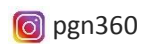




PGN

Coping Challenges in Indonesia Natural Gas Industry

PT Perusahaan Gas Negara Tbk



pgn360



gas_negara



gas_negara



PGN Energi baik

#BerubahBarengPGN

#EnergiBaik

www.pgn.co.id

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.

ABOUT PGAS

PT Perusahaan Gas Negara (Persero) Tbk (IDX:PGAS) is an Indonesia-based, state-owned and public-listed company engaging in the transmission and distribution of natural gas primarily in Indonesia.

HEADQUARTER

Jl. K.H. Zainul Arifin No. 20 Jakarta, Indonesia
Website: www.pgn.co.id

Investor Relations Contact:

PT Perusahaan Gas Negara (Persero) Tbk
Mid Tower Manhattan 26th Floor
Jl. TB Simatupang Kav. 1-S, Jakarta, Indonesia
Email: investor.relations@pgn.co.id
Phone: +62 21 8064 1111

Company Introduction

VISION

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

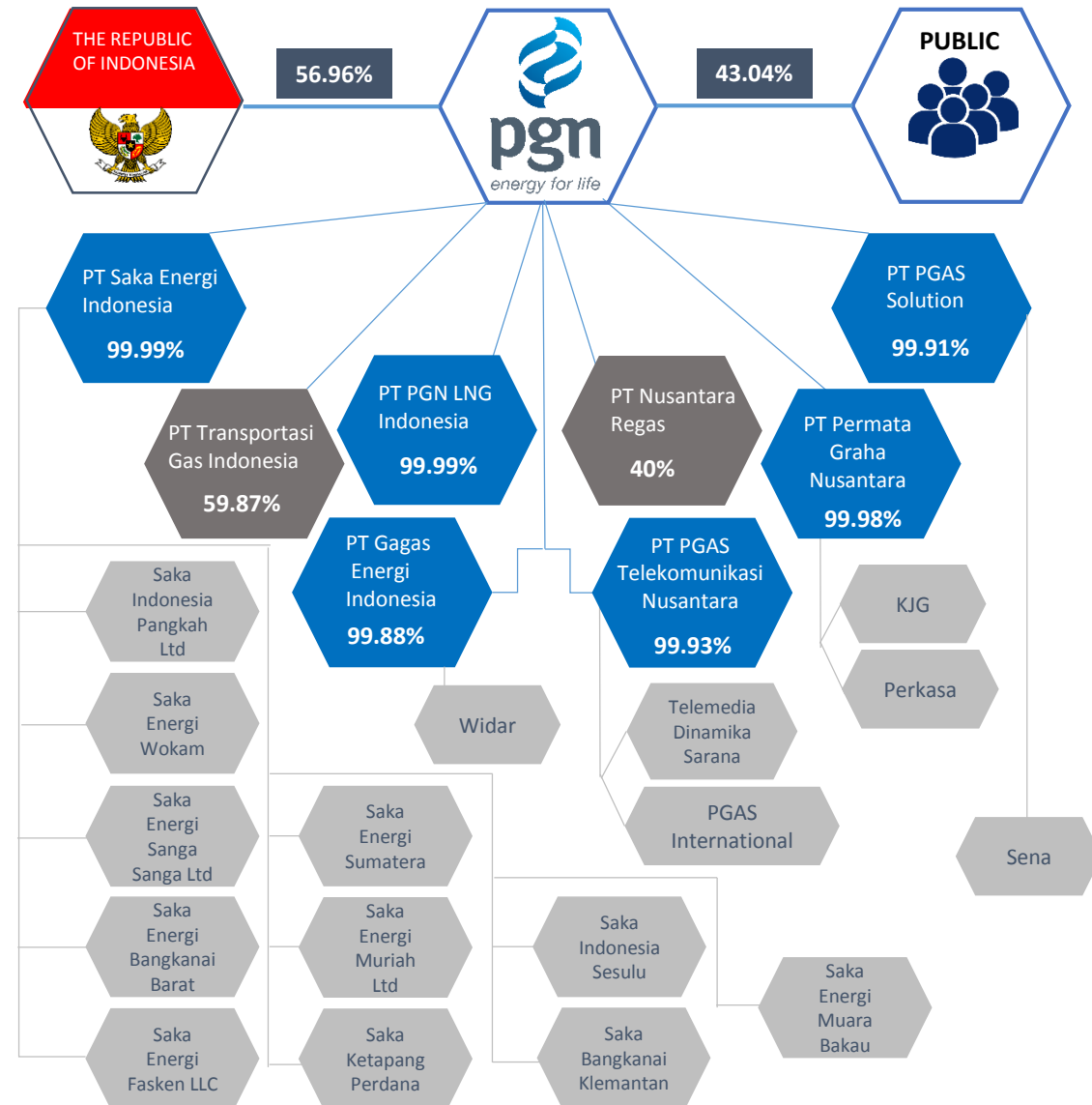
MISSION

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.

