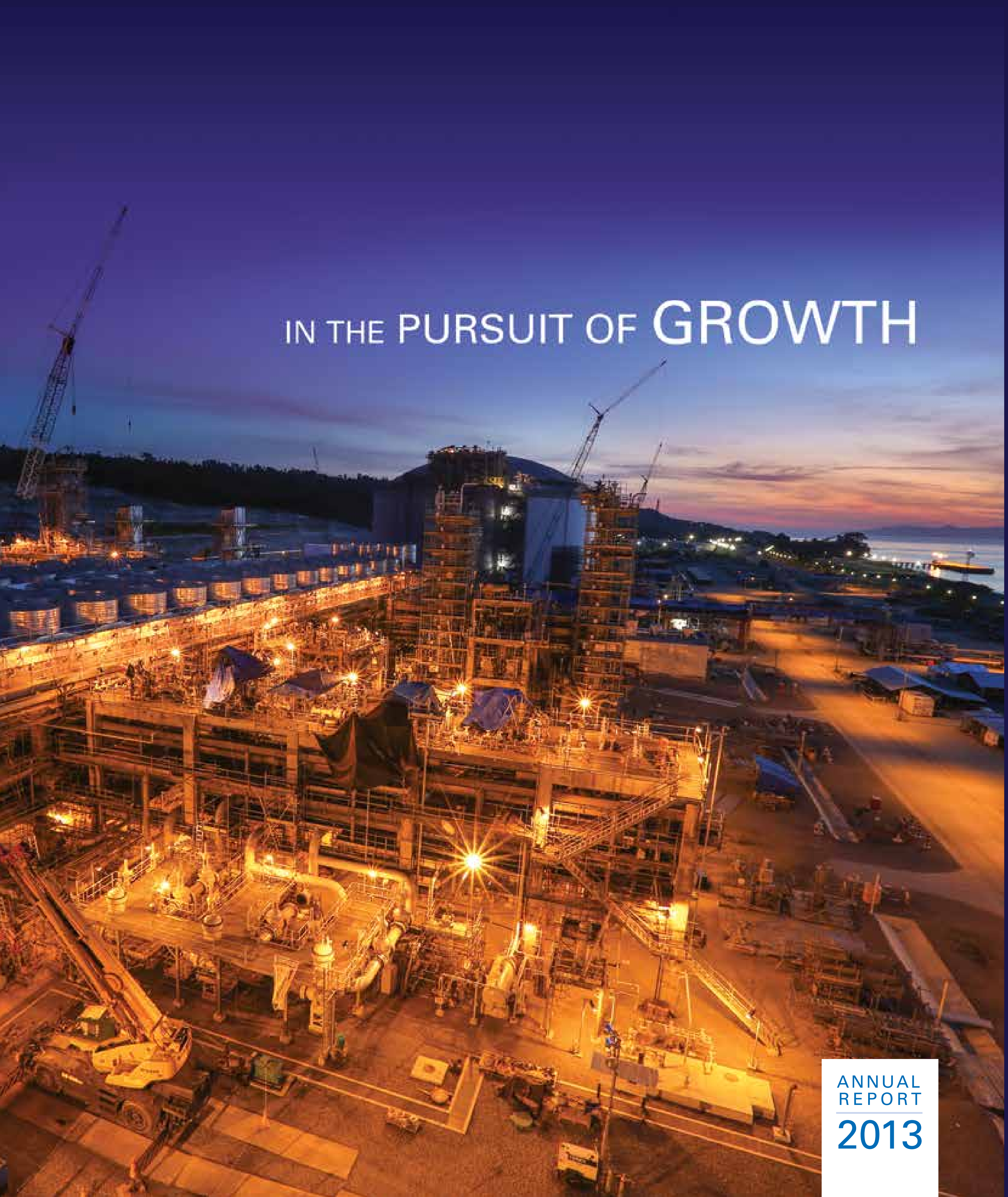
MEDCOENERGI

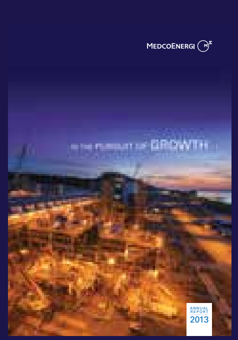


IN THE PURSUIT OF GROWTH

ANNUAL REPORT 2013

Detailed Information about MedcoEnergi

www.medcoenergi.com



PT Medco Energi Internasional Tbk
2013 Annual Report
is available at
www.medcoenergi.com

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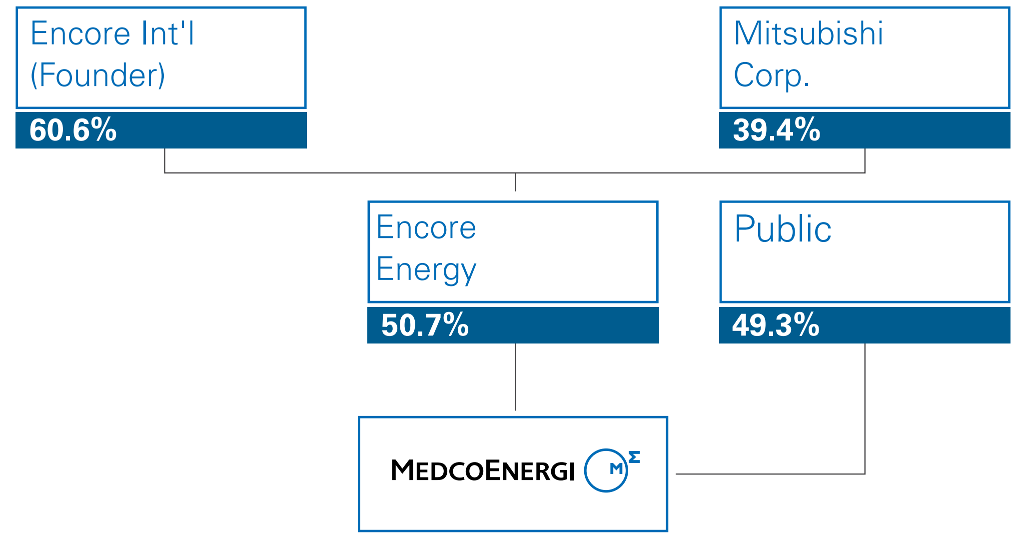
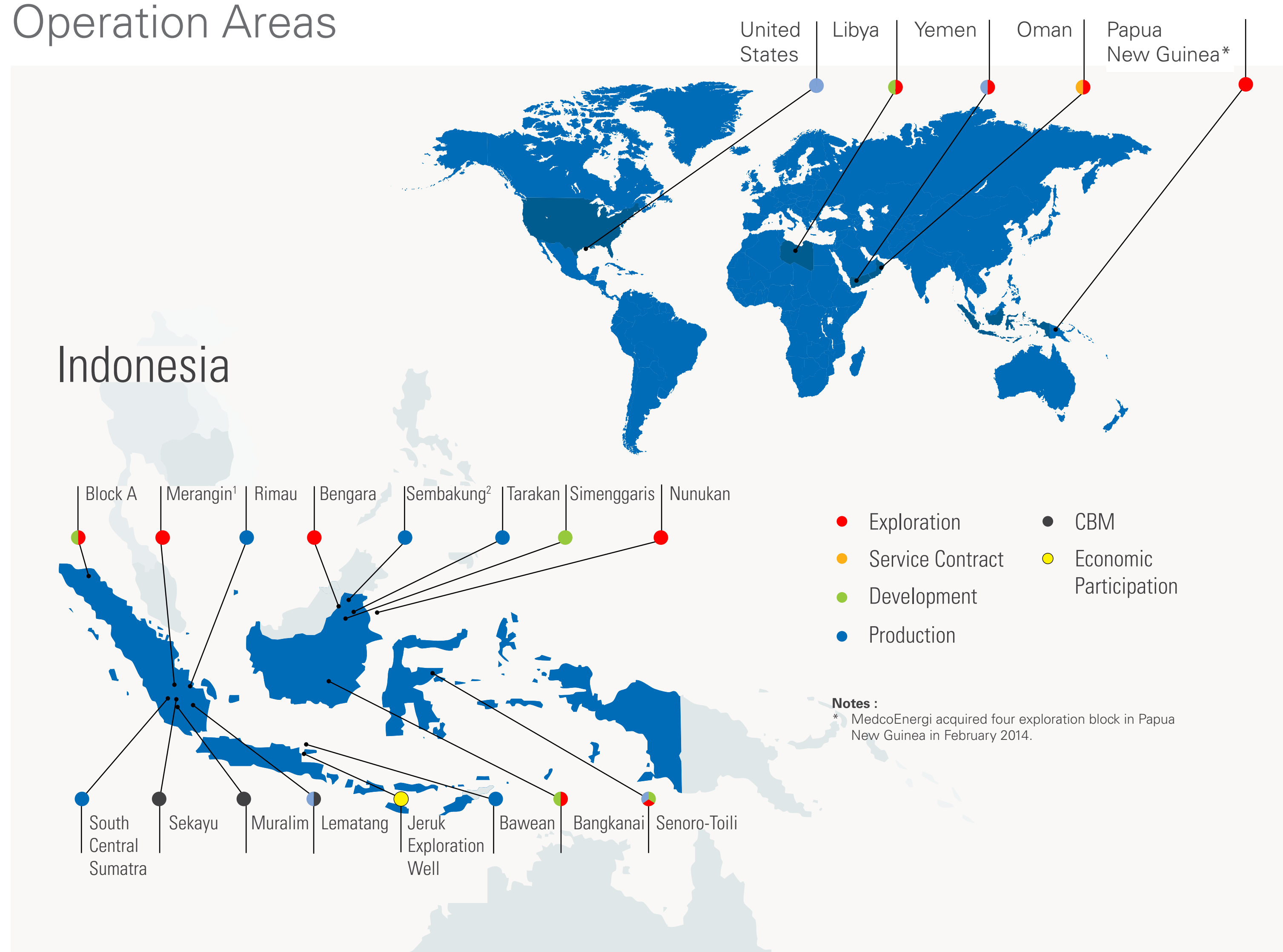
Shareholding Structure



Operation Areas



Notes :
1. The asset was relinquished to Government/SKKMIGAS on 14 October 2013
2. The asset was handed over to PT Pertamina EP due to its contract expiry on 21 December 2013

MedcoEnergi at a Glance

1

"The commencement of gas supply to Donggi-Senoro LNG plant, expected in 2014, establishes MedcoEnergi as a major gas and LNG player both upstream and downstream."

Milestones

1980

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

1994

Initial Public Offering as MedcoEnergi on the Indonesia Stock Exchange.

1995

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

2007

Discovered reserves of 352 MMBOE in Area 47, Libya.

2009

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

Obtained Production Sharing Agreement from the Government of Yemen for Block 82 and Block 83.

2010

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

Although production from our assets in Indonesia are declining, MedcoEnergi has found oil and gas reserves in other areas.

1996

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

2005

Awarded the EPSA IV contract for Area 47, Libya.

2006

Gained the service contract of Karim Small Fields (KSF) from PDO Shell in Oman.

2011

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

2012

Acquired 25% of Block 9 Malik, Yemen.

First export of coal to China.

2013

Swapped asset of Bangkanai with assets of Simenggaris and Bengara.

Earned PROPER Gold for Rimau Block for third years running (2011, 2012 and 2013).

Vision, Mission and Corporate Values

Vision

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

Mission

To develop profitable investment portfolios from energy resources.

The Company's vision and mission have been approved by the Board of Commissioners and Directors in 2004

Corporate Values

PROFESSIONAL

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

ETHICAL

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

MedcoEnergi continues to refocus its business on oil-gas exploration and production - capitalising on our three decades of core competences.

Production and processing facilities of crude oil at Rimau asset, South Sumatra

OPEN

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

INNOVATIVE

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

Business Strategy

1

Strengthen the business portfolio of producing assets, including acquisitions.

2

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

Company Achievements in 2013

21 Jan

Successful renegotiation of GSPA (Gas Sale and Purchase Agreement) with PGN and Meppogen, increasing the gas price in a range of US$6.5 - 7 / MMBTU.

25 Mar

Establishment of the *Joint Operating* Company "Nafusah Oil Operations" as the operator for the development of Area 47, Libya.

7 Mar

Asset swap with Salamander Energy for the release of Bangkanai Block, in return for additional participating interest in Simenggaris and Bengara Blocks.

4 Apr

Signing of the Amendment ESC (Energy Supply Contract) and JOC (Joint Operating Contract) with PLN and PGE respectively, for the Sarulla geothermal project.

Development of the Company's asset in MENA (Middle East and North Africa) countries, especially in Libya and Yemen, continues despite the political upheavals.

3

Complete all Major Projects as planned.

4

Accelerate the growth of other energy related assets through partnerships.

10 Jul

Received HSE Shield Award from PDO Shell for achieving six million man-hours without accident for Karim Small Fields' operation in Oman.

31 Jul

Signing of the financing agreement for Senoro Upstream Project with Standard Chartered Bank, Bank Mandiri, ANZ and Natixis amounting to US$260 million.

30 Sep

Drilling of Matang-1 and Bajul Besar exploration wells in Block A and in Simenggaris Block respectively, with discoveries of gas reserves.

18 Nov

MEI (Medco Enhancement Initiatives) Project completed to enhance productivity, business process efficiency and cost effectiveness, including organisation restructuring.

10 Dec

Received Gold PROPER rating for Rimau Block for the third consecutive time (2011, 2012 and 2013).

31 Dec

Production of 630,000 tons of coal, exceeding the target of 600,000 tons.

Financial Highlights

Income and Sales
(in million US$)

2012 904.4

2013 888.9

EBITDA
(in million US$)

2012 346.0

2013 349.1

Operating Profit
(in million US$)

2012 260.3

2013 245.7

Statements of Net Income (in million US$)	2012	2013	△(%)
Income and Sales	904.4	888.9	-1.7%
Oil & Gas	873.0	826.8	-5.3%
Coal	9.1	43.0	372.5%
Income from Services	17.8	16.7	-6.2%
Sales of Chemicals and Other Petroleum Products	4.4	2.4	-45.5%
Gross Profit	401.9	367. 2	-8.6%
Operating Profit	260.3	245.7	-5.6%
EBITDA	346.0	349.1	0.9%
Income before tax expense	197.2	193.7	-1.8%
Net Income	12.6	12.6	0.0%
Earnings per Share (US$/share)	0.0043	0.0041	-4.7%

MedcoEnergi has successfully maintained a stable operating and financial performance over the past years in line with the completion of the Company's Major Projects.

Total Assets
(in million US$)

2012 2,655.8

2013 2,531.7

Total Liabilities
(in million US$)

2012 1,812.6

2013 1,634.9

Total Equity
(in million US$)

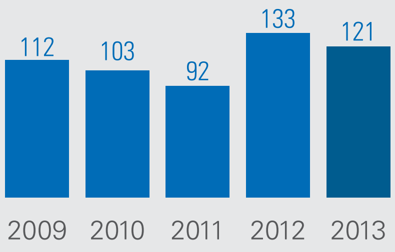
2012 843.2

2013 896.8

Statements of Financial Position (in million US$)	2012	2013	△(%)
Cash and cash equivalents	523.7	264.0	-49.6%
Total Assets	2,655.8	2,531.7	-4.7%
Total liabilities	1,812.6	1,634.9	-9.8%
Equity	843.2	896.8	6.4%

Operational Highlights

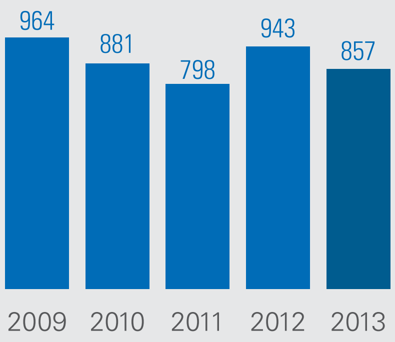
Oil Reserves 2P
(in MMBO)



2013 Oil Reserves 2P

121.1

Gas Reserves 2P
(in BCF)



2013 Gas Reserves 2P

856.7

Oil Sales
(in MBOPD)

2012 29.8

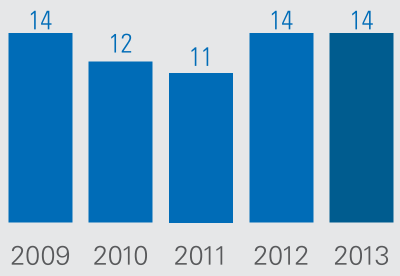
2013 26.3

Gas Sales
(in BBTUPD)

2012 153.9

2013 151.6

Reserves Life Index
(in Years)



2013 Reserves Life Index

14

Reserves 1P
(in MMBOE)

2012 227.1

2013 201.9

Reserves 2P
(in MMBOE)

2012 294.0

2013 267.3

E&P Oil & Gas	2012	2013	∆%
Proved Reserves - 1P (MMBOE)	227.1	201.9	-11.1
Proven and Probable Reserves - 2P (MMBOE)	294.0	267.3	- 9.1
Oil Sales (MBOPD)	29.8	26.3	-11.7
Service Contract in Oman (MBOPD)	10.4	8.9	-14.8
Gas Sales (BBTUPD)	153.9	151.6	-1.5
Production Level of Oil and Gas* (MBOEPD)	57.7	53.0	- 6.9
Average Selling Oil Price (US$/barrel)	115.6	108.3	- 6.4
Average Selling Gas Price (US$/MMBTU)	4.0	5.4	34.2
LPG sales (MT per Day)	132,035	525,342	297.9

*Excluding Service Contract in Oman

Production Assets

Rimau
South Sumatra

Proven and Probable

33.8 MMBOE

Total Average Oil Production

12.86 MBOEPD

Type of Contract

PSC

PSC Contract ends in 2023

Operator

PT Medco E&P Indonesia

Participating Interest Ownership

PT Medco E&P Rimau - (95%)

Perusahaan Daerah Pertambangan dan Energi South Sumatra - (5%)

SCS
South Sumatra

Proven and Probable

49.9 MMBOE

Total Average Oil and Gas Production

27.63 MBOEPD

Type of Contract

PSC

PSC Contract ends in 2033

Operator

PT Medco E&P Indonesia

Participating Interest Ownership

PT Medco E&P Indonesia - 100%

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

Lematang
South Sumatra

Proven and Probable

6.8 MMBOE

Total Average Gas Sales

4.65 MBOEPD

Type of Contract

PSC

PSC Contract ends in 2017

Operator

PT Medco E&P Lematang

Participating Interest Ownership

MedcoEnergi - 74.12%
(through Subsidiary Entities PT Medco E&P Lematang 51.12% and Lematang E&P Ltd 23%)

Lundin Lematang BV - 25.88%

Tarakan
North Kalimantan

Proven and Probable

3.1 MMBOE

Total Average Oil and Gas Production

2.18 MBOEPD

Type of Contract

PSC

PSC Contract ends in 2022

Operator

PT Medco E&P Indonesia

Participating Interest Ownership

PT Medco E&P Tarakan - 100%

Sembakung
North Kalimantan

Proven and Probable **0.7** MMBOE

Total Average Oil Production **1.56** MBOEPD

Type of Contract

TAC

Contract ended on 21 December 2013 and the asset was handed over to PT Pertamina EP

Operator

PT Medco E&P Sembakung

Participating Interest Ownership

PT Medco E&P Sembakung - 100%

Block 9 Malik
Yemen

Proven and Probable **9.7** MMBOE

Total Average Oil Lifting **1.52** MBOEPD

Type of Contract

PSA

PSA contract ends in 2025 and can be extended up to five years

Operator

Calvalley Petroleum Ltd

Participating Interest Ownership

Calvalley Petroleum Ltd 42.50%

MedcoYemen Malik Limited - 21.25%

Hood Oil Limited - 21.25%

YOGC - 15.00%

Karim Small Fields
Oman

Total Average Oil Lifting

8.89 MBOEPD

Type of Contract	Services Contract Services contract ends in 2016
Operator	Medco Oman LLC
Participating Interest Ownership	Medco Oman LLC – 51% Oman Oil Company – 25% Kuwait Energy – 15% Vision Oil & Gas – 5% PetroVest – 4%

United States of America

Total Average Oil and Gas Sales

0.6 MBOEPD

Type of Contract	Lease Contract Lease contract is not contrained with a time limit, but expires when production ends
Operator	MedcoEnergi US LLC
Participating Interest Ownership	MedcoEnergi US LLC

		MedcoEnergi US LLC	Northstar Offshore Group, LLC
1.	Block 317/318 East Cameron	75%	25%
2.	Block 316 East Cameron	100%	0
3.	Block 64/65 Main Pass	75%	25%

Major Projects

Senoro Upstream

Monetising of proven and probable gas reserves of 2 TCF by developing a gas production facilities with a capacity of 310 MMSCF per day. As of year-end 2013, construction progress had reached 55%. Construction works and development well drilling continue in 2014. First gas supply will be delivered in 2014.

Proven and Probable Reserves

375.6 BCF

Donggi Senoro LNG

The construction work on the LNG plant has commenced since 1 March 2011 by JGC Corporation as the main contractor, and as of year-end 2013, the work progress has reached 96.3%. The work continues to date and is expected to be completed by year-end 2014.

Percentage of Completion

96.3%

Block A

Monetising gas reserves by constructing gas production facilities with a capacity of 63 MMSCF per day to be supplied to a fertiliser plant. The Company has completed the drilling of an exploratory well, Matang - 1 in May 2013. From the results of well testing, Matang-1 well can flow gas up to 25 MMSCF per day with low H_2S content.

Estimated Provend and Probable Reserves

121.7 BCF

Simenggaris

The Company has completed the development of a gas production facility with a capacity of 30 MMSCF per day. The gas will be supplied to a power generating plant through a Mini LNG project that will commence in 2014. Drilling of the exploratory well, Bajul Besar, has been successfully completed, resulting in a new gas discovery.

Contingent Resources

92.8 BCF

Rimau EOR (Enhanced Oil Recovery)

Sarulla Geothermal

Chemical injection into the EOR pilot project well has been completed since 2012 and has shown positive results in increasing oil production. The use of chemical injection EOR technology is targeted to uplift additional volume of oil of up to 64 MMBO. Discussion with the Government is on-going for incentives related to a full-scale EOR Rimau project development.

Estimated Proven and Probable Reserves

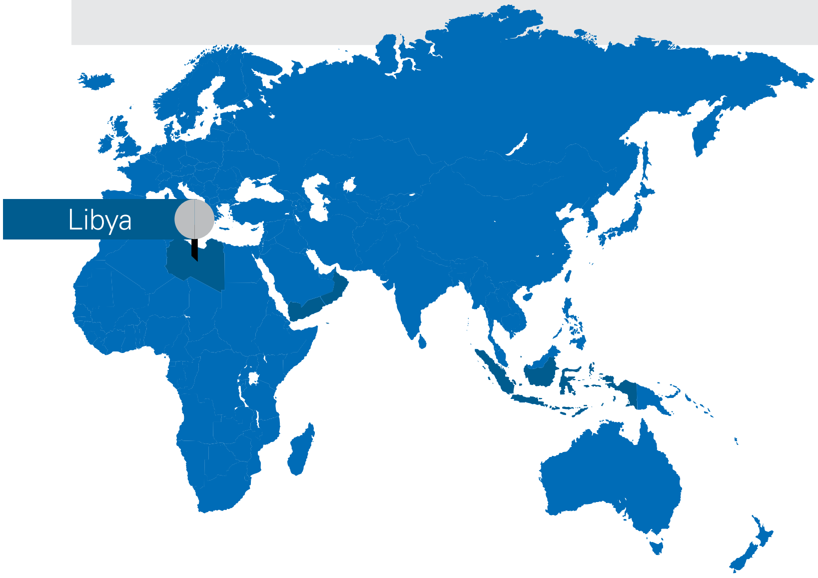
33.8 MMBO

Development of the geothermal power plant of 3 x 110 megawatt capacity in North Sumatra, representing a geothermal project with the largest single contract in the world and has the potential to be developed further to generate up to 1,000 megawatt of electricity. The total investment cost amounts to US$1.6 billion. Project financing totalling US$1.2 billion has been secured from JBIC, ADB and other banks, the agreements of which were signed on 28 March 2014.

Capacity of Power Plant

330 MW

Area 47, Libya



Development of oil and gas production facilities with capacity totalling 50,000 barrels of oil per day and 47 MMSFC of gas per day, ready for production by 2017.

The Company has formed a Joint Operating Company, "Nafusah Oil Operations B.V," with the working partners, NOC (National Oil Corporation) Libya and LIA (Libyan Investment Authority), as the development operator of Area 47. In 2013, Nafusah Oil Operations has established the organisation as well as the expertise required for the project development. In addition to that, preparation works for FEED (Front End Engineering Design) by an external consultant have also commenced, with a targeted completion date for FEED and the selection of the EPC contractor by year-end 2014.

Estimated Provend and Probable Reserves

51.9 MMBOE

Awards

2006

GCG Award

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

2010

MDGs Award

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

bpmigas

EXECUTIVE AGENCY
FOR UPSTREAM OIL AND GAS BUSINESS ACTIVITIES

CDM AWARD 2007

PRESENTED TO

PT. MEDCO E&P INDONESIA

2nd

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

CHAIRMAN OF BPMIGAS

KARDAYA WARNIKA

CDM Award 2007

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

2012

SCM Award

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

2013

Gold PROPER

In recognition of the Company's efforts to conserve the environment, at a level that exceed the statutory requirement, MedcoEnergi earned the highest rating of Gold in PROPER (the Company Performance Rating Evaluation Program) for the third year running since 2011, from the Ministry of Environment of the Republic of Indonesia. MedcoEnergi is the only oil and gas E&P company in Indonesia, which was awarded Gold Proper to the present.

Earned the Gold rating in PROPER for Rimau Block for three consecutive years 2011, 2012 and 2013.

MAKE Award 2008

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

Strengthening and Expanding the Company's Existence in International Arena

Drilling rig is in operations at one of the exploration wells in Area 47, Libya

The Company has formed a new directorate, International E&P, to support E&P business growth in overseas with the additional new assets and activities in Oman, Libya, Yemen and Papua New Guinea.

Yemen:

Block 82, Bock 83 and Block 9 Malik

Oman:

Karim Small Fields

Libya:

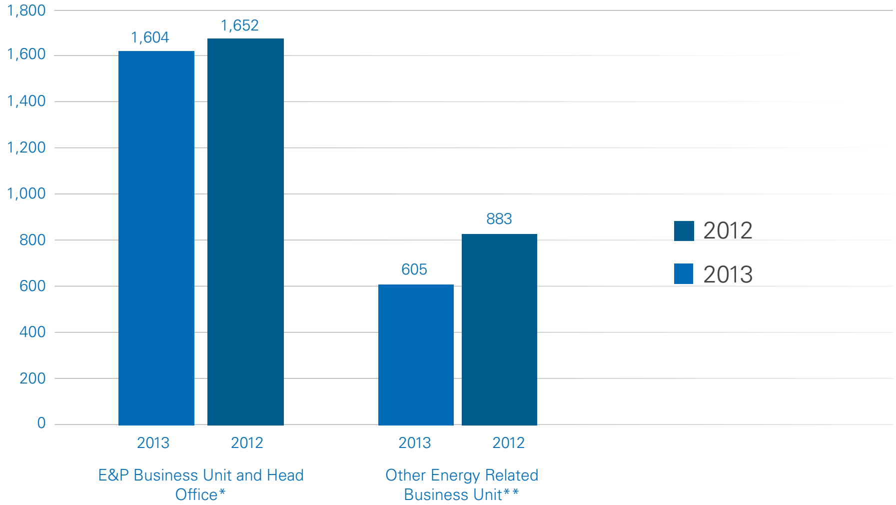
- Exploration Operator : Medco International Ventures Limited
- Development Operator : Nafusah Oil Operations B.V.

Human Capital

Discussions and meetings at the Company always uphold the Corporate Values of Transparency and constantly seek Innovative solutions to every challenges.

Human capital remains front-and-center in the Company's management priorities in 2013, to support increasing skills and competence of employees in line with the expected rapid development of the Company in 2014 and beyond.

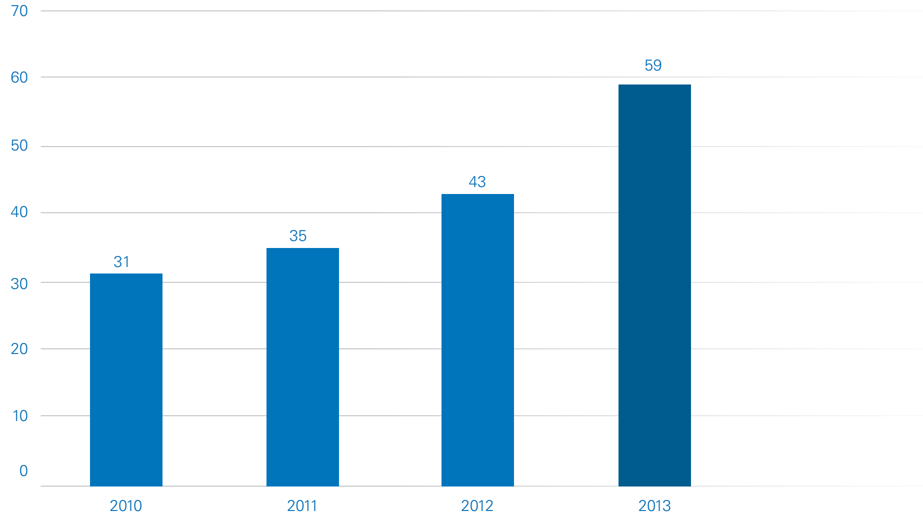
Total Number of Employees of the Company and Its Subsidiary Entities



Notes :
* Including E&P Business Unit in overseas
** Including Downstream Business Unit, Coal Mining, Gas Distribution and Drilling Services

The declining number of employees in 2013 was one of the results of MEI (Medco Enhancement Initiatives) Project implementation to enhance the efficiency of the Company's business process and operating cost, as well as the termination of the Ethanol Plant operation in August 2013.

Total Employees under the Accelerated Development Program



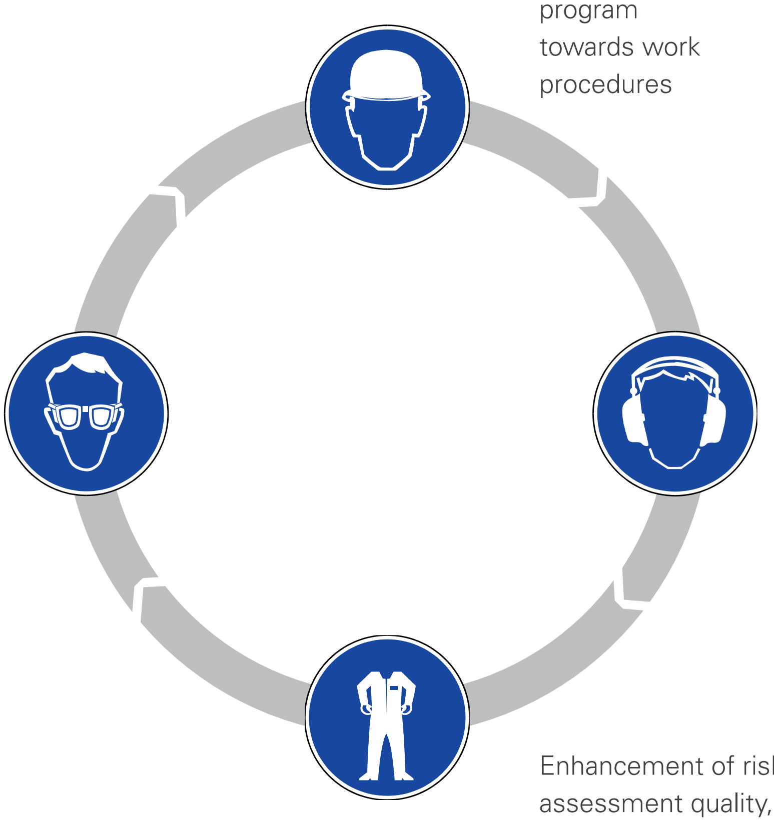
The four accelerated development programs undertaken by the Company in 2013, as part of the commitments of MedcoEnergi, were not only provided to senior and middle-level managers, but to junior managers as well.

Safety, Health and Environment

All of the Company's personnel in the field, in addition to being trained in SHE programs and compliance towards work procedures, are mandated to use PPE (Personal Protective Equipment) in full to protect the head, eyes, ears, hands, feet and other parts of the body from potential accidental harm.

Sustainability goals are primary and basic principles to the Company in all of its activities - from exploration to production, including safety, health and environmental management.

Safety, Health and Environment Procedure



GOLD PROPER

In 2013, the Company through its subsidiary entity, MEPI, for the third consecutive years earned the Gold PROPER (Corporate Rating for Environmental Management Program) for Rimau Block.

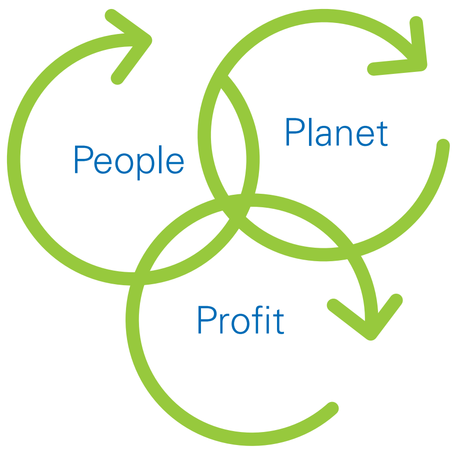
Corporate Social Responsibility

Education, including improvements in the quality of school infrastructures, constitute one of the Company's corporate social responsibility initiatives in areas where the Company operates.

The Company's strategy for its corporate social responsibility (CSR) program is to create a sustainable business. Moreover, the Company views CSR as a license to operate in regions where the Company operates.

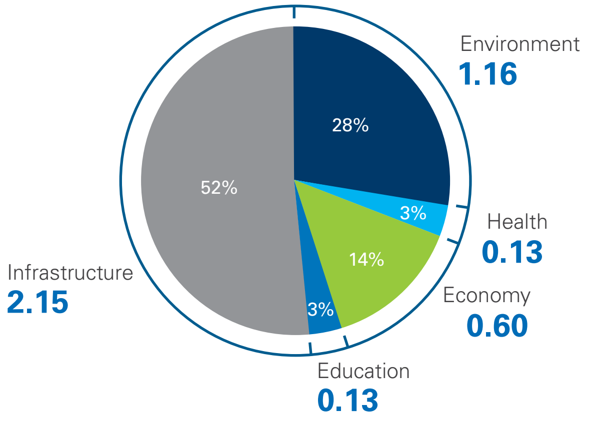
Corporate Social Responsibility

Throughout the history of the Company, MedcoEnergi believes that to be successful in business, the Company is obliged to improve the quality of life of the surrounding communities and to protect the natural environment. MedcoEnergi believes that sustainable business development can be achieved by integrating the interests of communities into the key activities of the Company's business.

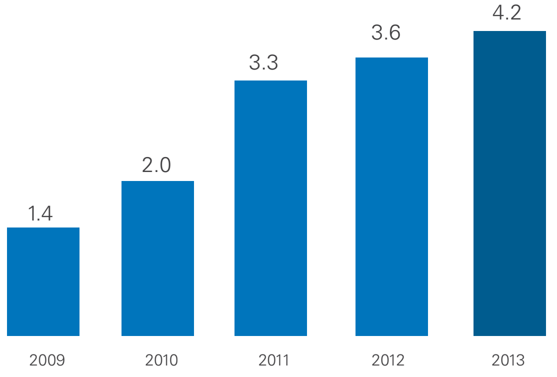


The Company espouses the Triple Bottom Line principles (community, environment and the economy) into all of its business activities to achieve sustainable development.

CSR Fund in 2013 based on Criteria (in million US$)



CSR Expenditures over the past five years (in million US$)



ACT NOW!

The passion of each and every individual at MedcoEnergi to undertake positive actions based on the Corporate's Values.

2

Message from the President Commissioner

HILMI PANIGORO
President Commissioner

"The commencement of the Donggi-Senoro LNG plant will be a turning point for MedcoEnergi to establish itself as a major player in the gas and LNG business, both upstream and downstream."

Dear fellow shareholders,

If someone were to ask me how I would best describe the state of MedcoEnergi's business today and the near future, I would probably reply with the remarks "gas, gas, oil… and more oil."

The first gas refers to our Senoro Gas and Donggi Senoro LNG development projects that are set for having its first gas supply by year-end 2014. The commencement of the Donggi-Senoro LNG plant will be a turning point for MedcoEnergi to establish itself as a major player in the gas and LNG business, both upstream and downstream .

The second gas is in reference to our Block A gas development in the Indonesian province of Aceh. The Company has been negotiating extensively with the gas buyer, the fertilizer producing company PT PIM, to finalise the gas sales and purchase agreement. Our negotiations have entered the final phase, in which we have agreed to a significant increase in the price of gas. This makes me extremely optimistic about our Block A gas development that is planned to come on-stream by 2016.

The first reference to oil describes MedcoEnergi's current oil productivity from our producing oil assets in Indonesia, which has remained around 24 thousand BOPD despite our aging oil fields in Sumatra and Kalimantan. We have been extremely successful at managing matured oil fields, arresting

"gas, gas, oil… and more oil."

the rates of production decline from these aging fields to just below 10% year-on-year, against the industry trend of 25% to 30%. We will continue to maximize our efforts at managing matured oil fields in Indonesia, including with the use of EOR techniques that we have successfully tested since 2012.

Incidentally, managing matured oil fields was also our success story in Oman, with the trust of the the government of Oman in providing us with a service contract agreement to manage the aging Karim Small Fields since 2006.

Now, the second reference to oil is our crown jewel. MedcoEnergi is on track in the development of the Area 47 oil fields in Libya for its planned first production flow by 2017. The Area 47 represents a huge discovery by MedcoEnergi in 2011, whereby we found oil in commercial quantities in 18 out of the 20 drilling wells that we explored. Subsequent certification put the proved reserves in those fields at 208 million barrels of oil. Needless to say, our enterprising pursuit in Libya will form one of the backbones of our producing assets for many years to come.

I believe that what I have stated above truly captures the essence of what MedcoEnergi is today. In our previous annual report, I reported

We have been extremely successful at managing matured oil fields, arresting the rates of production decline from these aging fields to just below 10% year-on-year, against the industry trend of 25% to 30%. We will continue to maximize our efforts at managing matured oil fields in Indonesia, including with the use of EOR techniques that we have successfully tested since 2012.

on how we have made significant progress in securing the Company's long-term growth and sustainability by implementing a new business strategy. The strategy involves going back to our core business of oil-and-gas exploration and production, as well as the development of major projects. As an oil-and-gas company, we continued to focus intensely on how to support our growth in 2013.

Performance Review

In our previous annual report, I spoke of the changes to our organization, as well as the redirection of our focus and efforts to core oil-and-gas E&P activities. We continued with these initiatives in 2013, and a result, have enabled us to largely maintain oil and gas volume production year-on-year. We were able to pursue our EOR pilot project to learn that we could effectively

"MedcoEnergi continues to strengthen corporate governance, including the monitoring of good corporate governance by the Board of Commissioners. We also ensure that non-discriminatory policies with regard to gender, race and religion are properly observed and implemented. A whistleblowing system continues to enhance oversight on conduct that is not in line with the Company's Code of Conduct."

apply the technology on oil fields that comprised of limestone, a procedure that had never been done anywhere in the world. More importantly, we made significant changes to the way we operate that have enabled us to respond more urgently, more effectively and more efficiently to operating problems at hand.

All this combined to provide more stable operating platforms for MedcoEnergi, improved operating margins as a result of cost efficiency, and a better, more streamlined organization.

The Board of Commissioners continues to recognize the roles and contributions of the Board of Director in managing change at MedcoEnergi. Under their strong and clear leadership, the Company is on track to sustain current levels of production and profitability; complete all of our Major Projects on time, starting with the Senoro Gas and DSLNG project in 2014, followed by the completion of our Block A gas project and Area 47 Libya project in 2016 and 2017, respectively. The commissioning of these Major Projects will support the growth of the Company from the year 2015 onwards.

We also welcome the initiatives taken by the Management of MedcoEnergi in 2013 with the so-called MEI Project. MEI stands for Medco Enhancement Initiatives, and the project aims to enhance the Company's productivity and efficiency, including an organizational restructuring. The new structure not only strengthens the Company's field operations, but increases cost efficiency measures as well, while also empowering the International E&P team to undertake its expansion programs. The initiatives of the program had been undertaken in 2013 and will be continued throughout 2014 with the aim of "Pursuing Growth" in line with the theme of this annual report.

Continuing Business Prospects

With the help of the Audit Committee, the Board of Commissioners has reviewed the Company's financial statements for the year ending 31 December 2013, and duly endorses those financial statements for shareholders' approval at the Company's upcoming Annual General Meeting of Shareholders (AGMS).

The Board of Commissioners has also reviewed and approved the work program and budget for 2014 proposed by the Board of Directors at the budget meeting in December 2013. The Board of Commissioners hereby confers to the Board of Directors the mandate to carry on with the business strategy and work program for 2014 as planned.

GCG Implementation

MedcoEnergi continues to strengthen corporate governance, including the monitoring of good corporate governance by the Board of Commissioners. The Committees under the Board of Commissioners (BOC) have undertaken their duties to ensure that GCG principles pertaining to transparency, responsibility, accountability, independence and fairness are adequately implemented throughout MedcoEnergi. We also ensure that non-discriminatory policies with regard to gender, race and religion are properly observed and implemented. A whistleblowing system continues to enhance oversight on conduct that is not in line with the Company's Code of Ethics.

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

Changes of the Members of Board of Commissioners and Board of Directors

In the Company's Annual General Meeting of Shareholders on 26 April 2013, a proposal was forwarded to change a member of the Board of Commissioners, namely Junichi Iseda to replace Masayuki Mizuno; and a member of the Board of Directors, namely Lany D. Wong to replace Syamsurizal Munaf. These changes to the Board of Commissioners and Board of Directors have been unanimously approved by shareholders in the AGMS.

Closing Remarks

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

To our shareholders in particular, I remain indebted to your continuing support and enduring faith in MedcoEnergi.

We also extend our appreciation to the outgoing board members, Masayuki Mizuno and Syamsurizal Munaf for their dedication and contribution to the Company in the past several years. We wish them the best in their future endeavours.

Warm regards,

Hilmi Panigoro
President Commissioner.

Profile of the Commissioners

Gustiaman Deru Independent Commissioner	Junichi Iseda Commissioner	Retno D. Arifin Commissioner

Yani Y. Rodyat Commissioner	Hilmi Panigoro President Commissioner	Marsillam Simandjuntak Independent Commissioner

Profile of the Commissioners

Hilmi Panigoro
President Commissioner

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

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

Hilmi Panigoro earned a Bachelor's degree in Geological Science from Bandung Institute of Technology in 1981.

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

Main Duty

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

Yani Y. Rodyat
Commissioner

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

She earned a Master's degree in Management from Sekolah Tinggi Manajemen, Bandung, in 1977 and a Bachelor's degree in Electrical Engineering from Bandung Institute of Technology in 1975.

Main Duty

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

Retno D. Arifin
Commissioner

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

She earned a Bachelor's degree in Architecture Engineering from Bandung Institute of Technology in 1972.

Main Duty

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

Marsillam Simandjuntak
Independent Commissioner

An Indonesian citizen, born in 1943. He was appointed as an Independent Commissioner in 2010. Before joining MedcoEnergi, he served as a Special Staff to the Ministry of Finance for Tax Reform Initiative and Customs from 2006 - 2010, Head of the Presidential Working Unit Program and Reform Governance (UKP-PPR) in 2006 – 2009. He was a former Secretary of Cabinet and Minister of Justice and Attorney General of the Republic of Indonesia in 2001.

He also had experiences as President Commissioner of PT Garuda Indonesia from (2003-2005), President and Independent Commissioner of PT Gunung Agung Tbk from (2003-2005). He began his career as a medical doctor at PT Garuda Indonesia (1971-1980).

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

Main Duty

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

Gustiaman Deru
Independent Commissioner

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

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

Main Duty

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

Junichi Iseda
Commissioner

A Japanese citizen, born in 1955. Appointed as the Company's Commissioner in 2013. Currently serving as Senior Vice President, Mitsubishi Corporation, Chief Regional Officer Indonesia.

He earned a Law degree from The University of Tokyo in 1979.

Main Duty

To supervise and advise the Board of Directors with regard to the operations and business development activities of the Company and its subsidiaries and the implementation of risk management across all business activities. He is also a member of the Company's Risk Management Committee.

Message from President Director

Lukman Mahfoedz
President Director & CEO

"We finished the year on a solid footing to take the Company forward to a new era of growth from substantial oil and gas assets in Indonesia, and in Middle East and North Africa."

Dear shareholders,

I am particularly pleased to address our shareholders in this annual report and to report the results of operations and financial condition of MedcoEnergi for the year ending 31 December 2013. Our operating results in 2013 were at par with our target for the year, and we finished the year on a solid footing to take the Company forward to a new era of growth from substantial oil and gas assets in Indonesia, and in Middle East and North Africa.

MedcoEnergi has positioned itself with a stable oil and gas production, and we are extremely enthusiatic about the growth prospects of the Company starting in 2014 and beyond.

2013 Exploration and Production Overview

In 2013, we achieved our main targets in oil-and-gas exploration and production, despite of the decline in oil production due to the natural decline of aging oil wells and the return of two production assets, namely Lirik to the Government of Indonesia and Sembakung to Pertamina. However, we succeeded in arresting the natural declining rate of our matured oil fields in Indonesia from 25%-30% to below 10% per annum.

As we all know, the MedcoEnergi's core producing assets in Rimau, SCS and Tarakan have been producing oil since the 1990s and are currently aging oil fields. Throughout 2013, we produced a total of 7.9 million barrels of oil from those fields.

It has taken all of our decades of experience and expertise in managing matured oil fields and still able to lift a considerable flow of oil from those fields to this day. In fact, this expertise was also put to good use in Oman, where MedcoEnergi produced a total of 3.3 million barrels of oil from the Karim Small Fields in 2013. Our operating success in Oman was complemented by an equally successful safety at work. This was marked with the HSE Shield Award from PDO Shell for six million man-hours without a single loss-time incident in 2013.

Turning to gas, we have been able to negotiate better prices on our gas deliveries to major customers, going forward for a number of years. This includes the agreed price for the Block A gas field in Aceh currently under development. MedcoEnergi produced a total of 58,200 million cubic feet of gas in 2013, at an average selling price of US$5.41/MMBTU, compared to 59,080 million cubic feet and US$4.03/MMBTU, respectively, in 2012. Higher gas revenues more than compensated for the decline in revenues from lower oil production as well as lower oil price in 2013.

Throughout 2013, the Company carried out active efforts for E&P asset acquisition at home and abroad, but was not successful due to unfavorable market conditions. However, we did undertake an active exploration drilling program. We concluded six exploration wells in Indonesia, three of which found hydrocarbon deposits and the other three had indications of hydrocarbon, and are currently undergoing further well testing. The Company also made a single well testing and a new exploratory drilling well in Libya, and five wells in Yemen. Our total 2P reserves for oil and gas as of year-end 2013 amounted to 267 MMBOE. The Company expects to add more reserves in 2014 from the reserves certifications that are due on our discovery wells above, as well as from more aggressive bidding on our reserves acquisition program, both at home and abroad.

2P Oil Reserves
(in MMBOE)

2012	133.0
2013	121.1

2P Gas Reserves
(in BCF)

2012	943.4
2013	856.7

Other Breakthroughs

Beyond E&P, MedcoEnergi made significant breakthroughs in finance and cost, organizational restructuring, and environmental management.

The year 2013 was quite challenging in many ways although the Company was able to meet those challenges and even maintain solid operating and financial performances. With a strong internal cash balance, the Company retired all maturing debts in 2013 and made early retirement on several other debts that were not yet due during the year.

> In 2013, in addition to saving on interest payment, we were able to maintain production cost and reduce operating expense as well as overhead expense of the Company. Our EBITDA in 2013 was maintained at around US$350 million (US$349 million in 2013 versus US$346 million in 2012).

As of year-end 2013, the Company's interest-bearing debts amounted to US$1,032 million, down from US$1,350 million in 2012. With this debt decline, the amount of interest-bearing liabilities that need to be managed as well as the amount of interest expense itself have declined significantly. In 2013, the Company's financing expense was US$77 million, down from US$95 million in 2012.

Operating costs were first and foremost on our minds at this point in time for MedcoEnergi, especially in order to maintain the Company's until new revenue streams from our Major Projects start to kick-in from 2015 onwards. In 2013, along with the savings on interest payment, we managed to maintain production cost, while reducing operating expense and head-office cost to a minimum. As result of which, our EBITDA in 2013 was maintained at around US$350 million (US$349 million in 2013 versus US$346 million in 2012). While consolidated comprehensive income for the year amounted to US$12.6 million in 2013, exactly the same as that of 2012.

In 2013, we undertook an initiative called the MEI (Medco Enhancement Initiative) Project that was aimed at evaluating and implementing a new business process to improve operating efficiency and its supporting functions, increase organizational and human resources productivity, and strengthen the financial and operating performances of the Company globally. MedcoEnergi changed its operations from a centralized one to a field-based operation. The new field-based organization places the General Managers and several support teams who had previously managed their affairs from the Jakarta Head Office in the operating sites or assets. From this, we expect to be able to respond to issues and challenges on the production fields more quickly and effectively. While at the Head Office, the reduced headcounts provides for a leaner organization and better focus on planning and strategic pursuits.

As part of the MEI Project, the Company has formed a new Directorate, which is the International E&P and New Ventures that will manage the Company's overseas assets in Libya, Oman, Yemen and Papua New Guinea as well as the E&P assets acquisition program. To support this new Directorate, MedcoEnergi also embarked on an intensified human capital enhancement program, mainly to prepare our people for increasing international assignments along with MedcoEnergi's growing international assets in the Middle East, North Africa and other regions.

Turning over to environmental issues, we are extremely pleased that our Rimau Block operations in South Sumatra have earned the Gold Rating of PROPER in 2013. This is the third Gold rating in three consecutive years from 2011 until 2013. PROPER measures the compliance of large industrial corporations to environmental management and safety standards set by the Ministry of Environment of the Republic of Indonesia. The ratings go from the lowest Black to Blue to Green to the highest Gold. A Blue rating is given to companies that meet the standards and requirements for environmental management as mandated by law. The Green rating is presented to companies that undertake environmental management exceeding the required standards. Whereas the Gold rating is awarded to companies with excellent environmental management and a consistent performance in production processes, as well as doing business in an ethical and responsible manner towards the communities. MedcoEnergi is the first and the only oil-and-gas exploration and production company in Indonesia to have achieved a PROPER Gold through our Rimau Block asset. We are also proud of the fact that all of our other exploration and production assets are certified with the PROPER Green.

Projects in the Pipeline

If our achievements in 2013 gave us assurances for our long-term sustainability, we are clearly excited about our near to medium-term growth prospects. Let us revisit our major projects, and take up where we left off in our last annual report.

1. Senoro Gas Upstream. Having commenced EPC works in late 2012, the project is now more than 55% completed and on track for first gas supply by end of 2014.

2. Donggi-Senoro LNG (DSLNG). As of year-end 2013, the progress of LNG plant construction had reached over 90%, and also on track for commissioning by year-end 2014.

3. Block A. The renegotiated gas sales price gave MedcoEnergi a significant upside on the agreed final price, thereby increasing the economic value of the project significantly. Currently the gas sales and purchase agreement is being finalized for anticipated signing by mid 2014.

4. Area 47 Libya. The Joint Operating Company (JOC) between MedcoEnergi, NOC Libya and LIA was formed in 2013. Preparation for FEED is underway and select for EPC contractor is slated by year end of 2014 a target has been set to lift first oil in 2017.

5. Simenggaris – the Company has signed a Head of Agreement with PLN to supply gas amounting to 25 MMSCF per day for the PLN East Kalimantan power plant. The gas sales and purchase agreement with PLN is expected to be signed in mid 2014.

6. Enhanced Oil Recovery (EOR) Rimau. The outcome of the chemical injection since 2012 has yielded positive results with the additional oil production from the pilot project as targeted. Currently, studies continue on the potential development of the pilot project into a full-scale EOR undertaking, and the Company is in dialogues with the government and SKKMIGAS to propose for an incentive package.

7. Sarulla. The Sarulla geothermal power plant development made significant strides with the agreement of the Ammended ESC (Energy Supply Contract) with PLN and JOC (Joint Operating Contract) with PGE in April 2013. Project financing is set to finalize in April 2014, with field construction to follow soon.

Strategic Partnerships

MedcoEnergi will continue to seek growth opportunities, either through the commissioning of the Major Projects or through the acquisition of E&P assets in Asia Pacific, as well as Middle East and North Africa (MENA countries). In the efforts to acquire assets, the Company is also keen to develop strategic partnerships with leading players in those regions.

A strategic pertnership also exists in the Company's other energy-related business. One example is the strategic partnership with Saratoga Power, the subsidiary entity of Saratoga Capital, which currently manages the power generating business of MPI. In the fuel storage and distribution business unit, the Company has succeeded in engaging Puma Energy to jointly operate PT Medco Sarana Kalibaru.

Corporate Governance

We continue to commit ourselves to the highest standards of Good Corporate Governance and protecting the rights of shareholders and other stakeholders, by adhering to the principles of transparency, accountability, responsibility, independence, equality and fairness. We introduced the Whistleblowing system in 2008 and continued to improve and refine the system in 2013 based on real reporting experiences. We believe that the system provides reasonable protection for the Company and our employees from potential fraud, deceit, harassment or any other unethical behavior that is not in line with MedcoEnergi's Code of Conduct.

Prospects for 2014

Throughout 2013 the Company focused increasingly on the exploration and production of oil and gas, and the completion of the Major Projects, especially the development of Senoro Gas and Donggi Senoro LNG, with the target of first gas supply by 2014.

We continue to pursue the same business strategy and remain focused on the oil and gas E&P business. Production of oil and gas for 2014 is targeted to be stable at around 62 thousand BOEPD (barrel of oil equivalent per day), at an estimated per unit operating cost of US$15.8/ BOE. This will enable MedcoEnergi to maintain sound operating margin through to the start of Senoro Gas and Donggi Senoro LNG.

Closing Remarks

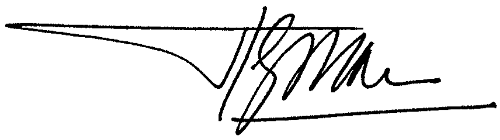
Entering 2014, Management is confident that MedcoEnergi will grow significantly on the back of the commissioning of our first Major Project, Senoro Gas, and the subsequent completion of other Major projects in 2016 and beyond.

On behalf of the Board of Directors, I am grateful to our shareholders, the Board of Commissioners, employees and business partners of the Company. Their trust and support are invaluable to MedcoEnergi's continuing progress.

We are also indebted to the government of the Republic of Indonesia, as well as those of other countries in which MedcoEnergi operates. Our special thanks go to the Oil and Gas Authority of Indonesia (SKKMIGAS) and the Ministry of Energy and Mineral Resources of the Republic of Indonesia for their support and continuing guidance.

May God bless our endeavours in the future.

Best regards,



Lukman Mahfoedz
President Director & CEO

Profile of the Directors

Frila B. Yaman
Director &
Chief Operation Officer (E&P)

Lany D. Wong
Director &
Chief Financial Officer

Lukman Mahfoedz
President Director &
Chief Executive Officer

Dasril Dahya
Director &
Chief Human Capital Officer

Akira Mizuta
Director &
Chief Planning Officer

Profile of the Directors

Lukman Mahfoedz
President Director &
Chief Executive Officer

An Indonesian citizen, born in 1954, graduated in 1980 from the Institute Technology Surabaya (ITS), majoring in Mechanical Engineering. He began his career with a construction company, then joined Huffco/VICO Indonesia in 1983, a major gas supplier to Bontang LNG Plant. In VICO Indonesia, he has held various positions in operation & engineering, project management, and general support responsibilities for almost 18 years before transferred to BP Indonesia. His last position in BP Indonesia was the Senior Vice President Tangguh LNG with responsibility for developing Tangguh LNG Project. In April 2005, he then moved to the position of President Director of PT Medco E&P Indonesia. From May 2008-2011 as the Member of Board Director in PT Medco Energi Internasional Tbk, and in May 2011 he appointed as the President Director and CEO of PT Medco Energi Internasional Tbk. Lukman is also active as members of the Board of Indonesian Petroleum Association (IPA) for the past few years and he has been appointed as the President of IPA for the second consecutive years (2013 & 2014).

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

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

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

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

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

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

Lany Djuwita Wong
Director &
Chief Financial Officer

An Indonesian citizen, born in 1969. Appointed as Director and Chief Financial Officer of PT Medco Energi Internasional Tbk in April 2013 and as Director of PT Exspan Petrogas Intranusa in September 2011 until May 2013. Previously she served as Head of Corporate Planning and Performance. Joined MedcoEnergi initially in 2006 as Head of Corporate Finance (2006-2010). Prior to that she worked at Pricewaterhouse Coopers as Manager of Financial Advisory Services and also at Arthur Andersen and Astra International.

She graduated with a degree in Economics (Accounting) from the University of Indonesia in 1993, and subsequently earned a Master in Finance degree from Texas A&M University in 1996, College Station, USA. She is also a Chartered Financial Analyst (CFA).

Dasril Dahya*
Director &
Chief Human Capital Officer

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

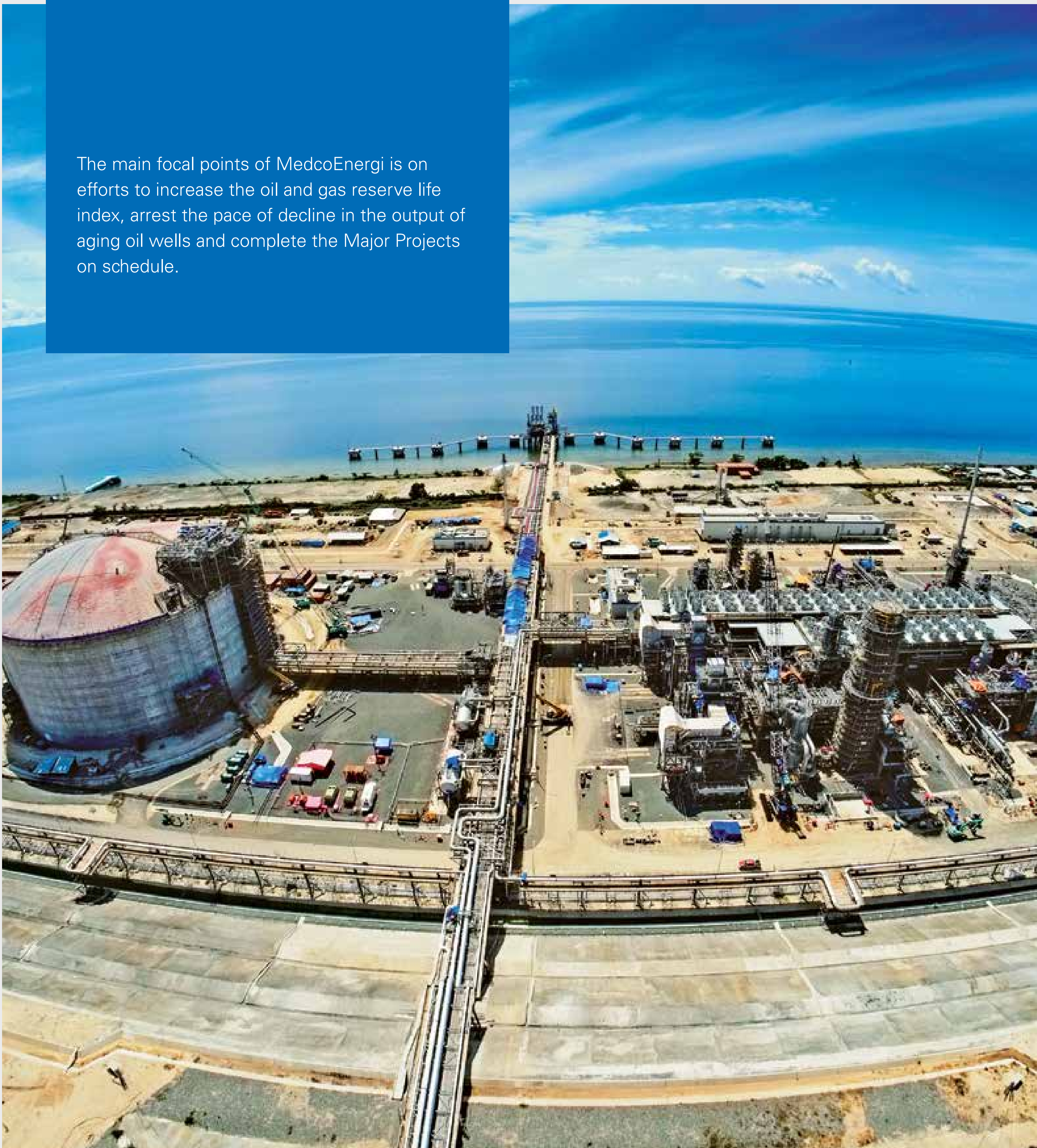
* Resigned from the Company effective August 2013.

Akira Mizuta
Director &
Chief Planning Officer

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

Operations

The main focal points of MedcoEnergi is on efforts to increase the oil and gas reserve life index, arrest the pace of decline in the output of aging oil wells and complete the Major Projects on schedule.



Construction of the LNG facilities at the Donggi Senoro LNG Project in Luwuk, Banggai Regency, Central Sulawesi, is in progress towards achieving the target for first gas delivery from Senoro by year-end 2014.

Overview of Oil and Gas Exploration and Production Operations in Indonesia

MedcoEnergi has a proven track record of success in increasing the productivity of aging oil fields in Indonesia and this expertise was once again evident in a similar success at operating aging oil fields overseas.

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

Indonesian Oil and Gas Production Sharing Arrangements

The subsidiary entities of MedcoEnergi that are engaged in oil and gas exploration and production activities in Indonesia operate under various production sharing arrangements, as regulated by SKKMIGAS in accordance with prevailing Indonesian Oil and Gas Laws and Regulations.

1. Production Sharing Contracts (PSC)

   A PSC is awarded to explore and establish commercial hydrocarbon reserves in a specific area prior to commercial production. The responsibilities of a contractor under a PSC generally include financing all activities and preparing and executing the work program and budget. In return, the contractor may freely lift and dispose of its share of crude oil and gas production.

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

On the back of proven achievements in E&P, the Company has refocused on the business of E&P, exploiting its core competence in E&P to propel the growth of the Company in future.

The balance of production after FTP is available to the contractor for cost recovery that is calculated by reference to the prevailing Indonesian crude price and actual gas prices. After the contractor has recovered all allowable costs, the Government is entitled to a specified share of the remaining natural gas and crude oil production and the contractor is entitled to the balance as its equity (profit) share. The contractor is obligated to pay Indonesian corporate taxes on its specified profit share, generally at the Indonesian corporate tax rate in effect at the time the PSC is executed.

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

2. Joint Operating Body (JOB)

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

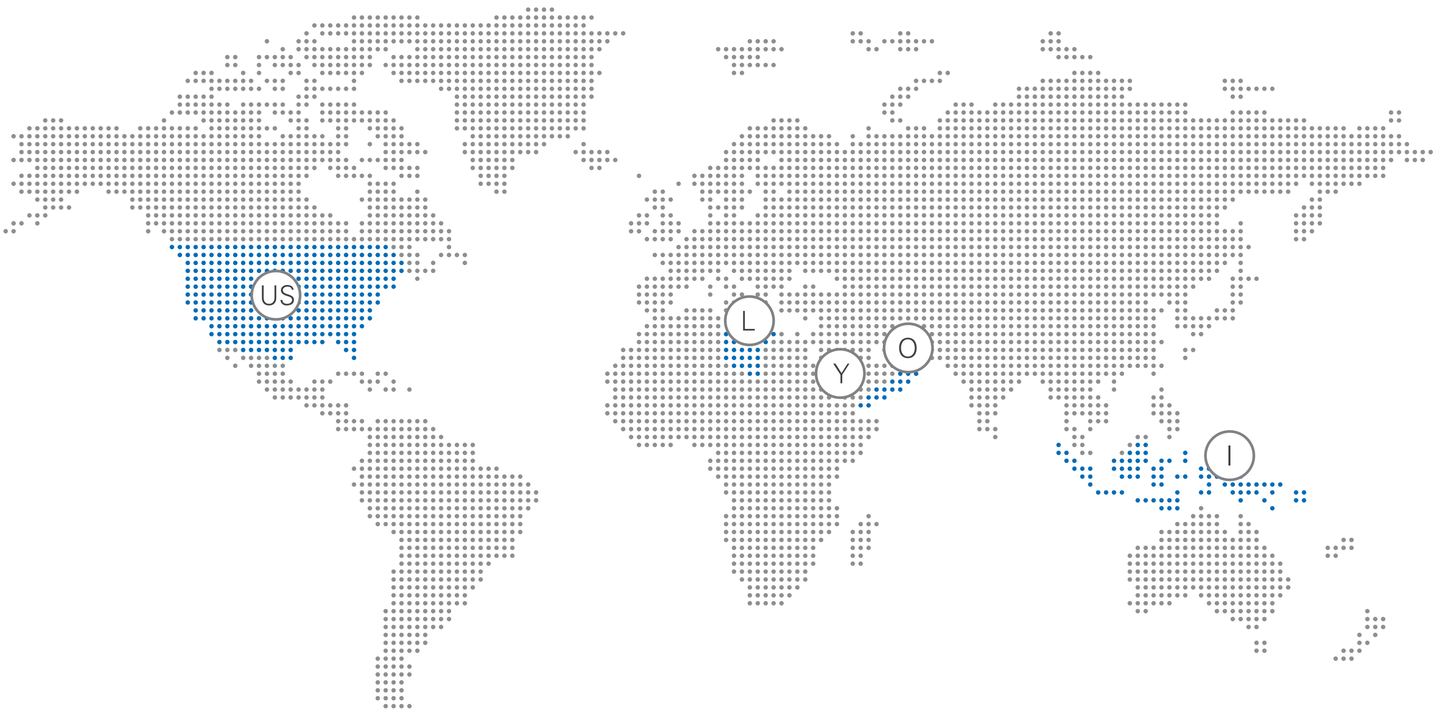
Upon the expiration or termination of the contract, relinquishment of part of the Contract Area, or abandonment of any fields, the contractors may be required to remove all equipment and installations from the Contract Area, and perform site restoration activities in accordance with the terms of the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

(A) United States

Production Block	5

(L) Libya

Exploration Block	1
Development Block	1



(Y) Yemen

Production Block	1
Exploration Block	2

(O) Oman

Production Block	1

(I) Indonesia

Production Block	5
Development Block	4
Exploration Block	2
CBM	3

Summary of Contracts in Indonesia

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

Summary of Contracts in Overseas

Subsidiaries	Block Ownership	Country	Type of Contract	Period of Contract
Medco Energi US LLC	Main Pass 64/65, East Cameron 316/317/318	United States	Lease Agreement	Not constrained, contract expires when production ends.
Medco International Ventures Ltd.	Area 47	Libya	Exploration and Production Sharing Agreement-2038	5 years – exploration 25 years – production
Medco Yemen Amed Ltd.	Block 82	Yemen	Production Sharing Agreement-2027	3 (+3) years – exploration 20 years – production
Medco Yemen Arat Ltd.	Block 83	Yemen	Production Sharing Agreement-2027	3 (+3) years – exploration 20 years – production

Subsidiaries	Block Ownership	Country	Type of Contract	Period of Contract
Medco Yemen Malik Ltd.	Block 9	Yemen	Production Sharing Agreement	20 (+5) years - production
Medco Oman LLC	Karim Small Field	Oman	Service Agreement	10 years

Ownership Structure and Participating Interest: Oil and Gas Indonesia

Note:
The swap of Bangkanai (Salamander) with Simenggaris and Bengara was carried out in March 2013. Bengara has entered the development phase with the POD approval by SKKMIGAS in April 2013.

No.	Name of Block	Type and end-period of contracts	Participating Interest	Partner Name	Partner Participating Interest	Operator
Production Block						
1.	Kampar - S&CS	PSC 2033	100%	-	-	MedcoEnergi
2.	Lematang	PSC 2017	74.12%	Lundin Lematang BV	25.88%	MedcoEnergi
3.	Rimau	PSC 2023	95%	Perusahaan Daerah Pertambangan & Energi Sumsel	5%	MedcoEnergi
4.	Bawean	PSC 2031	100%	-	-	MedcoEnergi
5.	Tarakan	PSC 2022	100%	-	-	MedcoEnergi
6.	Sembakung	TAC 2013	100%	-	-	MedcoEnergi
Development Block						
1.	Block A	PSC 2031	41.67%	• Premier Oil Sumatra (North) BV • Japex Block A Ltd	41.67% 16.66%	MedcoEnergi
2.	Senoro-Toili	PSC-JOB 2027	30%	• PHE Tomori • Tomori E&P Ltd	50% 20%	Pertamina-Medco JOB
3.	Simenggaris	PSC JOB 2028	62.5%	• PHE Simenggaris	37.5%	Pertamina - Medco JOB
4.	Bengara	PSC 2029	100%	-	-	MedcoEnergi
Exploration Block						
1.	Merangin	PSC 2033	80%	• Moeco Merangin Co.Ltd.	20%	MedcoEnergi
2.	Nunukan	PSC 2034	40%	• PHE Nunukan • BPRL Venture Indonesia BV • Videocon Indonesia Nunukan Inc.	35% 12.5% 12.5%	PHE Nunukan
Economic Interest						
1.	Jeruk Field	EI* 2027	25%	• Santos (Sampang) Ltd. • Singapore Petroleum Company • Cue Energy Resources	45% 21.8% 8.2%	Santos (Sampang) Ltd.

Note : *) Economic Interest

Volume of Oil and Gas Production of the Company

BLOCK	31 December				
	2009	2010	2011	2012	2013
	BOPD				
Oil Production					
Indonesian Assets					
Rimau	20,172.84	17,145.83	16,505.12	14,935.71	12,863.00
SCS	8,622.30	7,999.88	7,475.17	7,047.09	6,597.30
Lematang	-	-	-	-	-
Tarakan	1,927.03	1,893.51	2,393.69	2,705.11	2,076.70
Sembakung	1,925.66	1,904.11	2,226.89	2,196.75	1,564.40
Senoro Toili (Tiaka Field)	1,082.53	917.81	493.60	366.57	323.30
Langsa	693.13	-	-	-	-
Kakap	249.20	-	-	-	-
Bawean	637.11	634.29	1,022.80	1,296.00	802.70
International Assets					
United States	248.03	307.57	441.10	542.44	438.40
Yemen Block 9	-	-	-	1,034.45	1,068.50
Total Production	**35,557.82**	**30,803.01**	**30,558.36**	**30,124.15**	**25,734.60**

Gas Production

BLOCK	31 December				
	2009	2010	2011	2012	2013
	BBTUPD				
Indonesian Assets					
Rimau	-	-	-	-	-
SCS	88.87	128.67	126.55	128.13	123.04
Lematang	-	12.72	34.90	28.86	34.67
Tarakan	6.88	6.50	5.17	2.64	0.59
Sembakung	-	-	-	-	-
Kakap	2.77	-	-	-	-
International Assets					
United States Assets	3.07	6.91	2.27	1.79	1.11
Total Production	**101.60**	**154.80**	**168.88**	**161.41**	**159.41**

One of the drilling rigs leased by the Company, carrying out the drilling works on the production development well at the Senoro Upstream Gas Project.

The Company's total production of oil and gas in Indonesia in 2013 was maintained at approximately 19.3 MMBOE.

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

Realized Average Crude Oil and Natural Gas Prices in 2013

The Company uses the Indonesian Crude Price (ICP)-Sweet Light Crude (SLC) set by the Ministry of Energy and Mineral Resources of the Republic of Indonesia. The global crude oil price (Brent) throughout 2013 declined from US$115.6/barrel in January 2013 to US$110.8/barrel in December 2013, which was also reflected in the decline of the ICP-SLC price. The realized average selling price of oil by the Company decreased by 6.4% to US$108.2/barrel, from US$115.6/barrel in 2012. In 2013, the Company succeeded in renegotiating three gas sale and purchase agreements that resulted in a 35% increase in the average selling price of gas from US$4.0/MMBTU in 2012 to US$5.4/MMBTU in 2013.

Estimated Reserves

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

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

Estimates on Proven Reserves (1P)

BLOCKS	2009 Oil MMBO	2009 Gas BCF	2010 Oil MMBO	2010 Gas BCF	2011 Oil MMBO	2011 Gas BCF	2012 Oil MMBO	2012 Gas BCF	2013 Oil MMBO	2013 Gas BCF
Indonesian Assets										
A. Production Assets										
Rimau Block, South Sumatra	49.62	-	43.36	-	37.33	-	32.23	-	27.54	-
South & Central Sumatra	8.54	143.27	11.06	193.11	8.33	146.92	9.98	254.94	7.58	210.03
Tarakan, North Kalimantan	3.94	12.65	3.25	10.28	2.38	8.39	2.70	3.17	1.94	2.95
Sembakung, North Kalimantan	2.71	-	2.01	-	1.20	-	1.00	1.03	-	-
Senoro-Toili (Tiaka Field), Central Sulawesi	1.36	-	0.48	-	0.30	-	1.04	-	0.92	-
Bawean, East Java	11.84	-	11.61	-	11.24	-	5.40	-	5.10	-
Lematang, South Sumatra	-	64.67	-	60.03	-	47.29	(0.00)	43.16	-	30.51
B. Development Assets										
Block A, Aceh	-	-	0.91	40.44	0.91	40.44	0.91	40.44	0.91	40.44
Simenggaris, North Kalimantan	-	-	-	-	-	-	-	7.99	-	-
Senoro-Toili (Senoro Gas Field), Central Sulawesi	9.60	599.50	5.76	359.70	5.76	359.70	5.76	359.70	5.76	359.70
Bangkanai, Central Kalimantan	-	-	-	-	-	-	-	19.50	-	-
International Assets										
United States Assets	2.22	32.84	4.39	30.99	4.12	18.12	3.92	17.46	3.76	17.06
Libya Assets	-	-	-	-	-	-	26.12	26.94	26.12	26.94
Block 9, Yemen	-	-	-	-	-	-	5.87	-	4.87	-
Total Proven Reserves	**89.83**	**852.94**	**82.83**	**694.54**	**71.57**	**620.86**	**94.93**	**774.32**	**84.49**	**687.62**

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

Estimates on Proven and Probable Reserves (2P)

BLOCKS	2009		2010		2011		2012		2013	
	Oil	Gas	Oil	Gas	Oil	Gas	Oil	Gas	Oil	Gas
	MMBO	BCF	MMBO	BCF	MMBO	BCF	MMBO	BCF	MMBO	BCF
Indonesian Assets										
A. Production Assets										
Rimau Block, South Sumatra	59.00	-	52.745	-	46.72	-	38.50	-	33.81	-
South & Central Sumatra	11.33	198.39	13.85	248.22	11.12	202.03	10.40	290.11	7.99	245.20
Tarakan, North Kalimantan	4.65	17.00	3.96	14.62	3.09	12.74	3.28	3.64	2.52	3.43
Sembakung, North Kalimantan	3.11	-	2.41	-	1.60	-	1.11	1.03	-	-
Senoro-Toili (Tiaka Field), Central Sulawesi	3.39	-	1.70	-	1.52	-	2.54	-	2.43	-
Bawean, East Java	14.74	-	14.51	-	14.13	-	7.27	-	6.98	-
Lematang, South Sumatra	-	76.55	-	71.91	-	59.17	-	52.54	-	39.88
B. Development Assets										
Block A, Aceh	-	-	1.27	121.69	1.27	121.69	1.27	121.69	1.27	121.69
Simenggaris, North Kalimantan	-	-	-	-	-	-	-	7.99	-	-
Bangkanai, Central Kalimantan	-	-	-	-	-	-	-	19.50	-	-
Senoro-Toili (Senoro Gas Field), Central Sulawesi	11.90	626.00	7.14	375.60	7.14	375.60	7.14	375.60	7.14	375.60
International Assets										
United States Assets	3.88	45.58	5.48	49.09	5.22	26.48	5.03	25.83	4.87	25.42
Area 47, Libya	-	-	-	-	-	-	44.39	45.49	44.39	45.49
Block 9, Yemen	-	-	-	-	-	-	12.06	-	9.74	-
Total Proven and Probable Reserves	**112.00**	**963.52**	**103.06**	**881.13**	**91.81**	**797.71**	**132.99**	**943.42**	**121.13**	**856.71**

Estimates on Contingent Resources

BLOCKS	31 December								31 December	
	2009		2010		2011		2012		2013	
	Oil	Gas	Oil	Gas	Oil	Gas	Oil	Gas	Oil	Gas
	MMBO	BCF	MMBO	BCF	MMBO	BCF	MMBO	BCF	MMBO	BCF
Indonesian Assets										
Senoro Toili (Senoro Gas Field)	-	-	-	158.70	-	158.70	10.71	386.10	10.71	386.10
Block A	1.27	121.69	-	-	-	-	-	-	-	-
Bangkanai Central Kalimantan	-	21.29	-	21.29	-	21.29	-	1.79	-	-
Simenggaris	-	61.63	-	61.63	-	61.63	-	53.64	-	92.81
International Assets										
Area 47, Libya	153.45	134.40	153.45	134.40	153.45	134.40	60.27	115.03	60.27	115.03
Block 9, Yemen	-	-	-	-	-	-	2.20	17.63	2.38	16.83
Total Contingent Resources	**154.72**	**339.00**	**153.45**	**376.01**	**153.45**	**376.01**	**73.18**	**574.18**	**73.35**	**610.76**

The ending balance figure of the estimated reserves in 2013 was derived from the calculation of the beginning balance figure of estimated reserves in 2013 after adjustments for addition/ reduction of reserves less total production in 2013.

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

Rimau Block

The estimated reserves as of 31 December 2011 as certified by the Report of Netherland, Sewell, & Associates, Inc (NSAI) signed on 27 April 2012, with participating rights of 95%.

South & Central Sumatra Block

Estimated reserves as of 31 December 2012 as certified by NSAI (Netherland, Sewell, & Associates Inc.) with due consideration for the PSC contract extension until 2033.

Tarakan Block

Estimated reserves as of 31 December 2013 as certified by the Report of Netherland, Sewell, & Associates, Inc (NSAI) that was signed on 27 April 2012, with a 100% participating rights.

Sembakung Block

Estimated reserves as of 31 December 2011 as certified by the Report of Netherland, Sewell, & Associates, Inc (NSAI) that was signed on 27 April 2012, in accordance with the participating rights. The Sembakung Block was effectively handed back to PT Pertamina EP in December 2013.

Senoro Toili Block

Estimated reserves of the Tiaka oil field as of 31 December as certified by the Report of Netherland, Sewell, & Associates, Inc (NSAI) that was signed on 27 April 2012.

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

Lematang Block

Estimated reserves as of 31 December 2011 as certified by the Report of Netherland, Sewell, & Associates, Inc (NSAI) that was signed on 27 April 2012, with 74.12% participating rights.

Bawean Block

Estimated reserves as of 31 December 2011 as certified by the Report of Netherland, Sewell, & Associates, Inc (NSAI) that was signed on 27 April 2012, with 100% participating rights.

Block A

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

Simenggaris Block

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

Estimated contingent resources were made based on POD in February 2008 with a 62.5% participating interests.

Bangkanai Block

The Company transferred its participating interest in the Bangkanai Block to Salamander Energy in return for a portion of Salamander Energy interest in Simenggaris and Bengara Blocks effective on 30 September 2013. Through this agreement the Company's participating interest in the Bangkanai Block became 0%, participating interest in the Bengara Block became 100% and in the Simenggaris Block 62.5%. The estimated contingent resourcess were made based on a study by LAPI ITB in 2005 by calculating for a 15% participating interest.

Blocks in the United States

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

Area 47, Libya

The Company was granted the commercial rights for A, D and F structures on 14 December 2011, therefore the Company decided to move a portion of contingent resources to Proven and Probable reserves with 25% participating interest (based on the Company's participating interest after the declaration of commerciality). The Company's contingent resources estimates for the Libya Block are based on DeGoyler MacNaughton's evaluation as of 30 September 2008 and in-house estimates, with effective working interest of 25%, which represents the estimated amount of oil and gas that can be extracted based on the use of current or evolving technology, but due to certain considerations, could not be regarded as recoverable reserves on a commercial basis at present. There are stil uncertainties pertaining to the production of the contingent resources commercially.

