



# **PT PERUSAHAAN GAS NEGARA (PERSERO) TBK**

INVESTOR PRESENTATION

6M-2017 Update



## **Disclaimer:**

The information contained in our presentation is intended solely for your personal reference. In addition, such information contains projections and forward-looking statements that reflect the Company's current views with respect to future events and financial performance. These views are based on assumptions subject to various risk. No assurance can be given that further events will occur, that projections will be achieved, or that the Company's assumptions are correct. Actual results may differ materially from those projected.

# Company Vision and Mission



## **VISION**

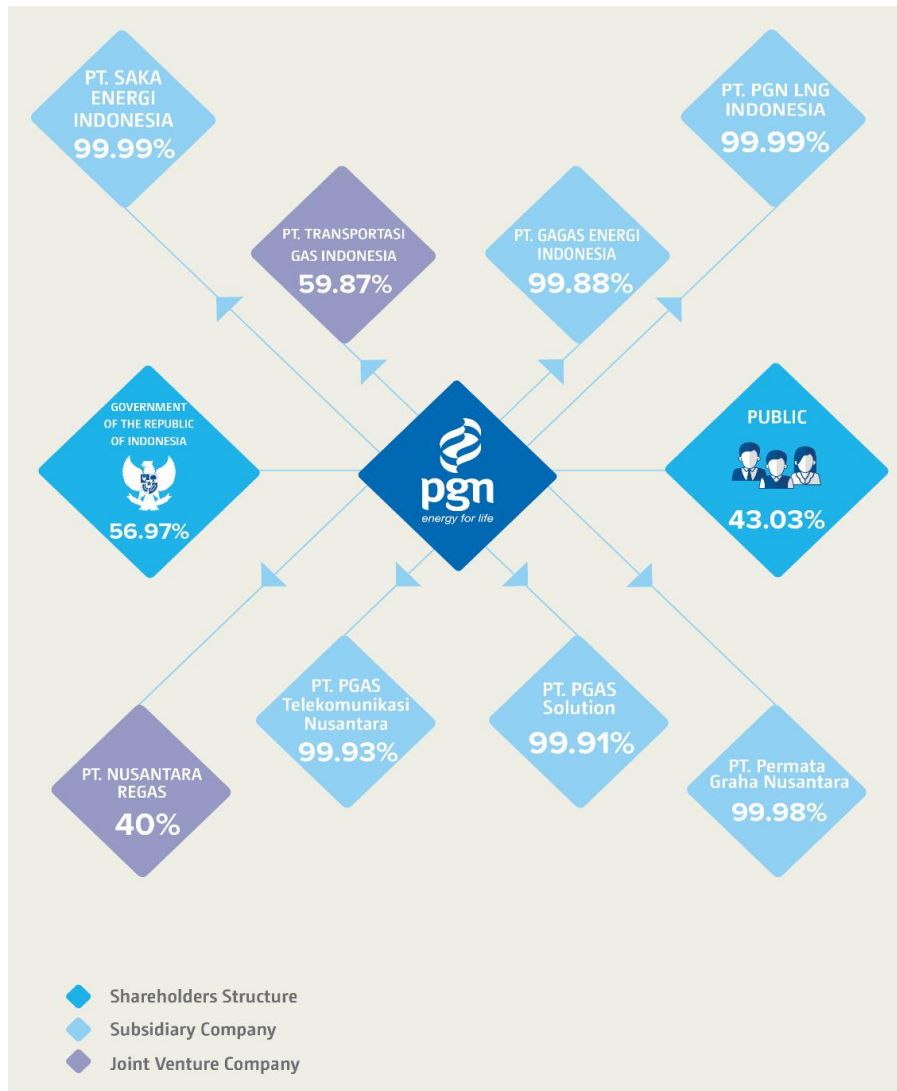
To Become the World-Class Energy Company in Gas Business in 2020

## **MISSION**

To increase the Company's added values for stakeholders through:

- Customers: Energy needs fulfillment solution that is safe, value-added, economic, and increase the competitiveness;
- Society: The improvement of welfare and sustainable economic growth through energy independence and environmental conservation efforts;
- Shareholders /Investors: The creation of the optimal and sustainable Company's values through internal and external synergies.

# Company Structures



PGN is an SOE with main business in natural gas. Currently, the Government of Indonesia holds 57% of shares while the remaining 43% is freefloat.

In line with its effort to strengthen the core business and expand further, PGN has transformed into a synergized company comprising upstream, downstream and supporting business.

It has six subsidiaries and two joint ventures, namely :

PGN's Subsidiary	Business
PT Saka Energi Indonesia	Upstream
PT PGN LNG Indonesia	Downstream
PT Gagas Energi Indonesia	Downstream
PT Nusantra Regas	Downstream
PT Transportasi Gas Indonesia	Downstream
PT PGAS Telekomunikasi Nusantara	Supporting
PT PGAS Solution	Supporting
PT Permata Graha Nusantara	Supporting

# EXISTING BUSINESS COVERAGE

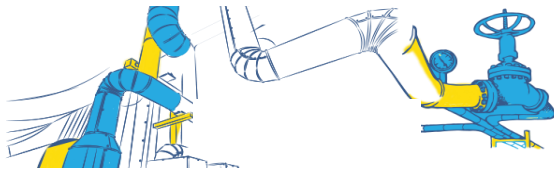


## Distribution Business

Buying and selling gas to customers by virtue of pipeline infrastructure in three main areas in West Java, East Java and North Sumatera.

## Upstream Business

Investing participating interest in PSC and operating oil and gas blocks to support Indonesia production and lifting and to hedge the downstream business .