	
Type	Public
Index	IDX:PGAS
Founded	13 May 1965
Headquarter	Jakarta
CEO	Jobi Triananda Hasjim
Industry	Gas Transmission and Distribution
Subsidiaries	8
Total Assets	USD 6.3 Billion (2017)
No. Employees	1,352 (2017) <i>Notes: 395 Subs Secondees</i>
Website	www.pgn.co.id


Group Structure*



Business Coverage and Infrastructures

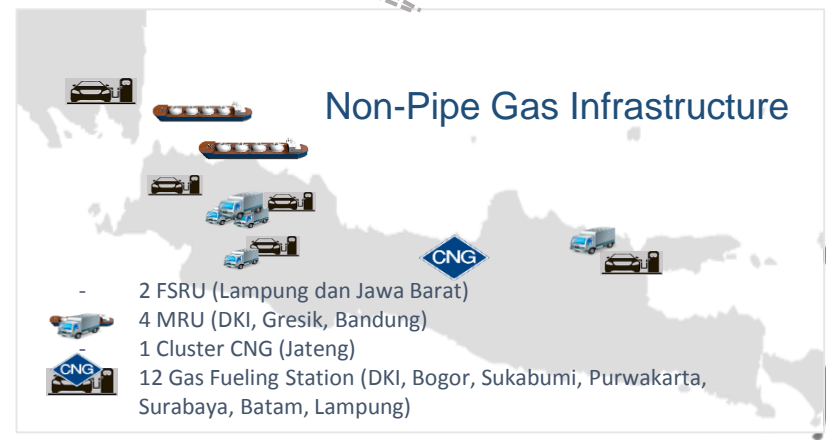
Distribution Business		Transmission Business
Buying and selling gas to customers by virtue of pipeline infrastructure in three main areas in West Java, East Java and North Sumatera.	Transporting gas of customers; suppliers or off-takers through pipeline. The pipeline can also be function as the backbone to distribution pipeline.	

Downstream Business	<ul style="list-style-type: none"> Operating in 3 Major Coverage Area, 39 cities and 12 provinces in Indonesia Transporting and Distributing Gas ±1,500 MMSCFD
Gas Infrastructure	<ul style="list-style-type: none"> Developing ±7,453 km length pipeline network, 2 unit FSRU, 12 Gas Fueling Station, 4 MRU
Upstream Business	<ul style="list-style-type: none"> Total assets 11 blocks (8 blocks in operation, 3 blocks in exploration) Increasing oil and gas production and lifting to ±39,233 BOEPD

Upstream Business		Other Supporting Business
Investing participating interest in PSC and operating oil and gas blocks to support Indonesia production and lifting and to hedge downstream business	Taking business opportunities along the natural gas value chain; LNG, CNG, related gas business services, fiber optic for telecommunication, management of asset & facilities	



- 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 Distribution East Java and Central Java
 - III Distribution North Sumatra, Riau and Kepulauan Riau



Non-Pipe Gas Infrastructure

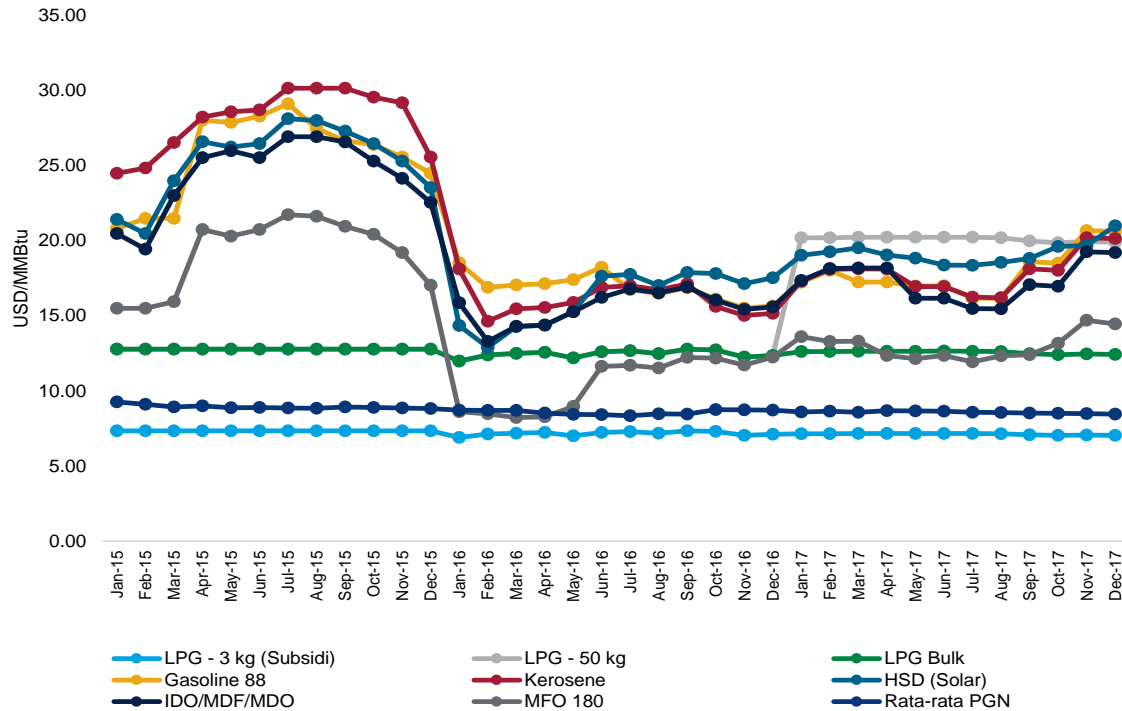
- 2 FSRU (Lampung dan Jawa Barat)
- 4 MRU (DKI, Gresik, Bandung)
- 1 Cluster CNG (Jateng)
- 12 Gas Fueling Station (DKI, Bogor, Sukabumi, Purwakarta, Surabaya, Batam, Lampung)

Indonesia Gas Industry Challenges

2017 Challenging Time in Indonesia Gas Industry

Low Oil Price Situation

Energy Price Trend 2015 – 2017
(USD/mmbtu)



- Changes in gas consumption from electricity sector due the low oil price and the over capacity situation
- Global economy and the end product competition
- High Competition in gas trading via pipeline market
- Regulation dynamics

