PT Pertamina (Persero) and its subsidiaries

Consolidated Financial Statements as of December 31, 2019
and for the year then ended with independent auditors' report

PT PERTAMINA (PERSERO) AND ITS SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2019 AND
FOR THE YEAR THEN ENDED WITH
INDEPENDENT AUDITORS' REPORT

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PERTAMINA

DIRECTORS' STATEMENT REGARDING
THE RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2019
AND FOR THE YEAR THEN ENDED
PT PERTAMINA (PERSERO) AND ITS SUBSIDIARIES

On behalf of the Board of Directors, we, the undersigned:

1. Name : Nicke Widyawati
   Office address : Jl. Medan Merdeka Timur 1A
   Jakarta 10110
   Telephone : 021 - 3815200
   Position : President Director and CEO

2. Name : Emma Sri Martini
   Office address : Jl. Medan Merdeka Timur 1A
   Jakarta 10110
   Telephone : 021 - 3815400
   Position : Finance Director

declare that:

1. We are responsible for the preparation and presentation of the consolidated financial statements of PT Pertamina (Persero) and its subsidiaries (the Group);

2. The Group's consolidated financial statements have been prepared and presented in accordance with Indonesian Financial Accounting Standards;

3. a. All information has been fully and correctly disclosed in the Group's consolidated financial statements;
   b. The Group's consolidated financial statements do not contain false material information or facts, nor do they omit material information or facts; and

4. We are responsible for the Group's internal control systems.

This statement is confirmed to the best of our knowledge and belief.

Jakarta, May 22, 2020
For and on behalf of the Board of Directors
PT Pertamina (Persero)

METERAI TEMPEL
TGL 20
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6000
ENAM RIBU RUPIAH

Nicke Widyawati
President Director & CEO

Emma Sri Martini
Finance Director

EY
Building a better working world

Purwantono, Sungkoro & Surja

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The original report included herein is in the Indonesian language.

Independent Auditors' Report

Report No. 01092/2.1032/AU.1/02/0684-5/1/V/2020

The Shareholder, the Board of Commissioners and the Board of Directors
PT Pertamina (Persero)

We have audited the accompanying consolidated financial statements of PT Pertamina (Persero) and its subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2019, and the consolidated statements of profit or loss and other comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of such consolidated financial statements in accordance with Indonesian Financial Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on such consolidated financial statements based on our audit. We conducted our audit in accordance with Standards on Auditing established by the Indonesian Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether such consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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The original report included herein is in the Indonesian language.

Independent Auditors' Report (continued)

Report No. 01092/2.1032/AU.1/02/0684-5/1/V/2020 (continued)

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respect, the consolidated financial position of PT Pertamina (Persero) and its subsidiaries as of December 31, 2019, and their consolidated financial performance and cash flows for the year then ended, in accordance with Indonesian Financial Accounting Standards.

Other matter

Our audit of the accompanying consolidated financial statements of PT Pertamina (Persero) and its subsidiaries as of December 31, 2019 and for the year then ended was performed for the purpose of forming an opinion on such consolidated financial statements taken as a whole.

The accompanying financial information of PT Pertamina (Persero) (parent entity), which comprises the statement of financial position as of December 31, 2019, and the statements of profit or loss and other comprehensive loss, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information (collectively referred to as the "Parent Entity Financial Information"), which is presented as a supplementary information to the accompanying consolidated financial statements, is presented for the purpose of additional analysis and is not a required part of the accompanying consolidated financial statements under Indonesian Financial Accounting Standards. The Parent Entity Financial Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the accompanying consolidated financial statements. The Parent Entity Financial Information has been subjected to the auditing procedures applied in the audits of the accompanying consolidated financial statements in accordance with Standards on Auditing established by the Indonesian Institute of Certified Public Accountants. In our opinion, the Parent Entity Financial Information is fairly stated, in all material respects, in relation to the accompanying consolidated financial statements taken as a whole.

Purwantono, Sungkoro & Surja

Drs. Hari Purwantono
Public Accountant Registration No. AP.0684

May 22, 2020

PT PERTAMINA (PERSERO) AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As of December 31, 2019
(Expressed in thousands of United States Dollars, unless otherwise stated)

	Notes	December 31, 2019	December 31, 2018
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	2g,2h,5	6,756,252	9,112,312
Restricted cash	2g,2h,6	182,129	108,915
Short-term investments	2h	392,584	225,199
Trade receivables	2h,2i		
Related parties	2f,40a	1,554,094	1,297,651
Third parties	7a	1,892,058	1,933,455
Due from the Government - current portion	2f,2h,2i,8	3,375,794	1,834,261
Other receivables	2h,2i		
Related parties	2f,40b	182,487	149,178
Third parties	7b	956,932	734,312
Inventories	2j,9	5,893,332	6,323,165
Prepaid taxes - current portion	2u,39a	1,361,726	820,598
Prepayments and advances	2k	447,604	534,987
Other investments	2h,10	85,834	80,171
Total Current Assets		**23,080,826**	**23,154,204**
NON-CURRENT ASSETS			
Due from the Government - net of current portion	2f,2h,2i,8	3,313,801	2,924,148
Deferred tax assets	2u,39e	1,506,071	1,441,866
Long-term investments	2h,2m,11	2,973,879	2,819,054
Fixed assets	2n,2o,12	13,352,327	12,859,274
Oil and gas and geothermal properties	2o,2p,13	19,756,792	18,614,286
Prepaid taxes - net of current portion	2u,39a	875,900	820,287
Other non-current assets	2h,14	2,226,812	2,085,333
Total Non-Current Assets		**44,005,582**	**41,564,248**
TOTAL ASSETS		**67,086,408**	**64,718,452**

The accompanying notes to the consolidated financial statements form an integral part of these consolidated financial statements.

PT PERTAMINA (PERSERO) AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As of December 31, 2019
(Expressed in thousands of United States Dollars, unless otherwise stated)

	Notes	December 31, 2019	December 31, 2018
LIABILITIES AND EQUITY			
LIABILITIES			
SHORT-TERM LIABILITIES			
Short-term loans	2h,15	1,270,052	4,347,035
Trade payables	2h		
Related parties	2f,40c	73,304	78,781
Third parties	16	4,570,033	3,597,777
Due to the Government - current portion	2h,2f,17	940,413	1,207,743
Taxes payable	2u,39b		
Income taxes		199,380	467,605
Other taxes		302,942	258,405
Accrued expenses	2h,18	2,798,681	2,135,509
Long-term liabilities - current portion	2h,2o,19	573,726	420,577
Other payables	2h		
Related parties	2f,40d	74,459	54,011
Third parties		1,103,362	1,203,426
Deferred revenues - current portion	2r	256,996	202,013
Total Short-Term Liabilities		**12,163,348**	**13,972,882**
LONG-TERM LIABILITIES			
Due to the Government - net of current portion	2h,17	796,029	795,082
Deferred tax liabilities	2u,39e	3,731,426	3,307,406
Long-term liabilities - net of current portion	2h,2o,19	1,546,412	1,805,300
Bonds payable	2h,20	12,614,493	11,094,096
Employee benefits liabilities	2s,21b	1,994,389	1,850,383
Provision for decommissioning and site restoration	2q,22	2,458,905	2,029,735
Deferred revenues - net of current portion	2r	53,826	74,623
Other non-current payables	2h	508,099	178,905
Total Long-Term Liabilities		**23,703,579**	**21,135,530**
TOTAL LIABILITIES		**35,866,927**	**35,108,412**

The accompanying notes to the consolidated financial statements form an integral part of these consolidated financial statements.

PT PERTAMINA (PERSERO) AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As of December 31, 2019 and 2018
(Expressed in thousands of United States Dollars, unless otherwise stated)

	Notes	December 31, 2019	December 31, 2018
EQUITY			
Equity attributable to owners of the parent entity			
Share Capital			
Authorized - 600,000,000 ordinary shares at par value of Rp1,000,000 (full amount) per share;			
Issued and paid-up capital - 171,227,044 shares	24a	16,191,204	16,191,204
Additional paid-in capital	24b	(924,296)	(924,296)
Government contributed assets pending final clarification of status	25	146,578	401,120
Other equity components		67,697	607,564
Retained earnings	26		
- Appropriated		10,770,470	8,796,357
- Unappropriated		2,529,342	2,526,772
Total equity attributable to owners of the parent entity		28,780,995	27,598,721
Non-controlling interests	2c,23	2,438,486	2,011,319
TOTAL EQUITY		**31,219,481**	**29,610,040**
TOTAL LIABILITIES AND EQUITY		**67,086,408**	**64,718,452**

PT PERTAMINA (PERSERO) AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
For the Year Ended December 31, 2019
(Expressed in thousands of United States Dollars, unless otherwise stated)

		For the Years ended December 31,	
	Notes	**2019**	**2018**
Sales and other operating revenues	2r		
Domestic sales of crude oil, natural gas, geothermal energy and oil products	27	43,783,510	44,742,511l
Subsidy reimbursements from the Government	28	4,875,075	5,632,468
Export of crude oil, natural gas and oil products	29	3,628,904	3,636,953l
Marketing fees	40e	-	15,432
Revenues from other operating activities	30	2,297,168	3,906,207
TOTAL SALES AND OTHER OPERATING REVENUES		**54,584,657**	**57,933,571**
Cost of sales and other direct costs	2r		
Cost of goods sold	2r,31	(39,559,658)	(42,787,916)
Upstream production and lifting costs	2r,32	(4,999,734)	(4,386,516)
Exploration costs	2r,33	(206,929)	(267,680)
Expenses from other operating activities	2r,34	(1,741,689)	(1,271,977)
TOTAL COST OF SALES AND OTHER DIRECT COSTS		**(46,508,010)**	**(48,714,089)**
GROSS PROFIT		**8,076,647**	**9,219,482**
Selling and marketing expenses	2r,35	(1,624,902)	(1,642,831)
General and administrative expenses	2r,36	(1,553,620)	(1,329,911)
Gain on foreign exchange, net	2r,2t	289,430	19,622
Finance income	2r,37	1,221,380	256,573
Finance costs	2r,37	(965,290)	(835,238)
Share in net profit of associates and joint ventures	2c,2r	80,322	122,724
Other expenses, net	2r,38	(642,988)	(80,825)
		(3,195,668)	(3,489,886)
PROFIT BEFORE INCOME TAX		**4,880,979**	**5,729,596**
Income tax expense, net	2u,39c	(2,262,593)	(3,013,202)
PROFIT FOR THE YEAR AFTER THE EFFECT OF MERGING ENTITIES INCOME ADJUSTMENT		**2,618,386**	**2,716,394**

PT PERTAMINA (PERSERO) AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
For the Year Ended December 31, 2019
(Expressed in thousands of United States Dollars, unless otherwise stated)

	Notes	For the years ended December 31, 2019	2018
PROFIT FOR THE YEAR AFTER THE EFFECT OF MERGING ENTITIES INCOME ADJUSTMENT		**2,618,386**	**2,716,394**
OTHER COMPREHENSIVE (LOSS) INCOME			
Item not to be reclassified to profit or loss in subsequent periods (net of tax):			
Remeasurement of net defined benefit liability	2s	(93,315)	228,498
Items to be reclassified to profit or loss in subsequent periods (net of tax):			
Foreign exchange difference from translation of financial statements in foreign currency	2c,2t	48,178	(79,561)
Share of other comprehensive loss of associates	2c,2m	(156,607)	(130,775)
Other comprehensive (loss) income (net of tax)		(201,744)	18,162
TOTAL COMPREHENSIVE INCOME FOR THE YEAR AFTER THE EFFECT OF MERGING ENTITIES COMPREHENSIVE INCOME ADJUSTMENT		**2,416,642**	**2,734,556**
Adjustment merging entities income:			
Owner of the parent entity		-	(45,770)
Non-controlling interests	2c	-	(34,585)
Total		**-**	**(80,355)**
TOTAL INCOME FOR THE YEAR BEFORE THE EFFECT OF MERGING ENTITIES INCOME ADJUSTMENT ATTRIBUTABLE TO:			
Owner of the parent entity		2,529,342	2,526,772
Non-controlling interests	2c	89,044	109,267
Total		**2,618,386**	**2,636,039**

PT PERTAMINA (PERSERO) AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
For the Year Ended December 31, 2019
(Expressed in thousands of United States Dollars, unless otherwise stated)

	Notes	**For the years ended December 31, 2019**	**2018**
Adjustments of merging entities comprehensive income:			
Owner of the parent entity		-	(42,546)
Non-controlling interests	2c	-	(32,682)
Total		**-**	**(75,228)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR BEFORE EFFECT OF MERGING ENTITIES COMPREHENSIVE INCOME ADJUSTMENT ATTRIBUTABLE TO:			
Owner of the parent entity		1,989,475	2,536,559
Non-controlling interests	2c	427,167	122,769
Total		**2,416,642**	**2,659,328**

PT PERTAMINA (PERSERO) AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the Year Ended December 31, 2019
(Expressed in thousands of United States Dollars, unless otherwise stated)

		Attributable to owners of the parent entity										
						Other equity components		Retained earnings				
	Notes	Issued and paid-up capital	Merging entities equity	Additional paid-in capital	Government contributed assets pending final clarification of status	Differences arising from translation of financial statements	Other comprehensive income	Appropriated	Unappropriated	Total	Non-controlling interests	Total equity
Balance as of January 1, 2018/ December 31, 2017		**13,417,047**	**1,804,579**	**2,736**	**1,361**	**(302,976)**	**790,675**	**6,871,101**	**2,540,195**	**25,124,718**	**1,888,549**	**27,013,267**
Adjustment of merging entities income		-	45,770	-	-	-	-	-	-	45,770	34,585	80,355
Adjustment of merging entities comprehensive income		-	(3,224)	-	-	-	-	-	-	(3,224)	(1,903)	(5,127)
Changes in ownership of PT Asuransi Tugu Pratama Indonesia Tbk. and PT Pertamina Internasional Eksplorasi dan Produksi	4c,4j	-	-	-	-	-	13,710	-	-	13,710	68,814	82,524
Capitalization of advance for share issuance		2,774,157	(1,847,125)	(927,032)	-	-	-	-	-	-	-	-
Government contributed assets pending final clarification of status	25b	-	-	-	399,759	-	-	-	-	399,759	-	399,759
Differences arising from translation of non US Dollar currency financial statements	2c,2t	-	-	-	-	(59,338)	-	-	-	(59,338)	(20,223)	(79,561)
Other comprehensive income from associates		-	-	-	-	-	(69,138)	-	-	(69,138)	(61,637)	(130,775)
Remeasurements of net defined benefit liability	2s	-	-	-	-	-	234,631	-	-	234,631	(6,133)	228,498
Dividends declared	2aa,26	-	-	-	-	-	-	-	(614,939)	(614,939)	-	(614,939)
Appropriation of other reserves	26	-	-	-	-	-	-	1,925,256	(1,925,256)	-	-	-
Profit for the year		-	-	-	-	-	-	-	2,526,772	2,526,772	109,267	2,636,039
Balance as of December 31, 2018		**16,191,204**	**-**	**(924,296)**	**401,120**	**(362,314)**	**969,878**	**8,796,357**	**2,526,772**	**27,598,721**	**2,011,319**	**29,610,040**

The accompanying notes to the consolidated financial statements form an integral part of these consolidated financial statements.

PT PERTAMINA (PERSERO) AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)
For the Year Ended December 31, 2019
(Expressed in thousands of United States Dollars, unless otherwise stated)

		Attributable to owners of the parent entity										
					Other equity components							
								Retained earnings				
	Notes	Issued and paid-up capital	Merging entities equity	Additional paid-in capital	Government contributed assets pending final clarification of status	Differences arising from translation of financial statements	Other comprehensive income	Appropriated	Unappropriated	Total	Non-controlling interests	Total equity
Balance as of January 1, 2019/ December 31, 2018		**16,191,204**	**-**	**(924,296)**	**401,120**	**(362,314)**	**969,878**	**8,796,357**	**2,526,772**	**27,598,721**	**2,011,319**	**29,610,040**
Government contributed assets pending final clarification of status	25b	-	-	-	(254,542)	-	-	-	-	(254,542)	-	(254,542)
Differences arising from translation of non US Dollar currency financial statements	2c,2t	-	-	-	-	16,388	-	-	-	16,388	31,790	48,178
Other comprehensive income from associates		-	-	-	-	-	(452,733)	-	-	(452,733)	296,126	(156,607)
Remeasurements of net defined benefit liability	2s	-	-	-	-	-	(103,522)	-	-	(103,522)	10,207	(93,315)
Dividends declared	2aa,26	-	-	-	-	-	-	-	(552,659)	(552,659)	-	(552,659)
Appropriation of other reserves	26	-	-	-	-	-	-	1,974,113	(1,974,113)	-	-	-
Profit for the year		-	-	-	-	-	-	-	2,529,342	2,529,342	89,044	2,618,386
Balance as of December 31, 2019		**16,191,204**	**-**	**(924,296)**	**146,578**	**(345,926)**	**413,623**	**10,770,470**	**2,529,342**	**28,780,995**	**2,438,486**	**31,219,481**

The accompanying notes to the consolidated financial statements form an integral part of these consolidated financial statements.

PT PERTAMINA (PERSERO) AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2019
(Expressed in thousands of United States Dollars, unless otherwise stated)

		For the years ended December 31,	
	Notes	**2019**	**2018**
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		51,863,307	48,878,496
Cash receipts from the Government		7,195,147	7,805,648
Cash receipts from tax restitutions		82,958	185,016
Payments to suppliers		(40,687,345)	(38,227,640)
Payments to the Government		(9,587,675)	(11,279,557)
Payments of corporate income taxes		(2,451,894)	(2,688,175)
Cash paid to employees and management		(1,923,899)	(1,640,855)
(Placement of) receipts from restricted cash		(47,011)	73,109
Receipts of interest		47,145	63,327
Net cash generated from operating activities		**4,490,733**	**3,169,369**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of short-term investments		162,836	198,439
Interest received from investments		5,841	13,784
Proceeds from sale of fixed assets		1,255	176
Dividends received form associates		99,812	214,083
Purchases of fixed assets		(1,277,676)	(1,287,975)
Purchases of oil and gas and geothermal properties		(2,360,764)	(1,482,518)
Placements in long-term invesments		(290,286)	(1,062,244)
Placements in short-term investments		(340,803)	(237,577)
Payments for exploration and evaluation assets		(6,978)	(99,538)
Receipts from (placement of) restricted cash		1,837	(22,614)
Cash obtained from acquisition of Subsidiaries		8,467	-
Cash received from other investing activities		99,031	262,222
Net cash used in investing activities		**(3,897,428)**	**(3,503,762)**

PT PERTAMINA (PERSERO) AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2019
(Expressed in thousands of United States Dollars, unless otherwise stated)

		For the years ended December 31,	
	Notes	**2019**	**2018**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term loans	45	7,147,166	9,489,219
Proceeds from bond issuance	45	1,498,855	734,407
Proceeds from long-term liabilities	45	394,739	255,931
Repayments of short-term loans	45	(10,254,978)	(5,583,278)
Repayments of long-term liabilities	45	(524,558)	(465,351)
Dividend payments	26,45	(563,106)	(585,755)
Payments of finance costs		(621,564)	(538,489)
Repayments of bonds	45	-	(37,649)
Placement of restricted cash		(139,043)	(312)
Net cash (used in)/generated from financing activities		**(3,062,489)**	**3,268,723**
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(2,469,184)**	**2,934,330**
Effects of exchange rate changes on cash and cash equivalents		113,124	(231,845)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**5**	**9,112,312**	**6,409,827**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**5**	**6,756,252**	**9,112,312**

1. GENERAL

a. PT Pertamina (Persero) (“the Company”)

i. Company profile

PT Pertamina (Persero) ("Company") was established in accordance with Notarial Deed No. 20 dated September 17, 2003 of Lenny Janis Ishak, S.H.,. The Company’s deed of establishment of the Company was approved by the Minister of Law and Human Rights through Decree No. C-24025 HT.01.01.TH.2003 dated October 9, 2003 and through Circular Letter No. 93 attachments No. 11620 November 21, 2003. The establishment of the Company is based on Law No. 1 Year 1995 dated March 7, 1995 regarding Limited Liability Company ("PT"), Government Regulation ("PP") No. 12 Year 1998 dated January 17, 1998 regarding the State Owned Enterprise (Persero), and PP No. 45 Year 2001 regarding Amendments to PP No. 12 Year 1998, Law No. 22 Year 2001 dated November 23, 2001 regarding Oil and Gas, Law No. 19 Year 2003 regarding State-Owned Enterprises ("BUMN"), and PP No. 31 Year 2003 dated June 18, 2003 regarding changes in the status of the State Oil and Gas Mining Company (Pertamina) to State Owned Enterprise (Persero).

The Company’s Articles of Association have been amended several times. The latest amendment was made to increase the authorized capital of the Company, under Notarial Deed No. 29 dated April 13, 2018 of Aulia Taufani, S.H., which was approved by the Minister of Law and Human Rights through Decision Letter No. AHU-0008395.AH.01.02. Year 2018 dated April 13, 2018.

In accordance with PP No. 31 Year 2003, all rights and obligations arising from contracts and agreements entered between the former Pertamina Entity and third parties, provided these are not contrary to Law No. 22 Year 2001, were transferred to the Company. In accordance with PP No. 31, the objective of the Company is to engage in the oil and gas business in domestic and foreign markets and in other related business activities. In conducting its business, the Company’s objective is to generate income and contribute to the improvement of the economy for the benefit of the people of Indonesia.

At the date of establishment of the Company, all oil and gas and geothermal energy activities of the former Pertamina Entity, including joint operations with other companies, were transferred to the Company. These businesses have been transferred to the Company’s subsidiaries. All employees of the former Pertamina Entity became employees of the Company.

ii. Business activities and principal address

In accordance with its Articles of Association under Notarial Deed No. 29 dated April 13, 2018 of Aulia Taufani, S.H., which was registered by the Minister of Law and Human Rights through its Letter No. AHU-0008395.AH.01.02. Year 2018 dated April 13, 2018, the Company shall conduct the following main business:

a. Operate in exploration activities of oil and gas;
b. Operate in exploitation activities of oil and gas;
c. Carry out activities in electrical energy, including but not limited to the exploration and exploitation of geothermal energy, geothermal electricity power plant (“PLTP”), gas power plant (“PLTG”) and electricity energy produced by the Company;
d. Implement refining activities that produce fuel oil, special fuel, non-fuel, petrochemicals, gas fuel, Liquified Natural Gas (“LNG”) and Gas to Liquid (“GTL”) result/other product either and products or intermediate products;
e. Conduct activities of the procurement of raw materials, processing, transportation, storage and trading of Biofuels;

1. GENERAL (continued)

a. PT Pertamina (Persero) ("the Company") (continued)

ii. Business activities and principal address (continued)

f. Conduct transportation activities, which includes the transport of petroleum, natural gas, fuel oil, fuel gas and/or result/other products for commercial purposes;
g. Carry out storage activities which includes the reception, the collection and spending of petroleum reservoirs, fuel oil, fuel gas and/or result/other products for commercial purposes;
h. Carry out commercial trade activities which includes the purchase, sale, export and import of petroleum, fuel oil, fuel gas and/or result/other products; the distribution of natural gas through pipelines including commercial electrical energy produced by the Company; and
i. Conduct developmental activities, exploration, production and trading of new and renewable energy, among others, Coal Bed Methane ("CBM"), liquified coal, gasified coal, shale gas, shale oil, bio fuel, diesel fuel, wind energy and biomass.

In addition to the above main business activities, the Company may conduct business in order to optimize the utilization of available resources as follows:
a. Trading house, real estate, warehousing, tourism, resort, sports and recreation, rest areas, hospitals, education, research, infrastructure, telecommunications, rental services and operation of facilities and infrastructure owned by the Company, the freeway (toll) and shopping centre/mall;
b. Management of Special Economic Zones;
c. Industrial Complex management; and
d. Other business activities and association to support its main businesses.

In addition, the Company received a mandate from the Government related to the assignment of Public Service Obligation ("PSO") to supply certain oil products (Note 48j).

The Company has processing activities which include the processing of crude oil into oil products and production of Liquified Petroleum Gas ("LPG") and petrochemicals (paraxylene and propylene). The Company owns six Refinery Units ("RU") with installed processing capacities as follows:

RU	Installed processing capacity of crude oil (barrels/day) (unaudited)
RU II - Dumai and Sungai Pakning, Riau	170,000
RU III - Plaju and Sungai Gerong, South Sumatera	118,000
RU IV - Cilacap, Central Java	348,000
RU V - Balikpapan, East Kalimantan	260,000
RU VI - Balongan, West Java	125,000
RU VII - Kasim, West Papua	10,000

The Company, through its subsidiaries, also conduct certain business activities as disclosed in Notes 1b and 43.

The Company's head office is located at Jl. Medan Merdeka Timur No. 1A, Jakarta, Indonesia.

(Expressed in thousands of US Dollars, unless otherwise stated)

1. GENERAL (continued)

a. PT Pertamina (Persero) ("the Company") (continued)

iii. The Company's Board of Commissioners, Directors and Audit Committee

As of December 31, 2019 and 2018, the composition of the Company's Board of Commissioners are as follows:

	December 31, 2019	December 31, 2018
President Commissioner	Basuki Tjahaja Purnama[a,b]	Tanri Abeng[a]
Vice President Commissioner	Budi Gunadi Sadikin[b]	Arcandra Tahar
Commissioner	Ego Syahrial	Ego Syahrial
Commissioner	Alexander Lay[d]	Alexander Lay[d]
Commissioner	Condro Kirono[b]	Ahmad Bambang
Commissioner	Isa Rachmatarwata[c]	Suahasil Nazara
Commissioner	-	Sahala Lumban Gaol

[a] Independent commissioner
[b] Effective December 23, 2019 based on the General Meeting of Shareholder ("GMS") resolution No. SK-329/MBU/12/2019, to replace GMS resolution No. SK-282/MBU/11/2019 dated November 22, 2019.
[c] Effective December 23, 2019 based on GMS resolution No. SK-327/MBU/12/2019.
[d] Independent commissioner based on GMS resolution No. SK-142/MBU/05/2018.

As of December 31, 2019 and 2018, the composition of the Company's Board of Directors are as follows:

	December 31, 2019	December 31, 2018
President Director	Nicke Widyawati	Nicke Widyawati
Corporate Marketing Director	Basuki Trikora Putra	Basuki Trikora Putra
Retail Marketing Director	Mas'ud Khamid	Mas'ud Khamid
Upstream Director	Dharmawan H. Samsu	Dharmawan H. Samsu
Finance Director	Emma Sri Martini[a]	Pahala N. Mansury
Human Resources Director	Koeshartanto	Koeshartanto
Logistic, Supply Chain, and Infrastructure Director	Mulyono[b]	Gandhi Sriwidodo
Refinery Director	Budi Santoso Syarif	Budi Santoso Syarif
Refinery and Petrochemical Megaproject Director	Ignatius Tallulembang	Ignatius Tallulembang
Investment Planning and Risk Management Director	Heru Setiawan	Heru Setiawan
Asset Management Director	M. Haryo Yunianto	M. Haryo Yunianto

[a] Effective November 22, 2019 based on GMS resolution No. SK-283/MBU/11/2019.
[b] Effective December 26, 2019 based on GMS resolution No. SK-336/MBU/12/2019.

(Expressed in thousands of US Dollars, unless otherwise stated)

1. GENERAL (continued)

a. PT Pertamina (Persero) ("the Company") (continued)

iii. The Company's Board of Commissioners, Directors and Audit Committee (continued)

As of December 31, 2019 and 2018, the composition of the Company's Audit Committee is as follows:

	December 31, 2019	December 31, 2018
Chairman	Basuki Tjahaja Purnama[a]	Tanri Abeng
Vice Chairman	Alexander Lay[a]	Sahala Lumban Gaol
Vice Chairman	-	Ahmad Bambang
Member	Agus Yulianto	Agus Yulianto
Member	Bonar Lumban Tobing	Bonar Lumban Tobing

[a] Effective December 3, 2019 based on Decision Letter of Board of Commissioners No. 016/KPTS/K/DK/2019.

iv. Number of employees

As of December 31, 2019 and 2018, the Group has 32,449 and 31,569 permanent employees (unaudited), respectively.

b. Subsidiaries, associates and joint arrangements

i. Subsidiaries

As of December 31, 2019 and 2018, the Group has direct or indirect control of the following subsidiaries:

Subsidiaries	Year of establishment	Effective percentage of ownership 2019	Effective percentage of ownership 2018	Total assets before elimination 2019	Total assets before elimination 2018
Oil and gas exploration and production					
1. PT Pertamina Hulu Energi	1990	100.00%	100.00%	5,156,691	4,531,667
2. PT Pertamina EP	2005	100.00%	100.00%	7,598,719	7,498,644
3. PT Pertamina EP Cepu	2005	100.00%	100.00%	3,557,976	2,992,894
4. Pertamina E&P Libya Limited, British Virgin Island	2005	100.00%	100.00%	154	154
5. PT Pertamina East Natuna	2012	100.00%	100.00%	129	129
6. PT Pertamina EP Cepu ADK	2013	100.00%	100.00%	12,743	12,847
7. PT Pertamina Internasional Eksplorasi dan Produksi	2013	100.00%	100.00%	6,049,260	5,841,041
8. ConocoPhillips Algeria Limited, Cayman Island (Effective liquidation on February 28, 2019)	2013	-	100.00%	-	774,216
9. PT Pertamina Hulu Indonesia	2015	100.00%	100.00%	2,687,368	1,478,109
10. PT Pertamina Hulu Rokan (note 4g)	2018	100.00%	100.00%	785,002	785,000
Geothermal exploration and production					
11. PT Pertamina Geothermal Energy	2006	100.00%	100.00%	2,573,431	2,556,651
Oil and gas drilling services					
12. PT Pertamina Drilling Services Indonesia	2008	100.00%	100.00%	574,631	560,423

(Expressed in thousands of US Dollars, unless otherwise stated)

1. GENERAL (continued)

b. Subsidiaries, associates and joint arrangements (continued)

i. Subsidiaries (continued)

Subsidiaries	Year of establishment	Effective percentage of ownership 2019	Effective percentage of ownership 2018	Total assets before elimination 2019	Total assets before elimination 2018
Processing and sale of oil and gas products, construction and oilfield services, information technology and telecommunications					
13. PT Elnusa Tbk.	1969	41.10%	41.10%	489,536	390,995
Oil and gas trading, gas transportation, processing, distribution and storage					
14. PT Perusahaan Gas Negara Tbk. (Note 4a)	2018	56.96%	56.96%	7,373,713	8,764,437
Electricity					
15. PT Pertamina Power Indonesia	2016	100.00%	100.00%	128,300	114,721
Trading services and industrial activities					
16. PT Pertamina Patra Niaga	1997	100.00%	100.00%	1,031,669	908,986
17. Pertamina International Timor S.A	2015	95.00%	95.00%	43,356	36,643
Public fuel filling stations business					
18. PT Pertamina Retail	1997	100.00%	100.00%	269,469	203,312
Lubricant processing and marketing					
19. PT Pertamina Lubricants	2013	100.00%	100.00%	498,008	413,332
Shipping					
20. PT Pertamina Trans Kontinental	1969	100.00%	100.00%	340,517	307,519
21. PT Pertamina International Shipping	2016	100.00%	100.00%	419,060	296,335
Air transportation services					
22. PT Pelita Air Service	1970	100,00%	100,00%	63,365	60,380
Investment management					
23. PT Pertamina Pedeve Indonesia	2002	100.00%	100.00%	62,715	62,098
Human resources development services					
24. PT Pertamina Training & Consulting	1999	100.00%	100.00%	50,402	39,799
Offices, house rental and hotel operations					
25. PT Patra Jasa	1975	100.00%	100.00%	308,519	236,119
Health services and hospital operations					
26. PT Pertamina Bina Medika IHC (previously PT Pertamina Bina Medika)	1997	100.00%	100.00%	113,735	105,743
Insurance services					
27. PT Asuransi Tugu Pratama Indonesia Tbk. ("ATPI") (Note 4j)	1981	58.50%	58.50%	1,249,846	923,376
Refineries					
28. PT Kilang Pertamina Internasional	2017	100.00%	100.00%	141,432	1,836

(Expressed in thousands of US Dollars, unless otherwise stated)

1. GENERAL (continued)

b. Subsidiaries, associates and joint arrangements (continued)

i. Subsidiaries (continued)

Subsidiaries	Year of establishment	Effective percentage of ownership 2019	Effective percentage of ownership 2018	Total assets before elimination 2019	Total assets before elimination 2018
Liquified Natural Gas ("LNG") regasification					
29. PT Nusantara Regas (Note 4b)	2010	82.78%	82.78%	275,767	240,817
Bunker Business & Logistics and sales & distribution					
30. Pertamina International Marketing and Distribution Pte. Ltd. (Note 4l)	2019	100.00%	-	121,617	-

ii. Associates

The directly owned associates as of December 31, 2019, are as follows:

Associates	Percentage of ownership	Nature of business
1. PPT Energy Trading Co., Ltd.	50.00%	Marketing services
2. PT Trans Pacific Petrochemical Indotama ("TPPI")	37.65%*	Processing and sale of oil and gas products and services
3. PT Tuban Petrochemical Industries ("Tuban Petro")	51.00%	General trading, industries and services

*) Exclude indirect ownership through Tuban Petro amounted to 21.73%

The indirectly owned associates as of December 31, 2019, are as follows:

Associates	Percentage of ownership	Nature of business
1. PT Donggi Senoro LNG	29.00%	LNG Processing
2. PT Asuransi Samsung Tugu	30.00%	Insurance
3. Seplat Petroleum Development Company Plc, ("Seplat") Nigeria	20.46%	Oil and gas exploration and production
4. PT Gas Energi Jambi	40.00%	Transportation and distribution of natural gas

On November 18, 2019, the Company entered into a New Share Purchase Agreement with Tuban Petro to purchase 190,372 series B shares. This acquisition resulted in the Company owns 51% of Tuban Petro's shares, and with the purchase of this share resulted the Company's effective ownership in TPPI changed to 61.12% (Note 4m).

On December 20, 2019, TPPI issued new shares totaling 4,350 thousand shares, resulted the Company's effective ownership of TPPI changed to 59.38% (Note 4o).

(Expressed in thousands of US Dollars, unless otherwise stated)

1. GENERAL (continued)

b. Subsidiaries, associates and joint arrangements (continued)

iii. Joint arrangements

The indirectly owned joint ventures as of December 31, 2019, are as follows:

Joint Ventures	Percentage of ownership	Nature of business
1. PT Patra SK	35.00%	Lube Base Oil ("LBO") processing
2. PT Perta-Samtan Gas	66.00%	LNG processing
3. PT Perta Daya Gas	65.00%	LNG regasification
4. PT Pertamina Rosneft Pengolahan dan Petrokimia ("PRPP")	55.00%	Development of petroleum and petrochemical refineries
5. PT Transportasi Gas Indonesia ("Transgasindo")	59.87%	Transport of natural gas via transmission pipes
		Exploration and production
6. PT Permata Karya Jasa ("Perkasa")	60.00%	Workshop services, guidance, and distribution of labour services

The Group considered the existence of substantive participating rights held by the non-controlling shareholders of PT Perta-Samtan Gas, PT Perta Daya Gas, and PRPP which provide such shareholders with joint control over significant financial and operating policies. Concerning non-controlling rights, the Group does not have control over the significant financial and operating policies of PT Perta-Samtan Gas, PT Perta Daya Gas, and PRPP even though the Group has more than 50% of share ownership.

On April 11, 2018, the Company obtained control over PT Nusantara Regas. Previously, the Company recognized investment in PT Nusantara Regas as an investment in a joint venture (Note 4b).

The indirectly owned joint operation as of December 31, 2019, is as follows:

Associates	Percentage of ownership	Nature of business
1. Natuna 2 B.V., Netherland	50.00%	Exploration and production

The Company classifies investments in PT Badak Natural Gas Liquefaction ("Badak NGL") as investments of financial assets available for sale at acquisition costs because the Company substantially has no control over Badak NGL since its operations are controlled by natural gas producers. These investments are measured using acquisition cost because the fair value cannot be measured reliably.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of preparation of the consolidated financial statements

The accounting and financial reporting policies adopted by the Group in accordance with financial accounting standards in Indonesia, namely the Statement of Financial Accounting Standards ("SFAS"). Accounting policies are applied consistently in the preparation of the consolidated financial statements as of December 31, 2019 and 2018 by the Group.

The consolidated financial statements, except consolidated statement of cash flows, have been prepared on the accrual basis and the measurement basis used is historical cost, except for certain accounts which requires different measurement as disclosed on each account's accounting policies.

The consolidated statement of cash flows have been prepared based on the direct method by classifying the cash flows into operating, investing and financing activities.

The consolidated financial statements are presented in thousands of US Dollars (US$), which is also the Group's functional currency, unless otherwise stated.

b. Changes in accounting policies and disclosure

i. The adoption of these new/revised standards and interpretations did not result in substantial changes to the Group's accounting policies and had no material effect on the amounts reported in the consolidated financial statements

The following new standards, amendments to existing standards and interpretations have been published and are mandatory for the first time adoption for the Group's financial year beginning January 1, 2019 or later periods. The Group has adopted them, but they have no significant impact to the Group's current business:

- ISAK 33: Foreign currency transaction and advance consideration
- ISAK 34: Uncertainty in the Treatment of Income Tax
- Amendments to SFAS 24: Employee Benefits
- SFAS 22 (2018 improvement): Business Combination
- SFAS 26 (2018 improvement) : Borrowing Cost
- SFAS 46 (2018 improvement) : Income Tax
- SFAS 66 (2018 improvement) : Joint Arrangement

ii. New standards, amendments and interpretations issued but not yet effective

The following are several accounting standards issued by the Indonesian Financial Accounting Standards Board ("DSAK") that are considered relevant to the financial reporting of the Group but not yet effective for consolidated financial statements as of December 31, 2019 and for the year then ended:

Effective January 1, 2020

- Amendments to SFAS 15: Investment in Associates and Joint Ventures, this amendments stipulates that the entity also applies SFAS 71 to financial instruments in associates or joint ventures where the equity method is not applied. This includes long-term interests which substantially form part of the entity's net investment in associates or joint ventures.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Changes in accounting policies and disclosure (continued)

ii. New standards, amendments and interpretations issued but not yet effective (continued)

Effective January 1, 2020 (continued)

- Amendments to SFAS 62: Insurance Contracts, which are further amendments due to the issuance of SFAS 71. Amended standards provide instructions for entities that issue insurance contracts, especially insurance companies, about how to apply SFAS 71. SFAS 62 allows an entity that meets certain criteria to apply a temporary exemption from SFAS 71 (deferral approach) or choose to apply a layered approach (overlay approach) for specified financial assets.

- SFAS 71: The Financial Accounting Standards Board has adopted SFAS 71, Financial Instruments, which will effectively replace SFAS 55 "Financial Instruments: Recognition and Measurement". SFAS 71 discusses the classification, measurement and derecognition of financial assets and liabilities, introducing new rules for hedge accounting and new impairment models for financial assets. SFAS is effective since January 1, 2020 where early adoption is permitted. In addition to hedge accounting, the application of this standard must be done retrospectively with restatement of comparative information not required.

  In respect to provision for impairment of financial assets owned by the Group, the new impairment model requires recognition of the provision for impairment based on expected credit losses compared to actual credit losses under SFAS 55. This applies to financial assets classified as amortization costs, debt instruments are measured at fair value through other comprehensive income, asset contracts in SFAS 72 "Revenues from Customer Contracts", lease receivables, loan commitments and certain financial guarantee contracts. The Group is currently in the process to calculate the effects of such impairment. The quantum or additional impairment needed to be recorded by the Group cannot be determined yet since it requires sufficient information on the adoption date of SFAS 71 on January 1, 2020.

  This new standard also broaden disclosure requirements and changes in presentation. This is expected to change the nature and bound the Group's disclosure of financial instruments, especially in the year of the adoption of new standards.

- SFAS 72: Revenue from Contracts with Customers, is the new standard that provides a comprehensive framework to determine how revenue must be recognized, the timing of revenue recognition, and the amount that must be recognized by the Group. This standard introduces a single model used in recording revenue with customers, called the five-step model (Identification of Contracts with Customers, Identification of Implementation Obligations, Determining Transaction Prices, Transaction Price Allocations, and Revenue Recognition), which must be applied in all contracts with customers. This standard also introduces several new concepts such as accounting treatment related to contract modifications and capitalization of costs associated with contracts with customers.

  SFAS 72 will effectively replace all standards relating to current income; namely SFAS 23 "Revenue", SFAS 34 "Construction Contracts", SFAS 44 "Accounting for Real Estate Development Activities", and ISAK 10 "Customer Loyalty Program". SFAS 72 will be effective as of January 1, 2020 with early application is permitted.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Changes in accounting policies and disclosure (continued)

ii. New standards, amendments and interpretations issued but not yet effective (continued)

Effective January 1, 2020 (continued)

There are two alternative methods can be used by the Group during the transition process of SFAS 72. The first method, this standard allows to apply retrospectively to each prior period presented in the financial statements for contracts with customers. The second method, the Group is permitted to apply retrospective modification method where SFAS 72 will only be applied to transactions after January 1, 2020 where the cumulative impact on initial adoption will be recorded as an adjustment to the beginning balance of retained earnings (for other equity components, as appropriate) as of January 1, 2020.

- SFAS 73 : Leases, provides a comprehensive model for identifying lease contracts and accounting treatment for lease transactions as lessees or lessors. SFAS 73 emphasizes the importance of control in the identification of lease contracts, which are the factors that differentiate lease contracts and service contracts depending on which party has control over the identification of assets. If the customer has control over asset identification, the contract meets the definition of lease in SFAS 73.

  SFAS 73 will effectively replace several standards and interpretations, namely: SFAS 30 "Lease", ISAK 8 "Determining whether an Arrangement Contains a Lease", ISAK 23 "Operating Leases-Incentives", ISAK 24 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease ", and ISAK 25" Land Rights ". SFAS 73 effectively starting January 1, 2020. Early adoption of SFAS 73 is permitted since the Group adopted SFAS 72 "Revenue from Contracts with Customers" on or before the date of the initial adoption of SFAS 73.

  The adoption of SFAS 73 will have an impact for most leases recognized in the statement of financial position, where this standard eliminates the difference between operating leases and financing. Operating lease costs in SFAS 73, will be capitalized as assets (or right-of-use for leased goods) and financial liabilities that reflect future lease payment commitments after considering the impact of discounts and practical guidelines to be used by the Group. Exceptions to such treatment are only available for short-term and low-value leases. The lessee is required to recognize and present separately the interest expense arising from the lease obligation with the depreciation expense of the leasehold rights.

  The accounting treatment for the lessor will not differ significantly.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Changes in accounting policies and disclosure (continued)

ii. New standards, amendments and interpretations issued but not yet effective (continued)

Effective January 1, 2020 (continued)

- Amendments to SFAS 71: Financial Instruments concerning the Accelerated Features of Repayment with Negative Compensation which regulates that financial assets with an accelerated repayment feature that can produce negative compensation meet the qualifications as contractual cash flows originating solely from principal and interest payments.

- Amendments to SFAS 1: Presentation of Financial Statements and SFAS 25: Accounting Policies, Changes in accounting estimates and errors that clarify material definitions with the aim of harmonizing the definitions used in the conceptual framework and several related SFASes.

  At this stage, The quantum or additional impairment amount needed to be recorded by the Group cannot be determined yet. The Group will conduct a more in-depth review of its impact on the next twelve months period.

c. Principles of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as described in Note 1b.

Subsidiaries are entities over which the Group has control. The Group controls an entity when the Group is exposed or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the Subsidiary and ceases when the Group loses control of the subsidiary.

A change in the ownership interest of a Subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group losses control over a Subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest (”NCI”) and other components of equity while any resulting gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

The consolidated financial statements have been prepared using the same accounting policies for transactions and other events in similar circumstances. If a member of the Group uses accounting policies other than those adopted for transactions and events in similar circumstances, appropriate adjustments are made to its financial statements in preparing the consolidated financial statements.

All intercompany accounts and transactions between the Company and its Subsidiaries have been eliminated to reflect the financial position and the results of operations of the Group as one business entity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Principles of consolidation (continued)

NCI represents the portion of the profit or loss and net assets of the Subsidiaries attributable to equity interests that are not owned directly or indirectly by the Company, which are presented in the consolidated statement of profit or loss and other comprehensive income and under the equity section of the consolidated statement of financial position, respectively, separately from the corresponding portion attributable to the equity holders of the parent company.

Profit or loss and each component of other comprehensive income (“OCI”) are attributed to the equity holders of the parent of the Group and to the NCI, even if this results in the NCI having a deficit balance.

For consolidation purpose of subsidiaries using currency other than US Dollar as functional currency, assets and liabilities are translated using the Bank of Indonesia middle rate at the end of reporting period. On the other hand, revenue and expenses are translated using the average Bank of Indonesia middle rate during the profit or loss period.

The difference arising from the translation of those subsidiaries’ financial statements into the US Dollar is presented as “Other comprehensive income - Differences arising from translation of financial statements” account as part of other equity components in the equity section of the consolidated statement~~s~~ of financial position.

d. Business combinations

Business combinations are accounted using the acquisition method as stipulated in SFAS 22 (Revised 2015). The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any NCI in the acquiree. For each business combination, the acquirer measures the NCI in the acquiree either at fair value or at the proportionate share of the acquiree’s identifiable net assets. Transaction costs incurred are directly expensed and included in “Selling, General and Administrative Expenses”.

When the Group acquires a business, it assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances, and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer’s previously held equity interest in the acquiree is remeasured to fair value at the acquisition date and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with SFAS No. 55 (Revised 2014) either in profit or loss or as other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

At acquisition date, goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for NCI over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the Subsidiary acquired, the difference is recognized in profit or loss. Afterwards, impairment test on goodwill will be examined at the end of every subsequent period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Business combinations (continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated from the acquisition date to each of the Group's cash-generating units ("CGU") that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquirer are assigned to those CGUs.

Where goodwill forms part of a CGU and part of the operation within that CGU is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

In accordance with the provision of SFAS No. 22 (Revised 2015), if the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group shall report in its consolidated financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the Group shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date.

e. Business combination under common control

Business combination transaction under common control, in the form of transfer of business within the framework of reorganization of entities under the same business group is not a change of ownership in economic substance, therefore it would not result in a gain or loss for the group as a whole or to the individual entity within the same group, therefore the transactions are recorded using the pooling-of-interests method.

The entity that disposed and received the business records the difference between the consideration received/transferred and the carrying amount of the disposed business/carrying amount of any business combination transaction in equity and presents it in "Additional Paid-in Capital" account.

In applying the pooling-of-interests method, the components of the financial statements for the period during which the business combination occurred and for other periods presented for comparison purposes are presented in such a manner as if the combination has already occurred since the beginning of the period in which the entities were under common control.

f. Related party transactions

The Company enters into transactions with related parties as defined in SFAS 7 (Revised 2015): Related Party Disclosures. All significant transactions and balances with related parties are disclosed in the notes to these consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g. Cash and cash equivalents

Cash and cash equivalents are cash on hand, cash in banks, and time deposits with maturity periods of three months or less at the time of placement and which are not used as collateral or are not restricted.

For the purpose of the consolidated statements of cash flows, cash and cash equivalents are presented net of overdrafts.

Cash and cash equivalents which are restricted for repayment of currently maturing obligations are presented as restricted cash under the current assets section, while cash and cash equivalents which are restricted to repay obligations maturing after one year from the date of consolidated statement of financial position are presented as part of other non-current assets.

h. Financial instruments

i. Financial assets

Initial recognition

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge. The classification depends on the nature and purpose for which the asset was acquired and is determined at the time of initial recognition.

Financial assets are initially recognized at fair value, and in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs are added to the fair value.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

i. Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss.

ii. Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

iii. Available-for-sale ("AFS") financial assets
AFS financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the two preceding categories. After initial measurement, AFS financial assets are measured at fair value with unrealized gains or losses recognized in equity until the investment is derecognized. At that time, the cumulative gain or loss previously recognized in equity is reclassified to the consolidated statement of profit or loss and other comprehensive income as a reclassification adjustment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h. Financial instruments (continued)

i. Financial assets (continued)

iv. Held-to-maturity invesments
Non-derivative financial assets with fixed payments, and fixed liabilities and maturity liabilities are classified as held to maturity when the Group has positive intentions and capabilities to maintain them until maturity. After initial measurement, held to maturity investments are measured at amortized cost using the Effective Interest Rate ("EIR") method. Amortization of EIR is recognized as financial income in profit or loss. Losses arising from a decrease in value are recognized in profit or loss as a financial expense.

<u>Impairment of financial assets</u>

Assets carried at amortized cost

The Group assesses, at the end of each reporting period, whether there is objective evidence that a financial asset or group of financial assets is impaired.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

i. default or delinquency in payments by the debtor;
ii. significant financial difficulty of the debtor;
iii. a breach of contract, such as a default or delinquency in interest or principal payments;
iv. the lenders, for economic or legal reasons relating to the borrower’s financial difficulty, granting to the borrower a concession that the lenders would not otherwise consider;
v. the probability that the debtor will enter bankruptcy or other financial reorganisation;
vi. the disappearance of an active market for that financial asset because of financial difficulties; or
vii. observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot be traced yet to the individual financial assets in the portfolio, including:
    1. adverse changes in the payment status of borrowers in the portfolio; and
    2. national or local economic conditions that correlate with defaults on the assets in the portfolio.