## Transmission Business

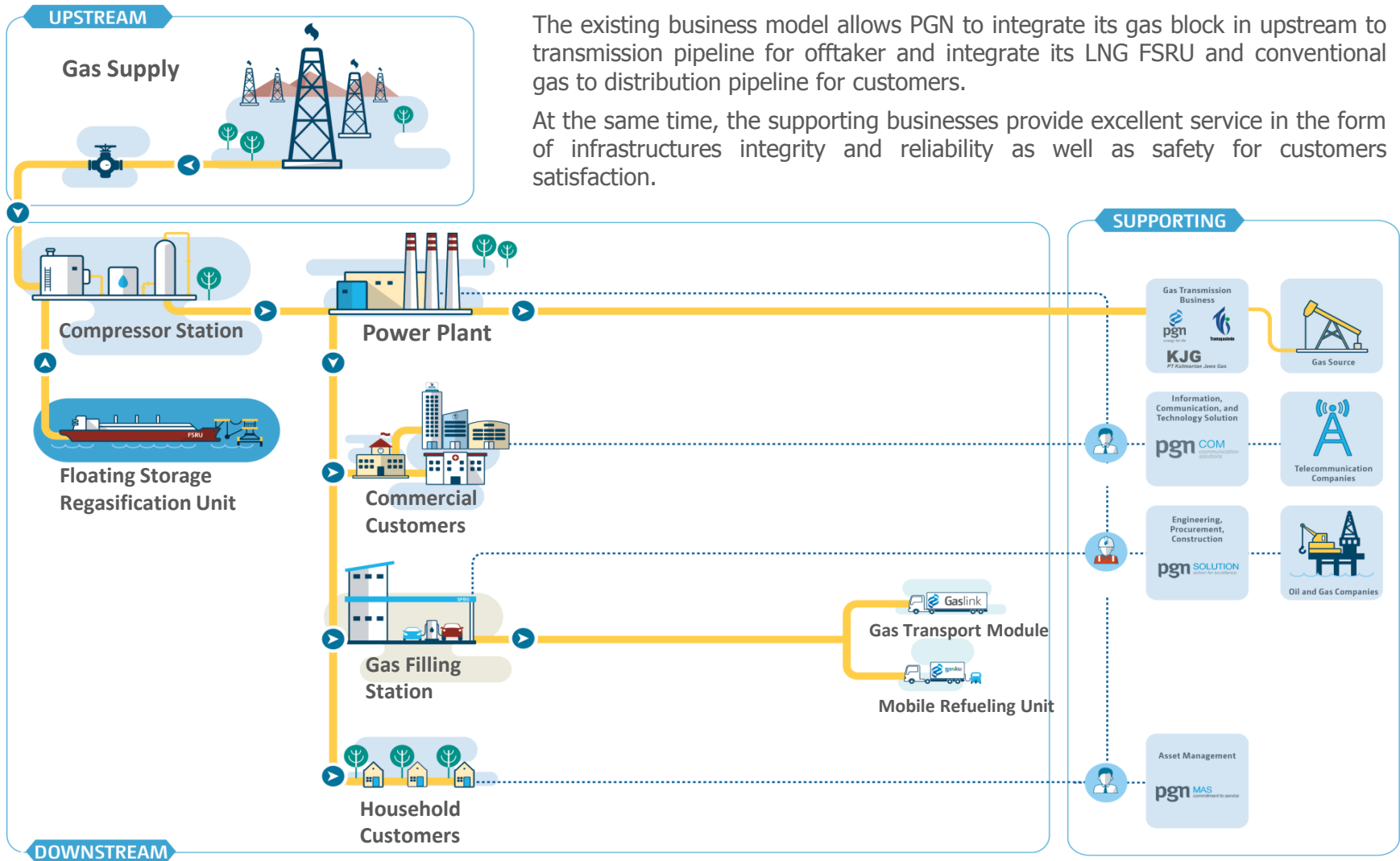
Transporting gas of customers; suppliers or off-takers through pipeline. The pipeline can also be function as the backbone to distribution pipeline

## Other Supporting Business

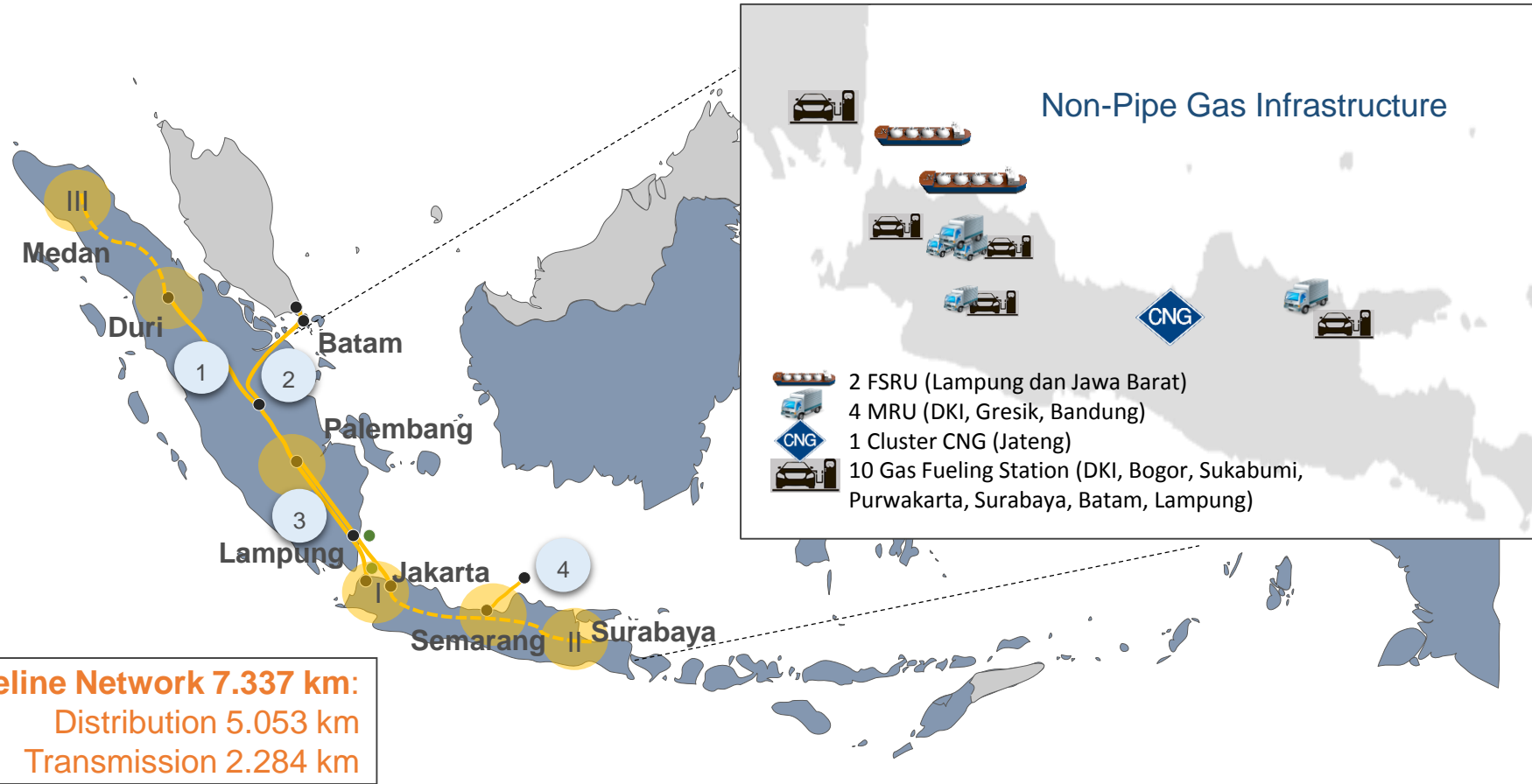
Taking business opportunities along the natural gas value chain; LNG, CNG, related gas business services, fiber optic for telecommunication, management of asset & facilities