12M-2017 Highlights

D O W N S T R E A M



Distribution Volume
772 MMSCFD



Sales Price
~ USD 8.54/MMBTU
Cost of Gas
~ USD 6.07/MMBTU
(incl. LNG)



Transmission Volume
733 MMSCFD
(Incl. TGI & KJG)

I N F R A S T R U C T U R E



Pipeline Network
7,453 km
Developed 175 km
in 2017

U P S T R E A M

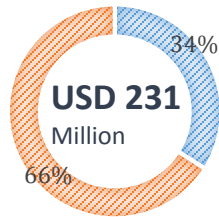


Overall net lifting
±39,233 BOEPD

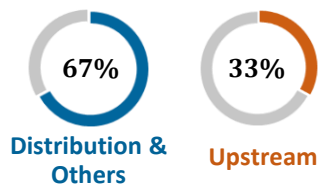
- Oil **8,995 BOEPD**
- Gas **139 BBTUD**
- LNG **32 BBTUD**
- LPG **150 MTPD**

C A P E X

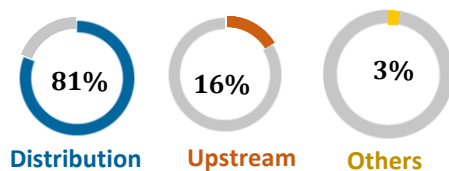
■ Distribution & Others ■ Upstream



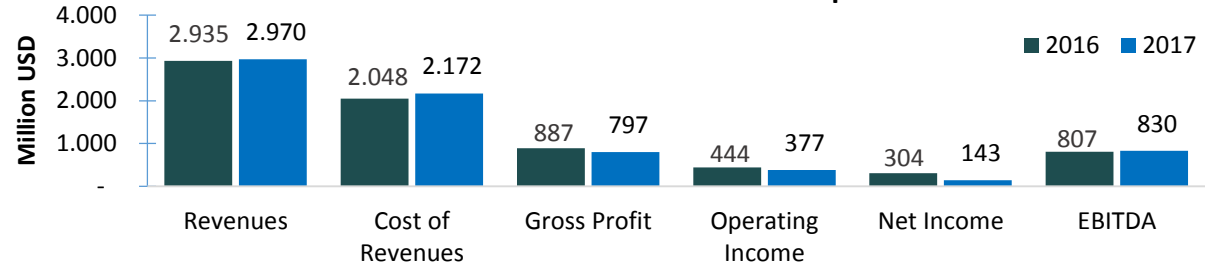
EBITDA Contribution



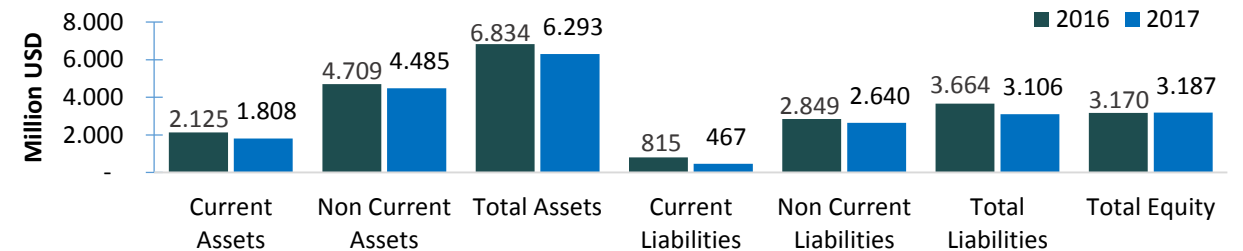
Revenue Contribution



Consolidated Statement of Comprehensive Income



Consolidated Statements of Financial Position



Impact of Macroeconomy

- Unfavorable gas market conditions
- Contracting demand of commodities
- Government's incentives for fertilizer, petrochemicals and steel

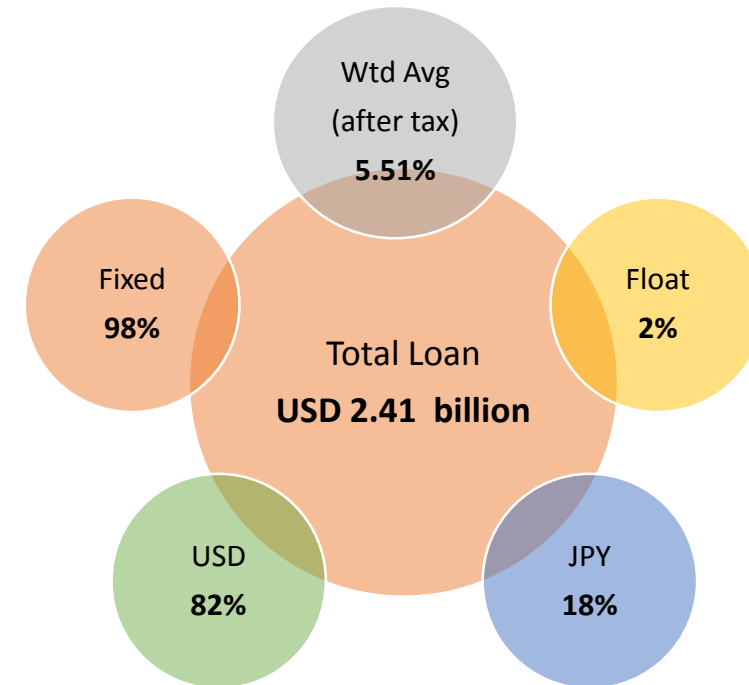
OPERATING EXPENSE

	31 Dec 2017	31 Dec 2016
<i>In Million USD</i>		
Distribution & Transmission	237	220
General & Administration	203	234
TOTAL	440	454