If there is an objective evidence that an impairment loss has occurred, the amount of loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original EIR. The carrying amount of the asset is reduced either directly or through the use of a provision account. The amount of the loss is recognized in the profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor’s credit rating), the previously recognized impairment loss will be reversed either directly or by adjusting the provision account. The reversal amount is recognized in the profit or loss and the amount cannot exceed what the amortized cost would have been had the impairment not been recognized at the date the impairment was reversed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h. Financial instruments (continued)

i. Financial assets (continued)

Assets classified as available-for-sale

When a decline in the fair value of an available-for-sale financial asset has been recognized directly in equity and the decline is significant and prolonged or when there is objective evidence that the assets were impaired, the cumulative loss that had been recognized in equity will be reclassified from equity to the profit or loss even though the financial asset has not been derecognized. The amount of the cumulative loss that is reclassified from equity to the profit or loss is the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the profit or loss.

The impairment loss recognized in the profit or loss on equity instrument cannot be reversed through the profit or loss. Increases in fair value subsequent to the impairment are recognized in OCI.

Derecognition

A financial asset, or where applicable, a part of a financial asset or part of a group of similar financial assets, is derecognized when:

(i) The contractual rights to receive cash flows from the asset have expired; or
(ii) The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement, and either (a) the Group has transferred substantially all the risks and rewards of the financial asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

ii. Financial liabilities

Initial recognition

Financial liabilities are classified as financial liabilities at fair value through profit or loss and other financial liabilities that are not held for trading or not designated at fair value through profit or loss. The Group determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognized initially at fair value and, in the case of financial liabilities recognized at amortized cost, include directly attributable transaction costs.

The Group’s financial liabilities which are classified as other financial liabilities include short-term loans, trade payables, due to the Government, accrued expenses, long-term liabilities, other payables, bonds payable, and other non-current payables.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

i. Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h. Financial instruments (continued)

ii. Financial liabilities (continued)

i. Financial liabilities at fair value through profit or loss (continued)

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivative liabilities are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the consolidated statement of profit or loss and other comprehensive income.

ii. Financial liabilities at amortized cost

After initial recognition, interest-bearing loans and borrowings are subsequently measured at cost using the effective interest rate (“EIR”) method. At the reporting date, the accrued interest is recorded separately from the respective principal loans as part of current liabilities. Gains and losses are recognized in the consolidated statement of profit or loss and other comprehensive income when the liabilities are derecognized as well as through the amortization process using the EIR method.

<u>Derecognition</u>

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of profit or loss and other comprehensive income.

A financial liability is derecognized when the obligation under the liability is discharged, or cancelled or has expired.

EIR method

The EIR method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period.

iii. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement~~s~~ of financial position, when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h. Financial instruments (continued)

iv. Derivative financial instruments and hedge accounting

The Group uses derivative foreign currency forward and option contracts to hedge its foreign currency risks. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The Company entered into forward and currency option contracts that are used as a hedge for the exposure to changes in cash flows relating to interest payments and bonds repayment due to changes in foreign exchange rates. Such forward and option contracts do not meet the criteria of hedge accounting.

i. Receivables

Trade and other receivables are initially recognized at fair value and are subsequently measured at amortized cost using the effective interest method, less provision for any impairment. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), these receivables are classified as non-current assets.

j. Inventories

Crude oil and oil product inventories are recognized at the lower of cost or net realizable value.

Cost is determined based on the average method and comprises all costs of purchases, costs of conversion and other costs incurred in bringing the inventory to its present location and current condition.

The net realizable value of subsidized fuel products (“BBM”) are recognized at the lower of next month’s Government decreed price and the formula price.

The net realizable value of 3 kg LPG cylinders is the Aramco LPG contract price plus distribution costs and a margin (alpha), less the estimated costs of completion and the estimated costs necessary to make the sale.

Materials such as spare parts, chemicals and others are stated at average cost. Materials exclude obsolete, unusable and slow-moving materials which are recorded as part of other assets under the non-current assets section.

A provision for obsolete, unuseable and slow-moving materials is provided based on management’s analysis of the condition of such materials at the end of the year.

k. Prepayments and advances

Prepayments are amortized on a straight-line basis over the estimated beneficial periods of the prepayments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l. Assets held for distribution to the Company

Assets held for distribution to the Company are recognized at the lower of carrying amount and fair value less costs to sell.

m. Long-term investments

i. Investments in associates and joint ventures

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties who have joint cotrol over the arrangement have rights to the net assets of the joint venture. Joint control is the distribution of the contractual agreed control of an agreement, which only exists if the decision on the relevant activity requires the full agreement of the parties that have joint control.

The considerations made in determining significant influence or joint control are similar to those needed to determine control over a subsidiary. The Group’s investment in associates and joint ventures are accounted for using the equity method.

Under the equity method, investments in associates or joint ventures are initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group’s share of the net assets of an associate or joint venture since the acquisition date. Goodwill in connection with an associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss reflects the Group’s share of the result of operations of associates or joint ventures. Any changes to the Group’s other comprehensive income (“OCI”) from the investee are presented as part of OCI. If there has been a change that is recognized directly in the equity of the associate or joint venture, the group recognizes its share of the changes, if any, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and associates or joint ventures are eliminated according to the interests of the associate or joint ventures.

The Group’s share of profit or loss from associates and joint ventures is presented as profit or loss other than operating income and is part of profit and loss after tax and non-controlling interests in subsidiaries or joint ventures. The financial statements of the associates or joint ventures are prepared with the same reporting period with the Group. If necessary, adjustments are made to implement the accounting policies adopted by the Group policies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ii. Investment property

Investment property consists of land and buildings held by the Group to earn rental income or for capital appreciation, or both, rather than for use in the production or supply of goods or services, administrative purposes or sale in the normal course of business.

An investment property is measured using the cost model that is stated at cost including transaction costs less accumulated depreciation and impairment losses, if any, except for land which is not depreciated. Such cost includes the cost of replacing part of the investment property, if the recognition criteria are satisfied, and excludes operating expenses involving the use of such property.

Building depreciation is computed using the straight-line method over the estimated useful lives of buildings ranging from 10 (ten) to 25 (twenty-five) years.

An investment property is derecognized upon disposal or when such investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gains or losses arising from the derecognition or disposal of investment property are recognized in the profit or loss in the year such derecognition or disposal occurs.

Transfers to investment property are made when there is a change in use, evidenced by the end of owner-occupation or commencement of an operating lease to another party. Transfers from investment property are made when there is a change in use, evidenced by the commencement of owner-occupation.

For a transfer from investment property to owner-occupied property, the Group uses the cost method at the date the change occurs. If an owner-occupied property becomes an investment property, the Group records the investment property in accordance with the fixed asset policies up to the date of change in use.

n. Fixed assets

The Group applies accounting policy on fixed assets as stipulated in SFAS 16 (Revised 2015), as follows:

<u>Direct ownership</u>

Land is recognized at cost and not depreciated. Fixed assets are initially recognized at cost and subsequently, except for land, carried at cost less accumulated depreciation and any impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The Group recognized significant repair and maintenance costs as fixed assets. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Initial legal costs incurred to obtain legal rights are recognized as part of the acquisition cost of the land, and these costs are not depreciated. Costs related to renewal of land rights are recognized as intangible assets and amortized during the period of the land rights.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n. Fixed assets (continued)

Fixed assets, except land, are depreciated using the straight-line method over their estimated useful lives as follows:

	Years
Tanks, pipeline installations and other equipment	5-25
Refineries	10-20
Buildings	5-25
Ships and aircrafts	6-25
Moveable assets	5-20
Major repairs and maintenance	3

At each financial year-end, the residual values, useful lives and methods of depreciation of assets are reviewed and adjusted prospectively, as appropriate.

When assets are retired or otherwise disposed of, their carrying values are eliminated from the consolidated financial statements, and the resulting gains and losses on the disposal of fixed assets are recognized in the profit or loss.

<u>Assets under construction</u>

Assets under construction represent costs for the construction and acquisition of fixed assets and other costs. These costs are transferred to the relevant fixed asset account when the construction is complete. Depreciation is charged from the date the assets are available for use.

o. Leases

The Group classifies leases based on the extent to which risks and rewards incidental to the ownership of a leased asset are vested upon the lessor or the lessee, and the substance of the transaction rather than the form of the contract, at the time of initial recognition.

<u>Group as Lessee</u>

i. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the leased assets. Such leases are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant periodic rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

ii. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of the leased asset. Accordingly, the related lease payments are recognized in profit or loss on a straight-line basis over the lease term.

<u>Group as Lessor</u>

Leases in which the group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases initial direct costs in caused in negotiating and arranging an operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis of rental income. Contingent rents are recognized as revenues on a straight-line basis over the lease term.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

p. Oil & gas and geothermal properties

i. Exploration and evaluation assets

Oil and natural gas, as well as geothermal exploration and evaluation expenditures are accounted for using the successful efforts method of accounting. Costs are accumulated on a field by field basis.

Geological and geophysical costs are expensed as incurred.

Costs to acquire rights to explore for and produce oil and gas are recorded as unproved property acquisition costs for properties where proved reserves have not yet been discovered, or proved property acquisition costs if proved reserves have been discovered.

The costs of drilling exploratory wells and the costs of drilling exploratory-type stratigraphic test wells are capitalized as part of assets under construction - exploratory and evaluation wells, within oil and gas properties pending determination of whether the wells have found proved reserves. If the well has not found proved reserves, the capitalized costs of drilling the well are then charged to profit or loss as a dry hole expense.

Afterwards, exploration and evaluation assets are reclassified from exploration and evaluation assets when evaluation procedures have been completed. Exploration and evaluation assets for which commercially-viable reserves have been identified are reclassified to development assets. Exploration and evaluation assets are tested for impairment immediately prior to reclassification out of exploration and evaluation assets.

ii. Development assets

The costs of drilling development wells including the costs of drilling unsuccessful development wells and development-type stratigraphic wells are capitalized as part of assets under construction of development wells until drilling is completed. When the development well is completed on a specific field, it is transferred to the production wells.

iii. Production assets

Production assets are aggregated exploration and evaluation assets and development expenditures associated with the producing wells. Production assets are depleted using a unit-of-production method on the basis of proved developed reserves, from the date of commercial production of the respective field.

iv. Other oil & gas and geothermal assets

Other oil & gas and geothermal properties are depreciated using the straight-line method over the lesser of their estimated useful lives or the term of the relevant Production Sharing Contract ("PSC") are as follows:

	Years
Installations	3-30
LPG plants	10-20
Buildings	5-30
Moveable assets	2-27
Geothermal wells	10-20

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

p. Oil & gas and geothermal properties (continued)

iv. Other oil & gas and geothermal assets (continued)

Land and land rights are stated at cost and are not amortized.

The useful lives and methods of depreciation of assets are reviewed, and adjusted prospectively if appropriate, at least at each financial year-end. The effects of any revisions are recognized in profit or loss, when the changes arise.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

The accumulated costs of the construction, installation or completion of buildings, plant and infrastructure facilities such as platforms and pipelines are capitalized as assets under construction. These costs are reclassified to the relevant fixed asset accounts when the construction or installation is ready for use. Depreciation is charged from that date.

v. Ownership rights over unitization operations

A joint asset is an asset to which each party has rights and often has joint ownership. Each party has exclusive rights to a share of the asset and the economic benefits generated from that asset.

In a unitization, all the operating and non-operating participants combine their assets in a producing field to form a single unit and in return receive an undivided interest in that unit. As such, a unitization operation is a joint control asset arrangement. Under this arrangement, the Group records its share of the joint asset, any liabilities it incurs, its share of any liabilities incurred jointly with the other parties relating to the joint arrangement, any revenue from the sale or use of its share of the output of the joint asset and any expenses it incurs in respect of its interest in the joint arrangement. If the Group is the operator, the Group recognizes receivables from the other parties (representing the other parties' share of expenses and capital expenditure borne by the operator) otherwise, the Group recognizes payables to the operator.

q. Provision for decommissioning and site restoration

The provision for decommissioning and site restoration provides for the legal obligations associated with the retirement of oil and gas properties including the production facilities that result from the acquisition, construction or development and/or normal operation of such assets. The retirements of such assets, other than temporary suspension of use, are removed from service including sale, abandonment, recycling or disposal in some other manner.

These obligations are recognized as liabilities when a constructive obligation with respect to the retirement of an asset is incurred. An asset retirement cost equivalent to these liabilities is capitalized as part of the related asset's carrying value and is subsequently depreciated or depleted over the asset's useful life. These obligations are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

q. Provision for decommissioning and site restoration (continued)

Provision for environmental issues that may not involve the retirement of an asset, where the Group is a responsible party, is recognized when:

- the Group has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources will be required to settle the obligation; and
- the amount has been reliably estimated.

Asset retirement obligations for downstream facilities generally become firm at the time the facilities are permanently shutdown and dismantled. However, these facilities have indeterminate lives based on plans for continued operations, and as such, the fair value of the conditional legal obligations cannot be measured, since it is impossible to estimate the future settlement dates of such obligation. The Group performs periodic reviews of its downstream assets for any changes in facts and circumstances that might require recognition of asset retirement obligations.

r. Revenue and expense recognition

i. Revenue

Revenue from the production of crude oil and natural gas are recognized on the basis of the provisional entitlements method at the point of lifting. Differences between the actual liftings of crude oil and natural gas result in a receivable when final entitlements exceed liftings of crude oil and gas (underlifting position) and in a payable when lifting of crude oil and natural gas exceed final entitlements (overlifting position). Underlifting and overlifting volumes are valued based on the annual weighted average Indonesian Crude Price (“ICP”) (for crude oil) and price as determined in the respective Sale and Purchase Contract (for natural gas).

The Company recognizes subsidy revenue as it sells the subsidy products and becomes entitled to the subsidy.

Revenue from sales of goods and services is recognized when the significant risks and rewards of ownership of the goods are transferred to the buyer and when such services are performed, respectively.

Penalty income from overdue receivables from BBM sales is recognized when the Company and its customers agree on the amount of the penalties and there is evidence that the customers have committed to pay the penalties.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

r. Revenue and expense recognition (continued)

i. Revenue (continued)

Revenues from gas distribution and toll fees from gas transmission are recognized when the gas is distributed or transmitted to the customers based on the gas meter readings.

Revenue arising from the operation of the asset and pipeline transmission is recognized after the service is rendered and is measured based on the unit of gas which has been transported during such period.

The cost and revenue involving sales of electricity among PGE, geothermal contractors and PT Perusahaan Listrik Negara (Persero) (“PLN”) are recorded based on Energy Sales Contracts under a Joint Operating Contracts (“JOC”). The contracts stipulate that the sale of electricity from the JOC contractors to PLN is to be made through PGE in the same amount of the purchase costs as the electricity from the JOCs.

Excess and/or shortfall of revenue from differences of formula retail selling price and Government’s stipulated selling price (“Disparity of Selling Price”) of certain type of fuel (“JBT”) Diesel Fuel and special fuel assignment ("JBKP") Premium are recognized in the period when sale of JBT Diesel Fuel and JBKP Premium occurs as long as the settlement and/or collectability of such Disparity of Selling Prices is certain at the completion date of the financial statements.

The Company records such excess and/or shortfall of revenue from the Selling Price Differences in revenue from other operating activities account because it is part of the Company’s operations.

Deferred revenue consists of:
- amounts billed and collected involving “take or pay” gas transaction, which will be recognized as revenue when the related gas quantities are delivered to customers or when the contract expires.
- down payment for rental and services charges.
- rental revenue for the future period.

ii. Expense

Expense is recognized when incurred on an accrual basis.

s. Pension plan and employee benefits

i. Pension obligations

Entities within the Group operate various pension schemes. The Group has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employee the benefits relating to employee service in the current and prior years.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

s. Pension plan and employee benefits (continued)

i. Pension obligations (continued)

The Group is required to provide a minimum amount of pension benefit in accordance with Labour Law No. 13/2003 or the Group's Collective Labour Agreement ("the CLA"), whichever is higher. Since the Labour Law or the CLA sets the formula for determining the minimum amount of pension benefits, in substance, pension plans under the Labour Law or the CLA represent defined benefit plans.

The liability recognized in the statement of financial position in respect of the defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting date less the fair value of plan assets.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

Expense charged to profit or loss includes current service costs, interest expense/income, past service cost and gains and losses on settlements. Gains or losses on the curtailment or settlement of a defined benefit plan are recognized when the curtailment or settlement occurs.

Remeasurements arising from defined benefit retirement plans are recognized in OCI.

Termination benefits are payable when an employee's employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits.

The Group recognizes the termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the Group recognizes restructuring costs involving the payment of termination benefits.

ii. Other post-employment obligations

Companies within the Group provide "post retirement" healthcare benefits to their retired employees. This benefit is eligible for the employee that remains working up to retirement age and approaching a minimum service period. The expected cost of this benefit is accrued over the period of employment using the projected unit credit method. This obligation is valued annually by independent qualified actuaries.

t. Transactions and balances in non-US Dollar Denomination

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency).

(Expressed in thousands of US Dollars, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

t. Transactions and balances in non-US Dollar denomination (continued)

Non-US Dollar currency transactions are translated into US Dollar using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary assets and liabilities denominated in non-US Dollar currency are translated into US Dollar using the closing exchange rate. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit or loss, except when deferred in equity as qualifying cash flows hedges and qualifying net investment hedges.

For domestic and foreign subsidiaries that are not integral to the Company's operations and for which the functional currency is not the US Dollar, the assets and liabilities are translated into US Dollars at the exchange rates prevailing at the date of statement of financial position.

The exchange rates used as of December 31, 2019 and December 31, 2018, were as follows (full amount):

	December 31, 2019	December 31, 2018
1,000 Rupiah/US Dollar	0.07	0.07
Singapore Dollar/US Dollar	0.74	0.73
100 Japenese Yen/ US Dollar	0.92	0.91
Hong Kong Dollar/ US Dollar	0.13	0.13
Euro/ US Dollar	1.12	1.14
Malaysian Ringgit/ US Dollar	0.24	0.24
Algeria Dinar/ US Dollar	0.01	0.01

u. Income tax

<u>Current Income Tax</u>

Current tax assets and liabilities are measured at the amount expected to be refunded from or paid to the taxation authority. The tax rates and tax regulations used to calculate these amounts are those that have been enacted or substantively enacted at the reporting date in the country where the Group operates and produce taxable income.

Interest and penalties are presented as part of income or other operating expenses because they are not considered as part of the income tax expense

The Group periodically evaluates positions reported in Annual Tax Returns ("SPT") in connection with situations in which tax rules that apply require interpretation. Where appropriate, the Group determines the allowance based on the amount expected to be paid to the tax authorities including consideration of the decision of the tax court and the supreme court decision in case of Group's appeal process.

Corrections to taxation obligations are recorded when an assessment is received, or for assessment amounts appealed against by the Group, when: (1) the result of the appeal is determined, unless there is significant uncertainty as to the outcome of such an appeal, in which event the impact of the amendment of tax obligations based on an assessment is recognized at the time of making such appeal, or (2) at the time based on knowledge of developments in similar cases involving matters appealed, in rulings by the Tax Court or the Supreme Court, where a positive appeal outcome is adjudged to be significantly uncertain, in which event the impact of an amendment of tax obligations is recognized based on the assessment amounts appealed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

u. Income tax (continued)

In income tax calculation, the Company recognizes revenue from the Price Difference in the amount of the value of the receivables before adjusting for fair value (Note 9a). Difference in value of receivables with fair value is recognized as deferred tax assets. Recovery from adjusting the fair value of receivables in subsequent years will be recorded as interest income. The interest income is not recognized as an object of income tax but as a reversal of previously deferred tax assets.

<u>Deferred Tax</u>

Deferred tax is recognized using the liability method for temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

i. deferred tax liabilities that occur from the initial recognition of goodwill or from assets or liabilities from transactions that are not business combination transactions, and at the time of the transaction do not affect accounting profit and taxable / taxable income; and
ii. from taxable temporary differences in investments in subsidiaries, associated companies and interests in joint arrangements, which when reversed can be controlled and it is probable that the temporary differences will not be reversed in the near future.

Deferred tax assets are recognized for all deductible temporary differences, unused tax credit balances and accumulated unused tax losses. Deferred tax assets are recognized to the extent that it is probable that the amount of taxable income will be sufficient to be compensated with deductible temporary differences, and the application of unused tax credits and taxable accumulated losses that can be used, except:

i. if deferred tax assets arise from the initial recognition of an asset or liability in a transaction that is not a business combination transaction and does not affect the accounting profit or taxable income/tax loss; or

ii. from temporary differences that can be deducted from investments in subsidiaries, associated companies and interests in joint arrangements, deferred tax assets are only recognized if it is probable that the temporary differences will not be reversed in the near future and taxable profits can be compensated by the temporary difference.

The carrying amount of deferred tax assets is reviewed at each reporting date and is reduced if the taxable income may not be sufficient to compensate for part or all of the benefits of the deferred tax asset. Deferred tax assets that are not recognized are reviewed at each reporting date and will be recognized if it is probable that future taxable profits will be available for recovery.

Deferred tax assets and liabilities are measured using the tax rate that is expected to apply to the year when the asset is recovered or the liability is settled based on the tax rates and applicable tax regulations or substantively enacted at the reporting date.

Deferred tax assets and liabilities related to PSC activities are calculated using the tax rate that applies to the effective date of the PSC or renewal date or date of change in the PSC.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

u. Income tax (continued)

Deferred Tax (continued)

Deferred tax on goods recognized outside of profit or loss is recognized outside of profit or loss. Estimated deferred tax is recognized to correlate with underlying transactions in both the OCI and directly in equity.

Value Added Tax ("VAT")

Revenues, expenses and assets are recognized net of the amount of VAT except:

i. VAT that arises from the purchase of an asset or service that cannot be credited by the tax office, in which case the VAT is recognized as part of the acquisition cost of the asset or as part of the items applied for expenses; and

ii. Receivables and payables presented include the amount of VAT.

VAT on subsidies and/or price differences will be recorded by the Company when submitting payments for subsidies and/or price differences to the Directorate General of Budget.

Final Tax

In accordance with taxation regulations in Indonesia, final tax is imposed on the gross value of the transaction, and is still imposed even if losses are incurred by the party carrying out the transaction.

Final tax is not included in the scope regulated by SFAS 46 (Revised 2014): Final tax is no longer governed by SFAS No. 46. Therefore, the Company has decided to present all final taxes arising from interest income subject to final tax as a separate line item.

v. Segment information

An operating segment is a component of an enterprise:
a. that engages in business activities from which it may earn revenues and incur expenses (including revenue and expenses related to the transactions with different components within the same entity);
b. whose operating results are regularly reviewed by the enterprise's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance; and
c. for which discrete financial information is available.

w. Impairment of non-financial assets

Assets that have an indefinite useful life - for example, goodwill or intangible assets not ready for use - are not subject to amortization and are tested annually for impairment.

Assets that are subject to amortization or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized in the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (Cash-Generating Units or CGUs). Non-financial assets other than goodwill that suffer an impairment are reviewed for possible reversal of the impairment at each reporting date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

x. Bond issue costs

Bond issue costs are presented as a deduction from bonds payable as part of non-current liabilities in the consolidated statements of financial position.

The difference between net proceeds and nominal value represents a discount which is amortized using the EIR method over the term of the bond.

y. Joint arrangements

The Group is a party to a joint arrangement when there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The Group classifies its interests in joint arrangements as either:
a. Joint ventures: where the Group has rights to only the net assets of the joint arrangement
b. Joint operations: where the Group has both the rights to assets and obligations for the liabilities of the joint arrangement.

In assessing the classification of interests in joint arrangements, the Group considers:
a. the structure of the joint arrangement
b. the legal form of joint arrangements structured through a separate vehicle
c. the contractual terms of the joint arrangement agreement
d. any other facts and circumstances (including any other contractual arrangements).

The Group recognizes its interest in joint venture using equity method.

Any premium paid for an investment in a joint venture above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalized and included in the carrying amount of the investment in joint venture. Where there is objective evidence that the investment in a joint venture has been impaired, the carrying amount of the investment is tested for impairment in the same way as non-financial assets.

The Group accounts for its interests in joint operations by recognising its share of assets, liabilities, revenues and expenses in accordance with its contractually conferred rights and obligations.

z. Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issuance of new shares are shown in equity as a deduction, net of tax, from the proceeds.

aa. Dividends

Dividend distribution to the shareholders is recognized as a liability and deducted from equity in the Group consolidated financial statements in the period in which the dividends are declared.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ab. Borrowing costs

Borrowing costs are interest and exchange differences on foreign currency denominated borrowings and other costs (amortization of discounts/premiums on borrowings, etc) incurred in connection with the borrowing of funds.

Borrowing costs which are directly attributable to the acquisition, construction, or production of qualifying assets are capitalized as part of the acquisition cost of the qualifying assets. Other borrowing costs are recognized as expense in the period in which they are incurred.

The Group ceases capitalizing borrowing costs when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

ac. Fair value measurement

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- in the principal market for the asset or liability or;
- in the absence of a principal market, in the most advantageous market for the asset or liability.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy as follows:
- Level 1 - quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 - valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

ad. Insurance Contract

An insurance contract is a contract issued by an insurance company where at the time of issuance of the policy the insurance company accepts significant insurance risk from the policy holder.

Insurance risk is the possibility of paying significant benefits to policyholders if an insured event occurs compared to the minimum benefit to be paid if the insured risk does not occur. The scenarios to consider are those that contain commercial elements.

The Group defines a significant insurance risk as the likelihood that the Group has agreed to compensate the policyholder if certain uncertain future events (insured events) adversely affect the policyholder.

When a contract has been classified as an insurance contract, reclassification of that contract cannot be carried out unless the terms of the agreement are later amended.

Insurance contracts are classified as follows :

- Short-term insurance contract
  Short-term insurance contracts are insurance contracts that only provide insurance protection without a component of the deposit for a period of equal to or less than twelve months.

- Long-term insurance contract
  Long-term insurance contracts are insurance contracts that only provide insurance protection without a component of the deposit for a period of more than twelve months.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ad. Insurance Contract (continued)

i) Underwriting income recognition

Underwriting income is recognized since the policy came into effect

Premiums from insurance and reinsurance contratcts are recognized as revenues during the policy period (contract) based on the proportion of the amount of protection provided. Premiums from joint policies are recognized at the Group's premium share.

Reinsurance premiums are part of the gross premiums that become reinsurance rights based on the reinsurance agreement (contract). Reinsurance premiums are recognized over the period of the reinsurance contract in proportion to the protection obtained.

Reserve for premiums that are not yet recognized as revenues are part of the premiums related to the terms of protection coverage that has not yet ended.

The Group recognized reserves for short-term premiums that are not yet recognized as revenues using the daily method.

The Group also recognizes reserves for long-term premiums that are not yet recognized as revenues calculated using the present value method of future cash flows (discounted cash flows).

The Company's subsidiaries calculate the liability for future policy benefits using the Gross Premium Reserve method that reflects the present value of estimated payments for all benefits promised, including all options provided, the estimated present value of all costs incurred and also considers the receipt of future premiums.

(Increase) / decrease in reserves for premiums that are not yet recognized as revenues is the difference between premiums that have not recognized as revenues for the current period and past periods and is recognized net value of the consolidated profit and loss

The portion of reinsurance assets of reserves for premiums that are not yet recognized as revenues is recognized together when the emergence of reserves for premiums that are not yet recognized as revenues.

The portion of reinsurance assets from reserves for premiums that are not yet recognized as revenues is measured based on reinsurance contracts related to consistency with the method of measuring reserves for premiums that are not yet recognized as revenues.

The presentation of net premium income in the consolidated profit or loss shows the amount of gross premiums, reinsurance and retrocession premiums, and (increase) / decrease in reserves for premiums that are not yet recognized as revenues. Reinsurance and retrocession premiums are presented as a deduction from gross premiums.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ad. Insurance Contract (continued)

ii) Reinsurance

The Group reinsures some of the risks from the insurance coverage to other insurance companies and reinsurance companies.

The amount of premiums paid or part of the premiums on prospective reinsurance and retrocession transactions are recognized as reinsurance premiums during the reinsurance and retrocession contract period in proportion to protection provided. Payments or liabilities for retrospective reinsurance and retrospective transactions are recognized as reinsurance receivables in the amount of the liabilities recorded in connection with the reinsurance and retrocession contracts.

The Group has proportional and non-proportional reinsurance and retraction contracts with domestic and foreign insurance companies and reinsurance companies. The purpose of this reinsurance is to share risks that exceed the Group's retention capacity. Reinsurance and retrocession premiums, reinsurance and retrocession claims and reinsurance and retrocession discounts are deducted from gross premiums, gross claims and gross commission.

The Group reinsures a portion of the risk to reinsurance companies. The amount of premiums paid or the portion of premiums on prospective reinsurance transactions is recognized in accordance with the proportion of the reinsurance protection received.

Reinsurance assets include balances that expected to be paid by reinsurance companies for ceded estimated reinsurance claims, and ceded premiums do not yet recognized as revenues. The amount of benefits covered by the reinsurer is estimated to be consistent with the liabilities associated with the reinsurance policy.

If the reinsurance asset is impaired, the Group reduces the carrying amount and recognizes the impairment loss in the consolidated profit and loss. Reinsurance assets are impaired if there is objective evidence, as a result of an event that occurs after the initial recognition of reinsurance assets, that the Group cannot receive the entire amount because it is under contract conditions, and the impact on the amount to be received from the reinsurers can be measured in terms of reliability.

The Group presents reinsurance assets separately as assets for premiums not yet recognized as revenues and estimated liability claims.

iii) Acquisition cost

Acquisition costs are expenses incurred to obtain insurance premiums, such as commissions paid to insurance brokers, agents and other insurance entities. These acquisition costs are deferred and amortized according to the method of calculating the reserve for the premium.

iv) Claim

Claims include settled claims, claims in the process of settlement, including estimates of claims that have occurred but have not been reported (IBNR) and claims settlement costs. Such claims are recognized as an expense when the liability for the claim is incurred. Part of the claims obtained from reisurers are recognized and recorded as a deduction from claim expenses in the same period as the claim expense recognition period. Subrogation rights are recognized as a deduction from claims expense at the time of realization.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ad. Insurance Contract (continued)

iv) Claim (continued)

Presentation of claims expense in the consolidated statement of profit and loss shows the amount of gross claims, reinsurance claims, and (increases) / decreases in estimated own retention claims. Reinsurance claims are presented as a deduction from gross claims.

Allowance for estimated gross claims is based on estimating claims expenses to be paid according to claims received by the Group up to the report date. Recovery of claims from reinsurers for a reserve of estimated gross claims is recorded as estimated reinsurance claims on reinsurance assets.

The Group determines reserves based on line of business. There are two categories of reserve: reserves for claims that have already been reported and reserves for claims that have occurred but not yet reported (IBNR).

The Group’s reserves for claims that have been reported are based on estimating future payments to settle reported claims. The Group makes the estimate based on facts that are available when the reserves are determined.

Changes in the estimated amount of claims, as a result of the further review process and the difference between the estimated amount of claims paid, are recognized in the consolidated profit and loss in the year the change occurs.

v) Liability adequacy testing

Liability adequacy testing is carried out on the reporting date for individual contracts or per product group, determined according to how the Group obtains, maintains, and measures the profitability of the insurance contract.

The Group assesses insurance liabilities at the end of each reporting period to ensure that the insurance liabilities recorded are sufficient to cover estimated losses at the end of the reporting period, using current estimates of future cash flows based on insurance contracts.

If the valuation shows a deficiency between the carrying value of the insurance liability (less the related deferred acquisition costs) compared to the estimated future cash flows, all of the deficiencies are recorded in the consolidated profit and loss.

At the reporting date, the total recorded insurance assets and liabilities have been estimated and management believes that this amount is adequate.

ae. Provision of onerous contract

An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. If the Group has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

af. Completion of consolidated financial statements

The Group's consolidated financial statements have been completed and authorized to be issued by the Company's Directors on May 22, 2020.

3. MANAGEMENT'S USE OF ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

In the application of the Group's accounting policies, which are described in Note 2 to the consolidated financial statements, management is required to make estimates, judgements and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

These estimates and assumptions are based on historical experience and other factors that are considered to be relevant.

a. Judgements

The following judgements are made by management in the process of applying the Group's accounting policies:

i. Exploration and evaluation expenditures

The Group's accounting policies for exploration and evaluation expenditures result in certain items of expenditure being capitalized for an area of interest where it is considered likely to be recoverable by future exploitation or sale or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. This policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular whether an economically viable extraction operation can be established.

ii. Development expenditures

Development activities commence after a project is sanctioned by the appropriate level of management. Judgement is applied by management in determining when a project is economically viable.

iii. Uncertain tax exposure

Based on the tax regulations currently enacted, the management assessed if the amounts recorded under claim for tax refund are recoverable and refundable from the Tax Office. Further, the management also assessed possible liability that might arise from the tax assessment under objection.

Significant judgment is involved in determining the provision for corporate income tax and other taxes on certain transactions. Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. The Group makes an analysis of all tax positions related to income taxes to determine if a tax liability for unrecognized tax benefit should be recognized.

3. MANAGEMENT'S USE OF ESTIMATES, JUDGEMENTS AND ASSUMPTIONS (continued)

a. Judgements (continued)

iv. Recognition of disparity selling price of JBT diesel fuel and JBKP premium

Based on the Presidential Regulation No. 43 Year 2018 dated May 25, 2018 covering Amendment to Presidential Regulation No. 191 Year 2014, Provision, Distribution and HJE Fuel Oil, it is stated that in the event, based on the Audit Board of the Republic of Indonesia (BPK)'s audit results in 1 (one) fiscal year, that there are the excess and/or shortfall of revenue from the assigned business entity as a result of Government's stipulated retail sellling price of fuel oil, the Minister of Finance ("MoF"), after coordinating with the Minister of Energy and Mineral Resources ("MoEMR") and the Minister of State-Owned Enterprises ("MoSOE"), will establish the policy for excess and/or shortfall of revenue of the business entity.

Management believes that it is appropriate to recognize excess and/or shortfall of revenue from Disparity of Selling Price in the period when sale of JBT Diesel Fuel and JBKP Premium occured, if the settlement and/or collectability of such Disparity of Selling Price is certain, which is mainly supported by the transfer of all risks and rewards to consumers across Indonesia areas and the Company retains neither continuing managerial involvement and effective control over JBT Diesel Fuel and JBKP Premium when the sale occurred and BPK's audit results on Disparity of Selling Price is received by the Group. In respect of the shortfall of revenue from Disparity of Selling Price, the collectabilty of revenue from Disparity of Selling Price is certain when the Decision Letter from MoF ("Decision Letter") has been received by the Company prior to the completion of the consolidated financial statements. The Group records such excess and/or shortfall of revenue from Disparity of Selling Price in revenue from other operating activities account because it is part of the Company's operations.

v. Onerous contract

An estimate of the present obligation of a onerous contract that is expected to be borne by the Group is made by comparing the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

In determining the cost of fulfilling a contract, payments that are due in the period in which the contract cannot be canceled must also be considered. If there is an option to cancel the contract and to pay a penalty, then the present value of the amount to be paid at the time of the contract cancelled must also be considered, and the contract is measured at the lower net cost to be unbound from the contract. Costs that must be considered in this case is an unavoidable costs that can be directly related to the Company's obligation. The unavoidable costs criteria are as follow:

- Direct costs of the contract and therefore incremental cost in relation to the contract.
- Does not represent allocation or distribution costs.
- Unavoidable cost by the Company's future plans.

Costs that will be occured regardles the contract is fulfilled or not do not represent incremental costs. Non incremental costs are fixed and irrevocable costs, such as depreciation expense on fixed assets, non-cancelable operating lease costs, and others.

Non incremental costs are excluded in the onerous contract analysis since they are costs to run the business.

3. MANAGEMENT'S USE OF ESTIMATES, JUDGEMENTS AND ASSUMPTIONS (continued)

b. Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are disclosed below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared.

i. Impairment of non-financial assets

In accordance with the Group's accounting policy, each asset or CGU is evaluated every reporting period to determine whether there are any indications of impairment.

The determination of fair value and value in use requires management to make estimates and assumptions about expected production and sales volumes, commodity prices (considering current and historical prices, price trends and related factors), reserves, operating costs, decommissioning and site restoration cost, and future capital expenditure. These estimates and assumptions are subject to risk and uncertainty; hence there is a possibility that changes in circumstances will alter these projections, which may have an impact on the recoverable amount of the assets.

ii. Reserves estimates

Proved oil and gas reserves are the estimated quantities of crude oil and natural gas which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. Proved reserves include:

(i) proved developed reserves: amounts of hydrocarbons that are expected to be retrieved through existing wells, facilities and operating methods; and
(ii) proved undeveloped reserves: amounts of hydrocarbons that are expected to be retrieved following new drilling, facilities and operating methods.

The accuracy of proved reserve estimates depends on a number of factors, assumptions and variables such as: the quality of available geological, technical and economic data, results of drilling, testing and production after the date of the estimates, the production performance of the reservoirs, production techniques, projecting future rates of production, the anticipated cost and timing of development expenditures, the availability for commercial market, anticipated commodity prices and exchange rates.

As the economic assumptions used to estimate reserves change from year to year, and additional geological data are generated during the course of operations, estimates of reserves may change from year to year. Changes in reported reserves may affect the Group's financial results and financial position in a number of ways, including:

i. Depreciation and amortization which are determined on a unit of production basis, or where the useful economic lives of assets change.
ii. Decommissioning, site restoration and environmental provision may change where changes in estimated reserves affect expectations about the timing or cost of these activities.
iii. The carrying value of deferred tax assets/liabilities may change due to changes in estimates of the likely recovery of the tax benefits.

3. MANAGEMENT'S USE OF ESTIMATES, JUDGEMENTS AND ASSUMPTIONS (continued)

b. Estimates and assumptions (continued)

ii. Reserves estimates (continued)

The Group has established proven reserves based on the principle of Petroleum Resources Management System ("PRMS") 2018, starting January 1, 2019 (previously based on PRMS 2007). The characteristics of the estimation uncertainty of natural reservoirs of oil and gas reserve may lead to changes in the estimated reserves due to the additional data obtained by the Group.

iii. Oil and gas properties

The Group applies the successful efforts method for its oil and natural gas exploration and evaluation activities.

For exploration and exploratory-type stratigraphic test wells, costs directly associated with the drilling of those wells are initially capitalized as assets under construction within oil and gas properties, pending determination of whether potentially economically viable oil and gas reserves have been discovered by the drilling effort.

Such estimates and assumptions may change as new information becomes available. If the well does not discover potentially economically viable oil and gas quantities, the well costs are expensed as a dry hole and are reported in exploration expense.

iv. Provision for the impairment of loans and receivables

Provision for the impairment of receivables is maintained at a level considered adequate to provide for potentially uncollectible receivables. The Group assesses specifically at each balance sheet date whether there is objective evidence that a financial asset is impaired (uncollectible).

The level of provision is based on past collection experience and other factors that may affect collectability.

Loans and receivables write-offs are based on management's decision that the financial assets are uncollectible or cannot be realized regardless of the actions taken.

v. Due from the Government

The Group recognizes amounts due from the Government for cost subsidies for certain fuel ("BBM") products and 3 kg LPG cylinders and marketing fees in relation to the Government's share of crude oil, natural gas and LNG. The Group makes an estimation of the amount due from the Government based on the actual delivery volume parameter and rates based on government regulations. The amount of subsidies is subject to audit and approval by the Audit Board of the Republic of Indonesia ("BPK"). The actual results may be different from the amounts recognized.

vi. Depreciation, estimate of residual values and useful lives of fixed assets

The useful lives of the Group's investment properties and fixed assets are estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of similar businesses, internal technical evaluations and experience with similar assets.

3. MANAGEMENT'S USE OF ESTIMATES, JUDGEMENTS AND ASSUMPTIONS (continued)

b. Estimates and assumptions (continued)

vii. Deferred tax assets

Deferred tax assets are recognized only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

viii. Provision for decommissioning and site restoration

The Group is obliged to carry out future decommissioning of oil and gas production facilities and pipelines at the end of their economic lives. The largest decommissioning obligations facing the Group relate to the plugging and abandonment of wells and the removal and disposal of oil and gas platforms and pipelines in its contract area.

The Group recognizes the provision for the costs of decommissioning and restoration of the assets in respective location within the Group's PSC working area except for certain subsidiaries as described in Note 48o.

Most of these decommissioning events are many years in the future and the precise requirements that will have to be met when the removal event actually occurs are uncertain. Decommissioning technologies and costs are constantly changing, as well as political, environmental, safety and public expectations. Consequently, the timing and amounts of future cash flows are subject to significant uncertainty. Changes in the expected future costs are reflected in both the provision and the related asset and could have a material impact on the Group's consolidated financial statements.

(Expressed in thousands of US Dollars, unless otherwise stated)

4. ACQUISITION, ADDITION OF PARTICIPATING INTEREST AND CHANGE IN PERCENTAGE OF OWNERSHIP

The Group obtained additional participating interest through acquisition transactions or acquisitions of terminated blocks. The acquisition transactions were made in accordance with the Group's strategy to develop its upstream business i.e. to increase oil, gas and geothermal production and reserves, and to expand the business overseas. The summary of the Group's transactions during 2018 until December 31, 2019 is as follows:

Acquisition of working area and participating interest	Working area	Area	Effective date of contract	Expiry date of contract	Percentage of Participation	Production	Contract period	Owned by
Attaka Unitization Field	Attaka	East Kalimantan	01/01/2018	24/10/2018	100%	Oil and gas	10 months	Pertamina Hulu Indonesia
Mahakam Block	Mahakam	East Kalimantan	01/01/2018	31/12/2037	90%	Oil and gas	20 years	Pertamina Hulu Indonesia
Tuban Block	Tuban Block	East Java	20/05/2018	20/05/2038	100%	Oil and gas	20 years	Pertamina Hulu Energi
Ogan Komering Block	Ogan Komering Block	South Sumatera	20/05/2018	19/05/2038	100%	Oil and gas	20 years	Pertamina Hulu Energi
Sukowati Unitization Field	Sukowati	Tuban	20/05/2018	-	100%	-	20 years	Pertamina EP
Sanga Sanga Block	Sanga Sanga Block	East Kalimantan	08/08/2018	07/08/2038	100%	Oil and gas	20 years	Pertamina Hulu Indonesia
Offshore Southeast Sumatera ("OSES") Block	OSES Block	Southeast Sumatera	06/09/2018	05/09/2038	100%	Oil and gas	20 years	Pertamina Hulu Energi
North Sumatera Offshore ("NSO") Block	NSO Block	North Sumatera	17/10/2018	16/10/2038	100%	Oil and gas	20 years	Pertamina Hulu Energi
East Kalimantan and Attaka Block	East Kalimantan and Attaka Block	East Kalimantan	25/10/2018	24/10/2038	100%	Oil and gas	20 years	Pertamina Hulu Indonesia
Jambi Merang Block	Jambi Merang Block	South Sumatera	10/02/2019	09/02/2039	100%	Oil and gas	20 years	Pertamina Hulu Energi
Raja Pendopo Block	Raja Pendopo Block	South Sumatera	06/07/2019	05/07/2039	100%	Oil and gas	20 years	Pertamina Hulu Energi
Salawati Block	Salawati Block	Papua	23/04/2020	22/04/2040	30%	Oil and gas	20 years	Pertamina Hulu Energi
Kepala Burung Block	Kepala Burung Block	Papua	15/10/2020	14/10/2040	30%	Oil and gas	20 years	Pertamina Hulu Energi
Geothermal Seulawah Agam	Seulawah Agam	Aceh	09/04/2018	08/04/2055	75%	Geothermal	37 years	Pertamina Geothermal Energy
Maratua Block	North Kalimantan and East Kalimantan	Kalimantan	18/02/2019	17/02/2049	100%	Oil and gas	30 years	Pertamina Hulu Energi
Rokan Block	Rokan	Central Sumatera	09/08/2021	08/08/2041	100%	Oil	20 years	Pertamina Hulu Rokan
West Ganal Block	West Ganal B	Makassar	26/01/2020	25/01/2050	30%	Oil and gas	30 years	Pertamina Hulu Indonesia
Corridor Block	Corridor Block	South Sumatera	20/12/2023	19/12/2043	30%	Oil and gas	20 years	Pertamina Hulu Energi

4. ACQUISITION, ADDITION OF PARTICIPATING INTEREST AND CHANGE IN PERCENTAGE OF OWNERSHIP (continued)

a. Establishment of state-owned oil and gas holding enterprise

On December 30, 2016, the Government of Indonesia ("GOI") issued Government Regulation ("PP") No. 72/2016 as a revision to PP No. 44/2005 regarding Procedures and Administration of State Capital Investment in State-Owned Enterprises and Limited Company. This regulation is the legal basis for the establishment of state-owned holding enterprises that is being deliberated by the GOI.

On February 28, 2018, the GOI issued PP No. 6/2018 regarding Additional State Capital Investment in the Company. This regulation is to increase the GOI paid-up capital in the Company by transfering 13,809,038,755 (full amount) B series shares of PT Perusahaan Gas Negara Tbk. ("PGN") owned by the GOI, which represents 56.96% of total PGN shares, to the Company.

On March 28, 2018, the Ministry of Finance issued Decree No. 286/KMK.06/2018 regarding the determination of the value of additional State capital participation in the Company's share capital. The decree stipulates that the value of additional State capital participation in the Company's share capital is Rp38,136,346,046,696 (full amount).

On April 11, 2018, the Minister of State-Owned Enterprises ("MoSOE") issued Letter No. S-216/MBU/2018 to approve the transfer of 56.96% B series of PGN shares and additional state capital investment in the Company amounting to Rp38,136,346,046,696 (full amount). On the same date, the MoSOE issued Letter No. S-217/MBU/04/2018 to increase the Company's authorized share capital from Rp200 trillion to Rp600 trillion with nominal amount of Rp1,000,000 (full amount) per share. This letter also approved additional issued and paid-up capital of the Company by 38,136,347 shares or amounting to Rp38,136,346,046,696 (full amount) or equivalent to US$2,774,157.

Further, on April 11, 2018, the MoSOE and the Company entered into an agreement regarding the transfer of Government rights at PGN to the Company, to increase the state capital participation in the Company.

On April 13, 2018, the Minister of Law and Human Rights issued Letter No. AHU-0008395.AH.01.02. 2018 regarding Approval of Changes in PT Pertamina (Persero) Articles of Association. It is stipulated that changes to Pertamina's Article of Association in relation to the total issued and paid-up shares of Rp171,227,044,000,000 (full amount) or equivalent to US$16,191,204 has been approved.

On May 9, 2018, the MoSOE, as the holder of PGN's A Series Dwiwarna share, issued a Power of Attorney to transfer the rights and authority of the A series PGN share to the Company as the majority holder of B series of PGN shares. This Power of Attorney establishes PT Pertamina (Persero)'s control over PGN.

The above transaction is recorded in accordance with SFAS 38 (Revised 2012) "Business Combinations of Entities Under Common Control".

(Expressed in thousands of US Dollars, unless otherwise stated)

4. ACQUISITION, ADDITION OF PARTICIPATING INTEREST AND CHANGE IN PERCENTAGE OF OWNERSHIP (continued)

a. Establishment of state-owned oil and gas holding enterprise (continued)

The following is a summary of PGN's financial information at the acquisition date:

	Book value
ASSETS	
Current assets	2,021,879
Non-current assets	4,442,988
Total assets	**6,464,867**
LIABILITIES	
Current liabilities	553,560
Non-current liabilities	2,649,167
Total liabilities	**3,202,727**
EQUITY	
Share capital	344,019
Other paid-in capital	284,339
Retained earnings	
Appropriated	2,427,854
Unappropriated	223,501
Other components of equity	(36,868)
Total equity attributable to owners of the parent entity	**3,242,845**
B series shares transfer representing 56.96% ownership of interest	(1,847,125)
Consideration amount	2,774,157
Additional paid-in capital	**927,032**

Based on the amendment and restatement of the share purchase agreement between the Company and PGN dated December 28, 2018, PGN officially acquired 51% (or 2,591,099 shares) of PT Pertamina Gas ("Pertagas") owned by the Company with total value of Rp20.18 trillion, equivalent to US$1,351,955. With the acquisition of these shares, PGN effectively owned 51% of Pertagas shares including 5 subsidiaries, namely PT Pertagas Niaga, PT Perta Arun Gas, PT Perta Daya Gas, PT Perta-Samtan Gas, and PT Perta Kalimantan Gas. Pursuant to this transaction, the Company's effective ownership of Pertagas decreased from 100% to 78.05%.

b. Control over Regas

The Company and PGN own 60% and 40% ownership in Regas, respectively. As a result of the establishment of state-owned oil and gas enterprise, the Company indirectly owns 82.78% ownership of Regas. The management conclude that the Company has majority vote over Regas to direct relevant activities. Therefore, the Company has control over Regas and starting April 11, 2018, the Company consolidates Regas financial statements.

