PT PERTAMINA (PERSERO)
AND ITS SUBSIDIARIES

Consolidated Financial Statements (Unaudited) as of June 30, 2019 and for the year then ended with independent auditors' report

PT PERTAMINA (PERSERO) AND ITS SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
AS OF JUNE 30, 2019 AND FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2019 AND 2018
FOR THE YEAR THEN ENDED WITH
INDEPENDENT AUDITORS' REPORT

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PERTAMINA

DIRECTORS' STATEMENT REGARDING
THE RESPONSIBILITY FOR THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS PER JUNE 30, 2019
AND FOR THE YEARS ENDED

PT PERTAMINA (PERSERO) AND ITS SUBSIDIARIES

On behalf of the Board 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	: Pahala N. Mansury
	Office address	: Jl. Medan Merdeka Timur 1A Jakarta 10110
	Telephone	: 021 - 3815400
	Position	: Finance Director

declare that:

1. We are responsable 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, 31 July 2019
PT Pertamina (Persero)

Nicke Widyawati
President Director & CEO

Pahala N. Mansury
Finance Director

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PT PERTAMINA (PERSERO) AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As of June 30, 2019
(Expressed in thousands of United States Dollars, unless otherwise stated)

	Notes	June 30, 2019	December 31, 2018
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	2f,2g,5	7,385,545	9,112,312
Restricted cash	2f,2g,6	146,084	108,915
Short-term investments	2h	317,900	225,199
Trade receivables			
Related parties	2f,2g,2h,40a	1,602,078	1,297,651
Third parties	2h,7	2,268,415	1,933,455
Due from the Government - current portion	2g,2h,8	2,013,341	1,834,261
Other receivables	2g,2h		
Related parties	2e40b	140,591	149,178
Third parties	2h	885,627	734,312
Inventories	2i,9	6,920,057	6,323,165
Prepaid taxes - current portion	25,39a	792,231	820,598
Prepayments and advances	2j	825,647	534,987
Other investments	2h,10	85,089	80,171
Total Current Assets		**23,382,605**	**23,154,204**
ASET TIDAK LANCAR			
Due from the Government - net of current portion	2h,8	3,113,620	2,924,148
Deferred tax assets	2t,39e	1,488,836	1,441,866
Long-term investments	2h,2l,11	2,685,676	2,819,054
Fixed assets	2m,2n,12	12,569,835	12,859,274
Oil & gas and geothermal properties	2n,2o,13	18,536,460	18,614,286
Prepaid taxes - net of current portion	25,39a	825,989	820,287
Other non-current assets	2h,14	2,125,364	2,085,333
Total Non-Current Assets		**41,345,780**	**41,564,248**
TOTAL ASSETS		**64,728,385**	**64,718,452**

PT PERTAMINA (PERSERO) AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
As of June 30, 2019
(Expressed in thousands of United States Dollars, unless otherwise stated)

	Notes	June 30, 2019	December 31, 2018
LIABILITIES AND EQUITY			
LIABILITIES			
SHORT-TERM LIABILITIES			
Short-term loans	2h,15	3,189,402	4,347,035
Trade payables	2h,2q		
Related parties	2e,40c	159,498	78,781
Third parties	16	3,720,433	3,597,777
Due to Government - current portion	2h,17	1,837,023	1,207,743
Taxes payable	2t,39b		
Income taxes		740,071	467,605
Other taxes		291,938	258,405
Accrued expenses	2h,18	2,042,819	2,135,509
Long-term liabilities - current portion	2h,2n,19	426,766	420,577
Other payables	2h,2q		
Related parties	2f,40d	46,696	54,011
Third parties		1,227,806	1,203,426
Deferred revenues - current portion		188,210	202,013
Total Short-Term Liabilities		**13,870,662**	**13,972,882**
LONG-TERM LIABILITIES			
Due to Government – net of current portion	2h,17	816,453	795,082
Deferred tax liabilities	2t,39e	3,373,073	3,307,406
Long-term liabilities - net of current portion	2h,2n,19	1,628,565	1,805,300
Bonds payables	2h,20	11,113,310	11,094,096
Employee benefits liabilities	2r,21	1,963,265	1,850,383
Provision for decommissioning and site restoration	2q,22	2,080,719	2,029,735
Deferred revenues - net of current portion		76,521	74,623
Other non-current payables	2h	120,593	178,905
Total Long-Term Liabilities		**21,172,499**	**21,135,530**
TOTAL LIABILITIES		**35,043,161**	**35,108,412**

PT PERTAMINA (PERSERO) AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
As of June 30, 2019
(Expressed in thousands of United States Dollars, unless otherwise stated)

	Notes	June 30, 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	401,120	401,120
Other equity components		199.822	607,564
Retained earnings	26		
- Appropriated		10,770,470	8,796,357
- Unappropriated		659,958	2,526,772
		27,298,278	27,598,721
Non-controlling interests	2c,23	2,386,946	2,011,319
TOTAL EQUITY		**29,685,224**	**29,610,040**
TOTAL LIABILITIES AND EQUITY		**64,728,385**	**64,718,452**

PT PERTAMINA (PERSERO) AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
For the six-month period ended June 30, 2019 and 2018
(Expressed in thousands of United States Dollars, unless otherwise stated)

		For the period ended June 30,	
	Notes	**2019**	**2018**
Sales and Other Operating Revenues	2q		
Domestic sales of crude oil, natural gas, geothermal energy and oil products	2q,27	20,944,864	21,748,758
Subsidy reimbursements from the Government	2q,28	2,508,327	2,615,501
Export of crude oil, natural gas and oil products	2q,29	1,607,278	1,590,904
Marketing fees		6,429	10,157
Revenues from other operating activities	2q,30	479,239	466,757
TOTAL SALES AND OTHER OPERATING REVENUES		**25,546,137**	**26,432,077**
Cost of sales and other direct costs	2r		
Cost of goods sold	2q,31	(18,713,037)	(19,996,671)
Upstream production and lifting costs	2q,32	(2,378,562)	(2,277,857)
Exploration costs	2q,33	(85,875)	(141,307)
Expenses from other operating activities	2q,34	(803,778)	(587,759)
TOTAL COST OF SALES AND OTHER DIRECT COSTS		**(21,981,252)**	**(23,003,594)**
GROSS PROFIT		**3,564,885**	**3,428,483**
Selling and marketing expenses	2q,35	(790,804)	(664,012)
General and administrative expenses	2q,36	(726,203)	(726,478)
Gain on foreign exchange - net	2q,2s	64,591	(68,871)
Finance income	2q,37	269,264	100,526
Finance costs	2q,37	(478,452)	(405,428)
Share in net profit of associates and joint ventures	2c,2q	55,124	102,178
Other expenses, net	2q,38	(90,724)	(40)
	2t,40c	(1,695,807)	(1,662,125)
PROFIT BEFORE INCOME TAX		**1,867,681**	**1,766,358**
Income tax expense - net	2u,40c	(1,120,999)	(1,311,611)
PROFIT FOR THE PERIOD/YEAR AFTER THE EFFECT OF MERGING ENTITIES INCOME ADJUSTMENT		**746,682**	**454,747**

The accompanying notes to the consolidated financial statements form an integral part of these consolidated financial statements taken as a whole.

PT PERTAMINA (PERSERO) AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
For the six-month period ended June 30, 2019 and 2018
(Expressed in thousands of United States Dollars, unless otherwise stated)

	Notes	For the period ended June 30, 2019	2018
PROFIT FOR THE YEAR AFTER THE EFFECT OF MERGING ENTITIES INCOME ADJUSTMENT		**746,682**	**454,747**
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	2r	(22,594)	(39,651)
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,2s	(325,854)	180,761
Share of other comprehensive loss of associates	2c,2l	229,609	99,158
Other comprehensive income (loss), net of tax		(118,839)	240,268
TOTAL COMPREHENSIVE INCOME FOR THE YEAR AFTER THE EFFECTS OF MERGING ENTITIES COMPREHENSIVE INCOME ADJUSTMENT		**627,843**	**695,015**
Adjustment merging entity's income:			
Owners of the parent entity		-	(45,770)
Non-controlling interests	2c	-	(34,585)
Total		**-**	**(80,355)**

	Notes	2019	2018
TOTAL INCOME FOR THE YEAR BEFORE THE EFFECT OF MERGING ENTITIES INCOME ADJUSTMENT ATTRIBUTABLE TO:			
Owners of the parent entity		659,958	311,259
Non-controlling interests	2c	86,724	63,133
Total		**746,682**	**374,392**

The accompanying notes to the consolidated financial statements form an integral part of these consolidated financial statements taken as a whole.

PT PERTAMINA (PERSERO) AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
For the six-month period ended June 30, 2019 and 2018
(Expressed in thousands of United States Dollars, unless otherwise stated)

		For the period ended June 30,	
	Notes	**2019**	**2018**
Adjustments of merging entity's comprehensive income:			
Owners of the parent		-	(42,544)
Non-controlling interests	2c	-	(32,684)
Total		**-**	**(75,228)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR BEFORE EFFECTS OF MERGING ENTITIES COMPREHENSIVE INCOME ADJUSTMENT ATTRIBUTABLE TO:			
Owners of the parent entity		552,659	593,163
Non-controlling interests	2c	75,184	26,624
Total		**627,843**	**619,787**

PT PERTAMINA (PERSERO) AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the Year Six Month Period Ended June 30, 2019 and 2018
(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 comrehensive 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**
Merging entities Income		-	42,546	-	-	-	-	-	-	42,544	32,682	75,228
Changes in ownership in PT Asuransi Tugu Pratama Indonesia Tbk and PT Pertamina Internasional Eksplorasi dan Produksi		-	-	-	-	-	-	-	-	-	-	-
Capitalization of advance for share issuance	25	2,774,157	(1,847,125)	(927,034)	-	-	-	-	-	-	-	-
Government assistance whose status has not been determined	26	-	-	-	-	-	-	-	-	-	-	-
Differences arising from translation of financial statements	2c,2s	-	-	-	-	(36,801)	-	-	-	(36,801)	217,562	180,761
Other comprehensive income from associates		-	-	-	-	-	94,837	-	-	94,837	4,321	99,158
Remeasurements of net defined benefit liability	2r	-	-	-	-	-	251,425	-	-	251,425	(291,076)	(39,651)
Dividends declared	2z,26	-	-	-	-	-	-	-	(614,939)	(614,339)	-	(614,939)
Appropriation of other reserves	26	-	-	-	-	-	-	1,925,255	(1,925,255)	-	-	-
Profit for the year		-	-	-	-	-	-	-	311,259	311,259	63,133	374,392
Balance as of June 30, 2018 (unaudited)		**16,191,204**	**-**	**(924,298)**	**1,361**	**(339,777)**	**1,136,937**	**8,796,356**	**311,260**	**25,173,043**	**1,915,173**	**27,088,216**

The accompanying notes to the consolidated financial statements form an integral part of these consolidated financial statements taken as a whole.

PT PERTAMINA (PERSERO) AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)
For the Year Six Month Period Ended June 30, 2019 and 2018
(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 comrehensive 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**
Merging entities Income		-	-	-	-	-	-	-	-	-	-	-
Changes in ownership in PT Asuransi Tugu Pratama Indonesia Tbk and PT Pertamina Internasional Eksplorasi dan Produksi		-	-	-	-	-	-	-	-	-	-	-
Capitalization of advance for share issuance	25	-	-	-	-	-	-	-	-	-	-	-
Government assistance whose status has not been determined	26	-	-	-	-	-	-	-	-	-	-	-
Differences arising from translation of financial statements	2c,2s	-	-	-	-	(2,230)	-	-	-	(2,230)	(323,624)	(325,854)
Other comprehensive income from associates		-	-	-	-	-	(384,845)	-	-	(384,845)	614,454	229,609
Remeasurements of net defined benefit liability	2r	-	-	-	-	-	(20,667)	-	-	(20,667)	(1,927)	(22.594)
Dividends declared	2z,26	-	-	-	-	-	-	-	(552,659)	(552,659)	-	(552,659)
Appropriation of other reserves	26	-	-	-	-	-	-	1,974,113	(1,974,113)	-	-	-
Profit for the year		-	-	-	-	-	-	-	659,958	659,958	86,724	746,682
Balance as of June 30, 2019		**16,191,204**	**-**	**(924,296)**	**401,120**	**(364,544)**	**564,366**	**10,770,470**	**659,958**	**27,298,278**	**2,386,946**	**29,685,224**

The accompanying notes to the consolidated financial statements form an integral part of these consolidated financial statements taken as a whole.

PT PERTAMINA (PERSERO) AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Six-Month Period Ended June 30, 2019 and 2018
(Expressed in thousands of United States Dollars, unless otherwise stated)

		For the period ended June 30,	
	Notes	**2019**	**2018**
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		27,708,983	24,348,540
Cash receipts from government		3,273,091	2,974,270
Cash receipts from tax restitutions		11,540	9,483
Payments to suppliers		(22,337,006)	(19,383,830)
Payments to the government		(4,532,737)	(4,894,201)
Payments of corporate income taxes		(1,450,146)	(1,410,725)
Cash paid to employees and management		(1,080,119)	(867,772)
Receipts from (placement of) restricted cash		(11,822)	(58,452)
Receipts of interest		(11,898)	(5,417)
Net cash generated from operating activities		**1,569,886**	**756,896**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of short-term investments		77,759	41,178
Proceeds from disposal of long-term invesments		-	-
Interest received from investments		6,029	14,669
Cash receipts from other investing activities		2,054	140,339
Proceeds from sale of fixed assets		957	264
Dividends received form associates		6,981	25,887
Purchases of fixed assets		(418,344)	(433,148)
Purchases of oil & gas and geothermal properties		(887,842)	(660,577)
Placements in long-term invesments		(50,469)	(43,231)
Placements in short-term investments		(59,807)	(74,163)
Payments for exploration and evaluation assets		(6)	(6,998)
Placement of restricted cash		(4)	(22,172)
Cash obtained due to change of control		-	-
Net cash used in investing activities		**(1,322,692)**	**(1,017,962)**

PT PERTAMINA (PERSERO) AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
For the Six-Month Period Ended June 30, 2019 and 2018
(Expressed in thousands of United States Dollars, unless otherwise stated)

		For the period ended June 30,	
	Notes	**2019**	**2018**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term loans	45	3,676,758	3,088,121
Proceeds from bond issuance	45	-	-
Proceeds from long-term loans	45	347,011	105,958
Repayments of short-term loans	45	(5,044,021)	(1,583,775)
Repayments of long-term loans	45	(345,106)	(194,909)
Dividend payments	26,45	(176,791)	(153,569)
Payments of finance costs		(286,991)	(171,111)
Repayments of bonds	45	-	(12,350)
Placement of restricted cash		(1,074)	(1,133)
Net cash generated from financing activities		**(1,830,214)**	**1,077,232**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(1,583,020)**	**816,166**
Effects of exchange rate changes on cash and cash equivalents		(143,747)	(195,807)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**9,112,312**	**6,409,827**
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**7,385,545**	**7,030,186**

1. GENERAL

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

i. Company profile

PT Pertamina (Persero) ("Company") was established in accordance with Notary Deed Lenny Janis Ishak, S.H., No. 20 dated September 17, 2003. The 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 of 1995 dated March 7, 1995 concerning Limited Liability Company ("PT"), Government Regulation ("PP") No. 12 of 1998 dated January 17, 1998 concerning the Company (Persero), and Government Regulation No. 45 of 2001 concerning Amendments to Government Regulation No. 12 of 1998, Law No. 22 of 2001 dated November 23, 2001 concerning Oil and Gas, Law No. 19 of 2003 concerning State-Owned Enterprises ("BUMN"), and PP No. 31 of 2003 dated June 18, 2003 concerning changes in the status of the State Oil and Gas Mining Company (Pertamina) to become a 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, Solar, 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.

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	133,700
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 and Board of Directors

As of June 30, 2019, and December 31, 2018, the composition of the Company's Board of Commissioners are as follows:

	June 30, 2019	December 31, 2018
President Commissioner	Tanri Abeng[a]	Tanri Abeng[a]
Vice President Commissioner	Arcandra Tahar	Arcandra Tahar
Commissioner	Suahasil Nazara	Sahala Lumban Gaol
Commissioner	Alexander Lay[a,c]	Suahasil Nazara
Commissioner	Ego Syahrial[c]	Ahmad Bambang
Commissioner	Gatot Trihargo[d]	Alexander Lay[b]
Commissioner		Ego Syahrial

[a] Independent Commisioner
[b] Effective per September 12, 2017 based on shareholder resolution No. SK-194/MBU/09/2017
[c] Effective per May 30, 2018 based on shareholder resolution No. SK-142/MBU/05/2018
[d] Effective per April 30, 2019 based on shareholder resolution No. SK-86/MBU/04/2019

As of June 30, 2019, and December 31, 2018, the composition of the Company's Board of Directors are as follows:

	June 30, 2019	December 31, 2018
President Director	Nicke Widyawati[b]	Nicke Widyawati
Marketing Director	-	-
Corporate Marketing Director	Basuki Trikora Putra[a]	Basuki Trikora Putra
Retail Marketing Director	Mas'ud Khamid[a]	Mas'ud Khamid
Upstream Director	Dharmawan H. Samsu[b]	Dharmawan H. Samsu
Gas Director	-	-
Finance Director	Pahala N. Mansury[c]	Pahala N. Mansury
Human Resources Director	Koeshartanto[b]	Koeshartanto
Logistic, Supply Chain, and Infrastructure Director	Gandhi Sriwidodo[a]	Gandhi Sriwidodo
Refinery Director	Budi Santoso Syarif[a]	Budi Santoso Syarif
Refinery and Petrochemical Megaproject Director	Ignatius Tallulembang[c]	Ignatius Tallulembang
Investment Planning and Risk Management Director	Heru Setiawan[c]	Heru Setiawan
Asset Management Director	M. Haryo Yunianto[a]	M. Haryo Yunianto

[a] Based on resolution No. SK-97/MBU/04/2018 of the GMS dated April 20, 2018
[b] Based on resolution No. SK-232/MBU/08/2018 of the GMS dated August 29, 2018
[c] Based on resolution No. SK-242/MBU/09/2018 of the GMS dated September 13, 2018

(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 and Board of Directors (continued)

As of June 30, 2019, and December 31, 2018, the composition of the Company's Audit Committee is as follows:

	June 30, 2019	December 31, 2018
Chairman	Tanri Abeng[a]	Tanri Abeng[a]
Vice Chairman	Gatot Trihargo[d]	Sahala Lumban Gaol
Vice Chairman	-	Ahmad Bambang[c]
Member	Agus Yulianto[b]	Agus Yulianto[b]
Member	Bonar Lumban Tobing[b]	Bonar Lumban Tobing[b]

[a] Effective per May 6, 2015 based on resolution No. SK-60/MBU/05/2015
[b] Effective per January 1, 2016 based on resolution No. 023/KPTS/K/DK/2015
[c] Effective per July 18, 2016 based on resolution No. 005/KPTS/K/DK/2018
[d] Effective per May 10, 2019 based on resolution No. 004/KPTS/DK/2019

iv. Number of employees

As of June 30, 2019 and December 31, 2018, the Group has 34,068 (unaudited) and 31,569, respectively.

b. Subsidiaries, associates and joint arrangements

i. Subsidiaries

As of June 30, 2019 and December 31, 2018, the Group has direct or indirect control of the following subsidiaries:

		Effective percentage of ownership		Total assets before elimination	
Subsidiaries	**Year of establishment**	**Jun 30, 2019**	**Dec 31, 2018**	**Jun 30, 2019**	**Dec 31, 2018**
Oil and gas exploration and production					
1. PT Pertamina Hulu Energi	1990	100.00%	100.00%	4,941,757	4,531,667
2. PT Pertamina EP	2005	100.00%	100.00%	7,777,028	7,498,644
3. PT Pertamina EP Cepu	2005	100.00%	100.00%	3,524,936	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%	11,533	12,847
7. PT Pertamina Internasional Eksplorasi dan Produksi	2013	100.00%	100.00%	5,860,376	5,841,041
8. ConocoPhillips Algeria Limited, Cayman Island *)	2013	100.00%	100.00%	774,216	774,216
9. PT Pertamina Hulu Indonesia	2015	100.00%	100.00%	2,230,016	1,478,109
10. PT Pertamian Hulu Rokan**)	2018	100.00%	100.00%	785,000	785,000
Geothermal exploration and production					
11. PT Pertamina Geothermal Energy	2006	100.00%	100.00%	2,530,772	2,556,651
Oil and gas drilling services					
12. PT Pertamina Drilling Services Indonesia	2008	100.00%	100.00%	530,251	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 Jun 30, 2019	Effective percentage of ownership Dec 31, 2018	Total assets before elimination Jun 30, 2019	Total assets before elimination Dec 31, 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%	429,502	390,995
Oil and gas trading, gas transportation, processing, distribution and storage					
14. PT Perusahaan Gas Negara Tbk***)	2018	56.96%	56.96%	7,400,532	8,764,437
Electricity					
15. PT Pertamina Power Indonesia	2016	100.00%	100.00%	114,738	114,721
Trading services and industrial activities					
16. PT Pertamina Patra Niaga	1997	100.00%	100.00%	993,943	908,986
17. Pertamina International Timor S.A	2015	95.00%	95.00%	37,630	36,643
Public fuel filling stations business					
18. PT Pertamina Retail	1997	100.00%	100.00%	212,531	203,312
Lubricant processing and marketing					
19. PT Pertamina Lubricants	2013	100.00%	100.00%	471,242	413,332
Shipping					
20. PT Pertamina Trans Kontinental	1969	100.00%	100.00%	323,649	307,519
21. PT Pertamina International Shipping	2016	100.00%	100.00%	337,915	296,335
Air transportation services					
22. PT Pelita Air Service	1970	100,00%	100,00%	58,904	60,380
Investment management					
23. PT Pertamina Pedeve Indonesia (previously PT Pertamina Dana Ventura)	2002	100.00%	100.00%	70,539	62,098
Human resources development services					
24. PT Pertamina Training & Consulting	1999	100.00%	100.00%	41,197	39,799
Offices, house rental and hotel operations					
25. PT Patra Jasa	1975	100.00%	100.00%	242,292	236,119
Health services and hospital operations					
26. PT Pertamina Bina Medika	1997	100.00%	100.00%	109,937	105,743
Insurance services					
27. PT Asuransi Tugu Pratama Indonesia Tbk ("ATPI") (previously PT Tugu Pratama Indonesia) ****)	1981	58.50%	65.00%	1,130,318	923,376
Refineries					
28. PT Kilang Pertamina Internasional	2017	100.00%	100.00%	1,513	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		Total assets before elimination	
		Jun 30, 2019	Dec 31, 2018	Jun 30, 2019	Dec 31, 2018
Liquified Natural Gas ("LNG") regasification					
29. PT Nusantara Regas *****)	2010	82.78%	60.00%	257,114	240,817

*) Effective liquidation on February 28, 2019
**) Note 4f
***) Note 4a
****) The decrease in effective percentage of ownership in ATPI was caused by the issuance of new shares in 2018 (Note 4j)
*****) Note 4b

ii. Associates

The directly owned associates as of June 30, 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	48.59%	Processing and sale of oil and gas products and services

The indirectly owned associates as of June 30, 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	19.50%	Insurance
3. Seplat Petroleum Development Company Plc, ("Seplat") Nigeria	21.37%	Oil and gas exploration and production
4. PT Gas Energi Jambi	22.78%	Transport and distribution of natural gas

iii. Joint arrangements

The indirectly owned joint ventures as of June 30, 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 Indo Thai Trading	51.00%	Petrochemical trading
5. PT Pertamina Rosneft Pengolahan dan Petrokimia	55.00%	Development of petroleum and petrochemical refineries
6. PT Transportasi Gas Indonesia ("Transgasindo")	34.10%	Transport of natural gas via transmission pipes
7. Unimar LLC	28.48%	Exploration and production of oil and gas
8. PT Permata Karya Jasa ("Perkasa")	34.18%	Workshop services, guidance, and distribution of labour services

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

1. GENERAL (continued)

b. Subsidiaries, associates and joint arrangements (continued)

iii. Joint arrangements

PT Pertamina Rosneft Pengolahan dan Petrokimia ("PRPP") was established by Notarial Deed No. 13 dated November 28, 2017 of Mina NG, SH., M.KN., PRPP's Deed of Establishment was approved by the Minister of Law and Human Rights through letter No. AHU-0053838.AH.01.01.Year 2017 dated November 28, 2017.

