



MEDCOENERGI 

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# Mandiri Conference - Jakarta, 6-7 Feb 2020

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

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SUSTAINABLE GROWTH



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9M19 Consolidated EBITDA US\$477 million, pro forma Ophir US\$605 million

Ophir Acquisition: Accretive EBITDA with US\$129 million pro forma

Ophir Integration: Recurring synergies ~US\$50MM+ p.a.;  
one-time capital saving ~US\$130MM

Delivering deleveraging commitment: Gross Debt<sup>1</sup> < US\$2.6Bn at 2019 year end;  
Net Debt to EBITDA<sup>1</sup> pro forma Ophir 3.0x

Oil & Gas: 9M2019 production 102 mboepd, pro forma Ophir 117 mboepd

Portfolio Rationalization: Continued high grading

Credit rating: B+ Fitch, B+ S&P, B1 Moody's

MedcoPower: Targeting to finalize new strategic partner

<sup>1</sup>) Restricted group debt  
Ophir results are consolidated from 1 June 2019. Pro forma results assume combined results from 1 January 2019



- EBITDA US\$477 million, pro forma Ophir US\$605 million
- The acquisition of Ophir Energy Plc was immediately accretive contributing EBITDA US\$129 million proforma (post one-time transaction costs US\$35 million), EBITDA US\$71 million since 1 June
- Ophir debt US\$355 million repaid in June, US\$211million repaid in 3Q 2019; met US\$2.6 billion gross debt<sup>1</sup> at year end
- Liquidity strong with cash and cash equivalents of US\$575 million
- Net debt to EBITDA<sup>2</sup> 3.9x, pro forma 3.0x
- All 2019 and 2020 bullet maturities secured in escrow
- Capex US\$183 million, pro forma Ophir Capex US\$204 million

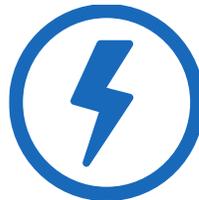
<sup>1</sup>) Restricted group debt

<sup>2</sup>) Annualized for the restricted group

Ophir results are consolidated from 1 June 2019. Pro forma results assume combined results from 1 January 2019



- Oil and Gas production 102 mboepd, pro forma Ophir 117 mboepd. Unit cash costs US\$9.5 per boe
- Bualuang Phase 4B, Thailand first oil December 2019 with initial production rates above expectation, at 12,900 bopd
- Meliwis, East Java gas development, and Buntal-5, sub-sea development in South Natuna Sea Block B first gas on track for midyear 2020.

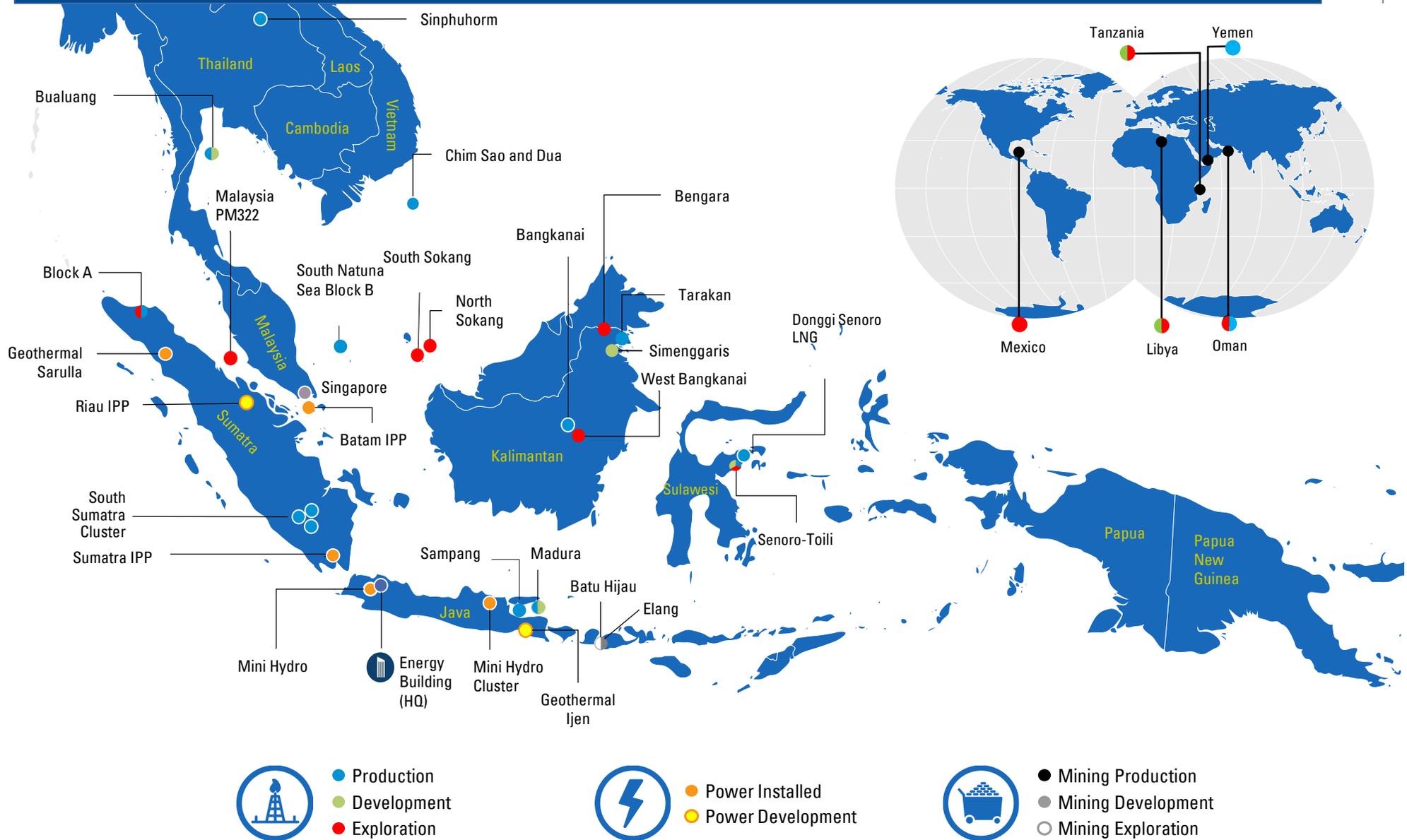


- Medco Power generated power sales of 1,870 GWh
- Riau IPP reach financial close with lenders, construction progress 46%, expected in-service date of Q2 2021



- AMNT production from stockpile was 96 Mlbs copper and 42 Koz gold
- Progressing Phase 7 development and Smelter FEED.
- Smelter Front-End Engineering Design 70% completed.

