

# Perusahaan Gas Negara Investor Presentation

9M 2016 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.

# PGN Group and Ownership

56.97%

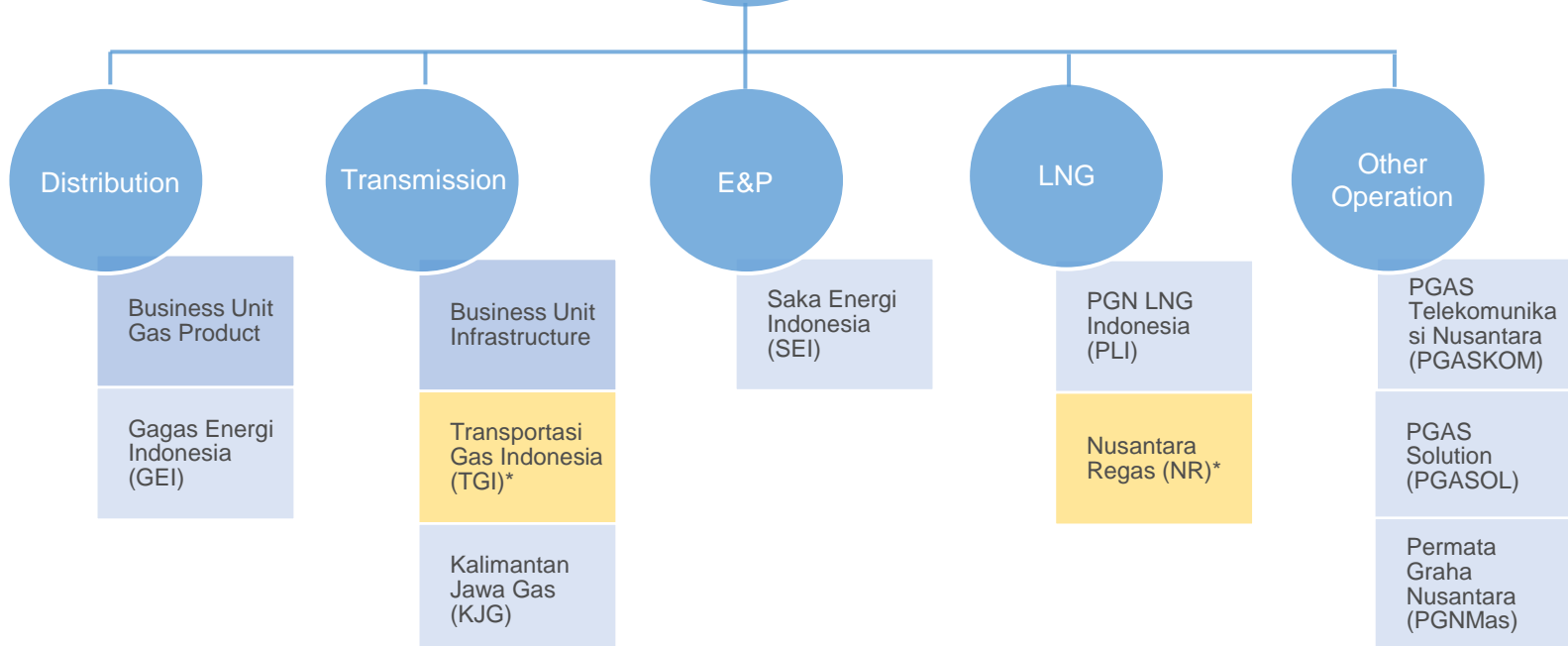
Government of  
Republic Indonesia

Total Shares: 24,241,508,196  
Incl. 1,850,000 Treasury Stock and 1 Seri-A Dwiwarna Share