Financial Performance

Financial Ratios	31 Dec 2017	31 Dec 2016
EBITDA Margin (%)	28.0	27.5
EBITDA / Interest Expense (x)	5.6	6.1
Debt (Interest Bearing Debt)/ Equity (%)	75.1	91.6
ROA (%)	13.2	11.8
ROE (%)	4.5	9.6

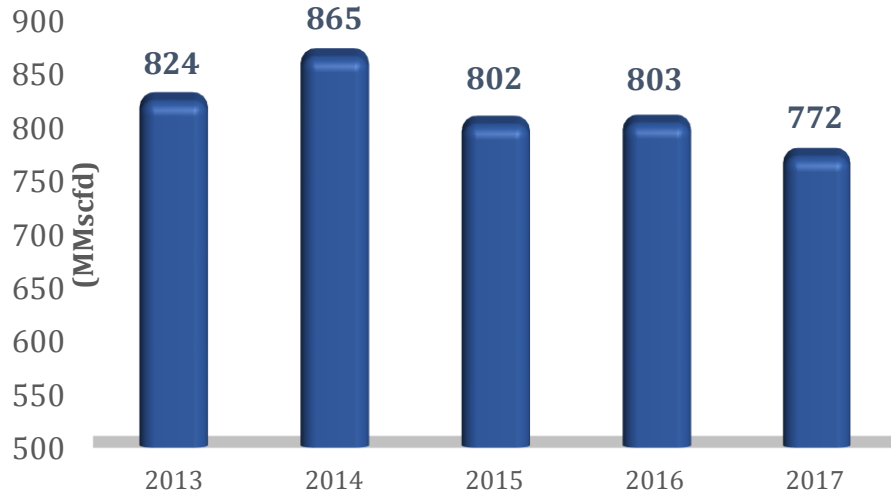
Cash Flow <i>(In Million USD)</i>	31 Dec 2017	31 Dec 2016
Beginning Balance	1.304	1.136
Cash flow from operating	578	656
Cash flow from investment	(189)	(501)
Cash flow from financing	(648)	(5)
Foreign Exchange Impact	(18)	8
Ending Balance	1.026	1.304