As of January 24, 2018, based on amendment of the Articles of Association of Perkasa, the Group no longer possesed control over Perkasa. As of December 31, 2018, the Group recognized investment in Perkasa as an investment in joint venture.

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

The indirectly owned joint operation is as follows:

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

The Group considered the existence of substantive participating rights held by the non-controlling shareholders of PT Perta-Samtan Gas, PT Perta Daya Gas, PT Indo Thai Trading and PT Pertamina Rosneft Pengolahan dan Petrokimia which provide such shareholders with joint control over significant financial and operating policies. With respect to 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, PT Indo Thai Trading and PT Pertamina Rosneft Pengolahan dan Petrokimia even though the Group has more than 50% of share ownership.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Group's consolidated financial statements have been completed and approved for publication by the Company's Directors on June 28, 2019.

The accounting and financial reporting policies adopted by the Group are in accordance with financial accounting standards in Indonesia, namely the Statement of Financial Accounting Standards ("PSAK"). Accounting policies are applied consistently in the preparation of the consolidated financial statements for the years ended June 30, 2019 and December 31, 2018 by the Group.

a. Basis of preparation of the consolidated financial statements

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) : borrowig 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 June 30, 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, 2019 (continued)

- Amendments to SFAS 62: Insurance Contracts, which allow those who meet certain criteria to apply a temporary exemption from SFAS 71 (Deferral Approach) or choose to apply a layered approach (Overlay Approach) to a defined financial asset.

- SFAS 71: Financial Instruments, which regulates the classification and measurement of financial instruments based on the characteristics of the contractual cash flows and the entity's business model; the expectation credit loss method for impairment that produces information that is more timely, relevant and understood by users of financial statements; accounting for hedges that reflects entity risk management is better by introducing more general requirements based on management considerations.

- SFAS 72: Revenue from Contracts with Customers which sets out a comprehensive framework to determine how, when and how much revenue can be recognized.

- SFAS 73: Leases, with early adoption permitted specifically for entities that have implemented SFAS 72 which establishes the principle of recognition, measurement, presentation and disclosure of leases by introducing a single accounting model especially for tenants. This SFAS establishes the principle of recognizing, measuring, presenting, and disclosing leases by introducing a single accounting model by requiring right-of-use assets and lease liabilities. There are 2 optional exceptions in the recognition of lease assets and liabilities, namely for: (i) short-term leases and (ii) leases for low value underlying assets.

- Amendment of SFAS 71: Financial Instruments regarding prepayment features with negative compensation which regulates that financial assets with prepayment features that can result to negative compensation meets qualification as contractual cashflows that are solely payments of principal and interest.

The Group is currently evaluating and has not yet determined the effects of these accounting standards on its Consolidated Financial Statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 statements of financial position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Business combinations (continued)

The Company classified its investments in PT Arun Natural Gas Liquefaction ("Arun NGL") and PT Badak Natural Gas Liquefaction ("Badak NGL") as available-for-sale financial asset at cost because the Company, in substance, does not control those companies as its operations are controlled by the natural gas producers. These investments are measured at cost since their fair values are not reliably measurable.

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. The Group has not classified any of its financial assets as held to maturity ("HTM").

Financial assets are recognized initially 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h. Financial instruments (continued)

i. Financial assets (continued)

Impairment of financial assets

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h. Financial instruments (continued)

i. Financial assets (continued)

Assets classified as available-for-sale (continued)

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.

Effective interest rate ("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

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

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost. The Group’s investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group’s share of its associates’ post-acquisition profits or losses is recognized in the profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in OCI.

Dilution gains and losses arising from investments in associates are recognized in the profit or loss.

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 to 25 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n. Fixed assets

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

Direct ownership

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.

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.

Assets under construction

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o. Leases (continued)

Group as Lessee

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.

Group as Lessor

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 in the period in which they are earned.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued) (continued)

p. Oil & gas and geothermal properties (continued)

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

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 consist of:
- amounts billed and collected involving "take or pay" gas quantities, which will be recognized as revenue when the related gas quantities are delivered to customers or wen the contract expires.
- payment for rental and services charges received upfront.
- rental revenue that is received in advance.

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 June 30, 2019 and December 31,2018, were as follows (full amount):

	June 30, 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	0.90	0.91
Hong Kong Dollar/ US Dollar	0.13	0.13
Euro/ US Dollar	1.12	1.14
Malaysian Ringgit/ US Dollar	0.25	0.24
Algeria Dinar/ US Dollar	0.01	0.01

u. Income tax

Current Income Tax

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 taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation. Where appropriate, the Group establishes provision based on the amounts expected to be paid to the tax authorities including consideration of tax court and 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.

Deferred Tax

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;
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

iii. 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: Income Tax.

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. 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 June 28, 2019.

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:

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

a. Judgements (continued)

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.

iv. Recognition of Disparity Selling Price of JBT Solar and JBKP Premium

Based on Presidential Regulation No. 43 Year 2018 dated May 25, 2018 concerning Amendment to Presidential Regulation No. 191 Year 2014 concerning 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, there are the excess and/or shortfall of revenue of the assigned business entity as a result of government's stipulated sellling price of fuel oil, the Minister of Finance, after coordinating with the Minister of Energy and Mineral Resources (the "MoEMR") and the Minister of State-Owned Enterprises (the "MoSOE"), establishes the policy for excess and/or shortfall of revenue of the business entity.

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

a. Judgements (continued)

iv. Recognition of Disparity Selling Price of JBT Solar and JBKP Premium

Management's confidence to record excess and/or shortfall of revenue from the Selling Price Differences in the period when sale of JBT Diesel Fuel and JBKP Premium occurs, if the settlement and/or collectability of such Selling Price Difference is certain, which are mainly supported by, the Company has transferred all risks and rewards of JBT Diesel Fuel and JBKP Premium 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 the BPK's audit results on the Selling Price Differences received by the Company. In respect of the shortfall of revenue from the Difference Selling Price, the collectabilty of revenue from the Selling Price Differences is certain when the Decision Letter from the Minister of Finance ("Decision Letter") has been received by the Company prior to the completion 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.

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 (see supplemental information on Reserve Estimates), 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.

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

b. Estimates and assumptions (continued)

ii. Reserves estimates (continued)

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.

The Group has established proven reserves based on the principle of Petroleum Resources Management System ("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.

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

b. Estimates and assumptions (continued)

iv. Provision for the impairment of loans and receivables (continued)

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.

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.

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 AND ADDITION OF PARTICIPATING INTEREST

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 2016 until June 30, 2019 is as follows:

Acquisition of shares	Working area	Area	Percentage of participation	Production	Owned by
Share acquisition Etablissements Maurel et Prom SA (M&P)	France	Canada, Colombia, Nigeria, Gabon, France, Italy, Tanzania, Namibia and Myanmar	72.65%	Oil and gas	Pertamina Internasional Eksplorasi dan Produksi

Acquisition of working area	Working area	Area	Effective date of contract	Expiry date of contract	Percentage of Participation	Production	Contract period	Owned by
Acquisition of Working Area Offshore North West Java	Offshore North West Java Block	North West Java	19/01/2017	18/01/2037*	90%	Oil and gas	20 years	Pertamina Hulu Energi
Acquisition of Working Area Geothermal Gunung Lawu	Gunung Lawu	Central Java and East Java	30/01/2017	29/01/2054	100%	Geothermal	37 years	Pertamina Geothermal Energy
Acquisition Interest Right Unit In Unitization Field Jambaran Tiung Biru	EP Block and Cepu Block	Central Java-East Java	3/11/2017	16/09/2035	91.93%	Oil and gas	Until the end of PEPC's PSC	Pertamina EP Cepu
Acquisition of Working Area Attaka (unitization)	Attaka	East Kalimantan	01/01/2018	24/10/2018	100%	Oil and gas	10 months	Pertamina Hulu Indonesia
Acquisition of Participating Interest In Working Area Mahakam	Mahakam	East Kalimantan	01/01/2018	31/12/2037	100%	Oil and gas	20 years	Pertamina Hulu Indonesia
Acquisition of Working Area Geothermal Seulawah Agam	Seulawah Agam	Aceh	09/04/2018	08/04/2055	75%	Geothermal	37 years	Pertamina Geothermal Energy
Acquisition of Working Area Tuban Block	Tuban Block	East Java	20/05/2018*	19/05/2038	100%	Oil and gas	20 years	Pertamina Hulu Energi
Acquisition of Working Area Ogan Komering Block	Ogan Komering Block	South Sumatera	20/05/2018*	19/05/2038	100%	Oil and gas	20 years	Pertamina Hulu Energi
Acquisition Interest Right Unit In Unitization Field Sukowati	Sukowati	Tuban	25/06/2018	24/06/2028	100%	-	20 years	Pertamina EP
Acquisition of Working Area Blok Sanga Sanga	Sanga Sanga Block	East Kalimantan	08/08/2018*	07/08/2038	100%	Oil and gas	20 years	Pertamina Hulu Indonesia
Acquisition of Working Area Offshore Southeast Sumatera ("OSES") Block	OSES Block	South East Sumatera	06/09/2018*	05/09/2038	100%	Oil and gas	20 years	Pertamina Hulu Energi
Acquisition of Working Area North Sumatera Offshore ("NSO") Block	NSO Block	North Sumatera	17/10/2018*	16/10/2038	100%	Oil and gas	20 years	Pertamina Hulu Energi
Acquisition of Working Area East Kalimantanand Attaka Block	East Kalimantan and Attaka Block	East Kalimantan	25/10/2018*	24/10/2038	100%	Oil and gas	20 years	Pertamina Hulu Indonesia
Acquisition of Working Area Jambi Merang	Jambi Merang Block	South Sumatera	10/02/2019*	09/02/2039	100%	Oil and gas	20 years	Pertamina Hulu Energi
Acquisition of Working Area Raja/Pendopo Block	Raja/Pendopo Block	South Sumatera	06/07/2019*	05/07/2039	100%	Oil and gas	20 years	Pertamina Hulu Energi
Acquisition of Working Area Salawati Block	Salawati Block	Papua	23/04/2020*	22/04/2040*	30%	Oil and gas	20 years	Pertamina Hulu Energi
Acquisition of Working Area Kepala Burung Block	Kepala Burung Block	Papua	15/10/2020*	14/10/2040*	30%	Oil and gas	20 years	Pertamina Hulu Energi

* (Note 4d)

4. ACQUISITION AND ADDITION OF PARTICIPATING INTEREST (continued)

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

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 of PT Perusahaan Gas Negara Tbk (“PGN”)’s shares 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 concerning 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 Rp.38,136,346,046,696 (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 Rp200,000,000 million to Rp600,000,000 million 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 LetterNo. 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 has been approved which is related to the total issued and paid-up shares of Rp171,227,044,000,000 (full amount) or equivalent to US$16,191,204.

On May 9, 2018, the MoSOE, as the holder of PGN’s A Series Dwiwarna share, issued a Power of attorney letter in relation to transfer of rights and authority of A series PGN share to the Company as the majority holder of B series PGN shares. This letter is to provide PT Pertamina (Persero) 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 AND ADDITION OF PARTICIPATING INTEREST (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 the shares of PT Pertamina Gas ("Pertagas") owned by the Company as much as 51 percent (or 2,591,099 shares) worth 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. In connection with this restructuring, the Company's effective ownership of Pertagas fell from 100% to 78.05%.

b. Control over PT Nusantara Regas

The Company and PGN own 60% and 40% ownership of interest in Regas, respectively. As a result of the establishment of state-owned oil and gas enterprise, the Company indirectly owns 82.78% ownership of interest. 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 AND ADDITION OF PARTICIPATING INTEREST (continued)

b. Control over PT Nusantara 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. Acquisition of Etablissements Maurel et Prom SA ("M&P") shares

M&P is a listed Company in Paris Stock Exchange which has the following production assets: Ezanga Block in Gabon (as the operator with Working Interest ("WI") of 80%); Mnazi Bay Field in Tanzania (as the operator with WI 48.06%); and owns 20.46% shares in Seplat (a Company listed in Lagos Stock Exchange, Nigeria and London Stock Exchange, England) which has several production assets in Nigeria. M&P also has exploration assets and undeveloped discovery areas located in Italy, France, Myanmar, Canada, Tanzania, Gabon, Colombia, and Namibia.

On August 25, 2016, the Group through PT Pertamina Internasional Eksplorasi dan Produksi ("PIEP"), a wholly owned subsidiary of the Company, purchased all of the shares held by Pacifico in M&P representing 47,916,026 shares corresponding to 24.53% shares ownership in M&P. PIEP had increased its shares ownership through a tender offer process with the same terms and conditions to all M&P's shares.

The process of step-up acquisition through Voluntary Tender Offer is conducted in two stages. The first phase was completed on January 25, 2017 and the payment was made on February 1, 2017, in which PIEP owns 64.46% of M&P shares and 63.35% of voting rights, resulting in a "change of control" of M&P. The second phase of voluntary tender over was completed on February 15, 2017 and the payment was executed on February 22, 2017, therefore, from that date PIEP becomes the holder of:

1. 141,911,939 M&P shares, representing 72.65% of share capital and 71.39% of the voting rights in M&P;
2. 14,641,233 pieces of ORNANE 2019 bonds, which represent 99.88% of the outstanding bonds;
3. 10,435,331 bonds of ORNANE 2021, which represent 99.99% of the outstanding bonds.

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

4. ACQUISITION AND ADDITION OF PARTICIPATING INTEREST (continued)

c. Acquisition of Etablissements Maurel et Prom SA (“M&P”) shares (continued)

On December 20, 2017, M&P redeemed all ORNANE 2019 and ORNANE 2021 bonds owned by PIEP and paid in cash a nominal amount of the bonds and interest thereon, so that PIEP no longer holds ORNANE 2019 and ORNANE 2021 bonds.

Following the completion of the shares acquisition, PIEP became the majority shareholder and has full control over M&P.

Calculation of the fair value of identified assets and liabilities taken over by PIEP was completed on December 31, 2017.

Fair value adjustments mainly come from the valuation of reserves and sources of oil acquired, for exploration and / or production assets, namely Gabon, Nigeria and Tanzania.

The fair value of identified assets and liabilities arising from the acquisition of M&P are as follows:

	Amount
ASSETS	
Financial assets	353,653
Inventories	9,678
Prepaid taxes	70,844
Deferred tax assets	35,096
Long-term investments	94,697
Oil and gas properties	1,723,322
Other non-current assets	85,318
Total assets	**2,372,608**
LIABILITIES	
Financial liabilities	913,431
Tax payables	39,801
Deferred tax liabilities	371,004
Employee benefit liabilities	1,143
Provision for decommissioning and site restoration	41,110
Total liabilities	**1,366,489**
Net assets at the acquisition date (include deferred tax assets and liabilities)	**1,006,119**
Excess of book value over fair value	9,600
Fair value of net assets	1,015,719
Interest acquired	72.65%
Fair value of net assets acquired	737,920
Foreign currency translation	28,337
Bargain purchase	(54,130)
Purchase consideration through cash	**712,127**

Below is the cash flow analysis from the acquisition of M&P:	
Transaction value of the acquisition	712,127
Less: Cash from M&P	(203,230)
Net cash flow to acquire control	**508,897**

4. ACQUISITION AND ADDITION OF PARTICIPATING INTEREST (continued)

c. Acquisition of Etablissements Maurel et Prom SA ("M&P") shares (continued)

The bargain purchase amount also include gain on remeasurement of the previously held equity interest amounting to US$42,658.

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%.

d. Gross split contract ("Gross Split")

On January 13, 2017, the regulation of the Minister of Energy and Mineral Resources ("MoEMR") No. 08/2017 regarding principles of the Production Sharing Contract without Cost Recovery Mechanism, also known as Gross Split PSC, was issued.

Following the expiration of Offshore North West Java ("ONWJ") PSC on January 18, 2017, PT Pertamina Hulu Energi ONWJ ("PHE ONWJ"and Special Unit for Upstream Oil and Gas Business Activities ("SKK Migas") signed the ONWJ block Gross Split PSC which become effective from January 19, 2017 with a 20 years contract period. The gross split scheme between the Government of Indonesia and the Contractor is disclosed in Note 43d.

On April 20, 2018, PHE Tuban East Java, PHE Ogan Komering and SKK Migas signed the Tuban Gross Split Block and Ogan Komering Block PSC which were effective from May 20, 2018 with a contract period of 20 years. PHE OSES, PHE NSO and SKK Migas also signed the OSES Gross Split Block which was effective from September 6, 2018 and October 17, 2018 with a contract period of 20 years.

On May 31, 2018, PHE Raja Tempirai, PHE Jambi Merang and SKK Migas signed Gross Split Raja/Pendopo and Jambi Merang Block PSC which become effective from July 6, 2019 and February 10, 2019, respectively, with contract period of 20 years.

On July 11, 2018, Pertamina Hulu Salawati, Pertamina Hulu Salawati Basin, and SKK Migas signed the Gross Split contract for the Salawati Block and the Kepala Burung Block which became effective from April 23, 2020 and October 15, 2020, respectively.

On August 8, 2018, Pertamina Hulu Sanga and SKK Migas signed the Gross Split contract for the Sanga Sanga block which became effective from August 8, 2018 for 20 years.

On October 25, 2018, Pertamina Hulu Attaka and SKK Migas signed a Gross Split contract for the East Kalimantan and Attaka Block which became effective from October 25, 2018 for 20 years.

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

4. ACQUISITION AND ADDITION OF PARTICIPATING INTEREST (continued)

e. Mahakam production sharing contract

In accordance with MoEMR Letter No. 2793/13/ME.M/2015 regarding *Pengelolaan Wilayah Kerja (“WK”) Mahakam Pasca 2017*, the Company is appointed as the operator of the Mahakam Contract Area from the previous contractors Total E&P Indonesie and INPEX Corporation. To manage such working area, the Company, through PT Pertamina Hulu Indonesia (“PHI”), established a new entity called PT Pertamina Hulu Mahakam (“PHM”).

Mahakam PSC was signed on December 29, 2015 by SKK Migas and PHM with effective date on January 1, 2018. The PSC Contract still 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.

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.

The provisions are as follows:

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

  The production share of oil 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 table depicted below 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	**Tax Rate**	**Gross Contractor Share**		**Net Contractor Share**	
		Oil	**Gas**	**Oil**	**Gas**
0 – 1	36.25%	31.3726%	54.9020%	20%	35%
0 – 1.2	36.25%	27.4510%	50.9804%	18%	33%
1.2 – 1.4	36.25%	23.5294%	47.0588%	15%	30%
1.4 – 1.6	36.25%	19.6078%	43.1373%	12%	28%
> 1.6	36.25%	15.6863%	39.2157%	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 scheme for utilization of assets previously utilized by the predecessor Mahakam PSC contractors has not yet been determined by the Government’s, in this case the Directorate General of State Assets and MoEMR.

4. ACQUISITION AND ADDITION OF PARTICIPATING INTEREST (continued)

f. Addition of 41.37% 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 are PT Pertamina EP with 8.06% and Badan Usaha Milik Daerah ("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, Cooperating Body Participating Interest Block ("PI BKS") Cepu conveyed the resignation of 4 Members of the PI BKS Cepu Block namely PT Asri Dharma Sejahtera (ADS), PT Sarana Patra Hulu Cepu (SPHC), PT Blora Patragas Hulu (BPH), PT Petrogas Jatim Utama Cendana, which the four members stated they would not participate in the development of the Jambaran-Tiung Biru Field Gas project (JTB) starting January 1, 2018.