Block 9, Yemen

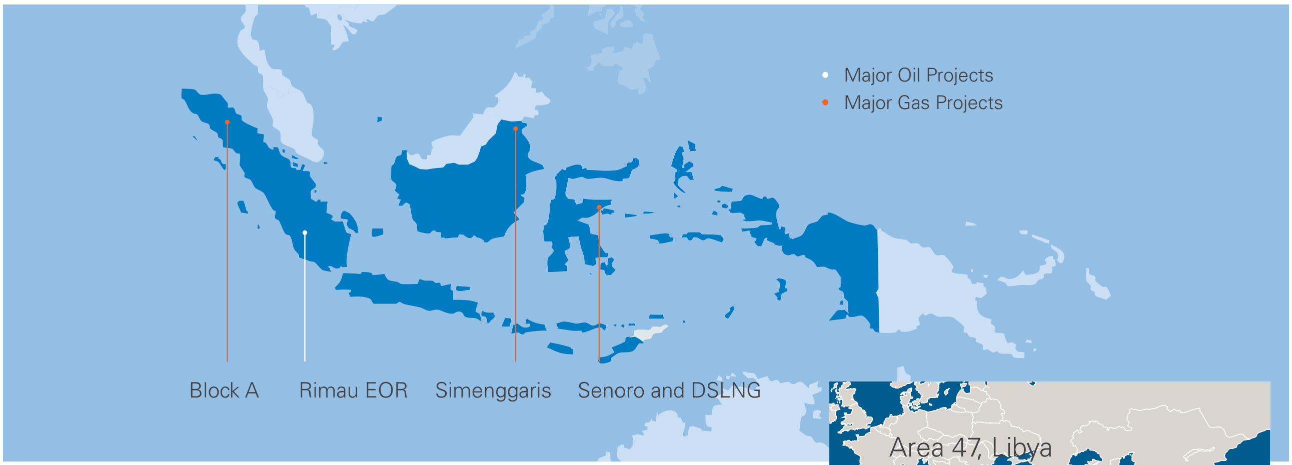
Reserves estimates for Block 9 Yemen were certified in the Report by McDaniel & Associates Consultants Ltd signed on 16 February 2012 with effective working interest of 21.25%.

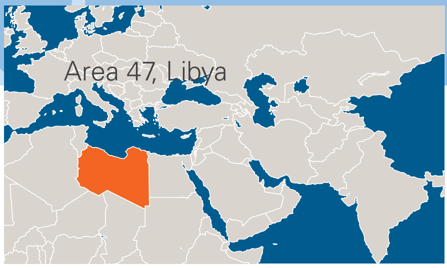
Assets	Assayer	Date of Certificate
Rimau	Netherland, Sewell, & Associates, Inc	27 April 2012
South & Central Sumatra	Netherland, Sewell, & Associates, Inc	27 April 2012
Tarakan	Netherland, Sewell, & Associates, Inc.	27 April 2012
Sembakung	Netherland, Sewell, & Associates, Inc	27 April 2012
Senoro Toili	Netherland, Sewell, & Associates, Inc. Gaffney, Cline and Associates	Tiaka Field: 27 April 2012 Senoro Gas Field: 1 February 2010
Lematang	Netherland, Sewell, & Associates, Inc	Singa Field: 27 April 2012
Bawean	Netherland, Sewell, & Associates, Inc	27 April 2012
Block A	Gaffney, Cline and Associates	31 December 2007
USA	Netherland, Sewell, & Associates, Inc	23 February 2011
Libya	DeGoyler and Macnaughton	30 September 2008
Yemen	McDaniel & AssociatesConsultant, Ltd	28 February 2014

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

A Company vehicle in transit to a drilling location in Area 47, Libya. The region of MENA (*Middle East and North Africa*) represents one of the Company's key focal areas in its overseas expansion.

Major Projects Portfolio





The following is a summary of the Company's portfolio of Major Projects at present. The total investment that will be spent by the Company and its partners over the next five years will amount to US$3.2 billion.

Projects	Completion Targets	Project Descriptions	% Ownerships	Partners
A. LNG Senoro-Toili Development				
Senoro Upstream	2014	Development of 310 MMSCFD gas field	30.00%	Pertamina, Mitsubishi, KOGAS
Senoro Downstream (DSLNG)	2014	LNG plant, single train of 2.1 MTPA capacity	11.10%	Pertamina, Mitsubishi, KOGAS
B. Block A Gas Development				
Block A	2016	Development of 60 MMSCFD gas field	41.67%	Premier, Japex
C. Simenggaris Development				
Simenggaris	2017 (25 MMSCFD) through mini LNG	Development of 25 MMSCFD gas field	62.50%	Pertamina
D. Area 47, Libya Development				
Area 47	2017	Development of 50,000 BOPD oil field and 47 MMSCFD associated gas	25.00%	National Oil Corporation (NOC), Libya Libyan Investment Authority (LIA)
E. EOR Rimau Development				
Rimau	2017/2018 for full-scale EOR development	Oil field – EOR	95.00%	PD-PDE

Exploration Assets - Indonesia

Merangin-I Block, South Sumatra

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

Since 2005 the Company has drilled four exploration wells and found a source of hydrocarbons. In 2012, the Company evaluated the results of the Solo-1 well, which indicated potential hydrocarbon deposits in the Air Benakat Formation. The results of a seam deposit test indicated gas of low condensate. Further evaluation, which includes a determination of proven gas reserves and a field-development plan to supply gas to a local PLN power plant, has been undertaken in 2012-2013. The main target is to supply 2.5 MMSCFD of gas to a power plant in Merangin and the surrounding areas.

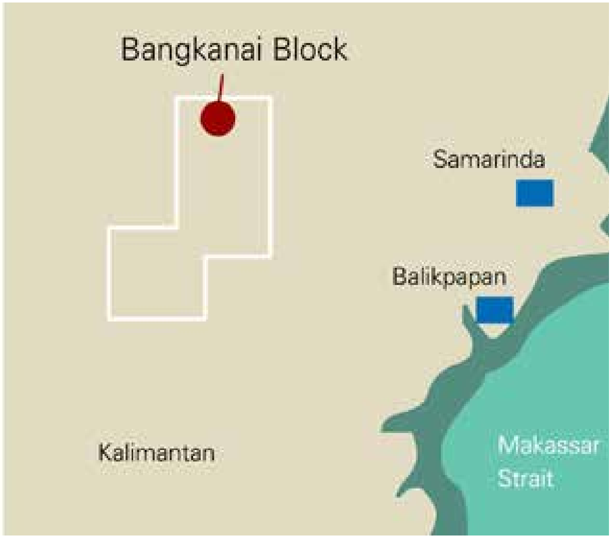
Based on economic evaluation, the Company decided not to pursue further activities at the Merangin Block. Following up on that decision, the Company handed back all of the working areas of the Merangin-1 Block to SKKMIGAS and the Directorate General of MIGAS, upon the PSC contract expiration on 13 October 2013. The handover process comprised of material, administration, surface and sub-surface data, legal and financial, carried out over a period of one year from October 2012 to the end of contract in 2013.

Type of contract	PSC
Areas (km²)	1,286.6
Contract expiry	2033
Participating interest	PT Medco E&P Merangin - 80% (operator)
	Moeco Merangin Co. Ltd. - 20%
Operator	PT Medco E&P Indonesia
Status	Exploration

Bangkanai Block, Central Kalimantan

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

The main program completed in 2013 was the development of the Kerendan gas field, based on the Plan of Development (POD) that has been approved by the government, by drilling development wells in the Kerendan Field. In the first quarter of 2013, an asset swap was undertaken between MedcoEnergi and Salamander Energy, in which the Bangkanai Block was one of the swapped asset and MedcoEnergi did not have any participating interest in the block thereafter.



Type of contract	PSC
Areas (km²)	1,395.2
Contract expiry	2033

Participating interest	Salamander Bangkanai Energy Ltd. – 69% (operator),
	Chariot Energi International Ltd. – 11%
	Mitra Energi Bangkanai Ltd. – 5%,
	Bangkanai Petroleum (L) Berhad (BPLD)* - 15%,
	*BPLD is MedcoEnergi's affiliate
Status	Exploration-Development Kerendan Gas Field

Bengara-I Block, East Kalimantan

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

In 2013 the Company succeeded in obtaining the approval for the First Plan of Development (POD) for the South Sebuku gas field from the Indonesian government on 22 March 2013, by targeting the closing of negotiation with PLN to supply gas to a PLN power plant of 10 MW capacity.

In the first quarter of 2013, a change in the composition of participation interest occurred as a result of an asset swap between Salamander Energy and MedcoEnergi, whereby MedcoEnergi's participating interest in the Block became 100%.

Type of contract	PSC
Areas (km²)	922.1
Contract expiry	2029

Participating interest	PT Medco E&P Bengara – 58.33% (operator)
	Salamander Energy (Bengara) Ltd. - 41.67%
Status	Exploration - Development

Nunukan Block, East Kalimantan

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

On 20 September 2013, a delineation drilling was carried out on the Badik-2 well and Badik-2 sidetrack, to gauge the level of hydrocarbon content that was fund in the Badik-1 well. The results of this drilling will determine the future plan for the Nunukan Block.

Type of contract	PSC
Areas (km²)	3,196 (will become 983.5 km² after final relinquishment that is now delayed)
Contract expiry	2034

Participating interest	PT Medco E&P Nunukan - 40%
	PHE Nunukan – 30% (operator)
	BPRL Venture Indonesia BV – 12.5%
	Videocon Indonesia Nunukan – 12.5%
Status	Exploration

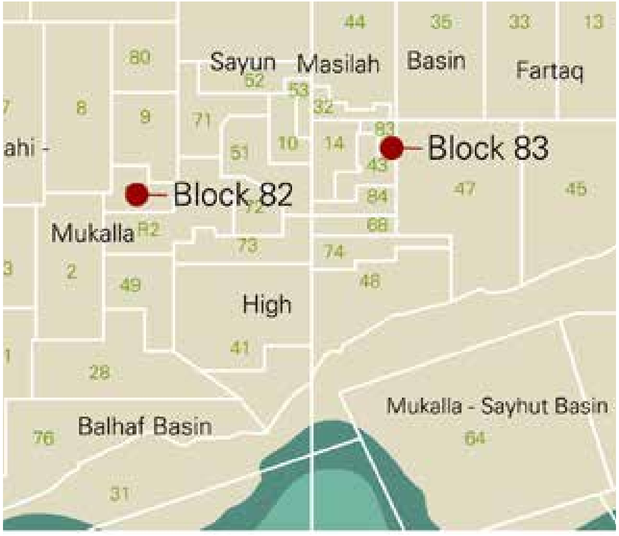
Exploration Assets - Overseas

Block 82 and 83, Yemen

The Company was awarded Blocks 82 and 83 after winning the International Bid held by the Ministry of Oil and Minerals of the Republic of Yemen through the Petroleum Exploration and Production Authority in December 2006.

MedcoEnergi and partners, Kuwait Energy Co., Indian Oil Corporation Ltd., Oil India Ltd. and Yemen Oil & Gas Corporation, signed a Petroleum Sharing Agreement (PSA) in 2008.

By year-end 2012, the Company had completed data acquisition on 2D & 3D data (2D seismic along 349.90 km and 3D seismic over an area of 248.06 km^2). Based on currently available seismic data that is supported by the Meshat-1 well, the Company has evaluated the potential of this block and identified five leads. Sub-surface data on the PSTM formation is in the process of interpretation.



Further plans in 2014, the Company will focus on renewing the sub-surface mapping and the oil formation development concept by elaborating well data from the surrounding areas of the block.

Country	Yemen
Type of contract	Production Sharing Agreement (PSA)
Areas (km^2)	Block 83 : 364 Block 82 : 1,853
Contract expiry	2040 (Total period of exploration and production)

Participating interest	Medco Yemen Amed Ltd & Medco Yemen Arat Ltd - 38.25%
	Kuwait Energy - 21.25%
	Indian Oil Corporation - 12.75%
	Oil India Limited - 12.75%
	YOGC - 15.00%
Operator	Medco Yemen Amed Ltd & Medco Yemen Arat Ltd
Status	Exploration

Supported by highly competent professionals and the advanced facility of the *Technology–centric Collaborative Room* that is able to process seismic data into three-dimensional exploration models, the Company benefits from more comprehensive and in-depth insights to pin-point the potential presence of hydrocarbons in the earth bowels to repeat its exploration success stories in Indonesia and Area 47, Libya.

Production Assets - Indonesia

Rimau Block, South Sumatra

The PSC Rimau Block is one of the primary producing blocks of the Company, which remains to this day a major contributor to the Company's crude oil production. The Company acquired an extension of this PSC contract from the Government of Indonesia on 7 December 2001, to expire in April 2023. The Company, through its Subsidiary Entitiy, PT Medco E&P Rimau, holds a 95% participating interest and is the operator of this PSC.

In 2013, the Company undertook the drilling of two development production wells, 35 workover wells and an exploration well, Salina-1. The average amount of oil sales (oil lifting) from the Rimau Block was 12.86 MBOPD. To maintain the rate of production and increase oil reserves in 2014, the Company aims to drill two production wells and 36 workover wells, in addition to undertaking a modification of waterflooding project, and completing the single exploration well Salina-1 including well testing. The Company will also undertake a pilot project for the production of heavy oil.

Country	PSC
Luas Wilayah (km²)	1,103
Contract expiry	2023
Participating interest	PT Medco E&P Rimau - 95% Perusahaan Daerah Pertambangan & Energi Sumsel (PDPDE) - 5%
Operator	PT Medco E&P Indonesia
Status	Production

South & Central Sumatra Block, South Sumatra

South & Central Sumatra PSC (SCS) is another important block of the Company that contributes to significant production, especially natural gas. The Company, as the operator of the Block, acquired a PSC contract extension in 2010 until 2031. In 2013, the average amount of oil sales (oil lifting) was 6.70 MBOPD, while gas sales averaged 122.58 BBTU per day.

In 2013, the South & Central Sumatra Block saw the drilling of two development oil wells, 14 workover wells and two exploration wells, the Lagan-1A and Arung.

To maintain the rate of production and increase the oil and gas reserves in 2014, the Company will drill five development wells, 24 workover wells and one exploration well as well as undertake 2D and 3D seismics. The drilling of the exploration well Lagan 1A and Arung have been completed with indication of hydrocarbon deposits. In 2014 the Company intends to undertake well testing on the two exploration wells.

Country	PSC
Areas (km²)	4,470
Contract expiry	2033
Participating interests	PT Medco E&P Indonesia - 100% (operator)
Status	Production

Lematang, South Sumatra

The Company began development of the Lematang Block in 2007, following approval of the development plan by BPMigas in 2006. The Company initially had gas sale and purchase agreements (GSPA) with Perusahaan Gas Negara (PGN) and PLN, in which the GSPA with PGN represents a contract based on a gas volume of 53.3 TBTU to be continued with PLN until the expiry of the PSC contract. The Company, through its Subsidiary Entity PT Medco E&P Lematang, is the operator of this Block. The Company successfully completed the construction of production facilities and produced first gas in 2010, using advanced technology. The Singa-3 was the first well in Indonesia to be drilled horizontally using the MPD (Managed Pressure Drilling) technology, applicable for wells of extreme condition (high temperature, high pressure), with a temperature of approximatelly 342°F (172.2°C), a pressure of 8,000 psig and relatively high CO_2 and H_2S contents of 32% and 200 ppm, respectively.

Type of contract	PSC
Areas (km²)	409
Contract expiry	2017
Participating interest	PT Medco E&P Lematang - 51.12% (operator)
Operator	Lematang E&P Ltd - 23% Lundin Lematang BV - 25.88%
Status	Production

Tarakan Block, North Kalimantan

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

In 2013, the Company carried out the drilling of one exploration well, the Pastel-1, yielding a gas discovery. The Company also undertook the drilling of two production wells and eight workover wells.

To maintain production rates and increase reserves in 2014, the Company will drill one development well, five workover wells and complete a well testing on the Pastel-I exploration well. The Company will also undertake a study on further development of the Tarakan fields.

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

Sembakung Block, North Kalimantan

The Company operates the Sembakung Block through a TAC contract with Pertamina that ended on 21 December 2013 and handed back to Pertamina. The Sembakung Block is located near the Tarakan Block. In 2013, the Company implemented well workover programs on 16 wells.

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

Senoro-Toili Block, Central Sulawesi

The Senoro-Toili Block is operated by JOB Tomori, in which the Company holds 30%, Pertamina 50%, and the Mitsubishi and KOGAS consortium 20% of participating interests.

The Tiaka oil fields in the Senoro-Toili Block has a proven reserves of 0.9 MMBOE and proven and provable reserves of 2.4 MMBOE (the Company's share). In 2013, the Company carried out drilling on three oil-producing wells, namely Tiaka-11, Tiaka-12 and Tiaka-13.

In 2014, the Company, through JOB Tomori, will increase the capacitating facilities of the North Tiaka well in order to increase the rate of oil production.

Type of contract	PSC - JOB
Areas (km²)	451
Contract expiry	2027
Participating interest	PT Medco E&P Tomori Sulawesi - 30%
	Tomori E&P Limited – 20%
	PT Pertamina Hulu Energi Sulawesi - 50%,
Status	Production – Oil (Tiaka Field)

Bawean Block, East Java

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

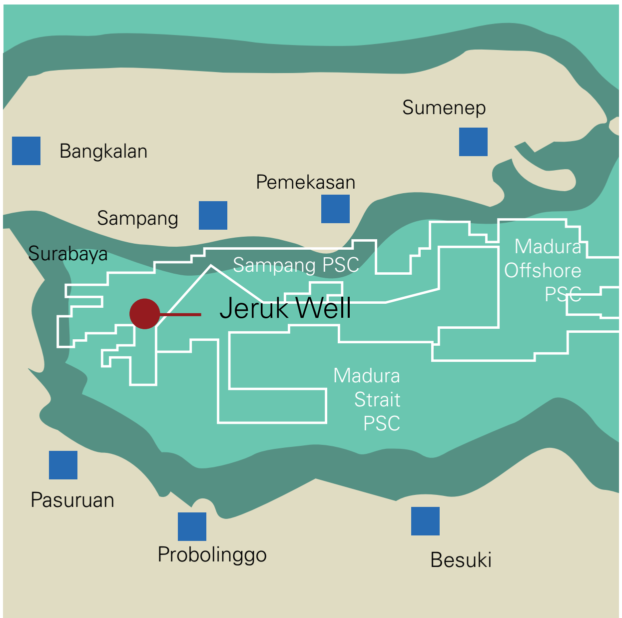
In the year 2014, the Company will commission a study on the preparation for further development of the Camar field and on the potential production of heavy oil from Camar. The study will include G&G to prepare plans for future exploratory drilling in 2015.

Type of contract	PSC
Areas (km²)	3,063
Contract expiry	2031
Participating interest	Camar Resources Canada Inc. - 35% (operator),
	Camar Bawean Petroleum Ltd (CBPL) - 65%,
Status	Production

Economic Participation

Jeruk Field in Sampang Block PSC, East Java

In early 2006, the Company acquired a 25% economic participation from Singapore Petroleum Sampang (SPC) and Cue Sampang Pty. Ltd. (Cue), and in return covered the drilling cost and working capital that were previously expended by SPC and Cue up to year-end 2006. The Jeruk field is located within the Sampang PSC Block and operated by Santos. The Company holds participating rights on these oil and gas blocks through a subsidiary entity, Medco Straits Services Pte Ltd, whose 100% shares are held by the Company.



Type of contract	Participating interest
Areas (km²)	2,007
Contract expiry	2027
Participating interest	Santos - 45% (operator)
	Medco Straits Services Pte Ltd – 25%
	Singapore Petroleum Company – 21.8%
	Cue Energy Resources – 8.2%
Status	Exploration

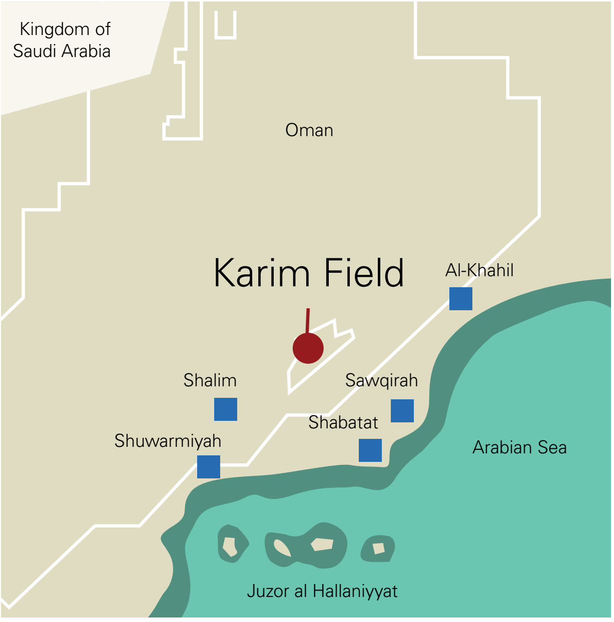
Production Assets- Overseas

Karim Small Fields (KSF), Sultanate of Oman – E&P Service Contract Agreement

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

MedcoEnergi took full-field responsibility over 115 wells initially producing 9,000 BOPD in August 2006. This service contract does not require a substantial working capital due to the recoverable costs and the contract can pay for itself. In addition, MedcoEnergi earns a fee on the production of oil from the field.

As of year-end 2013, the Company drilled 33 production wells and succeeded in maintaining the rate of oil output around 17,500 BOPD. In addition, the Company was also able to maintain



its achievement in the Safety Health and Environmental aspect, by achieving a total of seven million man hours without loss time accidents or injuries in the KSF operations up to December 2013.

In 2014, the Company is planning to drill some 30 production wells.

Country	Oman
Type of contract	*Service Agreement*
Areas (km²)	N.A.
Contract expiry	2016
Participating interest	Medco LLC (Oman) – 51%
	Oman Oil Company – 25%
	Kuwait Energy – 15%
	Vision Oil & Gas – 5% PetroVest – 4%
Operator	Medco Oman LLC
Status	Production

Block 9 Malik, Yemen

In line with the Company's business strategy, the Company through its Subsidiary Entity, Medco Yemen Malik Ltd., acquired interest in an oil-producing block in Yemen in 2012. The Company acquired 25% participating interest in Block 9 from Reliance Exploration & Production DMCC on 1 January 2012.

The participating interest ownership in this Block are Calvalley Petroleum (as the operator), Medco Yemen Malik, Hood Oil Ltd and Yemen Oil & Gas Corporation.

In the efforts to increase oil reserves, in 2013 drillings were carried out in five exploration wells, namely Ras Nowmah South-1, Ras Nowmah North-1, Sueda-1, Al Hedba Plateau-1 and Ras Nowmah South-2.

Future plans are in place to further develop the oil field to increase total production and to continue exploration/appraisal program to add up oil and gas reserves.

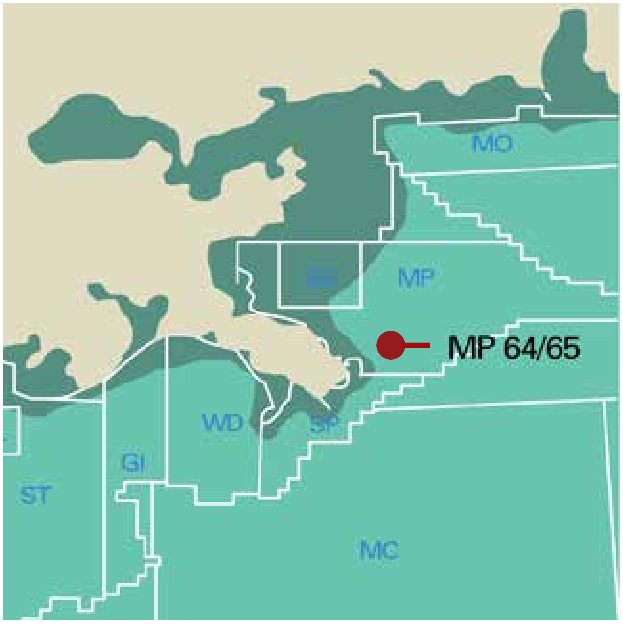
Country	Yemen
Contract Type	PSA
Areas (km²)	4,728
Contract expiry	2030

Participating interest	Calvalley Petroleum (Cyprus) Ltd - 42.50%
	Medco Yemen Malik Ltd - 21.25%
	Hood Oil Limited - 21.25%
	YOGC - 15.00%
Operator	Calvalley Petroleum (Cyprus) Ltd
Status	Production

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

The Company holds Lease Agreements over Blocks 64 and 65 at the Main Pass area through its 100% acquisition of Novus Petroleum Ltd. in 2004. Lease Agreements form the work contract in the USA, in which arrangement for production sharing, joint venture or issued agreements between parties are approved by the government pursuant to the Mineral Lease Act that allows for the exploration, extraction and distribution of oil and gas.

Blocks 64 and 65 of the Main Pass produce crude oil and natural gas that is fed into the nearest gas pipeline.

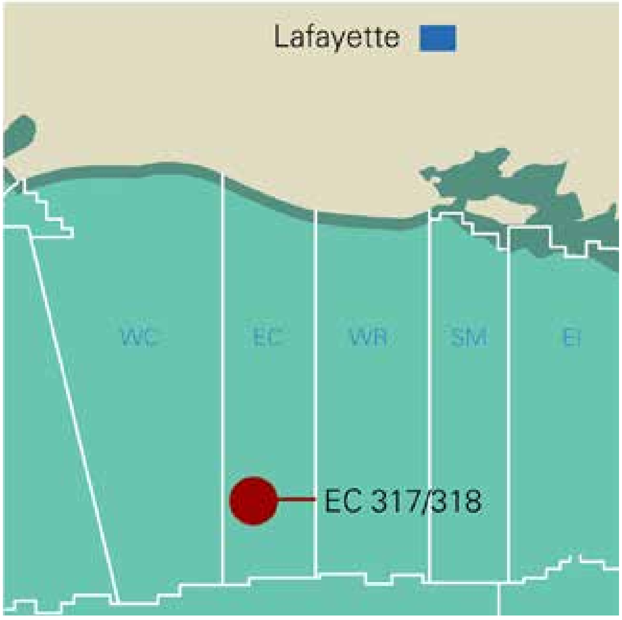


Country	United States
Type of contract	Concession
Areas (km²)	28.4
Contract expiry	Not constrained by time, but until the end of production.

Participating interest	MedcoEnergi US LLC - 75%, Northstar Offshore Group, LLC - 25%
Operator	MedcoEnergi US LLC
Status	Production

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

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

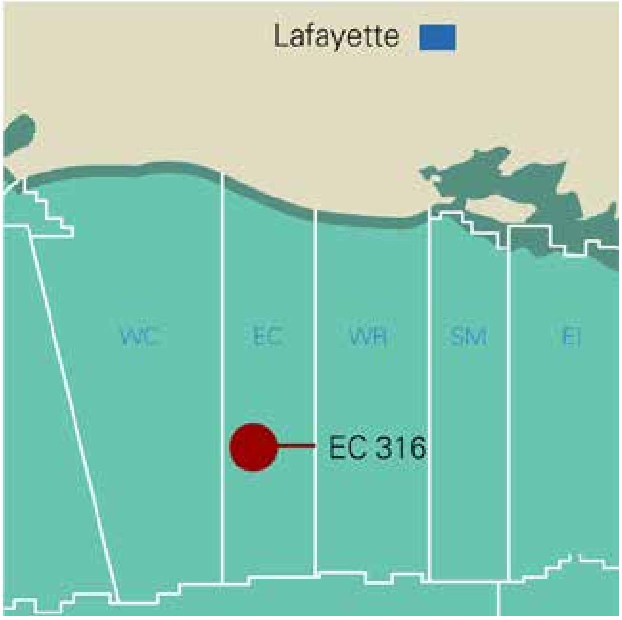


Country	United States
Type of contract	Concession
Areas (km²)	40.5
Contract expiry	Not constrained by time, but until the end of production.

Participating interest	MedcoEnergi US LLC - 75%
	Northstar Offshore Group, LLC - 25%
	MedcoEnergi US LLC
Operator	MedcoEnergi US LLC
Status	Production

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

In February 2009, the Company, through its Subsidiary Entity MedcoEnergi US LLC, acquired 100% participating interest in Block 316 from Energy Resources Technology GOM, Inc. (ERT) and assumed operatorship of the Block, which is located in the East Cameron Area, Gulf of Mexico, the United States of America.



Country	United States
Type of contract	Concession
Areas (km²)	20.23
Contract expiry	Not constrained by time, but until the end of production.

Participating interest	MedcoEnergi US LLC – 100%
Operator	MedcoEnergi US LLC
Status	Production

Percentage of Production Sharing and Locations of Respective Blocks

Subsidiary	Block	Areas (km²)	Country	Contract Expiry	Production Sharing Concession	
					Government	Subsidiary
Medco Yemen Malik Ltd	Block 9	2,234	Yemen	20 (+5) years - production	-	-
Medco Yemen Amed Ltd.	Block 82	1,853	Yemen	3 (+3) years – exploration 20 years - production	80% profit (if production reaches 25,000 BOPD) and 82.5% - 90% (if production exceeds 25,000 BOPD) 72.5% profit (if gas production reaches 25 MMSCFPD) and 75% - 82.5% (if production exceeds 25 MMSCFPD)	20% profit (if oil production reaches 25,000 BOPD) and 17.5% - 10% (if production exceeds 25,000 BOPD) 27.5% profit (if gas production reaches 25 MMSCFPD) and 25% - 17.5% (if production exceeds 25 MMSCFPD)
Medco Yemen Arat Ltd.	Block 83	346	Yemen	3 (+3) years – exploration 20 years - production	75% profit (if production reaches 25,000 BOPD) and 82.5% - 90% (if production exceeds 25,000 BOPD)	25% profit (if oil production reaches 25,000 BOPD) and 17.5% - 10% (if production exceeds 25,000 BOPD)
					72.5% profit (if gas production reaches 25 MMSCFPD) and 75% - 82.5% (if production exceeds 25 MMSCFPD)	27.5% profit (if gas production reaches 25 MMSCFPD) and 25% - 17.5% (if production exceeds 25 MMSCFPD)
MedcoEnergi US LLC	Main Pass 64/65, East Cameron 316/317/318	28,40 (64/65) 23,23 (316) 40,50 (317/318)	United States	Not constrained by time, but until the end of production	Government royalty on each blocks	Profit sharing after government royalty

The operating team of MedcoEnergi in the Karim Small Fields (Oman) along with the drilling rig contractor succeeded in completing the drilling of 33 production development wells and maintaining the rate of oil production in the average range of 17,500 BOPD in 2013. In addition, by implementing a rigorous standard of working procedure and training in SHE, the Company made the extraordinary achievement of reaching seven million man hours without accident as of December 2013.

Gas production and processing facilities at Lematang, South Sumatra that supplies all of its gas to the domestic market. The Company continues to increase its commitments to meet the domestic demand for gas by supplying increasing amount of gas to PLN, PGN, fertilizer plants in Indonesia, in addition to strive for an increase in the price of gas from time to time.

Development Assets-Indonesia

A. Development Assets
Senoro-Toili Block, Central Sulawesi

The Company through the Subsidiary Entity PT Medco E&P Tomori Sulawesi (Medco Tomori) owns 30% participating interest in the Senoro-Toili. The Block is operated by JOB Pertamina-Medco E&P Tomori Sulawesi (JOB Tomori) with operating areas comprising of Senoro (onshore) of 188 square kilometers and Toili (offshore) of 263 square kilometers.

In addition to MedcoEnergi, the other partners include Pertamina, which owns 50% participating interest through its subsidiary PT Pertamina Hulu Energi (PHE). Mitsubishi Corporation and Korea Gas Corporation (KOGAS) jointly hold 20% participating interest through subsidiary Tomori E&P Limited.

This development is one of the Company's Major Projects.

Type of contract	PSC – JOB
Areas (km²)	451
Contract expiry	2027

Participating interest	PT Medco E&P Tomori Sulawesi - 30%
	Tomori E&P Limited – 20%
	PT Pertamina Hulu Energi Sulawesi - 50%
	Production – Oil (Tiaka Field)
Status	Development

A. Development of LNG at Senoro-Toili

Strategy

The commercialization of gas reserves in Senoro is one of the main priorities of the Company's management. Our strategy is to monetize gas reserves, primarily in the form of LNG, to supply export markets as well as to supply gas for the domestic market, especially for the ammonia industry and power generation in Central Sulawesi.

Upstream Sector

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

To meet the scheduled gas shipment to the LNG plant (downstream sector) by end of 2014, the Company through JOB Tomori has already completed the land acquisition and is progressing with site development. The tender process for the Central Processing Plant (CPP) EPC has been completed with announcement of the winning bidder, the Tripatra-Samsung Engineering consortium, in the third quarter of 2012. EPC works commenced in September 2012, and by year-end 2013, work progress had reached over 55%.

The drilling of development wells at Senoro started in September 2013 and included the drilling of the Senoro wells 10, 11 and 12, as well as re-entry wells, Senoro 4 dan Senoro 5.

In addition to supplying 260 MMCFD of gas to the LNG plant, in 2013 the Company, through JOB Tomori, also entered in negotiations in 2012 with PT Panca Amara Utama (PAU) concerning the supply of 55 MMSCF of gas to an ammonia plant that will be built by PAU in Central Sulawesi.

In July 2013, the Company succeeded in obtaining financing from a bank syndication amounting to US$260 million for the Senoro upstream project. The bank syndication comprises of Standard Chartered Bank, Bank Mandiri, ANZ and Natixis.

Downstream Sector

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

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

Ownership in DSLNG is as follows:
- SLD : 59.9%
- PHE : 29.0%
- MLI : 11.1%

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

Gas Sales Agreement

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

On 13 March 2014, the Company through JOB Tomori signed a Gas Sale and Purchase Agreement (GSPA) with PAU as the gas buyer. JOB Tomori will supply gas amounting to 55 MMSCF per day, the agreement of which has been signed in March 2014

With the effective signing of the two GSPA (DSLNG and PAU), the Company was able to increase its proven reserve of gas at year-end 2013 to 67.3 MMBOE (net). In addition, the GSPA allows the Company to recover the development costs for the gas fields as well as to secure a new future revenue stream.

LNG Sale & Purchase Agreement

In January 2011, DSLNG and KOGAS signed an LNG Sale & Puchase Agreement (LNG SPA) for 0.7 million ton per annum. This agreement was subsequently amended in August 2012. In May 2012, DSLNG also signed an LNG SPA with Chubu Electric Power Co. Inc., for the supply of 1.0 million ton of LNG per annum. Also in May 2012, DSLNG signed an LNG SPA with Kyushu Electric Power Co. Inc., for the shipment of 0.3 million ton of LNG per annum. The three LNG SPAs are for a period of 13 years, commencing with the first shipment of LNG in 2015.

Current Developments and Future Plans

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

The total development cost for the LNG Project will amount to approximately US$2.8 billion, including costs for land acquisition, infrastructure, operation cost during construction (owner cost), and project financing expenses. The construction work of the LNG plant is undertaken by the JGC Corporation. Construction commenced on 1 March 2011, and as of year-end 2013 had progressed to 96.3% completion. Work will continue for a scheduled completion date by year-end 2014.

Block A, Aceh

This Block has proven and probable gas reserves of 121.7 BCF (20.8 MMBOE) and is currently under development. The Block A gas development is one of the Company's Major Projects at present.

The Company has begun with the drilling of one exploration well, Matang-1, since December 2012 and completed in May 2013. The well testing of Matang-1 yielded a gas flow of 25 MMSCF per day with low H_2S content.

Strategy

The Company's strategy is to monetize the gas reserves for the domestic market, especially the fertilizer industry and power generation, as well as to increase gas reserves through exploration activities.

Background

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

Type of contract	PSC
Areas (km²)	1,680.5
Contract expiry	2031

Participating interest	PT Medco E&P Malaka – 41.67% (operator)
	Premier Oil Sumatra (North) BV – 41.66%
	Japex Block A Ltd – 16.67%
Status	Development

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

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

Gas Sales Agreement

The Company signed a GSPA with PIM on 10 December 2007. At present, the plan is for the Company to deliver over a 10-year period, from 2016 to 2025, a total of 180 TBTU of gas, or 55 BBTU of gas per day.

Since October 2012, the Company has renegotiated a hike in the selling price of the gas to PT Pupuk Iskandar Muda and PLN the support the scale of economies of the project. By year-end 2013, PIM agreed on the increase of the selling price from the previous agreed price of price of US$6.50/MMBTU.

The Company signed a GSPA with PLN to supply gas amounting to 5-15 BBTU per day. The Company will supply the gas to PLN at a total volume of 52 TBTU for a period of 17 years, starting in 2016. The price of gas that was agreed upon is the same as that of the gas purchased by PIM.

Current Developments

Development study and design of the gas production facilties (FEED) were completed in 2012, while the tender process for the selection of EPC contractor has been completed.

Plans for the Future

Continuing negotiation for gas price adjustment with PIM and PLN is expected to be completed by mid-2014. In addition, appointment of the EPC contractor is expected by the second quarter of 2014 to meet the planned schedule for the first delivery of gas to PIM by the year 2016. In 2014, the Company will begin preparations to drill development well in Block A.

Simenggaris Block, North Kalimantan

The Company has partipating rights in the Simenggaris Block in 1998 for a period of 30 years until 2028. This Block is operated by JOB Pertamina-Medco E&P Simenggaris.

The Company currently owns 62.5% participating rights in the Simenggaris Block. Contingent resources have been estimated at 16 MMBOE.

The development of this Block is expected to supply gas to meet the demands for energy in the domestic market, especially for power generation sector in North and Earth East Kalimantan.

This development is one of the Company's MajorProjects.

Strategy

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

Background

The onshore Simenggaris PSC is located in the Tanah Tidung Regency, North Kalimantan, and is operated by JOB Pertamina-Medco E&P Simenggaris (JOB P-MEPS) as operator. Participating interest holders in this Block are the Company (62.5%) and Pertamina (37.5%)

Type of contract	PSC – JOB
Areas (km²)	547
Contract expiry	2028

Participating interest	PT Medco E&P Simenggaris – 62.5%
	PT Pertamina Hulu Energi Simenggaris – 37.5%,
Status	Development

The Plan of Development for Simenggaris Block gas fields was approved by the Government of Indonesia in 2008 for the supply of gas to Bunyu Methanol Plant (KMB) owned by Pertamina.

Gas Sales Agreement

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

Current Developments

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

During 2012, plans to supply gas to KMB encountered a number of technical difficulties, while fluctuations in the market price for methanol also resulted in uncertainties regarding the economics and operations of KMB. In 2013, the Government of Indonesia approved the reallocation of gas supply from KMB to fill the need of PLN to generate power in the Eastern parts of Indonesia. PLN has agreed to offtake the supply of gas of 25 MMSCF per day from the Simenggaris Block, and use the gas to replace PLN's diesel power plants in East Kalimantan.

In 2013, the business scheme for the purchase of gas by PLN had undergone a change, in which the Company will supply gas to PLN via a Mini LNG Facility. In May 2013, the Company through JOB P-MEPS signed a Head of Agreement with PLN for the supply of gas of 25 MMSCF per day that will feed PLN power plants in East Kalimantan.

In addition to PLN, the Company through JOB P-MEPS has also signed a GSPA with Perusda NSP in October 2012, to supply gas of 2,5 - 5 BBTU per day over a period of 11 years starting from 2014 until 2024. The agreed gas price was US$5.2/MMBTU. In December 2013, this agreed price has been renegotiated and increased to US$5.85 per MMBTU with an escalation factor of 3% per annum. Perusda NSP will use the gas to meet the energy needs of the Nunukan Regency and the surrounding areas.

The Company has also drilled an exploration well, Bajul Besar-1 with gas discovery.

Future Plans

In 2014, the Company plans to drill a single workover well to produce 5 BBTU of gas per day for sale to Perusda NSP. The Company, through JOB P-MEPS, expects to conclude a Gas Sale & Purchase Agreement with PLN sometime in 2014.

E. EOR Rimau

Strategy

The strategy is to maintain a stable production in the mature Rimau Block through the implementation of EOR (Enhanced Oil Recovery) technology to improve the recovery factor at the Kaji-Semoga oil fields.

The development of the pilot project EOR in Rimau is one of the Company's Major Projects.

Background

In September 1996, the Company discovered large oil reserves as well as significant gas reserves in the Kaji-Semoga field, Rimau Block, which amounted to oil and gas reserves of 304 MMBOE. Cumulative gross production since first production up to December 2013 amounted to 195 MMBO and 76 BCF.

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

With primary recovery and waterflood technology, the recovery factor of oil reserves at Kaji-Semoga field can be improved up to 37.6%. The chemical injection EOR technology is expected to provide additional oil recovery of up to 64 MMBO.

Current Developments

The Company's EOR program comprises a number of phases, including laboratory tests and study, preparation and implementation of pilot project, (including construction of injection facilities, chemical injection to test wells, monitoring of well output), and implementation of full scale EOR program in the field. Construction of pilot chemical injection facilities has been completed and chemical injection has commenced since December 2012. Throughout 2013, the monitoring process over the performance of the well has shown positive results as expected.

Future Plans

With the EOR pilot project having yielded positive results in terms of additional oil recoveries, the Company will begin a follow-up study towards full scale EOR implementation. In addition, the Company has begun to talk with the government and SKKMIGAS to obtain an incentive to increase the economies of scale of full-scale development of the EOR. A full scale EOR project at the Kaji-Semoga oil fields is targeted to start yielding results by 2017/2018.

Development Assets – Overseas

Area 47 Libya

Strategy

The strategy is to monetize of proven and probable oil reserves of some 208 MMBOE, to transfer contingent resources to proven and probable reserves through reserve commercialization, and to increase oil reserves through exploration activities.

Background

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

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

This development is one of the Company's Major Projects

Current Developments

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

In 2013, the Company completed the well appraisal B2 testing and began to drill a P2 exploration well.

Future Plans

Going forward, Nafusah JOC will continue with follow-up stage of the engineering study and design (FEED) for oil production platforms of 50,000 barrels oil per day, as well as the engineering study for development drilling. The Company and its partner expect that production will start in 2017.

The Company, through the Subsidiary Entity MIVL, will continue drilling activities of several appraisal wells to increase oil and gas reserves as well as to obtain commerciality approval for the next stage of development.

A worker of the rig contractor in the drilling of the P2 well in Area 47, Libya. Upon the completion of the P2 appraisal well, the Company will drill five other appraisal wells to increase the oil and gas reserves from Area 47, Libya. The Company's internal estimates indicate the potential of a huge oil and gas reserve reaching close to 600 million equivalent barrel of oil.

Coal Bed Methane Assets

Coal Bed Methane

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

To date, the Company has drilled four wells in the Sekayu Block, two of which have been followed by dewatering process and produced gas that is currently used to generate electricity around the well sites. The Company will continue to supply gas from these CBM blocks to meet the electricity needs of the surrounding communities over the next five years.

In the CBM Lematang Block, the Company partners with PT Metahnindo Energy Resources and PT Saka Energi Indonesia, with participating interest of 40% and 5%, respectively.

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

Other Energy Related Operation Review

A. Downstream Business

HSD Trading and Distribution

In 2012, the Company completed the divestment of part of its ownership of PT Medco Sarana Kalibaru (MSK) amounting to 63.88% to Puma Energy LLC (Puma Energy). MSK is a subsidiary of the Company in downstream business, namely fuel storage and distribution. Puma Energy is a global company in midstream and downstream businesses. The primary assets of this company comprise of storage facilities at the Tanjung Priok international seaport, North Jakarta, and distribution networks serving mining operations in Sumatra and Kalimantan.

In 2013, MSK distributed a total of 111,041 kiloliters of HSD (High Speed Diesel) fuel. The operational activities of MSK continues to emphasize strict Safety, Health and Environment standards, resulting in zero accident operation.

LPG Processing Plant

Since 31 December 2012, the Company has terminated production activity at the LPG plant due to insufficient supply of feedstock gas from the Rimau Block, the gas instead going in support of oil production in the Block. Going forward, the Company will continue search for new sources of gas, while also seeking for alternative means including moving the site of the LPG plant elsewhere or divesting the Company's ownership in the plants.

Bio-Ethanol Plant

In 2013, the Company produced a total of 5,846 kiloliters of ethanol. The feedstock of molasses was obtained from sugar mills operating in the vicinity of the ethanol plant, through an agreement with a trading company in Lampung.

Due to insufficient amount of continuous feedstock, whether cassava or molasses to produce the ethanol, the Company decided to terminate and shut down the operation of its ethanol plant on 16 October 2013.

B. Gas Distribution Unit

The Company, through an indirect ownership of PT Mitra Energi Gas Sumatra (a Subsidiary Entity of PT Medco Gas Indonesia, MGI, which is itself a Subsidiary Entity of the Company) operates a compression station with three main gas compressors and 10 pipeline facilities stretching over 17.5 km at Gunung Megang, South Sumatra. In operation since 17 August 2009, the Compression Station has served to increase gas pressure for delivery from the South Sumatra Extension (SSE) Block to the facility of PGN (the State Gas Company) at Pagardewa and the Meppogen power plant, with a target of 33 BBTUD of compressed gas and 20 BBTU of transported gas each day.

The commercial operations of the Company at the Gas Pipe Station and Booster Compression in Gunung Megang, South Sumatra, proceeded safely throughout 2013, marked by a total of 248,843 man hours without accident. Total work-hours without accident from 17 August 2009 to 31 December 2013 was 456,704 man-hours.

As of December 2013, the Company compressed gas amounting to 12,109 BBTU (or 89.0% of operational target), or an average of 33 BBTUPD and distributed gas from SSE to PGN at Pagardewa of 7,942 BBTU (or 116% of operational target).

In addition to that, the Company also operates a compression station with three Primary Gas Compressor at the Soka Station, Talang Ubi Regency, Pendopo, South Sumatra with a capacity of 15 MMSCFD each. This project has been built since 2012. The commercial operations of the Company at the Gas Pipe Station and Booster Compression in the Soka Station South Sumatra proceeded safely throughout 2013, marked the number of work days without accident totaling 161 days, total man-hour work without accident of 20,072 hours between 24 July 2013 and 31 December 2013. Mobilisation and installation were carried out in April 2013 and completed by July 2013. Operations commenced in September 2013. At the end of 2013, total capacity reached 3,330 BCF.

C. Coal Mining Unit

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

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

In 2012, the Company completed the construction of coal production facilities at the DTR mining site. The Company produced coal at a capacity of 50,000 tons per month, with a calorific value of 6,500 kcal/kg (air-dried basis), medium ash content, and low water content. An initial coal shipment of 38,000 tons was delivered to China Coal Solution Pte. Ltd. in October 2012. Total coal shipped during 2012 amounted to 132,035 tons on a long-term coal sales contract at a price range of US$82.5 per ton. For 2013 total sales of coal amounted to 525,342 tons at an average selling price of US$81.8 per ton.

The Company has set a target for coal sales of 600,000 tons in 2014. Concurrently, the Company has plans to apply for a requisite permit from the Ministry of Forestry and to upgrade the IUP status at DTSA from coal exploration to coal production.

D. Workover Drilling and Logging Equipment Rental Unit

The Company provides rental services of drilling equipment for workover and logging unit, through the Subsidiary Entity PT Exspan Petrogas Intranusa (EPI). Initially, EPI owns six units of workover drilling rigs of 350-450 HP capacity, nine units of electric wireline logging trucks and one unit of mud logging truck, serving many E&P activities throughout Indonesia. In the third quarter 2012, the Company through EPI acquired seven units of workover drilling rig of 350-450 HP capacity and one drilling rig unit of 1,500 HP capacity, from PT Antareja Resources, and acquired one unit of logging truck open hole and cased hole from Canada. All of these units are now managed and operated by EPI.

In 2013, the Company recorded a utilization rate of 70% on all of its drilling rig fleet, a decline from that of the previous year due to the completion of several works while awaiting for the next job tender. Most of its workover drilling rigs are currently in operation with Pertamina and Pertamina's business units, while several others are in operation at MEPI fields in Sumatra and Kalimantan. The remaining units are in various project tender process.

A 1,500 HP drilling rig unit has completed work at the geothermal well of Lahendong in North Sulawesi belonging to Pertamina Geothermal Energi (PGE) in the first quarter of 2013. It is currently entering into a tender for another geothermal well in the same location.

In 2013, EPI cooperated with PT Antareja Resources to operate a 2,000HP drilling rig deployed in well drilling Lagan Deep 1A at the MEPI fields in South Sumatra that began in the third quarter of 2013 and completed in the first quarter of 2014. For rig workover and wireline logging services, the Company plans to continue working at the Pertamina fields and MEPI's as well in Java, Sumatra and Kalimantan.

The Company has begun the divestment plan and found a strategic partner that could provide more added value to the EPI business unit to grow faster. Talks with several potential strategic partners have proceeded and can be expected to bear fruits in 2014.

E. Power Unit

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

2013 Performance

In 2013, MPI produced a total of 1,268 GWh of electricity from six power plants in Batam and South Sumatra, a slight decline from 1,284 GWh of electricity produced in 2012. This was due to the adjustment in the utilization of electricity power produced by PLN Batam from the TM 2500 power generator that is in operations in Batam.

Within the next four years, MPI is committed to develop nine power plant projects fueled by geothermal, mini hydro, and natural gas with a total capacity of 590 MW and a capital expenditure of US$1,3 billion.

In a follow-up to the signing of PPA with PLN Batam in October 2012, in connection with the use of a combined cycle generator at the Batam power plant, MPI through the Subsidiary Entity PT Mitra Energi Batam (MEB) has completed the installation of the combined cycle add-on generator in November 2012. The installation of the Chiller has also been completed and has been operational since the fourth quarter 2013, with the combined cycle power plant expected to be ready for service in 2014. On a different note of achievement, MEB earned an award from the Mayor of Batam for being the best in environmental management for the municipal city of Batam in the category of the power plant industry.

MPI through another Subsidiary Entity Energi Listrik Batam (ELB) has also completed the construction of a 2x35 MW gas-fired power plant, which is set to start commercial operations in the fourth quarter 2014 pursuant to the PPA signed with PLN Batam in October 2012.

In the Operation & Maintenance (O&M) business, Tanjung Jati B Power Services (TJBPS) as a Subsidiary Entity of MPI in the operation of the 2x660MW coal-fired Tanjung Jati B Power Plant, succeeded in carrying out a major overhaul (major outage) of the generating turbine with a time factor that is faster than anticipated. TJBPS has also been successful in maintaining Zero Accident for over 13 million man hours without Loss-Time Accident (LTA) to year-end 2013, the award of which was presented by the Ministry of Manpower and Transmigration of the Republic of Indonesia. TJBPS posted an unplanned shutdown (EFOR) as of year-end 2013 of 1.76% or equivalent to 6.4 days a year. If in 2012 TJBPS received the Blue PROPER, in 2013 it earned the Green PROPER from the Ministry of Environment of the Republic of Indonesia.
In addition, TJBPS also received an award for industrial hazard management from the Ministry of Manpower and Transmigration of the Republic of Indonesia and an award for the Best Security in all of Central Java from the Central Java Region Chief of Police.

Geothermal Project

MPI currently has two geothermal power plant projects in Indonesia, namely Sarulla in North Sumatra with a capacity of 330 MW and Ijen in East Java with a capacity of 110 MW.

Sarulla

MPI, as the majority shareholder in the Sarulla geothermal power plant, together with partners Itochu, Ormat and Kyushu Electric in 2013 finalised and signed the Amendment to the Energy Supply Contract (ESC) and Joint Operating Contract (JOC). Which was followed by the handover of the ESC and JOC as well as the submission of the Letter of Guarantee on Business Viability from the Minister of Finance of the Republic of Indonesia. The investment amounted to US$1.6 billion, of which 80% will be financed by JBIC (Japan Bank for International Cooperation) together with ADB (the Asian Development Bank) and a consortium of several commercial banks, while the remaining 20% will be the paid-in capital of the project sponsors (MPI, Itochu, Ormat and Kyushu Electric).

The Sarulla Consortium will develop a geothermal power plant with a total capacity of 330 MW to be built in three phases. The Commercial Operation Date (COD) of the first 110 MW unit is slated for 2016, while the remaining two units, each of 110 MW capacity, will be finished in 2017 and in 2018, respectively. This project is widely anticipated in the region, mainly to address the chronic electricity shortages currently prevailing in North Sumatra.

Ijen

In February 2013, MPI signed a Power Purchase Agreement with PT PLN Pusat, in which MPI as an Independent Power Producer (IPP) will develop, operate and maintain a 2x55 MW geothermal power plant in the Mines Working Area of Mount Ijen in the East Java Province.

This power plant will supply electricity to the Java-Bali grid and is expected to commence commercial operations in 2018.

Mini Hydro Project

MPI is currently developing mini hydro power generating plant (PLTMH) through a number of projects located in Cianjur and Sukabumi, and in Sumatra and Sulawesi. The following is a brief description of the PLTMH projects currently being developed by MPI.

Cibalapulang PLTMH

The Cibalapulang PLTMH is the first mini hydro project of MPI, located at Waringinsari, Cianjur, with a planned capacity of 9 MW. The PPA with PLN was signed in 2012. Commercial operation is scheduled to start in the second quarter of 2014.

Pusaka Parahiangan PLTMH

MPI has acquired the assets of PT Pembangkitan Pusaka Parahiangan, which is involved in the development of three PLTMH projects in Cianjur, West Java, with a total generating capacity of 15 MW. Construction of PLTMH Pusaka 1 and 3 has begun since the third quarter of 2013.

The development of mini hydro power plant projects by MPI continues to date, and is currently in the process of acquisition of several potential mini hydro sites in Indonesia, including in Sumatra and Sulawesi.

F. Supporting Service Business Unit (Building Lease)

With the growing scale of the businesses of Company and Subsidiary Entities, the Company aims to maintain its head office in an office building that can support the business activities of the Company and Subsidiary Entities.

In 2013 the Company effectively acquired a 49% stake of PT Api Metra Graha, the company that owns The Energy Building in Jakarta. At present, the Company and a large majority of its Subsidiary Entities are domiciled in The Energy Building.

The Commitment of MedcoEnergi on Sustainability Program

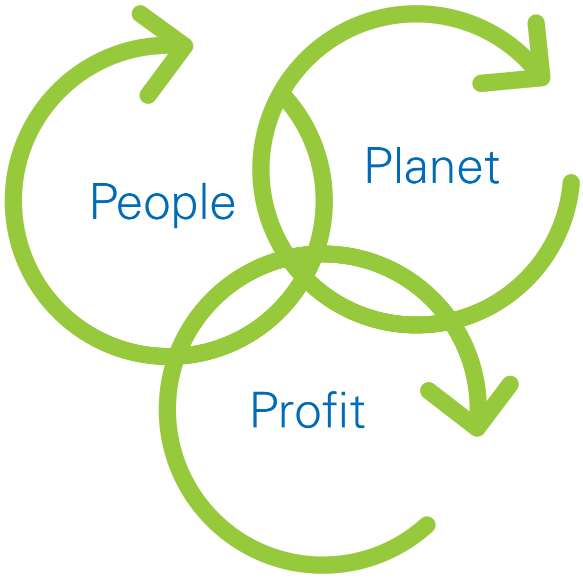
"Establishing a dedicated division within MedcoEnergi for sustainable development that integrates three sustainability pillars (People, Profit, Planet)."

3

The Commitment of MedcoEnergi on Sustainability Program

MedcoEnergi continues to implement the principles of Good Corporate Governance, that among other things, facilitate sustainable development through the initiatives and activities of Corporate Social Responsibility.

The Company undertakes community empowerment programs through organic cultivation practices that are free of chemical substances such as pesticides, environmentally-friendly, healthful and higher rice harvests; one of which is through the SRI (*System of Rice Intensification*) program in areas where MedcoEnergi operates.



The Company believes that the best pillars of business are those that correspond to the three pillars of People, Planet, Profit. The Planet and People pillars have to be managed properly so that the pillar of Profit follows accordingly. The Company strives to ensure that all three pillars are present throughout the process of planning, developing and constructing, operating and restoring at the end of the operating period.

A number of awards in connection with environmental and social achievements have been garnered, such as PADMA, Millennium Development Goals and PROPER. These awards were earned through the robust commitments of the Company and the hard work of all of the Company's rank and file.

The Significance of the Three Pilars

People

- Actively involving stakeholders
- Focused on the communities that are affected by the Company's operations
- Established the means for grievances
- Land acquisition that is mindful of the social aspects of the communities
- Involving communities that are affected by the Company's projects as local workforce and contractors in line with project needs

Planet

- The environment and its habitat are conserved
- Industrial wastes are processed and managed responsibly
- The ecosystem is protected

Profit

- With People and Planet being managed responsibly, potential risks that may arise are significantly reduced and can be channelled into profits that are sustainable by the Company
- Projects can proceed unimpeded, providing benefits to the communities and other stakeholders.

Aim

To strengthen the Company's commitments to pursue sustainable development, a number of aims have been defined. The aims are as follow:

- To build the competence and capabilities of an organization that is suitable and applicable for managing issues of the environment, social, health and safety in every asset to facilitate sustainable business and operations for the Company.

- To formulate a sustainable program on the environment, social, health and safety issues within the Company in line with government regulations, international best practices and the Company's policies pursuant to operational excellence.

- To monitor sustainable programs on the environment, health and safety issues in the Company in line with industry standards and international best practices and government regulations to create a positive image of the Company in line with the vision, mission, values and strategy of the Company.
- To evaluate an report on the effectiveness of the programs from the planning stage to implementation through to the end of the investment timeline, from the perspectives of the government and other stakeholders (local communities and the Company as the investors).
- To provide a conduit for grievances to facilitate the aspiration of the general public and other stakeholders on the aspects of environment, social, health and safety that need to be well-managed.

Strategy

- By forming a special division in order to strengthen the Company's sustainable operations through the integration of policies, systems and procedures on the aspects of sustainability (People, Profit, Planet).
- Supporting the study, planning and execution the development of a sustainable business, especially with respect to the Company's investments in the Major Projects.
- Fulfilling the demands of stakeholders for sustainable development, starting from the aspects of social communities to the protection of the surrounding environment.

Sustainability Performance Standards Established By MedcoEnergi

MedcoEnergi is aware of the need to begin sustainable development by adhering to prevailing regulations wherever MedcoEnergi operates. MedcoEnergi also mandates that all activities should comply with the regulations of the Indonesian government through the Ministry of Environment, one of which is the formulation of the environmental feasibility study for all activities, whether the Environmental Impact Analysis (AMDAL) or the Efforts to Manage the Environment and Efforts to Monitor the Environment (UKL-UPL). Since 2013, the Company has fulfilled a number of sustainable performance standards in the international scale, such as the Equator Principles and IFC Performance Standard.

The implementation of Good Corporate Governance (GCG) of the highest standards is the commitments of all members of the Board of Commissioners, Board of Directors as well as all employees of the Company and its subsidiary entities. The GCG principles that encompass transparency, accountability, responsibility, independence, equality and fairness are ingrained in the Values of MedcoEnergi and are part of the Company's corporate culture. The implementation of GCG represents one of the key elements to realize the vision of MedcoEnergi to become the "Energy Company of Choice" for investors, shareholders, business partners, employees and the general public. By implementing the highest standards of GCG, MedcoEnergi has increased its competitiveness and earned the trust of various stakeholders, including the shareholders, business partners, the government of Indonesia and the governments of other countries where the Company operates.

Several Implemented Efforts

One of the largest operating areas of the Company in Indonesia, which is the Rimau Block in South Sumatra, has received the Gold PROPER Award for three consecutive years from 2011 until 2013.

The PROPER award is the initiative of the Ministry of the Environment of the Republic of Indonesia, with the evaluative criteria of the compliance of corporations to environmental management and safety standards set by the Ministry of the Environment of the Republic of Indonesia. The ratings start from Black as the lowest, to Red, Blue, Green and Gold as the highest rating. The Blue rating is given to companies that meet the stipulated standards and regulations. The Green rating is for those companies that exceed the stipulated standards and regulations. Whereas a Gold rating signifies the consistent efforts and achievements by companies that can exhibit superior management of the environment as well as the undertaking of their businesses with ethics and responsibility towards the communities.

Several Initiatives Had Been Implemented

Some of the Company's Major Projects, namely Senoro Gas, DSLNG and Sarulla have received financing from international commercial banks. As part of the requirements to obtain the financing, the Company has implemented environmental and social performance standards that comply with the Equator Principles and IFC Performance Standard. Going forward, MedcoEnergi is committed to continuously enhance environmental and social performance standards at home and abroad.

Implementation of a Sustainable Development

The implementation of sustainable development by MedcoEnergi comprises of a number of aspects as follow:

1. Corporate Social Responsibility
2. Safety, Health and the Environment (SHE)
3. Human Capital

Corporate Social Responsibility

"As a good corporate citizen, MedcoEnergi recognizes the importance of fostering good relations with the local communities, wherever the Company operates"

MedcoEnergi believes that sustainable business growth can only be achieved by integrating the interest of the communities into the key business activities of the Company.

In 2013, the Company continued its commitments to pursue the strategic plan to empower local communities as a way to lay down the foundations for the accelerated sustainable development of the welfare of the communities surrounding the Company's operational areas, while also sustaining the pace of the Company's operations. These efforts were carried out in the following forms:

Social Investment

Since 2009, the Company has redesigned the model for people empowerment on the basis of social investments, to prepare quality human resources who will have the independent skills to manage their resources sustainably. As such, the policy on social investments that was developed was boarder than merely providing sustenance and basic services, but was instead oriented towards building people's confidence to empower individuals and face up to external challenges and uncertainties, maintain resources productivity on a sustainable basis, preserve the stability of their livelihoods and respond to any arising challenges in their lives, which include adapting to global issues and challenges to the extent that they can support the continuity of development in their respective areas as part of the effort to sustainably develop the welfares of the communities surrounding the Company's assets and operations.

In 2013, the Company's social investments were aimed at social programs that enhance skills, technology, education for life, health care and community development. These investments are expected to be the basis for social capital for future human resources development in areas surround in the Company's operations. Increased social cohesion through community developments is also expected to strengthen social solidarity that will serve as a stronger bond for a better social stability. The Company's social investments in 2013 comprised of:

- The development of the smart home, car and motorcycles in the city of Tarakan, North Kalimantan Province; Pelalawan Regency, Riau Province; and the Musi Regency, South Sumatra Province.
- Training for enhancing the quality of teachers, introduction to raising and communicating with children, and education for early age children in the Pelalawan Regency and Indragiri Hulu, Riau Province, and the Muara Enim Regency, South Sumatra Province.
- Supporting Indonesia Mengajar Program through funding two young teachers who are assigned to a remote area of Indonesia for a 12 month period.
- Providing scholarships in cooperation with the Indonesian Yayasan Rumah Zakat Foundation for 70 students of elementary schools located near the Rimau Block areas in the Musi Banyuasin and Banyuasin regencies, and six students from the Aliyah Agriculture Madrasah of the Darul Fallah Pesantren within the SCS Block areas in the Musi Rawas Regency, South Sumatra Province.
- MedcoEnergi cooperated with the Ministry of National and Culture Education of the Republic of Indonesia to provide financial support for 26 Indonesian students who had previously been studying in Libya and currently had transferred to Tunisia. Their studies had been disrupted as a result of the political turmoil in Libya, and the Company helped them make the move to Tunisia to continue with their studies.
- In Libya, the Company also provided assistance in the form of a gartbage truck, office equipment and the construction of public facilities such as the renovation of cemetery and house of worship.
- In Yemen, the Company lend an active hand by donating computer equipment for education activities in Hadramaut, Yemen.
- In Oman, the Company helped build the supporting facilities of a mosque.
- Training for future public health practitioners, information on the culture of healthy living as well as training for the cultivation and use of holistic medicinal plants in the Banyuasin Regency, South Sumatra Province and Tarakan City, North Kalimantan Province.
- Introduction and training of rice cultivation technique with the Organic SRI method that has been developed since 2009 by 315 farmers in the East Aceh Regency, Aceh Province; Indragiri Hulu and Pelalawan, Riau Province; Musi Rawas Muara Enim and Banyuasin regencies – South Sumatra Province; Tarakan City and Nunukan Regency, North Kalimantan Province.
- Introduction and training on the technique of cultivation for organic rubber that has been developed since 2011 in cooperation with the Sembawa Research Unit of the Plantation Office Musi Rawas Regency to 147 rubber farmers in the Musi Rawas Regency, South Sumatra Province.
- Strengthening of social cohesion through basic organizational training and facilitating the formation of the organic rubber cultivation farmers' network in the Musi Rawas Regency, South Sumatra Province; the fish farmer group in Tarakan City, North Kalimantan Province; the Family Welfare Cooperatives as a vehicle for the organic SRI rice farmers and the Herbal Plant Cultivation Cooperatives in Banyuasin Regency, South Sumatra Province.

Facilitating Economic Development

In line with the Company's commitments to promote the sustainable development of local economies, in 2013 the Company continued with the Micro, Small and Medium-size Enterprise development programs, especially for the women group of the Banyuasin Regency. Musi Rawas and Muara Enim Regency of South Sumatra Province. The enterprise development comprises of the followings:

In education, the Company actively contributed to improving the nation's learning ability. The Company establishes the Community Awareness Centre, one if which is the smart car. The smart car facility functions as an information center as well as a learning center for school-age children in the areas where the Company operates.

- Training for entrepreneurship on developing skills for livelihoods and tools, access to capital, and quality improvements and market access.
- Financial assistance for the micro businesses of housewives that is provided in the form of micro-finance in cooperation with National Program on the Empowerment of Independent Villagers (PNPM-Pedesaan) in the Musi Rawa Regency, South Sumatra Province through the Women Loans and Savings program. (SPP).

Improving Access to Infrastructure

As part of the efforts to support the accelerated sustainable welfare development of the communities surrounding the Company's operations, in 2013 the Company contributed extensively to the repair and construction of social and physical public infrastructures. The physical infrastructures comprised of roads, clean water facilities, dams and electricity. In the electricity infrastructure, in 2013 the Company commenced operations of its Rp3 billion investment in a gas-fired power generating plant in the South Central Sumatra Block operational areas, Musi Rawas Regency, South Sumatra Province. The gas-fired power plant monetized on gas flaring of 11.3 MSCFD from one of the gas production stations to produce electricity of 175 kW that can be used to light 195 homes of 900W capacity each. In

2013 CSR Investment

• Education	US$	131,648
• Health	US$	130,308
• Economy	US$	601,248
• Environment	US$	1,163,521
• Infrastructure	US$	2,146,112
Total Spent	US$	4,172,837
Number of mentored partners: 1,729 people who have received direct benefit		

The Company pioneered the cultivation of organic natural rubber in Indonesia and provided training and mentoring support to the communities surrounding the Company's SCS Block operating areas to understand the process of rubber cultivation. Trainings are also provided to other farmers to protect the ecosystem of the plantation field and understand the role and function of organic materials to yield superior harvests.

addition, since 2012, the Company has introduced a solar-panel electricity generator to communities in the Rimau operating areas in the Banyuasin Regency, South Sumatra Province. Meanwhile, the social infrastructure category includes hospitals, schools and houses of worship. The construction of these infrastructures has enabled to propel the improvement of community livelihoods, such as the electricity supply and improvements in public access to these infrastructures.

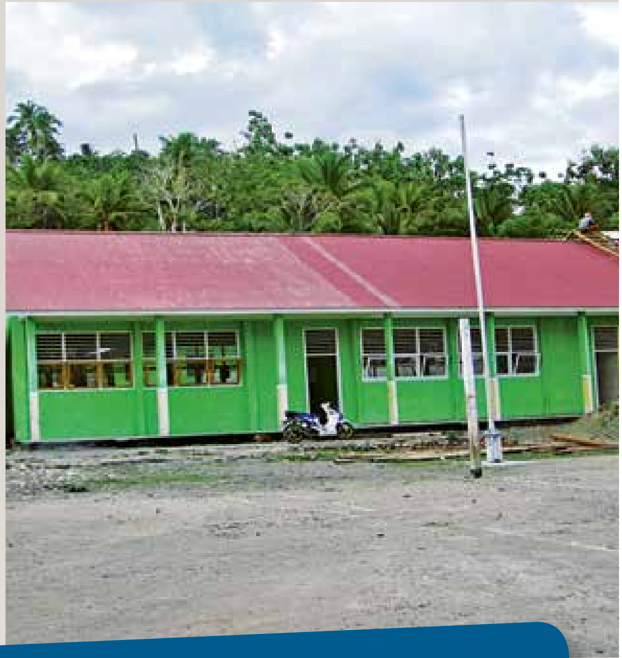
Socio-Environmental Program

In the effort to support sustainable development, in 2013 the Company intensified the introduction and development of renewable energy and the revegetation of the environment to communities surrounding operating areas, which include the introduction and development of the followings:

- Biogas by harnessing it from cow dung in the surrounding areas of the Kampar Block operations in the Indragiri Hulu Regency in the Riau Province. Since 2012, the Company has installed biogas facilities in five villages of the Indragiri Hulu Regency, Riau Province. The Biogas program is integrated with the organic vegetable cultivation program in home backyards.
- The use of backyards for the cultivation of organic vegetables by village housewives represent the efforts of the Company to promote greenery of the environment with an activity that offers economic value added. This cultivation pogram was first introduced in areas surrounding the Kampar Block operations and has helped supplementing the basic needs of the family and developing new livelihoods for 22 groups of housewives in the Indragiri Hulu and Pelelawan regencies of the Riau Province.

An elementary school at the Kintom Village, Banggai, with just a single classroom, (before renovation)

The same elementary school at the Kintom Village, Banggai, with three classrooms, (after renovation)



Yaman: "My village is now renown for being a producing center of quality catfish"

The proprietor of an eatery shop serving catfish, Gajah Mati Village, Musi Banyuasin, South Sumatra, Yaman, is a farmer that breeds the catfish organically within his group. They receive training and the know-how to breed the organic catfish through the mentoring program of MedcoEnergi. The Musi Banyuasin Regency, which forms part of the working are of MedcoEnergi, is a target for the empowerment of local economies that are implemented as part of the Company's corporate social responsibility programs.

Unlike most other catfish breeding methods in a pool of water with soil bottom, the organic technique uses a heavy cloth material that does not permeate water. Although it may seem mundane, the technique separates the catfish (also known as mudfish) from mud at the bottom of the pool. This completely eliminates the taste of mud that is common to a mudfish. For the use of appropriate fish feed, MedcoEnergi provides training to the breeders on how to make liquid organic feed that is easily obtainable from materials found throughout the areas in which MedcoEnergi provides its mentorship program.

"The know-how that MedcoEnergi gave us has truly changed the economies of Gajah Mati village for the better. Previously, catfish breeders here had no choice but to sell their products to middlemen in the market. But now, with the quality that our catfish commands, our village has since been known for the superior quality of our catfish products, and there are more eateries serving our catfish in the Musi Banyuasin area," said Yaman.

Safety, Health and Environment

The Company is committed to improve the health of its personnel by launching the "Taking Better Steps" program.

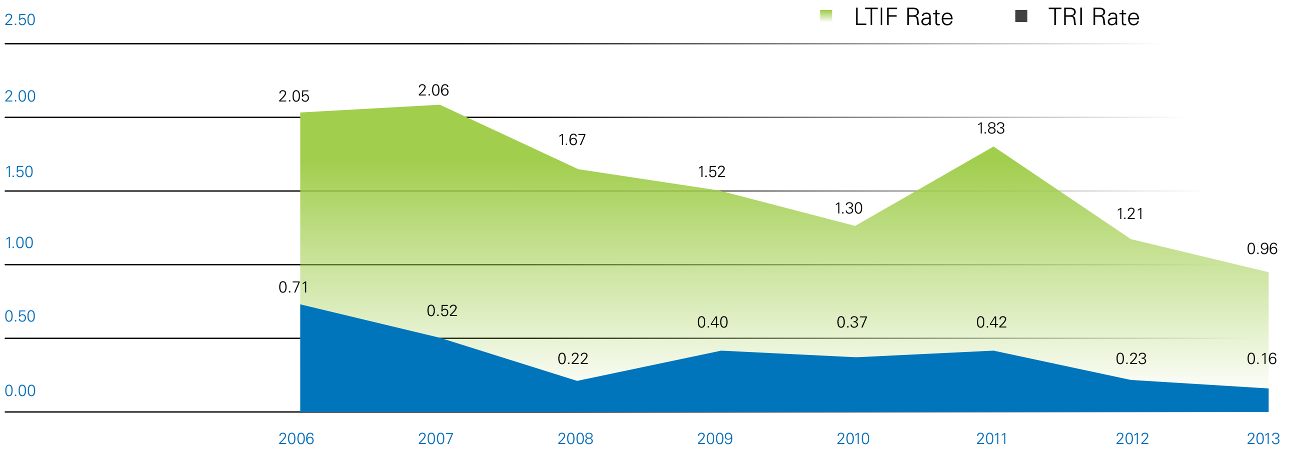
Safety and Health Performance in 2013

Safety and Health Performance in 2013

Following the audit on the performance of safety and health at work in 2012 (audit isrs7) that produced a Level 5 result, in 2013 the Company continued to strive to enhance its performance on safety and health at work through several programs that are packaged in the campaign of "Going Back to Basics." These programs comprised of a compliance program to work procedures, a compliance program to work permits, improvement of the quality of risk evaluation, routine inspections on the hygienic conditions of the work place, evaluation on the ear protective gear; and overall inspection on production facilities and electrical installations of high risk factors. These efforts produced encouraging results, achieving the lowest rate of TRIR (Total Recordable Incident Rate) since 2006 (8 years) and also the lowest rate of LTIFR (Lost Time Incident Frequency Rate) since 2000 (12 years).

The Company is also committed to improving the health condition of its personnel by launching the "Taking a Better Step" program. This program is designed to encourage employees, especially those in the Jakarta Office to be more actively in motion by taking walks or other physical activities. The final aim of this program is to promote better health among employees so that they will have a healthy body, fit, and more productive in the work place. The average number steps that was recorded in this program 5,836 steps/person/day. Whereas the total number of steps of all participants of the program reached 57,216,246 steps.

Events Statistics



Environmental Performance in 2013

In 2013, the Company through its Subsidiary Entity, MEPI, for the third time in succession earned the Gold PROPER (a corporate performance rating program for environmental management). The Gold PROPER is the highest rating for environmental management awarded by the Ministry of Environment of the Republic of Indonesia. The Rimau Block is the first and only E&P asset in the oil and gas industry in Indonesia to have been awarded the Gold PROPER to date. It is also the first to have earned that distinction for the third consecutive time in Indonesia.

In that same year, the South Sumatra Extension Block and Kampar Block each obtained a Green PROPER for the fourth time. A Green rating was also earned by the Tarakan Block and Sembakung Block. The Lematang Block, which participated in 2012 for the first time, was able to earn a Green rating in 2013, having earned a Blue rating the previous year. The rise in rating signifies that the Lematang Block has been able to comply with all regulations pertaining to environmental management and was able to meet the commitments for a Green rating, in which the Company's operations are carried out in a way that is constantly mindful of the correlation with environmental conservation and community empowerment.

Energy Efficiency and Conservation

The Company is fully aware that the E&P business in which it is engaged is not a low-carbon industry. Nevertheless, this does not diminish the

In 2013, the Company through its Subsidiary Entity, MEPI, for the third time in succession earned the Gold PROPER (a corporate performance rating program for environmental management) for the Rimau Block.

Company's commitments to continue managing its business with the highest environmental ethics and standards. The continuing evolution of the Green Economy has also inspired the Company to adopt the green principles of managing a business sustainably around the three pillars of Profit, People, and Planet.

In line with these commitments, the Company, through its Subsidiary Entity, MEPI, has since 2010 converted the fuel used in its operational vehicles and employee car pools from petrol to gas – up to year-end 2013 had succeeded in reducing the amount of emission from the fuel conversion by as much as 4,656 tons of CO_2 equivalent.

As an energy company, MedcoEnergi strives continuously to carry out energy efficiency in all of its assets. This was evident from lower energy consumption, which declined by 24% between 2010 and 2013 through various means of fuel savings, gas conversion, the implementation of energy audit, and campaigning for energy conservation.

The Company has also launched a water conservation program that includes efforts to conserve rainwater, create bio-pores, and also reduce water waste by re-injecting water produced from the wells for the purpose of well-pressure maintenance. By using produced water, the amount of clean water used for pressure maintenance is reduced. From 2012 until 2013, the Company, through MEPI, was able to conserve water of up to 4 million cubic meters throughout all of its assets.

Waste Processing

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

Waste Recycling

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

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

Human Capital

MedcoEnergi remains committed to recruit, retain and develop its people, while also actively enhancing competence in the E&P field.

The Company subscribes to the equal rights principle, providing wide opportunities for talented women to work, sharpen their competence and capabilities in their fields of expertise and to fill key positions within the Company.

Human Capital Report

Human Resources constitute that main triggering factor in achieving the vision and mission of the Company to become a Premiere company in the energy industry. This is fully realized by the Management of MedcoEnergi in running the Company.

Human Resources

Human Resources play an important role in the progress of MedcoEnergi. The Company's performance relies upon the competence and commitments of its personnel. As such, the Company formulates, manages and provides remuneration for employees to achieve the best performance results, today and in the long-term future.

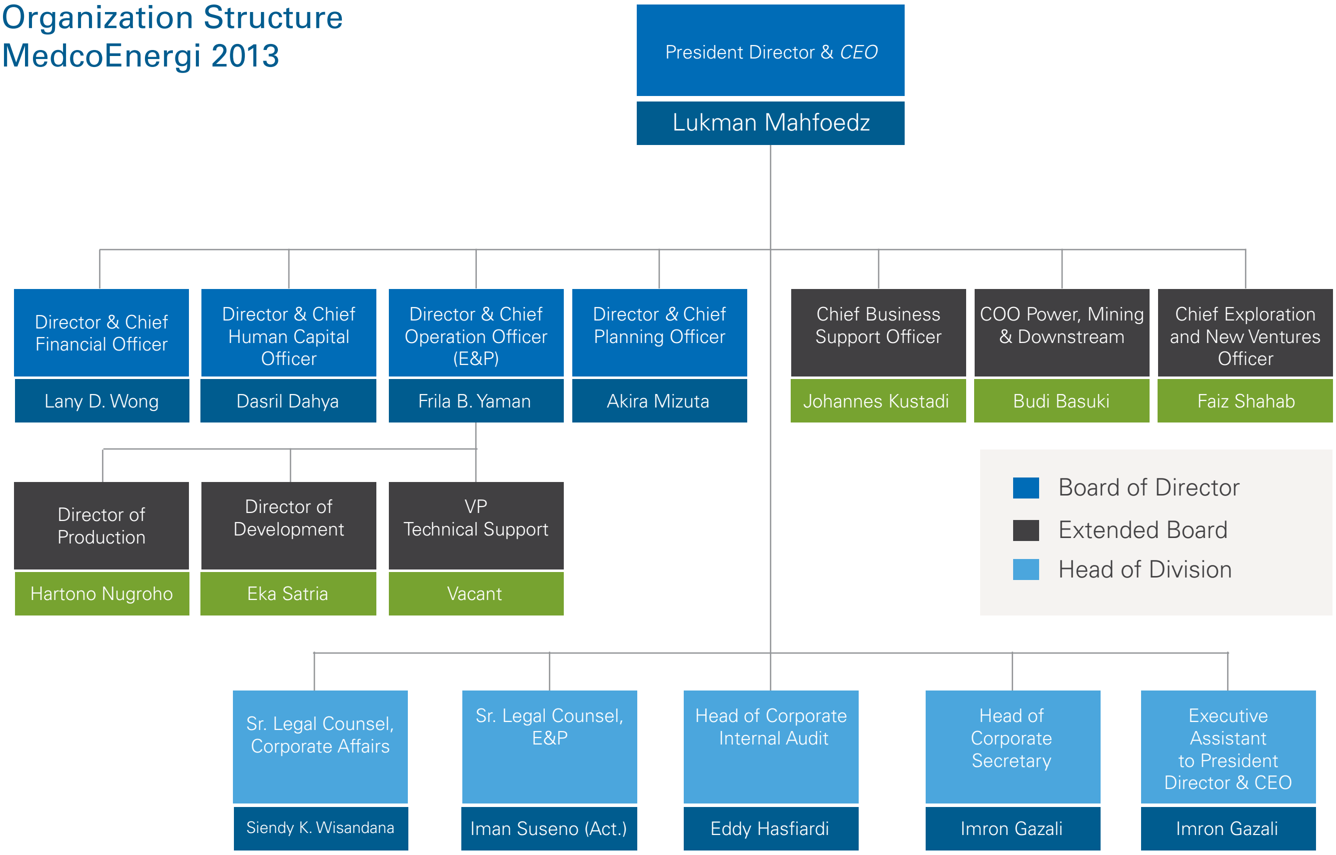
The Company has numerous business units and absorbs a considerable number of workforce to support its business and operations. Over the years, in each of the business unit, the number of workforce follows the many phases of business as well as the growth stage of MedcoEnergi. With respect to Medco Mining, MPI and EPI, the growth of their businesses has led to a rise in the number of their respective workforce.

Employees who are competent and reliable, technical or non-technical wise, are needed by the Company to undertake its expansion strategy. To accommodate this, the Company undertakes several human resources development programs. These programs are pursued to equip employees to compete effectively at home and abroad.

Employee Competence Development Programs

- **Accelerated Development Program**
  Graduate Engineer Trainee (GET), Graduate Relations Security Trainee (GREST), Driller Development Program (DDP) and Technician Development Program (TDP) are programs that are designed by the Company to develop new recruits who are fresh graduates. The participants of this program are the nation's best graduates who are coming from leading universities in Indonesia and overseas.

Organization Structure MedcoEnergi 2013



The aim and purpose of the Accelerated Development Program is the regeneration of key positions in the Company, whether structural or non-structural, because the Company believes that regeneration and succession are keys to the continuity of an organization. This year the GET program entered its seventh year, and the first batch of the GREST Program succeeded in completing the program within the allotted timeline with a passing rate of 96%. The seventh batch of GET was specifically formed by the Company to fill the need for skilled Reservoir Engineers and Drilling Engineers that are increasingly hard to find in the labor market.