# BUSINESS MODEL



# EXISTING GAS INFRASTRUCTURE



**Pipeline Network 7.337 km:**  
 Distribution 5.053 km  
 Transmission 2.284 km

- 1 Transmission Pipeline Grissik – Duri
- 2 Transmission Pipeline Grissik – Batam – Singapore
- 3 Transmission Pipeline SSWJ
- 4 Transmission Pipeline Kalija

- I Distribution West Java, Lampung, Palembang
- II Distribusi East Java and Central Java
- III Distribution North Sumatra, Riau dan Kepulauan Riau

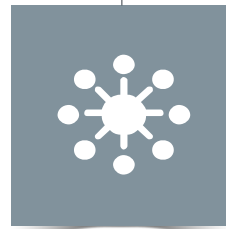
— Operation  
 - - - Plan

# BUSINESS ACHIEVEMENTS



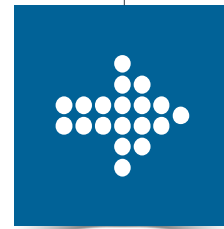
## Downstream Business

Transporting and Distributing Gas of 1,470 MMScfd



## Gas Market

Operating in 3 Major Coverage Area, 19 cities and 12 provinces in Indonesia



## Gas Infrastructure

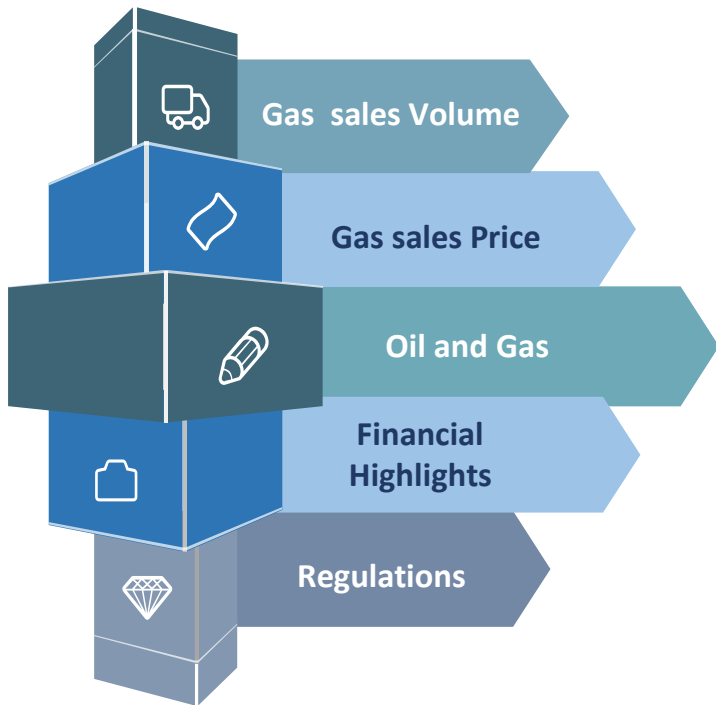
Developing 7,337 km length pipeline network, 2 unit FSRU, 10 Gas Fueling Station, 4 MRU