(Expressed in thousands of US Dollars, unless otherwise stated)

4. ACQUISITION, ADDITION OF PARTICIPATING INTEREST AND CHANGE IN PERCENTAGE OF OWNERSHIP (continued)

b. Control over Regas (continued)

The following is a summary of Regas' financial information at the date when the Company obtains control.

	Book value
ASSETS	
Current assets	233,935
Non-current assets	56,116
Total Assets	**290,051**
LIABILITIES	
Current liabilities	20,769
Non-current liabilities	12,707
Total Liabilities	**33,476**
EQUITY	
Share capital	145,589
Retained earnings	
Appropriated	43,129
Unappropriated	68,026
Other components of equity	(169)
Total Equity	**256,575**

c. Change in percentage of ownership in Etablissements Maurel et Prom SA ("M&P")

On November 5, 2018, M&P entered into an agreement with Rockover Energy Limited ("Rockover") to acquire the deferred payments owned by Rockover for a consideration of US$10.75 million (full amount) to be paid in cash and issuance of 5,373,209 new M&P shares.

On December 12, 2018, the extraordinary general meeting of M&P shareholders approved the delegation of authority relating to the capital increase for the purpose of transaction with Rockover to the Board of Directors. On December 14, 2018, the Board of Directors of M&P implemented this delegation of authority and decided to carry out the capital increase for a total nominal amount of €4,137,371 (full amount) through issuance of 5,373,209 new shares with a par value of €0.77 (full amount) each and a unit subscription price of €5.182 (full amount) each. Pursuant to the completion of the capital increase, Rockover holds 2.68% of M&P's share capital and resulted to the dilution of the Company's percentage of ownership in M&P from 72.65% to 70.75%. Thus, the impact of this transaction amounting to US$32,243 is calculated as an equity transaction and recorded in other equity account.

(Expressed in thousands of US Dollars, unless otherwise stated)

4. ACQUISITION, ADDITION OF PARTICIPATING INTEREST AND CHANGE IN PERCENTAGE OF OWNERSHIP (continued)

d. Gross split contract ("Gross Split")

On January 13, 2017, the regulation of the MoEMR No. 08/2017 regarding principles of the Production Sharing Contract without Cost Recovery Mechanism, also known as Gross Split PSC, was issued. The following is a list of the Group's participating interests in Gross Split PSC:

PSC	Effective Date	Due Date	Participating Interest	Contract Period	*Sub-holding*
East Sepinggan	20/07/2012	19/07/2042	15%	30 years	PT Pertamina Hulu Energi
Offshore North West Java (ONWJ)	19/01/2017	18/01/2037	90%	20 years	PT Pertamina Hulu Energi
East Kalimantan and Attaka	25/10/2018	24/10/2038	100%	20 years	PT Pertamina Hulu Indonesia
Tuban	20/05/2018	19/05/2038	100%	20 years	PT Pertamina Hulu Energi
Ogan Komering	20/05/2018	19/05/2038	100%	20 years	PT Pertamina Hulu Energi
Sanga Sanga	08/08/2018	07/08/2038	100%	20 years	PT Pertamina Hulu Indonesia
Offshore Southeast Sumatera ("OSES")	6/09/2018	05/09/2038	100%	20 years	PT Pertamina Hulu Energi
North Sumatera Offshore (NSO)	17/10/2018	16/10/2038	100%	20 years	PT Pertamina Hulu Energi
Jambi Merang	10/02/2019	09/02/2039	100%	20 years	PT Pertamina Hulu Energi
Maratua	18/02/2019	17/02/2049	100%	30 years	PT Pertamina Hulu Energi
Raja Pendopo	06/07/2019	05/07/2039	100%	20 years	PT Pertamina Hulu Energi
West Ganal	26/01/2020	25/01/2050	30%	30 years	PT Pertamina Hulu Indonesia
Salawati	22/04/2020	22/04/2040	30%	20 years	PT Pertamina Hulu Energi
Kepala Burung	15/10/2020	14/10/2040	30%	20 years	PT Pertamina Hulu Energi
Rokan	09/08/2021	08/08/2041	100%	20 years	PT Pertamina Hulu Rokan
Corridor	20/12/2023*	19/12/2043	30%	20 years	PT Pertamina Hulu Energi

* Gross split PSC was signed on November 11, 2019

e. Mahakam PSC

Mahakam PSC was signed on December 29, 2015 by SKK Migas and PHM with effective date on January 1, 2018. The PSC uses the concept of production sharing, but has introduced a new sliding scale approach to calculate the contractor entitlement based on Revenue Over Costs ("R/C") ratio.

On October 25, 2016, the Amendment of Mahakam PSC was adopted, adding some important points, including the certainty of the costs incurred by PHM after the date of signing the contract but before the effective date of the contract. These costs will be included in cost recovery as operating cost after the effective date of contract.

On April 20, 2018, the second Amendment of Mahakam PSC was signed, adding some key points, including the addition of Tengah working area into Mahakam working area. This amendment was effective on October 5, 2018. The PSC term is referred to PP No. 79 Year 2010, where the assume and discharge mechanism for taxes which became incentives for KKKS are treated as part of the cost to be recovered through the cost recovery mechanism.

(Expressed in thousands of US Dollars, unless otherwise stated)

4. ACQUISITION, ADDITION OF PARTICIPATING INTEREST AND CHANGE IN PERCENTAGE OF OWNERSHIP (continued)

e. Mahakam PSC (continued)

The provisions are as follows:

- **Crude oil and natural gas production sharing**

  The sharing of oil production between PHM and the Government amounted to 23.5294% and 76.4706%, respectively, while for production share of gas amounted to 47.0588% and 52.9412%, respectively for the first year of contract. The R/C factor in effect in the first year is 1.3 as stipulated in the PSC. For subsequent years, the Company will use the figure form the percentage of sharing according to the following table by using R/C factor at the end of the year of the previous year.

  The R/C factor itself is the contractor's cumulative revenue from the date of signing the contract divided by the contractor's cumulative cost since the signing of the contract.

R/C More than	R/C Less than or equal to	Tax Rate	Gross Contractor Share		Net Contractor Share	
			Oil	Gas	Oil	Gas
0	1	36.25%	31.37%	54.90%	20%	35%
1	1.2	36.25%	27.45%	50.98%	18%	33%
1.2	1.4	36.25%	23.53%	47.06%	15%	30%
1.4	1.6	36.25%	19.61%	43.14%	12%	28%
> 1.6		36.25%	15.69%	39.22%	10%	25%

- **First Tranche Petroleum ("FTP")**

  The Government and PHM are entitled to receive an amount equal to 20% of the total production of oil and gas each year before any deduction for recovery of operating costs and investment credit. FTP is shared between the Government and PHM in accordance with the entitlements to oil and gas production.

  As at the authorization date of these consolidated financial statements, the asset utilization scheme that was previously owned by the Mahakam PSC had not yet been determined by the Government, in this case the Directorate General of State Assets and the MoEMR.

f. Addition of 50.56% of PT Pertamina EP Cepu's ("PEPC") participating interest in Jambaran-Tiung Biru ("JTB") unitization field

Effective November 3, 2017, PEPC acquired an additional 41.37% participating interest in the JTB unitization field previously held by ExxonMobil Cepu Limited and Ampolex (Cepu) Pte. Ltd., increasing the Company's participating interest in JTB unitization field to 82.74%. The other contractors in JTB field for December 31, 2017 are PT Pertamina EP with 8.06% and Regionally Owned Enterprise ("BUMD") with 9.19%.

Through Letter No. 001/KETUA-BKS/XI/2017 dated November 17, 2017 and Letter No. 004/KETUA-BKS/XII/2017 dated December 19, 2017, BUMD submitted their withdrawal from the development of JTB unitization field starting from January 1, 2018 resulting in additional 9.19% PI to PEPC in JTB unitization field to 91.93%. On this transaction, PEPC reimbursed the total cash paid by BUMD amounting to US$16,764, which is recorded as additional oil and gas properties.

4. ACQUISITION, ADDITION OF PARTICIPATING INTEREST AND CHANGE IN PERCENTAGE OF OWNERSHIP (continued)

g. Establishment of PT Pertamina Hulu Rokan ("PHR")

Based on the Decree of the Minister of Energy and Mineral Resources No. 1923K/10/MEM/2018 dated August 6, 2018 concerning Agreement on Management of Establishment of Principal Forms and Conditions (Terms and Conditions) of Cooperation Contracts in Rokan Work Areas, one of the requirements that must be fulfilled by Pertamina includes preparing a new subsidiary, signature bonus and payment of work commitments.

On December 20, 2018, PT Pertamina Hulu Rokan was established based on Notarial Deed No.13 dated December 20, 2018 from Lenny Janis Ishak, S.H. Deed of establishment of PHR was approved by the Minister of Law and Human Rights through Letter No. AHU-0061348.AH.01.01.2018 dated December 21, 2018. PHR will manage the Rokan Block from 2021 to 2041. Total authorized capital of PHR is US$3,140,000 with paid-in capital of US$785,000. The paid-up capital is used to pay the signing bonus to the Government of Indonesia in the amount of US$783,980 on December 21, 2018, and will be used as working capital during the first year of managing its working area.

h. Addition of 20% of PT Pertamina EP's participating interest in Sukowati unitization field

Based on SKK Migas letter No. SRT-0493/SKKMA0000/2018/S1 dated June 25, 2018 regarding the determination of the new unitization operator of Sukowati Field, CPA Mudi production facilities and Cintanatomas FSO, PT Pertamina EP was appointed as the new operator of the Sukowati Field.

Based on a joint agreement regarding the management of Sukowati Field unitization, the operation of the CPA Mudi production facility and Cintanatomas FSO dated May 16, 2018 between PT Pertamina EP and PT Pertamina Hulu Energi Tuban East Java, it was agreed that PT Pertamina EP had an interest participation unit of 100% (Note 42c).

i. Temporary cooperation contract of Attaka working area

The temporary cooperation contract for the Attaka working area was prepared and signed on November 2, 2017, by SKK Migas and Pertamina Hulu Attaka, which explains all terms, conditions, rights and obligations, from and based on ex-Attaka PSC will be effective from January 1, 2018 to October 24, 2018. Effective from October 25, 2018, Attaka's working area was combined with the East Kalimantan and Attaka PSC.

j. Decrease in the percentage of ownership of the Company at ATPI

On May 28, 2018, ATPI became a public company by issuing 177,777,800 shares of new shares. As a result, the percentage of the Company's ownership in ATPI fell from 65.0% to 58.5%. This reduction in the percentage of ownership does not result in a loss of Company's control in ATPI. Thus, the impact of this transaction amounting to US$20,551 is calculated as an equity transaction and recorded in the difference account of transactions with non-controlling interests.

4. ACQUISITION, ADDITION OF PARTICIPATING INTEREST AND CHANGE IN PERCENTAGE OF OWNERSHIP (continued)

k. Addendum to the agreement on the transfer and management of the ONWJ Block PSC

On February 6, 2019, PHE ONWJ and PT Migas Hulu Jabar ONWJ ("MUJ ONWJ") have signed an addendum on the transfer agreement and management of 10% working interest at ONWJ PSC. MUJ's share of production from the ONWJ PSC, less its share of expenses in the PSC from January 19, 2017 to December 31, 2018 is US$16,302,702 (full amount). Settlement of such amount has been made by PHE ONWJ to MUJ on February 8, 2019.

Starting from the date of the transfer, payments of MUJ ONWJ's share of the production is made on a monthly basis by PHE ONWJ after deducting MUJ ONWJ's share of the ONWJ PSC's operating costs and other obligations in accordance with the PSC.

In the event MUJ ONWJ's share of production in the current month is insufficient to cover for MUJ ONWJ's share of operating costs, the cumulative underpayment will be carried over to the following months.

To ensure MUJ ONWJ's revenue, the production sharing and operating costs sharing with MUJ ONWJ is calculated based on provisional percentage for a full year, in accordance with the attachment to the addendum to the agreement. In the event in any year the cumulative operating costs which is payable by MUJ ONWJ to PHE ONWJ exceeds MUJ ONWJ's share of production, PHE ONWJ will pay US$1 (full amount) for each month in the following year.

l. Establishment of Pertamina International Marketing & Distribution Pte. Ltd. ("PIMD")

On August 5, 2019, pursuant to Certificate Confirming Incorporation of Company No. 201925608H which was approved by Registrar Tan Yong Tat, PIMD was established with issued and paid up capital of US$40,200. PIMD is engaged in the business of bunkers and logistics and, sales and distribution of fuel and LPG, and is domiciled in Singapore.

m. Acquisition of new shares of Tuban Petro and change of ownership in TPPI

On November 18, 2019, the Company and Tuban Petro entered into an agreement to purchase 190,372 series B shares issued by Tuban Petro with total value of Rp3,156,560,797,208 (full amount) or equivalent to US$224,171, representing 51% of Tuban Petro's shares. Based on the Management Cooperation Agreement of PT Tuban Petrochemical Industries between the Ministry of Finance of the Republic of Indonesia, PT Pertamina (Persero) and PT Tuban Petrochemical Industries dated November 18, 2019, it is stated that purchase of new shares by the Company did not result in a change of control that caused the takeover by the Company in accordance with Law No. 40 of 2007 regarding Limited Liabilities Company.

As a result of the purchase of the shares mentioned above, Tuban Petro owns 19.16% of TPPI shares and therefore the Company's direct and indirect investment in TPPI has increased to 61.12% (Note 1b).

n. Reappointment PHE NSB in Block B PSC

On November 15, 2019, PHE NSB was reappointed to temporarily manage NSB PSC through the Ministry of Energy and Mineral Resources letter No. 512/13/MEM.M/2019, from November 18, 2019 to November 17, 2020 or until the new PSC Agreement has been signed whichever come first (Note 42d).

4. ACQUISITION, ADDITION OF PARTICIPATING INTEREST AND CHANGE IN PERCENTAGE OF OWNERSHIP (continued)

o. Decrease in the Company’s percentage of ownership at TPPI

In December 2019, TPPI issued new shares totaling 4,350 thousands shares which acquired by Tuban Petro and TPPI share owned by PT Polytama Propindo for 1,012,669 shares (full amount) has been transferred to Tuban Petro, this resulted in Tuban Petro’s ownership in TPPI increase to 42.61% and the Company’s share ownership in TPPI is diluted from 48.59% to 37.65%. As a result of such dilution, the Company recognised gain on dilution of US$20,672 (Note 38).

p. Acquisition of Maurel & Prom Venezuela SLU for 40% of "Shareholder B" owned by Shell in Mixed Company

In October 2018, Maurel & Prom Venezuela SLU ("M&P Venezuela"), a wholly owned subsidiary of M&P, signed a Share Sale and Purchase Agreement ("SSPA") with Shell Exploration and Production Investments BV ("Shell") to acquire 40% "Share B" owned by Shell at Mixed Company. Mixed Company is a company that operates the Urdaneta West field in Lake Maracaibo, Venezuela.

Petróleos de Venezuela SA ("PDVSA"), through its wholly owned subsidiary Corporación Venezolana del Petróleo ("CVP") and PDVSA Social ("PDVSAS") - collectively referred to as "Shareholder A", owns 60% of the shares of Mixed Company.

On December 3, 2018, after obtaining approval from the Ministry of Petroleum of Venezuela, M&P Venezuela effectively acquired 40% of Shell's share ownership in Mixed Company with a total transaction value of €70 million (full amount) paid as follows:
1. €47 million will be paid at the time of closing the transaction in December 2018, and
2. €23 million will be paid in December 2019, i.e. 1 (one) year after closing the transaction.

On July 17, 2019, M&P and Sucre Energy Latam B.V. ("Sucre Energy") signed an agreement whereby Sucre Energy agreed to take over 20% of M&P ownership in M&P Iberoamerica S.L. (formerly M&P Venezuela), which has a 40% interest in Mixed Company. The price conditions for this acquisition are the same as those applied to transactions completed between M&P and Shell for Mixed Company in December 2018.

q. M&P acquisition of 20% participating interest in Block 3/05 and Block 3/05A in Angola

On July 31, 2019, M&P had completed the acquisition of 20% ownership rights owned by Angola Japan Oil Co., Ltd. (“AJOCO”), a subsidiary which is majority owned by Mitsubishi Corporation (“Mitsubishi”), in two blocks offshore of Angola, Block 3/05 and Block 3/05A. Based on the sales and purchase agreement, the transaction value is US$80,000, minus a deposit of US$2,000 that was paid at the time the transaction was announced and adjusted to a value of US$43,000 which is working capital and cash flows received and distributed by AJOCO on behalf of M&P since the contract became effective January 1, 2018. Therefore the net cash value paid to AJOCO by M&P at the time of transaction settlement is US$35,000.

r. Maratua and Corridor Gross Split PSCs

On February 18, 2019, PT Pertamina Hulu Energi Lepas Pantai Bunyu signed the Maratua Gross Split PSC with a contract term of 30 years, which is effective from the date of signing the PSC.

On November 11, 2019, PT Pertamina Hulu Energi Corridor signed the Corridor Gross Split PSC with a contract term of 20 years, which is effective from December 20, 2023.

(Expressed in thousands of US Dollars, unless otherwise stated)

5. CASH AND CASH EQUIVALENTS

	December 31, 2019	December 31, 2018
Cash on hand	5,743	4,119
Cash in banks	4,189,729	5,045,496
Time deposits	2,560,780	4,062,697
Total	**6,756,252**	**9,112,312**

The details of cash and cash equivalents based on currency and by individual bank are as follows:

	December 31, 2019	December 31, 2018
Cash on hand		
Rupiah	4,714	3,128
US Dollar	950	891
Others	79	100
Total cash on hand	**5,743**	**4,119**
Cash in banks		
US Dollar:		
Government-related entities		
- PT Bank Rakyat Indonesia (Persero) Tbk. (“BRI”)	957,552	891,329
- PT Bank Negara Indonesia (Persero) Tbk. (“BNI”)	785,983	844,933
- PT Bank Mandiri (Persero) Tbk. (“Bank Mandiri”)	382,760	581,752
- PT Bank Syariah Mandiri (“Bank Syariah Mandiri”)	81,258	-
- Other banks (each below US$10,000)	134	1,526
Third parties		
- Crédit Agricole Corporate and Investment Bank (“Crédit Agricole CIB”, formerly Calyon)	191,196	214,982
- Citibank, N.A.	54,980	49,440
- J.P. Morgan Chase & Co.	42,043	16,130
- PT Bank Tabungan Pensiunan Nasional (“BTPN”)	27,862	2,515
- Sumitomo Mitsui Banking Corporation (“SMBC”)	7,453	94,194
- Other banks (each below US$10,000)	13,932	13,532
Total US Dollar accounts	**2,545,153**	**2,710,333**

(Expressed in thousands of US Dollars, unless otherwise stated)

5. CASH AND CASH EQUIVALENTS (continued)

	December 31, 2019	December 31, 2018
Rupiah:		
Government-related entities		
- Bank Mandiri	504,478	651,073
- BRI	426,569	598,851
- BNI	425,820	547,355
- PT Bank Tabungan Negara (Persero) Tbk. ("BTN")	136,860	265,065
- PT Bank BRI Syariah Tbk. (“BRI Syariah”)	24,295	48,692
- PT Bank Negara Indonesia Syariah (Persero) Tbk. (“BNI Syariah”)	13,587	14,188
- Bank Syariah Mandiri	11,764	7,982
- Others banks (each below US$10,000)	3,980	1,763
Third parties		
- PT Bank Central Asia Tbk. (“BCA”)	20,318	40,008
- Citibank, N.A.	267	24,875
- Other banks (each below US$10,000)	9,792	17,866
Total Rupiah accounts	**1,577,730**	**2,217,718**
Euro:		
Government-related entities		
- Bank Mandiri	7	220
- BNI	7	8
- BRI	-	1
Third parties		
- Credit Agricole CIB	39,847	64,889
- Other banks (each below US$10,000)	7	-
Total Euro accounts	**39,868**	**65,118**
Malaysian Ringgit		
- RHB Bank Berhad	18,516	39,417
Cash in banks-other Currency accounts-third parties	8,462	12,910
Total cash in bank	**4,189,729**	**5,045,496**

(Expressed in thousands of US Dollars, unless otherwise stated)

5. CASH AND CASH EQUIVALENTS (continued)

	December 31, 2019	December 31, 2018
Time deposits with original maturities of three months or less		
US Dollar accounts :		
Government-related entities		
- BRI	770,655	508,397
- BNI	323,448	193,671
- BTN	205,000	127,500
- Bank Mandiri	34,625	32,760
- PT Bank Rakyat Indonesia Agroniaga Tbk. (“BRI Agroniaga”)	18,500	-
- Bank Syariah Mandiri	275	50,005
Third parties		
- Industrial and Commercial Bank of China (“ICBC”)	-	20,000
- Citibank, N.A.	-	15,000
- Bank Muamalat	-	12,000
- Other banks (each below US$10.000)	1,622	7,900
Total time deposits - US Dollar account	**1,354,125**	**967,233**
Rupiah accounts:		
Government-related entities		
- BNI	258,049	505,346
- BRI	252,042	1,351,105
- BTN	217,280	454,425
- BRI Syariah	98,611	13,811
- PT Bank BNI Syariah	86,889	18,591
- Bank Mandiri	75,729	516,931
- Bank Syariah Mandiri	74,167	137,711
- BRI Agroniaga	66,347	47,807
- Other banks (each below US$10.000)	3,237	3,453
Third parties		
- Bank Bukopin	23,799	12,098
- ICBC	21,513	-
- Other banks (each below US$10.000)	28,515	27,845
Total time deposits-rupiah accounts	**1,206,178**	**3,089,123**
Total time deposits-other currency third parties	**477**	**6,341**
Total time deposits	**2,560,780**	**4,062,697**
Total cash and cash equivalents	**6,756,252**	**9,112,312**

(Expressed in thousands of US Dollars, unless otherwise stated)

5. CASH AND CASH EQUIVALENTS (continued)

Annual interest rates on time deposits for the periods ended December 31, 2019 and 2018 were as follows:

	December 31, 2019	December 31, 2018
Rupiah	2.50% - 9.00%	3.25% - 9.00%
US Dollar	0.10% - 3.65%	0.50% - 3.37%
Singapore Dollar	0.50% - 1.00%	0.50%

The maximum expsoure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

6. RESTRICTED CASH

Restricted cash is money in escrow accounts in US Dollar and Rupiah, and are as follows:

	December 31, 2019	December 31, 2018
US Dollar accounts:		
Government-related entities		
- BRI	111,956	11,725
- BNI	6,094	10,401
- Bank Mandiri	5,137	58,140
Third parties		
- The Hongkong and Shanghai Banking Corporation Ltd. (“HSBC”)	35,632	-
- BNP Paribas	18,000	18,000
- Other banks (each below US$10,000)	652	4,685
Rupiah accounts:		
Government-related entities		
- BNI	3,009	3,553
- Bank Mandiri	1,415	990
- BRI	234	1,421
Total restricted cash	**182,129**	**108,915**

Annual interest rates on time deposits for the periods ended December 31, 2019 and 2018 were as follows:

	December 31, 2019	December 31, 2018
Rupiah	4.25% - 7.65%	5.00% - 7.80%
US Dollar	0.50% - 3.25%	0.24% - 0.80%

(Expressed in thousands of US Dollars, unless otherwise stated)

6. RESTRICTED CASH (continued)

US Dollar accounts

The escrow accounts were related to letters of credit (L/C) issued for the procurement of crude oil and other petroleum products as well as bank guarantees.

Rupiah accounts

The escrow accounts are time deposits used as collateral for bank guarantees and performance bonds.

7. RECEIVABLES - THIRD PARTIES

a. Trade receivables

	December 31, 2019	December 31, 2018
Trade receivables	2,106,491	2,161,456
Provision for impairment, net	(214,433)	(228,001)
Total	**1,892,058**	**1,933,455**

The maximum exposure to credit risk at reporting date is the carrying value of the receivables mentioned above.

The Group does not hold customer assets as collateral for receivables. Certain trade receivables of certain subsidiaries are used as collateral for the long-term liabilities of certain subsidiaries (Note 19a).

Management believes that there is no significant credit risk as a result of uncollected third party trade receivables.

Movements in the provision for impairment of trade receivables are as follows:

	December 31, 2019	December 31, 2018
Beginning balance	(228,001)	(211,506)
Impairment during the year	(12,241)	(29,957)
Reversal of impairment on the recovered receivables	1,921	7,652
Foreign exchange differences	23,888	5,810
Ending balance	**(214,433)**	**(228,001)**

Based on management's review of the collectability of each balance of trade receivable dated December 31, 2019 and 2018, Management believes that the provision for impairment is adequate to cover the potential losses as a result of uncollected third party trade receivables.

Details of trade receivables by currencies are as follows:

	December 31, 2019	December 31, 2018
US Dollar	1,278,057	1,323,528
Rupiah	825,223	837,130
Singapore Dollar	3,115	700
Euro	96	98
Total	**2,106,491**	**2,161,456**

(Expressed in thousands of US Dollars, unless otherwise stated)

7. RECEIVABLES - THIRD PARTIES (continued)

b. Other receivables (continued)

	December 31, 2019	December 31, 2018
Reinsurance assets	532,781	333,119
Receivables from subsidiary operation in oil and gas related activities	149,529	132,545
Others	295,072	286,788
Sub-total	977,382	752,452
Provision for impairment, net	(20,450)	(18,140)
Total other receivables	**956,932**	**734,312**

Reinsurance assets represent the amount of premium paid or part of PT Asuransi Tugu Pratama Indonesia Tbk. premium for prospective reinsurance and retrocession transactions.

Movements in the provision for impairment of other receivables are as follows:

	December 31, 2019	December 31, 2018
Beginning balance	(18,140)	(18,551)
(Addition) recovery of impairment	(2,310)	411
Ending balance	**(20,450)**	**(18,140)**

Based on a review of the balance of other receivables at the end of the year, management believes that the allowance for impairment losses is adequate to cover possible losses that may arise from uncollectible other receivables.

8. DUE FROM THE GOVERNMENT

	December 31, 2019	December 31, 2018
The Company:		
Receivables from recognition of Disparity Selling Price	5,451,285	2,924,148
Receivables from subsidy reimbursements for JBT products	490,256	175,556
Receivables from subsidy reimbursements for 3 kg LPG cylinders	310,924	1,147,538
Receivables from marketing fees	72,489	72,489
Receivables from kerosene subsidies reimbursement	17,529	16,828
Kerosene conversion	839	10,626
Sub-total	6,343,322	4,347,185
Subsidiaries	418,762	411,224
Sub-total - balance carried forward	6,762,084	4,758,409

(Expressed in thousands of US Dollars, unless otherwise stated)

8. DUE FROM THE GOVERNMENT (continued)

	December 31, 2019	December 31, 2018
Sub-total - balance brought forward	6,762,084	4,758,409
Provision for impairment of marketing fees receivable	(72,489)	-
Total (Note 40)	**6,689,595**	**4,758,409**
Current portion	(3,375,794)	(1,834,261)
Non-current portion	**3,313,801**	**2,924,148**

Movements in the provision for impairment of due from the Government are as follows:

	December 31, 2019	December 31, 2018
Beginning balance	-	(110,936)
Impairment during the year	(72,489)	-
Reversal of impairment of recovered receivables	-	106,085
Foreign exchange differences	-	4,851)
Ending balance	**(72,489)**	**-**

a. Receivables on revenue recognition from disparity selling price

Details of receivable from revenue recognition from disparity selling price are as follows:

	December 31, 2019	December 31, 2018
Receivables on revenue recognition from Disparity Selling Price:		
2019	1,888,134	-
2018	2,657,132	2,657,132
2017	1,248,347	1,248,347
Sub-total	**5,793,613**	**3,905,479**
Initial Fair value adjustments of receivables:		
2019	(366,186)	-
2018	(773,562)	(773,562)
2017	(207,769)	(207,769)
Sub-total	**(1,347,517)**	**(981,331)**
Net receivables amount post fair value adjustments and before unwinding interes:		
2019	1,521,948	-
2018	1,883,570	1,883,570
2017	1,040,578	1,040,578
Sub-total	**4,446,096**	**2,924,148**

(Expressed in thousands of US Dollars, unless otherwise stated)

8. DUE FROM THE GOVERNMENT (continued)

a. Receivables on revenue recognition from disparity selling price (continued)

	December 31, 2019	December 31, 2018
Effects of unwinding interest:		
2019	-	-
2018	655,182	-
2017	212,684	-
Sub-total (Note 37)	**867,866**	**-**
Effects of foreign exchange:		
2019	-	-
2018	90,152	-
2017	47,171	-
Sub-total	**137,323**	**-**
Net ending balance:		
2019	1,521,948	-
2018	2,628,904	1,883,570
2017	1,300,433	1,040,578
Total	**5,451,285**	**2,924,148**

The Minutes of BPK Audit Result on the Volume and Value of Subsidies of JBT Distribution and Calculation on Excess (Shortfall) of revenue from Determination of Retail Sales Price of JBT Diesel Fuel and JBKP Premium in 2019 of PT Pertamina (Persero) No. 12/ST.04/04/2020 dated April 27, 2020, states that the Calculation of Excess (Shortfall) of revenue from Determination of Retail Sales Price of JBT Diesel Fuel and JBKP Premium in 2019 are as follows :

- Shortfall of revenue from Disparity of Selling Price in the distribution of JBT Diesel Fuel in 2019 amounting to Rp16.39 trillion or equivalent to US$1,179,043 (including VAT and PBBKB amounting to Rp2.49 trillion or equivalent to US$179,251);
- Shortfall of revenue from the sale of JBKP Premium Non Jamali in 2019 amounting to Rp8.99 trillion or equivalent to US$646,390 (including VAT and PBBKB amounting to Rp1.32 trillion or equivalent to US$95,223);
- Shortfall of revenue from the sale of JBKP Premium Jamali in 2019 amounting to Rp6.02 trillion or equivalent to US$433,187 (including VAT and PBBKB amounting to Rp885 billion or equivalent to US$63,698)

In accordance with the MoF letter No. S-361/MK.02/2020 dated May 6, 2020, the MoF, based on the results of coordination with the Minister of EMR and the Minister of SOEs, issued a policy that the Government will reimburse the shortfall of the Company's revenue from the sale of JBT Diesel Fuel and JBKP Premium Jamali, and Non Jamali in 2019 in accordance with the aforementioned BPK Minutes. The amount to be reimbursed for JBT Diesel Fuel, JBKP Premium Jamali and JBKP Premium Non Jamali are as follows :

- The reimbursement of JBT Diesel Fuel is amounting to Rp16.39 trillion or equivalent to US$1,179,043 (including VAT and PBBKB of Rp2.49 trillion or equivalent to US$179,251);
- The reimbursement of JBKP Premium Jamali is amounting to Rp8.99 trillion or equivalent to US$646,390 (including VAT and PBBKB of Rp1.32 trillion or equivalent to US$95,223);
- The reimbursement of JBKP Premium Non-Jamali is amounting to Rp5.49 trillion or equivalent to US$394,851 (including VAT and PBBKN of Rp801.74 billion or equivalent to US$57,675).

(Expressed in thousands of US Dollars, unless otherwise stated)

8. DUE FROM THE GOVERNMENT (continued)

a. Receivables on revenue recognition from disparity selling price (continued)

The Minutes of Reconciliation of Recording and Presentation of Debt Compensation between the MoF of the Republic of Indonesia and the Company No. BA-24/AG.6/2020 and No.004/H00000/2020-S0, states that:

1. Receivable on revenue from Disparity Selling Price of Rp45 trillion or equivalent to US$3,237,177) is recorded and presented as current receivables with the following details:
   - Receivable on revenue from the Disparity Selling Price of JBT Diesel Fuel in 2017 amounted to Rp20.8 trillion, equivalent to US$1,495,498;
   - Receivable on revenue from the Disparity Selling Price of JBT Diesel Fuel in 2018 amounted to Rp24.2 trillion, equivalent to US$1,741,679.
2. Receivable on revenue from Disparity Selling Price of Rp51.5 trillion (equivalent to US$3,704,960) is recorded and presented as non-current receivables with the following details:
   - Receivable on revenue from the Disparity Selling Price of JBT Diesel Fuel in 2018 amounted to Rp5.1 trillion (equivalent to US$366,981);
   - Receivable on revenue from the Disparity Selling Price of JBKP Premium Non-Jamali in 2018 amounted to Rp15.6 trillion (equivalent to US$1,117,695);
   - Receivable on revenue from the Disparity Selling Price of JBT Diesel Fuel in 2019 amounted to Rp16.4 trillion (equivalent to US$1,179,043);
   - Receivable on revenue from the Disparity Selling Price of JBKP Premium Non-Jamali in 2019 amounted to Rp8.9 trillion (equivalent to US$646,390);
   - Receivable on revenue from the Disparity Selling Price of JBKP Premium Jamali in 2018 amounted to Rp5,5 trillion (equivalent to US$394,851).

In accordance with the above Minutes, the Company reclassified the portion of current and non-current receivables and makes adjustments to the assumptions used in calculating fair value as explained below,

The assumptions used for calculating the fair value on December 31, 2018, are as follows:

Year	Payment Installments	Discount interest rate (Yield) Government Rupiah Bonds	Estimate Year of Receipt
2018	Installment 1	7.91%	2022
	Installment 2	8.01%	2023
2017	Installment 1	7.38%	2020
	Installment 2	7.72%	2021

The assumptions used for calculating the fair value in the Financial Statements on December 31, 2019, are as follows:

Year	Payment Installments	Discount interest rate (Yield) Government Rupiah Bonds	Estimate Year of Receipt
2019	Installment 1	6.25%	2022
	Installment 2	6.46%	2023
2018	Installment 1	5.94%	2021

The change in payment assumptions and the calculation of fair value discussed above resulted in acceleration of recognition of unwinding interest on revenue from disparity of selling price between HJE in 2017 and 2018 amounting to US$132,286 and US$501,736, respectively.

(Expressed in thousands of US Dollars, unless otherwise stated)

8. DUE FROM THE GOVERNMENT (continued)

a. Receivables on revenue recognition from disparity selling price (continued)

Fair value adjustments on recognition of receivable on revenue from the Government for disparity of selling price in 2019 and 2018 are amounting to Rp5.09 trillion or equivalent to US$366,186 and Rp1.93 trillion or equivalent to US$133,521, respectively.

Recognition of receivable on revenue from the 2017 Disparity Selling Price is based on the MoF Letter No. 642/MK.02/2018 dated August 24, 2018, which states that, the MoF based on coordination with the Minister of EMR and the Minister of SOE issued a policy that the Government would compensate for the Company's revenue shortfall from the sale of JBT Diesel Fuel in accordance with LHP BPK. The Company recorded net receivables from the revenue shortfall from the sale of JBT Diesel Fuel in 2017 amounting to Rp18.08 trillion or equivalent to US$1,248,347, after deducting VAT and PBBKB of Rp2.71 trillion, equivalent to US$187,252, and after deducting adjustment to the fair value of receivables.

Further, the recognition of receivable on revenue from the 2018 Disparity of Selling Price is based on the MoF Letter No.S-430/MK.02/2019 dated May 28, 2019, the MoF, based on the results of coordination with the Minister of EMR and the Minister of SOE, issued a policy that the Government would replace the Company's shortfall of revenue from the sale of JBT Diesel Fuel and JBKP Premium Non-Jamali in 2018 in accordance with LHP BPK No.31/AUDITAMA VII/PDTT/05/2019. As for the Company's shortfalls and excesses revenues from the sale of JBKP Premium Jamali to be the shortfalls and excesses of the Company's revenues. The Company recorded net receivables for the shortfalls in revenue from the sale of JBT Diesel Fuel and JBKP Premium Non-Jamali year 2018 amounting to Rp38.48 trillion (equivalent to US$2,657,132) after deducting VAT and PBBKB amounting to Rp6.37 trillion or equivalent to US$440,001, and after deducting adjustments to the fair value of receivables.

b. Receivable from subsidy reimbursement for 3 kg LPG cylinders

These receivables represent subsidy reimbursements for 3 kg LPG cylinders which were distributed to the public by the Company. This Government assignment is in the form of a PSO and its pricing is based on a yearly contract with MoEMR.

The receivable balance for the 3 kg LPG cylinders subsidy will be settled through the APBN mechanism in the next period.

	December 31, 2019	**December 31, 2018**
Beginning balance	1,147,538	1,404,911
Subsidy reimbursements for 3 kg LPG cylinders for current year (Note 28)	2,673,170	3,496,603
Correction from government audit for subsidy reimbursement for 3 kg LPG cylinders for the years:		
- 2019 (Note 28)	(1,073)	-
- 2018 (Note 28)	-	(1,252)
- 2017 (Note 28)	-	(5,661)
Cash received	(3,551,833)	(3,614,277)
Adjustment fair value of subsidy receivable (Note 28)	(19,411)	-
Gain (loss) on foreign exchange	62,533	(132,786)
Ending balance	**310,924**	**1,147,538**

(Expressed in thousands of US Dollars, unless otherwise stated)

8. DUE FROM THE GOVERNMENT (continued)

c. Receivables from reimbursement of the subsidy costs for certain fuel (BBM) products

The Company's receivable of subsidy reimbursements for BBM products represents billings for the BBM subsidy of JBT Diesel Fuel, Biodiesel Fuel, and Kerosene provided to the public.

The PSO mandate to the Company from the Government is based on annual contract with BPH Migas. The retail sales price of the subsidised BBM products is based on MoEMR's Decree.

The receivable balance of subsidy reimbursements for JBT Diesel, Biodiesel, and Kerosene will be settled through the next State Budget and Expenditure ("APBN") period.

	December 31, 2019	December 31, 2018
Beginning balance	175,556	473,928
Subsidy reimbursements for JBT Diesel, Biodiesel and Kerosene for current year (Note 28)	2,263,031	2,126,796
Taxes	168,792	266,693
Correction from government audit (BPK and MoESDM) for subsidy reimbursement for JBT Diesel, Biodiesel, and Kerosene for the year:		
- 2019 (Note 28)	(2,060)	-
- 2018 (Note 28)	-	(699)
- 2017 (Note 28)	-	(147)
Cash received	(2,101,936)	(2,600,487)
Adjustment fair value of subsidy receivable (Note 28)	(38,582)	-
Gain (loss) on foreign exchange	25,455	(90,528)
Ending balance	**490,256**	**175,556**

On August 16, 2018, the MoEMR issued Regulation No. 40 of 2018 which replaces MoEMR Regulation No. 39 of 2014 regarding the calculation of the retail selling price of fuel oil. In accordance with the new regulation, the retail selling price of Automotive Diesel Oil ("ADO") per liter at the point of delivery is calculated based on formula prices, including VAT, with a maximum subsidy of Rp2,000 (full amount) per liter and applied retrospectively starting January 1, 2018.

d. Receivables from marketing fees

These receivables represent amounts due from the Government through SKK Migas to the Company for fees from marketing activities in relation to the Government's crude oil, natural gas and LNG.

The details of marketing fees are as follows:

	December 31, 2019	December 31, 2018
Marketing fees:		
2018	22,587	22,587
2017	26,529	26,529
2016	23,373	23,373
Sub total	72,489	72,489
Provision for impairment	(72,489)	-
Ending balance	**-**	**72,489**

(Expressed in thousands of US Dollars, unless otherwise stated)

8. DUE FROM THE GOVERNMENT (continued)

d. Receivables from marketing fees (continued)

Based on the Directorate General of Budget ("DJA") Letter No. S-271/AG/2020 dated March 3, 2020 regarding the Marketing Fee and/or the Government's Portion of Sales of Crude Oil and/or Condensate ("MMKBN") and based on the Minutes of Meeting of the Discussion of the Government's Portion of LNG Sales Volume, the Company had not obtained SKK Migas and DJA agreement on marketing services fees, therefore the Company provided a full provision for the 2016-2018 marketing fees and did not recognize marketing fees for the year of 2019.

e. Subsidiaries' receivables

	December 31, 2019	December 31, 2018
PEP		
- Domestic Market Obligation ("DMO") fees	99,370	106,398
- Underlifting	32,040	18,942
PHE		
- DMO fees	27,261	15,414
- Underlifting	22,684	25,730
PEPC		
- Underlifting	202,563	224,904
PHI		
- DMO fees	32,314	18,780
- Underlifting	2,530	1,056
Total - subsidiaries	**418,762**	**411,224**

e. Subsidiaries' receivables

DMO fees represent amounts due from the Government in relation with the obligations of subsidiaries in providing crude oil to meet domestic market needs for oil products in accordance with their PSC.

The underlifting receivables represent receivables from subsidiaries of SKK Migas as a result of SKK Migas, actual lifting of crude oil and gas being higher than its entitlement for the respective year.

Based on management's review of the collectibility of each balance of subsidiaries' receivables, management believes that the provision for impairment is adequate to cover potential losses as a result of uncollected subsidiaries' receivables from Government.

f. Receivables for reimbursement of subsidized costs for kerosene

As discussed in Note 8a above, based on BPK's LHP No. 31/AUDITAMA VII/PDTT/05/2019 dated May 20, 2019, the Company experienced a shortfall of revenue in the distribution of JBT Kerosene amounting to Rp243.68 billion or equivalent to US$16,828 (excluding VAT amounting to Rp24.38 billion or equivalent to US$1,683) due to the determination of Market Index Prices ("HIP") and Basic Prices of Kerosene JBT were not in accordance with the calculation of formula retail prices of fuel oil stipulated in MoEMR Decree No.62K/10/MEM/2019 regarding Basic Formula Price for Specific Type of Fuel Oils and Special Types of Fuel Assignment. The Company's management believes that such shortfall of revenue will be reimbursed by the Government through a subsidy mechanism.

(Expressed in thousands of US Dollars, unless otherwise stated)

9. INVENTORIES

	December 31, 2019	**December 31, 2018**
Gas	4,805	13,984
Crude oil:		
Domestic production	1,149,929	1,026,225
Imported	527,401	579,765
Sub-total for crude oil	1,677,330	1,605,990
Oil products:		
Automotive Diesel Oil ("ADO")	662,800	1,018,791
Premium gasoline	606,642	536,309
Pertamax, Pertamax Plus, Pertalite gasoline and Pertadex (diesel oil)	495,518	491,005
Intermediary	370,703	337,246
Oil products in process of production	326,094	399,963
LPG	224,826	262,104
Avtur and Avigas	177,278	264,545
Petrochemicals	131,670	170,815
Kerosene	93,967	94,299
Industrial/Marine Fuel Oil ("IFO/MFO")	91,722	148,621
Industrial Diesel Oil ("IDO")	14,207	17,563
Others	342,728	476,999
Sub-total for oil products (Note 31)	3,538,155	4,218,260
Sub-total for gas, crude oil and oil products	5,220,290	5,838,234
Provision for decline in value of oil products, net (Note 31)	(82,654)	(167,270)
	5,137,636	5,670,964
Materials	858,037	754,228
Provision for decline in value of material	(102,341)	(102,027)
	755,696	**652,201**
Total	**5,893,332**	**6,323,165**

Movements in the provision for decline in value of oil products are as follows:

	December 31, 2019	**December 31, 2018**
Beginning balance (Note 31)	(167,270)	(92,854)
Reversal (addition) during the year, net	84,616	(74,416)
Ending balance	**(82,654)**	**(167,270)**

(Expressed in thousands of US Dollars, unless otherwise stated)

9. INVENTORIES (continued)

Movements in the provision for decline in value of materials are as follows:

	December 31, 2019	December 31, 2018
Beginning balance	(102,027)	(103,183)
(Addition) reversal during the year, net	(314)	1,156
Ending balance	**(102,341)**	**(102,027)**

Management believes that the provision for decline in value of oil products and materials are adequate to cover possible losses that may arise from a decline in the realizable value of inventories.

As of December 31, 2019 and 2018, inventories were insured against fire and other risks (Note 12). Management believes that the insurance coverage amount is adequate to cover any possible losses that may arise in relation to the insured inventories.

10. OTHER INVESTMENTS

These investments represent net assets held for distribution to the Company in connection to the liquidation of Pertamina Energy Trading Limited (“Petral”), Zambesi Investment Limited (“Zambesi”) and Pertamina Energy Services Pte.Ltd. (“PES”) in accordance with the General Meeting of Shareholder (“GMS”) decision of the Company on July 13, 2015, as follows:

On March 13, 2017, Petral has distributed its funds to the Company. On June 16, 2017, Zambesi was liquidated. On October 31, 2017, Petral was liquidated.

As of December 31, 2019 and 2018, the net assets balance held for distribution to the Company based on the liquidator’s report for PES amounted to US$85,834 (2018:US$80,171).

Based on the Company’s GMS No. SR-16/MBU/01/2019 dated January 3, 2019, the Company’s shareholder agreed to extend the liquidation period of PES until the completion of the dissolution/liquidation process, and approved the Company to take the corporate actions needed to complete the dissolution/liquidation.

11. LONG-TERM INVESTMENTS

	December 31, 2019	December 31, 2018
Investment in oil and gas blocks, net	925,518	1,024,237
Investments in associates, net	976,801	725,846
Investment in bonds, net	448,567	391,307
Investments in joint ventures	330,458	369,922
Investment properties	272,378	280,668
Investments in shares of stock, net	6,292	6,292
Other financial assets	13,865	20,782
Total	**2,973,879**	**2,819,054**

a. Investment in oil and gas blocks

Investment in oil and gas blocks represents the Group’s investment in several oil and gas blocks located in Malaysia which is being operated by PTTEP HK Offshore Limited. The Group recorded the investment using the equity method because it has significant influence in the undivided interest of those oil and gas blocks.

(Expressed in thousands of US Dollars, unless otherwise stated)

11. LONG-TERM INVESTMENTS (continued)

a. Investment in oil and gas blocks (continued)

The movement of investments in oil and gas block are as follows:

	December 31, 2019			
	Beginning balance	**Additions (Note 32)**	**Recovery/ (impairment) in value (Note 38)**	**Ending balance**
Cost	1,556,487	29,446	(35,184)	1,550,749
Accumulated amortization	(532,250)	(92,981)	-	(625,231)
Net book value	**1,024,237**	**(63,535)**	**(35,184)**	**925,518**

	December 31, 2018			
	Beginning balance	**Additions (Note 32)**	**Recovery/ (impairment) in value (Note 38)**	**Ending balance**
Cost	1,614,965	96,295	(154,773)	1,556,487
Accumulated amortization	(387,778)	(144,472)	-	(532,250)
Net book value	**1,227,187**	**(48,177)**	**(154,773)**	**1,024,237**

b. Investments in associates

The movement on investments in associates are as follows:

	December 31, 2019						
	Percentage of effective ownership	**Beginning balance**	**Additions/ (deduction)**	**Share in net Other changes**	**income/ (loss)**	**Dividends**	**Ending balance**
The Company							
- PPT Energy Trading Co., Ltd.	50.00%	48,038	-	(2,565)	(1,674)	(3,571)	40,228
- PT Tuban Petrochemicals Industries	51.00%	-	224,171	-	9,620	-	233,791
- PT Trans-Pacific Petrochemical Indotama (Note 4o and 38)	37.65%	82,005	20,672	110	(56,407)	-	46,380
		130,043	244,843	(2,455)	(48,461)	(3,571)	320,399
Indirect investments in shares of associates							
- PT Donggi Senoro LNG	29.00%	279,219	-	-	14,078	-	293,297
- PT Asuransi Samsung Tugu	30.00%	9,069	-	(31)	665	(65)	9,638
- Seplat Petroleum Development Company Plc, Nigeria	20.46%	224,548	-	-	59,914	(11,943)	272,519
- Others	19.67%-50.00%	82,967	-	(853)	(1,166)	-	80,948
		595,803	-	(884)	73,491	(12,008)	656,402
Total investments in associates		**725,846**	**244,843**	**(3,339)**	**25,030**	**(15,579)**	**976,801**

(Expressed in thousands of US Dollars, unless otherwise stated)

11. LONG-TERM INVESTMENTS (continued)

b. Investments in associates (continued)

	December 31, 2018						
	Percentage of effective ownership	**Beginning balance**	**Additions/ (deduction)**	**Share in net Other changes**	**income/ (loss)**	**Dividends**	**Ending balance**
The Company							
- PPT Energy Trading Co., Ltd.	50.00%	35,489	-	-	12,549	-	48,038
- PT Trans-Pacific Petrochemical Indotama ("TPPI")	48.59%	151,937	-	-	(69,932)	-	82,005
		187,426	-	-	(57,383)	-	130,043
Indirect investments in shares of associates							
- PT Donggi Senoro LNG	29.00%	240,437	-	2	38,780	-	279,219
- PT Asuransi Samsung Tugu	30.00%	8,741	-	19	434	(125)	9,069
- Seplat Petroleum Development Company Plc, Nigeria	20.46%	92,440	-	68,043	76,124	(12,059)	224,548
- Others	19.67%-50%	54,650	27,458	2,298	(1,439)	-	82,967
		396,268	27,548	70,362	113,899	(12,184)	595,803
Total investments in Associates		**583,694**	**27,458**	**70,362**	**56,516**	**(12,184)**	**725,846**

Management believes that the provision for decline in value of investments in associates is adequate to cover possible losses that may arise from a decline in value.