43.03%

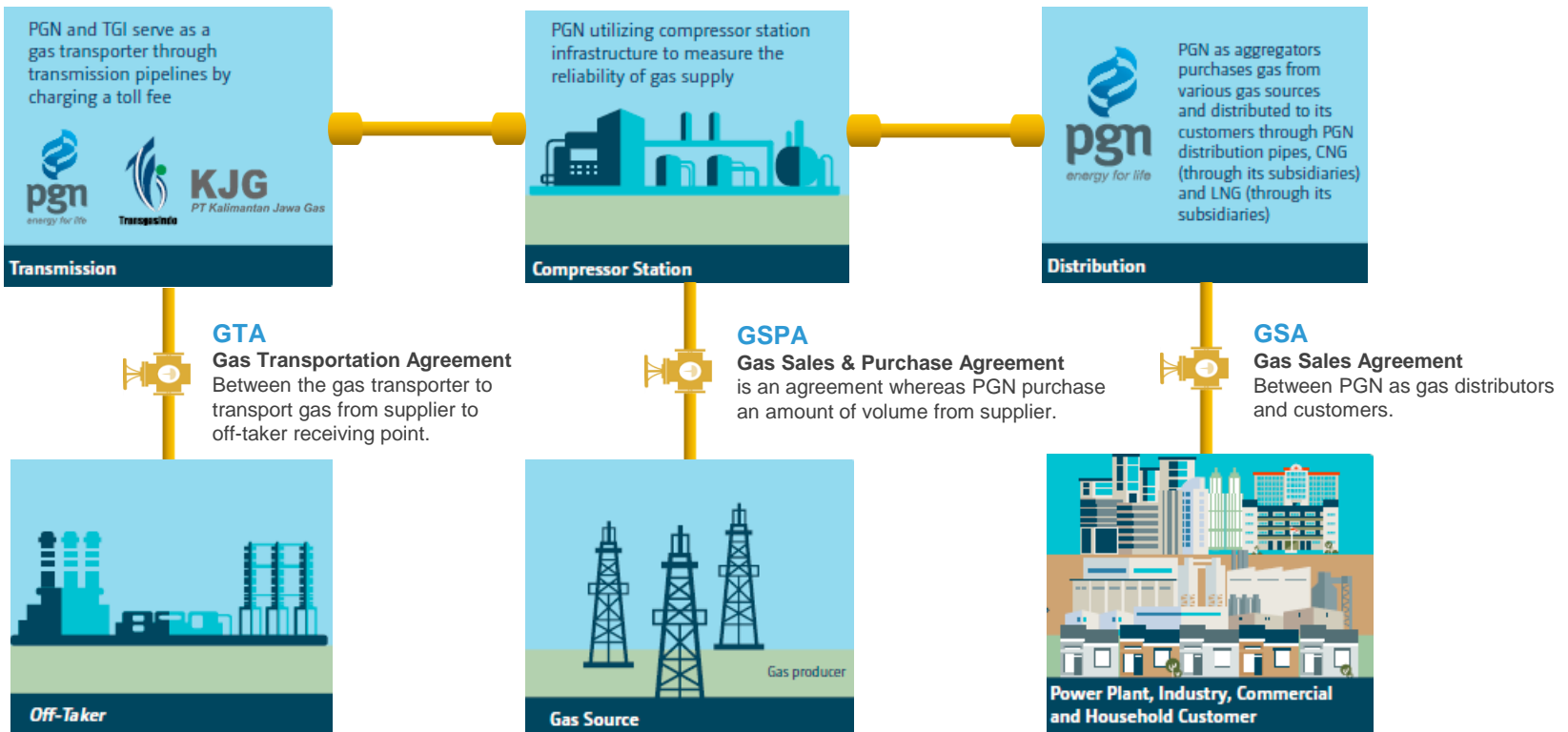
Public



\*) TGI and NR are joint control and unconsolidated

# Business Model

## Leading Player in Indonesia Natural Gas Transmission & Distribution



# Recent Government Policies and Regulations

## Third Economic Policy Package

### Lower Energy Price Policy including gasoline, electricity and gas price

- The price of gas (originating from the country's new gas fields) is set according to the purchasing power of the fertilizer industry, which is equal to USD \$7/MMBTU. The price of gas for other industries (such as petrochemical, ceramics, etc.) will be reduced in accordance with the ability of their respective industries. The government can offer a cheaper gas price by making the gas distribution system more efficient & by reducing state revenues from gas.
- Gas price cut will not affect the revenues share for Contractor of PSC.
- Lower gas prices will come into effect per 1 January 2016.

## Ministerial Decree of ESDM No. 6 year 2016

### Guideline and Procedure for determining Gas Allocation and Utilization and Price

- Gas allocation and utilization for domestic will be determined based on the following priority : for transportation, residential and small enterprise; for enhancing oil and gas production, for fertilizer, for gas-based industry, power and gas fueled industry.
- Priority of gas allocation and utilization is given to SOE, local government enterprises or other entities that own gas trading licence
- Gas price is determined by considering gas field (upstream) economics , domestic and international gas price as well as added value of domestic gas usage

## Presidential Decree No. 40 year 2016

### Determination of gas price

- Gas price is determined by considering gas field (upstream) economics , domestic and international gas price as well as added value of domestic gas usage
- The price of certain natural gas is set by the ESDM Minister if it cannot meet the economics of the field and if it is higher than \$6/mmbtu
- The price of certain natural gas considers gas availability and added value to economy growth provided by industry
- Pricing of certain natural gas is intended for industries engaged in the fertilizer, petrochemical, oleochemical, steel, ceramics, glass & rubber gloves

## Ministerial Decree of ESDM No. 16 year 2016

### Procedure for determining the price for certain natural gas

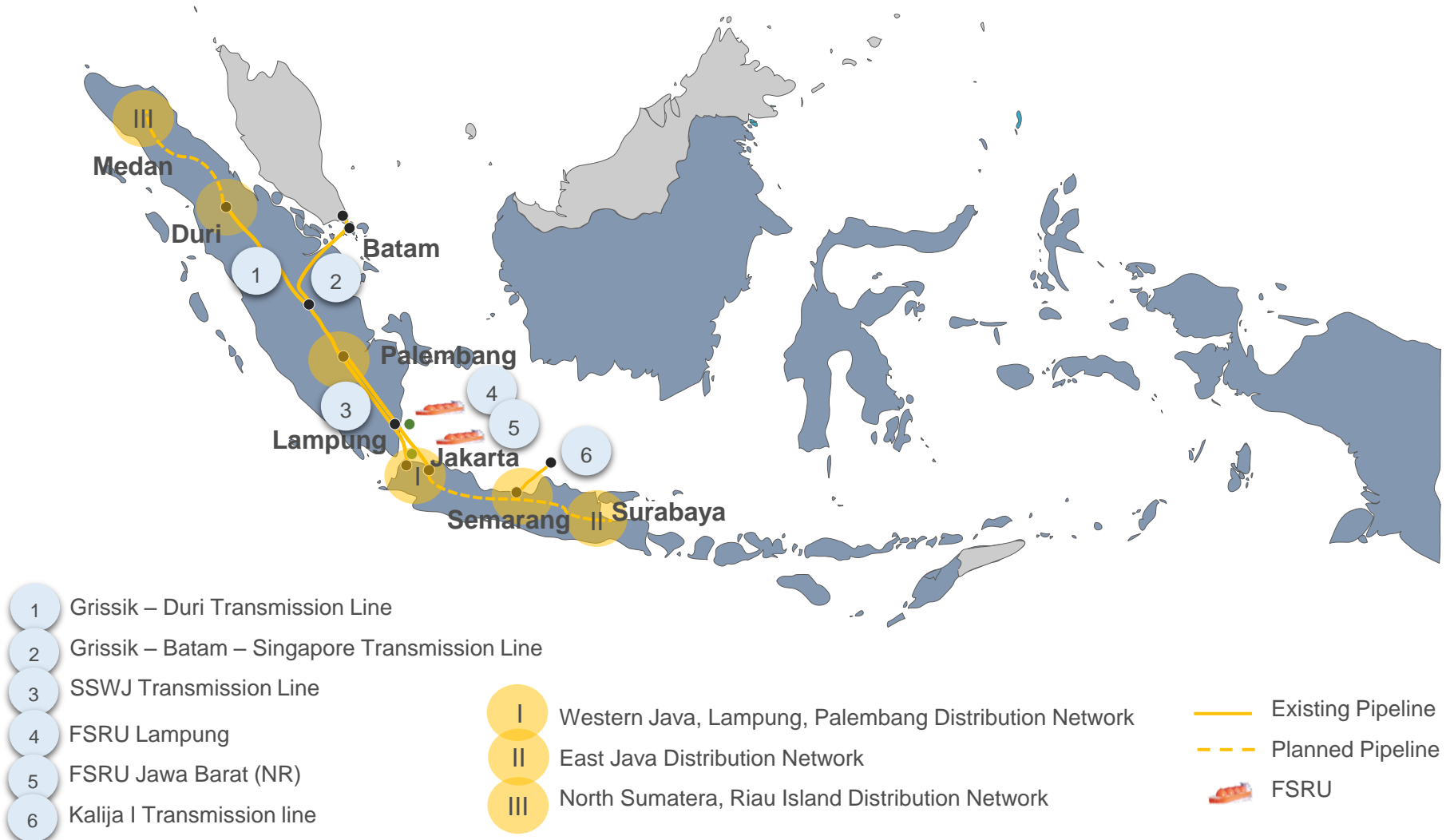
- The price of certain natural gas is set by the ESDM Minister if it cannot meet the economics of the field and if it is higher than \$6/MMBTU
- Industry should propose request for certain natural gas price to Minister of Industry
- The gas business or trading entity should pass on the adjustment of gas price purchase from contractors to its gas selling price to customers
- Maximum price cut is USD2/MMBTU.
- Gas price of certain natural gas will not affect revenue share to contractors of PSC

## Central Bank Deputy Letter No. 18/5/DpG-DKSP/ Srt/B dated 26 July 2016

### Mandatory use of Rupiah in Indonesia

- Central Bank approved the postponement of the implementation of mandatory use of Rupiah which previously proposed by ESDM. Billing quotation may use foreign exchange but transaction payment will be in in Rupiah
- Postponement applies to oil and gas sector including :
  - a. Gas Transportation Fee
  - b. Gas sales includes LNG regasification process
  - c. Gas transportation tariff
- Postponement is valid until February 23, 2026 and effective starting 30 days after the approval date.