- **Leadership Competence Development Program**
  The Medco Basic Leadership Program (MBLP), Medco Supervision Program (MSP), Medco Serial Management Development for Section Head, Medco Serial Management Development for Department Head and Leadership Development Program for Senior Managers and Division Heads, all of these programs focused on training supervisors and managers with the aim of improving leadership skills in line with the Values of the Company, instilling professional and leadership characters among the future leaders of the Company. This year, the curriculum for leadership training was completed.

- **Technical Competence Development Program**
  The Company is aware that it needs petro-technical experts in order to grow the business. With this in mind, the Company formed the Staff Deployment and Development Network (SDDN) in 2013 with the aim to measure,

Participants of GEGT International (Graduate Engineers and Geoscientists Trainee) from Oman and Yemen are attending the training program at MedcoEnergi's Head Office in Jakarta. Following a training program of eight months, the GEGT graduates are expected to work at the Company's operating areas in Oman, Libya or Yemen.

enhance and develop the competence of these petro-technical experts. SDDN will ensure the availability of the petro-technical experts to support the growth of the Company. By increasing the number of in-house training, the Company succeeded in reducing the cost of training and development by 29% to US$ 3.2 million from that of the previous year. In addition to that, the Company also initiated Dual Career Development model in order to meet the aspiration of employees and the need of the Company's operations.

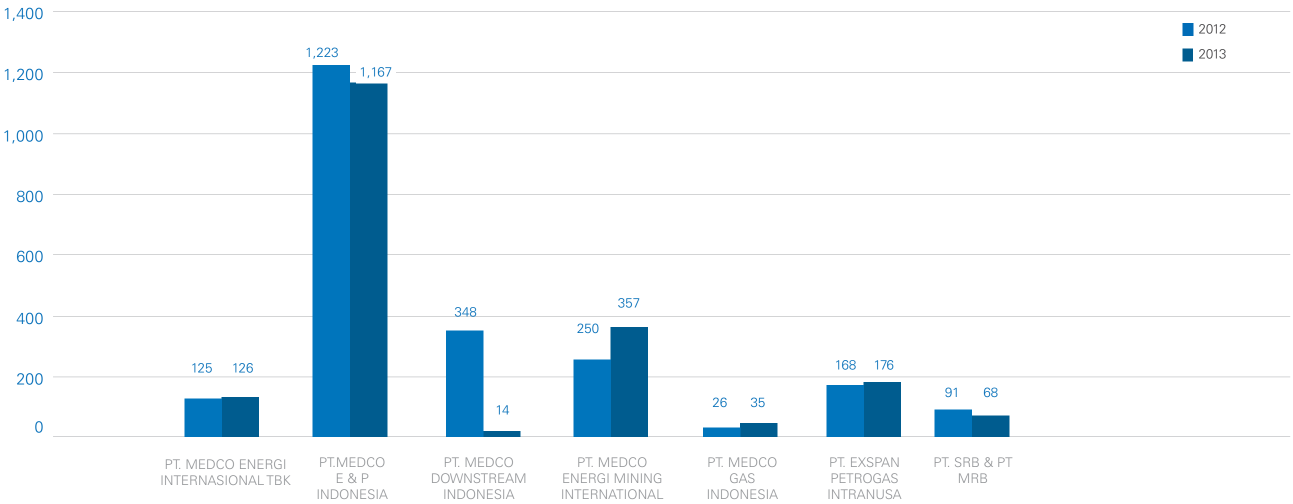
- **International Assignment**
  As an indication of the Company's success in developing its international business portfolio, the Company has assigned some of its best personnel overseas between 2006 and 2013, with more international assignments slated in the future. In 2013, there were 37 personnel who were assigned to the Company's international business units. These appointments are proof of the commitments of the Company to develop its personnel. The majority of these international placements are for key positions such as General Manager, Operations Manager, Drilling Manager, Exploration Manager, Business Support Manager, and petro-technical experts.

  The Company also made improvements to its regulations on Global Mobility Policy, Expatriate Policy, while also developing the on-boarding system for those assigned to overseas duties.

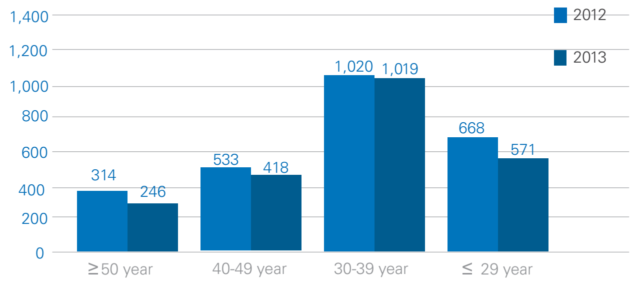
- **GEGT International**
  As a concrete evidence of the Company's commitments to the development of talented employees from the MENA countries, the Company has developed the Graduate Engineers & Geoscientists Trainee (GEGT) program that is based on the Company's Values to ensure the availability of Engineers, Geologists and Geoscientists in the region.

Currently, the GEGT program is enrolling 14 citizens of Oman and two citizens of Yemen, and will continue to be expanded in the years to come.

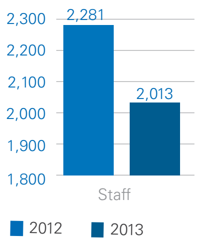
Number of Employees in Indonesia

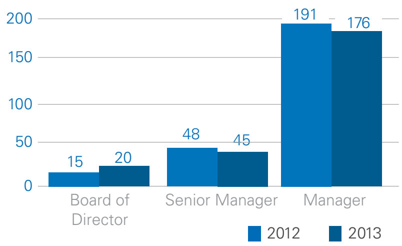


Employees Based on Age



Employees Based on Position

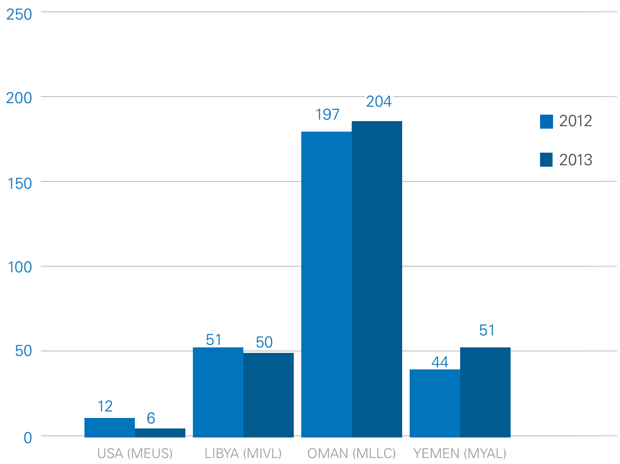




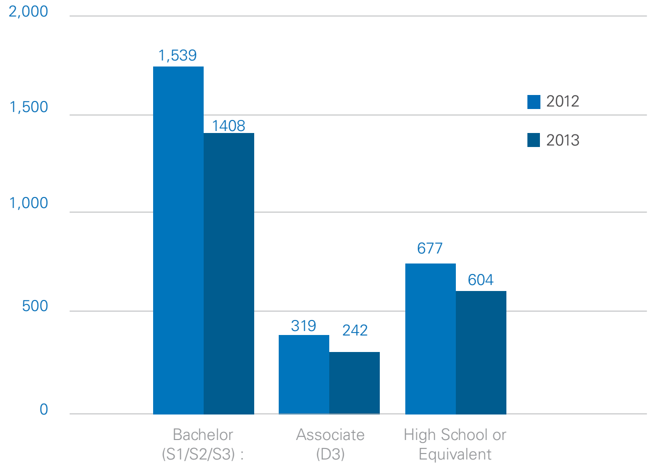
Internalizing Corporate Values

- **Culture Value Alignment**
  The continuity of the Company's business to date cannot be separated from the acculturation of the Values espoused by the Company as the basic norms of behaviour that employees are expected to follow in their daily activities within the realms of the Company. To ensure that these Values have been fully internalized, the Company has undertaken a measurement of the Culture Value Alignment in 2013, which produced a number of recommendations to be incorporated in other internalization programs in future. Employees who posses values that are similar to those of the Company's constitute a head start for the Company to pursue the strategy. As such, the education and socialization program of the Company's Values that will be undertaken continuously going forward, first and foremost, will be to

Total Number of Employees - Overseas



Employees Based on Education



strengthen the existing Values of the Company, which are professional, ethics, open and innovative on a sustainable basis through various means and media.

- **Behaviour Driven Performance**
  The Company is aware that behaviour of its employees in achieving their work targets has to be aligned with values of the Company. As such, in 2013, the Company included the element of behaviour in the Performance Management System as part of the employee performance evaluation. These are behaviours that are deemed to be the derivatives of the corporate values and culture that will propel the Company to higher achievements.

- **One Working Organization**
  The year 2013 was full of challenges for the Human Capital Directorate. The process to transform into a single one organization, that of MedcoEnergi, that had begun in 2011 must continue. A conducive working environment will support such a goal. The initiative taken was the harmonization of policies that are tied to compensation & benefit (C&B), which include the rules on working hours, annual leave, business trip, and several other rules.

Strengthening the Directorate of Human Capital

Since its formation in 2011, the Directorate of Human Capital has striven to improve a number of fields, be it the business process, supporting technology or employee competence, to contribute the best as a strategic partner to management. In 2013, the Directorate of Human Capital carried out improvements in the IT-based employee information system. One such improvement that had been undertaken involved the employee self-service master data update, enabling any employee to renew his or her employment master data, the use of the electronic document, and HR Dashboard. "Sahabat Pekerja" or an 'Employee's Buddy' was launched as a Help-desk in human capital to respond to the needs of employees in relation to employment information.

In terms of competence enhancement, in 2013 the Directorate of Human Capital undertook a number of initiatives to enhance the technical and non-technical competence of its staff members, one of which was the HR professional certification program.

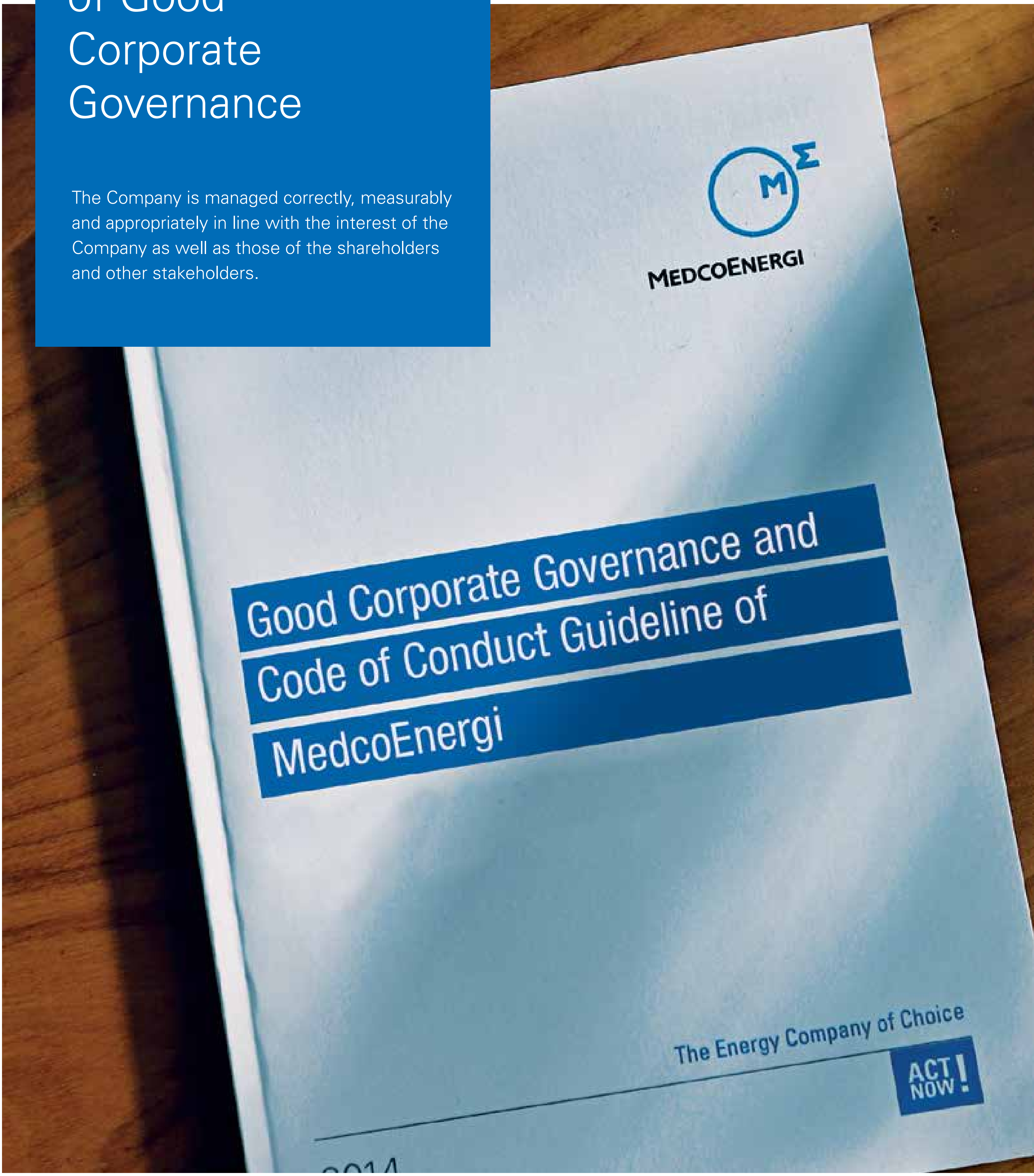
Statutory Report

MedcoEnergi continues to strengthen Good Corporate Governance (GCG), through which all of the committees under the Board of Commissioners exert every efforts to ensure that the principles of GCG involving Transparency, Accountability, Responsibility, Independence, Fairness and Equality are effectively implemented throughout the Company.

4

Implementation of Good Corporate Governance

The Company is managed correctly, measurably and appropriately in line with the interest of the Company as well as those of the shareholders and other stakeholders.

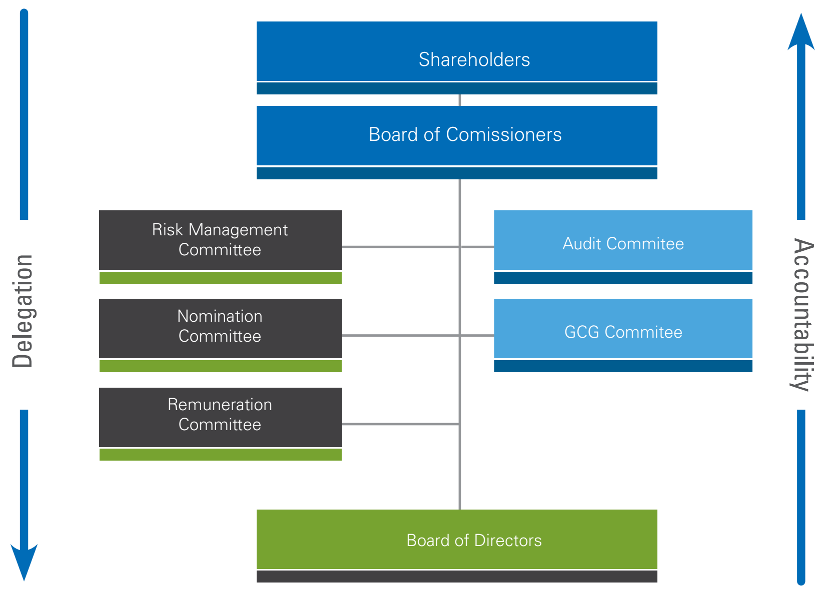


Implementation of Good Corporate Governance

The Company implements the principles of GCG pursuant to the Company Law No. 40/2007, the Capital Market Law No. 8/1995, the Company's Articles of Association, the regulations of the Indonesian Capital Markets and Financial Institution Supervisory Agency (BAPEPAM-LK), the regulations of the Indonesia Stock Exchange (IDX), the principles set forth by the Organization for Economic Cooperation and Development (OECD), the Indonesian GCG Guidelines and other pertinent regulations.

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

MedcoEnergi's Governance Framework



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

Shareholders

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

Board of Commissioners (BOC)

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

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

To ensure that the BOC can perform in accordance with its duties and responsibilities, MedcoEnergi sees that each member of the BOC has expertise that is in line with the businesses of MedcoEnergi. The number and qualification of members of the Board of Commissioners of the Company are adequate to supervise the management of the Company based on its size and scope of business.

Composition of the Board of Commissioners

The number of Independent Commissioners has complied with the rules pursuant to the Decision Letter of the Board of Directors of IDX Number: Kep-305/BEI/07-2004, which states that at least 30% of the composition of the Board of Commissioners of any publicly listed company should comprise of Independent Commissioners. Pursuant to the Resolution of the Annual of 26 April 2013, the Board of Commissioners of the Company comprised of six members, two of whom are Independent Commissioners with expertise in oil and gas, and finance.

As of the year end 2013, the Board of Commissioners of MedcoEnergi comprised of the following members:

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

Independence of the Board of Commissioners

Between the members of the Board of Commissioners and those of the Board of Directors neither have filial ties by blood nor are they cousins up to the third degree, either vertically or horizontally.

Independent Commissioners

Marsillam Simandjuntak and Gustiaman Deru are Independent Commissioners who are appointed by the GMS, having met the criteria for independence as follows:

(i) are not part of the Management, (ii) do not own business that can influence decision, (iii) are not majority shareholders, (iv) are not employees of the Company or its affiliation; at least three years prior to becoming members of the BOC, (v) were not a major supplier to the Company, (vi) do not have filial relations with the Company and its affiliates.

Duties and Responsibilities of the BOC

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

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

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

Procedure and Determination of Remuneration for the Commissioners

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

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

The following is the procedure and determination of remuneration for members of the BOC in 2013:

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

Board of Commissioners' Remuneration in 2013

(in thousand US$)

Salary and Benefits	Bonus	Tax	Total
944.99	1,035.00	380.13	2,360.12

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

Meetings of the Board of Commissioners

Pursuant to the Articles of Association and GCG & CoC of MedcoEnergi, the BOC is mandated to convene regular meetings as needed, at a meeting place that is collectively agreed by the BOC members.

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

Frequency of Meetings

In 2013, the BOC convened a total of seven meetings with an attendance rate of 86%, included thereof the meetings on Board Priority Setting and Budget Meeting.

Board of Commissioners Meeting Attendance

No	Name	30 January 2013	8 March 2013	25 April 2013	18 June 2013	17 October 2013	12 November 2013	17 December 2013	Total	%
1	Hilmi Panigoro	1	1	1	1	1	1	1	7	100
2	Gustiaman Deru	1	1	1	1	1	0	0	5	71
3	Marsillam Simandjuntak	1	1	1	1	0	1	1	6	86
4	Masayuki Mizuno (*)	1	0	1	0	0	0	0	2	67
5	Junichi Iseda (**)	0	0	0	0	1	1	1	3	75
6	Yani Y. Rodyat	1	1	1	1	1	1	1	7	100
7	Retno Dewi Arifin	1	1	1	1	1	1	1	7	100
Average Rate of Attendance (%)										**86%**

Notes :
(*): As Commissioner until 26 April 2013
(**): As Commissioner as of 26 April 2013

Training Programs to Enhance Competence

To ensure that the BOC carries out its duties effectively in supervising the management of the Company by the BOD, members of the BOC constantly advance their knowledge. Throughout 2013, the President Commissioner participated in several conferences as follows:

Training Programs to Enhance Competence for President Commissioner

Date	Training/Conference/ Seminar	Participation	Organizer	Venue
12 January 2013	*Diskusi Energi*	Guest Speaker	ITB	Bandung
30 April 2013	ELT Forum	Guest Speaker	Permata Bank	Jakarta
20 June 2013	University Collaboration Seminar	Guest Speaker	AUD/Seed-net University	Bangkok
6 October 2013	Renewable Conference	Participant	STS Forum	Kyoto Japan
4 November 2013	World Finance Conference	Participant	Credit Suisse 4th Annual Emerging Market Leadership Forum	Turki

Performance Assessment of the Board of Commissioners

Assessments of the performance of the BOC is carried out by the Nomination Committee and Remuneration Committee. The assessment is based on the Key Performance Indicator (KPI) for eventual decision by the BOC meeting to be forwarded to the GMS.

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

The Board of Directors

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

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

The number and qualification of members of the Board of Commissioners of the Company are adequate to supervise the management of the Company based on its size and scope of business.

Composition of the BOD

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

In line with the Resolution of the Annual GMS of 26 April 2013, the BOD of MedcoEnergi is comprised of five members, who are experts and are knowledgeable in the fields of oil and gas, and finance. The composition of the BOD up to the Annual GMS of 2018, is as follows:

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

Independency of the Board of Directors

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

Duties and Responsibilities of the BOD

The BOD is fully responsible for managing MedcoEnergi for the interests and the objectives of the Company, in accordance with the provisions in the Company's Articles of Association, as follows:
- Guide and manage MedcoEnergi in accordance with the Company's strategy and business objectives
- Formulate the business strategy and plan of the Company that is endorsed by BPS and Company's Work Program and Budget
- Implement a risk management system against potential risks that may arise from the implementation of the above business strategy and plan
- Ensure the growth of the Company to be in line with its strategic planning

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

Responsibility of Each Director

The scope of responsibilities of each Director are as follows:

President Director

Scope of Work

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

Responsibilities:

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

Director of Finance

Scope of Work:

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

Responsibilities:

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

Director of Operations

Scope of Work:

The Director of Operations has the function of establishing, managing and controlling the Company's policy on E&P operations, supporting facilities and the planning and management of oil and gas assets.

Responsibility:

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

Director of Human Capital

Scope of Work:

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

Responsibilities:

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

Director of Planning

Scope of Work:

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

Responsibilities:

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

Remuneration Policy

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

The following is the procedure and determination of remuneration for members of the BOD in 2013:

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

For the year 2013, the BOC proposes remuneration for all members of the BOC and BOD of the Company to the shareholders at the AGMS on 26 April 2013, totalling up to US$6.4 million.

Components of the Remuneration for Members of BOD

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

Directors's Remuneration

(in thousand US$)

Salary and Benefits	Bonus	Tax	Total
2,105.96	553.66	725.57	3,385.19

BOD Meetings

Pursuant to the AOA of MedcoEnergi, the BOD must convene meetings at all times when deemed necessary. To enhance oversight on the performances of MedcoEnergi and its Subsidiary Entities, routine BOD meetings are convened four times in a month. Throughout 2013, the BOD convened regular meetings with an attendance rate of 87.2%.

No.	Name	Directors' Meeting Attendance for January - December 2013 (%)
1.	Lukman Mahfoedz	86.5
2.	Syamsurizal Munaf*	75.0
3.	Frila B. Yaman	92.3
4.	Lany D. Wong**	86.1
5.	Akira Mizuta	92.3
6.	Dasril Dahya	91.2
Average Rate		87.2%

Notes :
(*): As director until 26 April 2013
(**): As director as of 26 April 2013

Training Programs to Enhance the Competence of the BOD

Members of the BOD participate in training programs to enhance their competence and to improve the execution of the BOD duties and responsibilities. Throughout 2013, members of the BOD participated in special education programs, training, conferences and seminars, including:

President Director's Competency Improvement Program

Training/Conference/ Seminar	Participation	Organizer	Venue	Date
37th IPA Convention & Exibihition	Panel Speaker	IPA	Jakarta	15 - 17 May 2013
APEC CEO Summit 2013	Participant	APEC	Bali	5 -7 October 2013
CEO Networking	Participant	BEI	Bali	4 - 5 November 2013

Planning Director's Competency Improvement Program

Training/Conference/ Seminar	Participation	Organizer	Venue	Date
Renewable Conference	Participant	STS Forum	Kyoto, Japan	6 - 8 October 2013

Operations Director's Competency Improvement Program

Training/Conference/ Seminar	Participation	Organizer	Venue	Date
International Petroleum Technology Conference (IPTC)	Participant	SPE	Beijing	26-28 March 2013
Kuliah TK 5017 - Praktek Keprofesian dan Kewirausahaan : Inovation	Guest Speaker	ITB	Bandung	19 April 2013
37th IPA Convention & Exibihition	Participant	IPA	Jakarta	15-17 May 2013
SKKMIGAS-BPK RI-BPKP: Optimalisasi Akuntabilitas Tata Kelola Industri Hulu Migas Indonesia untuk Sebesar-besar Manfaat Bagi Bangsa	Participant	SKKMIGAS-BPK RI-BPKP	Jakarta	25 November 2013

Finance Director's Competency Improvement Program

Training/Conference/ Seminar	Participation	Organizer	Venue	Date
66th CFA Institute Annual Conference	Participant	CFA Institute	Singapore	20-22 May 2013
DBS Asian Insight Conference	Participant	DBS	Singapore	4-6 July 2013

BOD Performance Indicators

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

The evaluation of BOD KPI represents the basis for the quantitative and objective evaluation in the determination of salary, benefit and bonus. In addition to KPI for the BOD as a whole, KPIs are also assigned to individual directors in line with their respective duties and rights. The performance of the BOD and respective directors in 2013 have been evaluated by the BOC in line with the above process. The results of this evaluation are presented by the BOC in the AGMS.

General Meeting of Shareholders

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

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

In 2013, the AGMS was held on 26 April with a quorum of 64.86% or an attendance of 2,161,419,796 shares out of the total outstanding 3,332,451,450 shares; with the following resolutions:

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

2. For the third agenda of the meeting, the meeting agreed with a majority vote the following:
   - Appropriation of the Company's Net Profit for the year ended 31 December 2012 amounting to US$12.593.288 (twelve million five hundred ninety three thousand two

hundred and eighty eight US Dollars) as follows:

- Appropriated as cash dividends amounting to US$ 3,335,329 (three million three hundred thirty five thousand three hundred and twenty nine US Dollars) to 2,941,996,950 (two billion nine hundred and forty one million nine hundred and ninety six thousand nine hundred fifty) shares - equivalent to US$ 0.0011 (zero point zero zero eleven US Dollars) per share.
- Booked the remaining net profit of 2012 amounting to US$9,257,958 (nine million two hundred fifty seven thousand nine hundred fifty eight US Dollars), as retained earnings;

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

3. For the fourth agenda of the meeting, the meeting agreed with a majority vote the following:
   Conferring the rights to the BOC and BOD of the Company to appoint a Public Accounting Firm that is registered under BAPEPAM-LK and formally affiliated as a member of the largest Global Public Accounting Firm to audit the balance sheet, profit and loss statement, and other parts of the consolidated financial report of the Company and its Subsidiary Entities for the year ended 31 December 2013, and determine the amount of honorarium for the said Public Accounting Firm.
4. For the fifth agenda of the meeting, the Meeting approved the honorable termination of all members of the BOC and BOD upon the completion of their duties as of this Meeting, and appoint the new members of the BOC and BOD of the Company for their subsequent tenures.
5. For the sixth agenda of the meeting, the Meeting agreed with a majority vote the following :
   - Determined the salary and benefit to be afforded to members of the BOC and BOD for the financial year 2013 (including tax), effective from 1 January 2013 to 31 December 2013, a maximum total of US$6,400,000 (six million four hundred thousand US Dollars) and endorsed the appropriation of salary and benefits that have been paid to the members of the BOC and BOD for the month of January 2013 until April 2013.
   - Grant the power of attorney to the BOC to determine the policy on the distribution of bonus, salary and benefits to each member of the BOC and BOD, including the determination of other forms of benefits to be provided to the members of the BOC and BOD of the Company.

Realization of GMS Resolutions

All of the resolutions of the GMS that have been approved by shareholders have been carried out by the BOC and BOD of the Company in 2013.

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

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

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

Process and Criteria for the Evaluation of the Board of Directors

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

The Audit Committee

The Audit Committee

The Audit Committee's main responsibility is to assist the BOC in assessing the integrity of operation and financial reports prepared by the BOD.

In addition, the Audit Committee also (i) identifies any violation issues related to the applicable law, rules, and regulations within the businesses of MedcoEnergi and its subsidiaries, (ii) reviews the quality implementation of the internal audits through strict audits towards planning, implementation, results and effectiveness of audit findings, (iii) reviews the results and effectiveness of follow-up actions on the audit findings by management, and (iii) evaluate the performance of the external auditors, and providing recommendations to the BOC on the election and appointment of the external auditors.

Composition and Independency of Members of the Audit Committee

The composition of the Audit Committee was changed in 2013, pursuant to the regulation of the Capital Market and Financial Institution Supervisory Agency (BAPEPAM-LK) No. KEP-643/BL/2012 dated 7 December 2013 on the Establishment and Guidelines in the Implementation of the Audit Committee Work.

Based on the resolution of the BOC of PT Medco Energi Internasional Tbk dated 22 May 2013, the Company's BOC terminated the tenures of all members of the old Audit Committee, who were Marsillam Simandjuntak, Hilmi Panigoro, Gustiaman Deru, Zulfikri Abubakar and Djoko Sutardjo; and subsequently appointed the members of the Company's new Audit Committee for a period of five years, namely Marsillam Simandjuntak, Jul Azmi and Ida Anggrainy.

As a result of which, the composition of the current Audit Committee comprises of three members, namely an Independent Commissioner of the Company, and two other members who are not Commissioners of the Company and came from outside the Company.

The composition of the Audit Committee in 2013 is as follows:

Name			Position
Marsillam Simandjuntak	MS	Independent Commissioner	Chairman
Jul Azmi	JA	External	Member
Ida Anggrainy	IA	External	Member

The above change in the composition of the Audit Committee was reported to OJK (Financial Services Authority) on 23 May 2013.

Duties and Responsibilities of the Audit Committee

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

Rights of the Audit Committee

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

Frequency of Meetings and Attendance Rate of the Audit Committee

During 2013, the Audit Committee reviewed the quarterly and annual financial statements and provided assurance to the Board of Commissioners that all consolidated financial statements comply with the Generally Accepted Accounting Principles of Indonesia (PSAK), and BAPEPAM-LK.

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

Based on the five meetings conducted in 2013 from 1 January 2013 until 31 December 2013, wherein all meetings were attended by 87 percent of the total members, below is the detail attendance of the Audit Committee meetings:

Audit Committee Meeting Attendance

No	Date	Meeting Agenda	Audit Committee Meeting Attendance							Total
			MS	HP	GD	ZA*	DS*	JA*	IA*	
			Chairman	Member	Member	Member	Member	Member	Member	
1	29 January, 2013	Update Audit Progress - Year end 2012	1	1	1	1	1			5
2	8 March, 2013	Approval of MEI Consolidation financial statement fot the Year Ended-2012	1	1	1		1			4
3	22 April, 2013	Approval of 1st Quarter 2013 MEI Consolidated Financial Statements	1	1		1	1			4
4	25 July, 2013	Approval of 2nd Quarter 2013 MEI Consolidated Financial Statements	1					1	1	3
5	24 October, 2013	Review of 3rd Quarter 2013 MEI Consolidated Financial Statements	1					1	1	3
Total Attendance			5	3	2	2	3	2	2	
Rate Of Attendance Status			100%	100%	67%	67%	100%	100%	100%	
Average			87%							

Notes :
* : External Member

: Replacement External Member of Audit Committee as of July 2013
ZA, DS : Jan – Jun 2013 JA, IA : Jul 2013 – now

In addition to attending the above five meetings, members of the Audit Committee also convened work meetings to discuss and understand the issues involving the duties and responsibilities of the Audit Committee in preparation for the quarterly meetings to approve financial statements.

With respect to the Consolidated Financial Statements of 2013, members of the Audit Committee have met a total of 10 times.

Execution of Duties

In 2013, the Audit Committee carried out its duties in accordance with the Audit Committee Charter, as follows:

- Undertook review and assessment on the adequacy of audit works by the external auditors, and commented on the audit results on the Company's financial statements for financial year 2013.

- Updated the Audit Committee Charter that incorporated the change that the Financial Statements to be filed.
- Undertook review and commented on the audit results by the external auditors on the Company's mid-year financial statements for the financial year 2013.
- Evaluated the performance, competence, independence, and objectivity of the Public Accounting Firm that carried out audit of the previous year and make recommendations for the consideration of the BOC and to be proposed to the GMS as the auditors for the consolidated financial statements for the financial year 2013.
- Undertook review on the Audit Findings Report of 2013 and presented certain points that required the attention of the BOC.
- Discussed the methodology for audit and monitored the progress of the audit of the consolidated financial statements for the year 2013 by the external auditors.
- Undertook review on the Company's compliance to laws and regulations of the Capital Market and others, and presented certain points that required the attention of the BOC.
- Carried out special assignments from the BOC.
- Formulated the work plan, and made periodical reports on the execution of duties of the Audit Committee.

The Nomination Committee

The main responsibility of the Nomination Committee is to assist the BOC in selecting and nominating candidates to the Board of Directors and the Board of Commissioners of MedcoEnergi and implementing the succession plan for the future leadership in MedcoEnergi.

Duties and Responsibilities of Nomination Committee

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

Rights of the Nomination Committee

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

Membership Structure

The membership structure of the Nomination Committee is based on the decision of the BOC and comprises a minimum of four members who are the Company’s Commissioners and Directors, with the majority members being the Commissioners. The Chairman of the Nomination Committee is one of the Company’s Commissioners.

No	Nomination Committee Member Name			Position
1	Yani Y. Rodyat	YP	Chairwoman	Commissioner
2	Gustiaman Deru	GD	Member	Independent Commissioner
3	Hilmi Panigoro	HP	Member	President Commissioner
4	Retno Dewi Arifin	RDA	Member	Commissioner
5	Lukman Mahfoedz	LM	Member	President Director
6	Lany D. Wong	LDW	Member	Director
7	Frila B. Yaman	FBY	Member	Director
8	Dasril Dahya*	DAS	Member	Director

Notes:
*) Resigned effectively as of 1 August 2013

Report of the Nomination Committee for 2013

Throughout 2013, the Committee carried out the evaluation process on the composition of BOC and BOD, at both the Company and Subsidiary Entity levels. This was in line with the principles of GCG that is fully adhered to by the Company. In addition, the Committee was also assigned to supervise the appointment of members of the BOC and BOD. The Committee convened a total of five meetings in 2013. Detailed table of the Committee's meeting attendance can be seen on page 144.

The Remuneration Committee

The Remuneration Committee is responsible to assist the BOC in formulating the policies on remuneration and evaluating the remuneration for members of the BOC and BOD, and to review the Company's policies on incentive programs.

Membership Structure

The membership structure of the Remuneration Committee, based on the decision of the BOC, comprises a minimum of four members who are the Company's Commissioners and Directors, with the majority members being the Commissioners. The Chairman of the Remuneration Committee is one of the Company's Commissioners.

No	Remuneration Committee Member Name			Position
1	Hilmi Panigoro	HP	Chairman	President Commissioner
2	Yani Y. Rodyat	YP	Member	Commissioner
3	Retno Dewi Arifin	RDA	Member	Commissioner
4	Lukman Mahfoedz	LM	Member	President Director
5	Lany D. Wong	LDW	Member	Director
6	Dasril Dahya*	DAS	Member	Director

Notes:
*) Resigned effectively as of 1 August 2013

Nomination Committee (NC) Member Meeting Attendance

No	Date	Meeting Agenda	Committee Member Attendance									TOTAL
			YR	HP	GD	RDA	LM	SRM*	LDW**	FBY	DAS***	
1	9-Jan	"Review and recommend: New Director to be nominated for MPI/CBDO"	1	1	1	1	1	1	-	1	1	**8**
2	23-Apr	"Review and recommend: MEI Boards Structure for BOC Approval to be forwarded to MEI AGMS/ EGMS on April 26, 2013"	1	1	0	1	1	0	-	0	0	**4**
3	26-Apr	"Review and recommend: Potential candidates for Subsidiary New Dir/CFO"	1	1	1	1	1	-	-	1	1	**7**
4	13-May	"Review & recommend: The assignment of Committees memberships (NC Com, RC Com, Audit Com, RMC Com, GCG Com) in line with 26 April AGMS/EGMS MEI Boards Structure"	1	1	1	1	1	-	-	0	1	**6**
5	20-May	"Review & recommend: Boards Structure of 7 Subsidiaries Company"	1	1	1	1	1	-	0	0	1	**6**
			5	5	4	5	5	1	0	2	4	**31**

End of duty on *) 25 Apr 2013
**) As of 20 May 2013
Start duty on ***) 31 Jul 2013

Duties and Responsibilities of the Remuneration Committee

- Develop a General Guideline of the Company's remuneration system for approval by the Corporate BOC and BOD.
- Develop and review policy on the remuneration of the Directors and Commissioners of the Company.
- Review and recommend the remuneration for members of BOC and BOD of the Company.

Remuneration Committee (RC) Member Meeting Attendance

No	Date	Meeting Agenda	Committee Member Attendance							TOTAL
			HP	YR	RDA	LM	SRM*	LDW **	DAS***	
1	23-Apr	"Review and recommend: 2013 Salary Budget for MEI BOC-BOD to be forwarded to the AGMS/ EGMS on April 26, 2013"	1	1	1	1	0	-	0	4
2	3-May	"Review and recommend: 2013 MEI BOC-BOD compensation and 2012 performance bonus (approval by BOC)"	1	1	1	1	-	-	0	4
3	6-May	"Review and recommend: 2013 compensation for BOC-BOD MEI subsidiaries (MEPI, MDI, MEMI, MGI, EPI)"	1	1	1	1	-	-	0	4
4	27-May	"Review and recommend: Compensation & Benefits Policy Classification for MEI & Subsidiaries "	1	1	1	1	-	1	1	6
5	1-Aug	"Review and recommend: Severance Compensation for Subsidiary "	1	1	1	1	-	0	-	4
6	15-Aug	"Review and recommend: Severance Compensation for Subsidiary "	1	1	1	1	-	1	-	5
7	1-Sep	"Review and recommend: Severance Compensation for Subsidiary "	1	1	1	1	-	0	-	4
			7	7	7	7	0	2	1	31

Start duty on *) 25 Apr 2013
**) 20 May 2013
End of duty on ***) 31 Jul 2013

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

Rights of the Remuneration Committee

The Committee shall have the rights to fully access the policies, system and remuneration for executives of Company and Subsidiary Entities.

Report of the Remuneration Committee

In 2013, the Committee reviewed the remuneration policies for members of the BOC and BOD and the disbursement of such remuneration. Based on the review and actual disbursement, the Committee estimated the remuneration of the BOC and BOD for the financial year 2013 to be submitted for the approval of the 2014 AGMS.

Risk Management Committee

The Risk Management Committee (RMC) is established to assist the Board of Commissioners in ensuring that the risks inherent in the Company's business have been defined and understood, and that subsequently, risk mitigation plans have been formulated and delegated to respective risk owners who are competent risk managers in the respective business units for every major transaction proposed to be undertaken by MedcoEnergi and its Subsidiary Entities.

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

No	Risk Management Committee Member			Position
	Name			
1	Hilmi Panigoro	HP	Chairman	President Commissioner
2	Marsillam Simandjuntak	MS	Member	Independent Commissioner
3	Masayuki Mizuno*	MM	Member	Commissioner
4	Yani Y. Rodyat	YP	Member	Commissioner
5	Syamsurizal Munaf*	SRM	Member	Director
6	Akira Mizuta	AM	Member	Director
7	Frila B. Yaman	FBY	Member	Director
8	Lany D. Wong**	LDW	Member	Director
9	Junichi Iseda**	JI	Member	Commissioner

Notes:
(*) : End of duty April 2013
(**) : Start duty on 25 April 2013

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

1. Three members should be representatives of the Company's BOC, in which two members are Commissioners and one member an Independent Commissioner
2. Two members should be representatives of the Director of Planning and Director of Finance of the Company. The President Commissioner acts as the Chairman of the RMC while the Head of Risk Management Department serves as the Secretary of the Committee.

Independence of the Committee

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

Duties and Responsibilities

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

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

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

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

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

Rights of the Risk Management Committee

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

Risk Monitoring Committee Report

In 2013, the Committee reviewed several transactions and corporate actions and gave its consideration on contingency measures that needed to be taken to mitigate the potential risks resulting from such transactions and corporate actions. Based on the recommendations of the Committee, the BOC gave its approval to undertake the transactions and corporate actions.

Frequency of Meetings

The frequency of meetings is on a need basis and in line with circumstances that require a meeting of the Committee, such as when a large-scale corporate action is required or when there is a request from members of the Committee. In 2013, the Risk Management Committee convened a total of five meetings with an attendance rate of 100%.

No	Name	Risk Management Committee Meeting Attendance					Total	%
		19 Apr	30 Apr	28 May	13 Aug	11 Dec		
1	Hilmi Panigoro	1	1	1	1	1	5	100
2	Yani Y. Rodyat	1	1	1	1	1	5	100
3	Marsillam Simandjuntak	1	1	1	1	1	5	100
4	Akira Mizuta	1	1	1	1	1	5	100
5	Frila Berlini Yaman	1	1	1	1	1	5	100
6	Masayuki Mizuno (*)	1	0	0	0	0	1	100
7	Syamsurizal Munaf (*)	1	0	0	0	0	1	100
8	Junichi Iseda (**)		1	1	1	1	4	100
9	Lany D. Wong (**)		1	1	1	1	4	100
Percentage of Attendance								100

Notes:
(*) : End of duty April 2013
(**) : Start duty on 25 April 2013

GCG Committee

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

Membership Structure

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

Duties and Responsibilities of the GCG Committee

- Develop and recommend a set of GCG principles and standards for the MedcoEnergi Group, and to review these standards periodically in terms of relevancy to the present global and local conditions.
- Review GCG policies set by the BOD periodically to ensure that the policies are in line with the recommended GCG principles and standards as well as recommend adjustment/amendment/improvement on the GCG policies whenever necessary.

Member of GCG Committee

Name		
Member of GCG Committee		
Marsillam Simandjuntak	MS	Chairman
Hilmi Panigoro	HP	Member
Yani Rodiyat	DS	Member
Lukman Mahfoedz	LM	Member
Frila B. Yaman	FBY	Member
Lany D. Wong	LDW	Member
Budi Basuki	BB	Member
Dasril Dahya*	DD	Member

Notes:
(*) Resigned effectively in 1 August 2013

- Promote consistent implementation of GCG practices within MedcoEnergi Group by setting members of the leadership as role models.
- Evaluate any potential conflict of interest or any other potential violations among the Directors, Commissioners and employees and provide recommendations to the BOC on the resolution of the matter.

Rights of the GCG Committee

All members of the GCG Committee shall have the rights to full access to all personnel, documents, data, facilities and fund relevant to the discharge of its duty. In discharging its duties, the GCG Committee works closely with the Internal Audit Committee and Corporate Secretary units.

Realized Program of the GCG Committee

Throughout 2013, the GCG Committee realized its working program, which among other things include the review on several newly enacted regulations and its implication on the Company, ensured that the Company implements the GCG principles by monitoring the signing of GCG Adherence Form by all Commissioners, Directors, and employees by electronic means through the BPM (Business Process Management).

As a follow up to the signing of the GCG Adherence Form, the Committee, with support from Corporate Compliance of Corporate Secretary, revised the GCG & CoC Guidelines that has been developed since 2008. In additions, the Committee also undertook a GCG socialisation program at Head Office and Subsidiary Entities, aimed at increasing the awareness of both internal and external stakeholders on the importance of GCG implementation.

Corporate Secretary

It is the commitment of MedcoEnergi to maintain compliance with the Rules of BAPEPAM-LK and PT Bursa Efek Indonesia (IDX). Since 1997 MedcoEnergi has complied with the Rules of BAPEPAM-LK No. IX.I.4 and IDX No. I-A regarding the Formation of the Corporate Secretary. To that end, the BOD of MedcoEnergi formed a Corporate Secretary Unit that is led by a Head of Division starting from the year 2005. In performing its duties and functions, the Corporate Secretary Division reports and answers to the President Director. The Head of Corporate Secretary is appointed pursuant to the Resolution of the BOD with the approval of the BOC. The current Head of Secretary Division is appointed pursuant to the BOD letter dated 28 June 2012, which went into effect on 2 July 2012. This appointment has been reported to BAPEPAM-LK through letter No. 376/MGT/MEGC/VII/2012 dated 2 July 2012 and announced in print media on 3 July 2012.

The Function of Corporate Secretary

As stipulated under the Rules of BAPEPAM-LK No. IX.I.4 and IDX No. I-A, the Corporate Secretary of the Company serves as a liaison between MedcoEnergi and its shareholders, BAPEPAM-LK, Stock Exchange, other capital market authorities, and the general public. In addition, the Corporate Secretary Unit is also responsible for keeping abreast of developments in laws and regulations related to the Capital Market, Company Law, and other laws and regulations related to the business sectors and business activities of MedcoEnergi and its Subsidiary Entities. The Corporate Secretary Unit of MedcoEnergi works closely with the Corporate Legal Division, and is responsible to advise on any changes on the prevailing laws and regulations for the BOD and BOC, as well as to ensure such changes in laws and regulations are complied by MedcoEnergi and its Subsidiary Entities. The Corporate Secretary Unit is also

Imron Gazali
Corporate Secretary

An Indonesian citizen, born in 1971, has been the Company's Corporate Secretary since July 2012.

He began his career in the oil and gas industry with ARCO Indonesia prior to joining BP Indonesia in 2000 as a commercial & financial analyst for various oil/gas producing and development assets. In 2004, he moved to BP Singapore Global Power team, where his wrk experience included various aspects of financial, commercial and business development of energy projects including gas, LNG, and power projects. He stayed at BP Singapore for five years, serving last as Director of Power Development for Indonesia.

In October 2008, he joined the Company and held two positions, the Vice President of Project Commercial and the Deputy Project Director for Sarulla Geothermal Power Project. In March 2011, he was appointed the Executive Assistant to CEO and Board of Directors of MedcoEnergi to date. In July 2012, he was appointed as the Corporate Secretary of the Company.

A prolific writer in scientific journals in the field of oil and gas, he graduated in 1995 from the Bandung Institute of Technology (ITB), majoring in Chemical Engineering, and earned a Master of Engineering degree in Chemical Engineering from Texas A&M University, USA, in 1998.

responsible to assist the BOD and BOC in ensuring that the principles of GCG are adhered to in the Company, in addition to overseeing that the Articles of Association of the Company and those of its Subsidiaries Entities are also adhered fully.

Implementation of Corporate Secretary's Duties and Functions

During 2013, the Corporate Secretary Unit assisted the BOD and BOC in (i) enhancing the communications of MedcoEnergi's BOD with all its stakeholders, (ii) enhancing the relationship of MedcoEnergi with the communities through the Social Responsibility program, (iii) enhancing the relationship of MedcoEnergi with institutions and Government authorities, (iv) ensuring the Company's compliance with the Regulations of BAPEPAM-LK and IDX as well as the Company's Articles of Association and (v) implementing the education and socialization of GCG Guidelines and Code of Conduct, re-energizing the Corporate Values and launching the Whistleblowing System.

Compliance with Regulations of BAPEPAM-LK, IDX and the Articles of Association

As part of MedcoEnergi's commitment in implementing Corporate Governance of the highest standards, the Company strives to ensure compliance with Rules of BAPEPAM-LK and IDX at all times. In addition, the Company ensures that all requirements of the Company's Articles of Association are complied with, as well as ensuring the availability of the Registry of Shareholders and Special Registry, Minutes of Meetings, Financial Statements and Annual Reports; holding the Annual GMS as scheduled; and ensuring that all corporate actions are undertaken in compliance with the regulations of BAPEPAM-LK and IDX, as well as the Articles of Association. In all of the above, in 2013 the Corporate Secretary Unit undertook the following functions and tasks:

Annual Financial Report

The Company has filed its Consolidated Financial Report in conjunction with the Independent Auditor's Report for the year ending 31 December 2013, with Comparison Figures for 2012.

Quarterly Financial Report

The Company filed its quarterly financial report to IDX and BAPEPAM-LK as follows: (i) First-quarter report on 24 April 2013, (ii) Second-quarter report on 26 July 2013 and (iii) Third-quarter report on 25 October 2013.

Annual Report

The Company filed its 2012 Annual Report to BAPEPAM-LK and IDX on 12 April 2013.

Credit Rating

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

No	Date	Subject
1.	10 October 2013	*Annual Rating Certificate for Medco Energi Internasional Shelf Registered Bonds I, Shelf Registered Bonds phase I and phase II in 2011, Shelf Registered Bonds phase III in 2012, Bonds II Series B in 2009 and Bonds III in 2012, and MTN III in 2010.*

Realization of the Use of Proceeds From the Public Offering

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

Information Disclosure and/or Press Release

No	Date	Subject
1	11 March 2013	Swap Agreement with Salamander
2	19 March 2013	Medcoenergi Continues to Remain Strong in Operation Performance
3	13 June 2013	Medco E&P Contractor has been released from captivity
4	15 August 2013	Information Disclosure Regarding the Transfer of the Company's Buyback Shares
5	17 October 2013	Expiration of Production Sharing Contract Merangin-1 Working Area, Jambi
6	18 October 2013	Closing Down of Operation Activities in PT Medco Ethanol Lampung

Throughout 2013, the Company undertook information disclosure to BAPEPAM-LK, IDX, and the general public for business decisions or information and material facts that could affect the price of the Company's shares or investment decisions, and Press Releases including:

Monthly Report on Exploration Activities

The Company has fulfilled the requirement to submit monthly reports on exploration activities to IDX from January through December 2013. The report submission follows the stipulated deadline.

Information Disclosure

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

Internal Audit Unit

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

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

The (former) Capital Market and Financial Institution Supervising Agency (BAPEPAM-LK, now the Financial Services Authority or otherwise known as OJK in the Indonesian acronym), has issued Regulation Number IX.I.7, juncto the Decision of BAPEPAM-LK Chairman No: Kep-496/BL/2008 of 28 November 2008, on the formation of the Internal Audit Unit for Publicly Listed Company.

As a Publicly Listed Company, the Company has fulfilled said BAPEPAM-LK regulations by having a fully-fledged Internal Audit Unit that has been functioning since 1998.

From the start, the Company has been aware that Internal Audit constitutes an integral part of the Company that is crucial to the implementation of Good Corporate Governance through its oversight function.

Internal Audit Charter

The Internal Audit Charter of MedcoEnergi was prepared in 2003 and has been revised in 2012. The Internal Audit Charter specifically elaborates on the following points:

- Vision, Mission and Goal of the Corporate Internal Audit
- Role of Internal Audit
- Scope of Activities
- Independence and Authority
- Working Accountabilities
- Quality Assurance
- Reporting Accountabilities
- Handling of Potential Fraud

Head of Internal Audit

Based on the Decision of BOC of 29 October 2010, the Head of the Internal Audit Division of the Company is served by Eddy Hasfiardi.
To support the execution of internal audit within the Company and Subsidiary Entities, the Company's Corporate Internal Audit Unit employed seven auditors including the Internal Audit Head as of 31 December 2013.

Internal Audit Professional Certification

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

Eddy Hasfiardi

Head of Corporate Internal Audit Unit

An Indonesian citizen, born in 1963. Appointed as Head of Corporate Internal Audit in November 2010.

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

He received his Bachelor's degree in Economics from Jayabaya University in 1987 and Master of Business Administration and Technology/Magister Management from the Bandung Institute of Technology (ITB) in 2001.

Duties of Internal Audit

The duties of Internal Audit are as follow:

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

Responsibility of the Internal Audit Unit

Responsibilities of the Internal Audit Unit cover the following:

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

Internal Audit Structure

The structure of the Internal Audit Unit comprises of three departments, namely Department of Investigative Audit, Department of Internal Audit and Department of Audit Support and Administration.

Execution of Internal Audit Works

In 2013, Internal Audit carried out 10 general audits and two special audits on the Company and Subsidiary Entities. The auditees have responded to all of the audit findings, and as of December 2013 the auditees had followed up on about 75% of the audit findings.

Internal Control System

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

The Internal Control System comprises of:

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

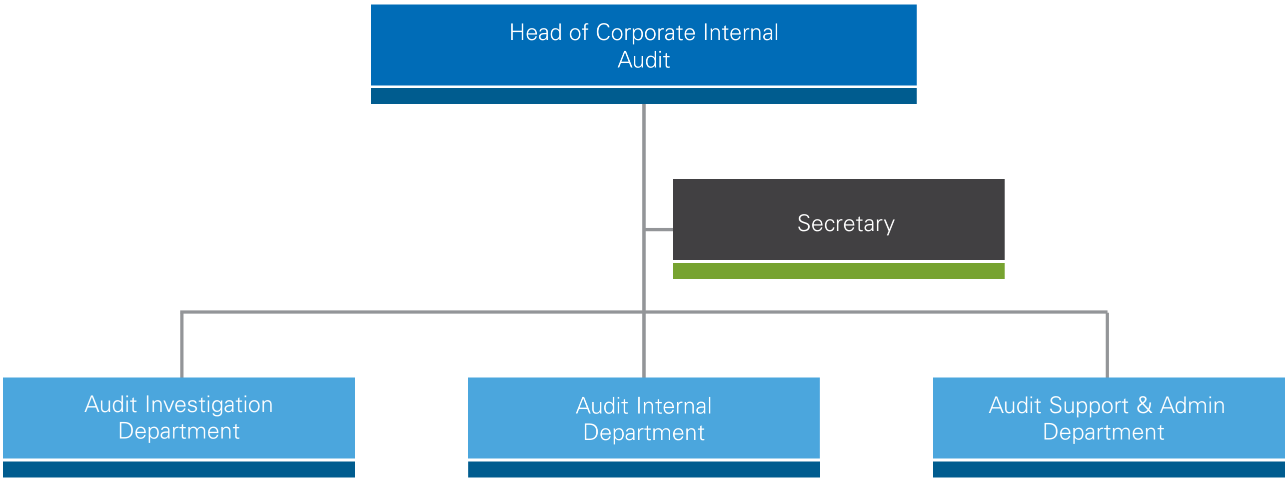
Evaluation on the Effectiveness of the Internal Control System

Each division of the Company and Subsidiary Entities undertakes an Internal Control System over every duties and authorities of the respective divisions that are then evaluated by the Management.

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

Independent Accountants

The Company has appointed the external auditors that have been approved by the AGMS of the Company on 26 April 2013, namely the Public Accounting Firm Purwantono, Suherman & Surja, a member firm of Ernst & Young Global Limited, to perform the audit on the Company's Financial Statement for financial year 2013 based on the



recommendation of the BOC, and being a Public Accounting Firm that is registered with BAPEPAM-LK. The total fee for the audit of the Consolidated Financial Statements of 2013 amounted to US$685,000.

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

Company Code of Ethics

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

Content of Code of Ethics

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

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

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

Code of Ethics Throughout the Organization

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

Implementation and Upholding of the Code of Ethics

In implementing and upholding the Code of Ethics, MedcoEnergi has formulated policy that includes the Guidelines for GCG Implementation and Code of Conduct in 2008. This guideline book is an improvement to the previous Guidelines on Governance and Code of Ethics that was issued by the Company at the end of 2003, and contains instruction by which to act correctly when interacting with stakeholders.

At the end of 2013, the Good Corporate Governance and Code of Conduct Guidelines of MedcoEnergi (GCG & CoC) was revised to incorporate the updates in the organisation and Committee charters.

GCG as a Corporate Culture

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

In 2013, the Company continues to instill the commitment and required all BOC, BOD, and employees to sign and submit an annual electronic adherence form through the BPM. By signing on this adherence form, the BOC, BOD, and employees have made GCG a personal commitment and also ingrained it as a culture within the Company.

Whistleblowing System

To strengthen the implementation of GCG principles and internal control systems, the Company launched a Whistleblowing system in 2008. This system enables the reporter/whistleblower to submit a written report to the Company.

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

Protection for the Whistleblower

As stated in the GCG & CoC, the confidentiality of every report shall be guaranteed and the Company will protect the right and security of every whistleblower from any potential danger or repercussion.

Complaints Handling and Management

In 2013, MedcoEnergi received a number of whistleblowing reports from external and internal parties. The Company continued to process and investigate several of the reports, specifically those that relate to Fraud, Corruption, Breaches of Policy and Conflict of Interest cases.

Results of Complaints Resolution

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

Reporting Mechanism and Whistleblower Protection

To ensure the independency of whistleblowing report, the Company has engaged Deloitte Consultants Indonesia (Deloitte) since 2010. The

Company limits the reporting of whistleblowing to the following areas: Fraud, Corruption, Breaches of Policy, Conflict of Interest, Financial Statement Fraud, Bribers, Misconduct and any unethical behavior.

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

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

In 2013, the Company was not able to proceed with the ESOP and MSOP programs that had been approved by the Extraordinary GMS of 27 May 2010, in which a total of 166,622,572 shares from the Company's treasury stock has been sold or transferred by the company on 15 August 2013.

Litigation

i. The Process of Partner Selection to Invest in the Donggi Senoro Project

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

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

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

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

Based on website http://kepaniteraan.mahkamahagung.co.id, it was known that on July 30, 2012, the Supreme Court decided in favour of the memorandum of appeals filed by MedcoEnergi with Pertamina and MC. Thus, this Supreme Court decision cancels the decision of the District Court of Central Jakarta and the above decision of the KPPU. As of the date of the completion of the consolidated financial statements, MedcoEnergi has yet to receive the copy of the said Supreme Court decision.

Nevertheless, management believes that the decision issued by the Commission Panel's on MedcoEnergi has no strong legal merit and as such, MedcoEnergi has not made any provision for the litigation.

ii. Arbitration with Singapore Petroleum Sampang Ltd ("SPC") and Cue Sampang Pty Ltd ("Cue")

On 10 August 2012, Medco Strait Services Pte Ltd, a Subsidiary, served a Notice of Arbitration to Singapore Petroleum Sampang Ltd ("SPC") and Cue Sampang Pty Ltd ("Cue") to recover its claims from these two parties totalling about US$ 35.06 million relating to the Subsidiary's investment in the Jeruk Project.

As of the date of this annual report, the Court of Arbitration that has been formed on an ad-hoc basis, and the disputing parties have filed their documents needed to proceed with the case to said court of arbitration.

The disputing parties underwent the arbitration trials on 3-5 September 2013. From these trials, no decision was issued on the case. The claim of Medco Strait Services Pte Ltd had been revised from US$35.06 million to US$ 33.16 million.

On 6 March 2014, the Arbitration Court Majelis issued an Interim Award to the parties, the verdict of which contains the following key points:

- The Court decided in favour of the Company, and instructed SPC and Cue to refund the excess investment fund in Jeruk that hitherto had been held by SPC and Cue.
- The Arbitration Court agreed that MedcoEnergi should be refunded for the cost expended in the investment of the Jeruk field, once SPC and Cue have received all their share of investment cost in Jeruk, even though the source of fund for the refund should come from revenues derived from other fields in the Sampang PSC.
.
- The Arbitration Court is of the opinion that the refunding of the investment cost in the Jeruk field need not wait for the full recovery of the investment cost in other fields to SPC and Cue beforehand (that constitute the source of fund that will be used in the refund of the investment cost for the Jeruk field), which SPC and Cue denied.
- The Court of Arbitration declined proofs filed by both parties in the determination whether SPC and Cue have received all of the investment cost recovery pertaining to the share of SPC and Cue. The Court decided on a specific method of calculation to determine whether the investment cost at the Jeruk field has been fully recovered or not.

Based on the calculation method stipulated by the Court, SPC and Cue are deemed to have not received their share of the full amount of investment cost recovery at Jeruk prior to the start of this arbitration. On that basis, the Company is not yet entitled to receive the sum of funds that it had sought for in the arbitration suit.

However, the Court had indicated that at this time there is the possibility that a full recovery of said investment cost might have been settled by the Government based on said calculation method.

The Court also stipulated the method by which the withheld amount related to the oil profits from the cost that is recovered from the State, could be calculated. Although the method for calculating any such withheld amount has been stipulated, the Court at this time has not been able to determine the value.

Based on this Interim Award, the Court gave the opportunity for all parties (MedcoEnergi, SPC and Cue) within a period of 14 days or more, if agreed by all parties, to file written documents that could help the Court to award a final decision on this arbitration.

iii. Law Suit of M. Nur AB and Jamaluddin Rani on the Process of Land Clearance at Blang Simpo Village.

On 20 December 2011, A law suit by M. Nur AB and Jamaluddin Rani (Plaintiff) was filed against PT Medco E&P Malaka (Defendant) at the Idi District Court The Plaintiff claimed that Defendant acted against the law in the process of land clearance at Blang Simpo Village, Perureulak, Matang-1, East Aceh. Plaintiff is claiming for compensation of Rp 1,050,000,000.

The Company is of the opinion that such a claim has no real legal basis, and the case still awaits due process at the Idi District Court, for which the Company did not set aside a provision for this case in its consolidated financial statements.

iv. Arbitration with Soconord S.A.

On 17 May 2013, Soconord S.A. (Petioner) filed a petition against the Joint Operating Body Pertamina - Medco Tomori Sulawesi (Petitioned) at the Indonesian National Arbitration Board (BANI), Jakarta. The Petitioner claimed that the Petitioned acted against the law pertaining to a Guarantee Letter issued by the Petitioned to pay to the Petitioner a sum of US$1,161,310 plus 6% interest per annum

BANI issued an arbitration award on 10 January 2014, in favour of the Petitioner, instructing the Petitioned to pay a sum of US$1,161,310 plus 6% interest per annum (interest to be calculated from the due date of payment stated in the Guarantee Letter until the date of the arbitration award). As such, the Company had set aside provisioning for this case in its consolidated financial statements.

v. Law Suit by PT Mira Mirza Samudra Samarinda

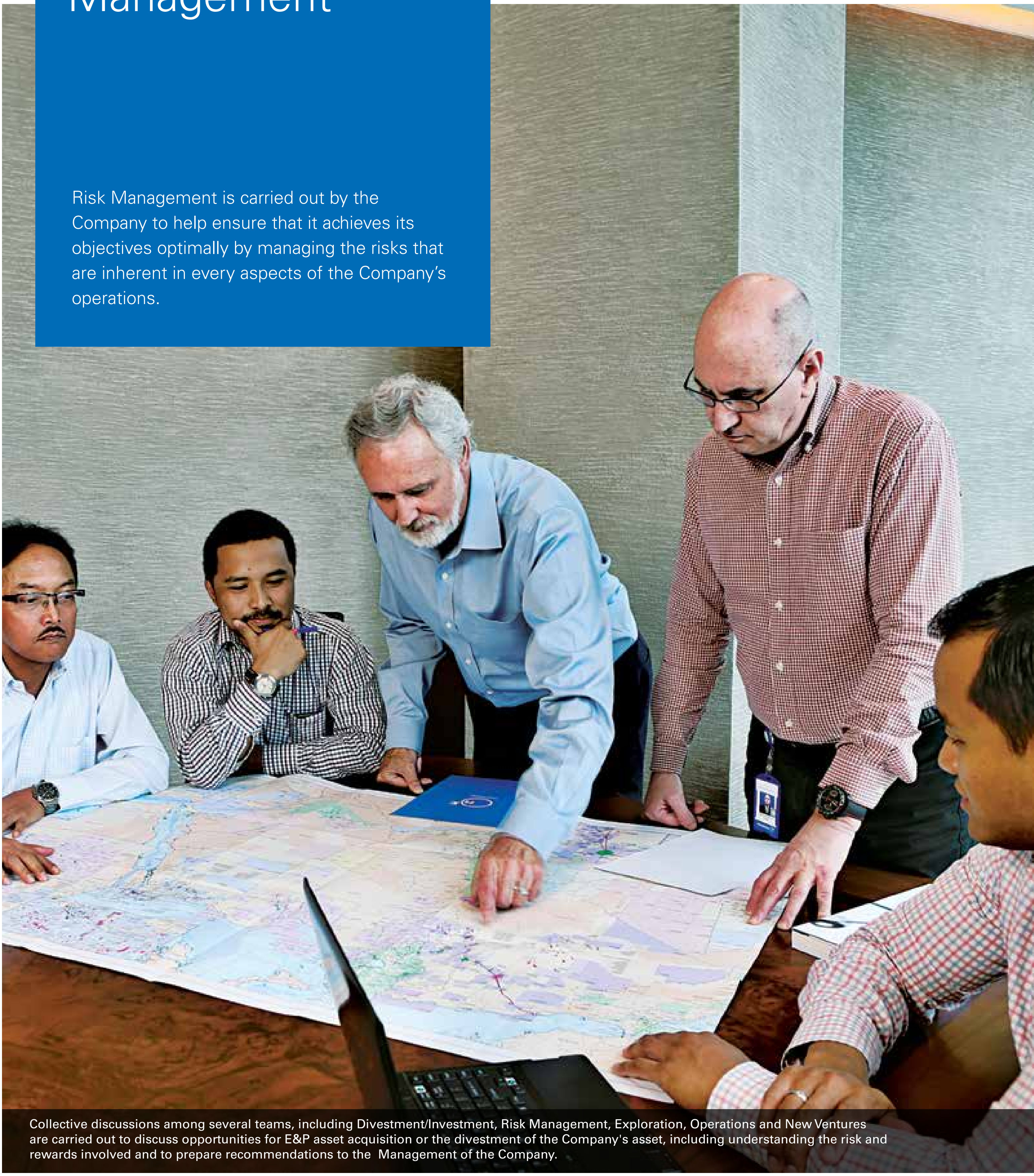
On 29 May 2006, PT Mira Mirza Samudra Samarinda (Plaintiff) filed a law suit against PT Medco E&P Indonesia (Defendant I) and PT Pertamina EP Region KTI (Defendant II) at the Tenggarong District Court. The claim was filed against Defendant I when Defendant was acting as the operator based on a Technical Assistance Contract (TAC). The TAC had ended and the operatorship transferred to Pertamina EP in October 2008. The substance of dispute involves a claim by Plaintiff of Rp1,180,000,000 for an incident involving a boat that was chartered by Defendant I from Plaintiff for the purpose of operations under the TAC.

On 3 May 2007, the Tenggarong District Court decided that the claim by Plaintiff was not acceptable and Plaintiff appealed against this decision to the Samarinda High Court.

As of the date of this Annual Report, this law suit is still under due process at the Samarinda High Court. The Company is of the opinion that the law suit has no real legal basis, and as such, the Company did not set aside a provisioning for this case in its consolidated financial statements.

Risk Management

Risk Management is carried out by the Company to help ensure that it achieves its objectives optimally by managing the risks that are inherent in every aspects of the Company's operations.



Collective discussions among several teams, including Divestment/Investment, Risk Management, Exploration, Operations and New Ventures are carried out to discuss opportunities for E&P asset acquisition or the divestment of the Company's asset, including understanding the risk and rewards involved and to prepare recommendations to the Management of the Company.

Risk Management

Risk management is part of the responsibility of Company's management and is an integral part of the decision making process of the Company. Risk management also constitutes a key pillar in the implementation of GCG.

The commitments of the Company to enhance GCG practices are manifested in the management of risks in every activity and function of the Company.
The Company has formed a Risk Management Committee (RMC) that is responsible for monitoring the implementation of risk management that is based on reviews and risk assessments.

In addition to enhancing risk management initiatives, risk assessment is also enhanced. The Corporate Investment/Divestment and Risk Management Division undertakes the risk management initiatives, and coordinates all risk management activities within Company and its Subsidiary Entities for risk assessment, including the monitoring of strategic risks as well as the operating risks of the Company and Subsidiary Entities.

Risk Management is also carried out by the Company towards a strategic corporate action or new initiative by the Company in the financial and operational areas, using an integrated process and system that begins with the reviewing of any strategic corporate action proposal in line with the business strategy and plan of the Company. The next step is to assess the economic viability and undertake extensive due diligence on the risk profiles including mitigation plan and risk monitoring.

Risk mitigation is measured on the basis of cost-benefit considerations that are sorted by the target priority of the Company. Subsequently, RMC will review the process thoroughly and extensively and give its recommendations to the BOD for the approval of management and BOC. The assessment of risks and their mitigation are part and parcel of the decision making process of Management.

Principles of Risk Management

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

1. Risk management is part of the responsibility of Management and an integral part of the decision making process within the Company. The Company's Management identifies and is aware of all inherent risks in all activities, whether strategically or operational wise.
2. Management supports the disclosure of risk in a transparent manner by all personnel of the Company.
3. Risk management is directed by Management to be part of the Company's corporate culture.
4. By having the best information to make informed decision, Management can prioritize the Company's activities and differentiate between several alternatives to arrive at a particular action with mitigated risks to achieve the Company's goals.
5. Risk mitigation is determined based on cost and benefit considerations and is sorted out on the basis of priorities with respect to the Company's goals.
6. The Assessment of risks and their mitigation forms an integral part of management's decision-making process.
7. Risk management continues to be enhanced and upgraded in order to ensure the sustainable development and growth of the Company.
8. Risk management is practiced within the Company to help the Company achieves its goals optimally, in the interest of all stakeholders in a just and fair manner in accordance with the environment in which the Company or its Subsidiary Entities operate.

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

Key Risk Factors and Their Management

Throughout 2013, the Company assessed, managed, mitigated and monitored risks that are inherent in all facets of its operations. These inherent risks have not significantly changed from those faced by the Company in the 2012.

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

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

1. Risk Factors from Core Business

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

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

The following is a list of the risks facing the Company as an oil and gas company:

a. Risk of Declining Reserves

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

b. Exploration Risk

Exploration activities in oil and gas are exposed to risks in which there is a possibility that no new oil or gas reserves are found, or that oil and gas reserves are found in less than commercial quantities that can provide gains to the Company.

To mitigate this risk, the Company carries out all phases of development carefully and prudently, from the initial study of G&G (Geology and Geophysics), seismic, determination of point of drilling, cost estimate to economic feasibility.

In addition, the Company strives to keep up with advancing technology and develops its own technology and standards to benefit from the use of internal resources as well as trained consultants who are experts in their respective fields.

c. Development Risk

The Company’s development activities are exposed to several risks that are associated with the Company’s ability to complete projects up to commercial operation, such as the risk of project delays, technical risks and cost overruns.

To mitigate this risk, the Company has placed a Director of Development since 2011 to ensure the completion of Major Development Projects according to schedule and budget of the respective projects.

In 2013, the Company continued its focus on the completion of Senoro, DSLNG, Libya 47, Block A, EOR Rimau and Sarulla projects within their respective targets.

d. Production Risk

Declining production is one of the risks that is generally faced by an oil and gas company.

The Company has managed this risk quite well, with its success in maintaining the level of production of oil and gas over the past several years.

The Management, under the guidance of the Director of Production, has identified, mitigated and monitored all risks that can hinder production targets. These measures are carried out continuously through daily production reports, safety health and environment reports and daily production meetings.

Efforts by the Company to maintain the level of production include maintaining reservoir pressure, the use of sand fracturing technique, drilling of infill wells, horizontal drilling and application of secondary recovery techniques with high standard of SHE to maintain operational stability in the fields.

The Company has also utilized advanced technology such as EOR (Enhanced Oil Recovery) to lift more oil, in addition to seeking opportunities to acquire producing assets.

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

2. Risk Factors from Auxiliary Businesses

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

In the business of gas distribution pipelines, the primary risk is damage to pipelines that lead to the disruption of gas flow to consumers. The Company mitigates this risk through insurance coverage and the implementing high standards of SHE.

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

In power generation, the Company manages its risks through a strategic partnership with PT Saratoga Power (Saratoga). Through the joint venture MPI, the Company together with Saratoga have built, managed, and produced electricity that is distributed and sold to the State-Owned Electricity Company (PLN).

MPI operates gas-fired power generating plants, using fuel sources that are available in various parts of Indonesia. MPI has anticipated and mitigated risks associated with power generation, including damage to the generating unit, a spike in the price of gas, currency exchange rate volatility, by having favorable clauses in the Power Sale and Purchase Agreement, Gas Supply Agreement and Maintenance Contracts with PLN, the gas supplier and equipment manufacturers, respectively, in addition to relying on insurance coverages.

3. Financial Risk Factors

The global economy is affected by the dynamics of global markets, especially related to changes in the price of crude oil, currency exchange rates and interest rates, domestically as well as internationally.

The risks of crude oil price, interest rates, and currency exchange rates can materialize into downside risks if the Company should fail to manage these risks properly and adequately.

a. Crude Oil Price Risk

The risk associated with the global price of crude oil has been faced by the global energy market for many years.

With oil and gas businesses predominantly structured through PSC and PSA contracts, the Company shares this risk with the governments where MedcoEnergi operates.

In addition, the Company also produces gas for the domestic market, in which the price of gas is determined through a formula that is not related to the global price of crude oil. With the production of gas for the domestic market, the Company is not exposed to the fluctuation of global crude oil price.

b. Interest Rate Risk

The Company is exposed to interest rate risk, the fluctuation of which may affect the financial cost of the Company with respect to its debt instruments and bank borrowings, especially when financial liquidity is tight.

The Company manages its interest rate risk by closely monitoring domestic and international money markets.

A strategy of financing with lower interest-bearing instruments is applied to settle debts of higher interest-bearing. This reduces the financial cost of the Company in the short-term as well as long-term.

The Company has several alternatives of financing to realize its financial needs whether through bonds, bank borrowing or project financing and other means of financing in Rupiah or foreign currency denomination.

The ability to analyze financial markets and obtain the best mix of financing alternatives becomes a strategic tool for the Company to manage its interest rate risk prudently.

c. Currency Exchange Rate Risk

The Company has businesses in diverse regions other than Indonesia, including in Oman, Libya, Yemen, Papua New Guinea and the United States.

Exploration and production activities in various countries are exposed to potential currency exchange risk from the volatility of local currencies.

The revenues and a large portion of the Company's expenses are stated in US Dollars, just as the accounting of the Company uses US Dollar denomination.

Operating expenses and some liabilities, including the Company's debts in Rupiah and other currencies, are exposed to currency exchange rate risk of the particular currency against the US Dollar.

In mitigating these risks, the Company continuously monitors and reviews the security and economic risks in the region in which the Company operates and resorts to financial hedging coverage if and when the risks should escalate near the maximum tolerance level of the Company's risk exposure.

4. Risks Factors Related to Government Regulation/Policy, Legal and Regional Security

a. Risks that are related to Government Regulation/Policies could have a direct impact on the Company's oil and gas, power generation, and mining businesses.

   These businesses are considered strategic in certain countries, such that regulations and supervision on these businesses are undertaken by the government itself through regulation, legislation and other forms of government controls.

   The Company manages these risks among other things by actively providing inputs to the government in relation to legislation reforms and formulation of government policies.

   In addition, the Company is also active in energy industry associations and interest groups related to the Company's businesses.

   These efforts are taken in order to keep updated on information with regard to possible changes in laws, regulations and government policies at the earliest opportunity.

b. Legal risks in the form of law suits and litigation related to partnerships with other parties and/or relations with local communities in which the Company operates.

   The Company mitigates these risks among other things by undertaking CSR programs that benefit local communities, including social empowerment programs, education, and infrastructure development.

   In addition to that, the Company also strives to maintain open communications with local communities as well as with the Company's business partners.

c. Regional Security Risk
   Regional security risk in countries where the Company operates is continuously monitored closely by the Management by engaging consultants as well as in consultation with the Company's advisors. These efforts also include forming close ties with local companies and participating in social and informal inter-country friendship programs.

5. Risk Factors in Safety, Environment, and Natural Disasters

a. Environmental risks as a result of oil spill and gas blowouts and fire can result in potential damage to third parties in which the Company will be liable for damages to properties and lives.

   The Company seeks to reduce the possibility of these risks by adhering to rigorous and fixed standard operating procedures as well as through adequate insurance coverages.

b. The operational safety and health of employees or people engaged in the Company's operations are the number one priority for the Company. Management seeks to mitigate safety and health risks by enforcing strict adherence to standard operating procedures, increasing awareness on safety issues (safety first) among personnel through training programs as well as providing guidelines and strong enforcement of these programs.

   The Company also subscribes to insurance contracts that adequately cover any liability that may arise from these risks.

c. Risk of Natural Disaster
   The operations of the Company are distributed over several geographical regions in the world.

   The oil and gas E&P of the Company in those locations are subject to natural disasters such as tropical storms, hurricanes, earthquakes, tsunamis, floods, and well blow-outs and other calamities that may have an adverse impact on the Company’s operations.

   To mitigate these risks, the Company strives to maintain access to energy resources when such risks occur and to take insurance coverage against those types of risks whenever possible.

Insurance Coverage on the Company Assets

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

1. **Energy Package Insurance Policy**
   This insurance covers the risk of potential loss to operational assets related to the production facility and machinery of oil and gas exploration and production activities. Those assets include the Company operations in the United States of America, Yemen, Libya and Oman, with an insurance value of US$1,339 million. The largest increase in insurance coverage premium arose due to the construction project of production platforms in Tomori (Indonesia).

2. **Comprehensive Machine Insurance Policy**
   This insurance covers the risk of potential loss to operational assets related to the production facility of downstream industries such as ethanol and gas pipelines with a total coverage of US$32 million. The Company's insurance coverage was lower than that of the previous year because it no longer engaged in LPG production and HSD trading.

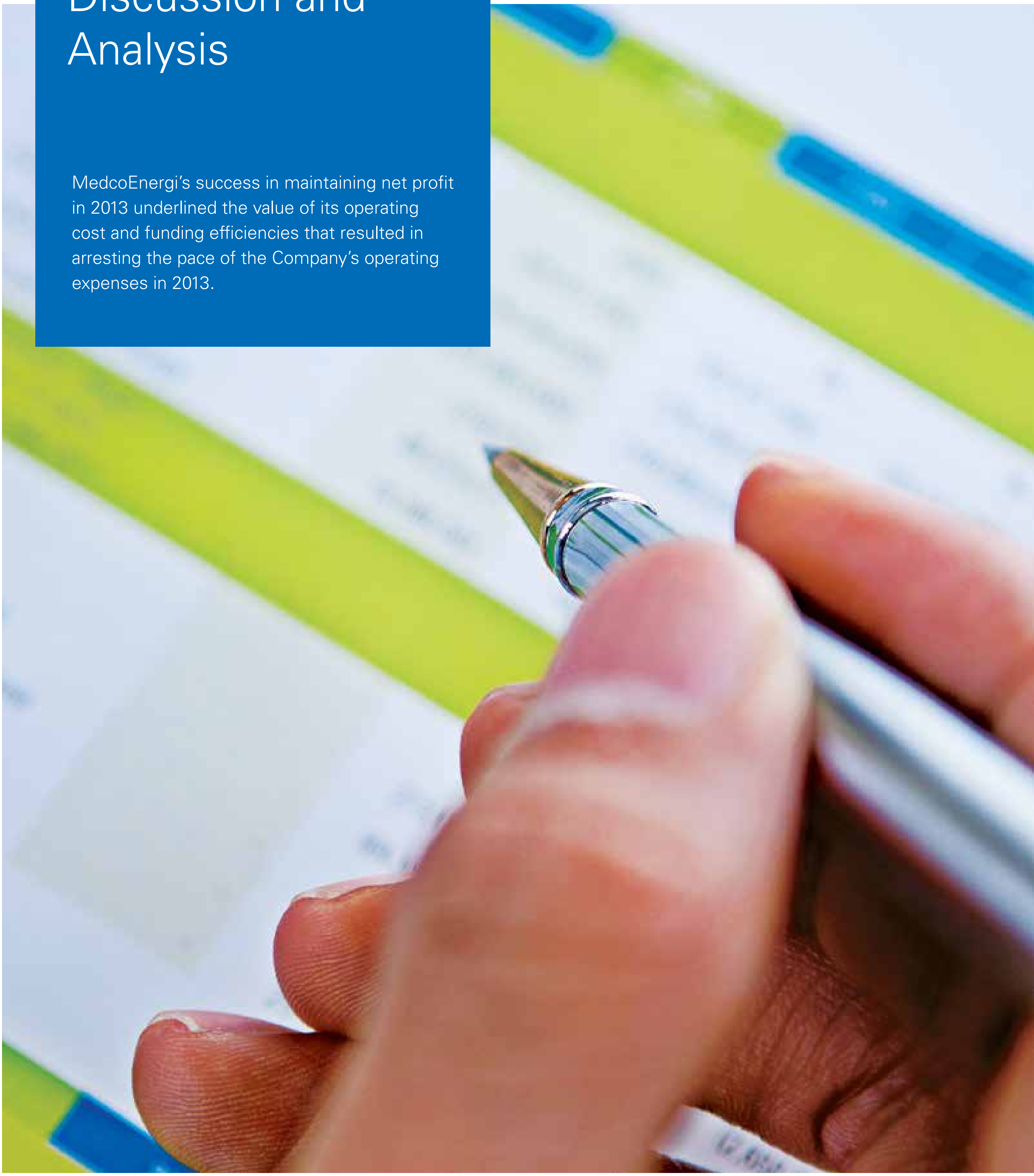
3. **Marine Cargo Insurance Policy**
   This insurance policy covers the risk of potential loss to assets in the form of cargo transported using the vessel in its distribution, specifically the load of coal belonging to a Subsidiary Entity with an insurance coverage of US$6 million. This coverage was slightly lower than that of the previous year because the Company no longer traded in HSD.

4. **Contractor Plant and Machinery Insurance Policy**
   This insurance policy covers the risk of potential loss to assets in the form of equipment and machinery facilities in the Company's subsidiaries activity in drilling services and coal mining. The insurance coverage amounted to US$62 million.

5. **Third Party Liability Insurance Policy**
   This insurance policy is intended to cover the loss that the Company has to compensate for, which resulted from litigation by a third party in relation with the operational activities and their effects. The insurance coverage amounted US$98 million. The lower insurance coverage than that of the previous year was due to the exclusion of insurance by Subsidiary Entities that are not operated by the Company.