The Group's share of the results of its principal associates and their aggregated assets (including goodwill) and liabilities, is as follows:

	Country of Incorporation	**Assets**	**Liabilities**	**Revenues**	**Profit (loss)**	**% Effective ownership**
December 31, 2019						
- PPT Energy Trading Co., Ltd.	Japan	139,339	(68,572)	391,020	(10,604)	50.00%
- PT Tuban Petrochemical Industries	Indonesia	346,990	(109,193)	243,206	41,724	51.00%
- PT Trans-Pacific Petrochemical Indotama	Indonesia	876,161	(751,983)	85,219	(116,089)	37.65%
- PT Donggi Senoro LNG	Indonesia	2,630,034	(1,618,410)	1,059,671	48,543	29.00%
- PT Asuransi Samsung Tugu	Indonesia	74,449	(529,051)	9,938	2,214	30.00%
- Seplat	Nigeria	3,271,110	(1,467,171)	697,777	277,008	20.46%

	Country of Incorporation	**Assets**	**Liabilities**	**Revenues**	**Profit (loss)**	**% Effective ownership**
December 31, 2018						
- PPT Energy Trading Co., Ltd.	Japan	118,983	(30,486)	731,189	25,098	50.00%
- PT Trans-Pacific Petrochemical Indotama ("TPPI")	Indonesia	866,155	(697,385)	65,136	(141,991)	48.59%
- PT Donggi Senoro LNG	Indonesia	2,646,556	(1,669,778)	1,174,024	133,726	29.00%
- PT Asuransi Samsung Tugu	Indonesia	61,997	(31,766)	9,046	1,446	30.00%
- Seplat Petroleum Development Company Plc, Nigeria	Nigeria	2,526,565	(925,680)	746,140	146,576	20.46%

(Expressed in thousands of US Dollars, unless otherwise stated)

11. LONG-TERM INVESTMENTS (continued)

c. Investment in bonds

As of December 31, 2019 and 2018, the balance of investment in bonds amounting to US$448,567 and US$391,307 were investments in bonds issued by PT Trans-Pacific Petrochemical Indotama, respectively. The increase in investment in bonds due to deferral notes agreement on October 31, 2019 amounting to US$96,016 (Note 38). Based on the deferral notes agreement, the interest payable and penalty that have not been paid are converted to bond principal. The increase in investment in bonds is offset by the allowance for impairment of investment in bonds as of December 31, 2019 amounting to US$38,756 (Note 38).

d. Investment in joint ventures

The movements on investments in joint ventures are as follows:

	December 31, 2019							
	Percentage of effective ownership	Beginning balance	Additional investment	Other changes	Share in net income/ (loss)	Dividends	Recovery/ (impairment) in value	Ending balance
Indirect investments in joint ventures								
- PT Transportasi Gas Indonesia	59.87%	202,743	-	(48)	29,381	(48,690)	-	183,386
- PT Perta Samtan Gas	66.00%	89,976	-	(3,135)	16,219	(23,100)	-	79,960
- PT Patra SK	35.00%	62,406	-	(57)	5,166	(10,500)	-	57,015
- PT Indo Thai Trading*)	51.00%	7,070	(7,070)	-	-	-	-	-
- PT Perta Daya Gas	65.00%	3,734	-	(2,156)	3,296	-	-	4,874
- PT Permata Karya Jasa	60.00%	3,586	-	-	1,230	-	-	4,816
- PT Pertamina Rosneft Pengolahan dan Petrokimia	55.00%	407	-	-	-	-	-	407
Total investments in joint venture		**369,922**	**(7,070)**	**(5,396)**	**55,292**	**(82,290)**	**-**	**330,458**

*) Since July 31, 2019, Group has control on PT Indo Thai Trading through PT Pertamina Patra Niaga

	December 31, 2018							
	Percentage of effective ownership	Beginning balance	Additional investment	Other changes	Share in net income/ (loss)	Dividends	Recovery/ (impairment) in value	Ending balance
Indirect investments in joint ventures								
- PT Transportasi Gas Indonesia	59,87%	281,700	-	(1,013)	27,814	(105,758)	-	202,743
- PT Perta Samtan Gas	66,00%	91,173	-	32	21,871	(23,100)	-	89,976
- PT Patra SK	35,00%	65,769	-	-	5,387	(8,750)	-	62,406
- PT Indo Thai Trading	51,00%	6,281	790	(791)	790	-	-	7,070
- PT Perta Daya Gas	65,00%	1,683	-	28	2,023	-	-	3,734
- PT Permata Karya Jasa	60,00%	-	2,416	-	1,382	(212)	-	3,586
- PT Pertamina Rosneft Pengolahan dan Petrokimia	55,00%	407	-	-	-	-	-	407
- Unimar L.L.C	50,00%	10,392	(7,176)	(1,657)	6,941	(8,500)	-	-
Total investments in joint ventures		**457,405**	**(3,970)**	**(3,401)**	**66,208**	**(146,320)**	**-**	**369,922**

(Expressed in thousands of US Dollars, unless otherwise stated)

11. LONG-TERM INVESTMENTS (continued)

d. Investment in joint ventures (continued)

The Group's share of the results of its principal joint ventures and their aggregated assets (including goodwill) and liabilities are as follows:

	Country of Incorporation	Assets	Liabilities	Revenues	Profit (loss)	% Effective ownership
December 31, 2019						
- PT Transportasi Gas Indonesia	Indonesia	365,829	(59,521)	157,117	49,075	59.87%
- PT Perta Samtan Gas	Indonesia	151,803	(69,469)	97,783	24,574	66.00%
- PT Patra SK	Indonesia	206,881	(43,981)	299,674	14,760	35.00%
- PT Perta Daya Gas	Indonesia	50,497	(40,013)	9,748	4,740	65.00%
- PT Permata Karya Jasa	Indonesia	10,771	(2,684)	16,685	2,050	60.00%
- PT Pertamina Rosneft Pengolahan dan Petrokimia	Indonesia	739	-	-	-	55.00%
December 31, 2018						
- PT Transportasi Gas Indonesia	Indonesia	735,029	(96,391)	153,413	46,458	59.87%
- PT Perta Samtan Gas	Indonesia	166,010	(29,683)	121,802	33,187	66.00%
- PT Patra SK	Indonesia	232,842	(54,539)	341,114	15,391	35.00%
- PT Indo Thai Trading	Indonesia	35,332	(21,470)	184,779	1,549	51.00%
- PT Perta Daya Gas	Indonesia	48,618	(42,873)	12,497	3,113	65.00%
- PT Permata Karya Jasa	Indonesia	6,308	(2,040)	16,301	1,383	60.00%
- PT Pertamina Rosneft Pengolahan dan Petrokimia	Indonesia	739	-	-	-	55.00%
- Unimar L.L.C	USA	33,740	(19,387)	43,918	13,881	50.00%

In accordance with Notarial Deed No. 27 dated July 31, 2019, PTTGC International Private Limited sold and transferred 3,920,000 shares of PT Indo Thai Trading to PT Patra Trading, subsidiary of PT Pertamina Patra Niaga. Therefore, since that date, The Group obtained control over PT Indo Thai Trading.

e. Investment properties

	December 31, 2019				
	Beginning balance	Additions	Deductions	Transfers/ Reclassi-fications	Ending balance
Historical cost:					
Land and land rights	266,911	-	(7,570)	1,157	260,498
Buildings	42,102	-	(252)	835	42,685
Total historical cost	309,013	-	(7,822)	1,992	303,183
Accumulated depreciation:					
Buildings	(28,345)	(1,954)	-	(506)	(30,805)
Net book value	**280,668**				**272,378**

	December 31, 2018				
	Beginning balance	Additions	Deductions	Transfers/ Reclassi-fications	Ending balance
Historical cost:					
Land and land rights	269,226	1,074	(17,368)	13,979	266,911
Buildings	43,287	1,217	-	(2,402)	42,102
Total historical cost	312,513	2,291	(17,368)	11,577	309,013
Accumulated depreciation:					
Buildings	(28,159)	(2,058)	-	1,872	(28,345)
Net book value	**284,354**				**280,668**

Depreciation expense for the years ended December 31, 2019 and 2018 for investment properties amounted to US$1,954 and US$2,058, respectively (Note 36).

(Expressed in thousands of US Dollars, unless otherwise stated)

11. LONG-TERM INVESTMENTS (continued)

e. Investment properties (continued)

As of December 31, 2019 all of the Group's investment properties, except land and land rights, were insured against fire and other possible risks (Note 12).

As of December 31, 2019 and 2018, management has estimated the fair value of investment properties of US$1,579,971 and US$1,803,218, respectively.

Rental income from investment properties recognized for the years ended December 31, 2019, and 2018 amounted to US$25,395 and US$26,588, respectively.

Based on the Group management's review, there were no events or changes in circumstances which indicated impairment in the value of investment properties as of December 31, 2019.

f. Investments in shares of stock

	December 31, 2019		December 31, 2018	
	Balance	**Percentage of Ownership**	**Balance**	**Percentage of Ownership**
The Company				
- PT Seamless Pipe Indonesia Jaya	25,026	4.97%	25,026	4.97%
- PT Arun NGL [a) b)]	170	100.00%	170	100.00%
- PT Badak NGL [b)]	149	55.00%	149	55.00%
Sub-total	25,345		25,345	
Subsidiaries				
- PT Staco Jasapratama Indonesia	751	4.46%	751	4.46%
- PT Marga Raya Jawa Tol	2,690	6.86%	2,690	6.86%
- PT Trans Javagas Pipeline	739	10.00%	739	10.00%
- PT Asuransi Maipark Indonesia	604	7.31%	604	7.31%
- PT Bhakti Patra Nusantara	77	4.11%	77	4.11%
- PT Banten Gas Sinergy	3	0.14%	3	0.14%
Sub-total	4,864		4,864	
Total	**30,209**		**30,209**	
Provision for impairment	(23,917)		(23,917)	
Net	**6,292**		**6,292**	

a) in liquidation process
b) refer to note 1b

The Group classified its investments in shares of stock as available-for-sale at cost because the Company in subtance, does not control those companies. These investments are measured at cost since their fair values cannot be measured reliably.

g. Other financial assets

As of December 31, 2019 and 2018, other financial assets mainly represent investment in bonds owned by PT Asuransi Tugu Pratama Indonesia Tbk.

(Expressed in thousands of US Dollars, unless otherwise stated)

12. FIXED ASSETS

	December 31, 2019					
	Beginning balance	**Additions**	**Deductions**	**Transfers/ reclassifications**	**Translations**	**Ending balance**
Acquisition cost						
Direct acquisition:						
Land and land rights	1,705,095	55,161	-	46,977	3,228	1,810,461
Tanks, pipeline installations and other equipments	9,322,018	145,226	-	670,431	1,434	10,139,109
Refineries	4,265,934	-	-	399,314	42	4,665,290
Buildings	1,281,451	14,115	(458)	30,201	6,041	1,331,350
Ships and aircrafts	2,096,335	41,201	-	26,983	9,688	2,174,207
Moveable assets	1,633,638	52,560	(23,506)	122,802	16,280	1,801,774
Assets under construction	2,129,917	1,479,940	(327)	(1,358,526)	2,122	2,253,126
Sub-total	22,434,388	1,788,203	(24,291)	(61,818)	38,835	24,175,317
Finance lease assets:						
Land rights	-	-	-	-	-	-
Buildings	205,737	1,054	-	7,029	-	213,820
Tanks, pipelines installations and other equipment	414,634	15,110	-	(41,815)	-	387,929
Moveable assets	167,015	585	(577)	(7,679)	2,112	161,456
Sub-total	787,386	16,749	(577)	(42,465)	2,112	763,205
Total acquisition cost	**23,221,774**	**1,804,952**	**(24,868)**	**(104,283)**	**40,947**	**24,938,522**
Accumulated depreciation						
Direct acquisition:						
Land rights	(212)	-	-	-	(51)	(263)
Tanks, pipeline installation and other equipments	(4,834,321)	(543,459)	2,704	(567)	(923)	(5,376,566)
Refineries	(2,598,926)	(275,029)	-	3,352	(39)	(2,870,642)
Buildings	(526,815)	(56,489)	418	(3,174)	(2,392)	(586,452)
Ships and aircrafts	(813,091)	(104,453)	-	2,534	(2,175)	(917,185)
Moveable assets	(986,804)	(109,461)	18,296	9,319	(10,447)	(1,079,097)
Sub-total	(9,760,169)	(1,088,891)	21,418	11,464	(16,027)	(10,832,205)
Finance lease assets:						
Land rights	-	-	-	-	-	-
Buildings	(161,389)	(18,674)	-	(6,293)	-	(186,356)
Tanks, pipeline installations and other equipments	(249,815)	(34,421)	-	8,617	-	(275,619)
Moveable assets	(136,838)	(6,649)	315	1,254	(92)	(142,010)
Sub-total	(548,042)	(59,744)	315	3,578	(92)	(603,985)
Total accumulated depreciation	**(10,308,211)**	**(1,148,635)**	**21,733**	**15,042**	**(16,119)**	**(11,436,190)**
Provision for impairment	(54,289)	(98,297)	126	2,482	(27)	(150,005)
Net book value	**12,859,274**					**13,352,327**

(Expressed in thousands of US Dollars, unless otherwise stated)

12. FIXED ASSETS (continued)

	December 31, 2018					
	Beginning balance	**Additions**	**Deductions**	**Transfers/ reclassifications**	**Translations**	**Ending balance**
Acquisition cost						
Direct acquisitions:						
Land and land rights	1,702,277	3,034	-	5,618	(5,834)	1,705,095
Tanks, pipeline installations and other equipments	9,168,847	28,693	(569)	131,485	(6,438)	9,322,018
Refineries	4,022,746	145,518	-	97,740	(70)	4,265,934
Buildings	1,200,885	20,252	(367)	70,994	(10,313)	1,281,451
Ships and aircrafts	2,015,720	120,523	-	(26,626)	(13,282)	2,096,335
Moveable assets	1,624,785	36,722	(5,875)	7,713	(29,707)	1,633,638
Assets under construction	1,446,340	1,083,618	-	(397,603)	(2,438)	2,129,917
Sub-total	21,181,600	1,438,360	(6,811)	(110,679)	(68,082)	22,434,388
Finance lease assets:						
Land rights	157,605	-	-	(155,364)	(2,241)	-
Buildings	83,987	-	-	121,750	-	205,737
Tanks, pipeline installations and other equipments	369,534	44,097	-	1,003	-	414,634
Moveable assets	156,432	10,707	-	-	(124)	167,015
Sub-total	767,558	54,804	-	(32,611)	(2,365)	787,386
Total acquisition cost	**21,949,158**	**1,493,164**	**(6,811)**	**(143,290)**	**(70,447)**	**23,221,774**
Accumulated depreciation:						
Direct acquisitions:						
Land rights	(876)	-	-	-	664	(212)
Tanks, pipeline installations and other equipments	(4,393,822)	(504,253)	42	58,559	5,153	(4,834,321)
Refineries	(2,349,134)	(249,586)	-	(307)	101	(2,598,926)
Buildings	(477,017)	(52,430)	271	(1,435)	3,796	(526,815)
Ships and aircrafts	(775,835)	(105,264)	-	65,138	2,870	(813,091)
Moveable assets	(969,682)	(103,113)	5,697	61,156	19,138	(986,804)
Sub-total	(8,966,366)	(1,014,646)	6,010	183,111	31,722	(9,760,169)
Finance lease assets:						
Land rights	(82,872)	(6,070)	-	88,942	-	-
Buildings	(58,902)	(14,272)	-	(88,215)	-	(161,389)
Tanks, pipeline installations and other equipments	(210,786)	(38,302)	-	(727)	-	(249,815)
Moveable assets	(133,666)	(7,877)	-	4,628	77	(136,838)
Sub-total	(486,226)	(66,521)	-	4,628	77	(548,042)
Total accumulated depreciation	**(9,452,592)**	**(1,081,167)**	**6,010**	**187,739**	**31,799**	**(10,308,211)**
Provision for impairment	(57,055)	-	2,719	-	47	(54,289)
Net book values	**12,439,511**					**12,859,274**

(Expressed in thousands of US Dollars, unless otherwise stated)

12. FIXED ASSETS (continued)

The allocation of depreciation expense are as follows:

	December 31, 2019	**December 31, 2018**
Cost of goods sold (Note 31)	537,783	566,412
Selling and marketing expenses (Note 35)	383,594	328,695
General and administrative expenses (Note 36)	131,047	97,655
Expenses from other operating activities (Note 34)	96,211	88,405
Total	**1,148,635**	**1,081,167**

As of December 31, 2019, the Group owned parcels of land at various locations in Indonesia with Building Rights Title ("HGB") period ranging from 20-30 years. Some of the HGBs are near their expiration dates. Management believes that those HGB licenses can be extended upon their expiration.

As of December 31, 2019 and 2018, the Group's inventories, investment properties, fixed assets, and oil & gas and geothermal properties, except for land and land rights (Notes 9, 11, 12, and 13), were insured against fire and other possible risks for a total insurance coverage of US$54,254,089 and US$53,391,900, respectively.

Management believes that the insurance coverage is adequate to cover any possible losses that may arise in relation to the insured assets.

Certain fixed assets were pledged as collateral for certain subsidiary long term loans (Note 19a).

Interest capitalized as part of fixed assets for the periods ended December 31, 2019 and 2018 amounted to US$18,964 and US$31,500, respectively (Note 45).

Management believes that the provision for impairment of fixed assets as of December 31, 2019 and 2018 is adequate to cover any possible losses from impairment of fixed assets. However, in 2019, PT Kalimantan Jawa Gas ("KJG") fixed assets were impaired by US$98,297 due to limited sources of cash flows in the future related to the utilization of fixed assets.

Assets under construction as of December 31, 2019 and 2018 consists of land, refineries, buildings, vessels, installations and moveable assets.

(Expressed in thousands of US Dollars, unless otherwise stated)

13. OIL AND GAS, AND GEOTHERMAL PROPERTIES

	December 31, 2019				
	Beginning balance	**Additions**	**Deductions**	**Transfers/ reclassifications**	**Ending balance**
Acquisition cost:					
Direct acquisition:					
Land and land rights	18,281	-	-	1,669	19,950
Oil and gas wells	15,404,342	692,824	(71,352)	1,674,591	17,700,405
Geothermal wells	759,351	-	-	32,384	791,735
Installations	7,675,508	153,291	(11,229)	13,947	7,831,517
LPG plants	1,538,366	-	(104)	62,334	1,600,596
Buildings	198,613	-	-	17,322	215,935
Moveable assets	418,511	22,132	-	148,578	589,221
Sub-total	26,012,972	868,247	(82,685)	1,950,825	28,749,359
Assets under construction					
Exploratory and evaluation wells	1,380,730	766,115	(37,420)	(286,421)	1,823,004
Development wells	2,423,499	1,659,962	(3,591)	(1,610,922)	2,468,948
Sub-total	3,804,229	2,426,077	(41,011)	(1,897,343)	4,291,952
Finance lease assets:					
Installations	4,672	-	-	183,639	188,311
LPG plants	12,501	-	(6,335)	(6,166)	-
Buildings	19,939	-	-	-	19,939
Moveable assets	195,595	-	-	(183,639)	11,956
Sub-total	232,707	-	(6,335)	(6,166)	220,206
Total acquisition cost	**30,049,908**	**3,294,324**	**(130,031)**	**47,316**	**33,261,517**
Accumulated depreciation, depletion and amortization:					
Direct acquisition:					
Oil and gas wells	(7,044,165)	(1,490,479)	29,969	93,527	(8,411,148)
Geothermal wells	(152,127)	(39,562)	-	7	(191,682)
Installations	(2,717,802)	(387,874)	-	(73,813)	(3,179,489)
LPG plants	(293,601)	(81,294)	-	33,486	(341,409)
Buildings	(48,441)	(13,299)	-	585	(61,155)
Moveable assets	(244,360)	(39,362)	-	(139,723)	(423,445)
Sub-total	(10,500,496)	(2,051,870)	29,969	(85,931)	(12,608,328)
Finance lease assets:					
Installations	(18,723)	8,604	-	(163,639)	(173,758)
LPG plants	(5,777)	6,164	6,335	(6,722)	-
Buildings	(18,522)	(243)	-	(42)	(18,807)
Moveable assets	(181,398)	(2,087)	-	170,395	(13,090)
Sub-total	(224,420)	12,438	6,335	(8)	(205,655)
Total accumulated depreciation, depletion and amortization	**(10,724,916)**	**(2,039,432)**	**36,304**	**(85,939)**	**(12,813,983)**
Provision for impairment	(710,706)	(83,511)	106,920	(3,445)	(690,742)
Net book values	**18,614,286**				**19,756,792**

(Expressed in thousands of US Dollars, unless otherwise stated)

13. OIL AND GAS, AND GEOTHERMAL PROPERTIES (continued)

	December 31, 2018				
	Beginning balance	**Additions**	**Deductions**	**Transfers/ reclassifications**	**Ending balance**
Acquisition cost:					
Direct acquisition:					
Land and land rights	18,243	-	-	38	18,281
Oil and gas wells	13,915,574	1,116,330	(107,073)	479,511	15,404,342
Geothermal wells	671,595	4,671	-	83,085	759,351
Installations	7,213,878	109,761	(1,195)	353,064	7,675,508
LPG plants	1,538,366	-	-	-	1,538,366
Buildings	173,184	1,152	-	24,277	198,613
Moveable assets	346,955	39,034	-	32,522	418,511
Sub-total	23,877,795	1,270,948	(108,268)	972,497	26,012,972
Assets under construction					
Exploratory and evaluation wells	1,326,425	606,380	(120,381)	(431,694)	1,380,730
Development wells	2,096,876	1,163,019	(4,519)	(831,877)	2,423,499
Sub-total	3,423,301	1,769,399	(124,900)	(1,263,571)	3,804,229
Finance lease assets:					
Installations	4,672	-	-	-	4,672
LPG plants	12,501	-	-	-	12,501
Buildings	19,939	-	-	-	19,939
Moveable assets	195,595	-	-	-	195,595
Sub-total	232,707	-	-	-	232,707
Total acquisition cost	**27,533,803**	**3,040,347**	**(233,168)**	**(291,074)**	**30,049,908**
Accumulated depreciation, depletion and amortization:					
Direct acquisition:					
Oil and gas wells	(6,096,976)	(965,091)	38,038	(20,136)	(7,044,165)
Geothermal wells	(113,904)	(38,223)	-	-	(152,127)
Installations	(2,121,664)	(586,590)	-	(9,548)	(2,717,802)
LPG plants	(179,681)	(113,920)	-	-	(293,601)
Buildings	(36,698)	(11,743)	-	-	(48,441)
Moveable assets	(214,002)	(30,358)	-	-	(244,360)
Sub-total	(8,762,925)	(1,745,925)	38,038	(29,684)	(10,500,496)
Finance lease assets:					
Installations	(16,695)	(2,028)	-	-	(18,723)
LPG plants	(5,469)	(308)	-	-	(5,777)
Buildings	(18,198)	(324)	-	-	(18,522)
Moveable assets	(181,118)	(280)	-	-	(181,398)
Sub-total	(221,480)	(2,940)	-	-	(224,420)
Total accumulated Depreciation, depletion and amortization	**(8,984,405)**	**(1,748,865)**	**38,038**	**(29,684)**	**(10,724,916)**
Provision for impairment	(518,024)	(218,189)	-	25,507	(710,706)
Net book values	**18,031,374**				**18,614,286**

The allocation of depreciation, depletion, and amortization expenses are as follows:

	December 31, 2019	**December 31, 2018**
Upstream production and lifting costs (Note 32)	2,030,834	1,741,040
General and administrative expenses (Note 36)	8,598	7,825
Total	**2,039,432**	**1,748,865**

(Expressed in thousands of US Dollars, unless otherwise stated)

13. OIL AND GAS, AND GEOTHERMAL PROPERTIES (continued)

As of December 31, 2019, all of the PGE, PEP, PHE, and PGN's oil and gas and geothermal properties, except land and land rights, were insured against fire and other possible risks (Note 12).

Management believes that the insurance coverage is adequate to cover any possible losses that may arise in relation to the insured oil and gas and geothermal properties.

PGE's interest capitalized as part of geothermal properties amounted to US$25,452, and US$24,885, as of December 31, 2019 and 2018, respectively (Note 45).

The increase in the value of oil and gas wells in 2019, was a result of the addition of development wells in PEP, PEPC, PHM, PHE (2018: payment of the Rokan Block signature bonus).

<u>Impairment of oil and gas properties</u>

Management conducts an impairment test in 2019 for all blocks due to external indications from oil price developments. Management has evaluated the commercial and technical aspects based on the results of the latest production.

The estimated recoverable amount and book value of the reduced oil and gas assets as of December 31, 2019 and 2018 are as follows:

	December 31, 2019				
	Estimated recoverable amount	**Book value**	**Estimated impairment loss (recovery)**	**Impairment loss (recovery) on goodwill**	**Impairment loss (recovery) in oil and gas and geothermal properties**
PHE and its subsidiaries	392,622	420,904	28,282	-	28,282
PGE and its subsidiaries	96,435	107,480	11,045	-	11,045
PGN and its subsidiaries	592,974	530,238	(62,736)	-	(62,736)
Net book value	**1,082,031**	**1,058,622**	**(23,409)**	**-**	**(23,409)**

	December 31, 2018				
	Estimated recoverable amount	**Book value**	**Estimated impairment loss (recovery)**	**Impairment loss (recovery) on goodwill**	**Impairment loss (recovery) in oil and gas and geothermal properties**
PHE and its subsidiaries	173,488	366,793	193,305	-	193,305
Pertamina EP Cepu ADK	55,046	53,708	(1,338)	-	(1,338)
PGN and its subsidiaries	872,528	898,750	26,222	-	26,222
Net book value	**1,101,062**	**1,319,251**	**218,189**	**-**	**218,189**

The assumption of oil and gas price and the discount rate used are disclosed in Note 14d.

(Expressed in thousands of US Dollars, unless otherwise stated)

14. OTHER NON-CURRENT ASSETS

	December 31, 2019	December 31, 2018
Restricted funds	1,211,263	950,052
Advances to vendors	261,570	133,406
Other receivables - third parties	185,505	80,287
Government contributed assets pending final clarification of status (Note 25)	146,578	401,120
Prepaid expenses	82,434	65,319
Finance lease receivables	64,973	200,770
Other receivables related parties (Note 40b)	64,557	64,907
Goodwill	53,807	53,807
Long-term employee receivables	33,107	37,530
Land rights costs	17,775	18,917
Assets held but not used for operation	16,070	23,454
Intangible assets	13,508	13,711
Deferred charges	12,679	17,256
Non-free and non-clear assets	1,837	1,837
Others	61,149	22,960
Total	**2,226,812**	**2,085,333**

a. Restricted funds

	December 31, 2019	December 31, 2018
US Dollar accounts		
Government-related entities		
- BRI	355,755	321,620
- Bank Mandiri	77,920	14,030
- BNI	66,420	50,016
Third parties		
- JP Morgan	43,303	31,087
- Others	6,106	540
Sub-Total	549,504	417,293

(Expressed in thousands of US Dollars, unless otherwise stated)

14. OTHER NON-CURRENT ASSETS (continued)

a. Restricted funds (continued)

	December 31, 2019	December 31, 2018
Rupiah accounts		
Government-related entities		
- BRI	352,363	290,500
- Bank Mandiri	297,342	233,993
- BNI	1,595	840
- Others	1,878	-
Third parties		
Others	8,581	7,426
Sub-Total	661,759	532,759
Total	**1,211,263**	**950,052**

In accordance with SKK Migas' instructions, as December 31, 2019, PT Pertamina EP, PHE, PEPC, PIEP, and PGN has deposited funds amounted to US$310,397 (2018: US$275,660), US$65,608 (2018: US$34,215), US$33,693 (2018: US$28,186), US$35,289 (2018: US$31,087), and US$62,615 (2018: US$52,425), respectively for decommissioning funds, site restoration, and other related activities.

The Company has created reserves fund for past service liabilities to employees as of December 31, 2019 and 2018 amounting to US$646,546 and US$520,277, respectively.

As of December 31, 2019 and 2018, restrained fund for Partnership Program amounted to Rp12,174 million or equivalent to US$876 and Rp12,174 million or equivalent to US$841, respectively.

Included in restricted cash is bank deposits related to field development commitment funds in PIEP, PGE and PGN.

c. Finance lease receivables

This account represent the non-current portion of the finance lease receivables from lease arrangement between PT Kalimantan Jawa Gas ("KJG"), PGN's subsidiaries, and PLN in relation to KJG's subsea pipelines and onshore receiving facility on land (Gas Transport Agreement ("GTA") Kalija 1 which is classified as a finance lease transaction.

The collectibility of receivables from finance leases depends on the arbitration decision, which is on going to date, and the financial ability of PCML and PLN to meet the ship-or-pay obligations in the GTA Kalija I, the Group believes that:
(1) arbitration decisions will have a positive impact on the Group;
(2) PCML and PLN will be able to fulfill ship-or-pay obligations in GTA Kalija I; and
(3) the provision for impairment of receivables from finance leases made by the Group is sufficient in connection with the circumstances described in Note 48i.

As a result of the ongoing arbitration process, on June 30, 2019, the Group evaluated sources of revenue other than GTA Kalija I and concluded that the residual value of the finance lease no longer contains an element of lease (cash flows is not guaranteed) so that the residual value is reclassified as fixed assets with a carrying value of US$117,777.

(Expressed in thousands of US Dollars, unless otherwise stated)

14. OTHER NON-CURRENT ASSETS (continued)

c. Advances to vendors, net

	December 31, 2019	December 31, 2018
Advances to vendors	294,274	166,110
Provision for impairment	(32,704)	(32,704)
Net	**261,570**	**133,406**

On September 27, 2019, the Company made an advance payment for the Engineering, Procurement and Construction ("EPC") Project Inside Battery Limit ("ISBL") and Outside Battery Limit ("OSBL") Refinery Development Master Plan ("RDMP") Balikpapan RU-V of US$199,915. This payment is based on (note 48n) EPC ISBL & OSBL First Contract Amendment No. 25/C000002/2018 dated September 5, 2019.

The Company has recognized a provision for impairment to reduce an advance to vendor for tanker building contract with capacity of 30,000 LTDW between the Company and Zhejiang Chenye Shipbuilding Co. Ltd. Management believes that the provision for impairment is adequate to cover possible losses.

d. Goodwill

	Beginning balance	Addition	Deduction	Ending balance
December 31, 2019				
PT PHE ONWJ	53,337	-	-	53,337
PHE Nunukan Company	415	-	-	415
PGN and its subsidiaries	55	-	-	55
Total	**53,807**	**-**	**-**	**53,807**
December 31, 2018				
PT PHE ONWJ	53,337	-	-	53,337
PHE Nunukan Company	415	-	-	415
PGN and its subsidiaries	55	-	-	55
Total	**53,807**	**-**	**-**	**53,807**

The Goodwill is allocated to the Group’s Cash Generating Unit (“CGU”) which is identified based on the PSC block.

The Group calculated the recoverable amount based on fair value less cost to sell model which provides a higher value than the value-in use calculation. The fair value less cost to sell was determined by using a post-tax discounted cash flows (“DCF”) calculation.

The cash flows projections are based on production and development forecast approved by management covering the estimated period of contract including contract extension and future investments to increase output. The period of projections ranges from 3-30 years.

PT PHE ONWJ, PHE Nunukan Company
The Group acquired PT Medco E&P Tuban (subsequently changed its name to PT PHE Tuban) in 2008 and BP West Java Ltd., (subsequently changed its name to ONWJ Ltd.) in 2009, PT PHE Oil and Gas (“PHE OG”) and PHE Nunukan Company were acquired in 2013.

PGN and its subsidiaries
In 2013, PT PGAS Telekomunikasi Nusantara (“PGASKOM”), a subsidiary of PGN, acquired 100% equity interest of PT Telemedia Dinamika Sarana (“TDS”) with consideration paid amounting to Rp675 million (or equivalent to US$55). PGASKOM recognized goodwill from this acquisition amounting to US$55.

(Expressed in thousands of US Dollars, unless otherwise stated)

14. OTHER NON-CURRENT ASSETS (continued)

d. Goodwill (continued)

The key assumption relates to oil and gas price, was projected based on expectation of market development given used the volatility in oil prices. The discount rate used reflects the risk related to the relevant oil and gas industry and considering the risks of individual country of operations.

Key assumptions used for the basis of the impairment test on December 31, 2019, are as follows:

	Assumptions 2019				
	2019	**2020**	**2021**	**2022**	**2023**
ICP Projection	US$62.00	US$58.40	US$58.80	US$61.40	US$61.70
Brent Projection	US$64.30	US$61.70	US$62.10	US$64.70	US$65.00

Rate (decrease) increase between (US$3.60) to US$2.60 per year, both for ICP and Brent values.

Gas price	Based on the gas sales agreement
Discount rate	6.58% - 9.98%

Management believes the goodwil impairment is sufficient based on the result of the impairment testing.

e. Non-free and non-clear assets, net

	December 31, 2019	December 31, 2018
Non-free and non-clear assets	112,237	112,237
Provision for impairment	(110,400)	(110,400)
Net	**1,837**	**1,837**

Non-free and non-clear assets represent land plots located in Teluk Semangka, Lampung and certain assets located in other areas where, as of the date of the completion of these consolidated financial statements, the documentation and rights of the Company were still subject to completion of the legal and settlement processes to allow the Company to fully utilize such assets.

The Company has recognized a provision for impairment to reduce the value of such assets to their recoverable amounts. Management believes that the provision for impairment is adequate.

15. SHORT-TERM LOANS

	December 31, 2019	December 31, 2018
Government-related entities (Note 40)		
- BRI	581,659	820,154
- Bank Mandiri	483,554	1,705,709
- BNI	-	638,751
- Others (each below US$10,000)	4,682	110
Sub-total	1,069,895	3,164,724

(Expressed in thousands of US Dollars, unless otherwise stated)

15. SHORT-TERM LOANS (continued)

	December 31, 2019	December 31, 2018
Third parties		
- HSBC Indonesia	174,181	67,075
- BTPN	20,826	160,396
- PT Bank Permata Tbk.	3,597	59,804
- PT Bank Mizuho Indonesia	-	203,272
- Citibank, N.A.	-	145,344
- PT ANZ Panin Bank Indonesia Tbk.	-	139,491
- BCA	-	118,934
- Deutsche Bank AG	-	93,970
- PT Bank DBS Indonesia	-	86,842
- SMBC	-	81,988
- PT Bank ICBC Indonesia	-	23,974
- Others (each below US$10,000)	1,553	1,221
Sub-total	200,157	1,182,311
Total	**1,270,052**	**4,347,035**

Other information related to the Group’s short-term bank loan facilities as of December 31, 2019 are as follows:

Lenders	Expiration date
Bank Mandiri	December 31, 2020
BNI	November 25, 2020
BRI	August 1, 2020
BNI Syariah	March 27, 2019
HSBC Indonesia	August 31, 2020
PT Bank UOB Indonesia	December 3, 2020
BTPN	March 29, 2020
PT Bank Permata Tbk.	August 27, 2020

Interest rates charged are based on market rates (e.g. Singapore Interbank Offered Rate (“SIBOR”) or London Interbank Offered Rate (“LIBOR”) plus certain percentage depending on negotiation at drawdown.

The interest rates on short-term loans for the years ended December 31, 2019 and 2018 are as follows:

	December 31, 2019	December 31, 2018
US Dollar	2.00% - 2.93%	2.76% - 3.71%
Rupiah	6.65% - 11.50%	7.25% - 11.50%

The funds received from short-term loans are to be used for working capital purposes.

(Expressed in thousands of US Dollars, unless otherwise stated)

16. TRADE PAYABLES - THIRD PARTIES

	December 31, 2019	December 31, 2018
US Dollar	4,044,954	3,215,103
Rupiah	507,476	374,194
Others	17,603	8,480
Total	**4,570,033**	**3,597,777**

The Group's trade payables are mainly related to purchases of crude oil, natural gas and petroleum products.

17. DUE TO THE GOVERNMENT

	December 31, 2019	December 31, 2018
The Company		
Conversion account (amount due to the Government for its share in the Indonesian crude oil production supplied to the Company's refineries)	827,783	961,481
Ulubelu and Lahendong geothermal project loan	253,310	253,310
Lumut Balai geothermal project loan	102,824	84,594
The Government's share in the domestic natural gas sales including its share of Indonesian gas production	17,219	36,889
Payable for purchase of the Government's share in the LPG production	4,460	11,358
Ngurah Rai Airport refuelling facility ("DPPU") construction project loan	3,816	4,505
Sub-total	1,209,412	1,352,137
Subsidiaries:		
PT Pertamina EP		
Government share of production	26,238	25,764
Finance lease liability - state-owned assets	83,999	81,815
PT Pertamina Hulu Energi		
Overlifting payables	20,080	37,878
PT Pertamina Hulu Indonesia		
Overlifting payables	18,272	109,126
PT Perusahaan Gas Negara Tbk.		
Loans for the construction of gas transmission pipelines from South Sumatra to West Java and distribution pipelines in West Java	344,217	352,971
Domestic Gas market development project loan	31,849	36,008
Gas transmission and distribution project phase II project loan	2,375	7,126
Sub-total	527,030	650,688
Total (Note 40)	**1,736,442**	**2,002,825**
Current portion	**(940,413)**	**(1,207,743)**
Non-current portion	**796,029**	**795,082**

(Expressed in thousands of US Dollars, unless otherwise stated)

17. DUE TO THE GOVERNMENT (continued)

a. Conversion account (Government debt on the portion of Indonesian crude oil production that enters the refineries)

The conversion account represents the Company's liability to the Government in relation to the shipment of the Government's share of Indonesian crude oil production to the Company's refineries for processing to meet the domestic demand for fuel products. The Government's share in the Indonesian crude oil production is derives from the work area of the PSC Contractor.

The movements of the conversion account are as follows:

	December 31, 2019	December 31, 2018
The Company		
Beginning balance	961,481	749,956
Addition :		
Current year's Government share in the Indonesian crude oil production delivered to the Company's refineries during the year	8,684,149	10,289,631
Deduction :		
Cash settlement	(8,614,115)	(10,029,737)
Gains on foreign exchange	(203,732)	(48,369)
Ending balance	**827,783**	**961,481**

b. Ngurah Rai Airport refueling facility ("DPPU") construction project loan

On May 7, 2007, the Government channelled a loan amounting to ¥1,172,872,837 (full amount) from the Overseas Economic Cooperation Fund Japan to the Company in relation to the construction of the Ngurah Rai Airport refuelling facility in accordance with the loan agreement dated November 29, 1994.

The loan is repayable in 36 semi-annual installments commencing in May 2007 through November 2024, and is subject to interest at the rate of 3.1% per annum. The outstanding loan balance as of December 31, 2019 and 2018 amounted to ¥414,577,362 (full amount) and ¥497,492,834 (full amount), or equivalent to US$3,816 and US$4,505.

c. Lumut Balai geothermal project loan

On March 29, 2011, the Loan Agreement ("LA") IP-557 was signed between the Government of Indonesia, represented by the Director General of Debt Management, Ministry of Finance, and Japan International Cooporation Agency ("JICA"), represented by the Chief Representative of JICA, with the Company as Executing Agency and PGE as Implementing Agency. The amount of the loan facility was ¥26,966,000,000 (full amount) with drawing period of eight years from the effective date with an effective rates at 0.3% p.a plus 0.3% p.a and 0.01% p.a plus 0.01% p.a, respectively.

Repayment of the loan principal will be on a semi-annual basis, on March 20, and September 20, commencing on March 20, 2021 to March 2051. The outstanding loan balance as of December 31, 2019, and 2018 amounted to ¥11,169,782,163 (full amount) and ¥9,343,033,479 (full amount), or equivalent to US$102,824 and US$84,594, respectively.

(Expressed in thousands of US Dollars, unless otherwise stated)

17. DUE TO THE GOVERNMENT (continued)

d. Ulubelu and Lahendong geothermal project loan

For the implementation of Ulubelu and Lahendong Geothermal Clean Energy Investment Project, the Company has obtained loans from the International Bank for Reconstruction and Development ("IBRD") as part of the World Bank Loan.

On December 5, 2011, LA 8082-ID and TF10417-ID were signed by the Government of Indonesia and IBRD with the Company as Executing Agency and PGE as Implementing Agency, with total amount of US$300,000 consisting of LA 8082-ID of US$175,000 and LA TF10417-ID amounting to US$125,000. Interest rate from World Bank is at LIBOR + 0.45% + 0.5% (bank charges) + variance spread annually, while interest rate from JICA is at 0.25% + 0.25%.

Repayment of the loan principal will be on a semi-annual basis, on April 10 and October 10, LA-8082-ID, commecing on October 10, 2020 until October 10, 2035 and LA TF10417-ID, October 10, 2021 until April 10, 2051.

The following are the oustanding loan balances as of December 31, 2019 and 2018:

	December 31, 2019	December 31, 2018
LA 8082-ID	129,044	129,044
LA TF10417-ID	124,266	124,266
Total	**253,310**	**253,310**

e. Finance lease liability - state-owned assets in PT Pertamina EP

In accordance with the Minister of Finance Decree dated May 2, 2008, assets previously owned by the former Pertamina Entity which have not been recognized in the opening balance sheet of the Company, represent state-owned assets ("BMN"), the control of which is exercised by the Directorate General of State Assets ("DJKN").

On September 20, 2016, the State Property Lease Agreements between the MoF and PT Pertamina EP No. PRJ-3-MK.6/2016 and No. 1307/EP0000/2016-S0 have been signed. With the signing of these agreements, management believes that the property lease payable for unutilized BMN, will not be charged by the Government since it was not included as part of the scope of the agreements. Therefore, in 2016, PT Pertamina EP made correction to the BMN lease payable for BMN which are not used by PT Pertamina EP.

The following table represents the total of finance lease payables for BMN which include installations, buildings and moveable equipment utilized in the PT Pertamina EP's oil and gas operations:

Lessor	Type of asset	December 31, 2019	December 31, 2018
The Ministry of Finance	Installation assets, buildings and moveable assets	83,999	81,815
Current portion		(1,426)	(1,180)
Non-current portion		**82,573**	**80,635**

(Expressed in thousands of US Dollars, unless otherwise stated)

17. DUE TO THE GOVERNMENT (continued)

e. Finance lease liability - state-owned assets in PT Pertamina EP (continued)

Future minimum lease payments as of December 31, 2019 and 2018 are as follows:

	December 31, 2019	December 31, 2018
Within one year	14,907	14,310
More than one year but not more than five years	59,626	71,550
More than five years	160,246	153,832
Total	234,779	239,692
Interest	(150,780)	(157,877)
Net	83,999	81,815
Current portion	(1,426)	(1,180)
Non-current portion	**82,573**	**80,635**

f. Overlifting payables

The overlifting payables represent subsidiaries' payable to SKK Migas as a result of subsidiaries' actual lifting crude oil and gas being higher than their entitlement for the respective year.

g. Loans for the construction of gas transmission pipelines from South Sumatera to West Java and distribution pipelines in West Java

On March 27, 2003, Japan Bank for International Cooperation ("JBIC") agreed to provide a loan to the Government for a total amount equivalent to ¥49,088,000,000 (full amount) to assist the Government in financing the construction of a gas transmission pipeline network from South Sumatera to West Java and a distribution pipeline in West Java.

On May 28, 2003, PGN and the Government entered into a Loan Forwarding Agreement No. SLA-1156/DP3/2003, where the Government continues this loan from JBIC with a total not exceeding ¥49,088,000,000 (full amount) to PGN.

For the years ended December 31, 2019 and 2018, PGN has paid installments of ¥1,591,118,000 (full amount) and ¥1,591,118,000 (full amount). Payments on the principal is made every six months on March 20 and September 15. Payments begin from March 20, 2013 to March 20, 2043. The loan balance as of December 31, 2019 and 2018 amounted to ¥37,391,273,000 (full amount) and ¥38,983,847,840 (full amount) or equivalent to US$344,217 and US$352,971.

h. Domestic gas market development project loan

Based on the loan agreement dated February 7, 2006, IBRD agreed to provide loan facility to the Government an aggregate amount equivalent to US$80,000 to assist the Government in financing the Domestic Gas Market Development Project.

On April 3, 2006, PGN and the Government entered into the related Subsidiary Loan Agreement, which provides for the Government's relending of the IBRD loan proceeds of US$80,000 to PGN, which shall undertake the Project.

In December 2011, the loan facility amount was changed to US$69,381. On November 14, 2013, PGN received Letter No. 5786/PU/2013 from the Directorate General of Debt Management, Ministry of Finance of the Republic of Indonesia, regarding the approval of the cancellation of the remaining loan facilities of US$7,616 starting from February 1, 2013. Loan balances as of December 31, 2019 and 2018 were US$31,849 and US$36,008, respectively.

(Expressed in thousands of US Dollars, unless otherwise stated)

17. DUE TO THE GOVERNMENT (continued)

i. Gas transmission and distribution project phase II project loan

On September 15, 2000, PGN and the Government entered into a Loan Agreement, which provides for the Government's relending of the EIB loan proceeds not exceeding €70,000,000 (full amount) to PGN as part of the financing of the Gas Transmission and Distribution Project Phase II.

As of December 31, 2019 and 2018, PGN has fulfilled all financial ratios required in the loan agreement.

For the years ended December 31, 2019 and 2018, PGN has paid installments in each year of US$4,751. The loan balance as of December 31, 2019 and 2018 amounted to US$2,375 and US$7,126, respectively.

j. Disparity of Selling Price JBKP Premiun in 2016

As of December 31, 2017, the Company recorded a disparity of selling price of JBKP Premium in 2016 which caused an excess revenue of Rp2.37 trillion (equivalent to US$174,907 as of December 31, 2017) (the value before VAT and PBBKB) in accordance with the LHP BPK No.39/AUDITAMA VII/PDTT/ 11/2017 dated November 13, 2017.

On June 8, 2018, the Government through the MoF issued a letter No. S-100/MK.2/2018 concerning Submission of the Following-Up of the BPK RI Recommendations in the LHP on the Central Government Financial Report ("LKPP") and the State General Treasurer ("LKBUN") Financial Statements of 2015-2017 and LHP of Examination With Specific Purposes to the MoF in 2015-2016, stating that the excess revenue of JBKP Premium sales in 2016 was recognized as excess revenue for the Company. This resulted in amount of Rp2.37 trillion or equivalent to US$178,070 which was previously recorded as due to Government that corrected to other operating activities revenue in 2018 (Note 30).

18. ACCRUED EXPENSES

	December 31, 2019	December 31, 2018
Suppliers and contractors	1,586,318	1,069,409
Bonuses, incentives, and salaries	468,305	441,536
Estimated owned retention claim	379,836	286,508
Employee benefit liabilities due within one year (Note 21b)	246,244	232,994
Interest on loans	117,978	105,062
Total	**2,798,681**	**2,135,509**

19. LONG-TERM LIABILITIES

	December 31, 2019	December 31, 2018
Bank loans:		
Government-related entities (Note 40)	172,874	179,361
Third parties	1,778,353	1,891,264
	1,951,227	2,070,625
Issuance costs, net	(3,082)	(4,775)
Total bank loans, net	1,948,145	2,065,850
Finance leases	171,993	160,027
Total long-term liabilities	**2,120,138**	**2,225,877**
Current portion	**(573,726)**	**(420,577)**
Long-term liabilities - net of current portion	**1,546,412**	**1,805,300**

(Expressed in thousands of US Dollars, unless otherwise stated)

19. LONG-TERM LIABILITIES (continued)

Annual interest rates on bank loans during 2019 and 2018 are as follows:

	December 31, 2019	December 31, 2018
Rupiah	7.58% - 10.50%	2.35% - 13.00%
US Dollar	1.37% - 4.65%	1.37% - 5.60%

a. Bank loans

Details of the Group's syndicated and bank loans as of December 31, 2019 and 2018 are as follows:

	December 31, 2019		
	Total	**Current**	**Non-current**
Government-related entities			
Bank Mandiri	7,671	3,496	4,175
Bank Syariah Mandiri	7,371	3,359	4,012
BNI Syariah	5,976	343	5,633
PT Sarana Multi Infrastruktur (Persero)	150,000	-	150,000
BNI	1,856	323	1,533
Third parties			
The Bank of Tokyo-Mitsubishi UFJ, Ltd. ("BOTM") (syndicated loan)	1,282,803	485,119	797,684
HSBC Bank USA, National Association	316,000	-	316,000
SMBC (syndicated loan)	59,697	10,601	49,096
BTPN	61,027	10,492	50,535
PT Bank ICBC Indonesia	58,826	17,235	41,591
Total	**1,951,227**	**530,968**	**1,420,259**

	December 31, 2018		
	Total	**Current**	**Non-current**
Government-related entities			
Bank Mandiri	19,753	10,043	9,710
Bank Syariah Mandiri	9,330	-	9,330
BRI	181	181	-
BNI Syariah	97	70	27
PT Sarana Multi Infrastruktur (Persero)	150,000	-	150,000
Third parties			
BOTM (syndicated loan)	1,609,539	333,569	1,275,970
SMBC (syndicated loan)	199,318	10,601	188,717
PT Bank Sumitomo Mitsui Indonesia	67,407	9,083	58,324
PT Bank ICBC Indonesia	15,000	-	15,000
Total	**2,070,625**	**363,547**	**1,707,078**

(Expressed in thousands of US Dollars, unless otherwise stated)

19. LONG-TERM LIABILITIES (continued)

a. Bank loans (continued)

Other information on the Group's syndicated and bank loans as of December 31, 2019 is as follows:

Creditors	Repayment schedule
The Company	
SMBC (Long-term loan)	Several instalments (2016-2025)
Other Financial Institutions	
PT Sarana Multi Infrastruktur (Persero)	
(Long-term loan)	Several instalments (2015-2025)
BOTM	Several instalments (2016-2021)
Subsidiaries	
BNI Syariah	
PT Pertamina Trans Kontinental	Several instalments (2018-2025)
BTPN	
PT Pertamina Trans Kontinental	Several instalments (2016-2025)
BOTM	
PT Pertamina Trans Kontinental	Several instalments (2017-2022)
BOTM (syndicated loan)	
PT Pertamina Internasional Eksplorasi dan Produksi	Several instalments (2020-2023)
Bank Syariah Mandiri	
PT Pertamina International Shipping	Several instalments (2018-2025)
Bank Mandiri	
PT Pertamina International Shipping	Several instalments (2018-2025)
PT Bank ICBC Indonesia	
PT Elnusa Tbk.	Several instalments (2018-2023)
HSBC Bank USA, National Association	
PT Pertamina EP Cepu	Several instalments (2019-2034)

These bank loans are obtained to finance the capital expenditures of the Company's and/or Subsidiaries' projects, general activities and certain costs relating to the agreement.