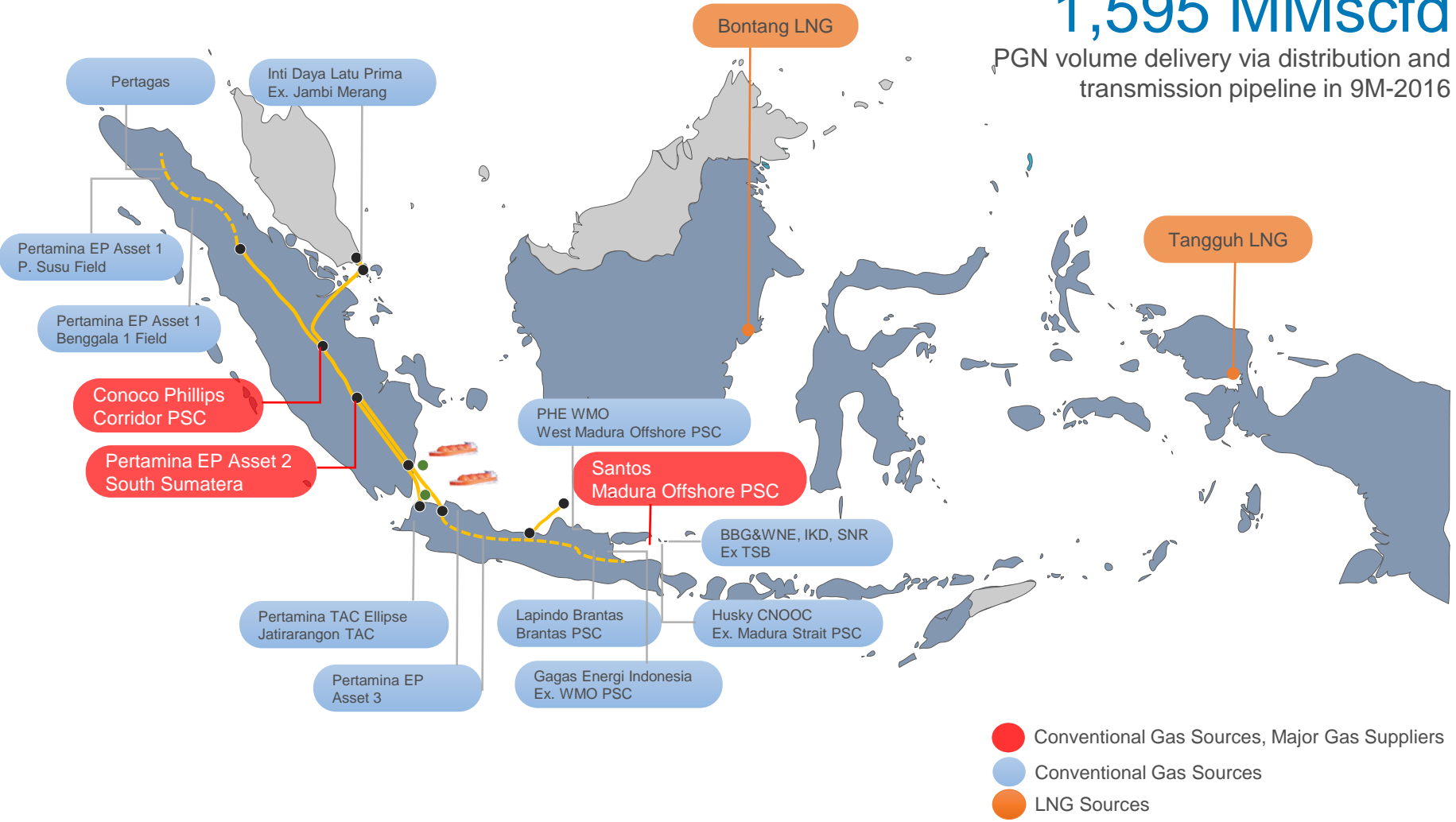
# Network Infrastructure – Transmission & Distribution Regions



# Source of Gas

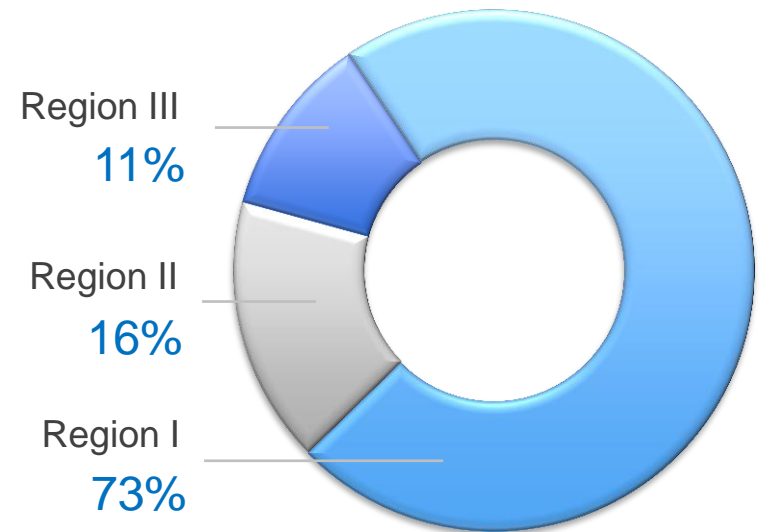
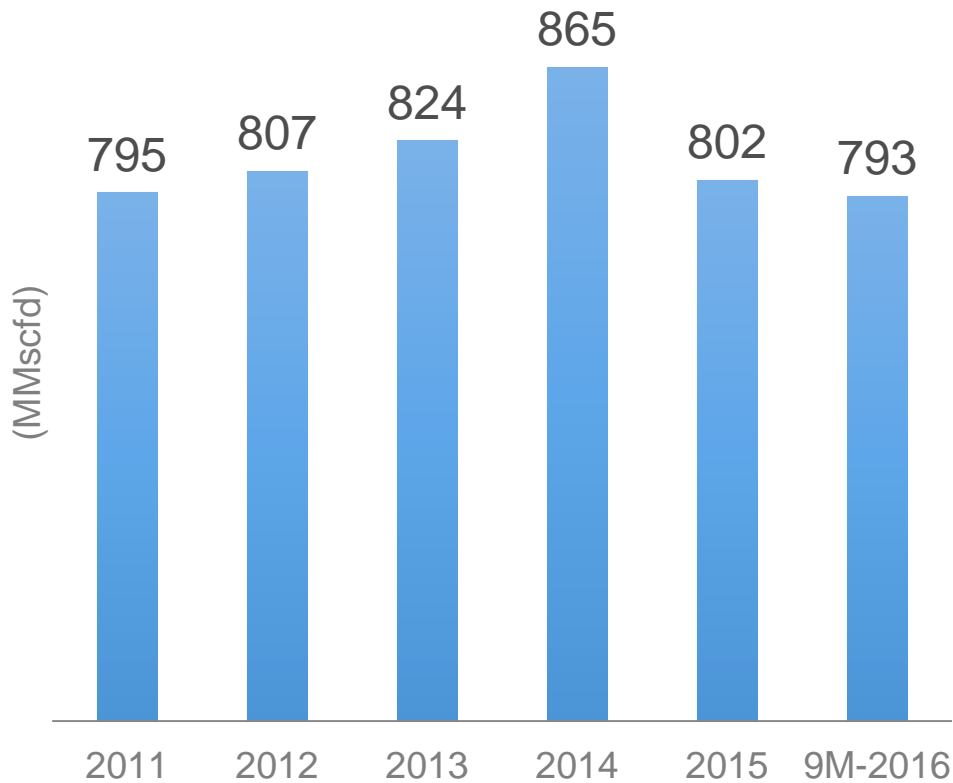
## 1,595 MMscfd