Effective January 1, 2018, the Company added a 9.19% participating interest in the JTB unitization field previously owned by the BKS (PT Asri Dharma Sejahtera (ADS), Sarana Patra Hulu Cepu (SPHC), PT Blora Patragas Hulu (BPH), PT Petrogas Jatim Utama Cendana (PJUC)) so that the Company's participating interest in the JTB unitization field becomes 91.93%. Payment for this acquisition is valued at US$16,764. The acquisition of this participating interest is recorded as an oil and gas asset.

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 is used as working capital during the first year of managing its working area.

4. ACQUISITION AND ADDITION OF PARTICIPATING INTEREST (continued)

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 43c).

i. Temporary cooperation contract of Attaka working area

The temporary cooperation contract for the Attaka work area was created and signed on November 2, 2017, by SKK Migas and Pertamina Hulu Attaka. Based on the Letter of the Minister of Energy and Mineral Resources ("MoESDM") the Attaka work area after October 24, 2018, was no longer assigned to Pertamina.

j. Decrease in the percentage of ownership of the Company at PT Asuransi Tugu Pratama Indonesia ("TPI") Tbk

On May 28, 2018, TPI became a public company by issuing 177,777,800 shares of new shares. As a result, the percentage of the Company's ownership in TPI 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 TPI. 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.

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$16,303. 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.

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

5. CASH AND CASH EQUIVALENTS

	June 30, 2019	December 31, 2018
Cash on hand	10,418	4,119
Cash in banks	5,154,006	5,045,496
Time deposits	2,221,121	4,062,697
Total	**7,385,545**	**9,112,312**

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

	June 30, 2019	December 31, 2018
Cash on hand		
Rupiah	9,454	3,128
US Dollar	837	891
Others	127	100
Total cash on hand	**10,418**	**4,119**
Cash in banks		
US Dollar:		
Government-related entities		
- PT Bank Rakyat Indonesia (Persero) Tbk. (“BRI”)	856,625	891,329
- PT Bank Negara Indonesia (Persero) Tbk. (“BNI”)	1,336,693	844,933
- PT Bank Mandiri (Persero) Tbk. (“Mandiri”)	942,287	581,752
- Other banks (each below US$10,000)	1,440	1,526
Third parties		
- Crédit Agricole Corporate and Investment Bank (“Crédit Agricole CIB”, previously Calyon)	264,703	214,982
- Sumitomo Mitsui Banking Corporation	100,035	94,194
- Citibank. N.A.	41,832	49,440
- J.P. Morgan Chase & Co.	26,825	16,130
(“SMBC Indonesia”)	2,387	2,515
- Other banks (each below US$10,000)	16,493	13,532
Total US Dollar accounts	**3,589,320**	**2,710,333**

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

5. CASH AND CASH EQUIVALENTS (continued)

	June 30, 2019	December 31, 2018
Rupiah:		
Government-related entities		
- Bank Mandiri	505,374	651,073
- BRI	424,075	598,851
- BNI	271,858	547,355
- PT Bank Tabungan Negara (Persero) Tbk ("BTN")	187,456	265,065
- PT Bank BRIsyariah Tbk	27,996	48,692
- PT Bank Negara Indonesia Syariah (Persero) Tbk	9,410	14,188
- Others banks (each below US$10,000)	7,500	9,745
Third Parties		
- PT Bank Central Asia Tbk. (“BCA”)	45,861	40,008
- Citibank. N.A.	8,068	24,875
- Other banks (each below US$10,000)	11,578	17,866
Total Rupiah accounts	**1,499,176**	**2,217,718**
Euro:		
Third parties		
- Calyon	11,787	64,889
- Other banks (each below US$10,000)	15	229
Total Euro accounts	**11,802**	**65,118**
Malaysian Ringgit		
- RHB Bank Berhad	47,632	39,417
Cash in banks-other Currency accounts-third parties	6,076	12,910
Total cash in bank	**5,154,006**	**5,045,496**
Time deposits with original maturities of three months or less		
US Dollar accounts :		
Government-related entities		
- BRI	427,683	508,397
- BNI	198,621	193,671
- Bank Mandiri	71,231	32,760
- BTN	7,000	127,500
- Bank Syariah Mandiri	5	50,005

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

5. CASH AND CASH EQUIVALENTS (continued)

	June 30, 2019	December 31, 2018
Third parties		
- Industrial and Commercial Bank of China	15,000	20,000
- Citibank, NA	-	15,000
- Bank Muamalat	-	12,000
- Other banks (each below US$10.000)	7,400	7,900
Total time deposits - US Dollar account	**726,940**	**967,233**
Rupiah accounts:		
Government-related entities		
- BRI	590,091	1,351,105
- Bank Mandiri	232,123	516,931
- BNI	156,917	505,346
- BTN	232,547	454,425
- Bank Syariah Mandiri	71,367	137,711
- PT Bank Rakyat Indonesia Agroniaga Tbk (“BRI Agroniaga”)	48,956	47,807
- PT Bank BNI Syariah (“BNI Syariah”)	53,179	18,591
- Other banks (each below US$10.000)	32,601	17,264
Third parties		
- Bank Bukopin	9,859	12,098
- Other banks (each below US$10.000)	45,326	27,845
Total time deposits-rupiah accounts	**1,494,181**	**3,089,123**
Total time deposits-other currency third parties	**-**	**6,341**
Total time deposits	**2,221,121**	**4,062,697**
Total cash and cash equivalents	**7,385,545**	**9,112,312**

Annual interest rates on time deposits for the periods ended June 30, 2019 and December 31, 2018 were as follows:

	June 30, 2019	December 31, 2018
Rupiah	2.50% - 8.25%	3.25% - 9.00%
US Dollar	0.50% - 3.50%	0.50% - 3.37%
Singapore Dollar	0.50%	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.

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

6. RESTRICTED CASH

Restricted cash are moneys in escrow accounts in US Dollar and Indonesian Rupiah, and are as follows:

	June 30, 2019	December 31, 2018
US Dollar accounts:		
Government-related entities		
- Bank Mandiri	83,499	58,140
- BRI	7,931	11,725
- BNI	26,717	10,401
Third parties		
- BNP Paribas	18,000	18,000
- SMBC Indonesia	4,552	4,000
- Other banks (each below US$10,000)	683	685
Rupiah accounts:		
Government-related entities		
- BNI	2,975	3,553
- BRI	754	1,421
- Bank Mandiri	973	990
Third parties		
- Other banks (each below US$10,000)	-	-
Total restricted cash	**146,084**	**108,915**

Annual interest rates on time deposits for the periods ended June 30, 2019 and December 31, 2018 were as follows:

	June 30, 2019	December 31, 2018
Rupiah	2.00% - 7.63%	5.00%-7.80%
US Dollar	0.25% - 2.25%	0.24%-0.80%

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

	June 30, 2019	December 31, 2018
Trade receivables	2,471,218	2,161,456
Provision for impairment	(202,803)	(228,001)
Total	**2,268,415**	**1,933,455**

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

7. RECEIVABLES - THIRD PARTIES (continued)

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

	June 30, 2019	December 31, 2018
Beginning balance	(228,001)	(211,506)
Impairment during the year	(1,004)	(29,957)
Reversal of impairment on the recovered receivables	17,234	7,652
Foreign exchange differences	8,968	5,810
Ending balance	**(202,803)**	**(288,001)**

The maximum exposure to credit risk at reporting date is the carrying value of the receivables mentioned above. The group does not hold any collateral as security

Based on management's review of the collectability of each balance of trade receivables as at the dates of June 30, 2019 and December 31, 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:

	June 30, 2019	December 31, 2018
US Dollar	1,336,783	1,323,528
Rupiah	1,133,632	837,130
Euro	97	98
Singapore Dollar	706	700
Total	**2,471,218**	**2,161,456**

b. Other receivables

	June 30, 2019	December 31, 2018
Reinsurance assets	375,497	333,119
Recevables from subsidiary operation in Oil and gas related activities	214,685	132,545
Others	314,007	286,788
Sub-total	904,189	752,452
Provision for impairment	(18,562)	(18,140)
Total other receivables	**885,627**	**734,312**

Reinsurance assets represent the amount of premim 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:

	June 30, 2019	December 31, 2018
Beginning balance	(18,140)	(18,551)
Recovery/(additions) of impairment During the period/year	(422)	411
Ending Balance	**(18,562)**	**(18,140)**

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

7. RECEIVABLES - THIRD PARTIES (continued)

b. Other receivables (continued)

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

	June 30, 2019	December 31, 2018
The Company:		
Receivables from recognition of Price Difference income	3,113,620	2,924,148
Receivables from subsidy reimbursements for 3 kg LPG cylinders	949,337	1,147,538
Receivables from subsidy reimbursements for certain fuel (BBM) products	502,013	175,556
Receivables from kerosene subsidies reimbursement	17,232	16,828
Receivables from marketing fees	82,495	72,489
Kerosene conversion	10,845	10,626
Sub-total	4,675,542	4,347,185
Subsidiaries	451,419	411,224
Sub-total	5,126,961	4,758,409
Provision for impairment	-	-
Total (Note 41)	**5,126,961**	**4,758,409**
Current portion	(2,013,341)	(1,834,261)
Non-current portion	**3,113,620**	**2,924,148**

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

	June 30, 2019	December 31, 2018
Beginning balance	-	110,936
Impairment during the year	-	-
Reversal of impairment of recovered receivables	-	(106,085)
Adjustment	-	-
Foreign exchange differences	-	(4,851)
Ending balance	**-**	**-**

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

8. DUE FROM THE GOVERNMENT (continued)

a. Receivables on revenue recognition from Selling Price Differences

Details of receivable from revenue recognition from Selling Price Differences are as follows:

	June 30, 2019	December 31, 2018
Receivables on revenue recognition from Disparity Selling Price:		
2018	2,657,132	2,657,132
2017	1,248,347	1,248,347
Sub total	**3,905,479**	**3,905,479**
Initial Fair value adjustments of receivables:		
2018	(773,562)	(773,562)
2017	(207,769)	(207,769)
Sub total	**(981,331)**	**(981,331)**
Net receivables amount post fair value adjustments before unwinding interes, changes in estimate and effect of foreign exchange difference:		
2018	1,883,570	1,883,570
2017	1,040,578	1,040,578
Sub total	**2,924,148**	**2,924,148**
Effects of unwinding interest:		
2018	74,986	-
2017	39,327	-
Sub total	**114,313**	**-**
Effects of foreign exchange difference in 2019:		
2018	48,418	-
2017	26,741	-
Sub total	**75,159**	**-**
Net ending balance:		
2018	2,006,974	1,883,570
2017	1,106,646	1,040,578
Total	**3,113,620**	**2,924,148**

On July 16, 2018, BPK issued its audit results ("LHP") No. 36/AUDITAMA VII/PDTT/07/2018 on the calculation and distribution of subsidized JBT Diesel Fuel and 3kg LPG cylinders. Based on such LHP, the Company is recommended to request reimbursement from the Government for the 2017 Selling Price Differences of JBT Diesel Fuel amounting to IDR20.79 trillion or equivalent to US$1,444,076 (including Value Added Tax - "VAT" and Motor Vehicle Fuel Tax - "PBBKB" amounting to Rp2.71 trillion or equivalent to US$188,358) and JBKP Premium amounting to Rp5.51.trillion or equivalent to $382,904 (including VAT and PBBKB amounting to Rp0.72 trillion or equivalent to US$49,944).

8. DUE FROM THE GOVERNMENT (continued)

a. Receivables on revenue recognition from Selling Price Differences (continued)

In accordance with the MoF Letter No. 642/MK.02/2018 dated August 24, 2018, the MoF, after coordinating with the MoEMR and the MoSOE, issued a policy that the Government would reimburse the Company's revenue shortfall from the sale of JBT Diesel Fuel in accordance with BPK's LHP.

On May 20, 2019, the BPK issued its LHP with Specific Purposes on the Sales and Distribution of Fuel Oil and 3kg LPG Cylinders, and Calculation of JBT Diesel Fuel & 3kg LPG Cylinders Subsidized in 2018 to PT Pertamina (Persero), PT AKR Corporindo Tbk., and other related agencies in North Sumatra, Riau, South Sumatra, Lampung, Banten, DKI Jakarta, West Java, Central Java, DI Yogyakarta, East Java, West Nusa Tenggara, West Kalimantan, East Kalimantan, North Sulawesi, South Sulawesi, North Maluku, and Papua No. 31/AUDITAMA VII/PDTT/05/2019, which received by the Company on May 23, 2019. Based on such LHP, among others, the Company experienced:

- Shortfall of revenue of the Selling Price Differences in the distribution of JBT Diesel Fuel in 2018 amounting to Rp29.31 trillion (including VAT and PBBKB amounting to Rp.4.18 trillion);
- Shortfall of revenue of the Selling Price Differences in the distribution of JBT Kerosene in 2018 amounting to Rp243.68 billion (excluding VAT) due to the determination of Market Index Prices ("HIP") and Basic Prices of Kerosene JBT not in accordance with the calculation of formula retail retail prices of fuel oil;
- Shortfall of revenue the Selling Price Differences in the distribution of JBKP Premium in 2018 amounting to Rp23.27 trillion, which consists of shortfall of revenue in the distribution of JBKP Premium in Java, Madura, and Bali ("Jamali") and outside Java, Madura, and Bali ("Non Jamali") areas amounting to Rp7.74 trillion and Rp15.53 trillion, respectively;
- Excess of revenue from the sale of JBKP Premium Jamali that exceeded the Government stipulated HJE amounting to Rp234.82 billion due to the determination of the Jamali area to be the assignment area;

Based on such LHP, the Company was recommended by BPK to coordinate with the MoF, the MoEMR and the MoSOE in respect to the policy of regulating shortfall of revenue in the distribution of JBT Diesel Fuel, JBT Kerosene and JBKP Premium in 2018, in accordance with applicable procedures and regulations. Meanwhile, for the Company's excess of revenue from sale of the JBKP Premium Jamali, the Company was recommended by the BPK to deposit such excess of revenue to the State Treasury.

In accordance with the MoF Letter No. S-430/MK.02/2019 dated May 28, 2019, the MoF, after coordinating with the MoEMR and the MoSOE, issued a policy that the Government will reimburse the Company's revenue shortfall from the sale of JBT Diesel Fuel and JBKP Premium Non Jamali in accordance with BPK's LHP No. 31/AUDITAMA VII/PDTT/05/2019. Meanwhile, the excess and shortfall of the Company's revenue from the sale of JBKP Premium Jamali become the excess and shortfall of Company's revenue.

Prior to receiving BPK's LHP and the MoF letter discussed above, the Company received BPK RI Letter No. 126/S/XX/05/2019 on Submission of Draft Audit Reports with Specific Purposes on the Sales and Distribution of Fuel Oil and 3kg LPG Cylinders, and Calculation of JBT Diesel Oil & 3kg LPG Cylinders Subsidized in 2018 to PT Pertamina (Persero), PT AKR Corporindo Tbk., and other related agencies dated May 17, 2019 and MoSOE Letter No. SR-330/MBU/05/2019 dated May 17, 2019 concerning the bookkeeping of the difference in retail selling price of JBT and JBKP Non Jamali and the shortfall in of revenue from JBT Kerosene with the value in accordance with the draft of the BPK audit report.

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

8. DUE FROM THE GOVERNMENT (continued)

a. Receivables on revenue recognition from Selling Price Differences (continued)

Based on the above matters, the Company recognized revenue and due from Government for the 2018 Disparity of Selling Price of JBT Diesel Fuel and JBKP Premium Non-Jamali, prior to fair value adjustment, amounting to Rp25.13 trillion or equivalent to US$1,735,260 (excluding VAT and PBBKB amounting to Rp4.18 trillion or equivalent to US$288,943) and Rp13.35 trillion or equivalent to US$921,871 (excluding VAT and PBBKB amounting to Rp2.19 trillion or equivalent to US$151,057), respectively and the 2017 Disparity of Selling Price of JBT Diesel Fuel, prior to fair value adjustment, amounting to Rp18.08 trillion or equivalent to US$1,248,347 (excluding VAT and PBBKB of Rp2.71 trillion or equivalent to US$187,252).

The assumptions used for calculating the fair value of receivable on revenue recognition from Disparity of Selling Price 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

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.

	June 30, 2019	December 31, 2018
Beginning balance	1,147,538	1,404,911
Subsidy reimbursements for 3 kg LPG cylinders for current year (Note 28)	1,444,292	3,496,603
Correction from government audit for subsidy reimbursement for 3 kg LPG cylinders for the years:		
- 2018 (Note 28)	-	(1,252)
- 2017 (Note 28)	-	(5,661)
Cash received	(1,709,512)	(3,614,277)
Foreign exchange loss	67,019	(132,786)
Ending balance	**949,337**	**1,147,538**

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 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.

(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 (continued)

The receivable balance of subsidy reimbursements for certain fuel (BBM) products will be settled through the next State Budget and Expendituer ("APBN") period.

	June 30, 2019	December 31, 2018
Beginning balance	175,556	473,928
Subsidy reimbursements for certain fuel (BBM) Products for current year (Note 28)	1,064,035	2,126,796
Taxes	70,099	266,693
Correction from government audit for subsidy Reimbursement for certain fuel (BBM) products for the year:		
- 2018 (Note 29)	-	(699)
- 2017 (Note 29)	-	(147)
Cash received	(811,348)	(2,600,487)
Gain/(Loss) Foreign exchange loss	3,671	(90,528)
Ending balance	**502,013**	**175,556**

Correction of the calculation of the fuel subsidy cost reimbursement bill is based on the results of the BPK's and recorded in the period in which the audit was completed.

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:

	June 30, 2019	December 31, 2018
Marketing fees:		
2019	10,006	-
2018	22,587	22,587
2017	26,529	26,529
2016	23,373	23,373
Ending balance	**82,495**	**72,489**

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

8. DUE FROM THE GOVERNMENT (continued)

e. Subsidiaries' receivables

	June 30, 2019	December 31, 2018
PEP		
- Domestic Market Obligation ("DMO") fees	129,397	106,398
- Underlifting	33,109	18,942
PHE		
- DMO fees	16,453	15,414
- Underlifting	25,320	25,730
PEPC		
- Underlifting	220,572	224,904
PHI		
- DMO fees	26,568	18,780
- Underlifting	-	1,056
Total - subsidiaries	**451,419**	**411,224**

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 KKS.

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 in 2018 amounting to Rp243.68 billion (excluding VAT amounting to Rp24.38 billion) 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 concerning 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.

9. INVENTORIES

	June 30, 2019	December 31, 2018
Gas	34,987	13,984
Crude oil:		
Domestic production	1,047,453	1,026,225
Imported	466,522	579,765
Sub-total for crude oil	1,513,975	1,605,990

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

9. INVENTORIES (continued)

	June 30, 2019	December 31, 2018
Oil products:		
Automotive Diesel Oil ("ADO")	1,193,593	1,018,791
Premium gasoline	645,789	536,309
Pertamax, Pertamax Plus, Pertalite gasoline and Pertadex (diesel oil)	545,356	491,005
Intermediaries	393,187	337,246
Oil products in process of production	414,394	399,963
Avtur and Avigas	324,505	264,545
LPG	252,408	262,104
Petrochemicals	183,797	170,815
Industrial/Marine Fuel Oil ("IFO/MFO")	195,732	148,621
Kerosene	125,928	94,299
Industrial Diesel Oil ("IDO")	16,444	17,563
, lubricants and others	484,724	476,999
Sub-total for oil products (Note 31)	4,775,857	4,218,260
Sub-total for gas, crude oil and oil products	6,324,819	5,838,234
Provision for decline in value of oil products (Note 31)	(182,436)	(167,270)
	6,142,383	5,670,964
Materials	877,713	754,228
Provision for decline in value of material	(100,039)	(102,027)
	777,674	652,201
Total	**6,920,057**	**6,323,165**

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

	June 30, 2019	December 31, 2018
Beginning balance	(167,270)	(92,854)
Addition during the year - net	(15,166)	(74,416)
Ending balance (Note 31)	**(182,436)**	**(167,270)**

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

	June 30, 2019	December 31, 2018
Beginning balance	(102,027)	(103,183)
Addition (reversal) during the year - net	1,988	1,156
Ending balance	**(100,039)**	**(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 June 30, 2019 and December 31, 2018, inventories were insured against fire and other risks (Note 13). Management believes that the insurance coverage amount is adequate to cover any possible losses that may arise in relation to the insured inventories.

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

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 June 30, 2019 and December 31, 2018, the balance of net assets held for distribution to the Company based on the liquidator's report for PES amounted to US$85,089 and US$80,171, respectively.

Based on the Company's GMS 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 approve the Company to take the corporate actions needed to complete the dissolution/liquidation.

11. LONG-TERM INVESTMENTS

	June 30, 2019	December 31, 2018
Investment in oil and gas blocks - net	913,401	1,024,237
Investments in associates - net	741,891	725,846
Investment in bonds - net	391,307	391,307
Investments in joint ventures	332,566	369,922
Investment properties	299,539	280,668
Investments in shares of stock - net	6,292	6,292
Other financial assets	680	20,782
Total	**2,685,676**	**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 Murphy Sabah Oil Co. Ltd. and Murphy Sarawak Oil Co. Ltd. The Group records the investment using the equity method because it has significant influence in the undivided interest of those oil and gas blocks.