As specified by the loan agreements, the borrowers are required to comply with certain covenants, such as financial ratio covenants, no substantial change in the general business of the Company and/or Subsidiaries and not entering into mergers.

The certain subsidiaries' long-term bank loans are collateralised by those subsidiaries' receivables (Note 7) and fixed assets (Note 12).

On December 12, 2017, Etablissements Maurel et Prom, SA entered into a syndicated loan agreement with 2 (two) national banks and 7 (seven) overseas banks. The Bank of Tokyo Mitsubishi UFJ, Ltd., Hong Kong Branch acting as Facility Agent. The syndicated loan facility amount is US$600,000 which bears interest at LIBOR plus 1.5% and shall be repaid on a quarterly basis starting March 2020 to December 2023.

Prior to effective date of the above syndicated loan agreement, on December 11, 2017, as required by syndicated loan agreement, PT Pertamina Internasional Eksplorasi dan Produksi ("PIEP"), as Sponsor, Maurel et Prom West Africa SA, as Borrower, and The Bank of Tokyo Mitsubishi UFJ, Ltd. Hongkong Branch as Facility Agent, signed the Sponsor Support Agreement. This Agreement stipulates that if the Borrower fails to fulfill its obligations (Borrower Non-Payment), the Borrower must immediately submit the Sponsor Loan Request Notice to the Sponsor, and the Sponsor is obligated to provide funds to the Borrower for all unsettled obligations including outstanding interest payable. On December 11, 2017, the Company has issued a comfort letter as required in the syndicated bank facilities as discussed above, but this does not consitute a guarantee in respect of the obligation of PIEP under Sponsor Support Agreement and the Company shall not be construed acting as a guarantor.

(Expressed in thousands of US Dollars, unless otherwise stated)

19. LONG-TERM LIABILITIES (continued)

a. Bank loans (continued)

As of December 31, 2019 and 2018, the Group complied with the covenants as required by the loan agreements.

b. Finance leases

This account represents the Group's minimum lease payments in the future from financing lease transactions for LPG Bulk Filling and Transportation Stations ("SPPBE"), landing craft transports, BBM and LPG Tanker cars, computer servers, gas pipelines installations and LPG plants. This account represents the Group's minimum future lease payments from finance lease transactions for SPPBE, landing craft transports, BBM and LPG Tanker Trucks, computer servers, gas pipelines installations and LPG plants.

Future minimum lease payments as of December 31, 2019 and 2018 are as follows:

	December 31, 2019	December 31, 2018
Within one year	57,508	84,137
Within more than one year but not more than five years	132,106	115,474
More than five years	28,739	32,487
Total	218,353	232,098
Less: Interest	(46,360)	(72,071)
Net	171,993	160,027
Current portion	(44,525)	(58,722)
Non-current portion	**127,468**	**101,305**

20. BONDS PAYABLE

	December 31, 2019	December 31, 2018
The Company:		
Senior obligations		
Issued in 2011		
Due in 2021	1,000,000	1,000,000
Due in 2041	500,000	500,000
Issued in 2012		
Due in 2022	1,242,000	1,242,000
Due in 2042	1,221,590	1,221,590
Issued in 2013		
Due in 2023	1,615,000	1,615,000
Due in 2043	1,433,261	1,433,261
Issued in 2014		
Due in 2044	1,500,000	1,500,000
Issued in 2018		
Due in 2048	750,000	750,000
Issued in 2019		
Due in 2029	750,000	-
Due in 2049	750,000	-
Total	10.761.851	9,261,851

(Expressed in thousands of US Dollars, unless otherwise stated)

20. BONDS PAYABLE (continued)

	December 31, 2019	December 31, 2018
Discount	(65,654)	(65,654)
Issuance cost	(30,350)	(27,425)
Amortization of discount and issuance cost	34,004	28,754
Bonds payable owned by subsidiaries:	(46,750)	(62,000)
Total the Company	**10,653,101**	**9,135,526**
PGN and its subsidiaries:		
Senior obligations		
PGN	1,350,000	1,350,000
PT Saka Energi Indonesia ("SEI")	625,000	625,000
Discount and issuance cost (net)	(13,608)	(16,430)
Total the subsidiaries	**1,961,392**	**1,958,570**
Total bonds payable	**12,614,493**	**11,094,096**

Other information on the Company's bonds payable as of December 31, 2019 is as follows:

	Nominal issued amount	Issuance price	Starting date	Maturity date	Trustee	Interest rate
The Company:						
Issued in 2011						
Due in 2021	1,000,000	98.097%	May 23, 2011	May 23, 2021	HSBC Bank USA, N.A	5.25%
Due in 2041	500,000	98.380%	May 27, 2011	May 27, 2041	HSBC Bank USA, N.A	6.50%
Issued in 2012						
Due in 2022	1,250,000	99.414%	May 3, 2012	May 3, 2022	HSBC Bank USA, N.A	4.88%
Due in 2042	1,250,000	98.631%	May 3, 2012	May 3, 2042	HSBC Bank USA, N.A	6.00%
Issued in 2013						
Due in 2023	1,625,000	100.000%	May 20, 2013	May 20, 2023	The Bank of New York Mellon	4.30%
Due in 2043	1,625,000	100.000%	May 20, 2013	May 20, 2043	The Bank of New York Mellon	5.63%
Issued in 2014						
Due in 2044	1,500,000	100.000%	May 3, 2014	May 30, 2044	The Bank of New York Mellon	6.45%
Issued in 2018						
Due in 2048	750,000	98.061%	Nov. 7, 2018	Nov. 7, 2048	The Bank of New York Mellon	6.50%
Issued in 2019						
Due in 2029	750,000	100.000%	July 30, 2019	July 30, 2029	The Bank of New York Mellon	3.65%
Due in 2049	750,000	100.000%	July 30, 2019	July 30, 2049	The Bank of New York Mellon	4.70%
Subsidiary:						
Issued in 2014						
Due in 2024	1,350,000	99.037%	May 12, 2014	May 16, 2024	The Bank of New York Mellon	5.13%
Issued in 2017						
Due in 2024	625,000	100.000%	April 26, 2017	May 5, 2024	Citicorp International Limited	4.45%

The Company

The Indenture stipulates that:

- No later than 30 days following the occurrence of an event in which the Government of Indonesia ceases to own, directly or indirectly, more than 50% of the voting securities of the Company (Change of Control Triggering Event), the Company may be required to make an offer to repurchase all senior notes outstanding at a purchase price equal to 101% of their principal amount plus accrued and unpaid interest, if any, to the date of repurchase. The senior notes are subject to redemption in whole, at 100% of their principal amount, together with any accrued interest, at the option of the Company at a certain time in the event of certain changes affecting Indonesian taxation.

- Certain covenants include among others: limitation on liens, limitation on sale and lease back transactions and provision of financial statements and other reports.

- The Company complied with the restrictions specified within the agreements with the Trustee.

20. BONDS PAYABLE (continued)

The Company (continued)

The Indenture stipulates that: (continued)

- The proceeds from senior notes issued were used to partially fund the capital expenditure requirements in the acquisition of new blocks, development of existing blocks, rig purchase and tanker building.

As of December 31, 2019, the Company was rated as Baa2 with a stable outlook by Moody's Investors Service, BBB with a stable outlook by Fitch Ratings and BBB- with a stable outlook by Standard & Poor's.

During 2019, the Company did no purchase back portions of senior bonds (2018: US$37,649).

Subsidiaries:

- PGN Senior unsecured fixed rate notes
  In connection to these bonds, the Company is restricted in conducting consolidation, merger, transfer, lease, or disposal of all assets. Based on moody's investors services, S&P and Fitch Rating the bonds were rated at Baa2, BBB-, and BBB-, respectively.

- SEI senior unsecured fixed rate notes
  SEI is not required to make sinking fund payments related to these bonds. Based on Moody's Investors Services, S&P and Fitch Rating the bonds were rated at Ba2, BB, and BB+, respectively.

21. EMPLOYEE BENEFIT LIABILITIES

a. Post-employment benefit plans and other long-term employee benefits

The Company and certain Subsidiaries have post-employment benefit plans and provide other long-term employee benefits as follows:

1. Post-employment benefit plans

(i) Defined benefit plan managed by Dana Pensiun Pertamina

The Company and certain Subsidiaries received approval from the Minister of Finance of the Republic of Indonesia in Decision Letter No. S-190/MK.6/1977 dated July 15, 1977 to establish a separate pension fund, Dana Pensiun Pertamina, from which all employees, after serving a qualifying period, are entitled to defined benefits upon retirement, disability or death, and also post-employment medical benefits. The Defined Benefit Plans ("PPMP") cover employees who were hired before year 2005.

(ii) Post-retirement healthcare benefits

The post-retirement healthcare benefits involve the Company's retired employees and their spouses that had minimum 15 years of services with minimum age of 46 years old.

(iii) Severance and service pay ("PAP")

PAP benefits consist of additional benefits for employees to which they are entitled when they enter the pension age and in the event of permanent disability, death, or voluntary resignation.

(Expressed in thousands of US Dollars, unless otherwise stated)

21. EMPLOYEE BENEFIT LIABILITIES (continued)

2. Other long-term employee benefits plan

The Company provides other long-term employee benefits in the form of pre-retirement benefits ("MPPK"), repatriation costs, annual leave, the Mandiri Guna I Insurance Program and service anniversaries, except for the insurance program benefit.

3. Employees' savings plan

The Company and certain Subsidiaries (collectively referred to as the Participants) operate an Employees' Savings Plan ("TP") in the form of a defined contribution plan, in which the savings will be received by employees at the end of their service period. All employees' savings program funds are currently managed by Financial Institution Pension Fund ("DPLK").

b. Provision for employee benefits

The estimated employee benefits obligations of the Company and most of its Subsidiaries as of December 31, 2019 and 2018 were determined based on the valuation reports of an independent actuary, PT Dayamandiri Dharmakonsilindo, dated April 29, 2020. The table below presents a summary of the employee benefits obligations reported in the consolidated statements of financial position:

	December 31, 2019	December 31, 2018
The Company:		
Pension and other post-employment benefits:		
- PPMP	167,066	142,585
- Post-retirement healthcare benefits	849,411	786,489
- PAP	750,210	718,902
- Repatriation costs	5,953	5,423
Sub-total	1,772,640	1,653,399
Other long-term employee benefits:		
- MPPK	93,759	104,428
- Annual leave and service anniversary	4,440	10,035
Sub-total	98,199	114,463
Total - Company	1,870,839	1,767,862
Subsidiaries:		
Pension and other post-employment benefits	369,794	315,515
Total consolidated	**2,240,633**	**2,083,377**
Current portion (Note 18)	(246,244)	(232,994)
Non-current portion	**1,994,389**	**1,850,383**

(Expressed in thousands of US Dollars, unless otherwise stated)

21. EMPLOYEE BENEFIT LIABILITIES (continued)

c. Changes in present value of post-employment benefit obligations and fair value of plan assets

The following tables summarize the components of net benefit expense recognized in the statement of profit or loss and other comprehensive income and the funded status and amounts recognized in the statement of financial position for the respective plans ended December 31, 2019 and 2018 are as follows:

i. Post-employment benefit obligations

	December 31, 2019						
	PPMP						
	Present value of post-employment benefit obligations	Fair value of plan assets	Post-employment benefit obligations	Post-retirement healthcare benefits	PAP	Repatriation cost	Total
Beginning balance	674,493	(531,908)	142,585	786,489	718,902	5,423	1,653,399
Current service cost (Contribution from employee)	2,651	(899)	1,752	19,505	46,960	346	68,563
Past service cost	-	-	-	847	-	-	847
Interest expense (income)	55,368	(45,543)	9,825	69,061	53,713	420	133,019
Sub-total amounts recognized in profit or loss	**58,019**	**(46,442)**	**11,577**	**89,413**	**100,673**	**766**	**202,429**
Actuarial (gain) loss arising from:							
Changes in financial assumptions	53,062	16,320	69,382	128,674	55,953	437	254,446
Experience adjustments	(1,880)	-	(1,880)	(162,147)	28,457	(266)	(135,836)
Sub-total Expense (income) recognized in other comprehensive income	**51,182**	**16,320**	**67,502**	**(33,473)**	**84,410**	**171**	**118,610**
Benefits paid from plan asset	(67,710)	67,710	-	-	(26,345)	-	(26,345)
Benefit paid by the Company	-	-	-	(26,355)	(157,448)	(639)	(184,442)
Contribution to plan by the Company	-	(60,869)	(60,869)	-	-	-	(60,869)
Loss (gain) on foreign currency exchange	28,875	(22,604)	6,271	33,337	30,018	232	69,858
Ending balance	**744,859**	**(577,793)**	**167,066**	**849,411**	**750,210**	**5,953**	**1,772,640**

(Expressed in thousands of US Dollars, unless otherwise stated)

21. EMPLOYEE BENEFIT LIABILITIES (continued)

c. Changes in present value of post-employment benefit obligations and fair value of plan assets (continued)

i. Post-employment benefit obligations (continued)

	December 31, 2018						
	PPMP						
	Present value of post-employment benefit obligations	Fair value of plan assets	Post-employment benefit obligations	Post-retirement healthcare benefits	PAP	Repatriation cost	Total
Beginning balance	790,740	(589,750)	200,990	924,654	900,396	8,480	2,034,520
Current service cost (Contribution from employee)	3,935	(1,057)	2,878	27,061	48,428	405	78,772
Interest expense (income)	55,823	(42,502)	13,321	67,111	50,139	542	131,113
Sub-total amounts recognized in profit or loss	**59,758**	**(43,559)**	**16,199**	**94,172**	**98,567**	**947**	**209,885**
Actuarial (gain) loss arising from:							
Changes in financial assumptions	(67,025)	36,386	(30,639)	(256,537)	(85,986)	(676)	(373,838)
Experience adjustments	2,452	-	2,452	117,720	31,520	(1,715)	149,977
Sub-total Expense (income) recognized in other comprehensive income	**(64,573)**	**36,386**	**(28,187)**	**(138,817)**	**(54,466)**	**(2,391)**	**(223,861)**
Benefits paid from plan asset	(61,562)	61,562	-	-	-	-	-
Benefit paid by The Company	-	-	-	(35,241)	(169,620)	(1,107)	(205,968)
Contribution to plan by the Company	-	(34,218)	(34,218)	-	-	-	(34,218)
Loss (gain) on foreign currency exchange	(49,870)	37,671	(12,199)	(58,279)	(55,975)	(506)	(126,959)
Ending balance	**674,493**	**(531,908)**	**142,585**	**786,489**	**718,902**	**5,423**	**1,653,399**

Unfunded Defined Benefit Pension Plan (“PPMP”) will be settled or paid by the Company in accordance with applicable regulations.

The actual return on plan assets as of December 31, 2019 and 2018 amounted to US$29,223 and US$6,116, respectively.

(Expressed in thousands of US Dollars, unless otherwise stated)

21. EMPLOYEE BENEFIT LIABILITIES (continued)

c. Changes in present value of post-employment benefit obligations and fair value of plan assets (continued)

ii. Other long-term employment benefits

	December 31, 2019			December 31, 2018		
	MPPK	**Annual leave and service anniversary**	**Total**	**MPPK**	**Annual leave and service anniversary**	**Total**
Beginning balance	104,428	10,035	114,463	129,278	16,063	145,341
Current service cost	5,467	560	6,027	6,743	3,866	10,609
Past service cost	-	(6,567)	(6,567)	-	-	-
Interest cost	7,995	305	8,300	7,995	802	8,797
Actuarial (gain)	(27,408)	(136)	(27,544)	(18,078)	(3,605)	(21,683)
Sub-total benefit cost recognized in the profit or loss	**(13,946)**	**(5,838)**	**(19,784)**	**(3,340)**	**1,063**	**(2,277)**
Benefits paid by the Company	(822)	(69)	(891)	(13,453)	(6,138)	(19,591)
Gain (loss) on foreign exchange	4,099	312	4,411	(8,057)	(953)	(9,010)
Ending balance	**93,759**	**4,440**	**98,199**	**104,428**	**10,035**	**114,463**

d. Actuarial assumptions

Significant actuarial assumptions applied in the calculation of post-employment benefit obligations and other long-term employment benefits for the Company are as follows:

	December 31, 2019	**December 31, 2018**
Discount rate:		
- Defined benefits plan administered by Dana Pensiun Pertamina per annum	7.34% per annum	8.41% per annum
- PAP	7.12% per annum	8.12% per annum
- Post-retirement healthcare benefits	8.21% per annum	8.77% per annum
- Repatriation cost	7.94% per annum	8.29% per annum
- MPPK	7.95% per annum	8.27% per annum
- Annual leave	N/A	7.39% per annum
- Service anniversary	7.75% per annum	8.30% per annum
Gold inflation rate	7.00% per annum	8.00% per annum
Salary increases	9.50% per annum	9.50% per annum
Annual medical expense trend	8.00% per annum afterwards	8.00% per annum afterwards
Demographic factors:		
- Mortality	Tabel Mortalita Indonesia 3-2011 (“TMI 3” 2011)	Tabel Mortalita Indonesia 3-2011 (“TMI 3” 2011)
- Disability	0.75% TMI 3	0.75% TMI 3
- Resignation		
until 20 years of age (per annum)	1%	1%
26 - 45 years of age (per annum)	reducing linearly to 0% until 56 years of age	reducing linearly to 0% until 56 years of age
- Pension:	100% at normal retirement age	100% at normal retirement age
- Normal retirement age	56 years	56 years
- Operational costs of the pension plan:	8% of service cost and 2.11% of benefits payments	8% of service cost and 2.11% of benefits payments

(Expressed in thousands of US Dollars, unless otherwise stated)

21. EMPLOYEE BENEFIT LIABILITIES (continued)

d. Actuarial assumptions (continued)

Investment portfolio of plan assets comprises the following:

	December 31, 2019		December 31, 2018	
	Investment value	%	Investment value	%
Equity instruments	113,924	18%	154,253	29%
Debt instruments	317,112	50%	218,082	41%
Others	203,502	32%	159,573	30%
Total	**634,538**	**100%**	**531,908**	**100%**

The expected return on plan assets is determined by considering the expected returns from the assets based on current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as of the reporting date. Expected returns on equity and investment properties reflect long-term real rates of return experienced in the respective markets.

Expected contributions to post-employment benefit plans for the year ended December 31, 2019 and 2018 amounted to US$62,067 and US$31,166, respectively.

The qualitative sensitivity analysis for significant assumptions as of December 31, 2019 is as follows:

	Effect of 1% increase to defined benefit obligation	Effect of 1% decrease to defined benefit obligation
Discount rate	(214,111)	250,537
Salary rate	56,630	(70,854)
Healthcare cost trend rate	148,765	(114,528)

The average duration years of the Company's defined benefits plan obligation at the end of the reporting period are as follows:

	December 31, 2019	December31, 2018
PPMP	9.17	14.35
PAP	7.74	5.98
Post-retirement healthcare benefits	23.12	17.84

The maturity profile of post-employment benefits obligation as of December 31, 2019 and 2018 are as follows:

	December 31, 2019	December 31, 2018
Within 1 year	246,031	266,405
2 - 5 years	782,439	791,955
More than 5 years	21,129,278	22,500,076
Total	**22,157,748**	**23,558,436**

(Expressed in thousands of US Dollars, unless otherwise stated)

21. EMPLOYEE BENEFIT LIABILITIES (continued)

d. Actuarial assumptions (continued)

Management believes that the estimated liabilities for employee benefits from all of the Group's pension programs, based on the estimated calculation provided by the actuaries, exceed the minimum liability that is required by Labour Law No. 13/2003.

22. PROVISION FOR DECOMMISIONING AND SITE RESTORATION

The movements in the provision for decommissioning and site restoration are as follows:

	December 31, 2019	December 31, 2018
Beginning balance	2,029,735	2,129,337
Addition (deduction), net	342,530	(186,637)
Accretion expense (Notes 37 and 45)	86,640	87,035
Ending balance	**2,458,905**	**2,029,735**

The addition (deduction) mainly represents the changes in estimate in decommissioning and site restoration applied by the Group.

23. NON-CONTROLLING INTERESTS

	December 31, 2019	December 31, 2018
PT Perusahaan Gas Negara Tbk.	1,702,053	1,397,957
PT Pertamina Internasional Eskplorasi dan Produksi	340,025	333,294
PT Asuransi Tugu Pratama Indonesia Tbk.	228,896	143,831
PT Elnusa Tbk.	151,958	134,790
PT Patra Jasa	14,139	-
Pertamina International Timor S.A.	1,415	1,447
Total	**2,438,486**	**2,011,319**

24. SHARE CAPITAL AND ADDITIONAL PAID-IN CAPITAL

a. Share capital

In accordance with Notarial Deed No. 20 dated September 17, 2003 of Lenny Janis Ishak, S.H., and the decision of the MoF through Decision Letter No. 408/KMK.02/2003 (KMK 408) dated September 16, 2003, the Company's authorized capital amounted to Rp200 trillion, which consists of 200,000,000 ordinary shares with a par value of Rp1,000,000 (full amount) per share of which Rp100 trillion has been issued and paid by the Government of the Republic of Indonesia through the transfer of identified net assets from the former Pertamina Entity, including its subsidiaries and its joint ventures.

(Expressed in thousands of US Dollars, unless otherwise stated)

24. SHARE CAPITAL AND ADDITIONAL PAID-IN CAPITAL (continued)

a. Share capital (continued)

Based on the MoF's Decision Letter No. 23/KMK.06/2008 dated January 30, 2008, regarding the Determination of the Opening Balance Sheet of PT Pertamina (Persero) as of September 17, 2003, the total amount of the Government's equity ownership in the Company is Rp82,57 trillion or equivalent to US$9,809,882. This amount consists of all of the former Pertamina Entity's net assets and net liabilities excluding LNG plants operated by PT Badak Natural Gas Liquefaction and PT Arun Natural Gas Liquefaction, former upstream assets currently operated by PT Pertamina EP, and certain parcels of land and building assets.

The changes in the Company's issued and paid-up share capital from Rp100 trillion to Rp82,57 trillion or equivalent to US$9,809,882 were approved at a GMS held on June 15, 2009 and was documented in Notarial Deed No. 11 of Lenny Janis Ishak, S.H. The amendment was documented in Notarial Deed No. 4 dated July 14, 2009 of Lenny Janis Ishak, S.H. and approved by the Minister of Law and Human Rights of the Republic of Indonesia in Decision Letter No. AHU-45429.AH.01.02.Tahun 2009 dated September 14, 2009. The reduction in the Company's issued and paid-up share capital is effective retrospectively as of September 17, 2003.

As of August 1, 2012, there were additional share capital contributions documented in Notarial Deed No. 1 of Lenny Janis Ishak, S.H. in the amount of Rp520,92 billion (equivalent to US$55,019) and based on PP No. 13 Year 2012 regarding the Addition to the Government's Capital Contribution to Share Capital of State Enterprise (Persero) PT Pertamina.

Based on the GMS dated December 14, 2015, the MoSOE approved the capitalization of retained earnings into share capital amounting to Rp50 trillion with 50,000,000 shares (full amount) (equivalent to US$3,552,146).

Subsequently, advances for share issuance was capitalized as an addition to issued and paid-up share capital through Notarial Deed No. 10 dated January 11, 2016 of Lenny Janis Ishak, S.H.

The additional issued and paid-up share capital was reported to the Minister of Law and Human Rights through Receipt of Notification regarding the Amendment of Articles of Association No. AHU-AH.01.3-0003113 dated January 15, 2016.

The increase in the Company's authorized capital from Rp200 trillion to Rp600 trillion has been approved by the MoSOE as the GMS of the Company through Approval letter No.S-217/MBU/04/2018 dated April 11,2018 and was documented in Notarial Deed No. 29 dated April 13, 2018 of Aulia Taufani, S.H., and also approved by the Minister of Law and Human Rights of the Republic of Indonesia in Decision Letter No. AHU-0052766.01. Year 2018 dated April 13, 2018 (Note 4a).

As of December 31, 2019 and 2018, the Company's issued and paid-up share capital were as follows:

Shareholder	Number of isssued and paid-up shares (full amount)	Percentage of ownership	Issued and paid up share capital
December 31, 2019 and 2018			
The Government of the Republic of Indonesia	171,227,044	100%	16,191,204

b. Additional paid-in capital

The additional paid-in capital as of December 31, 2019 and 2018 is the effect of applying SFAS 38, Business Combination of Entities Under Common Control (Revised 2012), to recognize the difference between the consideration received/transferred and the amount recorded.

(Expressed in thousands of US Dollars, unless otherwise stated)

25. GOVERNMENT CONTRIBUTED ASSETS PENDING FINAL CLARIFICATION OF STATUS ("BPYBDS")

a. Refuelling apron installation at Sultan Hasanuddin-Makassar Airport and fuel hydrant facilities at Juanda-Surabaya Airport

Based on Memorandum of Operational Acceptances ("MOACs") No. 05/BA/MKS-HND/XII/2011, No. AU/14525/KEU.1227/XII/2011, No. BA084/F100000/2011-S3 and MOACs. No. 005/F00000/2012-S0, No. BA.125 Year 2012, No. 0573/B3/KOBU/IV/2012 from the Ministry of Transportation, the Company obtained management and operation rights of Refuelling Apron Installation at Sultan Hasanuddin Airport-Makassar and Fuel Hydrant Facilities at Juanda Airport-Surabaya, resulting in the balance of this account of Rp12,453 million (equivalent to US$1,361) (Note 14).

b. Natural gas distribution network ("Jargas") for households and gas refueling stations ("SPBG") and supporting infrastructure

As of December 31, 2018, the Company and Secretary General of the Directorate of Oil and Gas of the Ministry of Energy and Mineral Resources as the proxy of budget / goods users have signed the Minutes of Handover of Operations Use ("BASTO") BMN in the form of Distribution Network ("Jargas") Natural Gas for Households Number BA-05/C00000/2018-S0 and Gas Filling Stations ("SPBG") and Infrastructure Supporting Number BA-06/C00000/2018-S0. The total value of BMN assets in the form of land and non-land assets with categories of operating and non-operating assets is Rp5.8 trillion (equivalent to US$399,759), currently these assets are managed by PT Pertagas Niaga and PGN.

Based on the results of the discussion between the Ministry of Finance, the Ministry of Energy and Mineral Resources, the Financial and Development Supervisory Agency ("BPKP"), and the Company, it is agreed that BASTO was recorded and treated as BPYBDS and recorded in other asset accounts. Based on the results of the review of BPKP, the free and clear assets of Jargas and SPBG will be recommended for next process as the State Capital Participation ("PMN"), and for non-free and non-clear assets will be evaluate for their performance on periodic basis and process for PMN will be conducted on partially basis in accordance with its performance evaluation results.

On July 1, 2019, the BPKP issued a Review Report Number LHR-91 / D102 / 2/2019 on the Ministry of Energy and Mineral Resources Assets to be recommended as PMN with the conclusion of total assets of Rp5.8 trillion (equivalent with US$399,759), with the following asset classification.

No	Asset Classification	Amount (in thousand rupiahs)	Total (In US$)
1	Cannot be recommended as a PMN	36,324,842	2,509
2	Recommended as PMN without notes	2,102,881,621	145,217
3	Recommended as PMN with notes	3,367,200,049	232,525
4	Has not been reviewed yet	132,708,504	9,164
5	Difference between realized value and BASTO	149,793,262	10,344
	Jumlah	**5,788,908,278**	**399,759**

(Expressed in thousands of US Dollars, unless otherwise stated)

25. GOVERNMENT CONTRIBUTED ASSETS PENDING FINAL CLARIFICATION OF STATUS ("BPYBDS") (continued)

b. Natural gas distribution network ("Jargas") for households and gas refueling stations ("SPBG") and supporting infrastructure (continued)

On May 2, 2020, the Company and the Secretary of the Directorate General of Oil and Gas of the MoEMR as the proxy of related assets signed the Memorandum of Transfer of Administration of the Natural Gas Distribution Network for Households for the 2009-2017 Fiscal Year ("Jargas") and the Gas Refueling Station and Supporting Infrastructure for Fiscal Year 2011-2016 ("SPBG") No. 0010/BAST/95/KPB/2020. Based on such Minutes, it is agreed that the Company will hand over the administration of Jargas and SPBG assets with classification other than can be recommneded as PMN without notes amounting to Rp3.68 trillion (equivalent to US$254,542) to the MoEMR, therefore as of December 31, 2019 the Company's BPYBDS Jargas and SPBG assets recorded is assets with classification can be recommeded as PMN without notes amounting to Rp2.1 trillion (equivalent to US$145,217) as of December 31, 2019 (Note 14).

26. RETAINED EARNINGS AND INTERIM DIVIDEND

On May 2, 2018, the Company held a GMS for the fiscal year 2017. Based on the minutes of meeting, the shareholder approved, among other things, the utilization of 2017 net income of the Company to be as follows:
- Distribution of dividends amounting to Rp8.57 trillion (equivalent to US$614,939)
- The remaining amount of US$1,925,256 were reserved to support operations and corporate development.

On May 31, 2019, the Company held a GMS for the fiscal year 2018. Based on the minutes of meeting, the shareholder approved, among other things, the utilization of 2018 net income of the Company to be as follows:
- Distribution of dividends amounting to Rp7.95 trillion (equivalent to US$552,659)
- The remaining amount were reserved to support operations and corporate development.

27. DOMESTIC SALES OF CRUDE OIL, NATURAL GAS, GEOTHERMAL ENERGY AND OIL PRODUCTS

	For the years ended December 31,	
	2019	**2018**
Pertamax, Pertamax Turbo, Pertalite and Pertadex (diesel oil)	11,272,222	11,215,914
Automotive diesel oil ("ADO")	10,516,058	10,713,543
LPG, petrochemicals, lubricants and others	8,196,776	8,201,023
Premium gasoline	4,914,915	4,509,233
Avtur and Avigas	3,408,584	3,955,434
Natural gas	2,754,717	3,196,038
Crude oil	793,372	917,333
Geothermal energy-steam and electricity	654,273	645,593
Industrial/Marine Fuel Oil ("IFO/MFO")	603,971	639,575
DMO fees-crude oil	548,204	612,953
Kerosene	112,656	123,894
Industrial diesel oil ("IDO")	7,762	11,978
Total	**43,783,510**	**44,742,511**

(Expressed in thousands of US Dollars, unless otherwise stated)

28. SUBSIDY REIMBURSEMENTS FROM THE GOVERNMENT

	For the years ended December 31,	
	2019	**2018**
Current year:		
Subsidy reimbursements for 3 kg LPG cylinders (Note 8b)	2,673,171	3,496,603
Subsidy reimbursements for JBT Diesel Fuel, Biodiesel Fuel and kerosene (Note 8c)	2,263,031	2,126,796
Subsidy reimbursements for kerosene (Note 8)	-	16,828
Sub-total	4,936,201	5,640,227
Adjustment fair value of subsidy reimbursemnent:		
LPG 3 kg (Note 8b)	(19,411)	-
JBT Diesel Fuel, Biodiesel Fuel, and Kerosene (Note 8c)	(38,582)	-
Government audit correction (BPK and MoEMR) For reimbursement subsidy:		
LPG 2019 (Note 8b)	(1,073)	-
JBT Diesel Fuel, Biodiesel Fuel, and Kerosene 2019 (Note 8c)	(2,060)	-
LPG 2018 (Note 8b)	-	(1252)
JBT Diesel Fuel, Biodiesel Fuel, and Kerosene 2018 (Note 8c)	-	(699)
LPG 2017 (Note 8b)	-	(5,661)
JBT Diesel Fuel, Biodiesel Fuel, and Kerosene 2017 (Note 8c)	-	(147)
	(61,126)	(7,759)
Total	**4,875,075**	**5,632,468**

29. EXPORT OF CRUDE OIL, NATURAL GAS AND OIL PRODUCTS

	For the years ended December 31,	
	2019	**2018**
Oil products	2,034,173	1,811,257
Crude oil	860,326	637,872
Natural gas	734,405	1,187,824
Total	**3,628,904**	**3,636,953**

(Expressed in thousands of US Dollars, unless otherwise stated)

30. REVENUES FROM OTHER OPERATING ACTIVITIES

	For the years ended December 31,	
	2019	**2018**
Disparity of selling price (Notes 8a and 17j)	1,521,948	3,102,218
Shipping services	179,317	127,010
Upstream support services	168,902	156,869
Natural gas transportation services	95,527	204,140
Insurance services	89,729	84,585
Health and hospital services	84,506	76,607
Gas regasification services	48,700	31,108
Office and hospitality services	25,756	26,155
Air transportation services	18,946	18,756
Transportation and technical services	14,083	13,359
Portfolio management services	7,746	4,962
Human resources provision and development services	2,414	4,825
Others	39,594	55,613
Total	**2,297,168**	**3,906,207**

31. COST OF GOODS SOLD

	For the years ended December 31,	
	2019	**2018**
Beginning balance of oil products	(4,218,260)	(3,778,519)
Provision for decline in value of oil products (Note 9)	167,270	92,854
Sub-total	**(4,050,990)**	**(3,685,665)**
Production costs:		
- Direct materials	(18,096,907)	(20,349,186)
- Supporting materials	(983,407)	(1,151,033)
- Rental (Note 48c)	(697,011)	(286,481)
- Depreciation (Note 12)	(537,783)	(566,412)
- Salaries, wages, and other employee benefits	(361,026)	(452,184)
- Utilities, infrastructure and fuel	(172,602)	(484,322)
- Freight and transportation	(159,816)	(124,215)
- Professional services	(137,669)	(124,109)
- Custom and duty	(132,862)	(152,255)
- Maintenance and repairs	(101,630)	(115,899)
- Materials and equipment	(83,017)	(84,460)
- Business Travel	(22,507)	(17,109)
- Others	(148,430)	(99,311)
Sub-total	**(21,634,667)**	**(24,006,976)**
Purchases of oil products and others:		
- Imports of other oil products	(7,466,222)	(9,230,605)
- Imports of premium gasoline	(4,902,704)	(4,433,062)
- Domestic purchases of other oil products	(3,560,458)	(2,782,989)
- Purchases of geothermal energy	(1,261,175)	(1,313,799)
- Imports of ADO	(138,943)	(1,385,810)
Sub-total	**(17,329,502)**	**(19,146,265)**

(Expressed in thousands of US Dollars, unless otherwise stated)

31. COST OF GOODS SOLD (continued)

	For the years ended December 31,	
	2019	**2018**
Ending balance of oil products (Note 9)	3,538,155	4,218,260
Provision for decline in value of oil products (Note 9)	(82,654)	(167,270)
Sub-total	**3,455,501**	**4,050,990**
Total	**(39,559,658)**	**(42,787,916)**

32. UPSTREAM PRODUCTION AND LIFTING COSTS

	For the years ended December 31,	
	2019	**2018**
Depreciation, depletion and amortization (Note 13)	(2,030,834)	(1,741,040)
Service Contracts	(901,176)	(734,342)
Salaries, wages and other employee benefits	(674,951)	(618,458)
Technical Assistance Contracts (“TAC”)/ Operation Cooperation (“OC”) Contract	(283,062)	(335,532)
Materials	(275,452)	(267,437)
Amortization of investment in oil & gas block (Note 11a)	(92,981)	(144,472)
Others	(741,278)	(545,235)
Total	**(4,999,734)**	**(4,386,516)**

33. EXPLORATION COSTS

	For the years ended December 31,	
	2019	**2018**
Seismic, geological and geophysical	(101,856)	(89,680)
Dry hole	(37,657)	(112,476)
Others	(67,416)	(65,524)
Total	**(206,929)**	**(267,680)**

34. EXPENSES FROM OTHER OPERATING ACTIVITIES

	For the years ended December 31,	
	2019	**2018**
Cost of services	(1,329,746)	(917,123)
Salaries, wages and other employee benefits	(228,444)	(173,585)
Depreciation (Note 12)	(96,211)	(88,405)
Insurance claims	(87,288)	(92,864)
Total	**(1,741,689)**	**(1,271,977)**

(Expressed in thousands of US Dollars, unless otherwise stated)

35. SELLING AND MARKETING EXPENSES

	For the years ended December 31,	
	2019	**2018**
Depreciation (Note 12)	(383,594)	(328,695)
Salaries, wages, and other employee benefits	(271,951)	(263,020)
Freight and transportation	(264,417)	(453,664)
LPG filling fees	(141,416)	(113,971)
Taxes, retributions and penalties	(113,351)	(89,179)
Rental (Note 48c)	(97,245)	(26,210)
Maintenance and repairs	(62,533)	(84,776)
Professional services	(40,340)	(96,851)
Advertising and promotions	(39,436)	(24,151)
Materials and equipment	(34,209)	(33,441)
Business Travel	(22,149)	(15,331)
Utilities, infrastructure and fuel	(21,035)	(21,092)
Others	(133,226)	(92,450)
Total	**(1,624,902)**	**(1,642,831)**

36. GENERAL AND ADMINISTRATIVE EXPENSES

	For the years ended December 31,	
	2019	**2018**
Salaries, wages and other employee benefits	(698,848)	(649,669)
Taxes, retributions and penalties	(267,111)	(295,439)
Depreciation, depletion and amortization (Notes 11e, 12 and 13)	(141,599)	(107,538)
Professional services	(89,736)	(41,828)
Rental (Note 48c)	(45,272)	(31,177)
Materials and equipment	(56,465)	(36,022)
Maintenance and repairs	(42,674)	(24,825)
Business travel	(27,108)	(23,252)
Training, education and recruitment	(27,521)	(29,828)
Others	(157,286)	(90,333)
Total	**(1,553,620)**	**(1,329,911)**

37. FINANCE INCOME AND COSTS

	For the years ended December 31,	
	2019	**2018**
Finance income:		
Due from Government (Note 8a)	867,866	-
Time deposits	192,204	161,818
Current accounts	63,132	39,958
Other investments	98,178	54,797
Total	**1,221,380**	**256,573**

(Expressed in thousands of US Dollars, unless otherwise stated)

37. FINANCE INCOME AND COSTS (continued)

	For the years ended December 31,	
	2019	**2018**
Finance costs:		
Bonds	(572,008)	(470,757)
Long-term liabilities	(141,388)	(180,048)
Short-term loans	(99,620)	(59,963)
Accretion expense (Note 22)	(86,640)	(87,035)
Finance leases	(30,164)	(30,309)
Others	(35,470)	(7,126)
Total	**(965,290)**	**(835,238)**

38. OTHER INCOME (EXPENSES)

	For the years ended December 31,	
	2019	**2018**
Adjustment of deferral notes TPPI (Note 11c)	96,016	-
Income from contract and material penalties and claims	59,822	91,101
Reversal (impairment) of oil and gas assets (Note 13)	23,409	(218,189)
TPPI’s stock dilution (Note 11b)	20,672	-
Rental	14,137	35,325
Adjustment of fair value of other investments	5,663	52,843
Provision of onerous contract of LNG (Note 48e)	(405,630)	-
(Provision) recovery for impairment of receivable	(133,233)	108,757
Correction of take or pay contract of LNG (Note 48e)	(113,715)	-
(Impairment) reversal of fixed assets (Note 12)	(98,171)	2,719
Impairment of investment in obligation of TPPI (note 11c)	(38,756)	-
Reversal (provision) for impairments of investment in oil and gas blocks (Note 11a)	(35,184)	(154,773)
Tax penalties underpayment tax assessment letter ("SKPKB") and tax collection letter ("STP") (Note 39a)	-	(36,622)
Others, net (each below US$5,000)	(38,018)	38,014
Total	**(642,988)**	**(80,825)**

39. TAXATION

a. Prepaid taxes

	December 31, 2019	**December 31, 2018**
Corporate Income Tax (“CIT”)		
The Company:		
Overpayment of CIT:		
- 2019	231,791	-
- 2017	14,520	14,520
Sub-total	246,311	14,520

(Expressed in thousands of US Dollars, unless otherwise stated)

39. TAXATION (continued)

a. Prepaid taxes (continued)

	December 31, 2019	December 31, 2018
Subsidiaries:		
CIT and dividend	490,484	434,117
Sub-total CIT - consolidated	**736,795**	**448,637**
VAT		
The Company:		
- 2019	771,402	-
- 2018	-	386,989
- 2016	14,052	84,290
Sub-total	785,454	471,279
Subsidiaries:		
VAT reimbursable	370,450	315,238
VAT	325,933	386,737
Sub-total	696,383	701,975
Sub-total VAT - consolidated	**1,481,837**	**1,173,254**
Other taxes	**18,994**	**18,994**
Total prepaid tax	**2,237,626**	**1,640,885**
Current portion	**(1,361,726)**	**(820,598)**
Non-current portion	**875,900**	**820,287**

Details of VAT reimbursable are as follows:

	December 31, 2019	December 31, 2018
VAT reimbursable by SKK Migas:		
- PT Pertamina EP	113,473	84,264
- PGN and its subsidiaries	62,696	69,014
- PT Pertamina EP Cepu	55,310	31,194
- PHE and its subsidiaries	26,385	28,009
Sub-total	257,864	212,481
VAT reimbursable by the Directorate General of Budgeting and Finance Stability:		
- PT Pertamina Geothermal Energy	112,586	102,757
Total	**370,450**	**315,238**

39. TAXATION (continued)

a. Prepaid taxes (continued)

The Company

On September 3 and 5, 2019, the Company obtained several Decrees from Directorate General of Taxation (“DGT”) which approved the objections submitted by the Company on Income Tax SKPKB (PPh 22, PPh 23, PPh 4(2), PPh 15) and VAT for the fiscal year 2016 amounting to Rp907,565 million (equivalent to US$63,842) and Rp235,652 million (equivalent to US$16,575), respectively. The SKPKB of income tax amounting to Rp630,777 million (equivalent to US$44,368) was SKPKB which was not paid and Rp276,788 million (equivalent to US$19,474) was SKPKB which was recorded as prepaid taxes. As of December 31, 2019, the amount of SKPKB PPh 22, PPh 23, PPh 4 (2), PPh 15 and VAT previously paid by the Company was still recorded as a prepaid taxes, due to the Company has not received payment order from DGT (Note 49e).

On April 9, 2019, the Company obtained a Decree from DGT No. KEP-00297/NKEB/WPJ.19/2019 regarding the waiver of STP VAT penalties for fiscal year 2016 amounting to Rp400.929 million (equivalent to US$28,147). Such amount has been compensated for the payment of VAT payable for the period of June 2019.

On March 21, 2019, the Company obtained a Decree from DGT No. KEP-00244/NKEB/WPJ.19/2019 through KEP-00255/NKEB/WPJ.19/2019 regarding the waiver of STP VAT for fiscal year 2016 amounting to Rp590,934 million (equivalent to US$40,578). Such amount has been compensated with tax payable amounting to Rp1,308 million (equivalent to US$90), therefore it was paid amounting to Rp589,626 million (equivalent to US$40,488). Such amount has been received by the Company in April 2019.

On December 27, 2018, the Company obtained SKPKB and STP for fiscal year 2016 amounting to Rp3,234 billion (equivalent to US$222,250). The SKPKB consists of SKPKB of CIT amounting to Rp565,949 million (equivalent to US$39,031), SKPKB of withholding income tax amounting to Rp1,381 billion (equivalent to US$94,851) and SKPKB of VAT amounting to Rp295,043 million (equivalent to US$20,260). STP consists of a tax bill on VAT and penalties amounting to Rp590,934 million (equivalent to US$40,578) and Rp400,929 million (equivalent to US$27,531) , respectively.

From the overall value of the SKPKB and STP, the Company charged Rp533,324 million (equivalent to US$36,622) in the 2018 income statement (Note 38), Rp1,504 billion (equivalent to US$103,283) was recorded as prepaid tax, and Rp565,934 million (equivalent to US$39,031) was recorded as prior year adjustment of CIT, while the remaining value of amounting to Rp630,776 million (equivalent to US$43,315) has not been paid. On January 25, 2019, the Company has filed an objection for the SKPKB PPh 22, PPh 23, PPh 4(2), PPh 15, SKPKB and STP of VAT fiscal year 2016.

The increase in VAT payments in 2019 was mainly due to prepaid payment of VAT on Diesel and LPG subsidies, as well as withholding income tax.

On November 7, 2018, the Company received a letter of tax refund for overpayment of CIT for fiscal year 2017 from DGT of Big Three Taxpayers office No. 80367/051-00367-2018 for tax refund amounting to Rp2,264 billion (equivalent to US$154,769) by calculating taxes payable compensation amounting to Rp159 million (equivalent to US$11), so it was paid amounting to Rp2,264 billion (equivalent to US$154,758).

On February 9, 2018, the Company obtained a decision from the DGT No. Kep-29/WPJ.19/2018 regarding Determination of Certain Taxpayers with Special Criteria, effective from January 1, 2018 to December 31, 2019. Taxpayers who fulfilled all the criteria can get any tax refund if they had previously overpaid taxes.

(Expressed in thousands of US Dollars, unless otherwise stated)

39. TAXATION (continued)

a. Prepaid taxes (continued)

PGN and its subsidiaries

On November 18, 2015, DGT issued a Decree of SKPKB witholding tax article 4 (2) No. 00001/245/14/081/2015 amounting to US$127,720 on behalf of BUT Saka Indonesia Pangkah Limited ("SIPL"). The issuance of the SKPKB is related to the imposition of a Branch Profit Tax ("BPT") transaction for the indirect transfer of Participating Interest over the transfer of share ownership of BUT SIPL owned by Hess Oil & Gas Holding Inc. ("HOGHI") to Saka Energi Indonesia (SEI). SIPL does not agree and has not paid the SKPKB.

In February 2016, SIPL submitted an objection to the DGT and on February 10, 2017, DGT rejected the objection request through the Decree of the DGT No KEP-00158/KEB/WPJ.07/2017.

In May 2017, SIPL submitted an appeal to the Tax Court, and the appeal was granted based on Tax Court Decision No. Put.112654.35/2014/PP/M.IB year 2018 dated November 28, 2018. Upon the Tax Court's decision, DGT filed a request for reconsideration ("PK") to the Supreme Court ("MA"), and upon requesting the PK, the MA granted the PK from DGT based on MA decision No. 4003/B/PK/Act/2019 dated November 28, 2019. Upon the MA decision, the Tax Court sent a letter No. PPMA-316T/PAN/2020 date January 17, 2020 regarding the notification and copy of the Supreme Court decision, which was received by SIPL on January 20, 2020.

b. Taxes payable

	December 31, 2019	December 31, 2018
CIT - Company	-	19,684
CIT - Subsidiaries	199,380	447,921
Sub-total	199,380	467,605
Other taxes:		
- Income taxes - Article 21	37,494	33,909
- Income taxes - Article 23/26	14,646	13,189
- Income taxes - Article 22	13,296	10,580
- Income taxes - Article 15/4(2)	9,495	6,271
- Income taxes - Article 24	24	269
- VAT	103,673	74,542
- Fuel taxes	124,314	119,645
Sub-total	302,942	258,405
Total	**502,322**	**726,010**

c. Income tax expense, net

	For the years ended December 31,	
	2019	2018
Current tax expense (Note 39d)	(1,877,667)	(2,627,443)
Deferred income tax expense (Note 39e)	(384,926)	(385,759)
Net	**(2,262,593)**	**(3,013,202)**

(Expressed in thousands of US Dollars, unless otherwise stated)

39. TAXATION (continued)

d. Current taxes

Current income tax computation is based on estimated taxable income (loss). The amounts may be adjusted when annual tax returns are filed with the DGT.

