Performing Productivity Improvement for Performance Recovery

an ELSA’s presentation to capital market analysts:
1Q-2012 performance, strategy & 2012 projection

Discussion Agenda:

1. Corporate & Business Overview
2. Management’s Continuous Action for Performance Recovery
3. 2011 Performance Highlights
4. Industry & Prospect in Brief
5. 1Q-2012 Performance Highlights
6. 2012 Business Strategy
7. 2Q-2012 Performance Projection
PT Elnusa Tbk ("ELSA") is a publicly listed Oil & Gas Services company which has been operating for almost 40 years in oil & gas industry. ELSA focuses in Upstream Oil & Gas Services business. Geoscience-Drilling-Oilfield and also manages Downstream Oil & Gas Services as well as Support Upstream Oil & Gas Services in its Subsidiaries. In 2011, ELSA established a Joint-Venture company for marine seismic services business.

Controlling Shareholders:
- PT Pertamina (Persero)
- PT Benakat Petroleum Energy Tbk
Subsidiary Businesses

- **Fuel Transportation**: Mgt of tank truck Distribution of fuel to agents
- **Depo**: Mgt of Depo for private & marine business
- **Fuel Station**: Mgt of fuel station
- **Trading**: Special Chemical Commodity Chemical Fuel for industry & marine Mobile Bunker Agent
- **Threading & Trading OCTG Pipe Fabrication**: Barge & waste water treatment
- **Data Processing & Study**: Data Remastering Storage Data Mgt: Physical & Digital data Prospect Evaluation & Data Enhancement
- **Data Mgt Information Communication & Telecommunication**

The Nature of Upstream Oil & Gas Services Business

- Indirectly correlated with oil prices: Service price is set by project/field owner and approved by regulator (BP Migas). Service price is in-line with service demand, market competition & cost of production.
- Contract basis: Short term (seismic services), short-to-medium term (drilling services) & medium-to-long term (oilfield services).
- Technology & life cycle: high tech, yet short life cycle (seismic), low-tech & long life cycle (drilling services & oilfield services) affecting the competition.
- Project execution is influenced by the readiness of working field (in term of work permit), field location, unfavourable weather/climate changes, community acceptance, dynamic regulation regarding environment and energy / oil & gas industry.
- HSE is the top priority in project execution, while zero environmental damage is the major challenge in operation.
Major Risk & Key Success Factor

5 major operational risks:
- Project Delay
- Project Cost Overrun
- Client Contract
- Investment Planning & Execution
- Service Pricing

5 key success factors:
- Project Selection & Customer Focus
- Utility & On-schedule Project Execution
- Project Recovery Handling
- Prudent Investment & Excellent Competency
- On-track operation cost & collection

Ensuring Project Delivery: Improved Project Management & Monitoring

- In 2011, several big-value projects experienced delays in their execution.
- Project delivery can be constrained by:

<table>
<thead>
<tr>
<th>Operation Permit (from forestry, local autonomy)</th>
<th>Projects in Papua, Lampung, Kalimantan</th>
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</thead>
<tbody>
<tr>
<td>Social Problem</td>
<td>Projects in Subang, Aceh</td>
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<td>Lithology</td>
<td>Projects in Aceh</td>
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<tr>
<td>Force Majeure (flood, climate change)</td>
<td>Projects in Papua, Jambi</td>
</tr>
</tbody>
</table>

- Delivering project delivery needs a comprehensive effort, both in term of operation and financial:
  - Proper & detailed project planning → to ensure risk mitigation
  - Good communication with government → to help client obtain work permit
  - Strict project monitoring → to review & ensure project execution
  - Quick corrective action → to minimize delay/loss
  - Prompt decision making → to step into takeover unperformed subcon
  - Strong working capital position → to provide adequate operational fund
Management’s Continuous Action for Performance Recovery

- **Structural Change**:  
  - Business structure repositioning (Oilfield Services enhancement),  
  - Profitability & Cash flow as KPI,  
  - Isolated loss projects/business unit & review for next action (Drilling, ECS),  
  - Streamlining organization for effectiveness & efficiency.

- **Fundamental Change**:  
  - Work culture for integrity & professionalism,  
  - Strengthen awareness of ‘HSE is my culture, Equipment is my life & Cost awareness is my attitude’,  
  - Business process improvement.