## Upstream Business

Increasing oil and gas production and lifting to  $\pm 34,500$  boepd

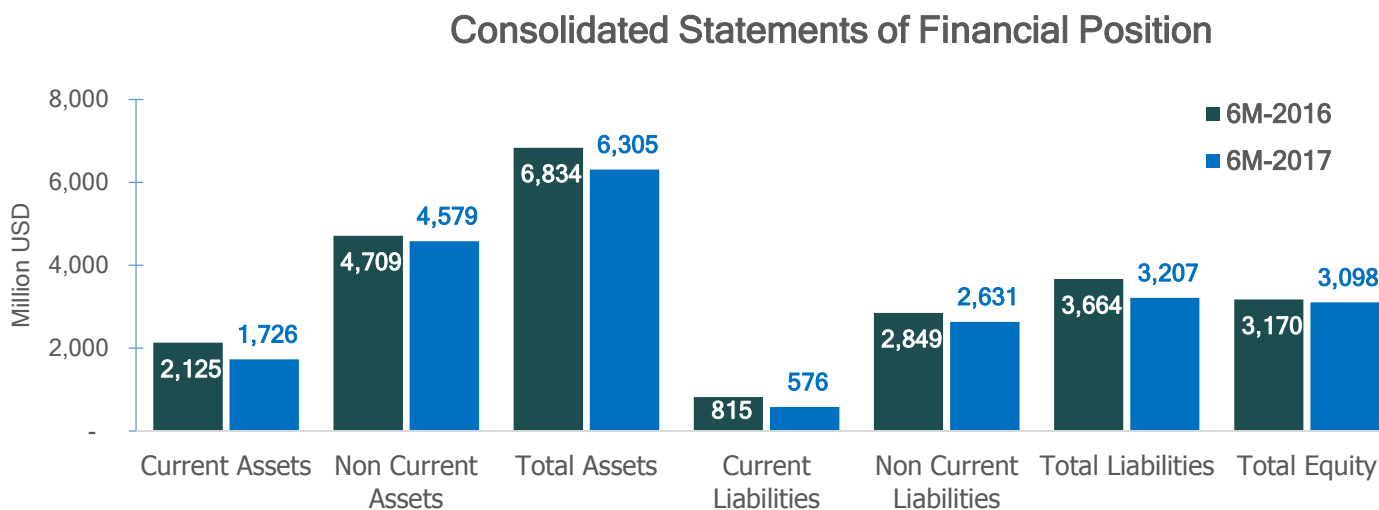
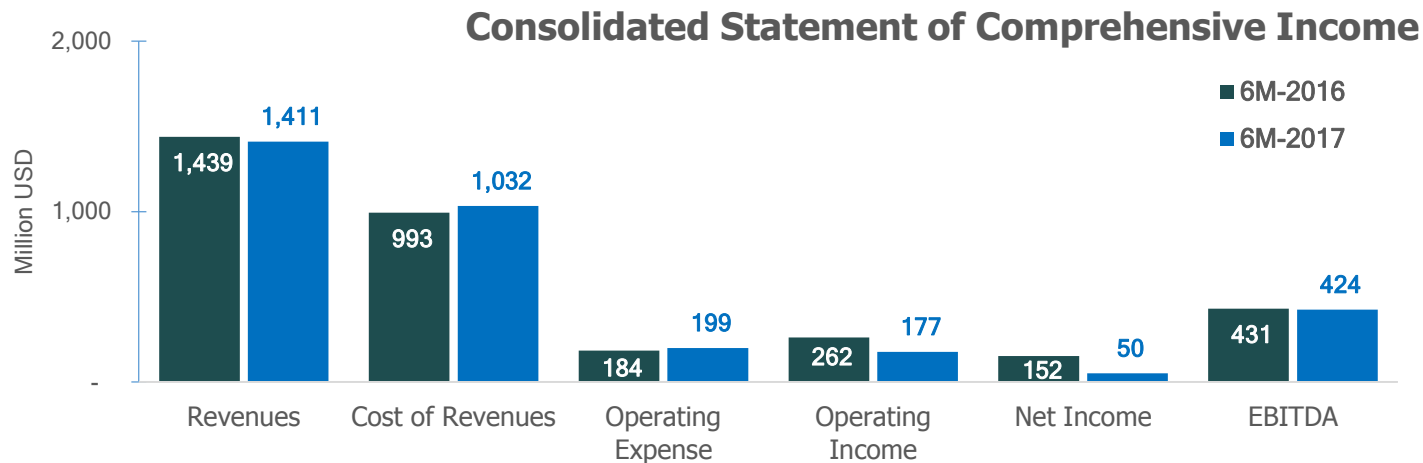
# 6M-2017 HIGHLIGHTS



- **Gas sales volume**  
Gas sales in distribution business in first half was 749 MMScd, mostly from conventional gas reserves
- **Gas sales price**  
The average price for the gas sold to distribution customers was USD 8.59/MMBtu
- **Oil and gas lifting**  
Lifting of oil , gas, LNG, LPG carried out by subsidiary's portfolio were 8,494 bpd, 128 MMScfd, 17 MMScfd, 171 MTPD respectively
- **Revenues**  
PGN earned a consolidated revenues of USD1,411 Million
- **EBITDA**  
The EBITDA was USD 424 Million
- **Operating & Net Income**  
Its business generated operating income USD177 Million & net income USD50 Million
- **Capex Plan**  
The company plans to roll out USD500 Million for its capex
- **Capital Structure**  
PGN maintain a capital structure within the covenant from its creditors. As of now its Debt to Equity ratio was 0.85
- **Weighted Interest Rate**  
PGN's weighted cost of debt was 5,18%
- **Cashflow**  
Cash and cash equivalent at end of period June 2017 USD 907 million

# FINANCIAL PERFORMANCE

## 6M-2017 and 6M-2016

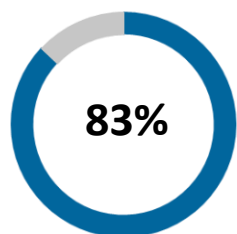


# FINANCIAL PERFORMANCE

<b>Comprehensive Income Statement</b>	<b>30 June 2017</b>	<b>30 June 2016</b>
<i>In Million USD</i>		
Revenues	1,411	1,439
Cost of Revenues	(1,032)	(993)
Gross Profit	379	446
Operating Income	177	262
EBITDA	424	431
Tax Expense	(55)	(24)
Net Income	50	152

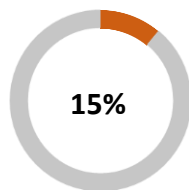
<b>Tax Expense</b>	<b>30 June 2017</b>	<b>30 June 2016</b>
<i>In Million USD</i>		
Current	(40)	(46)
Deffered	(15)	23
Income Tax	(55)	(24)

<b>Cash Flow</b>	<b>30 June 2017</b>	<b>30 June 2016</b>
<i>In Million USD</i>		
Cash flow from operating	346	276
Cash flow from investment	(184)	(275)
Cash flow from financing	(567)	(121)



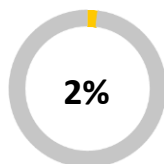
## Distribution

contributes 83% to the total consolidated revenues



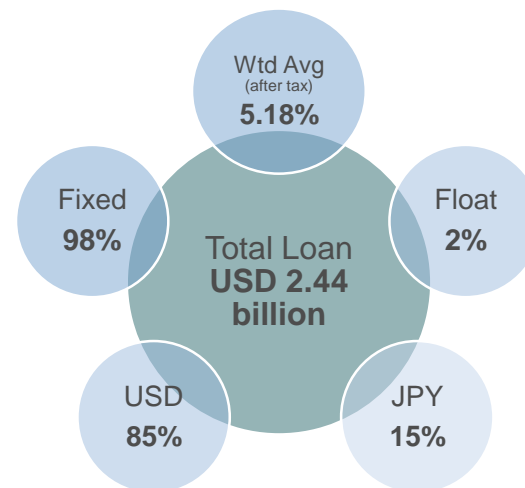
## Oil and Gas

contributes 15% to the total consolidated revenues



## Other Operations

Supporting and joint venture businesses contribute 2%. The businesses included LNG regasification, finance lease, technical and maintenance service, office & building management service