# Asset Portfolio



## Delivering on Our Commitments

**2017:** Completed rights issue and release of Medco parent company guarantee on Amman Mineral acquisition debt

**2017-2019:** Generated US\$536MM of proceeds from asset disposals

**2019:** Will achieve gross debt commitment of less than US\$2.6Bn. ~US\$300MM cash applied to Ophir acquisition

**2019:** Net Debt / EBITDA of 3.0x by 2019 year end<sup>(1)(2)</sup>, from 6.6x in 2016; US\$725MM pro forma of FY2019 EBITDA<sup>(1)(2)</sup>

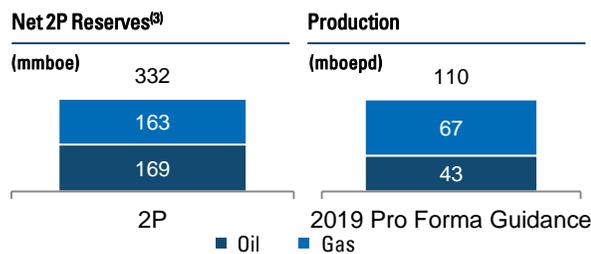
**2020:** Exercisable warrants outstanding ~US\$200MM @ IDR675/share by 11 December 2020

## Key Business Segments



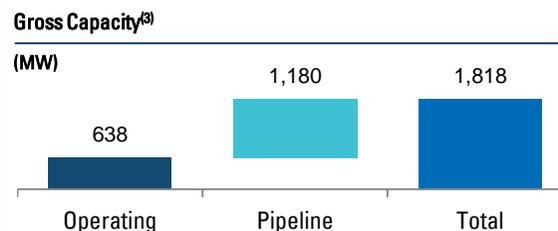
### Oil & Gas

- ~110 mboepd, ~60% gas annual production
- 36% of production under TOP fixed price contracts
- Cost efficient operator at <US\$10/boe
- Project management skills to develop complex projects on time and within budget
- Monetizing oil & gas discovered resources
- Low risk exploration focus to effectively extend reserve life
- Operator / joint operator of most of our blocks



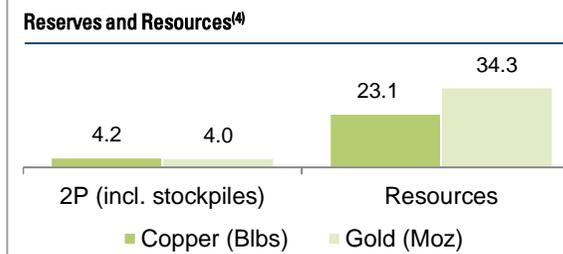
### Clean Power

- Installed capacity of 638MW (1,180MW pipeline) medium sized joint venture gas, geothermal, hydro power generation plants and photovoltaics
- Cost efficient operator at IDR113/kWh (US\$0.8 cents/kWh)
- Specialized in clean and renewable IPPs sold to PLN under long term contracts with TOPQ
- Power generation and LNG capabilities to enable monetization of stranded gas
- Complementary project management and subsurface capabilities
- Potential entry of new strategic partner



### Copper & Gold Mining

- World class copper and gold mining
- Phase 7 redevelopment fully funded without recourse to Medco; first production by mid 2020
- Multiple resources and prospects including the large Elang resources
- Long term demand for copper driven by electrification during energy transition
- Completed the smelter feasibility studies. FEED ongoing to build smelter with a capacity of 1.3 mtpa, using Ototec technology
- Potential IPO of Amman Mineral



USD Bond Restricted Group

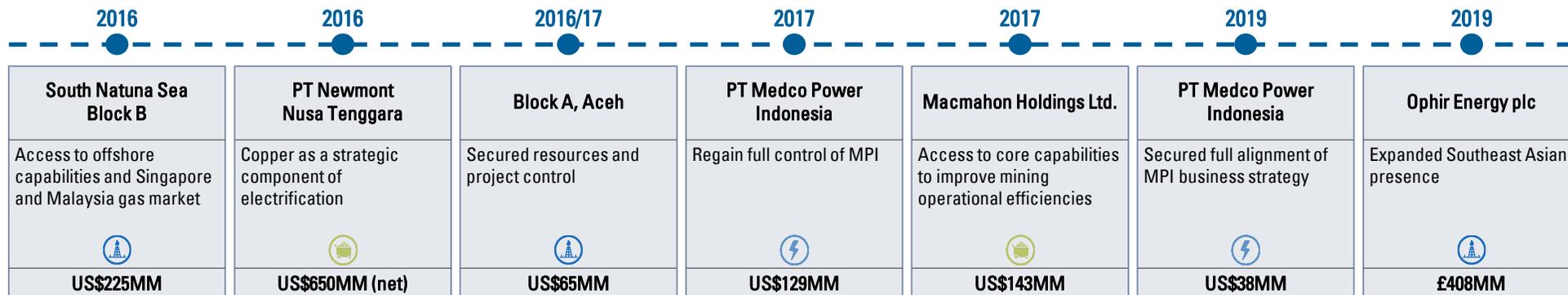
**Notes:**

- 1 Restricted Group only.
- 2 Based on annualized EBITDA of US\$725MM calculated by multiplying 9M2019 pro forma EBITDA by 4/3 and adjusting for non-recurring transaction costs of US\$35MM incurred for Ophir acquisition.
- 3 As at 30 September 2019.
- 4 As at 31 December 2018.