PGN volume delivery via distribution and transmission pipeline in 9M-2016



- Conventional Gas Sources, Major Gas Suppliers
- Conventional Gas Sources
- LNG Sources

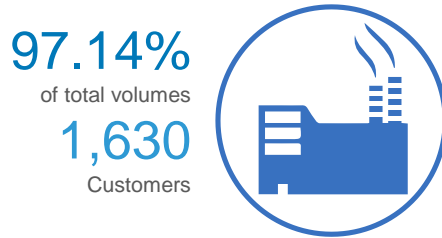
# Distribution Performance



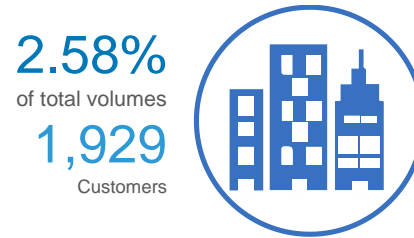
Region I : Western Java, Lampung, Palembang  
Region II : East Java & Central Java  
Region III : North Sumatera & Riau Islands

# Serve All Segments

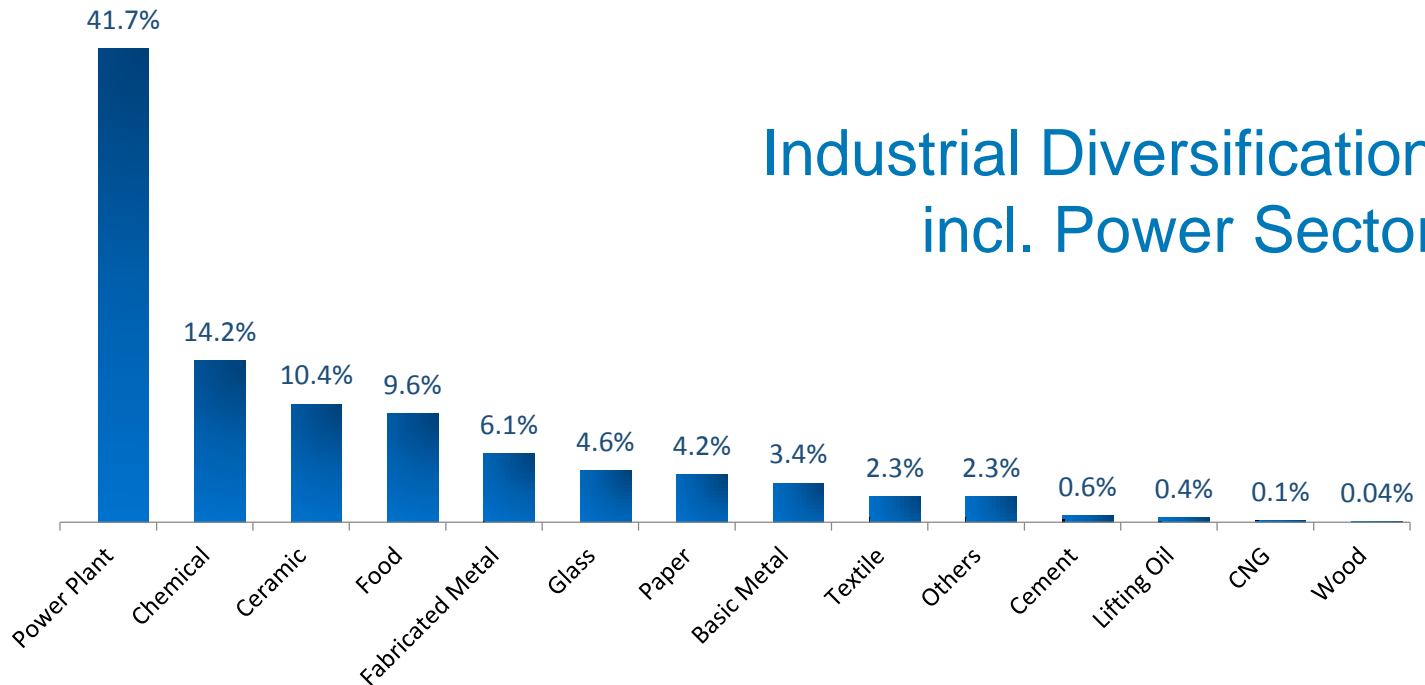
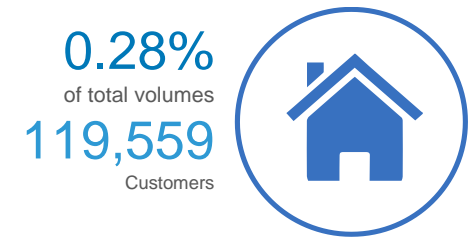
## Industries and Power Plants