The reconciliation between the consolidated profit before income tax and estimated taxable income is as follows:

	For the years ended December 31,	
	2019	**2018**
Consolidated profit before income tax expense	4,880,979	5,729,596
Add:		
Consolidation eliminations	3,301,063	3,610,474
Profit before income tax - subsidiaries	(5,635,371)	(6,610,027)
Profit before income tax - the Company	**2,546,671**	**2,730,043**
Temporary differences:		
Provision for incentives and performance bonuses (tantiem)	21,756	(6,894)
Reversal of (provision for) impairment of financial assets	147,113	(139,273)
Finance lease assets and liabilities	43,041	(7,368)
Discount and unamortized debt issuance cost	2,143	(55)
Accrual for legal costs	568	14,918
(Provision) reversal for impairment of inventories	(45,241)	137,248
Fixed assets depreciation	400,770	(112,976)
Receivable fair value adjustments from the disparity of selling price (Notes 2u and 8a)	(501,680)	981,331
Employee benefits liability	(112,026)	(181,421)
Fixed asset revaluation	-	(14,221)
Others	2,926	7,624
Permanent differences:		
Non-deductible expenses	542,514	342,456
Post-retirement healthcare benefits	96,394	648
Non-depreciable fixed assets	5,101	5,372
Income from subsidiaries and associates	(3,285,220)	(3,341,620)
Interest income subjected to final tax	(229,733)	(149,244)
Other (expense) income subjected to final tax	(8,328)	1,055,818
Total temporary and permanent differences	(2,919,902)	(1,407,657)
Taxable (loss) income - the Company	**(373,231)**	**1,322,386**
Current income tax - the Company	-	330,597
Prior year adjustments	7,172	42,403
Current income tax - Subsidiaries	1,870,495	2,254,443
Consolidated current income tax	**1,877,667**	**2,627,443**

(Expressed in thousands of US Dollars, unless otherwise stated)

39. TAXATION (continued)

d. Current taxes

The reconciliation between the Group`s income tax expense and the theoretical tax amount on the Group`s consolidated profit before income tax is as follows:

	December 31, 2019	December 31, 2018
Profit before income tax - consolidated	4,880,979	5,729,596
Tax calculated at weighted average statutory tax rates	2,663,696	2,301,890
Non-deductible expenses	415,311	375,007
Post-retirement healthcare benefits	24,099	162
Non-depreciable fixed assets	1,344	1,368
Share in net income of associates	(853,718)	(868,954)
(Expenses) income subjected to final tax	(21,842)	1,198,784
Interest income subjected to final tax	(66,777)	(37,458)
Prior year adjustments	7,172	42,403
Unrecognized tax loss	93,308	-
Consolidated corporate income tax expense	**2,262,593**	**3,013,202**

The theoretical amount of income tax expense is calculated using the weighted average tax rate applicable to entities consolidated to the Group. The weighted average tax rate were 46.36% (2018: 52.59%).

	December 31, 2019					
	January 1, 2019	Charged to equity	Translation adjustment	Charged to OCI	Charged to profit or loss	December 31, 2019
Deferred tax assets						
Employee benefits	247,522	(262)	1,541	387	(24,382)	224,806
Provision for impairment of financial assets	79,477	-	145	-	37,945	117,567
Provision for decommissioning and site restoration	122,236	(103)	-	-	(47,187)	74,946
Provision for incentives and performance bonuses (tantiem)	62,096	-	34	-	7,413	69,543
Unrealized profits from transaction at consolidation level	75,694	-	-	-	(16,076)	59,618
Fixed assets	586,578	-	28,507	-	134,653	749,738
Provision for impairment of inventories	70,367	-	30	-	(10,955)	59,442
Provision for impairment of non-free and non-clear assets	27,589	-	-	-	-	27,589
Tax losses carry-forward	2,071	(647)	52	-	1,386	2,862
Deferred revenues	276	-	-	-	122	398
Accrual for legal cost	7,369	-	-	-	142	7,511
Oil and gas properties	(72,763)	-	-	-	62,423	(10,340)
Finance lease assets and liabilities	(12,996)	-	-	-	10,662	(2,334)
Discount and unamortized debt issuance cost	(5,951)	-	-	-	536	(5,415)
Receivable fair value adjustment from disparity of selling price (Notes 2u and 8a)	245,333	-	-	-	(125,420)	119,913
Others	6,968	703	(5,973)	-	8,529	10,227
Sub-total consolidated deferred tax assets, net	1,441,866	(309)	24,336	387	39,791	1,506,071

(Expressed in thousands of US Dollars, unless otherwise stated)

39. TAXATION (continued)

e. Deferred tax

	December 31, 2019					
	January 1, 2019	**Charged to equity**	**Translation adjustment**	**Charged to OCI**	**Charged to profit or loss**	**December 31, 2019**
Deferred tax liabilities						
Provision for decommissioning and site restoration	365,066	-	-	-	(26,220)	338,846
Finance lease assets	29,905	-	-	-	(1,781)	28,124
Deferred revenues	8,068	-	-	-	229	8,297
Employee benefits	16,657	103	1	320	3,307	20,388
Provision for impairment	2,008	439	4	-	(8,545)	(6,094)
Oil and gas properties	(3,070,616)	-	-	-	(459,707)	(3,530,323)
Excess of fair value over net book value	(12,598)	(426)	(6)	-	774	(12,256)
Fixed assets	(201,891)	35	(164)	-	(68,292)	(270,312)
Unrealized profits from transaction at consolidation level	(342,856)	-	-	-	31,904	(310,952)
Others	(101,149)	-	391	-	103,614	2,856
Sub-total consolidated deferred tax liabilities, net	(3,307,406)	151	226	320	(424,717)	(3,731,426)
Total	(1,865,540)	(158)	24,562	707	(384,926)	(2,225,355)

	December 31, 2018					
	January 1, 2018	**Charged to equity**	**Translation adjustment**	**Charged to OCI**	**Charged to profit or loss**	**December 31, 2018**
Deferred tax assets						
Employee benefits	314,471	516	5,143	(1,302)	(71,306)	247,522
Provision for impairment of financial assets	121,406	-	(367)	-	(41,562)	79,477
Provision for decommissioning and site restoration	136,394	591	-	-	(14,749)	122,236
Provision for incentives and performance bonuses (tantiem)	83,513	-	(43)	-	(21,374)	62,096
Unrealized profits from transaction at consolidation level	64,825	-	-	-	10,869	75,694
Fixed assets	518,336	-	(3,486)	133	71,595	586,578
Provision for impairment of inventories	37,156	-	(46)	-	33,257	70,367
Provision for impairment of non-free and non-clear assets	27,588	-	1	-	-	27,589
Tax losses carry-forward	13,764	1,567	(27)	-	(13,233)	2,071
Deferred revenues	7,590	-	-	-	(7,314)	276
Accrual for legal cost	3,640	-	-	-	3,729	7,369
Oil and gas properties	(5,002)	(3,382)	-	-	(64,379)	(72,763)
Finance lease assets and liabilities	(11,205)	-	2	-	(1,793)	(12,996)
Discount and unamortized debt issuance cost	(5,937)	-	-	-	(14)	(5,951)
Receivable fair value adjustment from disparity of selling price (Notes 2u and 8a)	-	-	-	-	245,333	245,333
Others	64,541	(2,439)	(298)	-	(54,836)	6,968
Sub-total consolidated deferred tax assets, net	**1,371,080**	**3,147**	**879**	**(1,169)**	**74,223**	**1,441,866**

(Expressed in thousands of US Dollars, unless otherwise stated)

39. TAXATION (continued)

e. Deferred tax (continued)

	December 31, 2018					
	January 1, 2018	**Charged to equity**	**Translation adjustment**	**Charged to OCI**	**Charged to profit or loss**	**December 31, 2018**
Deferred tax liabilities						
Provision for decommissioning and site restoration	371,738	-	-	-	(6,672)	365,066
Finance lease assets	29,013	-	-	-	892	29,905
Deferred revenues	10,750	-	-	-	(2,682)	8,068
Employee benefits	8,549	-	-	(395)	8,503	16,657
Provision for impairment	1,081	-	-	-	927	2,008
Oil and gas properties	(2,801,228)	-	-	-	(269,388)	(3,070,616)
Excess of fair value over net book value	(14,114)	-	-	-	1,516	(12,598)
Fixed assets	(351,100)	-	174	-	149,035	(201,891)
Unrealized profits from transaction at consolidation level	(377,158)	-	-	-	34,302	(342,856)
Others	274,317	-	949	-	(376,415)	(101,149)
Sub-total consolidated deferred tax liabilities, net	**(2,848,152)**	**-**	**1,123**	**(395)**	**(459,982)**	**(3,307,406)**
Total	**(1,477,072)**	**(3,147)**	**2,002**	**(1,564)**	**(385,759)**	**(1,865,540)**

Deferred tax assets and liabilities as of December 31, 2019 and 2018 have been calculated taking into account the applicable tax rates for each respective period.

The Group's management believes that the above deferred tax assets can be fully recovered through future taxable income.

f. Administration

The Indonesian prevailing Tax Law requires each Company in the Group to submit individual tax returns on the basis of selfs assessment. Under the prevailing regulations, DGT may assess or amend tax within certain periods. For the fiscal year of 2018 and onwards, the period is within five years from the time the tax due.

40. RELATED PARTY BALANCES AND TRANSACTIONS

Significant related party accounts are as follows:

	December 31, 2019	**December 31, 2018**
Cash and cash equivalents (Note 5)	6,239,908	8,416,251
Restricted cash (Note 6)	127,845	86,230
Trade receivables - related parties (Note 40a)	1,554,094	1,297,651
Due from the Government (Note 8)	6,689,595	4,758,409
Other receivables - related parties (Note 40b)	182,487	149,178
Restricted cash - non-current (Note 14)	1,153,273	910,999
Total	**15,947,202**	**15,618,718**
As a percentage of total assets	24%	24%

(Expressed in thousands of US Dollars, unless otherwise stated)

40. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

Significant related party accounts are as follows: (continued)

	December 31, 2019	December 31, 2018
Short-term loans (Note 15)	1,069,895	3,164,724
Trade payables - related parties (Note 40c)	73,304	78,781
Due to the Government (Note 17)	1,736,442	2,002,825
Long-term liabilities (Note 19)	172,874	179,361
Other payables - related parties (Note 40d)	74,459	54,011
Total	**3,126,974**	**5,479,702**
As a percentage of total liabilities	9%	16%

a. Trade receivables

Trade receivables - related parties result from domestic sales of crude oil, natural gas and geothermal energy and the export of oil products.

	December 31, 2019	December 31, 2018
Trade receivables - related parties	1,623,238	1,330,381
Less: Provision for impairment	(69,144)	(32,730)
Net	**1,554,094**	**1,297,651**

Trade receivables based on customers are as follows:

	December 31, 2019	December 31, 2018
Indonesian Armed Forces/ Ministry of Defence (Note 47b.ii.i)	432,781	318,142
PLN and its subsidiaries	420,480	449,662
PT Garuda Indonesia (Persero) Tbk. and its subsidiaries	408,224	239,178
PT Pupuk Indonesia (Persero)	68,704	25,412
PPT Energy Trading Co., Ltd.	48,938	22
PT Patra SK	22,605	40,013
PT Donggi-Senoro LNG	21,537	28,828
PT Merpati Nusantara Airlines (Persero)	11,956	11,499
PT Aneka Tambang	2,801	14,226
Others (each below US$10,000)	185,212	203,399
	1,623,238	1,330,381
Less: Provision for impairment	(69,144)	(32,730)
Total	**1,554,094**	**1,297,651**

(Expressed in thousands of US Dollars, unless otherwise stated)

40. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

a. Trade receivables (continued)

Movements in the provision for impairment of trade receivables from related parties are as follows:

	December 31, 2019	December 31, 2018
Beginning balance	(32,730)	(46,847)
Reversal of provision for impairment for recovered receivables, net	1,159	18,734
Impairment during the year	(36,475)	(7,606)
(Loss) gain of foreign exchange differences	(1,098)	2,989
Ending balance	**(69,144)**	**(32,730)**

Management believes that the provision for impairment is adequate to cover possible losses that may arise from the uncollectible trade receivables from related parties.

Details of trade receivables by currencies are as follows:

	December 31, 2019	December 31, 2018
Rupiah	1,053,963	870,672
US Dollar	569,206	459,641
Others	69	68
Total	**1,623,238**	**1,330,381**

Receivables from fuel and lubricant distribution to the Indonesian Armed Forces/Ministry of Defence

The fuel and lubricant distribution to the Indonesian Armed Forces/Ministry of Defence is based on the planned needs of the Indonesian Armed Forces/Ministry of Defence and is capped by the State Budget for Fuels and Lubricants (“BMP”) as one of the expenditure items of the Indonesian Armed Forces/Ministry of Defence, the details are as follows:

	December 31, 2019	December 31, 2018
Beginning balance	318,142	258,566
Distribution of fuel and lubricant	453,926	479,959
Collections from BMP distribution	(346,610)	(403,723)
Gain (loss) on foreign exchange difference	7,323	(16,660)
Ending balance	**432,781**	**318,142**

As of December 31, 2019 and 2018, management has recognized impairment on this receivables amounting to US$39,741 (including the provision of a time value of money of US$26,135), and US$12,992, respectively.

Receivables from fuel distribution to PLN

The Company distributes diesel fuel and industrial fuel oil to PLN for their power plant in all regions across Indonesia. In 2019, the Company has made collections from PLN based on the price agreed by the Boards of Directors of the Company and PLN on May 22, 2018 which is valid until 2020.

(Expressed in thousands of US Dollars, unless otherwise stated)

40. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

a. Trade receivables (continued)

Receivables from fuel distribution to PLN/Perusahaan Listrik Negara (continued)

If there is a difference between the provisional and the final agreed formulation prices, the adjustment will be recorded in the period when the final formulation prices agreement is completed.

b. Other receivables

Other receivables by customers are as follows:

	December 31, 2019	December 31, 2018
PT Donggi Senoro LNG	121,784	115,500
PLN and its subsidiaries	44,491	-
PT Merpati Nusantara Airlines (Persero)	18,919	18,190
Others (each below US$10,000)	82,225	100,011
Sub-total	267,419	233,701
Less: Provision for impairment	(20,375)	(19,616)
Sub-total	**247,044**	**214,085**
Less: current portion	**(182,487)**	**(149,178)**
Non-current portion (Note 14)	**64,557**	**64,907**

Movements in the provision for impairment of other receivables from related parties are as follows:

	December 31, 2019	December 31, 2018
Beginning balance	(19,616)	(20,860)
Reversal of impairment on the recovered receivables, net	-	699
Impairment during the year	(2)	(705)
(Loss) gain on foreign exchange differences	(757)	1,250
Ending balance	**(20,375)**	**(19,616)**

Management believes that the provision for impairment is adequate to cover possible losses that may arise from the uncollectible other receivables from related parties.

Receivables from PT Donggi Senoro LNG

The receivables from PT Donggi Senoro LNG as of December 31, 2019 and 2018 amounted to US$121,784 and US$115,500, respectively are intended for the construction of a LNG production facility with a capacity of 2 million tonnes per year. PT Donggi Senoro LNG is owned by PHE (29%), Sulawesi LNG Development Limited (59.9%) and PT Medco LNG Indonesia (11.1%). This project, which was planned for 4 years, was financed 40% from equity and 60% from loans.

The interest rate on the loan is one month US Dollar LIBOR plus 3.75% per annum and interest is due every three months after the loan drawdowns. In 2019 and 2018, accrued interest was added to the loan since the LNG production facility is still under construction. Interest income for the years ended December 31, 2019 and 2018 are US$6,284, and US$6,043, respectively.

(Expressed in thousands of US Dollars, unless otherwise stated)

40. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

b. Other receivables (continued)

PT Merpati Nusantara Airlines (Persero) ("MNA")

On October 27, 2009, MNA requested to restructure its payable. An agreement was made on October 17, 2011 through a meeting at the Ministry of State-Owned Enterprises. As of December 31, 2019 and 2018, the provision for impairment for this receivable amounted to US$18,919, and US$18,190.

c. Trade payables

	December 31, 2019	December 31, 2018
SKK Migas	8,325	-
PT Wijaya Karya (persero) Tbk.	7,850	3,027
PT Trans-Pacific Petrochemical Indotama	7,721	-
PT Pembangunan Perumahan (Persero) Tbk.	6,824	3,690
PT Perta-Samtan Gas	6,558	8,381
PT Asuransi Jasa Indonesia (Persero)	3,766	6,279
PT Barata Indonesia (Persero)	2,605	-
PT Patra SK	2,585	4,060
Others (each below US$2,000)	27,070	53,344
Total	**73,304**	**78,781**

d. Other payables

	December 31, 2019	December 31, 2018
Directorate General of State Assets Management ("LMAN")	31,923	32,392
DJKN	25,758	7,606
SKK Migas	5,708	-
Others	11,070	14,013
Total	**74,459**	**54,011**

(Expressed in thousands of US Dollars, unless otherwise stated)

40. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

e. Sales and other operating revenues

The Group made sales and other operating revenues to related parties for the periods ended December 31, 2019 and 2018. Sales to related parties represent 22% and 24% of the total sales and other operating revenues for the respective periods/years. The details are as follows:

	December 31, 2019	December 31, 2018
Domestic sales of crude oil, natural gas, geothermal energy and oil products		
- Government-related entities	4,317,369	4,872,641
- Shareholder	548,205	450,879
- Associates	700	1,222
Subsidy reimbursements from the Government		
- Shareholder (Note 28)	4,875,075	5,632,468
Marketing fees		
- Shareholder	-	15,432
Revenues from other operating activities		
- Government-related entities	2,467,659	3,210,732
Total	**12,209,008**	**14,183,374**

f. Cost of goods sold

Purchases from related parties for the years ended December 31, 2019 and 2018 represent 22% and 25% of the total cost of goods sold, recpectively. The details are as follows:

	December 31, 2019	December 31, 2018
Crude oil for shareholder	8,528,269	10,002,633
Oil products:		
Joint ventures	133,532	158,260
Associates	-	332,752
Total	**8,661,801**	**10,493,645**

g. Compensation of key management and Board of Commissioners

Key management comprises the Board of Directors and other key management personnel who have significant involvement in the operations of the Company. The compensation paid or payable to key management and Board of Commissioners for the years ended December 31, 2019, amounting to US$23,635 and US$26,286 (2018: US$29,809 and US$17,464), respectively.

40. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

h. Relationship with related parties

The nature of relationships with the related parties is as follows:

	Relationships	Related parties
(i).	Shareholder	The Government of the Republic of Indonesia
(ii).	Associates	PPT Energy Trading Co. Ltd. TPPI Tuban Petro PT Donggi Senoro LNG PT Asuransi Samsung Tugu PT Gas Energi Jambi Seplat
(iii).	Joint ventures	PT Patra SK PT Perta-Samtan Gas PT Perta Daya Gas Transgasindo Perkasa PRPP
(iv).	Common key management	Koperasi Karyawan Pertamina Dana Pensiun Pertamina Pertamina Foundation Yayasan Kesehatan Pertamina
(v).	Government-related entities	Indonesian Armed Forces/Ministry of Defence Police of the Republic of Indonesia Ministry of Finance SKK Migas LMAN PLN and its subsidiaries PT Pupuk Indonesia (Persero) PT Garuda Indonesia (Persero) Tbk. and its subsidiaries PT Merpati Nusantara Airlines (Persero) PT Aneka Tambang PT Wijaya Karya (Persero) Tbk. PT Barata Indonesia (Persero) PT Pembangunan Perumahan (Persero) Tbk. PT Asuransi Jasa Indonesia (Persero) PT Sarana Multi Infrastruktur (Persero) BNI BNI Syariah BRI BRI Syariah BRI Agroniaga Bank Mandiri Bank Mandiri Syariah PT Arun Natural Gas Liquefaction PT Badak Natural Gas Liquefaction Local Government-Owned Enterprises
(vi).	Key Management Personnel	Board of Directors Other key management of the personnel
(vii).	Governance Oversight Body	Board of Commissioners

(Expressed in thousands of US Dollars, unless otherwise stated)

41. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the strategic steering committee that are used to make strategic decisions.

Segments are grouped into two principal business activities consisting of Upstream and Downstream, representing the Company's reportable segments as defined in the accounting standards for segment reporting SFAS 5 (Amendment 2014), Operating Segments (Note 2v). Business activities related with Gas and New and Renewable Energy are currently grouped into Other segment because they still have not met quantitative thresholds as a reportable operating segment.

	December 31, 2019					
	Upstream	**Downstream**	**Others*)**	**Total before elimination**	**Elimination**	**Total consolidated**
External sales	6,412,938	44,064,253	4,107,466	54,584,657	-	54,584,657
Inter-segment sales	5,710,697	353,143	473,120	6,536,960	(6,536,960)	-
Total segment revenues	12,123,635	44,417,396	4,580,586	61,121,617	(6,536,960)	54,584,657
Segment results**)	5,112,657	(784,219)	548,859	4,877,297	20,828	4,898,125
Gain on foreign exchange, net						289,430
Finance income						1,221,380
Finance costs						(965,290)
Share in net profit of associates and joint venture						80,322
Other expenses, net						(642,988)
						(17,146)
Profit before income tax						4,880,979
Income tax expense						(2,262,593)
Profit for the year						**2,618,386**
Profit for the year attributable to:						
Owner of the parent entity						2,529,342
Non-controlling interests						89,044
Other Information						
Segment assets	25,726,635	34,461,868	6,444,700	66,633,203	(2,520,674)	64,112,529
Long-term investments	1,434,169	16,699,269	357,863	18,491,301	(15,517,422)	2,973,879
Total assets	27,160,804	51,161,137	6,802,563	85,124,504	(18,038,096)	67,086,408
Total liabilities	9,793,778	25,383,631	3,638,486	38,815,895	(2,948,968)	35,866,927
Depreciation, depletion and amortization expense	**1,981,649**	**758,585**	**542,768**	**3,283,002**	**-**	**3,283,002**
Additions to fixed assets, oil & gas and geothermal properties	**3,368,297**	**1,390,213**	**340,766**	**5,099,276**	**-**	**5,099,276**

*) Others consist of office and housing rentals, hotel operation, air transportation services, health services and operation of hospitals, investment portfolio management, gas transportation services, human resources development and insurance services.

**) Gross profit less sales and marketing costs, and general and administrative costs.

(Expressed in thousands of US Dollars, unless otherwise stated)

41. SEGMENT INFORMATION (continued)

	December 31, 2018					
	Upstream	**Downstream**	**Others*)**	**Total before elimination**	**Elimination**	**Total consolidated**
External sales	7,054,464	45,691,622	5,187,485	57,933,571	-	57,933,571
Inter-segment sales	5,498,100	399,699	266,115	6,163,914	(6,163,914)	-
Total segment revenues	12,552,564	46,091,321	5,453,600	64,097,485	(6,163,914)	57,933,571
Segment results **)	5,960,645	(286,777)	616,351	6,290,219	(43,479)	6,246,740
Gain on foreign exchange, net						19,622
Finance income						256,573
Finance costs						(835,238)
Share in net profit of associates and joint venture						122,724
Other expenses, net						(80,825)
						(517,144)
Profit before income tax						5,729,596
Income tax expense, net						(3,013,202)
Profit for the year after the effect of emerging entities income adjustment						**2,716,394**
Profit for the year attributable to:						
Owner of the parent entity						2,572,542
Non-controlling interests						143,852
Other Information						
Segment assets	24,620,521	35,093,033	6,655,756	66,369,310	(4,469,912)	61,899,398
Long-term investments	1,472,711	14,970,480	183,158	16,626,349	(13,807,295)	2,819,054
Total assets	26,093,232	50,063,513	6,838,914	82,995,659	(18,277,207)	64,718,452
Total liabilities	10,092,998	26,403,047	3,636,191	40,132,236	(5,023,824)	35,108,412
Depreciation, depletion, and Amortization expense	**1,684,534**	**715,492**	**576,536**	**2,976,562**	**-**	**2,976,562**
Additions to fixed assets, oil & gas and geothermal properties	**3,110,810**	**1,135,645**	**287,056**	**4,533,511**	**-**	**4,533,511**

*) Others consist of office and housing rentals, hotel operation, air transportation services, health services and operation of hospitals, investment portfolio management, gas transportation services, human resources development and insurance services.

**) Gross profit less sales and marketing expenses, and general and administrative expenses.

(Expressed in thousands of US Dollars, unless otherwise stated)

41. SEGMENT INFORMATION (continued)

Transactions between segments are carried out at agreed terms between the companies.

The following table shows the distribution of the Group's consolidated revenues based on its geographic segments:

	December 31, 2019	December 31, 2018
Revenue:		
Indonesia	50,955,753	54,296,618
Other countries	3,628,904	3,636,953
Consolidated revenues	**54,584,657**	**57,933,571**

Revenue from two customers of the downstream segment for the years ended December 31, 2019 and 2018 represented approximately 19% and 16% (US$10,113,836 and US$8,936,080) of total sales and other operating revenues, respectively.

All of the Group's assets are substantially located in Indonesia, except for several owned assets outside the country such as PIEP's subsidiaries which are located in Algeria, Iraq, Malaysia, Italia, France, Myanmar, Canada, Congo, Tanzania, Gabon, Colombia, Namibia, and Venezuela, respectively.

42. OIL AND GAS CONTRACT ARRANGEMENTS

a. PSC

PSCs are entered into by PSC Contractors with SKK Migas (previously BP Migas) acting on behalf of the Government, for a period of 20-30 years, and may be extended in accordance with applicable regulations.

- **Working area**

The PSC working area is a designated area in which the PSC Contractors may conduct oil and gas operations. On or before the tenth year from the effective date of the PSCs, the PSC Contractors must return a certain percentage of this designated working area to SKK Migas on behalf of the Government during the term of the PSC.

- **Crude oil and natural gas production sharing**

Crude oil and natural gas production sharing is determined annually, representing the total liftings of crude oil and gas in each period/year, net of investment credit, FTP, and cost recovery.

The PSC Contractors are subject to tax on their taxable income from their PSC operations based on their share of equity oil and natural gas production, less bonuses, at a combined tax rate comprising of corporate income tax and dividend tax.

- **Cost recovery**

Annual cost recovery comprises of:
i. Current year non-capital costs;
ii. Current year amortization of capital costs; and
iii. Unrecovered prior years' operating costs (unrecovered costs).

42. OIL AND GAS CONTRACT ARRANGEMENTS (continued)

a. PSC (continued)

- **Crude oil and natural gas prices**

The PSC Contractors' crude oil production is priced at ICP. Natural gas deliveries to third parties and related parties are valued based on the prices stipulated in the respective gas sales and purchase contracts.

- **DMO**

<u>Crude oil</u>

The PSC Contractors are required to supply the domestic market in Indonesia with the following annual calculation:

i. Multiply the total quantity of crude oil produced from the contract area by a fraction, the numerator of which is the total quantity of crude oil to be supplied and the denominator is the entire crude oil production from all petroleum companies in Indonesia.
ii. Compute 25% of the total quantity of crude oil produced in the PSC's working area.
iii. Multiply the lower computed, either under (i) or (ii) by the percentage of the contractor's entitlement.

The price of DMO crude oil is supplied is equal to the weighted average of all types of crude oil sold by the PSC Contractors or other price determined under the PSC.

<u>Natural gas</u>

The PSC Contractors are required to supply the domestic market in Indonesia with 25% of total quantity of natural gas produced in the working area multiplied by the PSC Contractor's entitlement percentage.

The price of DMO for natural gas is the price determined based on the agreed contracted sales price.

- **FTP**

The Government and Contractors are entitled to receive an amount ranging from 10%-20% of the total production of crude oil and natural gas each year, before any deduction for recovery of operating costs and investment credit.

- **Ownership of materials, supplies, and equipment**

Materials, supplies, and equipment acquired by the PSC Contractors for crude oil and natural gas operations belong to the Government. However, the PSC Contractors have the right to utilize such materials, supplies, and equipment until they are declared surplus or abandoned with the approval of SKK Migas.

42. OIL AND GAS CONTRACT ARRANGEMENTS (continued)

b. PT Pertamina EP cooperation agreements with SKK Migas

On September 17, 2005, an oil and gas cooperation contract in the form of Pertamina Petroleum Contract ("PPC"), equivalent to a PSC, was signed between SKK Migas and PT Pertamina EP as a successor contract to PPC, for a period of 30 years from September 17, 2005 until September 16, 2035. It may be extended subject to approval from the Government. As a consequence of the Company assuming Pertamina's PPC, all of Pertamina's assets and liabilities in relation to PPC were transferred to the Company on a book value basis.

PT Pertamina EP's cooperation contract has the following financial provisions:

- **Working area**

  The area represents the former Pertamina Entity's exploration and production areas excluding Cepu and Randugunting Blocks.

- **Crude oil and natural gas production sharing**

  PT Pertamina EP and the Government's shares of equity (profit) of oil and gas production is 67.2269% and 32.7731%, respectively.

- **FTP**

  The Government and PT Pertamina EP are entitled to receive an amount equal to 5% of the total production of oil and gas each year before any deduction for recovery of operating costs and investment credit. FTP is shared between the Government and PT Pertamina EP in accordance with the entitlements to oil and gas production.

- **Crude oil and natural gas price**

  The Company's crude oil sales are priced at ICP. Transfer of natural gas are valued based on the prices stipulated in the respective Gas Sales Agreement ("GSA").

c. PT Pertamina EP cooperation agreements with other parties

PT Pertamina EP has entered into cooperation agreements with other parties in conducting oil and gas activities in certain parts of its PSC working area, under TAC or operating cooperation contracts with the approval of the Government through SKK Migas.

Cooperation agreements with other parties are as follows:

- **Technical Assistant Contract ("TAC")**

  Under a TAC, operations are conducted through partnership agreements with PT Pertamina EP. TACs are awarded for fields which currently in production, or which previously in production, in which production has ceased. Crude oil and natural gas production is divided into non-shareable and shareable portions. The non-shareable portion represents the production which is expected from the field (based on the historic production trends of the field) at the time the TAC is signed and accrued to PT Pertamina EP. Non-shareable production decreases annually, reflecting expected declines in production. The shareable portion of production corresponds to the additional production resulting from the Partners' investments in the TAC fields.

42. OIL AND GAS CONTRACT ARRANGEMENTS (continued)

c. PT Pertamina EP cooperation agreements with other parties (continued)

i. Technical Assistant Contract ("TAC") (continued)

The Partners are entitled to recover costs, subject to specified limitations depending on the contract. The remaining shareable portion less cost recovery is split between PT Pertamina EP and the Partners. The Partners' share of equity (profit) oil and gas is stipulated in each contract and ranges from 26.7857% to 35.7143% for oil and 62.5000% for gas, respectively. As of December 31, 2019, there were 7 TAC agreements of PT Pertamina EP with work areas in Sumatra and Java.

If in a calender year, operating costs exceeds the value of such crude oil allocated for the operating in such calender year, then the unrecovered excess shall be recovered in the following years.

The recoverable costs and equity (profit) of TAC contractors form part of PT Pertamina EP's cost recovery under its PSC.

At the end of the TAC, all TAC assets are transferred to PT Pertamina EP. The TAC Partners are responsible for settling all outstanding TAC liabilities to third parties until the end of the TAC.

ii. Operation Cooperation ("OC") Contract

In an OC Contract, operations are conducted through partnership arrangements with PT Pertamina EP. OC Contracts are awarded for fields which are currently in production, or previously had been in production, in which production had ceased, or for areas with no previous production. The two types of OC contracts are:

a. OC Exploration-Production contract
b. OC Production contract

Under an OC Exploration-Production contract, there is no Non-Shareable Oil ("NSO"). Under an OC Production contract, the crude oil production is divided into non-shareable and shareable portions.

The NSO production represents the production which is expected from the field (based on the historic production trends of the field) at the time the OC contract is signed, and it accrues to PT Pertamina EP. The shareable portion of crude and gas production corresponds to the additional production resulting from the Partners' investments in the OC fields and is in general split between the parties in the same way as under a cooperation contract.

Partner may recover the operating costs in any Calendar Year if the amount of the Partner production is greater than the NSO. Cost recovery for lifting incremental oil up to a maximum of 80% (eighty percent) from the production of Incremental Oil produced and sold and not used in that Calendar Year.

In certain OC production contracts, in the event that the production is the same as or less than the NSO, the Partner's production cost shall not be deferred and will be recovered in specified limitation depending on each contract.

42. OIL AND GAS CONTRACT ARRANGEMENTS (continued)

c. PT Pertamina EP cooperation agreements with other parties (continued)

ii. Operation Cooperation ("OC") Contract (continued)

In certain OC production contracts, if the amount of Partner production is greater than the NSO, Partner may recover operating costs in any Calendar Year for lifting incremental oil and NSO in specified limitations depending on each contract.

If in any Calendar Year, the operating costs exceeds the value of such crude oil allocated for the Operating in such Calendar Year, then the unrecovered excess shall be recovered in the following years.

The Partner's share of equity (profit) oil and gas production as stipulated in each contract and ranges from 16.6667% to 29.8039% for oil and 28.8627% to 53.5714% for gas, respectively.

The recoverable costs OC contract is part of PT Pertamina EP's cost recoveryunder its PSC.

Specified firm commitments are required to be made in the first three years after the signing of the OC contract date. To ensure that these expenditure commitments will be met, the Partners are required to provide PT Pertamina EP with irrevocable and unconditional bank guarantees. The OC Partners are also required to make payments to PT Pertamina EP before the date of signing the OC contracts, of the amounts stated in the bid documents.

As of December 31, 2019, there are 26 OC partnership agreements of PT Pertamina EP for Sumatera, Java, Kalimantan and Papua working area with contract term for 15-20 years. The effective term of those contracts ranges from 2007 until 2019 and the end term of those contracts ranges from 2022 until 2035.

At the end of the OC contracts, all OC assets were transferred to PT Pertamina EP. The OC Partners are responsible for settling all outstanding OC liabilities to third parties until the end of the OC contracts period.

iii. Unitization Agreement

In accordance with Government Regulation No. 35 Year 2004 on Upstream Oil and Gas Business Activities, a PSC contractor is required to conduct unitization if it is proven that its reservoir extends into another contractor's Working Area. The MoEMR will determine the operator for the unitization based on the agreement between the contractors involving the unitization after considering the opinion of SKK Migas.

Since several of PT Pertamina EP's oil and gas reservoirs extend into other Contractor's Working Areas, PT Pertamina EP has entered into Unitization Agreement with respective contractors. As of December 31, 2019, there are 6 Unitization Agreements of PT Pertamina EP for Sumatera, Java and Papua working area with contract term for 10-50 years. The effective term of those contracts ranges from 1985 until 2013 and the end term of those contracts ranges from 2023 until 2035.

Based on SKK Migas Letter No. SRT-0493/SKKMA0000/2018/S1 dated June 25, 2018, regarding the Stipulation of New Operators in Unitization of Sukowati Customers, CPA Mudi Production Facilities and Cinta Natomas FSO, PT Pertamina EP was appointed as the new operator of the Sukowati field (Note 4h).

(Expressed in thousands of US Dollars, unless otherwise stated)

42. OIL AND GAS CONTRACT ARRANGEMENTS (continued)

d. PHE's cooperation agreement with other parties

- Gross split contract

On January 13, 2017, the regulation of the MoEMR No.08/2017 regarding principles of the Production Sharing Contract without Cost Recovery Mechanism, also known as Gross Split PSC was issued.

In Gross Split PSC the sharing of oil and gas production between the Government of Indonesia and the Contractors is based on the following 4 criteria:
1. Base Split
2. Variable Split
3. Progressive Split
4. Ministry Discretion

The Government has also arranged matters related to Gross Split PSC as follows:
- i. The tax regime applicable to the Gross Split PSC is in accordance with the provisions of the income tax law;
- ii. The contractors of Gross Split PSC must reimburse unrecovered investment costs to the old PSC contractors.
- iii. The oil and gas assets of the old PSC which are now owned by the DJKN are used by the Gross Split PSC contractors based on lease scheme.
- iv. Leases are imposed on oil and gas assets that are used and fully recovered, then the fair value is appraised based on the Indonesian Appraisal Standard by the Public Appraiser, multiplied by the rental rate set by the DJKN.

As of December 31, 2019, the signed gross split PSC are as follows:

PSC partners	Working area	Area	Effective date of contract	Production commencement date	Expiry date of contract	Percentage of participation	Production	Contract period
MUJ ONWJ	Offshore North West Java Block	West Java	19/01/2017	27/08/1971	18/01/2037	90%	Oil and gas	20 years
None	Tuban Block	East Java	20/05/2018	12/02/1997	20/05/2038	100%	Oil and gas	20 years
None	Ogan Komering Block	South Sumatera	20/05/2018	11/07/1991	20/05/2038	100%	Oil and gas	20 years
None	Offshore Southeast Sumatera Block	Southeast Sumatera	06/09/2018	1975	06/09/2038	100%	Oil and gas	20 years
None	NSO Block	North Sumatera Offshore	17/10/2018	01/10/2015	17/10/2038	100%	Oil and gas	20 years
None	Jambi Merang Block	Jambi	10/02/2019	22/02/2011	09/02/2039	100%	Oil and gas	20 years
None	Raja Pendopo Block	South Sumatera	06/07/2019	21/11/1992	05/07/2039	100%	Oil and gas	20 years
Petrogas (Island) Ltd.	Salawati Block	Papua	22/04/2020	21/01/1993	23/04/2040	30%	Oil and gas	20 years
Petrogas (Basin) Ltd.	Kepala Burung Block	Papua	15/10/2020	07/10/1996	15/10/2040	30%	Oil and gas	20 years
Eni East Sepinggan Ltd.	East Sepinggan Block	East Sepinggan	20/07/2012	-	20/07/2042	15%	Oil and gas	30 years
Conoco Philips (Grisssik) Ltd. Talisman, (Corridor) Ltd.	Corridor Block	South Sumatera	20/12/2023*	01/08/1987	19/12/2043	30%	Oil and gas	20 years
None	Maratua Block	North Kalimantan & East Kalimantan	18/02/2019	-	17/02/2049	100%	Oil and gas	30 years

* Amended and restated PSC to gross split PSC signed on November 11, 2019

42. OIL AND GAS CONTRACT ARRANGEMENTS (continued)

d. PHE's cooperation agreement with other parties (continued)

- **Indonesian participation arrangements ("IP")**

Through the IP arrangements, the Company, a State-Owned Enterprise, is offered a 10% working interest in PSCs at the first time Plans of Development ("POD") which was approved by the Government of Indonesia (the "Government"), represented by SKK Migas. The 14.28% interest in Jabung Block represents the acquisition of additional interest of 4.28% by the Company. The Company assigned these IP interests to PHE's subsidiaries on January 1, 2008.

As of December 31, 2019 there are 4 IP partnership arrangements of PHE for Sumatera, Kalimantan and Papua working area with contract terms of 20-30 years. The effective term of those contracts ranges from 1990 until 2005 and the end term of those contracts ranges from 2020 until 2028 with percentage of participation range from 10%.

- **PSC interests acquired after the issuance of Law No. 22 Year 2001, related to Oil and Gas**

1. **Oil and gas**

As of December 31, 2019, there are 16 oil and gas partnership arrangements of PHE for Sumatera, Java, Kalimantan, Sulawesi, Maluku and Papua working area with contract terms of 20-30 years. The effective term of those contracts ranges from 1998 until 2016 and the end term of those contracts ranges from 2020 until 2046 with percentage of participation ranges from 15% until 100%.

2. **Coal bed methane**

As of December 31, 2019, there was 5 partnership arrangements for Coal Gas Methane in exploration activities for Sumatera and Kalimantan working area with contract term of 30-year contract period. The effective term of those contracts ranges from 2008 to 2012 and the end term of those contracts ranges from 2038 to 2042 with percentage of participation ranges from 27.5% to 100%.

3. **Unconventional oil and gas**

As of December 31, 2019, there are 2 Unconventional Oil and Gas partnership arrangements for Sumatera working areas with contract term of 30 years. The effective term of those contracts ranges from 2013 the end term of these contract until 2043 and from 2015 the end term of these contract until 2045, with percentages of participation interests 100% and 50%.

- **Joint operating body-production sharing contracts ("JOB-PSC")**

In a JOB-PSC, operations are conducted by a joint operating body between PHE's Subsidiaries and the contractors. The PHE Subsidiaries' share of expenditures is paid in advance by the contractors and repaid by PHE's Subsidiaries out of their share of crude oil and natural gas production, with a 50% uplift. After all expenditures are repaid, the crude oil and natural gas production is divided between PHE's subsidiaries and the contractors based on their respective percentages of participation in the JOB-PSC. The contractors' share of crude oil and natural gas production is determined in the same manner as for a PSC.

As of December 31, 2019, there are 3 JOB-PSC Partnership arrangements of PHE for Kalimantan, Sulawesi, and Papua working area with contract terms of 30 years. The effective term of those contracts ranges from 1990 until 1998, and the end term of those contracts ranges from 2020 until 2028 with percentage of participation ranging from 37.5% to 50%.

(Expressed in thousands of US Dollars, unless otherwise stated)

42. OIL AND GAS CONTRACT ARRANGEMENTS (continued)

d. PHE's cooperation agreement with other parties (continued)

- Pertamina participating interests ("PPI")

Through PPI arrangements, PHE owns working interests in contracts similar to JOB-PSC contracts. The remaining working interests are owned by a contractor who acts as an operator. PHE's share of expenses is either funded by PHE on a current basis, or paid in advance by the contractors and repaid by PHE out of their share of crude oil and natural gas production, with a 50% uplift. The crude oil and natural gas production are divided between PHE and the contractors based on their respective percentages of participation in the PSC. The contractors' share of crude oil and natural gas production is determined in the same manner as for a PSC.

As of December 31, 2019, the Subsidiaries' PPI arrangements were as follows:

PPI partners	Working area	Area	Effective date of contract	Production commencement date	Expiry date of contract	Percentage of participation	Production	Contract period
Conoco Philips (South Jambi) Ltd. and Petrochina International Jambi B Ltd.	B Block	South Jambi	26/01/1990	26/09/2000	25/01/2020	25%	Oil and gas	30 years

- Foreign oil and gas contract interests

As of December 31, 2019, PHE directly and indirectly held foreign oil and natural gas interests as follow:

Name of JOC	JOB partners	Working area	Area	Effective date of contract	Production commencement date	Percentage of participation	Production	Contract period
Petronas Carigali Pertamina Petro-Vietnam Operating Company Sdn. Bhd. ("PCPP")	Petronas Carigali Sdn. Bhd., Petrovietnam	Offshore Sarawak Block (SK 305)*	Malaysia	16/06/2003	26/07/2010	30%	Oil and gas	29 years

*This Block is Joint Operating Contract ("JOC")

- Unitization agreements

In accordance with Government Regulation No. 35 Year 2004 on Upstream Oil and Gas Business Activities, a contractor is required to conduct unitization if it is proven that its reservoir extends into another Contractor's Working Area. The MoEMR will determine the operator for the unitization based on the agreement between the contractors entering the unitization agreements after considering the opinion of SKK Migas.

Since several of PHE Subsidiaries' oil and gas reservoirs extend into other Contractors' Working Areas, PHE Subsidiaries entered into unitization agreements with several contractors.

As of December 31, 2019, there are 6 unitization agreements of PHE for Sumatera, Java, and Papua working area, with contract terms ranges from 10-50 years. The effective term of those contracts ranges from 1985 until 2014, and the end term of those contracts ranges from 2019 until 2035.

- Extension and termination of PHE cooperation contract

The block B PSC ended on October 3, 2018. On September 25, 2018, the Government, through the Aceh Oil and Gas Management Agency (BPMA), appoints PHE NSB as manager of the Block B Working Area for 6 (six) months from October 4, 2018 or until new PSC is signed, whichever occurs first, with the main forms and provisions of PSC in accordance with the current the Block B Working Area. Refer to the Letter of the MoEMR No. 116/13/MEM.M/2019 dated April 1, 2019, the second temporary contract extension for 6 (six) months commenced from April 4, 2019 until the new PSC is signed, whichever occurs first.

(Expressed in thousands of US Dollars, unless otherwise stated)

42. OIL AND GAS CONTRACT ARRANGEMENTS (continued)

d. PHE's cooperation agreement with other parties (continued)

- Extension and termination of PHE cooperation contract (continued)

Refer to the Letter of the MoEMR No. 8394/13/MEM.M/2019, dated October 2, 2019, the third temporary contract has been extended for 6 (six) months from October 4, 2019 until the new PSC is signed, whichever occurs first. Refer to the Letter MoEMR No. 512/13/MEM.M/2019, dated November 15, 2019, the fourth temporary contract has been extended 12 (twelve) months from November 18, 2019 until the new PSC is signed, whichever occurs first.

The Central Block PSC ended on October 4, 2018. The Government decides not to extend the management of the Central Work Area by the existing Contractor. Until these consolidated financial statements were prepared, PHE Tengah K together, with other contractors (Total Tengah and Inpex Tengah Ltd.), are still in the process of completing their rights and obligations after termination with the Government.

e. PEPC's cooperation agreements with other parties

On September 17, 2005, a PSC was signed between SKK Migas and PEPC (50% participating interest), MCL (25.50% participating interest) and Ampolex (24.50% participating interest) (jointly called a Contractor) for a period of 30 years from September 17, 2005 to September 16, 2035, and may be extended in accordance with applicable regulations. The conditions for Cepu PSC are as follows:

SC Partner	Working area	Area	Effective date of contract	Production commencement date	Expiry date of contract	Percentage of participation	Production	Contract period
ExxonMobil Cepu Limited Ampolex (Cepu) Pte. Ltd. PT Sarana Patra Hulu Cepu PT Petrogas Jatim Utama Cendana PT Blora Patragas Hulu PT Asri Dharma Sejahtera	Cepu Block	Central Java-East Java	17/09/2005	31/08/2009	16/09/2035	45%	Oil	30 years

- Unitization agreements

As of December 31, 2019, the PEPC unitization agreements are as follows:

Partner	Working area	Area	Effective date of contract	Production commencement date	Expiry date of contract	Percentage of participation	Production	Contract period
PT Pertamina EP	EP Block Cepu Block	Central Java - East Java	17/09/2005	-	16/09/2035	91.9399%	Gas	30 years

f. PT Pertamina EP Cepu Alas Dara Kemuning ("PEPC ADK") cooperation agreements with SKK Migas

The PSC was entered into by PEPC ADK with SKK Migas action on behalf of the Government on February 26, 2014 for a period of 30 years from February 26, 2014 until February 25, 2044. The period may be extended in accordance with applicable regulations. The Company has a 100% participating interest in the Alas Dara Kemuning Block PSC.

g. PHI cooperation agreements with SKK Migas

- PSC

PSC is made by PSC contractors with the Government through the Special Task Force for Upstream Oil and Gas Business Activities ("SKK Migas" - formerly the Executive Agency for Upstream Oil and Gas Business Activities/"BP MIGAS") for a contract period of 20-30 years . This period can be extended in accordance with applicable regulations.

