



Press Release
PT Medco Energi Internasional Tbk

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| • President Director & CEO | : Lukman Mahfoedz |
| • Director & CFO | : Lany Wong |
| • Director & COO | : Frila Yaman |
| • Director & CPO | : Akira Mizuta |

MAINTAINING NET PROFIT MARGIN THROUGH EFFECTIVE EFFICIENCY STRATEGY

Jakarta, Monday, 30 March 2015 – PT Medco Energi Internasional Tbk (“MedcoEnergi” or “The Company”) succeeded in implementing a cost-efficiency strategy as mitigation towards the adverse impact of declining oil price in 2014. The Company is able to maintain a positive net income and has announced this achievement in its financial report on 30 March 2015.

In 2014, the Company has succeeded in arresting the natural decline rate of its matured oil fields in Indonesia by 7%. This is an achievement in and of itself when compared to the average natural decline rate of oil and gas production globally which is in the range of 20%-25%. The decrease in oil production in comparison to 2013 was also attributable to the relinquishment of Sembakung Block to PT Pertamina in December 2013. The Company booked a total oil and gas production of 56,000 barrel oil equivalent per day (BOEPD) in 2014, which is lower than the 2013 production of 62,000 BOEPD. The Company recorded an average realized oil price of US\$97.83/barrel, a 9.6% decrease from the realized crude oil price in 2013.

Despite the declining oil production and the lower realized crude oil price, the Company was able to increase the revenues from gas sales through successful renegotiation of several domestic gas sales contracts. The average of gas sales price increased to US\$5.60/MMBTU in 2014, a 9.2% increase compared to the gas price in 2013. This achievement has significantly supported the Company's financial performance in 2014 by contributing an additional revenue of US\$40 million, compared to the Company's revenue from gas sales in 2013.

Given the two factors above (oil and gas production and oil price), the Company booked a total net oil and gas sales of US\$701 million in 2014, a 15.2% lower than the previous year which was US\$827 million. The exploration and production of oil and gas business unit remains as a major contributor by providing 93.4% of the total sales and operating revenues of US\$750 million. In 2014, the Company also posted a gross profit and operating profit for US\$271 million and US\$161 million respectively. The earnings before interest, taxes, depreciation and amortization (EBITDA) in 2014 is calculated at US\$259 million, lower than 2013 figure of US\$351 million.

A business process efficiency strategy, which has been implemented since 2013 to date, has fended the Company's financial performance, mitigating the impact of the declining oil price and the natural decline rate of the Company's oil production. In particular, MedcoEnergi succeeded in reducing its cost of sales as well as general and administrative expenses in 2014 to US\$110 million, a 5.81% decrease compared to US\$117 million in 2013. The Company's head office cost was also cut by 25% compared to the previous year. The effective implementation of efficiency strategy as well as the success in reducing the Company's borrowing costs through early repayment of several high-interest bearing loans has also contributed to a positive financial performance, maintaining a profit attributable to owner of the parent company amounting to US\$10.1 million in 2014, a decline of US\$2.5 million compared to US\$12.6 million in 2013. The company also successfully reduced the cost of borrowing from US\$77 million in 2013 to US\$71 million in 2014.

Furthermore, MedcoEnergi's achievements in 2014 include the addition of the international oil and gas asset portfolio through the acquisition of four exploration blocks in Papua New Guinea, eight oil and gas blocks in Tunisia, and Block 56 in Oman. The eight new blocks in Tunisia have increased the Company's oil and gas production rate and 2P oil and gas reserves of 2,800 BOEPD and 11 MMBOE respectively. MedcoEnergi plans to increase its oil and gas production of Tunisian assets up to 16,000 BOEPD in 2019.

In the development of the Company's Major Project, MedcoEnergi will complete the Senoro Gas Project and Donggi Senoro LNG (DSLNG) plant by the middle of this year. The gas from Senoro Gas to DSLNG is slated by June 2015, and the first LNG cargo is expected in October 2015. Both projects will contribute significantly to the Company's earnings starting in 2015. The next Major Project is Block A gas development in Aceh. After the signing



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the Gas Sales and Purchase Agreement (GSPA) in January 2015 with PT Pertamina at the agreed gas price of US\$9.45/MMBTU, the Company, along with its partners, will reach its FID (Final Investment Decision) in the second quarter of this year. The first gas delivery of 58 BBTU (Billion British Thermal Unit) per day is slated by the end of 2017.

In 2014, the Company, through PT Medco Power Indonesia, successfully completed the Sarulla Geothermal project financing of US\$1.2 billion from JBIC, ADB and a consortium of commercial banks. Currently the construction work at the site is underway and four production wells in Sarulla's two geothermal fields are being drilled and tested. The completion of Sarulla 3x 110 MW Geothermal Project, which is located at North Sumatra province is scheduled for its Unit-1 by 2016, which will be followed by Unit-2 and 3 in 2017 and 2018 respectively.

Lukman Mahfoedz, President Director and CEO of MedcoEnergi said, "The Company continues to be on the right track throughout 2014, continuing to pursue long-term growth objectives as well as the completion of several major projects according to plan." Lukman added, "The Company will continue to implement efficiency strategy on its overall business process as well as operational costs including reviewing exploration activities and projects, particularly for those that have not reached FID. MedcoEnergi will continue to prioritise investments that will provide additional oil and gas production to support the Company's sustainable growth in the future."

MedcoEnergi is a publicly listed integrated energy company with a focus on exploration and production of oil and gas. MedcoEnergi has operations in Indonesia, including operating 9 oil and gas blocks and having an economic participating interest in an exploration field. Overseas, MedcoEnergi operates in Libya, Oman, Papua New Guinea, Tunisia, Yemen and the Gulf of Mexico in the United States of America. In addition MedcoEnergi operates several gas-fired and coal power plants, supplying electricity to the Indonesian State-Owned Electricity Company (Perusahaan Listrik Negara/PLN), and also coal mining and gas distribution businesses

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

For further information please call:
Imron Gazali
Head of Corporate Secretary
Tel: (62-21) 2995 3000, Fax: (62-21) 2995 3001
Email: corporate.secretary@medcoenergi.com
investor.relations@medcoenergi.com
Website: www.medcoenergi.com