## Commercial & SME

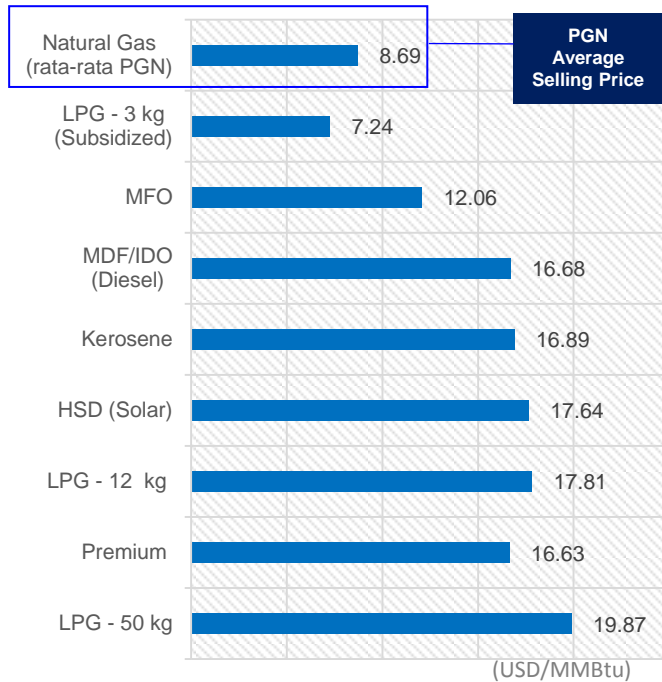


## Households

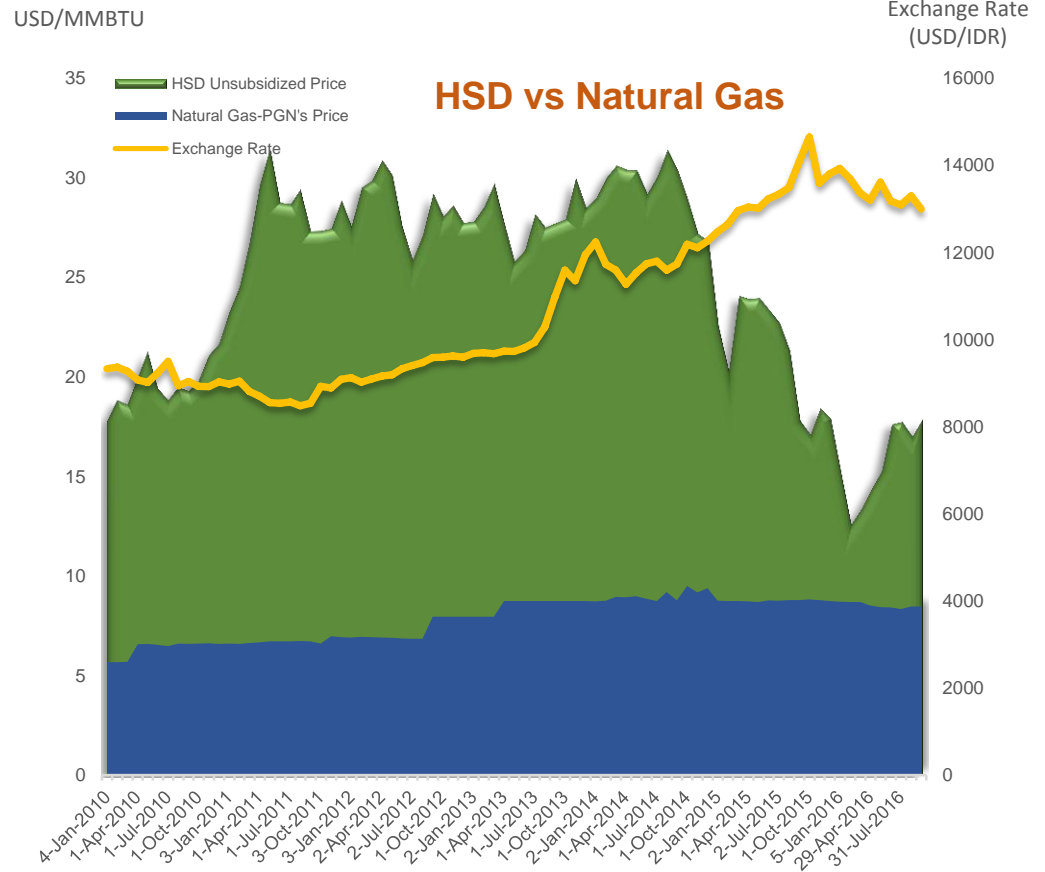


\*) Data as of September 2016/ 9M-2016

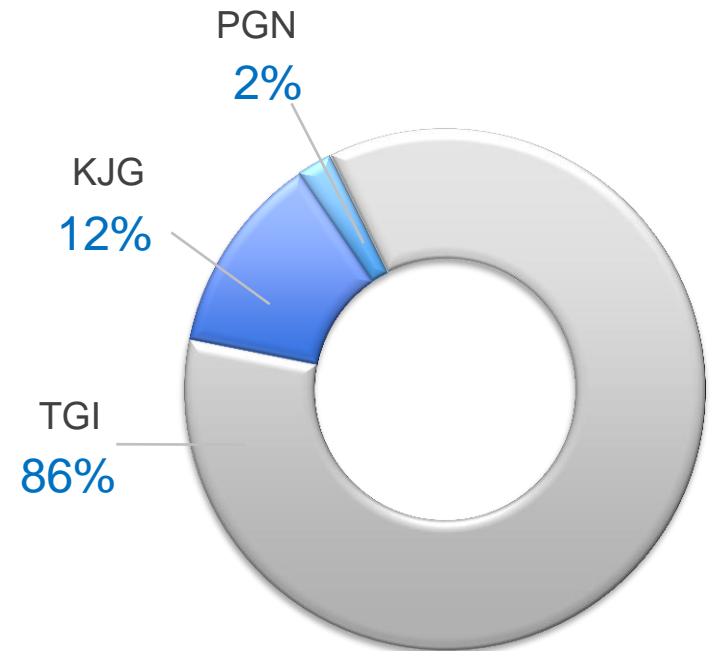
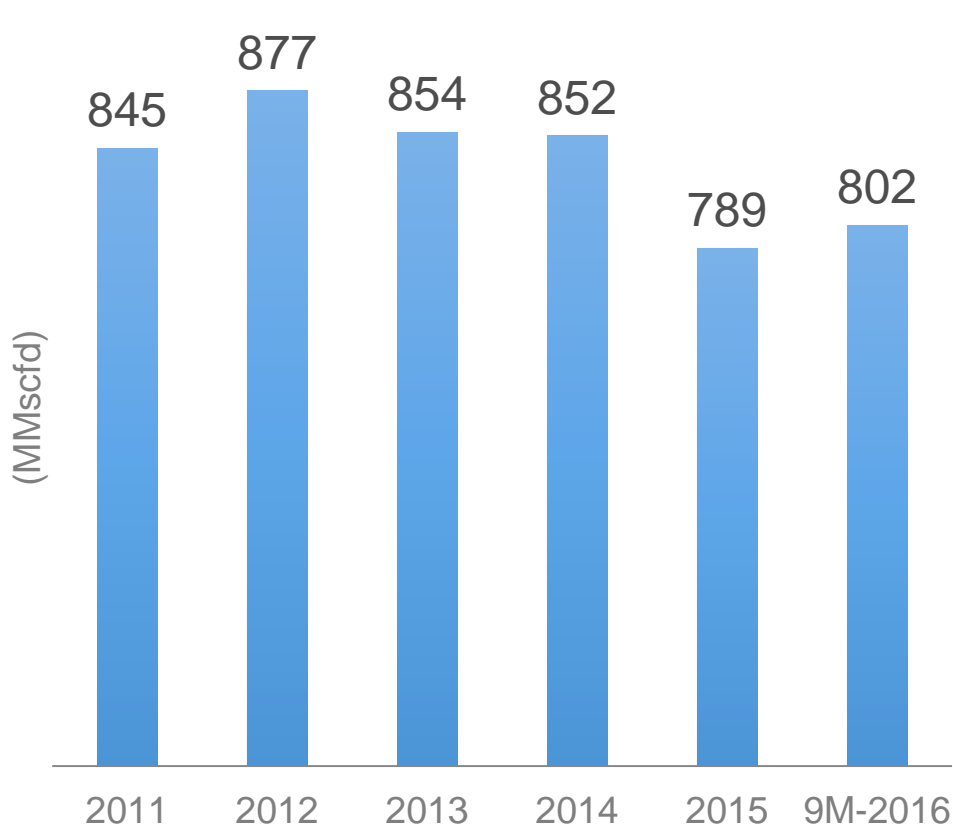
# Opportunity in Price Advantage