## Closed and Integrated Value Adding Acquisitions

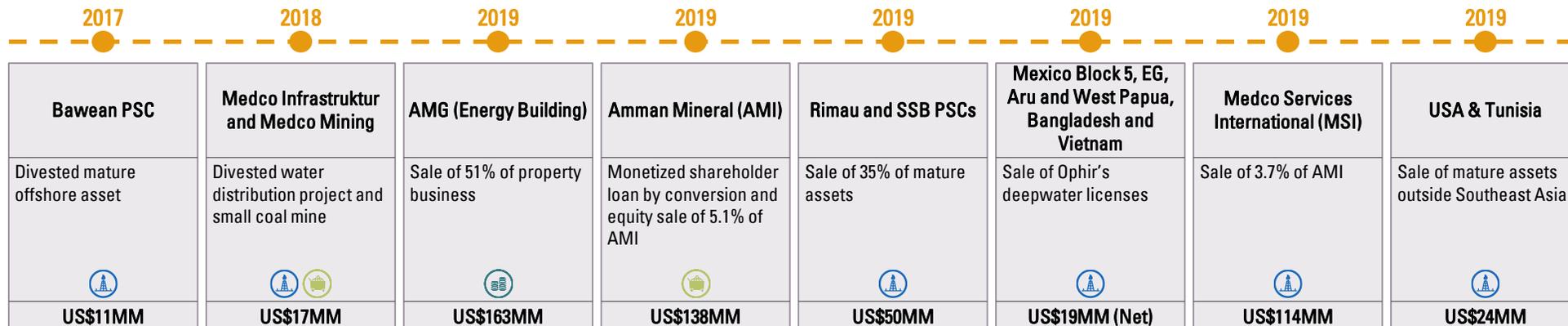
Acquisitions have added value through enhanced scale, control and organizational competence. Acquisition targets are screened to ensure:

- Improved MedcoEnergi credit status and profitability
- Risks are manageable (knowledge of asset, organization capabilities, subsurface, markets)
- Growth potential and upside



## Portfolio Rationalization

- Non-core assets sales to focus business on oil & gas, power, and copper mining
- Further portfolio upgrading through selective asset divestments





## Recurring synergies ~US\$50mn



### Business & Process > US\$5mn

- Centralized treasury functions for cash management and authority matrix
- Accessed restricted cash US\$57mn
- Migrated multiple overseas data centers to Jakarta
- Centralized Procurement Tender Boards
- Business process alignment
- Adopted Medco SAP closing multiple Financial, Procurement and Maintenance systems



### Production & Operations > US\$10mn

- Standardized HSE incident reporting
- Safe handover of Operations without business interruption
- 2019 Production Guidance 26 mboepd (Ophir Initial Guidance: 25 mboepd)
- Ophir assets Proforma Opex/bbl: US\$14/boe (Ophir Initial Guidance US\$16/boe)
- Contract cross assignment to access best rates



### People & Offices > US\$40mn

- London Office sublet. Service office to close March 2020
- Headcount reduced by 50 to date. Further 30 by Q1 2020
- Ophir staff directly engaged through 'Integration Management Office'
- Integrated Organizations and localized manpower



### Capital & Projects US\$130mn

- Portfolio rationalization US\$100mn+ savings
- Safe handover of Bualuang and Meliwis Projects without disruption
- Contract cross assignment to access best rates
- 2019 Capex Guidance US\$120mn (Ophir Initial Guidance US\$150mn)

## One-time capital saving US\$130mn

## Three Pillars of MedcoEnergi's Sustainability Policy

### GRI Compliant KPIs:

Medco has set short-term, medium-term, and long-term goals aligned with the UN Sustainable Development Goals, and with performance reported in annual Sustainability Reports assured by Ernst & Young



### Leadership of and by Our Employees



Ophir Integration Management Office reached out to all employees with helplines, newsletters and pulse surveys ongoing



### Environment and Social Development



We set and monitor performance on HSE goals to aim at zero injuries, illnesses, environmental incidents, and the reduction of waste and emissions



### Sustainable Livelihoods and Community Development



Our Organic SRI (Organic Rice Intensification) Program received UN recognition for promoting gender equality and empowering women

### Corporate Governance

Anti-bribery & Corruption (ABC); Human Rights; Public Policy; Good Corporate Governance (GSG) Principles  
Socio-economic Compliance; Supply Chain Management; Enterprise Risk Management

## Indonesia has Vast Renewables Potential



### Geothermal Power

Sarulla, North Sumatra – 330 MW capacity  
Ijen, East Java – Exploratory drilling in progress in JV with Ormat, 150 MW PPA signed  
Bonjol, West Sumatra – Licence under evaluation



### Hydro Power

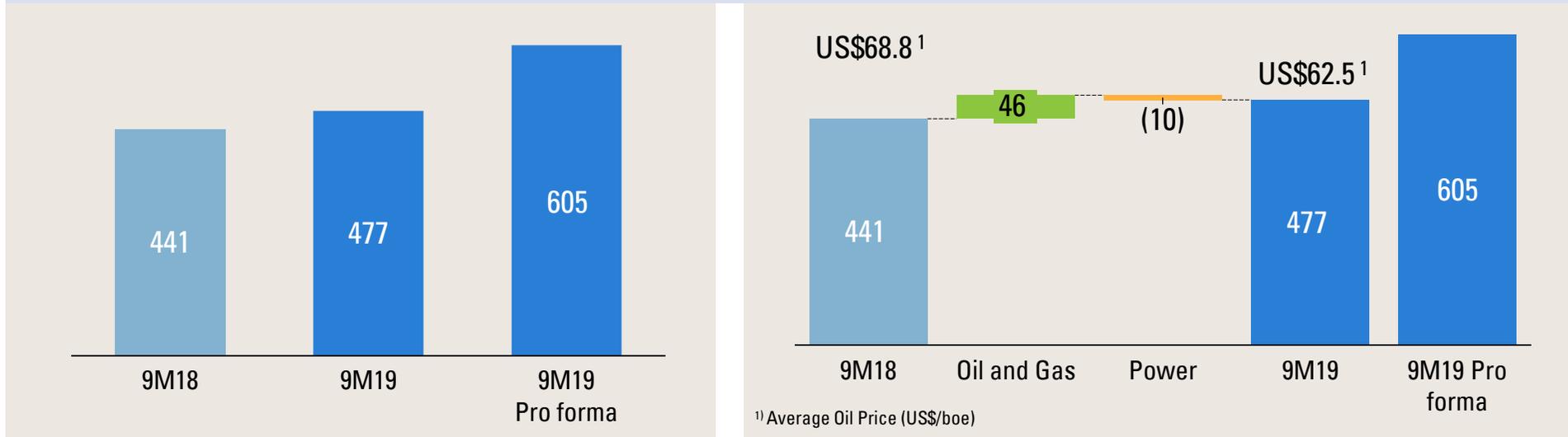
Cibalapulang and Pusaka  
Mini Hydro Power Plants - 9MW each in West Java