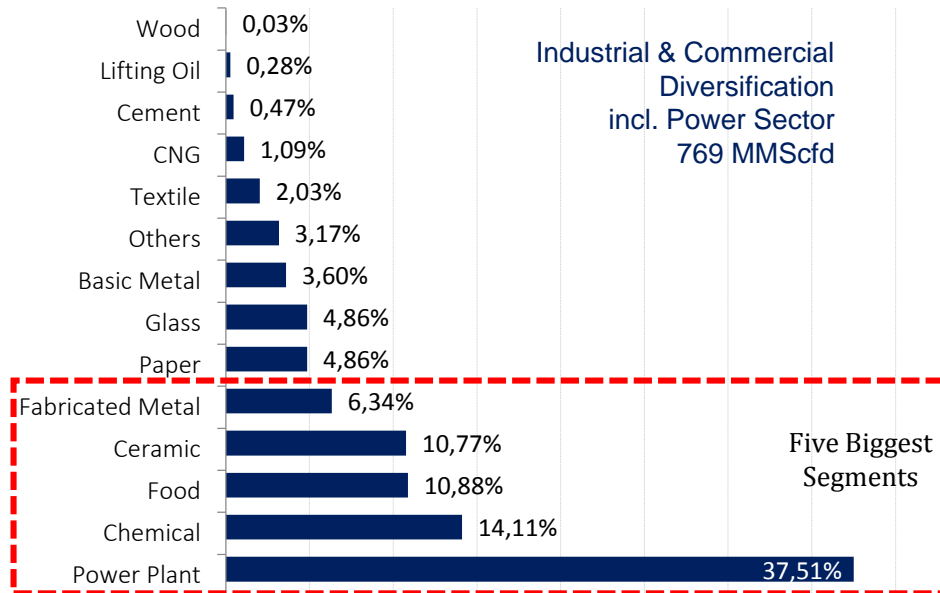
As of 26 February 2018

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

Contribution - Distribution



Lower consumption in 2Q-2017 from power sector and industries



Industries and Power Plants

97.2% of total sales volume

1,741 Customers

Commercial & SME

2.5% of total sales volume

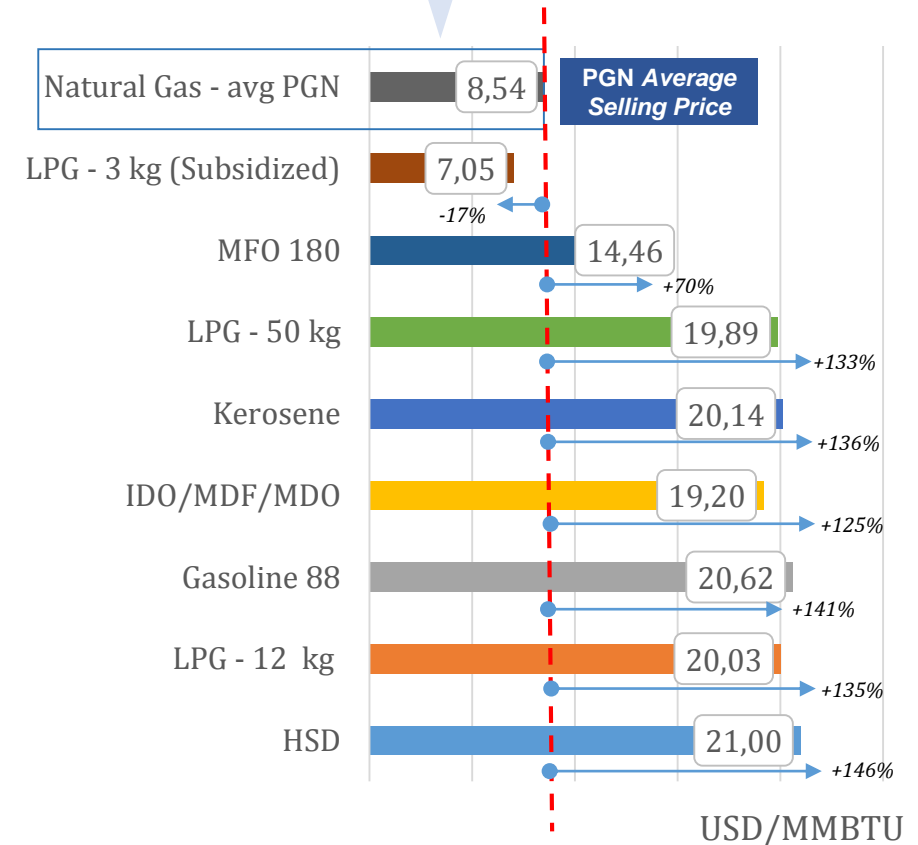
1,991 Customers

Households

0.4% of total sales volume

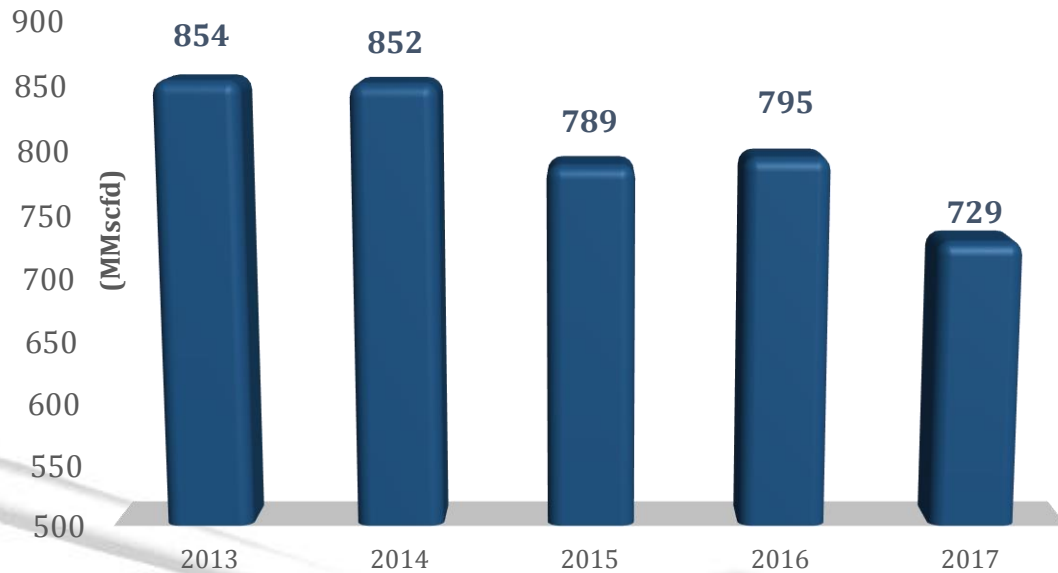
192,489 Customers

Price of gas remained competitive than other energy sources



Exchange Rate USD/IDR : 13,548 (as of 31 Dec 2017)

Contribution – Downstream Transmission



Transmission

Operated by TGI

- Total Length: \pm 1,000 km
- Off-taker: CPI, Gas Supply Pvt. Ltd., PGN, PLN
- Total Volume: 649 MMScfd
- Gas transported by TGI to off-taker in Central Sumatera and Singapore decreased by 41 MMScfd from 686 to 645 MMScfd. This was due to contractual decline of TGI's customer.

Operated by KJG

- Total Length: \pm 200 km (Kepodang- Tambak Lorok)
- Off-taker : PLN
- Volume 76 MMScfd
- Gas transported from Kepodang field operated by Petronas through Kalimantan – Java pipeline decreased by 16 MMScfd from 92 to 76 MMScfd due to declining reserve from supplier

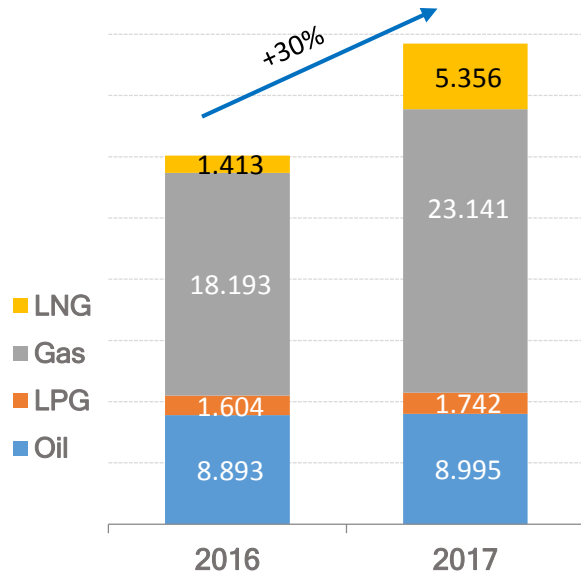
Operated by PGN

- Total Length: \pm 1,077 km (incl. SSWJ)
- Off-taker: PLN, BBG
- Volume 8 MMScfd