Note:  
 Fuel price Pertamina as of September 2016  
 Exchange rate USD 1 = IDR 13,180  
 \* Subject to ICP



# Transmission Performance



Note:

\*) As of January 1, 2015, PGN adopted PSAK 65 (Indonesian Statements of Financial Accounting Standards) regarding consolidated financial statements whereby it reassessed its control over its entities and requires PGN to unconsolidate PT Transportasi Gas Indonesia (TGI).

# Consolidated Statements of Comprehensive Income

In USD Million	September 30, 2016	September 30, 2015
Revenues	2,155.6	2,138.2
Cost of Revenues	1,490.9	1,435.3
Gross Profit	664.7	702.9
Operating Income	394.2	422.4
EBITDA	641.5	614.3
Net Income	241.9	306.3

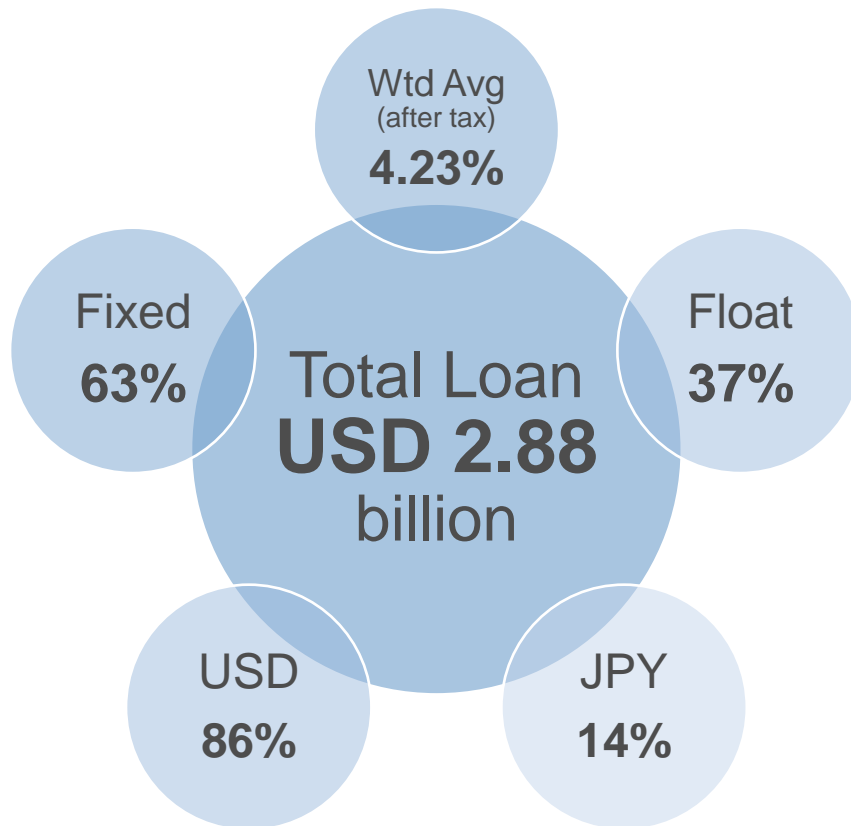
# Consolidated Statements of Financial Position

<b>In USD Million</b>	<b>September 30, 2016</b>	<b>December 31, 2015</b>
Current Assets	1,910.7	1,722.5
Non Current Assets	4,802.9	4,772.5
<b>Total Assets</b>	<b>6,713.6</b>	<b>6,495.0</b>
Current Liabilities	695.3	667.3
Non Current Liabilities	2,906.7	2,804.9
Total Equity	3,111.6	3,022.8
<b>Total Liabilities And Shareholders Equity</b>	<b>6,713.6</b>	<b>6,495.0</b>

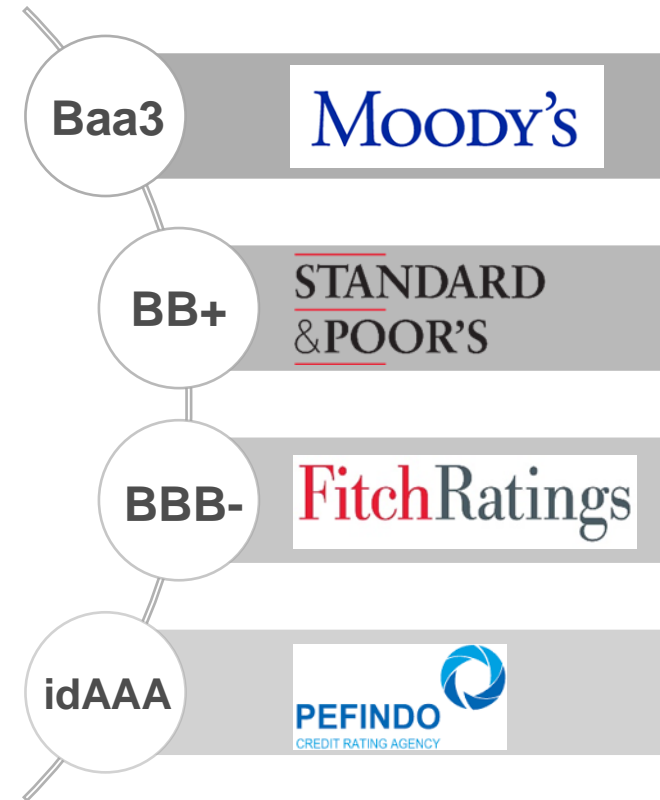
<b>Ratios</b>	<b>September 30, 2016</b>	<b>September 30, 2015</b>
Net Debt / Equity	0.5	0.5
EBITDA / Interest Expense	7.6	8.1

