

Analyst Meeting

Remarks by:

Sutikno – CEO

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Response Towards Rumors



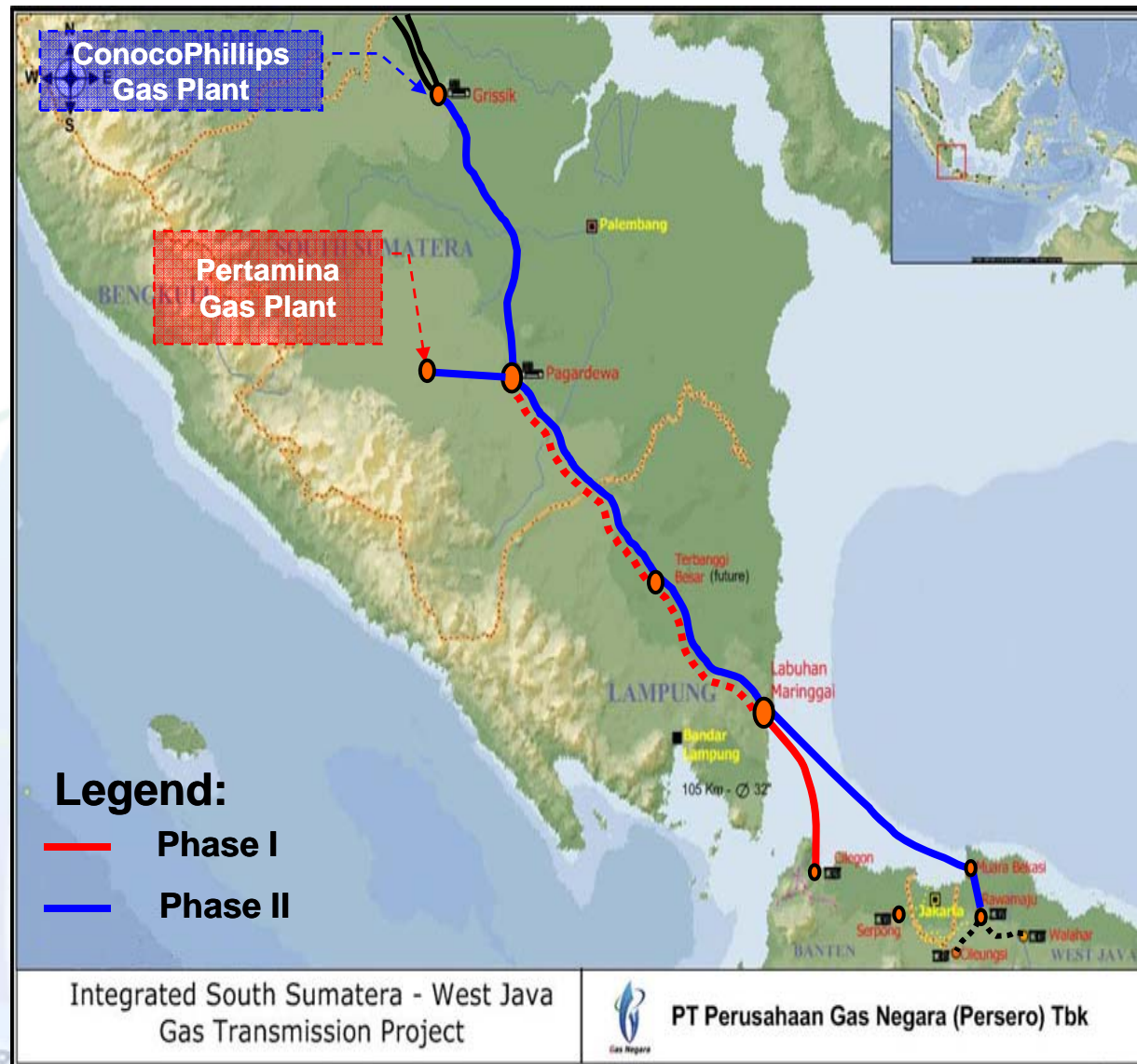
1. The management assures that no significant and substantial occurrences that affect fundamental and performance of the company in 2006.
2. Therefore, it is important to affirm that, rumors regarding manipulation on the company's Financial Report is fully untrue. PGN's Financial Report had been audited by Independent Auditor, appointed by Annual General Meeting of Shareholders, according to PSAK (Financial Accounting Standard Guidance) standard of IAI (Indonesia Accountant Association) and regulation of BAPEPAM (Stock Market Regulator) concerning guidance for providing and disclosing financial report of public companies.
3. On the subject of withholding information, as published in national mass media, regarding delay on SSWJ, the management would like to clarify that the rumor is not true.
4. Although delay has taken place, all gas sales and purchase contracts continue to implement. Thus, revenue projection for 2007 and onward will be increasing in comparison to projected revenue in 2006.