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

	June 30, 2019					
	Beginning balance	Addition	Adjustment	Transfer	Impairment in value	Ending balance
Cost	1,556,487	10,673	-	-	(76,354)	1,490,806
Accumulated amortization	(532,250)	(45,155)	-	-	-	(577,405)
Net book value	**1,024,237**	**(34,482)**	**-**	**-**	**(76,354)**	**913,401**

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

11. LONG-TERM INVESTMENTS (continued)

a. Investment in oil and gas blocks

	December 31, 2018					
	Beginning balance	**Addition**	**Adjustment**	**Transfer**	**Impairment in value**	**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**	**(144,472)**	**96,295**	**-**	**(154,773)**	**1,024,237**

b. Investments in associates

The movement on investments in associates are as follows:

	June 30, 2019							
	Percentage of effective ownership	**Beginning balance**	**Additions/ (deduction)**	**Other changes**	**Share in net income/ (loss)**	**Dividends**	**Recovery/ (impairment) in value**	**Ending balance**
The Company								
− Pacific Petroleum & Trading Co. Ltd.	50.00%	48,038	-	-	1,590	-	-	49,628
− PT Trans-Pacific Petrochemical Indotama (“TPPI”)	48.59%	82,005	-	-	-	-	-	82,005
		130,043	-	-	1,590	-	-	131,633
Indirect investments in shares of associates								
− PT Donggi Senoro LNG	29.00%	279,219	-	-	6,928	-	-	286,147
− PT Asuransi Samsung Tugu	19.50%	9,069	-	84	448	(65)	-	9,535
− Seplat Petroleum Development Company Plc, Nigeria	20.46%	224,548	-	-	-	-	-	224,548
− Others	19.67%-50%	82,967	-	7,061	-	-	-	90,028
		595,803	-	7,145	7,375	(65)	-	610,258
Total investments in associates		**725,846**	**-**	**7,145**	**8,965**	**(65)**	**-**	**741,891**

(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)**	**Other changes**	**Share in net income/ (loss)**	**Dividends**	**Recovery/ (impairment) in value**	**Ending balance**
The Company								
− Pacific Petroleum & 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	19.50%	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**
June 30, 2019						
- Pacific Petroleum & Trading Co. Ltd.	Japan	111,655	(25,885)	129,338	3,251	50.00%
- PT Trans-Pacific Petrochemical Indotama (“TPPI”)	Indonesia	866,155	(697,385)	65,136	(141,991)	48.59%
- PT Donggi Senoro LNG	Indonesia	2,613,438	(1,625,401)	616,322	23,888	29.00%
- PT Asuransi Samsung Tugu	Indonesia	60,186	(28,400)	4,318	1,493	30.00%
- Seplat	Nigeria	2,526,565	(925,680)	746,140	146,576	20.46%
December 31, 2018						
- Pacific Petroleum & 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	19.50%
- Seplat Petroleum Development Company Plc, Nigeria	Nigeria	2,526,565	(925,680)	746,140	146,576	20.46%
- Gas Energi Jambi	Indonesia	41	(653)	-	-	-

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

11. LONG-TERM INVESTMENTS (continued)

c. Investment in bonds

As of June 30, 2019 and December 31, 2018, the balance of investment in bonds amounting to US$391,307 were investments in bonds issued by PT Trans-Pacific Petrochemical Indotama.

d. Investment in joint ventures

The movements on investments in joint ventures are as follows:

	June 30, 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	-	16,011	13,595	(48,623)	-	183,726
− PT Perta Samtan Gas	66.00%	89,976	-	-	10,235	(23,100)	-	77,111
− PT Patra SK	35.00%	62,406	-	(30)	3,162	(10,500)	-	55,038
− PT Indo Thai Trading	51.00%	7,070	-	(267)	254	-	-	7,057
− PT Perta Daya Gas	65.00%	3,734	-	-	1,293	-	-	5,027
− PT Pertamina Rosneft Pengolahan dan Petrokimia	55.00%	407	-	-	-	-	-	407
− PT Permata Karya Jasa	60.00%	3,586	-	-	614	-	-	4,200
Total investments in joint venture		**369,922**	**-**	**15,714**	**29,153**	**(82,223)**	**-**	**332,566**

The movements of investments in joint ventures are as follows (continued):

	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 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 Pertamina Rosneft Pengolahan dan Petrokimia	55,00%	407	-	-	-	-	-	407
− PT Elnusa CGGVeritas Seismic	20,96%	-	-	-	-	-	-	-
− PT Transportasi Gas Indonesia	59,87%	281,700	-	(1,013)	27,814	(105,758)	-	202,743
− 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
June 30, 2019						
- PT Patra SK	Indonesia	24,455	(67,194)	162,284	9,033	35.00%
- PT Perta Samtan Gas	Indonesia	164,605	(47,771)	54,990	15,507	66.00%
- PT Perta Daya Gas	Indonesia	47,101	(39,367)	6,165	1,989	65.00%
- PT Indo Thai Trading	Indonesia	28,160	(13,843)	60,581	498	51.00%
- PT Elnusa CGGVeritas Seismic	Indonesia	514	(19)	-	(21)	20.96%
- PT Transportasi Gas Indonesia	Indonesia	387,081	(106,618)	75,627	22,707	59.87%
- PT Permata Karya Jasa	Indonesia	7,789	(2,429)	16,629	869	60.00%
December 31, 2018						
- PT Patra SK	Indonesia	232,842	(54,539)	341,114	15,391	35.00%
- PT Perta Samtan Gas	Indonesia	166,010	(29,683)	121,802	33,187	66.00%
- PT Perta Daya Gas	Indonesia	48,618	(42,873)	12,497	3,113	65.00%
- PT Indo Thai Trading	Indonesia	28,738	(13,981)	33,580	937	51.00%
- PT Elnusa CGGVeritas Seismic	Indonesia	513	-	-	20	20.96%
- PT Transportasi Gas Indonesia	Indonesia	735,029	(96,391)	38,353	11,615	59.87%
- Unimar L.L.C	Indonesia	33,740	(19,387)	10,980	3,470	28.48%
- PT Permata Karya Jasa	Indonesia	6,308	(2,040)	4,075	346	60.00%

e. Investment properties

	June 30, 2019				
	Beginning balance	Additions	Deductions	Transfers/ Reclassi-fications	Ending balance
Historical cost:					
Land and land rights	266,911	-	-	20,159	287,069
Buildings	42,102	17	-	(23)	42,096
Total historical cost	309,013	-	-	20,136	329,166
Accumulated depreciation:					
Buildings	(28,345)	(928)	-	(354)	(29,627)
Net book value	**280,668**				**299,539**

	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 periods ended December 31, 2019 and 2018 for investment properties amounted to US$928 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 June 30, 2019 and December 31, 2018 all of the Group's investment properties, except land and land rights, were insured against fire and other possible risks (Note 12).

Rental income from investment properties recognized for the six month periods ended June 30, 2019, and for the year ended December 31, 2018 amounted to US$14,131 and US$26,588.

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 June 30, 2019.

f. Investments in shares of stock

	June 30, 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)]	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 2c

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.

The Group did not recognize its share on the changes in the joint ventures entities' net assets arising from other comprehensive income since the amounts are not material.

g. Other financial assets

As of June 30, 2019 and December 31, 2018, other financial assets mainly represent investment in bonds owned by PT Asuransi Tugu Pratama Indonesia (formerly PT Tugu Pratama Indonesia)

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

12. FIXED ASSETS

	June 30, 2019					
	Saldo awal	**Penambahan**	**Pengurangan**	**Pengalihan/ Reklasifikasi**	**Penjabaran**	**Saldo akhir**
Acquisition cost:						
Direct acquisition:						
Land and land rights	1,705,095	12,329	-	20,905	2,578	1,740,907
Tanks, pipeline installations and other equipment	9,322,018	3,147	-	(115,170)	820	9,210,815
Refineries	4,265,934	-	-	10,580	24	4,276,538
Buildings	1,281,451	3,967	(62)	(16,990)	3,263	1,271,629
Ships and aircrafts	2,096,335	783	-	6,290	5,581	2,108,989
Moveable assets	1,633,638	16,159	(165)	64,779	7,550	1,721,961
Assets under construction	2,129,917	290,262	(1,732)	7,366	3,665	2,429,478
Sub-total	22,434,388	326,647	(1,959)	(22,240)	23,481	22,760,317
Finance lease assets:						
Buildings	205,737	-	-	-	-	205,737
Tanks, pipelines installations and other equipment	414,634	-	-	(34,785)	-	379,849
Moveable assets	167,015	-	(157)	(7,825)	485	159,518
Sub-total	787,386	-	(157)	(42,610)	485	745,104
Total acquisition cost	**23,221,774**	**326,647**	**(2,116)**	**(64,850)**	**23,966**	**23,505,421**
Accumulated depreciation						
Direct acquisition:						
Land rights	(212)	-	-	(29)	(5)	(246)
Tanks, pipeline installation and other equipment	(4,834,321)	(246,291)	-	(42,818)	(479)	(5,123,909)
Refineries	(2,598,926)	(123,731)	-	505	(33)	(2,722,185)
Buildings	(526,815)	(27,302)	23	(1,769)	(1,331)	(557,194)
Ships and aircrafts	(813,091)	(52,503)	-	2,645	(1,276)	(864,225)
Moveable assets	(986,804)	(53,638)	103	4,728	(4,301)	(1,039,912)
Sub-total	(9,760,169)	(503,465)	126	(36,738)	(7,425)	(10,307,671)
Finance lease assets:						
Buildings	(161,389)	(9,584)	-	-	-	(170,973)
Tanks, pipeline installations and other equipment	(249,815)	(17,440)	-	2,324	-	(264,931)
Moveable assets	(136,838)	(3,130)	157	-	(376)	(140,187)
Sub-total	(548,042)	(30,154)	157	2,324	(376)	(576,091)
Total accumulated depreciation	**(10,308,211)**	**(533,619)**	**283**	**(34,414)**	**(7,801)**	**(10,883,762)**
Provision for impairment	(54,289)	-	-	2,481	(16)	(51,824)
Net book value	**12,859,274**					**12,569,835**

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

12. FIXED ASSETS (continued)

	December 31, 2018					
	Beginning Balance	**Additions**	**Deduction**	**Transfer/ Reclassification**	**Translation**	**Ending Balance**
Acquisition cost:						
Land and land rights	1,702,277	3,034	-	5,618	(5,834)	1,705,095
Tanks, pipeline installations and other equipment	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	1,483,360	(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 equipment	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:						
Land rights	(876)	-	-	-	664	(212)
Tanks,pipeline installations and other equipment	(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 equipment	(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:

	June 30, 2019	December 31, 2018
Cost of goods sold (Note 31)	247,487	566,412
Expenses from other operating activities (Note 34)	46,664	88,405
Selling and marketing expenses (Note 35)	173,841	328,695
General and administrative expenses (Note 36)	65,627	97,655
Total	**533,619**	**1,081,167**

As of June 30, 2019, the Group owned parcels of land at various locations in Indonesia with Building Rights Title ("HGB") valid 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 June 30, 2019 and December 31, 2018, the Group's inventories, investment properties, fixed assets, and oil & gas and geothermal properties, except for land and land rights (Notes 10,12, 13, and 14), were insured against fire and other possible risks for a total insurance coverage of US$57,462,035 and US$53,391,900.

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 20a).

Interest capitalized as part of fixed assets for the periods ended June 30, 2019 and December 31, 2018 amounted to US$5,241 and US$32,952, respectively (Note 45).

Management believes that the provision for impairment in the value of fixed assets as of June 30, 2019 and December 31, 2018 is adequate to cover any possible losses from impairment of fixed assets.

Assets under construction as of June 30, 2019 and December 31, 2018 consists of refineries, buildings, vessels, installations and moveable assets.

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

13. OIL AND GAS, AND GEOTHERMAL PROPERTIES

	June 30, 2019				
	Beginning Balance	Additions	Deductions	Transfers/ Reclassifications	Ending balance
Acquisition cost:					
Land and land rights	18,281	-	-	41	18,322
Oil and gas wells	15,461,845	72,787	-	619,693	16,154,325
Geothermal wells	759,351	-	-	-	759,351
Installations	7,675,508	56,295	-	(193,657)	7,538,146
LPG plants	1,538,366	-	-	-	1,538,366
Buildings	198,613	-	-	5,220	203,833
Moveable assets	418,511	-	-	9,693	428,204
Sub-total	26,070,475	129,082	-	440,990	26,640,547
Assets under construction					
Exploratory and evaluation wells	1,380,730	170,853	-	71,557	1,623,140
Development wells	2,423,499	810,252	-	(679,500)	2,554,251
Sub-total	3,804,229	981,105	-	(607,943)	4,177,391
Finance lease assets:					
Installations	4,672	-	-	-	4,672
LPG plants	12,501	-	(6,335)	(6,166)	-
Buildings	19,939	-	-	-	19,939
Moveable assets	195,595	-	-	-	195,595
Sub-total	232,707	-	(6,335)	(6,166)	220,206
Total acquisition cost	**30,107,411**	**1,110,187**	**(6,335)**	**(173,119)**	**31,038,144**
Accumulated depreciation, depletion and amortization:					
Oil and gas wells	(7,076,161)	-	-	-	(7,076,161)
Geothermal wells	(152,127)	(752,166)	-	-	(904,293)
Installations	(2,717,802)	(202,302)	-	49,334	(2,870,770)
LPG plants	(293,601)	(40,341)	-	-	(333,942)
Buildings	(48,441)	(6,773)	-	-	(55,214)
Moveable assets	(244,360)	(18,834)	-	-	(263,194)
Sub-total	(10,532,492)	(1,020,416)	-	49,334	(11,503,574)
Finance lease assets:					
Installations	(18,723)	6,155	-	558	(12,010)
LPG plants	(5,777)	-	6,335	(558)	-
Buildings	(18,522)	(121)	-	-	(18,643)
Moveable assets	(181,398)	(1,043)	-	-	(182,441)
Sub-total	(224,420)	4,991	6,335	-	(213,094)
Total accumulated depreciation, depletion and amortization	**(10,756,912)**	**(1,015,425)**	**6,335**	**49,334**	**(11,716,668)**
Provision for impairment	(736,213)	(47,465)	-	(1,338)	(785,016)
Net book values	**18,614,286**				**18,536,460**

(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:					
Land and land rights	18,243	-	-	38	18,281
Oil and gas wells	13,915,574	1,116,330	(107,073)	537,014	15,461,845
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)	1,030,000	26,070,475
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)**	**(233,571)**	**30,107,411**
Accumulated depreciation, depletion and amortization:					
Oil and gas wells	(6,096,976)	(965,091)	38,038	(52,132)	(7,076,161)
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	(61,680)	(10,532,492)
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**	**(61,680)**	**(10,756,912)**
Provision for impairment	(518,024)	(218,189)	-	-	(736,213)
Net book values	**18,031,374**				**18,614,286**

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

	June 30, 2019	December 31, 2018
Upstream production and lifting costs (Note 32)	1,011,289	1,741,040
General and administrative expenses (Note 36)	4,136	7,825
Total	**1,015,425**	**1,748,865**

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

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

As of June 30, 2019 and December 31, 2018, all of the PGE's, PEP, and PGN geothermal properties, except land and land rights, were insured against fire and other possible risks (Note 13).

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$13,125, and US$24,885, as of June 30, 2019 and December 31, 2018, respectively (Note 45).

The increase in the value of oil and gas wells in 2019 and 2018 respectively, is a result of the payment of the Block Rokan signature bonus (Note 4g) and the consolidation of Maurel et Prom's Etablissements Maurel et Prom.

Impairment of oil and gas properties

Management performed impairment testing in 2019 and 2018 on oil and gas with properties with impairment indicators due to external indication from the oil price trends as well as technical and commercial factors.

Estimated recoverable amounts and book values of the oil and gas properties impaired as of June 30, 2019 and December 31, 2018:

	June 30, 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	821,987	821,987	-	-	-
PIEP and its subsidiaries	657,479	704,944	47,465	-	47,465
PGN and its subsidiaries	826,168	826,168	-	-	-
Net book value	**2,305,634**	**2,353,099**	**47,465**	**-**	**47,465**

	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

	June 30, 2019	December 31, 2018
Restricted funds	965,831	915,221
Government contributed assets pending final clarification of status (Note 26)	401,120	401,120
Finance lease receivables	226,313	200,770
Advances to vendors	127,363	133,406
Other receivables - third parties	112,075	80,287
Prepaid expenses	10,758	65,319
Other receivables related parties (Note 41b)	43,000	64,907
Goodwill	53,807	53,807
Long-term employee receivables	55,365	37,530
Assets held but not used for operation	4,438	23,454
Land rights costs	18,385	18,917
Deferred charges	17,958	17,256
Intangible assets	13,087	13,711
Post-employment benefits	16,802	11,589
Non-free and non-clear assets	1,837	1,837
Others	57,225	46,202
Total	**2,125,364**	**2,085,333**

a. Restricted funds

	June 30, 2019	December 31, 2018
US Dollar accounts		
Government-related entities		
- BRI	302,814	286,789
- Bank Mandiri	14,652	14,030
- BNI	51,979	50,016
Third parties		
- JP Morgan	33,128	31,087
- Others	1,261	540
	403,834	382,462

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

14. OTHER NON-CURRENT ASSETS (continued)

a. Restricted funds (continued)

	June 30, 2019	December 31, 2018
Rupiah accounts		
Government-related entities		
- BRI	302,875	290,500
- Bank Mandiri	248,160	233,993
- BNI	1,568	840
- Others	1,413	-
Third parties		
Others	7,981	7,426
	561,997	532,759
Total	**965,831**	**915,221**

In accordance with SKK Migas' instructions, as June 30, 2019 and December 31, 2018, PT Pertamina EP has deposited funds amounted to US$291,674 and US$275,660 in BRI and Bank Mandiri for decommissioning funds, site restoration, and other related activities into a joint bank account held by SKK Migas and PT Pertamina EP. PT Pertamina Internasional Eksplorasi dan Produksi (PIEP) for PT Pertamina Malaysia EP (PMEP) stored funds for decommissioning, site restoration and other related activities in a joint bank account as of June 30, 2019 and December 31, 2018 in the amounts of US$33,128 and US$31,087, respectively.

The Company has created reserves fund for past service liabilities to employees as of June 30, 2019 and December 31, 2018 amounting to Rp7,647,817 million (equivalent to US$36,915) and Rp7,534,125 million (equivalent to US$520,277), respectively.

As of June 30, 2019 and December 31, 2018, restrained fund for Partnership Program amounted to Rp136,874 million (equivalent to US$9,609) and Rp12,174 million (equivalent to US$841), respectively.

Included in restricted cash are time deposits which are used as bank guarantees for operational working contracts in PT Pertamina Bina Medika, and PT Pertamina Internasional Eksplorasi & Produksi.

b. 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 PT Perusahaan Listrik Negara ("PLN")(Persero) 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.

c. Advances to vendors - net

	June 30, 2019	December 31, 2018
Advances to vendors	160,067	166,110
Provision for impairment	(32,704)	(32,704)
Net	**127,363**	**133,406**

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

14. OTHER NON-CURRENT ASSETS (continued)

c. Advances to vendors – net (continued)

The Company has recognized a provision for impairment to reduce an advance to vendor for oil 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
June 30, 2019				
ONWJ	53,337	-	-	53,337
PHE Nunukan Company	415	-	-	415
PGN dan entitas anaknya	55	-	-	55
Total	**53,807**	**-**	**-**	**53,807**
December 31, 2018				
ONWJ	53,337	-	-	53,337
PHE Nunukan Company	415	-	-	415
PGN dan entitas anaknya	55	-	-	55
Total	**53,807**	**-**	**-**	**53,807**

The goodwill is allocated to the Company’s Cash Generating Unit (“CGU”) identified.

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.

ONWJ, PHE Tuban and Other

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 other acquisition in 2013. The Group has recorded an impairment in the value of goodwill in 2017 amounting to US$4,538 and US$2,352 from the PHE Blok Tuban and Ambalat Block, respectively to the carrying value of PHE OG.

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 June 30, 2019, are as follows:

	Assumptions 2019				
	2019	**2020**	**2021**	**2022**	**2023**
ICP Projection	US$63.70	US$64.30	US$62.10	US$61.60	US$61.60
Brent Projection	US$67.50	US$67.80	US$65.50	US$65.00	US$65.00

ICP value projections for the years 2024 to 2030 have increased between US$1.50 to US$1.70, while for Brent values between US$1.50 to US$1.60.

Gas price	Based on the gas sales agreement
Discount rate	6.78% - 10.98%

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

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

	June 30, 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

	June 30, 2019	**December 31, 2018**
Government-related entities (Note 40)		
- Bank Mandiri	1,593,584	1,705,709
- BRI	526,297	820,154
- BNI	3,911	638,751
- Others (each below US$10,000)	1,163	110
Sub-total	2,124,955	3,164,724

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

15. SHORT-TERM LOANS (continued)

	June 30, 2019	December 31, 2018
<u>Third parties</u>		
- The Bank of Tokyo Mitsubishi UFJ, Ltd.	379,450	-
- The Hongkong and Shanghai Banking Corp (“HSBC”)	206,097	67,075
- PT Bank Mizuho Indonesia	109,000	203,272
- PT Bank Sumitomo Mitsui Indonesia	193,220	145,368
- PT Bank UOB Indonesia	82,049	-
- PT Bank DBS Indonesia	68,919	86,842
- Sumitomo Mitsui Banking Corporation	14,714	97,016
- PT Bank ICBC Indonesia	7,462	23,974
- PT Bank Permata Tbk	3,536	59,804
- Citibank. N.A.	-	145,344
- PT ANZ Panin Bank Indonesia Tbk	-	139,491
- BCA	-	118,934
- Deutsche Bank AG	-	93,970
- Others (each below US$10,000)	-	1,221
Sub-total	1,064,447	1,182,311
Total	**1,189,402**	**4,347,035**

Other information related to the Group’s short-term bank loan facilities as of June 30, 2019 are as follows:

Lenders	Expiration date
Bank Mandiri	July 2, 2019
BNI	June 14, 2019
BRI	July 8, 2019
BNI Syariah	December 31, 2019
PT Bank Mizuho Indonesia	September 22, 2019
PT Bank Sumitomo Mitsui Indonesia	October 31, 2019
Sumitomo Mitsui Banking Corporation	June 26, 2019
PT Bank Permata Tbk	November 20, 2019
PT Bank DBS Indonesia	July 5, 2019
The Hongkong and Shanghai Banking Group (HSBC)	September 17, 2019
PT Bank Danamon Indonesia Tbk	December 31, 2019
PT Bank ICBC Indonesia	December 31, 2019
The Bank of Tokyo-Mitsubishi UFJ, Ltd. (BOTM)	November 25, 2019
PT Bank UOB Indonesia	September 23, 2019

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.