(Expressed in thousands of US Dollars, unless otherwise stated)

42. OIL AND GAS CONTRACT ARRANGEMENTS (continued)

g. PT Pertamina Hulu Indonesia ("PHI") cooperation agreements with SKK Migas (continued)

- PSC (continued)

As of December 31, 2019, PHI's PSC Group are as follows:

PSC partner	Working area	Area	Contract effective date	Starting production date	Expiry date of contract	Partnership percentage	Production	Contract period
PT Migas Mandiri Pratama Kutai Mahakam	Mahakam Block	Onshore and Offshore East Kalimantan	01/01/2018	01/01/2018	31/12/2037	90%	Oil and gas	20 years

- Gross Split Contract

As of December 31, 2019, the Gross Split contract are as follows:

PSC partner	Working area	Area	Contract effective date	Starting production date	Expiry date of contract	Partnership percentage	Production	Contract period
None	Sanga Sanga Block	Onshore East Kalimantan	08/08/2018	08/08/2018	07/08/2038	100%	Oil and gas	20 years
None	East Kalimantan and Attaka Block	Onshore and Offshore East Kalimantan	25/10/2018	25/10/2018	24/10/2038	100%	Oil and gas	20 years
ENI West Ganal Ltd. Neptune Energy West Ganal B.V.	West Ganal Block	Offshore Makassar Strait	26/01/2020	-	25/01/2050	30%	Oil and gas	30 years

- Unitisation agreements

On December 31, 2019, PHI's has unitisation agreements as follows:

Parties	Operator	Field	Location	Signing date of contract	Start contract	Production	End contract	Contract period
PHM dan Pertamina Hulu Sanga Sanga ("PHSS")	PHSS	Nilam & Badak	East Kalimantan	In Progress	08/08/2018	08/08/2018	31/12/2037	20 years
PHM dan Pertamina Hulu Kalimantan Timur ("PHKT")	PHM	Peciko	East Kalimantan	In Progress	25/10/2018	25/10/2018	31/12/2037	20 years

(Expressed in thousands of US Dollars, unless otherwise stated)

42. OIL AND GAS CONTRACT ARRANGEMENTS (continued)

h. PIEP's directly and indirectly held foreign oil and gas PSC interests

As of December 31, 2019, PIEP directly and indirectly held foreign oil and gas PSCs or similar interests were as follows:

Name of JV	JV partners	Working area	Country	Effective date of contract	Date of commencement of production	Percentage of participation	Production	Contract period
Menzel Lejmat North ("MLN")	Talisman (Algeria) B.V.	Block 405a	Algeria	2000	2003	65%	Oil	25 years
PTTEP HK Offshore Limited	PTTEP HK Offshore Limited. Petronas Carigali Sdn. Bhd.	Block K	Malaysia	27/01/1999	2007	24%	Oil and natural gas	38 years
PTTEP HK Offshore Limited	PTTEP HK Offshore Limited Petronas Carigali Sdn. Bhd.	Block H	Malaysia	19/03/2007	Development stage	Rotan 24% others 18%	Natural gas	38 years
PTTEP HK Offshore Limited	PTTEP HK Offshore Limited. Petronas Carigali Sdn. Bhd.	SK309	Malaysia	27/01/1999	2003	25.5%	Oil, natural gas. and condensates	29 years
PTTEP HK Offshore Limited	PTTEP HK Offshore Limited. Petronas Carigali Sdn. Bhd.	SK311	Malaysia	27/01/1999	2007	25.5%	Oil, natural gas. and condensates	29 years
PTTEP HK Offshore Limited	PTTEP HK Offshore Limited. Petronas Carigali Sdn. Bhd.	SK314A	Malaysia	07/05/2013	Exploration stage	25.5%	-	27 years
Mnazi Bay Exploration Mnazi Bay Development/ Production	M&P (Operator); Wentworth; TPDC	Mnazi Bay	Tanzania	October 2006	August 2015	60.075% & 48.06%	Natural Gas	2031 and can be extended until 2051
Enzanga Production	M&P (Operator); The Gabonese Republic; Tullow	Ezanga	Gabon	01/01/2014	2007	80%	Oil	2034 and can be extended until 2054
Seplat Petroleum Development Company Plc.	Seplat (Operator); NPDC	OML 4, 38, 41	Nigeria	June 1989	July 2010	45%	Oil and gas	October 2038
	Pillar Oil (Operator); Seplat	OPL 283	Nigeria	2009	May 2012	40%	Oil	October 2028
	Seplat and NNPC (Joint Operators)	OML 53	Nigeria	1997	1978	40%	Oil	June 2027
	Seplat and Belema Oil (Joint Operators); NNPC	OML 55	Nigeria	1997	February 2017	n/a*)	Oil	June 2027
	Sonangol Pesquisa e Producao (Sonangol P&P) China Sonangol, Eni, Sumoil, NIS and INA	Block 3/05 Block 3/05A	Angola	28/09/2005	1980	20%	Oil	2025
Petroregional del Lago Mixed Company	Petroleos de Venezuela S.A. ("PDVSA"); PDVSA Social	Urdaneta West Field	Venezuela	2006	1974	32%	Oil	2026

* Based on the minutes of the management commission meeting on September 15, 2016. The company agreed to terminate the contract.

- Technical service contract ("TSC")

As of December 31, 2019, TSC participating interest held by PT Pertamina Irak Eksplorasi Produksi ("PIREP") were as follows:

Name of JV	JV partners	Working area	Country	Effective date of contract	Date of commence-ment of production	Percentage of participation	Production	Contract period
West Qurna (Phase 1) Oil Field	ExxonMobil Iraq Limited, Itochu Oil Exploration (Iraq) B.V. PetroChina International Iraq FZE, Oil Exploration Group of Iraqi Ministry of Oil (South Oil Group)	West Qurna 1 Block	Iraq	25/01/2010	25/01/2010	10%	Oil	35 years

(Expressed in thousands of US Dollars, unless otherwise stated)

42. OIL AND GAS CONTRACT ARRANGEMENTS (continued)

h. PIEP's directly and indirectly held foreign oil and gas PSC interests (continued)

- **Unitization agreements**

As of December 31, 2019, PIEP's unitization agreements are as follows:

1. Algeria

Name of JV	JV partners	Working area	Country	Effective date of contract	Date of commence-ment of production	Percentage of participation	Production	Contract period
El Merk ("EMK")	Talisman (Algeria) B.V., Sonatrach, Anadarko, Eni, Maersk, PT Pertamina Algeria Eksplorasi Produksi ("PAEP")	405a Block	Algeria	March 2007	2013	16.90%	Oil, Condensate, and LPG	25 years
Ourhoud	Talisman (Algeria) B.V., Sonatrach, Anadarko, Eni, Maersk, Cepsa, PAEP	405a Block	Algeria	December 1997	2002	3.56%	Oil	25 years

2. Malaysia

Parties	Operator	Unit field	PMEP's percentage of participation	Effective date of contract	Date of commencement of production	Production	Contract period
Shell, Conoco Phillips Sabah Ltd. Petronas Carigali Sdn. Bdn., PTTEP Sabah Oil Limited, PMEP	Sabah Shell Petroleum Company Limited	Gumusut Kakap Field	2.73%	20/09/2004	18/11/2012	Oil and natural gas	Not specified
Shell, Conoco Phillips Sabah Ltd. Petronas Carigali Sdn. Bdn., PTTEP Sabah Oil Limited, PMEP	PTTEP Sabah Oil Limited	Siakap North Petai Field	9.6%	01/01/2007	28/02/2014	Oil and natural gas	Not specified

i. PGN Cooperation Agreement

As of December 31, 2019, PGN has interests in the following oil and gas joint operations or Service Contracts Participation and Economic Sharing Agreements:

Work Area	Country	Participating Interest
Ujung Pangkah Block	Indonesia	100.00%
South Sesulu Block	Indonesia	100.00%
Fasken Block	United States of America	36.00%
Bangkanai Block	Indonesia	30.00%
West Bangkanai Block	Indonesia	30.00%
Muriah Block	Indonesia	20.00%
Ketapang Block	Indonesia	20.00%
Muara Bakau Block	Indonesia	11.67%
Wokam II Block	Indonesia	100.00%
Pekawai Block	Indonesia	100.00%
West Yamdena Block	Indonesia	100.00%

j. PHR Cooperation Agreement

On December 31, 2019 the Gross Split contract agreement that was signed was as follows:

Parties	Working Area	Area	Effective Date of Contract	Date of Commencment of Production	Contract Maturity Date	Percentage of Participation	Production	Contract Period
None	Rokan block	Central Sumatera	09/08/2021	09/08/2021	08/08/2041	100%	Oil	20 years

(Expressed in thousands of US Dollars, unless otherwise stated)

42. OIL AND GAS CONTRACT ARRANGEMENTS (continued)

j. PHR Cooperation Agreement (continued)

Profit sharing for the contractor's part is as follows:

Oil / Natural Gas	New/Existing	Field Type	Contractor Share	Government Share
Oil	New Field	All Fields	57% + Var. Comp. Correction + Progr. Comp. Correction	43% + Var. Comp. Corection + Progr. Comp. Correction
Oil	Existing Field	Duri Fields	65%	35%
Oil	Existing Field	Non-Duri Fields	61%	39%
Natural Gas	New Field	All Fields	52% + Var. Comp. Correction + Progr. Comp. Correction	48% + Var. Comp. Corection + Progr. Comp. Correction
Natural Gas	Existing Field	Duri Fields	70%	30%
Natural Gas	Existing Field	Non-Duri Fields	66%	34%

43. GEOTHERMAL WORKING AREAS

Since 1974, the former Pertamina Entity has been assigned geothermal working areas in Indonesia based on various decision letters issued by the Minister of Mines and Energy. In accordance with Government Regulation No. 31 Year 2003, all rights and obligations arising from the contracts and agreements entered into between former Pertamina Entity and third parties, so long as these are not contrary to Law No. 22 Year 2001, were transferred to Pertamina Entity effective September 17, 2003. Pertamina Entity through its letter No. 282/C00000/2007-S0 dated March 12, 2007 assigned its geothermal working areas to PGE effective from January 1, 2007. The transfer of Pertamina Entity’s rights, obligations, and interests in geothermal business operations to PGE was approved by the MoEMR in Letters No. 2198/30/DJB/2009 dated August 4, 2009 and No. 2523/30/DJB/2009 dated September 1, 2009.

Effective from June 28, 2010, Pertamina Entity’s geothermal assets were transferred to PGE, and formed part of Pertamina Entity’s contribution to PGE’s additional paid-up capital. This transfer of Pertamina Entity’s geothermal assets were documented in Notarial Deed No. 23 dated June 28, 2010 of Lenny Janis Ishak, S.H.

Based on the Decree of the Minister of Mines and Energy No. 2067 K/30/MEM/2012, regarding the affirmation of the territory of power and changes in the coordinate boundaries of the exploitation of geothermal resources, PT Pertamina Geothermal Energy has management rights over 14 geothermal WKPs. Referring to the original provision the Law No. 21 article 78 of 2014 concerning Geothermal Energy, at the end of 2014, 2 (two) WKPs, namely Kotamobagu and Gunung Iyang Argopuro were returned to the Government because the two WKPs up to December 31, 2014, were still not in the Exploitation stage. Furthermore, Pertamina received two (2) new WKPs, namely Mount Lawu (based on MoEMR Decree No.35.K/30/MEM/2016) and Seulawah (based on the Auction Winner Determination Letter from Aceh Governor No. 541/53157 November 1, 2013). PGE will carry out exploration activities in the two new WKPs.

The operations of the above geothermal working areas are conducted through own operations and joint operating contracts.

43. GEOTHERMAL WORKING AREAS (continued)

As of December 31, 2019, PGE's geothermal working areas were as follows:

a. Own operation

The following working areas are operated by PGE:

Working area	Location	Field status
Gunung Sibayak-Gunung Sinabung	Sibayak, North Sumatra	Production
Kamojang-Darajat	Kamojang, West Java	Production
Lahendong	Lahendong, North Sulawesi	Production
Gunung Way Panas	Ulubelu, Lampung	Production
Karaha-Cakrabuana	Karaha, West Java	Production
Lumut Balai and Marga Bayur	Lumut Balai, South Sumatera	Development
Hululais	Hululais, Bengkulu	Development
Sungai Penuh	Sungai Penuh, Jambi	Exploration
Gunung Lawu	Central Java	Exploration
Seulawah Agam	Aceh	Exploration

b. Joint operating contracts ("JOCs")

JOCs include geothermal activities in PGE's working areas that are conducted by third parties. In accordance with the JOCs, PGE is entitled to receive production allowances from the JOC contractors at the rate of 2.66% for the Darajat JOC and 4% for the Salak, Wayang Windu, Sarulla, and Bedugul JOCs of the JOC contractors' annual net operating income as calculated in accordance with the JOCs.

As of December 31, 2019, PGE's JOCs were as follows:

Working Area	Location	Field Status	Contractor
Cibeureum-Parabakti	Salak, West Java	Production	Star Energy Geothermal Salak Ltd. and Star Energy Geothermal Salak Pratama Ltd.
Kamojang-Darajat	Darajat, West Java	Production	Star Energy Geothermal Darajat II Ltd.
Pangalengan	Wayang Windu, West Java	Production	Star Energy Geothermal (Wayang Windu) Ltd.
Gunung Sibualbuali	Sarulla, North Sumatera	Production	Sarulla Operation Ltd.
Tabanan	Bedugul, Bali	Exploration	Bali Energy Ltd.

PGE's income from geothermal activities is subject to tax (government share) at the rate of 34% for the Work Area managed before the Law No. 21 of 2014 concerning Geothermal was issued.

(Expressed in thousands of US Dollars, unless otherwise stated)

44. GOVERNMENT AUDIT

PT Pertamina EP, PT Pertamina EP Cepu, subsidiaries of PT Pertamina Hulu Energi

The accounting policies stipulated in the PSC are subject to interpretation by SKK Migas and the Government. Every year, the accounting records and financial information from all PSC are subject to audit by SKK Migas and/or the Government. Claims arising from the audit will be approved by the PSC operator and recorded in accounting accounting by the PSC or further discussed with SKK Migas and/or the Government. The settlement of the claims discussed requires a long negotiation process.

Management believes that the audit results for PT Pertamina EP Cooperation Contract and other PSC, wherein PT Pertamina EP Cepu and the subsidiaries of PT Pertamina Hulu Energi have the a Participating Interest, will not have a material impact on the Group's financial position and cash flows.

45. ADDITIONAL INFORMATION RELATED TO CASH FLOWS

a. Activities that do not affect cash flows

	December 31, 2019	December 31, 2018
(Decrease) increase in finance lease assets under fixed assets (Note 12)	(24,181)	19,828
Capitalization of borrowing costs to fixed assets (Note 12)	18,964	31,500
Capitalization of borrowing costs to oil and gas and geothermal properties (Note 13)	25,452	24,885
Addition to oil and gas property arising from provision for decommissioning and site restoration (Note 22)	86,640	87,035

b. Reconciliation of liabilities from financing activities

			Non-cash changes			
	Dec 31, 2018	Cash flows	Dividend declare	Foreign exchange	Others	Dec 31, 2019
Short-term loans	4,347,035	(3,107,812)	-	30,829	-	1,270,052
Dividend payable	-	(563,106)	552,659	10,447	-	-
Long-term liabilities	2,225,877	(129,819)	-	9,120	14,960	2,120,138
Bonds Payable	11,094,096	1,498,855	-	-	21,542	12,614,493
Total liabilities from financing activities	**17,667,008**	**(2,301,882)**	**552,659**	**50,396**	**36,502**	**16,004,683**

			Non-cash changes			
	Dec 31, 2017	Cash flows	Dividend declare	Foreign exchange	Others	Dec 31, 2018
Short-term loans	452,879	3,905,941	-	(11,785)	-	4,347,035
Dividend payable	-	(585,755)	614,939	(29,184)	-	-
Long-term liabilities	2,475,726	(209,420)	-	(46,045)	5,616	2,225,877
Bonds Payable	10,385,873	696,758	-	-	11,465	11,094,096
Total liabilities from financing activities	**13,314,478**	**3,807,524**	**614,939**	**(87,014)**	**17,081**	**17,667,008**

(Expressed in thousands of US Dollars, unless otherwise stated)

46. FINANCIAL ASSETS AND LIABILITIES

a. Financial instruments category and fair value measurements

The following tables present to the Group's financial assets and liabilities by category:

Financial assets

	Fair value through profit or loss	Available for sale	Loans and receivables	Held to maturity	Total
December 31, 2019					
Cash and cash equivalents	-	-	6,756,252	-	6,756,252
Restricted cash	-	-	182,129	-	182,129
Short-term investments	20,955	364,634	6,995	-	392,584
Trade receivables	-	-	3,446,152	-	3,446,152
Due from the Government	-	-	6,689,595	-	6,689,595
Other receivables	-	-	1,139,419	-	1,139,419
Other investments, net	-	85,834	-	-	85,834
Long-term investments	-	139,822	1,540	467,185	608,547
Other non-current assets	-	-	1,569,940	-	1,569,940
Total Financial Assets	**20,955**	**590,290**	**19,792,022**	**467,185**	**20,870,452**
December 31, 2018					
Cash and cash equivalents	-	-	9,112,312	-	9,112,312
Restricted cash	-	-	108,915	-	108,915
Short-term investments	20,534	202,195	2,470	-	225,199
Trade receivables	-	-	3,231,106	-	3,231,106
Due from the Government	-	-	4,758,409	-	4,758,409
Other receivables	-	-	883,490	-	883,490
Other investments, net	-	80,171	-	-	80,171
Long-term investments	-	15,991	1,530	532,370	549,891
Other non-current assets	-	-	1,149,976	-	1,149,976
Total Financial Assets	**20,534**	**298,357**	**19,248,208**	**532,370**	**20,099,469**

	Other financial liabilities	
	December 31, 2019	**December 31, 2018**
Short-term loans	(1,270,052)	(4,347,035)
Trade payables	(4,643,337)	(3,676,558)
Due to the Government	(1,736,442)	(2,002,825)
Accrued expenses	(2,552,437)	(1,902,515)
Long-term liabilities	(2,120,138)	(2,225,877)
Other payables	(660,999)	(407,196)
Bonds payables	(12,614,493)	(11,094,096)
Other non-current payables	(477,877)	(149,428)
Total financial liabilities	**(26,075,775)**	**(25,805,530)**

The Company

The Company entered into a foreign exchange and derivative line agreement with BNI, Mandiri and BRI in order to hedge againts exchange rate risk. The notional amounts for the periods ended December 31, 2019 and 2018 were US$210,000 and US$570,000, respectively.

The fair value of these financial liabilities is estimated using appropriate valuation techniques with inputs that are not based on observable market data.

(Expressed in thousands of US Dollars, unless otherwise stated)

46. FINANCIAL ASSETS AND LIABILITIES (continued)

a. Financial instruments category and fair value measurements (continued)

The Company hedges the changes in the fair value of its liabilities due to risks of the foreign exchange rate fluctuations between Rupiah and US Dollar. The net changes in the fair values of the above derivatives instruments above for the periods ended December 31, 2019 and 2018 were US$1,932 and US$3,044, respectively.

Subsidiaries

PGN entered into a cross currency swap contract with ABN AMRO Bank N.V. As of December 31, 2019, the cross currency swap contract had ended. The total notional amount for the year ended December 31, 2018 is ¥19,420,211,744 (full amount) (equivalent to US$159,837).

The fair value of these financial liabilities is estimated using appropriate valuation techniques with inputs that are not based on observable market data.

PGN hedges the changes in the fair value of its liabilities due to the risk of fluctuative in foreign exchange rates between Japanese Yen and US Dollar. The net changes in the fair value of the derivative instruments above for the periods ended December 31, 2019 and 2018 was US$45 and US$4,596.

This transaction does not meet the criteria for hedge accounting in accordance with Indonesian Financial Accounting Standards.

b. Offsetting financial assets and liabilities

The following financial instruments are subject to offsetting, enforceable master netting arrangements and similar agreement:

	Gross amount of recognized financial assets	Gross amount of recognized financial assets set off in the statement of financial position	Net amount of financial assets presented in the statement of financial position	Related amounts not set off in the statement of financial position		Net amount
				Financial instrument	Cash collateral received	
December 31, 2019						
Financial asset						
- Trade receivables	3,595,260	(149,108)	3,446,152	-	-	3,446,152
Financial liabilities						
- Trade payables	4,792,445	(149,108)	4,643,337	-	-	4,643,337
December 31, 2018						
Financial asset						
- Trade receivables	3,327,292	(96,186)	3,231,106	-	-	3,231,106
Financial liabilities						
- Trade payables	3,772,744	(96,186)	3,676,558	-	-	3,676,558

For financial assets and liabilities subject to enforceable master netting arrangements or similar arrangements above, each agreement between the Group and the counterparty allows for net settlement of the relevant financial assets and liabilities when both choose to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on gross basis, however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

47. RISK MANAGEMENT POLICY

The Group has various business activities, which expose it to various potential risks. The Group's overall risk management program focuses on minimising potential adverse effects on the financial performance of the Group.

Risk management is carried out by the Group's Board of Directors, specifically the Risk Management Committee ("the Committee"), Risk Management Unit and Risk Taking Unit to identify, assess, mitigate and monitor the risks of the Group. The Committee provides principles for overall risk management, including business risk and financial risk.

a. Business risks

The Group's business activities are exposed to a variety of business risks (upstream and downstream) which are as follows:

i. The Group is subject to the control of the Government and there is no guarantee that the Government will always act in the Group's best interest. The Group also derives certain benefits from being a state-owned entity, and the Group cannot guarantee that any or all of these benefits will continue.
ii. The Group is subject to audit by SKK Migas, BPK, DGT and/or the Government. The outcome of the assessment may result in claims against the Group or reduce claims against the Government that have already been recognized by the Group.
iii. The Group is dependent on joint venture partners and third party independent contractors in connection with exploration and production operations and to implement the Group's development programs.
iv. The Group's crude oil, natural gas and geothermal reserves estimates are uncertain and may prove to be inaccurate over time or may not accurately reflect actual reserves levels, or even if accurate, technical limitations may prevent the Group from retrieving these reserves.
v. The Group is dependent on management's ability to develop existing reserves, replace existing reserves and develop additional reserves.
vi. A substantial part of the Group's revenues is derived from sales of subsidised certain fuel (BBM) products by the Government.

b. Financial risk

Financial risk includes market, credit and liquidity risks.

i. Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices.

The market risk factors are as follows:

(i) Foreign exchange risk

Group revenues are determined by the movement of MOPS, which will be paid separately by the public and the Government of Indonesia in the form of subsidised fuel products and LPG products.

Regulations in Indonesia require transactions to be made in Rupiah, while most of the operating costs, particularly for the procurement of crude oil and oil products, are made in US Dollars, which can lead to foreign exchange risks for cash and cash equivalents, trade receivables, due from the Government, trade payables, short-term loans, due to the Government and long-term liabilities.

(Expressed in thousands of US Dollars, unless otherwise stated)

47. RISK MANAGEMENT POLICY (continued)

b. Financial risk (continued)

i. Market risk (continued)

(i) Foreign exchange risk

The Group naturally mitigates foreign exchange risks through the effective management of its cash flows.

Sensitivity analysis

A strengthening (weakening) of the Rupiah against the US Dollar would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances which were considered to be reasonably possible at the reporting date. The analysis assumes that all other variables, in particular interest rates, remain constant and excludes any impact on forecasted sales and purchases.

	Strengthening		Weakening	
	Equity	Profit or loss	Equity	Profit or loss
December 31, 2019				
IDR (1% movement)	109,859	108,001	(107,684)	(105,863)
December 31, 2018				
IDR (3% movement)	364,017	358,908	(342,813)	(338,001)

(ii) Commodity price risk

The volatility in prices of crude oil, natural gas and refined products and the uncertainty of market dynamics for oil and gas could adversely affect the Group's business, financial conditions and results of the Group's operations.

The Group's profitability is significantly affected by the prices of, and demand for, crude oil, natural gas and refined products, the difference between the cost price of crude oil, the costs of exploring for, developing, producing, transporting and selling crude oil, gas and refined products. The international and domestic markets for crude oil and refined products are fluctuative, and have recently been characterized by significant price fluctuations. The fluctuation of the market prices of crude oil, natural gas and refined products is subject to a variety of factors beyond the Group's control.

The Group participates in physical commodity contracts in the normal course of business. These contracts are not derivatives and are measured at cost. In this case, the Group is not exposed to commodity price risk because the price has been determined at the date of purchase.

(Expressed in thousands of US Dollars, unless otherwise stated)

47. RISK MANAGEMENT POLICY (continued)

b. Financial risk (continued)

(iii) Cash flows and fair value interest risk

The Group is exposed to cash flows and fair value interest rate risk due to its financial assets and liabilities position, mainly to maintain cash flows in order to meet the needs of operational and capital expenditure.

Assets and liabilities with floating rates expose the Group to cash flows interest rate risk. Financial assets and liabilities with fixed rates expose the Group to fair value interest rate risk.

The Group has established a centralised treasury and continuously monitors movements of LIBOR, SIBOR, JIBOR and other borrowing rates prevailing in the market and conducts negotiations to get the most competitive interest rates before making placement of funds or conducts negotiation with lenders if the borrowing rates become uncompetitive compared to prevailing rates in the market.

The Group may use loan facilities provided by national banks such as BNI, BRI, Bank Mandiri, as well as foreign private banks.

At the reporting date, the Group's financial assets and liabilities with floating rates, fixed rates and those that were non-interest bearing were as follows:

	December 31, 2019					
	Floating rate		Fixed rate			
	Maturity less than one year	Maturity more than one year	Maturity less than one year	Maturity more than one year	Non-interest bearing	Total
Assets						
Cash and cash equivalents	4,189,729	-	2,560,780	-	5,743	6,756,252
Restricted cash	163,318	-	18,811	-	-	182,129
Short-term investments	-	-	167,875	-	224,709	392,584
Trade receivables	-	-	-	-	3,446,152	3,446,152
Due from the Government	-	-	-	3,313,801	3,375,794	6,689,595
Other receivables	-	-	-	-	1,139,419	1,139,419
Other investments	-	-	-	-	85,834	85,834
Long-term investments	-	352,551	-	109,205	146,791	608,547
Other non-current asset	-	-	-	-	1,569,940	1,569,940
Total financial assets	**4,353,047**	**352,551**	**2,747,466**	**3,423,006**	**9,994,382**	**20,870,452**
Liabilities						
Short-term loans	(1,270,052)	-	-	-	-	(1,270,052)
Trade payables	-	-	-	-	(4,643,337)	(4,643,337)
Due to the Government	-	-	(26,363)	(796,029)	(914,050)	(1,736,442)
Accrued expenses	-	-	-	-	(2,552,437)	(2,552,437)
Other payables	-	-	-	-	(660,999)	(660,999)
Long-term liabilities	(529,202)	(1,418,944)	(44,524)	(127,468)	-	(2,120,138)
Bonds payable	-	-	-	(12,614,493)	-	(12,614,493)
Other non-current payables	-	(30,564)	-	-	(447,313)	(477,877)
Total financial liabilities	**(1,799,254)**	**(1,449,508)**	**(70,887)**	**(13,537,990)**	**(9,218,136)**	**(26,075,775)**

(Expressed in thousands of US Dollars, unless otherwise stated)

47. RISK MANAGEMENT POLICY (continued)

b. Financial risk (continued)

i. Market risk (continued)

(iii) Cash flows and fair value interest risk (continued)

	December 31, 2018					
	Floating rate		Fixed rate			
	Maturity less than one year	Maturity more than one year	Maturity less than one year	Maturity more than one year	Non-interest bearing	Total
Assets						
Cash and cash equivalents	5,045,495	-	4,062,697	-	4,120	9,112,312
Restricted cash	21,344	-	87,571	-	-	108,915
Short-term investments	677	-	132,430	-	92,092	225,199
Trade receivables	-	-	-	-	3,231,106	3,231,106
Due from the Government	-	-	-	-	4,758,409	4,758,409
Other receivables	-	-	-	-	883,490	883,490
Other investments	-	-	-	-	80,171	80,171
Long-term investments	-	391,307	-	14,989	143,595	549,891
Other non-current assets	-	-	-	-	1,149,976	1,149,976
Total financial assets	**5,067,516**	**391,307**	**4,282,698**	**14,989**	**10,342,959**	**20,099,469**
Liabilities						
Short-term loans	(4,347,035)	-	-	-	-	(4,347,035)
Trade payables	-	-	-	-	(3,676,558)	(3,676,558)
Due to the Government	-	-	(25,247)	(795,082)	(1,182,496)	(2,002,825)
Accrued expenses	-	-	-	-	(1,902,515)	(1,902,515)
Long-term liabilities	(361,855)	(1,703,996)	(58,722)	(101,304)	-	(2,225,877)
Other payables	-	-	-	-	(407,196)	(407,196)
Bonds payable	-	-	-	(11,094,096)	-	(11,094,096)
Other non-current payables	-	-	-	-	(149,428)	(149,428)
Total financial liabilities	**(4,708,890)**	**(1,703,996)**	**(83,969)**	**(11,990,482)**	**(7,318,193)**	**(25,805,530)**

A change of 40 basis points in floating interest rates at the reporting date would have affected income before tax by the amounts shown below. This analysis assumed that all other variables, in particular foreign currency rates, remain constant.

Effect in:	**+40 bp increase**	**-40 bp decrease**
Income before tax	5,949	(5,949)
Cash flows sensitivity, net	**5,949**	**(5,949)**

ii. Credit risk

The Group has significant credit risk from unpaid receivables, cash and cash equivalents and investments in debt securities. In most transactions, the Group uses banks and financial institutions that are independently assessed with a rating of AAA, AA+, AA, AA-, A+, A and A-.

For the Group's credit sales, the Group applied a standard operating procedure for credit approval mechanism. With such practice, some portion of the Group's credit sales has been secured with a collateral/bank guarantee. For other credit sales without collateral/bank guarantee, the Group ensured that credit scoring, credit limit evaluation and credit approval were performed and provided prior to any sales to the customer.

The Group also has a Credit Management System to monitor the usage of credit limits and automatic blocking facility in the case of no payment starting from seven days after the maturity date. The Group will impose penalties for overdue payments in some sales contracts based on the result of each customer's credit evaluation.

(Expressed in thousands of US Dollars, unless otherwise stated)

47. RISK MANAGEMENT POLICY (continued)

b. Financial risk (continued)

ii. Credit risk (continued)

(i) Third parties and related parties

Financial assets neither past due nor impaired

The credit quality of the Group's financial assets that are neither past due nor impaired, was assessed by referencing external credit ratings PT Pemeringkat Efek Indonesia (Pefindo) or to historical information about counterparty default risk rates, as follows:

	December 31, 2019	December 31, 2018
Cash and cash equivalents		
Rated		
Rating AAA	5,259,231	7,285,583
Rating AA+	949,988	1,139,349
Rating AA	86,871	50,028
Rating AA-	147	3,528
Rating A+	-	1,381
Rating A	5,107	20,380
Rating A-	27,794	21,472
Not rated	427,114	590,591
Total	**6,756,252**	**9,112,312**

	December 31, 2019	December 31, 2018
Restricted cash		
Rated		
Rating AAA	145,845	104,230
Rating A-	462	462
Not rated	35,822	4,223
Total	**182,129**	**108,915**
Short-term investments		
Rated		
Rating AAA	70,181	25,332
Rating AA+	7,981	1,027
Rating AA	3,635	4,109
Rating AA-	2,904	3,129
Rating A+	3,561	-
Rating A	5,904	5,357
Rating A-	2,516	2,330
Rating BBB	-	3,887
Rating BBB-	-	41,948
Not rated	295,902	138,080
Total	**392,584**	**225,199**

(Expressed in thousands of US Dollars, unless otherwise stated)

47. RISK MANAGEMENT POLICY (continued)

b. Financial risk (continued)

ii. Credit risk (continued)

(i) Third parties and related parties (contined)

Financial assets neither past due nor impaired (continued)

	December 31, 2019	December 31, 2018
Long-term investments		
Rated		
Rating AAA	560	2,597
Rating AA	6,125	5,897
Rating BBB-	4,950	4,950
Not rated	755	552
Total	**12,390**	**13,996**
Trade receivables		
Third parties		
> US$10,000 - Good credit history	1,166,011	1,335,703
< US$10,000	751	362
Related parties	526,000	675,922
Total	**1,692,762**	**2,011,987**
Other receivables		
Third parties		
> US$10,000 - Good credit history	860,190	661,979
< US$10,000	51	31
Related parties	178,822	148,777
Total	**1,039,063**	**810,787**
Other assets		
Third parties	185,505	80,287
Related parties	53,825	54,228
Total	**239,330**	**134,515**

Financial assets that are past due but not impaired

	December 31, 2019	December 31, 2018
Trade receivables		
- Less than 3 months	603,148	431,868
- 3 - 6 months	10,008	61,194
- 6 - 12 months	24,980	21,138
- 12 - 24 months	1,859	11,040
- > 24 months	15,459	11,561
Total	**655,454**	**536,801**

(Expressed in thousands of US Dollars, unless otherwise stated)

47. RISK MANAGEMENT POLICY (continued)

b. Financial risk (continued)

ii. Credit risk (continued)

(i) Third parties and related parties (continued)

Financial assets that are past due but not impaired (continued)

	December 31, 2019	December 31, 2018
Other receivables		
Third parties		
- Less than 3 months	52,298	42,912
- 3 - 6 months	1,597	1,699
- 6 - 12 months	1,367	872
- 12 - 24 months	3,331	10,674
- > 24 months	3,646	5,476
Sub-total	62,239	61,633
Related parties		
- Less than 3 months	70	9
- 3 - 6 months	98	7
- 6 - 12 months	3,344	49
- 12 - 24 months	71	15
- > 24 months	67	24
Sub-total	3,650	104
Total	**65,889**	**61,737**
Other Assets		
Related parties	10,732	10,679
Jumlah	**10,732**	**10,679**

Trade receivables

Trade receivables from third parties and related parties that are past due but not impaired at the reporting date relate to customers who have not had defaults in the past two years. Some of the trade receivables from these customers have also been secured with collateral/bank guarantee.

Financial assets that are impaired

	December 31, 2019	December 31, 2018
Trade receivables		
- Current	567,379	453,510
- Less than 3 months	199,305	182,954
- 3 - 6 months	44,900	70,803
- 6 - 12 months	18,612	10,541
- 12 - 24 months	369,859	45,159
- > 24 months	181,458	180,082
Balance carried forward	1,381,513	943,049

(Expressed in thousands of US Dollars, unless otherwise stated)

47. RISK MANAGEMENT POLICY (continued)

b. Financial risk (continued)

ii. Credit risk (continued)

(i) Third parties and related parties (continued)

Financial assets that are impaired (continued)

	December 31, 2019	December 31, 2018
Balance brought forward	1,381,513	943,049
Impairment	(283,577)	(260,731)
Net	**1,097,936**	**682,318**
Other receivables		
Related parties		
- Less than 3 months	28	-
- 3 - 6 months	-	-
- 6 - 12 months	3	297
- 12 - 24 months	2	-
- > 24 months	1,437	1,426
	1,470	**1,723**
Third parties		
- Less than 3 months	35,441	6,169
- 3 - 6 months	207	673
- 6 - 12 months	507	975
- 12 - 24 months	562	8,362
- > 24 months	18,186	12,631
	54,903	**28,810**
	56,373	30,533
Impairment	(21,906)	(19,567)
Net	**34,467**	**10,966**
Other assets		
Related parties		
- > 24 months	18,919	18,190
Third parties		
- 0 -12 months	1,383	9,165
- 12 - 24 months	-	-
	20,302	27,355
Impairment	(20,302)	(27,355)
Net	**-**	**-**

(Expressed in thousands of US Dollars, unless otherwise stated)

47. RISK MANAGEMENT POLICY (continued)

b. Financial risk (continued)

ii. Credit risk (continued)

(i) Third parties and related parties (continued)

Trade receivables

Trade receivables from third parties and related parties as of December 31, 2019 amounting to US3,446,152 (2018:US$3,231,106) has been impaired amounting to US$283,577 (2018: US$260,731), with the largest trade receivables from Indonesian Armed Forces/Ministry of Defence amounting to US$432,781 (2018: US$318,142) (Note 40a).

Other receivables

Other receivables from third parties and related parties as of December 31, 2019 and 2018 amounting to US$1,139,419 and US$883,490 have been impaired by US$21,906 and US$19,567, respectively.

(ii) Government

Financial assets neither past due nor impaired

	December 31, 2019	December 31, 2018
The Company		
Receivables from recognition of disparity selling price	5,451,285	2,924,148
Receivable from subsidy reimbursements for JBT products	490,256	175,556
Receivable from subsidy reimbursements for 3 kg LPG cylinders	310,924	1,147,538
Receivables from marketing fees	72,489	72,489
Receivables from kerosene subsidies		
Reimbursement	17,529	16,828
Kerosene conversion	839	10,626
Sub-total	6,343,322	4,347,185
Subsidiaries:		
PEP		
- DMO fees	99,370	106,398
- Underlifting	32,040	18,942
PHE		
- DMO fees	22,684	15,414
- Underlifting	27,261	25,730
PEPC		
- Underlifting	202,563	224,904
PHI		
- DMO fees	32,314	18,780
- Underlifting	2,530	1,056
Sub-total	418,762	411,224
Total	**6,762,084**	**4,758,409**
Impairment of receivables from marketing fees	(72.489)	-
Total (Catatan 40)	**6.689.595**	**4.758.409**

(Expressed in thousands of US Dollars, unless otherwise stated)

47. RISK MANAGEMENT POLICY (continued)

b. Financial risk (continued)

iii. Liquidity risk

The amount of liquidity which the Group requires for its operations is uncertain and its operations may be adversely affected if the Group does not have sufficient working capital to meet its cash and operational requirements. This may occur as a result of, amongst other reasons, delays in the payment of the Government's subsidies.

The Group uses significant amounts of cash in its operations, especially to procure commodities and raw materials. In particular, one of its principal operating costs is the acquisition of feedstock for its refineries. Fluctuations in market prices for crude oil, natural gas and their refined products and fluctuations in exchange rates cause working capital and costs for the Group's upstream and downstream operations to be uncertain.

The Group funds its operations principally through cash flows from operations, a significant portion of which comprises sales, subsidy payments, working capital facilities (including bank overdrafts, L/C and revolving credit), and long-term bank loans. In accordance with the terms of PSO's assignment, the Group is required to submit its claims for subsidy to the Government at the end of each month for the subsidised fuel distributed in that month.

As of December 31, 2019 and 2018 the Group has cash and cash equivalents in the amount of US$6,756,252 and US$9,112,312 respectively (Note 5). The Group manages liquidity risk by continuously monitoring forecasts and actual cash flows and matching the maturity profiles of trade receivables and trade payables.

The table below summarizes the maturity profile of the Group's financial liabilities based on cash flows on contractual undiscounted payments:

	Less than 1 year	**Later than 1 year but not later than 5 years**	**Later than 5 years**	**Total**
December 31, 2019				
Financial liabilities				
Short-term loans	1,270,052	-	-	1,270,052
Trade payables	4,643,337	-	-	4,643,337
Due to the Government	954,232	494,789	441,609	1,890,630
Accrued expenses	2,552,437	-	-	2,552,437
Long-term liabilities	467,038	1,295,942	429,483	2,192,463
Other payables	1,177,821	-	-	1,177,821
Bonds payable	577,034	7,652,617	14,262,633	23,492,284
Other non-current payables	-	111,160	39,600	150,760
Total financial liabilities	**11,641,951**	**9,554,508**	**15,173,325**	**36,369,784**
December 31, 2018				
Financial liabilities				
Short-term loans	4,347,035	-	-	4,347,035
Trade payables	3,676,558	-	-	3,676,558
Due to the Government	1,211,056	262,428	531,845	2,005,329
Accrued expenses	1,902,515	-	-	1,902,515
Long-term liabilities	456,506	1,530,224	343,001	2,329,731
Other payables	1,257,437	-	-	1,257,437
Bonds payable	611,409	5,886,768	14,088,112	20,586,289
Other non-current payables	-	120,591	58,314	178,905
Total financial liabilities	**13,462,516**	**7,800,011**	**15,021,272**	**36,283,799**

(Expressed in thousands of US Dollars, unless otherwise stated)

47. RISK MANAGEMENT POLICY (continued)

c. Capital management

The Directors' policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of share capital, retained earnings, non-controlling interests and other equity components. The Board of Directors ensures the return on capital as well as the level of dividends.

The Group as an entity whose main business involves oil and gas monitors capital on the basis of the debt-to-equity ratio. Net debt is calculated as total interest bearing borrowings including short-term and long-term, while total capital is calculated from equity in the statement of consolidated financial position. Weighted average interest expense on interest-bearing borrowings (excluding liabilities with imputed interest) for December 31, 2019 and 2018 were 5.28%, and 5.17%, respectively.

The Group's debt to equity ratio at the reporting date is as follows:

	December 31, 2019	December 31, 2018
Total liabilities (interest bearing)	16,857,639	18,487,337
Total equity attributable to owners of the parent	28,780,995	27,598,721
Debt-to-equity ratio	58.57%	66.99%
Total own capital to total assets ratio*	40.66%	40.31%
Return-on-equity ratio*	12.84%	13.21%

* Based on definition as required in KEP-100/MBU/2002

d. Fair value

The following are the Group's financial assets that were measured at fair value at December 31, 2019:

	Level 1	Level 2	Level 3	Total
Financial assets				
Short-term investments	323,537	62,597	6,450	392,584
Other investments, net	-	-	85,834	85,834
Total financial assets	**323,537**	**62,597**	**92,284**	**478,418**

As of December 31, 2019, there were no transfers of fair value measurement between level 1, level 2 and level 3.

The table below shows the carrying amounts and fair values of long-term financial liabilities as of December 31, 2019 and 2018:

	Carrying amount		Fair value	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Long-term liabilities (Note 19)	2,120,138	2,225,877	2,162,222	2,329,464
Bonds payable (Note 20)	12,614,493	11,094,096	14,232,462	11,101,427
Total financial liabilities	**14,734,631**	**13,319,973**	**16,394,684**	**13,430,891**

(Expressed in thousands of US Dollars, unless otherwise stated)

47. RISK MANAGEMENT POLICY (continued)

d. Fair value (continued)

The fair value of long-term liabilities is measured using the discounted cash flows based on the interest rate on the latest long-term liabilities of the Group. The fair value of bonds payable is determined by reference to market price at the reporting date.

48. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES

a. Cooperation contract commitment

In accordance with the Cooperation Contract, PT Pertamina EP shall relinquish minimum of 10% of the original contract area to the Government on or before the end of the tenth year from the effective date of the Cooperation Contract. On July 18, 2013, PT Pertamina EP relinquished 18.02% of initial working area to the Government.

PT Pertamina EP is required to pay a bonus to the Government amounting to US$500 in 30 days after cumulative production of oil and gas reaches 500 MMBOE from the effective date of the Cooperation Contract (has been paid by PT Pertamina EP in January 2011), US$1,000 in 30 days after the cumulative production of oil and gas reaches 1,000 MMBOE since the effective date of the PSC (paid by PT Pertamina EP in January 2015), and US$1,500 in 30 days after cumulative production of oil and gas reaches 1,500 MMBOE since the effective date of the PSC.

PT Pertamina EP's cumulative production of oil and gas until December 31, 2019 has not yet reached 1,500 MMBOE.

On December 31, 2019, PT Pertamina Hulu Energi had 15 exploration commitments in relation to PSC profit sharing contracts with commitments between US$11,750 to US$225,000 and 11 exploration commitments in relation to the Gross Split contract with a commitment amounting to US$15,550 to US$250,000.

PT Pertamina Hulu Indonesia has expenditure commitments and work plans with a commitment value between US$141,300 to US$703,000 with a period of six years from the effective date of the contract.

b. Capital commitments

The Group has capital expenditure commitments in the normal course of business. As of December 31, 2019, the Group's unrealized total outstanding capital expenditure commitments amounting to US$359,124.

c. Operating lease commitments - Group as lessee

Non-cancellable operating lease payments are as follows:

	December 31, 2019	December 31, 2018
Less than one year	557,034	493,867
Between one to five years	479,413	559,313
More than five years	58,874	33,284
Total	**1,095,321**	**1,086,464**

(Expressed in thousands of US Dollars, unless otherwise stated)

48. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

c. Operating lease commitments - Group as lessee (continued)

The Group leases a number of vessels, office buildings, vehicles and IT facilities under operating leases. The leases typically run for a period of ten years, with an option to renew the lease.

In December 31, 2019 and 2018, operating lease expense was US$839,528 and US$343,868, respectively (Notes 31, 35, and 36).

d. Gas sale and purchase agreement

As of December 31, 2019, the Company through PT Pertamina EP had a commitment to sell gas of 1,005,384 MMSCF to several customers. The gas will be delivered from 2018 to 2031.

As of December 31, 2019, the Company, through PHE, has various significant gas supply agreements ("PJBG") with various customers, with gas volume of each contract between 33.27 TBTU to 128.43 TBTU. The expiration of these agreements ranges from 2020 until 2023.

As of November 13, 2017, the Company, through PT Pertamina EP Cepu signed PJBG aggreement to deliver gas with volumes 172 MMSCFD. This contract is effective for 20 years since agreement date or JTB field reservoir capability with a gas selling price of US$6.7 per MMBTU.

As of December 31, 2019, the Company, through PGN has 55 PJBG with working areas in Sumatra, Java, Kalimantan and Papua with contract periods of 1 - 30 years. The effective year of the agreement ranges from 2002 to 2019 and the year ends of the agreement ranges from 2019 (in the process of being extended until 2021) to 2037, ends when the agreed quantity is reached, or a combination of both, which occurs first.

Based on the Republic of Indonesia's Presidential Regulation No. 40 Year 2016 concerning the Determination of Natural Gas Prices and the Minister of Energy and Mineral Resources Regulation of the Republic of Indonesia No. 40 Year 2016 regarding Natural Gas Prices for Certain Industries, the Company made an amendment to the contract reduction in gas prices in the gas purchase agreement with certain industries and effective since January 30, 2017.

e. LNG long-term purchase contract commitment

The Company signed a Long-Term LNG Purchase Contract with several sellers for LNG trading business, as follows :

Sellers	Date of Agreement	Periods	Minimum quantity (million tons per year)
Corpus Christi Liquefaction, LLC	March 20, 2015	2019-2040	0.5 – 1.5
Chevron Rapak, Ltd,, Eni Rapak Limited, Tiptop Rapak Limited	November 21, 2016	2016-2021	0.06 – 0.42
Total Gas & Power Asia Private Limited	December 21, 2016	2020-2034	0.38 – 1.0
Eni Muara Bakau B,V,, GDF SUEZ Exploration Indonesia B,V,, PT Saka Energi Muara Bakau	February 21, 2017	2018-2024	0.5 – 1.4
Woodside Energy Trading Singapore Pte, Ltd,	June 5, 2017	Tranche A: 2019-2033 Tranche B: 2024-2038	0.07 – 0.57 0.5 – 1.07

(Expressed in thousands of US Dollars, unless otherwise stated)

48. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

e. LNG long-term purchase contract commitment (continued)

Sellers	Date of Agreement	Periods	Minimum quantity (million tons per year)
Mozambique LNG1 Company Pte, Ltd,	February 13, 2019	2025-2034	1.0

As of December 31, 2019, the Company has not been able to absorb purchase of LNG equal to 5.5 cargo from ENI Muara Bakau due to no distribution to PLN as an end user. Management provide a provision on the Take or Pay amounting to US$113,715 in accordance with the best estimation considering there is uncertainty on the make-up volume of the LNG in the future.

Management has estimated the economic value of such contracts in accordance with the criteria stated in SFAS 57 regarding provisions, contingent liabilities and contingent assets for a onerous contract (Note 2ae) by considering several parameters including price, demand and discount rate as of the reporting date. An estimate of the economic value has been established, which is lower, compared to penalties if the company does not carry out the commitment according to the contract. Such lower value then is recognized as a provision, measured and presented as an other expense in the income statement of US$405,629.

f. Transfer agreement of 10% participating interest ("PI")

On December 19, 2017, PT PHE ONWJ and MUJ ONWJ signed a 10% PI transfer agreement at ONWJ PSC from PHE ONWJ to MUJ ONWJ. The agreement is effective on the date of receipt of approval from the MoEMR or on the date stipulated by the MoEMR in his approval letter.

On May 17, 2018, the approval 10% of PI transfer in the ONWJ working area has been approved by the MoEMR through a Letter from the MoEMR to the Head of SKK Migas No. 2803/13/MEM.M/2018. Stated in the letter, the date of the transfer of PHE ONWJ to MUJ ONWJ is from the effective date of the Block ONWJ PSC.

On December 17, 2018, the PI transfer value was determined through a Letter from the MoEMR to the Head of SKK Migas No. 3149/12/MEM.M/2018. The transfer value is calculated from the BUMD's liability for the portion of the implementation guarantee (Performance Bond) for the implementation of a definite work commitment and the portion of the unrecovered cost payment by the new PSC Contractor to the old PSC Contractor with a value of US$43,292.

On September 19, 2018, PHM and PT Migas Mandiri Pratama Kutai Mahakam ("MMPKM") signed the Principal Agreements regarding Transfer of the 10% Plan Participating Interest in the Mahakam Working Area, where the parties will hold more intensive discussions regarding the terms and conditions.

On July 17, 2019, PHM and MMPKM had signed the Transfer and Management Agreement of 10% PI in Mahakam PSC in the Mahakam Working Area, which included regulating compensation, financing mechanisms, returns and production sharing.

On September 12, 2019 the approval of the transfer of the 10% PI in the Mahakam working area was approved by the MoEMR through a Letter from the MoEMR to the Head of SKK Migas No. 371/13/MEM.M/2019. It is stated in the letter that the date of the transfer of PHM to MMPKM is from the effective date of the Mahakam Block PSC.

48. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

f. Transfer agreement of 10% participating interest ("PI") in the ONWJ Block PSC (continued)

Starting from the date of transfer, payment of MMPKM portion of production sharing will be made by PHM on monthly basis, after deducting MMPKM's portion of PSC Mahakam's operating costs and other obligations in accordance with PSC.

In the event that the share of MMPKM production in the current month does not meet the share of operating costs that must be paid by MMPKM, the underpayment of operating costs will be calculated in the following months.

To guarantee MMPKM’s revenues, the MMPKM share of production and operating costs are calculated by using a provisional percentage for the full year. If the accumulated operating costs that must be paid by MMPKM to PHM in one year exceeds the MMPKMM portion of the production share, PHM will provide an MMPKM payment of US$1 (full amount) each month in the following year.

On August 7, 2018, PHE Siak and PT Riau Petroleum Siak signed the Transfer and Management Agreement of a 10% participating interest in accordance with Minister of Energy and Mineral Resources Regulation No. 37/2016 regarding Provisions on the 10% PI Offer in the Oil and Gas Working Area.

g. Lease of BMN

Based on the Minister of Finance Decree No. 92/KMK.06/2008 dated May 2, 2008 stipulates that the status of the ex-Old Pertamina assets not included in Pertamina's Opening Balance Sheet in accordance with the Minister of Finance Decree No. 23/KMK.06/2008, are State Assets ("BMN") where the management of such assets is carried out by the DJKN.

On October 7, 2008, SKK Migas issued a letter to the Minister of Finance suggesting that PT Pertamina EP could use BMN for free. On January 14, 2009, the Minister of Finance rejected the advice given by SKK Migas.

Based on the Minister of Finance cq. DJKN Letter No.S-23/MK.6/2009 dated January 21, 2009, the Government agreed to implement a lease scheme for former Pertamina old assets amounting to Rp16,226,357 million (equivalent to US$1,444,269).