SSWJ Project Status of March 2007 (Pagardewa – Labuhan Maringgai – Cilegon)



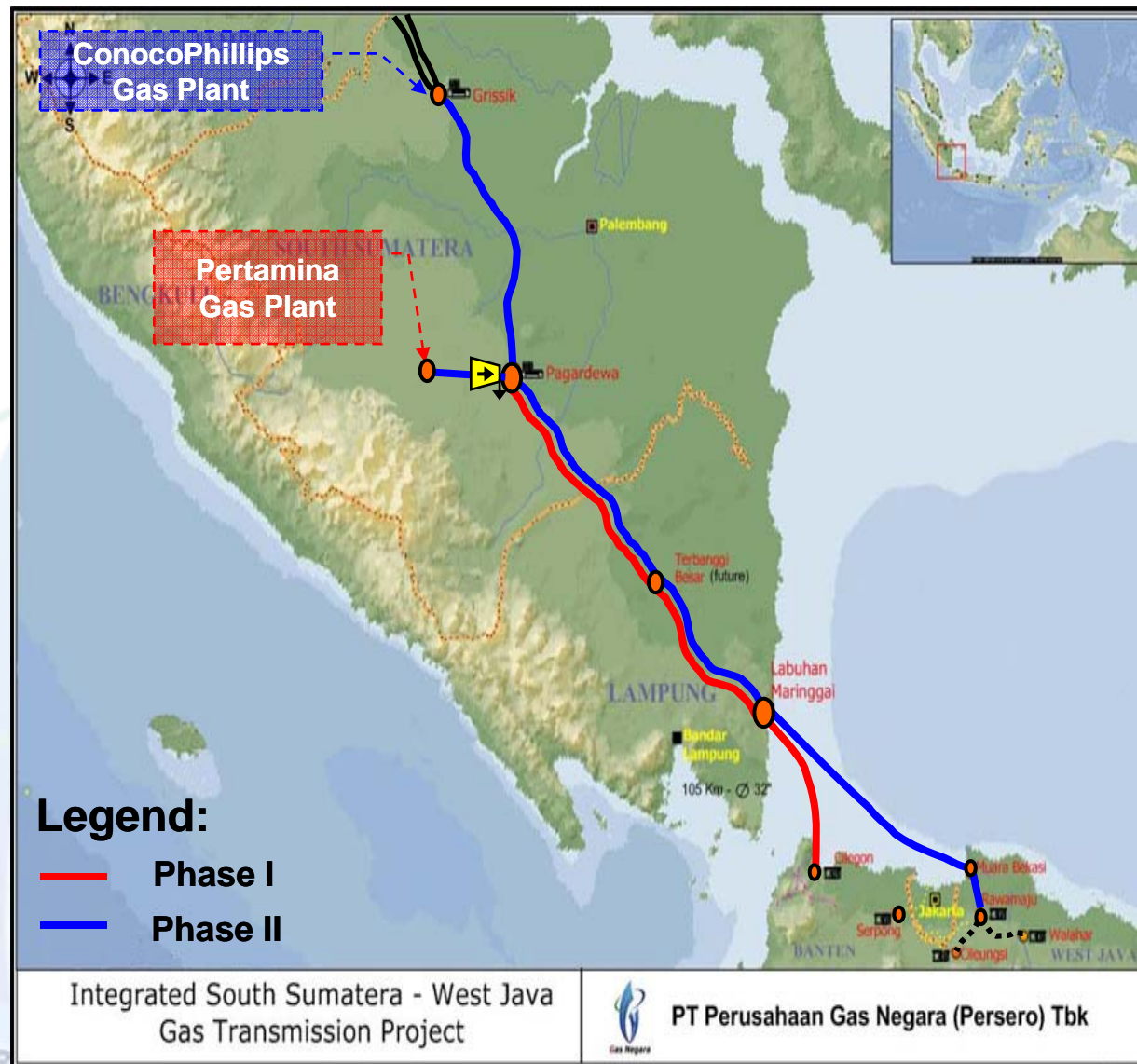
The pipeline segment Pagardewa – Labuhan Maringgai – Cilegon (375 km), which is designated to transport 250 MMSCFD natural gas from Pertamina Pagardewa gas field in South Sumatera, is physically installed at December 17, 2006 and currently in the testing stages. Gas Commercialization that was planned for December 2006 is now delayed to March 2007 after due investigation of obstacles at site and after having certain strategic steps done. Gas commercialization will start from 30 MMSCFD and will increase to 40 MMSCFD as of May 2007

SSWJ Project Status of July 2007 (Grissik – Pagardewa and L. Maringgai – M. Bekasi – Rawamaju)