- **Performance Change**:  
  - Focus on major & reputable clients,  
  - Strict monitoring on new proposal project & risk mitigation,  
  - Project management improvement for execution,  
  - Invoice acceleration, refinancing for better & lower interest rate,  
  - HSE strengthening for zero fatality.

2011 Review

**Revenue Growth : Downstream Business as the Most Contributor**

- 2011 revenues was dominated by Downstream Oil and Gas Services (48%) derived from industrial fuel & transport business, while Upstream Oil and Gas Services contributed 45%, decreased compare to last year contribution, due to delay projects.
High cost of operating revenue (94% increase 17%) was caused by delay cost & provision for loss making contracts (Rp43 bio), it has made 31% decrease in Gross Profit (GPM : 6%).

- Provision for the decrease of advances of investment in shares of stock (TAC Ramok) amounting Rp13.6 bio and JV (ECS) loss to Rp14.4 bio have contributed to Net Loss amounting to minus Rp42.8 bio.
- Interest Bearing Debt increased due to FRN issuance (which later was refinanced).

### 2011 Review: Major Loss Projects - Affected 2011 Financial Performance

- 2D Transition zone seismic project in Papua: delay project due to remote operational area → recorded loss realization up to Rp63 bio and loss provision amounting Rp43 bio.
- ECS net loss → recorded Rp14.4 bio (as 51% Elnusa's share in the JV)
- Upgrading Gas Station: project decline to anticipate more loss → recorded penalty of Rp9 bio
- IPAL: project delivery delay due to procurement delay → recorded penalty of Rp3.5 bio
- TAC Ramok Senabling: impairment of Down Payment due to the period of the TAC → recorded provision Rp13.6 bio (equiv. to USD1.5 mio).
2011 Review: Tz Seismic in Papua: Between remote area & work permit

- 1170 km Transition zone Seismic project, awarded in August 2010, worth USD35 mio.
- Main Obstacles:
  - Area: Primary forest & no access (limited tract line - mostly used river & air).
  - Late Forestry Permit (end of Feb 2011), Strict local government regulation, while we conducted mobilization in Sept 2010.
  - Local Wisdom: delay 2 months due to traditional ceremony.
  - Late arrival of Helicopters for operations.
  - Poor HSE & Operational performance of local Sub-Contractors & high workforce turnover

Management is currently in a final discussion & negotiation with the Client to get contract escalation to recover project profitability.


- Established in April 2011 for marine seismic business, as Joint Venture company with CGGVeritas Seismic (Singapore) Pte Ltd.
- Type of business is high investment and high fixed cost without long term contract assurance -> contract basis & short term projects.
- Missed the quality of revenue achievement in 2011 -> Planned for 3D seismic, while in realization dominated by 2D seismic (60%)

- Later on, the JV can not fully absorbed its high fixed cost which was overburdened by underestimated cost.
- In 2011, the business contributed a loss reached to Rp14.4 bio to consolidated ELSA performance, while in Q1-2012 it continued to contribute a loss reached to Rp10.7 bio.
- Marine seismic market in the coming years is still predicted as a highly volatile industry that has a high degree of risk due to several factors such as limited market in Indonesia, oil prices and unfavourable weather.
- Due to its performance, risk & business model, management has come to a solid decision to review the business.
Indonesia – 2012 Petroleum Contract Area

19 fields of Working Area in 1st round Bidding 2012: 50% of Onshore & Offshore
Onshore: East Java, Aceh, North Sumatera, Riau, West Sumatera, Central Kalimantan, Arafura, West Papua
Offshore: Natuna, East Java, Bengkulu, East Kalimantan, Maluku, Makasar, Arafura, West Papua.