# Loan Composition

As of September 30, 2016

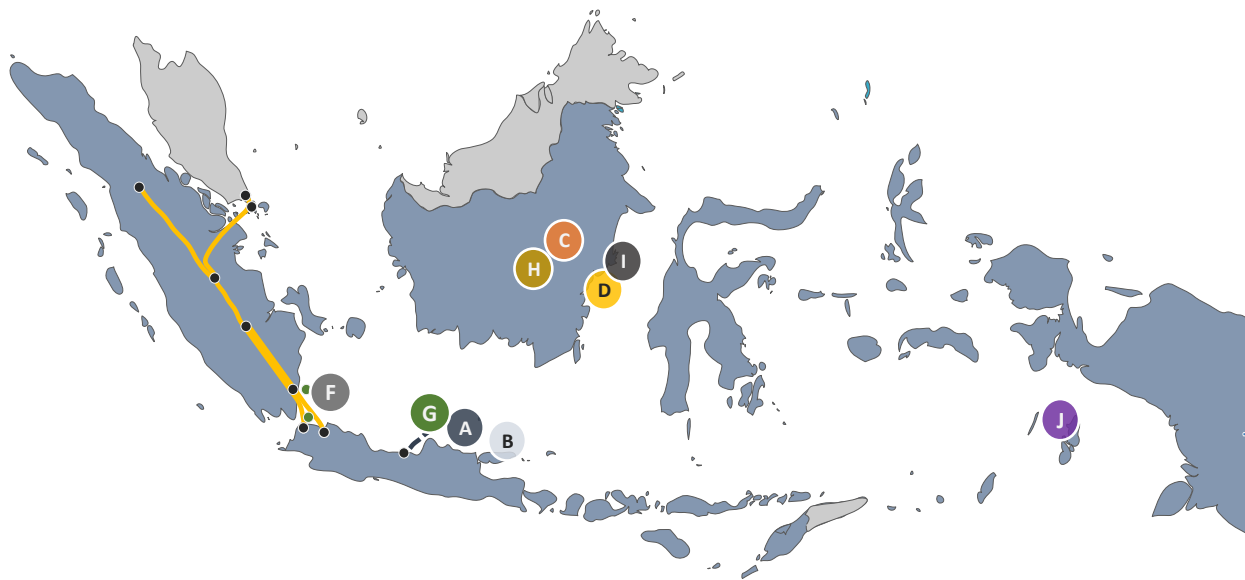


## Credit Rating 2016



Long-term loan sourced from developmental banks, bond proceeds and commercial banks.

# Upstream Assets



Asset	% WI	Operator	Area (Km2)	Status	Contract Expiry
<b>A</b> Pangkah	100	SEI	784	Production	2026
<b>B</b> Ketapang	20	Petronas	885	Production	2028
<b>C</b> Bangkanai	30	Salamander	1,395	Development	2033
<b>D</b> South Sesulu	100	SEI	625	Exploration	2039
<b>E</b> Fasken (Texas)	36	Swift Energy	8,300 acres	Production	2050
<b>F</b> SES	8.9	CNOOC	6,082	Production	2018
<b>G</b> Muriah	20	Petronas	2,823	Production	2021
<b>H</b> West Bangkanai	30	Salamander	5,463	Exploration	2043
<b>I</b> Muara Bakau	11.7	Eni	1,082	Development	2032
<b>J</b> Wokam	100	SEI		Exploration	

### Strategic Benefits

- Increased security of gas supply in Indonesia's supply-constrained gas market
- Future gas volume contribution from projects coming online will drive gas distribution volume and revenue growth
- Natural hedge against future gas price hikes and stronger pricing power with gas suppliers