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

15. SHORT-TERM LOANS (continued)

The interest rates on short-term loans for the period ended June 30, 2019 and December 31, 2018 are as follows:

	June 30, 2019	December 31, 2018
US Dollar	2.73% - 3.71%	2.76% - 3.71%
Rupiah	7.25% 11.50%	7.25% - 11.50%

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

16. TRADE PAYABLES - THIRD PARTIES

	June 30, 2019	December 31, 2018
US Dollar	3,677,482	3,215,103
Rupiah	31,646	374,194
Others	11,305	8,480
Total	**3,720,433**	**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

	June 30, 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)	1,242,786	961,481
Dividends payable to the Government	385,404	-
Ulubelu and Lahendong geothermal project loan	253,310	253,310
Lumut Balai geothermal project loan	95,771	84,594
The Government's share in the domestic natural gas sales including its share of Indonesian gas production	14,953	36,889
Payable for purchase of the Government's share in the LPG production	7,245	11,358
Ngurah Rai Airport refuelling facility ("DPPU") construction project loan	4,622	4,505
Sub-total	2,004,091	1,352,137
Subsidiaries:		

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

17. DUE TO THE GOVERNMENT (continued)

PT Pertamina EP		
Government share of production	37,606	25,764
Finance lease liability - state-owned assets	81,873	81,815
PT Pertamina Hulu Energi		
Overlifting payables	18,201	37,878
PT Pertamina Hulu Indonesia		
Overlifting payables	118,191	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	354,814	352,971
Domestic Gas market development project loan	33,950	36,008
Gas transmission and distribution project phase II project loan	4,750	7,126
Sub-total	649,385	650,688
Total	**2,653,476**	**2,002,825**
Current portion	**(1,837,023)**	**(1,207,743)**
Non-current portion	**816,453**	**795,082**

a. Conversion account

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:

	June 30, 2019	**December 31, 2018**
The Company		
Beginning balance	961,481	749,956
Current year's Government share in the Indonesian crude oil production delivered to the Company's refineries during the year	4,469,638	10,289,631
Cash settlement	(3,969,636)	(10,029,737)
Gains on foreign exchange	(218,697)	(48,369)
Ending balance	**1,242,786**	**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.

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

17. DUE TO THE GOVERNMENT (continued)

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

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 June 30, 2019 and December 31, 2018 amounted to ¥497,492,834 (full amount) and ¥497,492,834 (full amount), or equivalent to US$4,490 and US$4,505.

c. Lumut Balai geothermal project loan

On March 29, 2011, Loan Agreement ("LA") IP-557 was signed by the Government of Indonesia, represented by the Director General of Debt Management, Ministry of Finance, and 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 is ¥26,966,000,000 (full amount) with drawing period of eight years from the effective date with effective rates at 0.6000% and 0.2000%.

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 June 30, 2019, and December 2018 amounted to ¥9,883,692,974 (full amount) and ¥9,343,033,479 (full amount), or equivalent to US$89,207 and US$84,594.

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, amounting to US$300,000 consisting of LA 8082-ID amounting to US$175,000 and LA TF10417-ID amounting to US$125,000. Interest rate from World Bank is at LIBOR + variance spread + 0.5%, 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 June 30, 2019 and December 31, 2018
:

	June 30, 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.

(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)

On September 20, 2016, the State Property Lease Agreements between the Ministry of Finance of the Republic of Indonesia with PT Pertamina EP No. PRJ-3-MK.6/2016 and No. 1307/EP0000/2016-S0 have been signed. With the signing of the 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 finance lease payables to BMN that inlcude installations, buildings, and moveable equipment utilized in the PT Pertamina EP's oil and gas operations:

Lessor	Type of asset	June 30, 2019	December 31, 2018
The Ministry of Finance	Installation assets, buildings and moveable assets	83,782	81,815
Current portion		(1,909)	(1,180)
Non-current portion		**81,873**	**80,635**

Future minimum lease payments as of June 30, 2019 and December 31, 2018 are as follows:

	June 30, 2019	December 31, 2018
Within one year	14,654	14,310
More than one year but not more than five years	58,614	71,550
More than five years	172,180	153,832
Total	245,448	239,692
Interest	(161,666)	(157,877)
Net	83,782	81,815
Current portion	(1,909)	(1,180)
Non-current portion	**81,873**	**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.

17. DUE TO THE GOVERNMENT (continued)

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

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.

The loan principal is repayble on semi-annually basis on March 20 and September 15 starting from March 20, 2013 until March 20, 2043. The loan balance as of June 30, 2019 and December 31, 2018 amounted to ¥38,186,832,000 (full amount) and ¥38,983,847,840 (full amounts) or equivalent to US$354,814 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.

The loan principal is repayble on semi-annually basis on February 15, and August 15 starting form April 3, 2006 to Februrari 15, 2026. The loan balance as of June 30, 2019 and December 31, 2018 amounted to US$33,950 and US$36,008.

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 EUR€70,000,000 (full amount) or equivalent to US$54,633 to PGN as part of the financing of the Gas Transmission and Distribution Project Phase II.

As of June 30, 2019 and December 31, 2018, 2017, and 2016 PGN has complied with all financial ratios required to be maintained under the loan agreements. The loan balance as of June 30, 2019 and December 31, 2018 amounted to US$4,750 and US$7,126.

j. Dividends payable

In the results of the General Meeting of Shareholders Meeting No. 02 dated May 31, 2019 approved by Notary Devi Yunanda, S.H., M. Kn., the determination of cash dividends from the Company's net profit of 22% (twenty two percent) or Rp7,950,000,000,000 (full amount) or equivalent to USD$558,0423. From this determination, Rp2,500,000,000,000 (full amount) was paid. As of June 30, 2019, the outstanding amount of the dividend amounted to Rp5,450,000,000,000 (full amount), or equivalent to US $385,404.

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

18. ACCRUED EXPENSES

	June 30, 2019	December 31, 2018
Suppliers and contractors	1,090,899	1,069,409
Bonuses, incentives, and salaries	271,901	441,536
Estimated owned retention claim	356,819	286,508
Employee benefit liabilities due within one year (Note 22b)	228,960	232,994
Interest on loans	94,240	105,062
Total	**2,042,819**	**2,135,509**

19. LONG-TERM LIABILITIES

	June 30, 2019	December 31, 2018
Bank loans:		
Government-related entities (Note 40)	178,312	179,361
Third parties	1,751,506	1,891,264
	1,929,818	2,070,625
Issuance costs - net	(4,834)	(4,775)
Total bank loans - net	1,924,984	2,065,850
Finance leases	130,347	160,027
Total long-term liabilities (Note 48d)	**2,055,331**	**2,225,877**
Current portion	**(426,766)**	**(420,577)**
Long-term liabilities – net of current portion	**1,628,565**	**1,805,300**

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

	June 30, 2019	December 31, 2018
Rupiah	2.35% - 12.00%	2.35% - 13.00%
US Dollar	1.37% - 4.12%	1.37% - 5.60%

a. Bank loans

Details of the Group's syndicated and bank loans as of June 30, 2019 and December 31, 2018 are as follows:

	June 30, 2019		
	Total	Current	Non-current
Government-related entities			
Bank Mandiri	17,874	12,242	5,632
PT Bank Syariah Mandiri	9,329	3,918	5,411
BRI	47	47	-
PT Bank BNI Syariah	1,062	25	1,307
Other financial institutions:			
PT Sarana Multi Infrastruktur (Persero)	150,000	-	150,000

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

19. LONG-TERM LIABILITIES (continued)

a. Bank loans (continued)

Details of the Group's syndicated and bank loans as of June 30, 2019 and December 31, 2018 are as follows:

	June 30, 2019		
	Total	**Current**	**Non-current**
Third parties			
BOTM (Syndicated loan)	1,439,876	331,785	1,108,091
Sumitomo Mitsui Banking Corporation (Syndicated loan)	177,323	5,300	172,023
PT Bank Sumitomo Mitsui Indonesia	81,568	15,946	65,622
PT Bank ICBC Indonesia	52,739	8,069	44,670
Total	**1,929,818**	**377,332**	**1,552,486**

	December 31, 2018		
	Total	**Current**	**Non-current**
Government-related entities			
Bank Mandiri	19,753	10,043	9,710
PT Bank Syariah Mandiri	9,330	-	9,330
BRI	181	181	-
PT Bank BNI Syariah	97	70	27
Other financial institutions:			
PT Sarana Multi Infrastruktur (Persero)	150,000	-	-
Third parties			
The Bank of Tokyo-Mitsubishi ("BOTM") (syndicated loan)	1,609,539	333,569	1,275,970
Sumitomo Mitsui Banking Corporation (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**

Other information on the Group's syndicated and bank loans as of June 30, 2019 is as follows:

Creditors	**Repayment schedule**
The Company	
Sumitomo Mitsui Banking Corporation (Long-term loan)	Several installments (2016-2025)
Lembaga Keuangan Lainnya PT Sarana Multi Infrastruktur (Persero) (Long-term loan)	Several installments (2015-2025)
BOTM (Syndicated loans)	Several installments (2016-2021)

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

19. LONG-TERM LIABILITIES (continued)

a. Bank loans (continued)

Creditors	Repayment schedule
Subsidiaries	
PT Bank BNI Syariah	
PT Pertamina Trans Kontinental	Several installments (2016-2019)
PT Bank Sumitomo Mitsui Indonesia	
PT Pertamina Trans Kontinental	Several installments (2015-2024)
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	
PT Pertamina Trans Kontinental	Several instalments (2018-2023)
PT Bank Mandiri (Persero) Tbk.	
PT Pelita Air Service	Several installments (2014-2019)
PT Bank Rakyat Indonesia (Persero) Tbk.	
PT Pertamina Patra Niaga	Several installments (2016-2019)
BOTM (Syndicated loan)	
PT Pertamina Internasional Eksplorasi dan Produksi	Several installments (2015-2023)
PT Bank Syariah Mandiri	
PT Pertamina International Shipping	Several installments (2018-2025)
PT Bank Mandiri (Persero) Tbk	
PT Pertamina International Shipping	Several instalments (2018-2025)
Sumitomo Mitsui Banking Corporation (Syndicated Loan)	
PT Perusahaan Gas Negara Tbk	Several installments (2015-2020)
PT Bank ICBC Indonesia	
PT Elnusa Tbk	Several installments (2018-2023)

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 8) and fixed assets (Note 12).

On December 12, 2017, Etablissements Maurel et Prom 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 million 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 June 30, 2019 and December 31, 2018, the Group complied with the covenants as required by the loan agreements.

b. Finance leases

This account represents the Group's future minimum lease payments from finance lease transactions for the LPG Filling and Transportation Stations ("SPPBEs"), landing craft transports, BBM and LPG tank cars, computer servers, gas pipe installations and LPG plants.

Future minimum lease payments as of June 30, 2019 and December 31, 2018 are as follows:

	June 30, 2019	**December 31, 2018**
Within one year	61,533	84,137
Within more than one year but not more than five years	73,126	115,474
More than five years	32,967	32,487
Total	167,626	232,098
Less: Interest	(37,278)	(72,071)
Net	130,348	160,027
Current portion	(50,689)	(58,722)
Non-current portion	**79,659**	**101,305**

20. BONDS PAYABLE

	June 30, 2019	**December 31, 2018**
The Company:		
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
Total	9,261,851	**9,261,851**
Discount	(65,722)	(65,722)
Issuance cost	(27,211)	(27,211)
Amortization of discount and issuance cost	31,182	28,608
Bonds payable owned by subsidiaries:	(46,750)	(62,000)
Sub-total	**9,153,350**	**9,135,526**

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

20. BONDS PAYABLE (continued)

	June 30, 2019	December 31, 2018
PGN and its subsidiaries:		
Senior obligations		
PGN	1,350,000	1,350,000
PT Saka Energi Indonesia ("SEI")	625,000	625,000
Discount & issuance cost (net)	(15,040)	(16,430)
Sub-total	**1,959,960**	**1,958,570**
Total bonds payable	**11,113,310**	**11,094,096**

Other information on the Company's bonds payable as of June 30, 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, 20120	May 3, 2022	HSBC Bank USA, N.A	4.88%
Due in 2042	1,250,000	98.631%	May 3, 20120	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%
Subsidiary:						
Issued in 2014						
Due in 2024	1,350,000	99.037%	May 12, 2014	May 16, 2024	The Bank of New York Mellon	5.125%
Issued in 2017						
Due in 2024	625,000	100.000%	April 26, 2017	May 5, 2024	Citicorp International Limited	4.450%

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.
- 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 June 30, 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).

20. BONDS PAYABLE (continued)

Subsidiaries:

- *Senior* unsecured fixed notes
  In connection to these bonds, the Company is restricted in conducting consolidation, merger, transfer, lease, or disposal ofa II or substantially all of its assets.
  Based on moody's investors services, S&P and Fitch Rating the bonds were rated at Baa3, BB+, 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 Ba1, 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.

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. Until the fiscal year 2015, all contributions made are managed by PT Pertamina Pedeve Indonesia. Effective October 28, 2016, PT Pertamina Pedeve Indonesia made a decision to restructure and it is no longer in

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

21. EMPLOYEE BENEFIT LIABILITIES (continued)

3. Employees' savings plan (continued)

Business activities as a venture capital company so that all of available funds are transferred by management to Pension Fund ("DPLK").

b. Provision for employee benefits

The estimated employee benefits obligations of the Company and most of its Subsidiaries as of June 30, 2019 and December 31, 2018 were determined based on the valuation reports of an independent actuary, PT Dayamandiri Dharmakonsilindo, dated January 9, 2019 and January 9, 2019. The table below presents a summary of the employee benefits obligations reported in the consolidated statements of financial position:

	June 30, 2019	December 31, 2018
The Company:		
Pension and other post-employment benefits:		
- PPMP	150,329	142,585
- Post-retirement healthcare benefits	828,249	786,489
- PAP	728,420	718,902
- Repatriation costs	5,782	5,423
Sub-total	1,712,780	1,653,399
Other long-term employee benefits:		
- MPPK	112,013	104,428
- Annual leave and service anniversary	12,417	10,035
Sub-total	124,430	114,463
Total - Company	1,837,210	1,767,862
Subsidiaries:		
Pension and other post-employment benefits	355,015	315,515
Total consolidated	**2,192,225**	**2,083,377**
Current portion (Note 18)	(228,960)	(232,994)
Non-current portion	**1,963,265**	**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 recogniszed in the statement of financial position for the respective plans for the six-month ended June 30, 2019, and December 31, 2018 are as follows:

i. Post-employment benefit obligations

	June 30, 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)	88,595	(1,061)	87,534	7,238	10,919	161	105,852
Past service cost	-	-	-	-	-	-	-
Interest expense (Interest income)	24,455	(136,432)	(111,977)	33,124	22,506	181	(56,166)
Sub-total amounts recognized in profit or loss	**113,050**	**(137,493)**	**(24,443)**	**40,362**	**33,425**	**342**	**49,686**
Actuarial (gain) loss arising from:							
Changes in financial assumptions	-	-	-	-	-	-	-
Experience adjustments	-	-	-	-	-	-	-
Sub-total Expense (income) recognized in other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Benefits paid from plan asset	(932)	63,998	63,066	-	-	-	63,066
Benefit paid by The Company	-	-	-	(17,592)	(41,192)	(115)	(58,899)
Contribution to plan by the Company	-	(34,338)	(34,338)	-	-	-	(34,338)
Loss on foreign currency exchange	16,666	(13,208)	3,458	18,990	17,285	131	39,864
Ending balance	**803,277**	**(652,948)**	**150,329**	**828,249**	**728,420**	**5,782**	**1,712,780**

(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
Past service cost	-	-	-	-	-	-	-
Interest expense (Interest 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 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**

On the status of unfunded Defined Benefit Pension Plan ("PPMP") will be settled paid by the Company in accordance with applicable regulations.

The actual return on plan assets as of June 30, 2019 and December 31, 2018 amounted to US$13,643 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

	June 30, 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	2,706	2,079	4,785	6,743	3,866	10,609
Interest cost	3,333	260	3,593	7,995	802	8,797
Actuarial gain (loss)	-	-	-	(18,078)	(3,605)	(21,683)
Sub-total benefit cost recognized in the profit or loss	**6,040**	**2,339**	**8,378**	**(3,340)**	**1,063**	**(2,277)**
Benefits paid by the Company	(986)	(205)	(1,191)	(13,453)	(6,138)	(19,591)
Gain on foreign exchange	2,532	248	2,780	(8,057)	(953)	(9,010)
Ending balance	**112,013**	**12,417**	**124,430**	**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:

	June 30, 2019	**December 31, 2018**
Discount rate:		
- Defined benefits plan administered by Dana Pensiun Pertamina per annum	8.41% per annum	8.41% per annum
- PAP	8.12% per annum	8.12% per annum
- Post-retirement healthcare benefits	8.77% per annum	8.77% per annum
- Repatriation cost	8.29% per annum	8.29% per annum
- MPPK	8.27% per annum	8.27% per annum
- Annual leave	7.39% per annum	7.39% per annum
- Service anniversary	8.30% per annum	8.30% per annum
Gold inflation rate	8.00% 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 anum)	1%	1%
26 - 45 years of age (per anum)	reducing linearly to 0% until the age of 56	reducing linearly to 0% until the age of 56
- 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:

	June 30, 2019		December 31, 2018	
	Investment value	**%**	**Investment value**	**%**
Equity instruments	179,705	27.52%	154,253	29%
Debt instruments	265,934	40.73%	218,082	41%
Others	207,312	31.75%	159,573	30%
Total	**652,950**	**100.00%**	**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 six-month periods ended June 30, 2019 and the year ended December 31, 2018 amounted to US$34,050 and US$31,166, respectively.

The qualitative sensitivity analysis for significant assumptions as of June 30, 2019 is as follows:

	Effect of 1% increase to defined benefit obligation	Effect of 1% decrease to defined benefit obligation
Discount rate	(203,033)	231,182
Salary rate	46,932	(69,990)
Healthcare cost trend rate	117,652	(95,064)

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

	June 30, 2019	December 31, 2018
PPMP	14.35	14.35
PAP	5.98	5.98
Post-retirement healthcare benefits	17.84	17.84

The maturity profile of post-employment benefits obligation as of June 30, 2019 and December 31, 2018 are as follows:

	June 30, 2019	December 31, 2018
Within 1 year	270,838	266,405
2 - 5 years	805,132	791,955
More than 5 years	22,874,445	22,500,076
Total	**23,950,415**	**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:

	June 30, 2019	December 31, 2018
Beginning balance	2,029,735	2,129,337
Addition (deduction) - net	9,861	(186,637)
Accretion expense (Note 37 and 45)	41,123	87,035
Ending balance	**2,080,719**	**2,029,735**

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

23. NON-CONTROLLING INTEREST

	June 30, 2019	December 31, 2018
PT Perusahaan Gas Negara	1,750,465	1,397,957
PT Pertamina Internasional Eskplorasi dan Produksi	335,056	333,294
PT Asuransi Tugu Pratama Indonesia Tbk. (previously PT Tugu Pratama Indonesia)	159,501	143,831
PT Elnusa Tbk.	140,719	134,790
Pertamina International Timor S.A.	1,205	1,447
Total	**2,386,946**	**2,011,319**

24. SHARE CAPITAL, ADVANCE FOR SHARE ISSUANCE AND ADDITIONAL PAID-IN CAPITAL

a. Share capital and advance for share issuance

In accordance with Notarial Deed No. 20 dated September 17, 2003 of Lenny Janis Ishak, S.H., and the decision of the Minister of Finance through Decision Letter No. 408/KMK.02/2003 (KMK 408) dated September 16, 2003, the Company's authorized capital amounted to Rp200 trillion(full amount), which consists of 200,000,000 ordinary shares with a par value of Rp1,000,000 (full amount) per share of which Rp100 trillion (full amount) 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, ADVANCE FOR SHARE ISSUANCE AND ADDITIONAL PAID-IN CAPITAL (continued)

a. Share capital and advance for share issuance (continued)

Based on the Minister of Finance'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 (full amount). 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 (equivalent to US$9,809,882) (full amount) 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 (full amount) has been approved by 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-0052766.01.11. Year 2018 dated April 13, 2018 (Note 4a).

As of June 30, 2019 and December 31, 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
June 30, 2019			
The Government of the Republic of Indonesia	171,227,044	100%	16,191,204
December 31, 2018			
The Government of the Republic of Indonesia	171,227,044	100%	16,191,204

24. SHARE CAPITAL, ADVANCE FOR SHARE ISSUANCE AND ADDITIONAL PAID-IN CAPITAL (continued)

b. Additional paid-in capital

The additional paid-in capital as of December 31, 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.

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 15) on December 31, 2017.

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") of State Property ("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 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) (Note 15), currently these assets are managed by PT Pertagas Niaga and PGN.

Based on the results of the discussion of the Ministry of Finance, the Ministry of Energy and Mineral Resources, the Financial and Development Supervisory Agency ("BPKP"), and the Company agreed that BASTO was recorded and treated as BPYBDS and recorded in other asset accounts. Based on the results of the review of BPKP assets of Jargas and SPBG with free and clear status, it will be recommended to carry out the State Capital Participation ("PMN") process, while those that do not have free and clear status will be returned to the ESDM Directorate General of Oil and Gas.

26. RETAINED EARNINGS AND INTERIM DIVIDEND

a. General Meeting of Shareholders (“GMS”)

On March 16, 2017, the Company held a GMS for the fiscal year 2016. Based on the minutes of meeting, the shareholder approved, among others, the utilization of 2016 net income of the Company to be as follows:

- Distribution of dividends amounting to Rp12.1 trillion (equivalent to US$907,383)
- The remaining amount of US$2,239,660 were reserved to support operations and corporate development.