Indonesia – Upstream Oil & Gas Services Market (Plan)

Oil Production (Thousand Barrel per Day)

Source: BP Migas
Major Clients – Upstream Services Market

- **10 KKKS as Oil Production Driver in 2012**
  - (Tho barrel oil per day):
    - Chevron Pacific Indonesia, Pertamina EP, Total E&P (Kalimantan), ConocoPhillips (Natuna), CNOOC, Chevron Indonesia, PHE (ONWI), Medco Sumatera, BOB Bumi Siak Pusako, Petrochina International (Jabung)

- **2012P**
  - **Pertamina**
    - Capital Expenditure: 52.8
  - **Pertamina EP**
    - Capital Expenditure: 6
    - Operational Expenditure: 26
  - **Pertamina Hulu Energy**
    - Capital Expenditure: 11.6
    - Operational Expenditure: 5.5

Revenue by Client of Upstream Services

- **Pertamina**
- **Total EP**
- **Chevron**
- **VICO**
- **Others**

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  - **Pertamina**
  - **Total EP**
  - **Chevron**
  - **VICO**
  - **Others**

- **Oilfield Services: “the bread & butter” business in the future**
  - Significant experience (27 years) in workover/oilfield services business.
  - More than 25 years serves Total E&P Indonesia with proudly HSE records (10 awards of safety performance recognition).
  - Long contract basis with relatively easy-to-managed risk exposure and quite attractive margin.
  - Wide business opportunity in production well/ workover well / brown/marginal field.

- **Gross Profit Margin Oilfield Services**
  - **2008**
  - **2009**
  - **2010**
  - **2013**
  - **2012P**

- **Well Target of Pertamina EP in 2012**
  - Own-Operation Workover Wells
  - Partner Workover Wells
  - Exploitation Wells
Oilfield Services: “the bread & butter” business in the future

Pursuing Market of Coiled Tubing Unit (CTU), Pressure Pumping & Nitrogen

- Coiled Tubing & Associated Services using Multipurpose Barge is a new business with high technology, aims to increase revenue & profitability.
- The major market of the services are from: Total, Chevron, & Pertamina. Estimated Yearly Indonesia market value: USD85 mio.
- Elnusa has been awarded a 5-year contract worth USD46.9 mio for CTU and Pumping (including the barge).
- Elnusa is the first national upstream oil & gas services company owns this Multipurpose Barge, equipped with CTU & Associates.
2012 Business Strategy & Corporate Action

**GSC**
- Less marine seismic business for more manageable risk & performance

**EDS**
- Focus on drilling rig services > 1500 HP
- Penetrate drilling business for CBM market

**OFS**
- Business enlargement to coiled tubing and pressure pumping services
- Refocusing on more sustainable projects

**Portfolio**
- Strengthen downstream oil & gas business as one of corporate prime business
- Divest low margin business unit and non-core subsidiaries

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Key Contracts 2012:
Acquired 71% of targeted Revenues

To retain the performance achievement and to improve market position, Elnusa targets to obtain high-profitable projects and long term contracts, while strictly monitor the project execution/delivery.

<table>
<thead>
<tr>
<th>Business Unit</th>
<th>Carry over Value from 2011</th>
<th>New Contract Value 2012</th>
<th>Total Contract Value 2012</th>
<th>Onward</th>
<th>Prospect</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GDL</strong></td>
<td>47.70</td>
<td>5.92</td>
<td>53.63</td>
<td>-</td>
<td>41.05</td>
</tr>
<tr>
<td><strong>GDM</strong></td>
<td>41.45</td>
<td>27.43</td>
<td>68.72</td>
<td>-</td>
<td>21.71</td>
</tr>
<tr>
<td><strong>GDP</strong></td>
<td>4.61</td>
<td>0.66</td>
<td>5.45</td>
<td>-</td>
<td>2.52</td>
</tr>
<tr>
<td><strong>Total GSC</strong></td>
<td>93.76</td>
<td>34.02</td>
<td>127.80</td>
<td>-</td>
<td>65.29</td>
</tr>
<tr>
<td><strong>Drilling</strong></td>
<td>16.62</td>
<td>-</td>
<td>16.62</td>
<td>-</td>
<td>1.83</td>
</tr>
<tr>
<td><strong>Total EDS</strong></td>
<td>16.62</td>
<td>-</td>
<td>16.62</td>
<td>-</td>
<td>1.83</td>
</tr>
<tr>
<td><strong>Drilling Support</strong></td>
<td>24.81</td>
<td>2.94</td>
<td>30.76</td>
<td>34.48</td>
<td>15.92</td>
</tr>
<tr>
<td><strong>Well Services</strong></td>
<td>33.28</td>
<td>11.05</td>
<td>43.31</td>
<td>81.04</td>
<td>2.29</td>
</tr>
<tr>
<td><strong>G&amp;M &amp; EP</strong></td>
<td>9.72</td>
<td>-</td>
<td>9.72</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total OFS</strong></td>
<td>67.81</td>
<td>13.99</td>
<td>81.79</td>
<td>115.52</td>
<td>18.20</td>
</tr>
<tr>
<td><strong>EPC</strong></td>
<td>2.60</td>
<td>-</td>
<td>2.60</td>
<td>-</td>
<td>6.29</td>
</tr>
<tr>
<td><strong>Total EPC</strong></td>
<td>2.60</td>
<td>-</td>
<td>2.60</td>
<td>-</td>
<td>6.29</td>
</tr>
<tr>
<td><strong>Total contract</strong></td>
<td>180.80</td>
<td>48.00</td>
<td>230.82</td>
<td>115.52</td>
<td>91.61</td>
</tr>
</tbody>
</table>