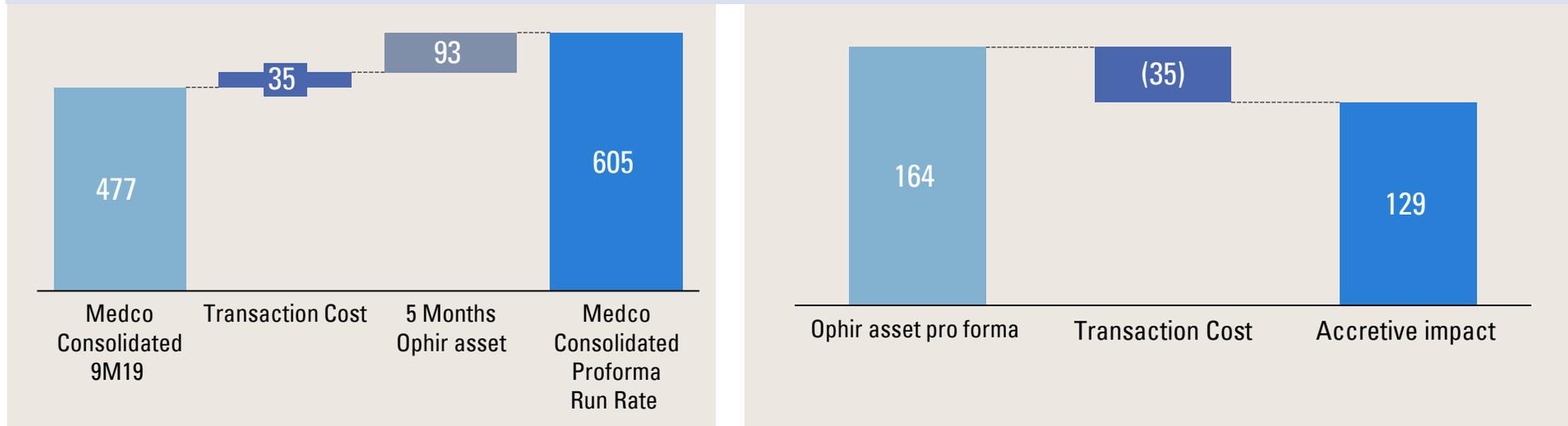
### Solar Photovoltaics

Solar Photovoltaics developments in progress in Sumbawa and Bali 26 MWp and Bali 50 MWp

## Underlying EBITDA (US\$ mn) Categorized by Segments



## Ophir EBITDA Accretive (US\$ mn)



Ophir results are consolidated from 1 June 2019. Pro forma results assume combined results from 1 January 2019.