# FINANCIAL PERFORMANCE

## Impact of Macroeconomy

- Unfavorable market conditions and the continued pressure on the crude oil price, which has remained volatile since 2015-2016, has had a profound impact on Indonesia economy and industry, not least on the national gas industry
- The contraction in demand of commodities including natural gas
- Government's incentives to maintain competitiveness for national industries and gas users such as fertilizer, petrochemicals and steel



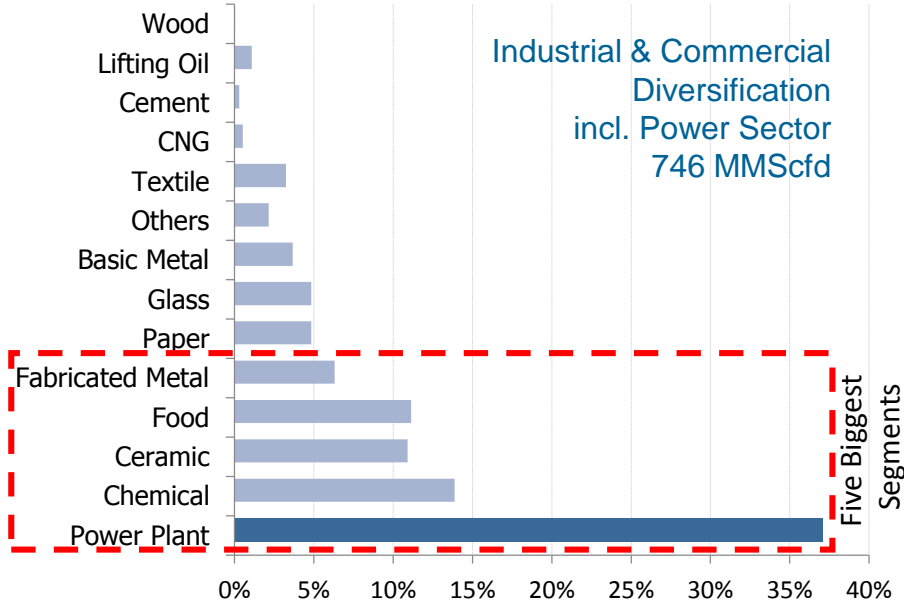
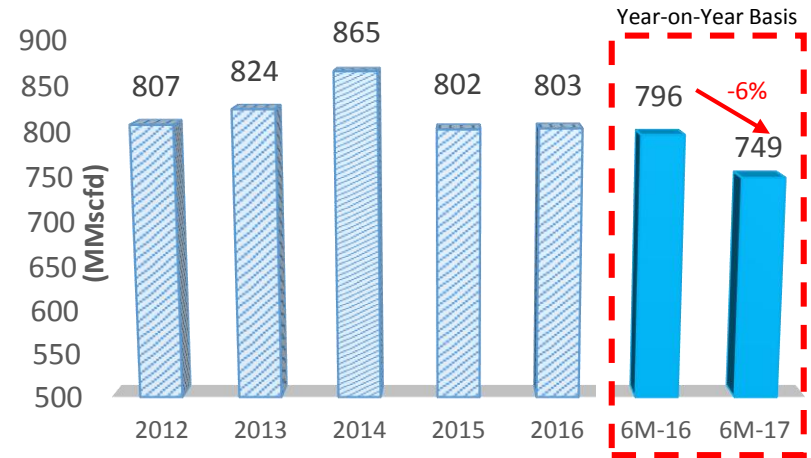
	30 June 2017	30 June 2016
<b>Financial Ratios</b>		
EBITDA Margin (%)	30	32
Net Debt / EBITDA (x)	3,5	4,5
EBITDA / Interest Expense (x)	5,5	10,6
Debt / Equity (%)	80	90
ROA (%)	7	7
ROE (%)	2	6
ROCE (%)	3	5

Credit Rating	Rating	Outlook
Moody's	Baa3	Positive
Standar & Poor's	BBB-	Stable
Fitch Ratings	BBB-	Positive
Pefindo	idAAA	Stable

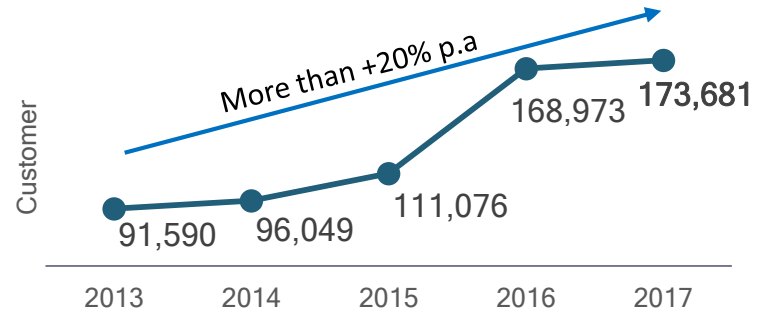
# DOWNSTREAM - DISTRIBUTION BUSINESS

## Distribution

- In 6M-2017, PGN delivered 749 MMScfd, decreased by 47 MMScfd from the corresponding period last year
- Regional Distribution I contributed 70%, Regional Distribution II contributed 17% and Regional Distribution III 13% to the total sales
- Yoy, the first half period showed declining due to reduction of gas consumption in the power sector and a long period public holidays