In USD mio
## Operational Assets & 2012 Key Contracts: Geoscience Services & Drilling Services

**Geoscience Services**

<table>
<thead>
<tr>
<th>Number of Unit</th>
<th>Utilization up to 1Q-2012</th>
<th>2012 Dedicated Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>SN 408 - GDL</td>
<td>3 units 22%</td>
<td>Medco Tomori</td>
</tr>
<tr>
<td>SN 428 XL - GDL</td>
<td>5 units 67%</td>
<td>Pertamina (Alamanda, Akasia Bagus, Manduru, Ginaya, Puspa)</td>
</tr>
<tr>
<td>SN 428 XL - GDM</td>
<td>2 units 67%</td>
<td>Chevron Papua &amp; Total Handil</td>
</tr>
</tbody>
</table>

**Drilling Services**

<table>
<thead>
<tr>
<th>Number of Unit</th>
<th>Utilization</th>
<th>2012 Dedicated Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rig 1600 Hp</td>
<td>1 unit 100%</td>
<td>Vico Kalimantan</td>
</tr>
<tr>
<td>Rig 550 Hp</td>
<td>3 units 81%</td>
<td>Pertamina Ubep jambi</td>
</tr>
<tr>
<td>Rig 900 Hp</td>
<td>1 unit 0%</td>
<td>Standby</td>
</tr>
<tr>
<td>SFT</td>
<td>3 units 0%</td>
<td>-</td>
</tr>
<tr>
<td>DST</td>
<td>4 units 0%</td>
<td>-</td>
</tr>
<tr>
<td>LMP</td>
<td>1 units 100%</td>
<td>Pertamina</td>
</tr>
</tbody>
</table>

*Program Advance GSC is counted as project

**Standby Under Contract is counted as standby (un-utilized)**

## 2012 Operational Assets & Key Contracts: Oilfield Services

**Oilfield Services**

<table>
<thead>
<tr>
<th>Number of Unit</th>
<th>Utilization Rate up to 1Q-2012</th>
<th>2012 Dedicated Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hydraulic Rig – 150 K</td>
<td>5 units 47%</td>
<td>Total, Chevron</td>
</tr>
<tr>
<td>Hydraulic Rig – 225 K</td>
<td>3 units 100%</td>
<td>Pertamina, Chevron</td>
</tr>
<tr>
<td>Hydraulic Rig – 340 K</td>
<td>3 units 32%</td>
<td>Chevron</td>
</tr>
<tr>
<td>Wireline Double Drum</td>
<td>5 units 60%</td>
<td>Total</td>
</tr>
<tr>
<td>DST Surface</td>
<td>3 units 100%</td>
<td>Total</td>
</tr>
<tr>
<td>Barge &amp; LCT</td>
<td>7 units 100%</td>
<td>Total</td>
</tr>
<tr>
<td>RES Logging</td>
<td>7 units 100%</td>
<td>Pertamina, PPEJ</td>
</tr>
<tr>
<td>Cementing</td>
<td>3 units 67%</td>
<td>Pertamina, POG, Indrillco</td>
</tr>
<tr>
<td>Mud Logging</td>
<td>16 units 48%</td>
<td>Medco, Pertamina, Chevron, EML</td>
</tr>
<tr>
<td>H2S</td>
<td>9 units 48%</td>
<td>Pertamina, Petrochina,</td>
</tr>
</tbody>
</table>

