471.5	76.1
EBITDA (excl. asset held for sale)	429.3	582.0	35.6
Net Income	127.1	(51.3)	n.m.

Profitability Ratios (%)	2017	2018	YoY $\Delta\%$
Gross Margin	45.9	51.9	13.0
Operating Margin	29.6	38.7	30.9
EBITDA Margin	47.4	47.8	0.7
Net Income Margin	14.0	(4.2)	n.m.

Balance Sheet (US\$ mn)	2017	2018	YoY $\Delta\%$
Cash and cash equivalents°	640.8	627.5	(2.1)
Investments	913.7	978.9	7.1
Fixed Assets	1,279.5	1,374.8	7.5
Total Assets	5,160.8	5,252.4	1.8
Total Liabilities	3,758.1	3,865.1	2.8
• Loans	1,599.1	1,293.8	(19.1)
Capital Market Debts	990.0	1,513.8	52.9
• Other Liabilities	1,169.0	1,057.5	(9.5)
Equity	1,402.7	1,387.3	(1.1)

Financial Ratios (x)	2017	2018	YoY $\Delta\%$
Current Ratio	1.5	1.7	9.3
Debt to Equity	1.8	2.0	9.6
EBITDA to Interest	3.1	3.1	0.8
Net Debt to EBITDA°	4.5	3.7	(17.5)
Net Leverage Ratio	4.5	3.7	(17.3)
<sup>o</sup> Includes restricted each			

° Includes restricted cash

# Financial performance: excluding Medco Power

Profit & Loss (US\$ mn)	2017	2018	YoY $\Delta\%$
Revenue	837.2	982.4	17.3
- Oil and gas	834.6	980.2	17.4
- Others	3.0	2.2	(25.2)
DDA	160.4	105.2	(34.4)
Gross Profit	388.8	534.7	37.5
S, G & A	139.8	133.9	(4.2)
Operating Income	249.0	400.7	60.9
EBITDA (excl. asset held for sale)	412.7	505.9	22.6
Net Income	126.7	(58.7)	n.m.

Profitability Ratios (%)	2017	2018	YoY $\Delta\%$
Gross Margin	46.4	54.4	17.2
Operating Margin	29.7	40.8	37.2
EBITDA Margin	49.3	51.5	4.5
Net Income Margin	15.1	(5.6)	n.m.

Balance Sheet (US\$ mn)	2017	2018	YoY $\Delta\%$
Cash and cash equivalents°	556.2	516.3	(7.2)
Investments	913.7	978.9	7.1
Fixed Assets	1,210.4	1,334.3	10.2
Total Assets	4,342.8	4,360.4	0.4
Total Liabilities	3,085.3	3,141.2	1.8
• Loans	1,067.1	783.1	(26.6)
Capital Market Debts	990.0	1,431.6	44.6
• Other Liabilities	1,028.2	926.5	(9.9)
Equity	1,257.5	1,219.2	(3.0)

Financial Ratios (x)	2017	2018	YoY $\Delta\%$
Current Ratio	1.5	1.7	11.1
Debt to Equity	1.6	1.8	11.0
EBITDA to Interest	3.1	3.5	12.1
Net Debt to EBITDA°	3.6	3.4	(7.7)
Net Leverage Ratio	3.6	3.3	(7.5)
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° Includes restricted cash



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