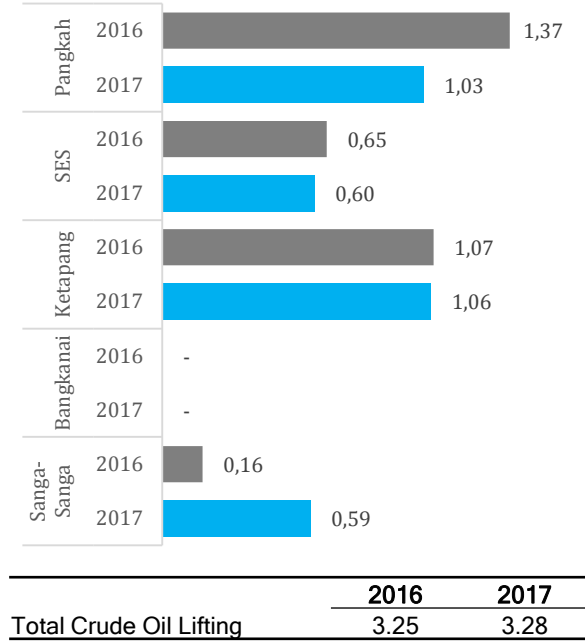
Contribution – Upstream

Oil and Gas Lifting

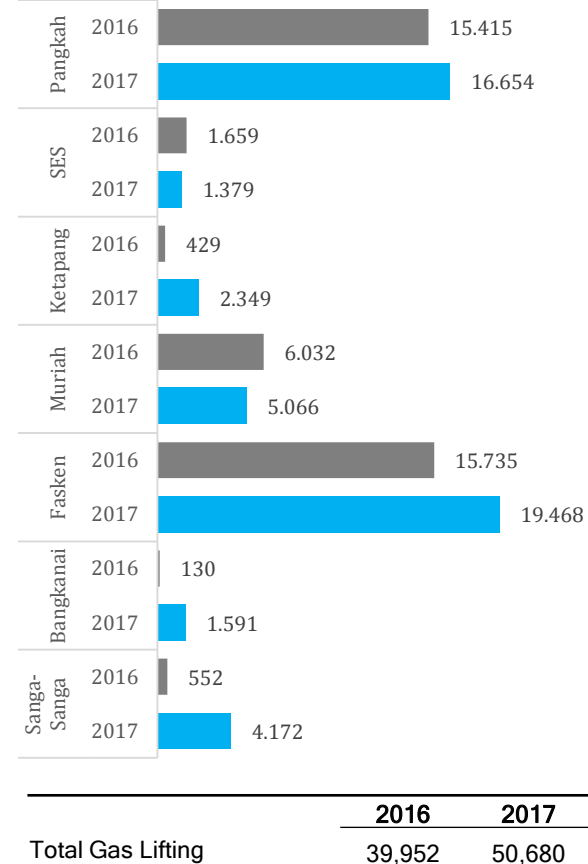
30,103 boepd 39,233 boepd



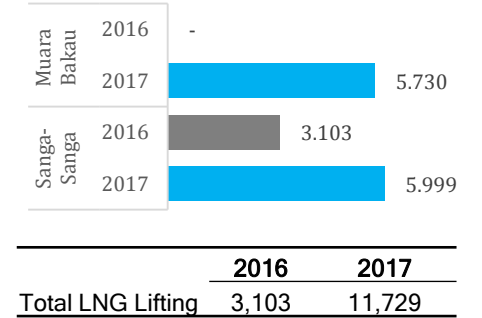
Crude Oil & Condensate (MMBBL)



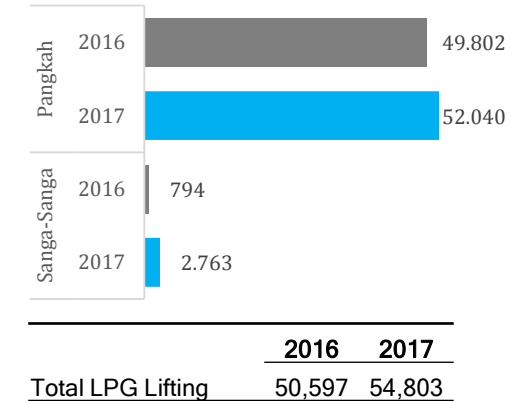
Gas (BBTU)



LNG (BBTU)



LPG (MT)



Contribution – Others

2017 USD 89.5 Million	62% Finance Lease
	15% Fibre Optic

23% Pipeline Construction & Maintenance

2016 USD 73.1 Million	86% Finance Lease
	13% Fibre Optic

1% Pipeline Construction & Maintenance

Finance Lease represents KJG's interest in relation to finance lease under the gas transportation agreement between KJG, PLN and PC Muriah Ltd. under the provision of GTA Kalija 1.

Fibre optic represents PGASCOM's revenues of network services to the customers

Pipeline construction and maintenance represents PGASSOL's revenues of services to its the customers.



2017 Recognitions

Best of Asia Pacific
World's Best Annual Report 2017
ARC Awards



Best organizational Governance
CSR Core Subject Performance of
ISO 26000



#2 BUMN Non-Listed
Annual Report Award 2016



Winner – Energy Category
Best Sustainability Report 2015
SRA 2016



Best Overall
Best Sustainability Report 2015
SRA 2016



BUMN Performance Excellence Award 2017
Emerging Industry Leader



Lloyd's Register
LRQA Certificate



Top CSR Awards 2017



2017 Stevie Award
The International Business Award



BUMN Performance Excellence Award 2017

Silver Award
Security Management System



Occupational Safety & Health
Management System



ISO 14001:2004



OHSAS 18001:2007

Gold Winner
2017 Stevie Award



2016 Vision Award
#1 Worldwide Annual Report Competition



Marketing and Branding Award

Gold Winner, for Marketing and Product Branding Category from BUMN Track 2017.