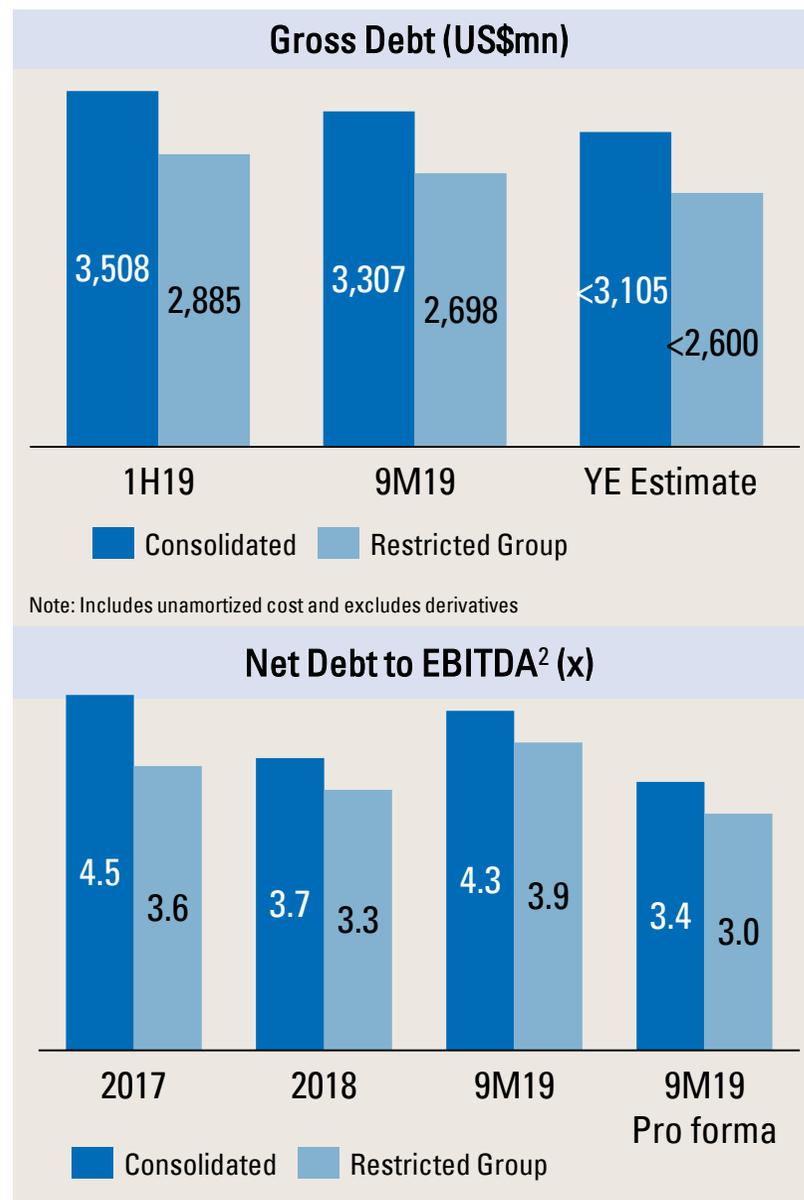
# Maintaining commitment to deleverage

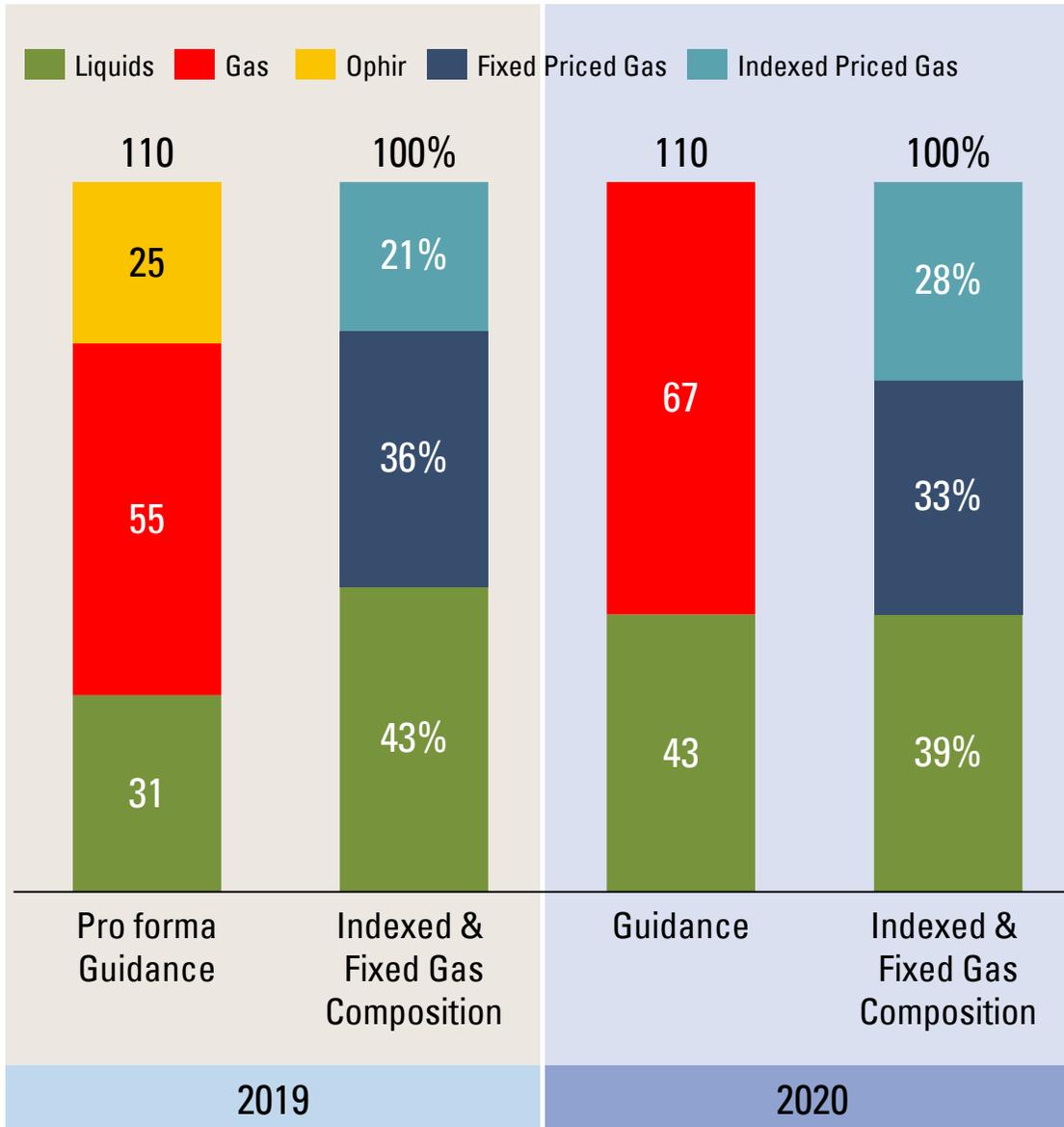
- Will meet deleveraging commitment of US\$2.6Bn gross debt by 2019 year end post Ophir integration
- Will meet target Net Debt to EBITDA pro forma at 3.0x or below at mid-cycle price
- Ophir priority debt US\$355MM repaid in June; US\$191MM debt repaid in 3Q
- Priority debt 6% of Total Assets<sup>1</sup>
- US\$211 million debt<sup>2</sup> repaid in 3Q 2019. 2020 bullet maturities secured in escrow
- 2020 bullet maturities secured in escrow. Cash and cash equivalents<sup>3</sup> cover >3x gross 2020 maturities

<sup>1</sup>) Based on priority debt for the Restricted Group and the Consolidated Total Assets.

<sup>2</sup>) Restricted group

<sup>3</sup>) Annualized for the restricted group





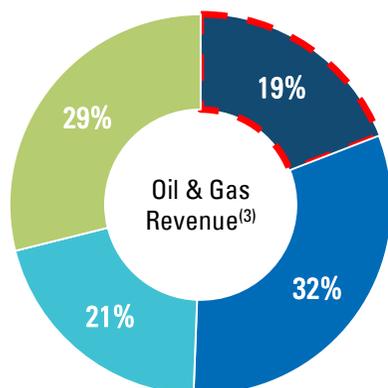
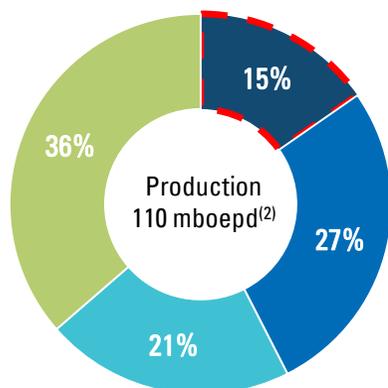
- Nine months production 102 mboepd; Pro forma 117 mboepd
- 2019 Ophir portfolio production guidance 26 mboepd (Ophir Initial Guidance: 25 mboepd)
- 2019 Production guidance 100 mboepd, 110 mboepd pro forma Ophir
- 2020 Production guidance 110 mboepd
- Gas market demand will determine production

Pro-forma Production includes Oman service contract



*36% of total production is fixed price gas, providing resilience to oil price volatility*

## Production and Revenue Weighted Price Exposure



- Fixed priced gas is 36%<sup>1</sup> of total production and provides a natural floor against price volatility
- Linked price and non cost recovery PSCs represent only 15% of total production which further limits the impact of price volatility
- Remaining exposure is strongly correlated to Brent
- Hedge maximum 15% of production, up to 7% in put structures and remaining in collars. Targeting 2020 floor of Brent minimum US\$55/bbl for hedges put in place