Based on the minutes of the meeting on January 23, 2009, which was attended by Pertamina and the Minister of Finance cq. DJKN representative, agreed that the lease scheme applies to former Pertamina’s assets, except for wells and land valued at Rp6,753,549 million, with total leases for the related assets of Rp9,472,808 million for a period of 32 years.

Based on the Decree of the President Director of Pertamina No. Kpts-023/C00000/2009-S0 dated March 6, 2009, the lease rate of PSC assets is determined while waiting for the official lease contract to be determined by the Ministry of Finance of Rp9,472,808 million for a period of 32 years or Rp296,025 million per year.

With the transfer of Pertamina’s PSC activities to PT Pertamina EP, effective starting September 17, 2005, the lease agreement involved PT Pertamina EP. On December 12, 2014, the Minister of Finance submitted letter No. S-837/MK.06/2014 to SKK Migas and states that the BMN lease fee is treated as a cost recovery of PT Pertamina EP.

48. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

g. Lease of BMN (continued)

As a follow up to the Minister of Finance’s letter, the Head of SKK Migas issued letter No. SRT-1294/SKKO0000/2014/S4 dated December 30, 2014 and said that basically SKK Migas can approve the imposition of BMN leases as an operating cost (cost recovery) as long as these assets are used in the upstream oil and gas operations of PT Pertamina EP. As the result of the stocktaking of BMN ex Pertamina’s assets that have been reported to the Minister of Finance through a letter from the President Director of Pertamina No. 194/C00000/2011-S0 dated March 29, 2011, SKK Migas stated that the basis for leasing should be Rp6,630,929 million (revaluation value), for assets, equipment, buildings and other assets that currently uses by PT Pertamina EP. SKK Migas recalculated the liabilities on the basis of the lease use the same method as the Ministry of Finance and stated the lease liabilities that should be paid is Rp2,227,578 million for the starting period 2003 until June 30, 2014.

Following up on the SKK Migas letter, Pertamina made a lease payment of the agreed value as cost recovery by SKK Migas through an offsetting mechanism of Government liabilities. Management believes that the contractual agreement relating to the BMN used must be recorded as a financial lease.

On September 20, 2016, a State Property Rental Agreement was signed between the Ministry of Finance of the Republic of Indonesia and PT Pertamina EP No.PRJ-3-MK.6/2016 and No.1307/EP0000/2016-S0 ("Agreement") with a basis of imposition of BMN rental of Rp6,630,929 million (equivalent to US$504,560). Based on the agreement, the Ministry of Finance of the Republic of Indonesia will not collect lease fees for BMN not used by PT Pertamina EP because the BMN is not included in the scope of the Agreement. Therefore, in 2016, PT Pertamina EP made corrections on BMN lease payable which was not used by PT Pertamina EP in the amount of Rp1,527,330 million (equivalent to US$112,610)

In December 2019 and 2018, PT Pertamina EP made payment on BMN’s lease payable for each period amounting to Rp207 billion (equivalent to US$14,820, 2018:US$14,407) with the latest payment based on lease agreement No. PRJ-1/MK.6/2019 or No.1379/EP0000/2019-S0 between the Ministry of Finance of the Republic of Indonesia and PT Pertamina EP.

On June 18, 2019, the Minister of Finance issued Regulation No. 89/PMK.06/2019 regarding Management of State-Owned Assets from the Implementation of the Upstream Oil and Gas Cooperation Contract ("PMK No.89/PMK.06/2019"). For future lease periods, the method of calculating asset leases will refer to PMK No.89/PMK.06/2019.

PHI measures the fair value of the cost of utilizing assets to the Government using the fair value of the assets used deducted by adjustment factors and incentives: a) asset mapping; b) write-off assets; c) security costs; d) asset reporting; e) land certification; and f) realization of production targets.

The fair value approach of assets for PHI is obtained, among others, through self assessment by considering utility factors and production capacity or through the results of external assessments by the Office of Public Appraisal Services.

On the basis of PMK No.89/PMK.06/2019, PHI has calculated the amount of the lease and has recorded the lease liability as of December 31, 2019.

The oil and gas assets of ex-ONWJ PSC owned by the DJKN are used by the ONWJ Gross Split PSC contractor with a lease scheme.

48. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

g. Lease of BMN (continued)

On January 16, 2018 Lease Agreement No. PRJ-1/KN/2018 was signed by PT PHE ONWJ and DJKN for the lease period from January 19, 2017 to January 19, 2018, with a lease value of Rp225,603,000,000 (full amount). The lease period can be extended based on a written request submitted by PHE ONWJ to DJKN through SKK Migas.

On April 17, 2018 Lease Agreement No. PRJ-2/KN/2018 was signed by PT PHE ONWJ and DJKN for the lease period from January 19, 2018 to January 18, 2019 with a lease value of Rp202,650,750,000 (full amount). The lease period can be extended based on a written request submitted by PHE ONWJ to DJKN through SKK Migas.

For the lease period from January 2019 to January 2020, PHE ONWJ is still waiting for the Minister of Finance Regulation ("PMK") regarding changes in the method of calculating asset leases to be issued by DJKN. For the lease period, the asset will refer to PMK No.89/PMK.06/2019.

h. Lease, Operation and Maintenance Agreement

On January 25, 2012, PGN and Hoegh Lampung signed a lease, operation and maintenance agreement that is valid from the date of shipment and ends 20 years after the date of delivery.

On February 21, 2014, PLI, PGN and Hoegh Lampung signed a Novation Agreement on Amended and Restated Leases, Operations and Maintenance Agreements whereby PGN's rights and obligations related to the above agreement were transferred to PLI. Through the novation agreement, Hoegh Lampung will provide the Lampung FSRU and perform regasification process for 20 years with an option to extend for two periods of 5 years each.

On September 14, 2015, PT Kalimantan Jawa Gas ("KJG"), PLN, PT Senamas Energindo Mineral, PT Bakrie & Brothers Tbk. and PC Muriah Ltd. ("PCML") put into effect the Novation and Amendment Agreement to the Gas Transportation Agreement (“GTA Kalija I") wherein KJG is the Transporter, PLN is the Off-taker, and PCML is the Shipper. Based on the Gas Transporation Agreement, Transporter agreed to provide gas transportation services from the Kepodang field to the PLN’s power plant facilities in Tambak Lorok.

This agreement is valid for 12 years from the start of the gas delivery date. On June 8, 2017, PCML gave a notification about the force majeure regarding the Kepodang-Tambak Lorok Gas Transportation Agreement.

i. Legal case

Class action related to on environmental issues at PHE ONWJ Block

In relation to the oil spills incident in Karawang seawaters in West Java which was suspected to be originating from YYA-1 re-entry well in the ONWJ block, currently the Directorate of Certain Crimes, Criminal Investigation Police, is conducting an investigation of alleged criminal acts of environmental pollution as referred to in the Law Number 32 of 2009 concerning Environmental Protection and Management and investigations by the West Java Regional Police regarding allegations of misuse of the 2019 budget related to PHE ONWJ which carry out crude oil drilling activities and maintenance of pipelines as well as the use of budgets for financing for communities affected by oil leakage in the Karawang region of West Java.

As of the date of the financial statements, there has been no further investigation by the Criminal Investigation Police and the West Java Regional Police. However, the Investigation Termination Order (SP3) for the Police Report has not yet been issued.

48. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

i. Legal case (continued)

Class action related to environmental issue at PHE ONWJ Block (continued)

The lawsuit occurred because part of the oil spill which allegedly originated from the YYA-1 well spread to various places and is believed to affect the lives of local residents in numerous areas.

Some of residents who live in Banten Bay (Serang City) have filed lawsuits or class action suits against PT Pertamina (Persero) as Defendant I and PHE ONWJ as Defendant II. The plaintiff claim for compensations from the defendant because they believed that the oil spill from YYA-1 well negatively impacted their lives.

As of the date of the consolidated financial statements, the trial process is still ongoing at the Central Jakarta District Court.

Alleged Criminal Related to PHE WMO’s Operatorship

PHE WMO is the operator of the West Madura Offshore Block ("WMO"). The other contractors are PT Mandiri Madura Barat (“MMB”) and Kodeco Energy Co. Ltd. (“Kodeco”).

In the oil and gas operations of WMO PSC, PHE WMO conducts exclusive operations (sole risk) which in accordance with the WMO JOA, all rights and obligations from sole risk activities belong to PHE WMO. However, during the period from January 2013 to December 2016, Kodeco and MMB received revenues from such PHE WMO sole risk operations, subsequently such over allocated revenue was collected by PHE WMO through monthly cash calls.

MMB claimed that there have been overpaid cash calls for period from January 2013 to December 2016 amounting to US$16,481. MMB reported PHE WMO to the Criminal Investigation Unit of the National Police Headquarters over criminal act.

The Police report is currently in the process of investigation, as a form of prudence, PHE WMO has requested a legal opinion from the Attorney General's Office of the Republic of Indonesia and submitted an audit request to BPK to conduct an audit of this sole risk activities.

In accordance with the BPK’s letter No. 175/S/XX/07/2019 dated July 23, 2019, PHE WMO returned US$16,481 to MMB. Furthermore, PHE WMO and MMB agreed to appoint an independent auditor to conduct audits related to the overpaid cash calls and over allocation of revenue from each party.

Force majeur on Kepodang Transportation Gas Agreement - Tambak Lorok Declaration by PC Muriah Ltd ("PCML")

On June 8, 2017, PCML gave a notification regarding the force majeure regarding the Kepodang Gas Transportation Agreement (“GTA”) - Tambak Lorok.

Due to the inability of PCML to fulfill the gas volume commitments in accordance with the GTA Kalija I, according to the provisions of GTA Kalija I, a ship-or-pay obligation arises which must be resolved by the party that caused the ship-or-pay. KJG has held deliberations with PCML related to ship-or-pay obligations in 2016 since the beginning of 2017, but until the end of 2017, PCML has not completed the ship-or-pay obligations. In addition, PCML also submits forceful claims according to the PCML letter. In response to the force majeure claim, KJG submitted a rejection letter dated June 13, 2017, where KJG noted that in accordance with the GTA Kalija I, the condition for force majeure was validated by an independent consultant appointed jointly by the parties which was then examined and approved by SKK Migas.

48. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

i. Legal case (continued)

Force majeur on Kepodang Transportation Gas Agreement - Tambak Lorok Declaration by PC Muriah Ltd ("PCML") (continued)

PCML has appointed Lemigas as an independent consultant to examine the force majeure. However, the KJG considers the appointment and results of the Lemigas report to be inconsistent with the provisions contained in the GTA Kalija I.

With the conditions of force majeure in accordance with GTA Kalija I not yet fulfilled, all parties' rights and obligations will continue to apply, particularly in relation to ship-or-pay. KJG has also requested the assistance of BPH Migas as a mediator for the ship-or-pay issue. BPH Migas invited the parties to the GTA Kalija I on March 20, 2018, and May 8, 2018, but PCML was absent at the two meetings. Considering KJG had made deliberation and mediation efforts, finally on August 29, 2018 KJG filed an arbitration suit for the fulfillment of ship-or-pay obligations for the year 2016-2018 as well as ship-or-pay obligations for the year 2019-2026 to the Hong Kong International Chamber of Commerce ("ICC"). PCML has stopped gas delivery on September 23, 2019 therefore since September 24, 2019 there has been no gas delivery through the KJG pipeline. Effective on December 13, 2019, KJG has terminated the GTA Kalija I through letter dated November 13, 2019, since KJG does not see good faith from PCML to continue and carry out its obligations in accordance with those set and agreed in the GTA Kalija I. In relation to the termination, KJG has submitted a claim for compensation in the Statement of Claim dated 28 February 2020 to the ICC.

Management believes that the arbitration result will have a positive impact on the KJG. Arbitration is expected to be completed by the end of 2021

PT Barkrie Harper Corporation Lawsuit

On November 20, 1996, the Company entered into a Build and Rent Agreement in the form of Development, Operation, Lease and Maintenance of Piping Kertapati-Jambi ("Pipeline Project Work") No.SPB-1474A/C000/96 with PT Bakrie Harper (formerly PT Bakrie Harper Corporation - "Bakrie"). Total Pipeline Project Work Value and Rental fee was US$144,068 and US$16,703 (excluding VAT), respectively. The lease term for such project is 10 years with commencement date of the project development on May 19, 1997.

Due to the monetary crisis in 1998, the Company delayed the Pipeline Project Work and renegotiated the project value. In 2001, both parties agreed to appoint Deloitte Touche ("Deloitte") as an independent party to audit fair market costs of the Pipeline Project Works. Based on the Deloitte audit report issued in 2001, fair market costs and rental costs were US$92,125 and US$7,616 respectively.

On August 27, 2002, Pertamina appointed BPKP to conduct due diligence to obtain a fair market value for the costs incurred by Bakrie for the project from the start date to the date when the project development stopped. Based on the BPKP report released on December 23, 2003, it is noted that the physical progress of the Pipeline Project Work was 10.6853% with a fair value of US$15,394 exclude the compensation for investment costs incurred. BPKP also noted that the Pipeline Project Work is no longer economics and feasible to continue.

48. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

i. Legal case (continued)

PT Barkrie Harper Corporation Lawsuit (continued)

On June 9, 2017, both parties agreed to settle the case through the Indonesian National Arbitration Board ("BANI"). The amount claimed by Bakrie is US$15,394 for physical progress work and US$17,307 for 14 years of interest. Based on BANI decision No. 969/VIII/ARB-BANI/2017 dated February 21, 2018, it is noted that the Pipeline Project Work agreement is already expired, the physical progress of the Pipeline Project Work is 10.6853% and the Company should pay to Bakrie the amount of US$15,856, which consists of compensation and total interest to Bakrie amounting to US$15,394 and US$462, respectively.

On April 16, 2018, the Company appointed the Attorney General's Office of the Republic of Indonesia ("Jamdatun") to provide legal assistance and to propose Legal action related to BANI decision. The Company is willing to settle BANI decision with condition that the payment made by the Company is based on BPK report and should be supported by adequate documents, including land rights with value equal to the payment will be made by the Company. The cancellation claim has been submitted by Jamdatun through the Central Jakarta District Court but was refused. Based on the advice of the State Attorney, in the event that Bakrie submitted an attempt to execute the BANI verdict, the Company has the option to file a lawsuit against the execution.

On September 18, 2019, Pertamina received a warning/ warning call (Aanmaning) from the Central Jakarta District Court to carry out its obligations to voluntarily implement the BANI decision (“Reprimand”) I, which subsequently Pertamina received Reprimand II on October 2, 2019 and Reprimand III on December 10, 2019. During the period of Reprimand I, Reprimand II and Reprimand III, Pertamina and Bakrie have simultaneously made efforts to resolve the implementation of the BANI decision with negotiation points in the form of (i) reduction of payment obligations to US$12,189 (ii) does not account for interest and (iii) Bakrie will hand over a parcel of land with certificate of HGB No. 348 Kelurahan Kasang, Kecamatan Jambi Timur, Jambi Province related to the Kertapati – Jambi Pipeline Project.

These negotiation efforts have been submitted to the Central Jakarta District Court Bailiff, so that the Central Jakarta District Court now awaiting the outcome of these negotiation. Once obtaining the Pertamina Board of Directors’ decision, the agreement to finalize the implementation of the BANI Decision will be formalized in an Agreement.

j. The PSO assignment to supply fuel products

The Company has a relationship with the Government for the assignment of PSO to supply certain fuel products. The Company and the Government agreed to use Mean of Platts Singapore ("MOPS") as the basis for the market price of fuel projects use to calculate the amount of subsidies. However, the retail selling price of certain fuel products issued by the Ministry of Energy and Mineral Resources during 2018 and 2019 cannot cover all costs for procuring and distributing fuel products which resulted losses from the sale of PSO fuel products for the years ended December 31, 2019 and 2018.

48. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

k. Reimbursement of investment costs for previous PSC contractors

The Minister of Energy and Mineral Resources Regulation No.26/2017, No.47/2017, No.24/2018 and No.46/2018 requires the new PSC contractor to reimburse certain investment costs spent by the previous PSC contractor that had not been recovered at the time the PSC expired. The amount to be replaced is based on verification and approval from SKK Migas. Based on the SRT-0665/SKKMA0000/2018/S4 letter dated August 13, 2018 from SKK Migas, the amount to be reimbursed by Pertamina Hulu Sanga-Sanga ("PHSS") to the previous Sanga-Sanga PSC contractor was US$111.9 million. PHSS disagreed with such amount and is in process to obtain assistance from the relevant institutions to verify the reasonable amount to be paid. As of December 31, 2019, the total investment costs to be reimbursed to the previous Sanga-Sanga PSC contractor had not been recognized.

l. Mechanism of Trustee Borrowing Structure ("TBS")

On June 13, 2019, PEPC through TBS obtained the following financing facilities for the JTB project development with a total facility of US$1,846,400:

a. The Jambaran-Tiung Biru Loan Agreement, which was signed by the HSBC Bank USA as Trustee, MUFG Bank Ltd. as an Agent and Lender, with a total facility of US$700,000 from Tranche A and US$1,046,400 from Tranche B. The loan bears interest at a rate of LIBOR + applicable margin of 2.95% for Tranche A and LIBOR + applicable margin of 2.15% for Tranche B.
b. The Jambaran-Tiung Biru Wakala Agreement, which was signed by the Trustee and MUFG Bank (Malaysia) Berhad as an Investment Agent, with a total facility of US$40,000 from Tranche A and US$60,000 from Tranche B. The loan bears interest at a rate of LIBOR + applicable margin of 2.95% for Tranche A and LIBOR + applicable margin of 2.15% for Tranche B.

The Tranche A loan principal is repayable on a semi-annually basis with the first payment due on March 31, 2022 and the final payment due on March 31, 2034. The Tranche B loan principal is repayable every six months with the first payment due on the date March 31, 2022 and final payment will be due on March 31, 2029.

The outstanding bank loan as of December 31, 2019 is US$316,000. The total interest expense and commitment fees incurred during the year is US$4,450 and US$8,709, respectively. As of December 31, 2019, PEPC complied with the restrictions set forth in the loan agreement. PEPC records the remaining funds in the trustee account as of December 31, 2019 as restricted funds.

m. The Company's commitment to carry out exploration activities

In accordance with the amendment to the Jambi Merang Block PSC Gross Split Agreement on October 14, 2019, the Company has a commitment to carry out exploration activites in the open areas of Indonesia with a total commitment expenditure of US$196,500 for the initial 5 (five) years of contract.

n. RDMP project, RU-V Balikpapan, and Lawe Lawe project

The Company has signed various contracts relating to the Balikpapan RU.V RDMP Project and the Lawe Lawe project with a total contract amount of US$2,594,596 and Rp25,894,796 million, respectively.

On December 31, 2019, the Company made a prepaid payment to the vendor of US$199,915 (note 14c).

48. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

o. Provision for asset decommissioning and site restoration for PHM, PHSS, PHKT, and PT Pertamina Hulu Energi OSES ("PHE OSES")

As discussed in Note 3.b.viii the Group recognizes provisions for ASR for all assets in the Group's PSC area, except for the following subsidiaries, for which the extent of decommissioning and site restoration liabilities are still being clarified by the Government:

(i) PHM, PHSS and PHKT: Provisions for ASR are recognized for asset built during the current PSC terms;
(ii) PHE OSES: Provision for ASR are recognized for assets currently used by PHE OSES

As of the completion date of these consolidated financial statements, discussions with the Government are still ongoing.

p. Rate for utilization of Badak LNG Plant for Sales Contracts of Western Buyers ("WBX") and Regas

The Minister of Finance through the DJKN, in Letter No.S-355/MK.6/2017 dated December 29, 2017 regarding approval for the utilization of state property in the form of Badak LNG Plant Assets for Natural Gas from Post-2017 Mahakam Working Area, gives approval to PHM to utilize the Badak LNG plant for gas processing from Mahakam working area by paying a utilization tariff of US$0.22/MMBtu, excluding operating and maintenance costs and capital expenditure ("Letter S-355/2017").

Howver, Letter No. S-355/2017 is not in line with the prior approval of the Minister of Finance in letter No S-651/MK.6/2011 regarding Utilization and Optimization of Badak LNG Plant Assets for the Mahakam WK Gas dated October 20, 2011 to the President Director of PT Pertamina (Persero) ("Letter S-651/2011"), item 3.a in the letter stated that the Minister of Finance approved the use of assets without leasing to contractors PSC who were still bound in LNG sales contracts (Vico, Total EP, and Chevron), concerning that gas sales contracts had been signed by the Government and gas producers in the past.

Exception to the Letter S-651/2011 are given to PSC contractors whose sales contracts have been signed before the issuance of Letter S-651/2011 (including sales contracts of WBX and Regas). At the time the letter was issued, no contractor has been appointed by the Government for the Mahakam working area post 2017. Considering the current stipulation of the Mahakam working area contract effective January 1, 2018, the PHM believes that the PHM is also entitled to exemption from utilization rates as it continues to supply LNG for sales contracts of WBX (until 2020) and Regas (until 2022).

48. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

p. Rate for utilization of Badak LNG Plant for Sales Contracts of Western Buyers ("WBX") and Regas (continued)

Therefore, since the issuance of the Letter No. S-355/2017, PHM, with the approval of SKK Migas, requests the exemption from the Badak LNG plant utilization tariff to the Minister of Finance for the WBX and Regas sales contract with the following considerations:

- WBX and Regas sales contracts are signed by the Government and gas producers in the past, where the Minister of Finance through Letter S-651/2011 once provided fee waivers for the utilization costs of the Badak LNG plant;
- Fulfillment of WBX and Regas sales contracts is the Government's assignment to PHM as the operator of the post-2017 Mahakam working area as an implementation of the Government's commitment to buyers (based on Letter of Intent, dated March 26, 2010, regarding Upstream Oil and Gas Business Activities in the Mahakam Block and the letter of Director General of Oil and Gas No. 16777/15/DJM.B/2012, November 22, 2012, regarding Guaranteed LNG Supply for FSRU West Java Post-2017). The Government appointed PHM as a contractor for the post-2017 Mahakam working area on April 14, 2015, and as the consequence, The PHM required to continue supply to Pertamina that act as the seller of the State and contractor for the fulfillment of the WBX and Regas LNG sales contracts (based on the Mahakam LNG Development Agreement dated June 26, 2018 and the Marketing, Sales, Supply and Handling Sales Libalities Agreement for LNG Sales from the Mahakam Working Area to Western Buyers on August 9, 2018);
- The BMN rates charged on these sales contracts is included the economic of the contract price at the time of signing of the sales contract;
- The renegotiation of the sales price of the sales contract (due to additional costs of utilizing the Badak LNG plant) is not allowed under the sales contract. If so, the buyer will potentially terminate the contract; and
- The Imposition of tariffs for utilizing Badak LNG plant is not in line with the Government Regulation No.27/2014 principle stipulates that the utilization scheme can only be applied to a BMN that has not been used optimally. The Badak LNG Plant, since its operation in 1977 to date, is still being optimally used for upstream oil and gas business activities by the Government and contractors.

The dispute amounts for the utilization of the Badak LNG plant in relation to WBX and Regas sales contracts is :

- US$29,139 Mahakam PSC portion or US$13,713 PHM portion (47.0588%) in 2018; and
- US$29,863 Mahakam PSC portion or US$11,711 PHM portion (39,2157%) in 2019.

The negotiation process between the PHM and the Government is still ongoing through several meetings, the latest meeting was held on February 6, 2020 and was attended by LMAN, SKK Migas and PHM. The outcome of this meeting will be a planned high-level meeting to discuss the clarity of the costs for utilizing the Badak LNG plant in relation to the WBX and Regas sales contracts. The meeting is planned to be held in the second quarter of 2020 between LMAN, SKK Migas, PHM, PHI, and will be facilitated by experts from the MoEMR.

Based on the above circumstances, the Group does not accrue the costs of utilizing the Badak LNG plant in the consolidated financial statements for the year ended December 31, 2019 and 2018.

49. EVENTS AFTER THE REPORTING PERIOD

a. Issuance of Senior Corporate Bonds

On February 25, 2020, the Company issued senior bonds totaling US$1.45 billion (full amount) consisting of two tranche. The first tranche is amounting to US$650 million (full amount) with an interest rate of 3.10% and will be due in 2030, while the second tranche is amounting to US$800 million (full amount) with an interest rate of 4.15% and will be due in 2060. At the same time, the Company also conducted a tender offer for senior bonds that will be due in 2021 with a value of US$608 million (full amount).

On January 21, 2020, the Company issued senior bonds totaling US$1.5 billion (full amount) consisting of two tranche. The first tranche is amounting to US$500 million (full amount) with an interest rate of 3.10% and will be due in 2030, while the second tranche is amounting to US$1 billion (full amount) with an interest rate of 4.175% and will be due in 2050.

b. The Makassar Straits working area cooperation contract

Based on a letter from the Minister of Energy and Mineral Resources of the Republic of Indonesia, it is noted that the Group temporary managing the operation of the Makassar Straits Work Area as from January 26, 2020 to December 3, 2027. The Provisional Cooperation Contract was signed on January 28, 2020.

c. Approval for the transfer of PI in Nunukan PSC

In connection with the retirement of Videocon Indonesia Nunuka Inc. (“VINI”) from Nunukan PSC, on February 5, 2020, PHE received a notice from the Company that the Pertamina Board of Directors and Commissioners approved the transfer of PI that was originally owned by VINI in Nunukan to PHE, hence the ownership of PHE Nunukan Company in Nunukan PSC increased from 64.5% to 83.77%.

d. Termination of PSC Block B - South Jambi

On January 25, 2020, the PSC block B - South Jambi is expired. The Government has appointed another contrator to manage the block since termination.

e. Cancellation of tax administration fees

The Company has received several warrants to pay the excess tax on January 8 and 28, 2020 regarding the granting of the Company’s objections on September 3 and 5, 2019 on the SKPKB of Income Tax (PPh 22, PPh 23, PPh 4 (2), PPh 15) and VAT for fiscal year 2016, amounting to Rp276,788 million (equivalent to US$19,864) and Rp235,652 million (equivalent to US$16,940) and compensated with income tax payable of Rp116 million (equivalent to US$9), the remainder was received by the Company amounting to Rp276,788 million (equivalent to US$19,864) for income tax (PPh 22, PPh 23, PPh 4 (2), PPh 15) and Rp235,536 million (US$16,931) for VAT (Note 39a).

f. Withdrawal of additional loans for JTB development project

During January 2020 through the completion date of the consolidated financial statements, Pertamina EP Cepu has withdrawn additional loans from funding facilities for JTB development project amounting to US$151,000.

49. EVENTS AFTER THE REPORTING PERIOD (continued)

g. Crude oil price volatility

As of the time of the completion date of the consolidated financial statements there were unusual world market conditions as a result of the COVID-19 pandemic and the failure of OPEC-Russia to reach an agreement to limit oil supplies to balance the market demand. As a result, at the beginning of March 2020, there was a continuing decline in crude oil prices. These events have an impact on the volatility of crude oil prices. In addition, the impact of the COVID-19 pandemic on the global economy, including Indonesia, among others are decline in economic growth, decline in capital markets, increase in credit risk, including delays in payments by customers, and depreciation of foreign exchange rates.

As of December 31, 2019, the Group had certain oil and gas assets, inventories and financial assets, including receivables from related parties and long-term LNG contracts, which were vulnerable to low oil prices, decreased demand, and decreased customers' ability to settle the Group receivables, as an impact of the COVID-19 pandemic, however, these events are only indicative (non-adjusting events) that occur after the financial reporting date, so it does not impact on conclusions regarding the recoverable amount of the Group's assets as of December 31, 2019.

Management will always maintain a portfolio in business diversification to anticipate price volatility and reduce its impact. Management always analyses the movements of oil and commodity prices and their effects on the cost structure. Management prepares strategic and financial planning with various scenarios with considering the aspects of macroeconomic parameters. These plans are periodically tested for relevance and validity, in order to maintain the strength of financial position to anticipate of dynamic market prices.

h. Government regulations

As of the completion date of the consolidated financial statements, the Government of Indonesia ratified the Government Regulation in lieu of the Law of the Republic of Indonesia Number 1 Year 2020 regarding the State Financial Policies and Financial System Stability for Handling Pandemic Corona Virus Disease 2019 (Covid-19)/or In the Context to Anticipate Harmful Threats National Economy and/or Financial System Stability as of March 31, 2020. In Chapter II regarding State Financial Policies, the Third Section on Policies in the Field of Taxation, in article 5 paragraph (1) states that there are adjustments to the tax rates for corporate income tax payers and permanent establishments entities to become 22% for fiscal years 2020 and 2021 and 20% starting fiscal year 2022. Therefore, in 2020, if there are no significant changes in other aspects of the industry, a reduction in tax rates will have an impact on the reduction of current tax with a note that the reduction in taxes due to reduction in the Corporate Income Tax Rate is greater than the impairment of Deferred Tax Assets.

On April 2, 2020, the Government also issued the Minister of Energy and Mineral Resources Republic of Indonesia regulation No. 8 Year 2020 regarding Procedures for Determining Users and Prices of Certain Natural Gas in the Industrial Field. In Article 3 paragraph 1 it is stated that the Minister sets a Specific Gas Price at the point of delivery of natural gas users (plant gate) at a price of US$6/MMBTU (full amount). The Government also issued the Regulation of Minister of Energy and Mineral Resources of the Republic of Indonesia No. 10 Year 2020 regarding Utilization of Natural Gas for Power Plants. In Article 8 Paragraph 1, It is stated that the Minister set the price of natural gas at power plant (plant gate) to a maximum of US$6/MMBTU (full amount), unless otherwise stipulated in Article 8 Paragraph 2. The Group is reviewing its impact to the commercial aspects, business cooperation, and infrastructure development plans including with the Ministry of Energy and Mineral Resources and SKK Migas. In addition, the Group will also conduct a review of the gas transmission and distribution cost scheme to accommodate such Government Regulation.

(Expressed in thousands of US Dollars, unless otherwise stated)

49. EVENTS AFTER THE REPORTING PERIOD (continued)

i. Non cash loan Regas facility

On January 2, 2020, Regas signed addendum VIII (Eight) of the non cash loan facility agreement No. KP/037/NCL/12 with Bank Mandiri. Based on the agreement, Bank Mandiri is committed to provide a Non Cash Loan facility of US$110,000 with the guarantee value that must be deposited by Regas is 0% to support Regas business activities for the period from August 27, 2019 to August 26, 2020.

j. Changes in loan contract at M&P

On March 16, 2020, M&P signed an amendment agreement to the payment profile of two of its loan facilities which included syndicated bank loans and shareholder loans. The agreement also includes determining the maximum value of dividends that can be distributed in 2021 and 2022 amounted to US$15 million (full amount), each. No changes occurred except from two things above.

k. Patra Niaga tax case

On February 14, 2020, Patra Niaga received a Letter of Implementation of Judicial Review (“SP2PK”) from the tax office on VAT for the 2013 tax year. The results of the Supreme Court’s decision were partially received by the Company in 2019, with the result of the Revised Review amounting to Rp287,448,308,366 (full amount). Patra Niaga has charged the results of the Supreme Court’s decision in the 2019 profit of loss amounting to Rp287,448,308,366 (full amount) or equivalent to US$20,678.

On April 15, 2020, Patra Niaga received the Decree of the DGT related to the cancellation of the STP for VAT for fiscal period from January to December 2016 amounting to Rp125,676,662,228 (full amount) or equivalent to US$8,001 or less than the total amount have been billed amounting to Rp518,609,315 (full amount) equivalent to US$33. Patra Niaga has paid and recorded Rp29,000,697,539 (full amount) or equivalent to US$1,846 for STP in August, October and December 2016 as estimated tax reimbursement. For the remaining of the 2016 STP amounting to Rp97,194,574,004 (full amount) or equivalent to US$6,188, Patra Niaga does not recognize profit in the statement of profit or loss since Patra Niaga did not made any payment for such bills and filed an objection letter to the DGT.

l. Changes in the composition of the Board of Commissioners

Based on the Decree of the Minister of SOE No.SK-120/MBU/04/2020 dated April 17, 2020, David Bingei was appointed as the Company’s new Commissioner. Therefore, the composition of the Board of Commissioners is as follows:

President Commisioner	Basuki Tjahaja Purnama
Vice President Commissioner	Budi Gunadi Sadikin
Commissioner	Ego Syahrial
Commissioner	Alexander Lay
Commissioner	Condro Kirono
Commissioner	Isa Rachmatarwata
Commissioner	David Bingei

(Expressed in thousands of US Dollars, unless otherwise stated)

49. EVENTS AFTER THE REPORTING PERIOD (continued)

m. Changes in the composition of the Audit committee

Based on the Decree of the Board of Commissioners of PT Pertamina (Persero) No. 11/KPTS/K/DK/2020 dated March 31, 2020, Agus Prabowo was appointed as a member of the Audit Committee of PT Pertamina (Persero) and based on the Decree of the Board of Commissioners of PT Pertamina (Persero) No. 12/KPTS/K/DK/2020 on April 28, 2020, David Bingei was appointed as Chairman of the Audit Committee PT Pertamina (Persero). Therefore, the composition of the Audit Committee is as follows:

Chairman	David Bingei
Vice Chairman	Alexander Lay
Member	Agus Yulianto
Member	Bonar Lumban Tobing
Member	Agus Prabowo

n. Acquisition of PT Rumah Sakit Pelni

Based on a Share Purchase Agreement between PT Pertamina Bina Medika IHC (PBM-IHC), a subsidiary with PT Pelayaran Nasional Indonesia (Persero) (PT Pelni (Persero)) as outlined in Notarial Deed No. 34 dated March 31, 2020, by Notary Ashoya Ratam, S.H.,Mkn., PBM-IHC acquired PT Rumah Sakit Pelni share from PT Pelni (Persero) for 42,721 shares with a nominal value of Rp1,000,000 (full amount) per share with an acquistion price of Rp503.8 billion (equivalent to US$30,781).

Based on the Statement of the Decision Outside the General Meeting of Shareholders of PT Rumah Sakit Pelni as outlined in Notarial Deed No. 36 dated March 31, 2020, by Notary Ashoya Ratam, S.H., Mkn., PBM-IHC made a capital investment of 16,959 shares to PT Rumah Sakit Pelni with a nominal value of Rp1,000,000 (full amount) per share with total amount of Rp101 billion (equivalent to US$6,171), hence PBM-IHC ownership in PT Rumah Sakit Pelni become 51%.

o. The acquisition of PT Tuban Petrochemical Industries' shares previously owned by PT Silakencana Tirtalestari

Based on Quotation of Minutes of Auction No.149/29/2020, on March 23, 2020, PT Pertamina Pedeve Indonesia acquired 7,500 shares of Tuban Petro previously owned by PT Silakencana Tirtalestari for Rp129,801,717,000 (full amount) (equivalent to US$7,816). GMS related to the change in the composition of the shareholders of Tuban Petro was held on April 27, 2020. As of the completion date of this consolidation financial statements, the legalization of the GMS is in the process.

p. Allegation regarding operatorship by PHE WMO

The Police Report No. LP/B/0191/I/2020 dated April 15, 2020 against PHE WMO made by MMB. As of the completion date of the consolidated financial statements, the process of clarification of the Report is ongoing, however PHE WMO seeks to stop such process.

The Management of PHE WMO believes that such Report is related to civil law disputes, which should be resolved deliberately or through a dispute resolution forum in arbitration in accordance with Joint Operating Agreement (JOA) article 18.2.

SUPPLEMENTARY FINANCIAL INFORMATION

The following information is the separate financial statements of PT Pertamina (Persero), a Parent Entity, which is presented as supplementary information to the consolidated financial statements of PT Pertamina (Persero) and its Subsidiaries as of December 31, 2019 and for the year then ended.

PT PERTAMINA (PERSERO)
PARENT ENTITY
STATEMENT OF FINANCIAL POSITION
As of December 31, 2019
(Expressed in thousands of United States Dollars, unless otherwise stated)

	December 31, 2019	December 31, 2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	1,954,609	4,567,089
Restricted cash	3,480	3,344
Trade receivables		
Related parties	4,001,404	3,507,946
Third parties	754,020	1,474,122
Due from the Government	2,957,032	1,423,038
Other receivables		
Related parties	298	3,725
Third parties	47,707	81,805
Inventories	5,428,830	5,984,287
Prepaid taxes - current portion	771,402	386,989
Prepayments and advances	220,053	250,272
Other investments	58,506	80,171
Total Current Assets	**16,197,341**	**17,762,788**
NON-CURRENT ASSETS		
Deferred tax assets	1,156,098	1,166,255
Long-term investments	21,030,733	19,217,870
Fixed assets	9,069,839	8,494,968
Due from the Government	3,313,801	2,924,148
Prepaid taxes - net of current portion	279,356	117,803
Advance for long-term investments	138,966	-
Other non-current assets	2,805,989	3,085,624
Total Non-current Assets	**37,794,782**	**35,006,668**
TOTAL ASSETS	**53,992,123**	**52,769,456**

SUPPLEMENTARY FINANCIAL INFORMATION

PT PERTAMINA (PERSERO)
PARENT ENTITY
STATEMENT OF FINANCIAL POSITION (continued)
As of December 31, 2019
(Expressed in thousands of United States Dollars, unless otherwise stated)

	December 31, 2019	December 31, 2018
LIABILITIES AND EQUITY		
LIABILITIES		
SHORT-TERM LIABILITIES		
Short-term loans	995,094	4,247,006
Trade payables		
Related parties	4,549,091	3,492,122
Third parties	3,270,076	2,545,617
Due to the Government - current portion	853,024	1,010,478
Taxes payable		
Income taxes	-	19,684
Other taxes	158,809	148,429
Accrued expenses	745,762	590,664
Long-term liabilities - current portion	360,375	388,426
Bonds payable		
Other payables		
Related parties	11,203	50,382
Third parties	464,165	563,039
Deferred revenues - current portion	39,972	5,545
Total Short-term Liabilities	**11,447,571**	**13,061,392**
LONG-TERM LIABILITIES		
Due to the Government - net of current portion	356,388	341,659
Long-term liabilities - net of current portion	568,490	895,214
Bonds payable	10,699,852	9,197,526
Employee benefit liabilities	1,633,717	1,542,931
Deferred revenues - net of current portion	37,305	31,044
Other non-current payables	467,805	100,969
Total Long-term Liabilities	**13,763,557**	**12,109,343**
TOTAL LIABILITIES	**25,211,128**	**25,170,735**

SUPPLEMENTARY FINANCIAL INFORMATION

PT PERTAMINA (PERSERO)
PARENT ENTITY
STATEMENT OF FINANCIAL POSITION (continued)
As of December 31, 2019
(Expressed in thousands of United States Dollars, unless otherwise stated)

	December 31, 2019	December 31, 2018
EQUITY		
Equity attributable to owners of the parent entity		
Share capital		
Authorized - 600,000,000 ordinary shares at par value of Rp1,000,000 (full amount) per share;		
Issued and paid-up-capital 171,227,044 shares	16,191,204	16,191,204
Additional paid-in capital	(924,296)	(924,296)
Government contributed assets pending final clarification of status	146,578	401,120
Other equity components	67,697	607,564
Retained earnings		
- Appropriated	10,770,470	8,796,357
- Unappropriated	2,529,342	2,526,772
TOTAL EQUITY	**28,780,995**	**27,598,721**
TOTAL LIABILITIES AND EQUITY	**53,992,123**	**52,769,456**

SUPPLEMENTARY FINANCIAL INFORMATION

PT PERTAMINA (PERSERO)
PARENT ENTITY
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the Year Ended December 31, 2019
(Expressed in thousands of United States Dollars, unless otherwise stated)

	For the years ended December 31,	
	2019	**2018**
Sales and other operating revenues		
Domestic sales of crude oil, natural gas, geothermal energy and oil products	35,159,311	35,665,976
Subsidy reimbursements from the Government	4,875,075	5,632,468
Export of crude oil, natural gas and oil products	1,764,090	1,673,026
Marketing fees	-	15,432
Revenues from other operating activities	1,632,928	3,211,117
TOTAL SALES AND OTHER OPERATING REVENUES	**43,431,404**	**46,198,019**
Cost of sales and other direct costs		
Cost of goods sold	(41,927,881)	(44,315,959)
TOTAL COST OF SALES AND OTHER DIRECT COSTS	**(41,927,881)**	**(44,315,959)**
GROSS PROFIT	**1,503,523**	**1,882,060**
Selling and marketing expenses	(1,901,699)	(1,794,514)
General and administrative expenses	(814,353)	(719,478)
Gain on foreign exchange, net	348,826	9,234
Finance income	1,108,446	149,244
Finance costs	(573,343)	(433,646)
Share in net profit of associates and joint ventures	3,329,069	3,387,233
Other (expenses) income, net	(453,798)	249,910
	1,043,148	**847,983**
PROFIT BEFORE INCOME TAX	**2,546,671**	**2,730,043**

SUPPLEMENTARY FINANCIAL INFORMATION

PT PERTAMINA (PERSERO)
PARENT ENTITY
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (continued)
For the Year Ended December 31, 2019
(Expressed in thousands of United States Dollars, unless otherwise stated)

	For the years ended December 31,	
	2019	**2018**
PROFIT BEFORE INCOME TAX	**2,546,671**	**2,730,043**
Income tax (expense) benefit		
Current tax	(7,172)	(372,999)
Deferred tax	(10,157)	169,728
Income tax expense, net	(17,329)	(203,271)
INCOME FOR THE YEAR	**2,529,342**	**2,526,772**
OTHER COMPREHENSIVE INCOME (LOSS)		
Item not to be reclassified to profit or loss in subsequent periods (net of tax):		
Remeasurement of net defined benefit liability	(103,522)	234,631
Items to be reclassified to profit or loss in subsequent periods (net of tax):		
Foreign exchange difference from translation of financial statements in foreign currency	16,388	(59,338)
Share of other comprehensive income of associates	(452,733)	(69,138)
OTHER COMPREHENSIVE (LOSS) INCOME, NET OF TAX	**(539,867)**	**106,155**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**1,989,475**	**2,632,927**

SUPPLEMENTARY FINANCIAL INFORMATION

PT PERTAMINA (PERSERO)
PARENT ENTITY
STATEMENT OF CHANGES IN EQUITY
For the Year Ended December 31, 2019
(Expressed in thousands of United States Dollars, unless otherwise stated)

				Other equity components		Retained earnings		
	Issued and paid-up capital	Additional paid-in capital	Government contributed assets pending final clarification of status	Difference arising from translation of financial statements	Other equity	Appropriated	Unappropriated	Total equity
Balance as of January 1, 2018/ December 31, 2017	**13,417,047**	**2,736**	**1,361**	**(302,976)**	**790,675**	**6,871,101**	**2,540,195**	**23,320,139**
Changes in the ownership of PT Asuransi Tugu Pratama Indonesia Tbk. and PT Pertamina Internasional Eksplorasi dan Produksi	-	-	-	-	13,710	-	-	13,710
Capitalization of advance for share issuance	2,774,157	(927,032)	-	-	-	-	-	1,847,125
Government assistance whose status has not been determined	-	-	399,759	-	-	-	-	399,759
Differences arising from translation of financial statements	-	-	-	(59,338)	-	-	-	(59,338)
Other comprehensive income from associates	-	-	-	-	(69,138)	-	-	(69,138)
Remeasurements of net defined benefit liability	-	-	-	-	234,631	-	-	234,631
Dividends declared	-	-	-	-	-	-	(614,939)	(614,939)
Appropriation of other Reserves	-	-	-	-	-	1,925,256	(1,925,256)	-
Profit for the year	-	-	-	-	-	-	2,526,772	2,526,772
Balance as of December 31, 2018	**16,191,204**	**(924,296)**	**401,120**	**(362,314)**	**969,878**	**8,796,357**	**2,526,772**	**27,598,721**

SUPPLEMENTARY FINANCIAL INFORMATION

PT PERTAMINA (PERSERO)
PARENT ENTITY
STATEMENT OF CHANGES IN EQUITY (continued)
For the Year Ended December 31, 2019
(Expressed in thousands of United States Dollars, unless otherwise stated)

				Other equity components		Retained earnings		
	Issued and paid-up capital	Additional paid-in capital	Government contributed assets pending final clarification of status	Differences arising from translation of financial statements	Other equity	Appropriated	Unappropriated	Total equity
Balance as of December 31, 2018	**16,191,204**	**(924,296)**	**401,120**	**(362,314)**	**969,878**	**8,796,357**	**2,526,772**	**27,598,721**
Government contributed assets pending final clarification of status	-	-	(254,542)	-	-	-	-	(254,542)
Differences arising from translation of financial statements	-	-	-	16,388	-	-	-	16,388
Other comprehensive income from associate	-	-	-	-	(452,733)	-	-	(452,733)
Remeasurements of net defined benefit liability, net	-	-	-	-	(103,522)	-	-	(103,522)
Dividends declared	-	-	-	-	-	-	(552,659)	(552,659)
Appropriation of other reserves	-	-	-	-	-	1,974,113	(1,974,113)	-
Profit for the year	-	-	-	-	-	-	2,529,342	2,529,342
Balance as of December 31, 2019	**16,191,204**	**(924,296)**	**146,578**	**(345,926)**	**413,623**	**10,770,470**	**2,529,342**	**28,780,995**

SUPPLEMENTARY FINANCIAL INFORMATION

PT PERTAMINA (PERSERO)
PARENT ENTITY
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2019
(Expressed in thousands of United States Dollars, unless otherwise stated)

	For the years ended December 31,	
	2019	**2018**
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	45,760,895	41,339,979
Cash receipts from Government	5,666,177	6,224,744
Cash receipts from tax restitution	40,488	154,758
Payments to suppliers	(42,077,230)	(37,264,381)
Payments to the Government	(8,651,601)	(10,521,957)
Payments of corporate income taxes	(21,358)	(349,514)
Cash paid to employees and management	(735,297)	(594,693)
Placements from restricted cash	-	(1,735)
Receipts of interest	87,974	123,409
Net cash generated from/(used in) operating activities	**70,048**	**(889,390)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of long-term investments	713,242	708,365
Dividends received from associates	730,177	421,950
Purchases of fixed assets	(694,077)	(594,108)
Placements in long-term investments	(394,724)	(1,171,616)
Repayments of advance for investments	(137,826)	-
Loans repayment received from subsidiaries	257,903	393,778
Net cash generated from/(used in) investing activities	**474,695**	**(241,631)**

SUPPLEMENTARY FINANCIAL INFORMATION

PT PERTAMINA (PERSERO)
PARENT ENTITY
STATEMENT OF CASH FLOWS (continued)
For the Year Ended December 31, 2019
(Expressed in thousands of United States Dollars, unless otherwise stated)

	For the years ended December 31,	
	2019	**2018**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term loans	6,504,793	8,100,439
Proceeds from bonds issuance	1,498,855	734,407
Repayments of short-term loans	(9,756,705)	(4,108,701)
Repayments of long-term liabilities	(341,360)	(341,349)
Dividend payments	(563,106)	(585,755)
Payments of finance costs	(558,526)	(516,893)
Repayments of bonds	-	(37,649)
Net cash (used in)/generated from financing activities	**(3,216,049)**	**3,244,499**
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(2,671,306)**	**2,113,478**
Effects of exchange rate changes on cash and cash equivalents	58,826	(159,185)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**4,567,089**	**2,612,796**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**1,954,609**	**4,567,089**

SUPPLEMENTARY FINANCIAL INFORMATION

**PT PERTAMINA (PERSERO)
PARENT ENTITY
NOTES TO THE FINANCIAL STATEMENTS
As of December 31, 2019 and for the Year Then Ended
(Expressed in thousands of United States Dollars, unless otherwise stated)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation of the separate financial statements of the parent entity

The separate financial statements of the Parent Entity are prepared in accordance with the Statement of Financial Accounting Standards ("SFAS") No. 4 (Revised 2013), "Separate Financial Statements".

SFAS No. 4 (Revised 2013) regulates that when an entity elected to present the separate financial statements, such financial statements should be presented as supplementary information to the consolidated financial statements. Separate financial statements are those presented by a Parent Entity, in which the investments in subsidiaries and associates are accounted for at cost or in accordance with SFAS No. 55, "Financial Instruments: Recognition and Measurement".

Amendment to SFAS No. 4 (2015) allows the use of equity method as a method of recording the investments in subsidiaries, joint ventures and associates in the Separate Financial Statements of the entity.

Accounting policies adopted in the preparation of the parent entity separate financial statements are the same as the accounting policies adopted in the preparation of the consolidated financial statements as disclosed in Note 2.

2. RECLASSIFICATION OF ACCOUNTS

Certain accounts in the consolidated financial statements as of December 31, 2018 have been reclassified to conform with the presentation of accounts in the consolidated financial statements as of December 31, 2019. The details of these accounts are as follows:

	Previously reported	**Reclassification**	**As reclassified**
Separate Statement of Cash Flows			
Cash Flows from Operating Activities			
Cash receipt from customer	41,733,757	(393,778)	41,339,979
Net cash used in operating activities	**(495,612)**	**(393,778)**	**(889,390)**
Cash Flows from Investing Activities			
Loan repayment receipt from subsidiaries	-	393,778	393,778
Net cash used in investing activities	**(635,409)**	**393,778**	**(241,631)**