Management's Discussion and Analysis

MedcoEnergi's success in maintaining net profit in 2013 underlined the value of its operating cost and funding efficiencies that resulted in arresting the pace of the Company's operating expenses in 2013.



A positive aspect in the achievements of the Company during that year was that it also managed to arrest the decline in the oil reserves of aging fields to a level of below 10% compared to the normal average rate of decline of 20-25%.

Management's Discussion and Analysis

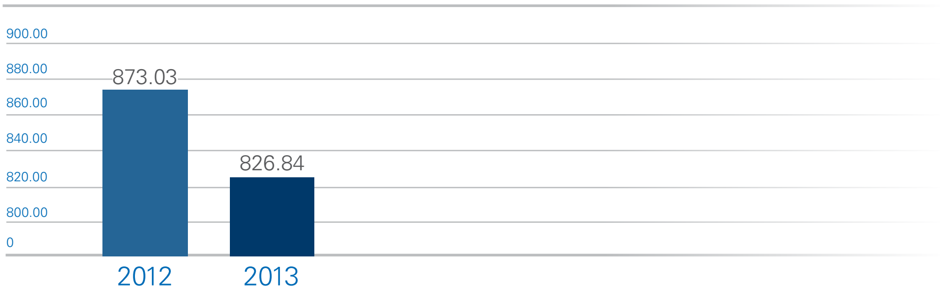
MedcoEnergi's commitment to maintain a stable operating performance in 2013 was evident from the EBITDA of the Company for the year, which was stable at a range of US$340-350 million. Efforts to reduce interest expenses on funding proved to be effective, as shown by the significant decline in funding expenses during the year. In addition, the cost efficiency program undertaken by the Company also yielded positive results as general and administrative expenses declined during the year. Another positive aspect for the year under review was the success of MedcoEnergi to arrest the decline in the oil reserves of aging fields to a level of below 10%, compared to the normal average rate of decline of 20-25%.

Net Oil & Gas Sales

In 2013, MedcoEnergi posted a total of US$826.84 million in oil-and gas sales, a decline of 5.29% from US$873.03 million in 2012. The decline was due to a lower realized oil price of US$108.26/barrel in 2013 compared to US$115.89 barrel in 2012. The Company's commitment to maintain the level of its revenues was underscored by its successful negotiations to improve the price on several gas sales contract in 2013, which increased the realized average selling price of gas in 2013 to US$5.41/MMBTU compared to US$4.03/MMBTU in 2012.

Sales of Oil and Gas

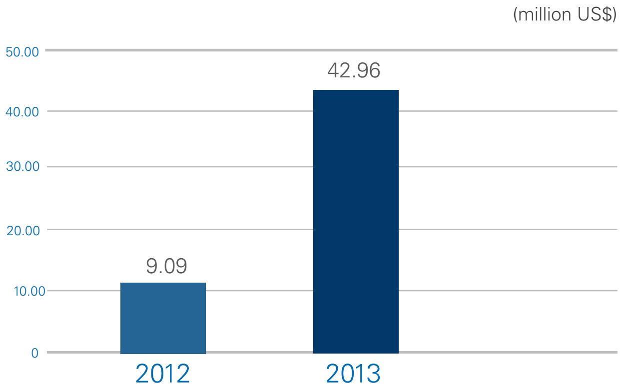
(million US$)



Sales Revenue from Coal

The Company through the Subsidiary Entity PT Duta Tambang Rekayasa posted total sales that increased significantly to US$42.96 million from US$9.09 million in 2012. The increase was due to PT Duta Tambang Raya's success in achieving optimum production capacity, resulting in the increase of sales volume in 2013 to 525,342 MT from 132,035 MT in 2012.

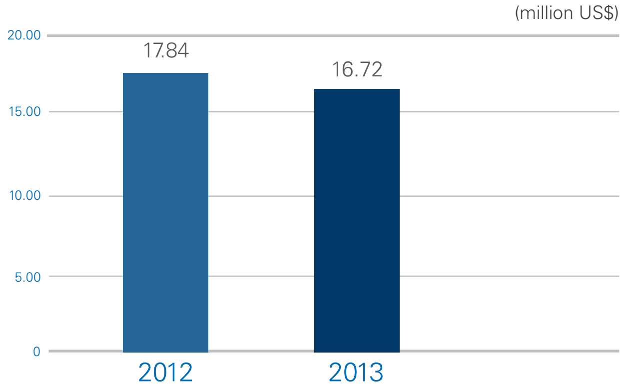
Revenue from Coal



Revenue from Services

The Company posted revenues from services totalling US$16.72 million in 2013, a decline of 6.29% from US$17.84 in 2012. In 2013, the segment actually posted higher sales. However, since the increase was obtained from drilling services across the same business line of the Company, it was not included in the consolidated profit-and-loss statements of the Company.

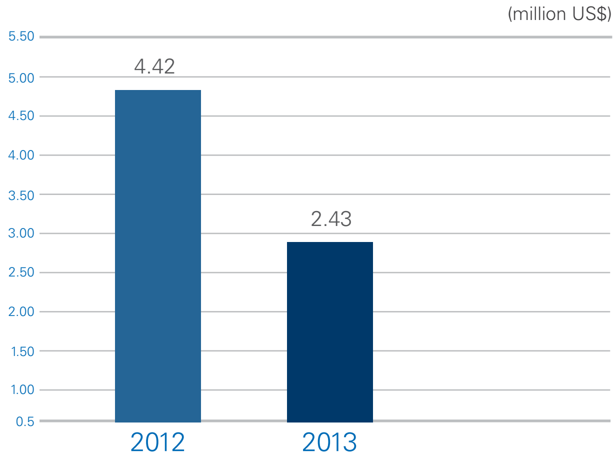
Revenue from Services



Sales Revenue from Chemicals and Other Petroleum Products

The Company posted total sales from chemicals and other petroleum products of US$2.43 million in 2013, a decline of 45.14% from US$4.42 million in 2012. The decline was due to the divestment of PT Medco Sarana Kalibaru that the Company undertook in 2012, which had been the largest revenue contributor to the segment.

Sales of Chemicals and Other Petroleum Products



Gross Profit and Gross Profit Margin

MedcoEnergi posted total consolidated cost of sales and other direct costs of US$521.73 million in 2013, an increase from US$502.44 million in 2012. The increase was primarily due to an increase in deprecation cost during the year as a result of the Company's declining oil and gas reserves due to production, without the discoveries of new oil and gas reserves as their replacements.

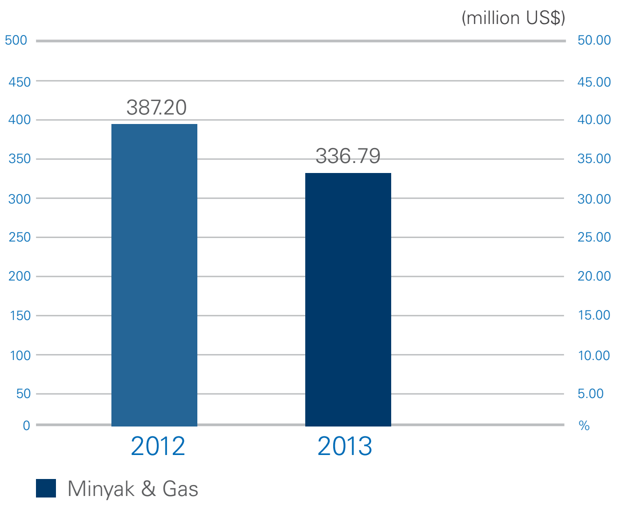
The success of PT Duta Tambang Rekayasa in achieving optimum production in 2013, contributed significantly to the Company's Gross Profit for the year. All the Company achieved a gross profit of US$367.22 million in 2013, lower by 8.64% from US$401.94 million in 2012. The decrease in gross profit in 2013 brought a corresponding decrease in the Company's gross profit margin to 41.31% from 44.44% in 2012.

The oil and gas segment posted a decrease in gross profit to US$336.79 million from US$387.20 million in 2012. This translated into a slight decrease in gross profit margin to 41.76% from 41.85% in 2012.

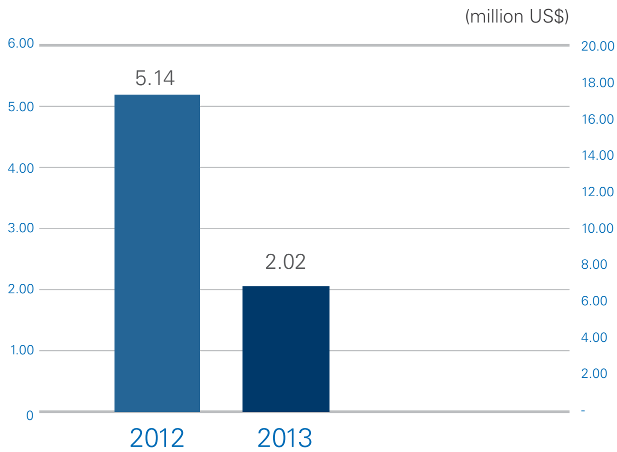
The chemical and other petroleum products segment posted a decrease in sales to US$8.32 million from US$203.56 million in 2012. The decrease resulted from the divestment of PT Medco Sarana Kalibaru that was completed in 2012. This contributed to a decline in gross profit margin to minus 2.76% from 0.41% in 2012.

The services segment posted an increase in total sales to US$35.93 million from US$26.16 million in 2012. On the sales expense side there was an equally significant increase. The largest increase was due to the large depreciation expense as a result of asset acquisition by the Company in 2012. As a result of this, gross profit declined from US$5.14 million in 2012 to US$2.02 million in 2013. This contributed to a decline in gross profit margin to 5.63% from 19.66% in 2012.

Gross Profit from Oil & Gas Sector

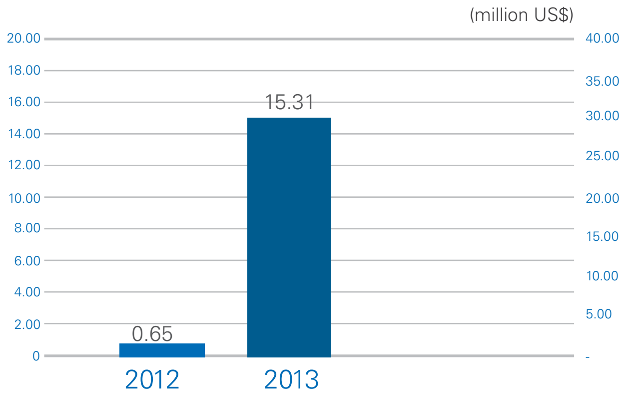


Gross Profit from Services Sector



The coal segment posted a significant increase in total sales in 2013 to US$42.96 million from US$9.09 million in 2012. The increase was due to the success of the Company in achieving optimum production capacity in 2013. This resulted in an increase of gross profit to US$15.31 million from US$0.65 million in 2012. The success contributed to the increase in gross profit margin to 35.64%, from 7.18% in 2012.

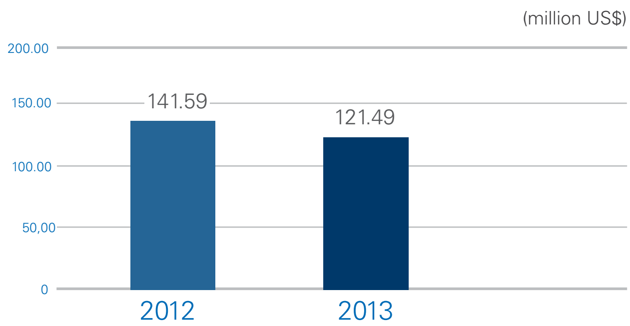
Gross Profit from Coal Sector



Sales, General and Administration Expenses

The Company's commitment to maintain cost efficiency in 2013 was underscored by its success in reducing sales, general and administrative expense during the year by 14.20% to US$121.49 million from US$141.59 million in 2012.

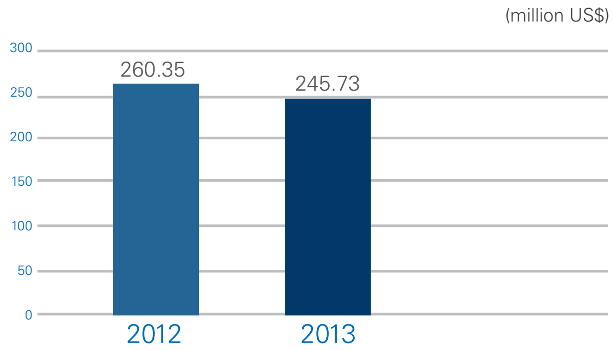
Operating Cost



Operating Profit

MedcoEnergi posted an operating profit of US$245.73 million in 2013, a decline of 5.61% from US$260.35 million in 2012. As a result, operating profit margin in 2013 decreased to 27.64% compared to 28.79% in 2012.

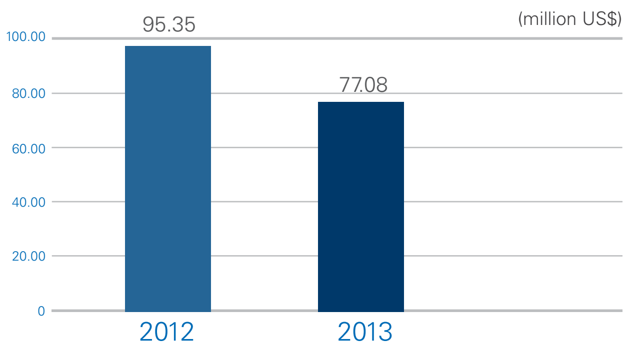
Operating Profit



Financing Expense

The Company succeeded in reducing financing expense to US$77.08 million from US$95.35 million in 2012. The Company successfully executed a cross currency interest rate swap on its Rupiah denominated bonds that were issued in 2013 and retired borrowings with high interest rates. These efforts resulted in a significant reduction of the Company's interest expense in 2013 compared to that of 2012.

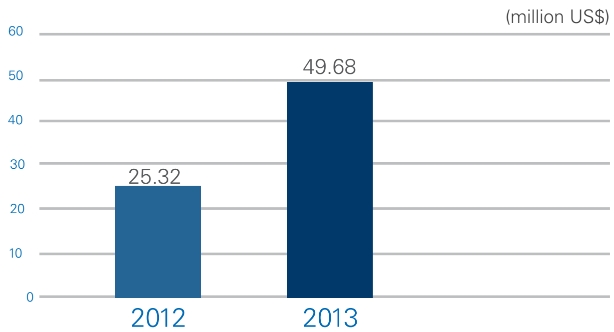
Financing Cost



Other Revenues (Expenses)

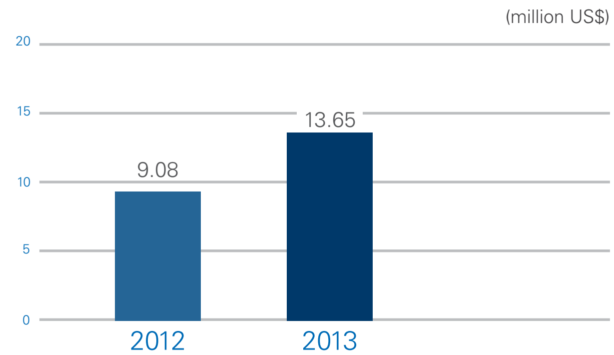
In 2013, other revenues increased by 96.19% to US$49.68 million from US$25.32 million. The increase was dominated by gains made on foreign currency translation as well as from the restitution of value-added tax provision from Subsidiary Entities that are engaged in the oil and gas sector.

Other Income



Other expenses of the Company rose by 50.29% to US$13.65 million from US$9.08 million in 2012, whereby the increase was mainly incurred from the cost of the adjustment of fair value from a hedging transaction by the Company, and provisioning for uncollected receivables in 2013.

Other Expense



Other Comprehensive Revenues After Tax

Other Comprehensive Revenues After Tax comprised of:

- **Fair Value Adjustment on Cashflow from Hedging Instruments**

  In 2013, there was an increase of loss from the Fair Value Adjustment on Cashflow from Hedging Instruments to US$40.48 million from US$13.24 million in 2012. One of the factors that contributed to that increase was the depreciating Rupiah against the US Dollar, falling from Rp9,6790 to Rp12,189 to the US Dollar in 2013. The Company sought to protect its cash flow by hedging several liability instruments including Rupiah Bonds totalling Rp3.5 trillion and bank borrowings amounting to Rp1.4 trillion.

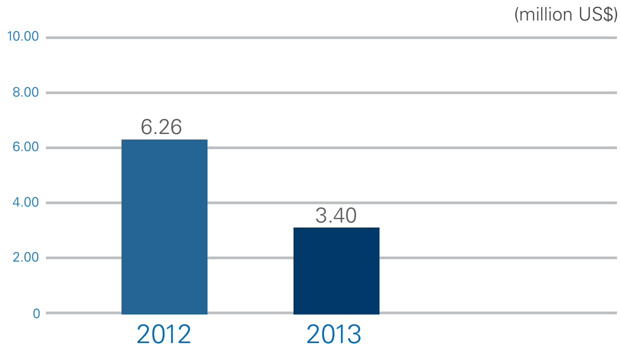
- **Foreign Currency Translation in the Financial Statements**

  Foreign currency translation in the financial statements arises from different currency denominations in the book of the parent company and those of subsidiary entities. In 2013, the translation produced gains of US$0.99 million, compared to US$0.48 million in 2012. This was due to the considerable depreciation of the Rupiah against the US Dollar in 2013.

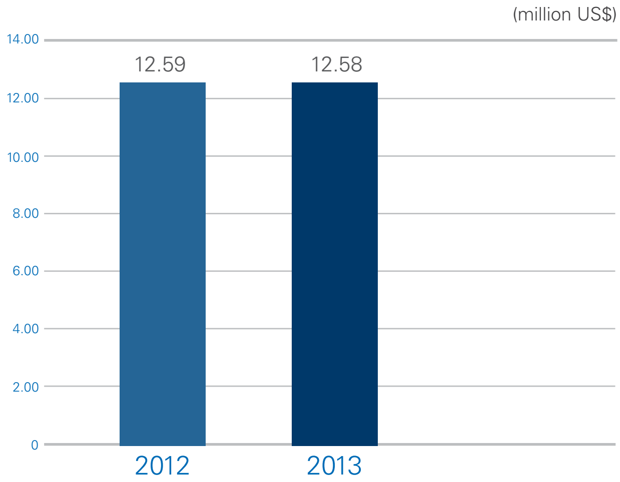
- **Profit Attributable to Minority Interests**

  Profit Attributable to Minority Interests decreased by 45.77% to US$3.40 million in 2013 from US$6.26 million in 2012. The decrease was due to lower revenue contribution from the Company's operating block in Oman that decreased the share of minority interests from the operating block.

Profit Attributable to Minority Shareholders



Profit Attributable to Shareholders of the Parent Entity



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

In 2013, the Company posted Profit that is Attributable to Shareholders of the Parent Entity was amounting to US$12.58 million, a decline of US$0.01 million compared to US$12.59 million in 2012. As a result, the amount of earning per share declined to US$0.0041 from US$0.0043 in 2013. The success of the Company in maintaining its Profit that is Attributable to Shareholders of the Parent Entity was largely attributed to the cost efficiency policy as well as the Company's successful efforts to reduce the cost of borrowings by entering into a cross currency interest rate swap on several of its Rupiah denominated bonds and the retirement of high interest-bearing bank borrowings.

The Company's net profit margin in 2013 rose to 1.42% from 1.39% in 2012. This was because the decline in sales, general and administrative expense as well as the decline in borrowing expense were able to offset the decline in the Company's total sales, resulting in the slight increase of the Company's net profit margin in 2013 compared to that of the previous year. In terms of return on assets, there was a slight increase to 0.50% from 0.47% in 2012. The increase was triggered by the decrease in the Company's total fixed assets that transpired in 2013 largely due to the fair value adjustments made on the assets of PT Medco Ethanol Lampung; whereas in terms of return on equity, there was a slight decrease to 1.40% from 1.49% in 2012. The decrease was largely due to the sale of the Company's treasury stock in 2013 that contributed to the increase in the amount of paid-in capital by 68.87%.

Profitability Ratio

Ratio (%)	2013	2012
Net Profit Margin	1.42	1.39
Return on Assets	0.50	0.47
Return on Equity	1.40	1.49

Assets

Current Assets

The total current assets of MedcoEnergi declined by 28.24% to US$821.45 million as of year-end 2013, from US$1,144.66 million in 2012. The difference of US$323.21 million was primarily due to the significant decline of cash and cash-equivalent to US$263.97 million by year-end 2013 from US$525.65 million as of year-end 2012. The trade receivables declined by 2.38% to US$143.63 million by year-end 2013 from US$147.13 million as of year-end 2012 and the decline of other receivables was by 4.06% to US$75.94 million by year-end 2013 from US$79.16 million as of year-end 2012. The of long-term investments declined by 18.68% to US$253.44 million by year-end 2013 from US$311.67 million as of year-end 2012, while the decline of advances for share purchases was by 95.41% to US$1.38 million by year-end 2013 from US$30.08 million as of year-end 2012. The bank accounts with restricted use increased by 316.36% to US$5.59 million by year-end 2013 from US$1.34 million as of year-end 2012, whereas the increase in prepaid tax was by 21.68% to US$11.41 million by year-end 2013 from US$9.38 million as of year-end 2012. The increase in investment available for sales was amounting to US$24.99 million as at year-end 2013.

The decline in total net cash was largely due to the use of cash for the retirement of bank borrowing amounting to US$421.51 million and the retirement of other long-term debts amounting to US$41.45 million, plus the increase of cash derived from operating activities amounting to US$209.44 million. All of which resulted in a cash and cash-equivalent balance of US$263,97 million as at year-end 2013.

Composition of Current Assets

(in US$)

Description	2013	Contribution (%)	2012	Contribution (%)	△ (%)
Cash and cash equivalents	263,973,998	32.14	523,651,774	45.75	(49.59)
Short-term investments	253,437,152	30.85	311,668,012	27.23	(18.68)
Restricted cash in banks	5,593,518	0.68	1,343,426	0.12	316.36
Trade receivables - net	143,634,520	17.49	147,129,298	12.85	(2.38)
Other receiveables - net	75,940,543	9.24	79,157,762	6.92	(4.06)
Inventories - net	37,164,353	4.52	36,503,594	3.19	1.81
Prepaid taxes	11,413,219	1.39	9,379,589	0.82	21.68
Prepaid expenses	3,758,125	0.46	4,066,007	0.36	(7.57)
Derivative assets	1,380,823	0.17	30,080,481	2.63	(95.41)
Advance for purchase of shares	160,194	0.02	1,682,237	0.15	(90.48)
Other current assets	24,989,685	3.04	-	-	
Total	**821,446,130**	**100**	**1,144,662,180**	**100**	**(28.24)**

Non Current Assets

As of year-end 2013 non current assets increased by 13.17% to US$1,710.23 million from US$1,511.18 million as of year-end 2012. The increase was contributed by the increase of other receivables by 35.82% to US$144,13 million by year-end 2013 from US$106.12 million as of year end 2012. The increase in long-term investments was by 59.30% to US$319.46 million by year-end 2013 from US$200.54 million as of year-end 2012. The increase in exploration and evaluation assets was by 42.15% to US$155.73 million by year-end 2013, from US$109.55 million as of year-end 2012. The oil and gas assets increased by 6.25% to US$902.47 million by year-end 2013 from US$849.39 million as of year-end 2012, while the decline of fixed assets was by 28.83% to US$85.70 million by year-end 2013 from US$120.41 million as of year-end 2012. The net deferred tax asset decreased by 28.45% to US$42.60 million by year-end 2013 from US$59.54 million as of year-end 2012.

Composition of Non Current Assets

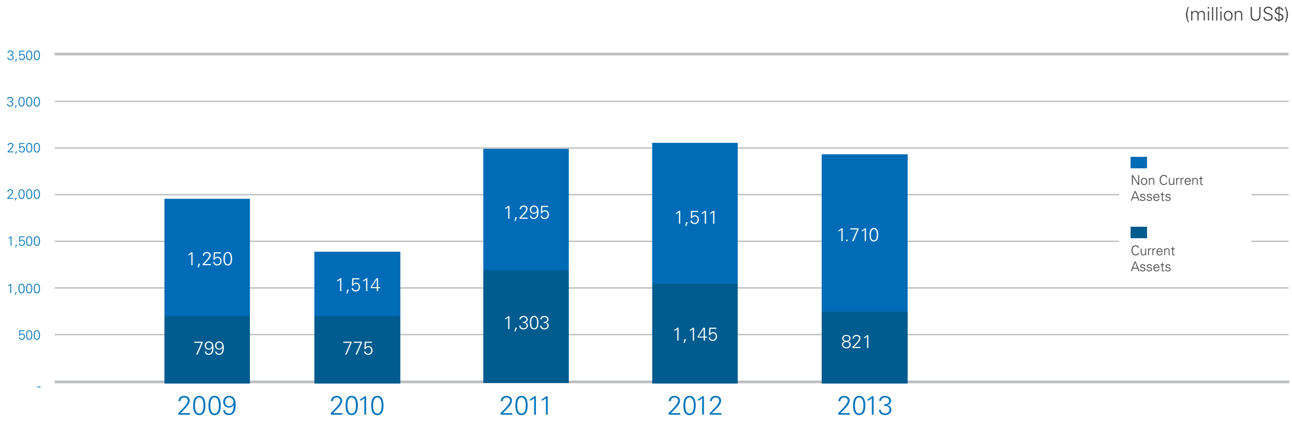
(in US$)

Description	2013	Contribution (%)	2012	Contribution (%)	∆ (%)
Other receivables - net	144,132,820	8.43	106,121,133	7.02	35.82
Restricted cash in banks	7,834,751	0.46	10,898,277	0.72	(28.11)
Deferred tax assets - net	42,600,507	2.49	59,541,169	3.94	(28.45)
Long-term investments	319,458,987	18.68	200,540,593	13.27	59.30
Investment in projects	30,324,414	1.77	30,324,414	2.01	-
Fixed assets	85,700,769	5.01	120,410,982	7.97	(28.83)
Mining Property - net	610,264	0.04	-	-	-
Exploration and evaluation assets	155,729,959	9.11	109,552,742	7.25	42.15
Oil and gas assets	902,468,908	52.77	849,387,645	56.21	6.25
Other assets - net	21,371,961	1.25	24,401,569	1.61	(12.42)
Total	**1,710,233,340**	**100**	**1,511,178,524**	**100**	**13.17**

Total Assets

Total assets as of year-end 2013 amounted to US$2,531.68 million, a decline of 4.68% from US$2,655.84 million as of year-end 2012. The decline in total assets was largely due to the decline in current assets, particularly cash and cash-equivalent and short-term investment, accompanied by increases in non-current assets especially in oil and gas assets, exploration and evaluation assets and long-term investments.

Current and Non Current Assets



Cash and Cash Equivalent

This account consists of Cash and Bank amounting to US$165.89 million and Cash Equivalent in the form of Bank Term Deposits that are not restricted in their use amounting to US$98.08 million. The composition of Cash and Bank is 2.97% denominated in Indonesian Rupiah and 96.84% denominated in US$, with the remaining 0.18% denominated in other currencies. The Cash Equivalent held by the Company was in the form of term deposits that were placed in several domestic and international banks, of which 97.53% was denominated in US$ and 2.47% in Rupiah. The average rates of interest on these US Dollar deposits ranged from 0.05% to 3.75%, while those on Rupiah deposits ranged from 5.00% to 8.75%. In 2013, Cash and Cash Equivalent declined by 49.59% from US$523.65 million a year ago primarily due to the repayment of bank borrowings and other long-term debts totalling US$462.97 million. The increase in oil and gas assets of US$154.53 million increase of investment in securities of US$100.29 million, as well as the net cash receipt of US$261.71 million from operating activities and proceeds from the sales of treasury stock of US$80.39 million.

Composition of Cash and Cash Equivalent

(in US$)

Description	2013	Contribution (%)	2012	Contribution (%)	Δ (%)
Cash on hand	44,081	0.02	86,239	0.02	(48.89)
Bank					
Rupiah	4,934,680	1.87	17,151,643	3.28	(71.23)
United States Dollar	160,613,829	60.84	244,345,159	46.66	(34.27)
Other foreign currencies	300,355	0.11	305,493	0.06	(1.68)
Total bank	165,848,864	62.83	261,802,295	50.01	(36.65)
Cash equivalent					
Time deposits					
Rupiah	2,420,215	0.92	10,476,509	2.00	(76.90)
Dollar	95,660,838	36.24	251,286,731	47.99	(61.93)
Total time deposits	98,081,053	37.16	261,763,240	49.99	(62.53)
Total cash and cash equivalent	263,973,998	100	523,651,774	100	(49.59)

Cash with Restricted Use

In 2013, the Company's Cash with Restricted Use-Current increased by 316.36%, or US$4.25 million. The increase was primarily due to top-up related to the cross currency swap transaction between the Company and the bank. Whereas for the Cash with Restricted Use-Non Current declined by 28.11% or US$3.06 million, mainly due to the decline in bank term-deposit of subsidiary entity that was used as collateral for employee loans.

Short Term Investments

In 2013, the Company placed an investment on the financial asset of bonds. The asset was recognised as marketable securities and assets under management by an investment manager. Total marketable securities decreased by 25.28% to US$3.25 million by year-end 2013 from US$4.35 million as of year-end 2012.

Investment in the form of assets under management of an investment manager comprised of equities of listed companies, fixed-income securities/bonds, money market and other financial instruments. Investment in assets under management of an investment manager decreased by 18.59% to US$250.19 million by year-end 2013 from US$307.32 million as of year-end 2012.

Short-term Investments

(in US$)

Description	2013	Contribution (%)	2012	Contribution (%)	Δ (%)
Marketable securities - for trading					
Rupiah					
Mutual fund units	2,926,250	1.15	3,919,455	1.26	(25.34)
Bonds	324,258	0.13	430,972	0.14	(24.76)
United States Dollar		-			
Managed funds	250,186,644	98.72	307,317,585	98.60	(19)
Total	253,437,152	100	311,668,012	100	(18.68)

Trade Receivables – Net

Trade Receivables-Net in 2013 declined by 2.38% to US$143.63 million, from US$147.13 million in 2012, pulled down by the decline in receivables from related parties of 41.95% and increase in receivables from third parties by 12.75%. The composition of trade receivables-net in 2013 was 12.83% receivables from related parties and 87.17% receivables from third parties.

Fixed Assets-Net

Fixed assets-net decreased by 28.83% to US$85.70 million in 2013, from US$120.41 million in 2012, primarily due to the fair value adjustment on assets from the operation termination of PT Medco Ethanol Lampung.

Oil and Gas Assets-Net

Oil and gas assets-net increased by 6.25% to US$902.47 million by year-end 2013, from US$849.39 million as of year-end 2012. The increase resulted primarily from addition of the development project of the Senoro Block - PT Medco E&P Tomori as well as the addition of several exploration and development wells in several other blocks owned by the Company.

Liabilities

Total Liabilities as of year-end 2013 amounted to US$1,634.92 million that comprised of 25.08% short-term liabilities and 74.92% long-term liabilities. Total liabilities decreased by US$177.69 million, or 9.80%, from US$1,812.62 million at year-end 2012. This was primarily due to the settlement of several short-term and long-term liabilities of the Company.

Short-term Liabilities

At year-end 2013, short-term liabilities declined by 5.12% to US$410.05 million. The composition of this short-term liabilities was 14.63% short-term bank borrowing, 23.06% trade payables, 12.39% other payables, 17.24% accrual expense and other provisions, 6.18% tax payables, 0.11% short-term post-employment benefits, 19.92% the portion of long-term borrowings that became due in one year, 2.57% derivatives liability, 3.68% advances made by third-party customers, and 0.83% Liabilities that are directly linked to non-current assets that are classified as available for sale. The decline of short-term liabilities by US$22.12 million, or 5.12%, was primarily due to the settlement of the portion of long-term borrowings that became due in one year, including bank borrowing amounting to US$61.93 million, medium-term notes of US$40.39 million, payment of tax payables of US$7.45 million. However, there was an increase in the amount long-term borrowing that became due in one year of US$80,79 million and derivatives liability of US$10.52 million.

Short-term Liabilities

(in US$)

Description	2013	Contribution (%)	2012	Contribution (%)	Δ (%)
Short-term bank loans	60,000,000	14.63	60,000,000	13.88	-
Trade payables	94,553,106	23.06	95,264,604	22.04	(0.75)
Other payables	50,795,338	12.39	43,589,966	10.09	16.53
Tax payables	25,348,897	6.18	32,800,113	7.59	(22.72)
Accrued expenses and other provisions	70,696,891	17.24	72,224,141	16.71	(2.11)
Post-employement benefits liabilities	449,582	0.11	9,153,439	2.12	(95.09)
Long term borrowing that became due in one year	81,696,617	19.92	103,242,121	23.89	(20.87)
Derivative liabilities	10,520,221	2.57	-	-	-
Advances from customers	12,599,877	3.07	15,897,995	3.68	(20.75)
Liabilities that are directly linked to non-current assets that are classified as available for sale	3,393,361	0.83	-	-	-
Total	**410,053,890**	**100.00**	**432,172,379**	**100.00**	**(5.12)**

Long-term Liabilities

The composition of long-term liabilities that amounted to US$1,224.87 million as of year-end 2013 was 72.66% long-term borrowing less the portion that was due in one year, 13.24% derivatives liability, 8.09% deferred tax liability, 4.15% liabilities incurred from the dismantling of assets and area restoration and other provisions, 1.14% post-employment benefit liabilities and 0.79% other liabilities.

The decrease of long-term liabilities by US$155.57 million, or 11.27%, was primarily due to the decrease in long-term borrowing by US$270.52 million and Rupiah-denominated bonds by US$21.83 million, or 7.10%. However, there was an increase in derivatives liability of US$144.15 million.

Composition of Long-term Liabilities

(n US$)

Description	2013	Contribution (%)	2012	Contribution (%)	Δ (%)
Long-term debt - net of current maturities	889,993,298	72.66	1,186,996,294	85.99	(25.02)
Other payables	9,698,707	0.79	13,849,625	1.00	(29.97)
Deferred tax liabilities - net	99,150,300	8.09	90,167,043	6.53	9.96
Post-employment benefits liabilities	13,065,752	1.07	15,769,959	1.14	(17.15)
Derivative liabilities	162,135,400	13.24	17,985,673	1.30	801.47
Asset abandonment and site restoration obligation and other provisions	50,825,708	4.15	55,675,546	4.03	(8.71)
Total	**1,224,869,165**	**100.00**	**1,380,444,140**	**100.00**	**(11.27)**

Equity

Shareholders' equity increased by 6.35%, or US$53.33 million, from US$843.22 million in 2012 to US$896.76 million in 2013. In addition to the increase in retained earnings that was derived from the Company's net profit in 2013, the increase in shareholders' equity was driven by the sale of treasury stock in 2013. This resulted in an increase of the amount of paid-in capital by 68.87% or US$53.33 million. The increase is accompanied by the recognition of the fair value adjustment in the hedging instrument on cash flow amounting to US$40.48 million. All of which contributed to a net effect of the increase in total shareholders' equity in 2013.

Cash Flow

The Company's cash and cash-equivalent in 2013 declined by 49.59%, or US$259.68 million. This was primarily due to the financing on the acquisition of PT Api Metra Graha amounting to US$100.29 million, additional oil and gas assets of US$67.13 million, and the short-term investment placement by the Company of US$115 million in 2013. Whereas virtually all of the cash inflows from operating activities were used to repay the Company's debts that became due in 2013.

Cash Flow from Operating Activities

The Company's cash flow from operating activities increased by 25.21%, or US$52.70 million, which primarily came from a decrease in the amount of cash payments to suppliers and employees in 2013 due to the business termination of PT Medco Sarana Kalibaru in 2012 and lower income tax payment as a result of the decline in the Company's sales of oil and gas in 2013. The increase was also contributed by the increasing production of PT Duta Tambang Rekayasa.

Cash Flow from Investment Activities

The Company's cash flow that was used for investment activities in 2013 amounted to US$289.33 million, which was primarily due to additional short-term investments, additional oil and gas assets and exploration and evaluation assets, as well as the acquisition of PT Api Metra Graha.

Cash Flow from Financing Activities

The Company's cash flow that was used for financing activities in 2013 amounted to US$226.82 million. During the year under review, the Company took out a bank borrowing amounting to US$110.00 million, other debts in the form of bonds amounting to US$123.06 million, and an additional debt from an affiliated party of US$5.21 million. In addition, the Company also received additional cash for the sales of its treasury stock amounting to US$80.39 million in 2013. The proceeds from these cash generation were used to repay medium term notes and bank borrowings, interest expense, dividends and placement in bank accounts that are restricted in use throughout 2013.

Ability to Repay Debts and Collectibility of Receivables

Ability to Repay Debts

In 2013, there was a decline in the amount of short-term bank borrowings by 50.41%, or US$61.93 million, compared to those of 2012. The same was true for long-term bank borrowings, which declined by 42.71%, as a result of the repayments of several bank borrowings that were due in 2013. In addition, the Company also repaid medium term notes amounting to US$40.39 million that were due in 2013.

Amount of Debts and Repayment Ability

(in US$)

Description	2013	2012	%
Current			
Bank loans	60,928,203	122,855,699	(50.41)
Other liabilities			
Medium-term notes	-	40,386,422	(100.00)
Rupiah bonds	80,768,414	-	
Total	**141,696,617**	**163,242,121**	**15.21**
Non-current			
Bank loans	374,867,214	654,384,407	(42.71)
Other liabilities			
Affiliated parties	130,947,913	125,735,136	4.15
Rupiah bonds	285,711,915	307,542,144	(7.10)
US Dollar bonds	98,466,256	99,334,607	(0.87)
Total	**889,993,298**	**1,186,996,294**	**33.37**

Collectibility of Receivables

The Company's total current receivables as of year-end 2013 declined by 3.07%, or US$6.71 million, whereas non-current receivables increased by 26.37%, or US$38.01 million, in which the largest contributor was receivables from the on-going development of the DSLNG project.

Total Receivables and Repayment Abilities

(in US$)

Description	2013	2012	%
Current			
Trade receivables			
Related party	18,982,522	32,701,117	(41.95)
Third party	124,651,998	114,428,181	8.93
Other receivables			
Third party	75,940,543	79,157,762	(4.06)
Total	219,575,063	226,287,060	3.06
Non-current			
Other receivables			
Affiliated party	142,600,440	101,615,237	40.33
Third party	1,532,380	4,505,896	(65.99)
Total	**144,132,820**	**106,121,133**	**(26.37)**

Capital Structure

As of year-end 2013 the Company's capital structure is as follows:

Capital Structure

(in US$)

Description	2013	Contribution (%)	2012	Contribution (%)	Δ (%)
Total debt	1,031,689,915	53.50	1,350,238,415	61.56	(23.59)
Short-term	141,696,617	7.35	163,242,121	7.44	(13.20)
Long-term	889,993,298	46.15	1,186,996,294	54.12	(25.02)
Equity	896,756,415	46.50	843,224,185	38.44	6.35
Attributable to parent company	885,208,795	45.90	835,071,720	38.07	6.00
Non-controlling interest	11,547,620	0.60	8,152,465	0.37	41.65
Total capital invested	**1,928,446,330**	**100.00**	**2,193,462,600**	**100.00**	**(12.08)**

The above capital structure shows a debt-to-equity ratio that declined by 0.45 from 1.60 to 1.15. The decline was primarily due to the repayment of bank borrowings by the Company.

Liquidity

As of year-end 2013, the Company had very sound liquidity strength. This was evident from the current ratio of the Company that stood at 2.00. Cash and cash-equivalent amounted to US$263.97 million, while total short-term bank borrowings and long-term borrowings that became due in one year, had a combined amount of US$141.70 million.

Management Policy on Capital Structure

The Company had set its policy on capital structure by maintaining debt ratio (not to exceed) the financial covenant that was set in the debt agreement on the issuance of the Company's Rupiah Bonds in 2009, which is a debt-to-equity ratio of (and not to exceed) 2.50x, and in covenants over other debt instruments or liabilities of (and not to exceed) 3.00x. Out of a total liability of US$1,634,923,055, a total of US$ 1,031,689,915 is interest expense such that the ratio of liability to equity as of 31 December 2013 was 1.17x, or well below the stipulated financial covenants. This indicated that the Company had a strong capability to cover its debts during the year.

Material Commitments to Capital Expenditure

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

Material Increase/Decrease of Sales and Net Income

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

Material Information and Facts Subsequent to Date of Financial Statements

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

Business Prospects

Currently the Company's strategy has remained to be an energy company, with a focus on the exploration and production of crude oil and natural gas.

Management believes that global crude oil price in the future will not fall below US$90/barrel (source: projection of the price of ICE Brent oil from Bloomberg dated 15 November 2013), as such Management is confident that the business of oil and gas will still remain to be the backbone of the Company for the foreseeable future.

Management also believes that the Company's business will have a certainty factor that is adequate and assured of its continuity in 2014. This is underlined further by the significant progress that the Company continues to make in its Major Projects that are expected to be the future backbone of the Company and ensure its sustainable long-term growth.

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

Marketing Strategy

Natural Gas

Marketing Strategy

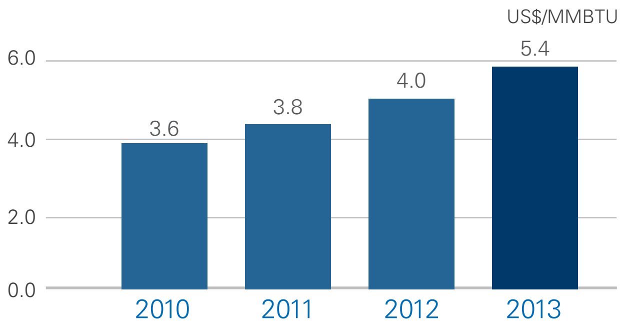
The Company seeks to maximize monetization of gas assets through high quality gas buyers and the renegotiation of the price of gas in existing gas sales contracts. In the future, the Company will closely follow market opportunities to maximize monetization of gas fields with due consideration for the condition of market fundamentals, the scale of economies of the gas assets and public policy.

Market Share

In line with the program of the government of Indonesia to increase the national gas production, MedcoEnergi continues to strive in intensifying its operations and development of gas fields in Indonesia. Throughout 2013, MedcoEnergi supplied gas to various customers that include the power sector, fertilizer, transportation and household (city gas), at a total volume of 58.4 TBTU. This volume increased slightly from 55.8 TBTU in 2012.

The increase in sales volume was complemented with the success of MedcoEnergi in re-negotiating the selling price of gas. The weighted average selling price of gas in 2013 reached US$5.4/MMBTU, an increase of 35% compared to the average selling price in 2012, which was US$4.0/MMBTU. The increasing trend of the average selling price of gas over the past four years is presented in the following chart.

Average Selling Price of Gas Over the Past Four Year (2010-2013)



The price spike in gas price in 2013 was due to a number of factors, including:

i. The full realization of the gas price increase that was agreed upon at the end of 2012, and despite the fact that the new gas price took effect towards the end of 2012, the full impact of the increase was only felt in 2013.

   As reported in the previous annual report, the Company was able to increase the selling price of gas through a number of contract amendments with several customers, including PLN Borang, PGN and Mitra Energi Buana. In the amended new contracts, the price of gas was raised from US$3.4-4.8/MMBTU to around US$6.0-6.9/MMBTU.

ii. Implementing the new price structure in early 2013. In line with the amended contract with

MEPPOGEN, in which it was agreed to supply 17.3 BBTUD of gas at a price of US$6.5/MMBTU, instead of the previous price of US$ 2.3/MMBTU.

iii. Price increase (escalation) has been set at 3% per annum that is applied to virtually all of MedcoEnergi's gas sales contract.

In addition to the increases in gas price, MedcoEnergi has also signed Head of Agreements (HOA) with PT Perusahaan Listrik Negara (PERSERO) (PLN) and PT Panca Amara Utara (PAU) in connection with the planned commercialization of Simenggaris and Senoro gas fields respectively. The Gas Sale and Purchase Agreement is expected for signing in 2014.

Crude Oil

Marketing Strategy

Total crude oil sales in 2013 reached 35.6 MBOPD, with domestic oil fields contributing a total of 25 MBOPD. Whereas the international fields, located in Oman, Yemen and the USA contributed a total of 10.6 MBOPD.

Market Share

The sale of crude oil in Indonesia refers to the Indonesian Crude Price (ICP). ICP represents a benchmark price for Indonesian crude oil that is calculated by using the formula of 50% from Indonesian crude oil price quoted by Platt's Singapore, and the other 50% from the quote of RIM Japan that is based on the price of Brent crude. In line with the domestic benchmark, sales of crude oil from the international fields follows the Brent crude price.

The following is the Brent price trend, and that of ICP SLC that represents the benchmark price for the large majority of MedcoEnergi's crude oil.

In 2013, Medco succeeded in implementing a strategy for the sales of crude oil by maximizing production, tenor of contract, and gauging the demand of customers. As a result, Medco was able to quote a premium, in which the realized selling price is set above the ICP price. In the future, MedcoEnergi will continue to apply this strategy in order to add value and contribute to the continuing growth of the Company.

Investment and Divestment in 2013

Asset Swap with Salamander Energy

On 7 March 2013 the Company signed an asset swap transaction with Salamander Energy plc, in which the Company had swapped its 15% participating interest in the Bangkanai PSC for the participating interest of Salamander of 21 % and 41.7 % in the Simenggaris PSC and Bengara - 1 PSC, respectively. The deal was closed on 16 October 2013. Through this swap deal, the Company increased its participating interest in the Simenggaris PSC to 62.5% and in Bengara-1 PSC to 100%, and conversely MedcoEnergi fully divested its participating interest in the Bangkanai PSC, effective on 1 January 2013. Because of the nature of a pure asset swap, no cash flows were effected between MedcoEnergi and Salamander.

Dividends Policy and Distribution

The Company is committed to distribute net profit for the financial year to shareholders in the form of dividends with a maximum ratio of 50% of the net profit that is attributed to shareholders of the Company.

In 2013, MedcoEnergi announced and distributed cash dividends out of net profit for the financial year 2012 amounting to US$3,335,329 to 2,941,996,950 shares, the cash dividends of which had been distributed on 7 June 2013.

Use of Proceeds from the Public Offering

In 2013 the Company had realised the use of proceeds from the public offering denominated in Rupiah and US Dollar, as follows:

a. Realisation of the Use of Proceeds from the Shelf Registered Public Offering of PT Medco Energi Internasional Tbk USD Bonds I Phase I in 2011

   The Shelf Registered USD Bonds Phase I has been effective since 30 June 2011, in which as of 14 July 2011, the Company has received the proceeds from this public offering of USD Shelf Registered Bonds I Phase I amounting to US$50 million. After deducting expense for the public offering of US$0.65 million, the net proceeds to the Company amounted to US$49.35 million.

As stated in the Prospectus, the net proceeds from the public offering of the Shelf Registered Medco USD Bonds I Phase I will be used for: (i) settle all or a portion of the Company's debt notes accounting for 60% of the net proceeds or equivalent to US$29.61 million and (ii) capex accounting for 40% of the net proceeds or equivalent to US$19.74 million. As of 12 October 2012, a total of US$49.35 million of the net proceeds had been used by the Company to settle debts amounting to US$29.61 million and capital expenditure amounting to US$19.74 million.

As a result, the balance of proceeds from the public offering of the Shelf-registraion Medco USD Bonds I Phase I as of year-end 2012 was US$0.00

b. Realisation of the Use of Proceeds from the Public Offering of the Shelf Registered PT Medco Energi Internasional Tbk USD Bonds I Phase II in 2011

On 11 November 2011, the Company received the proceeds from public offering of the Shelf Registered Medco USD Bonds I Phase II amounting to US$30 million. After deducting expenses from the public offering of US$0.20 million, the net proceeds received by the Company amounted to US$29.80 million.

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As stated in the Prospectus, the net proceeds from the public offering of the Shelf Registered Medco USD Bonds I Phase II will be used to settle all or a portion of the Company's debt notes accounting for 100% of the net proceeds or equivalent to US$29.80 million. As of 13 April 2012, a total of US$29.80 million of the net proceeds had been used by the Company to repay debts.

As a result, the balance of the proceeds from the public offering of the Shelf Registered Medco USD Bonds I Phase II as of year-end 2012 was US$0.00.

c. Realization of the Use of Proceeds from the Public Offering of Medco Energi Internasional Bonds III of 2012.

The Medco Energi Internasional Bonds III of 2012 had been effective since 11 June 2012. On 19 June 2012, the Company received the proceeds of Medco IDR Bonds III public offering amounting to Rp1,500,000,000,000. After deducting expenses for the public offering of Rp8,100,000,000, the Company booked the total net proceeds of Rp1,491,900,000,000.

As stated in the Prospectus, the Company will utilize the net proceeds of Medco IDR Bonds III for financing the acquisition of producing oil and gas assets in Indonesia and/or overseas. If the Company does not utilize the proceed for acquisition, then (a) 70% of the proceeds will be used to refinance all or some of the Company's maturing notes; and (b) 30% will be used as additional working capital and/or capital expenditure.

As of 21 January 2013, the Company has utilized the net proceeds in the total amount of US$67.04 million for: Investment amounting US$90 million or equal to Rp855,000,000,000 and Capital Expenditures amounting US$0.

The remaining balance of net proceeds from the Medco IDR Bonds III public offering is therefore Rp636,900,000,000 or equivalent to US$67.04 million using an exchange rate of Rp9,500.

Investment, Divestment, Acquisition or Debt/ Capital Restructuring

The financial analysis as well as the realization of financing and its use are managed with prudential principles and clear accountabilities, in line with the Company's requirement.

Transactions that Contain Conflicts of Interest and Transactions with Affiliated Parties

Throughout 2013, there were no material transactions that contained a conflict of interest, nor was there any transaction with an affiliated party, pursuant to Bapepam-LK Regulation No. IX.E.1 and IX.E.2.

Changes in Laws and Regulations

There were no changes in the prevailing laws and regulations that had a material bearing on the Company in 2013.

Changes in the Accounting Policy

The accounting policies that had been implemented in preparing the consolidated financial statements for 2013 are consistent with the accounting policies that were implemented in the construction of the consolidated financial statements for the year ending 31 December 2013, with the exception of the treatment of several Financial Accounting Standards (FAS) that had been revised and became effective on 1 January 2013.

Corporate Data

About MedcoEnergi

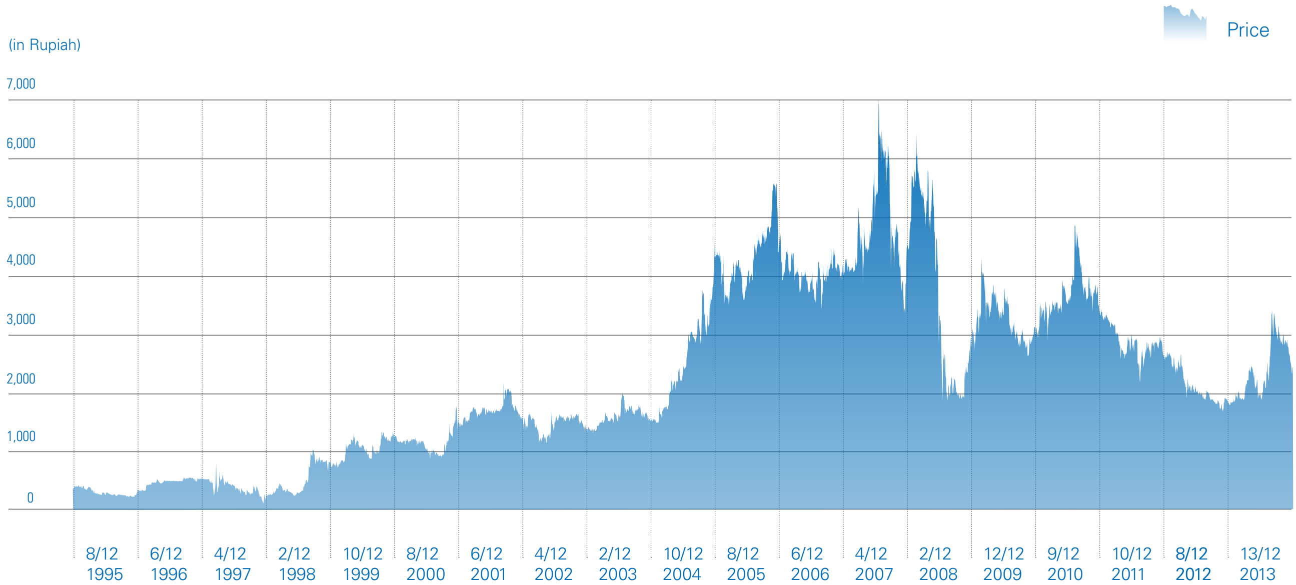
MedcoEnergi (the Company) was incorporated on 9 June 1980 under the laws of the Republic of Indonesia as the country's first private drilling contractor services company.

The name of the Company has since been changed three times, from PT Meta Epsi Pribumi Drilling Company at the start of its incorporation, to PT Medco Energi Corporation prior to the Initial Public Offering of shares in 1994, and ultimately to PT Medco Energi Internasional Tbk in 2000, as a follow-up to the completed debt restructuring program at the end of 1999.

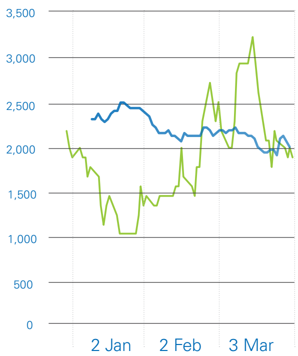
The Company's information and data can be accessed by the general public through the Company's official website, www.medcoenergi.com.

"The Energy" Building that is 49% owned by the Company serves as the Headquarters of MedcoEnergi and Subsidiary Entities in Jakarta. The 45-storey strategically-located building is designed with the Intelligent Workspace concept to create a working environment with supporting facilities that can self-regulate to achieve a working condition that is efficient, effective and highly productive.

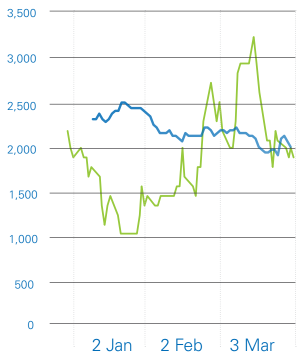
MedcoEnergi 1994-2012 Share Price



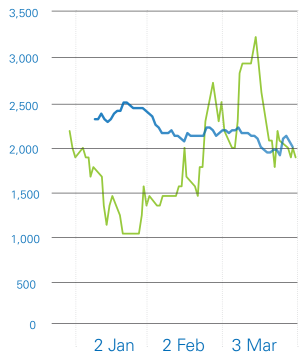
Quarter 1



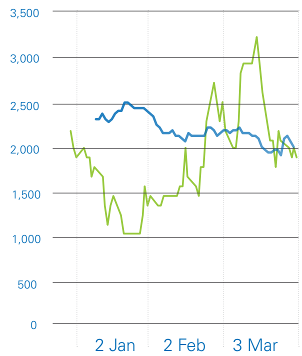
Quarter 2



Quarter 3



Quarter 4



(in Rupiah)

Year		Quarter 1		Quarter 2		Quarter 3		Quarter 4
2013	Closing	1,620	Closing	1,690	Closing	2,625	Closing	2,100
	Highest	1,780	Highest	2,275	Highest	3,000	Highest	2,825
	Lowest	1,520	Lowest	1,580	Lowest	1,550	Lowest	1,990
2012	Closing	2,150	Closing	1,800	Closing	1,710	Closing	1,630
	Highest	2,600	Highest	2,275	Highest	1,860	Highest	1,730
	Lowest	2,050	Lowest	1,590	Lowest	1,610	Lowest	1,410

Corporate Data

Shares Information

At the time of the Initial Public Offering of shares by MedcoEnergi on 12 October 1994, a total of 22,000,000 newly issued shares with a nominal value of Rp1,000 per share were offered to the public and listed on the Jakarta Stock Exchange (JSX). Those shares accounted for 21.7% of the total of 101,400,000 shares that were issued and fully subscribed at the time of listing. In its listing chronology, MedcoEnergi carried out a share bonus with a ratio of 10-for-7 on 18 July 1996, two stock splits with a ratio of 1-for-2 on18 August 1998 and a ratio of 1-for-5 on 2 June 2000, and undertook a

Price Changes and Stock Trading

(in Rp)	2009	2010	2011	2012	2013
First Quarter					
Highest	2,475	2,750	3,500	2,600	1,780
Lowest	1,600	2,200	2,850	2,050	1,520
Closing	2,200	2,600	2,875	2,150	1,620
Trading Volume (Shares)	620,645,492	476,327,000	341,747,000	185,704,500	146,251,500
Trading Values	1,237,184,913,664	1,216,340,516,864	1,058,771,997,568	417,592,023,008	242,342,225,248
Second Quarter					
Highest	3,825	3,175	2,925	2,375	2,275
Lowest	2,225	2,275	2,200	1,590	1,580
Closing	3,050	2,950	2,225	1,800	1,690
Trading Volume (Shares)	840,532,996	697,090,500	286,443,500	345,133,500	370,366,000
Trading Values	2,521,641,355,008	2,028,673,233,024	764,536,050,432	695,606,650,560	708,636,698,144
Third Quarter					
Highest	3,400	3,450	2,650	1,860	3,000
Lowest	2,750	2,850	1,980	1,610	1,550
Closing	2,900	3,325	2,150	1,710	2,625
Trading Volume (Shares)	567,148,500	565,745,504	258,330,500	187,339,000	433,325,500
Trading Values	1,733,797,671,424	1,806,652,343,808	624,319,467,136	322,127,596,864	1,062,009,426,432
Fourth Quarter					
Highest	3,400	4,350	2,525	1,730	2,825
Lowest	2,350	3,050	1,880	1,410	1,990
Closing	2,450	3,375	2,425	1,630	2,100
Trading Volume (Shares)	1,222,904,004	1,099,947,000	204,695,500	226,295,000	91,953,500
Trading Values	3,656,946,731,520	4,020,683,418,112	464,187,943,648	349,801,544,064	227,271,760,384

rights issue in which a total of 321,730,290 new shares were listed on the JSX on 19 November 1999. As at year-end 2013, the total outstanding shares of the Company stood at 3,332,451,450 shares.

Dividends Payment and Total Return to Shareholders

	2009	2010	2011	2012	2013
Net income (US$)	19,231,994.00	83,059,576.00	90,938,772.00	12,593,288.00	12,583,421.00
Earnings per share (US$)	0.01	0.03	0.03	0.004	0.004
Dividend per share (US$)	0.0150	0.0029	0.0074	0.0077	0,0011
Dividend per share (Rp)	148.43	26.04	64.21	72.50	10.75
Total dividend paid (US$)	44,129,956.00	8,472,951.00	21,998,313.00	22,531,772	3,335,329
(1) Dividend exchange rate (1 US$)	9,895.00	9,043.00	8,584.00	9,465.00	9,759.00
Share price closing (Rp)	2,450.00	3,375.00	2,425.00	1,630.00	2,100.00
(2) Share price exchange rate (1 US$)	9,400.00	8,991.00	9,068.00	9,670.00	12,270.00
Share price closing (US$)	0.26	0.38	0.27	0.25	0.17
(3) Total return to share-holders (unit)	61	45	27	51	28

(1) Dividend exchange rate converted to US$ by using mid-rate Indonesian Central Bank on the recording date

(2) The stock price is in Rupiah and converted to US$ by using mid-rate Indonesian Central Bank on the last day of each respective year

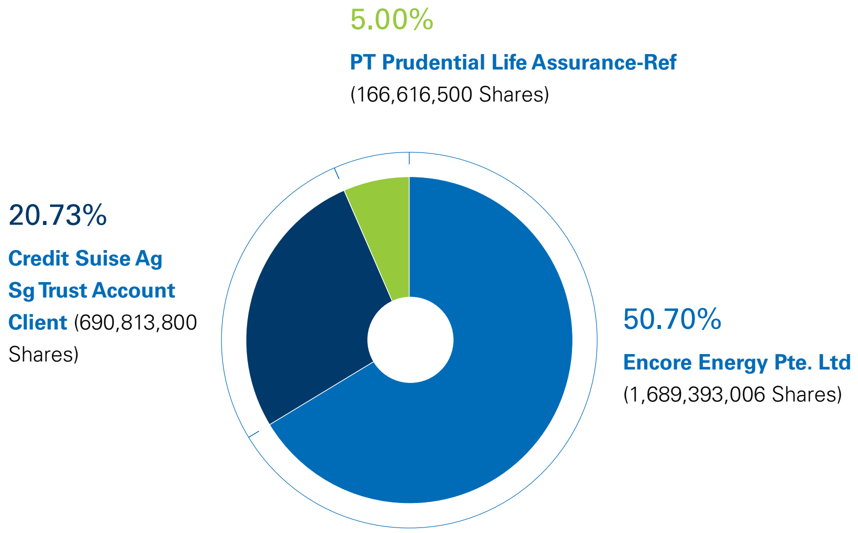
(3) Total return to shareholders is calculated based on the difference of closing stock prices at year end plus the dividend per share paid on each respective year

Shares Information

Public Shareholders List Below 5% Ownership

Group of Shareholders		Number of Group Shareholders	Number of Shares	Percentage
Bank		2	1,113,000.00	0.03
Bank - Domestic				
Foreign Institutions		226	291,221,600.00	8.74
	INSTITUTIONS - FOREIGN	180	198,050,256.00	5.94
	UNITED KINGDOM	5	2,905,000.00	0.09
	SWITZERLAND	2	3,972,500.00	0.12
	JAPAN	2	262,000.00	0.01
	LUXEMBOURG	2	2,211,600.00	0.07
	REPUBLIC OF KOREA - TAX TREATY	1	422,500.00	0.01
	UNITED STATES	15	50,999,351.00	1.53
	GERMAN - TAX TREATY	1	13,393.00	0.00
	UNITED STATES - TAX TREATY	10	9,272,000.00	0.28
	NORWEGIA - TAX TREATY	1	4,339,000.00	0.13
	UNITED KINGDOM - TAX TREATY	3	5,617,000.00	0.17
	MALAYSIA - TAX TREATY	1	1,000.00	0.00
	GERMAN	1	12,000,000.00	0.36
	THE NETHERLAND - TAX TREATY	2	1,156,000.00	0.03
Local Institutions		57	100,319,481.00	3.01
Pension Funds		57	43,711,000.00	1.31
Mutual Funds		40	85,454,500.00	2.56
	PENSION FUNDS	22	51,029,000.00	1.53
	PENSION FUNDS OF MORE THAN FIVE YEAR	18	34,425,500.00	1.03
Foundations		7	4,369,000.00	0.13
Cooperatives		3	1,875,500.00	0.06
Insurances		18	33,407,000.00	1.00
	NPWP INSURANCE	17	33,157,000.00	0.99
	ASABRI	1	250,000.00	0.01
Kustodian		24	24,914,417.00	0.75
		434	586,385,498.00	17.60

More Than 5% Ownership



Share Ownership

Founding Shareholders

Name of Shareholder	Number of Shares	Percentage
PT Medco Duta	3,489,500	0.10%
PT Multifabrindo Gemilang	2,000,000	0.06%
	5,489,500	0.16%

Historical Listing

Indonesia Stock Exchange (IDX)

Currency : Rupiah
Indonesia Stock Exchange

Corporate Action	IPO	Bonus Shares	Stock Split	Right Issue	Stock Split
Date	**12 October 1994**	**18 July 1996**	**18 August 1998**	**2 December 1999**	**2 June 2000**
Ratio	-	10:7	1:2	10:11	1:5
Number of Shares Outstanding	101,400,000.00	172,380,000.00	344,760,000.00	666,490,290.00	3,332,451,450.00
Par Value	1,000.00	1,000.00	500.00	500.00	100.00

Share Information

Ownership by Commissioners and Directors

Name	Title	Number of Shares	Percentage
Board of Commissioners			
Hilmi Panigoro	President Commissioner	0	0
Gustiaman Deru	Independent Commissioner	0	0
Marsillam Simandjuntak	Independent Commissioner	0	0
Junichi Iseda	Commissioner	0	0
Yani Y. Rodyat	Commissioner	0	0
Retno Dewi Arifin	Commissioner	0	0
Board of Directors			
Lukman Mahfoedz	President Director	0	0
Lany D. Wong	Director	0	0
Frila B. Yaman	Director	0	0
Akira Mizuta	Director	0	0

Information on the Listing of Other Securities

Number of Outstanding Bonds

Currency : US$
Indonesian Stock Exchange

	2009	2010	2011	2012	2013
Shelf Registered Public Offering USD Bonds I phase I in 2011 with an interest rate of 6.05% and due on 14 July 2016					
Bonds ratings	-	-	AA-	AA-	AA-
Total	-	-	50,000,000	50,000,000	50,000,000
Total of buyback	-	-	-	-	
Unamortized discounts	-	-	(410,562)	(358,521)	(293,302)
Total outstanding	-	-	49,589,438	49,641,478	49,706,698
Total of interest expense*)	-	-	647,014	3,899,520	3,680,417
Shelf Registered Public Offering USD Bonds I phase II in 2011 with an interest rate of 6.05% and due on 11 November 2016					
Bonds ratings	-	-	AA-	AA-	AA-
Total	-	-	30,000,000	30,000,000	30,000,000
Total of buyback	-	-	-	-	(1,000,000)
Unamortized discounts	-	-	(201,759)	(165,037)	(151,695)
Total outstanding	-	-	29,798,241	29,834,962	28,848,305
Total of interest expense*)	-	-	247,042	1,866,849	2,067,083.33
Shelf Registered Public Offering USD Bonds I phase II in 2011 with an interest rate of 6.05% and due on 1 August 2017					
Bonds ratings	-	-	-	AA-	AA-
Total	-	-	-	20,000,000	20,000,000
Total of buyback	-	-	-	-	
Unamortized discounts	-	-	-	-	(88,747)
Total outstanding	-	-	-	-	19,911,253
Total of interest expense*)	-	-	-	504,166.67	1,411,666.67

*) Including acrued interest expense up to 31 December 2012

Medium Term Notes (MTN) Historical Listing

Stock Exchange	Indonesia Stock Exchange (IDX)				
Corporate Action	MTN I		MTN II		MTN III
	Series A	Series B	Series A	Series B	
Principal (US$)	7,400,000	22,000,000	40,000,000	10,000,000	50,000,000
Interest Rate	7.25%	8%	7.25%	8%	6.375%
Maturity	February 2012	December 2012 and February 2013	March 2012	March 2013	October 2013
Ratings (PEFINDO)	AA-	AA-	AA-	AA-	AA-

Currency : Rupiah
Indonesian Stock Exchange

	2009	2010	2011	2012	2013
Bonds Medco Energi Internasional Rupiah II year 2009 Series A with an interest rate of 13.375% and due on 17 June 2012					
Bonds ratings	-	AA-	AA-		
Total	-	513,500,000,000	513,500,0 00,000		
Total of buyback	-	-	-		
Unamortized discounts	-	(2,858,424,209)	(925,615,460)		
Total outstanding	-	510,641,575,791	512,574,384,540		
Total of interest expense*)	-	36,820,466,181	68,680,625,000		
Bonds Medco Energi Internasional Rupiah II year 2009 Series B with an interest rate of 14.25% and due on 17 June 2014					
Bonds ratings	AA-	AA-	AA-	AA-	AA-
Total	986,500,000,000	986,500,000,000	986,500,000,000	986,500,000,000	986,500,000,000
Total of buyback		-	-	-	
Unamortized discounts	-	(5,492,216,191)	(2,528,647,892)	(2,850,080,228)	(1,133,926,092)
Total outstanding	986,500,000,000,00	981,007,783,809	983,971,352,108	983,971,352,108	985,366,073,908
Total of interest expense*)	75,754,979,167	75,364,489,583	140,576,250,000	140,576,250,000	146,043,104,167

Currency : Rupiah
Indonesian Stock Exchange

	2009	2010	2011	2012	2013
Bonds Medco Energi Internasional Rupiah III year 2012 with an interest rate of 8.75% and due on 15 June 2017					
Bonds ratings	-	-	-	AA-	AA-
Total	-	-	-	1,500,000,000,000	1,500,000,000,000
Total of buyback	-	-	-	-	
Unamortized discounts	-	-	-	(7,030,548,557)	(5,493,645,586)
Total outstanding	-	-	-	1,492,969,451,443	1,494,506,354,414
Total of interest expense*)	-	-	-	40,226,874,299	135,260,416,667
Shelf Registered Public Offering Rupiah Bonds I phase I with an interest rate of 8.80% and due on 19 December 2017					
Bonds ratings	-	-	-	AA-	AA-
Total	-	-	-	500,000,000,000	500,000,000,000
Total of buyback	-	-	-	-	
Unamortized discounts	-	-	-	(2,686,831,995)	(2,199,177,220)
Total outstanding	-	-	-	497,313,168,004	497,800,822,780
Total of interest expense*)	-	-	-	740,972,222	45,344,444,444
Shelf Registered Public Offering Rupiah Bonds I phase II with an interest rate of 8.85% and due on 15 March 2018					
Bonds ratings	-	-	-	-	AA-
Total	-	-	-	-	1,500,000,000,000
Total of buyback	-	-	-	-	
Unamortized discounts	-	-	-	-	(7,027,109,915)
Total outstanding	-	-	-	-	1,492,972,890,085
Total of interest expense*)	-	-	-	-	105,462,500,000

Five-Year Financial Highlights

The following consolidated financial information of MedcoEnergi was derived and/or calculated based on the consolidated financial statements of the Company for the years ending 31 December 2013, 2012, 2011 and 2010 that have been audited by the Public Accounting Firm of Purwantono, Suherman & Surja, whereas for the years ending 31 December 2009 and 2008, were audited by the Public Accounting Firm of Purwantono, Sarwoko & Sandjaja.

(in million US$)

Profit and Loss	**2009**	**2010**	**2011**	**2012**	**2013**
Sales and other operating revenues	665.2	927.0	817.7	904.4	888.9
Cost of sales and other direct costs	(436.2)	(635.4)	(466.8)	(502.4)	(521.7)
Gross profit	229.0	291.6	350.9	402.0	367.2
Selling general and administrative expenses	(156.5)	(172.5)	(130.6)	(141.6)	(121.5)
Income from operations	72.5	119.1	220.3	260.4	245.7
Other operating expenses	(21.6)	100.3	(1.0)	(63.2)	(52.0)
Profit before income tax expense from continuing operations	50.9	219.4	219.3	197.2	193.7
Income tax expense	(28.7)	(127.4)	(120.8)	(156.3)	(153.9)
Profit for the year attributable to owners of the parent	18.8	85.8	90.9	12.6	12.6
EBITDA	153.2	220.9	323.0	346.0	349.1
Earnings Per Share	0.01	0.03	0.03	0.0043	0.0041
Outstanding shares	2,941,996,950	2,941,996,950	2,941,996,950	2,941,996,950	3,088,417,387*)
Consolidated statements of financial position					
Cash and cash equivalents	253.0	178.90	703.9	523.7	264.0
Current Assets	798.6	775.4	1,302.6	1,144.7	821.4
Long term Investment	9.9	11.0	136.1	200.5	319.5
Investment in project	22.4	17.5	30.3	30.3	30.3
Property plant and equipment - net	186.0	135.7	116.3	120.4	85.7
Oil and gas properties - net	809.6	859.4	851.7	961.8	1,058.2
Other assets - net	221.9	490.5	160.8	198.1	216.6
Total Assets	2,048.4	2,289.5	2,597.8	2,655.8	2,531.7

*) Weighted Average Amount

Currency

The reporting currency used in the preparation of the annual report is the United States Dollar (US Dollar), the functional currency on the basis of the Company's revenues, cash flows, and expense indicators as required by PSAK No.10 unless stated otherwise.

(in million US$)

	2009	2010	2011	2012	2013
Current Liabilities	509.2	500.3	811.6	432.2	410.0
Non-current liabilities	807.0	966.0	918.6	1,380.4	1,224.9
Total Liabilities	1,316.2	1,466.3	1,730.0	1,812.6	1,634.9
Total equity attributable to the equity holders of the parent company	712.4	792.4	857.8	835.1	885.2
Consolidated statements of cash flows					
Net cash provided by operating activities	87.0	90.2	148.0	209.0	261.7
Capital					
Capital expenditures	269.3	143.9	156.3	232.7	225.0
Average capital employed	1,464.1	1,637.3	1,966.8	2,171.1	2,051.1
Key financial indicators (in %)					
Return on assets (%)	0.9	3.7	3.5	0.5	0.5
Return on equity (%)	2.6	10.8	10.6	1.5	1.4
Return on investment (%)	7.0	59.6	58.2	5.4	5.6
Cash ratio	0.5	0.4	0.9	1.2	0.6
Quick ratio	1.4	1.3	1.5	2.5	1.8
Current ratio	1.6	1.5	1.6	2.6	2.0
Current liabilities to total assets ratio	0.2	0.2	0.3	0.2	0.2
Long- term liabilities to total assets ratio	0.4	0.4	0.4	0.5	0.5
Total liabilities to stockholders' equity ratio	1.8	1.9	2.0	2.2	1.8
Debt to equity ratio	1.1	1.2	1.5	1.6	1.2
Net debt to equity ratio	0.7	1.0	0.7	1.0	0.9
Debt to capital ratio	0.5	0.6	0.6	0.6	0.5

Five-Year Historical Operating Data

The Company has evolved into an integrated energy company with the focus on the exploration and production of oil and gas. The Company has also other energy related business of power generation gas distribution and coal mining. Over time, the Company has been able to generate profitable growth from its sustainable operations.

Five Years Historical Operating Performance

Descriptions		2009	2010	2011	2012	2013
Oil and Gas Exploration & Production						
Proved reserves[1]						
Proved oil reserves	(MMBO)	89.8	82.8	71.6	94.9	84.5
Proved gas reserves	(BCF)	852.9	694.5	620.4	774.3	687.6
Lifting & gross sales[2]						
Oil	(MBOPD)	35.0	30.7	30.4	29.8	26.3
Gas	(BBTUPD)	104.3	155.2	163.2	153.9	151.6
LPG	(MTPD)	45.2	42.0	41.8	40.1	-
Average realized price						
Oil	(US$/barel)	64.0	81.5	113.7	115.6	108.3
Gas	(US$/ MMBTU)	3.1	3.6	3.8	4.0	5.4
LPG	(US$/MT)	447.5	651.0	787.5	855.1	-

Downstream		2009	2010	2011	2012	2013
Ethanol						
Production	(KL)	8,665.0	19,764.0	16,097.0	18,469.0	5,846
Average price	(US$/KL)	488.6	559.1	649.0	651.0	617.0
LPG						
Gas processed	(MMCF)	2,458.0	2,332.0	2,339.0	2,261.0	-
LPG production[3]	(MT)	16,424.0	15,359.6	15,304.1	14,669.1	-
Processing fee	(US$)	2.1	1.7	1.7	1.8	-
Fuel Storage & Distribution [(4)]						
High Speed Diesel (HSD) Sales [(4)]	(KL)	92,024.0	254,418.0	269,388.5	236,629	-
Power Generation						
Power supply	(GWH)	870.0	1,217.0	1,201.5	1,284	1,268

(1) The volume of proved reserves derived from the working interest of the Company in the respective blocks, including the production portion of the government.
(2) Lifting and gross sales pertain to the amount of lifted oil and sale of gas from the Company's block multipled by the effective portion of the Company in the respective blocks.
(3) All production from the field, condensate and lean gas delivered to and sold by the Indonesian E&P business unit. Since 2013, LPG has no longer been produced due to a lack of gas supply.
(4) Operating from June 2007 until November 2013.

Advisors

Arifin Panigoro

The founder of Medco Group began his stint in the oil and gas industry in 1980. In 1988, Panigoro withdrew from the Company's management and has since become an advisor, notably in identifying new oil and gas business opportunities.

Panigoro earned a bachelor degree in Electrical Engineering from the Bandung Institute of Technology in 1973 and was awarded his honorary degree (honoris causa) from the Bandung Institute of Technology on January 23, 2010 with a speech titled "*Kuasai Teknologi, Bangun Ekonomi, Tegakkan Martabat Bangsa*" (Conquer Technology, Build the Economy, Uphold National Dignity).

Alwi Shihab

Shihab is former Minister of Foreign Affairs of the Republic of Indonesia and Coordinating Minister of People's Welfare. He joined the Company as advisor in March 2007 with the main role of providing advice in penetrating the international oil and gas market.

Alwi Shihab earned a Bachelor of Arts degree and Master of Arts degree both from the University of Al-Azhar, Cairo, Egypt in 1966 and 1968 respectively. He also earned a Bachelor degree in Islamic Philosophy from IAIN Alauddin, Ujung Pandang, Indonesia in 1986. He received a Doctor of Philosophy degree from the University of Ain Shams, Cairo, Egypt in 1990, then continued his study and received a Master of Arts degree from Temple University, USA in 1990 which was then followed by a Doctor of Philosophy degree from Temple University, USA in 1995. The year 1996 saw Shihab receive another post doctorate from the Center for the Study of World Religions in Harvard University, USA.

Subroto

Former Minister of Mining and Energy of the Republic of Indonesia and former Secretary General of the Organization of Petroleum Exporter Committee (OPEC). Since 1997, he has been an advisor to the Company, mainly in providing information on macroeconomic issues and global developments in the oil and gas business.

Graduated from the Military Academy, Yogyakarta in 1948, he then continued his study to earn a Bachelor of Arts degree in Economics from the University of Indonesia in 1952. Subroto received a Master of Arts degree in Economics from McGill University in Montreal, Canada in 1956, followed by a Doctor of Philosophy degree in Economics from University of Indonesia in 1958. In 1963, he also received a post doctorate degree in Financial Management and Control from Standford University and in 1964 a post doctorate degree from Harvard University for International Teachers Program.

Extended Board of Directors

Faiz Shahab Chief Int'l E&P and New Ventures Officer	Johannes Kustadi Chief Business Support Officer	Hartono Nugroho Director of Production	Eka Satria Director of Development	Budi Basuki COO Power, Mining & Downstream

Johannes Kustadi
Chief Business
Support Officer

An Indonesian citizen, born in 1959. He was appointed as Chief Business Support Officer in May 2011. Kustadi joined MedcoEnergi in 2005. He previously served as Financial Controller at BP Indonesia (2002 – 2005), Finance Manager at Gulf Indonesia Resources Ltd. (2000 – 2002), Business and Planning Manager at VICO Indonesia (1997 – 2000), Joint Venture Accounting Manager at VICO Services, Inc. – Houston, Texas (1995 – 1997), Controller and various positions at VICO Indonesia (1983 – 1995).

He received a Master of Business Administration in Finance from University of Houston-Texas, USA in 1997. Kustadi received a Bachelor degree in Accounting from Gadjah Mada University, Yogyakarta in 1983.

Budi Basuki
COO Power, Mining &
Downstream

An Indonesian citizen, born in 1953. Mr. Budi Basuki was appointed as Chief Operation Officer in May 2011. Previously, he was the President Director (2008-2011) and Operation Director (2003-2008) of PT Medco E&P Indonesia. In the period of 2001-2002 and 2000-2001, he served as West Operation VP and Oil Movement Manager respectively, also at PT Medco E&P Indonesia. After his graduation from Universitas Gajah Mada with a degree in Mechanical Engineering in 1980, Mr. Basuki joined PT Stanvac Indonesia as Engineer (1981-2000). He is also a graduate of LPPM Prasetya Mulya, majoring in Management, and currently active in a number of organizations namely Society of Petroleum Engineer (SPE), Ikatan Ahli Teknik Perminyakan Indonesia (IATMI), and Indonesian Petroleum Association (IPA).

Eka Satria
Director of
Development

An Indonesian citizen, born in 1967, Satria was appointed as Development Director in May 2011. Satria joined MedcoEnergi in 2008. He previously served as Vice President of Project Capability at PT Medco Energi Internasional Tbk (2008 – 2010), Senior Project Manager of Tangguh LNG Gas Processing Facilities (Papua) at BP Indonesia, as well as various positions at ARCO (1989 – 2000) as Project and Engineering professional for various offshore and onshore E&P projects and developments in Indonesia.

Satria participated in BP Executive Program – Major Project Leaders from the Massachusetts Institute of Technology (MIT), USA in 2004. He received a Master degree in Finance from the University of Indonesia in 2000. He received a Bachelor degree in Civil Engineering from the Bandung Institute of Technology (ITB), Indonesia in 1990.

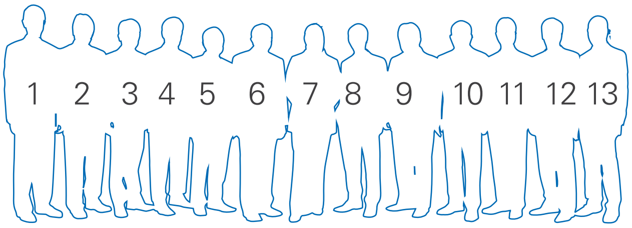
Hartono Nugroho
Director of Production

An Indonesian citizen, born in 1959. He was appointed as E&P Production Director in 2011. Previously he held a number of positions including General Manager of Rimau Asset (2008); Senior Manager Drilling (2005); Area Manager, SSE & Rimau Block (2002); Area Manager, Sangasanga (2001); Operation Superintendent, SSE & Rimau Block (1996); Operation Support Department Head (1995); Production Engineer (1990); and Drilling & WO/ WS Engineer (1987). He graduated from California State University, USA, with a bachelor degree in Mechanical Engineering (1987).