### Notes:

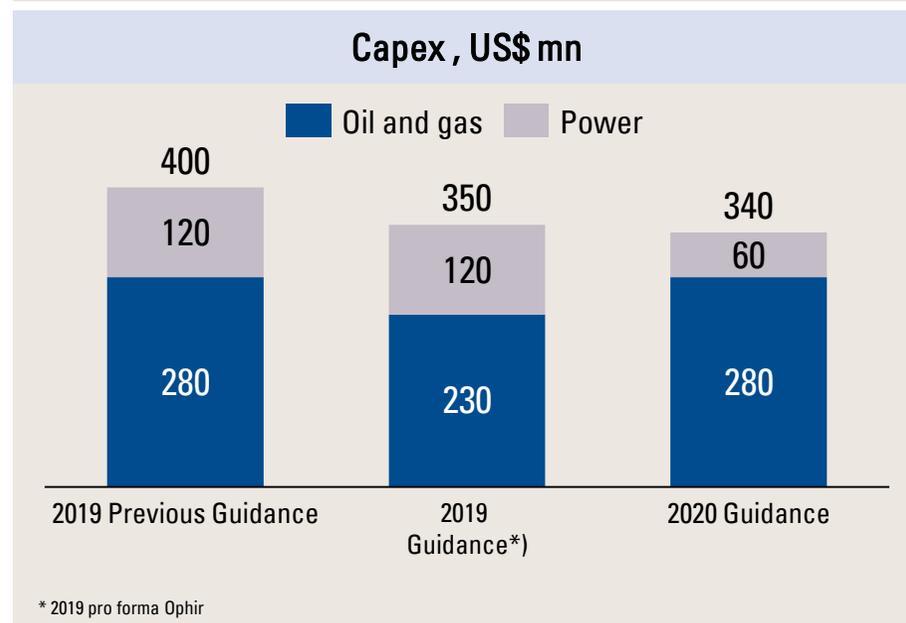
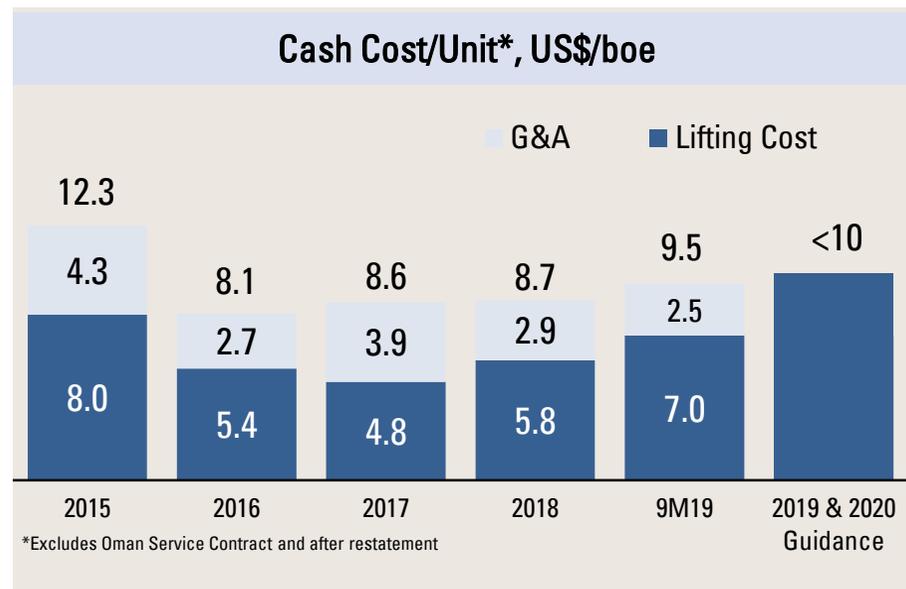
1 As of 30 September 2019.

2 Based on 2019 Guidance.

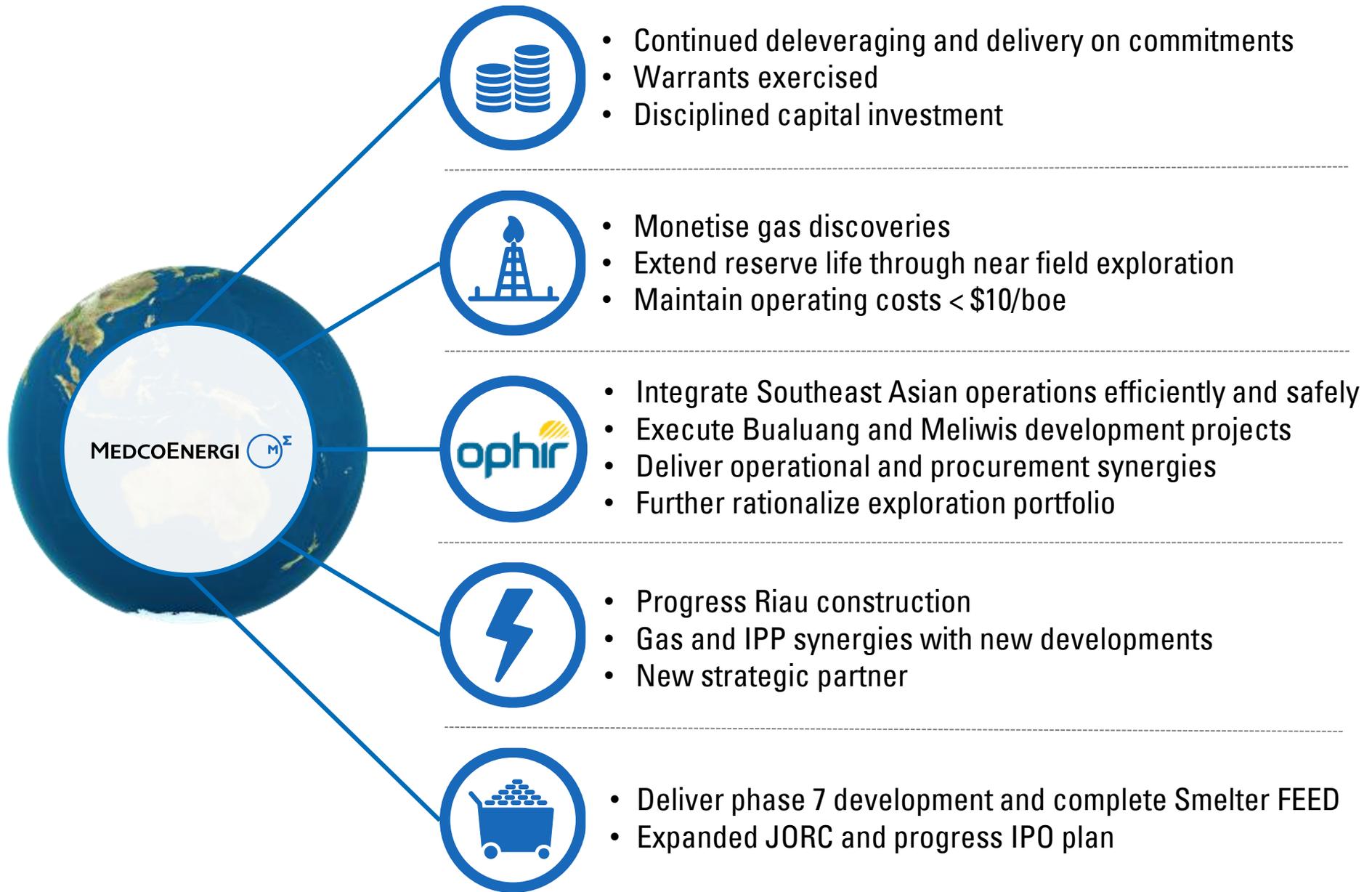
3 Based on 9M2019.