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

26. RETAINED EARNINGS AND INTERIM DIVIDEND (contiued)

a. General Meeting of Shareholders ("GMS") (continued)

Based on the GMS decision to approve the 2017 the Company Workplan and Budget ("RKAP") of the Company, there was an additional appropriation of retained earnings for community development program amounting Rp250 billion (equivalent to US$18,707).

On May 2, 2018, the Company held a GMS for the fiscal year 2017. Based on the minutes of meeting, the shareholders approved, among other things, the utilization of 2017 net income of the Company 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 others, the utilization of 2018 net income of US$2,527 million to be as follows:
- Distribution of dividends amounting to Rp7.95 trillion (equivalent to US$558,043)
- 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 6-month period ended June 30,	
	2019	**2018**
Pertamax, Pertamax Plus Pertalite gasoline and Pertadex (diesel oil)	5,377,439	5,729,979
Automotive diesel oil ("ADO")	4,956,764	5,089,195
LPG, petrochemicals, lubricants and others	2,509,725	2,327,600
Premium gasoline	1,574,246	2,142,309
Avtur dan Avigas	1,324,393	1,864,123
Natural gas	3,877,457	3,156,655
Crude oil	372,431	480,484
Geothermal energy-steam and electricity	313,531	321,763
Industrial/Marine Fuel Oil ("IFO/MFO")	299,996	282,541
DMO fees-crude oil	277,690	284,065
Kerosene	57,251	64,820
Industrial diesel oil ("IDO")	3,941	5,224
Total	**20,944,864**	**21,748,758**

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

28. SUBSIDY REIMBURSEMENTS FROM THE GOVERNMENT

	For the 6-month period ended June 30,	
	2019	**2018**
Current year:		
Subsidy reimbursements for 3 kg LPG cylinders (Note 8c)	1,444,292	1,631,165
Subsidy reimbursements for certain fuel (BBM) products (Note 8c)	1,064,035	984,336
Sub-total	2,508,327	2,615,501
Total	**2,508,327**	**2,615,501**

Any difference in subsidy reimbursement between the amount recorded in the books and the results of BPK's audit and other Government body audit is adjusted in the period when the audit report is received.

29. EXPORT OF CRUDE OIL, NATURAL GAS AND OIL PRODUCTS

	For the 6-month period ended June 30,	
	2019	**2018**
Oil products	779,462	620,959
Crude oil	339,951	480,747
Natural gas	487,865	489,198
Total	**1,607,278**	**1,590,904**

30. REVENUES FROM OTHER OPERATING ACTIVITIES

	For the 6-month period ended June 30,	
	2019	**2018**
Natural gas transport services	37,681	104,627
Upstream support services	94,992	77,553
Shipping services	80,893	48,809
Insurance services	35,333	44,045
Health and hospital services	42,892	37,892
Gas regasification services	24,867	8,561
Office and hospitality services	21,522	16,494
Air transport services	15,980	13,246
Transport and technical services	64,502	72,463
Human resources provision and development services	19,823	19,758
Portfolio management services	6,293	5,012
Others services	34,461	18,297
Total	**479,239**	**466,757**

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

31. COST OF GOODS SOLD

	For the 6-month period ended June 30,	
	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	(8,120,113)	(10,067,712)
- Supporting materials	(297,191)	(534,440)
- Depreciation (Note 12)	(247,487)	(277,130)
- Rent	(307,463)	(266,199)
- Utilities, infrastructure and fuel	(547,745)	(230,224)
- Salaries, wages, and other employee benefits	(193,396)	(265,422)
- Freight and transportation	(68,916)	(71,417)
- Custom and duty	(69,217)	(69,374)
- Professional services	(43,201)	(40,618)
- Maintenance and repairs	(30,736)	(39,778)
- Materials and equipment	(30,554)	(38,445)
- Business Travel	(12,142)	(9,214)
- Others	(64,786)	(28,959)
Sub-total	**(10,032,947)**	**(11,938,932)**
Purchases of oil products and others:		
- Imports of other oil products	(4,054,122)	(4,503,378)
- Imports of premium gasoline	(2,371,570)	(2,041,173)
- Domestic purchases of other oil products	(1,651,971)	(995,029)
- Imports of ADO	(124,134)	(532,243)
- Purchases of geothermal energy	(543,480)	(423,353)
Sub-total	**(8,745,277)**	**(8,495,176)**
Ending balance of oil products	4,222,598	4,323,774
Provision for decline in value of oil products (Note 10)	(106,421)	(200,672)
Sub-total	**4,116,177**	**4,123,102**
Total	**(18,713,037)**	**(19,996,671)**

32. UPSTREAM PRODUCTION AND LIFTING COSTS

	For the 6-month period ended June 30,	
	2019	**2018**
Depreciation, depletion and amortization (Note 13)	(1,011,239)	(882,785)
Contracts	(395,529)	(635,303)
Salaries, wages and other employee benefits	(308,792)	(306,707)
Technical Assistance Contracts (“TAC”)	(138,740)	(217,129)
Materials	(192,828)	(138,416)
Amortization of investment in oil & gas block (Note 11)	(45,155)	(61,753)
Others	(286,229)	(35,764)
Total	**(2,378,562)**	**(2,277,857)**

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

33. EXPLORATION COSTS

	For the 6-month period ended June 30,	
	2019	**2018**
Dry hole	(17,772)	(55,300)
Seismic, geological and geophysical	(51,369)	(45,302)
Others	(16,734)	(40,705)
Total	**(85,875)**	**(141,307)**

34. EXPENSES FROM OTHER OPERATING ACTIVITIES

	For the 6-month period ended June 30,	
	2019	**2018**
Cost of services	(615,038)	(418,299)
Salaries, wages and other employee benefits	(103,355)	(84,347)
Insurance claims	(38,721)	(39,384)
Depreciation (Note 13)	(46,664)	(45,729)
Total	**(803,778**	**(587,759)**

35. SELLING AND MARKETING EXPENSES

	For the 6-month period ended June 30,	
	2019	**2018**
Freight and transportation	(209,747)	(95,439)
Depreciation (Note 12)	(173,841)	(156,652)
Salaries, wage, and other employee benefits	(138,445)	(156,053)
LPG filling fees	(50,986)	(57,629)
Professional services	(11,609)	(34,511)
Taxes, retributions and penalties	(44,018)	(35,055)
Maintenance and repairs	(36,787)	(30,695)
Materials and equipment	(9,371)	(9,815)
Rent	(32,418)	(12,575)
Advertising and promotions	(12,877)	(10,353)
Utilities, infrastructure and fuel	(9,166)	(9,314)
Travel	(11,027)	(8,453)
Others	(50,512)	(47,468)
Total	**(790,804)**	**(664,012)**

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

36. GENERAL AND ADMINISTRATIVE EXPENSES

	For the 6-month period ended June 30,	
	2019	**2018**
Salaries, wages and other employee benefits	(292,085)	(334,628)
Taxes, retributions and penalties	(172,238)	(163,724)
Depreciation, depletion and amortization (Notes 11, 12 and 13)	(70,690)	(55,616)
Professional services	(24,149)	(53,275)
Materials and equipment	(20,952)	(16,931)
Rental	(51,565)	(32,900)
Training, education and recruitment	(10,705)	(12,496)
Maintenance and repairs	(7,583)	(1,040)
Business travel	(11,870)	(10,855)
Others	(64,366)	(45,013)
Total	**(726,203)**	**(726,478)**

37. FINANCE INCOME AND COSTS

	For the 6-month period ended June 30,	
	2019	**2018**
Finance income:		
Time deposits	110,181	60,582
Other investments	135,414	20,422
Current accounts	23,669	19,522
Total	**269,264**	**100,526**
Finance costs:		
Bonds	(211,622)	(169,802)
Long-term loans	(66,075)	(82,320)
Accretion expense (Note 22)	(41,123)	(43,217)
Short-term loans	(55,363)	(10,016)
Finance leases	(15,703)	(19,887)
Others	(88,566)	(80,186)
Total	**(478,452)**	**(405,428)**

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

38. OTHER INCOME (EXPENSES)

	For the 6-month period ended June 30,	
	2019	**2018**
Income from contract and material penalties and claims	21,211	84,634
Rent	9,099	18,902
Recovery/(provision) of impairment for receivable	5,397	59,816
Reversal/(provision) for impairments of investment in oil and gas blocks	(76,354)	-
Provision for impairment of oil and gas assets	(47,464)	(201,660)
Decrease in value of investments		
Others - net (each below US$5,000)	2,613	38,268
Total	**(90,724)**	**(40)**

39. TAXATION

a. Prepaid taxes

	June 30, 2019	December 31, 2018
Corporate Income Tax (“CIT”)		
The Company:		
Overpayment of corporate income tax:		
- 2019	158,702	-
- 2018	-	228,261
- 2017	14,520	544
Subsidiaries:		
Corporate income tax and dividend	737,467	458,483
Sub-total CIT - Consolidated	**910,689**	**687,288**
Value added tax (“VAT”)		
The Company:		
- 2018	-	386,989
- 2017	-	-
- 2016	84,290	84,290
Sub-total	84,290	471,279
Subsidiaries:		
Reimbursable VAT	279,961	290,872
VAT	324,286	386,737
Sub-total	604,247	677,609
Sub-total VAT - Consolidated	1,599,226	1,148,888
Other taxes	18,994	18,994
Total	**1,618,220**	**1,855,170**
Current portion	**(729,231)**	**(820,598)**
Non-current portion	**825,989**	**1,034,572**

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

39. TAXATION (continued)

a. Prepaid taxes (continued)

Details of Reimbursable VAT are as follows:

	June 30, 2019	December 31, 2018
Reimbursable VAT by SKK Migas:		
- PT Pertamina EP	60,140	84,264
- PT Perusahaan Gas Negara Tbk. and subsidiaries	72,658	69,014
- PT Pertamina EP Cepu	36,054	31,194
- PT Pertamina Hulu Energi and subsidiaries	2,567	3,643
Sub-total	171,419	188,115
Reimbursable VAT by the Directorate General of Budgeting and Finance Stability:		
PT Pertamina Geothermal Energy	108,542	102,757
Total	**279,961**	**290,872**

On December 31, 2015, through letter No.860/H00000/2015-S4, the Company submitted a request for revaluation of fixed assets for tax purposes submitted in 2015 to the Regional Office of DGT Large Taxpayers and has paid the Final Income Tax amounting to Rp1.3 trillion (equivalent to US$95,182).

On December 7, 2016, through letter No. 751/H00000/2016-S4, the Company notified DGT that the submission of the tax requirements for revaluation will be deferred to 2017. As a consequence, the Company made additional final income tax payment in December 2016 on the revaluation amounting to Rp429,771,563,671 (full amount) (equivalent to US$31,899).

The payment of final income tax amounting to Rp1.3 trillion (equivalent to US$95,182) and the additional payment of final income tax on revaluation amounting to Rp429,771,563,671 (full amount) (equivalent to US$31,899) are presented under prepaid taxes - current portion in the 2016 consolidated statement of financial position.

On March 3, 2017, the Company received tax refund overpayment letters for overpayment corporate income tax year 2014 and 2013, respectively amounting to Rp3,884 million (equivalent to US$296,363) and Rp23.million (equivalent to US$1,754).

The increase in VAT payments in 2017 was mainly due to advance payment of VAT for LPG and diesel subsidies, and withholding tax.

On March 21, 2017, the Tax Court partially accepted the Company’s tax appeals on underpayment tax assessment letter (“SKPKB”) of value added tax for period December 2007. The Company received tax refund for the overpayment of value added tax amounting to Rp1,621 million (equivalent to US$121,576) on August 3, 2017.

On February 9, 2018, the Company obtained decision no Kep-29/WPJ.19/2018 from DGT regarding the Determination of Certain Taxpayers with Specific Criteria, effective from January 1, 2018 to December 31, 2019. Taxpayers that fulfilled all criterias can be get any tax refund if they had overpaid taxes.

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

39. TAXATION (continued)

a. Prepaid taxes (continued)

On December 27, 2018, the Company received SKPKB and STP for fiscal year 2016 amounting to Rp3.23 trillion (equivalent to US$222,250). The SKPKB consists of SKPKB of Corporate Income Tax amounting to Rp565.95 billion (equivalent to US$39,031), SKPKB of withholding income tax amounting to Rp1.38 trillion (equivalent to US$94,851) and SKPKB of VAT amounting to Rp295 billion (equivalent to US$20,260). STP consists of a tax bill on VAT and penalties amounting to Rp991.86 billion (equivalent to US$68,108) (Note 50c), respectively.

From the overall value of the SKPKB and STP, the Company charged Rp533.32 billion (equivalent to US$36,622) in the 2018 income statement (Note 39), Rp1.5 trillion (equivalent to US$103,283) was recorded as prepaid tax, and Rp565.95 billion (equivalent to US$39,030) was recorded as prior year adjustment of corporate income tax, while the remaining value of amounting to Rp630.78 billion (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.

On March 21, 2019, the Company obtained from Directorate General of Taxes (“DGT”) decisions No. KEP-00244/NKEB/WPJ.19/2019 until KEP-00255/NKEB/WPJ.19/2019 regarding the write-off STP VAT for fiscal year 2016 amounted Rp590.93 billion (equivalent to US$40.578). as of June 30, 2019, the amount still record as prepaid tax due to the Company plan to net off with next period tax payment.

On November 7, 2018, the Company received a letter of tax refund for overpayment of corporate income tax fiscal year 2017 from DGT of Big Three Taxpayers office No.80367/051-00367-2018 for tax refund amounting to Rp2.26 trillion by calculating taxes payable compensation amounting to Rp159 million, so it was paid amounting to Rp2.26 trillion (equivalent to US$154,758).

On February 9, 2018, the Company obtained a decision from the Director General of Taxes number Kep-29/WPJ.19/2018 regarding Determination of Certain Taxpayers with Special Criteria, which took effect from January 1, 2018 to December 31, 2019. Taxpayers who meet all the criteria can tax returns are given if they have paid excessive tax before.

b. Taxes payable

	June 30, 2019	December 31, 2018
Corporate income tax - Company	19,267	19,684
Corporate income tax - Subsidiaries	720,804	447,921
Sub-total	740,071	467,605
Other taxes:		
- Income taxes - Article 21	28,385	33,909
- Income taxes - Article 23/26	9,617	13,189
- Income taxes - Article 22	11,769	10,580
- Income taxes - Article 15/4(2)	5,044	6,271
- Income taxes - Article 24	3	269
- VAT	140,690	74,542
- Fuel taxes	96,430	119,645
Sub-total	291,938	258,405
Total	**1,032,009**	**726,010**

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

39. TAXATION (continued)

c. Income tax expense, net

	For the six month period ended June 30,	
	2019	**2018**
Current tax expense	(1,074,994)	(1,138,185)
Deferred income tax benefit/(expense)	(46,005)	(173,426)
Net	**(1,120,999)**	**(1,311,611)**

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 six month period ended June 30,	
	2019	**2018**
Consolidated profit before income tax expense	1,867,681	1,766,358
Add:		
Consolidation eliminations	1,745,163	1,719,770
Profit before income tax - subsidiaries	(2,928,755)	(3,144,200)
Profit before income tax - the Company	**684,089**	**341,928**
Temporary differences:		
Provision for incentives and performance bonuses (tantiem)	(154,524)	(76,603)
Provision for impairment of financial assets	47,150	(82,336)
Finance lease assets and liabilities	1,046	(5,107)
Discount and unamortized debt issuance cost	732	1,779
Accrual for legal costs	(15,528)	14,991
Provision for impairment of inventories	74,230	181,115
Fixed assets depreciation	(62,754)	(74,774)
Employee benefits liability	27,588	(68,077)
Others	(6,589)	(174)
Permanent differences:		
Non-deductible expenses	213,979	50,355
Post-retirement healthcare benefits	41,760	(17,748)
Non-depreciable fixed assets	2,584	1,318
Income from subsidiaries and associates	(1,616,067)	(1,536,68)
Interest income subjected to final tax	(226,143)	(54,515)
Other income subjected to final tax	(2,351)	(4,608)
Total temporary and permanent differences	(1,675,157)	(1,671,052)

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

39. TAXATION (continued)

d. Current taxes (continued)

Taxable income/(loss) - the Company	**(991,068)**	**(1,329,124)**
Current income tax - the Company	-	-
Prior year adjustments	-	3,372
Current income tax - Subsidiaries	1,074,994	1,134,813
Consolidated current income tax	**1,074,994**	**1,138,185**

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:

	June 30, 2019	**June 30, 2018**
Profit before income tax - Consolidated	1,867,681	1,766,358
Tax calculated at weighted average statutory tax rates	1,143,106	1,174,523
Non-deductible expenses	168,304	182,336
Post-retirement healthcare benefits	10,440	(4,437)
Non-depreciable fixed assets	680	342
Share in net income of associates	(480,529)	(445,352)
Income subjected to final tax	32,376	80,507
Interest income subjected to final tax	(51,145)	(11,961)
Prior year adjustments	-	3,372
Unrecognized tax loss	247,767	332,281
Consolidated corporate income tax expense	**1,120,999**	**1,311,611**

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 was 45% and 55% for the six-month periode ended June 30, 2019 and 2018, respectively.

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

39. TAXATION (continued)

e. Deferred tax

	June 30, 2019						
	January 1, 2019	**Additions from business combinations**	**Charged to equity**	**Translation adjustment**	**Charged to OCI**	**Charged to profit or loss**	**June 30, 2019**
Deferred tax assets							
Employee benefits	247,522	-	19	3,978	330	8,047	259,896
Provision for impairment of financial assets	79,477	-	-	84	-	12,452	92,013
Provision for decommissioning and site restoration	122,236	-	12	-	-	2,157	124,405
Provision for incentives and performance bonuses (tantiem)	62,096	-	-	15	-	(39,146)	22,965
Unrealized profits from transaction at consolidation level	75,694	-	-	-	-	6,640	82,334
Fixed assets	586,578	-	-	28,592	-	12,396	627,566
Provision for impairment of inventories	70,367	-	-	13	-	17,173	87,553
Provision for impairment of non-free and non-clear assets	27,589	-	-	-	-	(1)	27,588
Tax losses carry-forward	2,071	-	(438)	36	-	(1,292)	377
Deferred revenues	276	-	-	-	-	5	281
Accrual for legal cost	7,639	-	-	-	-	(3,882)	3,487
Oil and gas properties	(72,763)	-	-	-	-	1,760	(71,003)
Finance lease assets and liabilities	(12,996)	-	-	-	-	319	(12,677)
Discount and unamortized debt issuance cost	(5,951)	-	-	-	-	183	(5,768)
Receivable fair value adjustment from disparity of selling rice (Notes 2u and 9a)	245,333	-	-	-	-	-	245,333
Others	6,958	-	467	(6,045)	-	3,096	4,486
Sub-total consolidated deferred tax assets – net	**1,441,886**	**-**	**60**	**26,673**	**330**	**19,907**	**1,488,836**
Deferred tax liabilities							
Provision for decomissioning and site restoration	365,066	-	-	-	-	7,521	372,587
Finance lease assets	29,905	-	-	-	-	3,511	33,416
Deferred revenues	8,068	-	-	-	-	2,167	10,235
Employee benefits	16,657	-	-	-	-	2,429	19,086
Provision for impairment	2,008	-	-	-	-	4,332	6,340
Oil and gas properties	(3,070,616)	-	-	-	-	(35,640)	(3,106,256)
Excess of fair value over net book value	(12,598)	-	-	-	-	367	(12,231)
Fixed assets	(201,891)	-	-	(81)	-	(29,569)	(231,541)
Others	(101,149)	-					
Unrealized profits from transaction at consolidation level	(342,856)	-	-	326	-	15,821	(327,035)
Others	(101,149)	-	-	326	-	(36,851)	(137,674)
Sub-total consolidated deferred tax liabilities – net	**(3,307,406)**	**-**	**-**	**245**	**-**	**(65,912)**	**(3,373,073)**
Total	**(1,865,540)**	**-**	**60**	**26,918**	**330**	**(46,005)**	**(1,884,237)**

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

39. TAXATION (continued)

e. Deferred tax (continued)

	December 31, 2018						
	January 1, 2018	**Additions from business combinations**	**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 9a)	-	-	-	-	-	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**	**1,441,886**
Deferred tax liabilities							
Provision for decomissioning 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	(391,272)	-	-	-	-	35,818	(355,454)
Fixed assets	(351,100)	-	-	174	-	149,035	(201,891)
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 June 30, 2019, and December 31, 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.

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

39. TAXATION (continued)

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 2007 and backwards, this amendment period is within ten years from the time the tax is due, but not later than 2013, while for the fiscal year of 2008 and onwards, the period is within five years from the time the tax due.

g. Tax amnesty

The Company participated in Tax Amnesty Program on March 31, 2017 and received the certificate of Tax Amnesty No. KET-369/PP/WPJ.19/2017 on April 6, 2017. As a result, the Company withdrew, by law, all processes of Objections, Appeals, and Judicial reviews for the fiscal year until 2015.

The results of the tax amnesty program are as follows:

a. The Company’s remaining amount of 2014 fiscal loss amounting to US$75,362 will not be compensated.
b. Tax dispute expense which was previously recognized in prepaid tax - non current portion amounting to US$621,148 (net of provision which has been recorded).

PT Pertamina Lubricants participated in Tax Amnesty Program on March 31, 2017 and received the certificate of Tax Amnesty on April 5, 2017. As a result, PT Pertamina Lubricants withdrew, by law, all processes of Objections, Appeals, and Judicial reviews for the fiscal year until 2015.

As consequences of the tax amnesty program discussed above, PT Pertamina Lubricants written-off its input VAT amounting to Rp210,301 million (equivalent to US$15,418).

h. Fixed asset revaluation for tax purposes

The Company submitted a request to revalue certain refineries assets for tax purposes on December 28, 2016.