Faiz Shahab
Chief International E&P and
New Ventures Officer

An Indonesian citizen, born in 1954. Faiz Shahab first joined the Company as Vice President – Project Development (2010-2011). His international experience in managing exploration and development assets in the Middle East and North Africa complements his 30-year career in the energy industry. Prior to being appointed as Chief Officer in Feb 2014, he was Chief Exploration & New Venture Officer since May 2011, Faiz Shahab served in various executive positions of several energy companies, including as President Director of PT Prime Petroservices (2008-2010); CEO, PT Indogas Kriya Dwiguna (2007-2010); Director & CEO, PT Energi Mega Persada Tbk. (2005-2007); Senior Vice President - Development, EMP Kangean Limited (2004-2005); Vice President - Java LNG, BP Indonesia (2002-2004); Vice President & General Manager, Lapindo Brantas Inc. (2000-2002); Engineer, Maintenance Superintendent, Engineering & Construction Manager, Vice President Field Support & HSE, VICO Indonesia (1983-2000); and Field Electrical Engineer, PT Purna Bina Indonesia (1981-1983). Graduated with a degree in Electrical Engineering, Bandung Institute of Technology, Bandung. He is also a Certified Project Management Professional.

Subsidiary Companies' Board of Directors



1.	Arie P. Ariotedjo	President Director PT Medco Energi Mining Internasional
2.	Aditya Mandala	President Director PT Exspan Petrogas Intranusa
3.	Rini Widyastuti	Director PT Exspan Petrogas Intranusa & PT Satria Raksa Buminusa
4.	Meidi Lazuardi	President Director PT Api Metra Graha
5.	Biwodotomo Witoradyo	Director PT Api Metra Graha
6.	Yunar Panigoro	President Director PT Medco Gas Indonesia
7.	Yasirin Paeman	Director PT Medco Gas Indonesia
8.	Son Fithroini	President Director PT Satria Raksa Buminusa
9.	Fazil E. Alfitri	President Director PT Medco Power Indonesia
10.	Kelana B. Mulia	Director PT Medco Power Indonesia
11.	Noor Wahyu Hidayat	Director PT Medco Power Indonesia
12.	Gomos Silitonga	Director PT Medco Power Indonesia
13.	Adrianto Kurniawan	Director PT Medco Downstream Indonesia

Arie P. Ariotedjo

Director PT Medco Energi Mining Internasional

An Indonesian citizen, born in 1960. He was appointed as Director of PT Medco Energi Mining Internasional in 2009. He joined Medco Group in 2006 and served as President Director of PT Medco Mining (2006-2008).

Previously he worked at PT Wikaraga Sapta Utama and served as President Director (1996-2005) and Technical Director (1994-1996), PT Menara Wenang as General Manager (1992-2005), PT Citra Permatasakti Persada as General Manager (1992-1998), Citra Kontraktor Nusantara consortium as Deputy Chairman of Project Control (1991-1993), and PT Citra Marga Nusaphala Persada as Head of Operation Division (1989-1992).

He graduated from University of Michigan, USA with Master of Science in Civil Engineering degree (1982) and Purdue University, USA with Bachelor of Science in Civil Engineering degree (1981).

Aditya Mandala

Director PT Exspan Petrogas Intranusa

An Indonesian citizen, born in 1962. He was appointed as Director of PT Exspan Petrogas Intranusa in February 2011. Previously he served as Senior Manager of Relations Division in PT Medco E&P Indonesia (2007-2011). He first joined MedcoEnergi in 2000 as Section Head of Public Affairs and became a Manager Corporate Communications in 2002. In the past he had also served as Exploration Geologist and Geophysicist at Vico Indonesia (1991-2000) and as Seismologist at PT Elnusa Geoscience (1989-1991).

Mandala graduated from UPN Yogyakarta, with a bachelor degree in Geology (1988) and Sekolah Tinggi Manajemen Prasetya Mulya with Magister Management degree in International Business (2006).

Rini Widyastuti

Director of PT Exspan Petrogas Intranusa
Director of PT Satria Raksa Buminusa

An Indonesian citizen, born in 1966. She was appointed as Director of PT Exspan Petrogas Intranusa and PT Satria Raksa Buminusa in 2013. She previously served as Deputy Chief of Financial Officer at PT Medco Power Indonesia. She joined the Medco Group in 2007 as Senior Finance and Accounting Manager at PT Medco Power Indonesia. Prior to joining the Medco Group, she was Manager of Financial Advisory Services at PricewaterhouseCoopers and Auditor at Ernst & Young.

She graduated with a degree in Economics from the University of Indonesia, majoring in Accountancy, in 1990.

Meidi Lazuardi

President Director of PT Api Metra Graha

An Indonesian citizen, born in 1965.
With 16 years of experience in banking, he began his career with Bank Duta as an Assistant Manager Commercial Banking, and rising to become Senior Manager Corporate Banking

(1990-2000). He then joined the Indonesian Bank Restructuring Agency/IBRA as Senior Manager & Team Leader Loan Workout Unit – Asset Management Credit (2000-2004). He joined the Medco Group in 2005 as Deputy Director of Medco Agro, subsequently Vice President Business Development of Medco Holding (2006), until his appointment as the President Director of PT.Sentrafood Indonusa (2007). In 2009 he became active in PT Api Metra Graha as a Director, prior to his appointment as the President Director of the same company in June 2013.

He graduated with a degree in Law from Universitas Airlangga (1988) and earned an MBA degree from Monash-Mt.Eliza Business School in 1999.

Biwodotomo Witoradyo
Director of PT Api Metra Graha

An Indonesian citizen, born in 1971. With more than 18 years of experience in the property industry, specifically in the management of properties, he began his career with the Sahid Jaya Hotel Group in Jakarta as Site Engineer in 1995. Thereafter he joined one of the leading property development groups in the country, the Lippo Group, for a period of five years with the last position as Assistant Building Manager. In October 2005, he broadened his career as Building Manager with Jones Lang LaSalle, a leading multinational property consulting firm, and managed the Deutsche Bank Building in Jakarta for 4.5 years. In early 2010 he joined another leading property group in Indonesia, Agung Sedayu Group, as Deputy General Manager. Not long thereafter, he joined PT Api Metra Graha in November 2010 as Building Manager of The Energy Building, prior to his appointment as Director in May 2013.

He graduated with a degree in Architecture from the Bandung Institute of Technology, Bandung, in 1995.

Yunar Panigoro
Direktur Utama
PT Medco Gas Indonesia

An Indonesian citizen, born in 1957. He was appointed as the President Director of PT Medco Gas Indonesia in 2006, and currently also serves as President Director of PT Mitra Energi Gas Sumatra (since 2009). He first joined Medco Group in 1993 as Project Manager and Control Manager at PT Meta Epsi Engineering (1993-1999). He then served as Manager at PT Medco Holding (2000-2004), President Director of PT Graha Citramas Tbk (2001-2003) and Deputy Project Director of PT Multifab (2003-2004).

He graduated from Bandung Institute of Technology with a major in Physics (1983) and Sekolah Tinggi Manajemen Prasetya Mulya with Magister Management degree (2000).

Yasirin Paeman
Director PT Medco Gas Indonesia

An Indonesia citizen, born in 1969. He was appointed as Director of PT Medco Gas Indonesia in 2006. Currently he also holds a number of other positions including Director of PT Mitra Energi Gas Sumatra (since 2008), Director of PT Perta Kalimantan Gas (since 2009), Project/Lead Director of Umbulan Water Main Pipeline Bidding (since 2011). He joined MedcoEnergi in 1996 as Business Development Manager (1996-1998), then transferred to PT Medco Methanol Bunyu as Vice President Technical – Operational (1998-1999) and Vice President for Technology Development & Procurement (2000-2002). He was assigned as Advisor to the Board of Directors of PT Medco E&P Indonesia and CNG Project Manager in 2005. Before joining MedcoEnergi, he worked for PT Pupuk Kaltim (1995-1996) and PT Aspros Binareka (1990-1993).

He graduated from Bandung Institute of Technology with a degree in Chemical Engineering (1993) and Insititut Pengembangan Manajemen Indonesia (IPMI), Jakarta, with a major in International Business & Finance (2004).

Son Fithroini
President Director of
PT Satria Raksa Buminusa

An Indonesian citizen, born in 1960. Appointed as the President Director of PT Sarana Raksa Buminusa in August 2013. Previously he served in various managerial positions with PT Medco E&P Indonesia between 1987 and 2013, including Senior Manager of HR Operations (2011 – 2013). Prior to this he served in various positions in the structure of PT Medco E&P Indonesia from 2003 until 2011, including Manager of South Sumatra SCM, Manager of Material Management, Head of HR Administration & General Services and Human Capital Manager.

He graduated with a degree in Accounting from the Christian University of Indonesia and Magister Management degree from University of Gadjah Mada.

Fazil E. Alfitri
President Director PT Medco Power Indonesia

An Indonesian citizen, he was born in 1966. Alfitri has occupied the President Director post in December 2003. He previously served as the Country Manager for GE Power Systems Indonesia (2001-2003).

He received a Master of Science degree in Mechanical Engineering from Lehigh University, Pennsylvania, USA in 1990 and a Bachelor of Science degree in Mechanical Engineering from Wichita State University, Kansas, USA in 1988.

Kelana B. Mulia
Director PT Medco Power Indonesia

An Indonesian citizen, born in 1954, he was assigned to the Operations Director post in June 2009. He previously held the position of Director in PT Medco Power Indonesia subsidiary from 2003 to 2009. His career with MedcoEnergi started in 2003 and previously held several positions in a data management company.

Mulia earned a bachelor degree from the Bandung Institute of Technology majoring in Physics in 1980. This was then followed by a master degree in Engineering, majoring in Computers at the Asian Institute of Technology, Bangkok, Thailand in 1984.

Noor Wahyu Hidayat
Director of PT Medco Power Indonesia

An Indonesian citizen, born in 1958. Appointed as Director of Business Development of PT. Medco Power Indonesia on 1 Januari. Previously he served as the President Director of PT. Mitra Energi Batam (MEB) and PT. Dalle Energi Batam (DEB). He began his careere with MEB on 1 May 2004 as a Project Manager who was responsible for EPC (Engineering, Procurement and Construction). He was then promoted to Vice President Operations with PT Medco Power Indonesia in Jakarta and as Deputy Operations Director. Thereafter he served as Operations Director of PT Mitra Energi Batam and PT. Dalle Energi Batam. Throughout his career, he also served as President Director of PT. Mitsundo Sarana, Business Development Manager of PT VDH, subsidiary of Van Der Horst Ltd Singapore; PT. Imeco Inter Sarana and other work experiences spanning more than 30 years.

He graduated with a degree in Mechanical Engineering from Universitas Gadjah Mada, Yogyakarta.

Gomos Silitonga
Director of PT Medco Power Indonesia

An Indonesian citizen, born in 1974. He joined PT Medco Power Indonesia in May 2013 as Finance Director. Previously he served with Barclays Capital as a Director in the Investment Banking section. His experience in Investment Banking comprised of syndication loans, debt capital markets, and mergers and acquisitions. Prior to Barclays, he worked in the Investment Banking Department of UOB, and as an analyst in the Debt Research Unit of Danareksa.

He graduated with a degree in Economics from the University of Indonesia, majoring in finance and insurance.

Adrianto Kurniawan
Director of PT Medco Downstream Indonesia

An Indonesian citizen, born in 1969. Appointed as Director of PT Medco Downstream Indonesia in February 2012. Previously he served as Director of PT Exspan Petrogas Intranusa (2009-2011). He first joined MedcoEnergi in 1996 as EWL Engineer and subsequently became General Manager of PT Exspan Petrogas Intranusa in 2007. Prior to this, he was Field Engineer with Schlumberger Wireline & Testing Inc. (1992-1994) and Senior Field Engineer with PT Elnusa Geosains (1994-1996).

He gradiated with a degree in Electrical Engineering from the Bandung Institute of Technology, Bandung, in 1991.

Organization Structure*

Board of Commissioners

- Hilmi Panigoro — President Commissioner
- Retno D. Arifin — Commissioner
- Yani Y. Rodyat — Commissioner
- Gustiaman Deru — Independent Commissioner
- Marsillam Simandjuntak — Independent Commissioner
- Junichi Iseda — Commissioner

Board of Director

- Lukman Mahfoedz — President Director & *CEO*
- Lany D. Wong — Director & Chief Financial Officer
- Frila B. Yaman — Director & Chief Operation Officer (E&P)
- Akira Mizuta — Director & Chief Planning Officer
- Dasril Dahya[1] — Director & Chief Human Capital Officer

Committees

- Audit Committee
- Remuneration Committee
- Nomination Committee
- Risk Management Committee
- GCG Committee

Director & Chief Financial Officer — Lany D. Wong

Head of Corporate Finance	Agung B. Indriyo[2]
Head of Project Finance	Sumantri Slamet[3]
Head of Corporate Tax	Ichwan Sukardi
Head of Corporate Accounting	Andrea G. Diliharto
Head of Investor Relation	Sumantri Slamet[3]
Head of Corporate Treasury	Shinta Mahasuri
Head of Proc. & System Control	Krista

Director & Chief Operation Officer (E&P) — Frila B. Yaman

Production Director	Hartono Nugroho
Development Director	Eka Satria
VP of Technical Support	Vacant
Sr Manager of Commercial	Femi Sastrena
Sr Manager of Relations	Teguh Imanto
Bid Committee Chairman	Aldo S. Rachman
Sr Manager of SHE	Susanto
E&P Internal Audit	Candra Kesuma

Director & Chief Planning Officer — Akira Mizuta

Head of Corp. Planning & Perf	Yasushi Aibe
Head of Corp. Risk & Investment / Divestment	Triyadi Prayogo

Executive Assistant to President Director & CEO

Imron Gazali

Sr. Legal Counsel, Corporate Affairs

Siendy K. Wisandana

1 Resigned effectively in August 2013

2 Effective until November 2013

3 Effective until August 2013

* The Company's Organization Structure in 2013

Advisors
- Arifin Panigoro
- Subroto
- Alwi Shihab

Director & Chief Human Capital Officer	COO Power, Mining & Downstream	Chief Business Support Officer	Chief Exploration & New Ventures Officer
Dasril Dahya[1]	Budi Basuki	Johannes Kustadi	Faiz Shahab
Sr. Manager of Talent Dev.	Downstream Director	Sr. Manager of Fin. Accounting	Sr. Manager of Exploration
Iwan Prajogi	Adrianto Kurniawan	Truelly Anriza	Stephen Murray Scott
Sr. Manager of Perf. & Org. Eff	Power Director	Sr. Manager of Information Service	Sr. Manager of New Ventures
Tia N. Ardianto	Fazil E. Alfitri	Mohamad Baidowi	Michael John Perkin
Sr. Manager of HR Operation	Mining Director	Sr. Manager of Supply Chain Mgt.	Sr. Manager of Expl. Projects
Vacant	Arie P. Ariotedjo	Mark I. Doli	Chandra Suria
Business Partner Domestic	EPI Director	Sr. Manager of Fin. Control & Gov. Audit	General Manager Yemen
Endang T. Hendrik	Aditya Mandala	Ronny Siahaan	Erham Adhitiawan
Business Partner International	Medco Gas Director	Manager of General Services	General Manager Libya
Aviv Murtadho	Yunar Panigoro	Meilani Nainggolan	Faisal Abdallah Shita
Lead of Board Adm. Office	SRB dan MRB Director		
Retno Perdanakusuma	Son Fithroini		

Sr. Legal Counsel, E&P	Head of Internal Audit	Head of Corporate Secretary
Iman Suseno (Act.)	Eddy Hasfiardi	Imron Gazali

Company Structure


MEDCOENERGI
OIL & GAS E&P INTERNATIONAL
100.00%
Medco Strait Services Pte. Ltd.
Medco Petroleum Services Ltd
100%
100.00%
Petroleum Exploration & Production Int. Ltd.
Novus Lematang Company
100.00%
100.00%
Lematang E&P Ltd.
Synergia International Trading Pte. Ltd
100.00%
100.00%
Fortico International Ltd.
100.00%
Medco Energi Global Pte. Ltd.
Medco Arabia Ltd
100.00%
100.00%
Medco Cambodia Holding Ltd.
100.00%
Medco Cambodia Tonle Sap Ltd.
100.00%
Medco International Enterprise Ltd.
Medco International Services Pte. Ltd
100.00%
68.00%
Medco LLC
100.00%
Medco International Petroleum Ltd.
Medco International Ventures Ltd.
100.00%
100.00%
Medco Energi USA , Inc
Medco Yemen Holding Ltd.
100.00%
Medco Yemen Amed Ltd.
100.00%
100.00%
Medco Energi US LLC
Medco Yemen Arat Ltd.
100.00%
Medco Yemen Malik Ltd.
100.00%
100.00%
Medco Petroleum Management LLC
POWER
49%
PT Medco Power Indonesia
PT Mitra Energi Batam
10.00%
99.00%
PT Dalle Panaran
PT Universal Batam Energy
70%
79.99%
PT Dalle Energi Batam
PT Energi Listrik Batam
99.9%
99.60%
PT Medco Power Sumatra
PT Sangsaka Agro Lestari
70%
75%
PT Medco Cahaya Geothermal
99.90%
PT Medco Geopower Sarulla
80.00%
PT Muara Enim Multi Power
PT Pembangkit Pusaka Parahiangan
99.99%
99.99%
PT Medco Geothermal Sarulla
PT Medco Energi Menamas
99.99%
92.5%
PT Energi Prima Elektrika
PT Mitra Energi Batam
54.00%
85.00%
PT Multidaya Prima Elektrindo
PT Medco General Power Services
99.9%
99.98%
PT Indo Medco Power
PT TJB Power Services
80.10%
5.00%
PT Energi Sengkang
Medco Power Venture Pte Ltd
100.00%
37.2%
Sarulla Operation Ltd.
Biofuel Power Pte Ltd
100%
99.90%
PT Medco Geothermal Indonesia
TRADING
99.90%
PT Medco Niaga Internasional
99.99%
PT Medco Sarana Balaraja
96.67%
PT Satria Raksa Buminusa
99.63%
PT Musi Raksa Buminusa
99%
PT Mahakam Raksa Buminusa
96.48%
PT Sistim Vibro Indonesia
99.99%
PT Medco Integrated Resources
99.99%
PT Medco Energi Nusantara
FINANCIAL SPV
100,00%
MEI Euro Finance Ltd
100,00%
Medco CB Finance BV
Active company
Dormant company
Paper company

External Audit Committee Members

Jul Azmi
member

Appointed as an External Member of the Audit Committee in 2013 with his extensive experience as an Aufitor and his experience since 1972 in the oil and gas sector and related services that support the oil industry, including: PT Stanvac Indonesia, PT Medco E&P Indonesia, PT Medco Energi Internasional Tbk, Indrillco Hulu Energy Ltd, and PT Sumatra Persada Energi. As a member of the Audit Committee, his responsibilities include assessing the financial performance of the Company based on his expertise in finance and accountancy, as well as his understanding of the laws and the Corporation Act.

Ida Anggrainy Sarwani
member

Appointed as an External Member of the Audit Committee in 2013 with her extensive experience since 1980 as a Public Accountant and Management Consultant with, among others, Drs. Hadi Sutanto & CO (PricewaterhouseCoopers), Sumatra Gulf Oil Ltd, McDermott Indonesia, Sekolah Tinggi Ilmu Ekonomi Perbanas, PT Natterman Indonesia, PT Metaun Agung Perdana, PT Bhumyamca Sekawan, IBRA, PT Jakarta Setiabudi Internasional Tbk., PT Perdana Gapura Prima Tbk, PT Sumber Hidup Sehat, PT Viva Medika, dan PT Maju Raya Sejahtera. AS a member of the Audit Committee, her responsibilities include assessing the financial performance of the Company based on his expertise in finance and accountancy, as well as her understanding of the laws and the Corporation Act.

Abbreviations & Terms

Terms	Description
2P	Proved & Probable Reserves
B3	Toxic and Hazardous Waste
BAE	Biro Administrasi Efek
BAPEPAM-LK	Badan Pengawas Pasar Modal dan Lembaga Keuangan (Indonesian Capital Markets and Financial Institution Supervisory Agency)
BBG	Bahan Bakar Gas
BBL	Barel
BBM	Bahan Bakar Minyak
BBTU	Billion British Thermal Units
BBTUPD	Billion British Thermal Unit Per Day
BCF	Billion Cubic Feet
BEI	Indonesian Stock Exchange
BOPD	Barrel Oil Per Day
BPM	Business Process Management
BPMIGAS	Badan Pelaksana Kegiatan Usaha Hulu Minyak & Gas Bumi (Regulator of upstream oil and gas activities of the Government of Indonesia)
BPS	Balai Penelitian Sembawa
BPS	Board Priority Setting
CBM	Coal Bed Methane (Metana Batu bara)
CBPL	Camar Bawean Petroleum Ltd.
CCTG	Combined Cycle Turbine Generator
CDM	Clean Development Mechanism
CO_2	Carbon Dioxide
COD	Commercial Operation Date
CPP	Central Processing Plant
CRC	Camar Resources Canada
CSR	Corporate Social Responsibility
Cue	Cue Sampang Pty. Ltd.
D&M	DeGoyler & MacNaughton
DDP	Driller Development Program
DEB	Dalle Energy Batam
Deloitte	Deloitte Touche and Tohmatsu
DMO	Domestic Market Obligation
DSLNG	Donggi Senoro LNG, PT
DTR	Duta Tambang Raya, PT
DTSA	Duta Tambang Sumber Alam, PT
E&P	Exploration & Production
EBITDA	Earning Before Interest, Income Tax, Depreciation, Depletion and Amortization
EGRA	Export Grade Rectified Alcohol
EOR	Enhanced Oil Recovery

Terms	Description
EPC	Engineering Procurement & Construction
EPI	Exspan Petrogas Intranusa, PT
EPSA	Exploration and Production Sharing Agreement
ERT	Energy Resources Technology GOM, Inc.
ESC	Energy Sales Contract
ESDM	Energi dan Sumber Daya Mineral, Departemen
ESOP	Employee Stock Option Program
FEED	Front End Engineering and Design
FID	Final Investment Decision
FTP	First Tranche Petroleum
G&G	Geology & Geophysics
GCA	Gaffney, Cline & Associates Pte Ltd
GCG	Good Coporate Governance
GET	Graduate Engineer Trainee
GREST	Graduate Relations Trainee
GWh	Giga Watt Hours (miliar Watt jam)
HMETD	Hak Memesan Efek Terlebih Dahulu
HOA	Heads of Agreement
HP	Horsepower
HR	Human Resources
HSD	High Speed Diesel
ICE Brent	InterContinental Exchange
ICP	Indonesian Crude Price
ICP-SLC	Indonesian Crude Price - Sweet Light Crude
IDR	Rupiah
IIA	Institute of Internal Auditors
IICG	Indonesian Institute of Corporate Governance
Indonesia	Republik Indonesia
IPAL	Air Hasil Olahan
IPM	Integrated Program Management
ISO	International Standard Organization
ISRS7	7th Edition of International Safety Rating System
IUP	Mining Work Permit
JCC	Japan Crude Cocktail
JOB	Joint Operating Body
JOB P-MEPS	JOB Pertamina Medco E&P Simenggaris
JOC	Joint Operating Company
JOC	Joint Operations Contract
KAP	Kantor Akuntan Publik
kcal	Kilo Calories

Abbreviations & Terms

Terms	Description
KL	Kilo Liter
KMB	Kilang Metanol Bunyu
KMR	Komite Manajemen Risiko
KPI	Key Performance Indicator (Indikator Kinerja Utama)
KSF	Karim Small Fields
LAPI - ITB	Lembaga Afiliasi Peneliti dan Industri Institut Teknologi Bandung
LNG	Liquid Natural Gas
LPG	Liquid Petroleum Gas
MAKE	Most Admired Knowledge Enterprise, Award
MBLP	Medco Basic Leadership Program
MBO	Thousand Barrels of Oil
MBOE	Thousand Barrels of Oil Equivalent
MBOEPD	Thousand Barrels of Oil Equivalent per Day
MBOPD	Thousand Barrels of Oil Per Day
MC	Mitsubishi Corporation
MCK	Mandi, Cuci, Kakus
MDGs	Millenium Development Goals
MDI	Medco Downstream Indonesia, PT
MEI	Medco Energi Internasional, PT
MEMI	Medco Energi Mining Internasional, PT
MEPI	Medco E&P Indonesia, PT
Migas	Minyak dan Gas Bumi
MLI	Medco LNG Indonesia, PT
MMBO	Million Barrels of Oil
MMBOE	Million Barrels Oil Equivalent
MMBTU	Million British Thermal Unit
MMCF	Million Cubic Feet
MMSCF	Million Standard Cubic Feet
MMSCFD	Million Standard Cubic Feet Per Day
MOECO	Mitsui Oil Exploration Company Ltd.
MOU	Memorandum of Understanding
MPI	Medco Power Indonesia, PT
MRB	Musi Raksa Buminusa, PT
MSK	Medco Sarana Kalibaru, PT
MSOP	Management Stock Option Program
MSP	Medco Supervisor Program
MT	Metric tons
MTD	Million tons per Day
MTPA	Million tons per Annum
MW	Mega Watt
MWH	Mega Watt Hour
NFW	New Field Wildcat
NOC	National Oil Corporation (of Libya)
Novus	Novus Petroleum Limited
NSAI	Netherland, Sewell, & Associates, Inc.

Terms	Description
NSP	Nusa Serambi Persada, Perusda
O&M	Operations and Maintenance
OECD	Organization for Economic Co-operation and Development
OPEC	The Organization of Petroleum Exporting Countries
PA	Petroleum Agreement
PADMA	Pandu Daya Masyarakat Award
PAU	Panca Amara Utama, PT
PDO	Petroleum Development Oman
PDO Shell	Petroleum Development Oman - Shell
PDPDE	Perusahaan Daerah Pertambangan & Energi Sumsel
Pertamina	Pertamina, PT
PESA	Participation and Economic Sharing Agreement
PGE	Pertamina Geothermal Energy, PT
PGN	Perusahaan Gas Negara Tbk., PT
PHE	Pertamina Hulu Energi, PT
PIM	Pupuk Iskandar Muda, PT
PJBG	Perjanjian Jual Beli Gas
PKAT	Program Kerja Audit Tahunan
PKB	Perjanjian Kerja Bersama
PLN	Perusahaan Listrik Negara (Persero), PT
PLTMH	Pembangkit Listrik Tenaga Minihidro
PMP	Puma Medco Petroleum, PT
POD	Plan of Development (Rencana Pengembangan)
PPA	Power Purchase Agreement
Pre-FEED	Pre-Front End Engineering Design
PRIME	Performance Integrity of MedcoEnergi
PROPER	Program Peringkat Kinerja Perusahaan
PSA	Production Sharing Agreement
PSAK	Peraturan Standar Akuntansi Keuangan
PSC	Production Sharing Contract
PSC/A	Production Sharing Contract/Agreement
PSIA	Pounds per Square Inch Absolute
PSIG	Pressure per Square Inch Gauge
PTTEP	PTT Exploration & Production Public Company
RKAP	Rencana Kerja dan Anggaran Perseroan
RUPS	Rapat Umum Pemegang Saham
RUPSLB	Rapat Umum Pemegang Saham Luar Biasa
RUPST	Rapat Umum Pemegang Saham Tahunan
SAK	Standar Akuntansi Keuangan
SAP	Systems, Applications, & Products (software)
SCM	Supply Chain Management
SCS	South & Central Sumatra
SDM	Human Resources

Terms	Description
SHE	Safety Health Environment
SKKMIGAS	Satuan Kerja Khusus Pelaksana Kegiatan Usaha Hulu Minyak dan Gas Bumi
SLD	Sulawesi LNG Development Ltd.
SP	Serikat Pekerja
SPC	Singapore Petroleum Sampang
SPE	Society of Petroleum Engineers
SRB	Satria Raksa Buminusa, PT
SRI	System of Rice Intensification
SSE	South Sumatra Extention
TAC	Technical Assistance Contract
TBTU	Trillion British Thermal Units
TCF	Trillion cubic feet
TDP	Technician Development Program
TOGA	Family Medicine Garden / *Tanaman Obat Keluarga*
UMKM	Usaha Mikro Kecil dan Menengah
UNFCCC	United Nations Framework Convention on Climate Change
US/USA	United State/ United State of America
US$	United State Dollar
UU	Undang-Undang
UUPT	Undang-Undang Perseroan Terbatas
WTC	Waste Treatment Center
WTI	West Texas Intermediate
UUPT	Undang-Undang Perseroan Terbatas
WTC	Waste Treatment Center
WTI	West Texas Intermediate

Oil and Gas Terms	Description
Contingent Resources	Refers to the volume of hydrocarbons that are excluded from the reserves category due to technical, market, or economic contingencies
Gross Reserves	Refers to reserves attributable to the Company's effective participating interest prior to deduction of Government take payable to the Government as the owner of the reserves under the applicable contractual arrangements.
Net Reserves	Refers to reserves attributable to the Company's effective participating interest after deduction of Government take to the Government pursuant to the terms of the relevant production sharing arrangement.

Oil and Gas Terms	Description
Proven Reserves (1P)	Refers to those quantities of petroleum which, by analysis of geological and technical data can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under current economic conditions, operating methods, and Government regulations.
Proven & Probable Reserves (2P)	Refers to proven reserves plus those reserves that are unproven, in which through analysis of geological and technical data, are more likely than not to be recoverable.
Dry Hole	Refers to an exploration, development, or appraisal well that could not produce oil or gas in sufficient quantities to justify completion as an oil or gas well.
EOR/Enhanced Oil Recovery	Refers to a process that is applied to increase the production through energy addition compared to natural production.
Contract Work Area	Refers to a specified geographic area that is the subject of a production sharing arrangement pursuant to which an operator and its partners provide financing and technical expertise to conduct exploration, development and production operations.
Bonds	Refers to an instrument of indebtedness of the bond issuer to the holders
Net Production	Represents the Company's share of gross production after deducting the share payable to the Government pursuant to the terms of the relevant production sharing arrangement.
Gross Production	Represents the sum of the oil and gas production from each of the Company's blocks multiplied by the effective interest in such block.
Exploration Well / Wildcat Well	Refers to a well that is drilled in a newly discovered or known discovery to gain further information.
Development Well	Refers to a well that is drilled to exploit the hydrocarbon accumulation defined by an appraisal or delineation well.
Delineation Well / Appraisal Well	Refers to a well that is designed to test the validity of a seismic interpretation and to confirm the presences of hydrocarbons in an undrilled formation.
Swamp-barge Rig	Refers to a drilling rig designed for operation in swamp areas.

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14	Issuance of the financial statements. Items disclosed are:		
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	2. Responsible party authorizing the financial statements	v	135

Financial Statements

5

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PT Medco Energi Internasional Tbk
The Energy 53rd Fl., SCBD Area Lot 11 A
Jl. Jend. Sudirman, Jakarta 12190
Indonesia

Tel +62-21 2995.3000
Fax +62-21 2995.3001
www.medcoenergi.com

MEDCOENERGI

FORM No. VIII.G.11-1

DIRECTORS' STATEMENT ON THE RESPONSIBILITY FOR PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2013 AND FOR THE YEAR THEN ENDED WITH INDEPENDENT AUDITOR'S REPORT PT MEDCO ENERGI INTERNASIONAL TBK AND ITS SUBSIDIARIES

We the undersigned,

1. Name : Lukman Ahmad Mahfud
   Id Number : 09.5304.260254.0142
   Office Address : The Energy Building 53rd Floor, SCBD Lot 11A
   Jl. Jendral Sudirman, Jakarta 12190
   Home Address : Tanjung Mas Raya Blok.B 8/16 Rt. 002 / Rw. 001
   Tanjung Barat, Jagakarsa, Jakarta Selatan
   Telephone : 021-2995 3000
   Title : President Director

2. Name : Lany Djuwita
   Id Number : 32.7103.630769.0008
   Office Address : The Energy Building 53rd Floor, SCBD Lot 11A
   Jl. Jendral Sudirman, Jakarta 12190
   Home Address : GG Sepatu No.6, RT002/002, Pabaton,
   Kota, Bogor Tengah
   Telephone : 021-2995 3000
   Title : Finance Director

hereby declare :

1. We are responsible towards the preparation and presentation of the Consolidated Financial Statements as of December 31, 2013 And For The Year Then Ended With Independent Auditor's Report PT Medco Energi Internasional Tbk And Its Subsidiaries ("The Annual Consolidated Financial Statements of the Company and Its Subsidiaries");

2. The Annual Consolidated Financial Statements of the Company and Its Subsidiaries has been prepared in accordance with the generally accepted accounting principles in Indonesia;

3. a. All the information in The Annual Consolidated Financial Statements of the Company and Its Subsidiaries have been fully and accurately disclosed;

   b. The Annual Consolidated Financial Statements of the Company and Its Subsidiaries does not contain any false information or material fact, and does not omit any information or material fact;

4. We are responsible towards the internal control system of the Company and Its Subsidiaries.

In witness whereof, the undersigned have drawn up this statement truthfully.

Jakarta, March 21, 2014
PT Medco Energi Internasional Tbk

METERAI TEMPEL
E5702ABF761479478
ENAM RIBU RUPIAH
6000 DJP

Lukman Ahmad Mahfud
President Director

Lany Djuwita
Finance Director

PT MEDCO ENERGI INTERNASIONAL Tbk
AND ITS SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2013
AND FOR THE YEAR THEN ENDED
WITH INDEPENDENT AUDITORS' REPORT

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EY
Building a better working world

Purwantono, Suherman & Surja

Indonesia Stock Exchange Building
Tower 2, 7th Floor
Jl. Jend. Sudirman Kav. 52-53
Jakarta 12190, Indonesia

Tel : +62 21 5289 5000
Fax: +62 21 5289 4100
ey.com/id

This report is originally issued in the Indonesian language.

Independent Auditors' Report

Report No. RPC-5179/PSS/2014

The Stockholders and the Boards of Commissioners and Directors
PT Medco Energi Internasional Tbk

We have audited the accompanying consolidated financial statements of PT Medco Energi Internasional Tbk and its subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2013, and the consolidated statements of comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of such consolidated financial statements in accordance with Indonesian Financial Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on such consolidated financial statements based on our audit. We conducted our audit in accordance with Standards on Auditing established by the Indonesian Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

This report is originally issued in the Indonesian language.

Independent Auditors' Report (continued)

Report No. RPC-5179/PSS/2014 (continued)

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of PT Medco Energi Internasional Tbk and its subsidiaries as of December 31, 2013, and their consolidated financial performance and cash flows for the year then ended, in accordance with Indonesian Financial Accounting Standards.

Emphasis of a matter

As disclosed in Note 35 to the accompanying consolidated financial statements, the Company restated its consolidated statement of comprehensive income for the year ended December 31, 2012 in connection with the Company's plan to sell its subsidiary, in accordance with the Statement of Financial Accounting Standards No. 58, "Non-Current Assets Held for Sale and Discontinued Operations".

Purwantono, Suherman & Surja

Drs. Hari Purwantono
Public Accountant Registration No. AP.0684

March 21, 2014

PT MEDCO ENERGI INTERNASIONAL Tbk
AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2013
(Expressed in United States Dollars, unless otherwise stated)

	Notes	2013	2012
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	2d,2e,2f,2q,4, 39,41,42	263,973,998	523,651,774
Short-term investments	2f,2q,5, 41,42,44	253,437,152	311,668,012
Restricted cash in banks	2e,2q,11, 39,41,42	5,593,518	1,343,426
Trade receivables	2g,2q,6,41,42		
Related parties	2e,24,39	18,982,522	32,701,117
Third parties - net of allowance for impairment of US$4,369,739 as of December 31, 2013 and US$144,495 as of December 31, 2012		124,651,998	114,428,181
Other receivables			
Third parties - net of allowance for impairment of US$11,596,365 as of December 31, 2013 and US$28,454,825 as of December 31, 2012	2g,2q,7,41,42	75,940,543	79,157,762
Inventories - net of allowance for obsolescence and decline in value of US$6,610,703 as of December 31, 2013 and US$6,969,074 as of December 31, 2012	2h,8	37,164,353	36,503,594
Non-current assets held for sale	35	24,989,685	-
Prepaid taxes	2s,9	11,413,219	9,379,589
Prepaid expenses	2i,10	3,758,125	4,066,007
Advance for purchase of shares of stock	17	1,380,823	30,080,481
Other current assets	18	160,194	1,682,237
Total Current Assets		821,446,130	1,144,662,180

The accompanying notes to the consolidated financial statements form an integral part of these consolidated financial statements taken as a whole.

These consolidated financial statements are originally issued in the Indonesian language.

PT MEDCO ENERGI INTERNASIONAL Tbk
AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
December 31, 2013
(Expressed in United States Dollars, unless otherwise stated)

	Notes	2013	2012
NON-CURRENT ASSETS			
Other receivables	2g,2q,7,42		
Related parties	2e,39,41	142,600,440	101,615,237
Third parties - net of allowance for impairment of US$47,169 as of December 31, 2013 and US$52,506 as of December 31, 2012		1,532,380	4,505,896
Restricted cash in banks	2f,2q,11,39 41,42	7,834,751	10,898,277
Deferred tax assets - net	2s,34	42,600,507	59,541,169
Long-term investments	2e,2q,12,42	319,458,987	200,540,593
Investment in project	2q,13	30,324,414	30,324,414
Property, plant and equipment - net of accumulated depreciation and allowance for impairment of US$92,380,776 as of December 31, 2013 and US$81,627,315 as of December 31, 2012	2j,2k,2v, 14,31c,32	85,700,769	120,410,982
Mining properties - net of accumulated amortization and allowance for impairment of US$1,185,552 as of December 31, 2013 and US$204,682 as of December 31, 2012	16a	610,264	708,795
Exploration and evaluation assets	2l,2v,15	155,729,959	112,434,713
Oil and gas properties - net of accumulated depreciation, depletion, and amortization and allowance for impairment of US$927,464,165 as of December 31, 2013 and US$1,001,514,489 as of December 31, 2012	2c,2l,2p, 2v,16b,31c	902,468,908	849,387,645
Other assets - net	18,42	21,371,961	20,810,803
Total Non-current Assets		1,710,233,340	1,511,178,524
TOTAL ASSETS		**2,531,679,470**	**2,655,840,704**

The accompanying notes to the consolidated financial statements form an integral part of these consolidated financial statements taken as a whole.

These consolidated financial statements are originally issued in the Indonesian language.

PT MEDCO ENERGI INTERNASIONAL Tbk
AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
December 31, 2013
(Expressed in United States Dollars, unless otherwise stated)

	Notes	2013	2012
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Short-term bank loans	2q,24,39,41,42	60,000,000	60,000,000
Trade payables	2q,19,41,42		
Related parties	2e,39	359,576	69,936
Third parties		94,193,530	95,194,668
Other payables	2k,2q,20b,42	50,795,338	43,589,966
Taxes payable	2s,21	25,348,897	32,800,113
Liabilities directly associated with the non-current assets classified as held for sale	35	3,393,361	-
Accrued expenses and other provisions	2q,22,42	70,696,891	72,224,141
Post-employment benefits obligations - current portion	2o,38	449,582	9,153,439
Derivative liabilities	2q,2u,23,42	10,520,221	-
Current maturities of long-term debt	2q,42		
Bank loans	24,41	928,203	62,855,699
Medium-term notes	25	-	40,386,422
Rupiah bonds	25	80,768,414	-
Advances from customers - third parties	20a	12,599,877	15,897,995
Total Current Liabilities		410,053,890	432,172,379
NON-CURRENT LIABILITIES			
Long-term debt - net of current maturities	2q,42		
Related party	2e,25,39,41	130,947,913	125,735,136
Bank loans	24,41	374,867,214	654,384,407
Rupiah bonds	25	285,711,915	307,542,144
US Dollar bonds	25	98,466,256	99,334,607
Other payables	2k,2q,20b,42	9,698,707	13,849,625
Deferred tax liabilities - net	2s,34	99,150,300	90,167,043
Post-employment benefits obligations	2o,38	13,065,752	15,769,959
Derivative liabilities	2q,2u,23,42	162,135,400	17,985,673
Asset abandonment and site restoration obligations and other provisions	2p,46	50,825,708	55,675,546
Total Non-Current Liabilities		1,224,869,165	1,380,444,140
Total Liabilities		**1,634,923,055**	**1,812,616,519**

The accompanying notes to the consolidated financial statements form an integral part of these consolidated financial statements taken as a whole.

These consolidated financial statements are originally issued in the Indonesian language.

PT MEDCO ENERGI INTERNASIONAL Tbk
AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
December 31, 2013
(Expressed in United States Dollars, unless otherwise stated)

	Notes	2013	2012
EQUITY			
Capital stock - Rp100 par value per share			
Authorized - 4,000,000,000 shares			
Issued and fully paid - 3,332,451,450 shares	1b,27	101,154,464	101,154,464
Treasury stock - 390,454,500 shares	2n,27	-	(5,574,755)
		101,154,464	95,579,709
Additional paid-in capital	28	183,439,833	108,626,898
Effects of changes in equity transactions of subsidiaries/associated entities	29	107,870	107,870
Translation adjustments	2d	1,440,163	454,785
Fair value adjustment on cash flow hedging instruments	2u	(53,728,265)	(13,244,181)
Retained earnings			
Appropriated		6,492,210	6,492,210
Unappropriated		646,302,520	637,054,429
Total equity attributable to the equity holders of the parent company		885,208,795	835,071,720
Non-controlling interests	2b,26	11,547,620	8,152,465
Total Equity		**896,756,415**	**843,224,185**
TOTAL LIABILITIES AND EQUITY		**2,531,679,470**	**2,655,840,704**

The accompanying notes to the consolidated financial statements form an integral part of these consolidated financial statements taken as a whole.

These consolidated financial statements are originally issued in the Indonesian language.

PT MEDCO ENERGI INTERNASIONAL Tbk
AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year Ended December 31, 2013
(Expressed in United States Dollars, unless otherwise stated)

	Notes	2013	2012 (As Restated - Note 35)
CONTINUING OPERATIONS			
SALES AND OTHER OPERATING REVENUES	2e,2r,30,39,40		
Net oil and gas sales		826,842,368	873,031,964
Revenue from coal		42,959,147	9,085,540
Revenue from services		16,719,719	17,842,472
Revenue from chemical and other petroleum products		2,426,172	4,422,632
TOTAL SALES AND OTHER OPERATING REVENUES		**888,947,406**	**904,382,608**
COST OF SALES AND OTHER DIRECT COSTS			
Production and lifting costs	2r,31a	(307,763,720)	(326,942,634)
Depreciation, depletion and amortization	2j,2l,14,16,31c	(101,609,714)	(82,776,970)
Cost of crude oil purchases	2r,31e	(44,378,789)	(43,166,575)
Cost of services	2r,31b	(29,717,463)	(24,408,947)
Coal production costs	2r,31f	(24,179,183)	(7,838,219)
Exploration expenses	2l,2r,31d	(14,079,817)	(17,306,526)
TOTAL COST OF SALES AND OTHER DIRECT COSTS		**(521,728,686)**	**(502,439,871)**
GROSS PROFIT		**367,218,720**	**401,942,737**
Selling, general and administrative expenses	2r,32	(121,485,761)	(141,593,062)
Finance costs	24,25	(77,083,376)	(95,352,726)
Loss on impairment of assets - net	6,7,14,16	(27,244,234)	(12,149,708)
Share of net income of associated entities - net	2e,12	4,554,295	1,188,018
Finance income		11,751,425	21,572,559
Gain on disposal of a subsidiary		-	5,362,723
Other income	33	49,676,093	25,319,919
Other expenses		(13,650,350)	(9,082,457)
PROFIT BEFORE INCOME TAX EXPENSE FROM CONTINUING OPERATIONS		**193,736,812**	**197,208,003**
INCOME TAX EXPENSE	2s,34	**(153,860,688)**	**(156,339,016)**

The accompanying notes to the consolidated financial statements form an integral part of these consolidated financial statements taken as a whole.

These consolidated financial statements are originally issued in the Indonesian language.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)
Year Ended December 31, 2013
(Expressed in United States Dollars, unless otherwise stated)

	Notes	2013	2012 (As Restated - Note 35)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**39,876,124**	**40,868,987**
DISCONTINUED OPERATIONS			
LOSS AFTER INCOME TAX EXPENSE FROM DISCONTINUED OPERATIONS	35	**(23,897,548)**	**(22,014,930)**
PROFIT FOR THE YEAR		**15,978,576**	**18,854,057**
OTHER COMPREHENSIVE INCOME			
Translation adjustments		985,378	478,642
Fair value adjustment on cash flow hedging instruments		(40,484,084)	(13,244,181)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(23,520,130)**	**6,088,518**
PROFIT ATTRIBUTABLE TO			
Equity holders of the parent company			
Profit for the year from continuing operations		36,480,969	34,608,218
Loss for the year from discontinued operations		(23,897,548)	(22,014,930)
Profit for the year attributable to owners of the parent company		12,583,421	12,593,288
Profit for the year from continuing operations attributable to non-controlling interests	2b,26	3,395,155	6,260,769
		15,978,576	**18,854,057**

The accompanying notes to the consolidated financial statements form an integral part of these consolidated financial statements taken as a whole.

These consolidated financial statements are originally issued in the Indonesian language.

(Expressed in United States Dollars, unless otherwise stated)

	Notes	2013	2012 (As Restated - Note 35)
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO			
Equity holders of the parent company			
Comprehensive income (loss) for the year from continuing operations		(3,017,737)	21,842,679
Comprehensive loss for the year from discontinued operations		(23,897,548)	(22,014,930)
Comprehensive loss for the year attributable to owners of the parent company		(26,915,285)	(172,251)
Comprehensive income for the year attributable to non-controlling interests	2b,26	3,395,155	6,260,769
		(23,520,130)	**6,088,518**
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	2z,36	**0.0041**	**0.0043**

PT MEDCO ENERGI INTERNASIONAL Tbk AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year Ended December 31, 2013
(Expressed in United States Dollars, unless otherwise stated)

		Attributable to the equity holders of the parent company									
				Retained Earnings							
	Notes	Capital Stock	Additional Paid-in Capital	Appropriated	Unappropriated	Effect of Changes in Equity Transactions of Subsidiaries/ Associated Entities	Translation Adjustments	Fair Value Adjustment on Cash Flow Hedging Instruments	Total	Non-controlling Interests	Total Equity
Balance, December 31, 2011		**95,579,709**	**108,626,898**	**6,492,210**	**646,992,913**	**107,870**	**(23,857)**	**-**	**857,775,743**	**9,891,696**	**867,667,439**
Comprehensive income (loss) for the year		-	-	-	12,593,288	-	478,642	(13,244,181)	(172,251)	6,260,769	6,088,518
Cash dividends	37	-	-	-	(22,531,772)	-	-	-	(22,531,772)	-	(22,531,772)
Payment of cash dividends by a subsidiary		-	-	-	-	-	-	-	-	(8,000,000)	(8,000,000)
Balance, December 31, 2012		**95,579,709**	**108,626,898**	**6,492,210**	**637,054,429**	**107,870**	**454,785**	**(13,244,181)**	**835,071,720**	**8,152,465**	**843,224,185**
Comprehensive income (loss) for the year		-	-	-	12,583,421	-	985,378	(40,484,084)	(26,915,285)	3,395,155	(23,520,130)
Cash dividends	37	-	-	-	(3,335,330)	-	-	-	(3,335,330)	-	(3,335,330)
Sale of treasury stocks	27	5,574,755	74,812,935	-	-	-	-	-	80,387,690	-	80,387,690
Balance, December 31, 2013		**101,154,464**	**183,439,833**	**6,492,210**	**646,302,520**	**107,870**	**1,440,163**	**(53,728,265)**	**885,208,795**	**11,547,620**	**896,756,415**

The accompanying notes to the consolidated financial statements form an integral part of these consolidated financial statements taken as a whole

These consolidated financial statements are originally issued in the Indonesian language.

PT MEDCO ENERGI INTERNASIONAL Tbk
AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
Year Ended December 31, 2013
(Expressed in United States Dollars, unless otherwise stated)

	Notes	2013	2012 (As Restated - Note 35)
Cash Flows from Operating Activities			
Cash receipts from customers		923,326,504	968,082,910
Cash paid to suppliers and employees		(536,912,825)	(609,921,043)
Cash generated from operations		386,413,679	358,161,867
Income tax paid		(124,698,686)	(149,149,273)
Net cash provided by operating activities		**261,714,993**	**209,012,594**
Cash Flows from Investing Activities			
Additions to short-term investments	5	(115,000,000)	(143,690,189)
Proceeds from redemption of short-term investments	5	183,867,199	90,531,714
Additions to oil and gas properties	16	(154,528,904)	(161,171,764)
Addition to exploration and evaluation assets		(67,130,523)	(28,041,570)
Investment in shares of stock	44	(100,290,982)	(67,736,590)
Proceeds from dividend payment of associated entity	12	143,135	-
Additions to other assets		(1,538,483)	(1,943,176)
Acquisitions of property, plant and equipment	14	(5,984,016)	(52,796,573)
Increase in other receivables from related parties		(40,985,204)	(48,140,400)
Interest received		11,987,987	20,955,675
Proceeds from disposals of property and equipment		124,928	10,153,998
Advance payment		-	(31,762,718)
Proceeds from disposal of a subsidiary - net		-	9,396,007
Proceeds from redemption of investment in convertible bonds		-	11,878,871
Net cash used in investing activities		**(289,334,863)**	**(392,366,715)**
Cash Flows from Financing Activities			
Proceeds from:			
- Bank loans	24	110,000,000	252,224,879
- Other long-term debt	25	123,061,777	230,750,818
- Related party		5,214,374	50,704,500
Payments of:			
- Bank loans	24	(421,517,764)	(329,970,969)
- Other long-term debt	25	(41,450,000)	(119,651,633)
Proceeds from sale of treasury stock		80,387,690	-
Payment of financing charges		(77,992,144)	(91,317,218)
Withdrawal of (increase in) restricted cash in banks		(1,186,566)	28,013,957
Payment of cash dividends		(3,335,330)	(22,531,772)
Payment of cash dividends by a subsidiary		-	(8,000,000)
Net cash used in financing activities		**(226,817,963)**	**(9,777,438)**

The accompanying notes to the consolidated financial statements form an integral part of these consolidated financial statements taken as a whole.

These consolidated financial statements are originally issued in the Indonesian language.

(Expressed in United States Dollars, unless otherwise stated)

	Notes	2013	2012 (As Restated - Note 35)
NET DECREASE IN CASH AND CASH EQUIVALENTS FROM CONTINUING OPERATIONS		**(254,437,833)**	**(193,131,559)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS FROM DISCONTINUED OPERATIONS		**(502,449)**	**11,222,673**
NET FOREIGN EXCHANGE DIFFERENCE		**(4,737,494)**	**1,609,493**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4	**523,651,774**	**703,951,167**
CASH AND CASH EQUIVALENTS AT END OF YEAR	4	**263,973,998**	**523,651,774**

1. GENERAL

a. General Information

PT Medco Energi Internasional Tbk ("the Company") was established within the framework of the Domestic Capital Investment Law No. 6 Year 1968 as amended by Law No. 12 Year 1970, based on notarial deed No. 19 of Imas Fatimah, S.H., dated June 9, 1980. The deed of establishment was approved by the Ministry of Justice of the Republic of Indonesia in its decision letter No. Y.A.5/192/4 dated April 7, 1981 and was published in State Gazette No. 102, Supplement No. 1020 dated December 22, 1981.

The Company's Articles of Association has been amended several times, the latest amendments of which were made to comply with the current Limited Liability Company Law No. 40 issued in 2007. The latest amendments were covered by notarial deed No. 33 dated August 8, 2008, which were approved by the Ministry of Law and Human Rights in its decision letter No. AHU-69951.AH.01.02 TH 2008 and were published in the State Gazette of the Republic of Indonesia No. 12 dated February 10, 2009, Supplement No. 4180/2009.

The Company is domiciled in Jakarta and its head office is located at 52nd Floor, The Energy Building, SCBD lot 11A, Jl. Jenderal Sudirman, Jakarta 12190.

In accordance with Article 3 of the Company's Articles of Association, the scope of its activities comprises, among others, exploration for and production of oil and natural gas and other energy activities, onshore and offshore drilling, and investing (direct and indirect) in subsidiaries. The Company started its commercial operations on December 13, 1980.

The Company and its Subsidiaries ("the Group") have approximately 1,875 (unaudited) and 2,135 (unaudited) employees as of December 31, 2013 and 2012, respectively.

b. Company's Public Offering

The Company's shares of stock were initially offered to the public and listed on the Jakarta Stock Exchange (JSE) (now Indonesia Stock Exchange) on October 12, 1994. The Company's initial public offering of 22,000,000 shares with a par value of Rp1,000 per share, was approved for listing on September 13, 1994 by the Capital Market and Financial Institution Supervisory Agency (BAPEPAM-LK, formerly Capital Market Supervisory Agency/BAPEPAM) in its letter No. S-1588/PM/1994.

The Company also made a Limited Public Offering I of a maximum of 379,236,000 shares which were approved for listing on November 16, 1999 by the Chairman of BAPEPAM-LK through letter No. S-2244/PM/1999. 321,730,290 new shares were issued and listed on the JSE on November 19, 1999.

As of December 31, 2013 and 2012, all of the Company's 3,332,451,450 shares are listed on the Indonesia Stock Exchange.

Encore International Ltd, incorporated in British Virgin Islands, is the ultimate holding company of the Group. The immediate holding company of the Group is Encore Energy Pte Ltd, a company incorporated in Singapore.

(Expressed in United States Dollars, unless otherwise stated)

1. GENERAL (continued)

c. Boards of Commissioners and Directors, and Audit Committee

The members of the Company's Boards of Commissioners and Directors and Audit Committee as of December 31, 2013 and 2012 are as follows:

2013		2012	
President Commissioner	: Hilmi Panigoro	President Commissioner	: Hilmi Panigoro
Independent Commissioners	: Gustiaman Deru Marsillam Simandjuntak	Independent Commissioners	: Gustiaman Deru Marsillam Simandjuntak
Commissioners	: Yani Yuhani Rodyat Retno Dewi Arifin Junichi Iseda	Commissioners	: Yani Yuhani Rodyat Retno Dewi Arifin Mazayuki Mizuno
President Director	: Lukman A. Mahfud	President Director	: Lukman A. Mahfud
Directors	: Lany Djuwita Wong Frila Berlini Yaman Akira Mizuta	Directors	: Syamsurizal Frila Berlini Yaman Akira Mizuta Dasril Dahya
Chairman of Audit Committee	: Marsillam Simandjuntak	Chairman of Audit Committee	: Marsillam Simandjuntak
Members of the Audit Committee	: Jul Azmi Ida Anggrainy Sarwani	Members of the Audit Committee	: Hilmi Panigoro Gustiaman Deru Zulfikri Aboebakar Djoko Sutardjo

The Annual General Meeting of Stockholders (AGMS) held on April 26, 2013 approved the resignations of Mr. Mazayuki Mizuno as Commissioner and Mr. Syamsurizal as Finance Director. Furthermore, the AGMS approved the appointments of Mr. Junichi Iseda as Commissioner and Ms. Lany Djuwita Wong as Finance Director of the Company.

Based on the Board of Commissioners' resolution dated May 22, 2013, the Board of Commissioners has decided to discharge all of the previous Audit Committee members consisting of Mr. Marsillam Simandjuntak, Mr. Hilmi Panigoro, Mr. Gustiaman Deru, Mr. Zulfikri Aboebakar and Mr. Djoko Sutardjo and has appointed new Audit Committee members for the next five-year period starting on May 22, 2013 consisting of Mr. Marsillam Simandjuntak, Mr. Jul Azmi and Mrs. Ida Anggrainy Sarwani.

Effective on August 1, 2013, Mr. Dasril Dahya has resigned from his position as Director of Human Resources of the Company.

The total short-term compensation of the Commissioners and Directors amounted to US$5.7 million for the years ended December 31, 2013 and 2012, respectively. Severance payments paid to key management personnel for the year ended December 31, 2013 amount to US$1.1 million (no severance payments were made to the key management personnel for the year ended December 31, 2012).

d. Subsidiaries

i. As of December 31, 2013 and 2012, the Company has consolidated all of its subsidiaries in line with its accounting policy as described in Note 2b, "Principles of Consolidation". For disclosure purposes, only subholding entities or subsidiaries which are material in terms of total assets/liabilities and/or revenue/net income to the Company's consolidated financial statements are presented in the table below:

1. GENERAL (continued)

d. Subsidiaries (continued)

	Start of commercial operations	Date of exploration/ exploitation permit obtained	Effective percentage of ownership		Total assets (before elimination) in millions	
			December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
Exploration and production of oil and gas						
PT Medco E & P Tarakan [5)] Indonesia	1992	Jan' 14, 2002	100.00	100.00	33.61	59.0
PT Medco E & P Kalimantan [4) 5)] Indonesia	1992	-	100.00	100.00	3.01	7.9
PT Medco E & P Indonesia [5)] Indonesia	1995	Nov' 28,1993	100.00	100.00	399.6	591.9
PT Medco E & P Tomori Sulawesi [2) 5)] Indonesia	2005	Dec' 4,1997	100.00	100.00	166.66	288.8
PT Medco E & P Sembakung [5)] Indonesia	2005	Dec' 22, 1993	100.00	100.00	12.55	22.0
Medco Far East Limited [2) 5)] Cayman Islands	Inactive	-	100.00	100.00	77.1	77.6
PT Medco E & P Simenggaris [5)] Indonesia	2009	Feb' 24, 1998	100.00	100.00	47.9	29.5
PT Medco E & P Bengara [5)] Indonesia	Exploration stage	Sept' 27, 1999	95.00	95.00	10.4	9.8
PT Medco E & P Lematang [5)] Indonesia	2003	Apr' 6, 1987	100.00	100.00	101.3	154.0
Medco Energi Global Pte Ltd [1) 2) 12)] Singapore	Inactive	-	100.00	100.00	418.9	329.1
PT Medco CBM Sekayu [11)] Indonesia	Exploration stage	May 27, 2008	100.00	100.00	8.8	4.5
PT Medco E & P Merangin [5)] Indonesia	Explration stage	Oct' 14, 2003	100.00	100.00	0.14	0.6
PT Medco E & P Malaka [5)] Indonesia	Exploration and development stage	Sept' 1, 1991	100.00	100.00	102.81	4.5
PT Medco E & P Rimau [5)] Indonesia	2005	Apr' 23, 2003	100.00	100.00	266.10	495.9
PT Medco E & P Nunukan [5)] Indonesia	Exploration stage	Dec' 12, 2004	100.00	100.00	4.9	4.5
PT Medco E & P Bangkanai [1) 5)] Indonesia	Exploration stage	-	100.00	100.00	13.4	13.1
Medco Bawean (Holdings) Pte Ltd [1) 5)] Singapore	2008	Feb' 12, 2011	100.00	100.00	84.6	98.4
Medco Yemen Malik Ltd [14)] Yemen	2012	-	100.00	100.00	105.9	106.03
Mining						
PT Duta Tambang Rekayasa [21)**] Indonesia	-	2010	100.00	100.00	37.6	30.3
PT Duta Tambang Sumber Alam [21)**] Indonesia	-	-	100.00	100.00	0.78	0.70
Support services for oil and gas activities						
PT Exspan Petrogas Intranusa [1) 5)] Indonesia		1999	100.00	100.00	72.9	74.9
PT Medco Gas Indonesia [1) 5)] Indonesia		2009	100.00	100.00	18.4	18.4
Production and trading of chemicals						
PT Medco Downstream Indonesia [1) 2) 5)] Indonesia		2004	100.00	100.00	27.1	185.2
PT Medco Niaga Internasional [5)] Indonesia		2006	100.00	100.00	0.3	0.8
Liquefied Natural Gas (LNG)						
PT Medco LNG Indonesia [5)] Indonesia		2007	100.00	100.00	235.6	139.3

1. GENERAL (continued)

d. Subsidiaries (continued)

	Start of commercial operations	Date of exploration/ exploitation permit obtained	Effective percentage of ownership December 31, 2013	Effective percentage of ownership December 31, 2012	Total assets (before elimination) in millions December 31, 2013	Total assets (before elimination) in millions December 31, 2012
Others						
MEI Euro Finance Limited [2) 5)] Mauritius		2002	100.00	100.00	1.9	1.9
Medco CB Finance BV [2) 5) 22)] The Netherlands		2006	100.00	100.00	0.4	0.3
PT Medco Energi Mining Internasional [1) 5)] Indonesia		2009	100.00	100.00	40.04	35.6
Medco Straits Services Pte Ltd [1) 2) 5)] Singapore		2007	100.00	100.00	915.1	759.3

The subsidiaries that are not active, or not significant or owned indirectly by the Company in December 31, 2013 and 2012 are as follows:

	Date of exploration/exploitation permit obtained	Effective percentage of ownership December 31, 2013	Effective percentage of ownership December 31, 2012
Exploration and production of oil and gas			
Bangkanai Petroleum (L) Berhad [7)]	December 30, 2003	100.00	100.00
BUT Medco Madura Pty Ltd [5)]	-	51.00	51.00
PT Medco E & P Bawean [5)]	-	100.00	100.00
PT Medco E & P Madura [5)]	-	100.00	100.00
Medco Simenggaris Pty Ltd [5)]	-	100.00	100.00
PT Medco E & P Yapen [1) 5)]	-	100.00	100.00
Camar Bawean Petroleum Ltd [7)]	February 12, 2011	100.00	100.00
Perkasa Equatorial Sembakung Ltd [9)]	-	100.00	100.00
Exspan Cumi-cumi (L) Inc [8)]	-	100.00	100.00
Sulawesi E & P Limited [5) 22)]	-	100.00	100.00
Lematang E & P Limited [10)]	April 6, 1987	100.00	100.00
Medco Arabia [13)]	-	100.00	100.00
Medco International Services Pte Ltd [13)]	-	100.00	100.00

(Expressed in United States Dollars, unless otherwise stated)

1. GENERAL (continued)

d. Subsidiaries (continued)

	Date of exploration/exploitation permit obtained	Effective percentage of ownership	
		December 31, 2013	December 31, 2012
Exploration and production of oil and gas			
Medco International Ventures Ltd [13)]	March 12, 2005	100.00	100.00
Medco Yemen Holding Ltd [1) 13)]	-	100.00	100.00
Medco Yemen Amed Ltd [14)]	April 13, 2008	100.00	100.00
Medco Yemen Arat Ltd [14)]	April 13, 2008	100.00	100.00
Medco Cambodia Holding Limited [13)]	-	100.00	100.00
Medco Cambodia Tonle Sap [15)]	September 2007	100.00	100.00
Medco International Enterprise Ltd [1) 13)]	-	100.00	100.00
Medco LLC [16)]	January 2006	68.00	68.00
Medco International Petroleum Ltd [13)]	July 2, 2007	100.00	100.00
Medco Energi USA Inc [1) 13)]	-	100.00	100.00
Medco Energi US LLC [16)]	*)	100.00	100.00
Medco Petroleum Management LLC [16)]	-	100.00	100.00
Medco Energi (BVI) Ltd [13)]	-	100.00	100.00
Support services for oil and gas activities			
PT Sistim Vibro Indonesia [18) 20)]		100.00	100.00
PT Medco Integrated Resources [18) 20)]		100.00	100.00
PT Medco Energi Gas Sumatra [19)]		100.00	100.00
PT Medco Energi CBM Indonesia [1) 5)]		100.00	100.00
PT Medco CBM Pendopo [11)]		100.00	100.00
PT Medco CBM Bengara [11)]		100.00	100.00
PT Medco CBM Lematang [11)]		100.00	100.00
PT Medco CBM Rimau [11)]		100.00	100.00
Medco Petroleum Services Ltd [12)]		100.00	100.00

(Expressed in United States Dollars, unless otherwise stated)

1. GENERAL (continued)

d. Subsidiaries (continued)

	Effective percentage of ownership	
	December 31, 2013	December 31, 2012
Production and trading of chemicals		
PT Medco LPG Kaji [17)]	100.00	100.00
PT Medco Methanol Bunyu [17)]	100.00	100.00
PT Medco Ethanol Lampung [1) 17)]	100.00	100.00
PT Usaha Tani Sejahtera [3)]	100.00	100.00
PT Medco Services Indonesia [17)]	100.00	100.00
PT Bumi Agro Lampung [3)]	100.00	100.00
PT Medco Sarana Balaraja [5)]	100.00	100.00
PT Mahakam Raksa Buminusa [20)]	99.00	99.00
Petroleum Exploration & Production Int Ltd [1) 12)]	100.00	100.00
Synergia Trading International Pte Ltd [12)]	100.00	100.00
Fortico International Limited [10)]	100.00	100.00
PT Satria Raksa Buminusa [20)]	100.00	100.00
PT Musi Raksa Buminusa [20)]	100.00	100.00
PT Medco Energi Nusantara [5)]	100.00	100.00
PT International Power Venture [7) 22)]	100.00	100.00

1) and subsidiary/subsidiaries
2) 90%-95% of the assets are intercompany accounts within the Group which were eliminated in the consolidated financial statements
3) Medco Ethanol Lampung has sold its ownership in PT Usaha Tani Sejahtera and PT Bumi Agro Lampung to a Subsidiary of PT Medco Downstream Indonesia, PT Medco Services Indonesia, each in September and December 2012.
4) Technical Assistance Contract (TAC) of Kalimantan was relinquished in 2008
5) Subsidiary of PT Medco Energi Internasional Tbk
6) Subsidiary of PT Medco E & P Bangkanai
7) Subsidiary of Medco Bawean (Holding) Pte Ltd
8) Subsidiary of PT Medco E & P Kalimantan
9) Subsidiary of Medco Far East Limited
10) Subsidiary of Petroleum Exploration & Production Int Ltd
11) Subsidiary of PT Medco Energi CBM Indonesia
12) Subsidiary of Medco Strait Services Pte Ltd
13) Subsidiary of Medco Energi Global Pte Ltd
14) Subsidiary of Medco Yemen Holding Ltd
15) Subsidiary of Medco Cambodia Holding Ltd
16) Subsidiary of Medco Energi USA, Inc
17) Subsidiary of PT Medco Downstream Indonesia
18) Subsidiary of PT Exspan Petrogas Intranusa
19) Subsidiary of PT Medco Gas Indonesia
20) Subsidiary of PT Medco Sarana Balaraja
21) Subsidiary of PT Medco Energi Mining Internasional
22) In process of liquidation
*) Date of exploration/exploitation varied from 2005-2009
**) Date of exploration/exploitation permit is February 2, 2010
***) Date of exploration/exploitation permit is May 6, 2008

(Expressed in United States Dollars, unless otherwise stated)

1. GENERAL (continued)

d. Subsidiaries (continued)

ii. The Group has interests in the following overseas petroleum joint venture operations or Service Contracts/Participation and Economic Sharing Agreements as of December 31, 2013 and 2012:

		Interest (%)	
Joint Venture	**Country**	**2013**	**2012**
Brazos Block 437/451	USA	100.00	100.00
East Cameron (EC) 317/318 lease	USA	75.00	75.00
East Cameron (EC) 316	USA	100.00	100.00
Main Pass (MP) 64/65 lease	USA	75.00	75.00
Mustang Island Block 758	USA	66.25	66.25
West Delta 52	USA	53.84	53.84
Walker Ranch lease	USA	58.96	58.96
West Cameron 557	USA	100.00	100.00
Block E offshore*)	Cambodia	41.25	41.25
Block 12*)	Cambodia	52.50	52.50
Nimr - Karim Area	Oman	51.00	51.00
Block 47 Ghadames Basin	Libya	50.00	50.00
Block 82	Yemen	38.25	38.25
Block 83	Yemen	38.25	38.25
Block 9	Yemen	21.25	21.25

*) In process of relinquishment

iii. The Group has undertaken acquisitions and divestments of assets as disclosed in Note 44a.

iv. Medco Yemen Malik Limited was incorporated under the British Virgin Islands (BVI) Business Companies Act 2004, on February 7, 2012 with Registration No. 1694649 and with registered address in Palm Grove House P.O. Box 438 Road Town, Tortola, VG 1110 British Virgin Islands. Medco Yemen Malik Limited has an authorized capital stock of 50,000 shares, with no par value, and is one hundred percent (100%) owned by Medco Yemen Holding Limited.

v. Based on the Certificate of Company Incorporation No. ET-265735 dated January 19, 2012 by Joy A. Rankine, Company Registration Assistant of Cayman Islands, Medco Strait Services Pte Ltd established Medco Petroleum Services Ltd with a paid-up capital of US$50,000. The equity investment of Medco Strait Services Pte Ltd amounting to US$50,000 represents 100% share ownership.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Preparation of the Consolidated Financial Statements

The consolidated financial statements have been prepared in accordance with Indonesian Financial Accounting Standards (SAK), which comprise the Statements of Financial Accounting Standards (PSAK) and Interpretations of Financial Accounting Standards (ISAK) issued by the Financial Accounting Standards Board of the Indonesian Institute of Accountants and the Regulations and the Guidelines on Financial Statements Presentation and Disclosures No. VIII.G.7 (Appendix to the Chairman of Bapepam-LK Decree No. Kep-06/PM/2000 dated March 13, 2000, as amended by the Chairman of Bapepam-LK Decree No. Kep-347/BL/2012 dated June 25, 2012) issued by Bapepam-LK.

As disclosed further in the relevant succeeding notes, other amended and issued accounting standards were adopted effective January 1, 2013, prospectively or retrospectively.

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those adopted in the preparation of the Group’s consolidated financial statements for the year ended December 31, 2012.

The consolidated financial statements have been prepared on the accrual basis using historical cost concept, except for certain accounts which are measured on the bases described in the relevant notes herein.

The consolidated statements of cash flows present cash receipts and payments classified into operating, investing and financing activities using the direct method.

The reporting currency used in the preparation of the consolidated financial statements is the United States Dollar (US Dollar), the Company’s functional currency.

b. Principles of Consolidation

The Group adopts PSAK No. 4 (Revised 2009), “Consolidated and Separate Financial Statements”. PSAK No. 4 (Revised 2009) provides the preparation and presentation of consolidated financial statements for a group of entities under the control of a parent, and the accounting for investments in subsidiaries, jointly controlled entities and associated entities when separate financial statements are presented as additional information.

The consolidated financial statements include the accounts of the subsidiaries in which the Company has more than 50% share ownership, either directly or indirectly.

All material intercompany accounts and transactions, including unrealized gains or losses, if any, are eliminated to reflect the financial position and the results of operations of the Group as one business entity.

A subsidiary is fully consolidated from the date of acquisition, being the date on which the Company obtained control, and continues to be consolidated until the date such control ceases. Control is presumed to exist if the Company owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Principles of Consolidation (continued)

Control also exists when the parent company owns half or less of the voting rights of an entity when there is:

a. Power over more than half of the voting rights by virtue of an agreement with other investors;
b. Power to govern the financial and operating policies of the entity under a statute or an agreement;
c. Power to appoint or remove the majority of the members of the board of directors or equivalent governing body and control of the entity is by that board or body; or
d. Power to cast the majority of votes at meetings of the board of directors or equivalent governing body and control of the entity is by that board or body.

Losses of a non-wholly owned subsidiary are attributed to the non-controlling interests (NCI) even if such losses result in a deficit balance for the NCI.

In case of loss of control over a subsidiary, the Group:
- derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- derecognizes the carrying amount of any NCI;
- derecognizes the cumulative translation differences recorded in equity, if any;
- recognizes the fair value of the consideration received;
- recognizes the fair value of any investment retained;
- recognizes any surplus or deficit in profit or loss; and
- reclassifies the parent's share of the component previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

NCI represents the portion of the profit or loss and net assets of the subsidiaries attributable to equity interests that are not owned directly or indirectly by the Company, which are presented in the consolidated statements of comprehensive income and under the equity section of the consolidated statements of financial position, respectively, separately from the corresponding portion attributable to the equity holders of the parent company.

c. Business Combinations

The Group adopts PSAK No. 22 (Revised 2010), "Business Combinations", which stipulates the nature of a transaction or other event that meets the definition of a business combination to improve the relevance, reliability and comparability of the information that a reporting entity provides in its financial statements about a business combination and its effects.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any NCI in the acquiree. For each business combination, the acquirer measures the NCI in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are directly expensed and included in "Selling, General and Administrative Expenses".

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Business Combinations (continued)

When the Group acquires a business, it assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with PSAK No. 55 (Revised 2011) either in profit or loss or as other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

At acquisition date, goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for NCI over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the Subsidiary acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated from the acquisition date to each of the Group's cash-generating units (CGU) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquirer are assigned to those CGUs.

Where goodwill forms part of a CGU and part of the operation within that CGU is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

d. Foreign Currency Transactions and Balances

The Group adopts PSAK No. 10 (Revised 2010), "The Effects of Changes in Foreign Exchange Rates", which describes how to include foreign currency transactions and foreign operations in the financial statements of an entity and translate financial statements into a presentation currency. The Group considers the primary indicators and other indicators in determining its functional currency. If indicators are mixed and the functional currency is not obvious, management uses its judgment to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Foreign Currency Transactions and Balances (continued)

The consolidated financial statements are presented in US Dollar, which is the Company's functional currency and the Group's presentation currency. Transactions during the year involving currencies other than US Dollar are recorded in US Dollars at the rates of exchange in effect on the date of the transactions.

At the reporting date, all monetary assets and liabilities denominated in currencies other than US Dollar are translated to US Dollar at the middle exchange rates prevailing on that date. The resulting net foreign exchange gains or losses are credited or charged to current operations.

For consolidation purposes, assets and liabilities of Subsidiaries which maintain their books/ accounts in Indonesian Rupiah and whose functional currency is Indonesian Rupiah, are translated into US Dollars using the rates of exchange prevailing at the reporting date, equity accounts are translated using historical rates of exchange, while revenues and expenses and cash flows are translated using average rates of exchange. The resulting foreign exchange differences are credited or charged to the account "Translation Adjustments", under the Equity section of the consolidated statements of financial position. For entities that maintain their books/accounts in Indonesian Rupiah and in Euro, but their functional currency is the US Dollar, for consolidation purposes, the accounts of these entities are remeasured into the US Dollar in order to reflect more closely their economic substance. The resulting foreign exchange differences are credited or charged to current operations.

As of December 31, 2013 and 2012, the rates of exchange used for significant foreign currency-denominated balances are as follows:

	2013	2012
Rupiah/US$1	0.000082	0.000103
Euro/US$1	1.3801	1.3247
Australian Dollar/US$1	0.8923	1.0368
Singapore Dollar/US$1	0.7899	0.8177
British Poundsterling/US$1	1.6488	1.6111
Japanese Yen 100/US$1	0.9531	1.1579

Certain Subsidiaries maintain their books in Indonesian Rupiah and remeasure their books into their functional currencies for the purpose of preparing the consolidated financial statements.

Such Subsidiaries remeasure their non-monetary assets and liabilities into their functional currencies using historical rates, while monetary assets and liabilities are translated into functional currencies using the current exchange rate at the statement of financial position date.

Revenues and expenses are remeasured into functional currencies using the original functional currencies amount or using weighted average exchange rates every month which approximate the exchange rates prevailing at the date of transactions. Foreign exchange gains or losses from the remeasurement process are recognized in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e. Transactions with Related Parties

The Group adopts PSAK No. 7 (Revised 2010), “Related Party Disclosures”, which requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of a parent, and also applies to individual financial statements.

A party is considered to be related to the Group if:

a. directly, or indirectly through one or more intermediaries, the party (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or, (iii) has joint control over the Group;
b. the party is an associate of the Group;
c. the party is a joint venture in which the Group is a venturer;
d. the party is a member of the key management personnel of the Group or its parent;
e. the party is a close member of the family of any individual referred to in (a) or (d);
f. the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
g. the party is a post-employment benefit plan for the benefit of employees of the Group or of any entity that is a related party of the Group.

The transactions are made based on terms agreed by the parties. Such terms may not be the same as those of the transactions between unrelated parties.

All significant transaction and balances with related parties are disclosed in the notes to the consolidated financial statements.

f. Cash Equivalents

Time deposits and other short-term investments with a maturity date of three months or less at the time of placement which are not used as collateral or are not restricted as to use, are classified as “Cash Equivalents”.

Restricted cash in banks which will be used to pay currently maturing obligations is presented under current assets. Other current accounts and time deposits which are pledged or restricted as to use are presented under non-current assets.

g. Allowance for Impairment of Receivables

An allowance for impairment of receivables is provided based on a review of the status of the individual receivable accounts at the end of the year.

h. Inventories

Inventories of crude oil, coal, chemicals and other petroleum products, spare parts and supplies used for operations are stated at cost or net realizable value, whichever is lower. Cost is determined using the weighted average method or the average method. Allowance for decline in value and obsolescence of inventories is provided based on a review of the individual inventory items at the end of the year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i. Prepaid Expenses

Prepaid expenses are amortized over their beneficial periods using the straight-line method.

j. Property, Plant and Equipment

The Group adopts PSAK No. 16 (Revised 2011), “Property, Plant and Equipment”, which impacts the recognition of assets, the determination of their carrying amounts and the depreciation charges and impairment losses to be recognized in relation to them.

Property, plant and equipment, are stated at cost less accumulated depreciation and impairment losses. Such cost includes the cost of replacing part of the property, plant and equipment when that cost is incurred, if the recognition criteria are met. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repairs and maintenance costs that do not meet the recognition criteria are recognized in profit or loss as incurred.

Property, plant and equipment acquired in exchange for a non-monetary asset or for a combination of monetary and non-monetary assets are measured at fair values unless:
(i) The exchange transactions lack commercial substance, or
(ii) The fair value of neither the assets received nor the assets given up can be measured reliably.

The acquired assets are measured this way even if the Group cannot immediately derecognize the assets given up. If the acquired assets cannot be reliably measured at fair value, their fair value is measured at the carrying amount of the assets given up.

Depreciation is computed using the straight-line method based on the estimated useful lives of the assets as follows:

	Years
Buildings and land improvements	20
Machinery	8 - 20
Control panel equipment	4 - 20
Drilling rigs and equipment	8 - 16
Telecommunication equipment	5
Vehicles	4 - 10
Leasehold improvements	3 - 8
Office and other equipment	3 - 5
Aircraft	20

Land is stated at cost and is not depreciated.

An item of property, plant and equipment is derecognized from the consolidated statement of financial position upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in profit or loss in the period the asset is derecognized.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j. Property, Plant and Equipment (continued)

The assets' residual values, useful lives and method of depreciation are reviewed and adjusted prospectively, if appropriate, at each financial reporting date.

Construction in progress is stated at cost. The accumulated costs are reclassified to the appropriate property, plant and equipment accounts when the construction is substantially completed and the asset is ready for its intended use.

k. Assets under Finance Lease

The Group adopts PSAK No. 30 (Revised 2011), "Leases". Based on this revised PSAK, when a lease includes both land and building elements, an entity should assess the classification of each element separately as finance or operating lease. As the result of separate assessment performed by an entity by considering the comparison between the lease period and the economic life which is reassessed from each element and other relevant factors, each element may result in a different classification of lease.

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date and whether the fulfillment of the arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset. Leases that transfer substantially to the lessee all the risks and rewards incidental to ownership of the leased item are classified as finance leases. Moreover, leases which do not transfer substantially all the risks and rewards incidental to ownership of the leased item are classified as operating leases.

The Group as lessee

Under a finance lease, the Group recognizes assets and liabilities in its consolidated statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent rents are charged as expenses in the periods in which they are incurred. Finance charges are reflected in profit or loss. Capitalized leased assets (presented under the account property, plant and equipment) are depreciated over the shorter of the estimated useful life of the assets and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Under an operating lease, the Group recognizes lease payments as an expense on the straight-line method over the lease term.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k. Assets under Finance Lease (continued)

The Group as lessor

Under an operating lease, the Group presents assets subject to operating leases in its consolidated statement of financial position according to the nature of the asset. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents, if any, are recognized as revenue in the periods in which they are earned. Lease income from operating leases is recognized as income on the straight-line method over the lease term.

Under a finance lease, the Group recognizes an asset in the form of finance lease receivable in its consolidated statement of financial position in the amount of the net investment in finance lease which is the aggregate amount of (i) the minimum lease payments to be received by the lessor under the finance lease and (ii) unguaranteed residual value which becomes a right of the lessor, discounted at interest rate implicit in the lease. The difference between the net investment in finance lease and the gross investment in finance lease (representing the aggregate amount of the minimum lease payments to be received by the lessor under the finance lease and unguaranteed residual value which becomes the right of the lessor) is allocated as finance income over the term of the lease so as to produce a constant periodic rate of return on the net investment.

Gain or loss on sale-and-leaseback transactions where the leaseback is a finance lease, is deferred and amortized using the straight-line method over the lease term.

l. Oil and Gas Properties and Mining Properties

The costs of drilling development wells and development-type stratigraphic test wells, platforms, well equipment and attendant production facilities, are capitalized as uncompleted wells, equipment and facilities. Such costs are transferred to wells and related equipment and facilities upon completion.