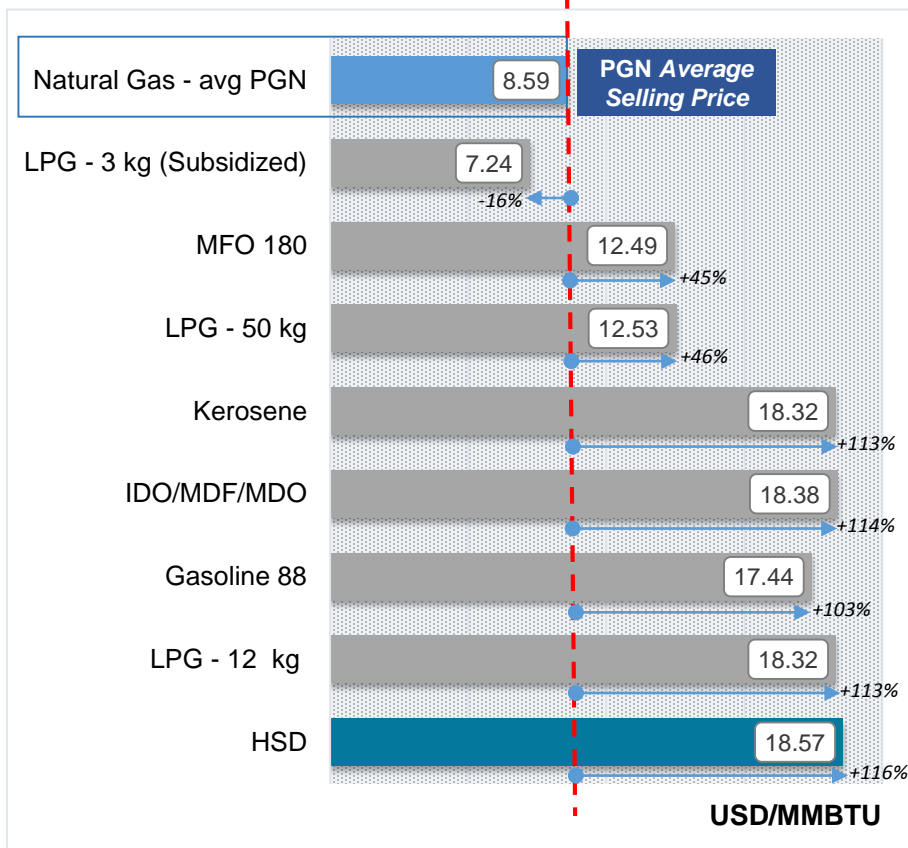
## Distribution Customer



Industries and Power Plants	Commercial & SME	Households
97,15%	2,50%	0,35%
of total sales volume	of total sales volume	of total sales volume
1.659	1.928	170.094
Customers*	Customers*	Customers*

\*Number of customers as of 30 June 2017

# DOWNSTREAM – GAS SALES PRICE

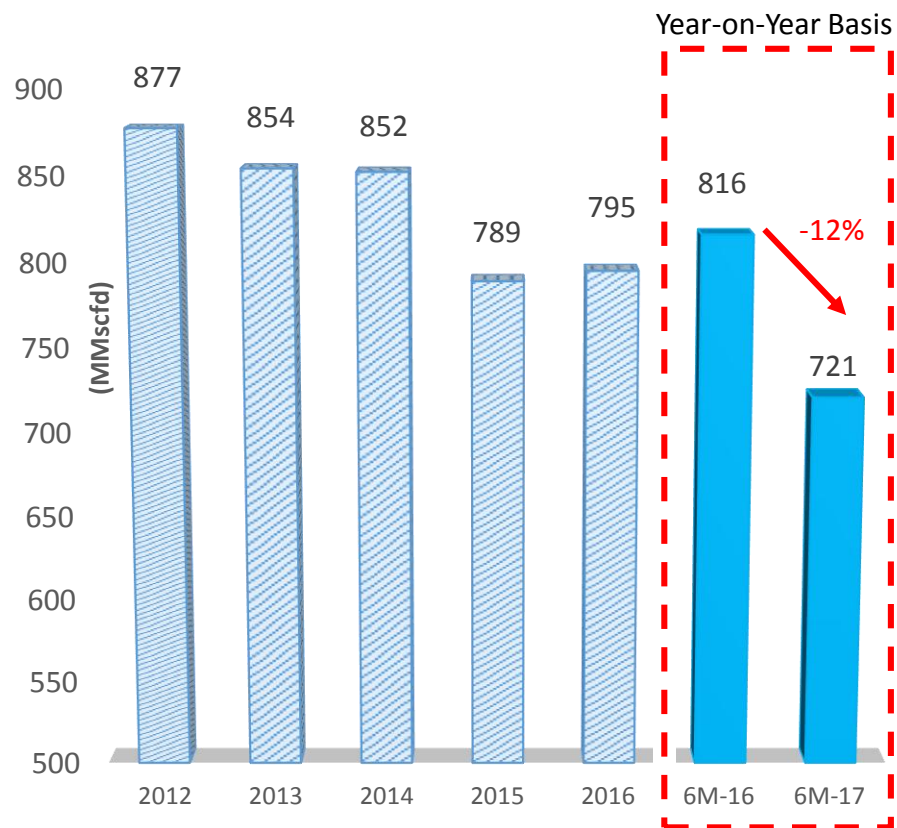
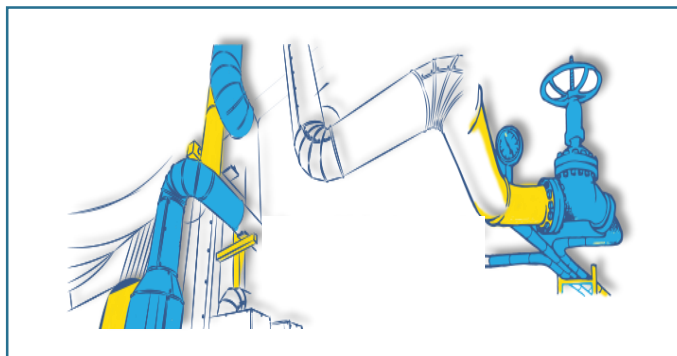


- In the first half 2017, PGN maintained an average of selling price of USD 8.59/MMBTU
- With natural gas price has been less competitive than it had before few years back, PGN applies a strategy of offering a more integrated service which can benefitting the customers from using larger gas volume
- PGN has been diligently approaching other SOE and private sectors to form a synergy of business in which PGN can provide gas and related services.