*Standby Under Contract is counted as standby (un-utilized)
**1Q-2012 Highlights: Revenue growth: Consolidated & Upstream Services**

- Consolidated revenue grew by 4% compared to 1Q last year, derived from the increase of Upstream services revenue (45%), from Rp395 billion to Rp572 billion.
- The hike of Upstream Revenue in 1Q-2012 was due to increased sales of Geoscience Services (87%) and Oilfield Services (18%), mostly from carry-over contracts realization. On the other hand, the performance was actually still affected by several delay GDL & T2 Seismic projects.
- Downstream services revenue decreased 19% to Rp457 billion due to selective customer policy on Industry & marine fuel trading.

**1Q-2012 Highlights: On-track Cost Management**

- As consolidated, cost of revenue grew by 3% to Rp959 billion while in Upstream Oil & Gas services it grew by 42% to Rp487 billion.
- Cost management can be seen from a lower growth of cost of revenue compared to growth of revenue in Consolidation (3% vs 4%) and Upstream services (42% vs 45%). In addition, the cost proportion compared to revenue was also decreased in 1Q-2012 (from 90% to 88%).
1Q-2012 Highlights:
Better Gross Profitability of Upstream Oil & Gas Services

- Due to managed cost of revenue, the Gross Profit in 1Q-2012 grew by 16% to Rp125 bio and derived gross margin increase to 12%.
- Yet, net income in 1Q-2012 reached Rp15 bio with 1.4% margin, still decreased compared to the achievement in 1Q-2011.
- This was primarily due to loss contribution from ECS (JV Co) which recorded at Rp10.7 bio. The decrease in net income was also derived from increased interest expense (52%) amounting to Rp10 bio due to recognition of interest & financing cost.

<table>
<thead>
<tr>
<th>Gross Profit Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>In Bio Rp</td>
</tr>
<tr>
<td>1Q-2012</td>
</tr>
<tr>
<td>10%</td>
</tr>
<tr>
<td>12%</td>
</tr>
<tr>
<td>12%</td>
</tr>
<tr>
<td>13%</td>
</tr>
<tr>
<td>13%</td>
</tr>
<tr>
<td>14%</td>
</tr>
<tr>
<td>Consolidated</td>
</tr>
<tr>
<td>Upstream Services</td>
</tr>
<tr>
<td>Downstream Services</td>
</tr>
<tr>
<td>Upstream Support</td>
</tr>
</tbody>
</table>

1Q-2012 Highlights:
Improvement Cash Flow Generated from Operation

- Operating activities cash flows have significantly improved from deficit Rp135 bio to positif Rp246 bio this 1Q-2012.
- This growth derived from cash-in acceleration from several prime customers: Pertamina, Chevron & Vico.
- Cash flows used in investing activities decreased sharply due to selective investment.

<table>
<thead>
<tr>
<th>Cash Flows from Operating Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
</tr>
<tr>
<td>Cash received from customer</td>
</tr>
<tr>
<td>Cash paid to supplier &amp; contractors</td>
</tr>
<tr>
<td>Cash paid to employees</td>
</tr>
<tr>
<td>Cash generated from Operations</td>
</tr>
<tr>
<td>Other receipts/payments</td>
</tr>
<tr>
<td>Net Cash generated from Operating Activities</td>
</tr>
<tr>
<td>Net Cash used in Investing Activities</td>
</tr>
<tr>
<td>Net Cash generated from Financing Activities</td>
</tr>
<tr>
<td>Effect exchange rates changes in cash &amp; cash equivalents</td>
</tr>
<tr>
<td>Increase/(decrease) in cash &amp; cash equivalents</td>
</tr>
<tr>
<td>Cash &amp; cash equivalents at beginning of the year</td>
</tr>
<tr>
<td>Cash &amp; cash equivalents at the end of the year</td>
</tr>
</tbody>
</table>

- Significant funding activities in 1Q-2012 was the realization of the loan refinancing. The refinancing resulted in interest expense savings of USD6 mio over the next 5 years.
2Q-2012 Performance Projection

Potential - 2012:
- 2D Transition zone seismic project in Papua which experienced a huge loss in 2011 is expected recovered in 2012.
- Sale of shares from Patrakom divestment (still on process).

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