In July 2007, gas delivery will increase from 40 MMSCFD, as mentioned in point 1 above, to 170 – 232 MMSCFD. The increase will be made possible by the completion of the pipeline segment Grissik – Pagardewa (196 km) and the pipeline segment Labuhan Maringgai – Muara Bekasi – Rawa Maju (195) that enable transportation of ConocoPhillips gas starting July 2007. With the completion of Bojonegara gas station in December 2007, gas delivery to Ciligon will increase to 100 MMSCFD by January 2008, consequently total gas delivered in January 2008 will be minimum 272 MMSCFD

SSWJ Project Status of March 2008 (Pagardewa - L. Maringgai (looping) and Compressor Facility at P. Dewa)



In March 2008, the parallel line Pagardewa – Labuhan Maringgai (looping line) of 270 km and compressor facilities in Pagardewa are scheduled to complete. The completion of both pipeline and compressor facility will enable PGN to carry minimum 480 MMSCFD, from which, 250 MMSCFD coming from Pertamina's gas field in Pagardewa and 230 MMSCFD originating from ConocoPhillips gas field in Grissik.

Estimated Volume of Gas Distribution 2006-2008

PGN Business Unit	2006	2007E	2008E
SBU I	180	293	650
SBU II	97	170	170
SBU III	61	92	99
Total Volume	338	555	919

Penalty and Take-or-Pay

1. Penalty due to delay of gas delivery from Pertamina, Pagardewa, is counted at US\$15,000 per day as of November 1, 2006 until the date of first gas delivery.
2. There is no penalty for late gas delivery from ConocoPhillips, Grissik.
3. The gas sales contracts with Pertamina and ConocoPhillips adopt the Take-or-Pay which is 80% of the contracted volume for each.
4. Take-or-pay can be compensated as make-up gas in the following years along the contract period.

Projected CAPEX 2006-2008

PROJECT	2006	2007E	2008E
SSWJ Phase I	181.75	297.68 *)	18.34
SSWJ Phase II	448.28	110.74	0.56
Duri – Dumai – Medan	0.00	2.69	134.00
West Java Distribution Project	62.26	106.00 **)	27.56
Total	692.29	517.11	180.46

Notes :

*) JBIC loan: USD 222 mio

**) World Bank: USD 66 mio

SSWJ Project Problems and Their Solutions



1. Land Acquisition

The social problems that were arisen were mostly concerning the land acquisition for the length of more than 400 km. These problems were experienced along the construction period. Currently the land acquisitions are left only for 1.8 km (0.4%) of the Grissik – Pagardewa section which will be finished by February 2007.

2. Climate

Climate problems because of long draught season created difficulties of push pull method as well as hydrostatic test. In contrary, the heavy rainy season caused longer time for hydro test, because of flood that hindered the mobilization process.

3. Technical Problems

In accordance to meet the industrial standard practice, testing shall be conducted based on the prevailing SOP. The actual testing process required more time than predicted, especially for hydro testing, as failure will raise consequences of repeating the whole process. **However, the overall required hydro tests were done successfully** and now the pipeline is in the drying stage and sectional valves installation, which possesses potential delay. Yet, all this possibility has been anticipated in the calculation of project schedule.

Acceleration To Increase The SSWJ Gas Flow Rate



1. Acceleration for completion of minimum facility at the Bojonegara station will allow the gas flow to 100 MMSCFD by November 2007 from previously scheduled in January 2008. This effort will increase the number of volume distributed to maximum 272 MMSCFD by November 2007 (previously scheduled in January 2008).
2. Acceleration of partial completion of the compressor station at Pagardewa for 2 (two) compressor units by January 2008 from previously scheduled in March 2008 for complete (3) compressor units. This partial completion of the compressor units will permit the pipeline to transport 400 MMSCFD.
3. Acceleration for completion of parallel line (looping) Pagardewa – Labuhan Maringgai for the length of 270 km gas transmission pipeline to transport more volume by 2008.

Chronologies on Evaluation of Project Delay

1. December 18th, 2006, BoD Meeting evaluated project progress for project inauguration purposes. The meeting detected project delay and instructed further examination.
1. December 26th, 2006, BoD Meeting reevaluated project completion timetable in the back of the latest site condition. The completion is estimated to take place between February and March (still uncertain as the outcome depended on technical testing works).
1. In Board of Directors and Commissioners (BoD and BoC) Meeting held on December 27th, 2006, the Management has sounded the possible delay of project completion. The BoC suggested to carry out a deepening analysis to review schedule of gas commercialization.
1. January 2nd, 2007 BoD Meeting has decided new gas-in timetable by end February 2007 and gas commercialization in March 2007 including commercial impact on the delay.
1. January 3rd, 2007 BoD and BoC Meeting discussed and predicted the commercial impact on the delay.
1. January 8th, 2007, BoD Meeting prepared and extended written statement regarding delay on commercialization to BoC.
7. January 10th, 2007, BoC Meeting discussed about possible impact of gas commercialization delay and disclosure action plan to public.
8. January 11th, 2007, public announcement released by the Corporate Secretary.

Thank You