Depreciation, depletion and amortization of oil and gas properties, except uncompleted wells, equipment and facilities, is calculated based on the unit-of-production method, using the gross production divided by gross proved developed reserves. Depreciation for support facilities and equipment is calculated using straight-line method over 4 (four) to 20 (twenty) years.

The Subsidiaries engaged in oil and gas exploration and production apply PSAK No. 64, “Exploration and Evaluation of Mineral Resources”. Under this PSAK, exploration and evaluation expenditures including geological and geophysical costs, costs of drilling exploratory wells, including the costs of drilling exploratory-type stratigraphic test wells, and other costs in relation to evaluating the technical feasibility and commercial viability of extracting oil and gas are capitalized and presented separately as Exploration and Evaluation Assets in the consolidated statement of financial position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l. Oil and Gas Properties and Mining Properties (continued)

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of such assets may exceed their recoverable amount (Note 2v). Exploration and evaluation assets are reclassified to oil and gas properties when technical feasibility and commercial viability of extracting oil and gas are demonstrable.

The Subsidiaries engaged in coal mining also adopt PSAK No. 64, " Exploration and Evaluation of Mineral Resources".

The costs incurred before the acquisition of mining license are expensed when incurred.

The expenditures for exploration and evaluation activities are capitalized and recognized as "Exploration and Evaluation Assets" for the mining area (area of interest) when the mining licenses are acquired and still valid and : (i) the expenditures for exploration and evaluation activities are expected to be recovered through the successful development and exploitation of the mining area, or (ii) when the exploration activities in the mining area have yet to determine the technical feasibility and commercial viability of extracting the coal reserves and the activities are still active and significant in the related area of mining (area of interest). Those expenditures consist of general inspection, licenses and administration, geological and topographical studies, exploration drilling and evaluation costs incurred to explore, find, and evaluate proven coal reserves in the area of mining within a certain period of time set forth in the applicable regulation. After the initial recognition, the evaluation and exploration assets are measured at cost and classified as tangible assets, except when these assets meet the criteria for recognition as intangible assets.

The recoverability of exploration and evaluation assets depends on the successful development and commercial exploitation in such area (area of interest). Exploration and evaluation assets are tested for impairment if certain facts and circumstances indicate that the carrying amount of the assets may exceed the recoverable value. In such conditions, the entity must measure, present and disclose the impairment loss as required under PSAK No. 48 (Revised 2009), "Impairment of Assets".

The exploration and evaluation assets are transferred to "Mining Development" in the "Mining Properties" account after the mining area is determined to have commercial reserves for further development.

m. Intangible Assets

Cost to acquire and prepare software for use is recorded as intangible asset and amortized over four (4) to five (5) years using the straight-line method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n. Treasury Stock

Reacquisition of capital stock to be held as treasury stock for future reissuance is accounted for under the par value method. Under this method, the par value of treasury stock is presented as a reduction from the capital stock account. If the treasury stock had been originally issued at a price above par value, the related additional paid-in capital account is adjusted. Any excess of the reacquisition cost over the original issuance price is adjusted to retained earnings.

o. Pension and Other Post-employment Benefits

The Group applies PSAK No. 24 (Revised 2010), "Employee Benefits".

i. Defined Contribution Pension Plan

Subsidiaries involved in oil and gas exploration and production have established defined contribution pension plans covering all of their local permanent employees. The plans are funded by contributions from both the subsidiaries and their employees based on a certain percentage of the employees' salaries.

The costs of the defined contribution plans are accrued when incurred.

ii. Labor Law No. 13/2003 and Other Post-employment Benefits

The Group recognizes post-employment benefit liabilities for its employees in accordance with the requirements of Labor Law No. 13 Year 2003 and for its key management personnel in accordance with the Group policy.

The cost of providing post-employment benefits is determined using the projected unit credit actuarial valuation method. Actuarial gains or losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses for each individual plan at the end of the previous reporting year exceeded the greater of 10% of the present value of the defined benefit obligation or 10% of the fair value of the plan assets, if any. These gains or losses are recognized on a straight-line basis over the expected average remaining working lives of the employees. Furthermore, past service costs arising from the introduction of a defined benefit plan or changes in the benefits payable of an existing plan are required to be amortized over the years until the benefits concerned become vested.

p. Asset Abandonment and Site Restoration Obligation

The Group recognizes its obligations for future dismantlement and transfer of assets, and site restoration of oil and gas production facilities, wells, pipelines and related assets in accordance with the provisions in the production sharing contracts or in line with applicable regulations.

The initial estimated costs for dismantlement and site restoration of oil and gas properties are recognized as part of the acquisition costs of the assets, and are subsequently depreciated/depleted using the unit-of-production method in line with the selected assets depletion rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

p. Asset Abandonment and Site Restoration Obligation (continued)

In most instances, the dismantlement and transfer of assets, and site restoration activities of oil and gas production facilities, wells, pipelines and related assets will occur many years in the future. The provision for future dismantlement and transfer of assets, and site restoration obligation is the best estimate of the present value of the future expenditures required to undertake the dismantlement and transfer of assets, and site restoration obligation at the reporting date, based on current legal requirements. The estimate of future dismantlement and transfer of assets, and site restoration obligation therefore requires management to make judgments regarding the timing of removal and transfer, the extent of restoration activities required and future removal and restoration technologies.

Such estimates are reviewed on an annual basis and adjusted each year as required. Adjustments are reflected in the present value of the dismantlement and transfer of assets, and site restoration obligation provision at the statement of financial position date, with a corresponding change in the book value of the associated asset.

The unwinding of the effect of discounting the provision is recognized as a finance cost.

The Group also adopts PSAK No. 33 (Revised 2011), “Stripping Activity and Environmental Management in Mining”.

The costs related to restoration, rehabilitation and environment which occurred in the production phase are expensed as part of production cost.

The Group has certain obligations to restore and rehabilitate its mining areas as well as withdrawal of its assets after the completion of production. In determining the existence of such liability, the Group refers to the liability recognition criteria in accordance with applicable accounting standards. The obligation is calculated using the unit-of-production method throughout the useful life of the mine in order to determine the sufficient amount for such obligations after the completion of production stage. Changes in estimated costs of environmental restoration are prospectively recognized over the remaining useful life of the mine.

Stripping costs are expensed as cost of production based on the average stripping ratio over the mine’s useful life. If the actual stripping ratio exceeds the average ratio of covered soil over the mine’s useful life, the excess stripping costs are capitalized as deferred stripping cost as part of mining properties. Collectively, these assets reflect the combined investment in the relevant cash-generating units, which are tested for impairment when events and circumstances indicate that the carrying amount may not be recovered.

Change in the average stripping ratio is a change in estimate and is applied prospectively. The balance of deferred stripping costs are expensed as cost of production in the period/year when the actual stripping ratio is smaller than the estimated stripping ratio.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

p. Asset Abandonment and Site Restoration Obligation (continued)

The Group adopts:

i. PSAK No. 57 (Revised 2009), "Provisions, Contingent Liabilities and Contingent Assets", which aims to provide the appropriate recognition criteria and measurement bases that are applied to provisions, contingent liabilities and contingent assets and to ensure that sufficient information is disclosed in the notes to the financial statements to enable the users to understand the nature, timing and amount related to the information.

ii. Interpretation of Statement of Financial Accounting Standards (ISAK) No. 9, "Changes in Existing Decommissioning, Restoration and Similar Liabilities", which applies to changes in the measurement of any existing decommissioning, restoration or similar liability recognized as part of the cost of an item of property, plant and equipment in accordance with PSAK No. 16 and as a liability in accordance with PSAK No. 57.

q. Financial Instruments

The Group adopts PSAK No. 50 (Revised 2010), "Financial Instruments: Presentation and Disclosure", PSAK No. 55 (Revised 2011), "Financial Instruments: Recognition and Measurement", and PSAK No. 60, "Financial Instruments: Disclosure".

PSAK No. 50 (Revised 2010) contains the requirements for the presentation of financial instruments and identifies the information that should be disclosed. The presentation requirements apply to the classification of financial instruments, from the perspective of the issuer, into financial assets, financial liabilities and equity instruments; the classification of related interest, dividends, losses and gains; and the circumstances in which financial assets and financial liabilities should be offset. This PSAK requires the disclosure of, among others, information about factors that affect the amount, timing and certainty of an entity's future cash flows relating to financial instruments and the accounting policies applied to those instruments.

PSAK No. 55 (Revised 2011) established the principles for recognizing and measuring financial assets, financial liabilities, and some contracts to buy or sell non-financial items. This standard provides for the definitions and characteristics of a derivative, the categories of financial instruments, recognition and measurement, hedge accounting and determination of hedging relationships, among others.

Financial assets within the scope of PSAK No. 55 (Revised 2011) are classified into four types: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets.

PSAK No. 60 requires disclosure of significance of financial instruments for financial position and performance, and the nature and extent of risks arising from financial instruments to which the Group is exposed during the period and at the end of the reporting period, and how the entity manages those risks.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

q. Financial Instruments (continued)

Financial Assets

Initial recognition

The Group determines the classification of its financial assets at initial recognition and, if allowed and appropriate, re-evaluates the classification of those assets at each financial reporting date.

Financial assets are recognized initially at fair value of the consideration given plus, in the case of financial assets not classified at fair value through profit or loss, directly attributable transaction cost.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way purchases) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the assets.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

- Financial assets at fair value through profit or loss

  Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated as assets at fair value through profit or loss upon initial recognition.

  Derivative assets are classified as held for trading unless they are designated as effective hedging instruments.

  Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with gains or losses from changes in fair value recognized in profit or loss.

  Short-term investments and derivative assets are classified under this category.

- Loans and receivables

  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, do not quality as assets for trading, and have not been designated “at fair value through profit or loss”, as “available-for-sale” or as “held-to-maturity” investments.

  After initial measurement, such financial assets are carried at amortized cost using the effective interest rate method, and gains or losses are recognized in profit or loss when the loan and receivable is derecognized or impaired, as well as through the amortization process.

  The Group has cash and cash equivalents, restricted cash in banks, trade and other receivables under this category.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

q. Financial Instruments (continued)

Financial Assets (continued)

Subsequent measurement (continued)

- Held-to-maturity investments

  Held-to-maturity investments are non-derivative financial assets that have fixed or determinable payment and fixed maturity other than loans and receivables, for which there is a positive intention and ability to hold to maturity and which have not been designated as at fair value through profit or loss or as available-for-sale.

- Available-for-sale (AFS) financial assets

  AFS financial assets are non-derivative assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial measurement, AFS financial assets are measured at fair value with unrealized gains or losses recognized in the shareholders' equity in the consolidated statement of financial position. When the asset is derecognized, the cumulative gain or loss previously recorded in the shareholders' equity shall be recognized in profit or loss.

  The investments classified as AFS are as follows:

- Investments in shares of stock that do not have readily determinable fair value in which the equity interest is less than 20% and other long-term investments which are carried at cost.

- Investments in equity shares that have readily determinable fair value in which the equity interest is less than 20% are recorded at fair value.

The Group does not have any financial assets under this category as of December 31, 2013 and 2012.

Derecognition of financial assets

A financial asset, or where applicable, a part of a financial asset or part of a group of similar financial assets, is derecognized when:

i. The contractual rights to receive cash flows from such financial asset have expired; or

ii. The Group retains the right to receive cash flows from such financial asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass through" arrangement; or

iii. The Group has transferred its rights to receive cash flows from the financial asset and either: (a) has transferred substantially all the risks and rewards of the financial asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the financial asset, but has transferred control of the financial asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

q. Financial Instruments (continued)

Financial Assets (continued)

Impairment of financial assets

At each reporting date, the Group assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an “incurred loss event”) and that loss event has an impact on the estimated future cash flows from the financial asset or the group of financial assets that can be reliably estimated.

- Financial assets carried at amortized cost

  For loans and receivables carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

  If there is objective evidence that an impairment loss has occurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset’s original effective interest rate. If a ”loans and receivables” financial asset has a variable interest rate, the discount rate for measuring impairment loss is the current effective interest rate.

  The carrying amount of the financial asset is reduced through the use of an allowance for impairment account and the amount of the loss is recognized in profit or loss. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the financial asset. Loans and receivables, together with the associated allowance, are written-off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance for impairment account. If a future write-off is later recovered, the recovery is recognized in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

q. Financial Instruments (continued)

Financial Assets (continued)

Impairment of financial assets (continued)

- AFS financial assets

  In the case of equity investment classified as an AFS financial asset, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost.

  Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss - is reclassified from shareholders’ equity to profit or loss. Impairment losses on equity investments are not reversed through the profit or loss; increases in their fair value after impairment are recognized in shareholders’ equity.

  In the case of a debt instrument classified as an AFS financial asset, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded as part of the “Interest Income” account in profit or loss. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

Financial Liabilities

Initial recognition

Financial liabilities within the scope of PSAK No. 55 (Revised 2011) are classified as financial liabilities at fair value through profit or loss and other financial liabilities that are not held for trading or not designated at fair value through profit or loss.

The Group determines the classification of its financial liabilities at initial recognition. Financial liabilities are recognized initially at the fair value of the consideration received and, in the case of loans and borrowings, less directly attributable transaction cost.

The Group’s financial liabilities consist of trade and other payables, accrued expenses, bank loans, long-term liabilities and derivative liabilities.

Subsequent measurement

The measurement of financial liabilities depends on the classification as follows:

- Financial liabilities at fair value through profit or loss

  Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated at fair value through profit or loss upon initial recognition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

q. Financial Instruments (continued)

Financial Liabilities (continued)

Subsequent measurement (continued)

Financial liabilities are classified as held for trading if they are acquired for the purposes of selling or repurchasing in the near term. Derivatives liabilities are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in profit or loss.

- Loans and borrowings

  After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. At financial reporting date, the accrued interest is recorded separately from the respective principal amount of loans as part of current liabilities. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the amortization process using the effective interest rate method.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is currently an enforceable legal right to set off the recognized amounts and there is an intention either to settle on a net basis, or to realize the assets and the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business at each reporting date.

For financial instruments where there is no active market, fair value is determined using valuation techniques permitted by PSAK No. 55 (Revised 2011), which may include using recent arm’s length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis; or other valuation models.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

q. Financial Instruments (continued)

Credit risk adjustment

The Group adjusts the price in the observable market to reflect any differences in counterparty credit risk between instruments traded in that market and the ones being valued for financial asset positions. In determining the fair value of financial liability positions, the Group's own credit risk associated with the instrument is taken into account.

r. Revenue and Expense Recognition

The Group applies PSAK No. 23 (Revised 2010), “Revenue”. PSAK No. 23 (Revised 2010) identifies the circumstances in which the criteria on revenue recognition will be met and, therefore, revenue may be recognized, and prescribes the accounting treatment of revenue arising from certain types of transactions and events, and also provides practical guidance on the application of the criteria on revenue recognition.

Revenue from sales of crude oil and gas is recognized upon delivery to the customer. For lifting imbalances with the Government, wherein the volume of oil lifted is less/greater than the Group entitlement, a receivable or payable is accrued.

Revenues from drilling and other related services are recognized when the service is rendered. Mobilization revenue is recognized when the rig has arrived in the drilling area and is ready to operate. Demobilization revenue is recognized when the drilling service has been completed and the rig has been moved from the last well drilled.

Revenue from sales of chemical and other petroleum products is recognized upon delivery to the customer.

Revenue from chemical and oil and gas products is recognized when the goods are delivered to the customer.

Revenue from coal is recognized when the following conditions are met:

- The Group has transferred the significant risks and rewards of ownership of coal to the customer;
- The Group retains neither continuing managerial involvement to the degree usually associated with the ownership nor effective control over the coal sold;
- The amount of revenue can be measured reliably and it is probable that economic benefits associated with the transaction will flow to the Group; and
- The costs incurred or to be incurred in relation to the sales transaction can be measured reliably.

The fulfillment of the above conditions depends on the requirements of the respective selling terms and conditions of the customer. In certain instances, the coal sales recognized depend on the adjustments made by the customer based on its inspections of the coal shipments. In this case, the sale is recognized based on the Group's best estimate on the quality and/or quantity at the time of delivery, and subsequent adjustments are recorded in profit or loss. Historically, the difference between estimated and/or actual quality and quantity is insignificant.

Other income/revenues are recognized when earned.

Expenses are recognized as incurred on an accrual basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

s. Income Tax

The Group adopts PSAK No. 46 (Revised 2010), "Income Taxes", which prescribes the accounting treatment for income tax to account for the current and future tax consequences of the recovery (settlement) of the carrying amount of assets (liabilities) that are recognized in the consolidated statements of financial position and transactions and other events of the current year that are recognized in the consolidated financial statement. This revised PSAK also prescribes an entity to record the underpayment/overpayment of income tax as part of "Current Tax" in the consolidated statement of comprehensive income.

Current tax

Income tax expense represents the sum of the corporate income tax currently payable and deferred tax.

Current tax assets and liabilities for the current and prior years are measured at the amounts expected to be recovered from or paid to the tax authorities. Tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted at the reporting date.

Taxable profit is different from profit as reported in the profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Amendments to taxation obligations are recorded when an assessment is received or, if appealed, when the result of the appeal is determined.

Deferred tax

Deferred tax is recognized using the liability method on temporary differences between the financial and the tax bases of assets and liabilities at the financial reporting date.

Deferred tax assets are recognized for all deductible temporary differences and accumulated tax losses that have not been utilized, if taxable income is likely to be available so that the temporary differences can be deducted and the unutilized tax losses can be utilized.

Deferred tax liabilities and deferred tax assets (if they meet the criteria) are recognized for temporary differences associated with investments in subsidiaries and associates, unless the timing of the reversal of temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and is reduced to the extent that it is no longer probable that sufficient taxable income will be available in the future to enable some or all of the benefits of the deferred tax assets to be realized. Deferred tax assets that have not been recognized previously are reviewed at each reporting date and recognized to the extent that it has become probable that sufficient taxable income will be available to enable the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured based on tax rates that are expected to apply to the year when the assets are realized and liabilities are settled based on the tax rates and tax laws that have been enacted or substantively enacted at the statement of financial position date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

s. Income Tax (continued)

Deferred tax (continued)

Changes in the carrying value of deferred tax assets and liabilities due to changes in tax rates are charged in the current year, except for transactions that were previously charged or credited directly to equity.

Deferred tax relating to transactions recognized in other comprehensive income or directly in equity, is recorded in other comprehensive income or equity.

Deferred tax assets and deferred tax liabilities are offset if there is a legal right to off-set deferred tax assets against deferred tax liabilities and the deferred tax assets and liabilities pertain to the same entity, or the Group intends to settle its deferred tax assets and liabilities on a net basis.

Subsidiaries involved in oil and gas exploration and production in Indonesia are subject to income tax at rates ranging from 36% to 48%.

Subsidiaries involved in oil and gas exploration and production outside Indonesia are subject to various corporate income tax rates, up to a maximum rate of 50%.

Subsidiaries involved in non-oil and gas activities in Indonesia are subject to corporate income tax at 25%.

t. Capitalization of Borrowing Costs and Foreign Exchange Losses

In accordance with PSAK No. 26 (Revised 2011), “Borrowing Costs”, interest charges and foreign exchange differences (to the extent such differences constitute an adjustment of interest) and other costs incurred on borrowings to finance the construction or installation of major facilities are capitalized. Capitalization of these borrowing costs ceases when the construction or installation is substantially completed and the asset is ready for its intended use.

u. Derivative Financial Instruments and Hedge Accounting

The Group uses derivative financial instruments such as cross currency interest rate swaps, foreign currency forward contracts and cross-currency swaps to hedge its foreign currency risks and interest rate risks. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The Group applies hedge accounting to hedging transactions that meet the criteria for hedge accounting.

For the purpose of hedge accounting, hedges are classified as fair value hedge, cash flow hedge and hedge of a net investment in a foreign operation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

u. Derivative Financial Instruments and Hedge Accounting (continued)

Cash flow hedge

Cash flow hedge is used to hedge the exposure to variability in cash flows that is attributable to foreign currency risk or interest rate risk associated with a recognized asset or liability.

The effective portion of the gain or loss on the cash flow hedging instrument is recognized directly in other comprehensive income, while any ineffective portion is recognized immediately in profit or loss.

The Company entered into cross-currency swap contracts that are used as a hedge for the exposure to changes in cash flows relating to interest payments and bonds repayment due to changes in foreign exchange rates. Such swap contracts are accounted for under hedge accounting.

v. Impairment of Asset Value

The Group applies PSAK No. 48 (Revised 2009) "Impairment of Assets", which prescribes the procedures to be employed by an entity to ensure that its assets are carried at no more than their recoverable amounts. An asset is carried at more than its recoverable amount if its carrying amount exceeds the amount to be recovered through use or sale of the asset. If this is the case, the asset is considered impaired and PSAK No. 48 (Revised 2009) requires the entity to recognize an impairment loss. PSAK No. 48 (Revised 2009) also specifies when an entity should reverse an impairment loss and prescribes disclosures.

The Group assesses at end of each reporting period whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset (i.e., an intangible asset with an indefinite useful life, an intangible asset not yet available for use, or goodwill acquired in a business combination) is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of the asset's or CGU's fair value less costs to sell and its value in use, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses of continuing operations are recognized in profit or loss as "impairment losses". In assessing the value in use, the estimated net future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If no such transactions can be identified, an appropriate valuation model is used to determine the fair value of the assets. These calculations are corroborated by valuation techniques or other available fair value indicators.

In determining fair value less costs to sell, recent market transactions are taken into account, if available. Impairment losses of continuing operations, if any, are recognized in profit or loss under expense categories that are consistent with the functions of the impaired assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

v. Impairment of Asset Value (continued)

An assessment is made at end of each reporting period as to whether there is any indication that previously recognized impairment losses recognized for an asset other than goodwill may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated.

A previously recognized impairment loss for an asset other than goodwill is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Reversal of an impairment loss is recognized in profit or loss. After such a reversal, the depreciation charge on the said asset is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Goodwill is tested for impairment annually (as at December 31) and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized.

Impairment losses relating to goodwill cannot be reversed in future periods.

w. Accounting for Restructuring of Entities Under Common Control

Effective on January 1, 2013, the Group adopts PSAK No. 38 (Revised 2012), "Business Combination between Entities Under Common Control", which prescribes the accounting treatment for business combination transactions between entities under common control. PSAK No. 38 (Revised 2012) supersedes PSAK No. 38 (Revised 2004), "Accounting for Restructuring of Entities Under Common Control".

The scope of PSAK No. 38 (Revised 2012) is confined only to the accounting treatment by an acquirer and acquiree, in business combination of commonly controlled entities, clearly excluding any other types of transactions between them.

Under PSAK No. 38 (Revised 2012), since the business combination of entities under common control does not result in a change of the economic substance of the ownership of assets, liabilities, shares or other instruments of ownership which are exchanged, the assets or liabilities transferred are recorded at book values as a business combination using the pooling of interests method.

In applying the pooling of interests method, the components of the financial statements for the period when the business combination occurred and for any comparative periods, are presented as if the entities have been combined from the period in which the merging entities were placed under common control. The difference between the carrying values of investments at the effective date and the transfer price is recognized as additional paid-in capital.

The new PSAK No. 38 (Revised 2012) is applied prospectively. The balance of the "Difference in Value from Restructuring Transactions between Entities Under Common Control" under the superseded PSAK No. 38 (Revised 2004) will be presented in equity as additional paid-in capital on the initial application of the revised standard and should not be accounted for in profit or loss nor reclassified to retained earnings.

The adoption of PSAK No. 38 (Revised 2012) did not have a significant impact on the consolidated financial statements of the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

x. Joint Venture

The Group applies PSAK No. 12 (Revised 2009), “Financial Reporting of Interests in Joint Ventures”. The Group has an interest in a joint venture, which is a jointly controlled entity, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entity. The agreement requires unanimous agreement for financial and operating decisions among the venturers. The Group recognizes its interest in the joint venture using the proportionate consolidation method. The Group combines its proportionate share of each of the assets, liabilities, income and expenses of the joint venture with similar items, line by line, in its consolidated financial statements. The financial statements of the joint venture are prepared for the same reporting period as the Group. Adjustments are made where necessary to bring the accounting policies in line with those of the Group.

Adjustments are made in the Group’s consolidated financial statements to eliminate the Group’s share of intragroup balances, transactions and unrealized gains and losses on such transactions between the Group and its joint venture. Losses on transactions are recognized immediately if the loss provides evidence of a reduction in the net realizable value of current assets or an impairment loss. The joint venture is proportionately consolidated until the date on which the Group ceases to have joint control over the joint venture.

Upon loss of joint control, the Group measures and recognizes its remaining investment at its fair value. Any difference between the carrying amount of the former jointly controlled entity upon loss of joint control and the fair value of the remaining investment and gain from disposal is recognized in profit or loss. When the remaining investment constitutes significant influence, it is accounted for as investment in an associated entity.

y. Segment Information

The Group applies PSAK No. 5 (Revised 2009), “Operating Segments”, which requires disclosures that will enable users of financial statements to evaluate the nature and financial effects of the business activities in which the entity engages and the economic environments in which it operates.

A segment is a distinguishable component of the Group that is engaged either in providing certain products (business segment), or in providing products within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Segment revenue, expenses, results, assets, and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. They are determined before intragroup balances and intragroup transactions are eliminated.

In accordance with the Group’s organizational and management structure, the primary segment reporting of financial information is presented based on business segment as the risks and returns are dominantly affected by the different business activities. The secondary segment reporting is defined based on geographical location of the Group’s business activities.

z. Earnings per Share

The Group applies PSAK No. 56 (Revised 2011), “Earnings per Share”, which requires performance comparisons between different entities in the same period and beween different reporting periods for the Group.

Diluted earnings per share is computed by dividing net income by the weighted-average number of shares outstanding as adjusted for the effects of all potential dilutions.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date.

Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future.

Judgments

The following judgments are made by management in the process of applying the Group's accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements:

Income Tax

Significant judgment is involved in determining the provision for corporate income tax. There are certain transactions and computations for which the ultimate tax determination is uncertain in the ordinary course of business. The Group recognizes liabilities for corporate income tax based on estimation of whether additional corporate income tax will be due.

Classification of Financial Assets and Liabilities

The Group determines the classifications of certain assets and liabilities as financial assets and liabilities if they meet the definition set forth in PSAK No. 55 (Revised 2011) based on the Group's judgment.

Accordingly, the financial assets and liabilities are accounted for in accordance with the Group's accounting policies disclosed in Note 2q.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Group. Such changes in the assumptions are reflected when they occur.

Purchase Price Allocation and Goodwill Impairment

Acquisition accounting requires extensive use of accounting estimates to allocate the purchase price to the reliable fair market values of the assets and liabilities purchased, including intangible assets. Under PSAK No. 22 (Revised 2010), "Business Combinations", goodwill is not amortized and is subject to an annual impairment testing.

Impairment test is performed when certain impairment indicators are present. In case of goodwill, such asset is subject to annual impairment test and whenever there is an indication that such asset may be impaired; management uses its judgment in estimating the recoverable value and determining the amount of impairment.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and Assumptions (continued)

Allowance for Impairment of Receivables

The Group evaluates specific accounts where it has information that certain customers and debtors are unable to meet their financial obligations. In these cases, the Group uses judgment, based on the best available facts and circumstances, including but not limited to, the length of its relationship with the customer or debtor and or the customer's or debtor's current credit status based on third party credit reports and known market factors, to record specific provisions for customers or debtors against amounts due to reduce its receivable amounts that the Group expects to collect. These specific provisions are re-evaluated and adjusted as additional information received affects the amounts of allowance for impairment of receivables. The carrying amounts of the Group's trade receivables before allowance for impairment as of December 31, 2013 and 2012, are US$148,004,259 and US$147,273,793, respectively. Further details are presented in Note 6 to the consolidated financial statements. The carrying amounts of the Group's other receivables before allowance for impairment as of December 31, 2013 and 2012 inclusive of current and non-current portions, are US$231,716,897 and US$213,786,226, respectively. Further details are presented in Note 7 to the consolidated financial statements.

Impairment of Non-Financial Assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill is tested for impairment annually, while other non-financial assets are tested for impairment when there are indicators that carrying amounts may not be recoverable.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Pension and Other Post-Employment Benefits

The determination of the Group's obligations and cost for pension and other post-employment benefits is dependent on its selection of certain assumptions used by the independent actuaries in calculating such amounts. Those assumptions include discount rates, future annual salary increases, annual employee turn-over rate, disability rate, retirement age and mortality rate. While the Group believes that its assumptions are reasonable and appropriate, due to the long-term nature of these obligations, such estimates are subject to significant uncertainty. The carrying amounts of the Group's estimated liabilities for post-employment benefits as of December 31, 2013 and 2012 are US$13,065,752 and US$15,769,959, respectively. Further details are disclosed in Note 38 to the consolidated financial statements.

Depreciation of Property, Plant and Equipment

The costs of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these property, plant and equipment to be within 3 to 20 years. These are common expectancies applied in the industries where the Group conducts its businesses. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, and therefore future depreciation charges could be revised. The net carrying amounts of the Group's property, plant and equipment as of December 31, 2013 and 2012 are US$85,700,769 and US$120,410,982, respectively. Further details are disclosed in Note 14 to the consolidated financial statements.

(Expressed in United States Dollars, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and Assumptions (continued)

Deferred Tax Assets

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management estimates are required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

Allowance for Decline in Value and Obsolescence of Inventories

Allowance for decline in value and obsolescence of inventories is estimated based on the best available facts and circumstances, including but not limited to, the inventories' own physical conditions, their market selling prices, estimated costs of completion and estimated costs to sell. The provisions are re-evaluated and adjusted as additional information received affects the amount estimated. The carrying amounts of the Group's inventories before allowance for obsolescence and decline in value as of December 31, 2013 and 2012 are US$43,775,056 and US$43,472,668, respectively. Further details are disclosed in Note 8 to the consolidated financial statements.

Asset Abandonment and Site Restoration Obligations

The Group has recognized provision for asset abandonment and site restoration obligations associated with its oil and gas wells, facilities and infrastructure. In determining the amount of the provision, assumptions and estimates are required in relation to discount rates and the expected cost to dismantle and remove all the structures from the site and restore the site. The carrying amounts of the provision as of December 31, 2013 and 2012 are US$50,825,708 and US$55,675,546, respectively. Further details are disclosed in Note 46 to the consolidated financial statements.

4. CASH AND CASH EQUIVALENTS

This account consists of:

	2013	2012
Cash on hand	44,081	86,239
Cash in banks		
Related party		
Rupiah		
PT Bank Himpunan Saudara 1906 Tbk	1,697,788	7,045,315
United States Dollar		
PT Bank Himpunan Saudara 1906 Tbk	3,475,149	23,465,320
Third parties		
Rupiah		
PT Bank Mandiri (Persero) Tbk	1,453,062	8,292,605
PT Bank Negara Indonesia (Persero) Tbk	1,053,825	788,910
PT Bank Internasional Indonesia Tbk	275,141	336,343
PT Bank CIMB Niaga Tbk	200,464	215,446
Citibank, NA	191,189	354,914
Others	63,211	118,110

(Expressed in United States Dollars, unless otherwise stated)

4. CASH AND CASH EQUIVALENTS (continued)

	2013	2012
Cash in banks (continued)		
Third parties (continued)		
United States Dollar		
PT Bank Negara Indonesia (Persero) Tbk	37,138,666	36,258,481
PT Bank Mandiri (Persero) Tbk	33,250,639	2,622,793
PT Bank Danamon Indonesia Tbk	25,422,965	70,746,271
Muscat Bank	19,899,762	8,088,699
Standard Chartered Bank	15,000,039	39,405,382
Bank of Tokyo Mitsubishi - UFJ	5,265,078	41,055,280
PT Bank CIMB Niaga Tbk	4,969,572	2,185,195
Capital One	4,371,282	3,534,929
Citibank, NA	3,795,691	4,852,698
Libyan Foreign Bank	2,090,023	2,090,023
PT Bank DBS Indonesia	1,388,272	345,656
PT Bank Internasional Indonesia Tbk	1,271,527	1,097,316
Cooperative and Agricultural Credit Bank	1,049,544	546,134
Bank of Commerce and Development (BOCD)	951,960	951,960
Morgan Stanley & Co International PLC	563,653	-
PT Bank Central Asia Tbk	7,406	5,054,886
Bank Julius Baer & Co Ltd	-	769,996
Others (each below US$500,000)	702,621	1,274,140
Other foreign currencies	300,335	305,493
Sub-total - cash in banks	165,848,864	261,802,295
Cash equivalents		
Time deposits		
Related party		
Rupiah		
PT Bank Himpunan Saudara 1906 Tbk	2,420,215	9,320,770
United States Dollar		
PT Bank Himpunan Saudara 1906 Tbk	45,264,395	23,000,000
Third parties		
Rupiah		
PT Bank Muamalat Indonesia Tbk	-	1,155,739
United States Dollar		
PT Bank DKI	10,000,000	10,000,000
PT Bank QNB Kesawan Tbk	10,000,000	-
PT Bank UOB Buana Tbk	5,010,712	40,000,000
PT Bank DBS Indonesia	5,000,000	60,000,000
PT Bank Muamalat Indonesia Tbk	5,000,000	25,000,000
PT Bank Bukopin Tbk	5,000,000	10,000,000
PT Bank Permata Syariah	5,000,000	-
Barclays Bank PLC	3,094,761	435,064
UBS AG	2,290,970	2,285,624
PT Bank ICBC Indonesia	-	40,053,094
PT Bank Rakyat Indonesia (Persero) Tbk	-	30,000,000
PT Bank CIMB Niaga Tbk	-	10,000,000
PT Bank Negara Indonesia (Persero) Tbk	-	100,000

(Expressed in United States Dollars, unless otherwise stated)

4. CASH AND CASH EQUIVALENTS (continued)

	2013	2012
Cash equivalents (continued)		
Time deposits (continued)		
Third parties (continued)		
Others	-	412,949
Sub-total - cash equivalents	98,081,053	261,763,240
Total	**263,973,998**	**523,651,774**
Interest rate per annum		
Time deposits		
Rupiah	5.00% - 8.75%	3.50% - 9.25%
United States Dollar	0.05% - 3.75%	0.05% - 3.25%

5. SHORT-TERM INVESTMENTS

This account consists of:

	2013	2012
Marketable securities - for trading		
Rupiah		
Mutual fund units	2,926,250	3,919,455
Bonds	324,258	430,972
United States Dollar		
Managed funds	250,186,644	307,317,585
Total	**253,437,152**	**311,668,012**

The marketable securities for trading (bonds) earned interest for the years ended December 31, 2013 and 2012 at rates ranging from 7.35% to 10.85% per annum.

Investments in managed funds comprise of shares of publicly-listed companies, fixed income/notes payable, money market and other financial instruments. For the year ended December 31, 2013, gain from short-term investments amounted to US$9.3 million (December 31, 2012: gain of US$10.1 million).

(Expressed in United States Dollars, unless otherwise stated)

6. TRADE RECEIVABLES - Net

The details of this account are as follows:

a. By Customer

	2013	2012
Related parties		
Petro Diamond Singapore Pte Ltd	18,923,991	32,636,901
PT Medco Sarana Kalibaru	32,793	64,216
PT Api Metra Graha	25,738	-
Sub-total	18,982,522	32,701,117
Third parties		
Local customers	75,907,431	33,758,871
Foreign customers	53,114,306	80,813,805
Sub-total	129,021,737	114,572,676
Allowance for impairment	(4,369,739)	(144,495)
Net	124,651,998	114,428,181
Total	**143,634,520**	**147,129,298**

b. By Aging Category

	2013	2012
Not yet due	40,511,104	39,399,658
1 - 30 days past due	95,986,253	88,129,194
31 - 60 days past due	1,976,630	12,644,614
61 - 90 days past due	4,301,966	6,677,127
91 - 120 days past due	13,424	136,404
More than 120 days past due	5,214,882	286,796
Total	148,004,259	147,273,793
Allowance for impairment	(4,369,739)	(144,495)
Net	**143,634,520**	**147,129,298**

c. By Currency

	2013	2012
United States Dollar	143,445,452	146,839,842
Rupiah	4,558,807	433,951
Total	148,004,259	147,273,793
Allowance for impairment	(4,369,739)	(144,495)
Net	**143,634,520**	**147,129,298**

(Expressed in United States Dollars, unless otherwise stated)

6. TRADE RECEIVABLES - Net (continued)

The changes in the allowance for impairment are as follows:

	2013	2012
Balance at beginning of year	144,495	3,790,311
Provision during the year	4,225,244	144,495
Write-off during the year	-	(3,790,311)
Balance at end of year	**4,369,739**	**144,495**

Management believes that there are no significant concentrations of credit risk involving third party receivables.

Based on the review of the status of the individual receivable accounts at the end of the year, management is of the opinion that the allowance for impairment of receivables is adequate to cover possible losses on uncollectible accounts.

As of December 31, 2013, trade receivables substantially consist of receivables from Petroleum Development Oman LLC and Petro Diamond Pte Ltd representing 21% and 13%, respectively, of the total trade receivables.

7. OTHER RECEIVABLES - Net

This account consists of:

a. By Party/Nature

	2013	2012
Related parties		
PT Donggi Senoro LNG	142,351,092	101,615,237
PT Medco Power Indonesia	222,657	-
Tomori E & P Ltd	26,691	-
Total	**142,600,440**	**101,615,237**
Long-term portion	142,600,440	101,615,237
Current portion	**-**	**-**
Third parties		
Reimbursable value added tax (VAT)	43,943,747	25,073,279
Tax Office	21,194,142	32,297,299
Receivables from Joint Venture	14,217,639	15,054,985
Underlifting receivable	1,390,145	26,058,534
PT Unitrada Komutama	1,249,344	989,683
Loans to employees	1,203,432	3,975,377
Interest receivable	536,719	773,282
PT Pertamina EP	-	4,204,201
Salamander Energy	-	1,317,417
Others (each below US$1,000,000)	5,381,289	2,426,932
Total before allowance for impairment	**89,116,457**	**112,170,989**

(Expressed in United States Dollars, unless otherwise stated)

7. OTHER RECEIVABLES - Net (continued)

a. By Party/Nature (continued)

	2013	2012
Long-term portion	1,579,549	4,558,402
Allowance for impairment	(47,169)	(52,506)
Long-term portion - net	**1,532,380**	**4,505,896**
Current portion	87,536,908	107,612,587
Allowance for impairment	(11,596,365)	(28,454,825)
Current portion - net	**75,940,543**	**79,157,762**

b. By Currency

	2013	2012
United States Dollar	165,643,610	160,700,911
Rupiah	66,073,287	53,085,315
Total	**231,716,897**	**213,786,226**
Long-term portion	144,179,989	106,173,639
Allowance for impairment	(47,169)	(52,506)
Long-term portion - net	**144,132,820**	**106,121,133**
Current portion	87,536,908	107,612,587
Allowance for impairment	(11,596,365)	(28,454,825)
Current portion - net	**75,940,543**	**79,157,762**

Receivables from PT Donggi Senoro LNG (DSLNG) as of December 31, 2013 and 2012, mainly represent advances to finance the ongoing liquefied natural gas project. The receivable is charged interest at cost of funds plus 3.75% per annum.

Reimbursable Value Added Tax (VAT) represents VAT paid by subsidiaries involved in oil and gas exploration and production in Indonesia which is reimbursable from Satuan Kerja Khusus Pelaksana Kegiatan Usaha Hulu Minyak dan Gas Bumi (SKK Migas) (formerly BPMigas).

Receivables from Joint Venture represent receivables from joint venture partners relating to oil and gas exploration and production activities.

The underlifting receivable as of December 31, 2013 and 2012 from SKK Migas relates to Tarakan and Tomori Blocks.

Based on the review of other receivables at the end of the year, management is of the opinion that the allowance for impairment of other receivables is adequate to cover possible losses from uncollectible accounts.

(Expressed in United States Dollars, unless otherwise stated)

8. INVENTORIES - Net

Inventories consist of:

	2013	2012
Spareparts, well supplies and others	40,351,516	41,646,388
Chemical and other petroleum products	-	241,972
Coal inventory	3,423,540	1,584,308
Total	43,775,056	43,472,668
Allowance for obsolescence and decline in value	(6,610,703)	(6,969,074)
Net	**37,164,353**	**36,503,594**

The movement in the allowance for obsolescence and decline in value is as follows:

	2013	2012
Balance at beginning of year	6,969,074	3,143,430
Provision (reversal) during the year	(358,371)	3,825,644
Balance at end of year	**6,610,703**	**6,969,074**

Coal inventory in 2013 and 2012 is produced by PT Duta Tambang Rekayasa, a subsidiary of PT Medco Energi Mining Internasional (MEMI).

As of December 31, 2013, all inventories were insured with various insurance companies (Note 14). Management believes that the insurance coverage is adequate to cover possible losses on the assets insured.

Based on the review of the physical condition and net realizable values of inventories at year-end, management is of the opinion that the allowance for obsolescence and decline in value is adequate.

9. PREPAID TAXES

The details of this account are as follows:

	2013	2012
<u>Company</u>		
Value added tax (VAT)	757,257	1,344,522
Corporate income tax overpayments	4,358,104	1,199,018
Sub-total	5,115,361	2,543,540
<u>Subsidiaries</u>		
VAT	5,099,998	5,990,802
Corporate income tax overpayments	1,197,860	845,247
Sub-total	6,297,858	6,836,049
Total	**11,413,219**	**9,379,589**

10. PREPAID EXPENSES

The details of this account are as follows:

	2013	2012
Insurance	3,136,344	3,005,723
Rental	274,512	440,065
Others	347,269	620,219
Total	**3,758,125**	**4,066,007**

11. RESTRICTED CASH IN BANKS

The details of this account are as follows:

	2013	2012
Current		
Related party		
Rupiah		
PT Bank Himpunan Saudara 1906 Tbk	-	33,587
Third parties		
United States Dollar		
Morgan Stanley & Co International PLC	5,593,518	-
PT Bank Central Asia Tbk	-	1,309,839
Total	**5,593,518**	**1,343,426**
Non-current		
Related party		
Rupiah		
PT Bank Himpunan Saudara 1906 Tbk	4,551,668	6,368,332
Third parties		
Rupiah		
PT Bank CIMB Niaga Tbk	1,783,083	2,780,455
United States Dollar		
PT Bank Mandiri (Persero) Tbk	1,500,000	1,749,490
Total	**7,834,751**	**10,898,277**

Restricted cash account (US Dollar) with PT Bank Mandiri (Persero) Tbk as of December 31, 2013 and 2012, represents the performance bond in relation to oil production of Camar Resources Canada, Inc.

Restricted cash accounts (Rupiah) with PT Bank Himpunan Saudara 1906 Tbk and PT Bank CIMB Niaga Tbk mainly represent the Subsidiaries' time deposits used as collaterals for employee loans.

Restricted cash account (US Dollar) with PT Bank Central Asia Tbk represents the debt service account of PT Medco E & P Lematang required under the loan agreement with this bank. On February 28, 2013, the loan has been fully repaid.

Restricted time deposit accounts (US Dollar) in Morgan Stanley & Co International PLC represent collaterals ("top-up") in connection with cross currency swap transactions between the Company and this bank.

(Expressed in United States Dollars, unless otherwise stated)

11. RESTRICTED CASH IN BANKS (continued)

	2013	2012
Interest rate per annum		
Restricted cash in banks		
Rupiah	5.25% - 9.75%	5.25% - 7.25%
United States Dollar	0.16%	0.20% - 0.50%

12. LONG-TERM INVESTMENTS

This account consists of the following:

	2013			
	Percentage of Ownership (%)	Cost	Accumulated Share in Net Income	Net Carrying Value
Investments in shares of stock				
Equity Method				
Kuala Langsa (Block-A) Limited (KLL), formerly ConocoPhillips Aceh Ltd	50	216,000	792,397	1,008,397
PT Medco Power Indonesia (MPI)	49	111,052,676	7,491,067	118,543,743
PT Api Metra Graha (AMG)	49	101,965,293	4,024,453	105,989,746
Cost Method				
PT Donggi Senoro LNG (DSLNG) - Indonesia	11.1	93,917,101	-	93,917,101
Total		**307,151,070**	**12,307,917**	**319,458,987**

	2012			
	Percentage of Ownership (%)	Cost	Accumulated Share in Net Income (Losses)	Net Carrying Value
Investments in shares of stock				
Equity Method				
Kuala Langsa (Block-A) Limited (KLL), formerly ConocoPhillips Aceh Ltd	50	216,000	686,451	902,451
PT Medco Power Indonesia (MPI)	49	111,052,676	2,878,674	113,931,350
PT Medco Sarana Kalibaru (MSK)	36.12	20,355,739	(1,826,148)	18,529,591
Cost Method				
PT Donggi Senoro LNG (DSLNG) - Indonesia	11.1	67,177,201	-	67,177,201
Total		**198,801,616**	**1,738,977**	**200,540,593**

(Expressed in United States Dollars, unless otherwise stated)

12. LONG-TERM INVESTMENTS (continued)

The share of net income or losses of associated companies are as follows:

	2013	2012
MPI	4,612,393	2,878,674
AMG	4,024,453	-
KLL	105,946	135,490
MSK	(4,188,497)	(1,826,148)
DSLNG	-	(4)
Net	**4,554,295**	**1,188,012**

On May 23, 2013, PT Api Metra Graha distributed cash dividends to the Company amounting to Rp1,470,000,000 or equivalent to US$143,135.

13. INVESTMENT IN PROJECT

Investment in project as of December 31, 2013 and 2012 represents the Jeruk Project-Indonesia amounting to US$30,324,414. This account represents disbursements for the Jeruk Project made by the Group to Cue Sampang Pty Ltd (Cue) and Singapore Petroleum Company Ltd (SPC), in accordance with the Jeruk Economic Agreement entered into by the Group with Cue and SPC on January 4, 2006 [Note 44(a)]. Under the agreement, the Group is entitled to recover such disbursements from Cue and SPC once the Oyong Field in the Sampang Block of which both parties are participating owners, starts producing oil, and Cue and SPC have recovered their own costs.

14. PROPERTY, PLANT AND EQUIPMENT - Net

This account consists of the following:

	2013						
	Beginning Balance	Additions	Deductions	Reclassi-fications	Translation Adjustments	Effects from Divestment of PT Medco Ethanol Lampung	Ending Balance
Cost							
Land	1,439,662	-	-	-	-	(518,800)	920,862
Buildings and land improvements	18,738,630	1,014,986	-	-	(1,559)	(8,092,495)	11,659,562
Machinery	36,142,004	2,204,887	-	-	-	-	38,346,891
Control panel equipment	42,953,014	5,430	(3,170,113)	-	(1,492)	(9,670,668)	30,116,171
Drilling rigs and equipment	64,489,813	2,348,137	(1,350,332)	-	-	-	65,487,618
Vehicles	6,965,948	258,481	(301,425)	-	(49,279)	(245,940)	6,627,785
Office and other equipment	10,119,446	180,817	(614,956)	-	(17,795)	(150,569)	9,516,943
Leasehold improvements	6,762,517	-	(5,651,925)	-	-	-	1,110,592
Aircraft	14,004,200	-	-	-	-	-	14,004,200
Assets under finance lease	423,063	77,583	(44,863)	-	(164,862)	-	290,921
Total Cost	202,038,297	6,090,321	(11,133,614)	-	(234,987)	(18,678,472)	178,081,545

(Expressed in United States Dollars, unless otherwise stated)

14. PROPERTY, PLANT AND EQUIPMENT - Net (continued)

	2013						
	Beginning Balance	Additions	Deductions	Reclassi-fications	Translation Adjustments	Effects from Divestment of PT Medco Ethanol Lampung	Ending Balance
Accumulated Depreciation							
Buildings and land improvements	5,737,537	1,194,280	-	-	(1,066)	(1,850,444)	5,080,307
Machinery	14,662,305	2,442,377	-	-	-	-	17,104,682
Control panel equipment	21,954,061	1,673,267	(3,170,113)	-	(583)	(7,113,717)	13,342,915
Drilling rigs and equipment	11,074,803	4,935,983	(1,350,332)	-	-	-	14,660,454
Vehicles	4,865,920	756,316	(301,425)	-	(31,953)	(181,039)	5,107,819
Office and other equipment	8,468,175	397,295	(463,632)	-	(13,036)	(137,552)	8,251,250
Leasehold improvements	6,519,157	197,349	(5,649,329)	-	-	-	1,067,177
Aircraft	1,400,421	700,209	-	-	-	-	2,100,630
Assets under finance lease	333,220	44,749	(44,863)	-	(140,581)	-	192,525
Total Accumulated Depreciation	75,015,599	12,341,825	(10,979,694)	-	(187,219)	(9,282,752)	66,907,759
Allowance for impairment	6,611,716	18,861,301	-	-	-	-	25,473,017
Net Book Value	**120,410,982**						**85,700,769**

	2012						
	Beginning Balance	Additions	Deductions	Reclassi-fications	Translation Adjustments	Effects from Divestment of PT Medco Sarana Kalibaru	Ending Balance
Cost							
Land	4,098,032	41,296	-	-	-	(2,699,666)	1,439,662
Buildings and land improvements	24,132,599	2,347,675	-	162,443	-	(7,904,087)	18,738,630
Machinery	25,049,248	11,092,756	-	-	-	-	36,142,004
Control panel equipment	49,723,848	397,542	-	285,484	-	(7,453,860)	42,953,014
Drilling rigs and equipment	25,790,350	37,997,168	-	702,295	-	-	64,489,813
Vehicles	6,015,455	1,263,279	(253,941)	94,365	(4,358)	(148,852)	6,965,948
Office and other equipment	11,066,348	738,523	(1,399,316)	(20,134)	(3,497)	(262,478)	10,119,446
Leasehold improvements	6,518,121	244,396	-	-	-	-	6,762,517
Telecommunication equipment	74,230	-	-	(74,230)	-	-	-
Aircraft	14,004,200	-	-	-	-	-	14,004,200
Assets under finance lease	569,857	12,223	(120,993)	-	(38,024)	-	423,063
Construction in progress	3,504,109	213,941	(2,567,827)	(1,150,223)	-	-	-
Total Cost	170,546,397	54,348,799	(4,342,077)	-	(45,879)	(18,468,943)	202,038,297
Accumulated Depreciation							
Buildings and land improvements	6,829,063	1,330,866	-	-	-	(2,422,392)	5,737,537
Machinery	12,597,327	2,064,978	-	-	-	-	14,662,305
Control panel equipment	16,642,759	7,487,783	-	-	-	(2,176,481)	21,954,061
Drilling rigs and equipment	8,614,604	2,460,199	-	-	-	-	11,074,803
Vehicles	4,133,760	993,217	(205,246)	57,140	(2,147)	(110,804)	4,865,920
Office and other equipment	8,450,588	795,116	(512,805)	(15,901)	(2,447)	(246,376)	8,468,175
Leasehold improvements	6,067,639	451,518	-	-	-	-	6,519,157
Telecommunication equipment	41,239	-	-	(41,239)	-	-	-
Aircraft	700,212	700,209	-	-	-	-	1,400,421
Assets under finance lease	316,657	96,346	(56,463)	-	(23,320)	-	333,220
Total Accumulated Depreciation	64,393,848	16,380,232	(774,514)	-	(27,914)	(4,956,053)	75,015,599
Allowance for impairment	-	6,611,716	-	-	-	-	6,611,716
Net Book Value	**106,152,549**						**120,410,982**

(Expressed in United States Dollars, unless otherwise stated)

14. PROPERTY, PLANT AND EQUIPMENT - Net (continued)

Allocation of depreciation expense is as follows:

	2013	**2012**
Continuing Operations		
Cost of sales	8,419,235	10,371,680
Operating expenses (Note 32)	1,805,298	2,922,795
Sub-total	10,224,533	13,294,475
Discontinued Operations		
Cost of sales	1,385,981	2,576,695
Operating expenses	731,311	509,062
Sub-total	2,117,292	3,085,757
Total	**12,341,825**	**16,380,232**

PT Medco Methanol Bunyu (MMB) owns land located in Pondok Indah, Jakarta, respectively with Building Use Rights (Hak Guna Bangunan or HGB) for 20 years which will expire in 2019. Management believes that the HGB certificates can be extended upon their expiration.

No borrowing costs were capitalized as part of property, plant and equipment as of December 31, 2013 and 2012.

Property, plant and equipment amounting to US$3.4 million as of December 31, 2013 and US$37.9 million as of December 31, 2012 are used as collateral to the loans obtained by the Subsidiaries (Note 24).

All inventories and property, plant and equipment, except land, were insured against fire, theft and other possible risks for US$139 million and Rp125 billion as of December 31, 2013, and US$66 million and Rp37 billion as of December 31, 2012 (Note 8). Management believes that the insurance coverage is adequate to cover possible losses on the assets insured.

Disposals of property, plant and equipment are as follows:

	2013	**2012**
Net proceeds	124,928	996,396
Net book value	(153,920)	(1,030,122)
Loss	**(28,992)**	**(33,726)**

As of December 31, 2013, the acquisition value of property, plant and equipment that have been fully depreciated but are still being used by the Group amounted to US$14.3 million, consisting of drilling rigs and equipment, vehicles, and office and other equipment.

As of December 31, 2013, the carrying value of property, plant and equipment that have been temporarily idle amounted to US$27.7 million, consisting of drilling rigs and equipment.

Based on the review of individual fixed assets as of December 31, 2013, the Group recognized impairment losses of fixed assets mainly from PT Medco Ethanol Lampung (MEL) and PT Exspan Petrogas Intranusa (EPI), Subsidiaries, in 2013 amounting to US$15.5 million and US$3.3 million, respectively, and management believes that the impairment loss for property, plant and equipment recognized is adequate.

(Expressed in United States Dollars, unless otherwise stated)

15. EXPLORATION AND EVALUATION ASSETS

	Amount
Beginning balance, December 31, 2011	**90,802,201**
Additions	30,923,541
Impairment and dry hole	(9,291,029)
Ending balance, December 31, 2012	**112,434,713**
Additions	65,976,725
Transfer to oil and gas properties	(316,298)
Impairment and dry hole	(22,365,181)
Ending balance, December 31, 2013	**155,729,959**

As of December 31, 2012, the exploration and evaluation assets for subsidiaries engaged in the coal mining are recorded as part of "Other Non-Current Assets" in the consolidated statement of financial position. In 2013, management presented the coal mining business as a separate business segment and reclassified the carrying amount of exploration and evaluation assets to "Exploration and Evaluation Assets" account in the consolidated statement of financial position. Thus, the addition of exploration and evaluation assets includes the reclassification of coal mining assets amounting to US$2,881,971 and US$674,133 in 2013 and 2012, respectively.

Management believes that the above reclassification has no significant impact on the consolidated financial statements as a whole.

In 2013 and 2012, the Group recognized impairment losses for the exploration and evaluation of oil and gas business amounting to US$17.7 million and US$7.1 million, respectively.

16. OIL AND GAS ASSETS AND MINING PROPERTIES

a. Mining Properties - Net

Subsidiaries - producing mines:

	2013	2012
South Block:		
Abah	608,033	606,726
Ganggoro	721,851	306,751
Kris	465,932	-
Total	1,795,816	913,477
Accumulated amortization	(1,169,161)	(194,837)
Allowance for impairment	(16,391)	(9,845)
Net	**610,264**	**708,795**

Amortization expense of mining properties charged to production costs for the years ended December 31, 2013 and 2012 amounted to US$1,169,161 and US$194,837, respectively.

(Expressed in United States Dollars, unless otherwise stated)

16. OIL AND GAS ASSETS AND MINING PROPERTIES (continued)

b. Oil and Gas Properties - Net

This account consists of the following:

	2013	2012
Wells and related equipment and facilities	1,294,421,360	1,439,839,786
Finance lease assets	18,976,754	15,302,380
Uncompleted wells, equipment and facilities	424,390,084	302,118,349
Operated acreage	74,265,892	72,902,882
Office equipment	16,811,248	19,671,003
Vehicles	1,067,735	1,067,734
Total	1,829,933,073	1,850,902,134
Accumulated depreciation, depletion, and amortization and impairment reserves	(927,464,165)	(1,001,514,489)
Net Book Value	**902,468,908**	**849,387,645**

The movements in oil and gas properties are as follows:

		2013			
Area of Interest	**Location**	**Beginning Balance December 31, 2012**	**Additions**	**Deductions**	**Ending Balance December 31, 2013**
Block A	Aceh	61,556,326	2,050,667	-	63,606,993
Kampar/S.S. Extension	South Sumatera	96,343,959	10,374,147	20,844,742	85,873,364
Rimau	Sumatera	152,506,415	18,261,221	19,028,843	151,738,793
Senoro Toili	Sulawesi	33,990,924	99,133,041	2,768,388	130,355,577
Lematang	Sumatera	104,696,464	2,210,445	20,703,990	86,202,919
Tarakan	Kalimantan	16,768,835	7,634,907	5,648,596	18,755,146
Bawean	East Java	51,399,280	214,745	4,606,582	47,007,443
Simenggaris	Kalimantan	16,057,860	-	676,882	15,380,978
Main Pass	USA	40,610,909	-	2,272,935	38,337,974
East Cameron	USA	24,162,609	30,187	2,200,000	21,992,796
Area 47 Libya	Libya	154,894,062	4,149,388	-	159,043,450
Malik 9	Yemen	85,832,399	3,992,789	13,726,777	76,098,411
Other blocks in Yemen	Yemen	10,567,603	4,281,044	6,773,583	8,075,064
		849,387,645	**152,332,581**	**99,251,318**	**902,468,908**

(Expressed in United States Dollars, unless otherwise stated)

16. OIL AND GAS ASSETS AND MINING PROPERTIES (continued)

b. Oil and Gas Properties - Net (continued)

		2012			
Area of Interest	**Location**	**Beginning Balance December 31, 2011**	**Additions**	**Deductions**	**Ending Balance December 31, 2012**
Block A	Aceh	57,250,932	4,305,394	-	61,556,326
Kampar/S.S. Extension	South Sumatera	109,632,112	4,678,330	17,966,483	96,343,959
Rimau	Sumatera	142,878,678	27,329,668	17,701,931	152,506,415
Senoro Toili	Sulawesi	20,804,137	15,245,510	2,058,723	33,990,924
Lematang	Sumatera	116,626,020	-	11,929,556	104,696,464
Tarakan	Kalimantan	17,630,931	2,537,682	3,399,778	16,768,835
Bawean	East Java	57,401,654	1,528,853	7,531,227	51,399,280
Simenggaris	Kalimantan	13,237,821	2,820,039	-	16,057,860
Sembakung	Kalimantan	2,129,528	-	2,129,528	-
Main Pass	USA	39,639,937	970,972	-	40,610,909
East Cameron	USA	26,821,322	-	2,658,713	24,162,609
Area 47 Libya	Libya	155,070,593	-	176,531	154,894,062
Malik 9	Yemen	-	91,187,711	5,355,312	85,832,399
Other blocks in Yemen	Yemen	1,823,489	10,567,603	1,823,489	10,567,603
		760,947,154	**161,171,762**	**72,731,271**	**849,387,645**

In 2013, the Group revised the estimated proved reserves (P1) in Yemen Malik Block 9 based on the report of McDaniel & Associates Consultants Ltd dated February 28, 2014. As a result, the depletion expense decreased by US$1.95 million.

In 2012, the Group revised its proved reserves (P1) estimation in Kampar, South Sumatera Extension, Tarakan, Rimau, Senoro Toili, Lematang, Sembakung and Bawean Blocks, based on the reports of Netherland, Sewell & Associates Inc dated April 27, 2012. As a result, depletion expense decreased by US$8.81 million.

Based on the review of the individual oil and gas properties at the end of the year, the management is of the opinion that no further impairment in value of oil and gas properties is necessary.

As of December 31, 2013, all wells, mining area and related equipment and facilities of Subsidiaries involved in oil and gas exploration and production and coal mining are insured for US$1.71 billion.

17. ADVANCE FOR PURCHASE OF SHARES OF STOCK

As of December 31, 2013, this account pertains to advance payment for the acquisition of shares of Medco Trada Tebat Agung Ltd, while as of December 31, 2012, this account pertains to advance payment for the acquisition of the shares of PT Api Metra Graha (Note 44a).

(Expressed in United States Dollars, unless otherwise stated)

18. OTHER ASSETS

This account consists of the following:

	2013	2012
Current		
Advances	160,194	1,682,237
Non-current		
Signing bonuses - net	6,749,768	9,750,000
Advance payments for purchase/rental	5,600,209	5,421,605
Security deposits	2,663,435	2,658,730
Others	6,358,549	2,980,468
Total	**21,371,961**	**20,810,803**

Advances consist of advance payments to employees for official business purposes and for project advances. In 2013, the Group implemented a new policy which requires the employee advances to be settled not more than 3 months after the advances were given to the employees. Advances for projects in 2012 have been recognized as expenses in the year 2013.

Advance payments for purchase/rental of property and equipment represent payments made in relation to the acquisition/rental of various assets.

The signing bonuses above are related to a service contract entered into with Petroleum Development Oman LLC (Note 43b).

19. TRADE PAYABLES

This account consists of the following:

a. By Supplier

	2013	2012
Related parties		
PT Api Metra Graha	339,699	-
PT Medco Inti Dinamika	13,584	69,936
Others	6,293	-
Sub-total	359,576	69,936
Third parties		
Local suppliers	69,176,091	67,454,572
Foreign suppliers	25,017,439	27,740,096
Sub-total	94,193,530	95,194,668
Total	**94,553,106**	**95,264,604**

(Expressed in United States Dollars, unless otherwise stated)

19. TRADE PAYABLES (continued)

b. By Aging Category

	2013	2012
Up to 1 month	48,956,701	36,560,230
1 - 3 months	13,097,850	39,354,142
3 - 6 months	30,108,142	16,918,022
6 months - 1 year	1,465,954	2,045,225
More than 1 year	924,459	386,985
Total	**94,553,106**	**95,264,604**

c. By Currency

	2013	2012
United States Dollar	79,357,905	79,381,397
Rupiah	15,111,314	15,856,392
Others	83,887	26,815
Total	**94,553,106**	**95,264,604**

Trade payables to both local and foreign suppliers are unsecured and generally have credit terms less than 30 days.

20. OTHER LIABILITIES

a. Advances from customers

	2013	2012
Third parties		
PT Perusahaan Listrik Negara (Persero)	12,599,877	14,470,500
PT Molindo Raya Industrial	-	1,427,495
Total	**12,599,877**	**15,897,995**

b. Other payables

	2013	2012
Overlifting payable	27,278,156	31,642,509
Tax payable on First Tranche Petroleum	13,085,147	3,560,491
Payables to Joint Ventures	6,605,574	6,615,045
BP West Java Ltd	4,536,217	4,536,217
Cityview Energy Corp Ltd	1,008,980	1,008,980
Insurance payable	866,484	1,155,805
Others (each below US$1,000,000)	7,113,487	8,920,544
Total	60,494,045	57,439,591

(Expressed in United States Dollars, unless otherwise stated)

20. OTHER LIABILITIES (continued)

b. Other payables (continued)

	2013	2012
Current portion	(50,795,338)	(43,589,966)
Long-term portion	**9,698,707**	**13,849,625**

The overlifting payable to SKK Migas related primarily to Rimau, Tarakan and Bawean Blocks.

Payables to Joint Ventures represent payables for exploration and production activities related to joint ventures, where the Group is not the operator.

Payable to BP West Java Ltd represents the amount to be paid by PT Medco E & P Tomori Sulawesi, a Subsidiary, once the production from the Senoro Block has reached certain volume as stipulated in the agreement.

Tax payable on First Tranche Petroleum (FTP) is part of underpayment of income tax and dividend tax on FTP from PT Medco E & P Lematang for fiscal years 2008 until 2013 and from Camar Resources Canada Inc. for fiscal years 1994 until 2013. The Subsidiaries will pay the tax if there is “Equity to be split” from the sale of gas.

21. TAXES PAYABLE

This account consists of:

	2013	2012
<u>Company</u>		
Income tax		
Article 4(2)	102,115	116,573
Article 15	21,396	13,975
Article 21	575,037	451,915
Article 23	186,555	164,397
Article 26	1,338,537	5,957,658
Sub-total	2,223,640	6,704,518
<u>Subsidiaries</u>		
Corporate income tax	12,679,453	18,683,424
Income tax		
Article 4(2)	1,080,615	91,810
Article 15	9,630	1,276
Article 21	1,286,089	1,642,408
Article 23	1,759,041	635,553
Article 25	-	11,949
Article 26	12,264	42,525
Value added tax (VAT)	6,298,165	4,986,650
Sub-total	23,125,257	26,095,595
Total	**25,348,897**	**32,800,113**

21. TAXES PAYABLE (continued)

Tax Assessments

Summarized below are the current status of significant tax audits and tax assessments within the Group:

a. The Company

For fiscal year 2005, the Tax Court has partially granted the Value-Added Tax (VAT) appeal for Rp1.1 billion and rejected the income tax article 26 appeal. The Indonesian Tax Office (ITO) has filed to the Supreme Court a Reconsideration Request on the Tax Court Decision on the 2005 VAT dispute amounting to Rp707 million. No decision letter from the Supreme Court has yet been received as of the completion date of the consolidated financial statements.

For fiscal year 2007, the Tax Court has rejected the VAT appeal amounting to Rp11.1 billion and accepted the corporate income tax appeal amounting to US$65 million as tax deduction. The Company has filed a Reconsideration Request to Supreme Court for the Tax Court Decision on the 2007 VAT amounting to Rp10.8 billion which was rejected by the Tax Court. On the other hand, the ITO has filed a Reconsideration Request to Supreme Court against the decision of the Tax Court regarding the corporate income tax in 2007 amounting to US$65 million. No decision letter from the Supreme Court has yet been received as of the completion date of the consolidated financial statements.

The tax audits by the ITO for fiscal years 2005 until 2010 have been closed.

For fiscal year 2011, based on the result of the tax audit, the Company's tax loss amounting to US$43.5 million has been corrected to become taxable income of US$16.8 million which is compensated with the Company’s tax losses. The correction relates to the financing costs incurred for the loans that are not directly related to the Company’s business. The Company has filed an objection to the tax assessment on July 5, 2013 and until the completion date of the consolidated financial statements, no decision letter from the ITO has been received.

b. PT Exspan Petrogas Intranusa (EPI)

For the fiscal year 2008, EPI has submitted its objection letter on the tax assessment for underpayment of corporate income tax amounting to Rp5.9 billion which was rejected by the ITO in June 2011. EPI filed an appeal to the Tax Court, however, no decision letter from the Tax Court has yet been received as of the completion date of the consolidated financial statements.

The objection letter of EPI for the assessment of underpayment of VAT for the period January-June 2010 amounting to Rp1.7 billion has been rejected by the ITO. EPI filed an appeal to the Tax Court, however, no decision letter from the Tax Court has yet been received as of the completion date of the consolidated financial statements.

The tax audit by the ITO for the restitution of VAT for the period July-December 2010 has been completed. EPI received a tax letter for overpayment of VAT for fiscal year 2010 amounting to Rp3.8 billion which was paid by the ITO to EPI on May 15, 2012.

EPI submitted its objection letter for the tax assessment on underpayment of VAT for the period July-November 2010 amounting to Rp1.1 billion. The ITO has issued its decisions on the objection letter of EPI as follows:

- July 2010 underpayment: Decision was issued on December 28, 2012 which accepted partially EPI’s objection amounting to Rp122.7 million and rejected the remaining amount of Rp70.4 million.

21. TAXES PAYABLE (continued)

Tax Assessments (continued)

b. PT Exspan Petrogas Intranusa (EPI) (continued)

- August 2010 underpayment: Decision was issued on February 6, 2013 which accepted partially EPI's objection amounting to Rp70.9 million and rejected the remaining amount of Rp262.1 million.
- September 2010 underpayment: Decision was issued on January 9, 2013 which accepted partially EPI's objection amounting to Rp5.9 million and rejected the remaining amount of Rp139.7 million.
- October 2010 underpayment: Decision was issued on February 15, 2013 which accepted partially EPI's objection amounting to Rp6.9 million and rejected the remaining amount of Rp185.9 million.
- November 2010 underpayment: Decision was issued on December 28, 2012 which accepted partially EPI's objection amounting to Rp35.5 million and rejected the remaining amount of Rp240.6 million.

Regarding the objections that were rejected by the ITO above, EPI has filed an appeal to the Tax Court. No decision letter from the Tax Court has yet been received up to the completion date of the consolidated financial statements.

The tax audit for VAT for the period January-June 2011 was completed in October 2012. EPI received the assessment letter on overpayment (SKPLB) of VAT for June 2011 amounting to Rp5.5 billion. The amount of the overpayment has been received by EPI on July 12, 2012. In addition, EPI also received the assessment letter on VAT underpayment for the period January-May 2011 amounting to Rp161 million. The underpayment has been paid by EPI to the State Treasury on December 7, 2012.

The tax audit for VAT for the period July-December 2011 was completed in May 2013. EPI has received the assessment letter on overpayment of VAT for September 2011 and December 2011 amounting to Rp3.4 billion and Rp3.1 billion, respectively. The amount of the overpayment has been received by EPI on June 3, 2013. In addition, EPI also received the assessment letter on VAT underpayment for the period July-August 2011 and October-November 2011 amounting to Rp10.4 million and Rp10.3 million, respectively. The underpayment has been paid by EPI to the State Treasury on June 3, 2013.

The tax audit of corporate income tax for fiscal year 2011 has been completed in July 2013. EPI has received an overpayment assessment amounting to Rp1.8 billion. The amount of the overpayment has been received by EPI on August 20, 2013 . EPI also received tax assessment on the underpayment for income tax article 4(2) amounting to Rp70 million, Tax Collection Letter (STP) of income tax article 4(2) amounting to Rp1.4 million, and STP of income tax article 23 amounting to Rp65.9 million. The underpayment has been paid by EPI to the State Treasury on August 20, 2013.

The tax audit for VAT for the period January-June 2012 has been completed in December 2013. EPI has received the tax letter on overpayment of VAT for June 2012 amounting to Rp5.2 billion. The overpayment has been received by EPI on December 30, 2013. In addition, EPI also received the assessment letter on VAT underpayment for the period January-May 2013 amounting to Rp49.8 million. The underpayment has been paid by EPI to the State Treasury on December 30, 2013.

21. TAXES PAYABLE (continued)

Tax Assessments (continued)

b. PT Exspan Petrogas Intranusa (EPI) (continued)

The tax audit for VAT for the period July-December 2012 and corporate income tax for fiscal year 2012 are still on-going. Until the completion date of the consolidated financial statements, there has been no assessment letter issued by the Tax Office.

c. PT Medco Downstream Indonesia (MDI) and its Subsidiaries

PT Medco Downstream Indonesia (”MDI”)

The tax audit by the ITO for fiscal year 2009 has been closed and MDI received tax letter for overpayment of corporate income tax amounting to Rp478.5 million.

PT Medco LPG Kaji (”MLK”)

On April 29, 2010, MLK received a decision letter SKP No. 0009/206/08/062/10 from the ITO disallowing the claim for tax refund of corporate income tax for fiscal year 2008 amounting to Rp2,763,933,735 and additionally assessing underpayment of corporate income tax amounting to Rp4,524,425,565 with administrative sanctions amounting to Rp1,447,816,181. MLK has paid all tax due including the administrative sanction in 2010. On July 26, 2010, MLK filed an objection letter to the ITO regarding the remaining corrections and claimed for a refund of Rp2,341,359,580. On June 27, 2011, the ITO has rejected the objection letter and MLK filed an appeal to the Tax Court.

On August 22, 2011, MLK has submitted its objection letter to the ITO on the assessment on VAT underpayment for the period April, May, June and September 2009 amounting to Rp7,625,721 and the ITO has accepted partially the objection on VAT for June 2009 amounting to Rp1,973,720 on May 15, 2012. On the remaining balance of Rp5,652,001 rejected by the ITO, MLK has filed an appeal to the Tax Court.

On April 25, 2013, MLK received from the Tax Court the result of tax appeals which granted the claim for corporate income tax refund of Rp2,452,189,213 and VAT of Rp4,474,000 for fiscal year 2008. The remaining amounts rejected by the Tax Court are recorded as expense in the consolidated financial statements.

On December 9, 2013, MLK received the assessment letter on VAT underpayment for fiscal year 2006 amounting to Rp48,606,084 and the underpayment has been paid by MLK on December 20, 2013.

PT Medco Methanol Bunyu (“MMB”)

The tax audit by the ITO on PT Medco Methanol Bunyu (MMB) until fiscal year 2008 has been closed. For fiscal year 2009, MMB filed the objection letters on October 12, 2011 for the assessment on underpayment of income tax article 23 and VAT on goods and services for November 2009 amounting to Rp3,140,668,090 and Rp3,267,259,402, respectively.

21. TAXES PAYABLE (continued)

Tax Assessments (continued)

c. PT Medco Downstream Indonesia (MDI) and its Subsidiaries (continued)

PT Medco Methanol Bunyu ("MMB") (continued)

On September 28, 2012, MMB received a tax assessment letter from the ITO for the underpayment of VAT for the fiscal year 2009 (period January-April 2009) amounting to Rp47,747,940. MMB has paid the VAT underpayment on November 2, 2012 and filed objection letter to the ITO. As of the completion date of the consolidated financial statements, MMB has not yet received any decision from the ITO.

PT Medco Ethanol Lampung ("MEL")

The tax audits by the ITO on PT Medco Ethanol Lampung (MEL) for fiscal years 2008 and 2009 have been completed. For fiscal year 2009, MEL has received the overpayment of corporate income tax amounting to Rp71.1 million.

The tax audit by the ITO on MEL for fiscal year 2010 has been completed. MEL has received the assessment letter for overpayment of VAT, underpayment of income tax article 23, underpayment of income tax article 21, nil tax assessment for income tax article 4(2), nil tax assessment for corporate income tax and STP on VAT for a net amount of Rp170,567,059 and this amount has been fully paid by MEL on April 10, 2013.

The tax audit by the ITO on MEL for fiscal year 2011 is still on-going, and no tax assessment letter has been received as of the completion date of the consolidated financial statements.

PT Usaha Tani Sejahtera ("UTS")

The tax audits by the ITO on PT Usaha Tani Sejahtera ("UTS") for fiscal years 2007, 2008 and 2009 have been closed. For fiscal year 2007, UTS has received tax assessment for underpayment of corporate income tax, STP on corporate income tax, and STP on income tax article 21 amounting to Rp1.4 million, Rp700,000, and Rp700 000, respectively. For fiscal year 2008, UTS has received tax assessment letter for underpayment of income tax article 23, income tax article 21, income tax article 4(2) amounting to Rp342.4 million and STP on corporate income tax, income tax article 21, income tax article 23, income tax article 4(2) and VAT amounting to Rp114.9 million which all have been paid on February 7, 2013. For fiscal year 2009, UTS received tax assessment for underpayment of corporate income tax amounting to Rp367.8 million which has been paid on December 27, 2012 and STP on corporate income tax, income tax article 21, income tax article 23 and income tax article 4(2) and VAT amounting to Rp132.7 million which has been paid on February 7, 2013.

21. TAXES PAYABLE (continued)

Tax Assessments (continued)

d. PT Medco E & P Lematang (MEPL)

The tax audit by the ITO for fiscal years 2011 and 2012 is still on-going and no tax assessment letter has been received as of the completion date of the consolidated financial statements.

The tax audit by the ITO for fiscal year 2008 has been closed.

e. PT Medco E & P Tarakan (MEPT)

The tax audit by the ITO for fiscal year 2005 is still on-going and no tax assessment letter has yet been received. The tax audit by the ITO for fiscal year 2006 has been completed. MEPT received tax assessment letter for the underpayment of income tax article 21 amounting to Rp8,625,992 which has been paid on February 10, 2014. The tax audit by the ITO for fiscal years 2007 and 2008 has been closed.

The tax audit by the ITO for fiscal year 2009 has been completed. MEPT received assessment letter for underpayment of income tax article 21 amounting to Rp10,911,040 which has been paid on February 25, 2014 and STP on VAT amounting to Rp7,352,359 which has been paid on February 27, 2014. The tax audit by the ITO for fiscal years 2011 and 2012 are still on-going and no assessment letter has yet been received as of the completion date of the consolidated financial statements.

f. PT Medco E & P Simenggaris (MEPS)

The tax audits by the ITO for fiscal years 2009, 2010, 2011 and 2012 have been closed.

g. PT Medco Energi Nusantara (MEN)

The tax audits by the ITO for fiscal years 2005, 2006, 2007 and 2008 are still on-going and no tax assessment letter has yet been received as of the completion date of the consolidated financial statements.

h. PT Medco LNG Indonesia (MLI)

The tax audit by the ITO for fiscal year 2011 is still on-going and no assessment letter has yet been received as of the completion date of the consolidated financial statements.

i. PT Medco E & P Kalimantan (MEPK)

The tax audit by the ITO for fiscal year 2006 is still on-going and no assessment letter has yet been received as of the completion date of the consolidated financial statements.

21. TAXES PAYABLE (continued)

Tax Assessments (continued)

j. PT Medco E & P Rimau (MEPR)

The tax audits by the ITO for fiscal years 2005, 2011 and 2012 are still on-going and no tax assessment letter has yet been received as of the completion date of the consolidated financial statements. The tax audit by the ITO for fiscal year 2006 has been closed.

The tax audit by the ITO for fiscal year 2007 has been completed. MEPR received STP for income tax article 23 amounting to Rp188,865,547 which was paid on January 21, 2014.

For fiscal year 2009, the ITO has rejected MEPR objection for the tax assessment on underpayment of income tax article 21, article 23 and article 4(2) amounting to Rp5.1 billion, Rp703 million and Rp2.7 billion, respectively. MEPR will file for appeal to the Tax Court.

k. PT Medco E & P Malaka (MEPM)

The tax audit by the ITO for fiscal year 2008 is still on-going and no assessment letter has yet been received as of the completion date of the consolidated financial statements.

l. PT Medco E & P Indonesia (MEPI)

The tax audit by the ITO for fiscal year 2009 has been closed.

The tax audits by the ITO for fiscal years 2011 and 2012 are still on-going and no assessment letter has yet been received as of the completion date of the consolidated financial statements.

m. Exspan Airsenda Inc (EAS) and Exspan Airlimau Inc (EAL)

The tax audits by the Internal Revenue Service of the United States (IRS) on EAS and EAL have been officially closed for fiscal years 2004, 2005, 2006 and 2007. The IRS has issued nil tax assessment letters for such audits.

The tax audits by the ITO for fiscal years 2005 and 2006 have been closed.

n. Exspan Cumi-Cumi Inc and Medco Lematang Ltd

Exspan Cumi-Cumi Inc (ECCI) and Medco Lematang Ltd (MLL), Subsidiaries, received tax assessment letters (SKP) amounting to Rp17.4 billion in 2002, for the underpayment of VAT for the years prior to the acquisition of these working interests from the previous operators of the respective production sharing contracts (PSCs). Subsequently, ECCI has relinquished the PSC to the Government of Indonesia.

The Sales and Purchase Agreements with the previous PSC working interest owners stipulate that obligations incurred prior to the acquisition by ECCI and MLL, remain the responsibility of the previous owners. Accordingly, no provision or payment has been made by ECCI and MLL for these tax assessments.

(Expressed in United States Dollars, unless otherwise stated)

21. TAXES PAYABLE (continued)

Tax Assessments (continued)

No provisions were recognized for tax assessments for which the Group has filed a tax appeal as it believes those assessments have no merit.

Under the taxation laws of Indonesia, the Company and Subsidiaries compute, determine and pay their tax liabilities on the basis of self-assessment. Consolidated tax returns are not allowed under the Indonesia taxation laws. The ITO may assess or amend taxes for 2007 tax obligation and prior years not later than 2013. Starting January 1, 2008, the statute of limitation for tax assessment is amended to 5 years which was previously 10 years. Management believes the Group has fully complied with the tax requirements in Indonesia.

For other tax jurisdictions, management also believes the Group has substantially complied with the applicable laws in regard to tax reporting requirements.

22. ACCRUED EXPENSES AND OTHER PROVISIONS

This account consists of:

	2013	2012
Contract services	31,850,820	25,795,980
Rentals	16,209,544	16,464,866
Joint Ventures	6,940,891	7,482,085
Repairs and maintenance of property, plant and equipment	5,839,269	5,644,090
Other operating expenses	4,809,641	10,223,723
Interest	4,051,650	4,998,116
Labor supply	813,213	389,140
Others	181,863	1,226,141
Total	**70,696,891**	**72,224,141**

23. DERIVATIVES

		2013			2012		
Counterparties	Type	Derivative Assets	Derivative Liabilities	Gain (Loss)	Derivative Assets	Derivative Liabilities	Gain (Loss)
Company							
PT DBS Bank Indonesia	Cross-currency swap	-	72,661,811	(63,628,434)	-	9,033,377	(9,033,377)
Standard Chartered Bank	Cross-currency swap	-	54,928,797	(46,983,322)	-	7,945,475	(7,945,475)
Bank of Tokyo Mitsubishi - UFJ	Cross-currency swap	-	24,269,544	(23,718,182)	-	551,362	(551,362)
PT ANZ Panin Bank	Cross-currency swap	-	-	-	-	-	(1,467,320)
Morgan Stanley & Co International PLC	Cross-currency swap	-	6,980,642	(6,525,183)	-	455,459	746,811
PT Bank Permata Tbk	Cross-currency swap	-	13,814,827	(13,814,827)	-	-	-
Total		-	172,655,621	(154,669,948)	-	17,985,673	(18,250,723)
Other comprehensive income		-	-	144,724,352	-	-	17,411,048
Total		**-**	**172,655,621**	**(9,945,596)**	**-**	**17,985,673**	**(839,675)**
Less current portion		-	10,520,221		-	-	
Long-term portion		-	162,135,400		-	17,985,673	

(Expressed in United States Dollars, unless otherwise stated)

23. DERIVATIVES (continued)

The Company entered into cross-currency interest rate swaps, cross-currency swaps, and forward exchange contracts as hedging instruments to manage its interest rate and foreign currency risks. All contracts entered into by the Group have underlying obligations.