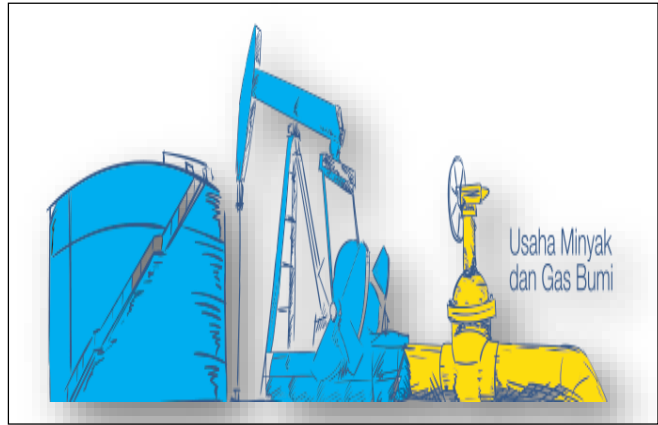
# DOWNSTREAM - TRANSMISSION BUSINESS

## Transmission

- In 6M-2017, PGN, KJG, TGI delivered 11 MMscfd, 75 MMscfd, 635 MMscfd respectively. The transmission volume decreased by 12% yoy from the corresponding period last year
- Gas transported from Kepodang field operated by Petronas through Kalimantan – Java pipeline decreased by 27 MMscfd from 102 to 75 MMscfd due to lower volume from supplier
- Gas transported by TGI, the joint venture, to off-taker in Central Sumatera and Singapore decreased by 62 MMscfd from 697 to 635 MMscfd This was due to lower absorption of TGI's customer in Central Sumatera and Singapore.



# UPSTREAM BUSINESS – SAKA ENERGI INDONESIA



- At present, PGN's subsidiary Saka Energi Indonesia has acquired 11 oil and gas blocks where most of them are in producing stage and located in Indonesia
- It operates oil and gas blocks, Pangkah in East Java while hold participating interest for the remaining blocks
- Muara Bakau block starts producing by first half 2017
- Saka Energi is processing POD submission of Sidayu well of Pangkah block to SKK Migas

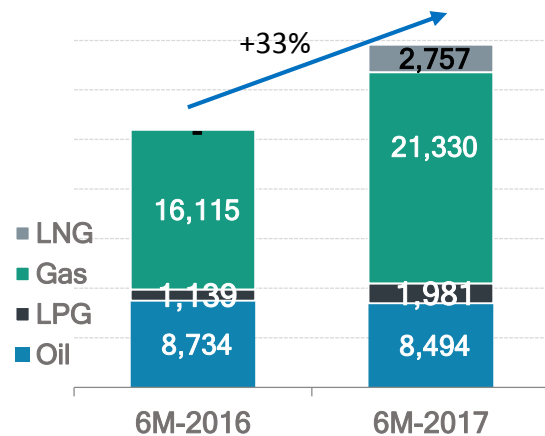
## Acquired Oil and Gas Blocks

Aset	%Wi	Operator	Area (Km2)	Status	Contract Expiry
Pangkah	100	SEI	784	Production	2026
Ketapang	20	Petronas	885	Production	2028
Bangkanai	30	Salamander	1,395	Production	2033
South Sesulu	100	SEI	625	Exploration	2039
Fasken (Texas)	36	Swift Energy	8,300 acres	Production	2050
SES	8.9	CNOOC	6,082	Production	2018
Muriah	20	Petronas	2,823	Production	2021
West Bangkanai	30	Salamander	5,463	Exploration	2043
Muara Bakau	11.7	Eni	1,082	Production	2032
Wokam	100	SEI	3,714	Exploration	
Sanga-Sanga	37.81	SEI & Vico	1,075	Production	2018

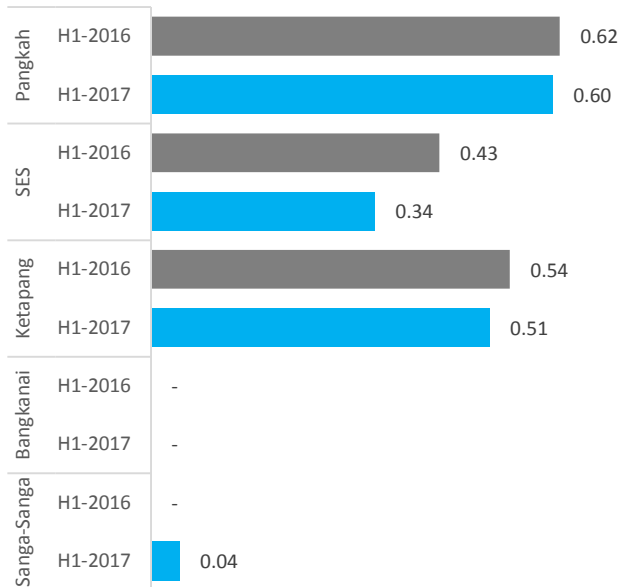
# UPSTREAM PERFORMANCE

## Oil and Gas Lifting

25,988 boepd      34,562 boepd

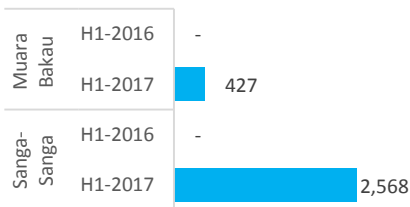


## Crude Oil & Condensate (MMBBL)



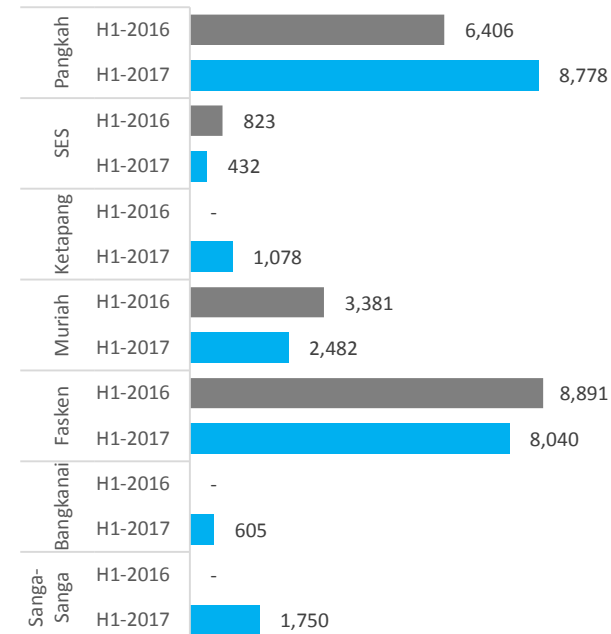
	6M-16	6M-17
<b>Total Crude Oil Lifting</b>	<b>1.59</b>	<b>1.49</b>