PGN Contact Center

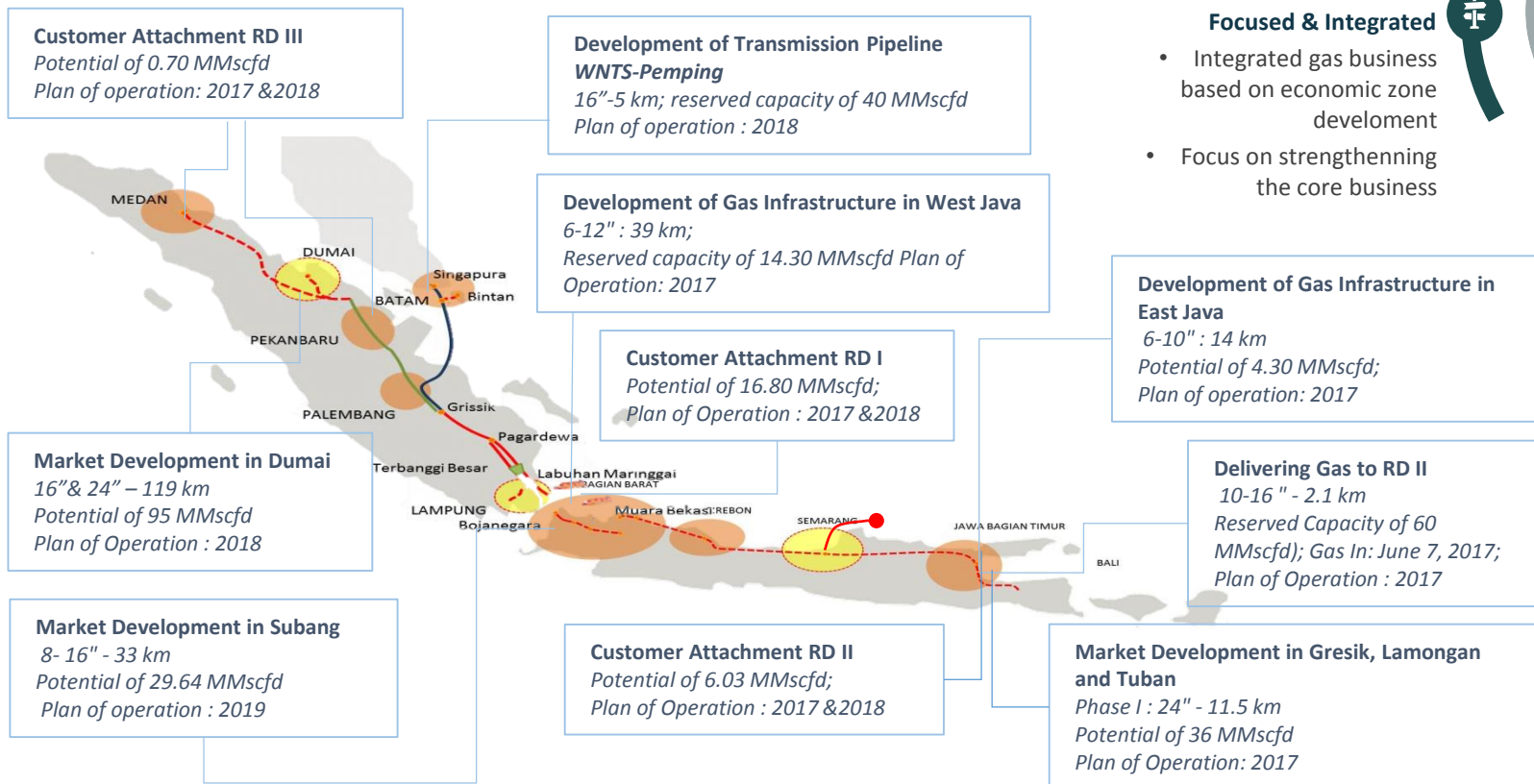
Indonesia Contact Center Award 2018 :

- **Gold Winner**, Customer Service Category
- **Gold Winner**, Manager Customer Service Category
- **Gold Winner**, Back Office Category
- **Bronze Winner**, Best of The Best Back Office Category