# Upstream Assets

## Portfolio Strategy

**Field  
Discovery**

Add value through  
development /  
commercialization

**Step Out  
Exploration**

Low risk exploration  
using subsurface  
knowledge

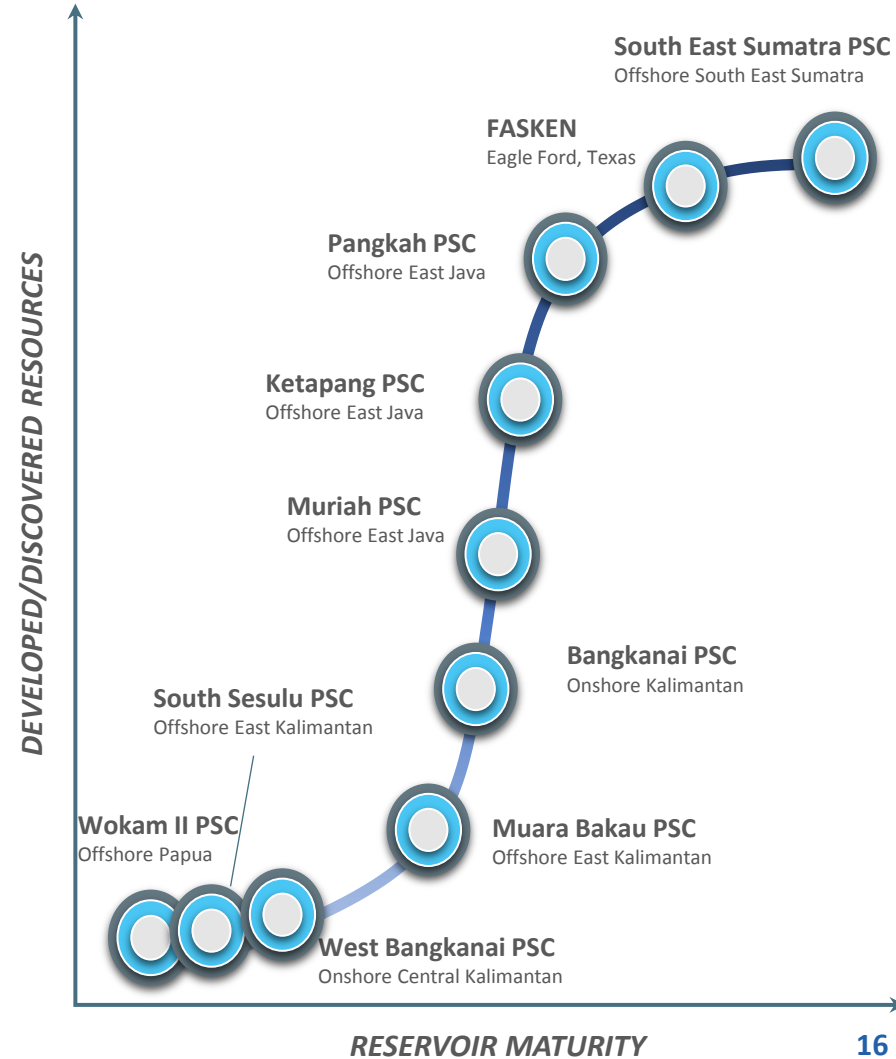
**Surrounding  
Acreage**

Add value through  
development /  
commercialization

- Enhanced technical insight
- Operational flexibility
- Financial synergies



## Building a portfolio of opportunities

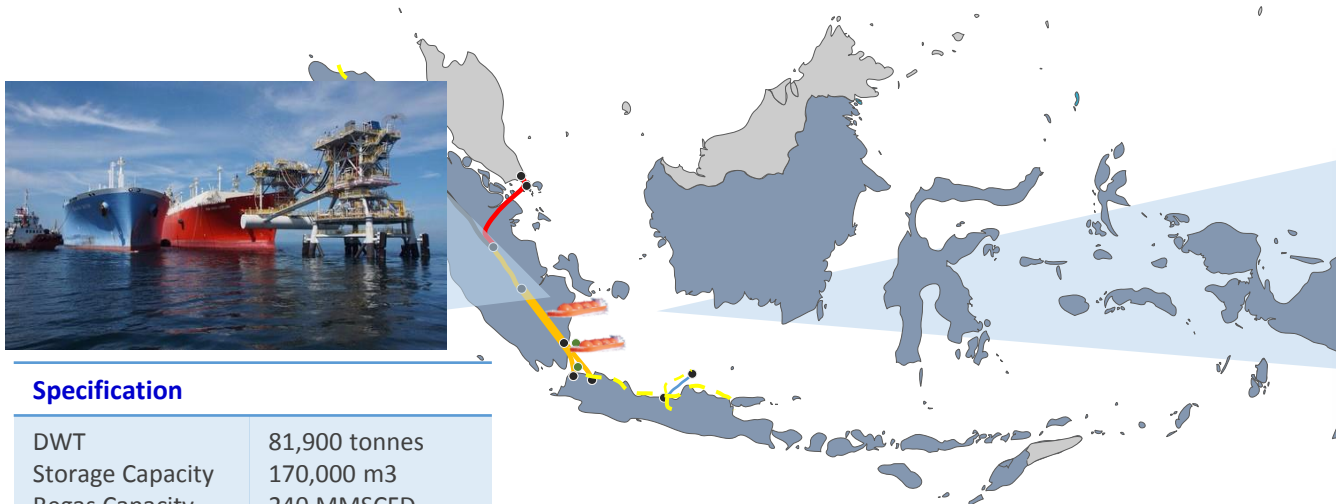


# LNG Gas Supply



## Specification

DWT	81,900 tonnes
Storage Capacity	170,000 m <sup>3</sup>
Regas Capacity	240 MMSCFD
Offshore Pipeline	±21 km
Diameter	24"



FSRU Jawa Barat

## Specification

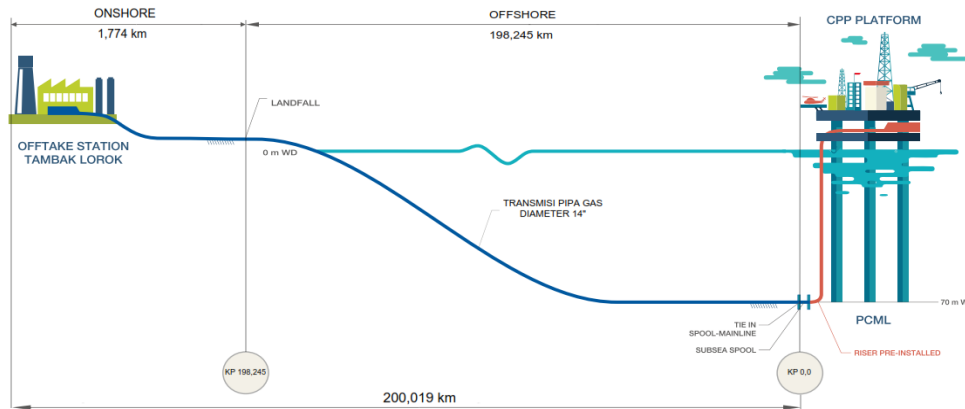
Capacity	3 MTPA
Offshore Pipeline	±15 km
Diameter	24"
LNG Supply Contract	11.75 MT

- **About 1.1 million cubic meter of LNG** or 8 cargoes will be shipped to FSRU Lampung of subsidiary, PGN LNG Indonesia from Tanguh Block in 2016. Five LNG cargoes have been regassified from January until September 2016 and delivered through pipeline to PGN's customers in West Java.
- **LNG GSPA between PGN & Pertamina** was signed in June 2015 to serve gas demand in Medan, South Sumatera for 5 years.

# Kepodang-Tambak Lorok Transmission Pipeline



- Kalimantan Jawa Gas (KJG) completed Kepodang – Tambak Lorok pipeline project at the end of August 2015. It has delivered gas from Muriah Block to PLN’s Tambak Lorok power plant in Central Java. The volume will ramp-up to maximum of 116 MMSCFD.
- Saka Energi Indonesia (SEI) has participating interest of 20% in Muriah Block.



# Recent Updates

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Event	Detail of Event
August & September, 2016 Delivery of LNG cargo	Two LNG cargoes from Tangguh Block arrived at FSRU Lampung, each in August and September 2016. With the additional cargoes, FSRU Lampung has regassified five cargoes in the nine months of 2016.
August, 2016 Agreement with PLN regarding extension of gas delivery to PLN power plant in Muara Tawar	PGN and PLN agreed to extend delivery of gas to PLN power plant in Muara Tawar. Under the agreement, additional volume and more stable offtake with new price will be applied starting from August 2016.
May 26, 2016 Delivery of LNG cargo	One LNG cargo from Tangguh Block arrived at FSRU Lampung in May 2016. The cargo has been regassified and delivered through pipeline to PGN's customers in West Java. Hence, three cargoes have been regassified in the period of first half 2016.
April 2 & 24, 2016 Delivery of LNG cargoes	Two LNG cargoes were shipped from Tangguh Block to FSRU Lampung in April 2016. The cargoes have been regassified and delivered through pipeline to PGN's customers in West Java. In 2016, about 1.1 million cubic meter or 8 cargoes of LNG will be shipped to FSRU Lampung.

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# Recent Updates

Event	Detail of Event
<p>April 8, 2016 Resolution of Annual General Meeting of Shareholders on the composition of Management</p>	<ul style="list-style-type: none"><li>• The meeting honorably discharged, Mr. Iman Sugema and Mr. Muhammad Zamkhani as the member of the Board of Commissioners and replaced with Mr. Fajar Harry Sampurno and Mr. Kiswodarmawan as the new member of the Board of Commissioners.</li><li>• The meeting changed the nomenclature of the member of the Board of Directors' position and appointed: Mr. Hendi Prio Santoso as the President Director and Mr. Muhammad Wahid Sutopo, Mr. Nusantara Suyono, Mr. Danny Praditya, Mr. Dilo Seno Widagdo and Mr. Hendi Kusnadi as the Directors..</li></ul>
<p>April 8, 2016 Resolution of Annual General Meeting of Shareholders on Dividend</p>	<p>Rp 2,213,734,528,459,- from the profit attributable to the parent of entity of year 2015 or Rp 91.32 per share were distributed as cash dividend to shareholders: Cum dividend:</p> <ul style="list-style-type: none"><li>• Regular and negotiable market April 15, 2016.</li><li>• Cash market April 20, 2016.</li><li>• Payment date of cash dividend May 12, 2016</li></ul>

# Note

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# Thank You

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