- 9M 2019 capex US\$183 million, US\$204 million pro forma Ophir.
- 2019 capex guidance US\$350 million pro forma Ophir; 2020 capex guidance US\$340 million.
- 9M 2019 Oil and Gas unit cash costs US\$9.5/boe<sup>1</sup>. Oil and Gas unit cash costs, will be maintained below US\$10/boe.



<sup>1</sup>) Unit cash cost exclude Oman



## Consistent production and margin growth driving EBITDA increase despite commodity price volatility

### Production

	2016	2017	2018	Pro Forma 9M2019 <sup>(2)</sup>
Oil, mboepd <sup>(1)</sup>	30.8	35.1	32.8	33.5
Gas, mmscfd	205.9	278.0	279.3	311.0
Ophir, mboepd <sup>(2)</sup>	-	-	-	26.0
<b>Total Hydrocarbon, mboepd<sup>(1)(3)</sup></b>	<b>66.0</b>	<b>86.8</b>	<b>84.7</b>	<b>117.3</b>

### Realized Price, Cash Costs, EBITDA and Margin

	2016	2017	2018	Pro Forma 9M2019 <sup>(2)</sup>
Avg. Oil Price, US\$/bbl	42.3	51.5	67.8	62.5
Avg. Gas Price, US\$/mmbtu	4.4	5.5	6.4	6.9
Cash Costs, US\$/boe	8.8	9.1	8.7	9.5
EBITDA, US\$MM	268	413	506	725 <sup>(4)</sup>
<b>EBITDA Margin</b>	<b>45.4%</b>	<b>49.3%</b>	<b>51.5%</b>	<b>53.1%</b>

### Business Update

- 2019 production guidance of 110 mboepd; unit costs <\$10/boe and capex US\$230MM
- Hedge maximum 15% production, up to 7% in put structures and remaining in collars. Targeting Brent hedge floor of minimum US\$55/bbl
- **Block A Aceh:** Passed Long Term Production Test and ongoing commercial negotiation
- **Bualuang Phase 4B Development:** Drilling 70 days ahead of plan. First oil in Dec 2019 with initial production exceeding expectations
- **Meliwis:** Progressing per plan (83% at 2019 year end). First gas targeted Q2 2020

**Block A Aceh  
Indonesia**



**Bualuang  
Thailand**



**Meliwis  
Indonesia**



**Notes:**

1 Includes Oman Service Contract.

2 Pro forma results assume combined results from 1 January 2019.

3 Conversion from mmscfd to mboepd of 5.38:1.

4 Based on annualized EBITDA of US\$725MM calculated by multiplying 9M2019 pro forma EBITDA by 4/3 and adjusting for non-recurring transaction costs of US\$35MM incurred for Ophir acquisition.



## Independent Clean Power Producer with 9 operated assets across Indonesia

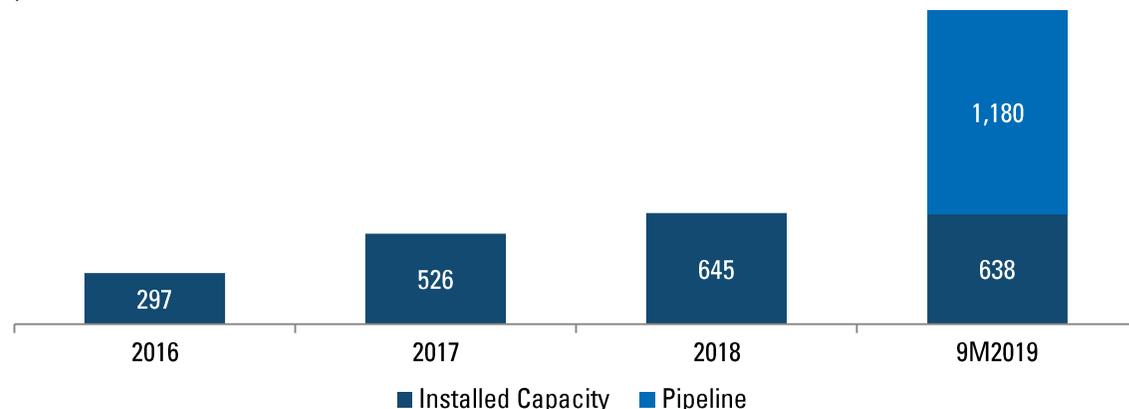
Metrics <sup>(1)</sup>	9M18	9M19
<b>IPP Sold and O&amp;M Capacity</b>		
IPP Sold, GWh	2,001	1,870
O&M Capacity, MW	2,174	2,150
<b>Average Realized Price<sup>(2)</sup></b>		
IPP, Cent/kwh	3.87	3.91

- MPI has interests in gas fired power, geothermal energy and hydro-electricity plants
- MPI gross operating installed capacity rose to 2,819 MW following completion of the 330MW Sarulla Geothermal facility
- Finalizing strategic partner to support gas to power expansion
- Partnered with Ormat Technologies, Inc. to explore and develop Ijen geothermal project
- Riau IPP construction progressing, targeted in-service date of Q2 2021
- Raised IDR850Bn Sharia bond for refinance and growth

**Notes:**  
 1 Gross 100% interest and includes geothermal production.  
 2 Excludes Fuel Component.  
 3 Sarulla capacity is included in both IPP and O&M.