Further information relating to the derivatives undertaken by the Company is as follows:

Counterparties	Type	Notional amount		Effective date	Final exchange date	Terms and conditions
		In US$	In IDR			
PT Bank DBS Indonesia	Cross-currency swap	71,794,871	700,000,000,000	March 15, 2013 *	March 15, 2018	The Company shall receive a fixed interest rate of 8.85% per annum on the Rupiah notional amount and pay a fixed interest rate of 4.65% per annum on the US Dollars notional amount every March 15, June 15, September 15 and December 15. Initial exchange occurred on the Effective Date in which the Company paid the Rupiah notional amount and received the US Dollars notional amount. On the final exchange date, the Company pays the US Dollars notional amount and receives the Rupiah notional amount.
PT Bank Permata Tbk	Cross-currency swap	41,025,641	400,000,000,000	March 15, 2013 *	March 15, 2018	The Company shall receive a fixed interest rate of 8.85% per annum on the Rupiah notional amount and pay a fixed interest rate of 4.65% per annum on the US Dollars notional amount every March 15, June 15, September 15 and December 15. Initial exchange occurred on the Effective Date in which the Company paid the Rupiah notional amount and received the US Dollars notional amount. On the final exchange date, the Company pays the US Dollars notional amount and receives the Rupiah notional amount.
Standard Chartered Bank	Cross-currency swap	20,512,820	200,000,000,000	March 15, 2013 *	March 15, 2018	The Company shall receive a fixed interest rate of 8.85% per annum on the Rupiah notional amount and pay a fixed interest rate of 4.65% per annum on the US Dollars notional amount every March 15, June 15, September 15 and December 15. Initial exchange occurred on the Effective Date in which the Company paid the Rupiah notional amount and received the US Dollars notional amount. On the final exchange date, the Company pays the US Dollars notional amount and receives the Rupiah notional amount.

(Expressed in United States Dollars, unless otherwise stated)

23. DERIVATIVES (continued)

Counterparties	Type	Notional amount		Effective date	Final exchange date	Terms and conditions
		In US$	In IDR			
Bank of Tokyo Mitsubishi - UFJ	Cross-currency swap	20,512,820	200,000,000,000	March 15, 2013 *	March 15, 2018	The Company shall receive a fixed interest rate of 8.85% per annum on the Rupiah notional amount and pay a fixed interest rate of 4.65% per annum on the US Dollars notional amount every March 15, June 15, September 15 and December 15. Initial exchange occurred on the Effective Date in which the Company paid the Rupiah notional amount and received the US Dollars notional amount. On the final exchange date, the Company pays the US Dollars notional amount and receives the Rupiah notional amount.
PT Bank DBS Indonesia	Cross-currency swap	31,088,083	300,000,000,000	December 19, 2012 *	December 19, 2017	The Company shall receive a fixed interest rate of 8.80% per annum on the Rupiah notional amount and pay a fixed interest rate of 4.60% per annum on the US Dollars notional amount every March 19, June 19, September 19 and December 19. Initial exchange occurred on the Effective Date in which the Company paid the Rupiah notional amount and received the US Dollars notional amount. On the final exchange date, the Company pays the US Dollars notional amount and receives the Rupiah notional amount.
Standard Chartered Bank	Cross-currency swap	20,725,389	200,000,000,000	December 19, 2012 *	December 19, 2017	The Company shall receive a fixed interest rate of 8.80% per annum on the Rupiah notional amount and pay a fixed interest rate of 4.60% per annum on the US Dollars notional amount every March 19, June 19, September 19 and December 19. Initial exchange occurred on the Effective Date in which the Company paid the Rupiah notional amount and received the US Dollars notional amount. On the final exchange date, the Company pays the US Dollars notional amount and receives the Rupiah notional amount.
Bank of Tokyo Mitsubishi - UFJ	Cross-currency swap	15,000,000	143,100,000,000	September 10, 2012 *	June 16, 2014	The Company shall receive a fixed interest rate of 14.25% per annum on the Rupiah notional amount and pay a fixed interest rate of 9.20% per annum on the US Dollars notional amount every March 16, June 16, September 16 and December 16. On the final exchange date, the Company pays the US Dollars notional amount and receives the Rupiah notional amount.

(Expressed in United States Dollars, unless otherwise stated)

23. DERIVATIVES (continued)

Counterparties	Type	Notional amount		Effective date	Final exchange date	Terms and conditions
		In US$	In IDR			
PT Bank DBS Indonesia	Cross-currency swap	41,731,873	400,000,000,000	September 27, 2012 *	September 24, 2015	The Company shall receive a fixed interest rate of 9.00% per annum on the Rupiah notional amount and pay a fixed interest rate of 4.22% per annum on the US Dollars notional amount every March 25, June 25, September 25 and December 25. Initial exchange occurred on the Effective Date in which the Company paid the Rupiah notional amount and received the US Dollars notional amount. On the final exchange date, the Company pays the US Dollars notional amount and receives the Rupiah notional amount.
Standard Chartered Bank	Cross-currency swap	52,164,841	500,000,000,000	September 27, 2012 *	September 24, 2015	The Company shall receive a fixed interest rate of 9.00% per annum on the Rupiah notional amount and pay a fixed interest rate of 4.22% per annum on the US Dollars notional amount every March 24, June 24, September 24 and December 24. Initial exchange occurred on the Effective Date in which the Company paid the Rupiah notional amount and received the US Dollars notional amount. On the final exchange date, the Company pays the US Dollars notional amount and receives the Rupiah notional amount.
Bank of Tokyo Mitsubishi - UFJ	Cross-currency swap	52,164,841	500,000,000,000	September 27, 2012 *	September 24, 2015	The Company shall receive a fixed interest rate of 9.00% per annum on the Rupiah notional amount and pay a fixed interest rate of 4.22% per annum on the US Dollars notional amount every March 24, June 24, September 24 and December 24. Initial exchange occurred on the Effective Date in which the Company paid the Rupiah notional amount and received the US Dollars notional amount. On the final exchange date, the Company pays the US Dollars notional amount and receives the Rupiah notional amount.
PT DBS Bank Indonesia	Cross-currency swap	78,947,368	750,000,000,000	June 19, 2012 *	June 19, 2017	The Company shall receive a fixed interest rate of 8.75% per annum on the Rupiah notional amount and pay a fixed interest rate of 4.85% per annum on the US Dollars notional amount every March 19, June 19, September 19 and December 19. Initial exchange occurred on the Effective Date in which the Company paid the Rupiah notional amount and received the US Dollars notional amount. On the final exchange date, the Company pays the US Dollars notional amount and receives the Rupiah notional amount.

(Expressed in United States Dollars, unless otherwise stated)

23. DERIVATIVES (continued)

Counterparties	Type	Notional amount In US$	Notional amount In IDR	Effective date	Final exchange date	Terms and conditions
Standard Chartered Bank	Cross-currency swap	78,947,368	750,000,000,000	June 19, 2012 *	June 19, 2017	The Company shall receive a fixed interest rate of 8.75% per annum on the Rupiah notional amount and pay a fixed interest rate of 4.85% per annum on the US Dollars notional amount every March 19, June 19, September 19 and December 19. Initial exchange occurred on the Effective Date in which the Company paid the Rupiah notional amount and received the US Dollars notional amount. On the final exchange date, the Company pays the US Dollars notional amount and receives the Rupiah notional amount.
PT ANZ Panin Bank	Cross-currency swap	20,000,000	202,400,000,000	September 8, 2009 *	June 15, 2012 Settled in June 2012	The Company shall receive a fixed interest rate of 13.375% per annum on the Rupiah notional amount and pay a fixed interest rate of 6.00% per annum on the US Dollars notional amount every March 15, June 15, September 15 and December 15. On the final exchange date, the Company pays the US Dollars notional amount and receives the Rupiah notional amount.
Morgan Stanley & Co International PLC, Singapore	Cross-currency swap	35,000,000	323,750,000,000	January 19 and 28, 2011 *	June 17, 2014	The Company shall receive a fixed interest rate of 14.25% per annum on the Rupiah notional amount and pay a fixed interest rate of 10.35% and 10.75% per annum on the US Dollars notional amount every March 17, June 17, September 17 and December 17. On the final exchange date, the Company pays the US Dollars notional amount and receives the Rupiah notional amount with conditions applied.

Note:

* initial exchange date

24. BANK LOANS

	2013	2012
Short-term Bank Loans	60,000,000	60,000,000
Long-term Bank Loans - current portion	928,203	62,855,699
	60,928,203	122,855,699
Long-term Bank Loans - long-term portion	374,867,214	654,384,407
Total	**435,795,417**	**777,240,106**

(Expressed in United States Dollars, unless otherwise stated)

24. BANK LOANS (continued)

a. Bank Loans

Lenders	Total	2013 Current	2013 Maturing Within One Year	2013 Non-current
US Dollar				
Third parties				
PT Bank Mandiri (Persero) Tbk	245,000,000	50,000,000	-	195,000,000
PT Bank Negara Indonesia (Persero) Tbk	65,000,000	-	-	65,000,000
PT Bank ICBC Indonesia	10,909,091	10,000,000	909,091	-
Sub-total	320,909,091	60,000,000	909,091	260,000,000
Rupiah				
Third parties				
PT Bank Negara Indonesia (Persero) Tbk (in original currency: Rp1.4 trillion)	114,857,658	-	-	114,857,658
PT Bank Rakyat Indonesia (Persero) Tbk (in original currency: Rp350 million)	28,668	-	19,112	9,556
Sub-total	114,886,326	-	19,112	114,867,214
Total	**435,795,417**	**60,000,000**	**928,203**	**374,867,214**

Lenders	Total	2012 Current	2012 Maturing Within One Year	2012 Non-current
US Dollar				
Third parties				
PT Bank Mandiri (Persero) Tbk	245,000,000	50,000,000	-	195,000,000
PT Bank Negara Indonesia (Persero) Tbk	165,000,000	-	50,000,000	115,000,000
Syndicated loan from PT Bank Central Asia Tbk, PT Bank Mandiri (Persero) Tbk, PT Bank Negara Indonesia (Persero) Tbk	30,934,223	-	12,399,996	18,534,227
PT Bank CIMB Niaga Tbk	19,388,027	-	-	19,388,027
PT Bank ICBC Indonesia	11,980,006	10,000,000	-	1,980,006
Lembaga Pembiayaan Ekspor Indonesia (LPEI) (formerly PT Bank Ekspor Indonesia (Persero))	382,311	-	382,311	-
PT Bank Danamon Indonesia Tbk	4,611,973	-	-	4,611,973
PT Bank Rakyat Indonesia (Persero) Tbk	110,000,000	-	-	110,000,000
PT Bank DKI	25,000,000	-	-	25,000,000
Bank of Tokyo - Mitsubishi UFJ	20,000,000	-	-	20,000,000
Sub-total	632,296,540	60,000,000	62,782,307	509,514,233
Rupiah				
Third parties				
PT Bank Negara Indonesia (Persero) Tbk (in original currency: Rp1.4 trillion)	144,777,663	-	-	144,777,663
PT Bank Rakyat Indonesia (Persero) Tbk (in original currency: Rp1.6 billion)	165,903	-	73,392	92,511
Sub-total	144,943,566	-	73,392	144,870,174
Total	**777,240,106**	**60,000,000**	**62,855,699**	**654,384,407**

(Expressed in United States Dollars, unless otherwise stated)

24. BANK LOANS (continued)

a. Bank Loans (continued)

Information relating to bank loans effectivity date and repayment schedule is as follows:

Lenders	Loan effectivity date	Repayment schedule	Security
Company			
PT Bank Mandiri (Persero) Tbk			
Working Capital Credit Facility	March 2013	March 2014	The loan facility is unsecured.
Investment Credit Facility	December 2007	December 2012 Fully paid in December 2012	The loan facility is unsecured.
Special Transaction Credit Facility	April 2011	April 2016	The loan facility is unsecured.
Special Transaction Credit Facility	September 2011	September 2016	The loan facility is unsecured.
PT Bank Negara Indonesia (Persero) Tbk			
Term Loan Facility	July 2007	July 2012 Fully paid in July 2012	The loan facility is unsecured.
General Financing Facility	June 2010	June 2013 Fully paid in June 2013	The loan facility is unsecured.
Term Loan Facility	February 2011	July 2012 Fully paid in July 2012	The loan facility is unsecured.
Revolving Working Capital Loan Facility	July 2011	July 2016 Partially paid in February and July 2013	The loan facility is unsecured.
Term Loan Facility	September 2012	September 2015	The loan facility is unsecured.
PT Bank DKI			
Special Transaction Credit Facility	May 2011	June 2014 Fully paid in May 2013	The loan facility is unsecured.
PT Bank ICBC Indonesia			
Fixed Loan on Demand	February 2013	February 2014	The loan facility is unsecured.
PT Bank Rakyat Indonesia (Persero) Tbk			
Standby Loan Credit Facility	June 2011	June 2016 Fully paid in March and April 2013	The loan facility is unsecured.

(Expressed in United States Dollars, unless otherwise stated)

24. BANK LOANS (continued)

a. Bank Loans (continued)

Lenders	Loan effectivity date	Repayment schedule	Security
Company (continued)			
Bank of Tokyo - Mitsubishi UFJ Standby Loan Credit Facility	May 2011	May 2016 Fully paid in January 2013	The loan facility is unsecured.
PT Medco E & P Lematang			
PT Bank Central Asia Tbk PT Bank Mandiri (Persero) Tbk PT Bank Negara Indonesia (Persero) Tbk Syndicated Loan for financing the Singa Project	June 2010	Fully paid in March 2013	Collateralized by pledge over the debt service account and operational account, and fiduciary security over the receivables.
PT Usaha Tani Sejahtera			
PT Bank Himpunan Saudara 1906 Tbk Working Capital Credit Facility	May 2011	August 2013 Fully paid in December 2012	Secured by cessie over accounts receivable from all sales and time deposit (Note 11).
Working Capital Credit Facility	May 2011	August 2013 Fully paid in December 2012	Secured by cessie over accounts receivable from all sales from cassava
PT Mitra Energi Gas Sumatera			
PT Bank CIMB Niaga Tbk Project Financing	October 2009	Fully paid in October 2012	Secured by machinery and equipment, proceeds from the pipeline lease contract, shares, escrow account, and assignment of rights and interests (Notes 7 and 14).

(Expressed in United States Dollars, unless otherwise stated)

24. BANK LOANS (continued)

a. Bank Loans (continued)

Lenders	Loan effectivity date	Repayment schedule	Security
PT Exspan Petrogas Intranusa (EPI)			
Lembaga Pembiayaan Ekspor Indonesia (LPEI) (previously known as PT Bank Ekspor Indonesia (Persero))			
Financing for purchase of Rig 11	April 2010	5 monthly installments (2010 - 2013) Fully paid in May 2013	Collateralized by fiduciary right over rig, all receivables of EPI related to the work contract and limited corporate guarantee from MEI.
PT Bank CIMB Niaga Tbk			
Financing for purchase of Rig DPC #11, DPC#01, DPC #02, DPC #03, DPC #04, DPC #05, DPC #06	September 2012	August 2019 Fully paid in March 2013	Collateralized by 1 unit Drilling Rig Ex Energy Tata Persada Rig DPC#11 1500 HP with serial number Mast Sn No. 172004 & Sub Structure Sn No. 172001 and accessories, 6 units of Workover Rig and accessories (Rig DPC#01, DPC#02, DPC#03, DPC#04, DPC#05, DPC#06), with fiduciary right amounting to US$30,268,027.51.
PT Bank Danamon Indonesia Tbk Financing for purchase of Rig AR7 capacity 450 HP	September 2012	September 2019 Fully paid in March 2013	Collateralized by 1 unit Heavy Equipment 450 HP Rig and receivables from the use of Heavy Equipment.
PT Bank ICBC Indonesia Financing for purchase of Rig 8	December 2012	21 monthly installments (2012 - 2014)	Collateralized by 1 unit Heavy Equipment 450 HP Rig and receivables from the use of Heavy Equipment.

	2013	2012
Interest rate per annum		
Rupiah	9%	8.00% - 12.00%
United States Dollar	4.66% - 6.25%	3.31% - 6.75%

(Expressed in United States Dollars, unless otherwise stated)

24. BANK LOANS (continued)

b. Bank Facilities

As of December 31, 2013, the Group has the following outstanding bank facilities:

Bank	Facility	Maximum Facility Amount	Unused Portion of the Facility as of December 31, 2013
General Banking Facility			
Standard Chartered Bank, Jakarta	Banking Facility	US$50,000,000	US$28,262,107
Citibank, NA, Jakarta	Letter of Credit Facility	US$8,500,000	US$8,500,000
PT Bank Mandiri (Persero) Tbk	Non-Cash Loan Facility	US$100,000,000	US$95,701,491
PT Bank DBS Indonesia	Banking Facility	US$10,000,000	US$10,000,000
PT Bank Danamon Indonesia Tbk	Bank Guarantee Facility, Standby Letter of Credit Facility, Import Letter of Credit Facility	US$10,000,000	US$10,000,000

The Group, under its loan agreements, is subject to various covenants, among others to obtain written approval from the lenders before entering into certain transactions such as mergers, acquisitions, liquidation or change in status and Articles of Association, reducing the authorized, issued and fully paid capital; restrictions on lending money to third parties; negative pledges, with certain exceptions; restrictions on change in core business activities and payments of dividends; and requirement to comply with certain financial ratios.

On January 31, 2013, the Company made an early repayment of and cancelled the Standby Loan Credit Facility from Bank of Tokyo-Mitsubishi UFJ ("BTMU") amounting to US$20,000,000. With this cancelation, the Company has no more liabilities to BTMU.

On February 1, 2013, the Company made an early partial repayment of the 2011 Working Capital Credit Facility ("Credit Facility") from PT Bank Negara Indonesia (Persero) Tbk amounting to US$50,000,000.

In February 2013, the Company signed a Credit Agreement with PT Bank ICBC Indonesia to extend the matured Working Capital Credit Facility amounting to US$10.9 million. This facility will mature on February 25, 2014.

On March 3, 2013, PT Medco E & P Lematang made an early repayment of the remaining Credit Facility Syndicated Loan Tranche A from PT Bank Mandiri (Persero) Tbk, PT Bank Negara Indonesia (Persero) Tbk and PT Bank Central Asia Tbk amounting to US$30 million.

In March 2013, the Company signed a Credit Agreement with PT Bank Mandiri (Persero) Tbk to extend the matured Working Capital Credit Facility amounting to US$50 million. This Facility will mature on March 12, 2014.

(Expressed in United States Dollars, unless otherwise stated)

24. BANK LOANS (continued)

b. Bank Facilities (continued)

On March 18, 2013, PT Exspan Petrogas Intranusa made an early repayment of its loan to PT Bank Danamon Indonesia Tbk amounting to US$4,611,973 and PT Bank CIMB Niaga Tbk amounting to US$19,380,027. Based on the loan agreements with PT Bank Danamon Indonesia Tbk and PT Bank CIMB Niaga Tbk, the loans will mature on May 26, 2019 and September 6, 2019, respectively.

On March 28, 2013, the Company made an early partial repayment of the 2011 Standby Loan Credit Facility ("Credit Facility") from PT Bank Rakyat Indonesia (Persero) Tbk ("BRI") amounting to US$60,000,000 and repaid the remaining amount of US$50,000,000 on April 15, 2013. With these settlements, the Company's debt to BRI with total amount of US$110,000,000 has been fully settled.

On May 3, 2013, the Company made an early repayment of the Special Transaction Credit Facility from PT Bank DKI amounting to US$25,000,000.

On June 28, 2013, the Company made a drawdown of US$50,000,000 from the 2011 Working Capital Credit Facility from PT Bank Negara Indonesia (Persero) Tbk.

On July 1, 2013, the Company made an early partial repayment of the 2011 Working Capital Credit Facility ("Credit Facility") from PT Bank Negara Indonesia (Persero) Tbk amounting to US$50,000,000. After the settlement, the remaining Credit Facility amounted to US$65,000,000 and will mature in July 2016.

On July 31, 2013, PT Medco E & P Tomori Sulawesi signed a Facility Agreement with the lenders, which are Standard Chartered Bank, Singapore branch and PT Bank Mandiri (Persero) Tbk, for obtaining revolving credit facility up to the amount of US$260,000,000. The purpose of this facility is, among others, to fund operational expenditure and capital expenditure of PT Medco E & P Tomori Sulawesi under the Production Sharing Contract for Senoro Toili block.

25. OTHER LONG-TERM DEBT

	2013	2012
Related Party		
Mitsubishi Corporation		
Due in 2015	130,947,913	125,735,136
Third Parties		
Medium-Term Notes		
Due in 2013	-	40,450,000
Less unamortized discount	-	63,578
Net	-	40,386,422

(Expressed in United States Dollars, unless otherwise stated)

25. OTHER LONG-TERM DEBT (continued)

	2013	2012
Rupiah Bonds		
Due in 2014	80,933,629	102,016,545
Due in 2017	164,082,369	206,825,233
Due in 2018	123,061,777	-
	368,077,775	308,841,778
Less unamortized discount	1,597,446	1,299,634
Net	366,480,329	307,542,144
Less current portion	80,768,414	**-**
Long-term portion	**285,711,915**	**307,542,144**
US Dollar Bonds		
Due in 2016	99,000,000	80,000,000
Due in 2017	-	20,000,000
Less unamortized discount	533,744	665,393
Net	**98,466,256**	**99,334,607**
Interest rates per annum		
Rupiah	8.75% - 14.25%	8.75% - 14.25%
United States Dollar	3.99% - 6.05%	4.10% - 8.00%

Further information relating to other long-term debt is as follows:

Long-Term Debt	Principal	Rating	Listed	Maturity	Coupon	Security
Company						
Rupiah Bonds II Year 2009	Rp1,500,000,000,000 Tranche A amounting to Rp513,500,000,000 (Fully paid in June 2012) Tranche B amounting to Rp986,500,000,000	PT Pemeringkat Efek Indonesia (PEFINDO) : AA- (2012)	Indonesia Stock Exchange	Tranche A: June 2012 Tranche B: June 2014	Tranche A: 13.375% Tranche B: 14.25% Payable quarterly	These bonds are unsecured.
Medium-Term Notes I	US$50,000,000 Tranche A amounting to US$28,000,000 (Fully paid in December 2011 and February 2012) Tranche B amounting to US$22,000,000 (Fully paid in December 2012 and February 2013)	PT Pemeringkat Efek Indonesia (PEFINDO) : AA- (2012)	-	Tranche A: December 2011 and February 2012 Tranche B: December 2012 and February 2013	Tranche A: 7.25% Tranche B: 8.00% Payable quarterly	These notes are unsecured.

(Expressed in United States Dollars, unless otherwise stated)

25. OTHER LONG-TERM DEBT (continued)

Long-Term Debt	Principal	Rating	Listed	Maturity	Coupon	Security
Company (continued)						
Medium-Term Notes II	US$50,000,000 Tranche A amounting to US$40,000,000 (Fully paid in March 2012) Tranche B amounting to US$10,000,000 (Fully paid in March 2013)	PT Pemeringkat Efek Indonesia (PEFINDO) : AA- (2012)	-	Tranche A: March 2012 Tranche B: March 2013	Tranche A: 7.25% Tranche B: 8.00% Payable quarterly	These notes are unsecured.
Medium-Term Notes III	US$50,000,000 (Fully paid in October 2013)	PT Pemeringkat Efek Indonesia (PEFINDO) : AA- (2012)	-	October 2013	6.375% Payable quarterly	These notes are unsecured.
US$ Shelf Registered Bonds I	US$100,000,000 First phase amounting to US$50,000,000 Second phase amounting to US$30,000,000 Third phase amounting to US$20,000,000	PT Pemeringkat Efek Indonesia (PEFINDO) : AA- (2012)	Indonesia Stock Exchange	July 2016 November 2016 July 2017	6.05% Payable quarterly	These bonds are unsecured.
Rupiah Bonds III Year 2012	Rp1,500,000,000,000 and swapped into US$157,894,737	PT Pemeringkat Efek Indonesia (PEFINDO) : AA- (2012)	Indonesia Stock Exchange	June 2017	8.75% Payable quarterly	These bonds are unsecured.
Rupiah Shelf Registered Bonds I	First phase amounting to US$500,000,000,000 and swapped into US$51,813,471	PT Pemeringkat Efek Indonesia (PEFINDO) : AA- (2012)	Indonesia Stock Exchange	December 2017	8.80% Payable quarterly	These bonds are unsecured.
Rupiah Shelf Registered Bonds I Phase II	First phase amounting to US$1,500,000,000,000 and swapped into US$153,846,154	PT Pemeringkat Efek Indonesia (PEFINDO) : AA- (2012)	Indonesia Stock Exchange	March 2018	8.85% Payable quarterly	These bonds are unsecured.
PT Medco LNG Indonesia						
Mitsubishi Corporation	Term loan facility amounting to US$120,000,000	-	-	January 2015	3 months LIBOR + margin	This liability is collateralized by pledge of DSLNG shares.

25. OTHER LONG-TERM DEBT (continued)

a. Debt Covenants

Under the terms and conditions of these long-term obligations, the Group is subject to various covenants, among others, obtaining approval from the lenders/designated trustees prior to undertaking certain actions such as: mergers or acquisitions, reducing the authorized, issued and fully paid capital stock of the Company, changing the main business activities of the Company; restrictions on granting loans to third parties, pledging and transferring the Company's assets, issuing senior debt, filing for bankruptcy or delaying loan payments prior to the payment of bond interest and principal, and declaring and paying dividends in excess of a certain percentage of consolidated net income, and requirement to comply with certain financial ratios.

As of December 31, 2013 and 2012, in management's opinion, the Group is in compliance with the covenants of all long-term obligations.

Management represented that during the reporting periods and as of the date of the consolidated financial statements, the Group has never defaulted on paying its maturing bonds.

b. Trustees

The Group engaged Trustees to act as the intermediaries between the Group and the Bondholders. The Trustee for Rupiah Bonds II Year 2009 is PT Bank CIMB Niaga Tbk and for Shelf Registered USD Bonds I, Rupiah Bonds III Year 2012, and Shelf Registered Rupiah Bonds I is PT Bank Mega Tbk.

c. Others

Signing of the Loan Facility Agreement

In December 2010, the Group, through PT Medco LNG Indonesia (MLI), a Subsidiary, entered into a term loan facility agreement in the amount of US$120 million with Mitsubishi Corporation (MC), an indirect shareholder of the Group. MLI holds a minority equity investment in PT Donggi Senoro LNG (DSLNG) which will build, own and operate a Liquefied Natural Gas (LNG) plant at Senoro, Sulawesi. This term loan facility will be used for funding MLI's share in the capital expenditures of DSLNG for the construction of the LNG plant.

Based on the agreement, this facility will be repaid in full or partially through amortizations subject to conditions to be met by DSLNG.

Although MC is an affiliate of the majority shareholder of the Group, the Group's management believes that the transaction does not constitute a conflict of interest because it was made on reasonable terms.

Repayment of Medium-Term Notes Payable

On February 3, 2012, the Company repaid the principal of Medium-Term Notes I Phase 2 Tranche A amounting to US$7,400,000, including treasury notes of US$2,900,000.

On March 22, 2012, the Company repaid the principal of Medium Term Notes II Tranche A amounting to US$40,000,000, including treasury notes of US$1,000,000.

On December 23, 2012, the Company repaid the principal of Medium Term Notes I Phase I Tranche B amounting to US$21,500,000.

25. OTHER LONG-TERM DEBT (continued)

c. Others (continued)

Repayment of Medium-Term Notes Payable (continued)

On February 3, 2013, the Company repaid the principal of Medium Term Notes I Phase II Tranche B amounting to US$500,000.

On March 22, 2013, the Company repaid the principal of Medium Term Notes II Tranche B amounting to US$10,000,000.

On October 29, 2013, the Company repaid the principal of Medium Term Notes III amounting to US$50,000,000.

Repayment of Rupiah Bonds

On June 15, 2012, the Company repaid in full the principal of Rupiah Bonds Medco Energi Internasional II Year 2009 with principal amount of Rp513,500,000,000.

Issuance of Rupiah Bonds III

On June 19, 2012, the Company issued Rupiah Bonds III Year 2012 amounting to Rp1,500,000,000,000. The obligation will mature after 5 (five) years from the issuance date.

Issuance of Shelf Registered US$ Bonds I Phase III

On July 30, 2012, the Company issued the Shelf Registered US$ Bonds I Phase III amounting to US$20 million. The bonds will mature on August 1, 2017.

Issuance of Shelf Registered Rupiah Bonds I

On December 19, 2012, the Company issued Shelf Registered Rupiah Bonds I amounting to Rp4,500,000,000,000. Up to December 31, 2012, the Company has released on December 19, 2012 Shelf Registered Rupiah Bonds I Phase I in the amount of Rp500,000,000,000. The bonds will mature on December 19, 2017.

Issuance of Shelf Registered Rupiah Bonds I Phase II

On March 18, 2013, the Company issued Shelf Registered Rupiah Bonds I Phase II amounting to Rp1,500,000,000,000 as part of the Shelf Registered Rupiah Bonds Phase I issued in December 2012. The bonds will mature on March 18, 2018.

26. NON-CONTROLLING INTERESTS

Non-controlling interests in subsidiary pertains to Medco Oman LLC.

27. CAPITAL STOCK

	2013			
			Amount	
Shareholders	Number of Shares	Ownership Percentage	Rp'000	US$
Encore Energy Pte Ltd	1,689,393,006	50.70%	168,939,301	51,285,313
PT Medco Duta	3,489,500	0.10%	348,950	105,921
PT Multifabrindo Gemilang	2,000,000	0.06%	200,000	60,693
Credit Suisse	690,813,800	20.73%	69,081,380	20,969,218
Public (each below 5%)	946,755,144	28.41%	94,675,514	28,733,319
Total	**3,332,451,450**	**100.00%**	**333,245,145**	**101,154,464**

	2012			
			Amount	
Shareholders	Number of Shares	Ownership Percentage	Rp'000	US$
Encore Energy Pte Ltd	1,689,393,006	57.42%	168,939,301	51,285,313
PT Medco Duta	413,000	0.01%	41,300	12,536
PT Multifabrindo Gemilang	2,000,000	0.07%	200,000	60,693
Public (each below 5%)	1,250,190,944	42.50%	125,019,094	44,221,167
Sub-total	2,941,996,950	100.00%	294,199,695	95,579,709
Treasury stock	390,454,500		39,045,450	5,574,755
Total	**3,332,451,450**		**333,245,145**	**101,154,464**

On May 5, 2006, in an Extraordinary Shareholders' Meeting, the shareholders approved the changes to the resolutions of the Company's Extraordinary Shareholders' Meetings dated June 23, 2000 and June 25, 2001 with regard to the sale of the Company's treasury stocks.

As decided in the Extraordinary Shareholders' Meeting, the shareholders granted authority to the Company's Board of Directors to carry out necessary actions related to the assignment, sale and exchange of the Company's treasury stocks in compliance with applicable laws and regulations, including capital market regulations.

In May 2008, in an Extraordinary Shareholders' Meeting, the shareholders approved a buy-back of the Company's issued and fully paid shares up to a maximum of 3.29% of the total shares issued with maximum cost of US$80 million within 18 months, which ended in November 2009.

As stipulated in the Decision Letter of the Chairman of BAPEPAM-LK No. KEP-401/BL/2008 dated October 9, 2008 with respect to the buy-back of shares issued by a public company during potential market crisis conditions, a company is allowed to buy back its shares up to a maximum of 20% of its paid-up capital during potential market crisis conditions. The shares buy-back should be executed within 3 months from the submission of the disclosure of such plan to the BAPEPAM-LK.

In light of the above regulation, on October 13, 2008, the Company announced its plan to buy back 333,245,145 shares or equivalent to 10% of its paid-up capital. In order to implement its buy-back program, the Company set aside funds in the amount of US$100 million. The buy-back program was conducted within a period of 3 months from the announcement.

At the conclusion of the buy-back program, the Company bought back a total of 166,857,500 shares or 5.01% of its total issued and fully paid shares at a total cost of approximately Rp508 billion or equivalent to US$51.8 million consisting of:

a. 85,561,000 shares or 2.57% of the total issued and fully paid share capital purchased at an average price of Rp3,869 for shares buy-back program based on Extraordinary Shareholders' Meeting in May 2008;

(Expressed in United States Dollars, unless otherwise stated)

27. CAPITAL STOCK (continued)

b. 81,296,000 shares or 2.44% of the total issued and fully paid share capital purchased at an average price of Rp2,178 for the second share buy-back program based on Decision Letter of the Chairman of BAPEPAM-LK No. KEP-401/BL/2008.

On May 27, 2010, the shareholders, in their Extraordinary Shareholders' Meeting, approved the utilization of treasury stock for employee and management stock option program at the maximum of 5%.

Based on Article 37 paragraph 4 of Law No. 40 Year 2007 regarding Limited Liability Company that repurchased shares may be owned up to maximum of 3 years. Accordingly, on August 15, 2013, the Company sold all its treasury stock of 390,454,500 shares to Clio Capital Ventures Limited.

The Company adopted the par value method in recording its treasury stock transactions (Note 2n).

28. ADDITIONAL PAID-IN CAPITAL

This account consists of:

	2013	2012
Issuance of 321,730,290 shares through rights offering I to stockholders in 1999	139,908,988	139,908,988
Sale of 22,000,000 shares through public offering in 1994	33,500,000	33,500,000
Resale of shares	1,073,325	1,073,325
Distribution of bonus shares in 1998	(32,254,579)	(32,254,579)
Deduction of additional paid-in capital on treasury stock	(33,600,836)	(33,600,836)
Resale of treasury stock	74,812,935	-
Total	**183,439,833**	**108,626,898**

29. EFFECTS OF CHANGES IN EQUITY TRANSACTIONS OF SUBSIDIARIES/ASSOCIATED ENTITIES

This account mainly represents the effects of capital injection in a Subsidiary.

30. SALES AND OTHER OPERATING REVENUES

The breakdown of the sales and other operating revenues of the Group is as follows:

a. By nature of revenues

	2013	2012
Net oil and gas sales	826,842,368	873,031,964
Revenue from coal	42,959,147	9,085,540
Revenue from chemical and other petroleum products	2,426,172	4,422,632
Revenue from services	16,719,719	17,842,472
Total	**888,947,406**	**904,382,608**

(Expressed in United States Dollars, unless otherwise stated)

30. SALES AND OTHER OPERATING REVENUES (continued)

b. By customer

	2013	2012
Related parties		
Petro Diamond Singapore Pte Ltd	325,921,128	369,038,531
Petro Diamond Co Ltd, Hong Kong	21,624,222	25,368,778
Third parties		
Local customers	298,254,971	327,689,214
Foreign customers	243,147,085	182,286,085
Total	**888,947,406**	**904,382,608**

The details of revenues from customers which exceeded 10% of the total reported revenues, are as follows:

	2013	2012
Petro Diamond Singapore Pte Ltd	325,921,128	369,038,531
Petroleum Development Oman LLC	109,489,694	103,035,442
Total	**435,410,822**	**472,073,973**

31. COST OF SALES AND OTHER DIRECT COSTS

The Group incurred the following costs to operate, process and sell its products and services:

a. Production and Lifting Costs

This account consists of:

	2013	2012
Field operations overhead	146,392,340	148,315,792
Cost for oil and gas contracts	106,113,016	90,132,689
Operations and maintenance	38,126,118	55,067,980
Pipeline and transportation fees	8,054,316	23,207,490
Operational support	9,077,930	10,218,683
Total	**307,763,720**	**326,942,634**

b. Cost of Services

This account mainly represents operational costs of EPI.

(Expressed in United States Dollars, unless otherwise stated)

31. COST OF SALES AND OTHER DIRECT COSTS (continued)

c. Depreciation, Depletion and Amortization

This account represents depreciation, depletion and amortization for the following:

	2013	2012
Oil and gas operations	93,121,453	72,405,290
Other contracts and related services	5,078,956	4,998,332
Chemical and other petroleum products	26,626	1,900,090
Coal mining	3,382,679	3,473,258
Total	**101,609,714**	**82,776,970**

d. Exploration Expenses

This account consists of:

	2013	2012
Exploration overhead	9,486,786	15,170,361
Dry hole	4,593,031	2,136,165
Total	**14,079,817**	**17,306,526**

e. Cost of Crude Oil Purchases

This account consists of cost of crude oil purchased by the Group from SKK Migas and Pertamina. There were no purchases from a single vendor which exceeded 10% of revenues for the years ended December 31, 2013 and 2012.

f. Coal Production Costs

This account mainly consists of direct and indirect costs.

32. OPERATING EXPENSES

	2013	2012
General and administrative		
Salaries, wages and other employee benefits	56,458,600	62,893,207
Professional fees	11,685,547	14,129,081
Rental	8,386,508	10,816,691
Contract charges	4,165,398	5,886,165
Office supplies and equipment	3,852,411	3,923,287
Insurance	3,518,854	4,170,146
Repairs and maintenance	2,481,461	3,736,743
Services	2,189,710	1,959,148
Depreciation (Note 14)	1,805,298	2,922,795
Education	1,389,067	2,472,973
Transportation	1,185,003	884,638
Impairment loss on receivable	63,218	1,515,762
Others (each below US$100,000)	6,680,713	5,171,461
Sub-total	103,861,788	120,482,097

(Expressed in United States Dollars, unless otherwise stated)

32. OPERATING EXPENSES (continued)

	2013	2012
Selling		
Export expenses	11,731,419	13,187,286
Business travel	2,819,173	3,904,324
Advertising and promotion	2,812,372	3,515,188
Entertainment	261,009	504,167
Sub-total	17,623,973	21,110,965
Total Operating Expenses	**121,485,761**	**141,593,062**

33. OTHER INCOME

Other income for the years ended December 31, 2013 and 2012 mainly consist of income from short-term investments amounting to US$11,429,758 and US$11,403,365, respectively and reversal of impairment of receivables amounting to US$13,950,677 and US$2,072,767, respectively.

34. INCOME TAX

a. Income tax expense of the Company and Subsidiaries consists of the following:

	2013	2012
Continuing Operations		
Current income tax expense		
Subsidiaries	(128,219,371)	(136,792,080)
Deferred tax expense		
Company	(3,141,838)	(13,755,622)
Subsidiaries	(22,499,479)	(5,791,314)
Sub-total	(25,641,317)	(19,546,936)
Total Income Tax Expense from Continuing Operations	**(153,860,688)**	**(156,339,016)**

b. Current Income Tax

A reconciliation between profit before income tax expense per consolidated statements of comprehensive income and the Company's tax loss is as follows:

	2013	2012
Consolidated profit before income tax expense from continuing operations	193,736,812	197,208,003
Less income before income tax expense of Subsidiaries	(257,167,608)	(264,073,442)
Loss before income tax of the Company	(63,430,796)	(66,865,439)
Dividend from Subsidiaries	366,457,981	243,728,075
Profit before income tax of the Company	**303,027,185**	**176,862,636**

(Expressed in United States Dollars, unless otherwise stated)

34. INCOME TAX (continued)

b. Current Income Tax (continued)

	2013	2012
Temporary differences		
Unrealized loss from derivative transactions	9,945,595	2,217,045
Depreciation of property, plant and equipment	67,027	(826,737)
Amortization of deferred charges	(17,112)	103,312
Employee benefits	485,532	1,087,426
Unrealized (gain) loss on marketable securities	3,954,579	(11,158,854)
Loss on translation adjustment from employee benefits	(468,823)	-
Fair value adjustment of investment in associated entity	-	(2,878,674)
Permanent differences		
Non-deductible expenses	32,369,788	3,946,494
Non-taxable income	(366,457,981)	(243,745,535)
Income subjected to final income tax	(5,803,323)	(9,712,217)
Tax loss of the Company for the year	**(22,897,533)**	**(84,105,104)**
Prior years tax losses	(320,680,988)	(227,731,046)
Adjustment to prior year tax loss	56,061,985	(8,844,838)
Accumulated tax loss carry-forward at end of year - Company	**(287,516,536)**	**(320,680,988)**

c. Deferred Tax

The details of the Group's deferred tax assets and liabilities are as follows:

	2013			
	December 31, 2012	Cumulative deferred tax assets/liabilities of divested subsidiaries	Charged (credited) to consolidated statement of comprehensive income	December 31, 2013
Company				
Deferred Tax Assets				
Employee benefit liabilities	2,164,770	-	2,164,770	-
Amortization of deferred expenses	1,792,502	-	1,792,502	-
Depreciation of property, plant and equipment	772,923	-	772,923	-
Unrealized loss from derivative transactions	143,656	-	143,656	-
Sub-total	4,873,851	-	4,873,851	-
Deferred Tax Liabilities				
Unrealized income on marketable securities	(4,947,407)	-	(1,012,344)	(3,935,063)
Fair value adjustment of investment in associated entity	(8,210,214)	-	(719,669)	(7,490,545)
Sub-total	(13,157,621)	-	(1,732,013)	(11,425,608)
Net Deferred Tax Liabilities - Company	(8,283,770)	-	3,141,838	(11,425,608)
Deferred Tax Assets - Subsidiaries	59,541,169	-	16,940,662	42,600,507
Deferred Tax Liabilities - Subsidiaries	(81,883,273)	-	5,841,419	(87,724,692)

(Expressed in United States Dollars, unless otherwise stated)

34. INCOME TAX (continued)

c. Deferred Tax (continued)

	2013			
	December 31, 2012	Cumulative deferred tax assets/liabilities of divested subsidiaries	Charged (credited) to consolidated statement of comprehensive income	December 31, 2013
Net Deferred Tax Assets of the Group	59,541,169	-	16,940,662	42,600,507
Net Deferred Tax Liabilities of the Group	(90,167,043)	-	8,983,257	(99,150,300)
Deferred Tax Expense from Continuing Operations			**25,923,919**	
Effect of foreign exchange rate			**(282,602)**	
Net Deferred Tax Expense from Continuing Operations			**25,641,317**	

	2012			
	December 31, 2011	Cumulative deferred tax assets/liabilities of divested subsidiaries	Charged (credited) to consolidated statement of comprehensive income	December 31, 2012
Company				
Deferred Tax Assets				
Tax losses	10,891,500	-	10,891,500	-
Employee benefit liabilities	1,892,914	-	(271,856)	2,164,770
Amortization of deferred expenses	1,766,674	-	(25,828)	1,792,502
Depreciation of property, plant and equipment	979,607	-	206,684	772,923
Unrealized loss from derivative transactions	-	-	(143,656)	143,656
Sub-total	15,530,695	-	10,656,844	4,873,851
Deferred Tax Liabilities				
Unrealized income on marketable securities	(2,157,693)	-	2,789,714	(4,947,407)
Unrealized loss from derivative transactions	(410,605)	-	(410,605)	-
Fair value adjustment of investment in associated entity	(7,490,545)	-	719,669	(8,210,214)
Sub-total	(10,058,843)	-	3,098,778	(13,157,621)
Net Deferred Tax Assets (Liabilities) - Company	5,471,852	-	13,755,622	(8,283,770)
Deferred Tax Assets - Subsidiaries	59,868,138	-	326,969	59,541,169
Deferred Tax Liabilities - Subsidiaries	(76,253,828)	(374,208)	5,255,237	(81,883,273)
Net Deferred Tax Assets of the Group	65,339,990	-	5,798,821	59,541,169
Net Deferred Tax Liabilities of the Group	(76,253,828)	(374,208)	13,539,007	(90,167,043)
Deferred Tax Expense from Continuing Operations			**19,337,828**	
Effect of foreign exchange rate			**209,108**	
Net Deferred Tax Expense from Continuing Operations			**19,546,936**	

(Expressed in United States Dollars, unless otherwise stated)

34. INCOME TAX (continued)

c. Deferred Tax (continued)

A reconciliation between the income tax expense and the amount computed by applying the statutory tax rate to profit before income tax expense, is as follows:

	2013	2012
Consolidated profit before income tax expense from continuing operations	193,736,812	197,208,003
Less profit before income tax expense of Subsidiaries	(257,167,608)	(264,073,442)
Loss before income tax of the Company	(63,430,796)	(66,865,439)
Dividend from Subsidiaries	366,457,981	243,728,075
Profit before income tax of the Company	**303,027,185**	**176,862,636**
Tax expense using statutory tax rate	(75,756,796)	(44,215,659)
Tax effects of permanent differences:		
Non-taxable income	91,614,495	60,936,384
Income already subjected to final income tax	1,450,831	2,428,054
Adjustment to tax loss	(12,357,921)	(31,917,776)
Non-deductible expenses	(8,092,447)	(986,625)
Tax expense from continuing operations:		
Company	(3,141,838)	(13,755,622)
Subsidiaries	(150,718,850)	(142,583,394)
Income Tax Expense - Net	**(153,860,688)**	**(156,339,016)**

The management is of the opinion that the deferred tax assets of the Company and Subsidiaries are fully recoverable.

35. DISCONTINUED OPERATIONS

a. On October 16, 2013, the Group has closed down the operations of PT Medco Ethanol Lampung (MEL), a subsidiary engaged in ethanol production, due to insufficiency of sustainable feedstock supply, i.e. cassava and molasses, for the ethanol production. MEL has been classified as a discontinued operation. As a result, for 2013 and 2012, the loss after tax of MEL was presented as single line item in the consolidated statement of comprehensive income, and the assets and liabilities of MEL as of December 31, 2013 are also presented as single line item as assets and liabilities held for sale in the consolidated statement of financial position.

Moreover, as of December 31, 2013, the Group also recorded its investment in PT Medco Sarana Kalibaru (MSK), Associated Entity, as asset held for sale, which the Group plans to divest fully.

(Expressed in United States Dollars, unless otherwise stated)

35. DISCONTINUED OPERATIONS (continued)

The profit and loss accounts for MEL are presented below:

	2013	2012
Revenue from chemical and other petroleum products	3,474,079	4,666,885
Cost of sales of chemical and other petroleum products	(8,548,004)	(10,376,281)
Gross loss	(5,073,925)	(5,709,396)
Selling, general and administrative expenses	(2,331,425)	(1,449,753)
Finance costs	(5,324)	(580,163)
Loss recognized on the measurement to fair value less cost to sell	(15,456,057)	(6,581,330)
Finance income	1,037	1,009
Other income	87,066	-
Other expenses	(1,118,920)	(2,362,824)
Loss before income tax from discontinued operations	(23,897,548)	(16,682,457)
Income tax expense	-	-
Loss after income tax from discontinued operations	**(23,897,548)**	**(16,682,457)**

The statement of financial position accounts for MEL and MSK are presented below:

	December 31, 2013
ASSETS	
Cash and cash equivalents	30,301
Receivables - third parties	14,459
Inventories	1,549,627
Prepaid taxes	179,936
Prepaid expenses	31,650
Other assets	26,677
Property, plant and equipment	24,729,598
Assets from discontinued operations	26,562,248
Impairment loss on assets recognized at fair value less cost to sell	(15,394,967)
Sub-total	11,167,281
Investment in associated entity - PT Medco Sarana Kalibaru (Note 48i)	13,822,404
Net assets classified as held for sale	**24,989,685**

(Expressed in United States Dollars, unless otherwise stated)

35. DISCONTINUED OPERATIONS (continued)

	December 31, 2013
LIABILITIES	
Trade payables - third parties	55,575
Other payables	7,245
Taxes payable	71,765
Accrued expenses	2,962,806
Advance payment from customer	295,970
Liabilities directly associated with assets of discontinued operations	3,393,361
Net assets directly associated with discontinued operations	**21,596,324**

The major accounts in the statement of cash flows for MEL are presented below:

	2013	2012
CASH FLOWS		
Operating activities	(7,321,154)	(7,175,723)
Investing activities	(54,203)	(251,606)
Financing activities	6,872,908	7,139,320
Net cash flows	**(502,449)**	**(288,009)**

b. On July 4, 2012, the Group signed the Head of Agreement with Puma Energy (Singapore) Pte Ltd to dispose 63.88% ownership in PT Medco Sarana Kalibaru (MSK). The business of MSK has been operating in an unpredictable environment, making it difficult for management to derive real growth and profitability from this business segment. The disposal of MSK was completed on December 3, 2012 [Note 44(a)]. MSK has been classified as a discontinued operation. As a result, in 2012, the loss after tax of MSK was presented as single line item in the consolidated statement of comprehensive income.

   The profit and loss accounts for MSK are presented below:

   MSK

	2012
Revenue from from chemical and other petroleum products	190,489,554
Cost of sales of chemical and other petroleum products	(183,201,168)
Gross profit	7,288,386
Selling, general and administrative expenses	(9,920,702)
Finance costs	(1,824,507)
Other income	336,529
Other expenses	(837,971)
Loss before income tax	(4,958,265)
Income tax expense	(374,208)
Loss after income tax	**(5,332,473)**

(Expressed in United States Dollars, unless otherwise stated)

35. DISCONTINUED OPERATIONS (continued)

In connection with the application of PSAK No. 58, "Non-current Assets Held for Sale and Discontinued Operations", the Group restated its consolidated statement of comprehensive income in relation to the discontinued operation of PT Medco Ethanol Lampung for the year ended December 31, 2012.

The following presents the effects of the above mentioned restatements:

	2012		
	As previously reported	**Restatements**	**As restated**
Consolidated statement of comprehensive income			
Revenue from chemical and petroleum products	9,089,517	(4,666,885)	4,422,632
Depreciation, depletion and amortization	(85,353,665)	2,576,695	(82,776,970)
Cost of sales of chemical and other petroleum products	(7,799,586)	7,799,586	-
Selling, general and administrative expenses	(143,042,815)	1,449,753	(141,593,062)
Finance costs	(95,932,889)	580,163	(95,352,726)
Finance income	21,573,568	(1,009)	21,572,559
Other expenses	(11,445,281)	2,362,824	(9,082,457)
Loss on impairment of assets - net	(18,731,038)	6,581,330	(12,149,708)
Profit before income tax expense from continuing operations	180,525,546	16,682,457	197,208,003
Profit from continuing operations for the year	24,186,530	16,682,457	40,868,987
Loss after income tax expense from discontinued operations	(5,332,473)	(16,682,457)	(22,014,930)
Profit attributable to equity holders of the parent company from continuing operations	17,925,761	16,682,457	34,608,218
Loss attributable to equity holders of the parent company from discontinued operations	(5,332,473)	(16,682,457)	(22,014,930)
Comprehensive income attributable to equity holders of the parent company from continuing operations	5,160,222	16,682,457	21,842,679
Comprehensive loss attributable to equity holders of the parent company from discontinued operations	(5,332,473)	(16,682,457)	(22,014,930)
Consolidated statement of cash flows			
Cash receipts from customers	974,044,011	(5,961,101)	968,082,910
Cash paid to suppliers and employees	(615,457,083)	5,536,040	(609,921,043) *)
Acquisition of property, plant and equipment	(53,048,179)	251,606	(52,796,573)
Payment of financing charges	(91,778,682)	461,464	(91,317,218)
Net decrease in operating cash flows from discontinued operations	(193,419,568)	288,009	(193,131,559)

*) The restated figures above include reclassifications for both continuing and discontinued operations.

(Expressed in United States Dollars, unless otherwise stated)

36. EARNINGS PER SHARE

a. Earnings per share

The computation of basic earnings per share is based on 3,088,417,387 shares and 2,941,996,950 shares for the years ended December 31, 2013 and 2012, respectively, representing the weighted average number of shares for each year.

	2013	2012
Profit for the year	12,583,421	12,593,288
Basic earnings per share	0.0041	0.0043

b. Diluted earnings per share

The Company did not compute diluted earnings per share since there were no potentially dilutive ordinary shares (anti-dilutive).

37. CASH DIVIDENDS

On April 26, 2013, the shareholders, in their Annual General Meeting (AGM) approved the distribution of cash dividends pertaining to book year 2012 in the amount of US$0.00113 per share or equivalent to approximately US$3.3 million. The dividends were paid in June 2013.

On May 9, 2012, the shareholders, in their Annual General Meeting (AGM) approved the distribution of cash dividends pertaining to book year 2011 in the amount of US$0.00766 per share or equivalent to approximately US$22.5 million. The dividends were paid in June 2012.

38. POST-EMPLOYMENT BENEFITS OBLIGATIONS

a. Defined Contribution Pension Plan

Subsidiaries involved in oil and gas exploration and production activities have established defined contribution pension plans covering all their local permanent employees. These plans provide pension benefits based on salaries and years of service of the employees.

The pension plans are managed by Dana Pensiun Lembaga Keuangan (DPLK), PT Bank Negara Indonesia (Persero) Tbk and DPLK Jiwasraya whose deeds of establishment were approved by the Minister of Finance of the Republic of Indonesia in his decision letters No. Kep. 1100/KM.17/1998 dated November 23, 1998 and No. Kep.171-KMK/7/1993 dated August 16, 1993, respectively. The pension plans are funded by contributions from both the Subsidiaries at 6% and 7% of gross salaries and their employees at 2% and 3% of gross salaries, respectively.

The defined contribution pension cost of Subsidiaries involved in oil and gas exploration and production amounted to US$2,503,305 for December 31, 2013 and US$2,673,594 for December 31, 2012.

b. Defined Benefit Pension Plan

The Group also recognizes defined benefit obligation for employees involved in oil and gas operations in accordance with applicable regulations. The defined benefit pension plan is being funded by placing funds in PT AIG Life, PT Asuransi Allianz Life Indonesia and PT Asuransi Jiwa Manulife Indonesia.

(Expressed in United States Dollars, unless otherwise stated)

38. POST-EMPLOYMENT BENEFITS OBLIGATIONS (continued)

b. Defined Benefit Pension Plan (continued)

The Group also recognizes post-employment benefits expense for non-members of the defined benefit pension plan in accordance with Labor Law No. 13 Year 2003 and the prevailing Group policy.

The number of people eligible for the benefits is 1,181 and 1,198 personnel as of December 31, 2013 and 2012, respectively.

Post-employment benefit obligations are determined based on the calculation of an independent actuary, PT Sentra Jasa Aktuaria, set out in its report dated March 19, 2014.

i. An analysis of defined benefit obligations recognized in the consolidated statements of financial position is as follows:

	2013	2012
Present value of defined benefit obligations	70,476,777	122,313,973
Fair value of plan assets	(86,172,625)	(113,139,579)
Unfunded defined benefit obligations	(15,695,848)	9,174,394
Unrecognized actuarial loss	16,145,430	(20,955)
Defined benefit obligations - net	**449,582**	**9,153,439**

ii. An analysis of the defined benefit costs in the consolidated statements of comprehensive income is as follows:

	2013	2012
Current service cost	8,270,851	13,376,839
Interest expense	6,776,245	7,104,980
Actuarial loss (gain) recognized	(25,577,110)	13,581,250
Expected return on plan assets	(6,290,632)	(6,093,224)
Limitation on asset recognition based on PSAK No. 24 (Revised 2010)	18,809,120	-
Others	721	6,345
Total	**1,989,195**	**27,976,190**

iii. An analysis of the movements of defined benefit obligations in the consolidated statements of financial position is as follows:

	2013	2012
Balance at beginning of year	9,153,439	217,708
Employee benefit costs	1,989,195	27,976,190
Curtailment	1,976,917	-
Contributions for the year	(8,399,648)	(18,000,844)
Benefits paid	(2,087,539)	(188,199)
Effect of foreign exchange differences	(2,182,782)	(851,416)
Balance at end of year	**449,582**	**9,153,439**

(Expressed in United States Dollars, unless otherwise stated)

38. POST-EMPLOYMENT BENEFITS OBLIGATIONS (continued)

b. Defined Benefit Pension Plan (continued)

iv. Movements of present value of obligations:

	2013	2012	2011
Balance at beginning of year	122,313,973	105,616,686	92,721,383
Current service cost	8,270,851	13,376,839	10,447,942
Interest expense	6,776,245	7,104,980	8,207,118
Benefits paid	(6,735,276)	(12,540,608)	(101,115)
Actuarial loss (gain) on obligation	(38,170,700)	16,473,399	(5,552,226)
Effect of foreign exchange differences	(21,978,316)	(7,717,323)	(106,416)
Balance at end of year	**70,476,777**	**122,313,973**	**105,616,686**

v. Movements of fair value of plan assets:

	2013	2012	2011
Balance at beginning of year	113,139,579	105,052,194	84,042,022
Expected return on plan assets	6,290,632	6,093,224	4,988,700
Contributions for the year	8,399,648	18,000,844	15,148,253
Actuarial loss (gain) on plan assets	(12,519,197)	3,163,690	873,219
Benefits paid	(6,625,525)	(12,338,586)	-
Effect of foreign exchange differences	(22,512,512)	(6,831,787)	-
Balance at end of year	**86,172,625**	**113,139,579**	**105,052,194**

vi. The major categories of plan assets as a percentage of the fair value of the total plan assets are as follows:

	2013	2012
Government bonds	40%	39%
Time deposits	60%	61%
Total	**100%**	**100%**

vii. The defined benefit obligations as of December 31, 2013 and 2012 were calculated using the following assumptions:

	2013	2012
Discount rates	5.0% - 9.0%	5.0% - 6.0%
Expected rate of return on assets:		
- Rupiah Portfolio	0% - 6%	0% - 6%
Salary increment rate	9.5% - 10%	9.5% - 10%
Mortality rate	TMI 2011 and GAM 71	TMI 2011 and GAM 71
Morbidity rate (disability rate)	0.75% - 10% mortality rate	0.75% - 10% mortality rate
Resignation rate	0.028% - 6% primarily in line with age profile	0.028% - 6% primarily in line with age profile
Proportion of normal retirements	100%	100%

As of December 31, 2013, if the annual discount rate is increased or decreased by 1% with all variables held constant, the employment benefit liability would have been lower/higher by US$7,738,086/US$9,228,542.

(Expressed in United States Dollars, unless otherwise stated)

38. POST-EMPLOYMENT BENEFITS OBLIGATIONS (continued)

c. Labor Law No. 13/2003 and Other Post-employment Benefits

The Group also recognizes post-employment benefits for non-members of the defined benefit plan in accordance with Labor Law No. 13 Year 2003 and the prevailing Group policy.

The number of people eligible for the benefits is 414 and 912 as of December 31, 2013 and 2012, respectively.

Post-employment benefits obligations are determined based on the calculation of an independent actuary, PT Dayamandiri Dharmakonsilindo, for employees other than directors and PT Sentra Jasa Aktuaria for directors, as set forth in their reports dated March 19, 2014. The actuarial valuation is performed at each reporting date or as necessary.

i. An analysis of the Labor Law No. 13/2003 and other post-employment benefits obligations recognized in the consolidated statements of financial position is as follows:

	2013	**2012**
Present value of post-employment benefits obligations	12,980,708	18,250,667
Unrecognized past service cost-non-vested	(270,485)	(301,755)
Unrecognized actuarial loss	355,529	(1,923,261)
Effect of deconsolidating subsidiaries	-	(255,692)
Total post-employment benefits obligations	**13,065,752**	**15,769,959**

ii. An analysis of the Labor Law No. 13/2003 and other post-employment benefits costs in the consolidated statements of comprehensive income is as follows:

	2013	**2012**
Current service cost	2,763,455	3,556,501
Interest expense	832,655	754,099
Termination expense	976	128,524
Past service cost recognized	(1,297,482)	579,246
Amortization of actuarial losses	1,082,000	721,419
Curtailments	(751,734)	(202,690)
Others	1,479,940	(65,702)
Total	**4,109,810**	**5,471,397**

(Expressed in United States Dollars, unless otherwise stated)

38. POST-EMPLOYMENT BENEFITS OBLIGATIONS (continued)

c. Labor Law No. 13/2003 and Other Post-employment Benefits (continued)

iii. An analysis of the movements of Labor Law No. 13/2003 and other post-employment benefits obligations in the consolidated statements of financial position is as follows:

	2013	2012
Balance at beginning of year	15,769,959	12,370,076
Labor Law No. 13/2003 and other post-employment benefit costs for the year	4,109,810	5,471,397
Benefits paid	(1,236,627)	(488,261)
Termination of employees	(1,732,082)	-
Effect of deconsolidating subsidiaries	-	(255,692)
Effect of foreign exchange differences	(3,845,308)	(1,327,561)
Balance at end of year	**13,065,752**	**15,769,959**

iv. Movements of present value of obligation:

	2013	2012	2011
Beginning balance	18,250,667	17,200,174	14,952,802
Current service cost	2,763,455	3,556,501	3,348,932
Interest expense	832,655	754,099	990,899
Termination expense	976	128,524	184,996
Effect of deconsolidating subsidiaries	-	(255,692)	(1,758,603)
Curtailment	(645,877)	-	-
Benefits paid	(1,236,627)	(488,261)	(2,701,396)
Actuarial loss (gain) on obligation	(1,861,247)	(202,690)	3,517,184
Effect of foreign exchange differences	(4,024,020)	(1,327,560)	4,843
Others	(1,099,274)	(1,114,428)	(1,339,483)
Ending balance	**12,980,708**	**18,250,667**	**17,200,174**

v. The Labor Law No. 13/2003 and other post-employment benefits obligations as of December 31, 2013 and 2012 were calculated using the following assumptions:

	2013	2012
Discount rates	2% - 9%	4% - 7%
Salary increment rate	6% - 10%	6% - 10%
Mortality rate	TMI 2011	TMI 2011
Morbidity rate (disability rate)	10% of mortality rate	10% of mortality rate
Resignation rate	0.05% - 1% primarily in line with age profile	0.05% - 1% primarily in line with age profile
Proportion of normal retirements	100%	100%

As of December 31, 2013, if the annual discount rate was increased/decreased by 1% with all variables held constant, post-employment liability as of December 31, 2013 will be lower/higher by US$964,777/US$349,739.

(Expressed in United States Dollars, unless otherwise stated)

39. NATURE OF RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES

a. Nature of Relationships

i. PT Bank Himpunan Saudara 1906 Tbk has the same majority shareholder with the Company.

ii. Mitsubishi Corporation (MC) is one of the indirect shareholders of the Company through Encore Energy Pte Ltd. Petro Diamond Co Ltd, Hong Kong, Petro Diamond Singapore Pte Ltd and Tomori E & P Ltd are subsidiaries of MC.

iii. PT Donggi Senoro LNG (DSLNG) is an entity under significant influence of the Group as of December 31, 2010 in which the Group owned 20% equity as of that date. As of December 31, 2011, the Group ownership was reduced to 11.1%.

iv. PT Medco Inti Dinamika (INTI) has the same controlling shareholder as the Company.

v. PT Medco Duta (DUTA) is a stockholder of the Company.

vi. PT Api Metra Graha is 49%-owned by the Group.

vii. PT Medco Sarana Kalibaru (MSK) is 35.28%-owned by the Group.

viii. PT Medco Power Indonesia (MPI) is 49%-owned by the Group.

b. Transactions with Related Parties

In the normal course of business, the Group entered into certain transactions with its related parties.

It is management's policy that transactions with related parties are undertaken on an arm's length basis, at similar prices and conditions as those done with third parties. A summary of related party accounts and transactions is as follows:

	2013	
	Amount	**Percentage to related totals (%)**
Assets		
Cash and cash equivalents		
PT Bank Himpunan Saudara 1906 Tbk	52,857,547	2.09
Trade receivables		
Petro Diamond Singapore Pte Ltd	18,923,991	0.75
PT Medco Sarana Kalibaru	32,793	0.0013
PT Api Metra Graha	25,738	0.0010
Restricted cash in bank		
PT Bank Himpunan Saudara 1906 Tbk	4,551,668	0.18
Other receivables		
PT Donggi Senoro LNG	142,351,092	5.62
Tomori E & P Limited	26,691	0.0010
PT Medco Power Indonesia	222,657	0.01
Liabilities		
Trade payables		
PT Api Metra Graha	339,699	0.021
PT Medco Inti Dinamika	13,584	0.001

(Expressed in United States Dollars, unless otherwise stated)

39. NATURE OF RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (continued)

	2013	
	Amount	Percentage to related totals (%)
Liabilities		
Other long-term debt		
Mitsubishi Corporation	130,947,913	8.01
Transactions		
Net oil sales		
Petro Diamond Singapore Pte Ltd	325,921,128	36.66
Petro Diamond Co Ltd, Hong Kong	21,624,222	2.43

	2012	
	Amount	Percentage to related totals (%)
Assets		
Cash and cash equivalents		
PT Bank Himpunan Saudara 1906 Tbk	62,831,405	2.37
Trade receivables		
Petro Diamond Singapore Pte Ltd	32,636,901	1.23
PT Medco Sarana Kalibaru	64,216	0.002
Restricted cash in bank		
PT Bank Himpunan Saudara 1906 Tbk	6,401,919	0.24
Other receivables		
PT Donggi Senoro LNG	101,615,237	3.83
Liabilities		
Trade payable		
PT Medco Inti Dinamika	69,936	0.004
Other long-term debt		
Mitsubishi Corporation	125,735,136	6.94
Transactions		
Net oil sales		
Petro Diamond Singapore Pte Ltd	369,038,531	40.81
Petro Diamond Co Ltd, Hong Kong	25,368,778	2.81

(Expressed in United States Dollars, unless otherwise stated)

40. SEGMENT INFORMATION

The Group classifies and evaluates its financial information into two major reportable segments which are the business segment as the primary segment and the geographical segment as the secondary segment.

a. Business Segment

The Group is engaged in the following business activities:

i. Exploration for and production of oil and gas;

ii. Services;

iii. Chemicals;

iv. Coal mining;

v. Trading;

vi. Funding for Group operations.

Segment information of the Group is as follows:

	2013								
	Exploration for and production of oil and gas	Services	Chemicals	Coal mining	Trading	Funding for Group operations	Discontinued operations	Elimination	Consolidation
External sales	479,297,018	16,719,719	5,900,252	42,959,147	347,545,349	-	(3,474,079)	-	888,947,406
Intersegment sales	327,170,542	19,214,943	2,417,775	-	-	-	-	(348,803,260)	-
Total revenues	806,467,560	35,934,662	8,318,027	42,959,147	347,545,349	-	(3,474,079)	(348,803,260)	888,947,406
Gross profit	336,786,961	2,023,032	(229,978)	15,311,514	8,253,266	-	5,073,925	-	367,218,720
Selling, general, and administrative expenses	(88,753,160)	(4,387,878)	(7,427,889)	(2,552,099)	(20,421,152)	(275,008)	2,331,425	-	(121,485,761)
Finance costs	(9,795,942)	(490,447)	(23,951,338)	(3,047,944)	(66,978,806)	(360)	5,324	27,176,137	(77,083,376)
Share in net income (loss) of associated entities - net	105,946	-	(4,188,497)	-	8,636,846	-	-	-	4,554,295
Finance income	5,322,675	28,224	5,146,744	71,468	28,359,488	-	(1,037)	(27,176,137)	11,751,425
Loss on impairment of assets - net	(26,858,577)	(208,993)	(15,524,991)	(107,730)	-	-	15,456,057	-	(27,244,234)
Other income	34,828,521	-	36,788,951	1,703,874	22,578,041	593	(87,066)	(46,136,821)	49,676,093
Other expenses	(3,597,182)	(683,262)	(1,118,921)	-	(55,506,726)	-	1,118,920	46,136,821	(13,650,350)
Profit (loss) before income tax expense from continuing operations	248,039,242	(3,719,324)	(10,505,919)	11,379,083	(75,079,043)	(274,775)	23,897,548	-	193,736,812
Income tax expense	(145,014,690)	(2,580,756)	-	(2,475,963)	(3,789,279)	-	-	-	(153,860,688)
Non-controlling interests	(3,395,155)	-	-	-	-	-	-	-	(3,395,155)
Loss after income tax from discontinued operations	-	-	-	-	-	-	(23,897,548)	-	(23,897,548)

(Expressed in United States Dollars, unless otherwise stated)

40. SEGMENT INFORMATION (continued)

a. Business Segment (continued)

	2013								
	Exploration for and production of oil and gas	Services	Chemicals	Coal mining	Trading	Funding for Group operations	Discontinued operations	Elimination	Consolidation
PROFIT ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY	**99,629,397**	**(6,300,080)**	**(10,505,919)**	**8,903,120**	**(78,868,322)**	**(274,775)**	**-**	**-**	**12,583,421**
Segment assets	2,267,908,447	76,694,801	168,904,915	34,492,356	2,636,340,192	2,230,417	-	(3,004,675,059)	2,181,896,069
Investment in shares	1,008,397	-	93,917,101	-	520,365,708	-	-	(295,832,219)	319,458,987
Investment in project	30,324,414	-	-	-	-	-	-	-	30,324,414
TOTAL ASSETS	**2,299,241,258**	**76,694,801**	**262,822,016**	**34,492,356**	**3,156,705,900**	**2,230,417**	**-**	**(3,300,507,278)**	**2,531,679,470**
LIABILITIES									
Segment liabilites	1,908,216,043	38,413,113	295,102,711	30,837,628	2,214,924,322	152,104,297	-	(3,004,675,059)	1,634,923,055
Capital expenditures	219,463,106	-	2,327,882	3,218,061	37,879	-	-	-	225,046,928
Depreciation, depletion and amortization	94,141,286	5,163,845	2,238,337	3,412,440	576,394	-	(2,117,292)	-	103,415,012
Non-cash expenses other than depreciation, depletion and amortization	34,515,096	631,141	15,620,816	590,937	11,172,704	-	(15,456,057)	-	47,074,637
Net cash provided by (used in) operating activities	258,151,618	2,046,029	(2,182,236)	15,066,250	(11,598,109)	(275,008)	502,449	-	261,714,993
Net cash provided by (used in) investing activities	(218,870,614)	(120,389)	(67,296,666)	(6,043,437)	2,996,243	-	-	-	(289,334,863)
Net cash provided by (used in) financing activities	(37,456,430)	(25,982,028)	4,487,422	-	(167,866,567)	(360)	-	-	(226,817,963)

	2012								
	Exploration for and production of oil and gas	Services	Chemicals	Coal mining	Trading	Funding for Group operations	Discontinued operations	Elimination	Consolidation
External sales	482,982,470	17,842,472	199,579,071	9,085,540	390,049,494	-	(195,156,439)	-	904,382,608
Intersegment sales	442,111,302	8,315,435	3,982,289	-	4,357,815	-	-	(458,766,841)	-
Total revenues	925,093,772	26,157,907	203,561,360	9,085,540	394,407,309	-	(195,156,439)	(458,766,841)	904,382,608
Gross profit	387,195,534	5,142,456	840,723	652,769	9,690,245	-	(1,578,990)	-	401,942,737
Selling, general and administrative expenses	(101,801,444)	(4,823,275)	(17,830,356)	(1,522,820)	(26,858,420)	(127,202)	11,370,455	-	(141,593,062)
Finance costs	(2,370,969)	(2,107,347)	(11,602,662)	(1,981,526)	(84,067,141)	(715)	2,404,670	4,372,964	(95,352,726)
Gain on disposal of a subsidiary	-	-	5,362,723	-	-	-	-	-	5,362,723
Share in net income (loss) from associated entities - net	135,492	-	(1,826,148)	-	2,878,674	-	-	-	1,188,018
Finance income	878,516	639,936	3,293,360	28,722	21,143,563	-	(38,574)	(4,372,964)	21,572,559
Other income	6,818,523	-	2,079,259	346,106	16,354,677	20,318	(298,964)	-	25,319,919
Other expenses	(5,918,033)	(1,937,806)	(3,200,795)	-	(1,226,618)	-	3,200,795	-	(9,082,457)

(Expressed in United States Dollars, unless otherwise stated)

40. SEGMENT INFORMATION (continued)

a. Business Segment (continued)

	2012								
	Exploration for and production of oil and gas	Services	Chemicals	Coal mining	Trading	Funding for Group operations	Discontinued operations	Elimination	Consolidation
Loss on impairment of assets - net	(9,126,565)	-	(9,604,473)	-	-	-	6,581,330	-	(12,149,708)
Profit (loss) before income tax expense from continuing operations	275,811,054	(3,086,036)	(32,488,369)	(2,476,749)	(62,085,020)	(107,599)	21,640,722	-	197,208,003
Income tax expense	(142,436,738)	(136,014)	(1,939,876)	759,350	(12,959,946)	-	374,208	-	(156,339,016)
Loss after income tax expense from discontinued operations	-	-	-	-	-	-	(22,014,930)	-	(22,014,930)
Non-controlling interest	(6,260,769)	-	-	-	-	-	-	-	(6,260,769)
PROFIT ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY	**127,113,547**	**(3,222,050)**	**(34,428,245)**	**(1,717,399)**	**(75,044,966)**	**(107,599)**	**-**	**-**	**12,593,288**
Segment assets	2,832,942,981	83,812,917	152,648,419	31,774,133	2,422,933,472	2,729,875	-	(3,101,866,100)	2,424,975,697
Investment in shares	902,451	-	85,706,792	-	344,159,577	-	-	(230,228,227)	200,540,593
Investment in project	30,324,414	-	-	-	-	-	-	-	30,324,414
TOTAL ASSETS	**2,864,169,846**	**83,812,917**	**238,355,211**	**31,774,133**	**2,767,093,049**	**2,729,875**	**-**	**(3,332,094,327)**	**2,655,840,704**
LIABILITIES									
Segment liabilities	2,196,262,725	55,805,531	284,022,992	36,889,033	2,189,558,086	-	151,944,252	(3,101,866,100)	1,812,616,519
Capital expenditures	189,209,206	37,653,735	847,609	12,408,836	66,871	-	(2,561,508)	(4,926,737)	232,698,012
Depreciation, depletion and amortization	73,664,115	3,634,492	8,789,699	1,990,301	706,915	-	(3,085,758)	-	85,699,764
Non-cash expenses other than depreciation, depletion and amortization	38,493,364	351,097	13,500,415	-	2,819,669	-	(3,895,943)	-	51,268,602
Net cash provided by (used in) operating activities	254,379,383	(987,276)	9,172,233	(3,859,407)	(19,714,727)	-	(29,977,612)	-	209,012,594
Net cash provided by (used in) investing activities	(189,592,918)	(24,528,136)	(71,012,353)	(14,097,187)	(93,535,576)	-	399,455	-	(392,366,715)
Net cash provided by (used in) financing activities	(22,156,984)	20,940,002	(13,058,448)	-	(13,857,493)	-	18,355,485	-	(9,777,438)

b. Geographical Segment

The following table shows the distribution of the Group’s revenues by geographical market and the Group’s assets by geographical location:

Revenues

	2013	2012
Indonesia	300,681,142	332,082,944
Overseas		
Asia	460,748,693	451,784,064
Africa and Middle East	109,489,694	103,035,442
United States of America	18,027,877	17,480,158
Total	**888,947,406**	**904,382,608**

40. SEGMENT INFORMATION (continued)

b. Geographical Segment (continued)

Total Assets

Geographical location	2013	2012
Indonesia	3,922,466,448	4,099,648,909
Overseas		
Asia	1,481,311,018	1,456,802,088
Africa and Middle East	345,182,930	331,930,099
United States of America	83,226,352	99,553,935
Total	5,832,186,748	5,987,935,031
Elimination	(3,300,507,278)	(3,332,094,327)
After elimination	**2,531,679,470**	**2,655,840,704**

The Group's activities are concentrated in several major geographic locations (Asia, United States of America, Africa and Middle East). The main concentration of activities is in Indonesia.

Intersegment transactions are set with normal terms and conditions as if conducted with third parties.

41. MONETARY ASSETS OR LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group has monetary assets and liabilities denominated in foreign currencies as follows:

	2013			
	In original currency (in million)			US$ Equivalent (Full amount)
	Rupiah	Euro	Others	
Assets				
Cash and cash equivalents	89,649	0.04	0.06	7,655,229
Short-term investments	39,620	-	-	3,250,508
Trade receivables	55,567	-	-	4,558,807
Other receivables	805,367	-	-	66,073,287
Restricted cash in banks	77,214	-	-	6,334,751
Liabilities				
Trade payables	(184,192)	(0.10)	-	(15,195,201)
Other long-term payables	(3,482,542)	-	-	(285,711,915)
Bank loans	(1,400,349)	-	-	(114,886,326)
Net Liabilities	**(3,999,666)**	**(0.06)**	**0.06**	**(327,920,860)**

41. MONETARY ASSETS OR LIABILITIES DENOMINATED IN FOREIGN CURRENCIES (continued)

	2012			
	In original currency (in million)			US$ Equivalent (Full amount)
	Rupiah	Euro	Others	
Assets				
Cash and cash equivalents	267,164	0.03	-	27,933,645
Short-term investments	42,069	-	-	4,350,427
Trade receivables	4,196	-	-	433,951
Other receivables	513,335	-	-	53,085,315
Restricted cash in banks	88,794	-	-	9,182,374
Liabilities				
Trade payables	(153,331)	(0.03)	-	(15,883,207)
Bank loans	(1,401,604)	-	-	(144,943,566)
Other long-term payables	(2,973,933)	-	-	(307,542,144)
Net Liabilities	**(3,613,310)**	-	-	**(373,383,205)**

42. FINANCIAL INSTRUMENTS

a. Fair Values of Financial Instruments

The following table presents the classification of financial instruments and sets forth the carrying amounts and estimated fair values of the financial instruments of the Group that are carried in the consolidated statements of financial position as of December 31, 2013 and 2012:

	2013		2012	
	Book Value	Fair Value	Book Value	Fair Value
Financial Assets				
Current Assets				
Cash and cash equivalents	263,973,998	263,973,998	523,651,774	523,651,774
Short-term investments	253,437,152	253,437,152	311,668,012	311,668,012
Restricted cash in banks	5,593,518	5,593,518	1,343,426	1,343,426
Trade receivables	143,634,520	143,634,520	147,129,298	147,129,298
Other receivables	75,940,543	75,940,543	79,157,762	79,157,762
Non-Current Assets				
Other receivables	144,132,820	144,132,820	106,121,133	106,121,133
Restricted cash in banks	7,834,751	7,834,751	10,898,277	10,898,277
Long-term investments	93,917,101	93,917,101	67,177,201	67,177,201
Other assets	2,663,435	2,663,435	2,658,730	2,658,730
Total Financial Assets	**991,127,838**	**991,127,838**	**1,249,805,613**	**1,249,805,613**

(Expressed in United States Dollars, unless otherwise stated)

42. FINANCIAL INSTRUMENTS (continued)

a. Fair Values of Financial Instruments (continued)

	2013		2012	
	Book Value	**Fair Value**	**Book Value**	**Fair Value**
Financial Liabilities				
Current liabilities				
Short-term bank loans	60,000,000	60,000,000	60,000,000	60,000,000
Trade payables	94,553,106	94,553,106	95,264,604	95,264,604
Other payables	50,795,338	50,795,338	43,589,966	43,589,966
Accrued expenses and other provisions	70,696,891	70,696,891	72,224,141	72,224,141
Current maturities of long-term debts				
Bank loans	928,203	928,203	62,855,699	62,855,699
Medium-term notes	-	-	40,386,422	40,386,422
Rupiah bonds	80,768,414	80,768,414	-	-
Derivative liabilities	10,520,221	10,520,221	-	-
Non-Current Liabilities				
Long-term debt				
Bank loans	374,867,214	369,879,624	654,384,407	684,303,957
Payable to a related party	130,947,913	128,189,001	125,735,136	125,735,136
Rupiah bonds	285,711,915	294,867,686	307,542,144	300,045,136
US Dollar bonds	98,466,256	97,722,256	99,334,607	112,260,381
Derivative liabilities	162,135,400	162,135,400	17,985,673	17,985,673
Other payables	9,698,707	9,698,707	13,849,625	13,849,625
Total Financial Liabilities	**1,430,089,578**	**1,430,754,847**	**1,593,152,424**	**1,628,500,740**

i. Financial instruments carried at fair value

Fair values of derivative instruments and short-term investments are determined by calculating the present value of future cash flows based on their terms and conditions.

ii. Financial instruments with carrying values approximating their fair values

All current assets and liabilities listed above, as well as non-current restricted cash in banks and other receivables approximate their fair values due to the short-term maturity and nature of such financial instruments.

iii. Financial instruments recorded at acquisition cost

Investments in common shares with no quoted market price representing ownership below 20%, are recorded at cost because fair value cannot be measured reliably.

iv. Financial instruments carried at amortized cost

The fair values of long-term debts (bank loans, medium-term notes and Rupiah and US Dollar bonds), are determined based on discounted cash flows method.

v. Other financial instruments

The fair values of non-current other receivables, other assets and other liabilities listed above are the same as their carrying amounts because their fair values cannot be measured reliably.

(Expressed in United States Dollars, unless otherwise stated)

42. FINANCIAL INSTRUMENTS (continued)

a. Fair Values of Financial Instruments (continued)

The fair value measurements of financial assets and liabilities are classified as a whole based on the lowest level of input that is significant to the fair value measurement as a whole. The assessment of the signficance of a particular input to the fair value measurement requires judgment and may affect the valuation of the financial assets and liabilities being measured and their level within the fair value hierarchy.