On July 10, 2017 the Company received approval for the revaluation of refineries as referred to the decision of the DGT No. KEP-104/WPJ.19/2017. The consequences of the approval are as follows:

a. Prepaid tax of final income tax amounting to US$129,610 was recognized as expense (Note 39).
b. Recognized deferred tax assets amounting to US$532,660.

40. RELATED PARTY BALANCES AND TRANSACTIONS

Significant related party accounts are as follows:

	June 30, 2019	December 31, 2018
Cash and cash equivalents (Note 5)	6,693,050	8,416,251
Restricted cash (Note 6)	122,849	86,230
Trade receivables - related parties (Note 40a)	1,602,078	1,297,651
Due from the Government (Note 8)	5,126,961	4,758,409
Other receivables - related parties (Note 40b)	140,590	149,178
Restricted cash - non-current (Note 14)	923,461	876,168
Total	**14,608,989**	**15,583,887**
As a percentage of total assets	23%	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)

	June 30, 2019	December 31, 2018
Short-term loans (Note 15)	2,124,955	3,164,724
Trade payables - related parties (Note 40c)	159,498	78,781
Due to the Government (Note 17)	2,653,476	2,002,825
Long-term liabilities (Note 19)	178,312	179,361
Other payables - related parties (Note 40d)	46,696	54,011
Total	**5,162,937**	**5,479,702**
As a percentage of total liabilities	15%	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.

	June 30, 2019	December 31, 2018
Trade receivables - related parties	1,635,461	1,330,381
Less: Provision for impairment	(33,383)	(32,730)
Net	**1,602,078**	**1,297,651**

Trade receivables based on customers are as follows:

	June 30, 2019	December 31, 2018
Indonesian Armed Forces/ Ministry of Defence (Note 48b.II.i)	446,844	318,142
PT PLN (Persero) (PLN) and subsidiaries	443,146	399,043
PT Garuda Indonesia (Persero) Tbk.	388,972	226,166
PT Patra SK	44,059	40,013
PT Pupuk Indonesia (Persero)	26,078	25,412
PT Aneka Tambang	7,443	14,226
PT Merpati Nusantara Airlines (Persero)	11,762	11,499
PPT Energy Trading Co., Ltd.	2,022	22
Others	265,135	267,030
	1,635,461	1,330,381
Provision for impairment	(33,383)	(32,730)
Total	**1,602,078**	**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:

	June 30, 2019	December 31, 2018
Beginning balance	(32,730)	(46,847)
Reclassification of the beginning balance of the provision for account receivable	-	361
Reversal of provision for impairment for recovered receivables - net	47	18,373
Impairment during the year	(89)	(7,606)
Foreign exchange differences	(611)	2,989
Ending balance	**(33,383)**	**(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:

	June 30, 2019	December 31, 2018
Rupiah	1,128,065	870,672
US Dollar	507,326	459,641
Others	70	68
Total	**1,635,461**	**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:

	June 30, 2019	December 31, 2018
Beginning balance	318,142	258,566
Distribution of fuel and lubricant	227,474	479,959
Collections from BMP distribution	(105,696)	(403,723)
Foreign exchange differences	6,924	(16,660)
Net	**446,844**	**318,142**

As of June 30, 2019 and December 31, 2018, management has recognized impairment on this receivables amounting to US$13,304, and US$12,992, respectively.

(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

The Company distributes diesel fuel and industrial fuel oil to PLN for their power plant in all regions across Indonesia. In 2018, 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.

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:

	June 30, 2019	December 31, 2018
PT Donggi Senoro LNG	118,679	115,500
PT Merpati Nusantara Airlines (Persero)	18,610	18,190
PT Jawa Satu Power	-	-
PT Perta Daya Gas	-	-
Others (each below US$10,000)	66,354	100,011
Sub-total	203,643	233,701
Provision for impairment	(20,052)	(19,616)
Sub-total	**183,591**	**214,085**
Less: current portion	**(140,591)**	**(149,178)**
Non-current portion (Note 14)	**43,000**	**64,907**

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

	June 30, 2019	December 31, 2018
Beginning balance	(19,616)	(20,860)
Reversal of impairment on the recovered receivables - net	(567)	699
Impairment during the year	-	(705)
Foreign exchange differences	131	1,250
Ending balance	**(20,052)**	**(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.

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

40. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

b. Other receivables (continued)

Receivables from PT Donggi Senoro LNG

The receivables from PT Donggi Senoro LNG as of June 30, 2019 and December 31, 2018 amounted to US$118,679 and US$115,500 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 to be finalised in 4 years, is funded by 40% from equity and 60% from loan.

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 2018 and 2017, accrued interest was added to the loan since the LNG production facility is still under construction. Interest income for the six month periods ended June 30, 2019, and for the year ended December 31, 2018 are US$3,740, and US$3,557.

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 June 30, 2019, and December 31, 2018, the provision for impairment for this receivable amounted to US$18,610, and US$18,190.

c. Trade payables

	June 30, 2019	December 31, 2018
PT Asuransi Jasa Indonesia (Persero)	5,516	6,279
Others	153,982	72,502
Total	**159,498**	**78,781**

d. Other payables

	June 30, 2019	December 31, 2018
PT PLN (Persero)	41	6,044
Others	46,655	47,967
Total	**46,696**	**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 June 30, 2019 and June 30, 2018. Sales to related parties represent 19% and 18% of the total sales and other operating revenues for the respective periods/years. The details are as follows:

	June 30, 2019	June 30, 2018
Domestic sales of crude oil, natural gas, geothermal energy and oil products		
Government-related entities	2,011,849	2,215,336
Shareholder	663,062	-
Associates	288	930
Subsidy reimbursements from the Government		
Shareholder (Note 28)	2,508,327	2,615,501
Marketing fees		
Shareholder	6,429	10,157
Revenues from other operating activities		
- Government-related entities	78,389	64,993
Total	**5,268,344**	**4,906,917**

f. Cost of goods sold

Purchases from related parties for the years ended June 30, 2019 and June 30, 2018 represent 23% and 25% of the total cost of goods sold, recpectively. The details are as follows:

	June 30, 2019	June 30, 2018
Crude oil for shareholder	4,248,355	4,825,791
Oil products:		
Associates	-	169,901
Joint ventures	75,831	73,802
Total	**4,322,186**	**5,069,494**

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 is shown below:

	June 30, 2019	June 30, 2018
Salaries and other benefits	21,451	35,700

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
• Shareholder	The Government of the Republic of Indonesia
• Associates	Pacific Petroleum & Trading Co. Ltd. PT Trans-Pacific Petrochemical Indotama PT Donggi Senoro LNG PT Asuransi Samsung Tugu Seplat Petroleum Development Company Plc
• Joint ventures	PT Patra SK PT Perta Samtan Gas PT Perta Daya Gas PT Indo Thai Trading PT Elnusa CGGVeritas Seismic Unimar LLC PT Transportasi Gas Indonesia PT Permata Karya Jasa (Perkasa)
• Common key management	Koperasi Karyawan Pertamina Dana Pensiun Pertamina Pertamina Foundation Yayasan Kesehatan Pertamina
• Government-related entities	Indonesian Armed Forces/Police of the Republic of Indonesia Ministry of Finance PT Perusahaan Listrik Negara (Persero) PT Pupuk Indonesia (Persero) PT Krakatau Steel (Persero) Tbk. PT Garuda Indonesia (Persero) Tbk. PT Merpati Nusantara Airlines (Persero) PT Wijaya Karya (Persero) Tbk. PT PAL Indonesia (Persero) PT Bina Bangun Wibawa Mukti PT Rekayasa Industri PT Asuransi Jasa Indonesia (Persero) PT Sarana Multi Infrastruktur (Persero) BNI BNI Syariah BRI Bank Mandiri Bank Mandiri Syariah Indonesian Eximbank State-Owned Enterprises Local Government-Owned Enterprises
• Key Management Personnel	Board of Directors Other key management of the personnel
• 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 2u). 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.

	June 30, 2019					
	Upstream	**Downstream**	**Others*)**	**Total before elimination**	**Elimination**	**Total consolidated**
External sales	3,024,865	20,370,678	2,150,594	25,546,137	-	25,546,137
Inter-segment sales	2,935,285	499,987	109,227	3,544,499	(3,544,499)	-
Total segment revenues	5,960,150	20,870,665	2,259,821	29,090,636	(3,544,499)	25,546,137
Segment results	2,698,333	(849.693)	269.276	2.117.916	(70.038)	2,047,878
Gain/(Loss) on foreign exchange - net						64,591
Finance income						269,264
Finance costs						(478,452)
Share in net profit of associates and joint venture						55,124
Other expenses - net						(90,724)
						(180,197)
Profit before income tax						1,867,681
Income tax expense						(1,120,999)
Profit for the year						**746,682**
Profit for the year attributable to:						
Owners of the parent						659,958
Non-controlling interests						86,724
Other Information						
Segment assets	22,645,707	33,750,639	8,599,186	64,995,532	(2,952,823)	62,042,709
Long-term investments	1,375,950	16,453,173	348,644	18,177,767	(15,492,091)	2,685,676
Total assets	24,021,657	50,203,812	8,947,830	83,173,299	(18,444,914)	64,728,385
Total liabilities	8,798,744	24,383,628	4,837,101	38,019,473	(2,976,312)	35,043,161
Depreciation, depletion and amortization expense	973,559	351,769	269,799	1,595,127	-	1,595,127
Additions to fixed assets, oil & gas and geothermal properties	1,029,668	264,508	95,193	1,389,369	-	1,389,369

*) 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.

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

41. SEGMENT INFORMATION (continued)

	June 30, 2018					
	Upstream	**Downstream**	**Others*)**	**Total before elimination**	**Elimination**	**Total consolidated**
External sales	3,204,130	20,451,324	2,776,623	26,432,077	-	26,432,077
Inter-segment sales	2,344,481	86,713	170,824	2,602,018	(2,602,018)	-
Total segment revenues	5,548,611	20,538,037	2,947,447	29,034,095	(2,602,018)	26,432,077
Segment results	2,545,413	(931,065)	569,421	2,183,769	(145,776)	2,037,993
Gain on foreign exchange - net						(68,871)
Finance income						100,526
Finance costs						(405,428)
Share in net profit of associates and joint venture						102,178
Other expenses - net						(40)
						(271,635)
Profit before income tax						1,766,358
Income tax expense - net						(1,311,611)
Profit for the year after the effect of emerging entities income adjustment						**454,747**
Profit for the year attributable to:						
Owners of the parent						357,029
Non-controlling interests						97,718
Other Information						
Segment assets	24,620,521	34,579,297	6,655,756	65,855,574	(4,469,912)	61,385,662
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	49,549,777	6,838,914	82,481,923	(18,277,207)	64,204,716
Total liabilities	10,092,998	26,317,857	3,636,191	40,047,046	(5,023,824)	35,023,222
Additions to fixed assets, oil & gas and geothermal properties	3,110,810	1,135,644	287,056	4,533,510	-	4,533,510

*) 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:

	June 30, 2019	June 30, 2018
Revenue:		
Indonesia	23,938,859	24,841,172
Other countries	1,607,278	1,590,950
Consolidated revenues	**25,546,137**	**26,432,077**

Revenue from two customers of the downstream segment for the years ended June 30, 2019 and 2018 represented approximately 16% and 14% (US$4,076,482 and US$3,777,838) 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**

Crude oil

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.

Natural gas

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 Oil and Gas Contract which is equivalent to a PSC, was signed between Special Task Force For Upstream Oil and Gas Bussiness Activities ("SKK Migas" formerly Oil and Gas Upstream Activities Agency/"BP Migas") and PT Pertamina EP as a successor contract to Pertamina's Petroleum Contract (PPC).This is valid for a period of 30 years from September 17, 2005 until September 16, 2035, which may be extended in accordance with a written agreement between the parties (SKK Migas and PT Pertamina EP) and approval from the Government.

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 and natural gas price**

  Sales of Company's crude are valued with ICP. Transfer of natural gas are valued with decreed price in 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.

The recoverable costs and shares of equity (profit) of the other parties under the following cooperation agreements form part of PT Pertamina EP's cost recovery under its PSC.

Cooperation agreements with other parties are as follows:

i. Technical Assistant Contract ("TAC")

Under a TAC, operations are conducted through partnership arrangements with PT Pertamina EP. TACs are awarded for fields which are currently in production, or which had previously been in production, but the 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 accrues 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 annual limitations depending on the contract terms. The remaining portion of shareable production (shareable production less cost recovery) is split between PT Pertamina EP and the Partners. The Partners' share of equity (profit) oil and gas production is stipulated in each contract and ranges from 26.7857% to 35.7143% for oil and 62.5000% for gas.

As of June 30, 2019, there are 7 TAC arrangements of PT Pertamina EP for Sumatera, Java and Papua working area with contract term for 20 years. The effective term of those contracts range from 1999 until 2002 and the end term of those contracts range from 2018 until 2022.

At the end of the TACs, 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 TACs.

ii. Operation Cooperation Contract ("OC")

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 which have previously been in production, in which production has ceased, or for areas with no previous production. The two types of OC contracts are:
a. OC Production - Exploration contract
b. OC Production contract

Under an OC Production-Exploration contract, there is no Non-Shareable Oil. While for an OC Production contract, the crude oil production is divided into non-shareable and shareable portions.

The NSO portion of crude oil 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 contract fields and split between the parties in the same way as under a cooperation contract. 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 with the following provisions:

Partner may recover the operating costs in any Calendar Year if the amount of the Partner's production is greater than the Non-Sharable Oil up to a maximum of Incremental Oil that comprises of:

1) Cost recovery for lifting Non-Shareable Oil up to a maximum of 80% (eighty percent) from Operating Costs of Non-Shareable Oil.

2) Cost recovery for lifting incremental oil up to a maximum of 80% (eighty percent) from the production of Incremental Oil produced and sold and that were not used in that Calendar Year.

If, in any Calendar Year, the operating costs exceed the value of such crude oil allocated for the Operations in that Calendar Year, then the unrecovered excess will be recovered in the following years.

42. OIL AND GAS CONTRACT ARRANGEMENTS (continued)

c. PT Pertamina EP cooperation agreements with other parties (continued)

ii. Operation Cooperation Contract (“OC”) (continued)

The Partner’s share of equity (profit) oil and gas production as stipulated in each contract ranges from 16.6667% to 29.8039% for oil and 28.8627% to 53.5714% for gas, respectively.

Specified investment expenditure commitments are required to be made in the first three years after the signing of the OC contract. To ensure that these expenditure commitments are 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 June 30, 2019, there are 27 OC partnership arrangements 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 range from 2007 until 2017 and the end term of those contracts range from 2022 until 2035.

At the end of OC contracts, all OC assets are 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.

iii. Unitisation Agreement

In accordance with Government Regulation No. 35 Year 2004 on Upstream Oil and Gas Business Activities, a PSC contractor is required to conduct unitisation if it is proven that its reservoir extends into another contractor’s Working Area. The MoEMR will determine the operator for the unitisation based on the agreement between the contractors entering the unitisation after considering the opinion of SKK Migas.

As of June 30, 2019, there are 6 Unitisation arrangements of PT Pertamina EP for Sumatera, Java and Papua working area with contract term for 10-50 years. The effective term of those contracts range from 1985 until 2013 and the end term of those contracts range 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).

d. PHE’s cooperation agreement with other parties

- Gross split contract

On January 13, 2017, the regulation of the Minister of Energy and Mineral Resources 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 3 criteria:

1. Base Split
2. Variable Split
3. Progressive Split

(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)

- Gross split contract (continued)

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 Directorate General of State Assets ("DJKN") are to be used by the Gross Split PSC contractors based on lease scheme.
iv. Leases are levied on oil and gas assets used by the Gross Split PSC contractors and have the cost recovery, then the fair value is recalculated based on the Indonesian Appraisal Standard by the Public Appraiser, multiplied by the rental rate set by the DJKN.

As of June 30, 2019, the signed gross split PSC is 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	Raja/Pendopo Block	South Sumatera	06/07/2019**	21/11/1992	05/07/2039	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
Eni East Sepinggan Ltd.	East Sepinggan Block	East Sepinggan	20/7/2012***	-	20/07/2042	15%	Oil and gas	30 years
Petrogas (Basin) Ltd.	Kepala Burung Block	Papua	15/10/2020****	07/10/1996	15/10/2040	30%	Oil and gas	20 years
Petrogas (Island) Ltd.	Salawati Block	Papua	23/04/2020****	21/01/1993	23/04/2040	30%	Oil and gas	20 years
None	Maratua Block	Kal Utara & Kal Tim	18/02/2019	-	17/02/2049	100%	Oil and gas	30 years

* Gross Split PSC was signed on April 20, 2018
** Gross Split PSC signed on May 31, 2018
*** The PSC amendment to Gross Split PSC was signed on December 11, 2018
**** Gross Split PSC was signed on July 11, 2018

- 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 5% interest in the Tengah Block represents 10% of the 50% foreign contractor's share. The Company assigned these IP interests to PHE's subsidiaries on January 1, 2008.

As of June 30, there are 5 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% until 14.28%.

42. OIL AND GAS CONTRACT ARRANGEMENTS (continued)

d. PHE's cooperation agreement with other parties (continued)

- PSC interests acquired after the issuance of Law No.22 year 2001, related to Oil and Gas

1. Oil and gas

As of June 30,2018, 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 range from 1998 until 2016 and the end term of those contracts ranges from 2019 until 2046 with percentage of participation ranging from 15% until 100%.

2. Coal bed methane

As of June 30, 2019, there are 13 Coal Bed Methane ("CBM") partnership arrangements in exploration activities for Sumatera and Kalimantan working areas, with contract terms of 30 years. The effective terms of those contracts ranges from 2008 until 2012, and the end term of those contracts ranges from 2038 until 2042 with percentages of participation range from 27.5% until 100%.

3. Unconventional oil and gas

As of June 30, 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 until 2015, and the end term of those contracts ranges from 2043 until 2045 with percentages of participation interests range from 50% until 100%.

- 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 June 30, 2019, there are 4 JOB-PSC Partnership arrangements of PHE for Sumatera, Java, Kalimantan, Sulawesi, and Papua working area with contract terms of 30 years. The effective term of those contracts ranges from 1989 until 1998, and the end term of those contracts ranges from 2019 until 2028 with percentage of participation ranging from 37.5% until 50%.

- 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.

(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") (continued)

As of June 30, 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

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

- 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 Minister of Energy and Mineral Resources 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 June 30, 2019, there are 6 unitization agreements of PHE for Sumatera, Java, Kalimantan, and Papua working areas, with contract terms ranging 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

PSC "B" 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 "B" Working Area for 6 (six) months from October 4, 2018 or until PSC has just been signed, whichever occurs first, with the basic forms and provisions of PSC in accordance with the current "B" Working Area.

- Extension and termination of PHE cooperation contract (continued)

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.

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

42. OIL AND GAS CONTRACT ARRANGEMENTS (continued)

e. PT Pertamina EP Cepu (PEPC)'s cooperation agreements with other parties

On September 17, 2005, a Cooperation Contract ("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 PSC PEPC 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-West Java	17/09/2005	31/08/2009	16/09/2035	45%	Oil	30 years

- Unitisation agreements

As of June 30, 2019, the Subsidiaries' 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

f. PT Pertamina EP Cepu Alas Dara Kemuning (PEPCADK) 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. PT Pertamina Hulu Indonesia ("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.

As of June 30, 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
None	Mahakam Block	Onshore and Offshore East Kalimantan	01/01/2018	01/01/2018	31/12/2037	100%	Oil and gas	20 years

(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)

- Contract gross split

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

* Contract was signed on April 20, 2018.