Strategy & 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



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

PGN GROUP



Customer Intimacy

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

Focused & Integrated

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

Maximizing Value Creation

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

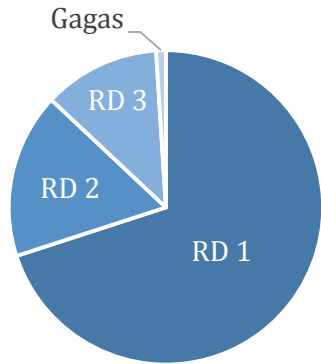


2018 Targets – Guidelines for Investors

Organic PGAS only & Subject to Change

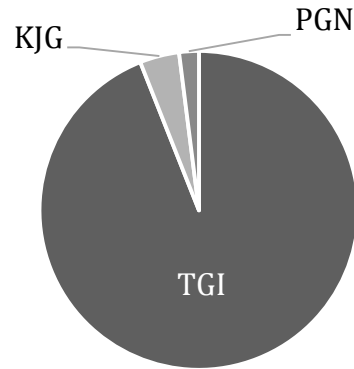
Distribution Volume
775 MMSCFD

Zero growth or flat in 2018

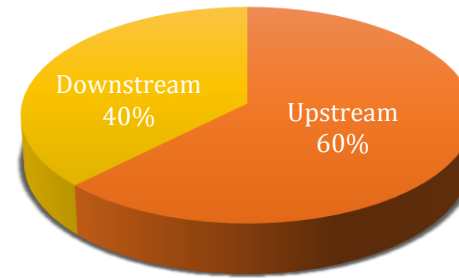


Transmission Volume
665 MMSCFD

No change on toll fees



Total CAPEX
USD 400 Million



Upstream Lifting
35,435 BOEPD

Lower due to expiry of Sanga-Sanga & SES



Duri – Dumai Distribution

56 km length of pipeline

Plan of Operation end 2018

Duri – Dumai Transmission

67 km length of pipeline

JV with Pertamina

Plan of operation end 2018



Strategy & Market Development

Better Services through Integrated Solution



Integrated Solution from gas provision, infrastructure solution, gas utilization services to supporting services such as ICT solution, Engineering, Operation and Maintenance Solution. Integrated Solution from PGN Group



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Strategy & Market Development

Better Services through Product Development and Differentiation

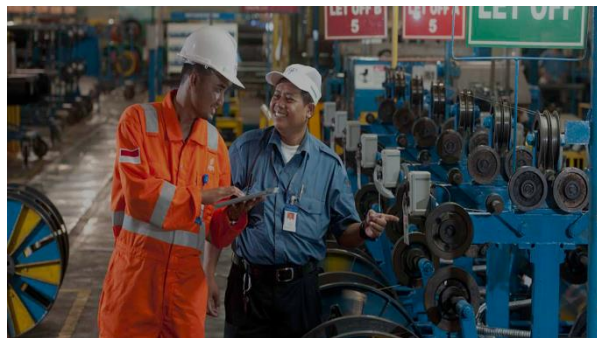
gaskita

Natural gas services for Household
and Small Customers



sinergi

Natural gas services for commercial
and Industrial Customers



gasku

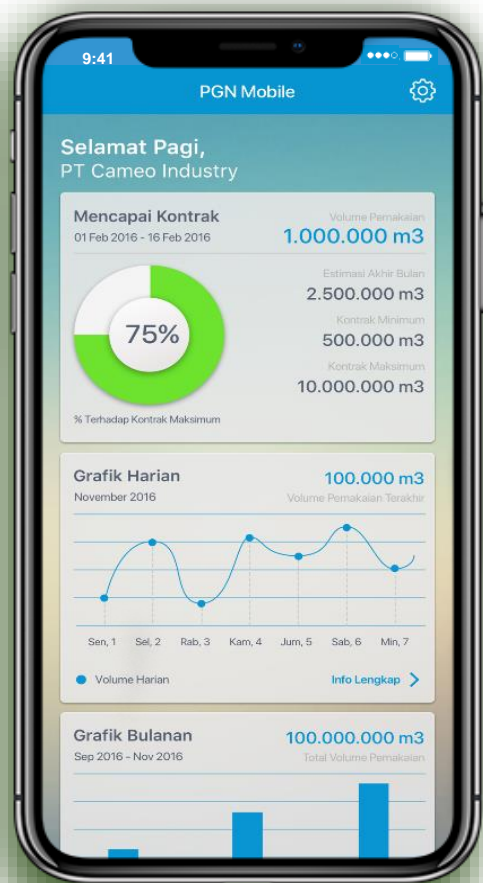
Natural gas services for
transportation



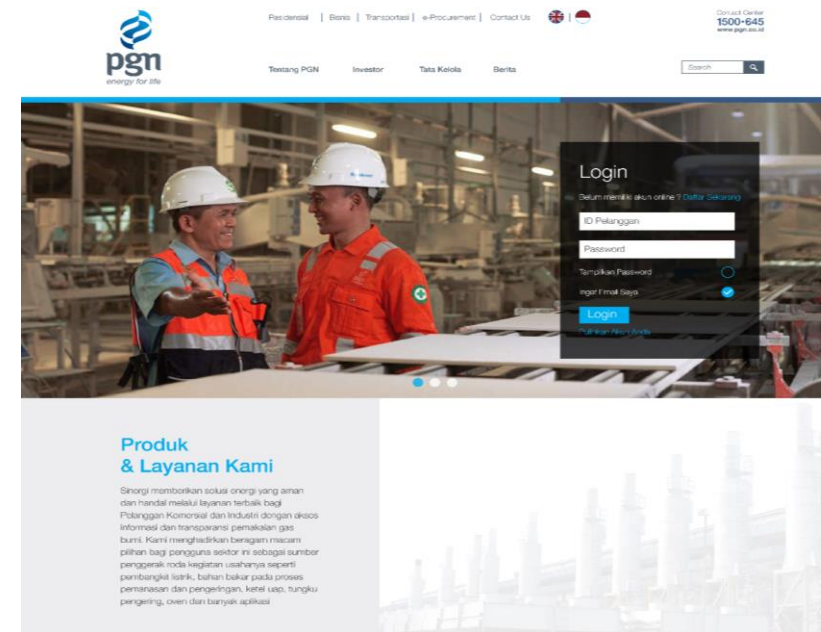
Strategy & Market Development

Better Services through Digital Experience

PGN Mobile



PGN Mobile to plan, monitor your gas utilization, 24 hours interaction with PGN and get PGN complete solution



Interactive website dedicated for customer experiences

Thank you