The best evidence of fair value is the price quotations in an active market. If the market for a financial instrument is not active, the Group establishes a fair value by using a valuation method. The objective of using a valuation method is to establish what the transaction price would have been on the measurement date in an arm's length transaction based on normal business considerations.

Valuation methods include the use of recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation method commonly used by market participants to determine the price of the instrument and the method has been demonstrated to provide reliable estimates on prices obtained from actual market transactions, the Group uses that method. Valuation methods are chosen to make the maximum use of market inputs and rely as little as possible on inputs that are specific to the Group. The method takes into account all the factors that will be considered by market participants in setting a price and in tune with the economic method for the assessment of a financial instrument. Periodically, the Group reviews the valuation methods and tests it for validity using prices from current market transactions that can be observed for the same instrument (i,e,, without modification and repackaging) or based on available market data and can be observed.

The hierarchy of fair value as of December 31, 2013 and 2012 is as follows:

	December 31, 2013			
	Total	Market value quotation for similiar assets and liabilities (Level 1)	Significant input and observable directly (Level 2)	Significant input but unobservable (Level 3)
Financial Assets				
Short-term investments	253,437,152	-	253,437,152	-
Financial Liabilities				
Derivative liabilities	172,655,621	-	172,655,621	-

	December 31, 2012			
	Total	Market value quotation for similiar assets and liabilities (Level 1)	Significant input and observable directly (Level 2)	Significant input but unobservable (Level 3)
Financial Assets				
Short-term investments	311,668,012	-	311,668,012	-
Financial Liabilities				
Derivative liabilities	17,985,673	-	17,985,673	-

(Expressed in United States Dollars, unless otherwise stated)

42. FINANCIAL INSTRUMENTS (continued)

b. Risk Management

The principal financial liabilities of the Group consist of short-term and long-term borrowings, trade and other payables and accrued expenses. The main purpose of these financial liabilities is to raise funds for the operations of the Group. The Group has various financial assets such as trade receivables and cash and cash equivalents, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign exchange rate risk, price volatility risk, credit risk, and liquidity risk. The importance of managing these risks has significantly increased in light of the considerable change and volatility in both Indonesian and international financial markets. The Company's Directors review and approve the policies for managing these risks which are summarized below:

i. Interest rate risk

The Group is exposed to interest rate risk resulting from fluctuations in interest rates on its short-term and long-term borrowings.

The Group policy relating to interest rate risk is to manage interest cost through a mix of fixed and variable rate debts. The Group evaluates the comparability of the fixed rate to floating rate of its short-term bank loans and long-term debts in line with movements of relevant interest rates in the financial markets. Based on management's assessment, new financing will be priced either on a fixed rate or floating rate basis.

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term receivable and obligations with floating interest rates.

The following table sets out the carrying amounts, by maturity, of the Group's financial instruments that are exposed to interest rate risk:

	December 31, 2013				
Description	Within 1 year	1-2 years	2-5 years	More than 5 years	Total
Receivable from a related party	-	141,469,210	-	-	141,469,210
Payable to a related party	-	130,947,913	-	-	130,947,913
Short-term bank loans	60,000,000	-	-	-	60,000,000
Long-term bank loans	928,203	114,867,214	260,000,000	-	375,795,417
Derivative liabilities	10,520,221	39,195,318	122,940,082	-	172,655,621

	December 31, 2012				
Description	Within 1 year	1-2 years	2-5 years	More than 5 years	Total
Receivable from a related party	-	100,727,841	-	-	100,727,841
Payable to a related party	-	125,735,136	-	-	125,735,136
Short-term bank loans	60,000,000	-	-	-	60,000,000
Long-term bank loans	50,000,000	25,000,000	440,000,000	-	515,000,000
Derivative liabilities	-	574,625	17,411,048	-	17,985,673

Interest on financial instruments classified as floating rate is re-priced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument. The other financial instruments of the Group that are not included in the above table are either non-interest bearing or have fixed interest rates and are therefore not subject to interest rate risk.

As of December 31, 2013, if the borrowing rate increases/decreases by 0.5% with all variables held constant, the consolidated income before tax expense for the year will be lower or higher by US$2.1 million.

42. FINANCIAL INSTRUMENTS (continued)

b. Risk Management (continued)

ii. Foreign exchange rate risk

The Group maintains its bookkeeping in US Dollars, therefore, a portion of its revenues, expenses, assets and liabilities which are denominated in currencies other than US Dollars are exposed to currency exchange rates against US Dollars. The oil and gas exploration and production activities of the Group in various countries are also exposed to the currency exchange fluctuations of the local currencies.

To manage currency risk, the Group entered into several swap and forward contracts. As of December 31, 2013, these contracts are accounted for as transactions that are not designated as hedging contracts except for eleven hedging contracts, in which the gain or loss arising from the effective portion of cash flow hedge is credited or charged to other comprehensive income (Note 23).

As of December 31, 2013, if the exchange rate of the US Dollars against foreign currencies increases/decreases by 10% with all variables held constant, consolidated income before tax expense for the year will be higher/lower by US$1.7 million primarily as a result of translations of bank loans and other long-term debt.

iii. Credit risk

Credit risk is the risk that one party to financial instruments will fail to discharge its obligation and will incur a financial loss to the other party. The Group is exposed to credit risk arising from the credit granted to its customers. The Group trades only with recognized and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an on-going basis to reduce the exposure to bad debts.

The most significant exposure to the credit risk is represented by the carrying amounts of financial assets as shown in Notes 6 and 7 of the consolidated statement of financial position.

As of December 31, 2013, a significant portion of the trade receivables of the Group is due from two debtors whose respective accounts constitute 21% and 13% of the total trade receivables as of that date.

The credit risk on trade receivables and other receivables as of Desember 31, 2013 and 2012 based on information provided by management is as follows:

a. By Geographical Area

	2013	
	Trade Receivables	**Other Receivables**
Indonesia	75,955,105	221,164,912
Singapore	29,967,366	128,003
Oman	31,800,162	494,456
United States of America	2,194,178	763,476
Yemen	-	7,996,613
Switzerland	8,087,448	-
Libya	-	906,252
Others	-	263,185
Total	**148,004,259**	**231,716,897**

(Expressed in United States Dollars, unless otherwise stated)

42. FINANCIAL INSTRUMENTS (continued)

b. Risk Management (continued)

iii. Credit risk (continued)

a. By Geographical Area

	2012	
	Trade Receivables	**Other Receivables**
Indonesia	70,583,668	201,753,537
Singapore	37,029,844	431,856
Oman	29,869,199	1,196,595
Switzerland	4,309,566	-
United States of America	2,933,075	860,234
Yemen	2,548,441	7,948,127
Libya	-	1,282,412
Others	-	313,465
Total	**147,273,793**	**213,786,226**

b. By Debtor

	2013	
	Trade Receivables	**Other Receivables**
Related parties	18,982,522	142,600,440
Third parties:		
State - owned enterprises	67,472,780	498,612
Other companies	25,280,148	10,101,354
Government of Indonesia	2,255,442	66,735,010
Multinational companies	33,994,340	10,407,823
Individual	19,027	1,373,658
Total	**148,004,259**	**231,716,897**

	2012	
	Trade Receivables	**Other Receivables**
Related parties	32,701,117	101,615,237
Third parties:		
State - owned enterprises	55,229,825	4,634,037
Other companies	49,198,505	18,696,889
Government of Indonesia	10,144,346	83,722,876
Multinational companies	-	931,375
Listed companies in the Indonesia Stock Exchange	-	76,247
Individual	-	4,109,565
Total	**147,273,793**	**213,786,226**

(Expressed in United States Dollars, unless otherwise stated)

42. FINANCIAL INSTRUMENTS (continued)

b. Risk Management (continued)

iv. Liquidity risk

The liquidity risk is defined as a risk where the cash flow position of the Group indicates that the short-term revenue is not sufficient to cover the short-term expenditures. The Group liquidity requirements have historically arisen from the need to finance investments and operational and capital expenditures.

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate to finance the Group's operations and to mitigate the effects of fluctuations in cash flows. The Group also regularly evaluates the projected and actual cash flows, including long-term loan maturity profiles, and continuously assesses the conditions in the financial market to maintain flexibility in funding by keeping committed credit facilities available. These activities may include bank loans and issuance of equity in the capital market.

The table below presents the carrying amount, by maturity period of the Group's financial instruments that are affected by liquidity risk:

	December 31, 2013				
Description	**within 1 year**	**1-2 years**	**2-5 years**	**more than 5 years**	**Total**
Trade payables					
- Related parties	359,576	-	-	-	359,576
- Third parties	94,193,530	-	-	-	94,193,530
Other payables	50,795,338	-	-	9,698,707	60,494,045
Accrued expenses and other provisions	70,696,891	-	-	-	70,696,891
Bank loans	60,928,203	114,867,214	260,000,000	-	435,795,417
US Dollar bonds	-	-	98,466,256	-	98,466,256
Rupiah bonds	80,768,414	-	285,711,915	-	366,480,329
Derivative liabilities	10,520,221	39,195,318	122,940,082	-	172,655,621
Payable to a related party	-	130,947,913	-	-	130,947,913

	December 31, 2012				
Description	**within 1 year**	**1-2 years**	**2-5 years**	**more than 5 years**	**Total**
Trade payables					
- Related parties	69,936	-	-	-	69,936
- Third parties	95,194,668	-	-	-	95,194,668
Other payables	43,589,966	-	-	13,849,625	57,439,591
Accrued expenses	72,224,141	-	-	-	72,224,141
Bank loans	122,855,699	26,997,305	603,387,102	24,000,000	777,240,106
Medium-term notes	40,386,422	-	-	-	40,386,422
Rupiah bonds	-	102,345,971	205,196,173	-	307,542,144
US Dollar bonds	-	-	99,334,607	-	99,334,607
Derivative liabilities	-	574,625	17,411,048	-	17,985,673
Payable to a related party	-	125,735,136	-	-	125,735,136

v. Price volatility risk

The selling price of the Group's oil is based on the price of Indonesian Crude Price (ICP) that is determined by the Ministry of Energy and Mineral Resources (ESDM) on a monthly basis. As a result, the price of oil that is produced by the Group will depend largely on factors beyond the control of the Group.

The natural gas produced in Indonesia is largely sold on contract basis with fixed price that allows certain level of escalation annually. There exists a potential risk of opportunity loss when the market price of oil and gas increases well above the escalation cap in the contract.

42. FINANCIAL INSTRUMENTS (continued)

b. Risk Management (continued)

v. Price volatility risk (continued)

The Group's gases produced in the United States are sold on the spot market on the basis of the Henry Hub market price. Therefore, the risk faced by the Group is similar to the effects of oil and gas price fluctuation.

c. Capital Management

The Group's objectives when managing capital are:

- To maintain a strong capital base so as to maintain investor, creditor and market confidence
- To sustain future development of the business.

The Group regularly reviews and manages their capital structure to ensure optimal structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

For capital management purposes, management regards total equity attributable to the owners of parent company as capital. The amount of capital as of December 31, 2013 is US$896,756,415 which the management considers as optimal having considered the projected capital expenditures and the projected strategic investment opportunities. Also, over the past recent years, earnings before income tax, interest, depreciation and amortization (EBITDA) has become an important control figure for the Group as well as for the lending banks. The continuing optimal development of the Group depends on its strong self-financing ability (EBITDA).

There are no changes in the Group's approach to capital management during the year.

43. OIL AND GAS PRODUCTION SHARING ARRANGEMENTS

a. Production Sharing Arrangements - Indonesia

The majority of the Group's oil and gas subsidiaries are located in Indonesia and operate under various production sharing arrangements with SKK Migas. A general description of those arrangements and applicable oil and gas law is as follows:

i. Production Sharing Contracts (PSC) - Indonesia

A PSC is awarded to explore for and to establish commercial hydrocarbon reserves in a specified area prior to commercial production. The contractor is generally required to relinquish specified percentages of the contract area on specified dates unless such designated areas correspond to the surface area of any field in which oil and gas has been discovered.

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

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

43. OIL AND GAS PRODUCTION SHARING ARRANGEMENTS (continued)

a. Production Sharing Arrangements - Indonesia (continued)

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

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

PSCs in Indonesia are subject to a Domestic Market Obligation (DMO) under which the contractor is required to supply the domestic market with the lesser of 25% of (i) the contractor's pre-tax share of total crude oil production and (ii) the contractor's profit share for oil.

ii. Joint Operating Body (JOB) - Indonesia

In a JOB, operations are conducted by a joint operating body headed by PT Pertamina (Persero) (Pertamina) and assisted by the contractor through their respective secondees to the JOB. In a JOB, 37.5%-50% of the production is retained by Pertamina, and the balance is the shareable portion which is split between the parties in the same way as for a PSC.

iii. Technical Assistance Contracts (TAC) - Indonesia

A TAC is awarded when a field has prior or existing production and is awarded for a certain number of years depending on the contract terms. The oil or gas production is first divided into non-shareable and shareable portions. The non-shareable portion represents the production which is expected from the field (based on historic production of the field) at the time the TAC is signed and accrues to Pertamina.

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

Contractors are obliged to pay a production bonus to SKK Migas if certain production levels are attained.

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

The Group currently has 11 PSCs and 2 JOBs in Indonesia.

The remaining commitment for exploration and development expenditures relating to the above contracts as of December 31, 2013 is US$179 million (unaudited).

(Expressed in United States Dollars, unless otherwise stated)

43. OIL AND GAS PRODUCTION SHARING ARRANGEMENTS (continued)

b. Production Sharing Arrangements - International

The Group has production sharing arrangements in Libya and Yemen and a service contract in Oman with the following fiscal arrangements:

Subsidiaries	Block Ownership	Country	Contract Term	Concession Production Sharing Agreement	
				Local Government	Subsidiaries
Medco Oman LLC	Karim Small Field	Oman	10 years	96.02% of profit from total production	3.98% of profit from total production
Medco International Venture Ltd	Block 47	Libya	30 years	86.3% of profit from total production	13.7% of profit from total production
Medco Yemen Amed Ltd	Block 82	Yemen	20 years	80% of profit oil (for production over 25,000 bopd)	20% of profit oil (for production over 25,000 bopd)
Medco Yemen Arat Ltd	Block 83	Yemen	20 years	75% of profit oil (for production over 25,000 bopd)	25% of profit oil (for production over 25,000 bopd)
Medco Yemen Malik Ltd	Block 9	Yemen	25 years	70% of profit oil (for production over 25,000 bopd)	30% of profit oil (for production over 25,000 bopd)

The total remaining commitment for exploration expenditures relating to the above contracts as of December 31, 2013 is US$38.5 million (unaudited).

The license of Medco Yemen Arat Ltd for the exploration phase of Block 83 expired on December 18, 2013 and Medco Yemen Arat Ltd has requested from the Ministry of Oil and Minerals (MOM) of Yemen for an extension of the license until March 31, 2014 to complete the technical assessment of the exploration results. The MOM has granted the license extension until March 31, 2014.

Medco Yemen Arat Ltd, with the assistance of PT Medco Energi Internasional Tbk (MEI), intends to obtain a further extension of this license to continue the exploration program in Block 83 after completing the technical assessment, which is expected to be completed by the end of March 2014. MEI has committed to provide sufficient funding to Medco Yemen Arat Ltd to continue the exploration activities.

44. SIGNIFICANT CONTRACTS, AGREEMENTS AND COMMITMENTS

a. Major Acquisitions and Disposals

i. In December 2013, the Technical Assistance Contract (TAC) of PT Medco E & P Sembakung, a wholly-owned subsidiary, at Sembakung, North Kalimantan, has ended.

ii. In October 2013, the Production Sharing Contract (PSC) of PT Medco E & P Merangin, a wholly-owned subsidiary, at Merangin-I, Jambi, has ended.

iii. On August 2, 2013, the Company through its wholly-owned subsidiary, Medco Energi (BVI) Ltd (Medco), signed a Shares Sale and Purchase Agreement with Trada Petroleum Pte Ltd (Trada), to acquire 60% ownership of Medco Trada Tebat Agung Ltd, a company incorporated in British Virgin Islands. The purchase price amounts to US$1.38 million.

iv. On January 28, 2013, the Company through its wholly-owned subsidiary, Medco International Ventures Ltd (MIVL), established a joint operating company (JOC), namely, Nafusah Oil Operations BV (Nafusah), with its partners, National Oil Corporation (NOC) and Libyan Investment Authority (LIA), with ownership of 24.5%, while NOC and LIA will have ownership of 51% and 24.5%, respectively.

   The establishment of the JOC is based on the requirement of the Exploration and Production Sharing Agreement (EPSA) entered into in 2005 by the parties. According to the EPSA, the parties shall enter into a shareholders agreement and form a JOC upon declaring the first Commercial Discovery. The JOC will act as the Operator under the EPSA and according to an operating agreement to be entered into by the parties.

   Nafusah Oil Operations BV has been formally registered and established in The Netherlands on March 18, 2013.

   On September 30, 2013, the Operating Agreement was executed by NOC, LIA, MIVL and Nafusah to establish the respective rights and obligations of the Parties and the Operator on the conduct of Petroleum Operations under the EPSA. The Operating Agreement states that Nafusah Oil Operations BV is appointed as the Operator to conduct all petroleum operations in particular to implement the Development Plan in accordance with the terms and conditions of the Operating Agreement and the EPSA. The Operating Agreement was signed by the Parties on March 9, 2014.

v. On December 20, 2012, the Company signed a Shares Sales and Purchase Agreement (SPA) for the purchase of 49% stake in PT Api Metra Graha (AMG) held by Jaden Holdings Limited (Jaden). As of December 31, 2012, an advance payment to Jaden of US$25 million, representing 24% of the purchase price has been made and US$5.1 million for income tax article 26 has been paid which are recorded as "Advance for purchase of shares of stock" in the consolidated statement of financial position. This transaction has been completed on February 12, 2013. The Company has completed the payment of the remaining purchase commitment amounting to US$72 million including purchase price adjustment between the equity value from the signing date of Shares Sales and Purchase Agreement and the closing date.

44. SIGNIFICANT CONTRACTS, AGREEMENTS AND COMMITMENTS (continued)

a. Major Acquisitions and Disposals (continued)

vi. On October 10, 2012, the Company, through its wholly-owned subsidiary, PT Medco Downstream Indonesia (MDI), signed a Share Purchase and Subscription Agreement (SPSA) with Puma Energy (Singapore) Pte Ltd ("Puma") for the sale of 63.88% or 1,852,520 shares of PT Medco Sarana Kalibaru (MSK) owned by MDI for the price of US$13,003,200, and subsequently, Puma together with MDI will subscribe to the issuance of new shares by MSK pro-rata in accordance with the ownership percentage of each shareholder, that is, Puma at 63.88% with subscription price of US$22,996,800 and MDI at 36.12% with subscription price of US$13,003,200. The transaction was completed on December 3, 2012.

Based on the above SPSA, MSK shall repay the following:

1. Under a loan agreement dated September 15, 2012 between MSK and MEI, MSK obtained a loan from MEI to finance the VAT payment on the cargo delivery to PT Freeport Indonesia amounting to US$8,000,000, plus interest.
2. Based on the Management Services Agreement with MDI, MSK has outstanding payable to MDI amounting to US$800,000 for the management services provided to MSK in fiscal years 2010 and 2011.
3. Based on the Intercompany Loan Agreements between MSK and MDI, MSK has an outstanding intercompany payable totaling Rp39,612,995,000 (including interest charged on the settlement date), which consists of payables to MEI and MDI amounting to Rp27,580,000,000 and Rp12,032,995,000, respectively, to be reduced by the intercompany receivables of MSK from MEI and MDI amounting to Rp8,898,243,643 and Rp232,565,688, respectively.

Since all the obligations above had been paid by MSK on December 5, 2012, MDI and Puma agreed on the following:

a. For purposes of calculating the "Sale Consideration", the MSK business is valued by Puma on the date of the agreement, at US$20,355,867 of which US$6,000,000 is attributable to the Tanjung Priok Lease Agreement. If the Tanjung Priok Lease Agreement is terminated or expires without renewal or extension at any time within 10 years starting from December 31, 2012, the value of the MSK business shall be deemed to have declined equivalent to the amortization amount under the Tanjung Priok Lease Agreement on the date of termination or expiration. MDI must transfer to Puma the additional shares issued by MSK.

b. MDI and Puma agree that if any portion of the unpaid receivables remains outstanding for 180 days after the transaction is completed, MDI must transfer to Puma additional shares issued by MSK. MSK agrees to promptly determine and pay its debts to MDI, or reduce it considering the conditions below:
    1. After the adjustment made by the shareholders, MSK shall pay back to MDI the unpaid receivables arising from such adjustment,
    2. After the transaction completion date, MSK shall pay back to MDI the receivables from PT Kiani Kertas Nusantara or PT Optima Enviro Resources, or
    3. After the transaction completion date, MSK shall pay less than a predetermined amount of claims against MSK by BPMigas (now SKK Migas), amounting to Rp4,678,000,000.

    Based on Notarial Deed No. 17 dated October 25, 2013 of Edwar, S.H., MDI transferred its 53,388 shares with par value of Rp100,000 ownership in MSK to Puma Energy (Singapore) Pte Ltd due to the conversion of unpaid receivables of MDI amounting to Rp7,174,027,271 as of June 3, 2013. As of December 31, 2013, MDI ownership in MSK is 2,241,489 shares or total amount of Rp224,148,900,000.

44. SIGNIFICANT CONTRACTS, AGREEMENTS AND COMMITMENTS (continued)

a. Major Acquisitions and Disposals (continued)

vii. On July 5, 2012, Medco Yemen Malik Limited signed a Sale and Purchase Agreement (SPA) with Reliance Exploration and Production DMCC, to purchase 25% participating interest in Block 9 in Yemen at a cost of US$90 million. This agreement was completed on December 4, 2012. After the conditions precedent to the transaction are completed, including obtaining the approval of the Ministry of Oil and Minerals of Yemen, Medco has effective participating interest of 21.25% in Block 9. Besides Medco, the other parties holding participating interests in Block 9 are Calvalley Petroleum (Cyprus) Ltd, as operator with interest of 42.5%, Hood Oil Limited with interest of 21.25%, and Yemen Oil and Gas Company (YOGC) with interest of 15%.

viii. In early 2006, the Group entered into a commercial agreement (economic agreement) with the Singapore Petroleum Company (SPC) and Cue Energy Resources Limited (Cue) involving the transfer of 18.2% and 6.8% interest out of their respective 40% and 15% interests in the Jeruk Field, which enabled the Group to gain an undivided, 25% economic interest in the Jeruk Field of Sampang PSC. SPC and Cue are the direct holders of participating interest in Sampang PSC, in addition to Santos which is the operator of the PSC. In accordance with the economic agreement, the Group agreed to assume proportionate share of Jeruk costs.

Whilst the Indonesian Authorities have sanctioned the commercial agreement between the participants, Sampang PSC interests (including Jeruk Field interests) remain unchanged.

In early 2008, Santos, the operator of the Jeruk Field, disclosed that further drilling in the Jeruk Field had been put on hold pending the review of development scenarios and the resolution of commercial and technical issues that may impact the viability of any development.

Nevertheless, under the PSC, Jeruk costs represent part of overall Sampang PSC cost pool, and therefore Jeruk costs can be recovered from the production proceeds of other fields within Sampang PSC. The Group is also entitled to such recovery of Jeruk project costs under and through the mechanism as set out in the “economic agreement”.

(Expressed in United States Dollars, unless otherwise stated)

44. SIGNIFICANT CONTRACTS, AGREEMENTS AND COMMITMENTS (continued)

b. Gas Supply Agreements

Entity	Date of Agreement	Commitment	Contract Period
PT Medco E & P Indonesia			
Perusahaan Daerah Pertambangan dan Energi (Jakabaring)	August 10, 2011	Commitment to supply and sell 3 BBTUD of gas at a gas price ranging from US$4.02/MMBTU to US$5.09/MMBTU.	9 years or until such quantity has been fully supplied, whichever occurs first.
PT Perusahan Daerah Kota Tarakan (PDKT)	April 6, 2011	Commitment to supply gas to meet the needs of household in Tarakan of 0.15 BBTUD at a gas price of US$3.00/MMBTU escalating by 2.5% per year.	5 years since June 2011 until such quantity in the agreement has been fully supplied.
PT Sarana Pembangunan Palembang Jaya (SP2J)	April 13, 2010	Commitment to supply gas involving 0.15 BBTUD - 1 BBTUD with an agreed gas price of US$2.73/MMBTU.	4 years or when such quantity has been fully supplied, whichever occurs first.
PT PLN Tarakan	April 1, 2010	Commitment to supply and sell 10,134 BBTU of gas at average gas price during contract period of US$3.98/MMBTU with total value of US$37.49 million.	5 years or until such quantity has been fully supplied, whichever occurs first.
PT Pertamina EP	February 19, 2010	Commitment to supply 1,359.96 MMSCF of gas per year at a gas price ranging from US$3.94/MMBTU to US$4.43/MMBTU.	4 years (April 27, 2009 up to November 27, 2013), or when such quantity has been fully supplied, whichever occurs first.
PT Perusahaan Gas Negara (Persero) Tbk	December 4, 2009 and last amended on January 21,2013	Commitment to supply natural gas from Keramasan Field in South and Central Sumatera Block with total gas volume of 41,900 BBTU (last amendment) at a price range from US$4.17/MMBTU to US$7.32/MMBTU.	December 2009 up to October 15, 2014 or until such quantity has been fully supplied, whichever occurred first.

(Expressed in United States Dollars, unless otherwise stated)

44. SIGNIFICANT CONTRACTS, AGREEMENTS AND COMMITMENTS (continued)

b. Gas Supply Agreements (continued)

Entity	Date of Agreement	Commitment	Contract Period
PT Medco E & P Indonesia (continued)			
Perusahaan Daerah Pertambangan dan Energi	August 4, 2009	Commitment to supply 729 BBTU of gas, with price of US$3.00 per MMBTU escalating by 2.5% per year. As of April 2013, the gas supply has just commenced due to the requirements to supply gas has just been fulfilled.	Until such quantity has been fully supplied.
Perusahaan Daerah Mura Energi	August 4, 2009	Commitment to supply 2.5 BBTUD of gas produced from the Temelat Field with contract value estimated at US$3/MMBTU, escalating by 2.5% per year.	10 years starting from April 2011. As of the completion date of the consolidated financial statements, the gas supply has not yet commenced because there are still some unfulfilled requirements.
Perusahaan Daerah Kota Tarakan	January 22, 2009	Commitment to supply 1-3 BBTUD of gas at a price of US$3/MMBTU, escalating by 2.5% per year.	10 years.
PT Pupuk Sriwidjaja (Persero)	August 7, 2007	Commitment to supply 45 BBTU of gas/day (BBTUD) at an average price of US$3.59/ MMBTU.	11 years and could be amended to 15 years in accordance with terms and conditions as stated in the agreement.
PT Mitra Energi Buana	July 24, 2006 last amended with agreement dated December 1, 2012	Commitment to supply and sell gas in the quantity of 2.5 BBTUD until November 2012 and 3.7 BBTUD until December 2017, at an agreed price ranging from US$2.65/MMBTU to US$7.00/MMBTU.	11 years or until such quantity has been fully supplied, whichever occurs first.
PT Perusahaan Listrik Negara (Persero) (main electricity for Keramasan, Palembang, South Sumatera)	January 20, 2006 last amended with agreement dated December 16, 2013	Commitment to supply and sell gas in the quantity of 22.3 BBTUD until November 27, 2013 and 14 BBTUD until December 31, 2014. Price ranges from US$4.17/MMBTU to US$6.98/MMBTU.	Contract extensión until December 31, 2014 or until such quantity has been fully supplied, whichever occurs first.

(Expressed in United States Dollars, unless otherwise stated)

44. SIGNIFICANT CONTRACTS, AGREEMENTS AND COMMITMENTS (continued)

b. Gas Supply Agreements (continued)

Entity	Date of Agreement	Commitment	Contract Period
PT Medco E & P Indonesia (continued)			
PT Metaepsi Pejebe Power Generation (MEPPO-GEN)	January 20, 2006 and last amended with agreement dated January 21, 2013	Commitment to supply gas in the quantity of 14.47 BBTUD until March 2013 and 17.32 BBTUD until May 2014. The total gas volume amounted to 36,904.60 BBTU (last amended) in the price of US$6.45/MMBTU (last amended) for the contract period escalating by 3% per year.	Until May 31, 2014 or when such quantity has been fully supplied, whichever occurs first.
PT Pertamina (Persero)	January 16, 2004 The agreement has been amended several times and the latest (the fifth amendment) on January 1, 2012	Commitment to deliver and sell LPG pursuant to the conditions set forth in the agreement.	Until such quantity has been fully supplied (February 2013).
PT Perusahaan Listrik Negara (Persero) (for PLTG Borang, Palembang, South Sumatera)	December 30, 2003 and last amended with agreement dated October 9, 2012	Commitment to supply and sell 7 BBTUD of gas from December 2009 to March 2010 and 12.5 BBTUD from April 2010 to September 2012 and 18.3 BBTUD from October 2012 to August 2014. Gas price ranges from US$4.32/MMBTU to US$6.36/ MMBTU.	10 years and 8 months or until such quantity has been fully supplied, whichever occurs first.
PT Perusahaan Listrik Negara (Persero) (for PLTG Simpang Tiga, Indralaya, Palembang, South Sumatera)	December 30, 2002 and last amended with agreement dated May 1, 2013	Commitment to supply and sell 56,182 BBTU of gas. The amount of daily supply is 17 BBTUD with the gas price changed to US$5.46/MMBTU until August 2013.	11 years or until such quantity has been fully supplied, whichever occurs first.
PT Medco E & P Lematang			
PT Perusahaan Gas Negara (Persero) Tbk	December 4, 2009 last amended on April 15, 2010	Commitment to supply natural gas from Singa Field in Lematang Block with a total gas volume of 53 thousand BBTU at an agreed price ranging from US$5.20/MMBTU to US$5.57/MMBTU.	3 years and 2 months starting in April 2010 (January 2014).
PT Perusahaan Listrik Negara (Persero)	March 21, 2007 last amended on February 8, 2010	Commitment to supply and sell gas of 48.6 BBTUD at an agreed price ranging from US$4.93/MMBTU to US$5.18/MMBTU.	Gas supply is expected to start from December 1, 2012 until April 1, 2017.
PT Medco E & P Malaka			
PT Perusahaan Listrik Negara (Persero)	April 9, 2008	Commitment to supply 15 BBTUD of gas for electricity in Nanggroe Aceh Darussalam at an agreed price of US$5.30/MMBTU escalating by 3% per year.	At the time when quantity in the agreement has been fully supplied, or gas no longer has an economic value or until the termination of Block A PSC (September 1, 2031), whichever occurs first.

44. SIGNIFICANT CONTRACTS, AGREEMENTS AND COMMITMENTS (continued)

b. Gas Supply Agreements (continued)

Entity	Date of Agreement	Commitment	Contract Period
PT Medco E & P Malaka (continued)			
PT Pupuk Iskandar Muda (Persero)	December 10, 2007 last amended on November 12, 2010	Commitment to supply gas with the total gas volume 110 BBTUD with a total of 233 TBTU at an agreed selling price, calculated using a formula whereby the price will not be less than US$5.00 per MMBTU.	At the time when such quantity in the agreement has been fully supplied or gas no longer has an economic value, or until the termination of the Block A PSC (September 1, 2031), whichever occurs first.
PT Medco E & P Tomori			
PT Donggi Senoro LNG (through JOB Pertamina - Medco E & P Tomori Sulawesi)	January 22, 2009	Commitment to supply 227 BBTUD of gas with the price calculated based on certain agreed formula expressed in US$/MMBTU using the value of the Japan Crude Cocktail (JCC) as basis.	15 years (starting from the date of commercial operations of the LNG Plant). Until the completion of these consolidated financial statements, the gas supply has yet to be started since the construction is still on-gong.
PT Medco E & P Simenggaris			
Perusahaan Daerah Nusa Serambi Persada (melalui JOB P-MEPS)	October 29, 2012	Commitment to supply 5 MMSCFD from South Sembakung well at a gas price US$5.2/MMBTU with an escalation of 3% per year.	11 years starting from 2013. Until the completion of these consolidated financial statements, the gas supply has yet to be started.

(Expressed in United States Dollars, unless otherwise stated)

44. SIGNIFICANT CONTRACTS, AGREEMENTS AND COMMITMENTS (continued)

c. Other Agreements

i. Receivable Novation Agreement

Under the Receivable Novation Agreement dated December 20, 2013 between PT Medco Downstream Indonesia (MDI) and PT Medco Sarana Kalibaru (MSK), MSK agreed to novate its right to collect on certain receivables to MDI, as follows:

Customer	Amount (Rp)
PT Sapta Prima Adikarya	2,114,752,719
PT Pelayaran Nesitor Sakti Segara	2,912,685,540
PT Partner Resource Indonesia	1,539,589,006
H. Rahmat	181,700,000
PT Istaka Karya	89,270,000
PT Pillar Utama	70,555,006
PT Kertas Nusantara	37,673,744,440
PT Optima Enviro Resources	6,950,000,000
Total	51,532,296,711

ii. Temporary Relinquishment and Management of Kampar Area

In accordance with the Ministry of Energy and Mineral Resources letter No. 8837/13/MEM.M/2013 dated November 26, 2013, the Government approved the relinquishment of Kampar area, a part of South Sumatera Extension Area and Central Sumatera Kampar Area, to become an open area starting from November 28, 2013. In order to maintain the production in Kampar area, the Government assigned PT Medco E & P Indonesia ("MEPI") to temporarily operate the Kampar area for a period of six (6) months starting from November 28, 2013 or until the Government has appointed a new operator (whichever occurs first), with the following service contract provisions:

a. Operating expense will be recovered from the selling of oil production.
b. The calculation of service fee is as follows:

	Before Tax*	Effective Tax **	After Tax
Oil	25%	40%	15%

*) 25% of sales less operating expenses
**) Corporate tax of 25% and dividend tax of 20%

c. All oil production belongs to the Government.
d. Other terms and conditions as previously determined in the PSC for South Sumatera Extension Area and Central Sumatera Kampar Area.

44. SIGNIFICANT CONTRACTS, AGREEMENTS AND COMMITMENTS (continued)

c. Other Agreements (continued)

iii. Oil and Gas Drilling Support Services

On January 30, 2013, EPI agreed to provide Electric Wireline Logging Perforation and Data Processing (EWLPP) services on the workover wells of PT Pertamina EP Java Region with total contract amount of US$3,573,422. The contract will end on February 2, 2015.

On March 4, 2013, EPI agreed to rent its workover rig with capacity of 350 HP - 450 HP for two (2) years to PT Pertamina EP Ubep Adera with total contract amount of US$4,062,909.72.

On July 29, 2013, EPI agreed to rent its workover rig with capacity of 350 HP to PT Pertamina EP Asset 3 Jatibarang with total contract amount of US$1,110,024. The contract has expired on January 17, 2014.

iv. Claim Settlement Agreement

Based on letter No. 042/MDI/DIR/BWS/VII/13 dated July 18, 2013, MDI agreed to the proposal for the settlement of MSK's receivable from PT Global Arta Borneo (GAB). Such settlement relates to the Letter No. 3/MSK-VII/2013 dated July 11, 2013 from MSK to MDI. MSK has proposed to pay the claim of GAB arising from the delay in the HSD shipment using the tanker MT Team Ace as well as GAB's receivable from PT Optima Enviro Resources amounting to Rp2,451,750,000 and Rp1,668,217,152, respectively, whereby Rp1,471,050,000 will be borne by MSK and Rp2,648,917,152 shall be borne by MDI. Part of the amount to be borne by MDI will be paid first by MSK and later claimed from MDI as a reduction of the business development cost amounting to Rp250,000,000 per month from July 2013 to May 2014 owed by MSK to MDI under the Business Development Agreement between them dated December 3, 2013.

On July 19, 2013, MSK has repaid all the amounts due to GAB. As of December 31, 2013, the remaining MDI obligation to MSK amounted to Rp1,148,917,152.

v. Supply of Service Agreement

Under the services agreement (Supply of Service Agreement) between MDI and MSK dated December 3, 2012, MDI as service provider must provide services to MSK for the stipulated period of one year renewable automatically on an annual basis until terminated by either party, through a written notice to be given three months prior to the expiration date.

Services to be provided under the agreement are as follows:

1. Business Development Services and Government Liaison Services at a cost of Rp3,000,000,000 per year;

2. IT Support Services at a cost of US$10,000 per month for a six month transition period with the number of users, types of systems, software, services, and conditions. The cost of IT service to access SAP system during the transition period for the purpose of the audit of government/local authorities amounts to US$3,000 per month with a maximum of 3 SAP IDs.

44. SIGNIFICANT CONTRACTS, AGREEMENTS AND COMMITMENTS (continued)

c. Other Agreements (continued)

vi. Extension of Plan Of Development (POD) for Bengara-I

On November 26, 2012, the Ministry of Energy and Mineral Resources (ESDM) in its letter has given approval to grant additional time in order to process the first POD in the Bengara I Work Area for one (1) year from November 27, 2012 to November 26, 2013 or approval of the first POD of South Sebuku Field by the Minister, whichever occurs first in accordance with the applicable terms and conditions.

The PSC of Bengara I Work Area was originally signed between PT Petroner Bengara and BPMigas (now SKK Migas) on September 27, 1999 to explore and develop Bengara-I Block in the province of East Kalimantan, Indonesia with exploration period up to September 26, 2009.

On March 22, 2013, the Ministry of Energy and Mineral resources (ESDM) in its letter has given approval to the first POD in South Sebuku Field Bengara I Work Area. If PT Medco E & P Bengara does not perform the activities as per Field Development Planning within 5 years from this approval date, then the PSC for Bengara-I Work Area has to be relinquished to the Government.

vii. Termination of Gas Sale and Purchase Agreement (PJBG) between JOB Simenggaris and the Bunyu Consortium for Methanol Refinery

On October 24, 2012, PT Medco Simenggaris received two letters from SKK Migas No. 0899/BPO2000/2012/S2 and No. 0900/BPO2000/2012/S2. The first letter No. 0899/BPO2000/2012/S2 stated that the Gas Sale and Purchase Agreement between Simenggaris JOB (PJBG JOB Simenggaris) and the Consortium for Bunyu Methanol Refinery (BMR) will be terminated, based on certain considerations. The letter stated that it would not be economical to buy gas to produce methanol due to the low efficiency of the refinery and the low selling price of methanol. In addition, the buyer has not obtained the licenses in principle and location permits from the Regent of Tana Tidung.

The second letter of SKK Migas No. 0900/BPO2000/2012/S2 stated that, with respect to the termination of the Gas Sale and Purchase Agreement between PJBG JOB Simenggaris and the Consortium, SKK Migas decided that the gas from South Sembakung, Simenggaris Block can be utilized to supply the needs of PLN in East Kalimantan.

44. SIGNIFICANT CONTRACTS, AGREEMENTS AND COMMITMENTS (continued)

c. Other Agreements (continued)

vii. Termination of Gas Sale and Purchase Agreement (PJBG) between JOB Simenggaris and the Bunyu Consortium for Methanol Refinery (continued)

Thus, the Joint Operating Agreement between PT Medco Methanol Bunyu (MMB) and PT Pertamina (Persero) shall be cancelled and MMB has the obligation to perform the reconditioning of the Bunyu methanol refinery until the refinery can be operated again under normal conditions.

Meanwhile, on May 17, 2013, PT Medco E & P Simenggaris, PT Pertamina Hulu Energi Simenggaris and PT Perusahaan Listrik Negara (PLN) Persero have entered into a gas sales and purchase agreement for the gas production at South Sembakung Field, Simenggaris Block.

viii. Gas Compression Service Agreement

On August 13, 2012, PT Mitra Energi Gas Sumatra (MEGS) signed the Agreement for Gas Compression Services for Soka Field with PT Medco E & P Indonesia. Based on this agreement, MEGS will lease out three reciprocating gas compressors to PT Medco E & P Indonesia with a contract value of approximately US$3,395,653 with a minimum volume of gas served of 21,900 MMSCF until August 13, 2015.

ix. Rig Sales Purchase Agreement

On August 10, 2012, PT Exspan Petrogas Intranusa (EPI), a wholly-owned subsidiary engaged in drilling services, signed a Rig Sale and Purchase Agreement with PT Antareja Resources (AR) and PT Deka Petrindo (DP).

The purchase of 6 workover rigs and 1 drilling rig chain from DP was completed on September 6, 2012, with total acquisition cost of US$30,268,027. The purchase of 1 workover rig from AR was completed on September 26, 2012, with acquisition cost of US$4,611,973.49.

x. Contract for Gas Extraction Services and Feed Gas Processing

On August 1, 2011, PT Medco LPG Kaji (MLK) and PT Medco E & P Indonesia (MEPI) signed a Contract for Gas Extraction Service around the Kaji-Semoga Field. Under this contract, MLK shall provide gas extraction services to MEPI. The contract is valid from August 1, 2011 until December 31, 2011 with a total contract value of US$1,575,000.

On December 13, 2011, MLK and MEPI signed the first amendment of the contract whereby the contract period was extended to January 31, 2012. In connection with the extension of the term of the contract, the contract value was increased by US$157,500 to become US$1,732,500.

On January 20, 2012, MLK and MEPI signed the bridging agreement for Gas Extraction Services around the Kaji-Semoga Field to extend the above mentioned contract to July 19, 2012.

44. SIGNIFICANT CONTRACTS, AGREEMENTS AND COMMITMENTS (continued)

c. Other Agreements (continued)

x. Contract for Gas Extraction Services and Feed Gas Processing (continued)

On July 20, 2012, MLK and MEPI signed the Agreement on Fee for Processing Feed Gas from Kaji-Semoga Field which is effective up to January 20, 2013. Based on the agreement, MLK agreed to provide gas processing services to MEPI with a contract value of US$1,889,415.

On December 6, 2012, MLK received a letter from MEPI stating that the supply of gas from the Rimau Block for the LPG refinery was terminated, therefore, the agreement between MEPI and MLK was also terminated on December 31, 2012 and was not renewed.

xi. Swap Agreement among Bangkanai, Simenggaris and Bengara

In July 2013, the Government of the Republic of Indonesia through the Satuan Kerja Khusus Pelaksana Kegiatan Usaha Hulu Minyak dan Gas Bumi (SKK Migas) with:

1. Letter No. 7936/13/DJM.E/2013, approved the transfer of the Participating Interest in the Simenggaris Work Area;

2. Letter No. 7937/13/DJM.E/2013, approved the transfer of the Participating Interest in the Bangkanai Work Area; and

3. Letter No. 7938/13/DJM.E/2013, approved the transfer of the Participating Interest in the Bengara I Work Area.

With the above approvals, effective from July 22, 2013:

1. Salamander Energy Simenggaris transferred its 21% participating interest in Simenggaris PSC to PT Medco E & P Simenggaris;

2. Bangkanai Bhd transferred its 15% participating interest in the Bangkanai PSC to Salamander Bangkanai;

3. Salamander Energy Bengara transferred its 41.67% participating interest in Bengara PSC to PT Medco E & P Bengara.

The holders of the participating interests in the respective PSCs will be changed as follows:

(i) Bangkanai Bhd will no longer have a participating interest in the Bangkanai PSC;
(ii) Medco Simenggaris will own a 62.5% participating interest in the Simenggaris PSC; and
(iii) Medco Bengara will own a 100% participating interest in the Bengara PSC.

xiii. Joint Venture to Market LNG

In October 2010, the Group and its partners in the Senoro Downstream Gas Development Project which are also shareholders of DSLNG namely, PT Pertamina (Persero) (Pertamina) and Mitsubishi Corporation (MC), signed the Principles of Marketing Cooperation Agreement to do joint marketing of LNG (MJV HOA) with Chubu Electric Power Co, Inc (Chubu). Under the MJV HOA, Chubu, Pertamina, MC and the Group will cooperate to market LNG purchased by Chubu and to be transferred to other potential buyers.

44. SIGNIFICANT CONTRACTS, AGREEMENTS AND COMMITMENTS (continued)

c. Other Agreements (continued)

xiv. Extension of PSCs

In October 2010, the Government of the Republic of Indonesia through the Badan Pelaksana Usaha Hulu Minyak dan Gas Bumi (BPMigas, now known as SKK Migas) approved the extension of the respective Production Sharing Contracts (PSC) of South Sumatera Working Blocks, Block A and Bawean.

The extension of South Sumatera PSC is valid for 20 (twenty) years, which will be effective from November 28, 2013 to November 27, 2033 with a commitment value of US$24 million.

The extension of PSC Bawean is valid for a period of 20 (twenty) years from February 12, 2011 to February 11, 2031 with a commitment value of US$50.5 million.

For Block A PSC, the PSC extension has also been agreed to by the Government of Aceh in accordance with the provisions of Law No. 11 Year 2006 of the Government of Aceh. The extension of Block A PSC is for 20 (twenty) years effective from September 1, 2011 to August 31, 2031.

In addition to the rights and obligations of the contractors as set forth in the amended and restated Production Sharing Contract for Block A in Aceh, the contractors agreed, among other matters, to allocate, at the minimum 1% of the total revenues from the yearly production as their contribution to community development programs in accordance with the Memorandum of Agreement between PT Medco E & P Malaka and the Aceh Provincial Government dated April 5, 2010.

xv. LNG Purchase and Sell Agreement

In October 2010, PT Donggi Senoro LNG (DSLNG), which was 20% owned by the Group at that time, signed the amended and restated Agreement on the Principles for the Sale and Purchase of LNG (A&R LNG HOA) with Chubu Electric Power Co, Inc. Based on the A&R LNG HOA, Chubu will buy as much as 1 million tons of LNG per year from DSLNG for a period of 13 years starting in 2014. LNG will be produced by the LNG refinery to be owned by DSLNG starting in 2014.

xvi. Building Rental

The Group has a lease agreement with PT Api Metra Graha to rent office space at The Energy Building for 5 years starting in the middle of 2009. The rental is paid on a quarterly basis in advance.

On March 25, 2013, MDI and PT Api Metra Graha signed an early termination agreement for the building rental.

The remaining rental commitment on The Energy Building amounted to US$2 million which represents the rental cost for half year.

44. SIGNIFICANT CONTRACTS, AGREEMENTS AND COMMITMENTS (continued)

c. Other Agreements (continued)

xvii. Agreement for the Development of Coal Bed Methane (CBM)

In February 2009, the Group through PT Medco Energi CBM Indonesia and Arrow Energy (Indonesia) Holdings Pte Ltd (Arrow), signed a Head of Agreement (HOA). The Group and Arrow will cooperate to explore and develop Coal Bed Methane (CBM) over the Group's conventional oil and gas PSC working area. Each of the parties shall have a 50% participating interest.

The Group and Arrow will work together to expeditiously negotiate a CBM Production Sharing Contract with the Indonesian regulatory authorities aimed at commencing exploration operations as soon as possible.

On December 3, 2010, the Company through PT Medco CBM Pendopo, signed a CBM Production Sharing Contract with Dart Energy (Muralim) Pte Ltd (previously Arrow) and SKK Migas to carry out CBM development activities in Muralim Block, South Sumatera.

The Group and Dart Energy (Muralim) Pte Ltd have executed the Joint Operating Agreement in May 2011 aimed at commencing exploration operations as soon as possible.

Based on Notarial Deed No. 26 dated February 18, 2011 of Karlita Rubianti, S.H., PT Medco Energi CBM Indonesia established PT Medco CBM Bengara with initial paid-in capital amounting to Rp4,000,000,000. PT Medco Energi CBM Indonesia's investment together with share ownership of PT Medco Energi Nusantara's in PT Medco CBM Bengara amounting to Rp1,000,000,000, represents share ownership of 100%.

On August 1, 2011, the Company through PT Medco CBM Lematang, signed a CBM Production Sharing Contract with PT Methanindo Energy Resources, PT Saka Energi Indonesia and SKK Migas to carry out Coal Bed Methane (CBM) development activities in Lematang Block, South Sumatera.

Based on Notarial Deed No. 3 dated January 4, 2012 of Karlita Rubianti, S.H., PT Medco Energi CBM Indonesia established PT Medco CBM Rimau with initial paid-in capital amounting to Rp1,000,000,000. PT Medco Energi CBM Indonesia's investment together with that of PT Medco Energi Nusantara's in PT Medco CBM Rimau amounting to Rp1,000,000,000, represents equity interest of 100%.

xviii. Portfolio Investment Management Agreement

The Company entered into portfolio investment management agreements with Julius Baer and Barclays Wealth (acting as "Fund Managers"), whereby the Company appointed these Fund Managers to invest and manage the Company's investment portfolio. Based on such agreements, the investment portfolio will consist of cash and financial instruments, in the form of traded shares of stocks, commercial papers, mutual fund units and other marketable securities.

Under the agreements, the Fund Managers are required to report every month the net asset value of the Company's respective investment portfolios under their management. The Fund Managers are entitled to management fee based on the Net Asset Value of the investment portfolio. The total net asset value of the Company's funds managed by the Fund Managers amounted to about US$250.2 million as of December 31, 2013. These investments are presented as part of "Short-term Investments" in the consolidated statement of financial position (Note 5).

44. SIGNIFICANT CONTRACTS, AGREEMENTS AND COMMITMENTS (continued)

c. Other Agreements (continued)

xix. Crude Oil Transaction

On June 30, 2011, the Company through its wholly-owned subsidiary, Petroleum Exploration & Production International Limited (PEPIL), signed a Crude Oil Sale and Purchase Agreement (COSPA) with Petro-Diamond Singapore Pte Ltd (PDS).

The period for the sales of crude oil to PDS will be three (3) years, starting in January 2012 up to December 2014 at a price based on Indonesian Crude Price (ICP) of Sumatera Light Crude (SLC) plus a fixed premium per barrel as stated in the agreement. The first delivery occured in January 2012.

xx. Development of Potential Geothermal Energy Resources

(a) In April 2007, the Group and Kyushu Electric Power (KEP) signed the Development of Joint Business and Joint Cooperation Agreement that is a joint venture based in the future for electric power business.

(b) In April 2007, a non-institution Consortium formed by the Group together with Ormat International Inc and Itochu Corporation, entered into an agreement with PT PB Power Indonesia (PBPI), whereby PBPI agreed to provide certain services to the Sarulla Project.

45. CONTINGENCIES

a. Litigations

i. Partner Selection to Invest in the Donggi Senoro Project

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

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

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

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

Based on website *http://kepaniteraan.mahkamahagung.co.id*, it was known that on July 30, 2012, the Supreme Court has decided to grant the memorandum of cassation filed by the Group with Pertamina and MC. Thus, this Supreme Court decision cancels the decision of the District Court of Central Jakarta and the above decision of the KPPU.

45. CONTINGENCIES (continued)

a. Litigations (continued)

i. Partner Selection to Invest in the Donggi Senoro Project (continued)

As of the date of the completion of the consolidated financial statements, the Group has yet to receive the copy of the said Supreme Court decision. Nevertheless, management believes that the decision issued by the Commissioners' Panel on the Group has no strong legal merit, and as such, the Group has not made any provision for the litigation.

ii. Arbitration against Singapore Petroleum Sampang Ltd (SPC) and Cue Sampang Pty Ltd (Cue)

On August 10, 2012, Medco Strait Services Pte Ltd (Medco), a Subsidiary, served a Notice of Arbitration to Singapore Petroleum Sampang Ltd (SPC) and Cue Sampang Pty Ltd (Cue) to recover its claims from these two parties totaling about US$35.06 million relating to the Subsidiary's investment in the Jeruk Project. An Arbitral Tribunal has been formed and the parties have submitted the necessary procedural documentation to the Arbitral Tribunal.

All parties had appeared before the Arbitral Tribunal for hearing on September 3-5, 2013. The claim of Medco has been revised from US$35.06 million to US$33.16 million.

On March 6, 2014, the Arbitral Tribunal has issued an interim arbitration decision (Interim Award) to the parties, the decision of which contains the following key points:

1. The Arbitral Tribunal accepts the position of Medco that SPC and Cue should return the excess Jeruk investment fund retained to date by SPC and Cue.

2. The Arbitral Tribunal agreed that Medco is entitled to the recovery of its share of investment costs of Jeruk field, after SPC and Cue have each fully recovered all of their share of investment costs related to the Jeruk Field, although the source of the cost recovery is from the other fields in Sampang PSC.

   The Arbitral Tribunal is of the opinion that the cost recovery on Jeruk Field is not dependent on the cost recovery of SPC and Cue from other fields (which can be used as the source of cost recovery of Jeruk Field), which SPC and Cue deny.

3. The Arbitral Tribunal rejected the evidence presented by both parties in determining whether SPC and Cue have fully recovered all of their share of investment costs related to Jeruk field. The Arbitral Tribunal has set a separate calculation method to determine whether or not there has been recovery of the entire investment costs of Jeruk field.

4. Based on the calculation method set by the Arbitral Tribunal, SPC and Cue have not yet fully recovered all of their share of investment costs related to Jeruk Field prior to the start of arbitration. As a result, Medco is not yet entitled to get the amount it is claiming in its arbitration case.

5. However, the Arbitral Tribunal has indicated that it is possible such costs have been fully recovered from the State based on such calculation method.

45. CONTINGENCIES (continued)

a. Litigations (continued)

ii. Arbitration against Singapore Petroleum Sampang Ltd (SPC) and Cue Sampang Pty Ltd (Cue) (continued)

6. The Arbitral Tribunal has also established the method of calculating the amount withheld (the "withholding amount") related to the profit oil from costs recovered from the State. Although the calculation method for the withholding amount already been set, the Arbitral Tribunal is not yet able to determine its amount.

7. Based on the interim award, the Arbitral Tribunal provides an opportunity to the parties (Medco, SPC and Cue) to submit written documents necessary to assist the Arbitral Tribunal to issue a final arbitration decision, within 14 (fourteen) days or more from the date of the interim award by agreement of the parties.

iii. Muslim A. Gani Lawsuit for Land Acquisition - Matang Project

In December 2011, Muslim A. Gani and two other villagers (Plaintiff) filed a legal claim against PT Medco Energi Internasional Tbk (Defendant), relating to land acquisition by the Defendant in Matang. The legal claim was registered at Idi District Court, Aceh. The Plaintiff demanded that the Defendant pay compensation for the land acquisition totaling Rp1.05 billion.

Management believes that the claim has no strong legal basis, accordingly, no provision for the such claim was recognized in the consolidated financial statements.

iv. M. Nur AB and Jamaluddin Rani's Law Suit Relating to Land Clearing in Blang Simpo Village

On December 20, 2011, M. Nur AB and Jamaluddin Rani (Plaintiff) filed a legal claim against PT Medco E & P Malaka (Defendant) in Idi District Court. The Plaintiff claimed that the Defendant has committed unlawful act during the land clearing process in Blang Simpo Village, Peureulak, Matang-1 Aceh Timur. The Plaintiff demanded the Defendant to pay compensation in the amount of Rp1,050,000,000.

Management believes that the law suit filed by the Plaintiff has no strong legal basis and still in the investigation process by Idi District Court, therefore, no provision for the lawsuit was recognized in the consolidated financial statements.

v. Arbitration Against Soconord SA

On May 17, 2013, Soconord SA (Soconord or Petitioner) filed a petition against Joint Operation Body Pertamina - Medco Tomori Sulawesi (JOB or Respondent) with the Indonesian National Arbitration Body (BANI) in Jakarta. Soconord claimed that the JOB has committed an unlawful act in regard to the guarantee letter issued by the JOB to pay Soconord the amount of US$1,161,310 plus interest of 6% per annum.

BANI has issued the arbitration decision letter on January 10, 2014 partially accepting Soconord petition, and the JOB is required to pay Soconord the amount of US$1,161,310 plus interest of 6% per annum (interest is calculated from the payment due date as stated in the guarantee letter until the arbitration decision letter date). The Group has recognized a provision in the consolidated financial statements based on the arbitration decision letter.

45. CONTINGENCIES (continued)

a. Litigations (continued)

vi. Legal Claim of PT Mira Mirza Samudra Samarinda

On May 29, 2006, PT Mira Mirza Samudra Samarinda (Plaintiff) filed a legal claim against PT Medco E & P Indonesia (Defendant I) and Pertamina EP Region KTI (Defendant II) in Tenggarong District Court. The claim was filed when Defendant I acted as Operator under Technical Assistance Contract (TAC). This TAC has ended and the rights and obligations as Operator have been transferred to Pertamina EP in October 2008. The substance of the dispute is related to the Plaintiff's claim amounting to Rp1,180,000,000 on the incident in the boat rented by Defendant I from the Plaintiff for operational purposes under the TAC.

On May 3, 2007, Tenggarong District Court has decided that the claim filed by the Plaintiff is not acceptable and the Plaintiff filed an appeal on the decision made by Tenggarong District Court to Samarinda High Court. Until the date of the completion of the consolidated financial statements, the legal claim is still in the investigation stage in Samarinda High Court. The Group is of the opinion that the legal claim has no strong legal basis, therefore, no provision was recognized in the consolidated financial statements.

b. Government and Joint Venture Audit Claims

In relation with its oil and gas exploration and production activities, the Group is subject to periodic audits by governmental agencies and joint venture partners. Claims arising from these audits are either agreed by management and recorded in the accounting records, or are disputed.

Resolution of disputed claims may require a lengthy negotiation process extending over a number of years. As of December 31, 2013, management believes that the Group has strong position against these claims, and therefore no provisions have been made for these claims.

c. Surety Obligations

Medco Energy US LLC is contingently liable to a surety insurance company in the aggregate amount of US$18,035,000 as of December 31, 2013 relative to bonds issued on Medco's behalf to the Bureau of Ocean Energy Management (BOEM) [formerly United States Department of the Interior Minerals Management Service (MMS)] and certain third parties from whom oil and gas properties were purchased. The bonds are third party guarantees by the surety insurance company that the Medco Energy US LLC will operate in accordance with applicable rules and regulations and perform certain Plugging and Abandonment obligations as specified by applicable purchase and sale agreements.

(Expressed in United States Dollars, unless otherwise stated)

46. ASSET ABANDONMENT AND SITE RESTORATION OBLIGATIONS

The movements in site restoration and abandonment obligations are presented below:

	2013	2012
Indonesia		
Beginning balance	69,095,595	64,849,937
Additions during the year	709,666	4,245,658
Ending balance	69,805,261	69,095,595
Escrow accounts	(34,371,226)	(29,847,525)
Ending balance - net	35,434,035	39,248,070
United States of America (USA)		
Beginning balance	16,427,476	15,498,319
Additions during the year	562,889	929,157
Adjustment	(1,598,692)	-
Ending balance	15,391,673	16,427,476
Total	**50,825,708**	**55,675,546**

The current estimates for the asset abandonment and site restoration obligations were determined by management and not by an independent consultant. Management believes that the accumulated provisions as of the dates of the consolidated statements of financial position are sufficient to meet the environmental obligations resulting from future site restoration and asset abandonment.

The above escrow accounts are placed in PT Bank Negara Indonesia (Persero) Tbk and PT Bank Rakyat Indonesia (Persero) Tbk for the funding of abandonment and site restoration obligations (ARO) relating to oil and gas operations in Indonesia. Escrow accounts placed in PT Bank Mandiri (Persero) Tbk will be used to fund the reclamation area in connection with mining operations.

47. MIDDLE EAST AND NORTH AFRICA

The Group has oil and gas exploration and production joint venture contracts in Libya and Yemen and an oil and gas service contract in Oman. In early 2011, civil unrests were taking place in Libya, and to a lesser extent in Yemen and Oman. The situations in Yemen and Oman have not had any significant effects on the Group's operations in those countries.

After the civil unrest in Libya in early 2011, the Group has already resumed its operations with limited activities. Currently, the operational activity in Libya has recovered and normal activity has resumed. The Group has total capitalized exploration expenditures of US$159 million or 6% of the Group's total consolidated assets as of December 31, 2013. Those expenditures were substantially spent for the drilling activities involving primarily sub-surface well equipment, not in the form of tangible assets on land, that have resulted in the discovery of very significant volume of hydrocarbons that reside about 10,000 feet underground. Therefore, the assets (i.e., the hydrocarbon reserves and the associated sub-surface well equipment) had not been exposed to the disturbances during the civil unrest.

48. SIGNIFICANT SUBSEQUENT EVENTS

i. On March 20, 2014, the Company, through MDI, a wholly-owned subsidiary, signed the Shares Sale and Purchase Agreement with Puma Energy (Singapore) Pte Ltd (Puma), Puma Asia Pacific, BV (Puma Offshore) and MSK for the sale of 35.28% or 2,241,489 shares of MSK owned by MDI to Puma and Puma Offshore with total consideration of US$17,400,000. The shares will be allocated to Puma and Puma Offshore for 2,241,389 shares and 100 shares, respectively. This transaction is effective at the approval date of the resignation of Mr. Noorzaman Rivai and Mrs. Rahma Septiana (MSK's Directors) and the resignation of Mr. Budi Basuki (MSK's Commissioner) and the approval from Indonesia Investment Coordinating Board (BKPM). Six months after the transaction completion date, MSK is obliged to remove the name "Medco" from its registered company name. As a result of the transaction, MDI will no longer have ownership in MSK.

ii. On March 18, 2014, the shareholders of Medco LLC in their Annual General Meeting, approved the declaration of cash dividends amounting to US$17.5 million pertaining to financial year 2012.

iii. On March 5, 2014, the Company signed a Credit Agreement with PT Bank Mandiri (Persero) Tbk for the extension of matured Working Capital Facility amounting to US$50 million. The Credit Agreement will expire on March 13, 2015.

iv. On February 11, 2014, the Company signed a Credit Agreement with PT Bank ICBC Indonesia to amend the Working Capital Credit Facility from its maximum limit of US$10 million and with maturity of one year to new maximum limit of US$50 million and with maturity of three years. The facility is for general financing purposes for the years 2014 - 2016 and will mature in three (3) years after the first withdrawal date. On February 25, 2013, the Company has withdrawn the facility up to US$50 million.

v. On February 27, 2014, PT Pertamina Hulu Energi Metana Sumatera 7 ("PHE Metana Sumatera 7") issued a Letter of Intent (LOI) to PT Exspan Petrogas Intranusa to rent the Workover rig with capacity of 400 HP, complete with labor and supporting equipment, for the drilling of Coal Bed Methane gas exploration wells in Air Benakat Field, South Sumatera with maximum total contract value of US$3 million. The date of commencement based on the LOI is on March 1, 2014.

vi. On March 13, 2014, the joint venture of PT Pertamina Hulu Energy Tomori Sulawesi, PT Medco E & P Tomori Sulawesi and Tomori E & P Ltd (collectively referred to as JOB) signed a Gas Sales Agreement (GSA) with PT Panca Amara Utama (PAU). Based on the GSA, JOB will supply total gas volume of 248,200 MMSCF (million cubic feet) to PAU during the contract period.

    The GSA will expire when the total gas supply volume has been fully supplied to PAU or upon the expiration of the PSC, whichever occurs first.

    The gas sales is recognized at the point of delivery using the following formula and gas prices:
    (i) the floor price = US$4.00/MMBTU
    (ii) If the price of ammonia (HA) is less than or equal to US$500/MT = US$5.00+(HA-500)/50
    (iii) If the HA is more than US$500/MT = US$5.00+50%x(HA-500)/32

vii. On February 10, 2014, based on the Circular Resolution of the Shareholders, DTR increased its capital stock from Rp1,000,000,000 to Rp30,000,000,000 with par value of Rp1,000 per share. In addition, the issued and paid-up capital increased from Rp250,000,000 to Rp30,000,000,000 in which the additional issuance of shares is subscribed and fully paid by MEMI.

viii. Based on the Circular Resolution of the Shareholders, on February 10, 2014, MEMI increased its capital stock from Rp1,000,000,000 to Rp30,000,000,000 with par value of Rp1,000 per share. In addition, the issued and paid-up capital increased from Rp250,000,000 to Rp30,000,000,000 in which the additional issuance of shares is subscribed and fully paid by MEI.

48. SIGNIFICANT SUBSEQUENT EVENTS (continued)

ix. On January 16, 2014, the Company through its wholly-owned subsidiary, Medco Asia Pacific Ltd, signed a Shares Sale and Purchase Agreement to acquire 90% ownership in Moonbi Energy Ltd, a subsidiary of Moonbi Enterprises Ltd, for a total consideration of US$3,565,000. Also, on February 5, 2014, Medco Asia Pacific Ltd entered into a Joint Operating Agreement (JOA) with Moonbi Enterprises Ltd and Moonbi Energy Ltd for the exploration of oil and gas for six years in Juha Extension area designated as Petroleum Prospecting License No. 470 (“PPL 470”), located in West Province, Papua New Guinea.

x. In 2014, PT Medco E & P Tomori Sulawesi has used the credit facility from the Syndicate of Banks, namely Standard Chartered Bank - Singapore branch and PT Bank Mandiri (Persero) Tbk. As of the completion date of the consolidated financial statements, the drawdown from the credit facility amounted to US$44.8 million.

xi. Effective on January 15, 2014, Medco Cambodia Holding Ltd, a subsidiary incorporated under the laws of the British Virgin Islands, has changed its registered company name to Medco Asia Pacific Ltd.

49. REVISED STATEMENTS OF FINANCIAL ACCOUNTING STANDARDS

The following are the accounting standards that have been approved by the Financial Accounting Standard Boards (DSAK) which are relevant to the Group’s financial reporting but are not yet effective as of December 31, 2013:

i. PSAK No. 1 (Revised 2013): Presentation of Financial Statements, adopted from IAS 1, effective on January 1, 2015
This PSAK changes the grouping of items presented in Other Comprehensive Income. Items that could be reclassified to profit or loss would be presented separately from items that will never be reclassified.

ii. PSAK No. 4 (Revised 2013): Separate Financial Statements, adopted from IAS 4, effective on January 1, 2015
This PSAK only prescribes the accounting requirements when a parent entity prepares separate financial statements as additional information. Accounting for consolidated financial statements is regulated in PSAK No. 65.

iii. PSAK No. 15 (Revised 2013): Investments in Associated Entity and Joint Venture, adopted from IAS 28, effective on January 1, 2015
This PSAK describes the application of the equity method to investments in joint ventures in addition to associated entities.

iv. PSAK No. 24 (Revised 2013): Employee Benefits, adopted from IAS 19, effective on January 1, 2015
This PSAK, among others, removes the corridor mechanism and contingent liability disclosures to simple clarification and disclosures.

v. PSAK No. 65: Consolidated Financial Statements, adopted from IFRS 10, effective on January 1, 2015
This PSAK replaces the portion of PSAK No. 4 (Revised 2009) that addresses the accounting for consolidated financial statements, establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

49. REVISED STATEMENTS OF FINANCIAL ACCOUNTING STANDARDS (continued)

vi. PSAK No. 66: Joint Arrangements, adopted from IFRS 11, effective on January 1, 2015
This PSAK replaces PSAK No. 12 (Revised 2009) and ISAK No. 12. This PSAK removes the option to account for jointly controlled entities using proportionate consolidation.

vii. PSAK No. 67: Disclosure of Interest in Other Entities, adopted from IFRS 12, effective on January 1, 2015
This PSAK includes all of the disclosures that were previously in PSAK No. 4 (Revised 2009), PSAK No. 12 (Revised 2009) and PSAK No. 15 (Revised 2009). The disclosures relate to an entity's interest in other entities.

viii. PSAK No. 68: Fair Value Measurement, adopted from IFRS 13, effective on January 1, 2015
This PSAK provides guidance on how to measure fair value when fair value is required or permitted.

ix. ISAK No. 27: Transfer of Assets from Customers, adopted from IFRIC 18, effective on January 1, 2014.

x. ISAK No. 28: Extinguishment of Financial Liabilities with Equity Instruments, adopted from IFRIC 19, effective on January 1, 2014.

xi. ISAK No. 29: Land Stripping Costs on Production Phase of a Surface Mining, adopted from IFRIC 20, effective on January 1, 2014.

xii. PPSAK 12: Revocation of PSAK No. 33, Stripping Activity and Environmental Management at General Mining, effective on January 1, 2014.

The Group is presently evaluating and has not yet determined the impact of these new and revised accounting standards on the Group's consolidated financial statements.

50. OPERATIONAL RISKS

The Group's operations in the oil and gas sector are subject to hazards and risks inherent in drilling and production and transportation of natural gas and oil, such as fires, natural disasters, explosions, encountering formations with abnormal pressures, blowouts, cratering, pipe line ruptures and spils, which can result in the loss of hydrocarbons, environmental pollution, personal injury claims and other damage to properties of the Group. Additionally, certain of the Group's oil and natural gas operations are located in areas that are subject to tropical weather disturbances, some of which can be severe enough to cause substantial damage to facilities and possibly interrupt production.

As protection against operating hazards, the Group maintains insurance coverage against some, but not all, potential losses. The Group's insurance coverage for its oil and gas exploration and production activities includes, but is not limited to, loss of wells, blowouts and certain costs of pollution control, physical damage to certain assets, employer's liability, comprehensive general liability, and automobile and workers compensation insurance.

51. APPROVAL AND AUTHORIZATION FOR THE ISSUANCE OF CONSOLIDATED FINANCIAL STATEMENTS

The issuance of the consolidated financial statements of the Group was approved and authorized by the Board of Directors on March 21, 2014.

RESERVES ESTIMATION

The following information on proved developed, undeveloped and probable reserve quantities as well as contingent resources are estimates only, and do not purport to reflect realizable values or fair market values of the Group's reserves. The Group emphasizes that reserve estimates are inherently imprecise. Accordingly, these estimates are expected to change as future information becomes available. There are numerous uncertainties inherent in estimating oil and natural gas reserves including many factors beyond the control of the Group.

The following information on the Group's reserves and resources quantities are estimated either by the Group's engineers, an independent petroleum engineering consultant, i.e., Netherland, Sewell & Associates, Inc. or based on estimates by the operators of the respective blocks. Generally accepted petroleum engineering principles and definitions applied by the industry to proved and probable reserve categories and subclassifications as well as contingent resources were utilized in preparing the reserves and resources disclosures.

Management believes that the reserve quantities shown below are reasonable estimates based on available geological and engineering data.

Proved (in MBOE*)

			Proved (in MBOE*)				
			Beginning balance	**Addition or revision**	**Sale of assets**	**Production**	**Ending balance**
			December 31, 2012				December 31, 2013
Indonesia Assets							
1	Production	Rimau (1)	32,231	-	-	4,695	27,536
2	Production	Kampar/S.S. Extension (1)	53,563	-	-	10,085	43,478
3	Production	Lematang (Singa Field) (1)	7,379	-	-	2,163	5,216
4	Production	Tarakan (1)	3,237	-	-	795	2,442
5	Production	Sembakung (2)	1,176	(604)	-	572	-
6	Production	Senoro Toili (Tiaka Field) (1)	1,038	-	-	118	920
7	Production	Bawean (1)	5,396	-	-	293	5,103
8	Development	Senoro Toili (Senoro Gas Field) (3)	67,248	-	-	-	67,248
9	Development	Block A (4)	7,818	-	-	-	7,818
10	Development	Simenggaris(5)	1,366	(1,366)	-	-	-
11	Development	Bangkanai(6)	3,333	(3,333)	-	-	-
	Total		**183,785**	**(5,303)**	**-**	**18,721**	**159,761**

RESERVES ESTIMATION (continued)

Proved (in MBOE*)

			Proved (in MBOE*)				
			Beginning balance	**Addition or revision**	**Sale of assets**	**Production**	**Ending balance**
			December 31, 2012				December 31, 2013
International Assets							
1	Production	United States (7)	6,831	-	-	228	6,603
2	Development	Libya 47 (8)	30,612	-	-	-	30,612
3	Production	Yemen 9 (9)	5,871	(609)	-	390	4,872
	Total		**43,314**	**(609)**	**-**	**618**	**42,807**
	Total Proved Reserves		**227,099**	**(5,912)**	**-**	**19,339**	**201,848**

* MBOE: Thousand Barrel Oil Equivalent. Indonesia assets are using 5.85 as conversion factor while US and Libya assets are using 6 for Gas to Oil conversion factor.

Proved and Probable (in MBOE*)

			Proved and Probable (in MBOE*)				
			Beginning balance	**Addition or revision**	**Sale of assets**	**Production**	**Ending balance**
			December 31, 2012				December 31, 2013
Indonesian Assets Production							
1	Production	Rimau (1)	38,502	-	-	4,695	33,807
2	Production	Kampar/S.S. Extension (1)	59,991	-	-	10,085	49,906
3	Production	Lematang (Singa Field) (1)	8,980	-	-	2,163	6,817
4	Production	Tarakan (1)	3,902	-	-	795	3,107
5	Production	Sembakung (2)	1,286	(714)	-	572	-
6	Production	Senoro Toili (Tiaka Field) (3)	2,545	-	-	118	2,427
7	Production	Bawean (1)	7,270	-	-	293	6,977
8	Development	Senoro Toili (Senoro Gas Field) (3)	71,345	-	-	-	71,345
9	Development	Block A (4)	22,067	-	-	-	22,067
10	Development	Simenggaris(5)	1,366	(1,366)	-	-	-
11	Development	Bangkanai(6)	3,333	(3,333)	-	-	-
	Total		**220,587**	**(5,413)**	**-**	**18,721**	**196,453**

RESERVES ESTIMATION (continued)

Proved and Probable (in MBOE*)

			Proved and Probable (in MBOE*)				
			Beginning balance	Addition or revision	Sale of assets	Production	Ending balance
			December 31, 2012				December 31, 2013
International Assets							
1	Production	United States [7]	9,330	-	-	228	9,102
2	Development	Libya 47 [8]	51,974	-	-	-	51,974
3	Production	Yemen 9 [9]	12,063	(1,930)	-	390	9,743
	Total		**73,367**	**(1,930)**	-	**618**	**70,819**
	Total Proved and Probable Reserves		**293,954**	**(7,343)**	-	**19,339**	**267,272**
Contingent Resources							
1	Development	Senoro Toili (Senoro Gas Field) [3]	76,710	-	-	-	76,710
2	Exploration	Bangkanai [10]	305	(305)	-	-	-
3	Development	Simenggaris [11]	9,169	6,696	-	-	15,865
4	Exploration	Libya [8]	79,437	-	-	-	79,437
5	Exploration	Yemen 9	5,139	42	-	-	5,181

(1) The Group's reserves estimates per December 31, 2011 were certified in the Report of Netherland, Sewell & Associates, Inc. (NSAI) dated April 27, 2012, based on the Group's effective working interest.

(2) The Group's reserves estimates per December 31, 2011 were certified in the Report of Netherland, Sewell & Associates, Inc. (NSAI) dated April 27, 2012, based on the Group's effective working interest. Sembakung Block was effectively relinquished to the Government of the Republic of Indonesia in December 2013.

(3) The Group's reserves estimates for Senoro Toili Block Gas field were certified in the Report of Gaffney, Cline & Associates (GCA) dated February 1, 2010 with effective working interest of 30%.

(4) The Company's reserves estimates for Block A were certified in the Report of Gaffney, Cline & Associates as of December 31, 2007, with effective working interest of 41.67%. In 2010, PSC extension up to 2031 was obtained.

(5) Proved reserves estimates for Simenggaris Block are based on PERUSDA Nusa Serambi Persada Gas Sales Agreement (GSA) with working interest of 41.5%, which is still awaiting for the finalization of Gas Sales Agreement.

(6) The Company transferred its ownership in Bangkanai Block to Salamander Energy to obtain additional ownership from Salamander Energy in Simenggaris and Bengara Blocks, effective on September 30, 2013. Through this agreement, the Company's working interest will be 0% for Bangkanai Block, 100% for Bengara Block, and 62.5% for Simenggaris Block.

(7) The Group's reserves estimates for the US assets were derived from the NSAI Report as of December 31, 2010.

(8) The Company had already been granted the commercial rights at Area 47, Libya for A,D and F structure on December 14, 2011, therefore the Company decided to move the portion of contingent resources to Proved and Probable reserves with 25% participating interest (based on the Company's participating interest after the declaration of commerciality). The Company's contingent reserve estimates for Libya Block are based on DeGoyler MacNaughton's evaluation as of September 30, 2008 and in-house estimates, with effective working interest of 25%, which represents the estimated quantities of petroleum to be potentially recoverable from known accumulations using established technology or technology under development, but which are not currently considered to be commercially recoverable due to one or more contingencies. There is no certainty as to what extent of the reserves will be commercially viable to produce. The best estimate is considered to be the best estimate of the quantity that will actually be recovered. It is equally likely that the actual remaining quantities that can be recovered will be greater or less than the best estimate.

(9) The Group's reserves estimates for Yemen Malik Block 9 were certified in the report of McDaniel & Associates Consultants Ltd signed on February 28, 2014 with effective working interest of 21.25%.

(10) Contingent reserves estimates for the Bangkanai Block were based on the 2005 study by LAPI ITB with working interest of 15%.

(11) The remaining contingent reserve estimates for Simenggaris Block were based on POD of February 2008 with working interest of 62.5%.

Board of Directors & Board of Commissioners Statement

Regarding The Responsibilities Toward The 2013 Annual Report PT Medco Energi Internasional Tbk

We, the undersigned, being the members of the Board of Commissioners and Board of Directors of MedcoEnergi, hereby, declare that we are fully responsible towards the preparation and presentation of the 2013 Annual Report and 2013 Financial Statements. All information on the 2013 Annual Report and 2013 Financial Statements have been fully and accurately disclosed, and the Reports do not contain false or omitted information or material fact.

In witness whereof, the undersigned have drawn up this statement truthfully.

Jakarta, 15 April 2014
Prepared by :

Lukman Mahfoedz
President Director &
Chief Executive Officer

Frila Berlini Yaman
Director & Chief Operation Officer E&P

Lany D. Wong
Director & Chief Financial Officer

Akira Mizuta
Director & Chief Planning Officer

Approved by:

Hilmi Panigoro
President Commissioner

Junichi Iseda
Commissioner

Marsillam Simandjuntak
Independent Commissioner

Yani Y. Rodyat
Commissioner

R. Dewi Arifin
Commissioner

Gustiaman Deru
Independent Commissioner

Address

Ticker Symbol:
MEDC

Stock Exchange Listing & Bonds Listing:
Bursa Efek Indonesia

Public Accountant
Purwantono, Suherman & Surja
(a member firm of Ernst & Young Global limited)
Indonesia Stock Exchange Building
Tower II, 7th Floor
Jl. Jend. Sudirman Kav. 52-53
Jakarta 12190, Indonesia
Tel. (62 – 21) 5289 5000
Fax. (62 – 21) 5289 4100
www.ey.com

Share Registrar
PT Sinartama Gunita
Sinar Mas Land Plaza Menara I, 9th Floor
Jl. MH. Thamrin No. 51
Jakarta 10350, Indonesia
Tel. (62 – 21) 392 2332 (Hunting)
Fax. (62 – 21) 392 3003

PT Kustodian Sentral Efek Indonesia
Indonesia Stock Exchange Building
Tower I, 5th Floor
Jl. Jend. Sudirman Kav. 52-53,
Jakarta 12190
Indonesia
Tel. (62 – 21) 515 2855
Fax. (62 – 21) 5299 1199

Rating Agency
PT Pemeringkat Efek Indonesia (PEFINDO)
Setiabudi Atrium 8th Floor, Suite 809-810
Jl. H.R. Rasuna Said Kav. 62
Jakarta 12920, Indonesia
Tel. (62 – 21) 521 0077
Fax. (62 – 21) 521 0078

Name and Address of Subsidiaries and Affiliates:

PT Medco E&P Indonesia
The Energy, 28-29th Floor
SCBD Lot 11A
Jl. Jend. Sudirman
Jakarta 12190, Indonesia
Tel. (62-21) 2995 4000
Fax. (62-21) 2995 4001

PT Medco Power Indonesia
The Energy, 50th Floor
SCBD Lot 11A
Jl. Jend. Sudirman
Jakarta 12190, Indonesia
Tel. (62-21) 2995 3000
Fax. (62-21) 2995 3001

PT Medco Downstream Indonesia
Plaza III Pondok Indah Blok A No. 3A-7 &
The Energy, 27th Floor
SCBD Lot 11A
Jl. Jend. Sudirman
Jakarta 12190, Indonesia
Tel. (62-21) 2995 3000
Fax. (62-21) 2995 3001

PT Medco Energi Mining Internasional
The Energy, 51st Floor
SCBD Lot 11A
Jl. Jend. Sudirman
Jakarta 12190, Indonesia
Tel. (62-21) 2995 3000
Fax. (62-21) 2995 3001

PT Medco Gas Indonesia
The Energy, 52nd Floor
SCBD Lot 11A
Jl. Jend. Sudirman
Jakarta 12190, Indonesia
Tel. (62-21) 2995 3000
Fax. (62-21) 2995 3001

PT Exspan Petrogas Intranusa
Graha CIMB Niaga, 16th Floor
Jl. Jend. Sudirman Kav. 58
Jakarta 12190, Indonesia
Tel. (62-21) 250 5459
Fax. (62-21) 250 5460

PT Medco Energi Internasional Tbk
2013 Annual Report

MEDCOENERGI

PT Medco Energi Internasional Tbk

The Energy Building, 53rd Floor
SCBD Lot 11A
Jl. Jend. Sudirman
Jakarta 12190, Indonesia
Tel. (62-21) 2995 3000
Fax. (62-21) 2995 3001
Email. corporate.secretary@medcoenergi.com

www.medcoenergi.com