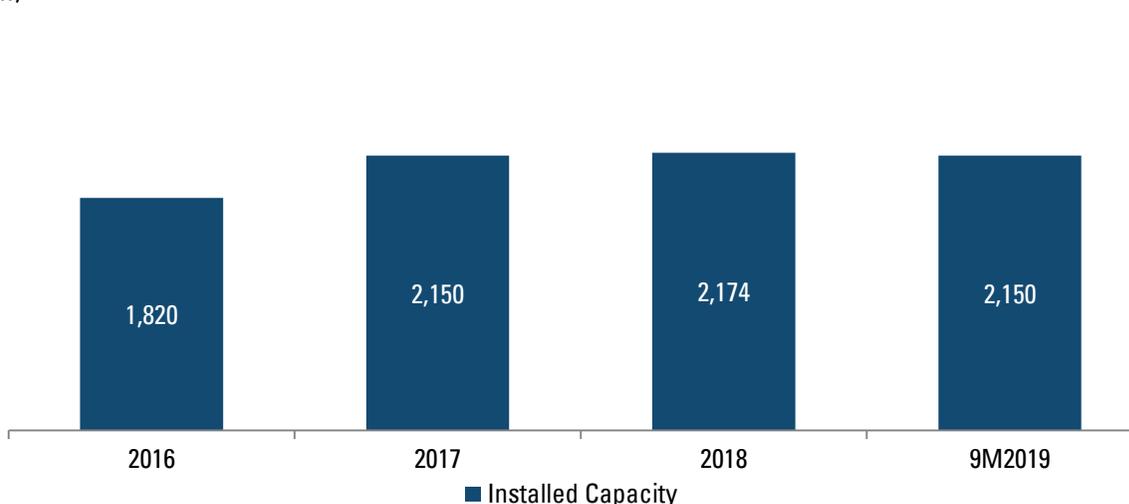
### IPP Power Gross Capacity<sup>(3)</sup>

(MW)



### O&M Power Gross Capacity<sup>(3)</sup>

(MW)

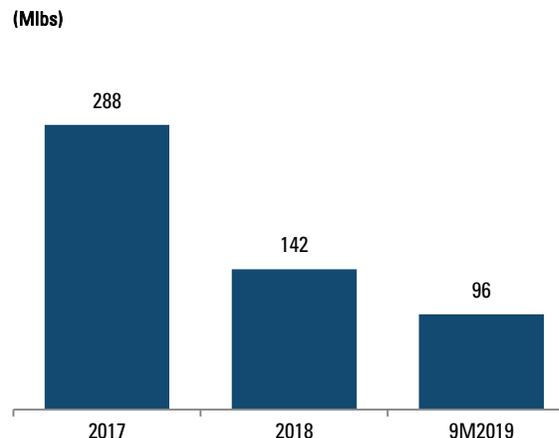




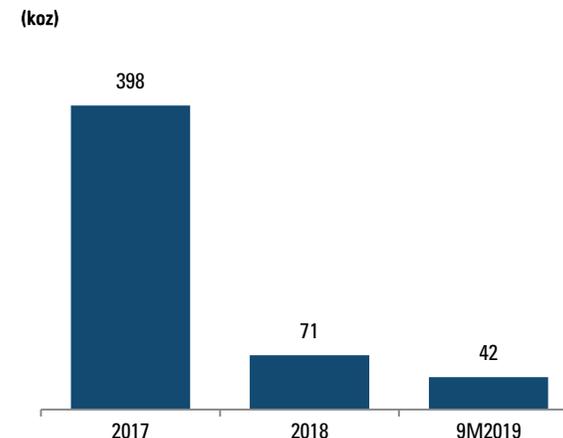
## World-class copper and gold mining operations with long term upside

Metrics – 100% Interest	9M18	9M19
<b>Production</b>		
Copper, M lbs	108.6	96.2
Gold, k oz	50.3	42.0
<b>Sales</b>		
Copper, M lbs	98.2	94.3
Gold, k oz	48.0	41.9
<b>Average Realized Price</b>		
Copper, US\$/lbs	2.05	2.64
Gold, US\$/oz	1,092	1,467

### Copper Gross Production



### Gold Gross Production



- The Batu Hijau Mine is in Phase 7 development; during cut back of Phase 7, production is generated from processing of the stockpiled ore
- Phase 7 fully financed with US\$1.8bn facilities from four major Asian based banks. No equity contributions are expected. Commercial operations expected by mid 2020
- Developing on-site smelter
- Signed HoA with MPI for development of a 300MW onsite IPP
- JORC assessment and preparation for IPO in progress

# Financial Statistics (YTD 9M19 vs YTD 9M18)

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Average Realized Price			Revenue			Gross Profit			EBITDA		
Oil Price	US\$62.5 /bbl	9%	Incl. MPI	US\$1,016 million	13%	Incl. MPI	US\$440 million	10%	Incl. MPI	US\$477 million	8%
Gas Price	US\$6.9 /MMBTU	11%	Excl. MPI	US\$854 million	17%	Excl. MPI	US\$370 million	10%	Excl. MPI	US\$424 million	12%
Blended Price	US\$48 /boe	--	Pro forma Ophir	US\$1,026 million	40%	Pro forma Ophir	US\$381 million	7%	Pro forma Ophir	US\$552 million	45%
Cash & Cash Equivalent <sup>1</sup>			Total Debt			Net Debt to EBITDA			Debt to Equity		
Incl. MPI	US\$575 million	--	Incl. MPI	US\$3,307 million	20%	Incl. MPI	4.3x	17%	Incl. MPI	2.4 times	26%
Excl. MPI	US\$499 million	--	Excl. MPI	US\$2,698 million	25%	Excl. MPI	3.9x	18%	Excl. MPI	2.2 times	--
Pro forma Ophir	US\$499 million	--	Pro forma Ophir	US\$2,698 million	25%	Pro forma Ophir	3.0x	9%	Pro forma Ophir	2.2 times	--

Pro forma results assume combined results from 1 January 2019. Pro forma Ophir in this slide includes only restricted group

<sup>1)</sup> Cash & Cash Equivalent includes restricted cash in banks

Notes :

Notes :



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