- Unitisation agreements

On June 30, 2019, PHI’s has unitisation agreements as follows:

Parties	Operator	Field	Location	Signing date of contract	Start contract	Production	End contract	Contract period
PT Pertamina Hulu Mahakam (PHM) & Pertamina Hulu Sanga Sanga (PHSS)	PT Pertamina Hulu Sanga Sanga (PHSS)	Nilam & Badak	East Kalimantan (KKS Mahakam and KKS Sanga Sanga)	In Progress	08/08/2018	08/08/2018	31/12/2037	20 years
PT Pertamina Hulu Mahakam (PHM) & Pertamina Hulu Kalimantan Timur (PHKT)	PT Pertamina Hulu Mahakam (PHM)	Peciko	East Kalimantan (KKS Mahakam and KKS East Kalimantan)	In Progress	25/10/2018	25/10/2018	31/12/2037	20 years

h. PIEP’s directly and indirectly held foreign oil and gas PSC interests

As of June 30, 2019, the Company’s 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 Energy Inc	405a Block	Algeria	2000	2003	65%	Oil	25 years
Murphy Sabah Oil Co. Ltd.	Murphy Sabah Oil Co. Ltd. Petronas Carigali Sdn. Bhd.	Block K	Malaysia	27/01/1999	2007	24%	Oil and natural gas	38 years
Murphy Sabah Oil Co. Ltd.	Murphy Sabah Oil Co. Ltd. Petronas Carigali Sdn. Bhd.	Block H	Malaysia	19/03/2007	Development stage	24%	Natural gas	38 years
Murphy Sarawak Oil Co. Ltd.	Murphy Sarawak Oil Co. Ltd. Petronas Carigali Sdn. Bhd.	SK309	Malaysia	27/01/1999	2003	25.5%	Oil, natural gas, and condensate	29 years
Murphy Sarawak Oil Co. Ltd.	Murphy Sarawak Oil Co. Ltd. Petronas Carigali Sdn. Bhd.	SK311	Malaysia	27/01/1999	2007	25.5%	Oil, natural gas, and condensate	29 years
Murphy Sarawak Oil Co. Ltd.	Murphy Sarawak Oil Co. Ltd. Petronas Carigali Sdn. Bhd.	SK314A	Malaysia	07/05/2013	Exploration stage	25.5%	-	27 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)

Mnazi Bay Exploration Mnazi Bay Development/ Production	M&P (Operator); TPDC	Mnazi Bay	Tanzania	October 2006	August 2015	60.075% & 48.06%	Gas	2031 and can be extended up to 2051
Enzanga Production	M&P (Operator); The Gabonese Republic; Tullow	Ezanga	Gabon	January 1, 2014	2007	80%	Oil	2034 and can be extended up to 2054
Seplat Petroleum Development Company Plc	Seplat (Operator); NPDC	OML 4, 38, 41	Nigeria	June 30, 1989	July 2010	45%	Oil and gas	October 2038
	Pillar Oil (Operator); Seplat	OPL 283	Nigeria	2009	May 2012	40%	Oil	Oktober 2028
	Seplat dan NNPC (Joint Operators)	OML 53	Nigeria	1997	1978	40%	Oil	June 2027
	Seplat and BelemaOil (Joint Operators); NNPC	OML 55	Nigeria	1997	February 2017	n/a*)	Oil	June 2027
Petroregional del Lago Mixed Company	Petroleos de Venezuela S.A. & PDVSA Social	Urdaneta West Field	Venezuela	2006	1974	40%	Oil	2026

*) Under the revised commercial terms in relation to OML 55, starting July 2016, Seplat will no longer be a shareholder in BelemaOil but will instead receive interest income until a total sum of US$330 million has been paid to Seplat. Working interest production reported for OML 55 is preceding volumes to end June 2016.

h. PIEP's directly and indirectly held foreign oil and gas PSC interests

- Technical service contract ("TSC")

As of June 30, 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 1 Field Operating Division	ExxonMobil Iraq Limited, Shell Iraq B.V. PetroChina International Iraq FZE, Oil Exploration Company of Iraqi Ministry of Oil	West Qurna 1 Block	Iraq	25/01/2010	25/01/2010	10%	Oil	35 years

- Unitisation agreements

As of June 30, 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, Company	405a Block	Algeria	March 2007	2013	16.90%	Oil, Condensate, and LPG	25 years
Ourhoud	Talisman (Algeria) B.V., . Sonatrach, Anadarko, Eni, Maersk, Company	405a Block	Algeria	December 1997	2002	3.56%	Oil	25 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)

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, Carigali Murphy, PMEP	Shell	Gumusut Kakap Field	3.2%	20/09/2004	18/11/2012	Oil and natural gas	Not specified
Shell, Conoco Phillips, Carigali, Murphy, PMEP	Murphy	Siakap North Petai Field	9.6%	01/01/2007	28/02/2014	Oil and natural gas	Not specified

i. PGN Cooperation Agreement

As of June 30, 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%

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.

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

43. GEOTHERMAL WORKING AREAS (continued)

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 ESDM Ministerial 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.

As of June 30, 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 dan 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 June 30, 2018, 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.
Pangalengan	Wayang Windu, West Java	Production	Star Energy Geothermal (Wayang Windu) Ltd.
Kamojang-Darajat	Darajat, West Java	Production	Star Energy Geothermal Darajat II Ltd.
Gunung Sibualbuali	Sarulla, North Sumatera	Production	Sarulla Operation Limited
Tabanan	Bedugul, Bali	Exploration	Bali Energy Ltd.

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

43. GEOTHERMAL WORKING AREAS (continued)

b. Joint operating contracts ("JOCs") (continued)

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.

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 FLOW

a. Activities that do not affect cash flow

	June 30, 2019	December 31, 2018
Increase/(Decrease) in finance lease assets under fixed assets (Note 12)	(28,049)	19,828
Capitalization of borrowing costs to fixed assets (Note 12)	5,241	31,500
Capitalization of borrowing costs to oil and gas and geothermal properties (Note 13)	13,125	24,885
Addition to oil and gas property arising from provision for decommissioning and site restoration (Note 22)	41,123	87,035

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

45. ADDITIONAL INFORMATION RELATED TO CASH FLOW (continued)

b. Reconciliation of liabilities from financing activities

	Des 31, 2018	Cash Flow	Non Cash Changes			June 30, 2019
			Dividend declare	Foreign exchange	Others	
Short term loans	4,347,035	(1,367,263)	-	209,630	-	3,189,402
Dividend payable	-	(176,791)	552,659	-	-	375,868
Long term liabilities	2,225,877	(8,725)	-	(29,336)	(143,115)	2,055,331
Bonds Payable	11,094,096	-	-	-	19,214	11,113,310
Total liabilities from financing activities	**17,667,008**	**(1,542,149)**	**552,659**	**180,294**	**(123,901)**	**16,733,911**

	Dec 31, 2017	Cash Flow	Non Cash Changes			Dec 31, 2018
			Dividend declare	Foreign exchange	Others	
Short term loans	452,879	3,891,271	-	2,885	-	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	Avalable for sale	Loan and receivable	Held to maturity	Total
June 30, 2019 (unaudited)					
Cash and cash equivalents	-	-	7,385,545	-	7,385,545
Restricted cash	-	-	146,084	-	146,084
Short-term investments	19,328	297,353	1,219	-	317,900
Other investments - net	-	85,089	-	-	85,089
Long-term investments	-	16,070	1,534	541,600	559,204
Trade receivables	-	-	3,870,493	-	3,870,493
Due from the Government	-	-	5,126,961	-	5,126,961
Other receivables	-	-	1,026,218	-	1,026,218
Other non-current assets	-	-	1,224,740	-	1,224,740
Total Financial Assets	**19,328**	**398,512**	**18,782,794**	**541,600**	**19,742,234**
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
Other investments - net	-	80,171	-	-	80,171
Long-term investments	-	15,991	1,530	532,370	549,891
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 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	
	June 30, 2019	**December 31, 2018**
Short-term loans	(3,189,402)	(4,347,035)
Trade payables	(3,879,931)	(3,676,558)
Due to the Government	(2,653,476)	(2,002,825)
Accrued expenses	(1,813,859)	(1,902,515)
Long-term liabilities	(2,055,331)	(2,225,877)
Other payables	(375,849)	(407,196)
Bonds payables	(11,113,310)	(11,094,096)
Other non-current payables	(106,643)	(149,428)
Total financial liabilities	**(25,187,801)**	**(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 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)

Subsidiaries

The fair value of these financial liabilities is estimated using appropriate valuation techniques with inputs that are not based on observable market data.

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	
June 30, 2019						
Financial Asset						
- Trade receivable	3,933,671	(63,178)	3,870,493	-	-	3,870,493
Financial lliabilities						
- Trade payable	3,943,109	(63,178)	3,879,931	-	-	3,879,931
December 31, 2018						
Financial Asset						
- Trade receivable	3,327,292	(96,186)	3,231,106	-	-	3,231,106
Financial lliabilities						
- Trade payable	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.

47. RISK MANAGEMENT POLICY (continued)

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

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

47. RISK MANAGEMENT POLICY (continued)

b. Financial risk (continued)

i. Market risk (continued)

receivables, due from the Government, trade payables, short-term loans, due to the Government and long-term liabilities.

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
June 30, 2019				
IDR (3% movement)	377,794	372,983	(355,787)	(351,256)
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 flow 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:

	June 30, 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	5,154,006	-	2,221,121	-	10,418	7,385,545
Restricted cash	64,552	-	81,532	-	-	146,084
Short-term investments	-	-	123,835	-	194,065	317,900
Trade receivables	-	-	-	-	3,870,493	3,870,493
Due from the Government	-	-	-	3,113,620	2,013,341	5,126,961
Other receivables	-	-	-	-	1,026,218	1,026,218
Other investments	-	-	-	-	85,089	85,089
Long-term investments	-	391,307	-	13,073	154,824	559,204
Other non-current assets	-	-	-	-	1,224,740	1,224,740
Total financial assets	**5,218,558**	**391,307**	**2,426,488**	**3,126,693**	**8,579,188**	**19,742,234**
Liabilities						
Short-term loans	(3,189,402)	-	-	-	-	(3,189,402)
Trade payables	-	-	-	-	(3,879,931)	(3,879,931)
Due to the Government	-	-	(21,271)	(816,453)	(1,815,752)	(2,653,476)
Accrued expenses	-	-	-	-	(1,813,859)	(1,813,859)
Other payables	-	-	-	-	(375,849)	(375,849)
Long-term liabilities	(376,077)	(1,548,907)	(50,689)	(79,658)	-	(2,055,331)
Bonds payable	-	-	-	(11,113,310)	-	(11,113,310)
Other non-current payables	-	(26,211)	-	-	(80,432)	(106,643)
Total financial liabilities	**(3,565,479)**	**(1,575,118)**	**(71,960)**	**(12,009,421)**	**(7,965,823)**	**(25,187,801)**

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

47. RISK MANAGEMENT POLICY (continued)

b. Financial risk (continued)

i. Market risk (continued)

(iii) Cash flow 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)
Other payables	-	-	-	-	(407,196)	(407,196)
Long-term liabilities	(361,855)	(1,703,996)	(58,722)	(101,304)	-	(2,225,877)
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 20 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:	+30 bp increase	-30 bp decrease
Income before tax	751	(751)
Cash flows sensitivity - net	**751**	**(751)**

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)

a. 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:

	June 30, 2019	December 31, 2018
Cash and cash equivalents		
Rated		
Rating AAA	6,074,040	7,285,583
Rating AA+	626,381	1,139,349
Rating AA	50,763	50,028
Rating AA-	1,891	3,528
Rating A+	-	1,381
Rating A	3,941	20,380
Rating A-	20,172	21,472
Not rated	608,357	590,591
Total	**7,385,545**	**9,112,312**

Financial assets neither past due nor impaired (continued)

	June 30, 2019	December 31, 2018
Restricted cash		
Rated		
Rating AAA	140,849	104,230
Rating A-	462	462
Not rated	4,773	4,223
Total	**146,084**	**108,915**
Short-term investments		
Rated		
Rating AAA	53,981	25,332
Rating AA+	6,773	1,027
Rating AA	4,215	4,109
Rating AA-	3,205	3,129
Rating A	5,625	5,357
Rating A-	2,355	2,330
Rating BBB	3,887	3,887
Rating BBB-	-	41,948
Not rated	237,859	138,080
Total	**317,900**	**225,199**

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

47. RISK MANAGEMENT POLICY (continued)

a. Financial risk (continued)

ii. Credit risk (continued)

(i) Third parties and related parties (contined)

Long-term investments		
Rated		
Rating AAA	536	2,597
Rating AA	5,991	5,897
Rating BBB-	4,950	4,950
Not rated	11,588	552
Total	**23,065**	**13,996**

Financial assets neither past due nor impaired (continued)

	June 30, 2019	December 31, 2018
Trade receivables		
Third parties		
> US$10,000 - Good credit history	1,665,832	1,335,703
< US$10,000	651	362
Related parties	934,926	675,922
Total	**2,601,409**	**2,011,987**
Other receivables		
Third parties		
> US$10,000 – good credit history	812,220	661,979
< US$10,000	43	31
Related parties	137,026	148,777
Total	**949,289**	**810,787**
Other assets		
Third parties	112,074	80,287
Related parties	31,863	54,228
Total	**143,937**	**134,515**

Financial assets that are past due but not impaired

	June 30, 2019	December 31, 2018
Trade receivables		
- Less than 3 months	261,952	431,868
- 3 - 6 months	168,311	61,194
- 6 - 12 months	31,480	21,138
- 12 - 24 months	22,798	11,040
- > 24 months	18,249	11,561
Total	**502,790**	**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 neither past due nor impaired (continued)

	June 30, 2019	December 31, 2018
Other receivables		
Third parties		
- Less than 3 months	54,246	42,912
- 3 - 6 months	2,702	1,699
- 6 - 12 months	2,078	872
- 12 - 24 months	2,574	10,674
- > 24 months	394	5,476
Sub-total	61,994	61,633
Related parties		
- Less than 3 months	3,388	9
- 3-6 months	8	7
- 6 - 12 months	-	49
- 12 - 24 months	21	15
- > 24 months	77	24
Sub-total	3,494	104
Total	**65,488**	**61,737**

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 accounts receivables from these customers have also been secured with collateral/bank guarantee.

(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

	June 30, 2019	December 31, 2018
Trade receivables		
- Current	334,131	453,510
- Less than 3 months	111,530	182,954
- 3 - 6 months	148,289	70,803
- 6 - 12 months	189,215	10,541
- 12 - 24 months	71,045	45,159
- > 24 months	148,268	180,082
	1,002,478	943,049
Impairment	(236,186)	(260,731)
Net	**766,292**	**682,318**
Other receivables		
Related parties		
- Less than 3 months	105	-
- 3 - 6 months	-	-
- 6 - 12 months	3	297
- 12 - 24 months	30	-
- > 24 months	1,375	1,426
	1,513	1,723
Third parties		
- Less than 3 months	3,525	6,169
- 3 - 6 months	67	673
- 6 - 12 months	576	975
- 12 - 24 months	3,995	8,362
- > 24 months	19,921	12,631
	28,084	28,810
	29,597	30,533
Impairment	(19,612)	(19,567)
Net	**9,985**	**10,966**

(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)

	June 30, 2019	December 31, 2018
Other assets		
Related parties		
- > 24 months	18,610	18,190
Third parties		
- 0-12 months	3,546	9,165
- 12-24 months	-	-
	22,156	27,355
Impairment	(22,156)	(27,355)
Net	**-**	**-**

Trade receivables

Trade trade receivables from third parties and related parties as of June 30, 2019 and December 31, 2018 amounting to US$29,597 and US$30,533 has been impaired amounting to US$19,612 and US$19,567, with the largest trade receivables from Government institutions and MoSOE, which is TNI/Kemhan amounting to US$321,363.

Other receivables

Other receivables from third parties and related parties as of June 30, 2019 and December 31, 2018 amounting to US$29,97 and US$30,533 have been impaired by US$19,612 and US$19,567.

(ii) Government

Financial assets neither past due nor impaired

	June 30, 2019	December 31, 2018
The Company		
Receivables from recognition of Price difference income	3,113,620	2,924,148
Receivable from subsidy reimbursements for 3 kg LPG cylinders	949,337	1,147,538
Receivable from subsidy reimbursements for certain fuel (BBM) pruducts	502,013	175,556
Receivables from kerosene subsidies Reimbursement	17,232	16,828
Receivables from marketing fees	82,495	72,489
Receivables from kerosene conversion	10,845	10,628

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

47. RISK MANAGEMENT POLICY (continued)

b. Financial risk (continued)

(ii) Government (continued)

	June 30, 2019	December 31, 2018
Sub-total	4,675,542	4,347,185

(ii) Government (continued)

	June 30, 2019	December 31, 2018
Subsidiaries:		
PEP		
- DMO fees	129,397	106,398
- Underlifting	33,109	18,942
PHE		
- DMO fees	16,453	15,414
- Underlifting	25,320	25,730
PEPC		
- Underlifting	220,572	224,904
PHI		
- DMO fees	26,568	18,780
- Underlifting	-	1,056
Sub-total	451,419	411,224
Total	**5,126,962**	**4,758,409**
Financial assets that are impaired		
The Company:		
Provision for impairment	-	-
Total consolidated	**5,126,962**	**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 June 30, 2019, and December 31, 2018 the Group has cash and cash equivalents in the amount of US$7,385,545 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 flow on contractual undiscounted payments:

	Less than 1 year	**Later than 1 year but not later than 5 years**	**Later than 5 years**	**Total**
June 30, 2019				
Financial liabilities				
Short-term loans	3,189,402	-	-	3,189,402
Trade payables	3,879,931	-	-	3,879,931
Due to the Government	1,866,313	315,318	638,541	2,820,172
Accrued expenses	1,813,859	-	-	1,813,859
Other payables	1,274,500	-	-	1,274,500
Long-term liabilities	448,777	1,384,180	329,049	2,162,006
Bonds payable	611,409	5,888,039	14,088,112	20,587,560
Other non-current payables	-	80,993	39,600	120,593
Total financial liabilities	**13,084,191**	**7,668,530**	**15,095,302**	**35,848,023**
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
Other payables	1,257,437	-	-	1,257,437
Long-term liabilities	456,506	1,530,224	343,001	2,329,731
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**	**36,282,799**

(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 June 30, 2019 and December 31, 2018 were 5.35%, and 5.17%.

The Group's debt to equity ratio at the reporting date is as follows:

	June 30, 2019	December 31, 2018
Total liabilities (interest bearing)	17,187,134	18,487,337
Total equity attributable to owners of the parent	27,298,278	27,598,721
Debt-to-equity ratio	62.96%	66.99%
Total own capital to total assets ratio*	41.58%	40.31%
Return-on-equity ratio*	2.48%	10.08%

* 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 June 30, 2019:

	Level 1	Level 2	Level 3	Total
Financial assets				
Short-term investments	263,021	54,176	703	317,900
Other investments – net	-	-	85,089	85,089
Total financial assets	**263,021**	**54,176**	**85,792**	**402,989**

As of June 30, 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 June 30, 2019 and December 31, 2018:

	Carrying amount		Fair value	
	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
Long-term liabilities (Note 20)	2,055,331	2,225,877	2,121,854	2,329,464
Bonds payable (Note 21)	11,113,310	11,094,096	12,245,926	11,101,427
Total financial assets	**13,168,641**	**13,319,973**	**14,367,780**	**13,430,891**

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.

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

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$1,500 in 30 days after cumulative production of oil and gas reaches 1,500 MMBOE from the effective date of the Cooperation Contract.
PT Pertamina EP's cumulative production of oil and gas up to June 30, 2019 has not yet reached 1,500 MMBOE.

On June 30, 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$239,300.

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 June 30, 2019, the Group’s unrealized total outstanding capital expenditure commitments amounting to US$3,069,941.

c. Operating lease commitments - Group as lessee

Non-cancellable operating lease payments are as follows:

	June 30, 2019	**December 31, 2018**
Less than one year	502,760	493,867
Between one to five years	536,009	559,313
More than five years	44,875	33,284
Total	**1,083,644**	**1,086,464**

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 June 30, 2019 and December 31, 2018, operating lease expense was US$391,446 and US$311,674 respictevely.

48. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

d. Gas sale and purchase agreement

As of June 30, 2019, the Company, through PHE, has various significant gas supply agreements with various customers, with gas value of each contract between 0.8 TBTU to 1,418 TBTU. The expiration of these agreements ranges from 2019 until 2031.

As of June 30, 2019, the Company, through PHI, has significant gas sale and purchase agreement contracts with gas volumes of 0.8 TBTU up to 183.13 TBTU. These contracts will expire in 2018 to 2022.

As of June 30, 2019, the Company, through PGN has 39 Gas Sales and Purchase Agreements ("GSA") with working areas in Sumatra, Java and Kalimantan with contract periods of 10 - 30 years. The effective year of the agreement ranges from 1999 to 2019 and the year ends of the agreement ranges from 2019 to 2037.

Based on Indonesian Presidential Regulation No. 40 year 2016 on Natural Gas Pricing and Regulation of the Minister of Energy and Mineral Resources of the Republic of Indonesia No. 40 year 2016 on Natural Gas Price for Specific Industries, the Company amended contract gas prices decline in gas sales agreements with the particular industry effective 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, with minimum purchase quantity per annum of each contract of between 0.1 million MT to 1.5 million MT, with purchase prices llinked to the related market prices at the time of delivery of LNG. The term of those contract ranges from 2018 until 2044.

f. Transfer agreement of 10% participating interest ("PI") in the ONWJ Block PSC

On December 19, 2017, PT PHE ONWJ and MUJ ONWJ signed a 10% PI transfer agreement at Blok ONWJ PSC from PHE ONWJ to MUJ ONWJ. The agreement is effective on the date of receipt of approval from the Minister of Energy and Mineral Resources or on the date stipulated by the Minister of Energy and Mineral Resources in his approval letter.

On May 17, 2018, the approval 10% of PI transfer in the ONWJ working area has been approved by the Minister of Energy and Mineral Resources through a Letter from the Minister of Energy and Mineral Resources 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 Minister of Energy and Mineral Resources 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 KKS Contractor to the old KKS Contractor with a value of US$43,292.

48. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

g. Legal case

i. PT Golden Spike Energy Indonesia ("GSEI") lawsuit

PT Golden Spike Energy Indonesia ("GSEI") and PT Pertamina Hulu Energi Raja Tempirai ("PHE RT") are holders of 50% participating interests each in the Raja Block PSC.

On April 5, 2013, GSEI submitted a civil lawsuit against PHE RT in the Central Jakarta District Court on the basis that operations conducted during the exploration period were GSEI's Sole Risk Operations and therefore only GSEI was entitled to receive compensation.

The court, objection, cessation and arbitration processes have been finalized. On February 17, 2017, the ICC Arbitration has issued the third and final award which decided the case in favor of PHE RT.

Such ICC's third and final award has been registered and received by the Central Jakarta District Court based on the Deed No. 02/Pdt/Arb-Int/2017/PN.Jkt.Pst dated June 14, 2017.

Furthermore, to execute the Third and Final Award above, PHE RT has submitted an executive application to the Central Jakarta District Court on December 13, 2017 and has been responded in 2018.

As of the date of these consolidated financial statements, PHE RT is in the process of 'aanmaning' to the Central Jakarta District Court.

ii. PT Bakrie 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 delay 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 the BPKP to perform due diligence to obtain the fair market value of the costs incurred by Bakrie for such project from commencement date of through the date when the project development ceased. Based on the BPKP's report issued

48. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

g. Legal case (continued)

ii. PT Bakrie Harper Corporation lawsuit (continued)

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.

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.

h. Onerous contract

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 2017 and 2018 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, 2018 and 2017.

i. Reimbursement of investment costs for previous KBH contractors

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 incurred by the previous PSC contractor that had not been recovered at the time the PSC ended. 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 replaced by Pertamina Hulu Sanga-Sanga (PHSS to the Sanga-Sanga PSC contractor was previously US $ 111.9 million. PHSS disagreed with this amount and is in the process of getting assistance from the relevant agencies to verify the amount to be paid.On 30 June 2019, the total investment costs to be reimbursed to the Sanga-Sanga PSC contractor had not been recognized previously.