



Pertamina's Strategies to Mitigate Exchange Rate & Oil Price Fluctuation Challenges

In the dynamic landscape of the global energy sector, companies like Pertamina face a **myriad of challenges that can significantly impact operations, investments, and overall business strategies**. As Indonesia's state-owned oil and gas corporation, Pertamina plays a crucial role in ensuring energy security for the nation while also navigating the complex dynamics, risks, and issues that shape the industry.

The recent volatility is an issue that every industry player must observe. For Pertamina, besides commodity prices, the IDR/USD exchange rate fluctuations serve as a key parameter that notably impacts business performance. Since Pertamina's financial reports are denominated in USD, while a portion of transactions are in IDR, exchange rate fluctuations could significantly affect financial performance and influence competitiveness in the global market.

Pertamina has proactively adjusted the business strategies to address the challenges of fluctuation in commodity prices and foreign exchange rates, reflecting a keen awareness of the complex interplay between market dynamics and geopolitical factors.



Pertamina's Strategic Initiatives

Pertamina's strategic initiatives to address these challenges include:

- 1. Hedging Strategies:** By entering into derivative market, such as swaps, futures, forwards and options, Pertamina can lock in the exchange rate and prices for commodity purchases or sales, thereby reducing the impact of sudden price movements on its financial performance.
- 2. Cost Efficiency Measures:** Focusing on cost efficiency measures to improve the operational resilience and exchange rate fluctuations (optimizing production processes, reducing operating costs, and enhancing supply chain management).
- 3. Strategic Partnerships:** Forming strategic partnerships with other energy companies, financial institutions, and government agencies to leverage expertise, resources, and market insights. These partnerships enable Pertamina to access new markets, technologies, and funding sources.
- 4. Diversification of Revenue Streams:** Diversifying the revenue streams by expanding into renewable energy sources, petrochemicals, and other non-oil sectors. This diversification helps to minimize the impact of commodities price fluctuation.

- 5.** | **Risk Management Framework:** Having a robust risk management framework (regular risk assessments, stress tests, and scenario analyses) in place to identify, assess, and mitigate risks associated with exchange rate and commodities price fluctuations.
- 6.** | **Market Intelligence and Forecasting:** Investing in market intelligence and forecasting capabilities (monitoring market developments, geopolitical events, and economic indicators) so it can help Pertamina to adjust the company's strategies in response to changing market conditions.

Beyond those six strategic initiatives, Pertamina **maintains a vigilant stance by continuously monitoring global and local market conditions**, fostering close communication with the Indonesian government and central bank, and ensuring alignment of the company's policies with prevailing economic dynamics.

This steadfast commitment underscores **Pertamina's proactive approach to risk management and financial stability, providing reassurance to stakeholders regarding the company's adaptability and resilience amidst exchange rate and commodities price fluctuations.** It also safeguards the company's financial stability and maintains its competitive position in the energy sector within a volatile and uncertain market environment.