## LNG (BBTU)



	6M-16	6M-17
<b>Total LNG Lifting</b>	<b>0</b>	<b>2,995</b>

## Gas (BBTU)



	6M-16	6M-17
<b>Total Gas Lifting</b>	<b>19,500</b>	<b>23,164</b>

## LPG (MT)



	6M-16	6M-17
<b>Total LPG Lifting</b>	<b>17,878</b>	<b>30,909</b>

## Optimization

Designing the plan, development, operational, trading by optimising available assets and human capital

## Focused & Integrated

- Integrated gas business based on economic zone development
- Focus on strengthening the core business



## Customer Intimacy

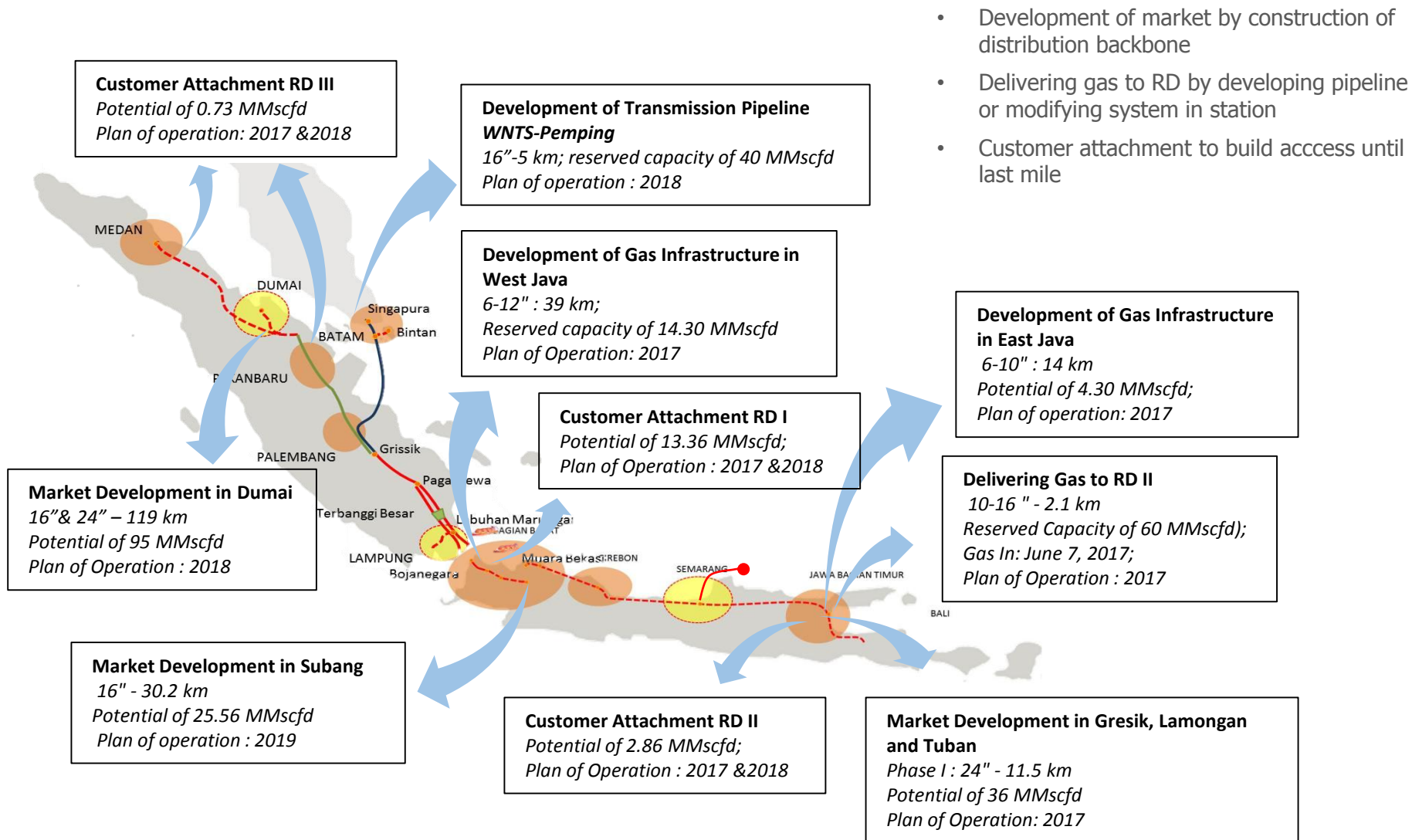
- Providing customers the gas and related service as reliable energy
- Sales force as marketing agency
- Fostering relationship with customers

## Maximizing Value Creation

- Encouraging subsidiaries to create further business opportunity
- Priority of investment and development that gives beneficial impact for long term

**PGN GROUP**

# INFRASTRUCTURE & MARKET DEVELOPMENT



- Development of market by construction of distribution backbone
- Delivering gas to RD by developing pipeline or modifying system in station
- Customer attachment to build access until last mile

# EVOLVING GAS REGULATION

October 2015

## Third Economic Policy Package

Lowering energy price including gasoline, electricity and gas price

May 2016

## Presidential Decree No. 40 /2016

Determination of gas price for seven industries (specific users)

November 2016

## Decree of ESDM Minister No. 40/2016

Gas prices for three specific industries i.e the fertilizer, petrochemical and steel industry

July 2017

## Gas Price Amendment CPGL – PGN

ESDM Minister approved increased gas price of ConocoPhillips to PGN in Batam Area

February 2016

## Decree of ESDM Minister No. 6 /2016

Guideline and procedure to determine allocation, utilization and price of gas

June 2016

## Decree of ESDM Minister No. 16 /2016

Procedure for determining the price for specific users

July 2017

## Decree of ESDM Minister No. 45 /2017

Guideline to determine utilization and price of gas for electricity sector



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