

**“History of Pertamina:
The Monopoly (1957-1999), The Transition (2000-2005), The Open Era (2006-
present)”**

Open Forum With

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Ari Sumarno reviewed the history of Pertamina, dividing its past into three periods: The Monopoly (1957-1999); the Transition (2000-2005) and the Open Era (2006 -). During the current Open Era, Pertamina will move toward greater transparency. It will become a public company, but will not be initially a listed company.

Pertamina’s problems are many. Compared to other countries national oil companies it is small. It has little experience with exploration and has been primarily a distribution company. Its culture is bureaucratic with little experience with a competitive business environment. Consequently, its profit margins are low and there remain significant “leakages” in its revenue streams.

In the years ahead, as Pertamina seeks to improve its efficiency, it will study the performance of other national oil companies and, in particular, use Petronas as a model.

Last March a new board of directors adopted a 15 year plan that will seek to increase production by engaging in exportation operations, particularly in deep sea areas. To achieve that goal,

Pertamina will seek joint ventures with experienced oil companies. The company will also seek to enhance its marketing effort, improve its tanker fleet and upgrade the skill of its employees. The emphasis will also be on “Pertamina Clean” -- an anti-corruption program that will endeavor to transform Pertamina into a well governed business enterprise.

Q: Is Pertamina involved in geo-thermal operations?

A: There is a great potential for power generation from geo-thermal sources, an estimated 25,000-27,000 MW. Thus far approximately 200 MW have been produced. Currently the Indonesian government has established an entity separate from Pertamina which will be

responsible for geo-thermal development. However, Pertamina would like to be involved in this program and is awaiting the government's direction on the matter.

Q: Vice President Kalla has announced that Pertamina must increase its daily output from 925K barrels to 1.2M-1.3-M by 2010. Are you optimistic on achieving that goal and how would you do it?

A: We must increase our upstream operations through expanded exploration. To do that, we must develop strategic alliances, improve our technology, increase investment, and upgrade our human resources. The goal is an ambitious one so we would need to try very hard if it is to be achieved. Currently our production is declining by 15% each year, so we would have to increase production by 30% each year

between now and 2010. We are in great need of a new large field.

Q: What is your view of the government's subsidies?

A: The government must continue to cut back on the subsidies. In my view it should be done on a regular schedule, based on the price increases of the commodities. This would help avoid the shocks of large cuts that are imposed on an irregular basis.

Q: Is Indonesia leaving OPEC?

A: We have found that our point of view on prices is not receiving much consideration within OPEC. We expect to be making an announcement regarding our position on OPEC soon, perhaps this month.